

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

	December 31, 2011	June 30, 2012
		(Unaudited)
Current assets		
Cash and cash equivalents	17,386	12,044
Available-for-sale marketable securities	10,334	5,671
Short-term bank deposits	88,773	118,041
Trade receivables, net	12,565	17,733
Other receivables and prepaid expenses	3,625	3,332
Inventories	12,147	12,493
	<u>144,830</u>	<u>169,314</u>
Long-term investments		
Available-for-sale marketable securities	102,644	114,479
Severance pay funds	3,047	2,823
	<u>105,691</u>	<u>117,302</u>
 Property and equipment, net	 <u>11,084</u>	 <u>10,663</u>
Other assets		
Intangible assets, net	8,163	6,645
Other long-term assets	1,365	1,143
Goodwill	24,465	24,465
	<u>295,598</u>	<u>329,532</u>
Current liabilities		
Trade payables	5,099	4,798
Deferred revenues, other payables and accrued expenses	43,732	56,899
	<u>48,831</u>	<u>61,697</u>
Long-term liabilities	<u>27,446</u>	<u>20,675</u>
Shareholders' equity		
Share capital	528	546
Additional paid-in capital	233,353	244,559
Accumulated other comprehensive income (loss)	(1,663)	528
Treasury stock, at cost	(18,036)	(18,036)
Retained earnings	5,139	19,563
Total shareholders' equity	<u>219,321</u>	<u>247,160</u>
 Total liabilities and shareholders' equity	 <u>295,598</u>	 <u>329,532</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>June 30,</u>		<u>For the Six months ended</u> <u>June 30,</u>	
	<u>2011</u> (Unaudited)	<u>2012</u> (Unaudited)	<u>2011</u> (Unaudited)	<u>2012</u> (Unaudited)
Revenues	41,115	46,802	79,734	91,823
Cost of revenues	<u>8,318</u>	<u>8,810</u>	<u>16,197</u>	<u>17,342</u>
Gross profit	<u>32,797</u>	<u>37,992</u>	<u>63,537</u>	<u>74,481</u>
Operating expenses:				
Research and development	9,092	8,943	17,796	18,095
Selling and marketing	17,339	19,017	33,745	37,704
General and administrative	<u>2,436</u>	<u>2,427</u>	<u>4,785</u>	<u>4,831</u>
Total operating expenses	<u>28,867</u>	<u>30,387</u>	<u>56,326</u>	<u>60,630</u>
Operating income	3,930	7,605	7,211	13,851
Financial income, net	<u>1,298</u>	<u>989</u>	<u>2,637</u>	<u>2,491</u>
Income before taxes on income	5,228	8,594	9,848	16,342
Taxes on income	<u>(298)</u>	<u>(1,043)</u>	<u>(529)</u>	<u>(1,918)</u>
Net Income	<u>4,930</u>	<u>7,551</u>	<u>9,319</u>	<u>14,424</u>
Basic net earnings per share	<u>\$ 0.24</u>	<u>\$ 0.35</u>	<u>\$ 0.45</u>	<u>\$ 0.67</u>
Weighted average number of shares used to compute basic net earnings per share	20,927,549	21,859,625	20,801,998	21,677,698
Diluted net earnings per share	<u>\$ 0.21</u>	<u>\$ 0.32</u>	<u>\$ 0.41</u>	<u>\$ 0.62</u>
Weighted average number of shares used to compute diluted net earnings per share	22,976,000	23,399,494	23,001,985	23,268,450

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

	<u>For the Three months ended</u> <u>June 30,</u>		<u>For the Six months ended</u> <u>June 30,</u>	
	<u>2011</u> (Unaudited)	<u>2012</u> (Unaudited)	<u>2011</u> (Unaudited)	<u>2012</u> (Unaudited)
GAAP net Income	<u>4,930</u>	<u>7,551</u>	<u>9,319</u>	<u>14,424</u>
Stock-based compensation expenses, included in:				
Cost of revenues	16	17	31	38
Research and development	286	279	539	607
Selling and marketing	781	860	1,391	1,826
General and administrative	<u>345</u>	<u>254</u>	<u>663</u>	<u>528</u>
	<u>1,428</u>	<u>1,410</u>	<u>2,624</u>	<u>2,999</u>
Amortization of intangible assets included in:				
Cost of revenues	541	467	1,082	935
Selling and marketing	<u>421</u>	<u>292</u>	<u>842</u>	<u>583</u>
	<u>962</u>	<u>759</u>	<u>1,924</u>	<u>1,518</u>
Exchange rate differences, net on balance sheet items included in finance expenses (income)	<u>(67)</u>	<u>287</u>	<u>(496)</u>	<u>19</u>
Non-GAAP net income	<u>7,253</u>	<u>10,007</u>	<u>13,371</u>	<u>18,960</u>
Non-GAAP diluted net earnings per share	<u>\$ 0.32</u>	<u>\$ 0.43</u>	<u>\$ 0.58</u>	<u>\$ 0.81</u>
Weighted average number of shares used to compute Non-GAAP diluted net earnings per share	22,976,000	23,399,494	23,001,985	23,268,450