

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

	<u>For the Three months ended June 30, 2005</u> (Unaudited)	<u>For the Three months ended June 30, 2006</u> (Unaudited)	<u>For the Six months ended June 30, 2005</u> (Unaudited)	<u>For the Six months ended June 30, 2006</u> (Unaudited)
Revenues	17,507	20,058	37,528	40,104
Cost of revenues	<u>3,491</u>	<u>3,876</u>	<u>7,046</u>	<u>7,741</u>
Gross profit	<u>14,016</u>	<u>16,182</u>	<u>30,482</u>	<u>32,363</u>
Operating expenses:				
Research and development, net	3,331	4,268	6,357	8,100
Sales and marketing	9,617	12,883	18,613	25,006
General and administrative	<u>1,343</u>	<u>1,528</u>	<u>2,557</u>	<u>3,006</u>
Total operating expenses	<u>14,291</u>	<u>18,679</u>	<u>27,527</u>	<u>36,112</u>
Operating income (loss)	(275)	(2,497)	2,955	(3,749)
Financial income, net	<u>1,291</u>	<u>1,815</u>	<u>2,517</u>	<u>3,415</u>
Income (loss) before income taxes	1,016	(682)	5,472	(334)
Income taxes	<u>(16)</u>	<u>78</u>	<u>(71)</u>	<u>40</u>
Net income (loss)	<u><u>1,000</u></u>	<u><u>(604)</u></u>	<u><u>5,401</u></u>	<u><u>(294)</u></u>
Basic net earnings (loss) per share	<u><u>\$ 0.05</u></u>	<u><u>\$ (0.03)</u></u>	<u><u>\$ 0.29</u></u>	<u><u>\$ (0.02)</u></u>
Weighted average number of shares used to compute basic net earnings (loss) per share	18,731,856	19,493,518	18,636,420	19,337,817
Diluted net earnings (loss) per share	<u><u>\$ 0.05</u></u>	<u><u>\$ (0.03)</u></u>	<u><u>\$ 0.27</u></u>	<u><u>\$ (0.02)</u></u>
Weighted average number of shares used to compute diluted net earnings (loss) per share	20,253,050	19,493,518	20,271,009	19,337,817

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

	<u>For the Three months ended June 30, 2005</u>	<u>For the Three months ended June 30, 2006</u>	<u>For the Six months ended June 30, 2005</u>	<u>For the Six months ended June 30, 2006</u>
GAAP Net income (loss)	1,000	(604)	5,401	(294)
Stock-based compensation expenses, included in:				
Cost of revenues	-	17	-	37
Research and development, net	-	241	-	540
Sales and marketing	-	696	-	1,453
General and administrative	-	116	-	229
Income taxes	-	(117)	-	(233)
	<u>-</u>	<u>953</u>	<u>-</u>	<u>2,026</u>
Non-GAAP Net income	<u>1,000</u>	<u>349</u>	<u>5,401</u>	<u>1,732</u>
Non-GAAP Diluted net earnings per share	<u>\$ 0.05</u>	<u>\$ 0.02</u>	<u>\$ 0.27</u>	<u>\$ 0.09</u>
Weighted average number of shares used to compute Non-GAAP diluted net earnings per share	20,253,050	19,891,804	20,271,009	20,054,493

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

	December 31, 2005	June 30, 2006
	(Audited)	(Unaudited)
Current assets		
Cash and cash equivalents	56,263	38,657
Short-term bank deposits	10,195	-
Short-term marketable securities	60,443	81,729
Trade receivables, net	14,661	17,124
Other receivables and prepaid expenses	1,451	1,832
Inventories	5,254	6,869
	<u>148,267</u>	<u>146,211</u>
Long-term investments		
Long-term bank deposit	9,458	9,192
Long-term marketable securities	28,134	40,867
Severance pay funds	2,178	2,521
	<u>39,770</u>	<u>52,580</u>
 Property and equipment, net	 <u>5,968</u>	 <u>6,847</u>
Other assets		
Intangible assets, net, long-term deferred taxes and other long-term assets	3,888	3,715
Goodwill	6,454	6,454
	<u>10,342</u>	<u>10,169</u>
 Total assets	 <u>204,347</u>	 <u>215,807</u>
 Current liabilities		
Trade payables	5,329	5,927
Deferred revenues, other payables and accrued expenses	18,933	22,058
	<u>24,262</u>	<u>27,985</u>
 Accrued severance pay	 <u>2,659</u>	 <u>3,262</u>
 Total liabilities	 <u>26,921</u>	 <u>31,247</u>
 Shareholders' equity		
Share capital	470	483
Additional paid-in capital	153,010	160,270
Accumulated other comprehensive loss	(404)	(316)
Deferred stock compensation	(67)	-
Retained earnings	24,417	24,123
Total shareholders' equity	<u>177,426</u>	<u>184,560</u>
Total liabilities and shareholders' equity	<u>204,347</u>	<u>215,807</u>