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

Current assets(Audited)(Unaudited)Current assets(Audited)(Unaudited)Cash and cash equivalents44.97928.024Available-for-sale marketable securities29,98920,886Trade receivables, net25.63723,758Other receivables and prepaid expenses8,1076,939Inventories16,84416,313Long-term investments114,51997,436Available-for-sale marketable securities114,51997,436Long-term bank deposits111,754162,533Severance pay funds3,0403,067229,313263,036263,036Property and equipment, net20,59223,911Intangible assets3,2345,285Goodwill30,06930,069Total assets442,968454,035Current liabilities33,44531,905Shareholders' equity66,00970,963Shareholders' equity654660Additional paid-in capital294,084307,100Accurulated other comprehensive2113,427Treasury stock, at cost(41,153)(60,880)Retained earnings79,90193,546Total shareholders' equity333,697343,853Total shareholders' equity343,853742,968At2,968454,035454,035		December 31, 2014	June 30, 2015
Cash and cash equivalents 44,979 28,024 Available-for-sale marketable securities 29,448 31,731 Short-term bank deposits 29,989 20,886 Trade receivables, net 25,637 23,758 Other receivables and prepaid expenses 8,107 6,939 Inventories 16,844 16,313 Long-term investments 114,519 97,436 Long-term bank deposits 111,754 162,533 Severance pay funds 3,040 3,067 229,313 263,036 229,313 Property and equipment, net 20,592 23,911 Intangible assets, net 4,756 4,083 Other assets 3,234 5,285 Goodwill 30,069 30,069 Total assets 442,968 454,035 Current liabilities 7,5826 78,277 Long-term liabilities 33,445 31,905 Shareholders' equity 654 660 Additional paid-in capital 654 660 Additional paid-in capit	Current accests	(Audited)	(Unaudited)
Available-for-sale marketable securities 29,448 31,731 Short-term bank deposits 29,989 20,886 Trade receivables, net 25,637 23,758 Other receivables and prepaid expenses 8,107 6,939 Inventories 16,844 16,313 Long-term investments 114,519 97,436 Available-for-sale marketable securities 114,519 97,436 Long-term bank deposits 111,754 162,533 Severance pay funds 3,040 3,067 229,313 263,036 Property and equipment, net 20,592 23,911 Intangible assets, net 4,756 4,083 Other assets 3,234 5,285 Goodwill 30,069 30,069 Trade payables 9,817 7,314 Deferred revenues, other payables and accrued expenses 66,009 70,963 75,826 78,277 100 34,45 31,905 Shareholders' equity 54 660 660 660 660 807,100 Accumula		44.979	28.024
$\begin{array}{c ccccc} {\rm Short-term bank deposits} & 29,989 & 20,886 \\ \hline Trade receivables, net & 25,637 & 23,758 \\ \hline Other receivables and prepaid expenses & 8,107 & 6,939 \\ \hline Inventories & 16,844 & 16,313 \\ \hline Long-term investments & & & & & & & & & & & & & & & & & & &$			
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Other receivables and prepaid expenses 8,107 6,939 Inventories 16,844 16,313 Long-term investments 114,519 97,436 Available-for-sale marketable securities 114,519 97,436 Long-term bank deposits 111,754 162,533 Severance pay funds 3,040 3,067 229,313 263,036 Property and equipment, net 4,756 4,083 Other assets 3,234 5,285 Goodwill 30,069 30,069 Total assets 442,968 454,035 Current liabilities 9,817 7,314 Deferred revenues, other payables and accrued expenses 9,817 7,314 Deferred revenues, other payables and accrued expenses 33,445 31,905 Shareholders' equity Share capital 654 660 Additional paid-in capital 294,084 3007,100 Accumulated other comprehensive income 211 3,427 Treasury stock, at cost (41,153) (60,880) Retained earnings 79,901<			
