

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

	<b>December 31, 2011</b>	<b>December 31, 2012</b>
	(Audited)	(Unaudited)
<b>Current assets</b>		
Cash and cash equivalents	17,386	20,048
Available-for-sale marketable securities	10,334	14,004
Short term bank deposits	88,773	54,155
Trade receivables, net	12,565	18,408
Other receivables and prepaid expenses	3,218	3,975
Inventories	12,147	12,545
	<u>144,423</u>	<u>123,135</u>
<b>Long-term investments</b>		
Available-for-sale marketable securities	102,644	121,114
Long-term bank deposits	-	65,625
Severance pay funds	3,047	2,957
	<u>105,691</u>	<u>189,696</u>
 Property and equipment, net	 <u>11,084</u>	 <u>13,589</u>
<b>Other assets</b>		
Intangible assets, net	8,163	5,128
Other long-term assets	1,365	1,637
Goodwill	24,465	24,465
	<u>295,191</u>	<u>357,650</u>
<b>Total assets</b>		
	<u><u>295,191</u></u>	<u><u>357,650</u></u>
<b>Current liabilities</b>		
Trade payables	5,099	9,915
Deferred revenues	35,516	36,304
Other payables and accrued expenses	14,732	20,301
	<u>55,347</u>	<u>66,520</u>
<b>Long-term liabilities</b>		
Deferred revenues	16,978	16,486
Other long term Liabilities	3,545	3,414
	<u>20,523</u>	<u>19,900</u>
<b>Shareholders' equity</b>		
Share capital	528	553
Additional paid-in capital	233,353	249,739
Accumulated other comprehensive income (loss)	(1,663)	2,078
Treasury stock, at cost	(18,036)	(18,036)
Retained earnings	5,139	36,896
Total shareholders' equity	<u>219,321</u>	<u>271,230</u>
 Total liabilities and shareholders' equity	 <u><u>295,191</u></u>	 <u><u>357,650</u></u>

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

	<u>For the three months ended</u> <u>December 31,</u>		<u>For the Year ended</u> <u>December 31,</u>	
	<u>2011</u> (Unaudited)	<u>2012</u> (Unaudited)	<u>2011</u> (Audited)	<u>2012</u> (Unaudited)
Revenues	45,090	49,838	167,020	189,171
Cost of revenues	<u>8,626</u>	<u>9,407</u>	<u>33,357</u>	<u>35,719</u>
Gross profit	<u>36,464</u>	<u>40,431</u>	<u>133,663</u>	<u>153,452</u>
Operating expenses:				
Research and development	9,146	8,968	36,064	36,187
Selling and marketing	18,516	19,902	69,543	76,646
General and administrative	<u>2,501</u>	<u>2,476</u>	<u>9,629</u>	<u>9,696</u>
Total operating expenses	<u>30,163</u>	<u>31,346</u>	<u>115,236</u>	<u>122,529</u>
Operating income	6,301	9,085	18,427	30,923
Financial income, net	<u>787</u>	<u>1,038</u>	<u>4,200</u>	<u>4,792</u>
Income before income taxes	7,088	10,123	22,627	35,715
Income taxes	<u>(468)</u>	<u>(1,012)</u>	<u>(1,290)</u>	<u>(3,958)</u>
Net income	<u>6,620</u>	<u>9,111</u>	<u>21,337</u>	<u>31,757</u>
Basic net earnings per share	<u><b>\$ 0.31</b></u>	<u><b>\$ 0.41</b></u>	<u><b>\$ 1.02</b></u>	<u><b>\$ 1.45</b></u>
Weighted average number of shares used to compute basic net earnings per share	21,149,334	22,080,448	20,952,866	21,854,639
Diluted net earnings per share	<u><b>\$ 0.29</b></u>	<u><b>\$ 0.39</b></u>	<u><b>\$ 0.93</b></u>	<u><b>\$ 1.36</b></u>
Weighted average number of shares used to compute diluted net earnings per share	22,716,083	23,335,211	22,888,064	23,294,447

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

	<b><u>For the Three months ended</u></b> <b><u>December 31,</u></b>		<b><u>For the Year</u></b> <b><u>ended December 31,</u></b>	
	<b><u>2011</u></b> <b><u>(Unaudited)</u></b>	<b><u>2012</u></b> <b><u>(Unaudited)</u></b>	<b><u>2011</u></b> <b><u>(Unaudited)</u></b>	<b><u>2012</u></b> <b><u>(Unaudited)</u></b>
GAAP net income	<u>6,620</u>	<u>9,111</u>	<u>21,337</u>	<u>31,757</u>
Stock-based compensation expenses, included in:				
Cost of revenues	20	11	66	66
Research and development	337	212	1,124	1,103
Selling and marketing	1,013	599	3,135	3,298
General and administrative	<u>261</u>	<u>196</u>	<u>1,133</u>	<u>916</u>
	<u>1,631</u>	<u>1,018</u>	<u>5,458</u>	<u>5,383</u>
Amortization of intangible assets included in:				
Cost of revenues	541	467	2,164	1,869
Selling and marketing	<u>421</u>	<u>292</u>	<u>1,684</u>	<u>1,166</u>
	<u>962</u>	<u>759</u>	<u>3,848</u>	<u>3,035</u>
Exchange rate differences, net on balance sheet items included in financial income, net	<u>306</u>	<u>277</u>	<u>43</u>	<u>355</u>
Non-GAAP net income	<u>9,519</u>	<u>11,165</u>	<u>30,686</u>	<u>40,530</u>
Non-GAAP diluted net earnings per share	<b><u>\$ 0.42</u></b>	<b><u>\$ 0.48</u></b>	<b><u>\$ 1.34</u></b>	<b><u>\$ 1.74</u></b>
Weighted average number of shares used to compute Non-GAAP diluted net earnings per share	22,716,083	23,335,211	22,888,064	23,294,447