

**Condensed Consolidated Balance Sheets**  
(U.S. Dollars in Thousands)

	<b>December 31, 2007</b>	<b>March 31, 2008</b>
	(Audited)	(Unaudited)
<b>Current assets</b>		
Cash and cash equivalents	61,376	72,160
Short-term marketable securities	80,498	40,256
Trade receivables, net	17,192	11,967
Other receivables and prepaid expenses	3,195	4,390
Inventories	5,428	5,956
	<u>167,689</u>	<u>134,729</u>
<b>Long-term investments</b>		
Long-term bank deposit	10,236	10,069
Long-term marketable securities	2,735	33,191
Severance pay funds	3,940	4,464
	<u>16,911</u>	<u>47,724</u>
Property and equipment, net	<u>12,217</u>	<u>12,763</u>
<b>Other assets</b>		
Intangible assets, net, long-term deferred taxes and other long-term assets	5,776	5,640
Goodwill	13,474	13,474
	<u>19,250</u>	<u>19,114</u>
Total assets	<u><u>216,067</u></u>	<u><u>214,330</u></u>
<b>Current liabilities</b>		
Trade payables	7,537	6,120
Deferred revenues, other payables and accrued expenses	26,438	30,801
	<u>33,975</u>	<u>36,921</u>
Accrued severance pay	<u>5,379</u>	<u>6,008</u>
Total liabilities	<u>39,354</u>	<u>42,929</u>
<b>Shareholders' equity</b>		
Share capital	482	488
Additional paid-in capital	176,004	179,654
Accumulated other comprehensive income (loss)	150	(488)
Treasury stock, at cost	(11,049)	(11,049)
Retained earnings	11,126	2,796
Total shareholders' equity	<u>176,713</u>	<u>171,401</u>
Total liabilities and shareholders' equity	<u><u>216,067</u></u>	<u><u>214,330</u></u>

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

	<u><b>For the Three months ended March 31, 2007</b></u> (Unaudited)	<u><b>For the Three months ended March 31, 2008</b></u> (Unaudited)
Revenues	19,719	22,165
Cost of revenues	<u>5,087</u>	<u>4,596</u>
Gross profit	<u>14,632</u>	<u>17,569</u>
Operating expenses:		
Research and development, net	5,207	7,298
Sales and marketing	13,026	17,260
General and administrative	<u>1,756</u>	<u>2,417</u>
Total operating expenses	<u>19,989</u>	<u>26,975</u>
Operating loss	(5,357)	(9,406)
Financial income, net	<u>1,763</u>	<u>1,303</u>
Income (loss) before income taxes	(3,594)	(8,103)
Income taxes	<u>23</u>	<u>(227)</u>
Net income (loss)	<u>(3,571)</u>	<u>(8,330)</u>
Basic net earnings (loss) per share	<u><b>\$ (0.18)</b></u>	<u><b>\$ (0.42)</b></u>
Weighted average number of shares used to compute basic net earnings (loss) per share	19,424,479	19,701,258
Diluted net earnings (loss) per share	<u><b>\$ (0.18)</b></u>	<u><b>\$ (0.42)</b></u>
Weighted average number of shares used to compute diluted net earnings (loss) per share	19,424,479	19,701,258

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

	<u><b>For the Three months ended March 31, 2007</b></u>	<u><b>For the Three months ended March 31, 2008</b></u>
GAAP Net income (loss)	<u>(3,571)</u>	<u>(8,330)</u>
Stock-based compensation expenses, included in:		
Cost of revenues	18	29
Research and development, net	217	409
Sales and marketing	318	638
General and administrative	381	668
Income taxes	-	-
	<u>934</u>	<u>1,744</u>
Amortization of intangible assets and acquisition related expenses, included in:		
Cost of revenues	74	188
Research and development, net	79	-
Sales and marketing	39	39
General and administrative	-	-
Income taxes	<u>24</u>	<u>41</u>
	<u>216</u>	<u>268</u>
One-time inventory write-off	<u>1,200</u>	-
Non-GAAP Net income (loss)	<u>(1,221)</u>	<u>(6,318)</u>
Non-GAAP Diluted net earnings (loss) per share	<u><b>\$ (0.06)</b></u>	<u><b>\$ (0.32)</b></u>
Weighted average number of shares used to compute Non-GAAP Diluted net earnings (loss) per share	19,424,479	19,701,258