

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

	December 31, 2011	March 31, 2012
		(Unaudited)
Current assets		
Cash and cash equivalents	17,386	14,903
Available-for-sale marketable securities	10,334	7,058
Short-term bank deposits	88,773	108,526
Trade receivables, net	12,565	14,858
Other receivables and prepaid expenses	3,625	3,283
Inventories	12,147	12,244
	144,830	160,872
Long-term investments		
Available-for-sale marketable securities	102,644	108,309
Severance pay funds	3,047	2,993
	105,691	111,302
 Property and equipment, net	 11,084	 10,986
Other assets		
Intangible assets, net	8,163	7,404
Other long-term assets	1,365	1,375
Goodwill	24,465	24,465
	295,598	316,404
Total assets	295,598	316,404
Current liabilities		
Trade payables	5,099	6,144
Deferred revenues, other payables and accrued expenses	43,732	54,036
	48,831	60,180
Long-term liabilities	27,446	20,075
Shareholders' equity		
Share capital	528	542
Additional paid-in capital	233,353	240,728
Accumulated other comprehensive income (loss)	(1,663)	903
Treasury stock, at cost	(18,036)	(18,036)
Retained earnings	5,139	12,012
Total shareholders' equity	219,321	236,149
 Total liabilities and shareholders' equity	 295,598	 316,404

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

For the Three months ended
March 31,

	<u>2011</u>	<u>2012</u>
	(Unaudited)	(Unaudited)
Revenues	38,619	45,021
Cost of revenues	<u>7,879</u>	<u>8,532</u>
Gross profit	<u>30,740</u>	<u>36,489</u>
Operating expenses:		
Research and development	8,704	9,152
Selling and marketing	16,406	18,687
General and administrative	<u>2,349</u>	<u>2,404</u>
Total operating expenses	<u>27,459</u>	<u>30,243</u>
Operating income	3,281	6,246
Financial income, net	<u>1,339</u>	<u>1,502</u>
Income before taxes on income	4,620	7,748
Taxes on income	<u>(231)</u>	<u>(875)</u>
Net income	<u><u>4,389</u></u>	<u><u>6,873</u></u>
Basic net earnings per share	<u>\$ 0.21</u>	<u>\$ 0.32</u>
Weighted average number of shares used to compute basic net earnings per share	20,674,379	21,494,707
Diluted net earnings per share	<u>\$ 0.19</u>	<u>\$ 0.30</u>
Weighted average number of shares used to compute diluted net earnings per share	23,023,883	23,116,111

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

For the Three months ended

March 31,

2011

2012

(Unaudited)

(Unaudited)

GAAP net income	<u>4,389</u>	<u>6,873</u>
Stock-based compensation expenses, included in:		
Cost of revenues	15	21
Research and development	253	328
Selling and marketing	610	966
General and administrative	<u>318</u>	<u>274</u>
	<u>1,196</u>	<u>1,589</u>
Amortization of intangible assets included in:		
Cost of revenues	541	468
Selling and marketing	<u>421</u>	<u>291</u>
	<u>962</u>	<u>759</u>
Exchange rate differences, net on balance sheet items included in finance income	<u>(429)</u>	<u>(268)</u>
Non-GAAP net income	<u>6,118</u>	<u>8,953</u>
Non-GAAP diluted net earnings per share	<u>\$ 0.27</u>	<u>\$ 0.39</u>
Weighted average number of shares used to compute Non-GAAP diluted net earnings per share	23,023,883	23,116,111