

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

	<u>For the Three months ended December 31, 2006 (Audited)</u>	<u>For the Three months ended December 31, 2007 (Audited)</u>	<u>For the Year ended December 31, 2006 (Audited)</u>	<u>For the Year ended December 31, 2007 (Audited)</u>
Revenues	21,093	24,430	81,410	88,631
Cost of revenues	<u>4,125</u>	<u>4,960</u>	<u>15,791</u>	<u>19,028</u>
Gross profit	<u>16,968</u>	<u>19,470</u>	<u>65,619</u>	<u>69,603</u>
Operating expenses:				
Research and development, net	4,961	6,342	17,659	23,515
Sales and marketing	12,319	15,124	50,128	57,977
General and administrative	<u>1,545</u>	<u>1,888</u>	<u>6,178</u>	<u>7,114</u>
Total operating expenses	<u>18,825</u>	<u>23,354</u>	<u>73,965</u>	<u>88,606</u>
Operating loss	(1,857)	(3,884)	(8,346)	(19,003)
Financial income, net	<u>2,069</u>	<u>2,296</u>	<u>7,422</u>	<u>7,420</u>
Income (loss) before income taxes	212	(1,588)	(924)	(11,583)
Income taxes	<u>(102)</u>	<u>(191)</u>	<u>(356)</u>	<u>(428)</u>
Net income (loss)	<u><u>110</u></u>	<u><u>(1,779)</u></u>	<u><u>(1,280)</u></u>	<u><u>(12,011)</u></u>
Basic net earnings (loss) per share	<u><u>\$ 0.01</u></u>	<u><u>\$ (0.09)</u></u>	<u><u>\$ (0.07)</u></u>	<u><u>\$ (0.62)</u></u>
Weighted average number of shares used to compute basic net earnings (loss) per share	19,265,536	19,533,663	19,325,055	19,477,222
Diluted net earnings (loss) per share	<u><u>\$ 0.01</u></u>	<u><u>\$ (0.09)</u></u>	<u><u>\$ (0.07)</u></u>	<u><u>\$ (0.62)</u></u>
Weighted average number of shares used to compute diluted net earnings (loss) per share	19,531,928	19,533,663	19,325,055	19,477,222

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

	<u>For the Three months ended December 31, 2006</u>	<u>For the Three months ended December 31, 2007</u>	<u>For the Year ended December 31, 2006</u>	<u>For the Year ended December 31, 2007</u>
GAAP Net income (loss)	110	(1,779)	(1,280)	(12,011)
Stock-based compensation expenses, included in:				
Cost of revenues	2	20	63	81
Research and development, net	197	338	1,111	1,243
Sales and marketing	324	449	2,541	1,869
General and administrative	311	397	798	1,344
Income taxes	-	-	-	-
	<u>834</u>	<u>1,204</u>	<u>4,513</u>	<u>4,537</u>
Amortization of intangible assets and acquisition related expenses, included in:				
Cost of revenues	74	196	296	599
Research and development, net	21	79	84	316
Sales and marketing	39	190	156	330
General and administrative	-	(8)	-	-
Income taxes	16	40	64	135
	<u>150</u>	<u>497</u>	<u>600</u>	<u>1,380</u>
One-time inventory write-off	-	-	-	1,200
Non-GAAP net income (loss)	<u>1,094</u>	<u>(78)</u>	<u>3,833</u>	<u>(4,894)</u>
Non-GAAP diluted net earnings (loss) per share	<u>\$ 0.06</u>	<u>\$ -</u>	<u>\$ 0.19</u>	<u>\$ (0.25)</u>
Weighted average number of shares used to compute Non-GAAP diluted net earnings (loss) per share	19,531,928	19,533,663	19,808,950	19,477,222

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

	<b>December 31,</b> <b>2006</b>	<b>December 31,</b> <b>2007</b>
	(Audited)	(Audited)
<b>Current assets</b>		
Cash and cash equivalents	25,324	70,547
Short-term marketable securities	115,051	71,327
Trade receivables, net	17,453	17,192
Other receivables and prepaid expenses	1,996	3,195
Inventories	6,892	5,428
	<u>166,716</u>	<u>167,689</u>
 <b>Long-term investments</b>		
Long-term bank deposit	9,602	10,236
Long-term marketable securities	14,154	2,735
Severance pay funds	2,907	3,940
	<u>26,663</u>	<u>16,911</u>
 Property and equipment, net	<u>9,253</u>	<u>12,217</u>
 <b>Other assets</b>		
Intangible assets, net, long-term deferred taxes and other long-term assets	3,582	5,776
Goodwill	9,454	13,474
	<u>13,036</u>	<u>19,250</u>
 Total assets	<u>215,668</u>	<u>216,067</u>
 <b>Current liabilities</b>		
Trade payables	6,956	7,537
Deferred revenues	15,712	18,395
Other payables and accrued expenses	6,642	8,043
	<u>29,310</u>	<u>33,975</u>

Accrued severance pay	<u>3,944</u>	<u>5,379</u>
Total liabilities	<u>33,254</u>	<u>39,354</u>
<b>Shareholders' equity</b>		
Share capital	478	482
Additional paid-in capital	170,110	176,024
Accumulated other comprehensive income (loss)	(242)	150
Treasury stock, at cost	(11,069)	(11,069)
Retained earnings	23,137	11,126
Total shareholders' equity	<u>182,414</u>	<u>176,713</u>
Total liabilities and shareholders' equity	<u>215,668</u>	<u>216,067</u>