UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

- o **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**
- x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
- o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
- o **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report……

For the transition period from _____ to _____

Commission File Number 001-33129

ALLOT COMMUNICATIONS LTD.

(Exact Name of Registrant as specified in its charter)

ISRAEL
(Jurisdiction of incorporation or organization)

22 Hanagar Street
Neve Ne'eman Industrial Zone B
Hod-Hasharon 4501317
Israel
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Ordinary Shares, par value NIS 0.10 per share	**Nasdaq Global Select Market**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2014: **33,319,923 ordinary shares, NIS 0.10 par value per share**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act

Yes o No x

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 229.405 of this chapter), and (2) has been subject to such filing requirements for the past 90 days:

Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer o Accelerated filer x Non-accelerated filer o

Indicate by check mark basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP x	International Financial Reporting Standards as issued by the International Accounting Standards Board o	Other o

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 o Item 18 o

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes o No x

PRELIMINARY NOTES

Terms

As used herein, and unless the context suggests otherwise, the terms “Allot,” “Company,” “we,” “us” or “ours” refer to Allot Communications Ltd.

Cautionary Note Regarding Forward-Looking Statements

In addition to historical facts, this annual report on Form 20-F contains forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended (the “Securities Act”), Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”) and the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. We have based these forward-looking statements on our current expectations and projections about future events. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, potential market opportunities and the effects of competition. Forward-looking statements include all statements that are not historical facts and can be identified by terms such as “anticipates,” “believes,” “could,” “seeks,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “projects,” “should,” “will,” “would” or similar expressions that convey uncertainty of future events or outcomes and the negatives of those terms. These statements include but are not limited to:

- statements regarding projections of capital expenditures;
- statements regarding competitive pressures;
- statements regarding expected revenue growth;
- statements regarding the expected growth demand for video caching and optimization;
- statements regarding trends in mobile networks, including the development of a digital lifestyle, over-the-top applications, the need to manage mobile network traffic and cloud computing, among others;
- statements regarding our ability to develop technologies to meet our customer demands and expand our product and service offerings;
- statements regarding the acceptance and growth of our value-added services by our customers;
- statements regarding the expected growth in the use of particular broadband applications;
- statements as to our ability to meet anticipated cash needs based on our current business plan;
- statements as to the impact of the rate of inflation and the political and security situation on our business;
- statements regarding the price and market liquidity of our ordinary shares;
- statements as to our ability to retain our current suppliers and subcontractors; and

- statements regarding our future performance, sales, gross margins, expenses (including stock-based compensation expenses) and cost of revenues.

These statements may be found in the sections of this annual report on Form 20-F entitled “ITEM 3: Key Information—Risk Factors,” “ITEM 4: Information on Allot,” “ITEM 5: Operating and Financial Review and Prospects,” “ITEM 10: Additional Information—Taxation—United States Federal Income Taxation—Passive Foreign Investment Company Considerations” and elsewhere in this annual report, including the section of this annual report entitled “ITEM 4: Information on Allot—Business Overview—Overview” and “ITEM 4: Information on Allot—Business Overview—Industry Background,” which contain information obtained from independent industry sources. Actual results could differ materially from those anticipated in these forward-looking statements due to various factors, including all the risks discussed in “ITEM 3: Key Information—Risk Factors” and elsewhere in this annual report.

All forward-looking statements in this annual report reflect our current views about future events and are based on assumptions and are subject to risks and uncertainties that could cause our actual results to differ materially from future results expressed or implied by the forward-looking statements. Many of these factors are beyond our ability to control or predict. You should not put undue reliance on any forward-looking statements. Unless we are required to do so under U.S. federal securities laws or other applicable laws, we do not intend to update or revise any forward-looking statements.

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PART I

ITEM 1: Identity of Directors, Senior Management and Advisers

Not applicable.

ITEM 2: Offer Statistics and Expected Timetable

Not applicable.

ITEM 3: Key Information

A. Selected Financial Data

You should read the following selected consolidated financial data in conjunction with "ITEM 5: Operating and Financial Review and Prospects" and our consolidated financial statements and the related notes included elsewhere in this annual report on Form 20-F. The consolidated statements of operations data for the years ended December 31, 2012, 2013 and 2014 the consolidated balance sheet data as of December 31, 2013 and 2014 are derived from our audited consolidated financial statements included in "ITEM 18: Financial Statements," which have been prepared in accordance with generally accepted accounting principles in the United States. The consolidated statements of operations for the years ended December 31, 2010 and 2011 and the consolidated balance sheet data as of December 31, 2010, 2011 and 2012 have been derived from our audited consolidated financial statements which are not included in this annual report.

	Year ended December 31,				
	2010	2011	2012	2013	2014
	(in thousands, except per share and share data)				
Consolidated Statements of Operations:					
Revenues:					
Products	$ 40,852	$ 56,810	$ 77,127	$ 66,318	$ 77,240
Services	16,120	20,943	27,625	30,227	39,946
Total revenues	56,972	77,753	104,752	96,545	117,186
Cost of revenues(1):					
Products	14,015	19,540	26,857	20,572	27,389
Services	1,970	2,635	4,180	6,246	7,350
Expenses related to the settlement of the Office of the Chief Scientist grants(2)	-	-	15,886	-	-
Total cost of revenues	15,985	22,175	46,923	26,818	34,739
Gross profit	40,987	55,578	57,829	69,727	82,447
Operating expenses:					
Research and development, gross	14,038	16,896	24,915	28,073	29,998
Less grant participation	2,774	3,674	2,855	1,051	984
Research and development, net(1)	11,264	13,222	22,060	27,022	29,014
Sales and marketing(1)	22,021	26,543	34,127	39,817	44,599
General and administrative(1)	5,473	7,474	10,664	9,952	11,941
Total operating expenses	38,758	47,239	66,851	76,791	85,554
Operating income (loss)	2,229	8,339	(9,022)	(7,064)	(3,107)
Financing income (expenses), net	(7,907)	415	1,358	727	660
Income (loss) before income tax expenses (benefit)	(5,678)	8,754	(7,664)	(6,337)	(2,447)
Income tax expenses (benefit)	84	(55)	(926)	120	50
Net income (loss)	$ (5,762)	$ 8,809	$ (6,738)	$ (6,457)	$ (2,497)
Basic net earnings (loss) per share	$ (0.25)	$ 0.35	$ (0.21)	$ (0.20)	$ (0.08)
Diluted net earnings (loss) per share	$ (0.25)	$ 0.33	$ (0.21)	$ (0.20)	$ (0.08)
Weighted average number of shares used in computing basic net earnings (loss) per share	22,831,014	25,047,771	31,959,921	32,680,766	33,143,168
Weighted average number of shares used in computing diluted net earnings (loss) per share	22,831,014	27,071,872	31,959,921	32,680,766	33,143,168

(1) Includes stock-based compensation expense related to options and RSUs granted to employees and others as follows:

	Year ended December 31,				
	2010	2011	2012	2013	2014
			(in thousands)		
Cost of revenues	$ 95	$ 103	$ 222	$ 368	$ 353
Research and development expenses, net	352	442	1,186	1,666	1,919
Sales and marketing expenses	851	1,001	2,060	3,106	3,322
General and administrative expenses	692	710	1,349	2,591	2,501
Total	$ 1,990	$ 2,256	$ 4,817	$ 7,731	$ 8,095

(2) Represents the full balance of the contingent liability related to grants received, which was paid in 2013.

	At December 31,				
	2010	2011	2012	2013	2014
			(in thousands)		
Consolidated balance sheet data:					
Cash and cash equivalents	$ 42,858	$ 116,682	$ 50,026	$ 42,813	$ 19,180
Short-term deposits and restricted deposits	1,060	25,138	78,188	38,000	59,000
Marketable securities	15,531	17,580	14,841	40,798	54,271
Working capital	59,841	158,937	131,598	133,362	138,174
Total assets	95,187	197,058	221,791	199,257	212,948
Total liabilities	30,199	34,489	52,670	29,330	37,968
Accumulated deficit	(69,456)	(60,647)	(67,385)	(73,842)	(76,339)
Share capital	527	720	761	774	819
Total shareholders’ equity	64,988	162,569	169,121	169,927	174,980

B. **Capitalization and Indebtedness**

Not applicable.

C. Reasons for Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Our business involves a high degree of risk. You should consider carefully the risks described below, together with the financial and other information contained in this annual report and our other filings with the SEC. If any of the following risks actually occurs, our business, financial condition and results of operations would suffer. In this case, the trading price of our ordinary shares would likely decline and you might lose all or part of your investment. The risks described below are not the only ones we face. Additional risks that we currently do not know about or that we currently believe to be immaterial may also impair our business operations.

Risks Relating to Our Business

We have a history of losses and may not be able to achieve or maintain profitability in the future.

We have a history of net losses in all fiscal years since our inception, other than in 2006 and 2011. We had a net loss in of $ 2.5 million in 2014, resulting from an inventory write-off of approximately $3.4 million, due to launches of newer versions of our products, which rendered certain products in our inventory, obsolete. We had a net loss of $6.5 million in 2013 due to an increase in the company's costs as a result of the acquisitions of Ortiva Wireless Inc. ("Ortiva") and Oversi Networks Ltd. ("Oversi") and due to a decrease in the company's product revenues. We had a net loss in 2012 as a result of expenses related to the settlement of approximately $15.9 million in royalty obligations paid to the Office of the Chief Scientist of the Ministry of Economy (formerly the Ministry of Industry, Trade and Labor). We can provide no assurance that we will be able to achieve or maintain profitability, and we may incur losses in the future if we do not generate sufficient revenues.

Our ability to compete effectively with other companies in our market may be adversely affected by companies that offer, or may in the future offer, competing technologies and by Industry consolidation which may lead to increased competition.

We compete in a rapidly evolving and highly competitive sector of the networking technology market, in which large incumbent companies have significant market share and established relationships with service providers. We face significant competition from router and switch infrastructure companies, such as Cisco Systems, Inc., Telefonaktiebolager LM Erricson, Huawei Technologies Co., Ltd. and F5 Networks Inc. which integrate functionalities into their platforms addressing some of the problems that our products address. Our competitors have also identified the potential market opportunity offered by the largest service providers, referred to as Tier 1 operators, and we therefore face intense competition in this portion of our market. Our principal competitors in the field of standalone intelligent policy enforcement and traffic management products enabled by DPI technology are Sandvine Inc. and Procera Networks, Inc. We also face competition from companies that offer partial or alternative solutions addressing limited aspects of the challenges facing broadband providers, such as network monitoring or security.

Our competitors may announce new products, services or enhancements that better meet the needs of customers or changing industry requirements, or may offer alternative methods to achieve customer objectives. As the intelligent broadband solutions market has grown, including the market for DPI enabled solutions for mobile networks, new competitors have entered and may continue to enter the market.

Certain of our direct competitors, are substantially larger than we are and have significantly greater financial, sales and marketing, technical, manufacturing and other resources. Our market may be subject to industry consolidation, as companies attempt to maintain or strengthen their positions in our evolving industry, or are unable to continue their operations or are acquired. For example, some of our current and potential competitors have made, or have been reported as considering making, acquisitions or have announced new strategic alliances designed to position them with the ability to provide many of the same services that we provide, to both the service provider and enterprise markets. Industry consolidation may result in stronger competitors that are better able to compete as sole-source vendors for customers.

The entry of new competitors into our market and industry consolidation could result in increased competition and harm to our business. Increased competition and industry consolidation may cause price reductions, reduced gross margins and loss of market share, any of which could have a material adverse effect on our business, financial condition or result of operations.

We depend on one or more significant customers and the loss of any such significant customer or a significant decrease in business from any such customer could harm our results of operations.

The loss of any significant customer or a significant decrease in business from any such customer could harm our results of operations and financial condition. In addition, revenues from individual customers may fluctuate from time to time based on the timing and the terms under which further orders are received and the duration of the delivery and implementation of such orders. We derived 14% of our total revenues in 2012 from one global Tier 1 mobile operator group and 45% of our total revenues in 2013 from three Tier 1 mobile and fixed operators. The revenues derived from each of these three operators were higher than 10% of our total revenues. In 2014, we derived 44% of our total revenues from two Tier 1 mobile and fixed operators, and the revenues derived from each of these operators were higher than 10% of our total revenues.

Demand for our products may be impacted by government regulation of the telecommunications industry.

Service providers are subject to government regulation in a number of jurisdictions in which we sell our products. There are several proposals in the United States, Europe and elsewhere for regulating service providers' ability to prioritize applications in their networks. Advocates for regulating this industry claim that collecting premium fees from certain "preferred" applications would distort the market for Internet applications in favor of larger and better-funded content providers. They also claim that this would impact end-users who already purchased broadband access only to experience response times that differ based on content provider. Opponents believe that content providers who support bandwidth-intensive applications should be required to pay service providers a premium in order to support further network investments. In August 2008, the United States Federal Communications Commission (the "FCC") issued a ruling prohibiting Comcast, the second-largest broadband provider in the United States, from delaying certain peer-to-peer traffic on its network. Comcast filed an appeal of the ruling in September 2008. In April 2010, a federal appeals court ruled that under current law the FCC had limited power over Web traffic. In December 2010, the FCC adopted rules which would give it regulatory power over Internet service providers in order to prevent them from blocking or unreasonably discriminating against Web content, services or applications. In 2011, Verizon and other broadband companies challenged the FCC's rules in the United States Court of Appeals for the District of Columbia Circuit. In January 2014, the United States Court of Appeals for the District of Columbia Circuit overturned the FCC's anti-blocking and anti-discrimination rules, saying the agency overreached in barring broadband providers from slowing or blocking selected Web traffic. In February 2015 the FCC proposed to apply Title II (common carrier) of the Communications Act of 1934 to the internet. If such proposal is fully or partly adopted, internet service providers (including mobile carriers) may be regulated as a Utility (rather than Information), and thus their ability to prioritize applications and services in their networks or their ability to process and monetize subscriber related information may be heavily regulated. While there is no certainty as to the actual outcome of the FCC proposal, this matter may attract growing public debate and attention of regulators in a number of jurisdictions we operate in. Demand from service providers for the traffic management and subscriber management features of our products could be adversely affected if regulations prohibit or limit service providers from managing traffic on their networks. A decrease in demand for these features could adversely impact sales of our products and could have a material adverse effect on our business, financial condition or result of operations.

We need to increase the functionality of our products and offer additional features and value-added products in order to maintain or increase our profitability.

The market in which we operate is highly competitive and unless we continue to enhance the functionality of our products and add additional features and value added products, our competitiveness may be harmed We endeavor to enhance our products by offering higher system speeds, additional features and value-added products, such as additional security, video caching and optimization products, and parental control products, among other value added products,, and support for additional applications and enhanced reporting tools.

Our value-added products offer customers additional tools to increase the efficiency of their networks or to help them derive additional revenues from their end customers. The industry and market for our value added products, are still developing and are affected, among others, by trends and changes in internet broadband traffic, including changes in methods used by various content providers and broadband applications.

The commoditization of DPI technology and the introduction of competitive features and value added services will result in a decrease of our average sale prices. We cannot provide any assurance that demand for our additional features and value added products will continue or grow, or that we will be able to generate revenues from such sales at the levels we anticipate or at all. Any inability to sell or maintain our additional features and value-added products may lead to commercial disputes with our customers and to lengthy implementation processes and increased spending on technical solutions, all of which may negatively impact our results of operations.

Our revenues and business will be harmed if we do not keep pace with changes in broadband applications and with advances in technology, or if we do not achieve widespread market acceptance, including through significant investments.

We will need to invest heavily in the continued development of our technology in order to keep pace with rapid changes in applications and increased broadband network speeds and with our competitors' efforts to advance their technology. Our ability to develop and deliver effective product offerings depends on many factors, including identifying our customers' needs, technical implementation of new services and integration of our value-added products with our customers' existing network infrastructure. While we will continue to introduce innovative value-added products, we cannot provide any assurance that any new products we introduce will achieve the same degree of success that we have with our existing products. Designers of broadband applications that our products identify and manage are using increasingly sophisticated methods to avoid detection and management by network operators. Even if our products successfully identify a particular application, it is sometimes necessary to distinguish between different types of traffic belonging to a single application. Accordingly, we face significant challenges in ensuring that we identify new applications and new versions of current applications as they are introduced without impacting network performance, especially as networks become faster. This challenge is increased as we seek to expand sales of our products to new geographic territories because the applications vary from country to country and region to region.

The network equipment market is characterized by rapid technological progress, frequent new product introductions, changes in customer requirements and evolving industry standards. To compete, we need to achieve widespread market acceptance.

Alternative technologies could achieve widespread market acceptance and displace the technology on which we have based our product architecture.

Our business and revenues will be adversely affected if we fail to develop enhancements to our products, in order to keep pace with changes in broadband applications and advances in technology. We can give no assurance that our technological approach will achieve broad market acceptance or that other technology or devices will not supplant our technology and products.

A failure of our products may adversely affect the operation of our customers' live networks

Our products are, generally, installed in line, as part of our customers' networks. We endeavor to avoid any interruption to the regular operation of such networks, including, by performing certain tasks during predetermined maintenance windows, and implementing a system bypass, in the event of malfunctions. However, in certain cases, a failure of our products may result in our customers experiencing loss of functionality, denial of service and access, disconnection of live traffic on their networks, end user dissatisfaction and loss of revenues. Such failure of our products, may cause commercial disputes with our customers and adversely affect our reputation.

Sales of our products to large service providers can involve a lengthy sales cycle, which may impact the timing of our revenues and result in us expending significant resources without making any sales.

Our sales cycles to large service providers, including carriers, mobile operators and cable operators, are generally lengthy because these end-customers consider our products to be capital equipment and undertake significant testing to assess the performance of our products within their networks. Furthermore, many of our product and service arrangements with our customers provide that the final acceptance of a product or service may be specified by the customer. In such instances, we do not recognize the revenue until all acceptance criteria have been met. As a result, we often invest significant time from initial contact with a large service provider until it decides to incorporate our products into its network, and we may not be able to recognize the revenue from a customer until all acceptance criteria have been satisfied. We may also expend significant resources in attempting to persuade large service providers to incorporate our products into their networks without success. Even after deciding to purchase our products, the initial network deployment of our products by a large service provider may last up to one year. If a competitor succeeds in convincing a large service provider to adopt that competitor's product, it may be difficult for us to displace the competitor because of the cost, time, effort and perceived risk to network stability involved in changing solutions. As a result, we may incur significant expenses without generating any sales, which could adversely affect our profitability.

The complexity and scope of the solutions and services we provide to larger service providers are increasing, and such larger projects entail greater operational risk and an increased chance of failure.

The complexity and scope of the solutions and services we provide to larger service providers are increasing. The larger and more complex such projects are, the greater the operational risks associated with them. These risks include the failure to fully integrate our products into the service provider's network or with third-party products, our dependence on subcontractors and partners and on effective cooperation with third-party vendors for the successful and timely completion of such projects. If we encounter any of these risks, we may incur higher costs in order to complete the project and may be subject to contractual penalties resulting in lower profitability. In addition, the project may demand more of our management's time than was originally planned, and our reputation may be adversely impacted.

We depend on third parties to market, sell, install and provide initial technical support for our products for a material portion of our business.

We depend on third-party channel partners, such as distributors, resellers, OEMs and system integrators, to market and sell a material portion of our products to end-customers. In 2014, approximately 45% of our revenues were derived from channel partners. Our channel partners are also responsible for installing our products and providing initial customer support for them. As a result, we depend on the ability of our channel partners to successfully market and sell our products to these end-customers. We also depend on our ability to maintain our relationships with existing channel partners and to develop relationships with new channel partners in key markets. We can give no assurance that our channel partners will market our products effectively, receive and fulfill customer orders for our products on a timely basis or continue to devote the resources necessary to provide us with effective sales, marketing and technical support. In addition, any failure by our channel partners to provide adequate initial support to end-customers could result in customer dissatisfaction with us or our products, which could result in a loss of customers, harm our reputation and delay or limit market acceptance of our products. Our products are complex and it takes time for a new channel partner to gain experience in the operation and installation of these products. Therefore, it may take a period of time before a new channel partner can successfully market, sell and support our products if an existing channel partner ceases to sell our products. Additionally, our agreements with channel partners are generally not exclusive and our channel partners may market and sell products that compete with our products. Our agreements with our distributors and resellers are usually for an initial one-year term and following the expiration of this term, can be terminated by either party. We can give no assurance that these agreements will remain in effect, and any termination of one or more of the agreements may adversely affect our profitability and results of operations.

We are subject to certain regulatory regimes that may affect the way that we conduct business internationally, and our failure to comply with applicable laws and regulations could adversely affect our reputation and result in penalties and increased costs.

We are subject to a complex system of laws and regulations related to international trade, including economic sanctions and export control laws and regulations. It is our policy not to make direct or indirect prohibited sales of our products, including into countries sanctioned under laws to which we are subject, and to contractually limit the territories into which our channel partners may sell our products. Nevertheless, several years ago one of our channel partners sold certain of our products (designed for the enterprise market) outside of its contractually designated territory, including into a sanctioned country, and we subsequently determined that our contract management protocol for authorizing channel partner sales was not adequately followed in that instance.

We are also subject to the U.S. Foreign Corrupt Practices Act, or FCPA, and may be subject to similar worldwide anti-bribery laws that generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business. Some of the countries in which we operate have experienced governmental corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices.

Despite our compliance and training programs, we cannot be certain that our procedures will be sufficient to ensure consistent compliance with all applicable international trade and anti-corruption laws, or that our employees or channel partners will strictly follow all policies and requirements to which we subject them. Any alleged or actual violations of these laws may subject us to government scrutiny, investigation, debarment, and civil and criminal penalties, which may have an adverse effect on our results of operations, financial condition and reputation.

We are dependent on our traffic management systems and network management application suites for the substantial majority of our revenues.

In the past few years, we have increased sales of our Value Added Services. However, sales of our traffic management systems, including Service Gateway platforms, and the NetEnforcer system, as well as our NetXplorer network management system, continued to account for a major portion of our revenues in 2013 and 2014. Specifically, 68% and 67% of our total revenues in 2013 and 2014, respectively. While we currently expect that revenues from value added services will continue to grow, these systems will continue to account for a considerable portion of our revenues in the immediate future. If we are unable to increase these sales, our business will suffer. In addition, service providers may choose embedded or integrated solutions using routers and switches from larger networking vendors over a standalone solution that we offer. Any factor adversely affecting our ability to sell, or the pricing of or demand for, our traffic management systems and network management system, would severely harm our ability to generate revenues and could have a material adverse effect on our business.

We integrate various third-party solutions into our products and may integrate or offer additional third-party solutions in the future. If we lose the right to use such solutions, our sales could be disrupted and we would have to spend additional capital to replace such components.

We integrate various third-party solutions into our products and may integrate or offer additional third-party solutions in the future. Sales of our products could be disrupted if such third-party solutions were either no longer available to us or no longer offered to us on commercially reasonable terms. In either case, we would be required to spend additional capital to either redesign our products to function with alternate third-party solutions or develop substitute components ourselves. We might, as a result, be forced to limit the features available in our current or future product offerings, which could have a material adverse effect on our business.

Our products are highly technical and any undetected software or hardware errors in our products could have a material adverse effect on our operating results.

Our products are complex and are incorporated into broadband networks, which are a major source of revenue for service providers and support critical applications for subscribers and enterprises. Due to the highly technical nature of our products and variations among customers' network environments, we may not detect product defects until our products have been fully deployed in our customers' networks. Regardless of whether warranty coverage exists for a product, we may be required to dedicate significant technical resources to repair any defects. If we encounter significant product problems, we could experience, among other things, loss of major customers, cancellation of product orders, increased costs, delay in recognizing revenues and damage to our reputation. We could also face claims for product liability, tort or breach of warranty. Defending a lawsuit, regardless of its merit, is costly and may divert management's attention. In addition, if our business liability insurance is inadequate or future coverage is unavailable on acceptable terms or at all, our financial condition could be harmed.

Demand for our products depends in part on the rate of adoption of bandwidth-intensive broadband applications, such as Internet video and online video gaming applications, and the impact multiple applications may have on network speed.

Our products are used by service providers and enterprises to monitor and manage bandwidth-intensive applications that cause congestion in broadband networks and impact the quality of experience for users. Demand for our products is driven particularly by growth in applications, which are highly sensitive to network delays and therefore require efficient network management, such as Voice over IP (VoIP), Internet video and television and online video gaming applications. If the rapid growth in the adoption of VoIP and in the popularity of Internet video and online video gaming applications does not continue, the demand for our products may be adversely impacted.

We currently depend on a single subcontractor to manufacture and provide hardware warranty support for our Service Gateway platforms and NetEnforcer platforms. If this subcontractor experiences delays, disruptions, quality control problems or a loss in capacity, it could materially and adversely affect our operating results.

We currently depend on a single subcontractor, Flextronics (Israel) Ltd., a subsidiary of Flextronics, a global electronics manufacturing services company, to manufacture, assemble, test, package and provide hardware warranty support for our Service Gateway platforms and NetEnforcer platforms.In addition, our agreement with Flextronics (Israel) requires it to procure and store key components for our products at its facilities. If Flextronics (Israel) experiences delays, disruptions or quality control problems in manufacturing our products, or if we fail to effectively manage our relationship with Flextronics (Israel), product shipments may be delayed and our ability to deliver products to customers could be materially and adversely affected. Flextronics (Israel) may terminate our agreement at any time during the term upon 180-days prior notice. We expect that it would take approximately six months to transition the manufacturing of our products to an alternate manufacturer and our inventory of completed products may not be sufficient for us to continue delivering products to our customers on a timely basis during any such transition period. Therefore, the loss of Flextronics (Israel) could adversely affect our sales and operating results and harm our reputation.

Certain hardware components for our products come from single or limited sources and we could lose sales if these sources fail to satisfy our supply requirements.

We obtain certain hardware components used in our products from single or limited sources.

Although the abovementioned hardware components are off-the-shelf items, because our systems have been designed to incorporate these specific hardware components, any change to these components due to an interruption in supply or our inability to obtain such components on a timely basis, may require engineering changes to our products before substitute hardware components could be incorporated. Such changes could be costly and result in lost sales particularly to our traffic management systems and Video Optimization platforms. The agreements with our suppliers do not contain any minimum supply commitments. If we or our contract manufacturer fail to obtain components in sufficient quantities when required, our business could be harmed.

Our suppliers also sell products to our competitors and may enter into exclusive arrangements with our competitors, stop selling their products or components to us at commercially reasonable prices or refuse to sell their products or components to us at any price. Our inability to obtain sufficient quantities of single-source or limited-sourced components or to develop alternative sources for components or products would harm our ability to maintain and expand our business.

We may expand our business or enhance our technology through acquisitions that could result in diversion of resources and extra expenses. This could disrupt our business and adversely affect our financial condition.

Part of our strategy is to selectively pursue partnerships and acquisitions. In 2008, we acquired the business of Esphion, a developer of video optimization and protection solutions for telecommunications operators and internet service providers, which increased the scope of our product offerings. In 2012, we acquired Ortiva, a developer of solutions for mobile and Internet networks, and Oversi, a developer of products and systems for caching Internet content. The negotiation of acquisitions, investments or joint ventures, as well as the integration of acquired or jointly developed businesses or technologies, could divert our management's time and resources.. Acquired businesses, technologies or joint ventures may not be successfully integrated with our products and operations and we may not realize the intended benefits of these acquisitions. We may also incur future losses from any acquisition, investment or joint venture. In addition, acquisitions could result in:

· substantial cash expenditures;

· potentially dilutive issuances of equity securities;

· the incurrence of debt and contingent liabilities;

· a decrease in our profit margins; and

· amortization of intangibles and potential impairment of goodwill.

If acquisitions disrupt our operations or result in significant expenditures or liabilities, our business, operating results or financial conditions may suffer.

If we are unable to successfully protect the intellectual property embodied in our technology, our business could be harmed significantly.

Know-how relating to networking protocols, building carrier-grade systems and identifying applications is an important aspect of our intellectual property. It is our practice to have our employees sign appropriate non-compete agreements when permitted under applicable law. These agreements prohibit our employees who cease working for us from competing directly with us or working for our competitors for a limited period of time. The enforceability of non-compete clauses in certain jurisdictions in which we operate may be limited. Under the current laws of some jurisdictions in which we operate, we may be unable to enforce these agreements and it may thereby be difficult for us to restrict our competitors from gaining the expertise our former employees gained while working for us.

Further, to protect our know-how, we customarily require our employees, distributors, resellers, software testers and contractors to execute confidentiality agreements or agree to confidentiality undertakings when their relationship with us begins. Typically, our employment contracts also include the following clauses: assignment of intellectual property rights for all inventions developed by employees and non-disclosure of all confidential information. We cannot provide any assurance that the terms of these agreements are being observed and will be observed in the future. Because our product designs and software are stored electronically and thus are highly portable, we attempt to reduce the portability of our designs and software by physically protecting our servers through the use of closed networks, which prevent external access to our servers. We cannot be certain, however, that such protection will adequately deter individuals or groups from wrongfully accessing our technology. Monitoring unauthorized use of intellectual property is difficult and some foreign laws do not protect proprietary rights to the same extent as the laws of the United States. We cannot be certain that the steps we have taken to protect our proprietary information will be sufficient. In addition, to protect our intellectual property, we may become involved in litigation, which could result in substantial expenses, divert the attention of management, cause significant delays, materially disrupt the conduct of our business or adversely affect our revenue, financial condition and results of operations.

As of December 31, 2014, we had a limited patent portfolio. We had ten issued U.S. patents and several pending patent applications. While we plan to protect our intellectual property with, among other things, patent protection, there can be no assurance that:

- current or future U.S. or foreign patents applications will be approved;
- our issued patents will protect our intellectual property and not be held invalid or unenforceable if challenged by third-parties;
- we will succeed in protecting our technology adequately in all key jurisdictions in which we or our competitors operate;
- the patents of others will not have an adverse effect on our ability to do business; or
- others will not independently develop similar or competing products or methods or design around any patents that may be issued to us.

The failure to obtain patents, inability to obtain patents with claims of a scope necessary to cover our technology or the invalidation of our patents may weaken our competitive position and may adversely affect our revenues.

We may be subject to claims of intellectual property infringement by third parties that, regardless of merit, could result in litigation and our business, operating results or financial condition could be materially adversely affected.

There can be no assurance that we will not receive communications from third parties asserting that our products and other intellectual property infringe, or may infringe their proprietary rights. We are not currently subject to any proceedings for infringement of patents or other intellectual property rights and are not aware of any parties that intend to pursue such claims against us. Any such claim, regardless of merit, could result in litigation, which could result in substantial expenses, divert the attention of management, cause significant delays and materially disrupt the conduct of our business. As a consequence of such claims, we could be required to pay substantial damage awards, develop non-infringing technology, enter into royalty-bearing licensing agreements, stop selling our products or re-brand our products. If it appears necessary, we may seek to license intellectual property that we are alleged to infringe. Such licensing agreements may not be available on terms acceptable to us or at all. Litigation is inherently uncertain and any adverse decision could result in a loss of our proprietary rights, subject us to significant liabilities, require us to seek licenses from others and otherwise negatively affect our business. In the event of a successful claim of infringement against us and our failure or inability to develop non-infringing technology or license the infringed or similar technology, our business, operating results or financial condition could be materially adversely affected.

We use certain "open source" software tools that may be subject to intellectual property infringement claims, the assertion of which could impair our product development plans, interfere with our ability to support our clients or require us to pay licensing fees.

Certain of our products contain open source code, and we may use more open source code in the future. Open source code is code that is covered by a license agreement that permits the user to liberally copy, modify and distribute the software without cost, provided that users and modifiers abide by certain licensing requirements. The original developers of the open source code provide no warranties on such code. As a result of our use of open source software, we could be subject to suits by parties claiming ownership of what we believe to be open source code, and we may incur expenses in defending claims that we did not abide by the open source code license. If we are not successful in defending against such claims, we may be subject to monetary damages or be required to remove the open source code from our products. Such events could disrupt our operations and the sales of our products, which would negatively impact our revenues and cash flow. In addition, under certain conditions, the use of open source code to create derivative code may obligate us to make the resulting derivative code available to others at no cost. If we are required to publicly disclose the source code for such derivative products or to license our derivative products that use an open source license, our previously proprietary software products would be available to others, including our customers and competitors without charge. We monitor our use of such open source code to avoid subjecting our products to conditions that we do not intend. The use of such open source code, however, may ultimately subject some of our products to unintended conditions so that we are required to take remedial action that may divert resources away from our development efforts.

Unfavorable economic conditions worldwide, and particularly in Europe, could have a material adverse effect on our business, financial condition or operating results.

The 2008 and 2009 crisis in the financial and credit markets in the United States, Europe and Asia led to a global economic slowdown that is ongoing. In particular, the economies in European countries, from which we derive approximately 25% of our revenues, continue to show significant weaknesses, and there is continuing economic uncertainty. As a result of the recent downturn in the European economies, we have experienced longer sales cycles than in the past.

If the economies of any part of the world, and especially those of European countries, remain uncertain or further deteriorate, many enterprises, telecommunication carriers and service providers may significantly reduce or postpone capital investments. This could result in reductions in the sales of our products or services, longer sales cycles, slower adoption of new technologies and increased price competition. Such circumstances would have a material adverse effect on our results of operations and cash flow from operations.

We continuously monitor market trends and intend to take such steps as we deem appropriate to adjust our operations. Because a substantial portion of our operating expenses consist of salaries, we may not be able to reduce our operating expenses in line with any reduction in revenues or may elect not to do so for business reasons. We will need to continue to generate increased revenues and manage our costs to maintain profitability.

Our international operations expose us to the risk of fluctuations in currency exchange rates.

Our revenues are generated primarily in U.S. dollars and a major portion of our expenses are denominated in U.S. dollars. As a result, we consider the U.S. dollar to be our functional currency. Other significant portions of our expenses are denominated in shekels and to a lesser extent in Euros and other currencies. Our shekel-denominated expenses consist principally of salaries and related personnel expenses. We anticipate that a material portion of our expenses will continue to be denominated in shekels. In 2014, the shekel fluctuated against the U.S. dollar, and appreciated by approximately 12% against the U.S. dollar. In 2013, the shekel fluctuated against the U.S. dollar, and appreciated by approximately 7% against the U.S. dollar. However in 2015 the shekel weakened against the U.S. dollar. If the U.S. dollar weakens against the shekel or other currencies we are exposed to, there will be a negative impact on our results of operations. We use derivative financial instruments, such as foreign exchange forward contracts, to mitigate the risk of changes in foreign exchange rates on balance sheet accounts and forecast cash flows. We may not purchase derivative instruments adequately to insulate ourselves from foreign currency exchange risks. The volatility in the foreign currency markets may make hedging our foreign currency exposures challenging. In addition, because a portion of our revenue is not earned in U.S. dollars, fluctuations in exchange rates between the U.S. dollar and the currencies in which such revenue is earned may have a material adverse effect on our results of operations and financial condition. If we wish to maintain the U.S. dollar-denominated value of our products in non-U.S. markets, devaluation in the local currencies of our customers relative to the U.S. dollar could cause our customers to cancel or decrease orders or default on payment.

Our actual financial results may differ materially from any guidance we may publish from time to time.

We may, from time to time, voluntarily publish guidance regarding our future performance that represents our management's estimates as of the date of relevant release. Any such guidance is based upon a number of assumptions and estimates that, while presented with numerical specificity, is inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change. The principal reason that we may release this data is to provide a basis for our management to discuss our business outlook with analysts and investors. We do not accept any responsibility for any projections or reports published by any such persons. Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions of the guidance furnished by us will not materialize or will vary significantly from actual results. Further, our sales during any given quarter tend to be unevenly distributed as individual orders tend to close in greater numbers immediately prior to the relevant quarter end and further. Our revenues from individual customers may also fluctuate from time to time based on the timing and the terms under which further orders are received and the duration of the delivery and implementation of such orders. Therefore, if our projected sales do not close before the end of the relevant quarter, our actual results may be inconsistent with our published guidance. Accordingly, our guidance is only an estimate of what management believes is realizable as of the date of release. Actual results will vary from the guidance and the variations may be material. Investors should also recognize that the reliability of any forecasted financial data diminishes the farther in the future that the data is forecast. In light of the foregoing, investors are urged to consider any guidance we may publish in context and not to place undue reliance on it.

Risks Related to Our Ordinary Shares

The share price of our ordinary shares has been and may continue to be volatile.

Our quarterly financial performance is likely to vary in the future, and may not meet our expectations or the expectations of analysts or investors, which may lead to additional volatility in our share price. The market price of our ordinary shares may be volatile and could fluctuate substantially due to many factors, including, but not limited to:

· announcements or introductions of technological innovations, new products, product enhancements or pricing policies by us or our competitors;

- winning or losing contracts with service providers;
- disputes or other developments with respect to our or our competitors' intellectual property rights;
- announcements of strategic partnerships, joint ventures or other agreements by us or our competitors;
- recruitment or departure of key personnel;
- regulatory developments in the markets in which we sell our products;
- our sale of ordinary shares or other securities in the future;
- changes in the estimation of the future size and growth of our markets; or
- market conditions in our industry, the industries of our customers and the economy as a whole.

Share price fluctuations may be exaggerated if the trading volume of our ordinary shares is too low. The lack of a trading market may result in the loss of research coverage by securities analysts. Moreover, we can provide no assurance that any securities analysts will initiate or maintain research coverage of our company and our ordinary shares. If our future quarterly operating results are below the expectations of securities analysts or investors, the price of our ordinary shares would likely decline. Securities class action litigation has often been brought against companies following periods of volatility.

Our shareholders do not have the same protections afforded to shareholders of a U.S. company because we have elected to use certain exemptions available to foreign private issuers from certain NASDAQ corporate governance requirements.

As a foreign private issuer, we are permitted under NASDAQ Marketplace Rule 5615(a)(3) to follow Israeli corporate governance practices instead of the NASDAQ Stock Market requirements that apply to U.S. companies. As a condition to following Israeli corporate governance practices, we must disclose which requirements we are not following and describe the equivalent Israeli law requirement. We must also provide NASDAQ with a letter from our Israeli outside counsel, certifying that our corporate governance practices are not prohibited by Israeli law. As a result of these exemptions, our shareholders do not have the same protections as are afforded to shareholders of a U.S. company.

In the future, we may also choose to follow Israeli corporate governance practices instead of NASDAQ requirements with regard to, among other things, the composition of our board of directors, compensation of officers, director nomination procedures and quorum requirements at shareholders' meetings. In addition, we may choose to follow Israeli corporate governance practice instead of NASDAQ requirements to obtain shareholder approval for certain dilutive events (such as for issuances that will result in a change of control of the company, certain transactions other than a public offering involving issuances of a 20% or more interest in the company and certain acquisitions of the stock or assets of another company). Accordingly, our shareholders may not be afforded the same protection as provided under NASDAQ corporate governance rules. Following our home country governance practices, as opposed to the requirements that would otherwise apply to a U.S. company listed on the Nasdaq Global Select Market, may provide less protection than is accorded to investors of domestic issuers. See "ITEM 16G: Corporate Governance".

As a foreign private issuer, we are not subject to the provisions of Regulation FD or U.S. proxy rules and are exempt from filing certain Exchange Act reports.

As a foreign private issuer, we are exempt from the rules and regulations under the Exchange Act related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file annual and current reports and financial statements with the SEC as frequently or as promptly as U.S. domestic companies whose securities are registered under the Exchange Act, we are permitted to disclose limited compensation information for our executive officers on an individual basis and we are generally exempt from filing quarterly reports with the SEC under the Exchange Act. Moreover, we are not required to comply with Regulation FD, which restricts the selective disclosure of material nonpublic information to, among others, broker-dealers and holders of a company's securities under circumstances in which it is reasonably foreseeable that the holder will trade in the company's securities on the basis of the information. These exemptions and leniencies reduce the frequency and scope of information and protections to which you may otherwise have been eligible in relation to a U.S. domestic issuer.

We would lose our foreign private issuer status if (a) a majority of our outstanding voting securities were either directly or indirectly owned of record by residents of the United States and (b)(i) a majority of our executive officers or directors were United States citizens or residents, (ii) more than 50 percent of our assets were located in the United States or (iii) our business were administered principally outside the United States. Our loss of foreign private issuer status would make U.S. regulatory provisions mandatory. The regulatory and compliance costs to us under U.S. securities laws as a U.S. domestic issuer may be significantly higher. If we are not a foreign private issuer, we will be required to file periodic reports and registration statements on U.S. domestic issuer forms with the SEC, which are more detailed and extensive than the forms available to a foreign private issuer. We would also be required to follow U.S. proxy disclosure requirements, including the requirement to disclose, under U.S. law, more detailed information about the compensation of our senior executive officers on an individual basis. We may also be required to modify certain of our policies to comply with accepted governance practices associated with U.S. domestic issuers. Such conversion and modifications will involve additional costs. In addition, we would lose our ability to rely upon exemptions from certain corporate governance requirements on U.S. stock exchanges that are available to foreign private issuers.

Our U.S. shareholders may suffer adverse tax consequences if we are characterized as a passive foreign investment company.

We relied on the market capitalization method to determine the fair market value of our assets for the taxable year ended December 31, 2014. Based on certain estimates of our gross income and gross assets, the nature of our business and the anticipated amount of goodwill (which is determined in large part by the price of our stock), we believe that we were not a PFIC for our taxable year ended December 31, 2014 and do not expect to become a PFIC for our taxable year ending December 31, 2015. A non-U.S. company will generally be characterized as a PFIC for any taxable year in which 75% or more of its gross income is passive income or in which 50% or more of the average value of its gross assets produce passive income or are held for the production of passive income.

If we are characterized as a PFIC, our U.S. shareholders may suffer adverse tax consequences, including having gains realized on the sale of our ordinary shares treated as ordinary income, rather than capital gains income, and having potentially punitive interest charges apply to the proceeds of share sales. Similar rules apply to distributions that are "excess distributions."

The tests for determining PFIC status are applied annually and it is difficult to make accurate predictions of our future income, assets, activities and market capitalization, including fluctuations in the price of our ordinary shares, which are relevant to this determination. Accordingly, there can be no assurance that we will not become a PFIC in 2015 or in subsequent years.

If the price of our ordinary shares declines, we may be more vulnerable to an unsolicited or hostile acquisition bid.

We do not have a controlling shareholder. Notwithstanding provisions of our articles of association and Israeli law, a decline in the price of our ordinary shares may result in us becoming subject to an unsolicited or hostile acquisition bid. In the event that such a bid is publicly disclosed, it may result in increased speculation regarding our company and volatility in our share price even if our board of directors decides not to pursue a transaction. If our board of directors does pursue a transaction, there can be no assurance that it will be consummated successfully or that the price paid will represent a premium above the original price paid for our shares by all of our shareholders.

Risks Relating to our Location in Israel

Conditions in Israel could adversely affect our business.

We are incorporated under Israeli law and our principal offices, research and development division and manufacturing facilities are located in Israel. Accordingly, political, economic and military conditions in Israel directly affect our business. Since the State of Israel was established in 1948, a number of armed conflicts have occurred between Israel and its Arab neighbors. Although Israel has entered into various agreements with Egypt, Jordan and the Palestinian Authority, there has been an increase in unrest and terrorist activity, which began in September 2000 and continued with varying levels of severity into 2014. In recent years, these have included, among others, hostilities between Israel and Hezbollah in Lebanon and Hamas in the Gaza strip, both of which resulted in rockets being fired into Israel, causing casualties and significant disruption of economic activities. Any armed conflicts, terrorist activities or political instability in the region may affect a significant portion of our work force, which is located in Israel, and may limit materially our ability to obtain raw materials from these countries or sell our products to companies in these countries. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners, or significant downturn in the economic or financial condition of Israel, could adversely affect our operations and product development and manufacturing, cause our revenues to decrease and adversely affect the share price of publicly traded companies having operations in Israel, such as us.

Our operations may be disrupted by the obligations of personnel to perform military service.

As of December 31, 2014, we employed 462 people, of whom 339 were based in Israel. Some of our employees in Israel are obligated to perform annual military reserve duty in the Israel Defense Forces, depending on their age and position in the army. Additionally, they may be called to active reserve duty at any time under emergency circumstances for extended periods of time. Our operations could be disrupted by the absence of one or more of our executive officers or key employees for a significant period due to military service and any significant disruption in our operations could harm our business. The full impact on our workforce or business if some of our executive officers and employees are called upon to perform military service, especially in times of national emergency, is difficult to predict. Additionally, the absence of a significant number of employees at our manufacturing subcontractor, Flextronics, as a result of military service obligations may disrupt their operations and could have a material adverse effect on our ability to timely deliver products to customers may be materially adversely affected.

The tax benefits that are available to us require us to meet several conditions and may be terminated or reduced in the future, which would increase our costs and taxes.

Our investment program in equipment at our facility in Hod-Hasharon, Israel, has been granted approved enterprise status and we are therefore eligible for tax benefits under the Israeli Law for the Encouragement of Capital Investments, 1959, referred to as the Investments Law. We also have been granted beneficiary enterprise status. We expect to utilize these tax benefits after we utilize our net operating loss carry forwards. As of December 31, 2014, our net operating loss carry forwards for Israeli tax purposes amounted to approximately $ 39 million. To remain eligible for these tax benefits, we must continue to meet certain conditions stipulated in the Investments Law and its regulations and the criteria set forth in the specific certificate of approval. If we do not meet these requirements, the tax benefits would be canceled and we could be required to refund any tax benefits and investment grants that we received in the past. Further, in the future these tax benefits may be reduced or discontinued. If these tax benefits are cancelled, our Israeli taxable income would be subject to regular Israeli corporate tax rates. The standard corporate tax rate in Israel for 2014 and thereafter is 26.5% and was 25.0% in 2012 and 2013.

Effective January 1, 2011, the Investment Law was amended. Under the amended Investment Law, the criteria for receiving tax benefits were revised. Under the transition provisions of the new legislation, a company may decide to irrevocably implement the new amendment while waiving benefits provided under the current law or to remain subject to the current law. In the future, we may not be eligible to receive additional tax benefits under this law. The termination or reduction of these tax benefits would increase our tax liability, which would reduce our profits. Finally, in the event of a distribution of a dividend from the abovementioned tax-exempt income, in addition to withholding tax at the following rates: (i) Israeli resident corporation – 0%, (ii) Israeli resident individual – 20% in 2014 and onwards, and (iii) non-Israeli resident – 20% in 2014 and onwards subject to a reduced tax rate under the provisions of an applicable double income on the amount distributed in accordance with the effective corporate tax rate which would have been applied had we not enjoyed the exemption. See “ITEM 10: Additional Information—Taxation—Israeli Tax Considerations and Government Programs.”

No assurance can be given that we will be eligible to receive additional tax benefits under the Investments Law in the future. The termination or reduction of these tax benefits would increase our tax liability in the future, which would reduce our profits or increase our losses. Additionally, if we increase our activities outside of Israel, for example, by future acquisitions, our increased activities may not be eligible for inclusion in Israeli tax benefit programs.

The government grants we have received for research and development expenditures require us to satisfy specified conditions and restrict our ability to manufacture products and transfer technologies outside of Israel. If we fail to comply with these conditions or such restrictions, we may be required to refund grants previously received together with interest and penalties and may be subject to criminal charges.

We have received grants from the Office of the Chief Scientist for the financing of a portion of our research and development expenditures in Israel, pursuant to the provisions of The Encouragement of Industrial Research and Development Law, 1984, referred to as the Research and Development Law. In the future we may not receive grants or we may receive significantly smaller grants from the Office of the Chief Scientist, and our failure to receive grants in the future could adversely affect our profitability.

In 2011 and 2012, we received and accrued from the Office of the Chief Scientist royalty-bearing grants totaling $3.7 million and $2.9 million, representing 21.7% and 11.5%, respectively, of our gross research and development expenditures in these periods. In December 2012, we agreed to prepay approximately $15.9 million of contingent royalties to the Office of the Chief Scientist, and thereby eliminated all future royalty obligations related to grants received through 2012. We recorded this prepayment as a liability in 2012 and paid it on August 2013.

In 2013 and 2014 we received and accrued non-royalty-bearing grants totaling $1.1 and $1.0 million, respectively, from the Office of the Chief Scientist, representing 3.7% and 3.3% respectively of our gross research and development expenditures during the year. In 2013 and 2014 we qualified to participate in two non-royalty-bearing research and development programs funded by the Office of the Chief Scientist to develop generic technology relevant to the development of our products. Such programs are approved pursuant to special provisions of the Research and Development Law. We were eligible to receive grants constituting between 40% and 55% of certain research and development expenses relating to these programs. One of the programs are approved for companies with large Research and Development activities and another for members of a "Magnet" consortium. Although the grants under these programs are not required to be repaid by way of royalties, the restrictions of the Research and Development Law described below apply to these programs.

The provisions of the Research and Development Law and the terms of the Office of the Chief Scientist grants prohibit us from transferring manufacturing products which we originally planned to manufacture in Israel outside of Israel if they incorporate technologies funded by the Office of the Chief Scientist, and from transferring intellectual property rights in technologies developed using these grants, without special approvals from the Office of the Chief Scientist.

Even if we receive approval to manufacture our products outside of Israel, we may be required to pay an increased total amount of royalties, which may be up to 300% of the grant amount plus interest, depending on the manufacturing volume that is performed outside of Israel. This restriction may impair our ability to outsource manufacturing or engage in similar arrangements for those products or technologies. Know-how developed under an approved research and development program may not be transferred to any third-parties, except in certain circumstances and subject to prior approval. Similarly, even if we receive approval to transfer intellectual property rights in technologies developed using these grants, we may be required to repay a multiple of the original grants to the Office of the Chief Scientist. In addition, if we fail to comply with any of the conditions and restrictions imposed by the Research and Development Law or by the specific terms under which we received the grants, we may be required to refund any grants previously received together with interest and penalties, and may be subject to criminal charges.

It may be difficult to enforce a U.S. judgment against us, our officers and directors in Israel or the United States, or to assert U.S. securities laws claims in Israel or serve process on our officers and directors.

We are incorporated in Israel. The majority of our executive officers and directors are not residents of the United States, and the majority of our assets and the assets of these persons are located outside the United States. Therefore, it may be difficult for an investor, or any other person or entity, to enforce a U.S. court judgment based upon the civil liability provisions of the U.S. federal securities laws against us or any of these persons in a U.S. or Israeli court, or to effect service of process upon these persons in the United States. Additionally, it may be difficult for an investor, or any other person or entity, to assert U.S. securities law claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on a violation of U.S. securities laws on the grounds that Israel is not the most appropriate forum in which to bring such a claim. Even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel addressing the matters described above.

Provisions of Israeli law and our articles of association may delay, prevent or make undesirable an acquisition of all or a significant portion of our shares or assets.

Our articles of association contain certain provisions that may delay or prevent a change of control, including a classified board of directors. In addition, Israeli corporate law regulates acquisitions of shares through tender offers and mergers, requires special approvals for transactions involving significant shareholders and regulates other matters that may be relevant to these types of transactions. These provisions of Israeli law could delay or prevent a change in control and may make it more difficult for third-parties to acquire us, even if doing so would be beneficial to our shareholders, and may limit the price that investors may be willing to pay for our ordinary shares in the future. Furthermore, Israeli tax considerations may make potential transactions undesirable to us or to some of our shareholders. See "ITEM 10: Additional Information—Memorandum and Articles of Association—Acquisitions under Israeli Law" and "—Anti-Takeover Measures."

ITEM 4: Information on Allot

A. History and Development of Allot

Our History

Our legal and commercial name is Allot Communications Ltd. We are a company limited by shares organized under the laws of the State of Israel. Our principal executive offices are located at 22 Hanagar Street, Neve Ne'eman Industrial Zone B, Hod-Hasharon 4501317, Israel, and our telephone number is +972 (9) 761-9200. We have irrevocably appointed Allot Communications Inc. as our agent to receive service of process in any action against us in any United States federal or state court. The address of Allot Communications Inc. is 300 TradeCenter, Suite 4680, Woburn, MA 01801-7422.

We were incorporated on November 12, 1996 as "Ariadne Ltd." and commenced operations in 1997. In September 1997, we changed our name to "Allot Communications Ltd." In November 2006, we listed our shares on NASDAQ. In 2007, we introduced our Service Gateway platform that enables broadband providers to build efficient, secure, manageable and profitable intelligent networks that are optimized to deliver Internet-based content and services. In January 2008, we completed the acquisition of the business of Esphion Limited, a developer of network protection solutions for carriers and internet service providers. In November 2010, we listed our shares on the Tel Aviv Stock Exchange, or TASE, and began applying the reporting reliefs afforded under the Israeli Securities Law to companies whose securities are dually listed on NASDAQ and the TASE. In May 2012, we acquired the business of Ortiva Wireless Inc., a developer of video optimization solutions for mobile and Internet networks. In September 2012, we acquired the business of Oversi Networks Ltd., a developer of products and systems for caching Internet content.

Recent Developments

In February, 2015, we entered into an agreement to acquire the business and substantially all of the assets of Optenet, S.A., a Madrid-based global IT security company providing high-performance Security-as-a-Service (SECaaS) solutions to service providers and large enterprises worldwide. Under the terms of the agreement, we will pay approximately $6.7 million (€5.9 million) in cash, and a deferred and contingent purchase price as follows: The deferred purchase price consists of $5.7 million (€5 million) in cash to be paid over two years following the acquisition. In addition, there will be a performance-based earn-out over a period of five years following closing. The performance–based earn out is capped at approximately $25.6 million (€22.5 million) and is contingent upon reaching certain revenues threshold from sale of Optenet products. The transaction closing date occurred on March 23, 2015.

We had capital expenditures of $3.4 million in 2014, $2.7 million in 2013 and $3.8 million in 2012. We have financed our capital expenditures with cash generated from operations and through net proceeds from sales of our equity securities and investing activities.

Our capital expenditures during 2012, 2013 and 2014 consisted primarily of investments in laboratory equipment for research and development.

B. Business Overview

Overview

We are a leading global provider of intelligent broadband solutions, focused on developing mobile, fixed and enterprise networks to support the "digital lifestyle." The digital lifestyle describes the way people rely on broadband connectivity, Internet-connected devices and Internet applications in their everyday lives – at work, at home and at play. Our solutions, which are based on our deep packet inspection (DPI) technology, identify and leverage the business intelligence in data networks, empowering network operators to shape users' digital lifestyle experiences and to capitalize on the network traffic they generate.

We have a global and diverse end-customer base composed of mobile and fixed broadband service providers, cable operators, private networks, data centers, governments and enterprises, such as financial and educational institutions. Our scalable, carrier-grade solutions integrate capabilities that allow our customers to optimize the delivery and performance of over-the-top (OTT) applications and services, monetize network utilization through value-added product deployment, real-time metering and application-aware charging models and personalize the user experience through service tiering and differentiation.

Through our combination of innovative technology, proven know-how and collaborative approach to industry standards and partnerships with broadband service providers and enterprises, we deliver broadband solutions that equip our customers with the capabilities to elevate their role in the digital lifestyle ecosystem and to expand into new business opportunities. We offer our customers proprietary technologies that are seamlessly woven into carrier-class products and solutions. In addition, we have developed significant industry know-how and expertise through our experience in designing and implementing use cases with our diverse customer base. Beginning from the proposal stage of a new project through the testing, acceptance and implementation of our products, we collaborate closely with our customers and other industry participants to create innovative solutions to create the digital lifestyle ecosystems that our customers require.

Industry Background

The rapid proliferation of broadband networks in recent years has been largely driven by demand from users for faster and more reliable access to the Internet and by the proliferation in the number and complexity of broadband applications, as well as the proliferation of mobile smartphones, tablets and other Internet-connected devices.

Rising Network Operational Costs Due to the Rapid Adoption of Broadband Applications

Advances in broadband access (such as the introduction of long-term evolution, or LTE, technology) combined with the advanced data capabilities of end-user devices (such as smartphones and tablets) have promoted a growing number of applications and content delivered over broadband networks. The vast majority of these applications run over-the-top of the network, which means they are not originated, controlled or charged by the network operator. The use of OTT applications, such as streaming video, peer-to-peer (P2P), Voice over IP (VoIP), social networks, interactive gaming and online content, requires large and increasing amounts of bandwidth. Moreover, many of these applications are highly sensitive to network delays caused by congestion. In response to these challenges, service providers have been forced to invest heavily in network infrastructure upgrades and customer support services in order to maintain the quality of experience for subscribers.

Rising Data Traffic in Mobile Networks

The mobile data market continues to grow rapidly, fueled by the proliferation of smartphones and tablets, mobile-enabled laptops that use mobile modems or tethered smartphones to connect to the Internet. On average, the data traffic generated by an Internet user with a smartphone is multiple times that of an Internet user without a smartphone.

The cost of increasing the bandwidth in mobile networks is significantly higher than that in wireline networks. As a result, mobile operators are experiencing economic and infrastructure challenges in meeting the rising tide of data traffic over their networks. In addition, as capacity increases in mobile networks, smartphone users are likely to have increased expectations with respect to speed and performance.

It is becoming increasingly apparent that unmanaged 3G and 4G/LTE mobile networks will not be able to cope with the rising tide of data traffic, without implementing intelligent bandwidth management solutions. Moreover, network providers may need to develop new pricing models if they are not able to monetize the OTT traffic carried by their networks.

Service Providers Demand the Ability to Offer Services that Can Be Monetized at Different Rates

Some service providers still offer flat-rate broadband access, regardless of the type of applications and data used by subscribers. These operators provide the same level of service to all subscribers and do not guarantee access quality, regardless of a subscriber’s willingness to pay for premium services and network performance. However, with the increasing amount of data used, the flat-rate pricing model may not be profitable, especially for mobile broadband operators, unless they can charge subscribers high rates. As a result, both mobile and fixed operators have begun to offer service plans based on gigabytes of data used. However, this pricing model is also subject to competition from other service providers offering lower rates, contributing to downward pricing pressure and high subscriber turnover rates.

To address these issues and increase the average revenue per user (ARPU), a significantly increased number of service providers have begun to offer premium, differentiated services, such as improved quality for VoIP and Internet video, off-peak usage incentives and parental control over access to content, among others. By offering such tiered services and charging subscribers according to the value of these services, as well as based on the gigabyte usage, service providers can capitalize on the revenue opportunities enabled by OTT Internet applications. To offer premium services and to guarantee high-quality delivery of content and user experience, service providers need enhanced visibility into and control of network traffic, including visibility into the type of applications used on the network and levels of traffic generated by different subscribers.

The Challenge of Elevating the Role of Fixed and Mobile Broadband Networks

In the evolving digital lifestyle, consumers recognize the importance of the devices they use to access the Internet and choose the Internet content and services they use based on quality. However, the network that connects them to the Internet is not as “visible”, and is therefore not as highly valued, even though it plays a critical role in the service chain. In order to generate revenue through various pricing models and encourage consumers and content providers to seek higher quality network services, service providers are seeking to elevate the role of network connectivity and services. To do so, service providers must be able to identify and leverage the business intelligence in their data networks and capitalize on the network traffic that they generate.

The ability to identify, distinguish and prioritize different applications plays a major role in intelligent management of network resources and service delivery, allowing service providers to optimize bandwidth utilization and reduce operational costs, while maintaining high quality of service for tiered and premium services. Application designers are employing increasingly sophisticated methods to avoid detection by network operators who desire to manage network use. Traditional network infrastructure devices, such as routers and switches, do not generally have sufficient computing resources or the required algorithms to distinguish between different and rapidly evolving applications.

Enterprise Demand for Visibility and Delivery of Mission-Critical Applications and Services in the Cloud

The proliferation of network applications, bring your own device and cloud computing present significant challenges for enterprises that operate data centers, wide-area networks, virtual private networks (VPN) and Internet connectivity for organizations of all sizes. Enterprises depend on network infrastructure to ensure the delivery of business-critical applications to an increasingly mobile and often global workforce, and as such, face many of the same issues as service providers. At the same time, Internet access has introduced a wide variety of recreational and non-business applications to enterprise networks, resulting in network congestion and negatively impacting employee productivity. As a result, there is an increasing need for enterprises to be able to monitor and control the traffic on their business networks.

Network Security Threats

As reliance on the Internet has grown, service providers and subscribers have become increasingly vulnerable to a wide range of security threats, including denial of service attacks, spambots and malware. These attacks are designed to flood the network with traffic that consumes all the available bandwidth and hinder the ability to provide high quality broadband access to subscribers or to prevent enterprises from using mission-critical applications. These threats also compromise network and data integrity. We believe service providers and enterprises must protect against such attacks by detecting and neutralizing malicious traffic at very early stages before such threats can compromise network integrity and services.

Integrated Solutions

Our integrated broadband solutions allow mobile, fixed and enterprise operators to elevate their role in the digital lifestyle ecosystem and expand into new business opportunities. Our solutions enable our customers to increase revenues by monetizing network usage through value-added products, value-based charging and revenue-sharing models, reduce costs by optimizing the delivery and performance of OTT content and cloud computing services and improve customer loyalty by personalizing operator offerings with various choices of service tiers and digital lifestyle options.

Our Integrated Solutions include:

- **Analytics** solutions deliver accurate and meaningful network business intelligence to drive capacity planning, congestion management, service planning and marketing decisions.

- **Traffic Management** solutions prioritize existing network capacity, control congestion and optimize service delivery. Dynamic Quality of Service (QoS) enforcement enables effective traffic management strategies that minimize infrastructure and operating costs.

- **Video Caching and Optimization** solutions improve the quality and efficiency of OTT video delivery. New revenue opportunities are created through service packages designed especially for video consumers and revenue-sharing possibilities with content providers.

- **Policy Control and Charging** solutions drive personalized service plans and pay-for-use pricing models based on real-time consumption of bandwidth and OTT applications. We provide a single point of integration with provisioning and pricing systems.

- **Service Enablement** solutions facilitate a wide variety of cost-saving and revenue-generating use cases to create personalized customer experiences demanded by today's sophisticated consumers.

Allot's Products (Our Platforms)

The Allot Service Gateway and Allot NetEnforcer platforms, as well as the Allot Service Gateway Tera, which was introduced during 2014, are based on leading technology and high performance, designed for in-line deployment in a wide range of networks. Within each platform, our Dynamic Actionable Recognition Technology (DART) engine employs multiple deep packet inspection and analytical methods to identify network traffic by subscriber, application, device and network topology. Our technology is able to identify more OTT applications than any other solution on the market with frequent and custom updates to our extensive signature library. These granular elements may be mapped directly into dynamic traffic management, charging and service enablement policies.

High-Performance Platforms

- **Allot Service Gateway Tera** powers the deployment and delivery of digital lifestyle services in fixed, mobile and cloud networks that are on the path to software-defined networking (SDN) and virtualized network services (NFV). The Allot Service Gateway Tera provides a unified framework for traffic detection, policy enforcement and service integration across any access network, and helps manage traffic loads, keeping pace with the growing demand for services and the complex needs of application delivery. Allot Service Gateway Tera supports both physical and virtual service deployment and serves as a single point of seamless integration in the network for real-time data sourcing, traffic management, service chaining, video optimization, application-based charging, endpoint protection and anti-DDoS, as well as value-added services from other leading vendors.

- **Allot Service Gateway** integrates network intelligence, policy enforcement and revenue-generating services in a scalable, carrier-class platform designed for fixed, mobile (3G/4G/LTE) and converged broadband networks. The Allot Service Gateway accurately identifies subscriber traffic in real time at speeds up to 500 gigabits per second (Gbps), for a single device and can cluster up to 8 devices for a total of 4 Tbps (Tera bits per second) for a single cluster. It optimizes bandwidth utilization based on usage, enforces QoS policy, and steers traffic to digital lifestyle services deployed within or outside the platform. As the focal point for service enablement, The Allot Service Gateway allows service providers to reduce operating costs and drive new revenue by delivering the personalized service and quality of experience that the digital lifestyle demands.

- **Allot NetEnforcer** bandwidth management devices monitor and manage network traffic per application and per subscriber, enabling intelligent optimization of broadband and wide area network (WAN) services. With full duplex speeds ranging from 10 megabits per second (Mbps) to 16 Gbps, these devices provide essential visibility policy enforcement and traffic steering to added-value services in a wide range of service provider and enterprise networks.

Lifestyle Services

Our growing portfolio of digital lifestyle services operate seamlessly with our in-line platforms and centralized management system, providing new business opportunities for service providers and enterprises.

Subscriber Management Platform

The Allot Subscriber Management Platform (SMP) drives the centralized creation, provisioning and pricing of subscriber services, including tiered and usage-based data plans, which we believe are key to personalizing digital lifestyle offerings and maximizing average revenue per user. The Allot SMP allows subscriber traffic to be managed across converged access networks and when offloading to Wi-Fi hotspots. Modular licensing provides flexible and scalable management for any number of subscribers.

- **Allot TierManager**: Provides and manages differentiated services and tiered service plans that are tailored to subscriber preferences.

- **Allot QuotaManager**: Provides and manages usage allowances and caps, with real-time metering of service consumption and dynamic enforcement of quota limits and overage policy.

- **Allot ChargeSmart**: Enables real-time, pay-for-use pricing, based on a user's consumption of data and applications. It also integrates seamlessly in 3G and 4G mobile networks and implements the pricing model via standard telecommunication interfaces, such as Diameter Gx, Sd, Gy and Gz.

Analytics Services

Our analytics solutions analyze traffic data to drive smart business decisions.

- **Allot ClearSee Analytics**: Is a business intelligence application that helps network operators turn big data into valuable insight for the decision-makers in their organization. Its self-service approach allows network operators to synthesize and analyze large varieties and volumes of data with extreme efficiency. Tools include built-in dashboards for mining Network, Application, Subscriber, Device, and Quality of Experience data, plus Self-Service data mining for modeling fresh perspectives and gaining deeper understanding of network usage and subscriber behavior.

- **Allot ClearSee Data Source:** Extracts a rich variety of raw traffic statistics from operator networks, enriches it with data from operator business systems, and loads it into a cutting-edge data warehouse where it is transformed into modeled data objects that are meaningful to telco operators and easy to manipulate using the Allot ClearSee Analytics application This valuable source data may also be exported to external analytics tools and other business applications.

Video Solutions

Our media caching and video optimization platforms enable operators to capitalize on the increasing volume of OTT video traffic.

