

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

	<u>For the Three months ended September 30, 2006 (Unaudited)</u>	<u>For the Three months ended September 30, 2007 (Unaudited)</u>	<u>For the Nine months ended September 30, 2006 (Unaudited)</u>	<u>For the Nine months ended September 30, 2007 (Unaudited)</u>
Revenues	20,213	23,018	60,317	64,201
Cost of revenues	<u>3,925</u>	<u>4,658</u>	<u>11,666</u>	<u>14,068</u>
Gross profit	<u>16,288</u>	<u>18,360</u>	<u>48,651</u>	<u>50,133</u>
Operating expenses:				
Research and development, net	4,598	5,988	12,698	17,173
Sales and marketing	12,803	14,931	37,809	42,853
General and administrative	<u>1,627</u>	<u>1,646</u>	<u>4,633</u>	<u>5,226</u>
Total operating expenses	<u>19,028</u>	<u>22,565</u>	<u>55,140</u>	<u>65,252</u>
Operating loss	(2,740)	(4,205)	(6,489)	(15,119)
Financial income, net	<u>1,938</u>	<u>1,725</u>	<u>5,353</u>	<u>5,124</u>
Loss before income taxes	(802)	(2,480)	(1,136)	(9,995)
Income taxes	<u>(294)</u>	<u>(168)</u>	<u>(254)</u>	<u>(237)</u>
Net loss	<u><u>(1,096)</u></u>	<u><u>(2,648)</u></u>	<u><u>(1,390)</u></u>	<u><u>(10,232)</u></u>
Basic net loss per share	<u><u>\$ (0.06)</u></u>	<u><u>\$ (0.14)</u></u>	<u><u>\$ (0.07)</u></u>	<u><u>\$ (0.53)</u></u>
Weighted average number of shares used to compute basic loss per share	19,359,051	19,489,910	19,344,895	19,458,408
Diluted net loss per share	<u><u>\$ (0.06)</u></u>	<u><u>\$ (0.14)</u></u>	<u><u>\$ (0.07)</u></u>	<u><u>\$ (0.53)</u></u>
Weighted average number of shares used to compute diluted net loss per share	19,359,051	19,489,910	19,344,895	19,458,408

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

	<u>For the Three months ended September 30, 2006</u>	<u>For the Three months ended September 30, 2007</u>	<u>For the Nine months ended September 30, 2006</u>	<u>For the Nine months ended September 30, 2007</u>
GAAP Net loss	(1,096)	(2,648)	(1,390)	(10,232)
Stock-based compensation expenses, included in:				
Cost of revenues	24	21	61	61
Research and development, net	374	341	914	905
Sales and marketing	764	543	2,217	1,420
General and administrative	258	163	487	947
Income taxes	233	-	-	-
	<u>1,653</u>	<u>1,068</u>	<u>3,679</u>	<u>3,333</u>
Amortization of intangible assets and acquisition related expenses, included in:				
Cost of revenues	74	180	222	403
Research and development, net	21	79	63	237
Sales and marketing	39	62	117	140
General and administrative	-	4	-	8
Income taxes	16	41	48	95
	<u>150</u>	<u>366</u>	<u>450</u>	<u>883</u>
One-time inventory write-off	-	-	-	1,200
Non-GAAP net income (loss)	<u>707</u>	<u>(1,214)</u>	<u>2,739</u>	<u>(4,816)</u>
Non-GAAP diluted net earnings (loss) per share	<u>\$ 0.04</u>	<u>\$ (0.06)</u>	<u>\$ 0.14</u>	<u>\$ (0.25)</u>
Weighted average number of shares used to compute Non-GAAP diluted net earnings (loss) per share	19,594,886	19,489,910	19,901,291	19,458,408

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

	December 31, 2006	September 30, 2007
	(Audited)	(Unaudited)
Current assets		
Cash and cash equivalents	25,324	73,680
Short-term marketable securities	115,051	67,507
Trade receivables, net	17,453	17,169
Other receivables and prepaid expenses	1,996	2,733
Inventories	6,892	5,096
	<u>166,716</u>	<u>166,185</u>
Long-term investments		
Long-term bank deposit	9,602	9,846
Long-term marketable securities	14,154	4,430
Severance pay funds	2,907	3,454
	<u>26,663</u>	<u>17,730</u>
Property and equipment, net	<u>9,253</u>	<u>11,652</u>
Other assets		
Intangible assets, net, long-term deferred taxes and other long-term assets	3,582	6,223
Goodwill	9,454	13,474
	<u>13,036</u>	<u>19,697</u>
Total assets	<u>215,668</u>	<u>215,264</u>
Current liabilities		
Trade payables	6,956	6,255
Deferred revenues, other payables and accrued expenses	22,354	27,285
	<u>29,310</u>	<u>33,540</u>

Accrued severance pay	<u>3,944</u>	<u>4,826</u>
Total liabilities	<u>33,254</u>	<u>38,366</u>
Shareholders' equity		
Share capital	478	481
Additional paid-in capital	170,110	174,469
Accumulated other comprehensive income (loss)	(242)	112
Treasury stock, at cost	(11,069)	(11,069)
Retained earnings	23,137	12,905
Total shareholders' equity	<u>182,414</u>	<u>176,898</u>
Total liabilities and shareholders' equity	<u>215,668</u>	<u>215,264</u>