

CONSOLIDATED STATEMENTS OF OPERATIONS

(U.S. dollars in thousands, except per share data)

	Three months ended	
	March 31,	
	2006	2005
	<u>Unaudited</u>	
Revenues:		
Software and products	\$ 2,580	\$ 840
Services	334	956
Maintenance	2,289	2,212
<u>Total revenues</u>	<u>5,203</u>	<u>4,008</u>
Cost of revenues:		
Software and products	528	230
Services	468	823
Maintenance	223	320
<u>Total cost of revenues</u>	<u>1,219</u>	<u>1,373</u>
Gross profit	<u>3,984</u>	<u>2,635</u>
Operating expenses:		
Research and development	1,003	1,314
Sales and marketing	2,621	3,945
General and administrative	1,312	1,712
<u>Total operating expenses</u>	<u>4,936</u>	<u>6,971</u>
Operating loss	(952)	(4,336)
Financial income, net	278	160
Net loss	<u>\$ (674)</u>	<u>\$ (4,176)</u>
Basic and diluted net loss per share	<u>\$ (0.03)</u>	<u>\$ (0.22)</u>
Weighted average number of shares used in computing basic and diluted net loss per share	<u>19,620,359</u>	<u>19,379,669</u>

NON-GAAP CONSOLIDATED STATEMENTS OF OPERATIONS

(U.S. dollars in thousands, except per share data)

	Three months ended	
	March 31,	
	2006	2005
	<u>Unaudited</u>	
Revenues:		
Software and products	\$ 2,580	\$ 840
Services	334	956
Maintenance	2,289	2,212
<u>Total revenues</u>	<u>5,203</u>	<u>4,008</u>
Cost of revenues:		
Software and products	426	124
Services	454	823
Maintenance	220	320
<u>Total cost of revenues</u>	<u>1,100</u>	<u>1,267</u>
Gross profit	<u>4,103</u>	<u>2,741</u>
Operating expenses:		
Research and development	978	1,314
Sales and marketing	2,581	3,932
General and administrative	1,293	1,712
<u>Total operating expenses</u>	<u>4,852</u>	<u>6,958</u>
Operating loss	(749)	(4,217)
Financial income, net	278	160
Net loss	<u>\$ (471)</u>	<u>\$ (4,057)</u>
Basic and diluted net loss per share	<u>\$ (0.02)</u>	<u>\$ (0.21)</u>
Weighted average number of shares used in computing basic and diluted net loss per share	<u>19,620,359</u>	<u>19,379,669</u>

RECONCILIATION OF GAAP TO NON-GAAP CONSOLIDATED STATEMENTS OF OPERATIONS

(U.S. dollars in thousands, except per share data)

	Three months ended March 31, 2006			Non-GAAP
	GAAP	Adjustments		
		Amortization of acquired Intangible assets	Stock based compensation expenses	
Revenues:				
Software and products	\$ 2,580	\$ -	\$ -	\$ 2,580
Services	334	-	-	334
Maintenance	2,289	-	-	2,289
<u>Total revenues</u>	5,203	-	-	5,203
Cost of revenues:				
Software and products	528	(102)	-	426
Services	468	-	(14)	454
Maintenance	223	-	(3)	220
<u>Total cost of revenues</u>	1,219	(102)	(17)	1,100
Gross profit	3,984	102	17	4,103
Operating expenses:				
Research and development	1,003	-	(25)	978
Sales and marketing	2,621	-	(40)	2,581
General and administrative	1,312	-	(19)	1,293
<u>Total operating expenses</u>	4,936	-	(84)	4,852
Operating loss	(952)	102	101	(749)
Financial income, net	278	-	-	278
Net loss	\$ (674)	\$ 102	\$ 101	\$ (471)
Basic and diluted net loss per share	\$ (0.03)			\$ (0.02)
Weighted average number of shares used in computing basic and diluted net loss per share	19,620,359			19,620,359

CONSOLIDATED BALANCE SHEETS

(U.S. dollars in thousands)

	March 31, 2006	December 31, 2005
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,683	\$ 3,461
Marketable securities	12,444	14,655
Trade receivables	1,030	1,614
Other current assets	1,073	905
Total current assets	20,230	20,635
LONG-TERM INVESTMENTS:		
Marketable securities	17,734	17,535
Severance pay fund	835	825
Total long-term investments	18,569	18,360
PROPERTY AND EQUIPMENT, NET	1,036	997
OTHER ASSETS, NET:		
Other intangibles, net	888	990
Goodwill	4,630	4,630
Total other assets	5,518	5,620
Total assets	\$ 45,353	\$ 45,612
LIABILITIES & SHAREHOLDERS EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 798	\$ 981
Deferred revenues	6,464	5,533
Accrued expenses and other liabilities	2,889	3,373
Total current liabilities	10,151	9,887
LONG-TERM LIABILITIES:		
Accrued severance pay	1,305	1,250
SHAREHOLDERS' EQUITY:		
Share capital	57	57
Additional paid-in capital	70,444	70,297
Accumulated other comprehensive loss	(420)	(369)
Accumulated deficit	(36,184)	(35,510)
Total shareholders' equity	33,897	34,475
TOTAL LIABILITIES	\$ 45,353	\$ 45,612