- **Allot MediaSwift E**: Comprehensive caching and content delivery system for OTT video, P2P and other applications. Relieves network congestion caused by videos and improves quality of experience for users.

- **Allot VideoClass**: Optimizes OTT video content and delivery to ensure efficient utilization of mobile radio access network (RAN) resources and consistently high quality video to enhance viewer experience.

Security Solutions

Our security solutions protect network customers, network service integrity and brand reputation.

- **Allot WebSafe Personal**: Opt-in security services that allow ISP subscribers to define and enforce safe-browsing limits (Parental Control) and to prevent incoming malware from infecting their devices (Anti-Malware). Services are enforced at the network level, requiring no device involvement or battery consumption.

- **Allot WebSafe**: URL filtering service that blocks blacklisted content and enables access control to objectionable content on the Internet.

- **Allot ServiceProtector**: Attack detection and mitigation services that protect commercial networks against Denial of Service (DoS/DDoS) attacks, Zero Day attacks, worms, zombie and spambot behavior.

Centralized Management

The Allot NetXplorer is the management umbrella for our devices, platforms and solutions, providing a central access point for network-wide monitoring, reporting, analytics, troubleshooting, accounting and QoS policy provisioning. Its user-friendly interface provides our customers with a comprehensive overview of the application, user, device and network topology traffic, while its wide variety of reports provide accessible, detailed analyses of granular traffic data.

- **NetXplorer Analytics and Reporting**: Real-time reporting provides 30-second accuracy for timely troubleshooting and resolution of customer care issues, while historical traffic statistics facilitate analyses of usage trends and user behavior.

- **NetXplorer Data Collector**: Provides distributed data collection and storage at different points in the network in order to support growing and large-scale deployments with large volumes of network traffic.

- **NetAccounting Server**: Aggregates network-wide usage statistics and exports the data to external accounting systems in standard formats.

- **NetPolicy Provisioner**: Provides a virtual “bandwidth management device” for self-monitoring and self-provisioning by a networks operator’s VPN, ISP and managed services customers.

Customers

We have a global, diversified end-customer base consisting primarily of mobile and fixed service providers, cable operators, private networks, data centers, governments and enterprises. We derive a significant and growing portion of our revenue from direct sales to large mobile and fixed-line service providers. We generate the remainder of our revenue through a select and well-developed network of channel partners, generally consisting of distributors, resellers, original equipment manufacturers (“OEMs”) and system integrators. In 2014, we derived 35% of our revenues from Europe, 13% from the United States, 36% from Asia and Oceania, 13% from the Middle East and Africa and 3% from the Americas (excluding the United States). For a breakdown of total revenues by geographic location, please see “ITEM 5 A – Operating Results – Results of Operations – Revenues.

Channel Partners

We market and sell our products to end-customers both by direct sales and through channel partners, which include distributors, resellers, OEMs and system integrators. A significant portion of our sales occur through our channel partners. In 2014, approximately 45% of our revenues were derived from channel partners. Our channel partners generally purchase our products from us upon receiving orders from end-customers and are responsible for installing and providing initial customer support for our products. Our channel partners are located around the world and address most major markets. Our channel partners target a range of end-users, including carriers, alternative carriers, cable operators, private networks, data centers and enterprises in a wide range of industries, including government, financial institutions and education. Our agreements with channel partners that are distributors or resellers are generally non-exclusive, for an initial term of one year and automatically renew for successive one-year terms unless terminated. After the first year, such agreements may typically be terminated by either party upon ninety days prior notice.

We offer support to our channel partners. This support includes the generation of leads through marketing events, seminars and web-based leads and incentive programs as well as technical and sales training.

Sales and Marketing

Our product sales and deployment cycle varies based on the intended use by the end-customer. The sales cycle for initial network deployment may generally last between twelve and eighteen months for large and medium service providers, six to twelve months for small service providers, and one to six months for enterprises. Follow-on orders and additional deployment of our products usually require shorter cycles. Large and medium service providers generally take longer to plan the integration of our solutions into their existing networks and to set goals for the implementation of the technology.

We focus our marketing efforts on product positioning, increasing brand awareness, communicating product advantages and generating qualified leads for our sales organization. We rely on a variety of marketing communications channels, including our website, trade shows, industry research and professional publications, the press and special events to gain wider market exposure.

We have organized our worldwide sales efforts into the following territories: North America, South America, Europe, the Middle East and Africa; and Asia and Oceania. We have regional offices in the United States, Israel, France, United Kingdom, Singapore, Japan, New Zealand and China, and a regional presence in Germany, Italy, Spain, Mexico, Brazil, India, Hong Kong, South Korea, South Africa and Australia.

As of December 31, 2014, our sales and marketing staff, including product management and business development functions, consisted of 106 employees.

Service and Technical Support

We believe our technical support and professional services capabilities are a key element of our sales strategy. Our technical staff assists in presales activities and advises channel partners on the integration of our solutions into end-customer networks. Our basic warranty to end-customers (directly or through our channel partners) is three months for software and twelve months for hardware. Generally, end-customers are also offered a choice of one year or three-year customer support programs when they purchase our products. These customer support programs can be renewed at the end of their terms. Our end-customer support plans generally offer the following features:

· unlimited 24/7 access to our support organization, via phone, email and online support system;

- expedited replacement units in the event of a warranty claim;
- software updates and upgrades offering new features and addressing new and changing network applications; and
- periodic updates of solution documentation and technical information.

Our support plans are designed to maximize network up-time and minimize operating costs. Our customers, including channel partners and their end-customers, are entitled to take advantage of our around-the-clock technical support which we provide through our four help desks, primarily located in France, Israel, Singapore and the United States. We also offer our customers, 24-hour access to an external web-based technical knowledge base, which provides technical support information and, in the case of our channel partners, enables them to support their customers independently and obtain follow up and support from us.

The expenditures associated with the technical support staff are allocated in our statements of operations between sale and marketing expenses and cost of goods sold, based on the roles of and tasks performed by personnel.

As of December 31, 2014, our technical staff consisted of 104 employees.

Research and Development

Our research and development activities take place primarily in Israel. As of December 31, 2014, 179 of our employees were engaged primarily in research and development. We devote a significant amount of our resources towards research and development in order to introduce new products and continuously enhance existing products and to support our growth strategy. We have assembled a core team of experienced engineers, many of whom are leaders in their particular field or discipline and have technical degrees from top universities and have experience working for leading Israeli networking companies. These engineers are involved in advancing our core technologies, as well as in applying these core technologies to our product development activities. In previous years, our research and development efforts have benefited from royalty-bearing grants from the Office of the Chief Scientist. As of December 31 2014, there are no outstanding royalties due from us to the Office of the Chief Scientist. In 2014, we benefited from additional grants from the Office of Chief Scientist, however, these grants do not bear royalties. Under the terms of these grants we are required to perform our manufacturing activities within the state of Israel, as a condition to maintaining these benefits. The State of Israel does not own any proprietary rights in technology developed with the Office of the Chief Scientist funding and there is no restriction related to the Office of the Chief Scientist on the export of products manufactured using technology developed with the Office of the Chief Scientist funding (other limitations on export apply under applicable law). For a description of restrictions on the transfer of the technology and with respect to manufacturing rights, please see “ITEM 3: Key Information—Risk Factors—The government grants we have received for research and development expenditures require us to satisfy specified conditions and restrict our ability to manufacture products and transfer technologies outside of Israel. If we fail to comply with these conditions or such restrictions, we may be required to refund grants previously received together with interest and penalties and may be subject to criminal charges.”

Manufacturing

We subcontract the manufacture and repair of the hardware components of our Service Gateway platforms and our NetEnforcer traffic management systems to Flextronics (Israel) Ltd., a subsidiary of Flextronics, a global electronics manufacturing services company, which manufactures these components in accordance with our design. This strategy enables us to reduce our fixed costs, focus on our core research and development competencies and provide flexibility in meeting market demand. Flextronics (Israel) is contractually obligated to provide us with manufacturing services based on agreed specifications, including manufacturing, assembling, testing, packaging and procuring the raw materials for our devices. We are not required to provide any minimum orders. Our agreement with Flextronics (Israel) is automatically renewed annually for additional one-year terms. Flextronics (Israel) may terminate our agreement with them at any time during the term upon 180 days prior notice. We retain the right to procure independently any of the components used in our products. Flextronics (Israel) has a U.S. affiliate to which it can, with the prior consent of the Office of the Chief Scientist, transfer manufacturing of our products if necessary, in which event we may be required to pay increased royalties to the Office of the Chief Scientist. We expect that it would take approximately six months to transition manufacturing of our products to an alternate manufacturer.

We design and develop internally a number of the key components for our products, including printed circuit boards. Some of the hardware components of our products are obtained from single or limited sources. Since our products have been designed to incorporate these specific components, any change in these components due to an interruption in supply or our inability to obtain such components on a timely basis may require engineering changes to our products before we could incorporate substitute components. In particular, we purchase the central processing unit for our Service Gateway platforms and for our NetEnforcer products from NetLogic Microsystems, Inc. (now part of Broadcom Corporation). We also purchase off the shelf hardware components from single or limited sources for our Video Optimization and Traffic Management products. We carry approximately three to six months of inventory of key components. We also work closely with our suppliers to monitor the end-of-life of the product cycle for integral components, and believe that in the event that they announce end of life, we will be able to increase our inventory to allow enough time for replacing such components. The agreements with our suppliers do not contain any minimum purchase or supply commitments. Product testing and quality assurance is performed by our contract manufacturer using tests and automated testing equipment and according to controlled test documentation we specify. We also use inspection testing and statistical process controls to assure the quality and reliability of our products.

Competition

We compete in a rapidly evolving and highly competitive sector of the networking technology market. We face significant competition from router and switch infrastructure companies, such as Cisco Systems, Inc., Telefonaktiebolager LM Erricson and Huawei Technologies Co., Ltd. that integrate functionalities into their platforms addressing some of the problems that our products address. Our competitors have also identified the potential market opportunity offered by the largest service providers, referred to as Tier 1 operators, and we therefore expect intense competition in this portion of our market in the future. Our principal competitors in the field of DPI technology are Sandvine Inc. and Procera Networks, Inc. We also face competition from companies that offer partial or alternative solutions addressing limited aspects of the challenges facing broadband providers, such as network monitoring or security. We compete on the basis of product performance, such as speed and number of applications identified, ease of use and installation, and customer support. Price is also an important, although not the principal, basis on which we compete. See “ITEM 3: Key Information—Risk Factors—We may be unable to compete effectively with other companies in our market who offer, or may in the future offer, competing technologies.”

Intellectual Property

Our intellectual property rights are very important to our business. We believe that the complexity of our products and the know-how incorporated into them makes it difficult to copy them or replicate their features. We rely on a combination of confidentiality and other protective clauses in our agreements, copyright and trade secrets to protect our know-how. We also restrict access to our servers physically and through closed networks since our product designs and software are stored electronically and thus are highly portable.

We customarily require our employees, customers, distributors, resellers, software testers, technology partners and contractors to execute confidentiality agreements or agree to confidentiality undertakings when their relationship with us begins. Typically, our employment contracts also include the following clauses: assignment of intellectual property rights for all inventions developed by employees, non-disclosure of all confidential information, and non-compete clauses, which generally restrict the employee for six months following termination of employment. The enforceability of non-compete clauses in certain jurisdictions in which we operate may be limited. See "ITEM 3: Key Information—Risk Factors—We may not be able to enforce employees' covenants not to compete under the current laws of some jurisdictions in which we operate and therefore may be unable to prevent our competitors from benefiting from the expertise of some of our former employees." Because our product designs and software are stored electronically and thus are highly portable, we attempt to reduce the portability of our designs and software by physically protecting our servers through the use of closed networks, which prevent external access to our servers.

The communications equipment industry is characterized by constant product changes resulting from new technological developments, performance improvements and lower hardware costs. We believe that our future growth depends to a large extent on our ability to be an innovator in the development and application of hardware and software technology. As we develop the next generation products, we intend to pursue patent protection for our core technologies in the telecommunications segment. We plan to seek patent protection in our largest markets and our competitors' markets, for example in the United States and Europe. As we continue to move into new markets, such as Japan, Korea and China, we will evaluate how best to protect our technologies in those markets. We intend to vigorously prosecute and defend the rights of our intellectual property.

As of December 31, 2014, we had ten U.S. patents and several pending patent applications in the United States. We expect to formalize our evaluation process for determining which inventions to protect by patents or other means. We cannot be certain that patents will be issued as a result of the patent applications we have filed.

We have obtained a U.S. trademark registration for one of our key marks that we use to identify our products or services: "NetEnforcer."

Government Regulation

See "ITEM 5: Overview—Government Grants" for a description of grants received from the Office of the Chief Scientist of the Ministry of Economy.

C. Organizational Structure

As of December 31, 2014, we held directly and indirectly the percentage indicated of the outstanding capital stock of the following subsidiaries:

Company	Jurisdiction of Incorporation	Percentage Ownership
Allot Communications Inc.	United States	100%
Allot Communications Europe SARL	France	100%
Allot Communications (Asia Pacific) Pte. Limited	Singapore	100%
Allot Communications (UK) Limited (with branches in Spain, Italy and Germany)	United Kingdom	100%
Allot Communications Japan K.K.	Japan	100%
Allot Communications (New Zealand) Limited (with a branch in Australia)	New Zealand	100%
Oversi Networks Ltd. (in merger process)	Israel	100%
Allot Communications (Hong Kong) Ltd	Hong Kong	100%
Allot Communications Africa (PTY) Ltd	South Africa	100%
Allot Communications India Private Ltd	India	100%

During January 2015, we incorporated Allot Communications Spain, S.L. Sociedad Unipersonal, in Spain, which is wholly owned by us, through our subsidiary in the United Kingdom.

D. Property, Plants and Equipment

Our principal administrative and research and development activities are located in approximately 68,566 square foot (6,370 square meter) facilities in Hod-Hasharon, Israel. The leases for our facilities vary in dates and terms, with the main facility's lease commencing in July 2006 and expiring in June 2018.

We also lease a 5,862 square foot (545 square meter) facility in Woburn, Massachusetts, for the purposes of our U.S. sales and marketing operations pursuant to a lease that expires in August 2019. We lease other smaller facilities for the purpose of our development, sales and marketing and support activities in France, the United Kingdom, Italy, Germany, Singapore, Spain, China, Japan, South Africa, Colombia, Mexico, and New Zealand.

ITEM 4A: Unresolved Staff Comments

Not applicable.

ITEM 5: Operating and Financial Review and Prospects

The information contained in this section should be read in conjunction with our consolidated financial statements for the year ended December 31, 2014 and related notes and the information contained elsewhere in this annual report. Our financial statements have been prepared in accordance with US GAAP. This discussion contains forward-looking statements that are subject to known and unknown risks and uncertainties. As a result of many factors, such as those set forth under "ITEM 3.D: Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements," our actual results may differ materially from those anticipated in these forward-looking statements.

A. Operating Results

Overview

We are a leading provider of intelligent Internet Protocol ("IP") service optimization, monetization and personalization solutions for mobile, fixed and wireless broadband service providers and enterprises. Our portfolio of hardware platforms and software applications uses our proprietary deep packet inspection ("DPI") technology, which we refer to as Dynamic Actionable Recognition Technology, or DART, to transform broadband connections or pipes into smart networks that can manage data traffic efficiently and rapidly deploy value-added products. End-customers use our solutions to create sophisticated policies to monitor network applications, enforce quality of service policies that guarantee mission-critical application performance, mitigate security risks and leverage network infrastructure investments. Demand from users for faster and more reliable access to the Internet, an increase in the number and complexity of broadband applications, and growth in mobile data-enhanced smartphones have resulted in the rapid proliferation of broadband access networks in recent years. Our carrier-class products are used by service providers to offer subscriber-based and application-based tiered services that enable them to optimize their service offerings, reduce churn rates and increase ARPU.

We market and sell our products through a variety of channels, including direct sales and through our channel partners, which include distributors, resellers, OEMs and system integrators. End customers of our products include carriers, mobile operators, cable operators, wireless, wireline and satellite Internet service providers, educational institutions, governments and enterprises. The resulting intelligent, content-aware broadband networks enable our customers to accurately monitor and manage IP traffic per application, subscriber, network topology and device.

In 2014, the primary drivers of our growth were the mobile and fixed markets, which were highlighted by our ongoing relationship with a global Tier 1 mobile and fixed operators groups. Revenues from these customers in 2014 accounted for 44% of our total revenues.

Acquisition of Ortiva and Oversi

In 2012, we acquired the business of Ortiva Wireless Inc. ("Ortiva"), a developer of solutions for mobile and Internet networks and Oversi Networks Ltd. ("Oversi"), a developer of products and systems for caching Internet content. See note 1(b) to our consolidated financial statements for further information.

Acquisition of certain assets and obligations of Optenet S.A.

In February 2015, we entered into a binding asset purchase agreement, for the purchase of the business and substantially all of the assets of Optenet, S.A., a developer of security solutions for internet service providers and enterprises. The transaction closing date occurred on March 23, 2015. See Note 17 to our consolidated financial statements for further information.

Key measures of our performance

Revenues

We generate revenues from two sources: (1) sales of our network traffic management systems and our network management application solutions and platforms, and (2) maintenance and support services and professional services, including installation and training. We generally provide maintenance and support services pursuant to a one- to three-year maintenance and support program, which may be purchased by customers at the time of product purchase or on a renewal basis.

We recognize revenues from product sales when persuasive evidence of an agreement exists, delivery of the product has occurred, no significant obligations with respect to implementation remain, the fee is fixed or determinable and collection is probable. We typically grant a one-year hardware and three-month software warranty on all of our products, or one-year hardware and software warranty to customers that purchase annual maintenance and support. Typically our support contracts with our customers, provide hot line support, extended warranty and software updates. We record a provision for warranty at the time the product's revenue is recognized. We estimate the liability of possible warranty claims based on our historical experience. Warranty claims have to date been immaterial to our results of operations. Maintenance and support revenues are recognized on a straight-line basis over the term of the applicable maintenance and support agreement. See "—Critical Accounting Policies and Estimates—Revenue Recognition" below.

Customer concentration. We derived 14% of our total revenues in 2012 from one global Tier 1 mobile operator group. In 2013, we derived 45% of our total revenues from three Tier 1 mobile and fixed operators. In 2014, we derived 44% of our total revenues from two Tier 1 mobile and fixed operators.

Geographical breakdown. See "ITEM 4B: Information on Allot – Business Overview -- Customers" for the geographic breakdown of our revenues by percentage for the years ended December 31, 2012, December 31, 2013 and December 31, 2014.

Cost of revenues and gross margins

Our products' cost of revenues consists primarily of costs of materials, manufacturing services and overhead, warehousing, product testing and royalties paid primarily to the Office of the Chief Scientist (until the end of 2012; when the obligation to royalties to OCS ended due to the repayment to OCS). Our services' cost of revenues consists primarily of salaries and related personnel costs for our customer support staff as well as the royalty payments mentioned above. We expect cost of revenues to increase as a result of an increase in our product and service revenues, an increase in sales of our higher end products, primarily our Service Gateway platforms, to large customers that we expect will require additional personnel hiring and other operational expenditures related to such sales**.** Such increases may be partially offset by increased sales of our network management application suites as their related cost of revenues is generally lower. In addition, we are no longer obligated to make royalty payments to the Office of the Chief Scientist, as we reached a settlement with them in December 2012. The balance of the liability related to the grants received from the Office of Chief Scientist was approximately $15.9 million, which was recorded as cost of revenues for the year ended December 31, 2012. In 2013, our gross margin increased as a result of the elimination of royalty payments to the Office of the Chief Scientist with respect to grants received through 2012. In 2014 our gross margin has decreased, primarily due to inventory write-offs of $3.4 million due to product cycle replacement. Specifically in 2014 we launched the service gateway TERA and reduced the level of inventories related to the old product lines.

Operating expenses

Research and development. Our research and development expenses consist primarily of salaries and related personnel costs, costs for subcontractor services, depreciation, rent and costs of materials consumed in connection with the design and development of our products. We expense all of our research and development costs as they are incurred. Our net research and development expenses are comprised of gross research and development expenses offset by financing through grants from the Office of the Chief Scientist. Such participation grants are recognized at the time at which we are entitled to such grants on the basis of the costs incurred and included as a deduction of research and development expenses (see - "Government Grants" below). We believe that significant investment in research and development, including hiring high quality research and development personnel, is essential to our future success and expect that in future periods our research and development expenses will increase on an absolute basis.

Sales and marketing. Our sales and marketing expenses consist primarily of salaries and related personnel costs, travel expenses, costs associated with promotional activities such as public relations, conventions and exhibitions, rental expenses, depreciation and commissions paid to third parties. We intend to continue expanding our activities in the service provider market, and therefore we expect that sales and marketing expenses will increase on an absolute basis in the future as we hire additional sales, marketing and presale support personnel to continue to promote our brand, establish new marketing channels and expand our presence worldwide.

General and administrative. Our general and administrative expenses consist of salaries and related personnel costs, rental expenses, costs for professional services and depreciation. We expect these expenses to increase on an absolute basis as we hire additional personnel and incur additional costs related to the growth of our business as we increase our global presence. General and administrative expenses also include costs associated with corporate governance, tax and regulatory compliance, compliance with the rules implemented by the SEC, NASDAQ and the Tel-Aviv Stock Exchange ("TASE") and premiums for our director and officer liability insurance.

Financial income, net

Financial income, net consists primarily of interest earned on our cash balances and other financial investments, foreign currency exchange gains or losses, gains or losses resulting from the sale of marketable securities and bank fees.

In both 2013 and 2014, we had $0.7 million financial income, net. In 2012, we had $1.4 million financial income, net. The change in 2013 was primarily attributed to a decrease in our interest income which derived from lower interest rates received for our short-term bank deposits during 2013 and from the increase in the amortization of our marketable securities' premium during 2013.

In addition, financial and other income, net, may fluctuate due to foreign currency exchange gains or losses, as well as interest rate changes. See "—Factors Affecting Our Performance."

Approved Enterprise

Our facilities in Hod-Hasharon, Israel have been granted Approved Enterprise status under the Encouragement of Capital Investments Law, 1959, and enjoy certain tax benefits under this program. We expect to utilize these tax benefits after we utilize our net operating loss carry forwards. As of December 31, 2014, our net operating loss carry forwards for Israeli tax purposes totaled approximately $39 million, which includes losses related to our acquisition of Oversi. As a result of our acquisition of Oversi, we may offset operating losses in Israel against taxable income annually with a limitation of up to 14% of the total accumulated loss but no more than 50% of our taxable income. Income derived from other sources, other than through our "Approved Enterprise" status, during the benefit period will be subject to the regular corporate tax rate.

Government Grants

Our research and development efforts have been financed, in part, through grants from the Office of the Chief Scientist under our approved plans in accordance with the Research and Development Law. Through December 31, 2012, we had received approval for and recorded in our books grants totaling $30.8 million from the Office of the Chief Scientist, including $4.1 million attributed to NetReality products. Because the NetReality products were discontinued and will no longer be sold, the $4.1 million was cancelled, and we are not obligated to repay this amount. Under Israeli law and the approved plans, royalties on the revenues derived from sales of all of our products are payable to the Israeli government, generally at the rate of 3.0% during the first three years and 3.5% beginning in the fourth year, up to the amount of the received grants as adjusted for fluctuation in the U.S. dollar/shekel exchange rate. The amounts received after January 1, 1999 bear interest at the twelve-month LIBOR as at the beginning of the year in which a grant is approved. Our obligation to pay these royalties is contingent upon actual sales of our products and no payment is required if no sales are made. In December 2012, we recorded a liability of $15.9 million due to a settlement with the Office of the Chief Scientist, representing the full balance of the contingent liability related to grants received. This settlement was paid in 2013. Upon making this payment, we have eliminated all royalty obligations related to our anticipated revenues and did not incur the expense associated with future interest payments related to such obligations. In 2013 and 2014 we received grants from the Chief Scientist through non- royalty bearing programs.

Factors Affecting Our Performance

Our business, financial position and results of operations, as well as the period-to-period comparability of our financial results, are significantly affected by a number of factors, some of which are beyond our control, including:

Customer concentration. We derived 44% of our total revenues in 2014 from two global Tier 1 mobile and fixed operator groups. While we have some visibility into the likely scope of the customers' projects, our relationships are conducted solely on a purchase order basis and we do not have any commitment for future purchase orders from these customers. The loss of any of such significant customers could harm our results of operations and financial condition.

Size of end-customers and sales cycles. We have a global, diversified end-customer base consisting primarily of service providers and enterprises. The deployment of our products by small and midsize enterprises and service providers can be completed relatively quickly with a limited number of NetEnforcer and/or Service Gateway systems compared to the number required by large service providers. Large service providers take longer to plan the integration of our solutions into their existing networks and to set goals for the implementation of the technology. Sales to large service providers are therefore more complicated as they involve a relatively larger number of network elements and solutions, as well as NetEnforcer and/or Service Gateway systems. We are seeking to achieve further significant customer wins in the large service provider market that would positively impact our future performance. The longer sales cycles associated with the increased sales to large service providers of our platforms may increase the unpredictability of the timing of our sales and may cause our quarterly and annual operating results to fluctuate if a significant customer delays its purchasing decision and/or defers an order. Furthermore, longer sales cycles may result in delays from the time we increase our operating expenses and make investments in inventory to the time that we generate revenue from related product sales.

Average selling prices. Our performance is affected by the selling prices of our products. We price our products based on several factors, including manufacturing costs, the stage of the product's life cycle, competition, technical complexity of the product, discounts given to channel partners in certain territories, customization and other special considerations in connection with larger projects. We typically are able to charge the highest price for a product when it is first introduced to the market. We expect that the average selling prices for our products will decrease over the product's life cycle as our competitors introduce new products and DPI technology becomes more standardized. In order to maintain or increase our current prices, we expect that we will need to enhance the functionality of our existing products by offering higher system speeds, additional value-added products and features, such as additional security functions, supporting additional applications and providing enhanced reporting tools. We also from time to time introduce enhanced products, typically higher-end models that include new architecture and design and new capabilities. Such enhanced products typically increase our average selling price. To further offset such declines, we sell maintenance and support programs for our products, and as our customer base and number of field installations grow, our related service revenues are expected to increase.

Cost of revenues and cost reductions. Our cost of revenues as a percentage of total revenues was 44.8% for 2012 (29.6% excluding the impact of the $15.9 million expenses related to settlement of Office of Chief Scientist grants), 27.8% for 2013 and 29.7% for 2014. Our products use off-the-shelf components and typically the prices of such components decline over time. However, the introduction and sale of new or enhanced products and services may result in an increase in our cost of revenues. We make a continuous effort to identify cheaper components of comparable performance and quality. We also seek improvements in engineering and manufacturing efficiency that will reduce costs. Our products incorporate features that are purchased fromthird parties. In addition, new products usually have higher costs during the initial introduction period. We generally expect such costs to decline as the product matures and sales volume increases. The introduction of new products may also involve a significant decrease in demand for older products. Such a decrease may result in a devaluation or write-off of such older products and their respective components. In 2014, we recorded a write-off of $3.4 million of inventory to our cost of revenues, due to product cycle replacement. Specifically in 2014 we launched the service gateway TERA that supersedes the service gateway Sigma and Sigma E and as a result of the faster than anticipated adoption, we reduced the level of inventories related to the old product lines. The growth of our customer base is usually coupled with increased service revenues primarily resulting from increased maintenance and support. In addition, the growth of our installed base with large service providers may result in increased demand for professional services, such as training and installation services. An increase in demand for such services may require us to hire additional personnel and incur other expenditures. However, these additional expenses, handled efficiently, may be utilized to further support the growth of our customer base and increase service revenues.

Currency exposure. A majority of our revenues and a substantial portion of our expenses are denominated in the U.S. dollar. However, a significant portion of the expenses associated with our global operations, including personnel and facilities-related expenses, are incurred in currencies other than the U.S. dollar. This is the case primarily in Israel and to a lesser extent in other countries in Europe and Asia. Consequently, a decrease in the value of the U.S. dollar relative to local currencies will increase the dollar cost of our operations in these countries. A relative decrease in the value of the U.S. dollar would be partially offset to the extent that we generate revenues in such currencies. In order to partially mitigate this exposure we have decided in the past and may decide from time to time in the future to enter into hedging transactions. We may discontinue hedging activities at any time. As such decisions involve substantial judgment and assessments primarily regarding future trends in foreign exchange markets, which are very volatile, as well as our future level and timing of cash flows of these currencies, we cannot provide any assurance that such hedging transactions will not affect our results of operations when they are realized. See Note 5 to our consolidated financial statements included elsewhere in this annual report for further information.

Interest rate exposure. We have a significant amount of cash that is currently invested primarily in interest bearing vehicles, such as bank time deposits and available for sale marketable securities. These investments expose us to risks associated with interest rate fluctuations.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles, or U.S. GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and judgments are subject to an inherent degree of uncertainty and actual results may differ. Our significant accounting policies are more fully described in Note 2 to our consolidated financial statements included elsewhere in this annual report. Certain of our accounting policies are particularly important to the portrayal of our financial position and results of operations. In applying these critical accounting policies, our management uses its judgment to determine the appropriate assumptions to be used in making certain estimates. Those estimates are based on our historical experience, the terms of existing contracts, our observance of trends in our industry, information provided by our customers and information available from other outside sources, as appropriate. With respect to our policies on revenue recognition and warranty costs, our historical experience is based principally on our operations since we commenced selling our products in 1998. Our estimates are primarily guided by observing the following critical accounting policies:

- Revenue recognition;
- Provision for returns;
- Warranty costs;
- Allowance for doubtful accounts;
- Accounting for stock-based compensation;
- Inventories;
- Marketable securities;
- Impairment of goodwill and long lived assets;
- Income taxes; and
- Contingencies.

Because each of the accounting policies listed above requires the exercise of certain judgments and the use of estimates, actual results may differ from our estimations and as a result would increase or decrease our future revenues and net income.

Revenue recognition. We account for revenue recognition in accordance with Accounting Standards Codification No. 605-25, “Multiple elements arrangements” (“ASC No. 605-25”). We generate revenues mainly from selling our products along with related maintenance and support services. At times, these arrangements may also include professional services, such as installation services or training. We generally sell our products through resellers, distributors, OEMs and system integrators, all of whom are considered end-users.

Revenues from product sales are recognized when persuasive evidence of an agreement exists, title and risk of loss have transferred to the customer, no significant performance obligations remain, payment for products is not contingent upon performance of installation or service obligations, the fee is fixed or determinable and collectability is probable. In instances where final acceptance of the product or service is specified by the customer, we do not recognize the revenue until all acceptance criteria have been met.

Maintenance and support related revenues included in multiple element arrangements are deferred and recognized on a straight-line basis over the term of the applicable maintenance and support agreement. Other services, such as professional services, are recognized upon the completion of installation or when the service is provided. In instances where the services provided in a multiple element arrangement are considered essential to the functionality of the product and payment of the product is contingent upon performance of the services, the sales of the products and services would be considered one unit of accounting. Deferred revenues are classified as short and long term based on their contractual term and recognized as revenues at the time the respective elements are provided.

Revenues arrangements with multiple deliverables are allocated using the relative selling price method. The Company determines the best estimated selling price (“BESP”) in multiple elements arrangements as follows:

For the products, the Company determine the “BESP” based on management’s estimated selling price (“ESP”) by reviewing historical transactions and considering multiple other factors, including but not limited to, pricing practices including discounting, and competition.

For the maintenance and support the Company determined the ESP in multiple-element arrangements based on reviewing historical transactions, and considering several other external and internal factors including, but not limited to, pricing practices including discounting and competition.

For the years ended December 31, 2014 ,December 31, 2013 and December 31, 2012, for maintenance and support, the Company determined the selling price based on VSOE of the price charged based on standalone sales (renewals) of such elements using a consistent percentage of the Company's product price lists in the same territories.

Deferred revenues are classified as short- and long-term based on their contractual term and recognized as revenues at the time the respective elements are provided.

Provision for returns. We provide a provision for product returns and stock rotation based on its experience with historical sales returns, stock rotations and other known factors. Such provisions amounted to $1.1 million and $0. 9 million as of December 31, 2014 and 2013, respectively.

Warranty costs. We typically grant a one-year hardware and three months software warranty on all of our products, and record a provision for warranty at the time the product’s revenue is recognized. We estimate the liability of possible warranty claims based on our historical experience. We estimate the costs that may be incurred under our warranty arrangements and record a liability in the amount of such costs at the time product revenue is recognized. We periodically assess the adequacy of the recorded warranty liabilities and adjust the amounts as necessary.

Allowance for doubtful accounts. We evaluate the collectability of our accounts receivable on a specific basis. We estimate this allowance based on our judgment as to our ability to collect outstanding receivables. We primarily base this judgment on an analysis of significant outstanding invoices, the age of the receivables, our historical collection experience and current economic trends. In circumstances where we are aware of a specific customer’s inability to meet its financial obligations to us, we record a specific allowance against amounts due to reduce the net recognized receivable to the amount we reasonably believe will be collected.

Accounting for stock-based compensation. We account for stock-based compensation in accordance with Accounting Standards Codification No. 718, “Compensation - Stock Compensation” (“ASC No. 718”) that requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods in our consolidated statement of operations. We recognize compensation expense for the value of its awards granted based on the straight-line method over the requisite service period of each of the awards, net of estimated forfeitures. ASC No. 718 requires forfeitures to be estimated at the time of the grant and revised in subsequent periods if actual forfeitures differ from those estimates.

In connection with the grant of options and RSUs, we recorded total stock-based compensation expenses of $4.8 million in 2012, $7.7 million in 2013, and $8.1 in 2014. In 2014, $0.4 million, $1.9 million, $3.3 million and $2.5 million of our stock-based compensation expense resulted from cost of revenue, research and development expenses, net, sales and marketing expenses and general and administrative expenses, respectively, based on the department in which the recipient of the option grant was employed. As of December 31, 2014, we had an aggregate of $13.8 million of deferred unrecognized stock-based compensation remaining to be recognized over a weighted average vesting period of 2.13 years.

Inventories are stated at the lower of cost or market value. Inventory write-offs are provided to cover risks arising from slow-moving items, technological obsolescence, excess inventory and discontinued products. Inventory write-off provision as of December 31, 2014, 2013 and 2012 totaled $4.5 million, $1.8 million, and $1.4 million, respectively.

Marketable securities. We account for our investments in marketable securities using Accounting Standards Codification No. 320, “Investments – Debt and Equity Securities” (“ASC No. 320”).

We determine the appropriate classification of marketable securities at the time of purchase and evaluate such designation as of each balance sheet date. We classify all of our investments in marketable securities as available for sale. Available for sale securities are carried at fair value, with unrealized gains and losses reported in “accumulated other comprehensive income (loss)” in shareholders’ equity. Realized gains and losses on sales of investments are included in earnings and are derived using the specific identification method for determining the cost of securities. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization together with interest and dividends on securities are included in financial income, net, if any.

As of December 31, 2014, we held available for sale marketable securities of $54.3 million. As of December 31, 2014, the unrealized loss recorded to other comprehensive income was $0.2 million.

Impairment of goodwill and long lived assets. Goodwill represents the excess of the purchase price over the fair value of net assets of purchased businesses. Under Accounting Standards Codification No. 350, “Intangibles-Goodwill and Other” (“ASC No. 350”), goodwill and intangible assets deemed to have indefinite lives are tested for impairment annually, or more often if there are indicators of impairment present.

We perform an annual impairment analysis of goodwill at December 31 of each year, or more often as applicable. We operate in one operating segment, and this segment comprises only reporting units. The provisions of ASC No. 350 require that a two-step impairment test be performed on goodwill at the level of the reporting units. In the first step, we compare the fair value of each reporting unit to its carrying value. If the fair value exceeds the carrying value of the net assets, goodwill is considered not impaired, and no further testing is required to be performed. If the carrying value of the net assets exceeds the fair value, then we must perform the second step of the impairment test in order to determine the implied fair value of goodwill. If the carrying value of goodwill exceeds its implied fair value, then we would record an impairment loss equal to the difference.

We believe that our business activity and management structure meet the criterion of being a single reporting unit for accounting purposes. We performed an annual impairment analysis as of December 31, 2014 and determined that the carrying value of the reporting unit was less than the fair value of the reporting unit. Fair value is determined using market capitalization. During the years ended 2012, 2013 and 2014, no impairment losses were recorded.

Property and equipment and intangible assets subject to amortization are reviewed for impairment in accordance with ASC No. 360, “Accounting for the Impairment or Disposal of Long-Lived Assets,” whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. As of December 31, 2014, no impairment losses have been identified.

Intangible assets acquired in a business combination are recorded at fair value at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets that are not considered to have an indefinite useful life are amortized over their estimated useful lives. Some of the acquired intangible assets are amortized over their estimated useful lives in proportion to the economic benefits realized. This accounting policy results in accelerated amortization of such customer relationships and backlog as compared to the straight-line method. All other intangible assets are amortized over their estimated useful lives on a straight-line basis.

During 2012, 2013 and 2014, no impairment losses were recorded.

Income taxes. We account for income taxes in accordance with Accounting Standards Codification No. 740, “Income Taxes” (“ASC No. 740”). ASC No. 740 prescribes the use of the liability method, whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. We provide a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

In Israel, we have accumulated operating loss carry forwards of approximately $39.0 million and capital losses of approximately $27.3 million for tax purposes as of December 31, 2014, which may be carried forward and offset against taxable capital gains in the future for an indefinite period. In the United States, the accumulated losses for U.S. federal income tax return purposes were approximately $2.8 million as of December 31, 2014, which expire between 2024 and 2032. In France, we had approximately $4.4 million in net operating loss carry forwards as of December 31, 2014, which may be carried forward and offset against taxable capital gains in the future for an indefinite period. We believe that because of our history of losses, and uncertainty with respect to future taxable income, it is more likely than not that some of the deferred tax assets regarding the loss carry forwards will not be utilized in the foreseeable future, and therefore, a valuation allowance was provided to reduce deferred tax assets to their realizable value. The valuation allowance for the year ended December 31, 2014 was $11.4 million.

ASC No. 740 contains a two-step approach to recognizing and measuring a liability for uncertain tax positions. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. We recognize interest and penalties related to unrecognized tax benefits in our provision for income tax.

Contingencies. From time to time, we are a defendant or plaintiff in various legal actions, which arise in the normal course of business. We are required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of reserves required for these contingencies, if any, which would impact our results of operations, is made after considered analysis of each individual action together with our legal advisors. The required reserves may change in the future due to new developments in each matter or changes in circumstances and estimations. A change in the required reserves would impact our results of operations in the period the change is made.

Results of Operations

The following table sets forth our statements of operations as a percentage of revenues for the periods indicated:

	Year Ended December 31,		
	2012	**2013**	**2014**
Revenues:			
Products	73.6%	68.7 %	65.9%
Services	26.4	31.3	34.1
Total revenues	100.0	100.0	100.0
Cost of revenues:			
Products	25.6	21.3	23.4
Services	4.0	6.5	6.3
Total cost of revenues	44.8	27.8	29.7
Gross profit	55.2	72.2	70.3
Operating expenses:			
Research and development, net	21.1	28.0	24.8
Sales and marketing	32.5	41.2	38.1
General and administrative	10.2	10.3	10.2
Total operating expenses	63.8	79.5	73.1
Operating loss	8.6	7.3	2.7
Financing income (expenses), net	(1.3)	0.8	0.6
Loss before income tax expense (benefit)	7.3	6.6	2.1
Income tax (expense) benefit	0.9	(0.1)	0.0
Net loss	6.4%	6.7%	2.1%

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Revenues

The following table sets forth a breakdown of our revenues by geographic locations for the periods indicated:

	Revenues by Location					
	2014	% Revenues	2013	% Revenues	2012	% Revenues
	(In thousands)					
Revenues:						
Europe	$ 41,238	35%	$ 35,143	36%	$ 39,655	38%
Asia and Oceania	41,990	36%	29,909	31%	21,953	21%
Middle East and Africa	15,352	13%	4,820	5%	10,565	10%
United Stated of America	15,307	13%	21,350	22%	24,674	24%
Americas (excluding United States)	3,299	3%	5,323	6%	7,905	7%
Total Revenues	$ 117,186	100%	$ 96,545	100%	$ 104,752	100%

Products. Product revenues increased by $10.9 million, or 16.5%, to $77.2 million in 2014 from $66.3 million in 2013. The increase in revenues in 2014 was attributable to transactions with large Tier-1 mobile and fixed operators, including mostly repeating customers, and the introduction of Service Gateway Tera. Our sales in Europe, the Middle East, Africa, Asia and Oceania have increased significantly in 2014, and have compensated for and superseded the decrease in America.

Services. Services revenues increased by $9.7 million, or 32.2%, to $39.9 million in 2014 from $30.2 million in 2013. The increase in services revenues is primarily attributable to an increase in our installed base in 2014 and also to the growth of our professional services activities, which is in line with the management's decision to focus on potential revenues in these activities.

Product revenues comprised 65.9% of our total revenues in 2014, a decrease of 2.8% compared to 2013 while the services revenues portion of total revenues increased by the same percentage.

Cost of revenues and gross margin

Products. Cost of product revenues increased by $6.8 million, or 33.1%, to $27.4 million in 2014 from $20.6 million in 2013. Product gross margin, decreased to 64.5% in 2014 from 69.0% in 2013. The increase in cost of revenues was primarily due to inventory write-off of $3.4 million due to product cycle replacement. *Services*. Cost of services revenues increased by $1.1 million, or 17.7%, to $7.3 million in 2014 from $6.3 million in 2013. This increase is consistent with the increase in services revenues.

Total gross margin, decreased to 70.3% in 2014 from 72.2% in 2013.

Operating expenses

Research and development. Gross research and development expenses increased by $1.9 million, or 6.9%, to $30.0 million in 2014 from $28.1 million in 2013. This increase is primarily attributable to an increase in salaries and related expenses of approximately $1.1 million, an increase in overhead expenses of approximately $0.6 million and an increase in stock-based compensation expenses of approximately $0.2 million.

Sales and marketing. Sales and marketing expenses increased by $4.8 million, or 12.0%, to $44.6 million in 2014 from $39.8 million in 2013. This increase is primarily attributable to increased salaries and related expenses of approximately $2.7, an increase in commission expenses of approximately $1.1 million, an increase in other expenses pf approximately $0.9 million and an increase in Stock-based compensation expenses of approximately $0.1 million.

Sales and marketing expenses, as a percentage of total revenues decreased to 38.1% in 2014 from 41.2% in 2013.

General and administrative. General and administrative expenses increased by $2.0 million, or 20.0%, to $11.9 million in 2014 from $10.0 million in 2013. Salaries and related expenses costs increased by approximately $0.7 million, other overhead expenses increased by $0.2 million, and a one-time earn out payment of approximately $1.1 million which is related to oversi acquisition.

General and administrative expenses as a percentage of revenues decreased to 10.2% in 2014 from 10.3% 2013.

Financial income, net. In 2014 and 2013, we had $0.7 million financial income, net.

Income tax expense. Income tax expense in 2014 was $0.05 million, compared to income tax expense of $0.1 million in 2013.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenues

Products. Product revenues decreased by $10.8 million, or 14.0%, to $66.3 million in 2013 from $77.1 million in 2012. The decrease in 2013 was derived from the fact that a portion of our sales were made to customers in countries in Europe, which have been impacted by the economic downturn and led our customers to minimize their investments in Capital Expenditure activities in 2013 and, to a lesser degree in 2012. Sales of our high-end products, primarily the Allot Service Gateway platforms and value added products increased.

in 2013 (such as Allot Service Protector and Allot Proactive Analytics).

Services. Services revenues increased by $2.6 million, or 9.4%, to $30.2 million in 2013 from $27.6 million in 2012. The increase in service revenues was primarily attributable to an increase in our installed base in 2013 and also the growth of our professional services activities.

Product revenues comprised 68.7% of our total revenues in 2013, a decrease of 4.9% compared to 2012 while services revenues' portion of total revenues increased by the same percentage.

Cost of revenues and gross margin

Products. Cost of product revenues decreased by $6.3 million, or 23.4%, to $20.6 million in 2013 from $26.9 million in 2012. Product gross margin, increased to 69.0% in 2013 from 65.2% in 2012.The main reason is the contribution of the settlement reached with the Office of Chief Scientist in December 31, 2012. The Company paid to the Office of Chief Scientist an amount of $15.9 million liability outstanding in 2013 which eliminated recurring royalty obligations related to revenues recorded. Excluding the non-recurring payment to the Office of Chief Scientist in 2012, the decrease in cost of revenues is consistent with the decrease in product revenues.

Services. Cost of service revenues increased by $2.1 million, or 49.4%, to $6.3 million in 2013 from $4.2 million in 2012. This increase is consistent with the increase of service revenues.

Total gross margin, increased to 72.2% in 2013 from 70.4% in 2012, excluding the impact of the settlement.

Operating expenses

Research and development. Gross research and development expenses increased by $3.2 million, or 12.9%, to $28.1 million in 2013 from $24.9 million in 2012. This increase is primarily attributable to an increase in salaries and related expenses which principally resulted from an increase in the average yearly head count derived mainly from the acquisitions of Ortiva and Oversi. This increase along with the increase in other overhead expenses amounted to $2.7 million. In addition, stock-based compensation increased by $0.5 million.

Research and development expenses, net of received and accrued grants from the Office of the Chief Scientist, increased by $4.9 million, or 22.5%, to $27.0 million in 2013 from $22.1 million in 2012. Grants received from the Office of the Chief Scientist totaled $1.1 million in 2013 compared to $2.9 million in 2012. The decrease in grants received is due the fact that from 2013 the Company is qualified to participate in an approved program with the OCS for companies with large research and development activities and certain threshold of revenues. Under this program the Company is eligible to receive non-bearing royalty grants that do not require repayments. The grants are smaller than the royalty bearing grants the Company received in previous years.

Sales and marketing. Sales and marketing expenses increased by $5.7 million, or 16.7%, to $39.8 million in 2013 from $34.1 million in 2012. This increase is primarily attributable to increased salaries and related expenses of approximately $4.7 million due to increase in average yearly head count from the acquisitions of Ortiva and Oversi. Stock-based compensation increased by $1.5 million, commission expenses, travel and other expenses decreased by $0.5 million.

Sales and marketing expenses, as a percentage of total revenues increased to 41.2% in 2013 from 32.5% in 2012.

General and administrative. General and administrative expenses decreased by $0.7 million, or 6.7%, to $10.0 million in 2013 from $10.7 million in 2012. This decrease is attributable to a decrease in acquisitions activity related expenses of approximately $3.1 million. These expenses were higher in 2012 as a result of non-recurring legal and finance expenses related to acquisition activities during 2012. Salaries and related expenses increased by approximately $0.7 million due to increase in the average yearly head count. Stock-based compensation increased by approximately $1.2 million. Travel and other overhead expenses increased by $0.5 million.

General and administrative expenses as a percentage of revenues increased to 10.3% in 2013 from 10.2% 2012.

Financial income (expenses), net. In 2013, we had $0.7 million financial income, net compared to $1.4 million financial income, net in 2012. The change is primarily attributed to a decrease in our interest income derived from lower interest rates received for short-term bank deposits during 2013 and from the increase in the amortization of the premium for our marketable securities during 2013.

Income tax expense (benefit). Income tax expense in 2013 was $0.1 million, compared to income tax benefit of $1.0 million in 2012. The change is primarily due to the fact that the Company recorded deferred tax assets for the first time in 2012 related to our net operating losses expected to be utilized in the foreseeable future.

B. Liquidity and Capital Resources

As of December 31, 2014, we had $19.2 million in cash and cash equivalents, $54.2 million available for sale marketable securities and $59.0 million short-term deposits. As of December 31, 2014, our working capital, which we calculate by subtracting our current liabilities from our current assets, was $138.2 million.

Based on our current business plan, we believe that our existing cash balances, will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least the next twelve months. If our estimates of revenues, expense or capital or liquidity requirements change or are inaccurate and are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity or arrange additional debt financing. In addition, we may seek to sell additional equity or arrange debt financing to give us financial flexibility to pursue attractive acquisitions or investment opportunities that may arise in the future.

Operating activities.

Net cash we provided in operating activities in 2014 was $15.8 million. Net cash provided in operating activities consisted mainly of a net loss of $2.5 million, depreciation and amortization of intangible assets of $5.2 million, $8.1 million of stock-based compensation expense, a decrease of $3.7 million in inventory, an increase of $1.1 million in employees and payroll accruals, an increase of $6.9 million in trade receivables, an increase of $1.9 million in deferred revenues attributed to sales which revenue recognition criteria were met while cash was collected in the previous years and an increase of $3.1 million in trade payables.

During 2013, we generated $19.2 million in cash and cash equivalents from operating activities. Net cash used in operating activities consisted mainly of a net loss of $6.5 million, a decrease of $15.9 million in liability related to settlement of the Office of Chief Scientist grants, depreciation and amortization of intangible assets of $6.3 million, $7.7 million of stock-based compensation expense, an increase of $3.8 million in inventory, a decrease of $2.1 million in employees and payroll accruals, a decrease of $3.3 million in trade receivables, a decrease of $2.8 million in deferred revenues attributed to sales which revenue recognition criteria were met while cash was collected in the previous years and a decrease of $1.6 million in trade payables.

During 2012, we generated $8.7 million in cash and cash equivalents from operating activities. Net cash provided in operating activities consisted mainly of a net loss of $6.7 million, an increase of $15.9 million in liability related to settlement of the Office of Chief Scientist grants, depreciation and amortization of intangible assets of $5.1 million, $4.8 million of stock-based compensation expense, a decrease of $3.2 million in inventory and an increase of $2.4 million in employees and payroll accruals. This was partially offset by an increase of $8.1 million in trade receivables, a decrease of $7.1 million in deferred revenues attributed to sales which revenue recognition criteria were met while cash was collected in the previous years and a decrease of $1.3 million in trade payables.

Investing activities.

Net cash used in investing activities in 2014 was $40.9 million, primarily attributable to the investments of short-term bank deposits of $50.5 million, redemptions of short-term bank deposits of $29.5 million, an investment in available-for sale marketable securities of $22.7 million and the purchase of property and equipment of $3.4 million and an increase due to redemption of marketable securities of $8.2 million.

Net cash used by investing activities in 2013 was $11.1 million, primarily attributable to the redemption of short-term bank deposits of $40.0 million, an investment in available-for sale marketable securities of $32.8 million and the purchase of property and equipment of $2.7 million and an increase due to redemption of marketable securities of $6.5 million.

Net cash used by investing activities in 2012 was $79.3 million, primarily attributable to investments in short-term bank deposits of $54.0 million, cost of acquiring Ortiva and Oversi of $24.9 million, an investment in available-for sale marketable securities of $8.2 million and the purchase of property and equipment of $3.8 million. The above changes were partially offset by redemption of marketable securities of $10.7 million.

We expect that our capital expenditures will total approximately $3.8 million in 2015. We anticipate that these capital expenditures will be primarily related to further investments in lab equipment for research and development, as well as customer support and demo units.

Financing activities.

Net cash provided by financing activities in 2014 was $1.5 million, which was attributable to issuance of share capital through the exercise of stock options and RSUs of $1.5 million.

Net cash provided by financing activities in 2013 was $0.9 million, which was attributable to issuance of share capital through the exercise of stock options and RSUs of $0.9 million.

Net cash provided by financing activities in 2012 was $4.0 million, which was attributable to issuance of share capital through the exercise of stock options and RSUs of $5.9 million and to repayment for bank loan of $1.9.

C. Research and Development, Patents and Licenses

In previous years, our research and development efforts have benefited from royalty-bearing grants from the Office of the Chief Scientist. In 2013 and 2014 we benefited from non-royalty bearing grants from the Office of Chief Scientist. The government grants we have received for research and development expenditures restrict our ability to manufacture products and transfer technologies outside of Israel and require us to satisfy specified conditions. If we fail to comply with such restrictions or these conditions, we may be required to refund grants previously received together with interest and penalties, and may be subject to criminal charges.

In addition to our membership of a Magnet consortium which was approved prior to 2014, in 2014 we were also qualified to participate in one research and development program funded by the Office of the Chief Scientist to develop generic technology relevant to the development of our products. Such program is approved pursuant to the Research and Development Law, and the regulations promulgated thereunder. The programs is for companies with large research and development activities. We were eligible to receive non-royalty-bearing grants constituting between 40% and 55% of certain research and development expenses relating to this program. Although the grants under these programs are not required to be repaid by way of royalties, the restrictions under the Research and Development Law described above apply to these programs.

Total research and development expenses, before royalty bearing grants, were approximately $24.9 million, $28.1 million and $30.0 million in the years ended December 31, 2012, 2013 and 2014, respectively. Royalty bearing grants amounted to $2.9 million in 2012 and non-bearing royalty grants amounted to $1.1 million and $1.0 million in 2013 and 2014 respectively.

As of December 31, 2014, we had ten U.S. patents and several pending patent applications in the United States. We expect to formalize our evaluation process for determining which inventions to protect by patents or other means. We cannot be certain that patents will be issued as a result of the patent applications we have filed.

D. Trend Information

See “ITEM 5: Operating and Financial Review and Prospects” above.

E. Off-Balance Sheet Arrangements

We are not a party to any material off-balance sheet arrangements. In addition, we have no unconsolidated special purpose financing or partnership entities that are likely to create material contingent obligations.

F. Contractual Obligations

The following table of our material contractual and other obligations known to us as of December 31, 2014, summarizes the aggregate effect that these obligations are expected to have on our cash flows in the periods indicated.

	Payments due by period				
Contractual Obligations	**Total**	**Less than 1 year**	**1–3 years**	**3-5 years**	**Over 5 years**
	(in thousands of U.S. dollars)				
Operating leases —offices(1)	$ 7,452	$ 2,430	$ 4,922	$ 100	$ -
Operating leases —vehicles	287	238	49	-	-
Uncertain tax position (ASC-740)	279	-	-	-	279
Accrued severance pay(2)	282	-	-	-	282
Total	$ 8,300	$ 2,668	$ 4,971	$ 100	$ 561

(1) Consists primarily of an operating lease for our facilities in Hod Hasharon, Israel, as well as operating leases for facilities leased by our subsidiaries.

(2) Severance pay relates to accrued severance obligations to our Israeli employees as required under Israeli labor law. These obligations are payable only upon termination, retirement or death of the respective employee and there is no obligation if the employee voluntarily resigns. Of this amount, $19,400 is unfunded.

ITEM 6: Directors, Senior Management and Employees

A. Directors and Senior Management

Our directors and executive officers, their ages and positions as of March 1, 2015 are as follows:

Name	Age	Position
Directors		
Shraga Katz	62	Chairman of the Board
Rami Hadar	51	Director
Itzhak Danziger (5)	66	Director
Nurit Benjamini(1)(2)(3) (4)(5)	48	Director
Steven D. Levy(1)(2) (4)(5)	58	Director
Miron (Ronnie) Kenneth (1)(2) (5)	59	Director
Yigal Jacoby(5)	54	Director
Executive Officers		
Andrei Elefant	41	Chief Executive Officer and President
Shmuel Arvatz	53	Chief Financial Officer
Amir Hochbaum	55	Vice President —Research and Development
Anat Shenig	45	Vice President —Human Resources
Itai Weissman	40	Vice President —Product Management
Gary Drutin	53	Vice President —International Sales
Rael Kolevsohn	45	Vice President —Legal Affairs, General Counsel and Company Secretary
Jay Klein	51	Vice President — Chief Technology Officer
Pini Gvili	49	Vice President — Operations
Ramy Moriah	59	Vice President — Customer Care and Information Technology
Vin Costello	58	Vice President and General Manager — The Americas

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(1) Member of our compensation and nomination committee.
(2) Member of our audit committee.
(3) Lead independent director.
(4) Outside director.
(5) Independent director under NASDAQ.

Directors

Shraga Katz has served as our chairman of the board of directors since 2008. Mr. Katz is a Venture Partner of Magma Venture Partners, a leading venture capital firm specializing in early-stage investments in communication, semiconductors, internet and media. Mr. Katz has over 30 years of experience in the technology sector and has specialized for over 20 years in the communications industry. In 1996, Mr. Katz founded Ceragon Networks Ltd. (NASDAQ: CRNT), a global provider of high capacity wireless networking solutions for mobile and fixed operators and private networks, and served as its President and Chief Executive Officer until mid-2005. Prior to founding Ceragon, Mr. Katz served in the Israeli Defense Forces for 17 years. Mr. Katz was head of the Electronic Research and Development Department of the Israeli Ministry of Defense. Mr. Katz serves as director on the Board of GreenSQL, Corephotonics and Teridion Technologies Ltd. Mr. Katz holds a B.Sc. from the Technion — Israel Institute of Technology and an M.B.A. from Tel Aviv University.

Rami Hadar has served as a director since 2006 and served as our Chief Executive Officer and President from 2006 to 2014. Prior to joining us, Mr. Hadar founded CTP Systems, a developer of cordless telephony systems in 1989 and served as Chief Executive Officer until its acquisition by DSP Communications in 1995. Mr. Hadar continued with DSP Communication's executive management team for two years, and thereafter, in 1999, the company was acquired by Intel. In 1997, Mr. Hadar co-founded Ensemble Communications, a pioneer in the broadband wireless space and the WiMax standard, where he served as Executive Vice President of Sales and Marketing until 2002. Mr. Hadar also served as Chief Executive Officer of Native Networks from 2002 to 2005, which was successfully sold and integrated to Alcatel. Mr. Hadar holds a B.Sc. in Electrical Engineering from Technion — Israel Institute of Technology.

Itzhak Danziger has served as a director since 2011. Prior to his appointment as a director, Mr. Danziger served as an observer to our Board since 2010. Itzhak Danziger serves as a member of the board of Galil Software, an Israeli software services company, and as a director of Jinni Media, a privately held technology company. From 1985 to 2007, Mr. Danziger held various executive positions at Comverse, a technology companies group that develops and markets telecommunications systems, including as president of Comverse Technology Group, as president of Comverse Network Systems and as chairman of Comverse subsidiary - Starhome. Prior to joining Comverse, Mr. Danziger held various R&D and management positions in Tadiran Telecom Division, which was later acquired by ECI Telecom. In the non-profit sector,, Mr. Danziger serves as a the chairman of the Center for Educational Technology (CET), as Vice President of the New Israel Fund (NIF), a director in Israel Venture Networks (IVN), a director in Israel Venture Network (IVN) , a venture philanthropy NGO, in Avney Rosha, the Israel Institute for School Leadership, and in other non-governmental organizations. Mr. Danziger was also a member of the National Task Force for the Advancement of Education in Israel (Dovrat Committee) and was chairman of two of its subcommittees. Mr. Danziger holds B.Sc. cum laude and M.Sc. in electrical engineering from the Technion - Israel Institute of Technology and M.A. cum laude in philosophy and digital culture from Tel Aviv University.

Nurit Benjamini has served as an outside director since 2007 and serves as the lead independent director on our board. Ms. Benjamini serves as the Chief Financial Officer of Wixpress Ltd., an internet company that offers web technology that enables online users to create HTML5 websites regardless of technical skill or previous knowledge, since May 2011. Previously, from 2007 to 2011, Ms. Benjamini has served as the Chief Financial Officer of CopperGate Communications Ltd., a leading fabless semiconductor company in home entertainment networking, that was acquired by Sigma Designs Inc. (NASDAQ:SIGM) in November 2009. Prior to her position with CopperGate Communications Ltd., Ms. Benjamini served as the Chief Financial Officer of Compugen Ltd. (NASDAQ: CGEN) from 2000 to 2007. Prior to her position with Compugen Ltd., from 1998 to 2000, Ms. Benjamini served as the Chief Financial Officer of Phone-Or Ltd. Between 1993 and 1998, Ms. Benjamini served as the Chief Financial Officer of Aladdin Knowledge Systems Ltd. (formerly NASDAQ: ALDN). Ms. Benjamini serves as an outside director of BiolineRX Ltd., a member of its compensation committee, and as a chairman of its audit committee. Ms. Benjamini holds a B.A. in Economics and Business and an M.B.A. in Finance, both from Bar Ilan University, Israel.

Steven D. Levy has served as an outside director since 2007. Mr. Levy served as a Managing Director and Global Head of Communications Technology Research at Lehman Brothers from 1998 to 2005. Before joining Lehman Brothers, Mr. Levy was a Director of Telecommunications Research at Salomon Brothers from 1997 to 1998, Managing Director and Head of the Communications Research Team at Oppenheimer & Co. from 1994 to 1997 and a senior communications analyst at Hambrecht & Quist from 1986 to 1994. Mr. Levy has served as a director of PCTEL, a broadband wireless technology company since January 2006 and of privately held GENBAND Inc., a U.S. provider of telecommunications equipment, since August 2007. Mr. Levy holds a B.Sc. in Materials Engineering and an M.B.A., both from the Rensselaer Polytechnic Institute.

Miron (Ronnie) Kenneth has served as a director since October 2014. Mr. Kenneth has more than 20 years of experience in the global high technology business, and is currently a private investor in high technology startups. He serves as the Chairman of Teridion Technologies Ltd., a privately held company specializing in overlay network technologies for service providers. From May 2011 to May 2013, Mr. Kenneth served as the CEO of Pontis Ltd., a privately-held company specializing in providing online marketing and analytics platforms for service providers. Prior to his tenure at Pontis, Mr. Kenneth was the Chairman and Chief Executive Officer of Voltaire Technologies Ltd. (from January 2001 to 2011). In 2011 Voltaire was acquired by Mellanox Technologies Ltd. (NASDAQ: MLNX). Prior to his employment at Voltaire, Mr. Kenneth was a General Partner in Telos Venture Partners, a Silicon Valley based venture firm. Prior to Telos, Mr. Kenneth also held senior management positions in Cadence Design Systems Inc.'s (NASDAQ: CDN) European organization. Mr. Kenneth has an M.B.A. from Golden Gate University in San Francisco, California and a B.A. in Economics and Computer Science from Bar Ilan University in Israel.

Yigal Jacoby co-founded our company in 1996 and served as our CEO until 2006 and as a Chairman of our board of directors until 2008. Prior to co-founding Allot, Mr. Jacoby founded Armon Networking, a manufacturer of network management solutions in 1992, and managed it until it was acquired by Bay Networks, where he served as the General Manager of its Network Management Division. From 1985 to 1992, Mr. Jacoby held various engineering and marketing management positions at Tekelec, a manufacturer of Telecommunication monitoring and diagnostic equipment. Currently, Mr. Jacoby is an active investor and director of several Israeli start-up companies, including Chairman at LiveU Ltd., a provider of live cellular video transmission solution.s Mr. Jacoby has a B.A., cum laude, in Computer Science from Technion — Israel Institute of Technology and an M.Sc. in Computer Science from University of Southern California.

Executive Officers

Andrei Elefant has served as Chief Executive Officer and President since 2014. Mr. Elefant joined our company in 2000 and previously served as our Vice President — Product Management from 2007 to 2014. In this role, Mr. Elefant assumed responsibility over our marketing activities in 2008. Prior to joining us, Mr. Elefant served as officer in the Israeli air force. Mr. Elefant holds a B.Sc. in Mechanical Engineering from the Technion — Israel Institute of Technology and an M.B.A. from Tel-Aviv University.

Shmuel Arvatz has served as Chief Financial Officer since November 2014. Prior to joining Allot, Mr. Arvatz served from 2002 as the CFO of ClickSoftware (NASDAQ: CKSW), a leading provider of automated mobile workforce management and service optimization solutions for enterprises. From 2001 to 2002, Mr. Arvatz was the Chief Financial Officer of Shrem, Fudim, Kelner Technologies Ltd., a leading investment house in Israel. Earlier in his career, Mr. Arvatz served as Executive Vice President and Chief Financial Officer of Tecnomatix Technologies Ltd. (NASDAQ: TCNO), a leading provider of software e-management solutions and Vice President and Chief Financial Officer of ADC Israel Ltd. (formerly Teledata Communications Ltd.). Mr. Arvatz holds a B.A. in Accounting and Economics from Bar-Ilan University.

Amir Hochbaum has served as our Vice President — Research and Development since 2008. Before joining Allot, Mr. Hochbaum served as the Chief Operating Officer of Axerra Networks. From 2005 to 2007, Mr. Hochbaum was Senior Vice President, Research, Development and Operations of Vyyo Israel (NASDAQ: VYYO) where he also served as a member of Vyyo's executive management team. Prior to Vyyo, between 1994 and 2005, Mr. Hochbaum held a succession of management positions at Avaya (formerly Lucent, Madge and Lannet) including Managing Director and Vice President of R&D. Between 1984 and 1994, Mr. Hochbaum held a succession of management positions at ServiceSoft, including management of engineering, product development, product management and customer service . Mr. Hochbaum holds a B.S. in Mathematics and Computer Science and an M.S. in Computer Science from the Hebrew University of Jerusalem.

Anat Shenig joined our company in 2000 and has served as our Vice President — Human Resources since 2007. Ms. Shenig is responsible for human resources recruiting, welfare policy and employees' training. Prior to joining us, Ms. Shenig served as Human Resource Manager for Davidoff insurance company and as an organizational consultant for Aman Consulting. Ms. Shenig holds bachelor degrees in Psychology and Economics from Tel Aviv University and an M.B.A. in organizational behavior from Tel Aviv University.

Itai Weissman joined our company in 2005, and has served as our VP Product Management since 2014. Prior to joining us, between 2002 and 2005, Mr. Weissman was Customers' Projects Team Manager at ECTEL Ltd., a provider of communications network monitoring and analysis solutions (acquired by cVidya in 2009). Between 2001 and 2002 Mr. Weissman was acting head of the computer security solutions section in the I.D.F. Between 1996 and 2000 Mr. Weissman was Team Leader FPGA and Embedded Design in the I.D.F . Mr. Weissman holds a BSc degree in Electrical engineering from the Tel Aviv University.

