

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

	<b>December 31, 2013</b>	<b>March 31, 2014</b>
	(Audited)	(Unaudited)
<b>Current assets</b>		
Cash and cash equivalents	20,067	22,049
Available-for-sale marketable securities	30,372	41,745
Short-term bank deposits	84,387	102,969
Trade receivables, net	24,911	21,724
Other receivables and prepaid expenses	6,323	6,813
Inventories	14,190	14,782
	180,250	210,082
<b>Long-term investments</b>		
Available-for-sale marketable securities	113,377	117,346
Long-term bank deposits	37,497	19,389
Severance pay funds	3,319	3,255
	154,193	139,990
Property and equipment, net	17,523	18,048
Intangible assets, net	5,070	4,589
Other long-term assets	1,629	1,633
Goodwill	30,069	30,069
	388,734	404,411
<b>Total assets</b>	<b>388,734</b>	<b>404,411</b>
<b>Current liabilities</b>		
Trade payables	8,798	7,828
Deferred revenues, other payables and accrued expenses	57,906	64,672
	66,704	72,500
<b>Long-term liabilities</b>	27,910	28,886
<b>Shareholders' equity</b>		
Share capital	611	618
Additional paid-in capital	262,809	267,986
Accumulated other comprehensive income	1,733	1,371
Treasury stock, at cost	(25,984)	(25,984)
Retained earnings	54,951	59,034
Total shareholders' equity	294,120	303,025
<b>Total liabilities and shareholders' equity</b>	<b>388,734</b>	<b>404,411</b>

**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>2013</u></b> (Unaudited)	<b><u>2014</u></b> (Unaudited)
Revenues	45,126	51,010
Cost of revenues	<u>8,580</u>	<u>9,446</u>
Gross profit	<u>36,546</u>	<u>41,564</u>
Operating expenses:		
Research and development, net	9,869	10,558
Selling and marketing	19,540	22,412
General and administrative	<u>3,010</u>	<u>5,002</u>
Total operating expenses	<u>32,419</u>	<u>37,972</u>
Operating income	4,127	3,592
Financial income, net	<u>1,115</u>	<u>1,545</u>
Income before taxes on income	5,242	5,137
Taxes on income	<u>(756)</u>	<u>(1,054)</u>
Net income	<u>4,486</u>	<u>4,083</u>
Basic net earnings per share	<b><u>\$ 0.10</u></b>	<b><u>\$ 0.09</u></b>
Weighted average number of shares used to compute basic net earnings per share	44,615,888	44,941,036
Diluted net earnings per share	<b><u>\$ 0.10</u></b>	<b><u>\$ 0.09</u></b>
Weighted average number of shares used to compute diluted net earnings per share	46,995,738	46,866,837

**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>2013</u></b>	<b><u>2014</u></b>
	(Unaudited)	(Unaudited)
GAAP net income	4,486	4,083
Stock-based compensation expenses, included in:		
Cost of revenues	14	10
Research and development	271	259
Selling and marketing	607	594
General and administrative	<u>234</u>	<u>668</u>
	<u>1,126</u>	<u>1,531</u>
Amortization of intangible assets included in:		
Cost of revenues	516	319
Selling and marketing	<u>210</u>	<u>163</u>
	<u>726</u>	<u>482</u>
Exchange rate differences, net on balance sheet items included in finance income	<u>216</u>	<u>(130)</u>
Acquisition related expenses	<u>485</u>	<u>-</u>
Litigation costs	<u>-</u>	<u>1,819</u>
Non-GAAP net income	<u>7,039</u>	<u>7,785</u>
Non-GAAP diluted net earnings per share	<b><u>\$ 0.15</u></b>	<b><u>\$ 0.17</u></b>
Weighted average number of shares used to compute Non-GAAP diluted net earnings per share	46,995,738	46,866,837