

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

	<u>For the Three months ended September 30, 2005</u> (Unaudited)	<u>For the Three months ended September 30, 2006</u> (Unaudited)	<u>For the Nine months ended September 30, 2005</u> (Unaudited)	<u>For the Nine months ended September 30, 2006</u> (Unaudited)
Revenues	19,018	20,213	56,546	60,317
Cost of revenues	<u>3,797</u>	<u>3,925</u>	<u>10,843</u>	<u>11,666</u>
Gross profit	<u>15,221</u>	<u>16,288</u>	<u>45,703</u>	<u>48,651</u>
Operating expenses:				
Research and development, net	3,298	4,598	9,655	12,698
Sales and marketing	10,279	12,803	28,892	37,809
General and administrative	<u>1,316</u>	<u>1,627</u>	<u>3,873</u>	<u>4,633</u>
Total operating expenses	<u>14,893</u>	<u>19,028</u>	<u>42,420</u>	<u>55,140</u>
Operating income (loss)	328	(2,740)	3,283	(6,489)
Financial income, net	<u>1,300</u>	<u>1,938</u>	<u>3,817</u>	<u>5,353</u>
Income (loss) before income taxes	1,628	(802)	7,100	(1,136)
Income taxes	<u>(39)</u>	<u>(294)</u>	<u>(110)</u>	<u>(254)</u>
Net income (loss)	<u><u>1,589</u></u>	<u><u>(1,096)</u></u>	<u><u>6,990</u></u>	<u><u>(1,390)</u></u>
Basic net earnings (loss) per share	<u><u>\$ 0.08</u></u>	<u><u>\$ (0.06)</u></u>	<u><u>\$ 0.37</u></u>	<u><u>\$ (0.07)</u></u>
Weighted average number of shares used to compute basic net earnings (loss) per share	18,920,493	19,359,051	18,731,111	19,344,895
Diluted net earnings (loss) per share	<u><u>\$ 0.08</u></u>	<u><u>\$ (0.06)</u></u>	<u><u>\$ 0.35</u></u>	<u><u>\$ (0.07)</u></u>
Weighted average number of shares used to compute diluted net earnings (loss) per share	19,814,061	19,359,051	20,118,693	19,344,895

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

	<u>For the Three months ended September 30, 2005</u>	<u>For the Three months ended September 30, 2006</u>	<u>For the Nine months ended September 30, 2005</u>	<u>For the Nine months ended September 30, 2006</u>
GAAP Net income (loss)	1,589	(1,096)	6,990	(1,390)
Stock-based compensation expenses, included in:				
Cost of revenues	-	24	-	61
Research and development, net	-	374	-	914
Sales and marketing	-	764	-	2,217
General and administrative	-	258	-	487
Income taxes	-	233	-	-
	-	1,653	-	3,679
Non-GAAP Net income	<u>1,589</u>	<u>557</u>	<u>6,990</u>	<u>2,289</u>
Non-GAAP Diluted net earnings per share	<u>\$ 0.08</u>	<u>\$ 0.03</u>	<u>\$ 0.35</u>	<u>\$ 0.11</u>
Weighted average number of shares used to compute Non-GAAP diluted net earnings per share	19,814,061	19,594,886	20,118,693	19,901,291

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

	<b>December 31,</b> <b>2005</b>	<b>September 30,</b> <b>2006</b>
	(Audited)	(Unaudited)
<b>Current assets</b>		
Cash and cash equivalents	56,263	47,460
Short-term bank deposits	10,195	-
Short-term marketable securities	60,443	73,517
Trade receivables, net	14,661	15,847
Other receivables and prepaid expenses	1,451	1,864
Inventories	5,254	6,859
	<u>148,267</u>	<u>145,547</u>
<b>Long-term investments</b>		
Long-term bank deposit	9,458	9,470
Long-term marketable securities	28,134	33,487
Severance pay funds	2,178	2,723
	<u>39,770</u>	<u>45,680</u>
Property and equipment, net	<u>5,968</u>	<u>8,166</u>
<b>Other assets</b>		
Intangible assets, net, long-term deferred taxes and other long-term assets	3,888	3,720
Goodwill	6,454	6,454
	<u>10,342</u>	<u>10,174</u>
Total assets	<u>204,347</u>	<u>209,567</u>
<b>Current liabilities</b>		
Trade payables	5,329	4,549
Deferred revenues, other payables and accrued expenses	18,933	22,065
	<u>24,262</u>	<u>26,614</u>

Accrued severance pay	<u>2,659</u>	<u>3,597</u>
Total liabilities	<u>26,921</u>	<u>30,211</u>
<b>Shareholders' equity</b>		
Share capital	470	493
Additional paid-in capital	153,010	167,038
Accumulated other comprehensive loss	(404)	(133)
Deferred stock compensation	(67)	-
Treasury stock, at cost	-	(11,069)
Retained earnings	<u>24,417</u>	<u>23,027</u>
Total shareholders' equity	<u>177,426</u>	<u>179,356</u>
Total liabilities and shareholders' equity	<u>204,347</u>	<u>209,567</u>