

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

	<b>December 31, 2014</b>	<b>December 31, 2015</b>
	(Audited)	(Unaudited)
<b>Current assets</b>		
Cash and cash equivalents	44,979	33,744
Available-for-sale marketable securities	29,448	16,003
Short-term bank deposits	29,989	80,922
Trade receivables, net (*)	25,637	26,410
Other receivables and prepaid expenses	8,107	5,042
Inventories	16,844	16,322
	155,004	178,443
<b>Long-term investments</b>		
Available-for-sale marketable securities	114,519	87,814
Long-term bank deposits	111,754	96,643
Severance pay funds	3,040	2,724
	229,313	187,181
Property and equipment, net	20,592	26,203
Intangible assets, net	4,756	3,518
Other assets	3,234	5,892
Goodwill	30,069	30,069
	442,968	431,306
<b>Total assets</b>		
<b>Current liabilities</b>		
Trade payables	9,817	9,255
Deferred revenues	41,966	46,061
Other payables and accrued expenses	24,043	22,098
	75,826	77,414
<b>Long-term liabilities</b>		
Deferred revenues	25,382	25,136
Other long-term liabilities	8,063	9,214
	33,445	34,350
<b>Shareholders' equity</b>		
Share capital	654	661
Additional paid-in capital	294,084	312,784
Accumulated other comprehensive income	211	1,676
Treasury stock, at cost	(41,153)	(94,049)
Retained earnings	79,901	98,470
Total shareholders' equity	333,697	319,542
<b>Total liabilities and shareholders' equity</b>	442,968	431,306

(\*) Include amounts invoiced to customers for whom revenue has not yet been recognized in the amount of \$ 29,976 and \$ 17,990, with corresponding offset of trade receivables balance on the balance sheet as of December 31, 2015 and 2014, respectively.

**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>2014</u> (Unaudited)	<u>2015</u> (Unaudited)	<u>2014</u> (Audited)	<u>2015</u> (Unaudited)
Revenues	61,032	55,256	221,892	216,566
Cost of revenues	<u>10,594</u>	<u>9,910</u>	<u>39,732</u>	<u>38,200</u>
Gross profit	<u>50,438</u>	<u>45,346</u>	<u>182,160</u>	<u>178,366</u>
Operating expenses:				
Research and development, net	11,245	12,972	44,081	49,987
Selling and marketing	24,542	24,946	93,203	93,347
General and administrative	<u>4,922</u>	<u>4,055</u>	<u>19,797</u>	<u>17,033</u>
Total operating expenses	<u>40,709</u>	<u>41,973</u>	<u>157,081</u>	<u>160,367</u>
Operating income	9,729	3,373	25,079	17,999
Financial income, net	<u>1,383</u>	<u>2,394</u>	<u>5,802</u>	<u>5,867</u>
Income before taxes on income	11,112	5,767	30,881	23,866
Taxes on income	<u>1,948</u>	<u>1,504</u>	<u>5,931</u>	<u>5,297</u>
Net income	<u>9,164</u>	<u>4,263</u>	<u>24,950</u>	<u>18,569</u>
Basic net earnings per share	<u>\$ 0.20</u>	<u>\$ 0.09</u>	<u>\$ 0.55</u>	<u>\$ 0.40</u>
Weighted average number of shares used to compute basic net earnings per share	46,138,320	45,048,937	45,308,554	45,895,321
Diluted net earnings per share	<u>\$ 0.19</u>	<u>\$ 0.09</u>	<u>\$ 0.53</u>	<u>\$ 0.40</u>
Weighted average number of shares used to compute diluted net earnings per share	47,362,844	45,300,967	46,894,615	46,738,604