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Long-term investments Available-for-sale marketable securities114,51997,436Long-term bank deposits111,754162,533Severance pay funds $3,040$ $3,067$ 229,313263,036Property and equipment, net Intangible assets, net $20,592$ $23,911$ Intangible assets, net Godwill $4,756$ $4,083$ Other assets $3,234$ $5,285$ Goodwill $30,069$ $30,069$ Total assets $442,968$ $454,035$ Current liabilities 			
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Available-for-sale marketable securities $114,519$ $97,436$ Long-term bank deposits $111,754$ $162,533$ Severance pay funds $3,040$ $3,067$ $229,313$ $263,036$ Property and equipment, net $20,592$ $23,911$ Intangible assets, net $4,756$ $4,083$ Other assets $3,234$ $5,285$ Goodwill $30,069$ $30,069$ Total assets $442,968$ $454,035$ Current liabilities $9,817$ $7,314$ Deferred revenues, other payables and accrued expenses $9,817$ $7,314$ Deferred revenues, other payables and accrued expenses $33,445$ $31,905$ Shareholders' equity Share capital 654 660 Additional paid-in capital ncome $294,084$ $307,100$ Accumulated other comprehensive income 211 $3,427$ Treasury stock, at cost ncome $(41,153)$ $(60,880)$ Retained earnings $79,901$ $93,546$ Total shareholders' equity $333,697$ $343,853$	Long-term investments		·
Long-term bank deposits $111,754$ $162,533$ Severance pay funds $3,040$ $3,067$ $229,313$ $2263,036$ Property and equipment, net $20,592$ $23,911$ Intangible assets, net $4,756$ $4,083$ Other assets $3,234$ $5,285$ Goodwill $30,069$ $30,069$ Total assets $442,968$ $454,035$ Current liabilities $9,817$ $7,314$ Deferred revenues, other payables and accrued expenses $9,817$ $7,314$ Deferred revenues, other payables and accrued expenses $9,817$ $7,314$ Deferred revenues, other payables and accrued expenses $66,009$ $70,963$ Shareholders' equity $33,445$ $31,905$ Share capital Additional paid-in capital income $294,084$ $307,100$ Accumulated other comprehensive income 211 $3,427$ Treasury stock, at cost ncome $(41,153)$ $(60,880)$ Retained earnings $79,901$ $93,546$ Total shareholders' equity $333,697$ $343,853$		114,519	97,436
Severance pay funds $3,040$ $229,313$ $3,067$ $229,313$ Property and equipment, net Intangible assets, net $20,592$ $4,756$ $3,234$ $23,911$ $4,756$ $3,234$ Other assets $3,234$ $3,234$ $5,285$ $30,069$ Goodwill $30,069$ $30,069$ $30,069$ Total assets $442,968$ $454,035$ Current liabilities Trade payables $9,817$ $7,314$ $7,314$ Deferred revenues, other payables and accrued expenses $9,817$ $75,826$ $78,277$ Long-term liabilities Share capital Additional paid-in capital Accumulated other comprehensive income 211 $3,427$ $3,427$ $79,901$ Treasury stock, at cost rotal shareholders' equity 211 $79,901$ $3,43,853$	Long-term bank deposits		
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Property and equipment, net $20,592$ $23,911$ Intangible assets, net $4,756$ $4,083$ Other assets $3,234$ $5,285$ Goodwill $30,069$ $30,069$ Total assets $442,968$ $454,035$ Current liabilitiesTrade payables $9,817$ $7,314$ Deferred revenues, other payables and accrued expenses $66,009$ $70,963$ Total assets $33,445$ $31,905$ Shareholders' equityShare capital ncome 654 660 Additional paid-in capital income $294,084$ $307,100$ Accumulated other comprehensive income 211 $3,427$ Treasury stock, at cost reasury stock, at cost Total shareholders' equity $333,697$ $343,853$			