Gary Drutin joined our company in 2012 and serves as our Vice President — International Sales. Mr. Drutin oversees the international development, implementation and management of direct and channel sales in EMEA and Asia-Pacific markets. Before joining Allot, Mr. Drutin served as the business development director of the microWave LOB at Broadcom (after the Provigent acquisition) from 2011 to 2012. Prior to the acquisition he was Senior VP worldwide Sales at Provigent from 2010 to 2011. From 2004 to 2010 he was VP Global Sales at AudioCodes Ltd. From 1997 to 2004, he served as Country Manager and General Manager for Cisco Israel, Cyprus and Malta. From 1990 to 1997, he served in sales management roles at Digital Equipment Corporation Israel. Mr. Drutin holds an M.B.A from Tel-Aviv University in Information Systems and Marketing and a B.Sc. degree in Computer Engineering from the Technion — Israel Institute of Technology.

Rael Kolevsohn joined our company in 2014 and serves as our Vice President – Legal Affairs, General Counsel, and Company Secretary. Prior to joining us, he served as Vice President and General Counsel of Radvision Ltd. from 2007 to 2014. From 1998 to 2007, Mr. Kolevsohn served as General Counsel and Associate Vice President of Gilat Satellite Networks Ltd. after joining Gilat as Legal Counsel. From 1994 to 1998, he completed his legal internship and worked as an Associate at the Tel Aviv law firm of Yossifof, Amir Cohen & Co. Mr. Kolevsohn is a member of the Israel Bar Association and holds an LL.B. degree, with honors, from Hebrew University.

Jay Klein joined our company in 2006 and has served as our Vice President — Chief Technology Officer since 2007. Mr. Klein is responsible for driving our technology strategy, expanding our core algorithmic competence and driving intellectual property development, industry standards involvement and academic cooperation. Prior to joining us, between 2004 and 2006, Mr. Klein served as VP at DSPG (VoIP and multimedia silicon solutions) where he was responsible for strategic technology acquisitions. Between 1997 and 2003, Mr. Klein was Co-Founder and CTO of Ensemble Communications, a wireless access systems manufacturer and was one of the founders and creators of WiMAX and IEEE 802.16. Prior to that, between 1993 and 1997, he served as CTO and VP of R&D at CTP Systems, a cellular systems manufacturer, which was acquired by DSP Communications and later by Intel. Mr. Klein holds a B.Sc. in Electrical and Electronic Engineering from Tel-Aviv University.

Pini Gvili has served as our Vice President — Operations since 2006. Prior to joining us, from 2004 to 2006, he served as Vice President Operations for Celerica, a start-up company specializing in solutions for cellular network optimization. From 2001 to 2004, Mr. Gvili was the Vice President — Operations and IT at Terayon Communication Systems, and from 1998 to 2000, held the position of Manager of Integration and Final Testing at Telegate. Mr. Gvili was also a hardware/software engineer at Comverse/Efrat, a world leader of voice mail and digital recording systems, from 1994 to 1997. Mr. Gvili has a B.Sc. in Computer Science from Champlain University and was awarded a practical electronics degree from ORT Technical College.

Ramy Moriah has served as our Vice President — Customer Care & IT since 2005. Prior to joining us, Mr. Moriah was a founding member of Daisy System's Design Center in Israel, in 1984. From 1991 to 1994, Mr. Moriah held the position of Manager of Software Development at Orbot Instruments, a world leader of Automatic Optical Inspection manufacturer for the VLSI Chip Industry. Mr. Moriah was also the acting General Manager at ACA, 3D CAD/solid modeling software for architecture from 1995 to 1997, and served there as Vice President — Research and Development from 1995 to 1997. Mr. Moriah holds a B.Sc., cum laude, in Computer Engineering from the Technion — Israel Institute of Technology and an M.Sc. in Management and Information Systems from the Tel Aviv University School of Business Administration.

Vin Costello has served as our Vice President Sales and President - Americas since 2013. Prior to this appointment he served as Vice President and General Manager — The Americas since 2006. Mr. Costello began his career with NYNEX and rapidly rose through the ranks achieving the title of Vice President, Business Network Solutions and Vice President Global Sales. Mr. Costello founded and headed NYNEX Network Integration and upon the merger with Bell Atlantic, was named President and CEO of Bell Atlantic Network Integration. Mr. Costello departed Verizon for an optical networking start-up where he served as VP of Sales and assisted Corvis Corporation, in their successful initial public offering. Mr. Costello was subsequently named VP and General Manager of the Managed Storage Division after Corvis purchased Broadwing and reinvented itself as a service provider. Mr. Costello holds a B.Sc. in Computer Applications and Information Systems as well as Business Management (double major) from New York University and earned a M.Sc. in Telecommunications and Computing Management from Polytechnic University.

B. Compensation of Officers and Directors

The aggregate compensation paid to or accrued on behalf of our directors and executive officers as a group during 2014 consisted of approximately $3.3 million in salary, fees, bonus, commissions and directors' fees, including amounts we expended for automobiles made available to our officers, but excluding equity based compensation, dues for professional and business associations, business travel and other expenses, and other benefits commonly reimbursed or paid by companies in Israel.

In 2014, we paid the chairman of the board of directors, Mr. Shraga Katz, an annual fee of NIS 197,000 (approximately $51,000). In 2014, we paid each of our directors, Itzhak Danziger and Yigal Jacoby, an annual fee of NIS 52,440 (approximately $13,400). During such time, we paid each of our outside directors, Nurit Benjamini, Steven Levy, Dov Baharav and Ronnie Keneth fees as permitted by the Israeli Companies Law (the "Companies Law"). In 2014, we paid each of our directors (except for Shraga Katz) a per meeting attendance fee of NIS 3,750 (approximately $960) for any meeting he or she attended in person, NIS 2,250 (approximately $580) for any meeting he or she attended by conference call or similar means, and NIS 1,875 (approximately $480) for any written resolution of the Board executed by such director. Our directors are also typically granted upon election an agreed amount of options and upon reelection options to purchase 30,000 of our ordinary shares, which vest in equal installments on a quarterly basis over a period of three years.

In 2014, we paid our President and Chief Executive Officer, Mr. Andrei Elefant, an annual salary of NIS 534,008 (approximately $137,000). Mr. Elefant received granted options to acquire up to 120,000 ordinary shares, with an option price of $13.05, and 120,000 restricted stock units. Additionally, in 2014, we paid our former President and Chief Executive Officer, Mr. Rami Hadar, an annual salary of NIS 1,006,090 (approximately $258,000).

During 2014, our officers and directors received, in the aggregate, options and RSUs to purchase 616,333 ordinary shares under our equity based compensation plan. The options (excluding RSUs) have a weighted average exercise price of approximately $11.3 and the options will expire ten years after the date the options were granted.

Compensation of our Five Most Highly Compensated Office Holders

Summary Compensation Table

The table and summary below outline the compensation granted to our five most highly compensated office holders during or with respect to the year ended December 31, 2014. We refer to the five individuals for whom disclosure is provided herein as our "Covered Executives."

For purposes of the table and the summary below, "compensation" includes base salary, discretionary and non-equity incentive bonuses, equity-based compensation, payments accrued or paid in connection with retirement or termination of employment, and personal benefits and perquisites such as car, phone and social benefits paid to or earned by each Covered Executive during the year ended December 31, 2014.

Name and Principal Position (1)	Year	Salary ($)	Bonus ($) (2)	Equity-Based Compensation ($) (3)	All Other Compensation ($) (4)	Total ($)
Gary Drutin Chief Customer Officer	2014	281,016	-	685,698	68,093	1,034,807
Rami Hadar Former President and Chief Executive Officer	2014	206,737	-	504,864	51,965	763,565
Nachum Falek Former CFO	2014	215,171	-	460,564	54,928	730,663
Andrei Elefant President and Chief Executive Officer	2014	109,540	100,000	327,196	27,773	564,509
Vin Costello President & VP Sales, Americas	2014	300,232	-	203,137	30,306	533,675

(1) Unless otherwise indicated herein, all Covered Executives are full-time employees of Allot.

(2) Amounts reported in this column represent annual incentive bonuses granted to the Covered Executives based on performance-metric based formulas set forth in their respective employment agreements.

(3) Amounts reported in this column represent the grant date fair value computed in accordance with accounting guidance for stock-based compensation. For a discussion of the assumptions used in reaching this valuation, see Note 12 to our consolidated financial statements for the year ended December 31, 2014, included herein.

(4) Amounts reported in this column include personal benefits and perquisites, including those mandated by applicable law. Such benefits and perquisites may include, to the extent applicable to the respective Covered Executive, payments, contributions and/or allocations for savings funds (*e.g.*, Managers Life Insurance Policy), education funds (referred to in Hebrew as "keren hishtalmut"), pension, severance, vacation, car or car allowance, medical insurances and benefits, risk insurance (*e.g.*, life insurance or work disability insurance), telephone expense reimbursement, convalescence or recreation pay, relocation reimbursement, payments for social security, and other personal benefits and perquisites consistent with the Company's guidelines. All amounts reported in the table represent incremental cost to the Company.

Compensation Policy

Under the Companies Law, we are required to adopt a compensation policy, recommended by the compensation and nominating committee and approved by the Board of Directors and the shareholders, in that order. The shareholder approval requires a majority of the votes cast by shareholders, excluding any controlling shareholder and those who have a personal interest in the matter. In general, all directors and executive officers' terms of compensation – including fixed remuneration, bonuses, equity compensation, retirement or termination payments, indemnification, liability insurance and the grant of an exemption from liability – must comply with the compensation policy.

In addition, the compensation terms of directors, the chief executive officer, and any employee or service provider who is considered a controlling shareholder must be approved separately by the compensation and nominating committee, the Board of Directors and the shareholders of the Company (by the same majority noted above), in that order. The compensation terms of other executive officers require the approval of the compensation and nominating committee and the Board of Directors.

Our compensation policy was approved by our compensation and nominating committee and by our Board of Directors, and subsequently approved by our shareholders in August 2013, and will be in effect for a period of three years following approval. The following is a summary of our Compensation Policy and is qualified by reference to the full text thereof, a copy of which was attached to our Proxy Statement for our 2013 Annual Meeting of Shareholders.

- *Objectives:* To attract, motivate and retain highly experienced personnel who will provide leadership for Allot's success and enhance shareholder value, and to provide for each executive officer an opportunity to advance in a growing organization.

- *Compensation instruments:* Includes base salary; limited personal benefits and perquisites; cash bonuses; equity-based awards; and retirement and termination arrangements.

- *Ratio between fixed and variable compensation:* Allot aims to balance the mix of fixed compensation (such as base salary) and variable compensation (such as performance based cash bonuses and equity-based awards) pursuant to the ranges set forth in the Compensation Policy in order, among other things, to tie the compensation of each executive officer to Allot's financial and strategic achievements and enhance the alignment between the executive officer's interests and the long-term interests of Allot and its shareholders.

- *Internal compensation ratio:* Allot will target a ratio between overall compensation of the executive officers and the average and median salary of the other employees of Allot, as set forth in the Compensation Policy, to ensure that levels of executive compensation will not have a negative impact on work relations in Allot.

- *Base salary, benefits and perquisites:* The Compensation Policy provides guidelines and criteria for determining base salary, benefits and perquisites for executive officers.

- *Cash bonuses:* Allot's policy is to allow annual cash bonuses, which may be awarded to executive officers pursuant to the guidelines and criteria, including caps on maximum payouts, set forth in the Compensation Policy.

- *"Clawback":* In the event of an accounting restatement, Allot shall be entitled to recover from current executive officers bonus compensation in the amount of the excess over what would have been paid under the accounting restatement, with a three-year look-back.

- *Equity-based awards:* Allot's policy is to provide equity-based awards in the form of stock options, restricted stock units and other forms of equity, which may be awarded to executive officers pursuant to the guidelines and criteria, including minimum vesting period, set forth in the Compensation Policy.

- *Retirement and termination:* The Compensation Policy provides guidelines and criteria for determining retirement and termination arrangements of executive officers, including limitations thereon.

- *Exculpation, indemnification and insurance:* The Compensation Policy provides guidelines and criteria for providing directors and executive officers with exculpation, indemnification and insurance.

- *Directors:* The Compensation Policy provides guidelines for the compensation of our directors in accordance with applicable regulations promulgated under the Companies Law, and for equity-based awards that may be granted to directors pursuant to the guidelines and criteria, including minimum vesting period, set forth in the Compensation Policy.

- *Applicability:* The Compensation Policy applies to all compensation agreements and arrangements approved after the date on which the Compensation Policy is approved by the shareholders.

- *Review:* The compensation and nominating committee and the Board of Directors of Allot reviews the adequacy of the Compensation Policy from time to time, as required by the Companies Law.

C. Board Practices

Corporate Governance Practices

As a foreign private issuer, we are permitted under NASDAQ Marketplace Rule 5615(a)(3) to follow Israeli corporate governance practices instead of the NASDAQ Stock Market requirements applicable to the U.S. issuers, provided we disclose which requirements we are not following and describe the equivalent Israeli requirement. See "ITEM 16G: Corporate Governance Requirements" for a discussion of those ways in which our corporate governance practices differ from those required by NASDAQ for domestic companies.

Board of Directors

Terms of Directors

Our articles of association provide that we may have not less than five directors and up to nine directors.

Under our articles of association, our directors (other than the outside directors, whose appointments are required under the Companies Law; see "—Outside Directors") are divided into three classes. Each class of directors consists, as nearly as possible, of one-third of the total number of directors constituting the entire board of directors (other than the outside directors). At each annual general meeting of our shareholders, the election or re-election of directors following the expiration of the term of office of that class of directors is for a term of office that expires on the third annual general meeting following such election or re-election, such that each year the term of office of only one class of directors will expire.

Shraga Katz, who is a Class I director and our Chairman of the board of directors, will hold office until our annual meeting of shareholders to be held in 2016. Our Class II directors, Itzhak Danziger and Miron Kenneth, will hold office until our annual meeting of shareholders to be held in 2017. Our Class III directors, Yigal Jacoby and Rami Hadar, will hold office until our annual meeting of shareholders to be held in 2015. The directors (other than the outside directors) are elected by a vote of the holders of a majority of the voting power present and voting at the meeting. Each director will hold office until the annual general meeting of our shareholders for the year in which his or her term expires and until his or her successor is duly elected and qualified, unless the tenure of such director expires earlier pursuant to the Companies Law or unless he or she resigns or is removed from office.

Under the Companies Law, a director (including an outside director) must declare in writing that he or she has the required skills and the ability to dedicate the time required to serve as a director in addition to other statutory requirements. A director who ceases to meet the statutory requirements for his or her appointment must immediately notify us of the same and his or her office will become vacated upon such notice.

Under our articles of association the approval of a special majority of the holders of at least 75% of the voting rights present and voting at a general meeting is generally required to remove any of our directors (other than the outside directors) from office. The holders of a majority of the voting power present and voting at a meeting may elect directors in their stead or fill any vacancy, however created, in our board of directors. In addition, vacancies on our board of directors, other than a vacancy in the office of an outside director, may be filled by a vote of a simple majority of the directors then in office. A director so chosen or appointed will hold office until the next annual general meeting of our shareholders, unless earlier removed by the vote of a majority of the directors then in office prior to such annual meeting. See "—Outside Directors" for a description of the procedure for election of outside directors.

Outside Directors

Qualifications of Outside Directors

The Companies Law requires companies incorporated under the laws of the State of Israel with shares listed on a stock exchange, including the NASDAQ Global Select Market, to appoint at least two outside directors. Our outside directors are Ms. Benjamini and Mr. Levy. Ms. Benjamini also serves as the lead independent director.

Outside directors are required to meet standards of independence and qualifications set forth in the Companies Law and related regulations. Among other independence qualifications, a person may not serve as an outside director if he is a relative of a controlling shareholder of a company, or if he or his affiliate (as defined in the Companies Law) has an employment, business or professional relationship or other affiliation (as defined in the Companies Law) with us.

In addition, the Companies Law requires every outside director appointed to the board of directors of an Israeli company to qualify as a "financial and accounting expert" or as "professionally competent," as such terms are defined in the applicable regulations under the Companies Law, and at least one outside director must qualify as a "financial and accounting expert." If at least one of our directors meets the independence requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the standards of the NASDAQ Stock Market rules for membership on the audit committee and also has financial and accounting expertise as defined in the Companies Law, then the other outside directors are only required to meet the professional qualifications requirement. Under applicable regulations, a director with financial and accounting expertise is a director who, through his or her education, professional experience and skill, has a high level of proficiency in and understanding of business accounting matters and financial statements. He or she must be able to thoroughly comprehend the financial statements of the company and initiate debate regarding the manner in which financial information is presented.

Election of Outside Directors

Outside directors are elected by a majority vote at a shareholders' meeting, provided that either:

- the majority of shares voted at the meeting, including at least a majority of the shares of non-controlling shareholder(s) and shareholders who do not have a personal interest in the election of the outside director (other than a personal interest that does not result from the shareholder's relationship with a controlling shareholder), voted at the meeting, excluding abstentions, vote in favor of the election of the outside director; or

- the total number of shares of non-controlling shareholders and shareholders who do not have a personal interest in the election of the outside director (excluding a personal interest that does not result from the shareholder's relationship with a controlling shareholder) voted against the election of the outside director does not exceed two percent of the aggregate voting rights in the company.

The initial term of an outside director is three years, and he or she may be reelected to up to two additional terms of three years each at a shareholders' meeting, subject to the voting threshold set forth above. Thereafter, an outside director may be reelected for additional periods of up to three years each, only if the company's audit committee and board of directors confirm that, in light of the outside director's expertise and special contribution to the work of the board of directors and its committees, the reelection for such additional period is beneficial to the company. Outside directors may be removed by the same voting threshold as is required for their election, or by a court, and only if the outside directors cease to meet the statutory qualifications for their appointment or if they violate their duty of loyalty to the company. The tenure of outside directors, like all directors, may also be terminated by a court under limited circumstances. If the vacancy of an outside director position causes the company to have fewer than two outside directors, a company's board of directors is required under the Companies Law to call a special general meeting of the company's shareholders as soon as possible to appoint a new outside director. Each committee of a company's board of directors which is authorized to exercise the board of directors' authorities is required to include at least one outside director, except for the audit committee and the compensation committee, which are required to include all outside directors.

An outside director is entitled to compensation and reimbursement of expenses as provided in regulations promulgated under the Companies Law, and is otherwise prohibited from receiving any other compensation, directly or indirectly, in connection with services provided as an outside director, other than indemnification, exculpation and insurance as permitted pursuant to the Companies Law.

NASDAQ Requirements

Under the NASDAQ Stock Market rules, a majority of directors must meet the independence requirements specified in those rules. Our board of directors consists of seven members, four of whom are independent under the NASDAQ Stock Market rules. Specifically, our board has determined that Ms. Nurit Benjamini, Mr. Itzhak Danziger, Mr. Yigal Jacoby, Mr. Steven Levy and Mr. Miron Kenneth meet the independence standards of the NASDAQ Stock Market rules. In reaching this conclusion, the board determined that none of these directors have a relationship that would preclude a finding of independence and that the other relationships that these directors have with us do not impair their independence. As stated above under "– Corporate Governance Practices." See "ITEM 16G. Corporate Governance" for additional information.

Audit Committee

Companies Law Requirements

Under the Companies Law, the board of directors of any public company must appoint an audit committee comprised of at least three directors, including all of the outside directors. The following persons may not be appointed as members of the audit committee:

- the chairperson of the board of directors;

- a controlling shareholder or a relative of a controlling shareholder (as defined in the Companies Law); or

- any director who is engaged by, or provides services on a regular basis to the company, the company's controlling shareholder or an entity controlled by a controlling shareholder or any director who generally relies on a controlling shareholder for his or her livelihood.

The Companies Law requires the majority of the audit committee members to be independent directors (as defined in the Companies Law), and the chairman of the audit committee is required to be an outside director. Any person disqualified from serving as a member of the audit committee may not be present at the audit committee meetings, unless the chairperson of the audit committee has determined that this person is required to be present for a particular matter. The Companies Law provides for certain other exclusions to this provision.

NASDAQ Requirements

Under the NASDAQ Stock Market rules, companies are required to maintain an audit committee consisting of at least three independent directors, all of whom are financially literate and one of whom has accounting or related financial management expertise. Our audit committee members are required to meet additional independence standards, including minimum standards set forth in rules of the SEC and adopted by the NASDAQ Stock Market.

In 2014, we received a notice of deficiency from the NASDAQ Stock Market due to the departure of one of our independent directors, Mr. Dov Baharav, from the board of directors. We appointed Mr. Jacoby as an interim member of the audit committee and compensation committee. In October 2014, the shareholders elected Mr. Miron Kenneth to the board of directors and he was appointed to serve as a member of the audit committee and compensation committee. Each of the members of our audit committee is "independent" under the relevant NASDAQ Stock Market rules and as defined in Rule 10A-3(b)(1) under the Exchange Act, which is different from the general test for independence of board and committee members.

Approval of Transactions with Related Parties

The approval of the audit committee is required to effect specified actions and transactions with office holders and controlling shareholders. The term "office holder" means a general manager, chief business manager, deputy general manager, vice general manager, or any other person assuming the responsibilities of any of the foregoing positions, without regard to such person's title, as well as any director or manager directly subordinate to the general manager. The term "controlling shareholder" means a shareholder with the ability to direct the activities of the company, other than by virtue of being an office holder. A shareholder is presumed to be a controlling shareholder if the shareholder holds 50% or more of the voting rights in a company or has the right to appoint the majority of the directors of the company or its general manager. For the purpose of approving transactions with controlling shareholders, the term also includes any shareholder that holds 25% or more of the voting rights of the company, if the company has no shareholder that owns more than 50% of its voting rights. For purposes of determining the holding percentage stated above, two or more shareholders who have a personal interest in a transaction that is brought for the company's approval are deemed as joint holders. The audit committee may not approve an action or a transaction with a controlling shareholder or with an office holder unless all the requirements of the Companies Law regarding the structure of the committee and the persons entitled to be present at meetings are met at the time of approval.

Audit Committee Role

Our board of directors has adopted an audit committee charter setting forth the responsibilities of the audit committee consistent with the rules of the SEC and the NASDAQ Stock Market, which include:

- retaining and terminating the company's independent auditors, subject to shareholder ratification;
- pre-approval of audit and non-audit services provided by the independent auditors; and
- approval of transactions with office holders and controlling shareholders, as described above, and other related-party transactions.

Additionally, under the Companies Law, the audit committee is responsible for: (a) identifying deficiencies in the management of a company's business and making recommendations to the board of directors as to how to correct them; (b) reviewing and deciding whether to approve certain related party transactions and certain transactions involving conflicts of interest; (c) deciding whether certain actions involving conflicts of interest are material actions and whether certain related party transactions are extraordinary transactions; (d) reviewing the internal auditor's work program; (e) examining the company's internal control structure and processes, the performance of the internal auditor and whether the internal auditor has the tools and resources required to perform his or her duties; and (f) examining the independent auditor's scope of work as well as the independent auditor's fees, and providing the corporate body responsible for determining the independent auditor's fees with its recommendations. In addition the audit committee is also be responsible for implementing procedures concerning employee complaints on improprieties in the administration of the company's business and the protection to be provided to such employees. Furthermore, in accordance with regulations promulgated under the Companies Law, the audit committee discusses the draft financial statements and presents to the board its recommendations with respect to the draft financial statements. The audit committee charter states that in fulfilling this role the committee is entitled to rely on interviews and consultations with our management, our internal auditor and our independent auditor, and is not obligated to conduct any independent investigation or verification.

Our audit committee consists of Ms. Nurit Benjamini, Mr. Steven Levy and Mr. Miron Kenneth. The financial experts on the audit committee pursuant to the definition of the SEC are all members of the audit committee.

Compensation and Nominating Committee

Under the Companies Law, the compensation committee of a public company must consist of at least three directors who satisfy certain independence qualifications, including the additional independence requirements of the NASDAQ Stock Market rules applicable to the members of compensation committees, and the chairman of the compensation committee is required to be an outside director. We have established a compensation and nominating committee which currently consists of Ms. Nurit Benjamini, Mr. Steven Levy, and Mr. Miron Kenneth. The chairperson is Mr. Levy. This committee oversees matters related to our compensation policy and practices. Our board of directors has adopted a compensation and nominating committee charter setting forth the responsibilities of the committee consistent with the Companies Law and the NASDAQ Stock Market rules, which include:

- approving, and recommending to the board of directors and the shareholders for their approval, the compensation of our Chief Executive Officer and other executive officers;

- granting options and RSUs to our employees and the employees of our subsidiaries;
- recommending candidates for nomination as members of our board of directors; and
- developing and recommending to the board corporate governance guidelines and a code of business ethics and conduct in accordance with applicable laws.

The compensation committee is also authorized to retain and terminate compensation consultants, legal counsel or other advisors to the committee and to approve the engagement of any such consultant, counsel or advisor, to the extent it deems necessary or appropriate after specifically analyzing the independence of any such consultant retained by the committee.

On specified criteria, to review modifications to the compensation policy from time to time, to review its implementation and to approve the actual compensation terms of office holders prior to approval by the board of directors.

Internal Auditor

Under the Companies Law, the board of directors of a public company must appoint an internal auditor nominated by the audit committee. The role of the internal auditor is, among other things, to examine whether a company's actions comply with applicable law and orderly business procedure. The internal auditor may be an employee of the company but not an interested party (as defined in the Companies Law), an office holder of the company, or a relative of an interested party or an office holder, among other restrictions. The firm of Deloitte Brightman Almagor Zohar is the internal auditor of the Company.

Exculpation, Insurance and Indemnification of Office Holders

Under the Companies Law, a company may not exculpate an office holder from liability for a breach of the duty of loyalty. However, a company may provide certain indemnification rights as detailed below and obtain insurance for an act performed in breach of the duty of loyalty of an office holder provided that the office holder acted in good faith, the act or its approval does not harm the company, and the office holder discloses the nature of his or her personal interest in the act and all material facts and documents a reasonable time before discussion of the approval. Our articles of association, in accordance with Israeli law, allow us to exculpate an office holder, in advance, from liability to us, in whole or in part, for damages caused to us as a result of a breach of duty of care. We may not exculpate a director for liability arising out of a prohibited dividend or distribution to shareholders or prohibited purchase of its securities.

In accordance with Israeli law, our articles of association allow us to indemnify an office holder in respect of certain liabilities either in advance of an event or following an event. Under Israeli law, an undertaking provided in advance by an Israeli company to indemnify an office holder with respect to a financial liability imposed on him or her in favor of another person pursuant to a judgment, settlement or arbitrator's award approved by a court must be limited to events which in the opinion of the board of directors can be foreseen based on the company's activities when the undertaking to indemnify is given, and to an amount or according to criteria determined by the board of directors as reasonable under the circumstances, and such undertaking must detail the above mentioned events and amount or criteria. Our articles of association allow us to undertake in advance to indemnify an office holder for, among other costs, reasonable litigation expenses, including attorneys' fees, and certain financial liabilities and obligations, subject to certain restrictions pursuant to the Companies Law.

In accordance with Israeli law, our articles of association allow us to insure an office holder against certain liabilities incurred for acts performed as an office holder, including certain breaches of duty of loyalty to the company, a breach of duty of care to the company or to another person and certain financial liabilities and obligations imposed on the office holder.

We may not indemnify or insure an office holder against any of the following:

- a breach of duty of loyalty, except to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;
- a breach of duty of care committed intentionally or recklessly, excluding a breach arising out of the negligent conduct of the office holder;
- an act or omission committed with intent to derive illegal personal benefit; or
- a fine, civil fine, monetary sanction or forfeit levied against the office holder.

Under the Companies Law, exculpation, indemnification and insurance of office holders must be approved by our compensation committee and our board of directors and, in respect of our directors, the chief executive officer, and any employee or service provider who is considered a controlling shareholder, by our shareholders, provided that changes to existing arrangements may be approved by the audit committee if it approves that such changes are immaterial.

As of the date of this annual report, there are no claims for directors' and officers' liability insurance which have been filed in 2014 under our policies and we are not aware of any pending or threatened litigation or proceeding involving any of our directors or officers in which indemnification is sought.

We have entered into agreements with each of our directors and with certain of our office holders exculpating them, to the fullest extent permitted by law, from liability to us for damages caused to us as a result of a breach of duty of care, and undertaking to indemnify them to the fullest extent permitted by law. This indemnification is limited to events determined as foreseeable by the board of directors based on our activities, and to an amount or according to criteria determined by the board of directors as reasonable under the circumstances, and the insurance is subject to our discretion depending on its availability, effectiveness and cost. The current maximum amount set forth in such agreements is the greater of (1) with respect to indemnification in connection with a public offering of our securities, the gross proceeds raised by us and/or any selling shareholder in such public offering, and (2) with respect to all permitted indemnification, including a public offering of our securities, an amount equal to 50% of the our shareholders' equity on a consolidated basis, based on our most recent financial statements made publicly available before the date on which the indemnity payment is made.

In the opinion of the SEC, indemnification of directors and office holders for liabilities arising under the Securities Act is against public policy and therefore unenforceable.

D. Employees

As of December 31, 2014, we had 462 employees of whom 339 were based in Israel, 48 in the United States and the remainder in Europe, Asia and Oceania. The breakdown of our employees by department is as follows:

	December 31,		
Department	2012	2013	2014
Manufacturing and operations	18	16	18
Research and development	178	172	179
Sales, marketing, service and support	199	199	210
Management and administration	47	44	55
Total	442	430	462

Under applicable Israeli law, we and our employees are subject to protective labor provisions such as restrictions on working hours, minimum wages, minimum vacation, sick pay, severance pay and advance notice of termination of employment as well as equal opportunity and anti-discrimination laws. Orders issued by the Israeli Ministry of Economy make certain industry-wide collective bargaining agreements applicable to us. These agreements affect matters such as cost of living adjustments to salaries, length of working hours and week, recuperation, travel expenses, and pension rights. Our employees are not represented by a labor union. We provide our employees with benefits and working conditions which we believe are competitive with benefits and working conditions provided by similar companies in Israel. We have never experienced labor-related work stoppages and believe that our relations with our employees are good.

E. Share Ownership

Beneficial Ownership of Executive Officers and Directors

The following table sets forth certain information regarding the beneficial ownership of our ordinary shares as of March 1, 2015 by (i) each of our directors and nominees, (ii) each of our executive officers and (iii) all of our executive officers and directors serving as of March 1, 2015, as a group. Unless otherwise stated, the address of each named executive officer and director is c/o Allot Communications Ltd., 22 Hanagar Street, Neve Ne'eman Industrial Zone B, Hod-Hasharon 4501317, Israel.

Name of Beneficial Owner	Number of Shares Beneficially Held(1)	Percent of Class
Directors		
Nurit Benjamini	*	*
Itzhak Danziger	*	*
Rami Hadar	*	*
Shraga Katz	*	*
Steven D. Levy	*	*
Yigal Jacoby	*	*
Miron Kenneth	*	*
Executive Officers		
Andrei Elefant	*	*
Shmuel Arvatz	*	*
Amir Hochbaum	*	*
Anat Shenig	*	*
Itai Weissman	*	*
Gary Drutin	*	*
Rael Kolevsohn	*	*
Jay Klein	*	*
Pini Gvili	*	*
Ramy Moriah	*	*
Vin Costello	*	*
All directors and executive officers as a group	556,449	1.64**%**

* Less than one percent of the outstanding ordinary shares.

(1) As used in this table, "beneficial ownership" is determined in accordance with the rules of the SEC and consists of either or both voting or investment power with respect to securities. For purposes of this table, a person is deemed to be the beneficial owner of securities that can be acquired within 60 days from March 1, 2015 through the exercise of any option or RSU. Ordinary shares subject to options or RSUs that are currently exercisable or exercisable within 60 days are deemed outstanding for computing the ownership percentage of the person holding such options or RSUs, but are not deemed outstanding for the purpose of computing the ownership percentage of any other person. Except as otherwise indicated, the persons named in the table have reported that they have sole voting and sole investment power with respect to all shares of common stock shown as beneficially owned by them. The amounts and percentages are based upon 33,361,729 ordinary shares outstanding as of March 1, 2015 pursuant to Rule 13d-3(d)(1)(i) under the Exchange Act.

Our directors and executive officers hold, in the aggregate, outstanding options and RSUs exercisable for 1,260,406 ordinary shares, as of March 1, 2015. The options (excluding RSUs) have a weighted average exercise price of $10.78 per share and have expiration dates until 2024.

Share Option Plans

The following table summarizes our equity incentive plans, which have outstanding awards as of March 1 2015:

Plan	Share reserved	Option and RSUs grants, net (*)	Outstanding options and RSUs	Options outstanding exercise price	Date of expiration	Options exercisable
2006 incentive compensation plan	580,427	5,938,475	3,129,985	$ 0.0252-27.58	01/03/2015-13/02/2024	1,520,781
2003 incentive compensation plan	-	2,987,330	1,683	2.2368-2.2418	06/10/2015-31/12/2015	1,683
1997 incentive compensation plan	-	766,071	-	-	-	-

(*) "Grants net" is calculated by subtracting options and RSUs expired or forfeited.

We have adopted three share option plans and, as of March 1, 2015, we had 3,131,668 ordinary shares outstanding and 580,427 remained available for future options, RSUs or other awards.

Total shares outstanding as of March 1, 2015 totaled 33,361,729. Under our share option plans, as of March 1, 2015 options and RSUs to purchase 3,131,668 ordinary shares were outstanding. The options (excluding RSUs) have a weighted average exercise price of $11.91 per share In addition, options and RSUs to purchase 1,522,464 ordinary shares were vested and exercisable.

We will only grant options, RSUs or other equity incentive awards under the 2006 Incentive Compensation Plan, although previously-granted options will continue to be governed by our other plans.

2006 Incentive Compensation Plan

The 2006 plan is intended to further our success by increasing the ownership interest of certain of our and our subsidiaries' employees, directors and consultants and to enhance our and our subsidiaries' ability to attract and retain employees, directors and consultants.

The number of ordinary shares that we may issue under the 2006 plan will increase on the first day of each fiscal year during the term of the 2006 plan, in each case in an amount equal to the lesser of (i) 1,000,000 shares, (ii) 3.5% of our outstanding ordinary shares on the last day of the immediately preceding year, or (iii) an amount determined by our board of directors. The number of shares subject to the 2006 plan is also subject to adjustment if particular capital changes affect our share capital. Ordinary shares subject to outstanding awards under the 2006 plan or our 2003 plan or 1997 plans that are subsequently forfeited or terminated for any other reason before being exercised will again be available for grant under the 2006 plan. As of March 1, 2015, options, RSUs or other awards to purchase 3,129,985 ordinary shares were outstanding under the 2006 plan and 580,427 remained available for future options, RSUs or other awards.

Israeli participants in the 2006 plan may be granted options and/or restricted stock units subject to Section 102 of the Israeli Income Tax Ordinance. Section 102 of the Israeli Income Tax Ordinance, allows employees, directors and officers, who are not controlling shareholders and are considered Israeli residents to receive favorable tax treatment for compensation in the form of shares or options. Our non-employees service providers and controlling shareholders may only be granted options under another section of the Tax Ordinance, which does not provide for similar tax benefits. Section 102 includes two alternatives for tax treatment involving the issuance of options or shares to a trustee for the benefit of the grantees and also includes an additional alternative for the issuance of options or shares directly to the grantee. The most favorable tax treatment for the grantees is under Section 102(b)(2) of the Tax Ordinance, the issuance to a trustee under the "capital gain track." However, under this track we are not allowed to deduct an expense with respect to the issuance of the options or shares. Any stock options granted under the 2006 plan to participants in the United States will be either "incentive stock options," which may be eligible for special tax treatment under the U.S. Internal Revenue Code of 1986, or options other than incentive stock options (referred to as "nonqualified stock options"), as determined by our compensation and nominating committee and stated in the option agreement.

Our compensation and nominating committee administers the 2006 plan and it selects which of our and our subsidiaries' and affiliates' eligible employees, directors and/or consultants receive options, RSUs or other awards under the 2006 plan and will determine the terms of the grant, including, exercise prices, method of payment, vesting schedules, acceleration of vesting and the other matters necessary in the administration of the plan.

If we undergo a change of control, as defined in the 2006 plan, subject to any contrary law or rule, or the terms of any award agreement in effect before the change of control, (a) the compensation and nominating committee may, in its discretion, accelerate the vesting, exercisability and payment, as applicable, of outstanding options, RSUs and other awards; and (b) the compensation and nominating committee, in its discretion, may adjust outstanding awards by substituting ordinary shares or other securities of any successor or another party to the change of control transaction, or cash out outstanding options, RSUs and other awards, in any such case, generally based on the consideration received by our shareholders in the transaction.

Allot Communications Ltd. Key Employee Share Incentive Plan (2003)

Our 2003 share option plan provides for the grant of options to our and our affiliates' employees, directors, officers, consultants, advisers and service providers. As of March 1, 2015, there were outstanding options to purchase 1,683 ordinary shares under the plan, all of which were vested and exercisable. We no longer grant options under this plan, and ordinary shares underlying any option granted under this plan that terminates without exercise become available for future issuance under our 2006 plan.

The terms of the 2003 plan are in compliance with Section 102 of the Israeli Income Tax Ordinance. Our non-employees service providers and controlling shareholders may only be granted options under another section of the Tax Ordinance, which does not provide for similar tax benefits.

We have elected to issue our options under the capital gain track and, accordingly, all options granted under this plan to Israeli residents have been granted under the capital gain track. Section 102 also provides for an income tax track, under which, among other things, the benefits to the employees would be taxed as ordinary income, we would be allowed to recognize expenses for tax purposes and the minimum holding period for the trustee will be twelve months from the end of the calendar year in which such options are granted, and if granted after January 1, 2006, twelve months after the date of grant. In order to comply with the terms of the capital gain track, all options, as well as the ordinary shares issued upon exercise of these options and other shares received subsequently following any realization of rights with respect to such options, such as stock dividends and stock splits are granted to a trustee and should be held by the trustee for the lesser of thirty months from the date of grant, or two years following the end of the tax year in which the options were granted and if granted after January 1, 2006 only two years after the date of grant. Under this plan, all options, whether or not granted pursuant to said Section 102, the ordinary shares issued upon their exercise and other shares received subsequently following any realization of rights are issued to a trustee.

The plan is administered by our board of directors which has delegated certain responsibilities to our compensation and nomination committee.

In the event of our being acquired by means of merger with or into another entity, in which our outstanding shares are exchanged for securities or other consideration issued, or caused to be issued, by the acquiring company or its subsidiary, or in the event of the sale of all or substantially all of our assets, to the extent it has not been previously exercised, each vested or unvested option will terminate immediately prior to the consummation of such transaction. The plan further provides that, in the event of our consolidation or merger with or into another corporation, the compensation committee may, in its absolute discretion and without obligation, agree that instead of termination: (i) each unexercised option, if possible, will be assumed or an equivalent option will be substituted by our successor corporation or a parent or subsidiary of our successor corporation; or (ii) we will pay to the grantee an amount equivalent to the valuation of the grantee's unexercised options on an as converted basis at that time.

ITEM 7: Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table sets forth certain information regarding the beneficial ownership of our outstanding ordinary shares as of March 1, 2015, by each person who we know beneficially owns 5.0% or more of the outstanding ordinary shares. Each of our shareholders has identical voting rights with respect to its shares. All of the information with respect to beneficial ownership of the ordinary shares is given to the best of our knowledge.

	Ordinary Shares Beneficially Owned(1)	Percentage of Ordinary Shares Beneficially Owned
Zohar Zisapel (2)	2,842,378	8.5%
Migdal Insurance & Financial holdings Ltd (3)	2,484,436	7.4%
Psagot Investment Ltd (4)	2,014,430	6.0%

(1) As used in this table, "beneficial ownership" means the sole or shared power to vote or direct the voting or to dispose or direct the disposition of any security. For purposes of this table, a person is deemed to be the beneficial owner of securities that can be acquired within 60 days from March 1, 2015 through the exercise of any option or warrant. Ordinary shares subject to options or warrants that are currently exercisable or exercisable within 60 days are deemed outstanding for computing the ownership percentage of the person holding such options or warrants, but are not deemed outstanding for computing the ownership percentage of any other person. The amounts and percentages are based upon 33,361,729 ordinary shares outstanding as of March 1, 2015.

(2) Based on a Schedule 13G/A filed on January 13, 2011. Consists of 2,777,487 shares held by Zohar Zisapel and 64,891 shares held by Lomsha Ltd., an Israeli company controlled by Zohar Zisapel. The address of Mr. Zisapel and Lomsha Ltd. is 24 Raoul Wallenberg Street, Tel Aviv 69719, Israel.

(3) Based on a Schedule 13G filed on February 10, 2015. Midgal Insurance & Financial Holdings Ltd reported that it held shared voting power and shared dispositive power over these shares. Of these shares, 2,362,405 shares are held for members of the public through, among others, provident funds, mutual funds, pension funds and insurance policies, which are managed by subsidiaries of Midgal Insurance & Financial Holdings Ltd, according to the following segmentation: 1,332,490 shares are held by Profit participating life assurance accounts; 897,972 shares are held by Provident funds and companies that manage provident funds and 131,943 shares are held by companies for the management of funds for joint investments in trusteeship, each of which subsidiaries operates under independent management and makes independent voting and investment decisions. In addition, 122,031, shares are beneficially held for their own account (Nostro account). The address of the reporting person is 4 Efal Street; P.O BOX 3063; Petach Tikva 49512, Israel.

(4) Based on a Schedule 13G/A filed on February 18, 2015, Psagot Investment House Ltd. shares voting power over 1,309,077 ordinary shares and shares dispositive power over 2,014,430 ordinary shares. Amounts reported above consist of 705,353 shares beneficially owned by Psagot Securities Ltd; 327,646 shares beneficially owned by Psagot Provident Funds and Pension Ltd; 46,918 shares beneficially owned by Psagot Mutual Funds Ltd (of this amount, 13,810 shares may also be considered beneficially owned by Psagot Securities Ltd., but are not included in the shares beneficially owned by Psagot Securities Ltd., as indicated above); and 934,225 shares beneficially owned by Psagot Exchange Traded Notes Ltd. The address of the Psagot entities is Psagot Investment House Ltd. – 14 Ahad Ha'am Street, Tel Aviv 65142, Israel.

Significant Changes in the Ownership of Major Shareholders

As of March 1, 2015, Migdal Insurance & Financial Holdings Ltd was the beneficial owner of 2,484,436, or 7.4%, of our ordinary shares. As of March 6, 2014, Migdal Insurance & Financial Holdings Ltd was the beneficial owner of 2,616,542, or 7.9%, of our ordinary shares. As of April 12, 2013, Migdal Insurance & Financial Holdings Ltd was the beneficial owners of 1,662,268, or 5.1%, of our ordinary shares as reported in Midgal Insurance & Financial Holdings Ltd filed on May 21, 2013.

As of March 1, 2015, Psagot Investment House Ltd was the beneficial owner of 2,014,430, or 6.0% of our ordinary shares. As of March 6, 2014, Psagot Investment House Ltd was the beneficial owner of 1,876,791, or 5.75% of our ordinary shares. As of April 30, 2013, Psagot investment Ltd was the beneficial owner of 1,785,319, or 5.5%, of our ordinary shares as reported in Psagot Investment House Ltd's Schedule 13G filed on May 13, 2013.

Record Holders

Based on a review of the information provided to us by our transfer agent, as of March 1, 2015, there were 17 record holders of ordinary shares, of which 8 consisted of United States record holders holding approximately 99.48% of our outstanding ordinary shares. The United States record holders included Cede & Co., the nominee of the Depositary Trust Company.

B. Related Party Transactions

Our policy is to enter into transactions with related parties on terms that, on the whole, are no less favorable, than those available from unaffiliated third parties. Based on our experience in the business sectors in which we operate and the terms of our transactions with unaffiliated third parties, we believe that all of the transactions described below met this policy standard at the time they occurred.

Agreements with Directors and Officers

Engagement of Officers. We have entered into employment or consulting agreements with each of our officers, who work for us as employees or as consultants. These agreements all contain provisions standard for a company in our industry regarding noncompetition, confidentiality of information and assignment of inventions. The enforceability of covenants not to compete in Israel may be limited. In connection with the engagement of our officers, we have granted them options pursuant to our 2006 Incentive Compensation Plan.

Exculpation, Indemnification and Insurance. Our articles of association permit us to exculpate, indemnify and insure our office holders, in accordance with the provisions of the Companies Law. We have entered into agreements with each of our directors and certain office holders, exculpating them from a breach of their duty of care to us to the fullest extent permitted by law and undertaking to indemnify them to the fullest extent permitted by law, to the extent that these liabilities are not covered by insurance. See "ITEM 6: Directors, Senior Management and Employees—Board Practices—Exculpation, Insurance and Indemnification of Office Holders."

Agreement with Galil Software

Our director, Itzhak Danziger, is a member of the board of directors of Galil Software Ltd and holds less than 10% of its shares. We have engaged Galil Software since 2010 to provide us with certain quality assurance services in the ordinary course of our business. We paid Galil Software approximately $ 302,000 in 2013, approximately $43,000 in 2014 and $0 in 2015 through February 28, 2015.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8: Financial Information

A. Consolidated Financial Statements and Other Financial Information.

Consolidated Financial Statements

For our audited consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2014, please see pages F-3 to F-46 of this report.

Export Sales

See "ITEM 5: Operating and Financial Review and Prospects" under the caption "Geographic Breakdown of Revenues" for certain details of export sales for the last three fiscal years.

Legal Proceedings

We may, from time to time in the future be involved in legal proceedings in the ordinary course of business.

Dividends

We have never declared or paid any cash dividends on our ordinary shares and we do not anticipate paying any cash dividends on our ordinary shares in the future. We currently intend to retain all future earnings to finance our operations and to expand our business. Any future determination relating to our dividend policy will be made at the discretion of our board of directors and will depend on a number of factors, including future earnings, capital requirements, financial condition and future prospects and other factors our board of directors may deem relevant.

B. Significant Changes

Since the date of our audited financial statements included elsewhere in this annual report, there have not been any significant changes in our financial position.

In February, 2015, we entered into an agreement to acquire the business and substantially all of the assets of Optenet, S.A., a Madrid-based global IT security company providing high-performance Security-as-a-Service (SECaaS) solutions to service providers and large enterprises worldwide. Under the terms of the agreement, we will pay approximately $6.7 million (€5.9 million) in cash, and a deferred and contingent purchase price as follows: The deferred purchase price consists of $5.7 million (€5 million) in cash to be paid over two years following the acquisition. In addition, there will be a performance-based earn-out over a period of five years following closing. The performance–based earn out is capped at approximately $25.6 million (€22.5 million) and is contingent upon reaching certain revenues threshold from sale of Optenet products. The transaction closing date occurred on March 23, 2015.

ITEM 9: The Offer and Listing

Not applicable, except for Items 9.A.4 and 9.C, which are detailed below.

Stock Price History

Our ordinary shares have been trading on the NASDAQ Global Select Market under the symbol “ALLT” since November 2006. The following table sets forth the high and low sales prices for our ordinary shares as reported by the NASDAQ Global Select Market, in U.S. dollars, for 2014, each quarter in the 2014 and 2013 and the most recent six months prior to the filing of this annual report as reported by the Tel Aviv Stock Exchange (since December 2010), in NIS, for each of the last five years:

	NASDAQ Global Select Market		Tel Aviv Stock Exchange	
Year	**High**	**Low**	**High**	**Low**
2010	$ 11.64	$ 4.00	NIS 42.57	NIS 37.20
2011	19.05	9.45	71.22	35.74
2012	28.03	15.55	111.60	58.56
2013	18.28	11.01	68.12	39.20
2014	18.09	7.88	63.99	31.13
2015 (through March 1, 2015)	9.85	8.74	39.90	33.62

2013	NASDAQ Global Select Market		Tel Aviv Stock Exchange	
	High	Low	High	Low
First Quarter	$ 18.28	$ 11.94	NIS 68.12	NIS 45.19
Second Quarter	13.79	11.01	50.14	39.20
Third Quarter	15.55	12.02	54.86	42.86
Fourth Quarter	15.13	12.63	53.18	45.04

2014	NASDAQ Global Select Market		Tel Aviv Stock Exchange	
	High	Low	High	Low
First Quarter	$ 17.31	$ 13.01	NIS 63.99	NIS 45.56
Second Quarter	14.68	11.52	51.20	41.22
Third Quarter	13.61	10.12	46.95	35.96
Fourth Quarter	11.77	7.88	46.45	31.13

Most Recent Six Months	NASDAQ Global Select Market		Tel Aviv Stock Exchange	
	High	Low	High	Low
March 2015 (through March 1, 2015)	$ 9.37	$ 9.37	NIS 37.03	NIS 37.03
February 2015	9.66	8.74	37.20	33.62
January 2015	9.85	8.75	39.90	34.56
December 2014	9.47	7.88	37.30	31.13
November 2014	11.77	9.42	46.45	37.44
October 2014	11.52	9.41	42.60	36.52
September 2014	12.04	10.50	44.60	37.50

Markets

Our ordinary shares have been quoted under the symbol “ALLT” on the NASDAQ Stock Market since November 16, 2006 and on the Tel Aviv Stock Exchange since December 21, 2010.

As of March 1, 2015, the last reported sale price of our ordinary shares on the Nasdaq Global Select Market was 9.37 per share and on the Tel Aviv Stock Exchange was 37.03 per share. As of March 1, 2015, we had 17 holders of record of our ordinary shares. The actual number of shareholders is greater than this number of record holders, and includes shareholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees.

ITEM 10:

Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Memorandum and Articles of Association Incorporation

We are registered as a public company with the Israeli Registrar of Companies. Our registration number is 51-239477-6.

Objective

Our objectives under our memorandum of association are to engage in the business of computers, hardware and software, including without limitation research and development, marketing, consulting and the selling of knowledge, and any other activity which our board of directors shall determine.

Ordinary Shares

Our authorized share capital consists of 200,000,000 ordinary shares, par value NIS 0.10 per share. As of March 1, 2015, we had 33,361,729 ordinary shares outstanding. All outstanding ordinary shares are validly issued, fully paid and non-assessable. The rights attached to the Ordinary Shares are as follows:

Voting

Holders of our ordinary shares have one vote for each ordinary share held on all matters submitted to a vote of shareholders at a shareholder meeting. Shareholders may vote at shareholder meeting either in person, by proxy or by written ballot. Shareholder voting rights may be affected by the grant of any special voting rights to the holders of a class of shares with preferential rights that may be authorized in the future.

Transfer of Shares

Fully paid ordinary shares are issued in registered form and may be freely transferred under our articles of association unless the transfer is restricted or prohibited by another instrument, Israeli law or the rules of a stock exchange on which the shares are traded.

Election of Directors

Our ordinary shares do not have cumulative voting rights for the election of directors. Rather, under our articles of association our directors are elected by the holders of a simple majority of our ordinary shares at a general shareholder meeting. As a result, the holders of our ordinary shares that represent more than 50% of the voting power represented at a shareholder meeting have the power to elect any or all of our directors whose positions are being filled at that meeting, subject to the special approval requirements for outside directors. See “ITEM 6: Directors, Senior Management and Employees—Board Practices—Outside Directors.”

Dividend and Liquidation Rights

Under the Companies Law, shareholder approval is not required for the declaration of a dividend, unless the company’s articles of association provide otherwise. Our articles of association provide that our board of directors may declare and distribute a dividend to be paid to the holders of ordinary shares without shareholder approval in proportion to the paid up capital attributable to the shares that they hold. Dividends may be paid only out of profits legally available for distribution, as defined in the Companies Law, provided that there is no reasonable concern that the payment of a dividend will prevent us from satisfying our existing and foreseeable obligations as they become due. If we do not have profits legally available for distribution, we may seek the approval of the court to distribute a dividend. The court may approve our request if it is convinced that there is no reasonable concern that a payment of a dividend will prevent us from satisfying our existing and foreseeable obligations as they become due.

In the event of our liquidation, after satisfaction of liabilities to creditors, our assets will be distributed to the holders of ordinary shares in proportion to the paid up capital attributable to the shares that they hold. Dividend and liquidation rights may be affected by the grant of preferential dividend or distribution rights to the holders of a class of shares with preferential rights that may be authorized in the future.

Shareholder Meetings

We are required to convene an annual general meeting of our shareholders once every calendar year within a period of not more than 15 months following the preceding annual general meeting. Our board of directors may convene a special general meeting of our shareholders and is required to do so at the request of two directors or one quarter of the members of our board of directors or at the request of one or more holders of 5% or more of our share capital and 1% of our voting power or the holder or holders of 5% or more of our voting power. All shareholder meetings require prior notice of at least 21 days. The chairperson of our board of directors, or any other person appointed by the board of directors, presides over our general meetings. In the absence of the chairperson of the board of directors or such other person, one of the members of the board designated by a majority of the directors presides over the meeting. If no director is designated to preside as chairperson, then the shareholders present will choose one of the shareholders present to be chairperson. Subject to the provisions of the Companies Law and the regulations promulgated thereunder, shareholders entitled to participate and vote at general meetings are the shareholders of record on a date to be decided by the board of directors, which may be between four and 40 days prior to the date of the meeting.

Quorum

The quorum required for a meeting of shareholders consists of at least two shareholders present in person, by proxy or by written ballot, who hold or represent between them at least 25% of our voting power. A meeting adjourned for lack of a quorum generally is adjourned to the same day in the following week at the same time and place or any time and place as the directors designate in a notice to the shareholders. At the reconvened meeting, the required quorum consists of at least two shareholders present, in person, by proxy or by written ballot, who hold or represent between them at least 10% of our voting power, provided that if the meeting was initially called pursuant to a request by our shareholders, then the quorum required must include at least the number of shareholders entitled to call the meeting. See “— Shareholder Meetings.”

Resolutions

An ordinary resolution requires approval by the holders of a simple majority of the voting rights represented at the meeting, in person, by proxy or by written ballot, and voting on the resolution.

Under the Companies Law, unless otherwise provided in the articles of association or applicable law, all resolutions of the shareholders require a simple majority. A resolution for the voluntary winding up of the company requires the approval by holders of at least 75% of the voting rights represented at the meeting, in person, by proxy or by written ballot, and voting on the resolution. Under our articles of association (1) certain shareholders’ resolutions require the approval of a special majority of the holders of at least 75% of the voting rights represented at the meeting, in person, by proxy or by written ballot, and voting on the resolution, and (2) certain shareholders’ resolutions require the approval of a special majority of the holders of at least two-thirds of the voting securities of the company then outstanding.

Access to Corporate Records

Under the Companies Law, all shareholders generally have the right to review minutes of our general meetings, our shareholder register, including with respect to material shareholders, our articles of association, our financial statements and any document we are required by law to file publicly with the Israeli Companies Registrar. Any shareholder who specifies the purpose of its request may request to review any document in our possession that relates to any action or transaction with a related party which requires shareholder approval under the Companies Law. We may deny a request to review a document if we determine that the request was not made in good faith, that the document contains a commercial secret or a patent or that the document's disclosure may otherwise impair our interests.

Fiduciary duties and approval of specified related party transactions under Israeli law

Fiduciary duties of office holders

The Companies Law imposes a duty of care and a duty of loyalty on all office holders of a company.

The duty of care of an office holder requires an office holder to act with the degree of proficiency with which a reasonable office holder in the same position would have acted under the same circumstances. The duty of care includes, among other things, a duty to use reasonable means, in light of the circumstances, to obtain certain information pertaining to the proposed action before the board of directors.

The duty of loyalty incumbent on an office holder requires him or her to act in good faith and for the benefit of the company, and includes, among other things, the duty to avoid conflicts of interest with the company, to refrain from competing with the company, and to disclose to the company information disclosed to him or her as a result of being an office holder.

We may approve an act specified above which would otherwise constitute a breach of the office holder's duty of loyalty, provided that the office holder acted in good faith, the act or its approval does not harm the company, and the office holder discloses his or her personal interest a sufficient time before the approval of such act. Any such approval is subject to the terms of the Companies Law, setting forth, among other things, the organs of the company entitled to provide such approval, and the methods of obtaining such approval.

Disclosure of personal interests of an office holder and approval of acts and transactions

The Companies Law requires that an office holder promptly disclose to the company any personal interest that he or she may have relating to any existing or proposed transaction by the company (as well as certain information or documents). Once an office holder has disclosed his or her personal interest in a transaction, the approval of the appropriate organ(s) in the company is required in order to effect the transaction. However, a company may approve such a transaction or action only if it is in the best interests of the Company.

Disclosure of personal interests of a controlling shareholder and approval of transactions

Under the Companies Law, a controlling shareholder must also disclose any personal interest it may have in an existing or proposed transaction by the company. Transactions with controlling shareholders that are material, that are not in the ordinary course of business or that are not on market terms require approval by the audit committee, the board of directors and the shareholders of the company, and the Companies Law provides for certain quantitative requirements in respect of the voting of shareholders not having a personal interest in the applicable transaction.

Duties of shareholders

Under the Companies Law, a shareholder has a duty to refrain from abusing its power, to act in good faith and to act in an acceptable manner in exercising its rights and performing its obligations to the company and other shareholders. A shareholder also has a general duty to refrain from acting to the detriment of other shareholders.

In addition, any controlling shareholder or any shareholder having specific power with respect to a company (the power to appoint an office holder, or specific influence over a certain vote) is under a duty to act with fairness towards the company. The Companies Law does not describe the substance of this duty except to state that the remedies generally available upon a breach of contract will also apply in the event of a breach of the duty to act with fairness, taking the shareholder's position in the company into account.

Approval of private placements

Under the Companies Law and the regulations promulgated thereunder, certain private placements of securities may require approval at a general meeting of the shareholders of a company. These include, for example, certain private placements completed in lieu of a special tender offer (See "Memorandum and Articles of Association—Acquisition under Israeli law") or a private placement which qualifies as a related party transaction (See "Corporate governance practices—Fiduciary duties and approval of specified related party transactions under Israeli law").

Acquisitions under Israeli Law

Full Tender Offer. A person wishing to acquire shares of a public Israeli company and who would as a result hold over 90% of the target company's issued and outstanding share capital is required by the Companies Law to make a tender offer for the purchase of all of the issued and outstanding shares of the company. If the shareholders who do not accept the offer hold less than 5% of the issued and outstanding share capital of the company, and more than half of the offerees who do not have a personal interest in the tender offer accept the tender offer, all of the shares that the acquirer offered to purchase will be transferred to the acquirer by operation of law. Notwithstanding the above, if the shareholders who do not accept the offer hold less than 2% of the issued and outstanding share capital of the company or of the applicable class, the offer will nonetheless be accepted. However, a shareholder that had its shares so transferred may, within six months from the date of acceptance of the tender offer, petition the court to determine that the tender offer was for less than fair value and that the fair value should be paid as determined by the court. The bidder may provide in its tender offer that any accepting shareholder may not petition the court for fair value, but such condition will not be valid unless all of the information required under the Companies Law was provided prior to the acceptance date. The description above regarding a full tender offer also applies, with certain limitations, when a full tender offer for the purchase of all of the company's securities is accepted.

Special Tender Offer. The Companies Law provides, subject to certain exceptions, that an acquisition of shares of a public Israeli company must be made by means of a "special tender offer" if, as a result of the acquisition, the purchaser would become a holder of at least 25% of the voting rights in the company. This rule does not apply if there is already another holder of at least 25% of the voting rights in the company. Similarly, the Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if, as a result of the acquisition, the purchaser would become a holder of more than 45% of the voting rights in the company, and there is no other shareholder of the company who holds more than 45% of the voting rights in the company. The special tender offer may be consummated subject to certain majority requirements set forth in the Companies Law, and provided further that at least 5% of the voting rights attached to the company's outstanding shares will be acquired by the party making the offer.

Merger. The Companies Law permits merger transactions between two Israeli companies if approved by each party's board of directors and a certain percentage of each party's shareholders. Following the approval of the board of directors of each of the merging companies, the boards must jointly prepare a merger proposal for submission to the Israeli Registrar of Companies.

Under the Companies Law, if the approval of a general meeting of the shareholders is required, merger transactions may be approved by the holders of a simple majority of our shares present, in person, by proxy or by written ballot, at a general meeting of the shareholders and voting on the transaction. In determining whether the required majority has approved the merger, if shares of the company are held by the other party to the merger, by any person holding at least 25% of the voting rights, or 25% of the means of appointing directors or the general manager of the other party to the merger, then a vote against the merger by holders of the majority of the shares present and voting, excluding shares held by the other party or by such person, or any person or entity acting on behalf of, related to or controlled by either of them, is sufficient to reject the merger transaction. In certain circumstances, a court may still approve the merger upon the request of holders of at least 25% of the voting rights of a company, if the court holds that the merger is fair and reasonable, taking into account the value of the parties to the merger and the consideration offered to the shareholders.

The Companies Law provides for certain requirements and procedures that each of the merging companies is to fulfill. In addition, a merger may not be completed unless at least fifty days have passed from the date that a proposal for approval of the merger was filed with the Israeli Registrar of Companies and thirty days from the date that shareholder approval of both merging companies was obtained.

Anti-Takeover Measures

Undesignated preferred shares. The Companies Law allows us to create and issue shares having rights different from those attached to our ordinary shares, including shares providing certain preferred or additional rights with respect to voting, distributions or other matters and shares having preemptive rights. We do not have any authorized or issued shares other than ordinary shares. In the future, if we do create and issue a class of shares other than ordinary shares, such class of shares, depending on the specific rights that may be attached to them, may delay or prevent a takeover or otherwise prevent our shareholders from realizing a potential premium over the market value of their ordinary shares. The authorization of a new class of shares will require an amendment to our articles of association which requires the prior approval of a simple majority of our shares represented and voted at a general meeting. In addition, we undertook towards the TASE that, as long as our shares are registered for trading with the TASE we will not issue or authorize shares of any class other than the class currently registered with the TASE, unless such issuance is in accordance with certain provisions of the Israeli Securities Law determining that a company registering its shares for trade on the TASE may not have more than one class of shares for a period of one year following registration with the TASE, and following such period the company is permitted to issue preferred shares if the preference of those shares is limited to a preference in the distribution of dividends and the preferred shares have no voting rights.

Supermajority voting. Our articles of association require the approval of the holders of at least two-thirds of our combined voting power to effect certain amendments to our articles of association.

Classified board of directors. Our articles of association provide for a classified board of directors. See "ITEM 6: Directors, Senior Management and Employees—Board Practices—Term of Directors."

Transfer Agent and Registrar

The transfer agent and registrar for our ordinary shares is American Stock Transfer & Trust Company. Its address is 6201 15th Avenue, Brooklyn, New York 11219, and its telephone number is (800) 937-5449.

C. Material Contracts

Summaries of the following material contracts and amendments to these contracts are included in this annual report in the places indicated:

Material Contract	Location
Agreement with Flextronics (Israel) Ltd.	"ITEM 4.B: Information on the Company–Business Overview–Manufacturing."
Agreement with Optenet S.A	"ITEM 4.A: History and Development of Allot"

D. Exchange Controls

In 1998, Israeli currency control regulations were liberalized significantly, so that Israeli residents generally may freely deal in foreign currency and foreign assets, and non-residents may freely deal in Israeli currency and Israeli assets. There are currently no Israeli currency control restrictions on remittances of dividends on the ordinary shares or the proceeds from the sale of the shares provided that all taxes were paid or withheld; however, legislation remains in effect pursuant to which currency controls can be imposed by administrative action at any time.

Non-residents of Israel may freely hold and trade our securities. Neither our memorandum of association nor our articles of association nor the laws of the State of Israel restrict in any way the ownership or voting of ordinary shares by non-residents, except that such restrictions may exist with respect to citizens of countries which are in a state of war with Israel. Israeli residents are allowed to purchase our ordinary shares.

E. Taxation

Israeli Tax Considerations and Government Programs

The following is a general discussion only and is not exhaustive of all possible tax considerations. It is not intended, and should not be construed, as legal or professional tax advice and should not be relied upon for tax planning purposes. In addition, this discussion does not address all of the tax consequences that may be relevant to purchasers of our ordinary shares in light of their particular circumstances, or certain types of purchasers of our ordinary shares subject to special tax treatment. Examples of this kind of investor include residents of Israel and traders in securities who are subject to special tax regimes not covered in this discussion. Each individual/entity should consult its own tax or legal advisor as to the Israeli tax consequences of the purchase, ownership and disposition of our ordinary shares.

To the extent that part of the discussion is based on new tax legislation, which has not been subject to judicial or administrative interpretation, we cannot assure that the tax authorities or the courts will accept the views expressed in this section.

The following summary describes the current tax structure applicable to companies in Israel, with special reference to its effect on us. The following also contains a discussion of the material Israeli tax consequences to holders of our ordinary shares.

General Corporate Tax Structure in Israel

Israeli companies are generally subject to corporate tax. In 2014 and 2013, the corporate tax rates were 26.5% and 25% of their taxable income, respectively. The corporate tax rate for 2015 is scheduled to remain at a rate of 26.5%. However, the effective tax rate payable by a company that derives income from an Approved Enterprise, a Preferred Enterprise or a Beneficiary Enterprise (as discussed below) may be considerably less. Capital gains derived by an Israeli company are generally subject to the prevailing corporate tax rate.

Tax Benefits and Grants for Research and Development

Israeli tax law allows, under certain conditions, a tax deduction for expenditures, including capital expenditures, for the year in which they are incurred. Expenditures are deemed related to scientific research and development projects, if:

- The expenditures are approved by the relevant Israeli government ministry, determined by the field of research;
- The research and development must be for the promotion of the company; and
- The research and development is carried out by or on behalf of the company seeking such tax deduction.

The amount of such deductible expenses is reduced by the sum of any funds received through government grants for the finance of such scientific research and development projects. No deduction under these research and development deduction rules is allowed if such deduction is related to an expense invested in an asset depreciable under the general depreciation rules of the income Tax Ordinance, 1961. Expenditures not so approved are deductible in equal amounts over three years.

From time to time we may apply the Office of the Chief Scientist for approval to allow a tax deduction for all research and development expenses during the year incurred. There can be no assurance that such application will be accepted.

Law for the Encouragement of Industry (Taxes), 1969

The Law for the Encouragement of Industry (Taxes), 1969, generally referred to as the Industry Encouragement Law, provides several tax benefits for industrial companies. We believe that we currently qualify as an “Industrial Company” within the meaning of the Industry Encouragement Law. The Industry Encouragement Law defines “Industrial Company” as a company resident in Israel, of which 90% or more of its income in any tax year, other than of income from defense loans, capital gains, interest and dividend, is derived from an “Industrial Enterprise which is located in Israel” owned by it. An “Industrial Enterprise” is defined as an enterprise whose major activity in a given tax year is industrial production activity.

