



Allot Communications Reports Non-GAAP 31.1% Revenue Growth for Q2 2014

Non-GAAP Revenues reach \$28.2 million, compared with \$21.5 million Q2 2013

Hod Hasharon, Israel - August 5, 2014 - Allot Communications Ltd. (NASDAQ: ALLT), a leading supplier of service optimization and revenue generation solutions for fixed and mobile broadband operators and cloud providers worldwide, today announced its second quarter 2014 results, with non-GAAP revenues reaching \$28.2 million.

Q2 2014 - Key Highlights:

- Non-GAAP **Revenues** grew 31.1% year on year and remained flat with Q1 2014
- Non-GAAP **Gross Margin** was 73.1% (71.4% on a GAAP basis)
- Non-GAAP **Operating Margin** was 6.5% (2.3% operating loss on a GAAP basis)
- **Book-to-bill** above one
- Generated \$1.4 million of Operating **Cash Flow**
- **Net Cash** as of June 30, 2014 totaled \$123.6 million

Financial results:

On a non-GAAP basis, total revenues for Q2 2014 reached \$28.2 million, compared with \$21.5 million of non-GAAP revenue reported for Q2 2013 and \$28.3 million of non-GAAP revenue reported for Q1 2014. On a non-GAAP basis, net profit for Q2 2014 was \$1.9 million, or \$0.06 per basic and diluted share. This compares with non-GAAP net loss of \$0.9 million, or \$0.03 per basic and diluted share, in Q2 2013 and a non-GAAP net profit of \$2.1 million, or \$0.06 per basic and diluted share, in Q1 2014.

Total GAAP revenues for Q2 2014 reached \$28.2 million compared to \$21.2 million of revenue reported for Q2 2013 and \$28.3 million of GAAP revenue reported for Q1 2014. On a GAAP basis, the net loss for Q2 2014 was \$0.6 million, or of \$0.02 per basic and diluted share. This compares with a net loss of \$3.9 million, or \$0.12 per basic and diluted share, in Q2 2013 and a net loss of \$0.4 million, or \$0.01 per basic and diluted share, in Q1 2014.

Q2 2014 - Key Achievements:

- During Q2 2014, 18 large orders were received, 3 of which are new customers
- 12 of the large orders came from mobile-service providers and 3 were from fixed-line service providers
- In addition, 3 large orders were received for private and public cloud deployments
- Won a \$3 million contract with a tier-1 cable provider to deliver an intelligent traffic management solution to relieve cable access network congestion and provide big data analytics



- More than \$10 million of the booking was based on the new Allot Service Gateway Tera during Q2 2014.

"We are highly encouraged by the rapid adoption of the Allot Service Gateway Tera platform by Tier-1 mobile service providers and expect this to set a strong foundation for future follow-on installations of analytics, security and additional value added services. The business environment continues to show strength and book to bill ratio was, for the 6th quarter in a row, higher than 1. Entering the second half of the year, our funnel is robust and we continue to identify interesting opportunities with service providers that choose more comprehensive solution than in the past." said **Andrei Elefant, President & CEO** of Allot Communications. "We see an increasing demand for advanced services and sense a shift towards application-centric data plans offering".

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Conference Call & Webcast:

The Allot management team will host a conference call to discuss second quarter 2014 earnings results today at 8:30 AM ET, 3:30 p.m. Israel time.

To access the conference call, please dial one of the following numbers: US: **+1646 254 3362**, UK: **+44(0)203 4271914**, Israel: **+97237630145**, participant code **8306866**.

A replay of the conference call will be available from 12:00 AM ET on August 6, 2014 for 30 days. To access the replay, please dial: **US: +1 347 366 9565; UK: +44 (0)20 3427 0598**, access code: **8306866**. A live webcast of the conference call can be accessed on the Allot Communications website at www.allot.com. The webcast also will be archived on the website following the conference call.