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Other assets3,2345,285Goodwill30,06930,069Total assets442,968454,035Current liabilities9,8177,314Deferred revenues, other payables and accrued expenses9,8177,314Deferred revenues, other payables and accrued expenses66,00970,96375,82678,27775,82678,277Long-term liabilities33,44531,905Shareholders' equity share capital654660Additional paid-in capital Accumulated other comprehensive income2113,427Treasury stock, at cost rotal shareholders' equity79,90193,546Total shareholders' equity333,697343,853	Property and equipment, net	20,592	23,911
Goodwill30,06930,069Total assets442,968454,035Current liabilities9,8177,314Deferred revenues, other payables and accrued expenses9,8177,314Deferred revenues, other payables and accrued expenses66,00970,96375,82678,27775,82678,277Long-term liabilities33,44531,905Shareholders' equity Share capital654660Additional paid-in capital ncome294,084307,100Accumulated other comprehensive income2113,427Treasury stock, at cost Retained earnings Total shareholders' equity79,90193,546Out and the paid-in capital Additional paid-in capital Additional paid-in capital Additional paid-in capital Accumulated other comprehensive income333,697343,853	Intangible assets, net	4,756	4,083
Total assets442,968454,035Current liabilities9,8177,314Deferred revenues, other payables and accrued expenses9,8177,314Deferred revenues, other payables and accrued expenses66,00970,96375,82678,27775,82678,277Long-term liabilities33,44531,905Shareholders' equity Share capital654660Additional paid-in capital income294,084307,100Accumulated other comprehensive income2113,427Treasury stock, at cost Retained earnings(41,153) 79,901(60,880) 93,546Total shareholders' equity333,697343,853	Other assets	3,234	5,285
Current liabilitiesTrade payablesDeferred revenues, other payables andaccrued expenses66,00975,82678,277Long-term liabilities33,445Shareholders' equityShare capitalAdditional paid-in capitalAccumulated other comprehensiveincome2113,427Treasury stock, at cost(41,153)Retained earnings79,901333,697343,853	Goodwill	30,069	30,069
Trade payables9,8177,314Deferred revenues, other payables and accrued expenses66,00970,96375,82678,277Long-term liabilities33,44531,905Shareholders' equity Share capital654660Additional paid-in capital income294,084307,100Accumulated other comprehensive income2113,427Treasury stock, at cost Retained earnings(41,153) 79,901(60,880) 93,546Total shareholders' equity333,697343,853	Total assets	442,968	454,035
Total shareholders' equityTotal shareholders' equityTotal shareholders' equityShare capital654660Additional paid-in capital294,084307,100Accumulated other comprehensive income2113,427Treasury stock, at cost(41,153)(60,880)Retained earnings79,90193,546Total shareholders' equity333,697343,853	Trade payables	9,817	7,314
Long-term liabilities33,44531,905Shareholders' equity654660Share capital654660Additional paid-in capital294,084307,100Accumulated other comprehensive income2113,427Treasury stock, at cost(41,153)(60,880)Retained earnings79,90193,546Total shareholders' equity333,697343,853	accrued expenses	66,009	70,963
Shareholders' equityShare capital654660Additional paid-in capital294,084307,100Accumulated other comprehensive income2113,427Treasury stock, at cost(41,153)(60,880)Retained earnings79,90193,546Total shareholders' equity333,697343,853		75,826	78,277
Share capital654660Additional paid-in capital294,084307,100Accumulated other comprehensive income2113,427Treasury stock, at cost(41,153)(60,880)Retained earnings79,90193,546Total shareholders' equity333,697343,853	Long-term liabilities	33,445	31,905