The following corporate tax benefits, among others, are available to Industrial Companies:

- Amortization of the cost of purchased know-how and patents and of rights to use a patent and know-how which are used for the development or advancement of the company, over an eight-year period;
- Under specified conditions, an election to file consolidated tax returns with additional related Israeli Industrial Companies; and

- Expenses related to a public offering in Israel and in recognized stock markets outside Israel, are deductible in equal amounts over three years.

Under certain tax laws and regulations, an “Industrial Enterprise” may be eligible for special depreciation rates for machinery, equipment and buildings. These rates differ based on various factors, including the date the operations begin and the number of work shifts. An “Industrial Company” owning an approved enterprise may choose between these special depreciation rates and the depreciation rates available to the approved enterprise.

Eligibility for the benefits under the Industry Encouragement Law is not subject to receipt of prior approval from any governmental authority. We can give no assurance that we qualify or will continue to qualify as an “Industrial Company” or that the benefits described above will be available in the future.

Israeli Transfer Pricing Regulations

On November 29, 2006, the Income Tax Regulations (Determination of Market Terms), 2006, promulgated under Section 85A of the Tax Ordinance, came into effect (the “TP Regulations”). Section 85A of the Tax Ordinance and the TP Regulations generally require that all cross-border transactions carried out between related parties be conducted on an arm’s length basis and be taxed accordingly. The TP Regulations are not expected to have a material effect on us.

Tax Benefits under the Law for Encouragement of Capital Investments, 1959

Tax benefits prior to the 2005 amendment

The Law for the Encouragement of Capital Investments, 1959, as amended (effective as of April 1, 2005), generally referred to as the Investments Law, provides that a proposed capital investment in eligible facilities may, upon application to the Investment Center of the Ministry of Industry and Commerce of the State of Israel, be designated as an “Approved Enterprise.” The Investment Center bases its decision as to whether or not to approve an application, among other things, on the criteria set forth in the Investments Law and regulations, the policy of the Investment Center, and the specific objectives and financial criteria of the applicant. Each certificate of approval for an Approved Enterprise relates to a specific investment program delineated both by its financial scope, including its capital sources, and by its physical characteristics, such as the equipment to be purchased and utilized pursuant to the program.

The Investments Law provides that an approved enterprise is eligible for tax benefits on taxable income derived from its approved enterprise programs. The tax benefits under the Investments Law also apply to income generated by a company from the grant of a usage right with respect to know-how developed by the Approved Enterprise, income generated from royalties, and income derived from a service which is auxiliary to such usage right or royalties, provided that such income is generated within the Approved Enterprise’s ordinary course of business. If a company has more than one approval or only a portion of its capital investments are approved, its effective tax rate is the result of a weighted average of the applicable rates. The tax benefits under the Investments Law are not, generally, available with respect to income derived from products manufactured outside of Israel. In addition, the tax benefits available to an Approved Enterprise are contingent upon the fulfillment of conditions stipulated in the Investments Law and regulations and the criteria set forth in the specific certificate of approval, as described above. In the event that a company does not meet these conditions, it would be required to refund the amount of tax benefits, plus a consumer price index linkage adjustment and interest.

The Investments Law also provides that an Approved Enterprise is entitled to accelerated depreciation on its property and equipment that are included in an Approved Enterprise program in the first five years of using the equipment.

Taxable income of a company derived from an Approved Enterprise is subject to corporate tax at the maximum rate of 25%, rather than the regular corporate tax rate, for the benefit period.

Should we derive income from sources other than the Approved Enterprise during the relevant period of benefits, such income will be taxable at the regular corporate tax rates.

Under certain circumstances (as further detailed below), the benefit period may extend to a maximum of ten years from the commencement of the benefit period.

A company may elect to receive an alternative package of benefits. Under the alternative package of benefits, a company's undistributed income derived from the Approved Enterprise will be exempt from corporate tax for a period of between two and ten years from the first year the company derives taxable income under the program, after the commencement of production, depending on the geographic location of the Approved Enterprise within Israel, and such company will be eligible for a reduced tax rate for the remainder of the benefits period. The year's limitation does not apply to the exemption period.

A company that has elected the alternative package of benefits, such as us, that subsequently pays a dividend out of income derived from the approved enterprise(s) during the tax exemption period will be subject to corporate tax in the year the dividend is distributed in respect of the gross amount distributed, at the rate which would have been applicable had the company not elected the alternative package of benefits, (generally 10%-25%, depending on the percentage of the company's ordinary shares held by foreign shareholders). The dividend recipient is subject to withholding tax at the reduced rate of 15% applicable to dividends from approved enterprises, if the dividend is distributed during the tax exemption period or within twelve years thereafter. In the event, however, that the company qualifies as a foreign investors' company, there is no such time limitation.

As of December 31, 2014, we believe that we are meeting the aforementioned conditions.

Foreign Investors' Company ("FIC")

A company that has an Approved Enterprise program is eligible for further tax benefits if it qualifies as a foreign investors' company. A foreign investors' company is a company of which, among other criteria, more than 25% of its share capital and combined share and loan capital is owned by non-Israeli residents. A company that qualifies as a foreign investors' company and has an approved enterprise program is eligible for tax benefits for a ten-year benefit period. As specified above, depending on the geographic location of the approved enterprise within Israel, income derived from the approved enterprise program may be entitled to the following:

- Extension of the benefit period to up to ten years.
- An additional period of reduced corporate tax liability at rates ranging between 10% and 25%, depending on the level of foreign (that is, non-Israeli) ownership of our shares.

Subject to applicable provisions concerning income under the alternative package of benefits, dividends paid by a company are considered to be attributable to income received from the entire company and the company's effective tax rate is the result of a weighted average of the various applicable tax rates, excluding any tax-exempt income. Under the Investments Law, a company that has elected the alternative package of benefits is not obliged to distribute retained profits, and may generally decide from which year's profits to declare dividends.

In 1998, the production facilities of the Company related to its computational technologies were granted the status of an "Approved Enterprise" under the Law. In 2004, an expansion program was granted the status of "Approved Enterprise." According to the provisions of the Law, the Company has elected the alternative package of benefits and has waived Government grants in return for tax benefits.

Tax Benefits under the 2005 Amendment

An amendment to the Investments Law, generally referred as the 2005 Amendment, effective as of April 1, 2005 has significantly changed the provisions of the Investments Law. The amendment includes revisions to the criteria for investments qualified to receive tax benefits as an Approved Enterprise. The 2005 Amendment applies to new investment programs and investment programs commencing after 2004, and does not apply to investment programs approved prior to December 31, 2004, and therefore to benefits included in any certificate of approval that was granted before the 2005 Amendment came into effect, which will remain subject to the provisions of the Investments Law as they were on the date of such approval.

However, a company that was granted benefits according to Section 51 of the Investments Law (prior the 2005 Amendment) will not be allowed to choose a new tax year as a "Year of Election," referred to below, under the 2005 Amendment, for a period of two years from the company's previous Commencement Year (referred to below) under the old Investments Law.

The 2005 Amendment simplifies the approval process for the approved enterprise. According to the 2005 Amendment, only approved enterprises receiving cash grants require the approval of the Investment Center.

As a result of the 2005 Amendment, it is no longer necessary for a company to acquire Approved Enterprise status in order to receive the tax benefits previously available under the Alternative Route, and therefore such companies need not apply to the Investment Center for this purpose. Rather, a company may claim the tax benefits offered by the Investments Law directly in its tax returns or by notifying the Israeli Tax Authority within twelve months of the end of that year, provided that its facilities meet the criteria for tax benefits set out by the 2005 Amendment. Such enterprise is referred to as the Benefited Enterprise. Companies are also granted a right to approach the Israeli Tax Authority for a pre-ruling regarding their eligibility for benefits under the 2005 Amendment. The 2005 Amendment includes provisions attempting to ensure that a company will not enjoy both Government grants and tax benefits for the same investment program.

Tax benefits are available under the 2005 Amendment to production facilities (or other eligible facilities), which are generally required to derive more than 25% of their business income from export. In order to receive the tax benefits, the 2005 Amendment states that a company must make an investment in the Benefited Enterprise exceeding a certain percentage or a minimum amount specified in the Investments Law. Such investment may be made over a period of no more than three years ending at the end of the year in which the company requested to have the tax benefits apply to the Benefited Enterprise, or the Year of Election. Where the company requests to have the tax benefits apply to an expansion of existing facilities, then only the expansion will be considered a Benefited Enterprise and the company's effective tax rate will be the result of a weighted average of the applicable rates. In this case, the minimum investment required in order to qualify as a Benefited Enterprise is required to exceed a certain percentage or a minimum amount of the company's production assets at the end of the year before the expansion.

The duration of tax benefits is subject to a limitation of the earlier of seven to ten years from the Commencement Year, or twelve years from the first day of the Year of Election. The Commencement Year is defined as the later of (a) the first tax year in which a company had derived income for tax purposes from the Beneficiary Enterprise or (b) the year in which a company requested to have the tax benefits apply to the Beneficiary Enterprise – Year of Election. The tax benefits granted to a Benefited Enterprise are determined, as applicable to its geographic location within Israel, according to one of the following new tax routes, which may be applicable to us:

- Similar to the currently available alternative route, exemption from corporate tax on undistributed income for a period of two to ten years, depending on the geographic location of the Benefited Enterprise within Israel, and a reduced corporate tax rate of 10% to 25% for the remainder of the benefits period, depending on the level of foreign investment in each year. Benefits may be granted for a term of seven to ten years, depending on the level of foreign investment in the company. If the company pays a dividend out of income derived from the Benefited Enterprise during the tax exemption period, such income will be subject to corporate tax at the applicable rate (10%-25%) in respect of the gross amount of the dividend that we may be distributed. The company is required to withhold tax at the source at a rate of 15% from any dividends distributed from income derived from the Benefited Enterprise; and

- A special tax route, which enables companies owning facilities in certain geographical locations in Israel to pay corporate tax at the rate of 11.5% on income of the Benefited Enterprise. The benefits period is ten years. Upon payment of dividends, the company is required to withhold tax at source at a rate of 15% for Israeli residents and at a rate of 4% for foreign residents.

Generally, a company that is Abundant in Foreign Investment (owned by at least 74% foreign shareholders and has undertaken to invest a minimum sum of $20 million in the Beneficiary Enterprise as defined in the Investments Law) is entitled to an extension of the benefits period by an additional five years, depending on the rate of its income that is derived in foreign currency.

The 2005 Amendment changes the definition of “foreign investment” in the Investments Law so that the definition requires a minimal investment of NIS 5 million by foreign investors. Furthermore, such definition also includes the purchase of shares of a company from another shareholder, provided that the company’s outstanding and paid-up share capital exceeds NIS 5 million. Such changes to the aforementioned definition took effect retroactively from 2003.

As a result of the 2005 Amendment, tax-exempt income generated under the provisions of the Investments Law, as amended, will subject us to taxes upon distribution or liquidation and we may be required to record deferred tax liability with respect to such tax-exempt income.

We elected the years of 2006 and 2009 as “year of election” under the Investments Law after the 2005 Amendment.

We expect that a substantial portion of any taxable operating income that we may realize in the future will be derived from our approved enterprise status.

We currently intend to reinvest any income derived from our Approved Enterprise program and not to distribute such income as a dividend. As of December 31, 2014, we did not generate income under the provisions of the Investments Law.

Tax benefits under the 2011 Amendment

As of January 1, 2011 new legislation amending the Investment Law came into effect (the "2011 Amendment"). The 2011 Amendment introduced a new status of "Preferred Company" and "Preferred Enterprise", replacing the existed status of "Beneficiary Company" and "Beneficiary Enterprise". Similar to a "Beneficiary Company", a Preferred Company is an industrial company owning a Preferred Enterprise which meets certain conditions (including a minimum threshold of 25% export). However, under this legislation the requirement for a minimum investment in productive assets was cancelled.

Under the 2011 Amendment, a uniform corporate tax rate will apply to all qualifying income of the Preferred Company, as opposed to the former law, which was limited to income from the Approved Enterprises and Beneficiary Enterprise during the benefits period. The uniform corporate tax rate was 9% in areas in Israel designated as Development Zone A and 16% elsewhere in Israel during 2014, and it scheduled to remain at 9% and 16%, respectively, in 2015.

A dividend distributed from income which is attributed to a Preferred Enterprise/Special Preferred Enterprise will be subject to withholding tax at source at the following rates: (i) Israeli resident corporation –0%, (ii) Israeli resident individual – 20% in 2014 and onwards (iii) non-Israeli resident - 20% in 2014 and onwards, subject to a reduced tax rate under the provisions of an applicable double tax treaty.

The provisions of the 2011 Amendment also provided transitional provisions to address companies already enjoying current benefits. These transitional provisions provide, among other things, that unless an irrevocable request is made to apply the provisions of the Investment Law as amended in 2011 with respect to income to be derived as of January 1, 2011: (i) the terms and benefits included in any certificate of approval that was granted to an Approved Enterprise, which chose to receive grants, before the 2011 Amendment came into effect, will remain subject to the provisions of the Investment Law as in effect on the date of such approval, and subject to certain conditions; (ii) terms and benefits included in any certificate of approval that was granted to an Approved Enterprise, which had participated in an alternative benefits program, before the 2011 Amendment came into effect will remain subject to the provisions of the Investment Law as in effect on the date of such approval, provided that certain conditions are met; and (iii) a Beneficiary Enterprise can elect to continue to benefit from the benefits provided to it before the 2011 Amendment came into effect, provided that certain conditions are met.

Under the transition provisions of the new legislation, a company may decide to irrevocably implement the new law while waiving benefits provided under the current law or to remain subject to the current law. We have examined the possible effect, if any, of these provisions of the 2011 Amendment on our financial statements and have decided, at this time, not to opt to apply the new benefits under the 2011 Amendment..

Special Provisions Relating to Tax Reporting in United States Dollars

Under the Income Tax (Inflationary Adjustments) Law, 1985 (the "Israeli law"), results for tax purposes are measured in real terms, in accordance with the changes in the Israeli Consumer Price Index ("Israeli CPI"). Accordingly, until 2011, results for tax purposes were measured in terms of earnings in NIS after certain adjustments for increases in the Israeli CPI. Commencing in the taxable year 2003, we have elected to measure our taxable income and file our tax return in United States Dollars, under the Israeli Income Tax Regulations (Principles Regarding the Management of Books of Account of Foreign Invested Companies and Certain Partnerships and the Determination of Their Taxable Income), 1986. This election is for a three-year period, commencing in the taxable year 2012.

Capital Gains Tax on Sales of Our Ordinary Shares

Israeli law generally imposes a capital gains tax on the sale of any capital assets by residents of Israel, as defined for Israeli tax purposes, and on the sale of assets located in Israel, including shares in Israeli companies, by both residents and non-residents of Israel, unless a specific exemption is available or a tax treaty between Israel and the shareholder's country of residence provides otherwise. The law distinguishes between real gain and inflationary surplus. The inflationary surplus is a portion of the total capital gain which is equivalent to the increase of the relevant asset's purchase price which is attributable to the increase in the Israeli consumer price index or, in certain circumstances, a foreign currency exchange rate, between the date of purchase and the date of sale. The real gain is the excess of the total capital gain over the inflationary surplus.

As of January 1, 2012, the tax rate applicable to capital gains derived from the sale of shares, whether listed on a stock market or not, is 25% for Israeli individuals, unless such shareholder claims a deduction for financing expenses in connection with such shares, in which case the gain is generally taxed at a rate of 30%. Additionally, if such shareholder is considered a "material shareholder" at any time during the 12-month period preceding such sale, i.e., such shareholder holds directly or indirectly, including with others, at least 10% of any means of control in a company, the tax rate is 30%. Israeli companies are subject to the Corporate Tax rate on capital gains derived from the sale of shares (26.5% in 2014 and onwards). However, the foregoing tax rates do not apply to: (i) dealers in securities; and (ii) shareholders who acquired their shares prior to an initial public offering (that may be subject to a different tax arrangement).

The tax basis of shares acquired prior to January 1, 2003 is determined in accordance with the average closing share price in the three trading days preceding January 1, 2003. However, a request may be made to the tax authorities to consider the actual adjusted cost of the shares as the tax basis if it is higher than such average price.

In addition, as of January 1, 2013, shareholders that are individuals who have taxable income that exceeds NIS 800,000 in a tax year (linked to the CPI each year - NIS 811,560 in 2014)), will be subject to an additional tax, referred to as High Income Tax, at the rate of 2% on their taxable income for such tax year which is in excess of such amount. For this purpose taxable income will include taxable capital gains from the sale of our shares and taxable income from dividend distributions.

Non-Israeli residents are exempt from Israeli capital gains tax on any gains derived from the sale of shares of Israeli companies publicly traded on a recognized stock exchange or regulated market outside of Israel, provided that such capital gains are not derived from a permanent establishment in Israel, the shareholders are not subject to the Adjustments Law, and the shareholders did not acquire their shares prior to an initial public offering. However, non-Israeli corporations will not be entitled to such exemption if an Israeli resident (i) has a controlling interest of more than 25% in such non-Israeli corporation, or (ii) is the beneficiary or is entitled to 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly.

In some instances where our shareholders may be liable to Israeli tax on the sale of their ordinary shares, the payment of the consideration may be subject to the withholding of Israeli tax at the source.

Pursuant to the Convention between the government of the United States and the government of Israel with respect to taxes on income, as amended (the "U.S.-Israel Tax Treaty"), the sale, exchange or disposition of ordinary shares by a person who (i) holds the ordinary shares as a capital asset, (ii) qualifies as a resident of the United States within the meaning of the U.S.-Israel Tax Treaty and (iii) is entitled to claim the benefits afforded to such person by the U.S.-Israel Tax Treaty, generally, will not be subject to the Israeli capital gains tax. Such exemption will not apply if (i) such U.S. resident holds, directly or indirectly, shares representing 10% or more of our voting power during any part of the 12-month period preceding such sale, exchange or disposition, subject to certain conditions, or (ii) the capital gains from such sale, exchange or disposition can be allocated to a permanent establishment in Israel. In such case, the sale, exchange or disposition of ordinary shares would be subject to Israeli tax, to the extent applicable; however, under the U.S.-Israel Tax Treaty, such U.S. resident would be permitted to claim a credit for such taxes against the U.S. federal income tax imposed with respect to such sale, exchange or disposition, subject to the limitations in U.S. laws applicable to foreign tax credits. The U.S.-Israel Tax Treaty does not relate to U.S. state or local taxes.

United States Federal Income Taxation

The following is a description of the material United States federal income tax consequences of the ownership and disposition of our ordinary shares. This description addresses only the United States federal income tax considerations of holders that hold such ordinary shares as capital assets. This description does not address tax considerations applicable to holders that may be subject to special tax rules, including:

- financial institutions or insurance companies;
- real estate investment trusts, regulated investment companies or grantor trusts;
- dealers or traders in securities or currencies;
- tax-exempt entities;
- certain former citizens or long-term residents of the United States;
- persons that will hold our shares through a partnership or other pass-through entity;
- persons that received our shares as compensation for the performance of services;
- persons that will hold our shares as part of a "hedging" or "conversion" transaction or as a position in a "straddle" for United States federal income tax purposes;
- persons whose "functional currency" is not the United States dollar; or
- holders that own directly, indirectly or through attribution 10.0% or more of the voting power or value of our shares.

Moreover, this description does not address the United States federal estate and gift or alternative minimum tax consequences of the ownership and disposition of our ordinary shares.

This description is based on the U.S. Internal Revenue Code of 1986, as amended, existing, proposed and temporary United States Treasury Regulations and judicial and administrative interpretations thereof, in each case as in effect and available on the date hereof. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.

For purposes of this description, a "U.S. Holder" is a beneficial owner of our ordinary shares that, for United States federal income tax purposes, is:

- a citizen or resident of the United States;
- corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any state thereof, including the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if such trust has validly elected to be treated as a United States person for United States federal income tax purposes or if (1) a court within the United States is able to exercise primary supervision over its administration and (2) one or more United States persons have the authority to control all of the substantial decisions of such trust.

A "Non-U.S. Holder" is a beneficial owner of our ordinary shares that is neither a U.S. Holder nor a partnership (or other entity treated as a partnership for United States federal income tax purposes).

If a partnership (or any other entity treated as a partnership for United States federal income tax purposes) holds our ordinary shares, the tax treatment of a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its tax advisor as to its tax consequences.

You should consult your tax advisor with respect to the United States federal, state, local and foreign tax consequences of owning and disposing of our ordinary shares.

Distributions

Subject to the discussion below under "Passive Foreign Investment Company Considerations," if you are a U.S. Holder, for United States federal income tax purposes, the gross amount of any distribution made to you, with respect to our ordinary shares before reduction of any Israeli taxes withheld therefrom, other than certain distributions, if any, of our ordinary shares distribute pro rata to all our shareholders, will be includible in your income as dividend income to the extent such distribution is paid out of our current or accumulated earnings and profits as determined under United States federal income tax principles. Subject to the discussion below under "Passive Foreign Investment Company Considerations," non-corporate U.S. Holders may qualify for the lower rates of taxation with respect to dividends on ordinary shares applicable to long-term capital gains (that is, gains from the sale of capital assets held for more than one year), provided that certain conditions are met, including certain holding period requirements and the absence of certain risk reduction transactions. However, such dividends will not be eligible for the dividends received deduction generally allowed to corporate U.S. Holders. Subject to the discussion below under "Passive Foreign Investment Company Considerations," to the extent, if any, that the amount of any distribution by us exceeds our current and accumulated earnings and profits as determined under United States federal income tax principles, it will be treated first as a tax-free return of your adjusted tax basis in our ordinary shares and thereafter as capital gain. We do not expect to maintain calculations of our earnings and profits under United States federal income tax principles and, therefore, if you are a U.S. Holder you should expect that the entire amount of any distribution generally will be reported as dividend income to you.

If you are a U.S. Holder, dividends paid to you with respect to your ordinary shares will be treated as foreign source income, which may be relevant in calculating your foreign tax credit limitation. Subject to certain conditions and limitations, Israeli tax withheld on dividends may be deducted from your taxable income or credited against your United States federal income tax liability. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends that we distribute generally should constitute “passive category income,” or, in the case of certain U.S. Holders, “general category income.” A foreign tax credit for foreign taxes imposed on distributions may be denied when you do not satisfy certain minimum holding period requirements. The rules relating to the determination of the foreign tax credit are complex, and you should consult your personal tax advisors to determine whether and to what extent you would be entitled to this credit.

Subject to the discussion below under “Backup Withholding Tax and Information Reporting Requirements,” if you are a Non-U.S. Holder, you generally will not be subject to United States federal income or withholding tax on dividends received by you on your ordinary shares, unless you conduct a trade or business in the United States and such income is effectively connected with that trade or business.

Sales Exchange or other Disposition of Ordinary Shares

Subject to the discussion below under “Passive Foreign Investment Company Considerations,” if you are a U.S. Holder, you generally will recognize gain or loss on the sale, exchange or other disposition of our ordinary shares equal to the difference between the amount realized on such sale, exchange or other disposition and your adjusted tax basis in our ordinary shares. Such gain or loss will be capital gain or loss. If you are a non-corporate U.S. Holder, capital gain from the sale, exchange or other disposition of ordinary shares is eligible for the preferential rate of taxation applicable to long-term capital gains if your holding period for such ordinary shares exceeds one year (that is, such gain is long-term capital gain). Gain or loss, if any, recognized by you generally will be treated as United States source income or loss for United States foreign tax credit purposes. The deductibility of capital losses for U.S. federal income tax purposes is subject to limitations.

Subject to the discussion below under “Backup Withholding Tax and Information Reporting Requirements,” if you are a Non-U.S. Holder, you generally will not be subject to United States federal income or withholding tax on any gain realized on the sale or exchange of our ordinary shares unless:

- such gain is effectively connected with your conduct of a trade or business in the United States; or
- you are an individual and have been present in the United States for 183 days or more in the taxable year of such sale or exchange and certain other conditions are met.

Passive Foreign Investment Company Considerations

A non-U.S. corporation will be classified as a “passive foreign investment company,” or a PFIC, for United States federal income tax purposes in any taxable year in which, after applying certain look-through rules, either:

- at least 75 percent of its gross income is "passive income"; or
- at least 50 percent of the average value of its gross assets (based on the quarterly value of such gross assets) is attributable to assets that produce “passive income” or are held for the production of passive income.

Passive income for this purpose generally includes dividends, interest, royalties, rents, gains from commodities and securities transactions and the excess of gains over losses from the disposition of assets which produce passive income.

PFIC status is an annual determination that is based on tests which are factual in nature and our status for any year will depend on our income, assets and activities for such year. Therefore there can be no assurance that we will not be considered a PFIC for any taxable year. Although we did not use the market capitalization method to value our assets in 2009 as noted in our prior Form 20-Fs, we are relying on the market capitalization method to determine the fair market value of our assets for the taxable year ended December 31, 2014. Based on certain estimates of our gross income and gross assets, the nature of our business and the anticipated amount of goodwill (which is determined in large part by the market price of our stock), we believe that we were not a PFIC for our taxable year ended December 31, 2014. There can be no certainty, however, that the IRS will agree with our position. If we were a PFIC, and you are a U.S. Holder, as further described below, you generally would be subject to ordinary income tax rates, imputed interest charges and other disadvantageous tax treatment (including the denial of the taxation of such dividends at the lower rates applicable to long-term capital gains, as discussed above under "—Distributions") with respect to any gain from the sale, exchange or other disposition of, and certain distributions with respect to, your ordinary shares. We are not providing any U.S. tax opinion to any U.S. Holder concerning our status as a PFIC for 2014, or any other tax year. A U.S. Holder should consult his, her or its own tax advisor with respect to the potential application of the PFIC rules in his, her or its particular circumstances.

Because the market price of our ordinary shares is likely to fluctuate and the market price of the shares of technology companies has been especially volatile, and because that market price may affect the determination of whether we will be considered a PFIC, we cannot assure you that we will not be considered a PFIC for any taxable year.

Under the PFIC rules, unless a U.S. Holder makes one of the elections described in the next paragraphs, a special tax regime will apply to both (a) any "excess distribution" by us (generally, the U.S. Holder's ratable portion of distributions in any year which are greater than 125% of the average annual distribution received by such U.S. Holder in the shorter of the three preceding years or the U.S. Holder's holding period) and (b) any gain realized on the sale or other disposition of the ordinary shares. Under this regime, any excess distribution and realized gain will be treated as ordinary income and will be subject to tax as if (a) the excess distribution or gain had been realized ratably over the U.S. Holder's holding period, (b) the amount deemed realized had been subject to tax in each year of that holding period, and (c) the interest charge generally applicable to underpayments of tax had been imposed on the taxes deemed to have been payable in those years. In addition, dividend distributions made to you will not qualify for the lower rates of taxation applicable to long term capital gains discussed above under "Distributions."

Certain elections are available to U.S. Holders of shares that may serve to alleviate some of the adverse tax consequences of PFIC status. If we agreed to provide the necessary information, you could avoid the interest charge imposed by the PFIC rules by making a qualified electing fund, or a QEF election, which election may be made retroactively under certain circumstances, in which case you generally would be required to include in income on a current basis your pro rata share of our ordinary earnings as ordinary income and your pro rata share of our net capital gains as long-term capital gain. We do not expect to provide to U.S. Holders the information needed to report income and gain pursuant to a QEF election, and we make no undertaking to provide such information in the event that we are a PFIC.

Under an alternative tax regime, you may also avoid certain adverse tax consequences relating to PFIC status discussed above by making a mark-to-market election with respect to our ordinary shares annually, provided that the shares are "marketable." Shares will be marketable if they are regularly traded on certain U.S. stock exchanges (including NASDAQ) or on certain non-U.S. stock exchanges. For these purposes, the shares will generally be considered regularly traded during any calendar year during which they are traded, other than in negligible quantities, on at least fifteen days during each calendar quarter.

If you choose to make a mark-to-market election, you would recognize as ordinary income or loss each year an amount equal to the difference as of the close of the taxable year between the fair market value of the PFIC shares and your adjusted tax basis in the PFIC shares. Losses would be allowed only to the extent of net mark-to-market gain previously included by you under the election for prior taxable years. If the mark-to-market election were made, then the PFIC rules set forth above relating to excess distributions and realized gains would not apply for periods covered by the election. If you make a mark-to-market election after the beginning of your holding period of our ordinary shares, you would be subject to interest charges with respect to the inclusion of ordinary income attributable to the period before the effective date of such election.

Under certain circumstances, ordinary shares owned by a Non-U.S. Holder may be attributed to a U.S. person owning an interest, directly or indirectly, in the Non-U.S. Holder. In this event, distributions and other transactions in respect of such ordinary shares may be treated as excess distributions with respect to such U.S. person, and a QEF election may be made by such U.S. person with respect to its indirect interest in us, subject to the discussion in the preceding paragraphs.

We may invest in stock of non-U.S. corporations that are PFICs. In such a case, provided that we are classified as a PFIC, a U.S. Holder would be treated as owning its pro rata share of the stock of the PFIC owned by us. Such a U.S. Holder would be subject to the rules generally applicable to shareholders of PFICs discussed above with respect to distributions received by us from such a PFIC and dispositions by us of the stock of such a PFIC (even though the U.S. Holder may not have received the proceeds of such distribution or disposition). Assuming we receive the necessary information from the PFIC in which we own stock, certain U.S. Holders may make the QEF election discussed above with respect to the stock of the PFIC owned by us, with the consequences discussed above. However, no assurance can be given that we will be able to provide U.S. Holders with such information. A. U.S. Holder generally would not be able to make the mark-to-market election described above with respect to the stock of any PFIC owned by us.

If we were a PFIC, a holder of ordinary shares that is a U.S. Holder must file United States Internal Revenue Service Form 8621 for each tax year in which the U.S. Holder owns the ordinary shares.

You should consult your own tax advisor regarding our potential status as a PFIC and the tax consequences and filing requirements that would arise if we were treated as a PFIC.

Foreign Asset Reporting

Certain U.S. Holders who are individuals (and certain specified entities) are required to report information relating to an interest in ordinary shares, subject to certain exceptions (including an exception for securities held in certain accounts maintained by financial institutions). U.S. Holders are encouraged to consult their own tax advisers regarding the effect of this reporting requirement on their ownership and disposition of ordinary shares.

3.8% Medicare Tax on "Net Investment Income"

Certain U.S. Holders who are individuals, estates or trusts are required to pay an additional 3.8% tax on, among other things, dividends and capital gains from the sale or other disposition of ordinary shares. U.S. Holders are encouraged to consult their own tax advisers regarding the effect of this additional tax on their ownership and disposition of ordinary shares.

Backup Withholding Tax and Information Reporting Requirements

United States backup withholding tax and information reporting requirements generally apply to certain payments to certain non-corporate holders of stock. Information reporting generally will apply to payments of dividends on, and to proceeds from the sale or redemption of, ordinary shares made within the United States, or by a United States payor or United States middleman, to a holder of ordinary shares, other than an exempt recipient (including a corporation, a payee that is not a United States person that provides an appropriate certification and certain other persons). A payor will be required to withhold backup withholding tax from any payments of dividends on, or the proceeds from the sale or redemption of, ordinary shares within the United States, or by a United States payor or United States middleman, to a holder, other than an exempt recipient, if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding tax requirements. The backup withholding tax rate currently is 28.0%.

Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against the beneficial owner's United States federal income tax liability, if any, provided that the required information is furnished to the IRS.

The above description is not intended to constitute a complete analysis of all tax consequences relating to ownership and disposition of our ordinary shares. You should consult your tax advisor concerning the tax consequences of your particular situation.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are currently subject to the information and periodic reporting requirements of the Exchange Act, and file periodic reports and other information with the SEC through its electronic data gathering, analysis and retrieval (EDGAR) system. Our securities filings, including this annual report and the exhibits thereto, are available for inspection and copying at the public reference facilities of the SEC located at Room 1580, 100 F Street, N.E., Washington, D.C. 20549. You may also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The Commission also maintains a website at http://www.sec.gov from which certain filings may be accessed. As of November 2010, our filings are also available at the TASE's website at http://maya.tase.co.il and at the Israeli Securities Authority's website at http://www.magna.isa.gov.il. As permitted under NASDAQ Stock Market Rule 5250(d)(1)(C), we will post our annual reports filed with the SEC on our website at http://www.allot.com. We will furnish hard copies of such reports to our shareholders upon written request free of charge. The information contained on our website is not part of this or any other report filed with or furnished to the SEC.

As a foreign private issuer, we are exempt from the rules under the Exchange Act relating to the furnishing and content of proxy statements, and our officers, directors and principal shareholders will be exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as United States companies whose securities are registered under the Exchange Act. However, we are required to file with the SEC, within 120 days after the end of each subsequent fiscal year, an annual report on Form 20-F containing financial statements which will be examined and reported on, with an opinion expressed, by an independent public accounting firm. We also intend to file with the SEC reports on Form 6-K containing quarterly unaudited financial information.

I. Subsidiary Information

Not applicable.

ITEM 11: Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of loss related to changes in market prices, including interest rates and foreign exchange rates, of financial instruments that may adversely impact our consolidated financial position, results of operations or cash flows.

Risk of Interest Rate Fluctuation

We do not have any long-term borrowings. We have a significant amount of cash that is currently invested primarily in interest bearing investment such as bank time deposits, money market funds, U.S. government treasury bills and available for sale marketable securities. These investments expose us to the changes in interest rates. If interest rates further decline, our results of operations may be adversely affected due to lower interest income from these investments. The primary objective of our investment activities is to preserve principal while maximizing the income that we receive from our investments without significantly increasing risk and loss. Our investments are exposed to market risk due to fluctuation in interest rates, which may affect our interest income and the fair market value of our investments. We manage this exposure by performing ongoing evaluations of our investments. Due to the short and medium-term maturities nature of our investments to date, their carrying value approximates the fair value. We generally hold investments to maturity in order to limit our exposure to interest rate fluctuations.

Foreign Currency Exchange Risk

Our foreign currency exposures give rise to market risk associated with exchange rate movements of the U.S. dollar, our functional and reporting currency, mainly against the shekel. In 2014, we derived our revenues primarily in U.S. dollars and a portion in Euros and other currencies. Although a substantial part of our expenses were denominated in U.S. dollars, a significant portion of our expenses were denominated in shekels and to a lesser extent in Euros and other currencies. Our shekel-denominated expenses consist principally of salaries and related personnel expenses. We monitor foreign currency exposure and, from time to time, may use various instruments to preserve the value of sales transactions and commitments; however, this cannot assure our protection against risks of currency fluctuations. For more information regarding foreign currency related risks, see “ITEM 3: Key Information—Risk Factors—our international operations expose us to the risk of fluctuations in currency exchange rates.”

We use currency forward contracts together with currency options primarily to hedge payments in NIS. These transactions constitute a future cash flow hedge. As of December 31, 2014, we had outstanding forward contracts in the amount of $42.8 million. These transactions were for a period of up to twelve months. As of December 31, 2014, the fair value of the above mentioned foreign currency derivative contracts was $-1.5 million.

ITEM 12: Description of Securities Other Than Equity Securities

Not applicable.

PART II

ITEM 13: Defaults, Dividend Arrearages and Delinquencies

None.

ITEM 14: Material Modifications to the Rights of Security Holders and Use of Proceed

A. Material Modifications to the Rights of Security Holders

None.

E. Use of Proceeds

The effective date of the registration statement (file no. 333-138313) for our initial public offering of ordinary shares, par value NIS 0.10, was November 15, 2006. The offering commenced on November 15, 2006 and terminated after the sale of all the securities registered. Lehman Brothers Inc. acted as the sole book-running manager for the offering, Deutsche Bank Securities Inc. acted as co-lead manager and, CIBC World Markets Corp. and RBC Capital Markets Corporation acted as co-managers. We registered 6,500,000 ordinary shares in the offering. We sold 6,500,000 ordinary shares at an aggregate offering price of $78 million at a price per share of $12.00. Under the terms of the offering, we incurred aggregate underwriting discounts of $5.5 million. We also incurred expenses of $2 million in connection with the offering. The net proceeds that we received as a result of the offering were $70.5 million.

From the effective date of the registration statement and until December 31, 2014, the net proceeds had been invested in cash equivalents, marketable securities, capital expenditure and other corporate purposes. None of the net proceeds of the offering was paid directly or indirectly to any director, officer, general partner of ours or to their associates, persons owning ten percent or more of any class of our equity securities, or to any of our affiliates.

We conducted a subsequent public offering of our ordinary shares on November 15, 2011 raising net proceeds of $85 million.

ITEM 15: Controls and Procedures

(a) Disclosure Controls and Procedures. Our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2014. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2014, our disclosures controls and procedures were effective such that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Management's Annual Report on Internal Control over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. In making this assessment, our management used the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Our management has concluded, based on its assessment, that our internal control over financial reporting was effective as of December 31, 2014 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external reporting purposes in accordance with generally accepted accounting principles.

Our independent auditors, Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, have issued an audit report on the effectiveness of our internal control over financial reporting. The report is included with our consolidated financial statements included elsewhere in this annual report**.**

(c) Changes in Internal Control over Financial Reporting. During the period covered by this report, no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) have occurred that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16: Reserved

ITEM 16A: Audit Committee Financial Expert

The board of directors has determined that Nurit Benjamini is an “audit committee financial expert” as defined under the U.S. federal securities laws and is independent under the rules of the NASDAQ Stock Market.

ITEM 16B: Code of Ethics

We have adopted a code of ethics applicable to our Chief Executive Officer, Chief Financial Officer, controller and persons performing similar functions. This code has been posted on our website, www.allot.com. Information contained on, or that can be accessed through, our website does not constitute a part of this annual report and is not incorporated by reference herein. Waivers of our code of ethics may only be granted by the board of directors. Any amendments to this code or any waiver that is granted, and the basis for granting the waiver, will be publicly communicated as appropriate on our website or through a filing on a Form 6-K. Under Item 16B of Form 20-F, if a waiver or amendment of the Code of Ethics applies to our principal executive officer, principal financial officer, principal accounting officer, controller or other persons performing similar functions and relates to standards promoting any of the values described in Item 16B(b) of Form 20-F, we will disclose such waiver or amendment (i) on our website within five business days following the date of amendment or waiver in accordance with the requirements of Instruction 4 to such Item 16B or (ii) through the filing of a Form 6-K. We granted no waivers under our Code of Ethics in 2014.

ITEM 16C: Principal Accountant Fees and Services

Fees paid to the Auditors

The following table sets forth, for each of the years indicated, the fees expensed by our independent registered public accounting firm.

	Year ended December, 31,	
	2013	2014
	(in thousands of U.S. dollars)	
Audit Fees(1)	$ 275	$ 238
Audit-Related Fees(2)	25	54
Tax Fees(3)	83	127
All Other Fees(4)	15	-
Total	**$ 398**	**$ 419**

(1) "Audit fees" include fees for services performed by our independent public accounting firm in connection with our annual audit for 2013 and 2014, certain procedures regarding our quarterly financial results submitted on Form 6-K, the filing of our Form F-3, fees related to public offering, and consultation concerning financial accounting and reporting standards.

(2) "Audit-Related fees" relate to assurance and associated services that are traditionally performed by the independent auditor, including: accounting consultation and consultation concerning financial accounting, reporting standards and due diligence investigations.

(3) "Tax fees" include fees for professional services rendered by our independent registered public accounting firm for tax compliance, transfer pricing and tax advice on actual or contemplated transactions.

(4) "Other fees" include fees for services rendered by our independent registered public accounting firm with respect to government incentives and other matters.

Audit Committee's Pre-Approval Policies and Procedures

Our audit committee pre-approved all audit and non-audit services provided to us and to our subsidiaries during the periods listed above.

ITEM 16D: Exemptions from the Listing Standards for Audit Committees

Not applicable.

ITEM 16E: Purchase of Equity Securities by the Company and Affiliated Purchasers

Not applicable.

ITEM 16F: Change in Registrant's Certifying Accountant

None.

ITEM 16G: Corporate Governance

As a foreign private issuer, we are permitted under NASDAQ Marketplace Rule 5615(a)(3) to follow Israeli corporate governance practices instead of the NASDAQ Stock Market requirements, provided we disclose which requirements we are not following and describe the equivalent Israeli requirement. We must also provide NASDAQ with a letter from outside counsel in our home country, Israel, certifying that our corporate governance practices are not prohibited by Israeli law.

We rely on this "foreign private issuer exemption" with respect to the following items:

- We follow the requirements of Israeli law with respect to the quorum requirement for meetings of our shareholders, which are different from the requirements of Rule 5620(c). Under our articles of association, the quorum required for an ordinary meeting of shareholders consists of at least two shareholders present in person, by proxy or by written ballot, who hold or represent between them at least 25% of the voting power of our shares, instead of 33 1/3% of the issued share capital provided by under the NASDAQ requirements. This quorum requirement is based on the default requirement set forth in the Companies Law. We submitted a letter from our outside counsel in connection with this item prior to our initial public offering in November 2006.

- We do not seek shareholder approval for equity compensation plans in accordance with the requirements of the Companies Law, which does not fully reflect the requirements of Rule 5635(c). Under Israeli law, we may amend our 2006 Incentive Compensation Plan by the approval of our board of directors, and without shareholder approval as is generally required under Rule 5635(c). Under Israeli law, the adoption and amendment of equity compensation plans, including changes to the reserved shares, do not require shareholder approval. We submitted a letter from our outside counsel in connection with this item in June 2008.

We are subject to additional Israeli corporate governance requirements applicable to companies incorporated in Israel whose securities are listed for trading on a stock exchange outside of Israel.

We may in the future provide NASDAQ with an additional letter or letters notifying NASDAQ that we are following our home country practices, consistent with the Companies Law and practices, in lieu of other requirements of Rule 5600.

ITEM 16H: Mine Safety Disclosure

Not applicable.

PART III

ITEM 17: Financial Statements

Not applicable.

ITEM 18: Financial Statements

See Financial Statements included at the end of this report.

ITEM 19: Exhibits

See exhibit index incorporated herein by reference.

SIGNATURES

The registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

Allot Communications Ltd.

By: /s/ Andrei Elefant
Andrei Elefant
Chief Executive Officer and President

Dated: March 26, 2015

ANNUAL REPORT ON FORM 20-F

INDEX OF EXHIBITS

Number	Description
1.1	Articles of Association of the Registrant (2)
1.2	Certificate of Name Change (1)
2.1	Specimen share certificate (1)
4.1	Non-Stabilized Lease Agreement, dated February 13, 2006, by and among, Aderet Hod Hasharon Ltd., Miritz, Inc., Leah and Israel Ruben Assets Ltd., Tamar and Moshe Cohen Assets Ltd., Drish Assets Ltd., S. L. A. A. Assets and Consulting Ltd., Iris Katz Ltd., Y. A. Groder Investments Ltd., Ginotel Hod Hasharon 2000 Ltd. and Allot Communications Ltd. (1)
4.2	Key Employees of Subsidiaries and Consultants Share Incentive Plan (1997) (1)
4.3	Key Employees Share Incentive Plan (1997) (1)
4.4	Key Employees Share Incentive Plan (2003) (1)
4.5	2006 Incentive Compensation Plan (3)
4.6	Manufacturing Agreement, dated July 19, 2007, by and between Flextronics (Israel) Ltd. and the Registrant* (4)
4.7	Amendment No. 1, dated September 1, 2012, to the Manufacturing Agreement, dated July 19, 2007, by and between Flextronics (Israel) Ltd. and the Registrant* (5)
4.8	Asset Purchase Agreement, dated February 19, 2015, by and between Optenet S.A. and the Registrant. (8)
8.1	List of Subsidiaries of the Registrant (8)
11.1	Code of Ethics (6)
12.1	Certification of Principal Executive Officer required by Rule 13a-14(a) and Rule 15d-14(a) (Section 302 Certifications) (8)
12.2	Certification of Principal Financial Officer required by Rule 13a-14(a) and Rule 15d-14(a) (Section 302 Certifications) (8)
13.1	Certification of Principal Executive Officer and Principal Financial Officer required by Rule 13a-14(b) and Rule 15d-14(b) (Section 906 Certifications) (8)
14.1	Consent of Kost Forer Gabbay & Kasierer (8)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

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(1) Previously filed with the Securities and Exchange Commission on October 31, 2006 pursuant to a registration statement on Form F-1 (File No. 333-138313) and incorporated by reference herein.

(2) Previously filed with the Securities and Exchange Commission on March 26, 2014 as Exhibit 1.1 to Form 20-F for the year ended December 31, 2013 and incorporated by reference herein.

(3) Previously filed with the Securities and Exchange Commission on March 21, 2013 as Exhibit 4.5 to Form 20-F for the year ended December 31, 2012 and incorporated by reference herein.

(4) Previously filed with the Securities and Exchange Commission on June 27, 2008 as Exhibit 4.11 to Form 20-F for the year ended December 31, 2007 and incorporated by reference herein.

(5) Previously filed with the Securities and Exchange Commission on March 21, 2013 as Exhibit 4.7 to Form 20-F for the year ended December 31, 2012 and incorporated by reference herein.

(6) Previously filed with the Securities and Exchange Commission on June 28, 2007 as Exhibit 4 to Form 20-F for the year ended December 31, 2006 and incorporated by reference herein.

(8) Furnished herewith.

* Portions of this exhibit were omitted and have been filed separately with the Secretary of the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment under Rule 24b-2 of the Exchange Act.

ALLOT COMMUNICATIONS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2014

U.S. DOLLARS IN THOUSANDS

ALLOT COMMUNICATIONS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2014

U.S. DOLLARS IN THOUSANDS

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Building a better working world

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

ALLOT COMMUNICATIONS LTD.

We have audited the accompanying consolidated balance sheets of Allot Communications Ltd. ("the Company") as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 26, 2015 expressed an unqualified opinion thereon.

/s/ Kost Forer Gabbay & Kasierer
KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

Tel Aviv, Israel
March 26, 2015

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Building a better working world

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of

ALLOT COMMUNICATIONS LTD.

We have audited Allot Communications Ltd. ("the Company") and its subsidiaries internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying management's report on internal controls over financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company and its subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company and its subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2014 and our report dated March 26, 2015 expressed an unqualified opinion thereon

/s/ Kost Forer Gabbay & Kasierer
KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

Tel Aviv, Israel
March 26, 2015

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	December 31,	
	2014	**2013**
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 19,180	$ 42,813
Short-term bank deposits	59,000	38,000
Available-for-sale marketable securities	54,271	40,798
Trade receivables (net of allowance for doubtful accounts of $ 707 and $ 441 at December 31, 2014 and 2013 respectively)	23,759	16,908
Other receivables and prepaid expenses	5,383	7,646
Inventories	10,109	13,798
Total current assets	171,702	159,963
NON-CURRENT ASSETS:		
Severance pay fund	262	254
Deferred taxes	1,716	1,602
Other assets	4,948	1,343
Total non-current assets	6,926	3,199
PROPERTY AND EQUIPMENT, NET	5,957	5,874
INTANGIBLE ASSETS, NET	7,549	9,407
GOODWILL	20,814	20,814
Total assets	$ 212,948	$ 199,257

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands, except share and per share data

	December 31,	
	2014	**2013**
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	$ 6,300	$ 3,191
Employees and payroll accruals	7,237	6,129
Deferred revenues	12,704	12,504
Other payables and accrued expenses	7,287	4,777
Total current liabilities	33,528	26,601
LONG-TERM LIABILITIES:		
Deferred revenues	4,158	2,447
Accrued severance pay	282	282
Total long-term liabilities	4,440	2,729
COMMITMENTS AND CONTINGENT LIABILITIES		
SHAREHOLDERS' EQUITY:		
Share capital -		
Ordinary shares of NIS 0.1 par value - Authorized: 200,000,000 shares at December 31, 2014 and 2013; Issued and outstanding: 33,319,923 and 32,877,118 shares at December 31, 2014 and 2013, respectively	819	774
Additional paid-in capital	252,120	242,629
Accumulated other comprehensive income (loss)	(1,620)	366
Accumulated deficit	(76,339)	(73,842)
Total shareholders' equity	174,980	169,927
Total liabilities and shareholders' equity	$ 212,948	$ 199,257

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

U.S. dollars in thousands, except share and per share data

	Year ended December 31,		
	2014	2013	2012
Revenues:			
Products	$ 77,240	$ 66,318	$ 77,127
Services	39,946	30,227	27,625
Total revenues	117,186	96,545	104,752
Cost of revenues:			
Products	27,389	20,572	26,857
Services	7,350	6,246	4,180
Expenses related to settlement of OCS grants (See note 11a)	-	-	15,886
Total cost of revenues	34,739	26,818	46,923
Gross profit	82,447	69,727	57,829
Operating expenses:			
Research and development (net of grant participations of $ 984 $ 1,051 and $ 2,855 for the years ended December 31, 2014, 2013 and 2012, respectively)	29,014	27,022	22,060
Sales and marketing	44,599	39,817	34,127
General and administrative	11,941	9,952	10,664
Total operating expenses	85,554	76,791	66,851
Operating loss	(3,107)	(7,064)	(9,022)
Financial income, net	660	727	1,358
Loss before income tax expense (benefit)	(2,447)	(6,337)	(7,664)
Income tax expense (benefit)	50	120	(926)
Net loss	$ (2,497)	$ (6,457)	$ (6,738)
Unrealized gain (loss) on available-for-sale marketable securities	(205)	(20)	15
Unrealized gain (loss) on foreign currency cash flow hedges transactions	(1,781)	(1,374)	2,555
Total comprehensive loss	$ (4,483)	$ (7,851)	$ (4,168)
Net loss per share:			
Basic and diluted	$ (0.08)	$ (0.20)	$ (0.21)
Weighted average number of shares used in per share computations of net loss:			
Basic and diluted	33,143,168	32,680,766	31,959,921

The accompanying notes are an integral part of the consolidated financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. dollars in thousands, except share data

	Ordinary shares		Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total shareholders' equity
	Outstanding shares	Amount				
Balance at January 1, 2012	30,950,234	$ 720	$ 223,306	$ (810)	$ (60,647)	$ 162,569
Exercise of stock options	1,596,917	41	5,862	-	-	5,903
Stock-based compensation	-	-	4,817	-	-	4,817
Other comprehensive loss	-	-	-	2,570	-	2,570
Net loss	-	-	-	-	(6,738)	(6,738)
Balance at December 31, 2012	32,547,151	761	233,985	1,760	(67,385)	169,121
Exercise of stock options	329,967	13	913	-	-	926
Stock-based compensation	-	-	7,731	-	-	7,731
Other comprehensive loss	-	-	-	(1,394)	-	(1,394)
Net loss	-	-	-	-	(6,457)	(6,457)
Balance at December 31, 2013	32,877,118	774	242,629	366	(73,842)	169,927

The accompanying notes are an integral part of the consolidated financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. dollars in thousands, except share data

	Ordinary shares		Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total shareholders' equity
	Outstanding shares	Amount				
Balance at December 31, 2013	32,877,118	774	242,629	366	(73,842)	169,927
Exercise of stock options	442,805	45	1,431	-	-	1,476
Stock-based compensation	-	-	8,060	-	-	8,060
Other comprehensive loss	-	-	-	(1,986)	-	(1,986)
Net loss	-	-	-	-	(2,497)	(2,497)
Balance at December 31, 2014	33,319,923	819	252,120	(1,620)	(76,339)	174,980

Accumulated other comprehensive income (loss):

	Year ended December 31,		
	2014	2013	2012
Accumulated unrealized gain (loss) on available-for-sale marketable securities	$ (164)	$ 41	$ 61
Accumulated unrealized gain (loss) on foreign currency cash flows hedge transactions	(1,456)	325	1,699
Accumulated other comprehensive (loss) income (see note 2t)	$ (1,620)	$ 366	$ 1,760

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2014	**2013**	**2012**
Cash flows from operating activities:			
Net loss	$ (2,497)	$ (6,457)	$ (6,738)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	5,166	6,338	5,067
Stock-based compensation	8,095	7,731	4,817
Capital loss	-	18	20
Increase in accrued severance pay, net	(8)	(13)	-
Decrease (increase) in other assets	100	(532)	6
Decrease in accrued interest and amortization of premium on marketable securities	793	366	212
Decrease (increase) in trade receivables	(6,851)	3,328	(8,139)
Decrease (increase) in other receivables and prepaid expenses	(1,321)	(2,749)	1,159
Decrease (increase) in inventories	3,689	(3,835)	3,233
Increase in long-term deferred taxes, net	(224)	(77)	(931)
Increase (decrease) in trade payables	3,109	(1,618)	(1,287)
Increase (decrease) in employees and payroll accruals	1,073	(2,053)	2,392
Increase (decrease) in deferred revenues	1,911	(2,823)	(7,089)
Increase (decrease) in other payables and accrued expenses	2,800	(988)	84
Liability related to settlement of OCS grants (See Note 11a)	-	(15,886)	15,886
Net cash provided by (used in) operating activities	15,835	(19,250)	8,692
Cash flows from investing activities:			
Decrease in restricted cash and deposits	-	146	913
Investments in short-term bank deposits	(50,500)	-	(54,042)
Proceeds from short-term bank deposits	29,500	40,042	-
Purchase of property and equipment	(3,391)	(2,706)	(3,820)
Investment in available-for sale marketable securities	(22,736)	(32,805)	(8,194)
Proceeds from sales of available-for-sale marketable securities	-	2,597	750
Proceeds from maturity of available-for-sale marketable securities	8,266	3,864	9,986
Loan granted to third party	(2,735)	-	-
Repayment of loan to third party	652		
Payments (and loan issued) for subsidiaries acquired, net of cash (see schedule A below)	-	-	(24,892)
Net cash (used in) provided by investing activities	(40,944)	11,138	(79,299)

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2014	2013	2012
Cash flows from financing activities:			
Proceeds from exercise of stock options	1,476	899	5,903
Repayment of bank loan	-	-	(1,952)
Net cash provided by financing activities	1,476	899	3,951
Decrease in cash and cash equivalents	(23,633)	(7,213)	(66,656)
Cash and cash equivalents at the beginning of the year	42,813	50,026	116,682
Cash and cash equivalents at the end of the year	$ 19,180	$ 42,813	$ 50,026
Supplementary cash flow information:			
Cash paid (received) during the year for:			
Taxes	$ 82	$ (9)	$ (48)
Schedule A- Acquisitions of subsidiaries (see also Note 1b):			
Estimated net fair value of assets acquired and liabilities assumed at the date of acquisition was as follows:			
Working capital, net (excluding cash and cash equivalents)	$ -	$ -	$ (4,501)
Equipment and other assets	-	-	597
Intangible assets			14,025
Goodwill	-	-	17,663
Deferred tax assets, net	-	-	409
Long-term liabilities	-	-	(1,952)
Total Consideration	$ -	$ -	$ 26,241
Non cash - Contingent Consideration (See also note 1b)	$ -	$ -	(1,349)
Payments (and loan issued) for subsidiaries acquired, net of cash	$ -	$ -	$ 24,892
Schedule B –non cash activities during the year for:			
Proceeds from exercise of stock options	$ -	$ 27	$ -

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1:- GENERAL

a. Allot Communications Ltd. (the "Company") was incorporated in November 1996 under the laws of the State of Israel. The Company is engaged in developing, selling and marketing intelligent IP service optimization solutions for mobile, DSL and wireless broadband carriers, cable operator service providers, and enterprises. The Company's portfolio of hardware platforms and software applications utilizes advanced deep packet inspection technology to transform broadband pipes into smart networks that can rapidly and efficiently manage data over mobile and wireline networks and deploy value added Internet services. The Company's products consist of the Service Gateway and NetEnforcer traffic management systems, the NetXplorer and Subscribe Management Platform application management suites and value added services such as the Service Protector network protection solution, the MediaSwift video caching solution and the WebSafe network solution.

The Company's Ordinary Shares are listed in the NASDAQ Global Select Market under the symbol "ALLT" from its initial public offering in November 2006. Since November, 2010, the Company's Ordinary Shares have been listed for trading in the Tel Aviv Stock Exchange as well.

The Company holds nine wholly-owned subsidiaries (the Company together with said subsidiaries shall collectively be referred to as "Allot"): Allot Communications, Inc. in Woburn, Massachusetts, United-States (the "U.S. subsidiary"), which was incorporated in 1997 under the laws of the State of California, Allot Communication Europe SARL in Sophia, France (the "European subsidiary"), which was incorporated in 1998 under the laws of France, Allot Communications Japan K.K. in Tokyo, Japan (the "Japanese subsidiary"), which was incorporated in 2004 under the laws of Japan, Allot Communication (UK) Limited (the "UK subsidiary"), which was incorporated in 2006 under the laws of England and Wales, Allot Communications (Asia Pacific) Pte. Ltd. ("the Singaporean subsidiary"), which was incorporated in 2006 under the laws of Singapore, Allot Communications (New Zealand) Limited. (the "NZ subsidiary"), which was incorporated in 2007 under the laws of New Zealand, Allot India Private Limited. (the "Indian subsidiary”), which was incorporated in 2012 under the laws of India and commenced its activity in 2013, Allot Communication Africa (PTY) Ltd. (the "African subsidiary”), which was incorporated in 2013 under the laws of South Africa and Allot Communication (Hong Kong) Limited (the "HK”), which was incorporated in 2013 under the laws of Hong-Kong.

The U.S. subsidiary commenced operations in 1997. It is engaged in the sale, marketing and technical support and development services in the Americas of products manufactured and imported by the Company. The European, Japanese, UK, Singaporean, Indian and African subsidiaries are engaged in marketing and technical support services of the Company's products in Europe, Japan, UK and Asia Pacific, respectively. The NZ subsidiary commenced its operations in 2008 and is engaged in the development activities related to the Service Protector and technical support services for this product.

U.S. dollars in thousands, except share and per share data

NOTE 1:- GENERAL (Cont.)

b. Acquisitions:

1. On May 15, 2012 (the "Ortiva acquisition date"), the Company entered into a share purchase agreement (the "Ortiva SPA") with the shareholders of Ortiva Wireless Inc. ("Ortiva") a private, California-based company that develops video optimization solutions for mobile and internet networks. The Company paid $ 10,816 in cash as consideration for all the shares of Ortiva.

   The acquisition was accounted for using the purchase method of accounting in accordance with ASC No. 805, “Business Combinations” ("ASC No. 805"). Accordingly, the purchase price was allocated according to the estimated fair values of the assets acquired and liabilities assumed and the excess of the purchase price over the net tangible and identified intangible assets was assigned to goodwill. The fair value of intangible assets was determined by management with the assistance of a third party valuation.

   The results of Ortiva's operations have been included in the Company’s consolidated financial statements since the Ortiva acquisition date. Revenues recognized from the Ortiva acquisition date to December 31, 2012 were $ 3,404. On December 31, 2012 Ortiva was merged into the U.S. subsidiary.

   The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date:

	Fair value
Current assets	$ 1,967
Equipment	459
Deferred revenues	(1,803)
Current and non-current liabilities	(3,949)
Deferred tax assets, net	409
Technology	3,899
Backlog	910
Goodwill	8,924
Net assets acquired	$ 10,816

Technologyincludes Ortiva’s internally developed proprietary technologies and platforms for video optimization. The technology is being amortized over the estimated useful life of 9.6 years using the straight line method.

Backlog from customer orders is amortized over the estimated useful life of 1.6 years.

U.S. dollars in thousands, except share and per share data

NOTE 1:- GENERAL (Cont.)

2. On September 4, 2012, (the "Oversi acquisition date") the Company entered into a share purchase agreement (the "Oversi SPA") with the shareholders of Oversi Networks Ltd ("Oversi"), a private, Israeli-based company that develops and sells products and systems for caching Internet content.

   The total consideration for the acquisition was $ 17,349, which consisted of $ 16,000 in cash and contingent consideration estimated at fair value of $ 1,349 at the Oversi acquisition date.

   Pursuant to the Oversi SPA, the Company had a contingent liability to pay additional consideration if Oversi reaches a certain threshold of bookings for the year ended December 31, 2012. As of December 31, 2012, the fair value of the contingent consideration was determined to be $ 1,088 and was presented in other payables and accrued expenses. During 2013, the fair value of the contingent consideration was estimated to $ 0 as the booking threshold was not achieved. The changes in fair value of the contingent consideration were recorded in general and administrative expenses.

   The acquisition of Oversi was accounted for using the purchase method of accounting in accordance with ASC No. 805. Accordingly, the purchase price has been allocated according to the estimated fair value of the assets acquired and liabilities assumed. The excess of the purchase price over the net tangible and identified intangible assets was assigned to goodwill. The fair value of the intangible assets and the contingent consideration was determined by management with the assistance of a third party valuation.

   The results of Oversi's operations have been included in the Company consolidated financial statements since September 4, 2012. Revenues recognized from the Oversi acquisition date to December 31, 2012 were $ 1,954. On December 31, 2012, Oversi was merged into the Company.

   The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date:

	Fair value
Current assets	$ 4,182
Equipment and other assets	138
Deferred revenues	(936)
Other current liabilities	(2,038)
Bank loan	(1,952)
Technology	6,826
Backlog	1,491
Customer relationships	899
Goodwill	8,739
Net assets acquired	$ 17,349

NOTE 1:- GENERAL (Cont.)

Technology includes rich-media caching and content delivery solutions for peer to peer, Internet video and other media applications. The technology is amortized over the estimated useful life of 6.3 years using the straight line method.

Backlog from customer orders is amortized over the estimated useful life of 1.4 years**.**

Customer relationships is derived from customer contracts and related customer relationships with existing customers. Customer relationships is amortized based on the accelerated method over the estimated useful life of 4.3 years.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

a. Use of estimates:

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions. The Company's management believes that the estimates, judgments and assumptions used are reasonable based upon information available at the time they are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

b. Financial statements in U.S. dollars:

The majority of the revenues of the Company and its subsidiaries are generated in U.S. dollars ("dollar") or linked to the dollar. In addition, a major portion of the Company's and certain of its subsidiaries' costs are incurred or determined in dollars. The Company's management believes that the dollar is the currency of the primary economic environment in which the Company and its subsidiaries operate. Thus, the functional and reporting currency of the Company and its subsidiaries is the dollar.

Accordingly, monetary accounts maintained in currencies other than the dollar are remeasured into U.S. dollars in accordance with Accounting Standards Codification No. 830, "Foreign Currency Matters" ("ASC No. 830"). All transactions gains and losses from the remeasurement of monetary balance sheet items are reflected in the statements of operations as financial income or expenses as appropriate.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany balances and transactions have been eliminated upon consolidation.

d. Cash and cash equivalents:

The Company considers all unrestricted highly liquid investments which are readily convertible into cash, with maturity of three months or less at the date of acquisition, to be cash equivalents.

e. Short-term bank deposits:

Short-term bank deposits are deposits with maturities of more than three months but less than one year at the balance sheet date. The deposits are in dollars, New Israeli Shekels ("NIS") and Euros, and bear interest at annual weighted average rate of 0.56% and 0.51% at December 31, 2014 and 2013 respectively.

f. Marketable securities:

The Company accounts for investments in marketable securities in accordance with ASC 320, "Investments - Debt and Equity Securities". Management determines the appropriate classification of its investments in debt securities at the time of purchase and re-evaluates such determinations at each balance sheet date.

Marketable securities classified as "available-for-sale" are carried at fair value, based on quoted market prices. Unrealized gains and losses are reported in a separate component of shareholders' equity in accumulated other comprehensive income (loss). Gains and losses are recognized when realized, on a specific identification basis, in the Company's consolidated statements of comprehensive loss.

The Company's securities are reviewed for impairment in accordance with ASC 320-10-35. If such assets are considered to be impaired, the impairment charge is recognized in earnings when a decline in the fair value of its investments below the cost basis is judged to be Other-Than-Temporary Impairment (OTTI). Factors considered in making such a determination include the duration and severity of the impairment, the reason for the decline in value, the potential recovery period and the Company's intent to sell, including whether it is more likely than not that the Company will be required to sell the investment before recovery of cost basis. Based on the above factors, the Company concluded that unrealized losses on its available-for-sale securities, for the years ended 2014, 2013 and 2012, were not OTTI.

U.S. dollars in thousands, except share and per share data

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

g. Inventories:

Inventories are stated at the lower of cost or market value. Inventory write-offs are provided to cover risks arising primarily from end of life products and from slow-moving items, technological obsolescence, and excess inventory. Inventory write-offs as of December 31, 2014, 2013 and 2012 totaled $ 4,560, $ 1,835 and $ 1,385, respectively, and was recorded in cost of revenues for products.

Cost is determined as follows:

Raw materials and finished goods – weighted average cost method

h. Property and equipment, net:

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets at the following annual rates:

	%
Lab equipment	25 - 33
Computers and peripheral equipment	15 - 33
Office furniture	6 - 15
Leasehold improvements	By the shorter of term of the lease or the useful life of the asset

i. Goodwill impairment:

Goodwill represents the excess of the purchase price over the fair value of net assets of purchased businesses. Under Accounting Standards Codification No. 350, "Intangibles-Goodwill and Other" ("ASC No. 350"), goodwill is not amortized, but rather subject to an annual impairment test, or more often if there are indicators of impairment present. In accordance with ASC No. 350 the Company performs an annual impairment test at December 31 each year. The first step, identifying a potential impairment, compares the fair value of the reporting unit with its carrying amount. If the carrying amount exceeds its fair value, the second step would need to be performed; otherwise, no further step is required. The second step, measuring the impairment loss, compares the implied fair value of the goodwill with the carrying amount of the goodwill. Any excess of the goodwill carrying amount over the applied fair value is recognized as an impairment loss, and the carrying value of goodwill is written down to fair value.

The Company operates in a single reportable unit. The Company has performed an annual impairment analysis as of December 31, 2014 and determined that the carrying value of the reporting unit was less than the fair value of the reporting unit. Fair value is determined using market capitalization. During years 2014, 2013 and 2012 no impairment losses were recorded.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

j. Impairment of long lived assets and intangible assets subject to amortization:

Property and equipment and intangible assets subject to amortization are reviewed for impairment in accordance with ASC No. 360, "Accounting for the Impairment or Disposal of Long-Lived Assets," whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Intangible assets acquired in a business combination are recorded at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets that are not considered to have an indefinite useful life are amortized over their estimated useful lives. Some of the acquired intangible assets are amortized over their estimated useful lives in proportion to the economic benefits realized. This accounting policy results in accelerated amortization of such customer relationships as compared to the straight-line method. All other intangible assets are amortized over their estimated useful lives on a straight-line basis.

