

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

	<b>December 31, 2010</b>	<b>March 31, 2011</b>
		(Unaudited)
<b>Current assets</b>		
Cash and cash equivalents	15,284	10,688
Available-for-sale marketable securities	24,200	11,941
Short-term bank deposits	51,441	55,758
Trade receivables, net	16,543	14,664
Other receivables and prepaid expenses	3,402	3,048
Inventories	9,722	10,818
	120,592	106,917
<b>Long-term investments</b>		
Available-for-sale marketable securities	82,864	109,553
Long-term bank deposits	5,000	5,000
Severance pay funds	3,342	3,407
	91,206	117,960
 Property and equipment, net	 11,801	 11,552
<b>Other assets</b>		
Intangible assets, net	12,011	11,052
Other long-term assets	560	611
Goodwill	24,465	24,465
	260,635	272,557
<b>Total assets</b>		
<b>Current liabilities</b>		
Trade payables	5,913	4,331
Deferred revenues, other payables and accrued expenses	47,223	49,782
	53,136	54,113
<b>Long-term liabilities</b>	22,509	23,373
<b>Shareholders' equity</b>		
Share capital	506	517
Additional paid-in capital	218,593	224,409
Accumulated other comprehensive income (loss)	125	(10)
Treasury stock, at cost	(18,036)	(18,036)
Accumulated deficit	(16,198)	(11,809)
Total shareholders' equity	184,990	195,071
 Total liabilities and shareholders' equity	 260,635	 272,557

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

**For the Three months ended**  
**March 31,**

	<b><u>2010</u></b>	<b><u>2011</u></b>
	(Unaudited)	(Unaudited)
Revenues	33,096	38,619
Cost of revenues	<u>6,698</u>	<u>7,879</u>
Gross profit	<u>26,398</u>	<u>30,740</u>
Operating expenses:		
Research and development	7,387	8,704
Selling and marketing	15,701	16,406
General and administrative	<u>2,570</u>	<u>2,349</u>
Total operating expenses	<u>25,658</u>	<u>27,459</u>
Operating income	740	3,281
Financial income, net	<u>53</u>	<u>1,339</u>
Income before taxes on income	793	4,620
Taxes on income	<u>(204)</u>	<u>(231)</u>
Net income	<u><u>589</u></u>	<u><u>4,389</u></u>
Basic net earnings per share	<b><u>\$ 0.03</u></b>	<b><u>\$ 0.21</u></b>
Weighted average number of shares used to compute basic net earnings per share	18,970,581	20,674,379
Diluted net earnings per share	<b><u>\$ 0.03</u></b>	<b><u>\$ 0.19</u></b>
Weighted average number of shares used to compute diluted net earnings per share	20,221,513	23,023,883

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

**For the Three months ended**

**March 31,**

**2010**

**2011**

(Unaudited)

(Unaudited)

GAAP net income	<u>589</u>	<u>4,389</u>
Stock-based compensation expenses, included in:		
Cost of revenues	15	15
Research and development	298	253
Selling and marketing	502	610
General and administrative	<u>504</u>	<u>318</u>
	<u>1,319</u>	<u>1,196</u>
Amortization of intangible assets included in:		
Cost of revenues	379	541
Selling and marketing	<u>630</u>	<u>421</u>
	<u>1,009</u>	<u>962</u>
Exchange rate differences, net on balance sheet items included in finance income	<u>629</u>	<u>(429)</u>
Non-GAAP net income	<u>3,546</u>	<u>6,118</u>
Non-GAAP diluted net earnings per share	<b><u>\$ 0.18</u></b>	<b><u>\$ 0.27</u></b>
Weighted average number of shares used to compute Non-GAAP diluted net earnings per share	20,221,513	23,023,883