

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

	<b>December 31, 2010</b>	<b>June 30, 2011</b>
		(Unaudited)
<b>Current assets</b>		
Cash and cash equivalents	15,284	19,349
Available-for-sale marketable securities	24,200	11,327
Short term bank deposits	51,441	58,001
Trade receivables, net	16,543	16,050
Other receivables and prepaid expenses	3,402	3,982
Inventories	9,722	11,310
	120,592	120,019
<b>Long-term investments</b>		
Available-for-sale marketable securities	82,864	109,927
Long-term bank deposits	5,000	5,000
Severance pay funds	3,342	3,493
	91,206	118,420
 Property and equipment, net	 11,801	 11,863
<b>Other assets</b>		
Intangible assets, net	12,011	10,090
Other long-term assets	560	642
Goodwill	24,465	24,465
	260,635	285,499
<b>Total assets</b>		
<b>Current liabilities</b>		
Trade payables	5,913	6,314
Deferred revenues, other payables and accrued expenses	47,223	52,765
	53,136	59,079
<b>Long-term liabilities</b>	22,509	23,180
<b>Shareholders' equity</b>		
Share capital	506	521
Additional paid-in capital	218,593	227,137
Accumulated other comprehensive income	125	497
Treasury stock, at cost	(18,036)	(18,036)
Accumulated deficit	(16,198)	(6,879)
Total shareholders' equity	184,990	203,240
 Total liabilities and shareholders' equity	 260,635	 285,499

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

	<u>For the Three months ended</u> <u>June 30,</u>		<u>For the Six months ended</u> <u>June 30,</u>	
	<u>2010</u> (Unaudited)	<u>2011</u> (Unaudited)	<u>2010</u> (Unaudited)	<u>2011</u> (Unaudited)
Revenues	35,206	41,115	68,302	79,734
Cost of revenues	<u>7,090</u>	<u>8,318</u>	<u>13,788</u>	<u>16,197</u>
Gross profit	<u>28,116</u>	<u>32,797</u>	<u>54,514</u>	<u>63,537</u>
Operating expenses:				
Research and development	7,753	9,092	15,140	17,796
Selling and marketing	16,027	17,339	31,728	33,745
General and administrative	<u>2,560</u>	<u>2,436</u>	<u>5,130</u>	<u>4,785</u>
Total operating expenses	<u>26,340</u>	<u>28,867</u>	<u>51,998</u>	<u>56,326</u>
Operating income	1,776	3,930	2,516	7,211
Financial income (loss), net	<u>(145)</u>	<u>1,298</u>	<u>(92)</u>	<u>2,637</u>
Income before taxes on income	1,631	5,228	2,424	9,848
Taxes on income	<u>(228)</u>	<u>(298)</u>	<u>(432)</u>	<u>(529)</u>
Net Income	<u>1,403</u>	<u>4,930</u>	<u>1,992</u>	<u>9,319</u>
Basic net earnings per share	<u>\$ 0.07</u>	<u>\$ 0.24</u>	<u>\$ 0.10</u>	<u>\$ 0.45</u>
Weighted average number of shares used to compute basic net earnings per share	19,170,659	20,927,549	19,071,288	20,801,998
Diluted net earnings per share	<u>\$ 0.07</u>	<u>\$ 0.21</u>	<u>\$ 0.10</u>	<u>\$ 0.41</u>
Weighted average number of shares used to compute diluted net earnings per share	21,001,863	22,976,000	20,624,283	23,001,985

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

	<u>For the Three months ended</u> <u>June 30,</u>		<u>For the Six months ended</u> <u>June 30,</u>	
	<u>2010</u> (Unaudited)	<u>2011</u> (Unaudited)	<u>2010</u> (Unaudited)	<u>2011</u> (Unaudited)
GAAP net Income	<u>1,403</u>	<u>4,930</u>	<u>1,992</u>	<u>9,319</u>
Stock-based compensation expenses, included in:				
Cost of revenues	14	16	29	31
Research and development	280	286	578	539
Selling and marketing	553	781	1,055	1,391
General and administrative	<u>406</u>	<u>345</u>	<u>910</u>	<u>663</u>
	<u>1,253</u>	<u>1,428</u>	<u>2,572</u>	<u>2,624</u>
Amortization of intangible assets included in:				
Cost of revenues	399	541	778	1,082
Selling and marketing	<u>592</u>	<u>421</u>	<u>1,222</u>	<u>842</u>
	<u>991</u>	<u>962</u>	<u>2,000</u>	<u>1,924</u>
Exchange rate differences, net on balance sheet items included in finance income	<u>696</u>	<u>(67)</u>	<u>1,325</u>	<u>(496)</u>
Non-GAAP net income	<u>4,343</u>	<u>7,253</u>	<u>7,889</u>	<u>13,371</u>
Non-GAAP diluted net earnings per share	<u>\$ 0.21</u>	<u>\$ 0.32</u>	<u>\$ 0.38</u>	<u>\$ 0.58</u>
Weighted average number of shares used to compute Non-GAAP diluted net earnings per share	21,001,863	22,976,000	20,624,283	23,001,985