During 2014, 2013 and 2012, no impairment losses were recorded.

k. Revenue recognition:

The Company generates revenues mainly from selling its products along with related maintenance and support services. At times, these arrangements may also include professional services, such as installation services or training. The Company generally sells its products through resellers, distributors, OEMs and system integrators, all of whom are considered end-users.

Revenues from product sales are recognized when persuasive evidence of an agreement exists, title and risk of loss have transferred, no significant performance obligations remain, product payment is not contingent upon performance of installation or service obligations, the fee is fixed or determinable and collectability is probable. In instances where final acceptance of the product or service is specified by the customer, revenue recognition is deferred until all acceptance criteria have been met.

Maintenance and support related revenues included in multiple element arrangements are deferred and recognized on a straight-line basis over the term of the applicable maintenance and support agreement. Other services are recognized upon the completion of installation or when the service is provided. In instances where the services provided in a multiple element arrangement are considered essential to the functionality of the product and payment of the product is contingent upon performance of the services, the sales of the products and services would be considered one unit of accounting.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Tangible products containing software components and non-software components that function together to deliver the tangible product's essential functionality is no longer within the scope of the software revenue guidance in Subtopic 985-605 of the Codification. Accordingly, the Company was considered outside the scope of Subtopic 985-605. Pursuant to the guidance of ASU 2009-13, "Multiple-Deliverable Revenue Arrangements, (amendments to ASC Topic 605, Revenue Recognition)" (ASU 2009-13) and ASU 2009-14, when a sales arrangement contains multiple elements, such as products and services, the Company allocates revenues to each element based on a selling price hierarchy. The selling price for a deliverable is based on VSOE if available, third party evidence ("TPE") if VSOE is not available, or estimated selling price ("ESP") if neither VSOE nor TPE is available. In multiple element arrangements, revenues are allocated to each separate unit of accounting for each of the deliverables using the relative selling prices of each of the deliverables in the arrangement based on the aforementioned selling price hierarchy.

Revenues arrangements with multiple deliverables are allocated using the relative selling price method. The Company determines the best estimated selling price ("BESP") in multiple elements arrangements as follows:

For the products the Company determine the "BESP" – it is based on management ESP by reviewing historical transactions and considering multiple other factors, including but not limited to, pricing practices including discounting, and competition.

For the maintenance and support under the pricing policy, the Company determines the ESP in multiple-element arrangements based on reviewing historical transactions, and considering several other external and internal factors including, but not limited to, pricing practices including discounting and competition. For the year ended December 31, 2014, 2013 and 2012, for maintenance and support, the Company determined the selling price based on VSOE of the price charged based on standalone sales (renewals) of such elements using a consistent percentage of the Company's product price lists in the same territories.

Deferred revenues are classified as short and long term based on their contractual term and recognized as revenues at the time the respective elements are provided

The Company records a provision for estimated product returns and stock rotation based on its experience with historical product returns, stock rotations and other known factors. Such provisions amounted to $ 1,147 and $ 892 as of December 31, 2014 and 2013, respectively.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

l. Advertising expenses:

Advertising expenses are charged to the statement of comprehensive loss, as incurred. Advertising expenses for the years ended December 31, 2014, 2013 and 2012 amounted to $ 1,131, $ 973 and $ 1,002, respectively.

m. Research and development costs:

Accounting Standards Codification No. 985-20, requires capitalization of certain software development costs subsequent to the establishment of technological feasibility.

Based on the Company's product development process, technological feasibility is established upon the completion of a working model. The Company does not incur material costs between the completion of a working model and the point at which the products are ready for general release. Therefore, research and development costs are charged to the consolidated statement of comprehensive loss as incurred.

n. Severance pay:

The liability in Israel for substantially all of the Company`s employees in respect of severance pay liability is calculated in accordance with Section 14 of the Severance Pay Law -1963 (herein- "Section 14"). Section 14 states that Company's contributions for severance pay shall be in line of severance compensation and upon release of the policy to the employee, no additional obligations shall be conducted between the parties regarding the matter of severance pay and no additional payments shall be made by the Company to the employee.

Furthermore, the related obligation and amounts deposited on behalf of such obligation under Section 14, are not stated on the balance sheet, because pursuant to current ruling, they are legally released from obligation to employees once the deposits have been paid.

There are a limited number of employees in Israel, for whom the Company is liable for severance pay. The Company's liability for severance pay for its Israeli employees was calculated pursuant to Section 14, based on the most recent monthly salary of its Israeli employees multiplied by the number of years of employment as of the balance sheet date for such employees.

The Company's liability was partly provided by monthly deposits with severance pay funds and insurance policies and the remainder by an accrual.

Severance expense for the years ended December 31, 2014, 2013 and 2012, amounted to $ 2,092, $ 2,070 and $ 1,486, respectively.

U.S. dollars in thousands, except share and per share data

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

o. Accounting for stock-based compensation:

The Company accounts for stock based compensation in accordance with Accounting Standards Codification No. 718, "Compensation - Stock Compensation" ("ASC No. 718") that requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods in the Company's consolidated statement of operations.

ASC No. 718 requires forfeitures to be estimated at the time of the grant and revised in subsequent periods if actual forfeitures differ from those estimates.

The following table sets forth the total stock-based compensation expense resulting from stock options and RSUs granted to employees included in the consolidated statements of comprehensive loss, for the years ended December 31, 2014, 2013 and 2012:

	Year ended December 31,		
	2014	2013	2012
Cost of revenues	$ 353	$ 368	$ 222
Research and development	1,919	1,666	1,186
Sales and marketing	3,322	3,106	2,060
General and administrative	2,501	2,591	1,349
Total stock-based compensation expense	$ 8,095	$ 7,731	$ 4,817

The Company selected the binomial option pricing model as the most appropriate fair value method for its stock-based compensation awards with the following assumptions for the years ended December 31, 2014, 2013 and 2012:

	Year ended December 31,		
	2014	2013	2012
Suboptimal exercise multiple	3	3	2.5-3.5
Risk free interest rate	0.1%-2.73%	0.1%-2.77%	0.15%-1.39%
Volatility	44%-60%	53%-63%	51%-66%
Dividend yield	0%	0%	0%

The expected annual post-vesting and pre-vesting forfeiture rates affects the number of exercisable options. Based on the Company's historical experience, the annual post-vesting and pre-vesting forfeiture rates in 2014, 2013, and 2012 are 0%-5.7%.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

The computations of expected volatility and suboptimal exercise multiple are based on the average of the Company's realized historical stock price volatility based on market capitalization and type of technology platform. The computation of the suboptimal exercise multiple and the forfeiture rates are based on the grantees expected exercise prior and post vesting termination behavior. The interest rate for period within the contractual life of the award is based on the U.S. Treasury Bills yield curve in effect at the time of grant. The Company currently has no plans to distribute dividends and intends to retain future earnings to finance the development of its business.

The expected life of the stock options represents the weighted-average period the stock options are expected to remain outstanding and is a derived output of the binomial model. The expected life of the stock options is impacted by all of the underlying assumptions used in the Company's model.

p. Concentration of credit risks:

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, marketable securities, short-term bank deposits, trade receivables and derivative instruments.

The majority of cash and cash equivalents, marketable securities and short-term deposits of the Company are invested in dollar deposits in major U.S. and Israeli banks. Such deposits in the United States may be in excess of insured limits and are not insured in other jurisdictions. Generally, the cash and cash equivalents and short-term bank deposits may be redeemed upon demand, and therefore, bear minimal risk.

The Company's trade receivables are primarily derived from sales to customers located mainly in the United States, as well as in EMEA, APAC and Latin America. Concentration of credit risk with respect to trade receivables is limited by credit limits, ongoing credit evaluation and account monitoring procedures. The Company performs ongoing credit evaluations of its customers and establishes an allowance for doubtful accounts on a specific basis. Allowance for doubtful accounts amounted to $ 707 and $ 441 as of December 31, 2014 and 2013, respectively.

The Company has no significant off balance sheet concentrations of credit risk.

q. Grants from the OCS:

Participation grants from the Office of the Chief Scientist of the Ministry of Industry, Trade and Labor in Israel ("OCS") for research and development activity are recognized at the time the Company is entitled to such grants on the basis of the costs incurred and included as a deduction of research and development costs. Research and development grants recognized amounted to $ 984, $ 1,051 and $ 2,855 in 2014, 2013 and 2012, respectively.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

r. Income taxes:

The Company accounts for income taxes in accordance with Accounting Standards Codification No. 740, "Income Taxes" ("ASC No. 740"). ASC No. 740 prescribes the use of the liability method, whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

ASC No. 740 contains a two-step approach to recognizing and measuring a liability for uncertain tax positions. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement.

s. Basic and diluted net income/loss per share:

Basic net income per share is computed based on the weighted average number of Ordinary Shares outstanding during each year. Diluted net income per share is computed based on the weighted average number of Ordinary Shares outstanding during each year, plus dilutive potential Ordinary Shares considered outstanding during the year, in accordance with FASB ASC 260 "Earnings Per Share".

For the years ended December 31, 2014, 2013 and 2012, all outstanding options and warrants have been excluded from the calculation of the diluted loss per share since their effect was anti-dilutive. See Note 16.

t. Comprehensive income (loss):

The Company accounts for comprehensive income (loss) in accordance with Accounting Standards Codification No. 220, "Comprehensive Income" ("ASC No. 220"). This statement establishes standards for the reporting and display of comprehensive income (loss) and its components in a full set of general purpose financial statements. Comprehensive income (loss) generally represents all changes in shareholders' equity during the period except those resulting from investments by, or distributions to shareholders. The Company determined that its items of comprehensive income (loss) relate to unrealized gains and losses on hedging derivative instruments and unrealized gains and losses on available-for-sale marketable securities.

U.S. dollars in thousands, except share and per share data

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

In February 2013, the FASB issued Accounting Standards Update ("ASU") 2013-02, which requires entities to present information about significant items reclassified out of accumulated other comprehensive income (loss) by component either on the face of the statement where net income (loss) is presented or as a separate disclosure in the notes to the financial statements.

The following table shows the components and the effects on net income (loss) of amounts reclassified from accumulated other comprehensive loss as of December 31, 2014:

	Year ended December 31, 2014		
	Unrealized gains (losses) on marketable securities	Unrealized gains (losses) on cash flow hedges	Total
Balance as of December 31, 2013	$ 41	$ 325	$ 366
Changes in other comprehensive income (loss) before reclassifications	(210)	(2,497)	(2,707)
Amounts reclassified from accumulated other comprehensive income (loss) to :			
Cost of revenues	-	86	86
Operating expenses	-	630	630
Financial income, net	5	-	5
Net current-period other comprehensive loss	(205)	(1,781)	(1,986)
Balance as of December 31, 2014	(164)	(1,456)	(1,620)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

u. Fair value of financial instruments:

The Company measures its cash and cash equivalents, marketable securities, derivative instruments, short-term bank deposits, trade receivables, other receivables, trade payables and other payables at fair value.

Fair value is an exit price, representing the amount that would be received if the Company were to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. The Company uses a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

The following table shows the components of Accumulated other comprehensive income, net of taxes, as of December 31, 2014:

Level 2 - Include other inputs that are directly or indirectly observable in the marketplace, other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets with insufficient volume or infrequent transactions, or other inputs that are observable (model-derived valuations in which significant inputs are observable), or can be derived principally from or corroborated by observable market data; and

Level 3 - Unobservable inputs which are supported by little or no market activity.

The Company categorized each of its fair value measurements in one of those three levels of hierarchy. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

v. Derivatives and hedging:

The Company accounts for derivatives and hedging based on Accounting Standards Codification No. 815, "Derivatives and Hedging" ("ASC No. 815").

The Company accounts for its derivative instruments as either assets or liabilities and carries them at fair value. Derivative instruments that are not designated and qualified as hedging instruments must be adjusted to fair value through earnings.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

For derivative instruments that hedge the exposure to variability in expected future cash flows that are designated as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of accumulated other comprehensive income (loss) in shareholders' equity and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of the gain or loss on the derivative instrument is recognized in current earnings. To apply hedge accounting treatment, cash flow hedges must be highly effective in offsetting changes to expected future cash flows on hedged transactions. (See Note 5).

w. Business combinations:

The Company accounts for business combinations in accordance with ASC No. 805. ASC No. 805 requires recognition of assets acquired, liabilities assumed, and any non-controlling interest at the acquisition date, measured at their fair values as of that date. Any excess of the fair value of net assets acquired over the purchase price is recorderd as goodwill and any subsequent changes in estimated contingencies are to be recorded in earnings. In addition, changes in valuation allowance related to acquired deferred tax assets and acquired income tax positions are to be recognized in earnings.

x. Warranty costs:

The Company generally provides a three months software and a one year hardware warranty for all of its products. A provision is recorded for estimated warranty costs at the time revenues are recognized based on the Company's experience. Warranty expenses for the years ended December 31, 2012, 2013 and 2014 were immaterial.

y. Reclassifications:

Certain amounts in prior years' financial statements have been reclassified to conform to the current year's presentation. An amount of $ 572 related to Government Authorities was reclassified from other receivables and prepaid expenses to Non-current assets. The reclassification had no effect on previously reported net income or shareholders' equity.

z. Recently Issued Accounting Pronouncement:

On May 28, 2014, the FASB completed its Revenue Recognition project by issuing ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). The new guidance establishes the principles to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue from contracts with customers. The new Revenue Recognition guidance is effective for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. Early application is not permitted. The Company has not yet selected a transition method and it is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

U.S. dollars in thousands, except share and per share data

NOTE 3:- AVAILABLE-FOR-SALE MARKETABLE SECURITIES

The following is a summary of available-for-sale marketable securities:

	December 31, 2014				December 31, 2013			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
Available-for-sale - matures within one year:								
Governmental debentures	$ 912	$ 1	$ -	$ 913	$ -	$ -	$ -	$ -
Corporate debentures	14,231	18	(1)	14,248	3,921	7	-	3,928
	15,143	19	(1)	15,161	3,921	7	-	3,928
Available-for-sale - matures after one year through three years:								
Governmental debentures	562	-	(9)	553	1,673	4	(1)	1,676
Corporate debentures	30,036	-	(89)	29,947	35,163	77	(46)	35,194
	30,598	-	(98)	30,500	36,836	81	(47)	36,870
Available-for-sale - matures after three years through five years:								
Governmental debentures	-	-	-	-	-	-	-	-
Corporate debentures	8,694	-	(84)	8,610	-	-	-	-
	8,694	-	(84)	8,610	-	-	-	-
	$ 54,435	$ 19	$ (183)	$ 54,271	$ 40,757	$ 88	$ (47)	$ 40,798

All investments with an unrealized loss as of December 31, 2014 are with continuous unrealized losses for less than 12 months.

NOTE 4:- FAIR VALUE MEASUREMENTS

In accordance with ASC No. 820, the Company measures its cash equivalents, marketable securities and foreign currency derivative instruments at fair value. Cash equivalents and available for sale marketable securities are classified within Level 1 or Level 2. This is because these assets are valued using quoted market prices or alternative pricing sources and models utilizing market observable inputs.

U.S. dollars in thousands, except share and per share data

NOTE 4:- FAIR VALUE MEASUREMENTS (Cont.)

The Company's financial assets measured at fair value on a recurring basis, including accrued interest components, consisted of the following types of instruments as of December 31, 2014 and 2013, respectively:

	As of December 31, 2014			
	Fair value measurements using input type			
	Level 1	Level 2	Level 3	Total
Available-for-sale marketable securities	$ -	$ 54,271	$ -	$ 54,271
Foreign currency derivative contracts	-	(899)	-	(899)
Total financial assets	$ -	$ 53,372	$ -	$ 53,372

	As of December 31, 2013			
	Fair value measurements using input type			
	Level 1	Level 2	Level 3	Total
Available-for-sale marketable securities	$ -	$ 40,798	$ -	$ 40,798
Foreign currency derivative contracts	-	264	-	264
Total financial assets	$ -	$ 41,062	$ -	$ 41,062

NOTE 5:- DERIVATIVE INSTRUMENTS

The Company enters into hedge transactions with a major financial institution, using derivative instruments, primarily forward contracts and options to purchase and sell foreign currencies, in order to reduce the net currency exposure associated with anticipated expenses (primarily salaries and related expenses that are designated as cash flow hedges) in currencies other than U.S. dollar, and forecasted revenues denominated in Euro. The net loss (income) recognized in "Financial income, net" during the years ended December 31, 2014, 2013 and 2012 was $ 2,144, $ 181 and $ (231), respectively.

The Company currently hedges such future exposures for a maximum period of one year. However, the Company may choose not to hedge certain foreign currency exchange exposures for a variety of reasons, including but not limited to immateriality, accounting considerations and the prohibitive economic cost of hedging particular exposures. There can be no assurance the hedges will offset more than a portion of the financial impact resulting from movements in foreign currency exchange rates.

U.S. dollars in thousands, except share and per share data

NOTE 5:- DERIVATIVE INSTRUMENTS (Cont.)

The Company records all derivatives on the consolidated balance sheets at fair value in accordance with ASC No. 820 at Level 2. The effective portions of cash flow hedges are recorded in other comprehensive income (loss) until the hedged item is recognized in earnings. The ineffective portions of cash flow hedges are adjusted to fair value through earnings in financial income, net. The Company does not enter into derivative transactions for trading purposes.

The Company had a net unrealized gain (loss) associated with cash flow hedges of $ (1,456) and $ 325 recorded in other comprehensive income (loss) as of December 31, 2014 and 2013, respectively.

As of December 31, 2014 and 2013, the Company had outstanding forward contracts in the amount of $ 42,799 and $ 14,904, respectively.

The fair value of the outstanding foreign exchange contracts recorded by the Company on its consolidated balance sheets as of December 31, 2014 and 2013, as assets and liabilities is as follows:

Foreign exchange forward and options contracts	Balance sheet	December 31, 2014	December 31, 2013
Fair value of foreign exchange forward contracts	Other receivables and prepaid expenses	41	325
Fair value of foreign exchange forward contracts	Accrued expenses	(1,497)	-
Total derivatives designated as hedging instruments		(1,456)	$ 325

Gain or loss on the derivative instruments, which partially offset the foreign currency impact from the underlying exposures, reclassified from other comprehensive income (loss) to operating expenses for the years ended December 31, 2014 and 2013 were $ 717 and $ 2,995, respectively.

Non-designated hedges:

The Company also uses foreign currency forward contracts to mitigate variability in gains and losses generated from the re-measurement of certain monetary assets and liabilities denominated in foreign currencies. These derivatives do not qualify for special hedge accounting treatment. These derivatives are carried at fair value with changes recorded in financial income, net. Changes in the fair value of these derivatives are largely offset by re-measurement of the underlying assets and liabilities. Cash flows from such derivatives are classified as operating activities. The derivatives have maturities of approximately twelve months. During 2013 and 2014, the Company’s transactions were $ 5,645 and $ 17,580, respectively.

U.S. dollars in thousands, except share and per share data

NOTE 6:- OTHER RECEIVABLES AND PREPAID EXPENSES

	December 31,	
	2014	2013
Prepaid expenses	$ 1,920	$ 5,815
Government authorities	1,918	968
Short-term lease deposits	136	282
Foreign currency derivative contracts	676	325
Loan to third-party (1)	607	-
Grants receivable from the OCS	41	94
Others	85	162
	$ 5,383	$ 7,646

(1) Represents a loan granted on January 1, 2014 to Optenet in the total amount of € 2,000, of which an amount of $ 1,215 is presented in non-current other assets as of December 31, 2014. The loan is being settled in equal payments in the amount of € 125 per quarter, and bears an annual interest rate of Eurobor + 5%.

NOTE 7:- INVENTORIES

	December 31,	
	2014	2013
Raw materials	$ 1,796	$ 3,693
Finished goods	8,313	10,105
	$ 10,109	$ 13,798

As of December 31, 2014 and 2013, the finished products line item above includes deferral of the cost of goods sold for which revenue was not yet recognized in the amount of approximately $ 1,336 and $ 3,436, respectively.

U.S. dollars in thousands, except share and per share data

NOTE 8:- PROPERTY AND EQUIPMENT, NET

	December 31,	
	2014	2013
Cost:		
Lab equipment	$ 11,366	$ 9,967
Computers and peripheral equipment	18,200	17,405
Office furniture and equipment	847	675
Leasehold improvements	1,056	674
	31,469	28,721
Accumulated depreciation:		
Lab equipment	8,089	6,676
Computers and peripheral equipment	16,418	15,293
Office furniture and equipment	463	398
Leasehold improvements	542	480
	25,512	22,847
Depreciated cost	$ 5,957	$ 5,874

Depreciation expense for the years ended December 31, 2014, 2013 and 2012 was $ 3,308, $ 3,423 and $ 3,120, respectively.

NOTE 9:- INTANGIBLE ASSETS, NET

a. The following table shows the Company's intangible assets for the periods presented:

	Weighted average remaining useful life	December 31,	
		2014	2013
Original Cost:			
Technology	5.3	$ 10,725	$ 10,725
Backlog	0.5	1,491	1,491
Customer relationships	1.5	899	899
		$ 13,115	$ 13,115
Accumulated amortization:			
Technology	5.3	$ 3,592	$ 2,103
Backlog	0.5	1,437	1,330
Customer relationships	1.5	537	275
		$ 5,566	$ 3,708
Amortized cost		$ 7,549	$ 9,407

b. Amortization expense for the years ended December 31, 2014, 2013 and 2012 was $ 1,858, $ 2,915 and $ 1,947, respectively.

U.S. dollars in thousands, except share and per share data

NOTE 9:- INTANGIBLE ASSETS, NET (Cont.)

c. Estimated amortization expense for the years ending:

Year ending December 31,	
2015	1,772
2016	1,621
2017	1,489
2018	1,452
Thereafter	1,215
Total	7,549

NOTE 10:- OTHER PAYABLES AND ACCRUED EXPENSES

	December 31,	
	2014	2013
Accrued expenses	$ 3,241	$ 3,806
Foreign currency derivative contracts	1,575	61
Accrued taxes	384	824
Advances from customers	1,853	53
Others	234	33
	$ 7,287	$ 4,777

NOTE 11:- COMMITMENTS AND CONTINGENT LIABILITIES

a. Royalties:

The Company receives research and development grants from the OCS. Until the end of 2012, the Company was participating in programs sponsored by the Israeli Government for the support of research and development activities. As part of this program the Company is obligated to pay royalties to the OCS, amounting to 3.5% of the sales of the sponsored products, up to 100% of the grants received, linked to the U.S. dollar and for grants received after January 1, 1999 also bearing interest at the rate of LIBOR. The obligation to pay these royalties is contingent upon actual sales of products of the Company and in the absence of such sales no payment is required.

U.S. dollars in thousands, except share and per share data

NOTE 11:- COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

During December 2012, the Company recorded a liability for the early payment of $ 15,886 due to settlement with the Israeli Office of Chief Scientist (OCS), representing the full balance of the contingent liability related to grants received (including interest), which was fully paid during 2013. Upon making this payment and additional $ 250 remaining balance, the Company eliminated all future royalty obligations related to its anticipated revenues. These expenses were included in the cost of revenues in the consolidated statement of comprehensive loss. For the years ended December 31, 2014, 2013 and 2012, the royalties expense paid and accrued, as part of the Company's cost of revenues, was $ 0, $ 250 and $ 17,703 respectively.

From 2013, the Company is qualified to participate in an approved program with the OCS for companies with large research and development activities and a certain threshold of revenues. Under this program, the Company is eligible to receive grants that do not require repayments.

b. Lease commitments:

In March 2013, the Company signed an agreement to rent offices for an average period of five years, starting July 2013. The total rental expenses are approximately $ 155 per month.

The U.S. subsidiary has an operating lease for office facilities in Woburn, Massachusetts and in San Diego, California, the leases expire on August 31, 2019 and on April 30, 2018, respectively. The Company's subsidiaries maintain smaller offices in South Africa, China, Singapore, Japan, New Zealand, UK and various locations in Europe.

In addition, the Company has operating lease agreements for its motor vehicles, which terminate in 2015 through 2016.

Operating leases (offices and motor vehicles) expense for the years ended December 31, 2014, 2013 and 2012 was $ 3,155, $ 3,273 and $ 2,345, respectively.

As of December 31, 2014, the aggregate future minimum lease obligations (offices and motor vehicles) under non-cancelable operating leases agreements were as follows:

Year ending December 31,	
2015	$ 2,668
2016	2,171
2017	1,917
2018	883
Thereafter	100
Total	$ 7,739

U.S. dollars in thousands, except share and per share data

NOTE 11:- COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

c. Major subcontractor:

The Company currently depends on one subcontractor to manufacture and provide hardware, warranty and support for its traffic management systems. If the subcontractor experiences delays, disruptions, quality control problems or a loss in capacity, shipments of products may be delayed and the Company's ability to deliver products could be materially adversely affected. Certain hardware components for the Company's products come from single or limited sources, and the Company could lose sales if these sources fail to satisfy its supply requirements. In the event that the Company terminates its business connection with the subcontractor, it will have to compensate the subcontractor for certain inventory costs, as specified in the agreement with the subcontractor.

NOTE 12:- SHAREHOLDERS' EQUITY

a. Company's shares:

As of December 31, 2014, the Company's authorized share capital consists of NIS 20,000,000 divided into 200,000,000 Ordinary Shares, par value NIS 0.1 per share. Ordinary Shares confer on their holders the right to receive notice to participate and vote in general meetings of the Company, the right to a share in the excess of assets upon liquidation of the Company, and the right to receive dividends, if declared.

b. Stock option plan:

A summary of the Company's stock option activity, pertaining to its option plans for employees and related information is as follows:

	Year ended December 31,					
	2014		2013		2012	
	Number of shares upon exercise	Weighted average exercise price	Number of shares upon exercise	Weighted average exercise price	Number of shares upon exercise	Weighted average exercise price
Outstanding at beginning of year	2,875,003	$ 12.02	2,709,910	$ 11.03	3,164,090	$ 5.90
Granted	572,533	$ 11.93	749,255	$ 11.74	1,301,455	$ 8.11
Forfeited	(562,787)	$ 17.02	(254,290)	$ 11.64	(158,718)	$ 12.15
Exercised	(353,368)	$ 4.18	(329,872)	$ 2.83	(1,596,917)	$ 3.72
Outstanding at end of year	2,531,381	$ 11.99	2,875,003	$ 12.02	2,709,910	$ 11.03
Exercisable at end of year	1,440,143	$ 11.75	1,364,620	$ 10.38	819,869	$ 6.62
Vested and Expected to Vest	1,950,116	$ 11.97	2,117,348	$ 11.65	1,686,435	$ 9.86

U.S. dollars in thousands, except share and per share data

NOTE 12:- SHAREHOLDERS' EQUITY (Cont.)

The aggregate intrinsic value represents the total intrinsic value (the difference between the Company's closing stock price on the last trading day of the fiscal year 2014 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2014. This amount may change based on the fair market value of the Company's stock. The total intrinsic value of options outstanding at December 31, 2014, was $ 4,085. The total intrinsic value of exercisable options at December 31, 2014 was approximately $ 2,983. The total intrinsic value of options vested and expected to vest at December 31, 2014 was approximately $ 3,436.

The total intrinsic value of options exercised during the year ended December 31, 2014 was approximately $ 1,901. The number of options vested during the year ended December 31, 2014 was 428,828. The weighted-average remaining contractual life of the outstanding options as of December 31, 2014 is 7.26 years. The weighted-average remaining contractual life of exercisable options as of December 31, 2014 is 6.07 years.

The options outstanding as of December 31, 2014, have been classified by exercise price, as follows:

Exercise price	Shares upon exercise of options outstanding as of December 31, 2014	Weighted average remaining contractual life	Shares upon exercise of options exercisable as of December 31, 2014
		Years	
$ 23.31-27.58	214,819	6.43	143,636
$ 16.20-17.07	335,241	6.84	209,283
$ 10.16-15.43	1,287,222	8.29	513,493
$ 5.25-9.25	214,958	5.59	214,958
$ 0.03-4.95	479,141	5.90	358,773
	2,531,381		1,440,143

U.S. dollars in thousands, except share and per share data

NOTE 12:- SHAREHOLDERS' EQUITY (Cont.)

The following provides a summary of the restricted stock unit activity for the Company for the year ended December 31, 2014:

	Number of Shares Underlying Outstanding Restricted Stock Units	Weighted-Average Grant Date Fair Value
Outstanding as of January 1, 2014	14,208	$ 13.57
Granted	561,873	$ 12.96
Vested	(89,437)	$ 14.68
Forfeited	(41,380)	$ 15.13
Unvested as of December 31, 2014	445,264	$ 12.43

As of December 31, 2014, $ 9,312 and $ 4,500 unrecognized compensation cost related to stock options and RSUs respectively is expected to be recognized over a weighted average vesting period of 2.13 years.

The Company has two option plans under which outstanding options as of December 31, 2014, are as follows: (i) under the 2003 option plan, the outstanding options are exercisable for 2,183 Ordinary shares, and (ii) under the 2006 option plan, the outstanding options and RSUs are exercisable for 2,529,198 and 445,264 Ordinary shares respectively.

Under the terms of the above option plans, options may be granted to employees, officers, directors and various service providers of the Company and its subsidiaries. The options generally become exercisable quarterly over a four-year period, commencing one year after date of the grant, subject to the continued employment of the employee. The options generally expire no later than ten years from the date of the grant. The exercise price of the options at the date of grant under the plans may not be less than the nominal value of the shares into which such options are exercised, any options, which are forfeited or cancelled before expiration, become available for future grants. As of December 31, 2014, 209,833 Ordinary shares are available for future issuance under the option plans.

In 2014 and 2013 the Company granted 8,333 and 60,130 options respectively to Israeli employees with an exercise price of $ 0.03, which was lower than the trading price of the Company's Ordinary Shares quoted on the NASDAQ Global Select Market on the date of the grants.

In addition to granting stock options, the Company granted 561,873 and 14,969 RSUs in 2014 and 2013, respectively under the 2006 option plan. RSUs vest over a four year period subject to the continued employment of the employee. RSUs that are cancelled or forfeited become available for future grants.

NOTE 13:- TAXES ON INCOME

a. Corporate tax rates:

The Israeli corporate tax rate was 25% in 2012 and 2013.

On July 30, 2013, the Israeli Parliament passed a law, which, among other things, was designated to increase the tax levy (the "New Law"). The New Law increases the Israeli corporate tax rate commencing in 2014 from 25% to 26.5%. However, the effective tax rate payable by a company that derives income from an Approved Enterprise, a Preferred Enterprise or a Beneficiary Enterprise (as discussed below) may be considerably less. Capital gains derived by an Israeli company are generally subject to the prevailing corporate tax rate.

b. Foreign Exchange Regulations:

Commencing in taxable year 2013, the Company has elected to measure its taxable income and file its tax return under the Israeli Income Foreign Tax Regulations. Under the Foreign Exchange Regulations, an Israeli company must calculate its tax liability in U.S. Dollars according to certain orders. The tax liability, as calculated in U.S. Dollars is translated into NIS according to the exchange rate as of December 31st of each year.

c. Tax benefits under Israel's law for the Encouragement of Capital Investments, 1959 ("the Law"):

In 1998, the production facilities of the Company related to its computational technologies were granted the status of an "Approved Enterprise" under the Law. In 2004, expansion program was granted the status of "Approved Enterprise". According to the provisions of the Law, the Company has elected the alternative package of benefits and has waived Government grants in return for tax benefits. The period of tax benefits, detailed above, is limited to the earlier of 12 years from the commencement of production, or 14 years from the approval date.

According to the provisions of the Law, the Company's income is tax-exempt for a period of two years commencing with the year it first earns taxable income, and subject to corporate taxes at the reduced rate of 10% to 25%, for an additional period of five to eight years depending upon the level of foreign ownership of the Company. As of December 31, 2014, the benefit period of tax benefit is expected to be commenced, since the Company expects to profitable for tax purposes (tax-exempt for the first two years).

The Law was significantly amended effective April 1, 2005 ("the Amendment"). The Amendment includes revisions to the criteria for investments qualified to receive tax benefits as a Beneficiary Enterprise and among other things, simplifies the approval process. The Amendment applies to new investment programs. Therefore, investment programs commencing after December 31, 2004, do not affect the approved programs of the Company.

NOTE 13:- TAXES ON INCOME (Cont.)

In addition, the Law provides that terms and benefits included in any letter of approval already granted will remain subject to the provisions of the Law as they were on the date of such approval. Therefore, the Company's existing Approved Enterprise will generally not be subject to the provisions of the Amendment. The Company elected 2006 and 2009 as "year of election" under the Amendment.

The entitlement to the above benefits is contingent upon the fulfillment of the conditions stipulated in the Law, regulations published there under and the criteria set forth in the specific letters of approval. In the event of failure to comply with these conditions, the benefits may be canceled and the Company may be required to refund the amount of the benefits, in whole or in part, including interest and linked to changes in the Israeli CPI. As of December 31, 2014, management believes that the Company is meeting the aforementioned conditions.

If the Company pays a dividend out of income derived from the Approved and Beneficiary Enterprise during the tax exemption period, it will be subject to corporate tax in respect of the gross amount distributed, including any taxes thereon, at the rate which would have been applicable had it not enjoyed the alternative benefits, generally 10%-25%, depending on the percentage of the Company's Ordinary shares held by foreign shareholders. The dividend recipient is subject to withholding tax at the rate of 15% applicable to dividends from approved enterprises, if the dividend is distributed during the tax exemption period or within twelve years thereafter. The Company currently has no plans to distribute dividends and intends to retain future earnings to finance the development of its business.

Income from sources other than the "Approved and Beneficiary Enterprise" during the benefit period will be subject to tax at the regular corporate tax rate.

As of January 1, 2011 new legislation amending to the Investment Law came into effect (the "2011 Amendment"). The 2011 Amendment introduced a new status of "Preferred Company" and "Preferred Enterprise", replacing the existed status of "Beneficiary Company" and "Beneficiary Enterprise". Similarly to "Beneficiary Company", a Preferred Company is an industrial company owning a Preferred Enterprise which meets certain conditions (including a minimum threshold of 25% export). However, under this new legislation the requirement for a minimum investment in productive assets was cancelled.

Under the 2011 Amendment, a uniform corporate tax rate will apply to all qualifying income of the Preferred Company, as opposed to the former law, which was limited to income from the Approved Enterprises and Beneficiary Enterprise during the benefits period. The uniform corporate tax rate will be 7% in areas in Israel designated as Development Zone A and 12.5% elsewhere in Israel during 2013, 9% in development Zone A and 16% elsewhere in Israel, respectively, in 2014. The Company operates outside of Zone A and is subject to 16% tax rate in 2014.

U.S. dollars in thousands, except share and per share data

NOTE 13:- TAXES ON INCOME (Cont

A dividend distributed from income which is attributed to a Preferred Enterprise/Special Preferred Enterprise will be subject to withholding tax at source at the following rates: (i) Israeli resident corporation – 0%, (ii) Israeli resident individual – 15% in 2013 and 20% as of 2014 (iii) non-Israeli resident - 15% in 2013 and 20% as of 2014 subject to a reduced tax rate under the provisions of an applicable double tax treaty.

Under the transition provisions of the new legislation, the Company may decide to irrevocably implement the new law while waiving benefits provided under the current law or to remain subject to the current law.

e. Tax benefits under the law for the Encouragement of Industry (Taxes), 1969 (the "Encouragement Law"):

The Encouragement Law, provides several tax benefits for industrial companies. An industrial company is defined as a company resident in Israel, at least 90% of the income of which in a given tax year exclusive of income from specified Government loans, capital gains, interest and dividends, is derived from an industrial enterprise owned by it. An industrial enterprise is defined as an enterprise whose major activity in a given tax year is industrial production activity.

Management believes that the Company is currently qualified as an "industrial company" under the Encouragement Law and as such, enjoys tax benefits, including: (1) deduction of purchase of know-how and patents and/or right to use a patent over an eight-year period; (2) the right to elect, under specified conditions, to file a consolidated tax return with additional related Israeli industrial companies and an industrial holding company; (3) accelerated depreciation rates on equipment and buildings; and (4) expenses related to a public offering on the Tel-Aviv Stock Exchange and on recognized stock markets outside of Israel, are deductible in equal amounts over three years.

Eligibility for benefits under the Encouragement Law is not subject to receipt of prior approval from any Governmental authority. No assurance can be given that the Israeli tax authorities will agree that the Company qualifies, or, if the Company qualifies, then the Company will continue to qualify as an industrial company or that the benefits described above will be available to the Company in the future.

f. Pre-tax income (loss) is comprised as follows:

	Year ended December 31,		
	2014	2013	2012
Domestic	$ (3,792)	$ (6,556)	$ (2,372)
Foreign	1,345	219	(5,292)
	$ (2,447)	$ (6,337)	$ (7,664)

U.S. dollars in thousands, except share and per share data

NOTE 13:- TAXES ON INCOME (Cont.)

g. A reconciliation of the theoretical tax expenses (benefit), assuming all income is taxed at the statutory tax rate applicable to the income of the Company and the actual tax expenses (benefit) is as follows:

	Year ended December 31,		
	2014	2013	2012
Loss before taxes on income	$ (2,447)	$ (6,337)	$ (7,664)
Theoretical tax expense computed at the Israeli statutory tax rate (26.5%, 25% and 25% for the years 2014, 2013 and 2012, respectively)	$ (649)	$ (1,584)	$ (1,916)
Changes in valuation allowance	(1,279)	931	(1,554)
Increase (decrease) in losses and temporary differences due to change in Israeli corporate " and Approved Enterprise" tax	(49)	3,056	(7,073)
Increase (decrease) in valuation allowance related to losses and temporary differences due to change in Israeli corporate " and Approved Enterprise" tax	49	(3,056)	7,073
Taxes with respect to prior years	-	-	2
Increase in deferred tax assets related to losses and temporary differences due to changes in tax rates and different basis of measurement	562	(594)	-
Non-deductible expenses and other	(415)	(223)	1,699
Non-deductible share-based compensation expense	1,831	1,590	833
Exchange rate differences	-	-	10
Actual tax expense (benefit)	$ 50	$ 120	$ (926)

U.S. dollars in thousands, except share and per share data

NOTE 13:- TAXES ON INCOME (Cont.)

h. Income tax expense (tax benefit) is comprised as follows:

	Year ended December 31,		
	2014	2013	2012
Current taxes (benefit)	$ 612	$ 408	$ (2)
Deferred taxes (benefit)	(562)	(288)	(926)
Taxes in respect of prior years	-	-	2
	$ 50	$ 120	$ (926)

i. Net operating losses carry forward:

The Company has accumulated net operating losses for tax purposes as of December 31, 2014, in the amount of approximately $ 39,000, which may be carried forward and offset against taxable income in the future for an indefinite period. In December 2014, the Israeli Tax Authorities approved a final tax ruling with respect to the Company's acquisition of Oversi. According to the ruling, the net operating losses may be offset against taxable income annually with a limitation of up to 14% of the total accumulated losses but no more than 50% of the Company's taxable income. In addition, the Company has accumulated capital losses for tax purposes as of December 31, 2014, in the amount of approximately $ 27,316, which may be carried forward and offset against taxable capital gains in the future for an indefinite period, but are limited as stated above. Management currently believes that since the Company has a history of losses, and uncertainty with respect to future taxable income, it is more likely than not that some of the deferred tax assets regarding the loss carry forwards will not be utilized in the foreseeable future. Thus, a valuation allowance was provided to reduce deferred tax assets to their realizable value.

The U.S. subsidiary has accumulated losses for U.S. federal income tax return purposes of approximately $ 2,778. The federal accumulated losses for tax purposes expire between 2024 and 2032. The state accumulated losses for tax purposes begin to expire in 2014. An amount of $ 1,519 of the net operating loss carry-forwards relates to excess tax deductions from stock options.

Such losses are subject to limitations of Internal Revenue Code, Section 382, which in general provides that utilization of net operating losses is subject to an annual limitation if an ownership change results from transactions increasing the ownership of certain shareholders or public groups in the stock of a corporation by more than 50 percentage points over a three-year period. The annual limitations may result in the expiration of losses before utilization.

The European subsidiary is subject to French income taxes and has a net operating loss carry forward amounting as of December 31, 2014 to approximately $ 4,441, which may be carried forward and offset against taxable gains in the future for an indefinite period.

U.S. dollars in thousands, except share and per share data

NOTE 13:- TAXES ON INCOME (Cont.)

j. Deferred income taxes:

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred income taxes are as follows:

	December 31,	
	2014	2013
Deferred tax assets:		
Operating and capital loss carryforwards	$ 13,103	$ 14,567
Reserves and allowances	1,183	785
Deferred tax asset before valuation allowance	14,286	15,352
Valuation allowance	(11,408)	(12,736)
Net deferred tax asset	2,878	2,616
Deferred tax liability	(309)	(609)
Net deferred tax asset	$ 2,569	$ 2,007

k. As of December 31, 2014 and 2013, the provision in respect of ASC 740 was $ 279 and $ 174, respectively. The accrued interest and penalties related to the provision in income taxes is immaterial.

The Company conducts business globally and, as a result, the Company or one or more of its subsidiaries file income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world, including such major jurisdictions as Israel, France, and the United States. With few exceptions, the Company is no longer subject to Israeli final tax assessment through the year 2010 and the European and U.S. subsidiaries have final tax assessments through 2010.

U.S. dollars in thousands, except share and per share data

NOTE 14:- GEOGRAPHIC INFORMATION

Allot operates in a single reportable segment. Revenues are based on the location of the Company's channel partners which are considered as end customers, as well as direct customers of the Company:

	Year ended December 31,		
	2014	2013	2012
Europe	$ 41,238	$ 35,143	$ 39,655
Asia and Oceania	41,990	29,909	21,953
Middle East and Africa	15,352	4,820	10,565
United States of America	15,307	21,350	24,674
Americas (excluding United States of America)	3,299	5,323	7,905
	$ 117,186	$ 96,545	$ 104,752

The following are the Company’s major customers:

	Year ended December 31,		
	2014	2013	2012
Customer A	27%	17%	14%
Customer B	17%	17%	-
Customer C	-	11%	-
	44%	45%	14%

The following presents total long-lived assets as of December 31, 2014 and 2013:

	December 31,	
	2014	2013
Long-lived assets:		
Israel	$ 5,603	$ 4,680
United States of America	181	987
Other	173	207
	$ 5,957	$ 5,874

U.S. dollars in thousands, except share and per share data

NOTE 15:- FINANCIAL INCOME, NET

	Year ended December 31,		
	2014	2013	2012
Financial income:			
Interest income	$ 1,900	$ 1,358	$ 1,746
Financial expenses:			
Exchange rate differences and other	174	47	176
Amortization/accretion of premium/discount on marketable securities, net	1,066	584	212
	$ 660	$ 727	$ 1,358

NOTE 16:- EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted net earnings (loss) per share:

	Year ended December 31,		
	2014	2013	2012
Numerator:			
Net loss	$ (2,497)	$ (6,457)	$ (6,738)
Denominator:			
Weighted average number of shares outstanding used in computing basic net earnings per share	33,143,168	32,680,766	31,959,921
Dilutive effect: stock options	-	-	-
Total weighted average number of shares used in computing diluted net earnings per share	33,143,168	32,680,766	31,959,921
Basic and diluted net loss per share	$ (0.08)	$ (0.20)	$ (0.21)

The following numbers of shares were excluded from the computation of diluted net less per ordinary share for the periods presented because including them would have had an anti-dilutive effect:

	Year ended December 31,		
	2014	2013	2012
Ordinary shares	2,300,425	2,018,751	1,009,012

NOTE 17:- SUBSEQUENT EVENTS

In February 2015, the Company signed an Asset Purchase Agreement to acquire certain assets of Optenet SA. ("Optenet") a developer of security solutions for internet providers and enterprises. Under the terms of the Asset Purchase Agreement, the Company will acquire the assets of Optenet for approximately $6.7 million (€5.9 million) in cash, plus a deferred and contingent purchase price. The deferred purchase price consists of $5.7 million (€5 million) in cash to be paid over two years following the acquisition. In addition, there will be a performance-based earn-out over a period of five years. The performance-based earn-out is capped at approximately $25.6 million (€22.5 million) and is contingent upon reaching certain revenues threshold from sale of Optenet products. The transaction closing date occurred on March 23, 2015.

Exhibit 4.8

Final Execution Version

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ASSET PURCHASE AGREEMENT

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among

OPTENET, S.A.

ALLOT COMMUNICATIONS SPAIN, S.L.U.

and

ALLOT COMMUNICATIONS LTD.

Dated as of February 19, 2015

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*In accordance with Regulation S-K, certain of the schedules listed above have been omitted; Allot Communications Ltd. agrees to furnish supplementally a copy of any omitted schedule to the Securities and Exchange Commission, upon request.

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this "Agreement") is entered into as of February 19, 2015 by and among:

(A) Optenet, S.A., a Spanish corporation with registered office in Oiarzun (Guipúzcoa), Astigarragako Bidea, número 2, Edificio de Oficinas Mamut, holder of the Spanish Taxpayer Identification Number A20595500 and recorded before the Commercial Registry of Guipúzcoa under Volume 1,645, Sheet 204, Page SS-13,061, Entry 1, transformed into a corporation on October 2, 2000, registered such transformation before the Commercial Registry of Guipúzcoa, under Volume 1,645, Book 0, Sheet 206, Section 8, Page SS-13,061, Entry 6, and changed its corporate name into the current one, which was registered before the Commercial Registry of Guipúzcoa, under Volume 1,991, Page 88, Section 8, Sheet SS13,061, Entry 11 (the "Seller"), represented herein by Mr. Francisco-Alfonso Bernal San Miguel, of legal age, of Spanish nationality, with address for this purpose in José Echegaray nº 8, Edificio 3, 1st Floor, Unit 1, Parque Empresarial Alvia, 28230 Las Rozas, Madrid, Spain, bearer of the ID card number 51.979365-D, in his capacity as President of the company and attorney in fact, with sufficient authority for these purposes.

(B) Allot Communications Spain, S.L.U, Sole Shareholder Company, a Spanish corporation with registered office in (Pozuelo de Alarcón) Madrid, Vía de las Dos Castillas, 9-1, portal 2, 2º B, holder of the Spanish Taxpayer Identification Number B-87204517 and recorded within the Commercial Registry of Madrid under Volume 33309, Sheet 140, Page M-594768 (the "Purchaser") represented herein by Mr. Tomás Gómez Rodríguez de Acuña, of legal age, of Spanish nationality, with address for this purpose in (Pozuelo de Alarcón) Madrid, Vía de las Dos Castillas, 9-1, portal 2, 2º B, bearer of the ID card number 54041507V, in his capacity as Sole Director, with sufficient authority for these purposes.

(C) Allot Communications Ltd., an Israeli public company (the "Parent" and, together with the Purchaser, the "Purchasers"), with registered office in 22 Hanagat Street, Hod Hasharon, Israel holder of the Spanish Taxpayer Identification Number N-6241190-E and recorded within the Commercial Registry of the State of Israel under number 51-239477-6, represented herein by Mr. Andrei Elefant, of legal age, of Israeli nationality, with address for this purpose in 22 Hanagar Street, Hod Hasharon, Israel, bearer of the ID card number 17676578 of his nationality, in his capacity as CEO & President, with sufficient authority for these purposes.

WHEREAS, the Seller is engaged in the business of developing, marketing, distributing, and selling high-performance IT security solutions to telecommunication service providers and large enterprises as well as it has certain platforms that incorporate intangible assets and value added services to the telecommunication services providers' traffic and clients;

WHEREAS, the Seller wishes to sell to the Purchaser, and the Purchaser wishes to purchase from the Seller, certain of the Seller's assets that constitute an autonomous business unit, together with the transfer and assignment of employees, with the intention of Purchaser to keep operating the business, all upon the terms and subject to the conditions set forth in this Agreement;

WHEREAS, this Agreement is executed at the offices of the Public Notary of Madrid Mr. Antonio Pérez-Coca Crespo, and simultaneously notarized on the date hereof;

WHEREAS, simultaneously to the execution of this Agreement, the Seller has executed the Acquired IP Representation Deed (as this term is defined below);

NOW, THEREFORE, in consideration of the promises and the mutual agreements and covenants hereinafter set forth, and intending to be legally bound, the Seller and the Purchasers hereby agree as follows:

ARTICLE 1

DEFINITIONS

Section 1.1 Certain Defined Terms.

For purposes of this Agreement:

"Acquisition Documents" means this Agreement, the Ancillary Agreements and any schedule, exhibit, certificate, report or other public or private document delivered pursuant to this Agreement or any of the Ancillary Agreements or in connection with the transactions contemplated hereby or thereby.

"Action" means any claim, action, suit, arbitration, inquiry, proceeding or investigation by or before any Governmental Authority.

"Aggregate Total Consideration" means the Completion Consideration plus (i) any portion of the Earnout Amount earned by the Seller, minus (ii) any amounts paid by Seller in respect of indemnification Claims for Losses of the Indemnified Parties as provided in Article 12 hereof.

"Affiliate" means, with respect to any specified Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the specified Person.

"Ancillary Agreements" means the Assignment of Intellectual Property and Industrial Property Rights, Transaction Files and Website and the Novation Agreements.

"Assignment of Intellectual Property and Industrial Property Rights, Transaction Files and Website" means the lawful Assignment of Intellectual Property and Industrial Property Rights, the lawful change of Data Controller of the Transaction Files and the lawful assignment of the Websites to be executed by the Seller and the Purchaser at the Completion, in the form set forth in Schedule 3.2(c).

"Assigned Contracts Requiring Consent" means those Assigned Contracts which require consent from the counterparty for the purposes of completing their assignment by the Seller to the Purchaser, as expressly indicated in Schedule 2.1(a)(v).

"Business" means the activity of developing, marketing, distributing, and selling high-performance IT security solutions to telecommunication service providers and large enterprises as well as a platform to incorporate intangible assets and value added services to the telecommunication services providers' traffic and clients, through the use and operation of the Purchased Assets.

"Business Day" means any day that is not a Friday, a Saturday, a Sunday or any other day on which banks are required or authorized by Law to be closed in Tel Aviv (Israel) or in Madrid (Spain).

"Claims" means any and all administrative, regulatory, judicial or extrajudicial actions, suits, petitions, appeals, demands, demand letters, claims, liens, notices of noncompliance or violation, investigations, proceedings, consent orders or consent agreements.

"Completion Consideration" means Euros Five Million and Five Hundred Thousand (€5,500,000.00) in cash.

"Completion Date" has the meaning ascribed to it in Article 2.

"Consent" means any approval, consent, ratification, waiver or other authorization from, or notice to, any Person other than a Governmental Authority.

"Contract" means any agreement, note, mortgage, indenture, lease, sublease, deed of trust, license, purchase order, undertaking, arrangement or other contract, in each case, whether written or oral.

"Control" means, with respect to the relationship between two or more Persons, the possession, directly or indirectly or as trustee, personal representative or executor, of the power to direct or cause the direction of the affairs or management of a Person, whether through the ownership of voting securities or as trustee, personal representative or executor or by contract, credit arrangement or otherwise.

"Conveyance Taxes" means all sales, use, value added, transfer, stamp, stock transfer, real property transfer tax and similar Taxes.

"Copyrights" is defined in the definition of Intellectual Property.

"Data Controller" means the private individual or private or public legal person natural or legal person, public authority which decides on the purpose, content and use of the data processing. In this Agreement, Seller acts as Data Controller of its Transaction Files.

"Data Subjects" means the individual persons whose personal Data is processed by the Data Controller.

"Disclosure Schedule" means the Disclosure Schedule attached hereto as Schedule 1.1, dated as of the date hereof, delivered by the Seller to the Purchaser in connection with this Agreement.

"Domain Names" means all names to be transferred to the Purchaser and currently exploited by the Seller to indicate and identify the Acquired IP on the Internet as defined in Schedule 2.1(a)(iii).

"Due Diligence" means all the information and documentation relating to the Seller, the Business and the Purchased Assets, that the Seller has made available to the Purchasers and their professional advisors in order for the Purchasers to carry out a commercial, economical, insurance, financial, tax, legal and operational due diligence review. Simultaneously to the execution of this Agreement, the Seller has deposited within the notary public of Madrid raising into public this Agreement, by means of a notarial affidavit of deposit (*acta notarial de depósito*), a digital device which includes all (and only) the information and documentation made available to the Purchasers and their advisors during the Due Diligence process.

"Earnout Amount" means an amount of up to Euros Twenty Five Million (€25,000,000.00).

"Earnout Payment" shall have the meaning ascribed to it in the Earnout Schedule.

"Employee Program" means: (i) an employee benefit plan; (ii) (a) bonus commissions or incentive award plans (b) severance pay plans different from the legally applicable severance regime, programs or arrangements, (c) deferred compensation arrangements or agreements, (d) special executive compensation plans, or programs, (e) change in control plans, programs or arrangements, and (f) vacation plans different from those legally applicable, and all other employee benefit plans, agreements, and arrangements, not described in (ii) above; and (iii) other plans or arrangements providing compensation to employee and non-employee directors.

"Encumbrance" means any security interest, pledge, hypothecation, mortgage, lien (including environmental and tax liens), violation, charge, lease, license, encumbrance, easement, adverse claim, reversion, reverter, preferential arrangement, restrictive covenant, condition or restriction of any kind, including any restriction on the use, voting, transfer, receipt of income or other exercise of any attributes of ownership.

"Environmental Claim" means any Action, demand letter, request for information, lien, notice of non-compliance or violation, notice of liability, notice of responsibility, consent order or consent agreement made under or in accordance with any Environmental Law or Environmental Permit.

"Environmental Law" means any Law in effect as of the date hereof, including any legally enforceable judicial or administrative order, consent decree or judgment, to the extent relating to pollution, damage to or protection of the environment, natural resources or exposure of any Person to Hazardous Materials, including but not limited to Laws relating to emissions, discharges, releases or threatened releases of Hazardous Materials into the environment (including but not limited to soil, sediment, ambient air, indoor air, surface water, groundwater, wetlands, land surface or subsurface), or relating to the manufacture, processing, distribution, use, treatment, storage, generation, disposal, transport or handling of any Hazardous Materials or the cleanup or remediation of any contamination.

"Environmental Permit" means any permit, approval, identification number, license, certificate, or other authorization of a Governmental Authority required under any applicable Environmental Law.

"Excluded Taxes" means (a) all Taxes relating to the Excluded Assets or Excluded Liabilities for any period, (b) all Taxes relating to the Purchased Assets or the Assumed Liabilities for any Pre-Completion Period, including any Taxes on Seller's income or capital gains arising from this Agreement, (c) all Conveyance Taxes of the Seller not derived from the transactions contemplated under this Agreement (for the avoidance of doubt, the Conveyance Taxes derived from the transactions contemplated in this Agreement shall be borne by the Purchaser as provided under clause 11.3 below) and (d) all Taxes imposed on the Purchaser as a result of any breach of warranty or misrepresentation under Section 6.23 (Taxes) below or any breach by the Seller of any covenant or agreement in this Agreement or any of the other Acquisition Documents relating to Taxes.

"GAAP" means generally accepted accounting principles in Spain, consistently applied.

"Governmental Authority" means any federal, national, supranational, state, provincial, local or similar government, governmental, regulatory or administrative authority, agency or commission or any court, tribunal, or judicial or arbitral body.

"Governmental Authorizations" means any licenses, permits, certificates, permissions, variances, clearances, qualifications, notifications, exemptions, classifications, registrations, franchises, approvals, orders or similar authorizations, or any waivers of the foregoing, issued, granted, given or otherwise made available by or under the authority of any Governmental Authority or pursuant to any Law, or filings with any Governmental Authority. For the purposes of this definition, any consent, authorization, approval or waiver related to the public aids listed in Section 2.2(b)(xiii) and the one mentioned in Section 9.9 shall not be considered as Governmental Authorizations.

"Hazardous Materials" means any chemical, material or substance defined or regulated as toxic, hazardous, a pollutant, or contaminant under any applicable Environmental Law, and includes petroleum and petroleum products, by-products or breakdown products, radioactive materials, asbestos containing materials and polychlorinated biphenyls ("PCBs").

"Included Receivables" means any and all amounts accrued by the Seller in accordance with GAAP, under a valid and enforceable Contract, in the ordinary course of business and in accordance with past practice with respect to Assigned Contracts from the customers of the Seller listed on Schedule 1.1bis, which amounts have not been invoiced as of two (2) Business Days prior to the Completion Date. As of January 31, 2015, the amount of such receivables was as shown on Schedule 1.1bis. Such Schedule shall be updated as of two (2) Business Days prior to Completion Date and attached to the Completion Deed as new Schedule 1.1ter. For the avoidance of doubt, the Parties acknowledge and accept that the receivable against the customer Internexa, S.A., E.S.P. indicated in Schedule 1.1bis results from the award of a public tender which has not yet been formalized as a Contract, but shall nonetheless be an Included Receivable.

The receivables indicated in Schedule 1.1bis shall be Included Receivables and be subject to section 9.6 below irrespective of whether the underlying Assigned Contract out of which the receivable arises is formally assigned to the Purchaser or not, only as a consequence of lack of consent by the contractual counterparty to such Assigned Contracts requiring consent for their assignment.

"Indebtedness" means, with respect to any Person, (a) all indebtedness of that Person, whether or not contingent, for borrowed money received from any third party including but not limited to banking institutions, (b) all obligations of that Person for the deferred purchase price of property or services, (c) all obligations of that Person evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by that Person, (e) all obligations of that Person as lessee under leases that have been or should be recorded as capital leases in accordance with GAAP, (f) all obligations, contingent or otherwise, of that Person under acceptance, letter of credit or similar facilities, (g) all obligations of that Person to purchase, redeem, retire, defease or otherwise acquire for value any capital stock or other equity securities of that Person or any warrants, rights or options to acquire such capital stock or other equity securities, valued, in the case of redeemable preferred stock, at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends, (h) any payment obligations that are properly classified as such under GAAP with respect to which the Seller is liable, contingently or otherwise, (i) all Indebtedness of other Persons of any type referred to in items (a) through (h) above guaranteed directly or indirectly in any manner by that Person, and (j) all Indebtedness of any type referred to in items (a) through (h) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by any Encumbrance on property (including accounts and contract rights) owned by that Person, even though that Person has not assumed or become liable for the payment of such Indebtedness. All of the foregoing shall not include commercial accounts payable in the ordinary course of business.

"Intellectual Property and Industrial Property Rights" means any or all of the following throughout the world, and during the maximum legal term and free and clear of any lien, security interest, pledge, mortgage, easement, leasehold, license, assessment, tax, covenant, reservation, conditional sale, prior assignment, or any other encumbrance, claim, burden or charge of any nature whatsoever, other than rights of third parties pursuant to Seller's Licenses Out: (i) all patents and applications therefor and all reissues, divisions, renewals, extensions, provisionals, continuations and continuations-in-part thereof ("Patents"); (ii) all inventions (whether patentable or not), invention disclosures and improvements; and any valuable business and/or commercial, proprietary or confidential information, data, know-how and technology ("Trade Secrets"); (iii) all copyrights in both published and unpublished works of authorship, including all compilations, databases, computer programs, content and manuals and other documentation, and registrations and applications for any of the foregoing ("Copyrights"); (iv) all corporate names, trade names, logos, trademarks and service marks, trademark and service mark registrations and applications ("Trademarks"); internet domain names ("Domain Names"); and (v) all other intellectual and industrial property Rights of any sort throughout the world, and all applications, registrations and the like with respect thereto ("IP Rights").

"Interim Period" has the meaning ascribed in Article 5.

"IP Rights" is defined in the definition of Intellectual Property and Industrial Property Rights.

"Knowledge of the Seller" and other words or phrases bearing on the knowledge or awareness of the Seller as to any specified matter will be deemed to mean to the knowledge of Alfonso Maillo, Isturiz Lazaro Juan Ignacio, Martin Abreu Francisco, Francisco Bernal San Miguel and Lizarraga Bonelli Juan Ignacio, in each case after due inquiry, and will be deemed to include such knowledge as a prudent individual could be expected to have in the course of conducting a reasonable investigation regarding the accuracy of any representation or warranty contained in this Agreement as of the date hereof and the Completion Date, as applicable.

"Knowledge of the Purchasers" and other words or phrases bearing on the knowledge or awareness of the Purchasers as to any specified matter will be deemed to mean to the knowledge of Andrei Elefant, Shmuel Arvatz, Rael Kolevsohn, Pini Gvili, Amir Hochbaum, Anat Shenig, Itai Weisman, Jay Klein, Rami Moriah, Maoz Sigron, Yaron Oppenheim and Oshry Romach, in each case after due inquiry, and will be deemed to include such knowledge as a prudent individual could be expected to have in the course of conducting a reasonable investigation regarding the accuracy of any representation or warranty contained in this Agreement as of the date hereof and the Completion Date, as applicable.

"Law" means any federal, national, supranational, state, provincial, local or similar statute, law, ordinance, regulation, rule, code, order, requirement or rule of law (including common law).

"Lease" means a lease, sublease, sale-lease back agreement and any similar arrangement.

"Liabilities" means any and all debts, Claims, losses, damages, deficiencies, expenses, liabilities and obligations, whether accrued or fixed, absolute or contingent, matured or unmatured or determined or determinable, including those arising under any Law, Action or Governmental Authorizations and those arising under any Contract.

"Loan Agreement" means the agreement executed between the Seller and the Parent dated January 1, 2014, as amended.

"LOPD" means the Spanish Data Protection Law 15/1999.

"Material Adverse Effect" means any event, change, effect or circumstance whose direct consequence, when taken individually or together with all other adverse effects, is reasonably likely to cause material adverse effect on the use or exploitation of the Purchased Assets and Purchasers' ability to continue the Business following Completion to the effect that the total turnover of the Business for 2015 after such event, change or circumstance taken individually or together with all other adverse effects having occurred, would be reduced below seventy percent (70%) of FY2014 total turnover generated by the Business, on an annual basis; but shall exclude any change, effect or circumstance arising out of: (i) a decline in the market price of the products of the Business; (ii) an increase in the price of services or products used to develop the Business; (iii) any adverse change, effect or circumstance relating generally to financial markets, currency or general economic conditions, (iv) any adverse change, effect or circumstance relating to conditions generally affecting the industry in which the Business operates; (v) war, act of terrorism, civil unrest or similar event, (vi) any generally applicable change in Laws or the interpretation thereof, (vii) any adverse change, effect or circumstance resulting from an action required, contemplated or permitted by this Agreement; or (viii) any adverse change, effect or circumstance caused by the announcement of this Agreement or the transactions contemplated by this Agreement; except with respect to item (iv) above, to the extent that any such change, effect or circumstance materially affects the Business, relative to other companies in the industry in which the Seller operates.

"Material Assigned Contracts Requiring Consent" means the consents or waivers of parties to those Assigned Contracts expressly set out in Schedule 2.3(b)(i)(b).

"Notices to Data Subjects" means the notices to be executed in accordance with the standard form produced by the Seller as set forth in Schedule 3.2(d), which are to be submitted to the Data Subjects on Completion Date or, if Completion occurs after noon on a given day, the immediately following Business Day, pursuant to Section 3.2.

"Novation Agreements" means the agreements to be entered into with the Scheduled Employees as set forth in Section 3.1(iii) below regarding inventions, confidentiality and non-competition to be entered into prior to Completion by the Seller and the Scheduled Employees according to the terms and conditions set forth in this Agreement, the effectiveness of which shall be subject to Completion, substantially in the form attached hereto as Exhibit A.

"Open Source Software" means any software (in source or object code form) licensed from a third party to the Seller under (i) a license commonly referred to as an open source, free software, copyleft or community source code license (including but not limited to any library or code licensed under the GNU General Public License, GNU Lesser General Public License, Apache Software License, or any other public source code license arrangement) or (ii) any other license that requires, as a condition of the use, modification or distribution of software subject to such license, that such software or other software combined or distributed with such software be (A) disclosed, distributed, made available, offered, licensed or delivered in source code form, (B) licensed for the purpose of making derivative works, (C) licensed under terms that allow reverse engineering, reverse assembly, or disassembly of any kind, or (D) redistributable at no charge.

"Organizational Documents" means (i) with respect to a corporation, the certificate or articles of incorporation and bylaws or the public deed of incorporation duly recorded within the relevant Commercial Registry; (ii) with respect to any other entity, any charter, bylaws, certificate of formation, articles of association, limited liability agreement or similar document adopted or filed in connection with the creation, formation or organization of a Person; and (iii) any amendment to any of the foregoing.

"Patents" is defined in the definition of Intellectual Property.

"PCBs" is defined in the definition of Hazardous Materials.

"Permitted Encumbrances" means such of the following as to which, to the knowledge of the Seller, no enforcement, collection, execution, levy or foreclosure proceeding shall have been commenced: (a) liens for Taxes and other governmental charges and assessments which are not yet due and payable or which are being contested in good faith and, in each case, for which adequate reserves have been established in accordance with GAAP; and (b) liens of landlords and liens of carriers, warehousemen, mechanics and materialmen and other like liens arising in the ordinary course of business for sums not yet due and payable or which are being contested in good faith.

"Permit" means any permit, license, approval franchise, order, consent, authorization, registration, qualifications or other rights and privilege from any Governmental Authority.

"Person" means any individual, partnership, firm, corporation, limited liability company, association, trust, unincorporated organization, Governmental Authority or other entity.

"Personal Data" or "Data" means any and all data that concerns an identified and/or identifiable private individual and includes, but shall not be limited to, an individual's name, address, credit card information and/or account information, email address or social security number.

"Post-Completion Period" means any period beginning after the Completion Date.

"Pre-Completion Period" means any period ending on or prior to the Completion Date.