About Allot Communications

Allot Communications Ltd. (NASDAQ, TASE: ALLT) is a leading global provider of intelligent broadband solutions that put mobile, fixed and enterprise networks at the center of the digital lifestyle and workstyle. Allot's DPI-based solutions identify and leverage the business intelligence in data networks, empowering operators to analyze, protect, improve and enrich the digital lifestyle services they deliver. Allot's unique blend of innovative technology, proven know-how and collaborative approach to industry standards and partnerships enables network operators worldwide to elevate their role in the digital lifestyle ecosystem and to open the door to a wealth of new business opportunities. For more information, please visit www.allot.com.

GAAP to Non-GAAP Reconciliation:

The discrepancy between GAAP and non-GAAP revenues is related to the acquisitions made by the Company and represents revenues adjusted for the impact of the fair value adjustment to acquired deferred revenue related to purchase accounting. Non-GAAP net profit is defined as GAAP net profit after



including deferred revenues related to the fair value adjustment resulting from purchase accounting and excluding stock-based compensation expenses, amortization of acquisition-related intangible assets, regulatory matters, acquisition-related expenses and compensation expenses related to the acquisitions.

These non-GAAP measures should be considered in addition to, and not as a substitute for, comparable GAAP measures. The non-GAAP results and a full reconciliation between GAAP and non-GAAP results are provided in the accompanying Table 2. The Company provides these non-GAAP financial measures because it believes they present a better measure of the Company's core business and management uses the non-GAAP measures internally to evaluate the Company's ongoing performance. Accordingly, the Company believes they are useful to investors in enhancing an understanding of the Company's operating performance.

Safe Harbor Statement

This release may contain forward-looking statements, which express the current beliefs and expectations of Company management. Such statements involve a number of known and unknown risks and uncertainties that could cause our future results, performance or achievements to differ significantly from the results, performance or achievements expressed or implied by such forward-looking statements. Important factors that could cause or contribute to such differences include risks relating to: our ability to compete successfully with other companies offering competing technologies; the loss of one or more significant customers; consolidation of, and strategic alliances by, our competitors, government regulation; lower demand for key value-added services; our ability to keep pace with advances in technology and to add new features and value-added services; managing lengthy sales cycles; operational risks associated with large projects; our dependence on third party channel partners for a material portion of our revenues; and other factors discussed under the heading "Risk Factors" in the Company's annual report on Form 20-F filed with the Securities and Exchange Commission. Forward-looking statements in this release are made pursuant to the safe harbor provisions contained in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are made only as of the date hereof, and the company undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

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TABLE - 1
ALLOT COMMUNICATIONS LTD.
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
 (U.S. dollars in thousands, except share and per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
	(Unaudited)		(Unaudited)	
Revenues	\$ 28,166	\$ 21,212	\$ 56,450	\$ 45,326
Cost of revenues	<u>8,056</u>	<u>5,753</u>	<u>16,252</u>	<u>12,493</u>
Gross profit	<u>20,110</u>	<u>15,459</u>	<u>40,198</u>	<u>32,833</u>
Operating expenses:				
Research and development costs, net	7,188	6,898	14,409	13,800
Sales and marketing	10,637	9,896	21,133	19,723
General and administrative	<u>2,931</u>	<u>2,666</u>	<u>5,818</u>	<u>5,304</u>
Total operating expenses	20,756	19,460	41,360	38,827
Operating loss	(646)	(4,001)	(1,162)	(5,994)
Financial and other income, net	<u>87</u>	<u>168</u>	<u>236</u>	<u>355</u>
loss before income tax benefit	(559)	(3,833)	(926)	(5,639)
Tax expenses	<u>61</u>	<u>32</u>	<u>82</u>	<u>73</u>
Net loss	<u>(620)</u>	<u>(3,865)</u>	<u>(1,008)</u>	<u>(5,712)</u>
Basic net loss per share	<u>\$ (0.02)</u>	<u>\$ (0.12)</u>	<u>\$ (0.03)</u>	<u>\$ (0.18)</u>
Diluted net loss per share	<u>\$ (0.02)</u>	<u>\$ (0.12)</u>	<u>\$ (0.03)</u>	<u>\$ (0.18)</u>
Weighted average number of shares used in computing basic net earnings per share	<u>33,111,197</u>	<u>32,630,280</u>	<u>33,025,671</u>	<u>32,596,317</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>33,111,197</u>	<u>32,630,280</u>	<u>33,025,671</u>	<u>32,596,317</u>



