

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

	<u>For the Three months ended December 31, 2005</u> (Audited)	<u>For the Three months ended December 31, 2006</u> (Audited)	<u>For the Year ended December 31, 2005</u> (Audited)	<u>For the Year ended December 31, 2006</u> (Audited)
Revenues	21,038	21,093	77,584	81,410
Cost of revenues	<u>4,053</u>	<u>4,125</u>	<u>14,896</u>	<u>15,791</u>
Gross profit	<u>16,985</u>	<u>16,968</u>	<u>62,688</u>	<u>65,619</u>
Operating expenses:				
Research and development, net	3,362	4,961	13,017	17,659
Sales and marketing	11,110	12,319	40,002	50,128
General and administrative	<u>1,371</u>	<u>1,545</u>	<u>5,244</u>	<u>6,178</u>
Total operating expenses	<u>15,843</u>	<u>18,825</u>	<u>58,263</u>	<u>73,965</u>
Operating income (loss)	1,142	(1,857)	4,425	(8,346)
Financial income, net	<u>1,342</u>	<u>2,069</u>	<u>5,159</u>	<u>7,422</u>
Income (loss) before income taxes	2,484	212	9,584	(924)
Income taxes	<u>(130)</u>	<u>(102)</u>	<u>(240)</u>	<u>(356)</u>
Net income (loss)	<u><u>2,354</u></u>	<u><u>110</u></u>	<u><u>9,344</u></u>	<u><u>(1,280)</u></u>
Basic net earnings (loss) per share	<u><u>\$ 0.12</u></u>	<u><u>\$ 0.01</u></u>	<u><u>\$ 0.50</u></u>	<u><u>\$ (0.07)</u></u>
Weighted average number of shares used to compute basic net earnings (loss) per share	19,008,564	19,265,536	18,800,474	19,325,055
Diluted net earnings (loss) per share	<u><u>\$ 0.12</u></u>	<u><u>\$ 0.01</u></u>	<u><u>\$ 0.47</u></u>	<u><u>\$ (0.07)</u></u>
Weighted average number of shares used to compute diluted net earnings (loss) per share	19,932,691	19,531,928	20,072,192	19,325,055

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

	<u>For the Three months ended December 31, 2005</u>	<u>For the Three months ended December 31, 2006</u>	<u>For the Year ended December 31, 2005</u>	<u>For the Year ended December 31, 2006</u>
GAAP Net income (loss)	2,354	110	9,344	(1,280)
Stock-based compensation expenses, included in:				
Cost of revenues	-	2	-	63
Research and development, net	-	197	-	1,111
Sales and marketing	-	324	-	2,541
General and administrative	-	311	-	798
Income taxes	-	-	-	-
	-	834	-	4,513
Non-GAAP Net income	<u>2,354</u>	<u>944</u>	<u>9,344</u>	<u>3,233</u>
Non-GAAP Diluted net earnings per share	<u>\$ 0.12</u>	<u>\$ 0.05</u>	<u>\$ 0.47</u>	<u>\$ 0.16</u>
Weighted average number of shares used to compute Non-GAAP diluted net earnings per share	19,932,691	19,531,928	20,072,192	19,808,950

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

	December 31, 2005	December 31, 2006
	(Audited)	(Audited)
Current assets		
Cash and cash equivalents	56,263	25,324
Short-term bank deposits	10,195	-
Short-term marketable securities	60,443	115,051
Trade receivables, net	14,661	17,453
Other receivables and prepaid expenses	1,451	1,996
Inventories	5,254	6,892
	<u>148,267</u>	<u>166,716</u>
 Long-term investments		
Long-term bank deposit	9,458	9,602
Long-term marketable securities	28,134	14,154
Severance pay funds	2,178	2,907
	<u>39,770</u>	<u>26,663</u>
 Property and equipment, net	<u>5,968</u>	<u>9,253</u>
 Other assets		
Intangible assets, net, long-term deferred taxes and other long-term assets	3,888	3,582
Goodwill	6,454	9,454
	<u>10,342</u>	<u>13,036</u>
 Total assets	<u>204,347</u>	<u>215,668</u>
 Current liabilities		
Trade payables	5,329	6,956
Deferred revenues	12,424	15,712
Other payables and accrued expenses	6,509	6,642
	<u>24,262</u>	<u>29,310</u>

Accrued severance pay	<u>2,659</u>	<u>3,944</u>
Total liabilities	<u>26,921</u>	<u>33,254</u>
Shareholders' equity		
Share capital	470	478
Additional paid-in capital	153,010	170,110
Accumulated other comprehensive loss	(404)	(242)
Deferred stock compensation	(67)	-
Treasury stock, at cost	-	(11,069)
Retained earnings	<u>24,417</u>	<u>23,137</u>
Total shareholders' equity	<u>177,426</u>	<u>182,414</u>
Total liabilities and shareholders' equity	<u>204,347</u>	<u>215,668</u>