"Receivables" means any and all amounts, accrued by and not paid to the Seller in accordance with GAAP under a valid and enforceable Contract, from Assigned Contracts up to Completion, whether or not in the ordinary course of business and invoiced prior to the Completion Date and are not collected. For the avoidance of doubt, all Receivables actually paid to the Seller, either directly by the addressee of the relevant invoice or by a third-party financial institution under the framework of the discount lines that the Seller has in place, within the period elapsed from the date hereof until Completion Date shall also be deemed Receivables for the purposes of this Agreement.

"Required Consents" means those consents or waivers of parties to the Assigned Contracts set forth on Schedule 3.1(iv).

"RLOPD" means the Royal Decree Law 1720/2007 which approves the regulation implementing the LOPD.

"Scheduled Employees" means those Seller Employees specified in Exhibit B.

"Security Measures" means those measures aimed at protecting Personal Data against accidental or unlawful destruction or accidental loss, alteration, unauthorized disclosure or access, and against all other unlawful forms of processing. These Security Measures shall be in accordance with the RLOPD.

"Seller Licenses In" means all licenses, sublicenses and other agreements pursuant to which the Seller has received rights to use any third party Intellectual Property and Industrial Property Rights, other than off-the-shelf shrink-wrap, click-through or similar licenses for commercially available software, in each case, acquired for less than Euros Two Thousand (€2,000.00).

"Seller Licenses Out" means all licenses, sublicenses and other Contracts to which the Seller is a party, that assign, authorize to use, encumber, or give access to any Acquired IP rights to a third party.

"Taxes" means any and all (a) taxes, fees, levies, duties, tariffs, imposts and other charges of any kind (together with any and all interest, penalties, additions to tax and additional amounts imposed with respect thereto) imposed by any Governmental Authority, including taxes or other charges on or with respect to income, franchises, windfall or other profits, gross receipts, property, sales, use, capital stock, payroll, employment, social security, workers' compensation, unemployment compensation, or net worth, (b) taxes or other charges in the nature of excise, withholding, ad valorem, stamp, transfer, value added, or gains taxes, (c) license, registration and documentation fees, and (d) customs' duties, tariffs, and similar charges.

"Tax Returns" means any return, declaration, report, election, claim for refund or information return or other statement or form filed or required to be filed with any Tax Authority relating to Taxes, including any schedule or attachment thereto or any amendment thereof.

"Third-parties Termination Compensation" means all duly justified costs, claims, and/or severance payments incurred by the Seller as a result of the termination of the employees specified in Schedule 3.1(a)(i) (the "Terminated Employees") and/ or the contractors ("Terminated Contractors") specified in Schedule 3.1(a)(ii).

"Total Consideration" means up to Euros Thirty Million and Five Hundred Thousand (€30,500,000.00).

"Trade Secrets" is defined in the definition of Intellectual Property and Industrial Property Rights.

"Transaction" means the transactions contemplated by this Agreement.

"Transaction Files" means any filing system, namely any organized set of data, whatever its form or method of creation, storage, organization or access. In this Agreement, Transaction Files refers to all files which the Seller has registered at the General Registry of the Spanish Data Protection Authority, specifically the "Clients", "Payrolls and Human Resources" and "Contacts" files.

"Transaction Expenses" means all costs and expenses incurred in connection with this Agreement and the Ancillary Agreements and the transactions contemplated hereby and thereby, including fees and disbursements of counsel, financial advisors and accountants and the submission of the Notices to Data Subjects.

"Trademarks" is defined in the definition of Intellectual Property and Industrial Property Rights.

"Website" means all the set of interconnected, free and clear of any lien, security interest, pledge, mortgage, easement, leasehold, license, assessment, tax, covenant, reservation, conditional sale, prior assignment, or any other encumbrance, claim, burden or charge of any nature whatsoever set of pages on the Internet that are identified by the Acquired Domain Names, including all their assets and content.

Each of the following defined terms has the meaning given such term in the Section set forth opposite such defined term:

Term	Section
Acquired IP	Section 2.1(a)(iii)
Agreement	Preamble
Assigned Contracts	Section 2.1(a)(v)
Assumed Liabilities	Section 2.2(a)
Completion	Section 2.4
Completion Date	Section 2.4
Controlling Party	Section 12.3(a)(ii)
Excluded Assets	Section 2.1(d)
Excluded Liabilities	Section 2.2(b)
Losses	Section 12.2(a)
Non-Controlling Party	Section 12.3(a)(ii)
Non-Assignable Contract	Section 9.3
Purchased Assets	Section 2.1(a)
Purchaser	Preamble
Purchasers	Preamble
Seller	Preamble
Seller Confidential Information	Section 6.13(h)
Seller Employee Programs	Section 6.16(a)
Spyware	Section 6.13(h)

Section 1.2 Interpretation and Rules of Construction.

(a) The headings in this Agreement are provided for convenience and do not affect its meaning. The words “include,” “includes” and “including” are to be read as if they were followed by the phrase “without limitation.” Unless specified otherwise, any reference to an agreement means that agreement as amended or supplemented, subject to any restrictions on amendment contained in that agreement. Unless specified otherwise, any reference to a statute or regulation means that statute or regulation as amended or supplemented from time to time and any corresponding provisions of any successor statutes or regulations. If any date specified in this Agreement as a date for taking action falls on a day that is not a Business Day, then that action may be taken on the next Business Day. Unless specified otherwise, the words “party” and “parties” refer only to named parties to this Agreement.

(b) Before the execution of this Agreement, the Purchasers and their advisors have carried out a Due Diligence process regarding the Seller, the Business and the Purchased Assets. The Purchasers expressly accept that the Seller makes no other representation or warranty than the Representations and Warranties of the Seller under Article 6 hereto. Furthermore, the Seller expressly accepts that the fact that the Purchasers and their advisors have carried out a Due Diligence process does not limit whatsoever the liability of the Seller under this Agreement and the right of the Indemnified Parties to be indemnified by the Seller, which shall be governed by Article 12 of this Agreement.

(c) The parties have participated jointly in the negotiation and drafting of this Agreement and have had the opportunity to be represented by counsel at their election. If an ambiguity or question of intent or interpretation arises, this Agreement is to be construed as if drafted jointly by the parties and there is to be no presumption or burden of proof favoring or disfavoring any party because of the authorship of any provision of this Agreement. In the event of any conflict between the provisions of this Agreement and any Ancillary Agreement or any other documents, certificate, or other instrument delivered hereunder, the provisions of this Agreement shall control.

(d) If an obligation or undertaking in this agreement is formulated by reference to the use of "best efforts", it shall refer to the endeavors that a person with the firm intention to achieve an outcome would use in similar circumstances to ensure the achievement of such outcome and as soon as possible, but shall not include the obligation of the parties to this Agreement to make any payments to other third-parties (not party to this Agreement), provide guarantees to contractual counterparties or unreasonably modify the contractual conditions in place as of the date of the Agreement.

ARTICLE 2

PURCHASE AND SALE

Section 2.1 Purchase and Sale of Assets.

(a) Upon the terms and subject to the conditions of this Agreement, at the Completion Date, the Seller shall sell, assign, transfer, convey and deliver to the Purchaser, and the Purchaser shall purchase from the Seller, for the consideration of the Aggregate Total Consideration, all in accordance with the terms of this Agreement, free and clear of all Encumbrances, all legal and beneficial right, title and interest in the following assets and rights (the "Purchased Assets") necessary so that the Business can be conducted in the same manner as it has been conducted prior to the Completion Date as:

(i) all furniture, fixtures and equipment (including research and development equipment) used to operate the Business before the Completion Date including all office equipment, telecom equipment, computer equipment, servers and other tangible personal property owned or leased by the Seller and used for the conduct of the Business and electronic versions (paper version if electronic version not available) of Seller: (A) system firmware; (B) system software; (C) build software (package and build tree); (D) hardware design files, including logic and schematic capture, (E) release scripts, procedures and documentation; (F) test suites, scripts, procedures and process documentation; (G) performance documentation, programs and results sets; (H) product specifications; (I) functional specifications; (J) design specifications; and (K) customer service and support documentation and call history (database, if applicable), in each case, to the extent used in the operation of the Business, leasehold rights, leasehold improvements, vehicles, computer and computer related Hardware listed in Schedule 2.1(a)(i) (the "Purchased Equipment"), with the exception of the equipment referred to in Schedule 2.1(d)(ii) below, which shall not be assigned to the Purchaser, and therefore be excluded from the Purchased Assets;

(ii) all Personal Data included in the Transaction Files registered by the Seller before the Spanish Data Protection Agency to the extent pertaining to the Business, as well as client and customer lists and records and, all personnel records to the extent pertaining to the Business (the "Transaction Data"); *provided that* the Seller shall be entitled to retain in accordance with and during the period established under the Data Protection Laws, a copy of all such records, subject to its confidentiality and data protection obligations set forth in Section 9.1. The Transaction Files are listed on Schedule 2.1(a)(ii);

(iii) the acquired Trademarks (the "Acquired Trademarks", the acquired Domain names (the "Acquired Domain Names"), the acquired Software (the "Acquired Software") and the acquired Website (the "Acquired Website") all of which are listed on Schedule 2.1(a)(iii), including all copies and tangible embodiments thereof in whatever form or medium, and all rights to sue and recover damages for past, present and future causes of action, including causes of action for the infringement, dilution, misappropriation, violation, unlawful imitation or breach thereof (all together, the "Acquired IP");

(iv) all Claims, causes of action, rights of recovery and rights of setoff of any kind, whether choate or inchoate, known or unknown (including rights to insurance proceeds and rights under and pursuant to all warranties, representations and guaranties made by suppliers of products, materials, or equipment, or components thereof) of the Seller in connection with the Purchased Assets;

(v) all Seller Licenses In, Seller Licenses Out, Contracts, sales and purchase orders, bids and offers, without prejudice to the agreement between the Parties in respect of the Receivables, set forth on Schedule 2.1(a)(v) (the "Assigned Contracts"). In such Schedule the Assigned Contracts will be classified in the following categories: (a) Assigned Contracts that can be assigned without the consent of the counterparties thereof; (b) Assigned Contracts for which the consent or waiver of the counterparties is requested to the Seller in order to be assigned to the Purchaser (the "Assigned Contracts Requiring Consent"); (c) Assigned Contracts that can be subcontracted; and (d) Assigned Contracts that cannot be subcontracted. The Parties expressly agree that if the counterparty of any Assigned Contract Requiring Consent does not authorize the assignment thereof to the Purchaser prior to or on Completion Date, only Sections 2.3(b), exclusively in respect of Material Assigned Contracts Requiring Consent, and 9.4 hereof shall apply;

(vi) the right to enforce all non-disclosure, confidentiality, standstill, non-compete and non-solicitation agreements or obligations and invention assignment obligations of all current and former employees, consultants, independent contractors, mandataries and agents of the Seller or third parties pursuant to Contracts between such Persons and the Seller, in each case, to the extent relating to the Business and in respect of any of the Purchased Assets; in the case such right is not freely assignable to the Purchaser without the express consent of the counterparty thereof, the Seller shall follow instructions of the Purchaser, at the latter's cost, in case it needs to enforce any such rights, and freely transfer to the Purchaser the results of such enforcement as part of the Purchased Assets. Such agreements and rights that cannot be transferred shall be considered Excluded Contracts for the purposes of this Agreement; and

(vii) the Included Receivables.

(b) It is expressly acknowledged by the Parties that the going concern value and goodwill of the Business is also being transferred by means of this Agreement, embedded in the Purchased Assets.

(c) With the sole exception of the Excluded Assets as defined below, if any Purchased Asset is not specifically listed or described in this section or the relevant Schedules mentioned in this section as Purchased Assets, it will be deemed to have also been transferred to the Purchaser as per this Agreement.

(d) Notwithstanding anything in Section 2.1(a) through 2.1(c) to the contrary, the Purchased Assets shall exclude the assets and properties that are listed below and any other asset not specifically defined as Purchased Assets in Section 2.1(a) through 2.1(c) (the "Excluded Assets") and shall, therefore, not be transferred to the Purchaser:

(i) all cash and cash equivalents of the Seller;

(ii) all furniture, fixtures and equipment different from the Purchased Equipment, including *only* the assets listed in Schedule 2.1(d)(ii), specifying such office equipment, telecom equipment, computer equipment, servers and other tangible personal property owned or leased by the Seller, leasehold rights, leasehold improvements, vehicles, computer and computer related Hardware that the Parties have agreed that are not necessary for the conduct of the Business through the use and operation of the Purchased Assets.

(iii) all rights of the Seller under this Agreement and the Ancillary Agreements to which Seller is a party;

(iv) all rights of the Seller under any Contracts, and agreements of any kind or nature between the Seller and any other Person that are not Assigned Contracts regardless of whether such Contracts pertain to the Business (the "Excluded Contracts");

(v) all claims for refund of Taxes of the Seller;

(vi) all originals of the Organizational Documents, corporate books and corporate seal of the Seller;

(vii) the Receivables of the Seller; and

(viii) the public aids listed below:

(a) aid granted by the "Centro para el Desarrollo Tecnológico-Industrial", concerning the research and development project called minors protection on social networks (IDI-20101205).

(b) aid granted by the Industry, Tourism and Economic Ministry, regarding Project WENDY: Web-access confidence for children and Young. (file number: TSI-020100-2010-452).

(c) aid granted by the Education and Science Ministry, related to Project ELECFRA: detecting and clearing electronic fraud by e-mail and on the internet (File number: CIT-390000-2005-1).

(d) aid granted by the Industry, Tourism and Economic Ministry, concerning Project “Línea Íntegramente Segura”: traffic data analyzing system (File number: FIT-360000-2007-64LIS).

(e) aid granted by the Industry, Tourism and Economic Ministry, concerning Project TELEMACO: detecting and warning system against telematics abuse of minors (File number: FIT-360000-2007-65).

Section 2.2 Assumption and Exclusion of Liabilities.

(a) Upon the terms and subject to the conditions of this Agreement, at the Completion Date, the Purchaser shall assume and shall agree to pay, perform and discharge the following (and only the following) Liabilities of the Seller (the “Assumed Liabilities”) and no other Liabilities whatsoever:

(i) all Liabilities arising after the Completion Date under the Assigned Contracts, in each case, other than any Liabilities arising under the Assigned Contracts as a result of (A) any breach of such Assigned Contracts as a result of any assignment of such Assigned Contract in connection with the Transaction without any required counterparty consent or (B) any of the Excluded Liabilities;

(ii) all termination costs (including severance payments) to any Terminated Employees indicated in Schedule 3.1(a)(i) and the Terminated Contractors indicated in Schedule 3.1(a)(ii), as well as all Liabilities arising following the Completion Date in connection with the Scheduled Employees, including all and any accrued rights of the Scheduled Employees which are not payable before Completion Date; and

(iii) all Liabilities resulting from the ownership of the Purchased Assets and the operation of the Business by the Purchaser from the Completion Date.

(b) Notwithstanding Section 2.2(a) or any other provision in this Agreement or in any other Acquisition Document, the Purchaser is assuming only the Assumed Liabilities as specifically set forth Section 2.2(a) and is not assuming any other Liabilities of whatever nature, whether presently existing or arising after the date of this Agreement, of the Seller or any of its Affiliates. Accordingly, the Seller shall retain, and shall be responsible for paying, performing and discharging when due all of its Liabilities and those of its Affiliates other than the Assumed Liabilities (all Liabilities other than the Assumed Liabilities, the “Excluded Liabilities”), including, without limitation:

(i) all accounts payable and expenses of the Seller, except, as specifically set forth in this Agreement;

(ii) all Liabilities relating to the funding, operation, administration, amendment, termination or withdrawal from any Seller Employee Program arising or incurred prior to or as of the Completion;

(iii) all Liabilities of the Seller to any of its Affiliates, any of its stockholders, warrantholders or other equityholders, and any of their respective family members or relatives or any of their respective Affiliates ("Affiliated Liabilities");

(iv) all Liabilities relating to the employment, termination of employment, compensation or employee benefits of current or former employees of the Seller payable prior to Completion, (A) in the case of Scheduled Employees, any and all rights due and payable prior to Completion Date and under the applicable Employee Programs and (B) in the case of all other current and former employees of the Seller, except with respect to the Terminated Employees and Terminated Contractors solely as expressly provided in this Agreement, or any of its Affiliates, arising or incurred prior to, as of or after the Completion Date;

(v) all Liabilities of the Seller arising due to the fact of the wrong inclusion, during the Pre-Completion Period, of employees or directors in the Social Security Regime, and, if any, for the amounts up to Completion Date;

(vi) all Transaction Expenses of the Seller;

(vii) all Excluded Taxes;

(viii) all Liabilities relating to or arising out of the Excluded Assets, including the Excluded Contracts;

(ix) all Indebtedness of the Seller and any of its Affiliates and any Encumbrances related to such Indebtedness;

(x) all Liabilities of the Seller to distribute to the Seller's stockholders any part of the consideration received hereunder;

(xi) all Liabilities of the Seller with regard to any third party Claims or allegation of Pre-Completion infringement of any Intellectual Property and Industrial Property Rights of any third party in relation to the Acquired IP; including but not limited to, any Claim of the authors or of the owners of the Acquired Website (including its content and assets) and of the Intellectual Property or Industrial Property Rights of the Open Source Software products used by the Seller and any Claim of the employees of the Seller who developed the Acquired Software products and any Acquired IP;

(xii) all Liabilities of the Seller or its data processors or its assignors and assignees relating to any obligation or fulfillment in connection with the Spanish Data Protection Law, specifically with the obligation to fulfill the quality principle ("*calidad del dato*") in accordance with the LOPD, arising up to and after the Completion Date *provided that*, in the latter case, any such Liability derives from an action or lack of action which took place or should have taken place before Completion, including, but no limited to, the payment of any fines, compensation or penalties of any kind imposed for breach of the obligations laid down in the LOPD, as well as any other expenses or costs may arise from penalties and fines imposed by the Spanish Data Protection Authority (*Agencia de Protección de Datos*), as well as in relation to any other process before any Governmental Authority or agency or before any court based on the collection, processing and transfer of personal data; and

(xiii) all Liabilities arising out of the following public aids granted to the Seller, which are Excluded Assets:

(a) aid granted by the “Centro para el Desarrollo Tecnológico-Industrial”, concerning the research and development project called minors protection on social networks (IDI-20101205).

(b) aid granted by the Industry, Tourism and Economic Ministry, regarding Project WENDY: Web-access confidence for children and Young. (file number: TSI-020100-2010-452).

(c) aid granted by the Education and Science Ministry, related to Project ELECFRA: detecting and clearing electronic fraud by e-mail and on the internet (File number: CIT-390000-2005-1).

(d) aid granted by the Industry, Tourism and Economic Ministry, concerning Project “Línea Íntegramente Segura”: traffic data analyzing system (File number: FIT-360000-2007-64LIS).

(e) aid granted by the Industry, Tourism and Economic Ministry, concerning Project TELEMACO: detecting and warning system against telematics abuse of minors (File number: FIT-360000-2007-65).

Section 2.3 Aggregate Total Consideration; Intended Tax Treatment; Allocation of Aggregate Total Consideration.

(a) As soon as practicable, but in any event no later than within seven (7) Business Days following the date hereof, Purchaser shall transfer the amount of Euros One Million (€1,000,000.00) (the "Signing Deposit Amount") to an escrow account, which has been set up by the Purchaser and Banco Popular Español, S.A., for the benefit of Purchaser (the “Signing Escrow Account”), which shall be governed by the Signing Escrow Agreement entered into by the Purchaser and Banco Popular Español, S.A. The Signing Deposit Amount shall be released as follows upon the earlier to occur of: (i) to the Second Escrow Account, subject to the Completion, on the Completion Date as part of the Completion Consideration, pursuant to written wiring instructions of Purchaser, and (ii) to Purchaser, without Seller's consent, within two (2) Business Days following termination of this Agreement for any reason whatsoever.

(b) On the Completion Date, Purchaser will transfer the Completion Consideration *minus* the Signing Deposit Amount in the manner indicated below:

(i) The following amounts will be transferred to an escrow account opened on Completion Date in the name of the Seller (the "First Escrow Account") only accesible to the bank as per the instructions of the First Escrow Account agreement entered into by the Purchaser, Banco Popular Español, S.A. and the Seller at Completion in the form attached hereto as Schedule 2.3(b)(i):

(a) A total amount of up to Euros Two Million Three Hundred and Fifty Thousand (€2,350,000.00) will be solely used to pay, immediately following the Completion, the full outstanding amount of Seller's debts with the Spanish Tax and Social Security authorities listed in Schedule 2.3(b)(i)(a)(without regard to any deferred payment schedule that may be or may have been agreed with the Spanish Tax and Social Security authorities). The Seller expressly undertakes to make the payment to the Spanish Tax and Social Security authorities listed in Schedule 2.3(b)(i)(a) in a prudent and diligent manner. Should any Claim be addressed to the Purchaser based upon non payment (or partial payment or delayed payment) of such amounts, the Seller shall immediately reimburse and hold harmless the Indemnifying Parties' pursuant to Article 12 (and Purchasers shall have the right to immediately hold back and off set from the Earnout Payment(s), including any amounts deposited in the Third Escrow Account, and any amounts payable in respect to the non-discounted Included Receivables the full amount of such Claim(s), as contemplated in Article 12 and the Earnout Schedule), for any Loss suffered by Indemnified Parties (including any interest and expenses). In this case, the liability caps mentioned in Article 12 shall not apply. Should the amount so deposited exceed the amount actually required to be paid to settle, in full, the total outstanding amount of Seller's debts with the Spanish Tax and Social Security authorities, the remaining amount shall be wired, subject to Purchaser's written approval (which shall not be unreasonably withheld or delayed), to the Second Escrow Account, and;

(b) Euros Nine Hundred Thousand (€900,000.00), will be deposited therein, for a maximum period of six (6) months commencing on the Completion Date. In the event that any Material Assigned Contracts Requiring Consent are provided within this six (6) month period, the relevant amount corresponding to such Assigned Contract, as per Schedule 2.3(b)(i)(b), shall be transferred to the Second Escrow Account (as such term is defined below) within three (3) Business Days as of the date on which Purchaser receive such consent. In the event that any Material Assigned Contract Requiring Consent has not been received within such six (6) month period, the relevant amounts corresponding to such Assigned Contract shall be returned to Purchaser within three (3) Business Days as of the end of the six (6) month period.

(c) The Purchaser will have full consultation access to the First Escrow Account and the movements carried out therein.

(ii) An amount of Euros Seven Hundred and Fifty Thousand (€750,000.00), as adjusted pursuant to Section 4.2(a) of this Agreement, will be transferred to an escrow account opened on the date hereof in the name of the Seller (the "Second Escrow Account") only accesible to the Seller as per the instructions of the Second Escrow Account agreement entered into by the Purchaser, Banco Popular Español, S.A. and the Seller within two (2) Business Days following the date hereof. The funds therein shall be solely used to pay the debts described in Schedule 2.3(c)(ii), and any costs resulting from the execution of the Transaction Documents and the ordinary course of business operating expenses of the Seller, *provided however,* that no such funds shall be used to repay shareholders loan or used for any distribution to Seller's shareholders. Any other disposal of funds will have to be expressly authorized by the Purchaser in writing, such authorization shall not be unreasonably withheld. The Seller expressly undertakes to make the relevant payments in a prudent and diligent manner, so that it does not materially default any of its material payment obligations in such a manner that raises a reasonable risk for a creditor to actually file a Claim against the Seller; in any case, if any of the relevant payments is not attended as it should subject to the above and provided any Claim is addressed to the Purchaser based upon such non payment (or partial payment or delayed payment), the Seller shall immediately reimburse and hold harmless the Indemnifying Parties' pursuant to Article 12 and Purchasers shall have the right to immediately hold back and off set from the Earnout Payment(s), including any amounts deposited in the Third Escrow Account and any amounts payable in respect to the non-discounted Included Receivables, as contemplated in Article 12 and the Earnout Schedule, for any Losses suffered by them (including any interest and expenses). In this case, the liability caps mentioned in Article 12 shall not apply. The Purchaser will have full and permanent consultation access to the Second Escrow Account and the movements carried out therein. On the first Business Day after the 24-month anniversary of the Completion Date, the then-remaining amount in the Second Escrow Account shall be distributed to the Seller. Following receipt of the abovementioned amount, the Seller shall execute a true and complete receipt for payment.

(iii) An amount of Euros Three Million and Four Hundred Thousand (€3,400,000.00) will be transferred to an escrow account opened in the name of the Seller (the "Third Escrow Account") as per the instructions of the Third Escrow Account agreement to be entered into by the Purchaser, Banco Popular Español, S.A. and the Seller at Completion in the form attached hereto as Schedule 2.3(c)(iii), for the purposes of securing payment by the Purchaser of the Earnout Payments corresponding to Earnout Period ending on December 31, 2015 and the Earnout Period which is the calendar year 2016. The Purchasers will have full consultation access to the Third Escrow Account and the movements carried out therein.

(c) The Earnout Payment(s), if any, in an aggregate amount not exceeding the Earnout Amount, shall be calculated and paid to Seller in accordance with Exhibit C (the "Earnout Schedule"). Purchasers shall have the right to immediately hold back and, if applicable, offset, the amount pursuant to any Claim for any indemnificable Losses of the Indemnified Parties against the Earnout Amount and any amounts payable in respect to the non-discounted Included Receivables in order to secure the Indemnifying Parties' firm indemnification obligations in the terms and conditions set forth in Article 12. Under no circumstances the consideration payable by Purchaser to Seller in connection with the transactions contemplated by this Agreement shall exceed the Total Consideration, to the extent earned. For the avoidance of doubt, the amounts to be paid by the Purchaser to the Seller as Third-Parties Termination Consideration, Included Receivables and, if such is the case, the amounts pursuant to section 10.3 below, shall be additional consideration and shall not be considered as part to the Total Consideration paid by by Purchaser to the Seller as consideration for such purposes.

Section 2.4 Completion. Subject to the terms and conditions of this Agreement, and particularly in Section 13, the sale and purchase of the Purchased Assets and the assumption of the Assumed Liabilities contemplated by this Agreement shall take place at a completion ("Completion"), which will take place not later than fifteen (15) Business Days after the date on which all the Conditions Precedent specified in Article 3 and all actions specified under Article 4 have been complied with by the Seller or waived by the Purchaser, which must be notified by the Seller to the Purchaser within a maximum period of three (3) Business Days after the date on which all the Conditions Precedent have been fulfilled or waived by the Purchaser and all actions specified under Article 4 have been complied with, attaching proof of such fulfillment to the extent applicable (the "Completion Notice"). Completion shall take place before the Public Notary of Madrid Mr. Antonio Pérez Coca Crespo, who will notarize the present Agreement, and who will grant the relevant notarial deed of accomplishment of the Conditions Precedent. The date of such notarial deed will be the completion date of this Agreement (the "Completion Date"). On such date the sale and purchase of the Purchased Assets and the assumption of the Assumed Liabilities and the assignment of the Scheduled Employees contemplated by this Agreement will have full legal effect.

Section 2.5 Withholding Taxes. The Purchaser shall be entitled to deduct and withhold from any consideration payable or otherwise deliverable to the Seller pursuant to this Agreement such amounts required to be deducted or withheld therefrom under the corresponding applicable law. To the extent that such amounts are so withheld by the Purchaser, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Seller. The Purchaser shall reasonably cooperate with the Seller, as so requested by the latter in writing, in order to allow the Seller to recover the so-withheld amounts, to the extent legally possible.

ARTICLE 3

CONDITIONS PRECEDENT

Conditions Precedent. The enforceability of the present Agreement is subject to the fulfillment of all the following conditions precedent included in Section 3.1 at or prior to the Completion (jointly, the "Conditions Precedent"):

Section 3.1 Conditions Precedent.

(a) At the Completion Date, the Seller shall deliver or cause to be delivered to the Purchasers the documents listed below:

(i) the termination agreements of the employment relationship of the Terminated Employees listed in Schedule 3.1(a)(i), including a waiver of any Claim for any reason against both Seller and Purchasers in the form attached hereto as Schedule 3.1(a)(i)bis, duly executed; *provided however* that with respect to any Termrinated Employee specifically so specified in Schedule 3.1(a)(i), the written consent of Purchaser shall be required for the termination agreement, and Purchaser's failure to consent to the proposed terms of termination with respect to such specific Terminated Employee, which consent shall not be delayed more than two (2) Business Days from receipt of the notice by the Seller for this purpose, shall constitute a waiver of the termination requirement with respect to such Terminated Employee for the purposes of satisfaction of this Condition Precedent;

(ii) the private termination agreements of the commercial relationship of the Terminated Contractors listed in Schedule 3.1(a)(ii), including a waiver of any Claim for any reason against both Seller and Purchasers in the form attached hereto as Schedule 3.1(a)(ii)bis, duly executed;

(iii) the individual Novation Agreements, in the form attached hereto as Exhibit A, with the Scheduled Employees, duly executed. This condition precedent will be considered fulfilled in the event that the Seller delivers to the Purchaser the Novation Agreements duly signed with all the Key Employees expressly indicated in Exhibit B except one (1), and the Novation Agreements are signed with at least ninety per cent (90%) of the rest of the Scheduled Employees. For the sake of clarity, it is expressly agreed that, in accordance with Section 3.1(a)(vi) below, the General Manager shall not be taken into account in order to consider this condition precedent as fulfilled;

(iv) an agreement with those employees who will continue as Seller's employees, in respect of the non applicablity of article 44 of the Statute of Workers substantially in the form attached hereto as Exhibit A bis.

(v) all Required Consents listed in Schedule 3.1(iv); and

(vi) the termination of the General Manager of the Seller (Mr. Francisco Jesús Martín Abreu) by delivery to the General Manager of the relevant dismissal documents, in the form Purchaser shall attach to the notice to Seller referred to in section (i) to this paragraph, and the payment to the General Manager or deposit (for his benefit) of the duly justified severance payments and other termination amounts under the existing relationships between the Seller and the General Manager, which shall be advanced to the Seller as specified in section (ii) to this paragraph. This condition precedent shall only be enforceable by the Purchaser following Purchaser's (i) written notice to Seller, which shall be provided by an electronic email to the email address of Seller specified in Section 14.1 hereof, no later than five (5) Business Days prior to the Completion Date, that it has not reached an engagement agreement with the General Manager, and (ii) deposit, in the Second Escrow Account for the Third-Parties Termination Compensation, the applicable amount of such duly justified severance payments and other termination amounts under the existing relationships between the Seller and the General Manager, which the Purchaser shall reasonably determine, within three (3) Business Days following the date of delivery of the above referred notice. The Seller shall use such amounts to pay and discharge all duly justified costs and/or severance payments arising out of termination of the General Manager in the amount so deposited by the Purchaser in the Second Escrow Account. Should a court of competent jurisdiction determine, by a final non-appealable order, that the actual amounts due and payable to the General Manager for severance payments and other termination amounts due under the existing relationships between the Seller and the General Manager arising out of the termination of such relationships exceed the amount deposited by the Purchaser, Purchaser shall reimburse the Seller for such excess amount so determined, prior to the deadline applicable to comply with the final non-appealable court order. Should Purchaser ask Seller to appeal any court decision and Seller shall be required by the court, in order to file such an appeal, to deposit or provide a financial guarantee, the Purchaser shall advance to the Seller any such funds or provide the relevant financial guarantees prior to the deadline applicable to comply with such deposit or provision of financial guarantees. Should Purchaser decide, for any reason, at its sole discretion, not to request Seller to terminate the General Manager or not to provide the relevant amounts, in the manner and within the deadline specified above, this Condition Precedent shall not apply. In this latter case, fulfilment of this Condition Precedent shall not be enforceable by the Purchaser and shall not prevent Completion from occurring.

Section 3.2 Actions to be performed on Completion Date. On Completion Date, the following actions will be performed as a single act ("*unidad de acto*"):

(a) The notarial deed of accomplishment of the Conditions Precedent will be granted by the parties as mentioned in Section 2.4. Such notarial deed (the "Completion Deed") will also include the following statements by the Parties:

(i) By the Seller:

(a) That the representations and warranties of the Seller contained in this Agreement are true and correct as of the date of this Agreement and as of Completion Date, as if made at and as of that time except as set forth in the corresponding section or subsection of the Disclosure Schedule and (ii) as a consequence of any modifications that such representations and warranties may have suffered due to the actions explicitly required to be performed in accordance with this Agreement from the date hereof until Completion Date.

(b) That no Action shall have been commenced by or before any Governmental Authority against the Seller seeking to materially and adversely restrain or alter the transactions contemplated by this Agreement that, in the reasonable good faith determination of the Seller, is likely to render it impossible or unlawful to consummate such transactions, provided, however, that the Seller may decide that Completion shall not take place if the Purchasers or its Affiliates have directly or indirectly solicited or encouraged any such Action.

(c) That no event shall have occurred and no facts or conditions shall exist that, individually or in the aggregate, have had, or would reasonably be expected to have, a Material Adverse Effect.

(d) That the Seller has performed in all material respects all of its obligations under this Agreement that are required to be performed by it on or prior to the Completion.

(ii) By the Purchaser:

(a) That no Action shall have been commenced by or before any Governmental Authority against the Purchasers seeking to restrain or materially and adversely alter the transactions contemplated by this Agreement that, in the reasonable, good faith determination of the Purchasers, is likely to render it impossible or unlawful to consummate such transactions; provided, however, that the Completion shall not take place if the Seller or its Affiliates have directly or indirectly solicited or encouraged any such Action.

(b) That the representations and warranties of the Purchaser and the Parent contained in this Agreement shall be true and correct in all material respects as of the date of this Agreement and at and as of Completion Date, as if made as of that time.

(b) Purchaser will transfer the amounts contemplated in Section 2.3(b) as provided therein subject to the adjustments specified therein.

(c) The Parties (or any of the Seller's Affiliates directly holding registered ownership title over an Acquired Trademark) will execute the relevant counterparts of the Assignment of Intellectual Property and Industrial Property Rights, in the form established in Schedule 3.2(c), and any other documentation that may be needed to complete the formalities for the transfer of Acquired Trademarks and other Acquired IP subject to specific formalities under the applicable laws. In relation with the Acquired Domain Names, Schedule 3.2(c) sets forth the mechanism to, through the Domain Names manager's control panel, apply for change of ownership of the Acquired Domain Names on Completion. The Seller will deliver to the Purchaser the documents necessary duly signed and filled in for the Purchaser to request the exchange of ownership of the Acquired Trademarks in the relevant Registries.

The Seller shall deliver or cause its Affiliates directly holding registered ownership title over an Acquired Trademark to deliver to the Purchaser the documents necessary duly signed and filled in to request the change of ownership of the Acquired Trademarks in the relevant Registries in the form attached hereto as Schedule 3.2(c).The Seller and its Affiliates directly holding registered ownership title over an Acquired Trademark shall be obliged to provide with all the reasonable assistance and documents to the Purchaser in order to ensure the effective, full and complete registration of the distinctive signs purchased.

Upon execution of the assignment of the Acquired IP, the Purchaser will be the exclusive owners of the Acquired IP and the Seller and its Affiliates will not use it unless expressly authorized by the Purchaser in writing, except as otherwise provided in this Agreement.

(d) The Seller shall execute the Notices to Data Subjects prior to or on the Completion Date and shall submit them, through the entity designated by the Seller as provided for in this Agreement. The entity designated for submitting the Notices to Data Subjects must keep and provide to the Seller and the Purchaser a copy of such Notices to Data Subjects and sufficient records to evidence the submission thereof, and possible incidents occurring in the process. Upon submission, and no later than three (3) days after Completion Date, the designated entity shall issue to Seller and Purchaser written certifications of submission of the Notices to Data Subjects in compliance with the applicable Law.

(e) The Parties will grant a notarial deed of deposit of a digital device containing all the Transaction Data.

(f) The Parent and the Seller shall execute an amendment to the Loan Agreement in the form attached hereto as Schedule 3.2(f)..

Section 3.3 Non-fulfillment of the Conditions Precedent. Should the Conditions Precedent not be fulfilled by the Termination Date, this Agreement will be null and void for all purposes, except as expressly stated otherwise in this Agreement.

Section 3.4 Waiver to the Conditions Precedent. The Purchasers may waive the fulfillment of all or any of the Conditions Precedent. In such a case, subject to Seller having served prior notice on the Purchasers at least fifteen (15) Business Days in advance, the Parties will appear before the Public Notary of Madrid Mr. Antono Pérez Coca Crespo who will notarize the present Agreement, as indicated in Section 2.4, and grant the relevant notarial deed of waiver to the Conditions Precedent. On such date the sale and purchase of the Purchased Assets and the assumption of the Assumed Liabilities contemplated by this Agreement will have full legal effect.

ARTICLE 4

ACTIONS TO BE PERFORMED BY THE PARTIES PRIOR TO OR SIMULTANEOUSLY OR IMMEDIATELY FOLLOWING THE EXECUTION OF THE AGREEMENT

Section 4.1 Documents to be delivered by the Seller prior to or simultaneously to the execution of this Agreement. Simultaneously to the execution of this Agreement, the Seller has delivered to the Purchasers, to its satisfaction, the following documents:

(a) an on-line excerpt of the Seller from the Commercial Registry of Guipúzcoa dated no later than five (5) days prior to the execution date of this Agreement and a certificate issued by secretary of the Board of Directors of the Seller stating the incorporation and valid existence of the Seller as of that date;

(b) a true and complete copy, issued and certified by the secretary of the Board of Directors of the Seller, of (i) the incumbency of Seller's officers and (ii) the certificate of the resolutions duly and validly adopted by the shareholders of the Seller, evidencing their authorization of the execution and delivery of this Agreement and the Ancillary Agreements and the performance of the transactions contemplated hereby and thereby;

(c) a public deed in which the Seller states before a Public Notary that, (i) it duly owns all the IP Rights on the Acquired Software products, (ii) the Acquired Software products have been developed as a collective work in accordance with article 97.2 of the Spanish Intellectual Property Act 1/1996, (iii) it has complied with all the terms and conditions of the licenses of the Open Source Software used by the Seller, (iv) it has deposited (escrow) the Acquired Software products included as Acquired IP, (v) the deposited Acquired Software products include the last version of all the software products needed in order to comply with the features and functionalities of the software kit exploited by the Seller, prior to its transfer, to carry out its business, (vi) it duly owns the Website to be assigned which is the only needed page to develop the Business and the content and assets included in the Acquired Website, and vii) it will refrain from developing, claiming or registering any asset identical or similar to the Purchased Assets (the “Acquired IP Representation Deed”).

(d) Unaudited consolidated balance sheet as of December 31, 2014, and the unaudited consolidated statements of income and cash flow for the month then ended and relevant supporting data (the "Unaudited Financial Statements").

Section 4.2 Actions to be performed by the Purchaser following the execution of this Agreement. As soon as practicable, but in any event no later than within seven (7) Business Days following the execution of this Agreement, Purchaser will deposit, (i) the Signing Deposit Amount in the Signing Escrow Account and (ii) the following amounts in the Second Escrow Account, which shall be final and shall not be considered part of the Aggregate Total Consideration, except as specifically specified below:

(a) a total amount of Euros Three Hundred Sixty Four Thousand Five Hundred and Fifty Six (€364,556.00) to be used solely to pay the Third-Parties Termination Compensation. The Parties agree that such amount shall be allocated (i) to the termination of the Terminated Employees in a total amount of Euros Two Hundred Thirty Five Thousand Nine Hundred and One (€235,901.00) and (ii) to the termination of the Terminated Contractors in a total amount of Euros One Hundred Twenty Eight Thousand Six Hundred and Fifty Five (€128,655.00) (the "Terminated Contractors' Escrow Amount"). In the event that the Third-Parties Termination Compensation amount is not fully exhausted by Seller, the amount to be transferred to the Second Escrow Account by Purchaser on Completion Date as provided in Section 2.3(b)(ii) shall be reduced by the amount equivalent to the balance already existing in the Second Escrow Account on such date. If the Terminated Contractors' Escrow Amount results to be insufficient to settle the terminations of the Terminated Contractors, the Parties agree that the Seller shall be entitled to use the full Terminated Contractors' Escrow Amount and shall be responsible for the payment to the Terminated Contractors any amount in excess. With respect to any payment actually made to the Terminated Contractors, the Purchaser shall be entitled to deduct from the Completion Consideration to be deposited in the Second Escrow Account an amount equivalent to (a) 50% of the amounts actually paid to the Terminated Contractors minus (b) the amount paid by the Seller to the Terminated Contractors in excess of the Terminated Contractors' Escrow Amount, if any.

(b) a total amount of Euros Five Hundred Thousand (€500,000.00), as an upfront non-refundable amount paid on account of the Completion Consideration.

(c) Should Completion not take place for any reason not directly attributable to a breach or non compliance of the Seller with the terms of this Agreement, Seller shall be entitled to retain the Third-Parties Termination Compensation and the amount specified under Section 4.2(b) above, as compensation for Losses suffered by the Seller, without prejudice to the right of the Seller to claim the specific performance of the obligations of this Agreement and other remedies in case Completion does not take place due to a breach of the Purchasers of their obligations under this Agreement.

(d) The Parties also expressly agree that these provisions regarding Third-Parties Termination Compensation and the amount specified under Section 4.2(b) above, are valid, effective and enforceable as from the date of signing of this Agreement and therefore are not subject to any of the Conditions Precedent contemplated herein.

ARTICLE 5

INTERIM PERIOD AND POST-COMPLETION PERIOD

Section 5.1 Obligations of the Parties during the Interim Period. During the period elapsed from the date hereof to the Completion Date (the "Interim Period"), the Parties will have to notify the workers' representative of the Scheduled Employees of the Seller in Guipúzcoa and all the Scheduled Employees of the Seller in Madrid included in the Disclosure Schedule of the change of employer from the Seller to the Purchaser to be effective on Completion Date pursuant to Article 44 of the Spanish Statute of Workers. This notification must be jointly served by the parties at least fifteen (15) days prior to Completion Date.

Section 5.2 Obligations of the Seller during the Interim Period. During the Interim Period the Seller shall perform the following obligations:

(a) use its best efforts to deliver to the Purchaser (i) a policy authorized by Notary ("*póliza notarial*") evidencing the cancellation of the assignment right in favour of Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA") existing over the receivables arising from two contracts signed with the French companies "NORDNET, S.A." and "NETASQ, S.A." by virtue of the loan granted to the Seller by BBVA on 15 July 2011 in the amount of Euros One Million Five Hundred and Eighty Four Thousand (€1,584,000.00); and (ii) a policy authorized by Notary ("*póliza notarial*") evidencing the cancellation of the assignment right in favour of BBVA existing over the receivables arising from the "Frame Purchase Agreement" signed with "NOKIA SIEMENS NETWORKS OY" on the 22 January 2009, by virtue of the loan granted to the Seller by BBVA on 31 October 2014 in the amount of Euros One Million Three Hundred and Eighty Eight Thousand (€1,388,000.00).

Should the use of such best efforts not result in achieving the granting by BBVA of the aforementioned policies not be delivered to the Purchaser during the Interim Period, (i) the Seller shall continue to use its best efforts to achieve the cancellation referred to in the previous paragraph for an additional period of six (6) months after Completion Date; and (ii) in any event, if BBVA from time to time claims that the receivables are to be paid to it, the relevant amounts claimed by and effectively paid to BBVA will be automatically subtracted by the Purchaser from the Earnout Amount(s) until the contracts with "NORDNET, S.A.", "NETASQ, S.A." and "NOKIA SIEMENS NETWORKS OY" terminate.

(b) cause the assignment of the insurance policies described in Schedule 5.2(b) to the Purchaser to be effective as of Completion Date. The relevant assignment documents shall be delivered to the Purchaser on Completion;

(c) send Popular de Factoring, S.A., E.F.C. the relevant termination notice so that the factoring agreement terminates in accordance with its terms. The relevant termination notice shall be delivered to the Purchaser on Completion; and

(d) provide all the information and documents linked to the pension plans implemented, life insurance policies, tickets restaurant and renting cars of the Scheduled Employees in order for the Purchaser to subrogate in the current position of the Seller as of Completion Date.

(e) appoint the data processor entity that shall submit the Notices to Data Subjects.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES
OF THE SELLER

As an inducement to the Purchasers entering into this Agreement, the Seller hereby makes the following representations and warranties to the Purchasers as of the date hereof and as of the Completion Date, except as a consequence of execution of the actions contemplated by the Transaction Documents.

Section 6.1 Organization and Qualification Authority, Due Execution and Binding Effect.

(a) The Seller is a corporation duly organized, validly existing and in good standing under the laws of Spain and has all requisite corporate power and authority to own, lease and operate its properties and to conduct and operate the Business in respect of the Purchased Assets. Seller is duly qualified or licensed and in good standing to conduct business in each jurisdiction in which the nature of the business that it conducts makes such qualification or licensing necessary. In the context of the Due Diligence, Seller has delivered to the Purchasers copies of its Organizational Documents, and such copies are correct and complete as of the date hereof, except as disclosed in Section 6.1 (a) of the Disclosure Schedule.

(b) Seller has the requisite corporate or similar power and authority to execute and deliver this Agreement and the Ancillary Agreements to which it is a party, to consummate the Transaction and to perform its obligations under this Agreement and such Ancillary Agreements to which it is a party. This Agreement and each Ancillary Agreement to which the Seller is party has been duly and validly executed and delivered by Seller. Assuming the due authorization, execution and delivery by the Purchasers, this Agreement and such Ancillary Agreements shall constitute, upon such execution and delivery hereof, the valid and binding obligations of Seller, enforceable in accordance with their respective terms except as enforcement may be limited by applicable bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium or similar Laws affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether enforcement is considered in a proceeding in Law or equity).

Section 6.2 No Conflict. Assuming that all Consents, approvals, authorizations, filings, notifications and other actions have been obtained or made and any applicable waiting period has expired or been terminated, neither the execution and delivery of this Agreement and each Ancillary Agreement to which Seller is party by Seller, nor the performance by Seller of the Transaction and the other transactions contemplated hereunder and thereunder shall, directly or indirectly: (a) contravene, conflict with, or result in (with or without notice or lapse of time) a violation or breach of any Law, Governmental Authorization or Action to which Seller may be subject; or (b) violate, conflict with or result in the breach of any provision of the Organizational Documents of Seller or any other agreement among the stockholders or other equity holders of Seller or between any stockholders or other equity holders of Seller and the Seller.

Section 6.3 Governmental Authorizations. The execution, delivery and performance of this Agreement and the Ancillary Agreements to which Seller is a party by the Seller, and the performance by Seller of its obligations hereunder and thereunder, do not and shall not require any Governmental Authorization. Neither the Seller nor any of its directors, officers or employees nor any of the Seller's assets or properties, including the Purchased Assets, is subject to any Governmental Authorization (nor, to the knowledge of the Seller, are there any such Governmental Authorizations threatened to be imposed by any Governmental Authority).

Section 6.4 Encumbrances over Purchased Assets. Except as disclosed under Section 6.4 of the Disclosure Schedule, there are no Encumbrances over Purchased Assets.

Section 6.5 Financial Statements. Absence of fraud.

(a) Attached as Section 6.5(a) are the audited balance sheets of the Seller as of, and the related statements of income and cash flows for the period ended, December 31, 2013, accompanied by the report of the Seller's independent public accountants thereon (the "2013 Audited Annual Financial Statements") and the Unaudited Financial Statements, and together with the 2013 Audited Annual Financial Statements, the "Financial Statements"). The Financial Statements (including the related notes thereto, where applicable) were prepared in accordance with GAAP, applied on a consistent basis during the periods involved, and taking into account the purposes for which they were produced, fairly present in all material respects in accordance with GAAP the financial position of the Seller as at the date thereof and the results of its operations and cash flows for the period indicated (except as may be otherwise specified in the notes to such financial statements).

(b) The Seller did not receive from the Seller's independent auditors, and does not otherwise have knowledge of, any notice with respect to (A) any fraud or fraudulent concealment, whether or not material, that involves the Seller's management or other employees who have a role in the preparation of financial statements or the internal controls utilized by the Seller in relation to the Purchased Assets or the Assumed Liabilities, or (B) any material claim or allegation regarding any of the foregoing.

Section 6.6 Absence of Changes; Events and Conditions. Since December 31, 2014, except as disclosed in Section 6.6 of the Disclosure Schedule, the Seller has conducted and operated the Business only in the ordinary course consistent with past practice and, there has not been and there does not exist as of the date of this Agreement:

(a) Any material change in relation to the Purchased Assets, which change by itself or in conjunction with all other such changes, whether or not arising in the ordinary course of business, would result in a Material Adverse Effect;

(b) any amendment, termination, cancellation or compromise of any Claim or Assigned Contract or waiver of any other rights of value which would result in a Material Adverse Effect;

(c) any damage, destruction or loss with respect to any of the Purchased Assets, whether or not covered by insurance, which would result in a Material Adverse Effect;

(d) any sale, transfer, lease, sublease, license or other disposal of any material properties or assets, real, personal or mixed (including leasehold interests and intangible property) currently used in the Business in respect of the Purchased Assets, other than the sale or non-exclusive license of Seller's products in the ordinary course of business consistent with past practice;

(e) Except for the Receivables to be kept by the Seller pursuant to clause 2.2 of this Agreement and as disclosed by the Seller to the Purchaser in the context of the determination of the Receivables and the Included Receivables, the Seller has not engaged in (i) any practice which would have the effect of accelerating the pre-Completion periods collections of receivables that would otherwise be expected (based on past practice) to be made in post-Completion periods, (ii) any practice which would have the effect of postponing to post-Completion periods payments by Seller that would otherwise be expected (based on past practice) to be made in pre-Completion periods, (iii), any other promotional sales discount activity or deferred revenue activity, in each case in this section (iii) in a manner outside the ordinary course of business consistent with past practice, or (iv) any discharge or release of any Encumbrance, or any discharge or payment of any Liability.

(f) Any labor trouble or claim of unfair labor practices involving Seller;

(g) any granted increase, or announcement of any increase, in the wages, salaries, compensation, bonuses, incentives, pension or other benefits payable by Seller to any Scheduled Employees, including any increase or change pursuant to any Seller Employee Program, or the establishment or increase or promised increase to any benefits under any Seller Employee Program, in each case except (A) as required by Law or (B) ordinary increases consistent with the past practices of the Seller that do not exceed ten percnt (10%) as compared to the compensation in effect as of December 31, 2014;

(h) other than as expressly provided in this Agreement, any resignation, termination or removal of any officer of Seller or material loss of personnel of Seller or any change, other than in the ordinary course of business, in the terms and conditions of the employment of Seller's officers or personnel;

(i) other than as expressly provided in this Agreement, any termination, discontinuation, closing or disposal of any facility or other business operation used in the Business, or any laying off of any employees or implementation of any early retirement, separation or program or any announcement or planned announcement of any such action or program for the future;

(j) any abandonment, sale, assignment, or grant of any security interest in or to any item of the Acquired IP, including failing to perform or cause to be performed all applicable filings, recordings and other acts, and pay or caused to be paid all required fees and taxes, to maintain and protect its interest in such Acquired IP, (ii) any grant of any license to any third party with respect to any Acquired IP other than the sale or non-exclusive license of Seller's products in the ordinary course of business, (iii) any development, creation or invention of any Intellectual Property jointly with any Person other than Seller's employees, or (iv) any disclosure, of any confidential Intellectual Property, unless such Intellectual Property is or was subject to a confidentiality or non-disclosure covenant protecting the confidentiality thereof; or

(k) any agreement whether in writing or otherwise, for Seller to take any of the actions specified in paragraphs (a) through (i) above.

Section 6.7 Litigation. Except as set forth in Section 6.7 of the Disclosure Schedule, there are no, and in the past three (3) years there have not been any, Actions by or against the Seller affecting the Business in respect of any of the Purchased Assets or the Scheduled Employees pending or, to the knowledge of the Seller, threatened. Section 6.7 of the Disclosure Schedule includes a list of all Actions and, to the knowledge of the Seller, investigations involving the Purchased Assets and the Scheduled Employees or otherwise relevant or affecting the transactions contemplated herein, occurring, arising or existing during the past three (3) years. None of the matters set forth in Section 6.7 of the Disclosure Schedule has or would reasonably materially and adversely affect the Purchased Assets. Neither the Seller, nor any of the Seller's directors, officers or employees or the Purchased Assets is subject to any Governmental Order (nor, to the knowledge of the Seller, are there any such Governmental Orders threatened to be imposed by any Governmental Authority).

Section 6.8 Compliance with Laws. The Seller is conducting, and has heretofore conducted and operated the Business in accordance with the Laws applicable to it in all material respects. Except as disclosed in Section 6.8 of the Disclosure Schedule, Seller has not received any request for information, notice, demand letter, administrative inquiry or formal or informal complaint or claim from any regulatory agency with respect to the Business in respect of the Purchased Assets which is either unknown to the Purchasers or that is pending to be resolved as of the date hereof.

Section 6.9 Permits. Seller is not in material violation of or default under any Permit used in the operation of the Business in respect of the Purchased Assets and as presently operated and all such Permits are valid and in full force and effect, and no material Permit shall be revoked, terminated prior to its normal expiration date or not renewed pursuant to its terms solely as a result of the consummation of the Transaction.

Section 6.10 Material Contracts. The Assigned Contracts constitute the Contracts to which the Seller is a party in relation to the Business in respect of the Purchased Assets, or by which any of the Purchased Assets are bound or subject, which the Parties have agreed to be necessary so that the Business can be conducted by the Purchaser after Completion Date in the same manner as it has been conducted prior to the Completion Date. Except for the Assigned Contracts, the Excluded Contracts and the Contracts relating to Indebtedness of the Seller, the Seller is not a party to any other Contract related to the Business.

Section 6.11 Purchased Assets & Assigned Contracts.

(a) Except as set forth in Schedule 2.(i)(a)(v) in relation to the Consent by relevant counterparties to the Assigned Contracts Requiring Consent being required but assuming such Consent was obtained, neither the execution and delivery by the Seller of this Agreement and each Ancillary Agreement to which the Seller is party, nor the performance by the Seller of the Transaction and the other transactions contemplated hereunder and thereunder shall, directly or indirectly, violate, conflict with, result in any breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any Consent under, or give to others any rights of notice, termination, amendment, acceleration, suspension, revocation or cancellation of, or result in the creation of any Encumbrance on any of the Purchased Assets (including the Assigned Contracts) pursuant to, any note, bond, mortgage or indenture, Contract, agreement, lease, sublease, license, permit, franchise or other instrument or arrangement to which the Seller is a party or by which its assets or properties is bound or affected.

(b) Each Assigned Contract is valid and binding on the Seller which is a party thereto and, to the knowledge of the Seller, on the other parties thereto, and is in full force and effect. Assuming the Seller has obtained all the Required Consents set forth in Schedule 3.1(iv), upon consummation of the Transaction, all of the Assigned Contracts which transfer is not subject to Consent by the counterparty will be freely and fully assigned to the Purchaser pursuant to Sections 2.1(a) and 2.2(a) without penalty or other adverse consequences to the Purchaser of any kind and all such Assigned Contracts which transfer is not subject to Consent remain and, to the knowledge of the Seller, shall remain after Completion Date in full force and effect, enforceable in accordance with their terms. In relation to the Assigned Contracts Requiring Consent, such Assigned Contracts shall be fully assigned to the Purchaser immediately upon the relevant Consent from the counterparty has been obtained by the parties as provided for in section 9.4 of the Agreement.

(c) Except in relation to the Contracts listed in Section 6.11 (c) of the Disclosure Schedule, Seller is not in breach or violation of, or default under, any Assigned Contract and, to the knowledge of the Seller, no other party to any Assigned Contract is, in any material respect, in breach or violation thereof or default thereunder. Seller has not received, nor, to the knowledge of the Seller, has been threatened to receive, as a result of the Transaction or otherwise, any notice of termination, cancellation, breach or default under any Assigned Contract.

(d) Except for the requirement to obtain Consent to the assignment of certain Assigned Contracts as indicated in Schedule 2.1(a)(v), to the knowledge of the Seller, no event or circumstance has occurred or exists that, with notice or lapse of time or both, would constitute any event of default under any Assigned Contract. The Seller has delivered to the Purchasers true and complete copies of each Assigned Contract and any Schedules thereto and any complementary documents thereto.

(e) Except as expressly contemplated in this Agreement or in Section 6.11(e) of the Disclosed Schedule, Seller has not agreed or committed to any discount, price reduction or price concession, commission, fee (including any syndication fee), or other adjustment with or for any party to an Assigned Contract or in respect of any revenue generated from any such Person, other than in the ordinary course of business or pursuant to the written terms and conditions of the relevant Assigned Contract.

Section 6.12 Receivables. Except as set forth in Section 6.12 of the Disclosure Schedule, all Receivables of the Seller pertaining to the Assigned Contracts which are to be transferred to the Purchaser as provided in Section 2.2 of the Agreement arose in bona fide arm's length transactions in the ordinary course of business consistent with past practice and no such account payable is delinquent in its payment. Except as provided on Section 6.12 of the Disclosure Schedule, the Receivables which are to be transferred to the Purchaser as provided in Section 2.2 of the Agreement constitute valid, undisputed claims of the Seller not subject to valid claims of setoff or other defenses or counterclaims other than normal cash discounts accrued in the ordinary course of business consistent with past practice.

Section 6.13 Intellectual Property and Industrial Property Rights.

(a) The Seller owns sufficient rights with respect to all Acquired IP rights in the terms of the statement made by the Seller on this date and recorded in the terms of the Acquired IP Representation Deed. Seller, has not materially violated or infringed, and is not currently materially violating or infringing, any IP Rights of any other Person. The Seller is the owner of the Acquired IP and, in relation to the software, it has developed the software as stated in the Acquired IP Representation Deed, which for all purposes forms part of this Agreement and is hereby deemed to be reproduced to avoid unnecessary duplications. Other than for the litigation disclosed in Section 6.7 of the Disclosure Schedule, there are no pending proceedings or adverse claims made or, to the knowledge of the Seller, threatened against the Seller with respect to any Acquired IP. Seller has not received any written communication alleging that the Seller or the Acquired IP infringes or misappropriates any IP Rights of a third party. Seller has not brought or threatened any action, suit or proceeding against any third party for any infringement of any Acquired IP or any breach of any license, sublicense or agreement involving Acquired IP and is not aware of a bona fide basis for such a proceeding and, to the knowledge of the Seller, no third party has brought or threatened any action, suit or proceeding against the Seller regarding the any of the Acquired IP rights.

(b) Except as set forth on Section 6.13(b) of the Disclosure Schedule, the Seller owns all the rights on the Trademarks which will be transferred to the Purchaser as Acquired IP.

(c) Schedule 2.1(a)(iii) lists (by name, number, jurisdiction and owner or by reference to the Acquired IP Representation Deed) the Acquired IP, including the software products, all registered and material unregistered Trademarks, all registered Copyrights, the Website and all domain name registrations. Other than as provided in Section 6.13(b) of the Disclosure Schedule and in the Acquired IP Representation Deed, no cancellation, termination, expiration or abandonment of any of the foregoing (except natural expiration or termination at the end of the full term) is anticipated by the Seller.

(d) To the knowledge of the Seller, there are no questions or challenges with respect to the validity of any claims of any of the Acquired IP.

(e) Schedule 2.1(a)(v) lists, among other Assigned Contracts, all Seller Licenses In and Seller Licenses Out used in connection with the Purchased Assets. The Seller has a valid right to use the Seller Licenses In in the ordinary course of operating the Business as currently operated and conducted and, where expressly indicated in such Schedule, pursuant to a fully executed written agreement. Except for the Seller Licenses Out, Seller has not granted any license or other right to any Person with respect to the Acquired IP rights. The consummation of the transactions contemplated by this Agreement and the Ancillary Agreements to which the Seller is a party will not result in the termination or impairment of any of the Acquired IP. Except as set forth on Section 6.13(e) of the Disclosure Schedule and in relation to the License Out indemnities provided to the licensees, Seller has not entered into any Contract to indemnify, hold harmless or defend any other person with respect to any assertion of infringement. To the knowledge of the Seller, no event or circumstance has occurred or exists (including, without limitation, the authorization, execution or delivery of this Agreement or the consummation of any of the transactions contemplated hereby) that would result in a breach or violation of any license, sublicense or other Contract required to be listed in Section 6.13(e) of the Disclosure Schedule that would have a Material Adverse Effect.

(f) To the knowledge of the Seller there are (i) no defects in any software included in the Acquired IP that would prevent such software from performing in accordance with its user specifications and (ii) no viruses, worms, Trojan horses or similar programs in any such software, in each case, that would materially impair the performance of such software or otherwise compromise the integrity or security of any data used or accessible by such software. The software included in the Acquired IP operates and performs in a manner that permits the Seller to operate the Business and, to the knowledge of the Seller, no person has gained unauthorized access to such software and the Seller has each implemented reasonable backup and disaster recovery technology consistent with industry practices.

(g) Seller has not granted, directly or indirectly, any current or contingent rights, licenses or interests in or to the source code of any of Seller's products or software included in the Acquired IP and since Seller developed the source code of each of its products and software included in the Acquired IP, Seller has not provided or disclosed the source code of such products or software to any Person other than Seller's employees or Affiliates and Parent, as security for the Loan Agreement. Except as stated in the Acquired IP Representation Deed, which is hereby incorporated by reference, (i) no Open Source Software is used in, incorporated into or integrated or bundled with any of the Acquired IP or otherwise used in connection with the Acquired IP and (ii) none of the licenses relating to the Open Source Software or any other software code used, modified by the Seller obligate the Seller to (1) distribute or disclose any other software combined, distributed or otherwise made commercially available with such Open Source Software in source code form, or (2) license or otherwise make available such Open Source Software and/or other software combined, distributed or otherwise made commercially available with such Open Source Software or any associated Intellectual Property on a royalty free basis.

(h) Seller has taken reasonable steps according to industry standards to protect and preserve the confidentiality of all Acquired IP rights with respect to which Seller has exclusivity ("Seller Confidential Information"). Each current and former employee and contractor of the Seller who contributed to the creation or development of any Acquired IP executed an agreement in substantially the form of Seller's standard Confidentiality and Assignment Agreement true and correct copies of which have been delivered to the Purchaser. To the knowledge of the Seller, none of the present or former employees, officers or consultants of the Seller are in violation of any confidentiality, invention assignment or other agreements protecting IP Rights, and Seller has used commercially reasonable efforts to prevent and detect any such violation.

(i) None of the Acquired IP installs “spyware,” “adware” or other malicious code that could compromise the privacy or data security of end-users and/or their computer systems and/or collects information from an end user without their knowledge (collectively, “Spyware”). No claims have been asserted against the Seller alleging any use of Spyware by Seller or any third party marketing the Business or the Purchased Assets and, to the knowledge of the Seller, no such claims are likely to be asserted.

(j) In conducting and operating the Business and the Purchased Assets, Seller has not engaged in or does engage in any unfair or deceptive marketing practices. No claims have been asserted against the Seller alleging unfair and/or deceptive marketing practices by Seller or any third party marketing Seller’s products or services and, to the knowledge of the Seller, no such claims are likely to be asserted. The Acquired IP includes all of the Intellectual Property rights necessary to or used in the operation of the Business in respect of the Purchased Assets as stated by the Seller in the Acquired IP Representation Deed, and there are no other items of Intellectual Property that are material to the operation of the Business in respect of the Purchased Assets as currently conducted. The consummation of the Transactions shall not result in the termination or impairment of any of the Acquired IP.

Section 6.14 Personal Data. In connection with the Transaction Data, and without prejudice to Section 12.2(b)(ii)(A), Seller complies with all the obligations established under the Spanish Data Protection Law, especially with the LOPD and RLOPD. Consequently, Seller complies with the quality principle (“*principio de calidad del dato*”) set out under Article 4.3. of the LOPD. Seller has not collected or used any Personal Data from any third parties and, in connection with the collection and/or use of Personal Data: (A) Seller has complied, in all material respects, with the applicable Laws, especially with the LOPD and the RLOPD, in all relevant jurisdictions and has processed the data in accordance with the Spanish Data Protection Laws relating to the collection, storage, use and onward transfer of all Personal Data (B) Seller has complied with all applicable Laws, especially with the LOPD and the LSSICE, concerning marketing, including, without limitation, those statutes and regulations concerning the transmission of commercial emails, text messages and other marketing materials and offers.

(a) Seller, as a Data Controller, has Security Measures in place to protect all Personal Data included in its Files under its control and/or in its possession and to protect such Personal Data from unauthorized access by any parties; and (B) the hardware, software, encryption, systems, policies and procedures maintained by Seller are sufficient to protect the privacy, security and confidentiality of all Personal Data in accordance with all applicable Laws and specifically with the LOPD and the RLOPD.

(b) Seller has not suffered any breach in security that has permitted any unauthorized access to the Personal Data under its control or possession and (B) Seller has required and does require all third parties to which it provides access to its Data to enter into a data access agreement, as set out in Article 12 of the LOPD, in order to comply with data protection laws and the Security Measures required for such Personal Data in accordance with the RLOPD, including by contractually obliging such third parties to protect such Personal Data from unauthorized access by and/or disclosure to any unauthorized third parties.

(c) The Seller has and will preserve documental proof evidencing that, upon Completion, the Purchaser shall be entitled to use and process the Data in compliance with the Spanish Data Protection Laws and for the purposes for which the Transaction Data were collected.

Section 6.15 Environmental Matters. Seller has obtained all material Environmental Permits necessary for the conduct of its business and is in compliance in all material respects with the requirements of such Environmental Permits and with all applicable Environmental Laws. Seller has not received, nor is the Seller party to or subject to, any Environmental Claim. To the knowledge of the Seller, no underground storage tanks; PCBs or equipment containing PCBs; asbestos or asbestos-containing materials; or toxic mold, mildew, fungi or pathogens are present at the portion of the real property currently used by the Seller. The operations of the Seller have not resulted in any release of Hazardous Materials on (i) any real property now or formerly operated, leased or used by the Seller or (ii) to the knowledge of the Seller, any other property to which the Seller has transported or disposed of, or allowed or arranged for any third party to transport or dispose of, wastes.

Section 6.16 Employee Matters and Benefit Plans.

