

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

	December 31, 2010	September 30, 2011
		(Unaudited)
Current assets		
Cash and cash equivalents	15,284	15,729
Available-for-sale marketable securities	24,200	14,995
Short term bank deposits	51,441	70,157
Trade receivables, net	16,543	17,661
Other receivables and prepaid expenses	3,402	3,453
Inventories	9,722	11,438
	120,592	133,433
Long-term investments		
Available-for-sale marketable securities	82,864	100,777
Long-term bank deposits	5,000	5,000
Severance pay funds	3,342	3,134
	91,206	108,911
 Property and equipment, net	 11,801	 11,664
Other assets		
Intangible assets, net	12,011	9,134
Other long-term assets	560	603
Goodwill	24,465	24,465
	260,635	288,210
Total assets	260,635	288,210
Current liabilities		
Trade payables	5,913	5,844
Deferred revenues, other payables and accrued expenses	47,223	51,337
	53,136	57,181
Long-term liabilities	22,509	22,533
Shareholders' equity		
Share capital	506	524
Additional paid-in capital	218,593	229,286
Accumulated other comprehensive income (loss)	125	(1,797)
Treasury stock, at cost	(18,036)	(18,036)
Accumulated deficit	(16,198)	(1,481)
Total shareholders' equity	184,990	208,496
 Total liabilities and shareholders' equity	 260,635	 288,210

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

	<u>For the Three months ended</u> <u>September 30,</u>		<u>For the Nine months ended</u> <u>September 30,</u>	
	<u>2010</u> (Unaudited)	<u>2011</u> (Unaudited)	<u>2010</u> (Unaudited)	<u>2011</u> (Unaudited)
Revenues	36,763	42,196	105,065	121,930
Cost of revenues	<u>7,448</u>	<u>8,534</u>	<u>21,236</u>	<u>24,731</u>
Gross profit	<u>29,315</u>	<u>33,662</u>	<u>83,829</u>	<u>97,199</u>
Operating expenses:				
Research and development	8,240	9,122	23,380	26,918
Selling and marketing	15,934	17,282	47,662	51,027
General and administrative	<u>2,526</u>	<u>2,343</u>	<u>7,656</u>	<u>7,128</u>
Total operating expenses	<u>26,700</u>	<u>28,747</u>	<u>78,698</u>	<u>85,073</u>
Operating income	2,615	4,915	5,131	12,126
Financial income, net	<u>1,294</u>	<u>776</u>	<u>1,202</u>	<u>3,413</u>
Income before taxes on income	3,909	5,691	6,333	15,539
Taxes on income	<u>(191)</u>	<u>(293)</u>	<u>(623)</u>	<u>(822)</u>
Net Income	<u><u>3,718</u></u>	<u><u>5,398</u></u>	<u><u>5,710</u></u>	<u><u>14,717</u></u>
Basic net earnings per share	<u><u>\$ 0.19</u></u>	<u><u>\$ 0.26</u></u>	<u><u>\$ 0.30</u></u>	<u><u>\$ 0.70</u></u>
Weighted average number of shares used to compute basic net earnings per share	19,711,311	21,052,835	19,286,258	20,886,623
Diluted net earnings per share	<u><u>\$ 0.17</u></u>	<u><u>\$ 0.24</u></u>	<u><u>\$ 0.27</u></u>	<u><u>\$ 0.64</u></u>
Weighted average number of shares used to compute diluted net earnings per share	21,921,819	22,782,410	21,146,646	22,936,293

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

	<u>For the Three months ended</u> <u>September 30,</u>		<u>For the Nine months ended</u> <u>September 30,</u>	
	<u>2010</u> (Unaudited)	<u>2011</u> (Unaudited)	<u>2010</u> (Unaudited)	<u>2011</u> (Unaudited)
GAAP net Income	<u>3,718</u>	<u>5,398</u>	<u>5,710</u>	<u>14,717</u>
Stock-based compensation expenses, included in:				
Cost of revenues	18	15	47	46
Research and development	365	248	943	787
Selling and marketing	711	731	1,766	2,122
General and administrative	<u>470</u>	<u>209</u>	<u>1,380</u>	<u>872</u>
	<u>1,564</u>	<u>1,203</u>	<u>4,136</u>	<u>3,827</u>
Amortization of intangible assets included in:				
Cost of revenues	439	541	1,217	1,623
Selling and marketing	<u>531</u>	<u>421</u>	<u>1,753</u>	<u>1,263</u>
	<u>970</u>	<u>962</u>	<u>2,970</u>	<u>2,886</u>
Exchange rate differences, net on balance sheet items included in finance income	<u>(616)</u>	<u>233</u>	<u>709</u>	<u>(263)</u>
Non-GAAP net income	<u>5,636</u>	<u>7,796</u>	<u>13,525</u>	<u>21,167</u>
Non-GAAP diluted net earnings per share	<u>\$ 0.26</u>	<u>\$ 0.34</u>	<u>\$ 0.64</u>	<u>\$ 0.92</u>
Weighted average number of shares used to compute Non-GAAP diluted net earnings per share	21,921,819	22,782,410	21,146,646	22,936,293