

Condensed Consolidated Balance Sheets
(U.S. Dollars in thousands)

	December 31, 2008	September 30, 2009
	(Audited)	(Unaudited)
Current assets		
Cash and cash equivalents	28,065	26,130
Available-for-sale marketable securities and deposits	60,731	39,954
Trade receivables, net	13,348	15,734
Other receivables and prepaid expenses	2,046	2,259
Inventories	6,712	9,330
	<u>110,902</u>	<u>93,407</u>
Long-term investments		
Available-for-sale marketable securities and deposits	45,112	54,068
Severance pay funds	1,995	2,416
	<u>47,107</u>	<u>56,484</u>
 Property and equipment, net	 <u>11,693</u>	 <u>11,911</u>
Other assets		
Goodwill and other intangible assets	<u>15,762</u>	<u>41,692</u>
 Total assets	 <u><u>185,464</u></u>	 <u><u>203,494</u></u>
 Current liabilities		
Trade payables	4,646	5,726
Deferred revenues, other payables and accrued expenses	23,964	36,170
	<u>28,610</u>	<u>41,896</u>
 Long-term liabilities	 <u>8,792</u>	 <u>16,001</u>
 Shareholders' equity		
Share capital	465	464
Additional paid-in capital	185,985	189,972
Accumulated other comprehensive income (loss)	(873)	716
Treasury stock, at cost	(17,619)	(18,036)
Accumulated deficit	(19,896)	(27,519)
Total shareholders' equity	<u>148,062</u>	<u>145,597</u>
 Total liabilities and shareholders' equity	 <u><u>185,464</u></u>	 <u><u>203,494</u></u>

Condensed Consolidated Statements of Operations
(U.S. Dollars in thousands, except share and per share data)

	<u>For the Three months ended</u> <u>September 30,</u>		<u>For the Nine months ended</u> <u>September 30,</u>	
	<u>2008</u> (Unaudited)	<u>2009</u> (Unaudited)	<u>2008</u> (Unaudited)	<u>2009</u> (Unaudited)
Revenues	23,507	29,212	69,693	76,786
Cost of revenues	<u>4,864</u>	<u>5,999</u>	<u>14,402</u>	<u>15,767</u>
Gross profit	<u>18,643</u>	<u>23,213</u>	<u>55,291</u>	<u>61,019</u>
Operating expenses:				
Research and development	7,057	6,705	21,616	19,329
Selling and marketing	15,790	14,327	49,977	40,823
General and administrative	<u>4,743</u>	<u>2,506</u>	<u>9,738</u>	<u>9,378</u>
Total operating expenses	<u>27,590</u>	<u>23,538</u>	<u>81,331</u>	<u>69,530</u>
Operating loss	(8,947)	(325)	(26,040)	(8,511)
Financial income, net	<u>869</u>	<u>682</u>	<u>3,093</u>	<u>1,481</u>
Income (loss) before income taxes	(8,078)	357	(22,947)	(7,030)
Income taxes	<u>(410)</u>	<u>(206)</u>	<u>(943)</u>	<u>(593)</u>
Net income (loss)	<u>(8,488)</u>	<u>151</u>	<u>(23,890)</u>	<u>(7,623)</u>
Basic net income (loss) per share	<u>\$ (0.44)</u>	<u>\$ 0.01</u>	<u>\$ (1.22)</u>	<u>\$ (0.40)</u>
Weighted average number of shares used to compute basic net income (loss) per share	19,340,656	18,860,021	19,613,556	18,878,697
Diluted net income (loss) per share	<u>\$ (0.44)</u>	<u>\$ 0.01</u>	<u>\$ (1.22)</u>	<u>\$ (0.40)</u>
Weighted average number of shares used to compute diluted net income (loss) per share	19,340,656	19,036,249	19,613,556	18,878,697

Reconciliation of Supplemental Financial Information
(U.S. Dollars in thousands, except share and per share data)

	<u>For the Three months ended</u> <u>September 30,</u>		<u>For the Nine months ended</u> <u>September 30,</u>	
	<u>2008</u> (Unaudited)	<u>2009</u> (Unaudited)	<u>2008</u> (Unaudited)	<u>2009</u> (Unaudited)
GAAP net income (loss)	<u>(8,488)</u>	<u>151</u>	<u>(23,890)</u>	<u>(7,623)</u>
Stock-based compensation expenses, included in:				
Cost of revenues	24	13	77	55
Research and development	361	176	1,157	791
Selling and marketing	560	314	1,798	1,323
General and administrative	<u>730</u>	<u>579</u>	<u>2,234</u>	<u>1,591</u>
	<u>1,675</u>	<u>1,082</u>	<u>5,266</u>	<u>3,760</u>
Amortization of intangible assets included in:				
Cost of revenues	189	427	564	948
Selling and marketing	39	630	117	1,299
Income taxes	<u>40</u>	<u>-</u>	<u>122</u>	<u>-</u>
	<u>268</u>	<u>1,057</u>	<u>803</u>	<u>2,247</u>
Non recurring retention expenses	<u>2,231</u>	<u>-</u>	<u>2,231</u>	<u>-</u>
Acquisition related expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,485</u>
Non-GAAP net income (loss)	<u>(4,314)</u>	<u>2,290</u>	<u>(15,590)</u>	<u>869</u>
Non-GAAP diluted net income (loss) per share	<u>\$ (0.22)</u>	<u>\$ 0.12</u>	<u>\$ (0.79)</u>	<u>\$ 0.05</u>
Weighted average number of shares used to compute Non-GAAP diluted net income (loss) per share	19,340,656	19,036,249	19,613,556	18,963,382