TABLE - 2
ALLOT COMMUNICATIONS LTD.
AND ITS SUBSIDIARIES
RECONCILIATION OF GAAP TO NON-GAAP CONSOLIDATED STATEMENTS OF OPERATIONS
(U.S. dollars in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
	(Unaudited)		(Unaudited)	
GAAP net loss as reported	\$ (620)	\$ (3,865)	\$ (1,008)	\$ (5,712)
Non-GAAP adjustments				
Fair value adjustment for acquired deferred revenues write down	11	276	23	313
Expenses recorded for stock-based compensation				
Cost of revenues	90	115	178	201
Research and development costs, net	487	412	956	823
Sales and marketing	811	874	1,632	1,620
General and administrative	599	649	1,213	1,235
Expenses related to M&A activities and compliance with regulatory matters (*)				
General and administrative	25	21	33	33
Research and development costs, net	-	22	-	28
Sales and marketing	-	12	-	12
Intangible assets amortization				
Cost of revenues	400	503	799	1,006
Sales and marketing	65	57	131	115
Total adjustments	<u>2,488</u>	<u>2,941</u>	<u>4,965</u>	<u>5,386</u>
Non-GAAP net profit (loss)	<u>\$ 1,868</u>	<u>\$ (924)</u>	<u>\$ 3,957</u>	<u>\$ (326)</u>
Non- GAAP basic net profit (loss) per share	<u>\$ 0.06</u>	<u>\$ (0.03)</u>	<u>\$ 0.12</u>	<u>\$ (0.01)</u>
Non- GAAP diluted net profit (loss) per share	<u>\$ 0.06</u>	<u>\$ (0.03)</u>	<u>\$ 0.12</u>	<u>\$ (0.01)</u>
Weighted average number of shares used in computing basic net earnings per share	<u>33,111,197</u>	<u>32,630,280</u>	<u>33,025,671</u>	<u>32,596,317</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>33,947,801</u>	<u>32,630,280</u>	<u>33,927,121</u>	<u>32,596,317</u>

(*) Mostly legal, finance and compensation expenses related to the acquisition



TABLE - 3
ALLOT COMMUNICATIONS LTD.
AND ITS SUBSIDIARIES
RECONCILIATION OF GAAP TO NON-GAAP CONSOLIDATED REVENUES
 (U.S. dollars in thousands, except share and per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
	(Unaudited)		(Unaudited)	
GAAP Revenues	\$ 28,166	\$ 21,212	\$ 56,450	\$ 45,326
Fair value adjustment for acquired deferred revenues write down	11	276	23	313
Non-GAAP Revenues	<u>\$ 28,177</u>	<u>\$ 21,488</u>	<u>\$ 56,473</u>	<u>\$ 45,639</u>



TABLE - 4
ALLOT COMMUNICATIONS LTD.
AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(U.S. dollars in thousands)

