

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

	December 31, 2011	September 30, 2012 (Unaudited)
Current assets		
Cash and cash equivalents	17,386	16,877
Available-for-sale marketable securities	10,334	8,847
Short-term bank deposits	88,773	97,539
Trade receivables, net	12,565	15,713
Other receivables and prepaid expenses	3,625	4,276
Inventories	12,147	12,938
	144,830	156,190
Long-term investments		
Available-for-sale marketable securities	102,644	118,909
Long-term bank deposits	-	22,729
Severance pay funds	3,047	2,792
	105,691	144,430
 Property and equipment, net	 11,084	 11,420
Other assets		
Intangible assets, net	8,163	5,879
Other long-term assets	1,365	1,217
Goodwill	24,465	24,465
	295,598	343,601
Total assets		
Current liabilities		
Trade payables	5,099	7,379
Deferred revenues, other payables and accrued expenses	43,732	55,074
	48,831	62,453
Long-term liabilities	27,446	21,511
Shareholders' equity		
Share capital	528	549
Additional paid-in capital	233,353	247,260
Accumulated other comprehensive income (loss)	(1,663)	2,079
Treasury stock, at cost	(18,036)	(18,036)
Retained earnings	5,139	27,785
Total shareholders' equity	219,321	259,637
 Total liabilities and shareholders' equity	 295,598	 343,601

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

	<u>For the Three months ended</u> <u>September 30,</u>		<u>For the Nine months ended</u> <u>September 30,</u>	
	<u>2011</u> (Unaudited)	<u>2012</u> (Unaudited)	<u>2011</u> (Unaudited)	<u>2012</u> (Unaudited)
Revenues	42,196	47,510	121,930	139,333
Cost of revenues	<u>8,534</u>	<u>8,970</u>	<u>24,731</u>	<u>26,312</u>
Gross profit	<u>33,662</u>	<u>38,540</u>	<u>97,199</u>	<u>113,021</u>
Operating expenses:				
Research and development, net	9,122	9,124	26,918	27,219
Selling and marketing	17,282	19,040	51,027	56,744
General and administrative	<u>2,343</u>	<u>2,389</u>	<u>7,128</u>	<u>7,220</u>
Total operating expenses	<u>28,747</u>	<u>30,553</u>	<u>85,073</u>	<u>91,183</u>
Operating income	4,915	7,987	12,126	21,838
Financial income, net	<u>776</u>	<u>1,263</u>	<u>3,413</u>	<u>3,754</u>
Income before taxes on income	5,691	9,250	15,539	25,592
Taxes on income	<u>(293)</u>	<u>(1,028)</u>	<u>(822)</u>	<u>(2,946)</u>
Net Income	<u>5,398</u>	<u>8,222</u>	<u>14,717</u>	<u>22,646</u>
Basic net earnings per share	<u>\$ 0.26</u>	<u>\$ 0.37</u>	<u>\$ 0.70</u>	<u>\$ 1.04</u>
Weighted average number of shares used to compute basic net earnings per share	21,052,835	21,977,781	20,886,623	21,778,658
Diluted net earnings per share	<u>\$ 0.24</u>	<u>\$ 0.35</u>	<u>\$ 0.64</u>	<u>\$ 0.97</u>
Weighted average number of shares used to compute diluted net earnings per share	22,782,410	23,321,397	22,936,293	23,280,294

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

	<u>For the Three months ended</u> <u>September 30,</u>		<u>For the Nine months ended</u> <u>September 30,</u>	
	<u>2011</u> (Unaudited)	<u>2012</u> (Unaudited)	<u>2011</u> (Unaudited)	<u>2012</u> (Unaudited)
GAAP net Income	<u>5,398</u>	<u>8,222</u>	<u>14,717</u>	<u>22,646</u>
Stock-based compensation expenses, included in:				
Cost of revenues	15	17	46	55
Research and development, net	248	284	787	891
Selling and marketing	731	873	2,122	2,699
General and administrative	<u>209</u>	<u>192</u>	<u>872</u>	<u>720</u>
	<u>1,203</u>	<u>1,366</u>	<u>3,827</u>	<u>4,365</u>
Amortization of intangible assets included in:				
Cost of revenues	541	467	1,623	1,402
Selling and marketing	<u>421</u>	<u>291</u>	<u>1,263</u>	<u>874</u>
	<u>962</u>	<u>758</u>	<u>2,886</u>	<u>2,276</u>
Exchange rate differences, net on balance sheet items included in financial income, net	<u>233</u>	<u>59</u>	<u>(263)</u>	<u>78</u>
Non-GAAP net income	<u>7,796</u>	<u>10,405</u>	<u>21,167</u>	<u>29,365</u>
Non-GAAP diluted net earnings per share	<u>\$ 0.34</u>	<u>\$ 0.45</u>	<u>\$ 0.92</u>	<u>\$ 1.26</u>
Weighted average number of shares used to compute Non-GAAP diluted net earnings per share	22,782,410	23,321,397	22,936,293	23,280,294