Share capital654660Additional paid-in capital294,084307,100Accumulated other comprehensive income2113,427Treasury stock, at cost(41,153)(60,880)Retained earnings79,90193,546Total shareholders' equity333,697343,853	Shareholders' equity		
Accumulated other comprehensive income2113,427Treasury stock, at cost(41,153)(60,880)Retained earnings79,90193,546Total shareholders' equity333,697343,853		654	660
income 211 3,427 Treasury stock, at cost (41,153) (60,880) Retained earnings 79,901 93,546 Total shareholders' equity 333,697 343,853		294,084	307,100
Treasury stock, at cost (41,153) (60,880) Retained earnings 79,901 93,546 Total shareholders' equity 333,697 343,853	•	011	0.407
Retained earnings79,90193,546Total shareholders' equity333,697343,853		— • •	
Total shareholders' equity 333,697 343,853			
Total liabilities and shareholders' equity442,968454,035	i otal shareholders equity	333,697	343,853
	Total liabilities and shareholders' equity	442,968	454,035

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

	For the Three months ended June 30,		For the Six months ended June 30,	
	2014 (Unaudited)	<u>2015</u> (Unaudited)	<u>2014</u> (Unaudited)	2015 (Unaudited)
Revenues Cost of revenues Gross profit Operating expenses: Research and development, net Selling and marketing General and administrative Total operating expenses Operating income Financial income, net Income before taxes on income Taxes on income	53,055 <u>9,766</u> <u>43,289</u> 10,972 23,092 <u>5,330</u> <u>39,394</u> 3,895 <u>1,407</u> 5,302 (1,355)	56,027 $9,684$ $46,343$ $12,239$ $22,082$ $4,400$ $38,721$ $7,622$ $1,450$ $9,072$ $(1,886)$	104,065 <u>19,212</u> <u>84,853</u> 21,530 45,504 <u>10,332</u> <u>77,366</u> 7,487 <u>2,952</u> 10,439 <u>(2,409)</u>	113,251 <u>19,784</u> <u>93,467</u> 24,190 45,662 <u>8,497</u> <u>78,349</u> 15,118 <u>2,100</u> 17,218 <u>(3,573)</u>
Net Income Basic net earnings per share	3,947 <u>\$0.09</u>	7,186 <u>\$0.16</u>	8,030 <u>\$0.18</u>	13,645 <u>\$0.29</u>
Weighted average number of shares used to compute basic net earnings per share	<u>45,075,338</u>	<u>46,304,373</u>	<u>45,009,869</u>	<u>46,350,151</u>
Diluted net earnings per share	<u>\$0.08</u>	<u>\$0.15</u>	<u>\$0.17</u>	<u>\$0.29</u>
Weighted average number of shares used to compute diluted net earnings per share	<u>46,750,581</u>	<u>47,659,321</u>	<u>46,810,391</u>	<u>47.552,869</u>

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

	For the Three months ended June 30,		For the Six months ended June 30,	
	<u>2014</u> (Unaudited)	<u>2015</u> (Unaudited)	<u>2014</u> (Unaudited)	<u>2015</u> (Unaudited)
GAAP net Income Stock-based compensation expenses, included in:	<u>3,947</u>	<u>7,186</u>	<u>8,030</u>	<u>13,645</u>
Cost of revenues	16	35	26	69
Research and development, net	287	644	546	1,262
Selling and marketing	717	1,017	1,311	1,906
General and administrative	731	<u>716</u>	1,399	<u>1,392</u>
	<u>1,751</u>	<u>2,412</u>	3,282	<u>4,629</u>
Amortization of intangible assets included in:				
Cost of revenues	245	294	564	607
Selling and marketing	<u> 163 </u>	<u>28</u>	326	66
	408	<u>322</u>	<u>890</u>	<u>673</u>
Exchange rate differences, net on balance sheet items included in financial income	91	<u>(107)</u>	(40)	<u>525</u>
Litigation Costs	<u>2,031</u>	<u>959</u>	3,850	<u>1,771</u>
Non-GAAP net income	<u>8,228</u>	<u>10,772</u>	<u>16,012</u>	<u>21,243</u>
Non-GAAP diluted net earnings per share	<u>\$0.18</u>	<u>\$0.23</u>	<u>\$0.34</u>	<u>\$0.45</u>
Weighted average number of shares used to compute Non-GAAP diluted net earnings per share	46,750,581	47,659,321	46,810,391	47,552,869