

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

	<b>December 31, 2014</b>	<b>March 31, 2015</b>
	(Audited)	(Unaudited)
<b>Current assets</b>		
Cash and cash equivalents	44,979	30,654
Available-for-sale marketable securities	29,448	26,434
Short term bank deposits	29,989	19,650
Trade receivables, net	25,637	25,946
Other receivables and prepaid expenses	8,107	8,227
Inventories	16,844	16,253
	<u>155,004</u>	<u>127,164</u>
<b>Long-term investments</b>		
Available-for-sale marketable securities	114,519	99,494
Long-term bank deposits	111,754	145,627
Severance pay funds	3,040	2,938
	<u>229,313</u>	<u>248,059</u>
Property and equipment, net	20,592	21,691
Intangible assets, net	4,756	4,405
Other long-term assets	3,234	3,287
Goodwill	30,069	30,069
	<u>442,968</u>	<u>434,675</u>
<b>Total assets</b>		
<b>Current liabilities</b>		
Trade payables	9,817	7,107
Deferred revenues, other payables and accrued expenses	66,009	69,124
	<u>75,826</u>	<u>76,231</u>
<b>Long-term liabilities</b>		
	<u>33,445</u>	<u>32,997</u>
<b>Shareholders' equity</b>		
Share capital	654	656
Additional paid-in capital	294,084	298,509
Accumulated other comprehensive income	211	802
Treasury stock, at cost	(41,153)	(60,880)
Retained earnings	79,901	86,360
Total shareholders' equity	<u>333,697</u>	<u>325,447</u>
<b>Total liabilities and shareholders' equity</b>	<u>442,968</u>	<u>434,675</u>

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

**For the three months ended**  
**March 31,**

	<b><u>2014</u></b> (Unaudited)	<b><u>2015</u></b> (Unaudited)
Revenues	51,010	57,224
Cost of revenues	<u>9,446</u>	<u>(10,100)</u>
Gross profit	<u>41,564</u>	<u>47,124</u>
Operating expenses:		
Research and development, net	10,558	11,951
Selling and marketing	22,412	23,580
General and administrative	<u>5,002</u>	<u>4,097</u>
Total operating expenses	<u>37,972</u>	<u>39,628</u>
Operating income	3,592	7,496
Financial income, net	<u>1,545</u>	<u>650</u>
Income before income taxes	5,137	8,146
Income taxes	<u>(1,054)</u>	<u>(1,687)</u>
Net income	<u>4,083</u>	<u>6,459</u>
Basic net earnings per share	<b><u>\$ 0.09</u></b>	<b><u>\$ 0.14</u></b>
Weighted average number of shares used to compute basic net earnings per share	44,941,036	46,398,833
Diluted net earnings per share	<b><u>\$ 0.09</u></b>	<b><u>\$ 0.14</u></b>
Weighted average number of shares used to compute diluted net earnings per share	46,866,837	47,449,320

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

**For the Three months ended  
March 31,**

	<b><u>2014</u></b> (Unaudited)	<b><u>2015</u></b> (Unaudited)
GAAP net income	4,083	6,459
Stock-based compensation expenses, included in:		
Cost of revenues	10	34
Research and development	259	618
Selling and marketing	594	889
General and administrative	<u>668</u>	<u>676</u>
	<u>1,531</u>	<u>2,217</u>
Amortization of intangible assets included in:		
Cost of revenues	319	313
Selling and marketing	<u>163</u>	<u>38</u>
	<u>482</u>	<u>351</u>
Exchange rate differences, net on balance sheet items included in financial income, net	<u>(130)</u>	<u>631</u>
Litigation costs	<u>1,819</u>	<u>812</u>
Non-GAAP net income	<u>7,785</u>	<u>10,470</u>
Non-GAAP diluted net earnings per share	<b><u>\$ 0.17</u></b>	<b><u>\$ 0.22</u></b>
Weighted average number of shares used to compute Non-GAAP diluted net earnings per share	46,866,837	47,449,320