(a) Section 6.16(a) of the Disclosure Schedule sets forth a true, complete and correct list of every Employee Program (including, seniority, professional category, type of employment contract, remuneration in kind, fringe benefits and gross annual salary) that is maintained by the Seller (the "Seller Employee Programs"). The employment conditions of these employees have not been modified during the last year, except as disclosed in Section 6.16(a) of the Disclosure Schedule. Therefore, the Seller does not have in Spain any other employees than the ones reflected in Section 6.16(a) of the Disclosure Schedule. The number of employees of the Disclosure Schedule affected by a protective situation derived from maternity rights is ten (10) employees. There is a unique worker's representative for the employees of the Disclosure Schedule in the work centre of Guipúzcoa. There are no worker's representatives for the employees of the Disclosure Schedule for the work centre of Madrid.

(b) True, complete and correct copies of the following documents, with respect to each Seller Employee Program, where applicable, have previously been delivered to the Purchasers: (i) all documents embodying or governing the Seller Employee Program; and (ii) the most recent summary plan description (or other descriptions provided to employees).

(c) Except as set forth in Section 6.16.(c) of the Disclosure Schedule, the Seller complies and has complied with the Law and is up to date with the remuneration obligations with the employees of the Disclosure Schedule, which include: salary, extraordinary payments, variable remuneration, commissions, fringe benefits, remuneration in kind, bounties, holidays, contributions to the pension schemes, insurances linked to accidents, health and life, loans, ticket restaurants, renting or leasings linked to vehicles, or any other condition or employment remuneration (in cash or in kind, formal or informal) received by any employee, manager, top executive, or director of the Seller. The employees and directors of the Seller are included in the appropriate Social Security Regime up to the Completion Date. The Seller declares that it has offered to the Scheduled Employees the possibility to be included as participants of the pension scheme. The Seller declares that the only Claims received regarding the complementary social prevision system are reflected in Section 6.16.(c) of the Disclosure Schedule.

(d) Except as set forth in Section 6.16(d) of the Disclosure Schedule, the employees, managers, directors and top executives of the Seller are not entitled to receive any severance payment on the grounds of the resolution of their contracts, for any higher amount than the foreseen in the Spanish legislation, or applicable collective bargaining agreements, nor any additional remuneration derived from regular or anticipated resolution of their contracts.

(e) Each Seller Employee Program is, and has been operated in material compliance with applicable Laws and regulations and is and has been administered in all material respects in accordance with applicable Laws and regulations and with its terms, except as set forth in Section 6.16(c) of the Disclosure Schedule. The Seller has complied with the Laws linked to Social Security matters, Prevention and Occupational Hazards, including the homeworkers, payment of salaries, as well as filed the corresponding bulletins contributions to the Social Security (TC-1 and TC-2) and reporting required by the Law to the Social Security. There are not additional debts with the Social Security than the ones reflected in Section 6.16(c) of the Disclosure Schedule.

(f) No litigation or governmental administrative proceeding, audit or other proceeding is pending or, to the knowledge of the Seller, threatened with respect to any Seller Employee Program or any fiduciary or service provider thereof, and, to the knowledge of the Seller, there is no reasonable basis for any such litigation or proceeding, except as set forth in Section 6.7 of the Disclosure Schedule. As from the Seller's incorporation date no strikes or employment conflicts have taken place. The Seller, as of the date of this Agreement, is not aware of the existence of any collective claim of its employees and is not aware about the possibility that any collective claim could be filed in a short period of time from the signature of the Agreement.

(g) Each Seller Employee Program may be amended, terminated, or otherwise modified by the Seller to the greatest extent permitted by applicable Law, including the elimination of any and all future benefit accruals thereunder and no employee communications or provision of any Seller Employee Program has failed to effectively reserve the right of Seller to so amend, terminate or otherwise modify such Seller Employee Program. The Seller has not announced its intention to modify or terminate any Seller Employee Program or adopt any arrangement or program which, once established, would come within the definition of the Seller Employee Program. Each asset held under each Seller Employee Program may be liquidated or terminated without the imposition of any redemption fee, surrender charge or comparable liability.

(h) The Seller has Employee Programs in place subject to the Laws of Spain, Mexico, Colombia and the State of Florida, United States of America.

(i) For purposes of this Section 6.16, a Person "maintains" an Employee Program if such Person sponsors, contributes to, or provides benefits under or through such Employee Program, or has any obligation to contribute to or provide benefits under or through such Employee Program, or if such Employee Program provides benefits to or otherwise covers current or former employee, officer or director of such Person (or their spouses, dependents, or beneficiaries).

Section 6.17 Insurance Contracts. Seller has in full force and effect general third-party civil liability, professional liability, employee's liability and accident-at-work insurance, fire and casualty (multi-risk) in relation to the premises occupied for the development of the Business insurance policies with standard market coverage for similarly situated companies as required by applicable Law or Contracts to which the Seller is a party. There are currently no claims pending against the Seller under any insurance policies currently in effect and covering the property, business or employees of the Seller, and all premiums due and payable with respect to the policies maintained by the Seller have been paid to date. To the knowledge of the Seller, there is no threatened termination of any such policies or arrangements.

Section 6.18 Labor Matters.

(a) Exhibit C to the Agreement contains a true, complete and correct list of the Scheduled Employees, along with each Scheduled Employee, along with his or her title, status as a part time or full time employee, annual salary and other compensation including but not limited to bonuses (both guaranteed and targeted) and commissions and compensation for any restrictive covenants enforceable during the employment relationships or after the termination of the employment relationships. Seller is not delinquent in payments to any employees for any wages, salaries, commissions, bonuses or other direct compensation for any services performed for the Seller or amounts required to be reimbursed to any employees. There are no charges of employment discrimination or unfair labor practices existing, pending or, to the knowledge of the Seller, threatened against or involving the Seller. There are no changes pending or, to the knowledge of the Seller, threatened with respect to (including, without limitation, the resignation of) the senior management or key supervisory personnel or independent contractors of the Seller, nor has the Seller received any notice or information concerning any prospective change with respect to such senior management or key supervisory personnel. Seller has not implemented any plant closing, collective dismissals, individual dismissals or terminations that collectively affect more than ten (10) employees within consecutive periods of ninety (90) days, or mass layoff of employees within the last twenty four (24) months.

(b) Seller is in compliance in all material respects with all applicable Laws respecting employment, employment practices (including Prevention and Occupational Hazards), terms and conditions of employment and wages and hours(i.e. employees do not perform overtime and enjoy the minimum resting periods provided by Law), in each case, with respect to its current and former employees. No work stoppage, slowdown, labor strike or any other concerted interference with normal operations against the Seller is pending, and, to the knowledge of the Seller, threatened or reasonably anticipated. Seller is not a party to any collective bargaining agreement, agreements with the workers representatives, or union contract with respect to employees of the Seller, other than those mandated by applicable Laws.

(c) To the extent the Seller utilizes any independent contractors, temporary employees, leased employees or any other servants or agents compensated other than through reportable wages paid by Seller (collectively, "Contingent Workers"), Seller has properly classified and treated them in accordance with applicable Laws and for purposes of all Seller Employee Programs and perquisites. Seller is not delinquent in payments to any Contingent Workers for any wages, salaries, commissions, bonuses, severance, termination pay, consulting fees or other direct compensation or remuneration for any services performed therefor or amounts required to be reimbursed to such Contingent Workers. The Seller complies with the Law regarding the self-employed workers or independent contractors. The Seller confirms that there are no and there will not be up to the Completion Date pending salaries of the employees of the contractor companies which render services to the Seller. The Seller also confirms that no unlawful asignment of employees has taken place between the Seller and any third company up to date and that no unlawful asignment of employees will take place between the Seller and any third company from the date hereof and until (and including) the Completion Date.

Section 6.19 Purchased Assets.

(a) Except as otherwise specifically stated in this Article 6 and Section 6.4 of the Disclosure Schedule or in this Agreement, the Seller (i) owns, leases or otherwise has the legal right to use all the Purchased Assets and, with respect to Contract rights, is a party to and enjoys the right to the benefits of all Assigned Contracts and (ii) has good and marketable title to, or, in the case of leased or subleased Purchased Assets, valid and subsisting leasehold interests in, all the Purchased Assets, free and clear of any Encumbrances, except Permitted Encumbrances.

(b) The Purchased Assets constitute all the properties, assets and rights that are necessary to operate for the operation of the Business as currently conducted. The Seller has caused the Purchased Assets to be maintained in accordance with standard business practice, and all the Purchased Assets are, subject to reasonable wear and tear, in good operating condition and state of repair according to the use thereof and acquisition date, and are suitable for the purposes for which they are used and intended.

(c) Subject to the requirement of Consent to the assignment of the Assigned Contracts as disclosed in Section 6.11(a) of the Disclosure Schedule, the Seller has the complete and unrestricted power and unqualified right to sell, assign, transfer, convey and deliver the Purchased Assets to the Purchaser without penalty or other adverse consequences. Upon the consummation of the Completion Date and in accordance with the terms of this Agreement, and except in relation to the Assigned Contracts, for which clause 9.5 of the Agreement shall prevail, the Purchaser will own with good, valid and marketable title or lease under valid and subsisting leases the interests of the Seller in the Purchased Assets, free and clear of any Encumbrances, and without incurring any penalty or other adverse consequence, including any increase in rentals, royalties or license or other fees imposed as a result of, or arising from, the consummation of the Transaction.

Section 6.20 Customers. Section 6.20 of the Disclosure Schedule sets forth the names of the Seller's customers of the Business which for the fiscal year ended December 31, 2014 represent revenues in excess of five percent (5%) of the total revenues of the Seller during such fiscal year (each such customer, a "Key Customer"). Seller has not received any notice, and Seller does not have any reason to believe, that any Key Customer (a) has ceased, or intends to cease, to use the products, goods or services of Seller included in the Purchased Assets or has substantially reduced, or intends to substantially reduce, the use of such products, goods or services included in the Purchased Assets at any time or (b) will not transact business with the Purchaser at any time after the Completion Date on terms and conditions (including pricing, payment and other economic terms) that are substantially equivalent to the terms and conditions on which that customer currently transacts business with the Seller. Seller has not agreed or committed to the Key Customers any discount, price reduction or price concession, commission, fee (including any syndication fee), or other adjustment with or for any customer of the Seller or in respect of any revenue generated from any such customer, other than in the ordinary course of business.

Section 6.21 Suppliers. Listed in Schedule 2.1(a)(v) are the names of the main Seller's suppliers for the Business (each such supplier, a "Key Supplier"). Seller has not received any notice, and Seller does not have any reason to believe, that any such Key Supplier will not sell raw materials, supplies, merchandise and other goods or services to the Purchaser at any time after the Completion Date on terms and conditions (including pricing, payment and other economic terms) that are substantially equivalent to those used in its current sales to the Seller.

Section 6.22 Certain Interests.

(a) Except as disclosed in Section 6.22 of the Disclosure Schedule (with reference to the appropriate subsection), no Affiliate, stockholder, equity holder, officer, director or key employee of the Seller and no relative or spouse (or relative of such spouse) of any such Affiliate, stockholder, equity holder officer, director or key employee:

(i) has any direct or indirect financial interest in any creditor, competitor, supplier manufacturer, agent, representative, distributor or customer of the Seller; provided, however, that the ownership of securities representing no more than one percent (1%) of the outstanding voting power of any such Person that is also listed on any national securities exchange, shall not be deemed to be a "financial interest" so long as the Person owning such securities has no other connection or relationship with such competitor, supplier or customer;

(ii) owns, directly or indirectly, in whole or in part, or has any other interest in any Purchased Asset; or

(iii) is an officer, director, trustee, partner or holder of more than five percent (5%) of the outstanding capital equity interests of any Person that is a party to any Assigned Contract.

(b) No Assumed Liability (other than those resulting from the employment relationship between the Purchaser and the Scheduled Employees) is to any Affiliate, stockholder, equity holder, officer, director or key employee of the Seller or, to the knowledge of the Seller, to any relative or spouse (or relative of such spouse) of any such Affiliate, stockholder, equity holder, officer, director or key employee.

Section 6.23 Taxes.

(a) Without prejudice to the final content of the tax certificate referred to in Section 11.2 once issued by the tax authorities, and except as disclosed in Section 6.23 of the Disclosure Schedule: (i) All Tax Returns required to be filed by or with respect to the Purchased Assets or the Business have been timely filed; (ii) all Taxes required to be shown on such Tax Returns or otherwise due in respect of the Purchased Assets or the Business have been timely paid; (iii) all such Tax Returns are true, correct and complete; (iv) no adjustment relating to any such Tax Return has been proposed formally or informally by any Governmental Authority and, to the knowledge of the Seller, no basis exists for any such adjustment; (v) there are no pending or, to the knowledge of the Seller, threatened Actions for the assessment or collection of Taxes in respect of the Purchased Assets or the Business; (vi) there are no Tax liens on any Purchased Assets; (vii) Seller is not doing business or engaged in a trade or business in any jurisdiction in which, to the Seller's Knowledge, it has not filed all required Tax Returns, and (viii) to the Seller's Knowledge, no notice or inquiry has been received from any jurisdiction in which Tax Returns have not been filed by the Seller to the effect that the filing of Tax Returns may be required.

(b) (i) There are no outstanding waivers or agreements extending the statute of limitations for any period with respect to any Tax relating to the Purchased Assets or the Business; (ii) there are no requests for information currently outstanding that could affect Taxes relating to the Purchased Assets or the Business.

(c) The copies of all state, regional, local and foreign income, franchise and similar Tax Returns, examination reports, and statements of deficiencies assessed against or agreed to by the Seller provided to the Purchaser during the Due Diligence were correct and complete copies of such documentation.

(d) Seller has withheld and paid all Taxes required to have been withheld and paid in connection with any amounts paid or owing to any employee, independent contractor, creditor, member or other third party.

(e) Seller will not be required to include any item of income in, or exclude any item of deduction from, reportable income for any taxable period (or portion thereof) ending after the Completion Date as a result of any: (i) change in method of accounting for a taxable period ending on or prior to the Completion Date; (ii) installment sales or open transaction dispositions made on or prior to the Completion Date; or (iii) prepaid amount received on or prior to the Completion Date.

Section 6.24 Certain Business Practices. Neither Seller nor, to the knowledge of the Seller, any of Seller's directors, officers, agents, representatives or employees (in their capacity as directors, officers, agents, representatives or employees) has (a) used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity in respect of the Business, the Purchased Assets or the Assumed Liabilities, (b) directly or indirectly, paid or delivered any fee, commission or other sum of money or item of property, however characterized, to any finder, agent, or other party acting on behalf of or under the auspices of a governmental official or Governmental Authority, in the United States or any other country, which is in any manner illegal under any Law of the United States or any other country having jurisdiction, or (c) made any payment to any customer or supplier of the Seller or any officer, director, partner, employee or agent of any such customer or supplier for the unlawful reciprocal practice, or made any other unlawful payment or given any other unlawful consideration to any such customer or supplier or any such officer, director, partner, employee or agent, in respect of the Business, the Purchased Assets or the Assumed Liabilities.

Section 6.25 Solvency.

(a) Seller has not: (i) made a general assignment for the benefit of creditors; (ii) filed any voluntary petition in bankruptcy or suffered the filing of any involuntary petition by its creditors; (iii) suffered the appointment of a receiver to take possession of all, or substantially all, of its assets; (iv) suffered the attachment or other judicial seizure of all, or substantially all, of its assets; (v) admitted in writing its general inability to pay its debts as they come due; or (vi) except for individual negotiations with certain creditors to restructure existing financings, made an offer of settlement, extension or composition to its creditors generally.

(b) No transfer of property is being made, and no obligation is being incurred, in connection with the transactions contemplated hereby with the intent to hinder, delay or defraud either present or future creditors of Seller, on the contrary, the transaction is the consequence of an open market process for the sale of the assets of the Seller in an effort to maximize value to satisfy the Seller's creditors. The Seller acknowledges that it is selling the Purchased Assets to the Purchaser in exchange for reasonably "equivalent value" under current market circumstances.

Section 6.26 Full Disclosure. Seller has not failed to disclose to the Purchasers in writing any fact that would reasonably be expected to adversely affect in any material respect the Purchased Assets, the Assumed Liabilities, the Business or its operations, condition (financial or otherwise), licenses or franchises. The digital device deposited with the notary public of Madrid raising into public this Agreement simultaneously to the execution of this Agreement includes all (and only) the information and documentation made available to the Purchasers and their advisors during the Due Diligence process. No representation or warranty contained in this Agreement, and no statement contained in any document, certificate or schedule furnished or to be furnished to the Purchasers or any of their representatives or Affiliates pursuant to this Agreement, contains or will contain any untrue statement of a material fact, or omits or will omit to state any material fact required to be stated therein or necessary in order to make the statements herein or therein, in light of the circumstances under which it was or will be made, not misleading or necessary in order to fully and fairly provide the information required to be provided in any such document, certificate or schedule. The information relating to the Seller provided to the Purchasers by or on behalf of the Seller prior to the date of this Agreement is in accord with the books and records of the Seller and is accurate and complete and fairly presents the data and other information it purports to present and does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements or other information contained therein not misleading.

ARTICLE 7

REPRESENTATIONS AND WARRANTIES
OF THE PURCHASER

As an inducement to the Seller to enter into this Agreement, the Purchaser hereby makes the following representations and warranties to the Seller as of the date hereof and as of the Completion.

Section 7.1 Organization and Qualification. Purchaser is a corporation duly organized, validly existing and in good standing under the Laws of Spain and has all requisite limited liability company power and authority to own, lease and operate its properties and conduct its business. The Purchaser delivered to the Seller copies of the Organizational Documents of Purchaser and such copies are correct and complete as of the date hereof.

Section 7.2 Authority; Due Execution and Binding Effect. The Purchaser has the requisite power and authority to execute and deliver this Agreement, each Ancillary Agreement to which Purchaser is a party and to consummate the Transaction and to perform its obligations under this Agreement and such Ancillary Agreements. This Agreement and each Ancillary Agreement to which the Purchaser is a party have been duly and validly executed and delivered by the Purchaser. Assuming the due authorization, execution and delivery by the Seller, this Agreement and the Ancillary Agreements to which the Purchaser is a party shall constitute, upon such execution and delivery hereof and thereof, the valid and binding obligations of the Purchaser, enforceable in accordance with their respective terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar Laws affecting the enforcement of creditors rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in Law or equity).

Section 7.3 Ownership. Parent owns one hundred percent (100%) of the issued and outstanding share capital of the Purchaser. There are no outstanding subscriptions or other rights, warrants, options, arrangements or agreements to issue or sell equity securities of Purchaser to any Person and there are no outstanding preemptive rights to purchase equity securities of Purchaser.

Section 7.4 No Conflict. Neither the execution and delivery of this Agreement or the Ancillary Agreements to which the Purchaser is a party, nor the performance by the Purchaser of the Transaction and the other transactions contemplated hereby and thereby shall, directly or indirectly: (a) contravene, conflict with, or result in (with or without notice or lapse of time) a violation or breach of any Law, Governmental Authorization or Order to which the Purchaser may be subject; (b) violate, conflict with or result in the breach of any provision of the Organizational Documents of the Purchaser; or (c) conflict in any respect with, result in a breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any Consent under, or give to others any right of termination, amendment, acceleration, suspension, revocation or cancellation of, result in the creation of any Encumbrance (other than a Permitted Encumbrance) pursuant to any Contract to which the Purchaser is a party or by which any of its assets or properties are bound or affected.

Section 7.5 Governmental Authorizations. The execution, delivery and performance of this Agreement and the Ancillary Agreements to which the Purchaser is a party by Purchaser and/or Parent do not and shall not require any Governmental Authorization.

Section 7.6 Financial Ability. The Purchaser has cash on hand or available credit facilities granted by Parent in amounts sufficient to allow it to pay the Total Consideration to the Seller in the terms set forth in this Agreement.

Section 7.7 Litigation. There are no Claims, investigations or other proceedings, including appeals and applications for review, in progress or pending or, to the knowledge of the Purchaser, threatened against or relating to the Purchaser which, if determined adversely to the Purchaser, would prevent the Purchaser from paying the Total Consideration to the Seller or fulfilling any of its obligations set out in this Agreement.

ARTICLE 8

REPRESENTATIONS AND WARRANTIES OF THE PARENT

As an inducement to the Seller to enter into this Agreement, the Parent hereby makes the following representations and warranties to the Seller as of the date hereof and as of the Completion:

Section 8.1 Organization and Qualification. Parent is a public company duly formed and validly existing under the Laws of the State of Israel and has all requisite corporate power and authority to own, lease and operate its properties and conduct its business.

Section 8.2 Authority; Due Execution and Binding Effect. Parent has the requisite corporate power and authority to execute and deliver this Agreement, each Ancillary Agreement to which Parent is a party and to consummate the Transaction and to perform its obligations under this Agreement and such Ancillary Agreements. This Agreement and each Ancillary Agreement to which Parent is a party have been duly and validly executed and delivered by the Parent. Assuming the due authorization, execution and delivery by the Seller, this Agreement and the Ancillary Agreements to which the Parent is a party shall constitute, upon such execution and delivery hereof and thereof, the valid and binding obligations of the Parent, enforceable in accordance with their respective terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar Laws affecting the enforcement of creditors rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in Law or equity).

Section 8.3 No Conflict. Neither the execution and delivery of this Agreement or the Ancillary Agreements to which Parent is a party by the Parent, nor the performance by the Parent of the Transaction and the other transactions contemplated hereby and thereby shall, directly or indirectly: (a) contravene, conflict with, or result in (with or without notice or lapse of time) a violation or breach of any Law, Governmental Authorization or Order to which the Parent may be subject; (b) violate, conflict with or result in the breach of any provision of the Organizational Documents of the Parent; or (c) conflict in any respect with, result in a breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any Consent under, or give to others any right of termination, amendment, acceleration, suspension, revocation or cancellation of, result in the creation of any Encumbrance (other than a Permitted Encumbrance) pursuant to any Contract to which the Parent is a party or by which any of its assets or properties are bound or affected.

Section 8.4 Governmental Authorizations. The execution, delivery and performance of this Agreement and the Ancillary Agreements to which Parent is a party by the Parent do not and shall not require any Governmental Authorization.

Section 8.5 Financial Ability. The Parent has cash on hand or available credit facilities in amounts sufficient to allow it to fund the Purchaser so that it can pay the Total Consideration to the Seller and fulfill the rest of the obilgations assumed by the Purchaser and the Parent under this Agreement.

Section 8.6 Litigation. There are no Claims, investigations or other proceedings, including appeals and applications for review, in progress or pending or, to the knowledge of the Parent, threatened against or relating to the Purchaser which, if determined adversely to the Parent, would prevent the Parent from fulfilling any of its obligations set out in this Agreement.

ARTICLE 9

COVENANTS AND ADDITIONAL AGREEMENTS

Section 9.1 Confidentiality. Seller shall, and shall cause its agents, representatives, Affiliates, employees (other than Scheduled Employees transferred to the Purchaser after Completion Date), stockholders, officers and directors to (a) treat and hold as confidential (and not disclose or make available to any Person) (i) all information relating to trade secrets, processes, patent applications, product development, price, customer and supplier lists, pricing and marketing plans, policies and strategies, details of client and consultant contracts, operations methods, product development techniques, business acquisition plans, new personnel acquisition plans and all other confidential or proprietary information with respect to the Business, the Purchased Assets or the Purchasers, and (ii) all information disclosed to the Seller and its agents, representatives, Affiliates, employees (other than Scheduled Employees transferred to the Purchaser after Completion Date), stockholders, officers and directors by the Purchasers, (b) in the event that the Seller or any such agent, representative, Affiliate, employee (other than Scheduled Employees transferred to the Purchaser after Completion Date), stockholders, officer or director becomes legally compelled to disclose any such information, provide the Purchasers with prompt written notice of such requirement so that the Purchasers may seek a protective order or other remedy or waive compliance by the Seller with this item of Section 9.1, (c) in the event that such protective order or other remedy is not obtained, or the Purchasers waive compliance with this Section 9.1, furnish only that portion of such confidential information that is legally required to be provided and exercise its best efforts to obtain assurances that confidential treatment will be accorded such information, and (d) promptly furnish (at the Completion, by way of transfer of possession of the premises where the Business is developed and such confidential information is located) to the Purchasers any and all copies (in whatever form or medium) of all such confidential information then in the possession of the Seller or any of its agents, representatives, Affiliates, employees, stockholders, officers and directors and destroy any and all additional copies then in the possession of the Seller or any its agents, representatives, Affiliates, employees, stockholders, officers and directors of such information not located in the premises of which the Purchasers will take possession on Completion Date, including analysis, compilations, studies or other documents prepared, in whole or in part, on the basis thereof; provided, however, that this sentence shall not apply to any information that, at the time of disclosure, is available publicly and was not disclosed in breach of this Agreement by the Seller, its agents, representatives, Affiliates, employees, stockholders, officers or directors; provided, further, that, with respect to Intellectual Property and Industrial Property Rights, specific information shall not be deemed to be within the foregoing exception merely because it is embraced in general disclosures in the public domain.

Purchasers shall, and shall cause their agents, representatives, Affiliates, employees (other than Scheduled Employees transferred to the Purchaser after Completion Date), stockholders, officers and directors to (a) treat and hold as confidential (and not disclose or make available to any Person) (i) all information relating to confidential or proprietary information with respect to Seller's business and assets *other than* the Business, the Purchased Assets and the Assumed Liabilities (ii) all information disclosed to the Purchasers and its agents, representatives, Affiliates, employees, stockholders, officers and directors by the Seller, *other than* information relating to the Business, the Purchased Assets and the Assumed Liabilities, (b) in the event that the Purchasers or any such agent, representative, Affiliate, employee, stockholders, officer or director becomes legally compelled to disclose any such information *other than* information relating to the Business, the Purchased Assets and the Assumed Liabilities, provide the Seller with prompt written notice of such requirement so that the Seller may seek a protective order or other remedy or waive compliance by the Purchasers with this Section 9.1(b) in the event that such protective order or other remedy is not obtained, or the Seller waive compliance with this Section 9.1, furnish only that portion of such confidential information *other than* information relating to the Business, the Purchased Assets and the Assumed Liabilities that is legally required to be provided, and (c) promptly furnish to the Seller any and all copies (in whatever form or medium) of all such confidential information *other than* information relating to the Business, the Purchased Assets and the Assumed Liabilities, then in the possession of the Purchasers or any of its agents, representatives, Affiliates, employees, stockholders, officers and directors, including analysis, compilations, studies or other documents prepared, in whole or in part, on the basis thereof; provided, however, that this sentence shall not apply to any information that, at the time of disclosure, is available publicly and was not disclosed in breach of this Agreement by the Purchasers, its agents, representatives, Affiliates, employees, stockholders, officers or directors.

Section 9.2 Notification of Certain Matters.

(a) During the Interim Period, Seller shall give prompt notice, upon it becoming aware, to the Purchasers of (i) the occurrence or nonoccurrence of any event which has caused or would be likely to cause any representation or warranty of Seller contained in this Agreement to be untrue or inaccurate in any material respect at or prior to the Completion; (ii) any failure by Seller to comply with or satisfy any covenant condition or agreement to be complied with or satisfied by it hereunder; (iii) any written notice or other material communication of which Seller has knowledge from any Governmental Authority or other Person in connection with the transactions contemplated by this Agreement; (iv) any Actions commenced or to the knowledge of Seller threatened against, relating to, involving or otherwise affecting, the Purchased Assets, Assumed Liabilities and/or the Business which, if pending on the date of this Agreement, would individually or in the aggregate have or would reasonably be expected to have a Material Adverse Effect or which relate to the ability to consummate the transactions contemplated by this Agreement; or (v) any other event that would materially impair Seller's ability to perform its obligations under this Agreement. The delivery of any notice pursuant to this Section 9.3(a) shall not cure such breach or non-compliance or limit or otherwise affect the remedies available hereunder to the Purchasers including without limitations pursuant to Article 12 hereof.

(b) During the Interim Period, Purchasers shall give prompt notice, upon them becoming aware, to the Seller of (i) the occurrence or nonoccurrence of any event which has caused or would be likely to cause any representation or warranty of Purchasers contained in this Agreement to be untrue or inaccurate in any material respect at or prior to the Completion; (ii) any failure by Purchasers to comply with or satisfy any covenant condition or agreement to be complied with or satisfied by it hereunder; (iii) any written notice or other material communication of which Purchasers have knowledge from any Governmental Authority or other Person in connection with the transactions contemplated by this Agreement; or (iv) any other event that would materially impair Purchasers' ability to perform their obligations under this Agreement. The delivery of any notice pursuant to this Section 9.3(b) shall not cure such breach or non-compliance or limit or otherwise affect the remedies available hereunder to the Seller.

Section 9.3 Non-Assignable Contracts. Notwithstanding anything herein to the contrary and, specifically in Section 2.1(a)(v) and 2.3(b)(i)(b), if an assignment or purported assignment by the Seller to the Purchaser of any Assigned Contract Requiring Consent has not been obtained as of the Completion and, as a consequence thereof, it would result in Purchaser not being entitled to receive directly all of the rights of the Seller thereunder (each, a "Non-Assignable Contract"), that Assigned Contract Requiring Consent shall be deemed not to have been assigned by the Seller to the Purchaser as of the Completion. The Seller and the Purchasers shall use their best efforts to obtain any such consent or waiver (but without the requirement of any payment of money or provision of financial guarantees by the Purchaser or the Seller to obtain such consent or waiver) as soon as practicable. Upon obtaining the requisite third party consent or waiver, each Non-Assignable Contract shall be assigned to the Purchaser, and the Seller and the Purchaser shall execute all agreements reasonably necessary to effectuate such assignment. With respect to any Non-Assignable Contract that is not assigned to the Purchaser, after the Completion and until the consent for the assignment of such Contract is obtained, the Seller and the Purchasers shall use best efforts and cooperate with one another in endeavoring to obtain an arrangement under which the Purchaser would obtain the benefits and assume the obligations thereunder in accordance with this Agreement, including by way of subcontracting, sub-licensing, or subleasing to the Purchaser, at least until the earlier of (i) the date of termination of the term of duration thereof or (ii) upon instruction of the Purchaser to terminate it, being the Purchaser obliged to indemnify the Seller from any Claims for Losses resulting from early termination of the Non-Assignable Contract. If such an arrangement is implemented, the Seller will promptly pay to the Purchaser, when received, all monies received by the Seller under any Non-Assignable Contracts and Purchaser shall (i) pay, defend, discharge and perform all Liabilities under such Non-Assignable Contracts and (ii) hold the Seller harmless from any Claims that the counterparties thereof may initiate against the Seller after Completion Date in relation to the performance of the services or as a consequence of the early termination of the Non-Assignable Contract due to breach by the Seller (provided that such breach is a direct consequence of the services performed by the Purchaser under the relevant arrangement).

Section 9.4 Conduct of Business. During the period from the date of this Agreement and continuing until the earlier of the termination of this Agreement in accordance with its terms or the Completion, and subject to the provisions of this Section 9.5, Seller agrees to conduct the Business in the usual, regular and ordinary course consistent with past practice and in substantially the same manner as heretofore conducted, other than as required or advisable to fulfill its obligations and covenants hereunder, to pay the Liabilities and Taxes of Seller or attributable to the Business or the Purchased Assets when due and to pay or perform other obligations when due. Seller shall promptly notify Purchasers in writing of any event or occurrence as provided for in Section 9.3(a) above. Without limiting the foregoing, Seller agrees, without the prior written consent of Purchaser, not to directly or indirectly:

(a) (i) sell, lease, dispose of, license for a period in excess of one (1) year and/or for a price in excess of or under, as applicable, 250,000€, being understood that the licenses shall be non-exclusive, or transfer to any Person any Purchased Asset, including any rights to any Acquired IP, (ii) buy or license for a period in excess of one (1) year and/or for a price in excess of or under, as applicable, 50,000€, being understood that the licenses shall be non-exclusive any Intellectual Property and Industrial Property Rights, (iii) change pricing or royalties charged by Seller to its customers or licensees, or the pricing or royalties set or charged by Persons who have licensed Intellectual Property Rights and Industrial Property Rights to Seller, except in the ordinary course of business or (iv) enter into any other distribution, joint venture, strategic alliance or joint marketing or any similar arrangement or agreement that relates to the Business or any Purchased Asset;

(b) enter into or amend or otherwise modify (or agree to do so) any Assigned Contract with respect to the sale, marketing, distribution, development or similar rights of any type or scope with respect to any Purchased Asset or the Acquired IP, unless expressly required to comply with the obligations of the Seller under this Agreement;

(c) commence or settle any proceeding, litigation, action, Claim or investigation relating to the Purchased Assets or the Business;

(d) grant any Encumbrance on, or damage or destruction or loss of, any Purchased Asset; and

(e) take, or agree in writing or otherwise to take, any of the actions described in Sections 9.5(a) through Section 9.5(d) hereof, or any other action that would (i) prevent Seller from performing, or cause Seller not to perform, its covenants or obligations under this Agreement or any Ancillary Agreement or (ii) cause or result in any of its representations and warranties contained herein being untrue or incorrect.

Subject to the other terms and conditions of this Agreement, each of the Parties hereto shall use its best efforts to take, or cause to be taken, all appropriate action, do or cause to be done all things necessary, proper or advisable under applicable Law, and to execute and deliver such documents and other papers, as may be required to carry out the provisions of this Agreement and the Ancillary Agreements and consummate and make effective the transactions contemplated hereby and thereby.

Section 9.5 Included Receivables. Without prejudice to the right of Purchasers to holdback and off set any amount deriving from non-discounted Included Receivables in accordance with the terms of this Agreement, on the 10th Business Day of each calendar month following the Completion Date (or, if such day is not a Business Day, on the next succeeding Business Day), the Purchaser shall pay to the Seller an amount equal to the aggregate of all amounts, if any, received by the Purchaser or any Affiliate thereof during the preceding calendar month on account of (i) non-discounted Included Receivables that are invoiced after the Completion Date but prior to the first anniversary thereof, net of the liability for maintenance and support set forth in Schedule 1.1bis (ii) Included Receivables which have expressly been identified in Schedule 1.1bis as having been discounted by the Seller prior to Completion Date that are invoiced after Completion Date, net of the liability for maintenance and support set forth in Schedule 1.1bis.

Purchaser undertakes to invoice the Included Receivables in accordance with the invoicing terms of the Contracts which give rise to such Included Receivables.

Additionally, in the event that an Assigned Contract Requiring Consent is the underlying contract to an Included Receivable and such Assigned Contract Requiring Consent is not assigned by the Seller to the Purchaser on Completion Date due to the lack of Consent from the relevant counterparty, but the Seller continues rendering the services under the relevant arrangement as provided in section 9.4 above, such Included Receivables shall be invoiced by the Seller to the relevant customer. Any amounts received by the Seller as payment of the invoices so issued shall be kept by the Seller, except for the amount equivalent to the liability for maintenance and support set forth in Schedule 1.1bis in relation to such Included Receivable, calculated in accordance with the Seller's accounting practices which shall be deducted and paid by the Seller to the Purchaser.

Section 9.6 Access to Information. Seller shall afford Purchasers and their representatives, reasonable access during the period from the date hereof and prior to the Completion to (i) all of its properties, books and records (other than those including Personal Data) and Contracts relating to the Business, (ii) other information concerning the Business and the Purchased Assets (subject to restrictions imposed by applicable Law and confidentiality undertakings in Contracts) as Purchaser may reasonably request. No information or knowledge obtained in any investigation pursuant to this Section shall affect or be deemed to modify any representation or warranty contained herein or the conditions to the obligations of the Parties to consummate the transactions in accordance with the terms and provisions of this Agreement. In addition, Seller shall provide the Purchaser with a copy of its audited financial statement for the fiscal year ended December 31, 2014, no later than by the end of June 2015.

Section 9.7 Non-Competition; Non-Solicitation.

(a) In order that the Purchasers may have and enjoy the full benefit of the Purchased Assets, Seller shall not, from the Completion Date until the expiration of 36 (thirty six) months after the Completion (the "Non-Compete Period"), without the prior written consent of Purchasers, own, manage operate, finance, control or participate in the ownership, management, operation, financing, business or control of, or otherwise be engaged in any way in any business anywhere in the world that at any time during the Non-Compete Period engages in the activities of the Business. For the avoidance of doubt, the activity of the Seller consisting of (i) managing the Excluded Assets and the Excluded Liabilities and (ii) complying with the provisions under this Agreement shall not be deemed to compete with the Business.

(b) The Seller acknowledges that the consideration received by the Seller hereunder is paid in consideration, in part, for the non-compete obligations hereunder and that in light of the nature of this transaction, the interest that the Seller has in the success of the Purchasers and the critical significance of the non-compete covenant to the Purchasers' business and to the Purchasers' willingness to enter into this Agreement and pay the Aggregate Total Consideration, or any part thereof, the Seller hereby acknowledges that the foregoing non-compete covenant is reasonable and necessary for the protection of the legitimate commercial interests of the Purchasers.

(c) During the Non-Compete Period, the Seller shall not cause, solicit, induce or knowingly encourage any employee to leave such employment or otherwise engage any such individual or (ii) cause, solicit, induce or encourage any material actual or prospective client, customer, supplier or licensor of the Business (including any existing customer of the Seller and any Person that becomes a client or customer of the Business after the Completion) or any other Person who has a business relationship with the Seller, to terminate or adversely modify any such actual or prospective relationship with Purchasers.

(d) The covenants and undertakings contained in this Section 9.8 relate to matters which are of a special, unique and extraordinary character and a violation of any of the terms of this Section 9.8 may cause irreparable injury to the Purchasers, the amount of which will be impossible to estimate or determine and which cannot be adequately compensated. Therefore, the Purchasers will be entitled to an injunction, restraining order or other equitable relief from any court of competent jurisdiction in the event of any breach of this Section 9.8. The rights and remedies provided by this Section 9.8 are cumulative and in addition to any other rights and remedies which Purchasers may have hereunder or at Law or in equity.

Section 9.8 Obligations in relation to Project Miracle. The Parties shall collaborate to complete the remaining obligations of the Seller under the aid granted by the European Commission related to Project MIRACLE: machine-readable and interoperable age classification labels in Europe (grant agreement nº 621059). In this regard, the Parties agree that any amounts received by the Seller from the European Commission shall be automatically subtracted from the next Earnout Payment. Purchasers shall hold the Seller harmless from any Claims that may be initiated against the Seller after Completion Date in relation to the performance by the Purchasers of the remaining obligations under Project MIRACLE (provided that such breach is a direct consequence of the services performed by the Purchasers under the this Agreement).

ARTICLE 10

EMPLOYEE MATTERS

Section 10.1 Employment Benefits Due Prior to Completion. The Seller shall be liable for the amounts of all wages, salaries, commissions, bonuses, incentives and the cost of all fringe benefits provided to each employee of Seller including all Taxes (as well as social security) in respect of those wages, salaries, commissions, bonuses, incentives and benefits that have become due and payable prior to the Completion Date (for the sake of clarity, Seller shall not be liable, with respect to Scheduled Employees only, for those wages, salaries commissions, bonuses, incentives and fringe benefits accrued before but payable after the Completion Date), except as specifically specified in this Section 10.1. Notwithstanding the above, in respect of the payroll relating to the month in which Completion occurs, the Seller shall be liable for the full amounts to be paid to the Scheduled Employees including all Taxes (as well as social security) accrued thereof at the end of the month on which Completion takes place, pro rata to the number of days of the given month elapsed up to, and including, the Completion Date (the "Completion Wages Amount"). An amount of Euros Two Hundred Eighty Four Thousand and Two Hundred Eighty Eight (€284,288.00) divided by the total number of days of the month in which Completion takes place and multiplied by the number of days of the given month elapsed up to, and including, the Completion Date ("The Estimated Completion Wages Amount") shall be reduced Euro for Euro from the Completion Consideration. Purchaser shall pay to the employees, at the first regular pay check following Completion, the full amount due to them. Within ten (10) Business Days following such payment, Purchaser shall calculate the actual Completion Wages Amount paid by it to employees for the period prior to the Completion Date for which Seller is liable and shall so notify Seller (including evidence of the payment actually performed). Should such amount exceed the Estimated Completion Wages Amount reduced from Completion Consideration, Purchaser shall be entitled to hold back and set off such amount against the Earnout Amount (included any amounts deposited at any time within the Third Escrow Account mentioned in this Agreement) and any amounts payable in respect to the non-discounted Included Receivables pursuant to Articles 12 below but without any limitations. Should such amount be lower than the Estimated Completion Wages Amount reduced from the Completion Consideration, the Purchaser shall transfer the difference to the Seller within the following three (3) Business Days as from the above referred notice is sent to the Seller. Without prejudice to the obligation of the Purchaser to pay the Third-Parties Termination Compensation, the Purchaser is not assuming, and shall not have any Liabilities in connection with or relating to any former employees' contributions to the pension plan to be made by the Seller until Completion Date or to any former employees' insurance policies costs assumed by the Seller until Completion Date or to any current employees' contributions to the pension plan or insurance costs assumed by the Seller until Completion Date other than the Scheduled Employees.

Section 10.2 Assumption of Scheduled Employees by Purchaser as from Completion Date. The Seller undertakes to indemnify and hold the Purchaser harmless against any Claim whatsoever it may receive from any Scheduled Employee provided that such Claim is based on the non fulfilment by the Seller of the employment or Social Security obligations accrued by the Scheduled Employees until the Completion Date in respect of the transfer of such Scheduled Employees to the Purchaser effected as a consequence of this Agreement.

As from Completion, the Purchaser shall subrogate in the Seller's position according to the provisions of article 44 of the Workers' Statute, and therefore shall assume all the rights and obligations of the Seller towards the Scheduled Employees, including, without limitation, the Social Security obligations relating to them from Completion onwards. In this connection, Purchaser undertakes to indemnify and hold the Seller harmless from and against any Claim whatsoever it may receive from any Scheduled Employee as from Completion Date provided that this Claim is based on the non fulfilment by the Purchser of the employment or Social Securities obligations accrued by the Scheduled Employees as from the Completion Date in respect of the transfer of such Scheduled Employee to the Purchaser effected as a consequence of this Agreement and/or in respect of any action of Purchaser as from Completion.

Section 10.3 Continued Employment by Seller. The Seller agrees, if so requested by Purchaser at least three (3) Business Days prior to Completion, to continue the employment of any Scheduled Employees, currently employed by Affiliates of Seller in Colombia and Mexico only, for a maximum period of ninety (90) days, should Purchaser not be able, as of Completion, to employ such Scheduled Employees in the jurisdictions in which they are currently employed by Seller. Purchaser shall compensate Seller Euro for Euro for the entire cost of (i) employment of such Scheduled Employees including with respect to all added taxes, accrued severance (if any), social security obligations and Employee Programs from the Completion Date and until such Scheduled Employee is employed by Purchaser or any of its Affiliates, (ii) any severance payment that such Scheduled Employees might be entitled to, and any costs and expenses incurred by the Seller or its branches or Affiliates in relation with such severances, in case Purchaser has not employed him after the abovementioned period has elapsed and (iii) for any operating costs of the relevant branch and subsidiary during the period in which it has to maintain such Scheduled Employees, in the total amount of Euro Nineteen Thousand Three Hundred (€19,300.00) per month with respect to the Colombia branch and the total amount of Euro Five Thousand Four Hundred (€5,400.00) per month with respect to the Mexico subsidiary.

Section 10.4 No Third-Party Beneficiaries. No provision of Article 10 shall create any third party beneficiary rights to any employee or former employee (including any beneficiary or dependent thereof) of the Seller in respect of continued employment (or resumed employment) with the Purchaser and no provision of Article 10 shall create such rights in any such persons in respect of any benefits that may be provided, directly or indirectly, under any Seller Employee Programs or any other plan or arrangement that currently exists or may be established by the Purchaser. No provision of this Agreement shall constitute a limitation on the rights to amend, modify or terminate after the Completion Date any such plans or arrangements of the Purchaser.

ARTICLE 11

TAX MATTERS

Section 11.1 Tax Cooperation and Exchange of Information. The Seller and the Purchaser shall provide each other with such cooperation and information as either of them reasonably may request of the other in filing any Tax Return, amended Tax Return or Claim for refund, determining a liability for Taxes or a right to a refund of Taxes or participating in or conducting any audit or other proceeding in respect of Taxes. Such cooperation and information shall include providing copies of relevant Tax Returns or portions thereof, together with related work papers and documents relating to rulings or other determinations by taxing authorities. The Seller and the Purchaser shall make themselves (and their respective employees) reasonably available on a mutually convenient basis to provide explanations of any documents or information provided under this Section 11.1. Notwithstanding anything to the contrary herein, the Seller and the Purchaser shall retain all Tax Returns, work papers and all material records or other documents in its possession (or in the possession of its Affiliates) relating to Tax matters relevant to the Purchased Assets or the Business for any taxable period that includes the Completion Date and for all prior taxable periods until the later of (i) the expiration of the statute of limitations of the taxable periods to which such Tax Returns and other documents relate, without regard to extensions and (ii) six (6) years following the due date (without extension) for such Tax Returns. After such time, before the Seller or the Purchaser shall dispose of any such documents in its possession (or in the possession of its Affiliates), the other party shall be given an opportunity, after ninety (90) days prior written notice, to remove and retain all or any part of such documents as such other party may select (at such other party's expense).

Any information obtained under this Section 11.1 shall be kept confidential, except as may be otherwise necessary in connection with the filing of Tax Returns or Claims for refund or in conducting an audit or other proceeding.

Section 11.2 Tax Certificates. The Purchaser will request any clearance certificate or similar document(s) which may be required by any Tax authority to relieve the Purchaser of any obligation to withhold Taxes in connection with the transactions contemplated by this Agreement.

Section 11.3 Additionally, during the Interim Period, (i) the Seller shall grant the Purchaser the authorization to request to the Spanish National Tax Authority ("Agencia *Estatal de la Administración Tributaria*") the tax certificate set out in section 175.2 of the Spanish General Tax Law (the "**Tax Certificate**") and (ii) the Purchaser shall be obliged to request the Tax Certificate prior to Completion Date.

Section 11.4 Conveyance Taxes. The Purchaser shall pay when due any Conveyance Taxes which may be imposed by any taxing jurisdiction in connection with the contribution, sale and transfer of the Purchased Assets to the Purchaser.

ARTICLE 12

INDEMNIFICATION

Section 12.1 Survival. The representations and warranties of the Seller contained in this Agreement shall survive the Completion through the 24-month anniversary following the Completion Date; provided, however, that, notwithstanding the foregoing, the representations and warranties made pursuant to Section 6.13 (Intellectual Property) and Section 6.14 (Personal Data) as well as any Claim related to fraud by the Seller or any representative of the Seller, acting on its behalf, shall survive through the 5-year anniversary of the Completion Date (such representations and warranties, collectively the "Fundamental Representations", being the rest of the representations and warranties made pursuant to Article 6 "Non-Fundamental Representations"). The representations under Section 6.16 (Employee Matters and Benefits Plans) and Section 6.23 (Taxes) shall survive until the expiration of the corresponding statute of limitations under applicable Law, such representations and warranties, collectively, the "Special Representations".

The covenants of the Seller contained in this Agreement and the Acquisition Documents shall also survive until the later of the expiration of this Agreement or such Acquision Document and the applicable statute of limitations or, as the case may be, shall remain enforceable vis-à-vis the Seller for such shorter period as is explicitly specified herein or therein with respect thereto, except that for such covenants and agreements that survive for such shorter period, breaches thereof shall survive indefinitely or until the latest date permitted by Law to state a Claim for breach of contract under the applicable statutes of limitations.

Notwithstanding the preceding sentences, any breach of representation, warranty, covenant or agreement in respect of which indemnification may be sought under this Agreement shall survive the time at which it would otherwise terminate pursuant to the preceding sentences, if notice of the inaccuracy or breach thereof giving rise to such right of indemnification shall have been given to the Seller prior to the date of expiration of the general survival period of 24-months, the above referred period of 5-years in relation to Fundamental Representations or the relevant statute of limitations period in relation to Special Representations, as applicable, in accordance with this Article 12 as to such inaccuracy or breach. Neither the period of survival nor the liability of the Seller with respect to its representations, warranties, covenants or agreements shall be reduced by any investigation made at any time by or on behalf of the Purchaser.

Section 12.2 Indemnification by the Seller.

(a) The Seller, on behalf of itself and each of its successors, executors, administrators, estate, heirs and assigns (collectively, the "Indemnifying Parties") shall, jointly and severally, defend, indemnify and hold harmless the Purchasers and their Affiliates, officers, directors, employees, agents, successors and assigns (each a "Indemnified Party") from and against any and all Liabilities, losses, damages, Claims, Taxes, costs and expenses (including attorneys' and consultants' fees and expenses), interest, awards, judgments, fines and penalties asserted against, imposed upon or sustained or incurred by and effectively payable by any of them (including in any Action brought or otherwise initiated by any of them) (hereinafter "Losses") that arise out of or in connection with:

(i) any inaccuracy in, or any breach of, any representation or warranty made by the Seller in this Agreement which is a Fundamental Representation;

(ii) any inaccuracy in, or any breach of, any representation or warranty made by the Seller in this Agreement which is a Non-Fundamental Representation or a Special Representation;

(iii) any breach of any covenant or agreement by the Seller contained in this Agreement or Ancillary Agreement or any certificate delivered pursuant to this Agreement or any of the Ancillary Agreements, including, for the avoidance of doubt, the obligation of the Seller to pay, perform and discharge the Excluded Liabilities, in accordance to the terms and conditions of Section 2.2; and

(iv) defending any third party Claim alleging the occurrence of facts or circumstances that, if true, regardless of the outcome of such defense, would entitle the Indemnified Parties to indemnification pursuant to any of the other provisions of this Section 12.2.

For the avoidance of doubt, in relation to a Claim for Losses or Liabilities, the Seller shall not be liable for any incidental, consequential or aggravated damages, including damages for loss of profits and lost business opportunites or damages calculated by reference to any Total Consideration methodology.

(b) Quantitative limitations to certain indemnification obligations of the Seller.

(i) The indemnification obligations of the Seller resulting from Section 12.2(a)(i) shall be subject to a maximum liability to the Indemnified Parties with respect to Claims for Losses under this Article 12 not exceeding Euros Ten Million (€10,000,000.00) (the "Fundamental Representations Liability Cap"), except for the indemnification obligations resulting from fraud of the Seller or any representative of the Seller, acting on its behalf, in which case not liability cap shall apply;

(ii) The indemnification obligations of the Seller resulting from Sections 12.2(a)(ii) through (iv), both inclusive, shall be subject to the following quantitative limitations:

(A) the Seller shall not be required to pay any amounts in respect of Losses of an amount of less than Euros Five Thousand (€5,000.00) each, on an individual basis, but all such Claims for Losses shall be counted towards the Deductible.

(B) the Seller shall not be required to pay any amounts until the aggregate of Claims for Losses exceeds Euros One Hundred Thousand (€100,000.00) (the "Deductible") but then the Seller shall be required to pay the amount of Claims for Losses from the first euro; and

(C) the Seller's total liability to the Purchasers with respect to Claims for Losses resulting from Sections 12.2(a)(ii) through (iv), both inclusive, shall not exceed €4,500,000.00 (the "Non-Fundamental and Special Representations Liability Cap");

(c) Sole Remedy: Hold back and Set off against pending Earnout Payments including Third Escrow Account and Included Receivables. The Parties acknowledge and agree that the Purchasers shall be entitled to hold back the amount pursuant to any Claim for any indemnifiable Losses of the Indemnified Parties against the Earnout Amount (included any amounts deposited at any time within the Third Escrow Account mentioned in this Agreement) and any amounts payable in respect to the non-discounted Included Receivables in order to secure the Indemnifying Parties' firm indemnification obligations in the terms and conditions set forth in this Article 12 and to set off against any Earnout Payment and any amounts payable in respect to the non-discounted Included Receivables the amount of any Losses incurred by an Indemnified Party pursuant to the indemnification obligations of the Seller under this Article 12 in accordance with the terms thereof. Such hold back and set off of amounts against any Earnout Payment and any amounts payable in respect to the non-discounted Included Receivables shall be the sole and exclusive remedy of the Indemnified Parties for the Seller's Indemnification Obligations. The Parties have agreed to enter into this Agreement on the basis that the sole and exclusive remedy of the Indemnified Parties for any Losses resulting from the inaccuracies or breaches under Article 12, shall be the right to be indemnified by the Seller as provided herein.

The Parties acknowledge and agree that the rights and remedies contemplated in this Agreement shall replace in their entirety the provisions addressing liability of a seller with respect to obligations under purchase and sale or other agreements set forth in the Spanish Civil Code and in the Spanish Commercial Code.

Without limiting the generality of the foregoing, the Purchasers waive (i) any rights to terminate the Agreement or to claim that an inaccuracy of the Seller's Representations and Warranties constitutes a breach of this Agreement, an aliud pro alio or invalid consent (*vicio del consentimiento*), (ii) any non-contractual liability (*responsabilidad extracontractual*) arising out of or in connection with this Agreement (including in respect of any non-contractual obligations arising out of the negotiation of this Agreement), and (iii) any rights to make any claim in connection with this Agreement against the current or former officers, directors, employees, advisors, agents, successors, assigns, of the Seller or any other Person other than the Seller and other than in the case of fraud by such Person.

Any indemnification payment to any Indemnified Party as provided in Article 12 and therefore set off by the Purchasers against Earnout Payments and any amounts payable in respect of the Included Receivables due to the Seller shall always give rise to, and be considered as, an adjustment to the Aggregate Total Consideration and the Included Receivables, as may be applicable.

(d) Other limitations to liability of the Seller.

(i) *Insurance*: The Seller shall not be liable for any Losses that are effectively recovered by the Purchasers under applicable insurance policies which the Seller has in place or were assumed by Purchaser, or from any other third party with indemnification obligations or from any other Person subject to liability in respect thereof, excluding any reasonable costs incurred by the Purchasers in recovering the relevant amounts.

(ii) *Mitigation obligations:* The Purchasers shall carry out all best efforts that may be required in order to mitigate the amount of Losses to be indemnified by the Seller.

(iii) *Exceptions and reservations to Seller's Representations and Warranties:* The Seller shall not be liable for the facts expressly included as exceptions and reservations to Seller's Representations and Warranties disclosed in the Disclosure Schedule.

(iv) *Third party compensation:* Provided that the Purchasers have set off any indemnification amount against any Earnout Amount or any amount payable in respect to the non-discounted Included Receivables due to the Seller under this Agreement and, subsequently, the Purchasers obtain at any time payment from or reduction of a payment due to any third party (including but not limited to Tax, Social Security or any other administrative authority) only in relation to such specific Claim, the Purchasers must pay to the Seller the amount previously set off within the following ten (10) Business Days, up to the amount paid or reduced by such third party, excluding any reasonable costs incurred by the Purchasers in recovering such amount from the third party. In the event the Purchasers pay any amount to the Seller according to this paragraph, the amount initially set off by the Purchasers shall not count towards the Deductible.

(v) *Changes in Laws:* The Seller shall not be liable for the Losses arising from (i) any regulations or legal provisions not in force on the date of this Agreement, as well as any variation or modification of any regulations or legal provisions currently in force, or (ii) any change in the current practice of any Govenrmental Authority (including Tax and Social Security) made or entered into effect after the date hereof.

(vi) *Changes in Accounting Rules or Principles:* The Seller shall not be liable for any Losses arising from the application of accounting rules or principles different to those in force at the time of approval or preparation, as applicable, of the annual accounts or at the time of valuation of the Business and each of the Seller's assets and liabilities, as long as the original accounting rules and principles have been applied correctly.

(vii) *Purchasers' Consent/Actions:* The Seller shall not be liable for any Losses arising directly from any act or omission carried out at the written request, or with the written consent of the Purchasers after the date hereof, or as a consequence of due compliance with the provisions of this Agreement, or from actions or omissions carried out by the Purchasers or their Affiliates, provided such action is performed in full accordance with the written consent of the Purchasers.

(viii) *Financial forecasts and projections:* The Purchasers acknowledge and agree that the Seller shall have no liability in respect of any financial forecasts and projections provided to the Purchasers (however so provided) on or prior to the date of this Agreement unless such financial forecasts and/or projections were fraudulently provided by Seller or any of its representatives.

Section 12.3 Third Party Claims and Claims between the Parties.

(a) Third Party Claims.

(i) An Indemnified Party may make Claims for indemnification hereunder by giving written notice thereof to the Indemnifying Party within the period in which indemnification Claims can be made hereunder. If indemnification is sought for a Claim or liability asserted by a third party, the Indemnified Party shall also give written notice thereof to the Indemnifying Party within thirty (30) days after it receives notice of the Claim or liability being asserted or such other shorter period not exceeding one third (1/3) of the legal period available to the Indemnified Party to contest, challenge, answer or oppose to the relevant Third Party Claim; *provided, that* the failure to provide prompt notice as required by the preceding sentence shall not relieve the Indemnifying Party from any liability except to the extent that it is materially prejudiced by the failure or delay in giving such notice. Such notice shall include all the information at Indemnified Party's hand relating to the Claim accompanied by all supporting documents and summarize the bases for the Claim for indemnification and any Claim or liability being asserted by a third party. Within thirty (30) days after receiving such notice, the Indemnifying Party shall give written notice to the Indemnified Party stating whether (a) it disputes the Claim for indemnification or (b) it accepts liability for the Claim and whether it will defend against any third party Claim or liability at its own cost and expense. If the Indemnifying Party fails to give notice that it disputes an indemnification Claim within thirty (30) days after receipt of notice thereof, it shall be deemed to have accepted and agreed to the Claim, which shall become immediately due and payable unless the Indemnified Party decides to defend the Third Party Claim in which case item (iv) below shall apply.

(ii) The Indemnifying Party shall be entitled to direct the defense against a third party Claim or liability with counsel selected by it (subject to the consent of the Indemnified Party, which consent shall not be unreasonably withheld) as long as the Indemnifying Party is conducting a good faith and diligent defense; *provided, however*, that the Indemnifying Party shall not have the right to assume the defense of any third party Claim (i) if there is reasonably likely to exist a conflict of interest that would make it inappropriate (in the judgment of the Indemnified Party in its reasonable discretion) for the same counsel to represent both the Indemnified Party and the Indemnifying Party, (ii) unless it acknowledges in writing to the Indemnified Party that any damages, fines, costs or other liabilities that may be assessed against the Indemnified Party in connection with such third party Claim constitutes Losses for which the Indemnified Party shall be indemnified pursuant to this Article 12, or (iii) if the action involves potential criminal or Tax liability or if equitable relief is sought. If the Indemnifying Party does not, or is not permitted under the terms hereof, to assume control of the defense of any third party Claim, the Indemnified Party shall control such defense. The Party controlling the defense of any third party Claim (the "Controlling Party") shall cooperate with the Party not controlling such defense (the "Non-Controlling Party") in such defense and make available to the Non-Controlling Party, all witnesses, pertinent records, materials and information in the Controlling Party's possession or under the Controlling Party's control relating thereto as is reasonably requested by the Non-Controlling Party.

(iii) Except with the written consent of the Non-Controlling Party or, in case the Controlling Party is the Indemnifying Party, except if the Indemnifying Party has previously acknowledged in writing to the Indemnified Party that any damages, fines, costs or other liabilities that may be assessed against the Indemnified Party in connection with such Third Party Claim constitutes Losses for which the Indemnified Party shall be indemnified pursuant to this Article 12, the Controlling Party will not, in the defense of a third party Claim, consent to the entry of any judgment or enter into any settlement (i) that does not include as a term thereof the giving to the Indemnified Party by the third party of a release from all liability with respect to such suit, claim, action or proceeding, (ii) unless there is no finding or admission of (A) any violation of Law by the Indemnified Party (or any Affiliate thereof), (B) any liability on the part of the Indemnified Party (or any Affiliate thereof) or (C) any violation of the rights of any person that may be made by the same third party against the Indemnified Party (or any Affiliate thereof) or (iii) in the case of the Indemnifying Parties, pursuant to which the aggregate payments to be made to any third party by the Indemnified Parties exceed the outstanding payable Earnout Amount.

(iv) Subject to (iii) above, if the Indemnifying Party accepts liability for the third-party Claim, it will pay the relevant amount to the Indemnified Party through set off against the next Earnout Payments and any amounts payable in respect to the non-discounted Included Receivables accrued after the relevant settlement.

(v) If the Indemnifying Party totally or partially rejects the Claim, the Indemnified Party will be entitled to start the dispute resolution procedure provided for in Section 14.12 of this Agreement for the issues and amounts rejected by the Indemnifying Party, within twenty (20) days from receipt of the Indemnifying Party's response to the notice of the Indemnified Party. In this case, upon the relevant arbitral award or court decision resolving the corresponding third-party Claim is rendered or issued, provided such decision states that the third-party Claim has to be attended, either totally or partially, and further provided that such decision implies that the Indemnified Party has to either pay, deposit the amount requested or grant any type of security or guarantee to secure such payment, the Purchasers shall be entitled to retain any payment of Earnout Amounts due after the date of the relevant arbitral award or court decision and transfer the corresponding amount to an escrow account to be opened by the Purchaser for the sole purposes of segregating such amounts, which shall be released exclusively to either pay the Earnout Amount to the Seller or set-off against the Losses that may result from the final non-appealable arbitral award or court decision upon its issuance.

(vi) Any costs related to the defense of any third-party Claim will be borne by the Seller provided the relevant settlement, arbitral award or court decision accepts, either partially or totally, the third-party Claim. Otherwise, those costs shall be borne by the Indemnified Party.

(b) Claims between the Parties.

(i) The Indemnified Party, acting with the diligence of an orderly business person, when it learns of any circumstance that might give rise to a Loss and at the latest within five (5) days from that date, will serve a notice on the Indemnifying Party to that effect and claim indemnity. Such notice shall include all relevant information at Indemnified Party's hand relating to such Claim and summarize the bases for the claim for indemnification and, especially: (a) the amount of the damage, broken down into the different parts comprising it; (b) a mention of the provision in the Agreement under which indemnity is claimed to be payable; and (c) any other information that the Indemnified Party considers relevant to support its Claim. The notice will be accompanied by all supporting documents. Within thirty (30) days after receiving such notice, the Indemnifying Party shall give written notice to the Indemnified Party stating whether it accepts the Claim and its obligation to pay the amount claimed by the Indemnified Party, or (ii) its total or partial rejection of the Claim and any payment of its amount. If the Indemnifying Party fails to notify the Indemnified Party of its response within that term, it shall be deemed to have accepted and agreed to the Claim, which shall become immediately due and payable.

(ii) If the Indemnifying Party accepts the Claim, it will pay the relevant amount to the Indemnified Party through set off of the next Earnout Payment and any amounts payable in respect to the non-discounted Included Receivables accrued after acceptance of the Claim. If the Indemnifying Party totally or partially rejects the Claim, the Indemnified Party will be entitled to start the dispute resolution procedure provided for in Section 14.12 of this Agreement for the issues and amounts rejected by the Indemnifying Party, within twenty (20) days from receipt of the Indemnifying Party's response to the notice of the Indemnified Party.

ARTICLE 13

TERMINATION OF AGREEMENT

Section 13.1 This Agreement may be terminated prior to the Completion as follows:

(a) at the election of Seller or Purchasers, on or after the date which is the 3-months anniversary of the date hereof (the "Termination Date"), if not all the Conditions Precedent shall have been complied with by the close of business on such date, *provided that* the terminating party is not in material default of any of its obligations hereunder that has caused any of the Conditions Precedent set forth in Article 3 not to have occurred;

(b) by mutual written consent of Seller and the Purchasers;

(c) by Seller or Purchasers upon an event which amounts to a Material Adverse Effect.

(d) by Seller or Purchasers if there shall be in effect a final nonappealable order of a Governmental Authority of competent jurisdiction restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated hereby or a material portion thereof;

(e) by the Purchasers if they are not in material breach of their obligations under this Agreement and if there shall have been a breach by the Seller of any representation, warranty, covenant or agreement set forth in this Agreement which amounts to a Material Adverse Effect and is incapable of being cured or, if capable of being cured, shall not have been cured by the earlier of (a) the Termination Date, or (b) 15 days following receipt by Seller of notice of such breach from Purchasers; or

(f) by the Seller if it is not in material breach of its obligations under this Agreement and if there shall have been a material breach by Purchasers of any representation, warranty, covenant or agreement set forth in this Agreement and is incapable of being cured or, if capable of being cured, shall not have been cured by the earlier of (a) the Termination Date, or (b) 15 days following receipt by Purchasers of notice of such breach from Seller.

Section 13.2 Procedure Upon Termination. In the event of termination and abandonment by Purchasers or Seller, or both, pursuant to Section 13 hereof, written notice thereof shall forthwith be given to the other party or parties, and this Agreement shall terminate, except for Sections 4.2, 5.3, 9.1, 13.2, 13.3, 14.1, 14.11 and 14.12 of this Agreement, which shall remain in full force and effect.

Section 13.3 Effect of Termination. In the event that this Agreement is validly terminated as provided herein, then each of the Parties shall be relieved of their duties and obligations arising under this Agreement after the date of such termination and such termination shall be without liability to the terminating Party except that nothing herein shall relieve any Party hereto from any Liabilities for a willful and material breach of this Agreement which accrued prior to termination which shall continue to subsist. It is hereby clarified that in such event, no Party shall be liable for any consequential, incidental or indirect damages, including loss of profits or loss of opportunities of the other Party.

ARTICLE 14

GENERAL PROVISIONS

Section 14.1 Expenses. Whether or not the Transaction is consummated, each of the Purchasers on the one hand, and the Seller on the other hand, shall bear their own Transaction Expenses. Notwithstanding the above, Notary's fees relating to the notarization of this Agreement and Completion Deed and the costs of submission of the Notices to Data Subjects shall be shared on a fifty percent (50%) basis by the Parties.