	June 30,	December 31,
	2014	2013
	<u>(Unaudited)</u>	<u>(Audited)</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 59,829	\$ 42,813
Short term deposits	8,500	38,000
Marketable securities and restricted cash	55,287	40,798
Trade receivables, net	23,786	16,908
Other receivables and prepaid expenses	8,819	8,218
Inventories	<u>13,877</u>	<u>13,798</u>
Total current assets	<u>170,098</u>	<u>160,535</u>
LONG-TERM ASSETS:		
Severance pay fund	278	254
Deferred taxes	1,436	1,602
Other assets	<u>2,544</u>	<u>771</u>
Total long-term assets	<u>4,258</u>	<u>2,627</u>
PROPERTY AND EQUIPMENT, NET	<u>5,925</u>	<u>5,874</u>
GOODWILL AND INTANGIBLE ASSETS, NET	<u>29,291</u>	<u>30,221</u>
Total assets	<u>\$ 209,572</u>	<u>\$ 199,257</u>
LIABILITIES AND SHAREHOLDERS'		
EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 7,493	\$ 3,191
Deferred revenues	11,793	12,504
Other payables and accrued expenses	<u>12,180</u>	<u>10,906</u>
Total current liabilities	<u>31,466</u>	<u>26,601</u>
LONG-TERM LIABILITIES:		
Deferred revenues	3,522	2,447
Accrued severance pay	<u>303</u>	<u>282</u>
Total long-term liabilities	<u>3,825</u>	<u>2,729</u>
SHAREHOLDERS' EQUITY	<u>174,281</u>	<u>169,927</u>
Total liabilities and shareholders' equity	<u>\$ 209,572</u>	<u>\$ 199,257</u>



TABLE - 5
ALLOT COMMUNICATIONS LTD.
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(U.S. dollars in thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
	(Unaudited)		(Unaudited)	
<u>Cash flows from operating activities:</u>				
Net Loss	\$ (620)	\$ (3,865)	\$ (1,008)	\$ (5,712)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation	762	867	1,562	1,747
Stock-based compensation related to options granted to employees	1,987	2,050	3,979	3,879
Amortization of intangible assets	465	560	930	1,122
Capital loss	-	14	-	14
Increase in accrued severance pay, net	(7)	(26)	(3)	(2)
Decrease (Increase) in other assets	12	16	(70)	(13)
Decrease in accrued interest and amortization of premium on marketable securities	37	46	245	57
Decrease (Increase) in trade receivables	(2,372)	2,868	(6,878)	(2,483)
Decrease (Increase) in other receivables and prepaid expenses	301	(1,625)	199	(1,669)
Increase in inventories	(403)	(1,101)	(79)	(781)
Decrease in deferred taxes, net	56	-	56	-
Increase in trade payables	2,606	1,602	4,302	221
Increase (Decrease) in employees and payroll accruals	(57)	(538)	1,005	(1,260)
Increase (Decrease) in deferred revenues	(732)	(1,070)	364	(4,058)
Increase (Decrease) in other payables and accrued expenses	(629)	963	247	2,136
Net cash provided by (used in) operating activities	<u>1,406</u>	<u>761</u>	<u>4,851</u>	<u>(6,802)</u>
<u>Cash flows from investing activities:</u>				
Decrease (Increase) in restricted deposit	-	(3)	-	1
Redemption of short-term deposits	22,000	15,000	29,500	76,042
Purchase of property and equipment	(697)	(572)	(1,613)	(1,428)
Investment in marketable securities	(18,081)	(13,704)	(18,981)	(29,366)
Proceeds from redemption or sale of marketable securities	3,363	1,432	4,264	3,711
Loan provided to third party	-	-	(2,735)	-
Proceeds from loan provided to third party	170	-	342	-
Net cash provided by investing activities	<u>6,755</u>	<u>2,153</u>	<u>10,777</u>	<u>48,960</u>
<u>Cash flows from financing activities:</u>				
Exercise of employee stock options	632	105	1,388	269
Net cash provided by financing activities	<u>632</u>	<u>105</u>	<u>1,388</u>	<u>269</u>
Increase in cash and cash equivalents	8,793	3,019	17,016	42,427
Cash and cash equivalents at the beginning of the period	51,036	89,434	42,813	50,026
Cash and cash equivalents at the end of the period	<u>\$ 59,829</u>	<u>\$ 92,453</u>	<u>\$ 59,829</u>	<u>\$ 92,453</u>