**Reconciliation of Supplemental Financial Information**  
**(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>2014</u> (Unaudited)	<u>2015</u> (Unaudited)	<u>2014</u> (Unaudited)	<u>2015</u> (Unaudited)
GAAP net Income	<u>9,164</u>	<u>4,263</u>	<u>24,950</u>	<u>18,569</u>
Stock-based compensation expenses, included in:				
Cost of revenues	31	42	79	141
Research and development, net	412	575	1,421	2,456
Selling and marketing	860	1,187	2,950	4,098
General and administrative	<u>758</u>	<u>452</u>	<u>2,932</u>	<u>2,634</u>
	<u>2,061</u>	<u>2,256</u>	<u>7,382</u>	<u>9,329</u>
Amortization of intangible assets included in:				
Cost of revenues	244	254	1,053	1,114
Selling and marketing	<u>155</u>	<u>29</u>	<u>636</u>	<u>124</u>
	<u>399</u>	<u>283</u>	<u>1,689</u>	<u>1,238</u>
Exchange rate differences, net on balance sheet items included in financial income	<u>(26)</u>	<u>87</u>	<u>(163)</u>	<u>1,146</u>
Litigation costs	<u>1,480</u>	<u>744</u>	<u>6,418</u>	<u>3,383</u>
Non-GAAP net income	<u>13,078</u>	<u>7,633</u>	<u>40,276</u>	<u>33,665</u>
Non-GAAP diluted net earnings per share	<u><b>\$ 0.28</b></u>	<u><b>\$ 0.17</b></u>	<u><b>\$ 0.86</b></u>	<u><b>\$ 0.72</b></u>
Weighted average number of shares used to compute Non-GAAP diluted net earnings per share	47,362,844	45,300,967	46,894,615	46,738,604

**Consolidated Statements of Cash Flows**  
**(U.S. Dollars in thousands)**

	<b>Year end December 31,</b>	
	<b>2014</b>	<b>2015</b>
	(Audited)	(Unaudited)
<u>Cash flows from operating activities:</u>		
Net income	\$ 24,950	\$ 18,569
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,102	9,401
Stock based compensation	7,382	9,329
Gain from sale of available-for-sale marketable securities	(424)	(2,438)
Amortization of premiums, accretion of discounts and accrued interest on available-for-sale marketable securities, net	2,964	3,208
Accrued interest on bank deposits	1,069	(1,998)
Increase (decrease) in accrued severance pay, net	(158)	125
Changes in deferred income taxes, net	(1,775)	215
Increase in trade receivables, net	(726)	(773)
Increase in other receivables and prepaid expenses	(1,913)	(103)
Decrease (increase) in inventories	(2,654)	522
Increase (decrease) in trade payables	1,019	(562)
Increase in deferred revenues (short-term and long-term)	8,638	3,849
Increase in other payables and accrued expenses and other long-term liabilities	7,146	424
Tax benefit related to exercise of stock options	(1,443)	(632)
	52,177	39,136
<u>Cash flows from investing activities:</u>		
Purchase of property and equipment	(9,482)	(13,774)
Investment in (proceeds from) other long-term assets	34	(100)
Investment in bank deposits, net	(20,929)	(33,824)
Proceeds from sale, redemption of and purchase of available-for-sale marketable securities, net	(4,280)	40,845
Purchase of intangible asset	(1,375)	-
	(36,032)	(6,853)

**Consolidated Statements of Cash Flow**  
**(U.S. Dollars in thousands)**

	<b>Year end December 31,</b>	
	<b>2014</b>	<b>2015</b>
	(Audited)	(Unaudited)
<u>Cash flows from financing activities:</u>		
Proceeds from exercise of stock options	22,493	8,746
Excess tax benefit from stock-based compensation	1,443	632
Repurchase of shares	(15,169)	(52,896)
Net cash provided by (used in) financing activities	8,767	(43,518)
Increase in cash and cash equivalents	24,912	(11,235)
Cash and cash equivalents at the beginning of the year	20,067	44,979
Cash and cash equivalents at the end of the year	\$ 44,979	\$ 33,744