Section 14.2 Notices. All notices, requests, Claims, demands and other communications hereunder shall be deemed effectively given and made upon the earlier of actual receipt and (a) personal delivery to the party to be notified, (b) when sent, if sent by electronic mail (including PDF attachment) or facsimile during normal business hours of the recipient and, if not sent during normal business hours, then on the recipient's next business day, or (c) one (1) Business Day after deposit with a recognized international courier, freight prepaid, specifying next business day delivery, with written verification of receipt, in each case, addressed the respective parties hereto at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 14.2)

if to the Seller:

Optenet, S.A.
José Echegaray nº 8
Edificio 3, 1ª Planta, módulo 1
Parque empresarial Alvia
28230 Las Rozas
Madrid (ESPAÑA)
Attention: Francisco Bernal San Miguel
Email: franciscobernal@terra.com / francisco.bernal@optenet.com

with a copy to:

Mr. Alfonso Maíllo
SPYN Legal
Velázquez 157, 5º
28002 Madrid (Spain)
amaillo@spyn.es

if to any of the Purchasers:
Allot Communications Ltd.
22 Hanagar Street
Hod Hasharon 45240, Israel
Attention: Shmuel Arvatz, CFO

with copies to:

Rael Kolevsohn, Adv.
VP Legal Affairs, General Counsel and Company Secretary
Allot Communications Ltd.
22 Hanagar Street
Hod Hasharon 45240, Israel
rkolevsohn@allot.com

Aaron M. Lampert, Adv.
Noa Rosenberg-Segalovitz, Adv.
Goldfarb Seligman & Co.
Electra Tower
98 Yigal Alon Street
Tel-Aviv 6789141
aaron.lampert@goldfarb.com
noa.rosenberg@goldfarb.com

Section 14.3 Public Announcements. The Seller shall not make, or cause to be made, any press release, public announcement or other communication to any Person who is not a party in respect of this Agreement or any of the Ancillary Agreements or any of the transactions contemplated hereby or thereby without prior written consent of the Parent, unless otherwise required by Law, and, in any event, the Seller shall cooperate with the Parent as to the timing and contents of any such press release, public announcement or communication. The text of any relevant press release or disclosure by the Parties as mandated by applicable Laws or otherwise shall be agreed between the Parent and the Seller prior to its publication. In absence of agreement, Purchasers will be allowed to issue a press release as required by law.

Section 14.4 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any Law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect for so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either party hereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

Section 14.5 Entire Agreement; Disclosure Schedules. This Agreement and the Ancillary Agreements constitute the entire agreement of the parties hereto with respect to the subject matters hereof and thereof and supersede all prior agreements and undertakings, both written and oral, among the Seller and the Purchasers with respect to the subject matters hereof and thereof. Information set forth in the Disclosure Schedule to this Agreement is incorporated into this Agreement by reference.

Section 14.6 Assignment. This Agreement may not be assigned by operation of Law or otherwise without the express written consent of the Seller and the Purchasers (which consent may be granted or withheld in the applicable party's sole discretion); provided, however, that the Purchasers may assign this Agreement or any of its rights and obligations hereunder, without the consent the Seller to one or more of their wholly owned Affiliates (provided that no such assignment shall release the Parent from any of its obligations hereunder). Without derogating from the above, should the assignment of this Agreement, by itself, cause any additional withholding tax obligations that affect any consideration amounts to be actually received by the Seller under this Agreement, such withholding tax obligations shall be borne by the Purchaser, *provided* that the parties shall endeavor to structure the assignment in a tax efficient manner (taking into account both the Purchases' and Seller's legitimate interests).

Section 14.7 Amendment. This Agreement may not be amended or modified except (a) by an instrument in writing signed by, or on behalf of, the Seller and the Purchasers or (b) by a waiver in accordance with Section 14.8.

Section 14.8 Waiver. Any party to this Agreement may (a) extend the time for the performance of any of the obligations or other acts of any other party, (b) waive any inaccuracies in the representations and warranties of any other party contained herein or in any document delivered by any other party pursuant hereto or (c) waive compliance with any of the agreements of any other party or conditions to such party's obligations contained herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the party to be bound thereby. Any waiver of any term or condition shall not be construed as a waiver of any subsequent breach or a subsequent waiver of the same term or condition, or a waiver of any other term or condition of this Agreement. The failure of any party hereto to assert any of its rights hereunder shall not constitute a waiver of any of such rights. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available to any of the parties hereto.

Section 14.9 No Third Party Beneficiaries. This Agreement shall be binding upon and inure solely to the benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person, including any union or any employee or former employee of the Seller, any legal or equitable right, benefit or remedy of any nature whatsoever, including any rights of employment for any specified period, under or by reason of this Agreement.

Section 14.10 Specific Performance. The parties acknowledge and agree that the other parties hereto would be irreparably damaged if any of the provisions of this Agreement were not performed in accordance with their specific terms and that any breach of this Agreement by such party could not be adequately compensated in all cases by monetary damages alone. Accordingly, in addition to any other right or remedy to which the parties may be entitled, at Law or in equity, the parties shall be entitled to enforce any provision of this Agreement by a decree of specific performance and to temporary, preliminary and permanent injunctive relief to prevent breaches or threatened breaches of any of the provisions of this Agreement, without posting any bond or other undertaking.

Section 14.11 Governing Law. This Agreement is to be governed by, and construed in accordance with, the Laws of Spain.

Section 14.12 Submission to Jurisdiction. Each of the parties submits to the exclusive jurisdiction of the courts located in Madrid, in any action or proceeding arising out of, or relating to, this Agreement, agrees that all Claims in respect of the action or proceeding may be heard and determined in any such court and agrees not to bring any action or proceeding arising out of, or relating to, this Agreement in any other court. Each of the parties waives any defense of inconvenient forum to the maintenance of any action or proceeding so brought and waives any bond, surety or other security that might be required of any other party with respect thereto. Each party agrees that service of summons and complaint or any other process that might be served in any action or proceeding may be made on such party by sending or delivering a copy of the process to the party to be served at the address of the party and in the manner provided for the giving of notices in Section 14.12. Nothing in this Section 14.12 however, shall affect the right of any party to serve legal process in any other manner permitted by Law. Each party agrees that a final judgment in any action so brought shall be conclusive and may be enforced by suit on the judgment or in any other manner provided by Law.

Section 14.13 Parent Guarantee. Parent, as sole shareholder of the Purchaser, hereby agrees and undertakes to be jointly and severally liable (*responsabilidad solidaria*) for the fulfilment by the Purchaser of its obligations under this Agreement, as if it was the principal obligor. Specifically, subject always to the provisions of the preceding sentence, Parent, on an irrevocable and unconditional basis, expressly waiving the benefits of division, discussion and order (*orden, división y excusión*), guarantees to the Seller the payment of all amounts payable by the Purchaser pursuant to this Agreement and undertakes to ensure that the Purchaser will perform when due all its obligations under or pursuant to this Agreement. If and each time that the Purchaser fails to make any payment when it is due under or pursuant to this Agreement, Parent must at the Seller's request (without requiring the Seller first to take steps against the Purchaser) pay directly to the Seller the relevant amount as if it were the principal obligor in respect of that amount.

Section 14.14 Counterparts. This Agreement may be executed in one counterpart and notarized by the Public Notary of Madrid Mr. Antonio Pérez-Coca Crespo.

Remainder of Page Left Intentionally Blank

IN WITNESS WHEREOF, the parties are signing this Agreement as of the date first written above.

[Signature Page to Asset Purchase Agreement]

SELLER

OPTENET, S.A.

By: /s/ Francisco Alfonso Bernal San Miguel
Name: Francisco Alfonso Bernal San Miguel
Title: Chairman

PURCHASER

ALLOT COMMUNICATIONS SPAIN, S.L.U.

By: /s/ Tomas Gomez Rodriguez Acuna
Name: Tomas Gomez Rodriguez Acuna
Title: Director

PARENT

ALLOT COMMUNICATIONS LTD.

By: /s/ Julio Veloso Caro
Name: Julio Veloso Caro
Title: Legal representative, by power of attorney

EXHIBIT A

FORMS OF NOVATION AGREEMENTS: A) FOR SCHEDULED EMPLOYEES IN GENERAL; AND B) FOR SCHEDULED EMPLOYEES CONSIDERED KEY EMPLOYEES.

A) FOR SCHEDULED EMPLOYEES IN GENERAL

En Madrid/San Sebastián, a _____de 2015.

ACUERDO DE NOVACIÓN DEL CONTRATO DE TRABAJO

R E U N I D O S

De una parte, la entidad mercantil **OPTENET S.A.** con domicilio social en Paseo Mikeletegui, nº 58, 1,3,IZ, 20009, Donostia- San Sebastián (en adelante, la "Empresa") y, en su nombre y representación [®], en su calidad de representante legal.

Y, de otra, **D.** _____ con domicilio en _____ (en adelante, el "Trabajador"), mayor de edad y, con nº de Documento de Nacional de Identidad XXXX

ACTÚAN, el primero en la indicada representación y, el segundo, en nombre e interés propios. Ambas partes se reconocen mutuamente plena capacidad legal para obligarse y, a los efectos que más adelante se dirán,

M A N I F I E S T A N

I. Que la Empresa y el Trabajador suscribieron un contrato de trabajo en fecha XXX.

II. Que la Empresa y el Trabajador están interesados en alcanzar el presente acuerdo de novación contractual.

In Madrid/San Sebastián, on _____2015.

EMPLOYMENT CONTRACT NOVATION AGREEMENT

A P P E A R

On the one part, **OPTENET S.A.**, with domicile at Paseo Mikeletegui,nº58, 1,3,IZ, 20009, Donostia- San Sebastian, (hereinafter the "Company"), represented in this act by [®], in his capacity as legal representative.

On the other part, **Mr.**/_____ with domicile at _____ (hereinafter, the "Employee"), of legal age, holder of National Identity Card Number XXXX

THEY ACT, the first in the above mentioned representation and the second in his own name and behalf. Both parties mutually recognize their respective legal capacity to bind themselves hereunder and for these purposes they,

S T A T E

I. That the Company and the Employee formalized an employment indefinite contract entered into XXX.

II. That the Company and the Employee are both interested in reach the present contractual novation agreement.

ARTICLE 1

ARTICLE 2C L Á U S U L A S

Primera.- OBJETO DEL ACUERDO DE NOVACIÓN

El Trabajador continuará prestando sus servicios tal y como viene haciendo hasta ahora con su actual categoría y grupo profesional, según lo establecido en el Convenio Colectivo de aplicación, sin que exista ninguna modificación en cuanto a la categoría profesional y las funciones a desempeñar por el Trabajador.

Segunda.- REMUNERACIÓN

El Trabajador seguirá percibiendo el mismo sueldo que tenía hasta la fecha de la suscripción del presente documento. Es decir, que tendrá un salario bruto anual de xxx Euros. Adicionalmente, el Trabajador seguirá disfrutando de los beneficios sociales que venía ostentando hasta la fecha, tales como el Seguro Médico, y el Seguro de Vida.

Como consecuencia de la sucesión de empresa que tendrá lugar entre la Empresa y Allot Communications Spain, S.L.U. conforme al artículo 44 del Estatuto de los Trabajadores, el Trabajador tendrá derecho, una vez incorporado en Allot Communications Spain, S.L.U., a participar en el Plan de Opciones sobre Acciones (stock options) vigente en Allot Communications Limited previa aprobación del Consejo de Administración de Allot Comunications Limited.

ARTICLE 3C L A U S E S

First.- PURPOSE OF THE AGREEMENT

The Employee will render his services in the same way as he has been doing until date, in the same professional category and group as established in the applicable Collective Bargaining Agreement, not existing any modification regarding the professional category and the services to be developed by the Employee

ARTICLE 4Second.- SALARY

The Employee will continue receiving the same salary that he/she enjoyed until the signature of the current document. That is to say that the Employee is entitled to an annual gross salary of Euro xxx. In addition, the Employee will continue enjoying the fringe benefits that he/she was entitled until today, such as, the health and life insurance.

As a consequence of the transfer of undertakings to take place between the Company and Allot Communications Spain, S.L.U. according to article 44 of the Workers' Statute, the Employee will be eligible to participate in the Stock Options Plan of Allot Communications Limited, and to be granted [__] options, subject to the prior approval of the Board of Directors of Allot Communications Limited.

Tercera.- EQUIPO DE EMPRESA

El Trabajador utilizará el sistema informático para fines únicamente relacionados con la actividad desarrollada por la Empresa y su actividad en ella. Queda expresamente prohibido el uso de dicho sistema para fines diversos de los expuestos.

El Trabajador, mediante la firma del presente Acurdo, reconoce que todos los archivos, informes, correos electrónicos, correspondencia, software y, en general, cualquier otro tipo de información que haya sido creada o pueda estar en el sistema informático pertenece a la Empresa. La Empresa queda facultada para utilizarlos para cualquier propósito dentro de los límites legales. El Trabajador autoriza expresamente a la Empresa para acceder a la información mencionada.

Cuarta.- INFORMACIÓN CONFIDENCIAL

Objeto.- A efectos de esta cláusula, “Información” es toda información de carácter económico, financiero, técnico, comercial, estratégico, administrativo, o de otro tipo, que, en cualquier momento durante la vigencia del Acuerdo, sea conocida o creada por el Trabajador como consecuencia del ejercicio de las funciones que le son propias y que le hayan sido encomendadas por la Empresa según el Acuerdo, o que le sea revelada por la Empresa de forma oral, escrita, o en extracto o documentación de todo tipo. Por su parte, “Información Confidencial” es toda Información a la que el Trabajador haya tenido acceso o haya creado como consecuencia de su relación laboral en sentido amplio, y que haya sido calificada como de propiedad exclusiva o confidencial o que, por su naturaleza o por circunstancias en las que se produzca la revelación o creación, deba de buena fe estimarse como tal.

Third.- COMPANY'S EQUIPMENT

The Employee will use the IT system only for purposes related to the activity of the Company and his work in the Company. It is expressly forbidden to use such IT system for purposes different from the aforementioned.

The Employee, by signing the present Agreement, acknowledges that all the files, reports, e-mail correspondence, software and, in general, any other data or information of any kind that may have been created or may be in the computer system belong to the Company. The Company will be able to use them for any purpose within the limits established by law. You expressly authorize the Company to access the abovementioned information.

Fourth.-CONFIDENTIAL INFORMATION

Purpose.- For the purposes of the following clause, “Information” shall include any economic, financial, technical, commercial, strategic, administrative or any other type of information, that, at any time during the term of this contract, the Employee may create or have knowledge of, as a consequence of the performance of his own duties or those requested by the Company in accordance with the Agreement, and/or that may be disclosed to the Employee either orally or in writing, or by any other means, as well as any analysis, compilation, study, résumé, extract or documentation of any kind. On the other hand “Confidential Information” shall be considered as all the information that the Employee may have had access to, or created as a consequence (in the broad sense) of his employment relationship, and that may have been qualified as exclusive and/or confidential property, or in relation to its nature and/or the circumstances in which the creation or disclosure may occur, should be deemed confidential according to the principle of good faith.

Utilización y destino.- El Trabajador se obliga a utilizar la Información única y exclusivamente con la finalidad de cumplir las funciones encomendadas en el presente Acuerdo. Asimismo, el Trabajador, se obliga a conservar y tratar como confidencial toda la Información Confidencial y, en particular, a no revelarla a ningún tercero o trabajador de la Empresa sin el consentimiento previo de la Empresa, excepto en el ejercicio de las funciones encomendadas en el presente Acuerdo o por imperativo legal, y a no reproducirla, transformarla ni, en general, usarla de manera distinta a la que se precisa en el ejercicio de sus funciones. El Trabajador se compromete a restituir inmediatamente a la Empresa, a solicitud de la misma durante la vigencia del Acuerdo y, en todo caso, y sin necesidad de requerimiento, a la extinción del mismo, los soportes de cualquier clase que pudieran contener Información Confidencial que le haya sido revelada o haya sido creada por el Trabajador.

Consecuencias del no cumplimiento de la obligación de confidencialidad.- En el supuesto de que el Trabajador conculcara alguna de las obligaciones previstas en esta cláusula, la Empresa tendrá derecho a reclamar una indemnización de daños y perjuicios en la cantidad que sea fijada por el Tribunal correspondiente.

Use and purpose.- The Employee agrees to use the Information only and exclusively for the purpose of carrying out his duties under this Contract. Likewise, the Employee is obliged to treat and keep as confidential all the Confidential Information and, in particular, not to disclose it to any third party nor any other employee of the Company without the Company's prior consent, except when carrying out the duties entrusted to him in this Agreement or by law, and not to reproduce, transform, or in general, use it in a manner distinct to that which is necessary for the performance of duties. The Employee is also obliged to immediately return to the Company, as requested by the Company during the term of the Contract or at any other time, and automatically upon the termination of the Contract, any kind of medium that could contain Confidential Information disclosed to or created by the Employee.

Consequences derived from the non fulfilment of the confidentiality obligation.- Should the Employee breach any of the obligations set forth in this clause, the Company will be entitled to claim damage compensation in an amount to be established by a Court of Law.

Quinta.- INVENCIONES, PROPIEDAD INDUSTRIAL E INTELECTUAL.

El Trabajador por medio de la presente cede y transmite a la Empresa o a quien ésta decida:

Cualquier derecho, título e interés en cualesquiera invenciones, mejoras y descubrimientos, y el producto que sea resultado del trabajo desarrollado para la Empresa, incluyendo, aunque no limitándose a, programas, documentos e informes elaborados a lo largo de o como resultado de dicho trabajo (sean o no patentables) que sean concebidos o elaborados por primera vez durante o de conformidad con dicho trabajo. Lo anterior será igualmente aplicable a cualquier patente de invención concedida en virtud de dicho trabajo.

Los derechos de autor en cualquier material producido por primera vez o compuesto durante o de conformidad con el trabajo desarrollado para la Empresa, así como cualquier derecho de propiedad intelectual o de cualquier otra naturaleza perteneciente a los derechos de autor, al igual que cualesquiera derechos adquiridos en virtud de una demanda por violación de derechos de autor o de derechos de cualquier otra naturaleza sobre dichos materiales o trabajo a los que el Trabajador pueda tener derecho ahora o en el futuro.

Fifth.- INVENTIONS, INDUSTRIAL AND INTELLECTUAL PROPERTY.

The Employee hereby hands over and transfers to the Company or to whom/which it is decided by the Company:

Any right, title or interest in any inventions, improvements and discoveries, and the product resulting from the work developed for the Company, including, although not limited to, programs, documents and reports prepared during or resulting from said work (whether or not patented) that are conceived or prepared for the first time during or in conformity with said work. The previous is equally applicable to any patent of inventions conceived in virtue of said work.

Copyrights on any material produced for the first time or composed during or in conformity with work developed for the Company, such as any intellectual property right or rights of any other nature pertaining to the rights of the inventor, just like any rights acquired in virtue of a claim for violation of copyrights or rights of any nature regarding said materials or work over which the Employee may own rights presently or in the future.

El Trabajador se obliga a comparecer ante Notario, otorgar y ejecutar debidamente cualquier documento que le sea entregado, sea de cesión, de declaración jurada o de cualquier otro tipo que sea necesario para transferir el título de propiedad a la Empresa (o a quien este pueda indicar) en relación con todos los derechos relacionados con los dos anteriores párrafos, y prestar toda la asistencia, información o pruebas que razonablemente le sean solicitadas para la tramitación de cualquier procedimiento (incluyendo la ejecución, registro y seguimiento de solicitudes de patente, oposiciones a patentes y otros similares) para la concesión de patentes o para la protección de cualesquiera derechos que sean otorgados de conformidad con lo aquí expuesto o en relación con ello. Lo anteriormente previsto se hace extensivo a las patentes.

The Employee is obliged to appear before a Notary, to duly deliver and execute any provided document, both conveyed, affidavit and any other type which is necessary for transferring the property title to the Company (or to whom it is indicated) in relation to all the related rights with the two previous paragraphs, and to assist and provide information or proof that is reasonably requested for any proceedings (including the execution, registration and pursuit of patent requests, oppositions to patents and other similar activities) for the patent concessions or to protect any rights that are granted in conformity with the statements herein or in relation to them. The previous provisions are applicable to patents.

El Trabajador deberá comunicar inmediatamente a la Empresa y entregar a la misma cualquier documento, gráfico, programa o dato relacionado con cualquier descubrimiento, trabajo, creación o mejora relativo a cualesquiera de los productos de la marca de la Empresa que tenga su origen en el trabajo desarrollado en la Empresa como resultado de sus obligaciones con respecto a la misma, independientemente de la circunstancia de que se haya realizado de forma individual, conjuntamente con otros trabajadores o terceras personas, o mediante la utilización de secretos comerciales o información confidencial obtenida de la Empresa.

The Employee must immediately notify the Company and hand in to the Company, any document, graphics, programs or information related to any discovery, work, creation or improvement related to any of the products of the Company’s brand that have their origin in the developmental work in the Company resulting from obligations to the Company, regardless on whether this was developed individually, in conjunction with other employees or third persons, or through the use of commercial secrets or confidential information obtained from the Company.

Además, el Trabajador acepta que la Empresa sea la propietaria en exclusiva de cualesquiera derechos de explotación de los mencionados descubrimientos, trabajos, creaciones o mejoras, así como que la Empresa tendrá el derecho en exclusiva para hacer un uso libre del mismo, en los términos más amplios, sin limitación geográfica o temporal alguna, aún en el caso de que estuvieran protegidos por derechos de autor.
Sin prejuicio de lo dispuesto en la normativa reguladora, en el caso de que el Trabajador solicitara cualquier tipo de compensación en relación con cualquier descubrimiento o mejora, dichas reclamaciones se entenderán completamente resarcidas con la remuneración que por todos los conceptos el Trabajador percibe de la Empresa.

En relación con los programas de ordenador, (y en concreto respecto de las últimas versiones de los siguientes programas de ordenador : (i) OST-Optenet Security Suite for Telcos, (ii) OSE-Optenet Security Suite for Enterprise-PC, (iii) End-Point Manager y cualquier otro programa de ordenador desarrollado) el Trabajador reconoce que todos los derechos de propiedad intelectual sobre todos los programas de ordenador editados y divulgados por la Empresa han sido y serán desarrollados bajo el régimen de obra colectiva, de acuerdo con el artículo 97.2 del texto Refundido de la Ley 1/1996 de Propiedad Intelectual, de 12 de abril. El Trabajador manifiesta que es la Empresa la que por su propia iniciativa y coordinación tiene y, ha tenido, la idea de crear los programas de ordenador y que, por tanto, las contribuciones del Trabajador se funden en una creación única y autónoma sin que sea posible atribuirles separadamente al Trabajador un derecho sobre el conjunto de la obra realizada que es fundida a raíz de los trabajos de coordinación de la Empresa. El Trabajador reconoce que los programas de ordenador son obras originales resultado de un íter intelectual dirigido por la Empresa y que las contribuciones del Trabajador están libres de toda carga y/o gravamen. Además, el Trabajador reconoce que no ha infringido ni infringirá ningún derecho de propiedad intelectual de terceras partes y que no ha incumplido ni incumplirá las condiciones de licencias de open source. El Trabajador reconoce que sus convicciones personales no tendrán incidencia alguna sobre los programas de ordenador. Asimismo el Trabajador garantiza que colaborará en la entrega de cualesquiera documentaos, declaraciones so materiales que sean razonablemente necesarios para acreditar o hacer efectivos por la Empresa todos los derechos de propiedad intelectual sobra la misma. El Trabajador reconoce que ha sido y es remunerado equitativamente por su aportación a los programas de ordenador. El Trabajador manifiesta que conoce, entiende y acepta las facultades que ostenta la Empresa al ser titular de las obras colectivas de los programas de ordenador.

Moreover, the Employee accepts that the Company is the exclusive owner of any exploitation rights of the mentioned discoveries, works, creations or improvements, as well as the fact that the Company will have the exclusive right for using them freely, in the broadest terms, without geographic or seasonal limitations, even if there were protections for copyrights.

Without prejudice to provisions of the regulated laws, in the event of the Employee claiming any type of compensation in relation to any discovery or improvement, said claims will be deemed as completely compensated by the remuneration that for all concepts the Employee receives from the Company.

Regarding computer programs (software products) (and specifically in relation to the latest versions of the following computer programs: (i) OST-Optenet Security Suite for Telcos, (ii) OSE-Optenet Security Suite for Enterprise-PC, (iii) End-Point Manager or any computer program developed) the Employee acknowledges that all intellectual property rights on all computer programs which were edited and disclosed by the Company, have been and will be developed under the regime of collective work, in accordance with Article 97.2 of the consolidated text of the Intellectual Property Law 1/1996, on April 12. The Employee states that is the Company which on their own initiative and coordination has and has had the idea of creating computer programs and, therefore, worker contributions are fused into a single, independent creation without being possible to attribute separately to the Employee a right on all the work as it is melted because of the coordination efforts of the Company.The Employee acknowledges that computer programs are original works resulting from an intellectual process coordinated by the Company and that the Employee contributions are free of charges and / or encumbrances. Moreover, the Employee grants that it has not violated or infringes any right of intellectual property of third parties and has not breached or will not breach any open source licenses conditions. The Employee recognizes that his personal convictions will not have any impact on computer programs. Additionally, the Employee grants that he will collaborate in the delivery of any documents, statements or materials that are reasonably necessary to establish or enforce all intellectual property rights by the Company. The Employee acknowledges that it has been and is being paid fairly for his contribution to computer programs. The Employee states that he knows, understands and accepts the authority which holds the Company to be the owner of the collective works of computer programs.

Sexta.- PROTECCIÓN DE DATOS

De conformidad con lo dispuesto en la Ley Orgánica 15/1999 de Protección de Datos de Carácter Personal, el Trabajador por la presente declara que conoce y acepta que la Empresa u otras Compañías del Grupo conservarán y procesarán datos relativos a él (los "Datos Personales") (que la Empresa podrá recoger por escrito, electrónicamente o de cualquier otro modo) incluyendo, a meros efectos enunciativos, el nombre, dirección particular, número de tarjeta de la seguridad social, permisos de trabajo, salario y beneficios.

El Trabajador conoce y acepta expresamente que la Empresa puede en cualquier momento ceder los Datos Personales a otras Compañías del Grupo en otros países, ya sean Compañías localizadas en la Unión Europea o en otros países, algunos de los cuales pueden no ofrecer un nivel de protección equivalente al que existe en la Unión Europea, para fines de gestión de recursos humanos dentro del Grupo.

El Trabajador reconoce que la Empresa ha tratado y trata sus datos personales de acuerdo con la normativa española de protección de datos. Así, la Empresa ha informado al Trabajador del tratamiento que ha realizado y realiza de sus datos y ha recabado el consentimiento para aquellos tratamientos de datos en los que era necesario.

Sixth.- DATA PROTECTION

For the purposes of the Spanish Data Protection Act 15/1999, the employee hereby agrees and gives his consent to the processing of personal data by the Company or by other companies of the Group relating to the Employee (which the Company may obtain or hold in any form, whether in writing, electronically or otherwise), including but not limited to, the name, address, number of the social security card, residence and work permits, expertise, salary and benefits ("Personal Data").

The Employee expressly knows and accepts that the Company may periodically transfer the Personal Data to other companies within the Group, which may be located in the European Union and elsewhere, including countries that may not offer an equivalent level of protection to that applicable in the European Union, for purposes of human resources management within the Group.

The Employee states that the Company has processed and process his personal data in accordance with the Spanish data protection law. Thus, the Company has informed the Employee about the processing that has performed and performs of his personal data and has obtained the informed consent for those processing of data which may require and informed consent.

Séptima.- RENUNCIA A LA CLAUSULA DE NO COMPETENCIA POSTCONTRACTUAL

Las partes tienen suscrito una cláusula de no competencia post-contractual que establece el siguiente tenor literal:

"Por la naturaleza de las funciones desarrolladas por el trabajador, existe un lógico y efectivo interés industrial y comercial por parte de OPTENET, S.A. en cuanto a que, una vez finalizado el contrato, el trabajador no preste sus servicios, por cuenta propia o ajena a otras sociedades o empresas del mismo sector, que comercialicen los mismos productos o similares a los de la parte contratante. Por ello, el trabajador se compromete a no efectuar dicha concurrencia durante un periodo máximo de dos años después de extinguido el contrato, sea cual fuere la causa de su finalización. OPTENET, S.A. abonará al trabajador, al tiempo de hacerse efectivo el cese en el puesto de trabajo, una cantidad equivalente a una anualidad del salario fijo que viniera percibiendo al tiempo de la extinción por año de no concurrencia.

La efectividad de esta cláusula queda condicionada a la concurrencia, al tiempo de la extinción de la relación laboral, de un efectivo y real interés industrial o comercial en OPTENET, S.A. por mantener una situación de no competencia post-contractual, lo que notificará por escrito".

Ambas partes renuncian expresamente a esta cláusula de no competencia post-contractual con la firma del presente acuerdo de novación, no pudiendo ejercitarla y quedando anulada en todos sus efectos. Todo ello, habida cuenta del propósito del trabajador de poder prestar sus servicios para cualquier tipo de empresa a la finalización de su contrato de trabajo.

Seventh.- RENOUNCE TO THE NON-COMPETE POST-CONTRACTUAL CLAUSE

The parties have agreed a non-compete post-contractual clause, that states the following terms:

"From the nature of the activity carried out by the employee, there is a logic and effective industrial and commercial interest of OPTENET S.A., in terms of, once terminated the employment relationship, the employee cannot provide his services, neither as an independent professional or as employee of other companies active in the same sector, that commercialize with the same or similar products as the contractor. For this reason, the employee commits himself to not compete during a maximum period of two years from the termination of his contract, regardless the cause of the termination, OPTENET S.A. should pay to the employee, at the time of the termination of the contract, an equivalent amount of one year of fixed salary per year of non-competition.

The enforcement of this clause is conditioned to, at the time of the termination of the employment relationship, an existence of an effective and real industrial and commercial interest of OPTENET S.A. to maintain a non-compete post-contractual situation, which will be notified to the employee".

Both parties, with the signature of the present novation agreement, expressly disclaim this non-compete post-contractual clause, leaving it completely voided in all of its effects. All of this, for the purpose of the Employee in order to be able to work for any kind of company after the termination of his/hers employment contract.

Octava.-. LEGISLACIÓN APLICABLE

Este contrato de trabajo que define las condiciones laborales del Trabajador, se regirá por:

La voluntad de las partes, específicamente incluidas en el presente Anexo.

El Estatuto de los Trabajadores (RD 1/1995, de 24 de marzo de 1995) y legislación laboral en desarrollo del mismo.

Convenio Colectivo de aplicación en cada momento

Legislación común u ordinaria que complemente la legislación laboral específica.

Si un Tribunal u otra entidad competente estimara nula o no ejecutable cualquier disposición del presente Contrato, tal disposición se considerará eliminada del mismo permaneciendo vigentes las restantes disposiciones.

Eighth.- APPLICABLE LAW

This employment contract which defines the employment conditions of the Employee, is governed by:

The intention of each part, especially those included in the present Annex.

Workers' Statute (Employment Law) (RD 1/1995, March 24, 1995) and employment legislation in development.

Collective Bargaining Agreement in force from time to time

Common and ordinary legislation that complements the specific employment legislation.

If a Court or other competent entity deems null or non-actionable any stipulation or provision of the present Contract, such provision will be considered null and void from the Contract while the rest will be considered permanent.

_____	_____
La Compañía Fecha	The Company Date
_____	_____
Representante Legal Fecha	Legal Representative Date
_____	_____
El Trabajador Fecha	The Employee Date

B) FOR SCHEDULED EMPLOYEES CONSIDERED KEY EMPLOYEES

En Madrid/San Sebastián, a _____de 2015.

ACUERDO DE NOVACIÓN DEL CONTRATO DE TRABAJO

R E U N I D O S

De una parte, la entidad mercantil **OPTENET S.A.** con domicilio social en Paseo Mikeletegui, nº 58, 1,3,IZ, 20009, Donostia- San Sebastián (en adelante, la "Empresa") y, en su nombre y representación [®], en su calidad de representante legal.

Y, de otra, **D.** _____ con domicilio en _____ (en adelante, el "Trabajador"), mayor de edad y, con nº de Documento de Nacional de Identidad XXXX

ACTÚAN, el primero en la indicada representación y, el segundo, en nombre e interés propios. Ambas partes se reconocen mutuamente plena capacidad legal para obligarse y, a los efectos que más adelante se dirán,

M A N I F I E S T A N

I. Que la Empresa y el Trabajador suscribieron un contrato de trabajo en fecha XXX.

II. Que la Empresa y el Trabajador están interesados en alcanzar el presente acuerdo de novación contractual.

In Madrid/San Sebastián, on _____2015.

EMPLOYMENT CONTRACT NOVATION AGREEMENT

A P P E A R

On the one part, **OPTENET S.A.**, with domicile at Paseo Mikeletegui,nº58, 1,3,IZ, 20009, Donostia- San Sebastian, (hereinafter the "Company"), represented in this act by [®], in his capacity as legal representative.

On the other part, **Mr.**/_____ with domicile at _____ (hereinafter, the "Employee"), of legal age, holder of National Identity Card Number XXXX

THEY ACT, the first in the above mentioned representation and the second in his own name and behalf. Both parties mutually recognize their respective legal capacity to bind themselves hereunder and for these purposes they,

S T A T E

I. That the Company and the Employee formalized an employment indefinite contract entered into XXX.

II. That the Company and the Employee are both interested in reach the present contractual novation agreement.

ARTICLE 5

ARTICLE 6C L Á U S U L A S

Primera.- OBJETO DEL ACUERDO DE NOVACIÓN

El Trabajador continuará prestando sus servicios tal y como viene haciendo hasta ahora con su actual categoría y grupo profesional, según lo establecido en el Convenio Colectivo de aplicación, sin que exista ninguna modificación en cuanto a la categoría profesional y las funciones a desempeñar por el Trabajador.

Segunda.- REMUNERACIÓN

El Trabajador seguirá percibiendo el mismo sueldo que tenía hasta la fecha de la suscripción del presente documento. Es decir, que tendrá un salario bruto anual de xxx Euros. Adicionalmente, el Trabajador seguirá disfrutando de los beneficios sociales que venía ostentando hasta la fecha, tales como el Seguro Médico, y el Seguro de Vida.

Como consecuencia de la sucesión de empresa que tendrá lugar entre la Empresa y Allot Communications Spain, S.L.U. conforme al artículo 44 del Estatuto de los Trabajadores, el Trabajador tendrá derecho una vez incorporado en Allot Communications Spain, S.L.U., a participar en el Plan de Opciones sobre Acciones (stock options) vigente en Allot Communications Limited previa aprobación del Consejo de Administración de Allot Comunications Limited

ARTICLE 7C L A U S E S

First.- PURPOSE OF THE AGREEMENT

The Employee will render his services in the same way as he has been doing until date, in the same professional category and group as established in the applicable Collective Bargaining Agreement, not existing any modification regarding the professional category and the services to be developed by the Employee

ARTICLE 8Second.- SALARY

The Employee will continue receiving the same salary that he/she enjoyed until the signature of the current document. That is to say that the Employee is entitled to an annual gross salary of Euro xxx. In addition, the Employee will continue enjoying the fringe benefits that he/she was entitled until today, such as, the health and life insurance.

As a consequence of the transfer of undertakings to take place between the Company and Allot Communications Spain, S.L.U. according to article 44 of the Workers' Statute, the Employee will be eligible to participate in the Stock Options Plan of Allot Communications Limited to be granted [__] options, subject to the prior approval of the Board of Directors of Allot Communications Limited.

Bonus de Permanencia: Asimismo, el Trabajador tendrá derecho a recibir un Bonus de Permanencia de 12 meses equivalente al 5% de su salario base anual una vez haya permanecido prestando servicios en Allot Communications Spain, S.L.U hasta la fecha de pago que tendrá lugar 12 meses tras la fecha en que se haga efectiva laoperación mercantil de compraventa de activos de la Compañía a Allot Communications Spain, S.L.U.Remuneración Variable: El Trabajador también tendrá derecho a participar en un sistema de remuneración variable anual por cumplimiento de objetivos que serán establecidos por Allot Communications Spain, S.L.U. anualmente. La cantidad máxima anual a percibir en concepto de remuneración variable por objetivos ascenderá a un 5% de la remuneración anual y será abonada en el primer trimestre del año siguiente.

LLegado el momento, Allot Communications Spain, S.L.U proporcionará al Trabajador los términos y condiciones del plan de remuneración variable.

Retention Bonus: Additionally, the Employee will be entitled to a 12 months Retention Bonus equivalent to 5% of his/her annual base salary to be paid by Allot Communications Spain, S.L.U. provided that he/she remains rendering services for Allot Communications Spain, S.L.U. until the payment date that will take place (12 months after the clompletion date of the transaction between Allot and Optenet). Variable Remuneration: The Employee will be also entitled to participate in an annual variable remuneration system if targets set up yearly by Allot Communications Spain, S.L.U. are accomplished. The maximum annual amount to be received as variable remuneration will amount to 5% of the annual salary and it will be paid in the first quarter of the following year.

The details of this remuneration as well as the terms of the entitlement shall be provided to the Employee by Allot Communications Spain SLU.

Tercera.- EQUIPO DE EMPRESA

El Trabajador utilizará el sistema informático para fines únicamente relacionados con la actividad desarrollada por la Empresa y su actividad en ella. Queda expresamente prohibido el uso de dicho sistema para fines diversos de los expuestos.

El Trabajador, mediante la firma del presente Acurdo, reconoce que todos los archivos, informes, correos electrónicos, correspondencia, software y, en general, cualquier otro tipo de información que haya sido creada o pueda estar en el sistema informático pertenece a la Empresa. La Empresa queda facultada para utilizarlos para cualquier propósito dentro de los límites legales. El Trabajador autoriza expresamente a la Empresa para acceder a la información mencionada.

Cuarta.- INFORMACIÓN CONFIDENCIAL

Objeto.- A efectos de esta cláusula, “Información” es toda información de carácter económico, financiero, técnico, comercial, estratégico, administrativo, o de otro tipo, que, en cualquier momento durante la vigencia del Acuerdo, sea conocida o creada por el Trabajador como consecuencia del ejercicio de las funciones que le son propias y que le hayan sido encomendadas por la Empresa según el Acuerdo, o que le sea revelada por la Empresa de forma oral, escrita, o en extracto o documentación de todo tipo. Por su parte, “Información Confidencial” es toda Información a la que el Trabajador haya tenido acceso o haya creado como consecuencia de su relación laboral en sentido amplio, y que haya sido calificada como de propiedad exclusiva o confidencial o que, por su naturaleza o por circunstancias en las que se produzca la revelación o creación, deba de buena fe estimarse como tal.

Third.- COMPANY'S EQUIPMENT

The Employee will use the IT system only for purposes related to the activity of the Company and his work in the Company. It is expressly forbidden to use such IT system for purposes different from the aforementioned.

The Employee, by signing the present Agreement, acknowledges that all the files, reports, e-mail correspondence, software and, in general, any other data or information of any kind that may have been created or may be in the computer system belong to the Company. The Company will be able to use them for any purpose within the limits established by law. You expressly authorize the Company to access the abovementioned information.

Fourth.-CONFIDENTIAL INFORMATION

Purpose.- For the purposes of the following clause, “Information” shall include any economic, financial, technical, commercial, strategic, administrative or any other type of information, that, at any time during the term of this contract, the Employee may create or have knowledge of, as a consequence of the performance of his own duties or those requested by the Company in accordance with the Agreement, and/or that may be disclosed to the Employee either orally or in writing, or by any other means, as well as any analysis, compilation, study, résumé, extract or documentation of any kind. On the other hand “Confidential Information” shall be considered as all the information that the Employee may have had access to, or created as a consequence (in the broad sense) of his employment relationship, and that may have been qualified as exclusive and/or confidential property, or in relation to its nature and/or the circumstances in which the creation or disclosure may occur, should be deemed confidential according to the principle of good faith.

Utilización y destino.- El Trabajador se obliga a utilizar la Información única y exclusivamente con la finalidad de cumplir las funciones encomendadas en el presente Acuerdo. Asimismo, el Trabajador, se obliga a conservar y tratar como confidencial toda la Información Confidencial y, en particular, a no revelarla a ningún tercero o trabajador de la Empresa sin el consentimiento previo de la Empresa, excepto en el ejercicio de las funciones encomendadas en el presente Acuerdo o por imperativo legal, y a no reproducirla, transformarla ni, en general, usarla de manera distinta a la que se precisa en el ejercicio de sus funciones. El Trabajador se compromete a restituir inmediatamente a la Empresa, a solicitud de la misma durante la vigencia del Acuerdo y, en todo caso, y sin necesidad de requerimiento, a la extinción del mismo, los soportes de cualquier clase que pudieran contener Información Confidencial que le haya sido revelada o haya sido creada por el Trabajador.

Consecuencias del no cumplimiento de la obligación de confidencialidad.- En el supuesto de que el Trabajador conculcara alguna de las obligaciones previstas en esta cláusula, la Empresa tendrá derecho a reclamar una indemnización de daños y perjuicios en la cantidad que sea fijada por el Tribunal correspondiente.

Use and purpose.- The Employee agrees to use the Information only and exclusively for the purpose of carrying out his duties under this Contract. Likewise, the Employee is obliged to treat and keep as confidential all the Confidential Information and, in particular, not to disclose it to any third party nor any other employee of the Company without the Company's prior consent, except when carrying out the duties entrusted to him in this Agreement or by law, and not to reproduce, transform, or in general, use it in a manner distinct to that which is necessary for the performance of duties. The Employee is also obliged to immediately return to the Company, as requested by the Company during the term of the Contract or at any other time, and automatically upon the termination of the Contract, any kind of medium that could contain Confidential Information disclosed to or created by the Employee.

Consequences derived from the non fulfilment of the confidentiality obligation.- Should the Employee breach any of the obligations set forth in this clause, the Company will be entitled to claim damage compensation in an amount to be established by a Court of Law.

Quinta.- INVENCIONES, PROPIEDAD INDUSTRIAL E INTELECTUAL.

El Trabajador por medio de la presente cede y transmite a la Empresa o a quien ésta decida:

Cualquier derecho, título e interés en cualesquiera invenciones, mejoras y descubrimientos, y el producto que sea resultado del trabajo desarrollado para la Empresa, incluyendo, aunque no limitándose a, programas, documentos e informes elaborados a lo largo de o como resultado de dicho trabajo (sean o no patentables) que sean concebidos o elaborados por primera vez durante o de conformidad con dicho trabajo. Lo anterior será igualmente aplicable a cualquier patente de invención concedida en virtud de dicho trabajo.
Los derechos de autor en cualquier material producido por primera vez o compuesto durante o de conformidad con el trabajo desarrollado para la Empresa, así como cualquier derecho de propiedad intelectual o de cualquier otra naturaleza perteneciente a los derechos de autor, al igual que cualesquiera derechos adquiridos en virtud de una demanda por violación de derechos de autor o de derechos de cualquier otra naturaleza sobre dichos materiales o trabajo a los que el Trabajador pueda tener derecho ahora o en el futuro.

Fifth.- INVENTIONS, INDUSTRIAL AND INTELLECTUAL PROPERTY.

The Employee hereby hands over and transfers to the Company or to whom/which it is decided by the Company:

Any right, title or interest in any inventions, improvements and discoveries, and the product resulting from the work developed for the Company, including, although not limited to, programs, documents and reports prepared during or resulting from said work (whether or not patented) that are conceived or prepared for the first time during or in conformity with said work. The previous is equally applicable to any patent of inventions conceived in virtue of said work.

Copyrights on any material produced for the first time or composed during or in conformity with work developed for the Company, such as any intellectual property right or rights of any other nature pertaining to the rights of the inventor, just like any rights acquired in virtue of a claim for violation of copyrights or rights of any nature regarding said materials or work over which the Employee may own rights presently or in the future.

El Trabajador se obliga a comparecer ante Notario, otorgar y ejecutar debidamente cualquier documento que le sea entregado, sea de cesión, de declaración jurada o de cualquier otro tipo que sea necesario para transferir el título de propiedad a la Empresa (o a quien este pueda indicar) en relación con todos los derechos relacionados con los dos anteriores párrafos, y prestar toda la asistencia, información o pruebas que razonablemente le sean solicitadas para la tramitación de cualquier procedimiento (incluyendo la ejecución, registro y seguimiento de solicitudes de patente, oposiciones a patentes y otros similares) para la concesión de patentes o para la protección de cualesquiera derechos que sean otorgados de conformidad con lo aquí expuesto o en relación con ello. Lo anteriormente previsto se hace extensivo a las patentes.

The Employee is obliged to appear before a Notary, to duly deliver and execute any provided document, both conveyed, affidavit and any other type which is necessary for transferring the property title to the Company (or to whom it is indicated) in relation to all the related rights with the two previous paragraphs, and to assist and provide information or proof that is reasonably requested for any proceedings (including the execution, registration and pursuit of patent requests, oppositions to patents and other similar activities) for the patent concessions or to protect any rights that are granted in conformity with the statements herein or in relation to them. The previous provisions are applicable to patents.

El Trabajador deberá comunicar inmediatamente a la Empresa y entregar a la misma cualquier documento, gráfico, programa o dato relacionado con cualquier descubrimiento, trabajo, creación o mejora relativo a cualesquiera de los productos de la marca de la Empresa que tenga su origen en el trabajo desarrollado en la Empresa como resultado de sus obligaciones con respecto a la misma, independientemente de la circunstancia de que se haya realizado de forma individual, conjuntamente con otros trabajadores o terceras personas, o mediante la utilización de secretos comerciales o información confidencial obtenida de la Empresa.

The Employee must immediately notify the Company and hand in to the Company, any document, graphics, programs or information related to any discovery, work, creation or improvement related to any of the products of the Company’s brand that have their origin in the developmental work in the Company resulting from obligations to the Company, regardless on whether this was developed individually, in conjunction with other employees or third persons, or through the use of commercial secrets or confidential information obtained from the Company.

Además, el Trabajador acepta que la Empresa sea la propietaria en exclusiva de cualesquiera derechos de explotación de los mencionados descubrimientos, trabajos, creaciones o mejoras, así como que la Empresa tendrá el derecho en exclusiva para hacer un uso libre del mismo, en los términos más amplios, sin limitación geográfica o temporal alguna, aún en el caso de que estuvieran protegidos por derechos de autor.
Sin prejuicio de lo dispuesto en la normativa reguladora, en el caso de que el Trabajador solicitara cualquier tipo de compensación en relación con cualquier descubrimiento o mejora, dichas reclamaciones se entenderán completamente resarcidas con la remuneración que por todos los conceptos el Trabajador percibe de la Empresa.

En relación con los programas de ordenador, (y en concreto respecto de las últimas versiones de los siguientes programas de ordenador : (i) OST-Optenet Security Suite for Telcos, (ii) OSE-Optenet Security Suite for Enterprise-PC, (iii) End-Point Manager y cualquier otro programa de ordenador desarrollado) el Trabajador reconoce que todos los derechos de propiedad intelectual sobre todos los programas de ordenador editados y divulgados por la Empresa han sido y serán desarrollados bajo el régimen de obra colectiva, de acuerdo con el artículo 97.2 del texto Refundido de la Ley 1/1996 de Propiedad Intelectual, de 12 de abril. El Trabajador manifiesta que es la Empresa la que por su propia iniciativa y coordinación tiene y, ha tenido, la idea de crear los programas de ordenador y que, por tanto, las contribuciones del Trabajador se funden en una creación única y autónoma sin que sea posible atribuirles separadamente al Trabajador un derecho sobre el conjunto de la obra realizada que es fundida a raíz de los trabajos de coordinación de la Empresa. El Trabajador reconoce que los programas de ordenador son obras originales resultado de un íter intelectual dirigido por la Empresa y que las contribuciones del Trabajador están libres de toda carga y/o gravamen. Además, el Trabajador reconoce que no ha infringido ni infringirá ningún derecho de propiedad intelectual de terceras partes y que no ha incumplido ni incumplirá las condiciones de licencias de open source. El Trabajador reconoce que sus convicciones personales no tendrán incidencia alguna sobre los programas de ordenador. Asimismo el Trabajador garantiza que colaborará en la entrega de cualesquiera documentaos, declaraciones so materiales que sean razonablemente necesarios para acreditar o hacer efectivos por la Empresa todos los derechos de propiedad intelectual sobra la misma. El Trabajador reconoce que ha sido y es remunerado equitativamente por su aportación a los programas de ordenador. El Trabajador manifiesta que conoce, entiende y acepta las facultades que ostenta la Empresa al ser titular de las obras colectivas de los programas de ordenador.

Moreover, the Employee accepts that the Company is the exclusive owner of any exploitation rights of the mentioned discoveries, works, creations or improvements, as well as the fact that the Company will have the exclusive right for using them freely, in the broadest terms, without geographic or seasonal limitations, even if there were protections for copyrights.

Without prejudice to provisions of the regulated laws, in the event of the Employee claiming any type of compensation in relation to any discovery or improvement, said claims will be deemed as completely compensated by the remuneration that for all concepts the Employee receives from the Company.

Regarding computer programs (software products) (and specifically in relation to the latest versions of the following computer programs: (i) OST-Optenet Security Suite for Telcos, (ii) OSE-Optenet Security Suite for Enterprise-PC, (iii) End-Point Manager or any computer program developed) the Employee acknowledges that all intellectual property rights on all computer programs which were edited and disclosed by the Company, have been and will be developed under the regime of collective work, in accordance with Article 97.2 of the consolidated text of the Intellectual Property Law 1/1996, on April 12. The Employee states that is the Company which on their own initiative and coordination has and has had the idea of creating computer programs and, therefore, worker contributions are fused into a single, independent creation without being possible to attribute separately to the Employee a right on all the work as it is melted because of the coordination efforts of the Company. The Employee acknowledges that computer programs are original works resulting from an intellectual process coordinated by the Company and that the Employee contributions are free of charges and / or encumbrances. Moreover, the Employee grants that it has not violated or infringes any right of intellectual property of third parties and has not breached or will not breach any open source licenses conditions. The Employee recognizes that his personal convictions will not have any impact on computer programs. Additionally, the Employee grants that he will collaborate in the delivery of any documents, statements or materials that are reasonably necessary to establish or enforce all intellectual property rights by the Company. The Employee acknowledges that it has been and is being paid fairly for his contribution to computer programs. The Employee states that he knows, understands and accepts the authority which holds the Company to be the owner of the collective works of computer programs.

Sexta.- PROTECCIÓN DE DATOS

De conformidad con lo dispuesto en la Ley Orgánica 15/1999 de Protección de Datos de Carácter Personal, el Trabajador por la presente declara que conoce y acepta que la Empresa u otras Compañías del Grupo conservarán y procesarán datos relativos a él (los "Datos Personales") (que la Empresa podrá recoger por escrito, electrónicamente o de cualquier otro modo) incluyendo, a meros efectos enunciativos, el nombre, dirección particular, número de tarjeta de la seguridad social, permisos de trabajo, salario y beneficios.

El Trabajador conoce y acepta expresamente que la Empresa puede en cualquier momento ceder los Datos Personales a otras Compañías del Grupo en otros países, ya sean Compañías localizadas en la Unión Europea o en otros países, algunos de los cuales pueden no ofrecer un nivel de protección equivalente al que existe en la Unión Europea, para fines de gestión de recursos humanos dentro del Grupo.

El Trabajador reconoce que la Empresa ha tratado y trata sus datos personales de acuerdo con la normativa española de protección de datos. Así, la Empresa ha informado al Trabajador del tratamiento que ha realizado y realiza de sus datos y ha recabado el consentimiento para aquellos tratamientos de datos en los que era necesario.

Sixth.- DATA PROTECTION

For the purposes of the Spanish Data Protection Act 15/1999, the employee hereby agrees and gives his consent to the processing of personal data by the Company or by other companies of the Group relating to the Employee (which the Company may obtain or hold in any form, whether in writing, electronically or otherwise), including but not limited to, the name, address, number of the social security card, residence and work permits, expertise, salary and benefits ("Personal Data").

The Employee expressly knows and accepts that the Company may periodically transfer the Personal Data to other companies within the Group, which may be located in the European Union and elsewhere, including countries that may not offer an equivalent level of protection to that applicable in the European Union, for purposes of human resources management within the Group.

The Employee states that the Company has processed and process his personal data in accordance with the Spanish data protection law. Thus, the Company has informed the Employee about the processing that has performed and performs of his personal data and has obtained the informed consent for those processing of data which may require and informed consent.

Séptima.- RENUNCIA A LA CLAUSULA DE NO COMPETENCIA POSTCONTRACTUAL

Las partes tienen suscrito una cláusula de no competencia post-contractual que establece el siguiente tenor literal:

"Por la naturaleza de las funciones desarrolladas por el trabajador, existe un lógico y efectivo interés industrial y comercial por parte de OPTENET, S.A. en cuanto a que, una vez finalizado el contrato, el trabajador no preste sus servicios, por cuenta propia o ajena a otras sociedades o empresas del mismo sector, que comercialicen los mismos productos o similares a los de la parte contratante. Por ello, el trabajador se compromete a no efectuar dicha concurrencia durante un periodo máximo de dos años después de extinguido el contrato, sea cual fuere la causa de su finalización. OPTENET, S.A. abonará al trabajador, al tiempo de hacerse efectivo el cese en el puesto de trabajo, una cantidad equivalente a una anualidad del salario fijo que viniera percibiendo al tiempo de la extinción por año de no concurrencia.

La efectividad de esta cláusula queda condicionada a la concurrencia, al tiempo de la extinción de la relación laboral, de un efectivo y real interés industrial o comercial en OPTENET, S.A. por mantener una situación de no competencia post-contractual, lo que notificará por escrito".

Ambas partes renuncian expresamente a esta cláusula de no competencia post-contractual con la firma del presente acuerdo de novación, no pudiendo ejercitarla y quedando anulada en todos sus efectos. Todo ello, habida cuenta del propósito del trabajador de poder prestar sus servicios para cualquier tipo de empresa a la finalización de su contrato de trabajo.

Seventh.- RENOUNCE TO THE NON-COMPETE POST-CONTRACTUAL CLAUSE

The parties have agreed a non-compete post-contractual clause, that states the following terms:

"From the nature of the activity carried out by the employee, there is a logic and effective industrial and commercial interest of OPTENET S.A., in terms of, once terminated the employment relationship, the employee cannot provide his services, neither as an independent professional or as employee of other companies active in the same sector, that commercialize with the same or similar products as the contractor. For this reason, the employee commits himself to not compete during a maximum period of two years from the termination of his contract, regardless the cause of the termination, OPTENET S.A. should pay to the employee, at the time of the termination of the contract, an equivalent amount of one year of fixed salary per year of non-competition.

The enforcement of this clause is conditioned to, at the time of the termination of the employment relationship, an existence of an effective and real industrial and commercial interest of OPTENET S.A. to maintain a non-compete post-contractual situation, which will be notified to the employee".

Both parties, with the signature of the present novation agreement, expressly disclaim this non-compete post-contractual clause, leaving it completely voided in all of its effects. All of this, for the purpose of the Employee in order to be able to work for any kind of company after the termination of his/hers employment contract.

Octava.-. LEGISLACIÓN APLICABLE

Este contrato de trabajo que define las condiciones laborales del Trabajador, se regirá por:

La voluntad de las partes, específicamente incluidas en el presente Anexo.

El Estatuto de los Trabajadores (RD 1/1995, de 24 de marzo de 1995) y legislación laboral en desarrollo del mismo.

Convenio Colectivo de aplicación en cada momento

Legislación común u ordinaria que complemente la legislación laboral específica.

Si un Tribunal u otra entidad competente estimara nula o no ejecutable cualquier disposición del presente Contrato, tal disposición se considerará eliminada del mismo permaneciendo vigentes las restantes disposiciones.

Eighth.- APPLICABLE LAW

This employment contract which defines the employment conditions of the Employee, is governed by:

The intention of each part, especially those included in the present Annex.

Workers' Statute (Employment Law) (RD 1/1995, March 24, 1995) and employment legislation in development.

Collective Bargaining Agreement in force from time to time

Common and ordinary legislation that complements the specific employment legislation.

If a Court or other competent entity deems null or non-actionable any stipulation or provision of the present Contract, such provision will be considered null and void from the Contract while the rest will be considered permanent.

_____	_____
La Compañía Fecha	The Company Date
_____	_____
Representante Legal Fecha	Legal Representative Date
_____	_____
El Trabajador Fecha	The Employee Date

A) FOR SCHEDULED EMPLOYEES IN GENERAL WITHOUT OPTIONS

En Madrid/San Sebastián, a _____de 2015.

ACUERDO DE NOVACIÓN DEL CONTRATO DE TRABAJO

R E U N I D O S

De una parte, la entidad mercantil **OPTENET S.A.** con domicilio social en Paseo Mikeletegui, nº 58, 1,3,IZ, 20009, Donostia- San Sebastián (en adelante, la "Empresa") y, en su nombre y representación [®], en su calidad de representante legal.

Y, de otra, **D.** _____ con domicilio en _____ (en adelante, el "Trabajador"), mayor de edad y, con nº de Documento de Nacional de Identidad XXXX

ACTÚAN, el primero en la indicada representación y, el segundo, en nombre e interés propios. Ambas partes se reconocen mutuamente plena capacidad legal para obligarse y, a los efectos que más adelante se dirán,

In Madrid/San Sebastián, on _____2015.

EMPLOYMENT CONTRACT NOVATION AGREEMENT

A P P E A R

On the one part, **OPTENET S.A.**, with domicile at Paseo Mikeletegui,nº58, 1,3,IZ, 20009, Donostia- San Sebastian, (hereinafter the "Company"), represented in this act by [®], in his capacity as legal representative.

On the other part, **Mr.**/_____ with domicile at _____ (hereinafter, the "Employee"), of legal age, holder of National Identity Card Number XXXX

THEY ACT, the first in the above mentioned representation and the second in his own name and behalf. Both parties mutually recognize their respective legal capacity to bind themselves hereunder and for these purposes they,

M A N I F I E S T A N

I. Que la Empresa y el Trabajador suscribieron un contrato de trabajo en fecha XXX.

II. Que la Empresa y el Trabajador están interesados en alcanzar el presente acuerdo de novación contractual.

ARTICLE 9

ARTICLE 10C L Á U S U L A S

Primera.- OBJETO DEL ACUERDO DE NOVACIÓN

El Trabajador continuará prestando sus servicios tal y como viene haciendo hasta ahora con su actual categoría y grupo profesional, según lo establecido en el Convenio Colectivo de aplicación, sin que exista ninguna modificación en cuanto a la categoría profesional y las funciones a desempeñar por el Trabajador.

Segunda.- REMUNERACIÓN

El Trabajador seguirá percibiendo el mismo sueldo que tenía hasta la fecha de la suscripción del presente documento. Es decir, que tendrá un salario bruto anual de xxx Euros. Adicionalmente, el Trabajador seguirá disfrutando de los beneficios sociales que venía ostentando hasta la fecha, tales como el Seguro Médico, y el Seguro de Vida.

S T A T E

I. That the Company and the Employee formalized an employment indefinite contract entered into XXX.

II. That the Company and the Employee are both interested in reach the present contractual novation agreement.

ARTICLE 11C L A U S E S

First.- PURPOSE OF THE AGREEMENT

The Employee will render his services in the same way as he has been doing until date, in the same professional category and group as established in the applicable Collective Bargaining Agreement, not existing any modification regarding the professional category and the services to be developed by the Employee

ARTICLE 12Second.- SALARY

The Employee will continue receiving the same salary that he/she enjoyed until the signature of the current document. That is to say that the Employee is entitled to an annual gross salary of Euro xxx. In addition, the Employee will continue enjoying the fringe benefits that he/she was entitled until today, such as, the health and life insurance.

Tercera.- EQUIPO DE EMPRESA

El Trabajador utilizará el sistema informático para fines únicamente relacionados con la actividad desarrollada por la Empresa y su actividad en ella. Queda expresamente prohibido el uso de dicho sistema para fines diversos de los expuestos.

El Trabajador, mediante la firma del presente Acurdo, reconoce que todos los archivos, informes, correos electrónicos, correspondencia, software y, en general, cualquier otro tipo de información que haya sido creada o pueda estar en el sistema informático pertenece a la Empresa. La Empresa queda facultada para utilizarlos para cualquier propósito dentro de los límites legales. El Trabajador autoriza expresamente a la Empresa para acceder a la información mencionada.

Cuarta.- INFORMACIÓN CONFIDENCIAL

Objeto.- A efectos de esta cláusula, “Información” es toda información de carácter económico, financiero, técnico, comercial, estratégico, administrativo, o de otro tipo, que, en cualquier momento durante la vigencia del Acuerdo, sea conocida o creada por el Trabajador como consecuencia del ejercicio de las funciones que le son propias y que le hayan sido encomendadas por la Empresa según el Acuerdo, o que le sea revelada por la Empresa de forma oral, escrita, o en extracto o documentación de todo tipo. Por su parte, “Información Confidencial” es toda Información a la que el Trabajador haya tenido acceso o haya creado como consecuencia de su relación laboral en sentido amplio, y que haya sido calificada como de propiedad exclusiva o confidencial o que, por su naturaleza o por circunstancias en las que se produzca la revelación o creación, deba de buena fe estimarse como tal.

Third.- COMPANY'S EQUIPMENT

The Employee will use the IT system only for purposes related to the activity of the Company and his work in the Company. It is expressly forbidden to use such IT system for purposes different from the aforementioned.

The Employee, by signing the present Agreement, acknowledges that all the files, reports, e-mail correspondence, software and, in general, any other data or information of any kind that may have been created or may be in the computer system belong to the Company. The Company will be able to use them for any purpose within the limits established by law. You expressly authorize the Company to access the abovementioned information.

Fourth.-CONFIDENTIAL INFORMATION

Purpose.- For the purposes of the following clause, “Information” shall include any economic, financial, technical, commercial, strategic, administrative or any other type of information, that, at any time during the term of this contract, the Employee may create or have knowledge of, as a consequence of the performance of his own duties or those requested by the Company in accordance with the Agreement, and/or that may be disclosed to the Employee either orally or in writing, or by any other means, as well as any analysis, compilation, study, résumé, extract or documentation of any kind. On the other hand “Confidential Information” shall be considered as all the information that the Employee may have had access to, or created as a consequence (in the broad sense) of his employment relationship, and that may have been qualified as exclusive and/or confidential property, or in relation to its nature and/or the circumstances in which the creation or disclosure may occur, should be deemed confidential according to the principle of good faith.

Utilización y destino.- El Trabajador se obliga a utilizar la Información única y exclusivamente con la finalidad de cumplir las funciones encomendadas en el presente Acuerdo. Asimismo, el Trabajador, se obliga a conservar y tratar como confidencial toda la Información Confidencial y, en particular, a no revelarla a ningún tercero o trabajador de la Empresa sin el consentimiento previo de la Empresa, excepto en el ejercicio de las funciones encomendadas en el presente Acuerdo o por imperativo legal, y a no reproducirla, transformarla ni, en general, usarla de manera distinta a la que se precisa en el ejercicio de sus funciones. El Trabajador se compromete a restituir inmediatamente a la Empresa, a solicitud de la misma durante la vigencia del Acuerdo y, en todo caso, y sin necesidad de requerimiento, a la extinción del mismo, los soportes de cualquier clase que pudieran contener Información Confidencial que le haya sido revelada o haya sido creada por el Trabajador.

Consecuencias del no cumplimiento de la obligación de confidencialidad.- En el supuesto de que el Trabajador conculcara alguna de las obligaciones previstas en esta cláusula, la Empresa tendrá derecho a reclamar una indemnización de daños y perjuicios en la cantidad que sea fijada por el Tribunal correspondiente.

Use and purpose.- The Employee agrees to use the Information only and exclusively for the purpose of carrying out his duties under this Contract. Likewise, the Employee is obliged to treat and keep as confidential all the Confidential Information and, in particular, not to disclose it to any third party nor any other employee of the Company without the Company's prior consent, except when carrying out the duties entrusted to him in this Agreement or by law, and not to reproduce, transform, or in general, use it in a manner distinct to that which is necessary for the performance of duties. The Employee is also obliged to immediately return to the Company, as requested by the Company during the term of the Contract or at any other time, and automatically upon the termination of the Contract, any kind of medium that could contain Confidential Information disclosed to or created by the Employee.

Consequences derived from the non fulfilment of the confidentiality obligation.- Should the Employee breach any of the obligations set forth in this clause, the Company will be entitled to claim damage compensation in an amount to be established by a Court of Law.

Quinta.- INVENCIONES, PROPIEDAD INDUSTRIAL E INTELECTUAL.

El Trabajador por medio de la presente cede y transmite a la Empresa o a quien ésta decida:

Cualquier derecho, título e interés en cualesquiera invenciones, mejoras y descubrimientos, y el producto que sea resultado del trabajo desarrollado para la Empresa, incluyendo, aunque no limitándose a, programas, documentos e informes elaborados a lo largo de o como resultado de dicho trabajo (sean o no patentables) que sean concebidos o elaborados por primera vez durante o de conformidad con dicho trabajo. Lo anterior será igualmente aplicable a cualquier patente de invención concedida en virtud de dicho trabajo.
Los derechos de autor en cualquier material producido por primera vez o compuesto durante o de conformidad con el trabajo desarrollado para la Empresa, así como cualquier derecho de propiedad intelectual o de cualquier otra naturaleza perteneciente a los derechos de autor, al igual que cualesquiera derechos adquiridos en virtud de una demanda por violación de derechos de autor o de derechos de cualquier otra naturaleza sobre dichos materiales o trabajo a los que el Trabajador pueda tener derecho ahora o en el futuro.

Fifth.- INVENTIONS, INDUSTRIAL AND INTELLECTUAL PROPERTY.

The Employee hereby hands over and transfers to the Company or to whom/which it is decided by the Company:

Any right, title or interest in any inventions, improvements and discoveries, and the product resulting from the work developed for the Company, including, although not limited to, programs, documents and reports prepared during or resulting from said work (whether or not patented) that are conceived or prepared for the first time during or in conformity with said work. The previous is equally applicable to any patent of inventions conceived in virtue of said work.

Copyrights on any material produced for the first time or composed during or in conformity with work developed for the Company, such as any intellectual property right or rights of any other nature pertaining to the rights of the inventor, just like any rights acquired in virtue of a claim for violation of copyrights or rights of any nature regarding said materials or work over which the Employee may own rights presently or in the future.

El Trabajador se obliga a comparecer ante Notario, otorgar y ejecutar debidamente cualquier documento que le sea entregado, sea de cesión, de declaración jurada o de cualquier otro tipo que sea necesario para transferir el título de propiedad a la Empresa (o a quien este pueda indicar) en relación con todos los derechos relacionados con los dos anteriores párrafos, y prestar toda la asistencia, información o pruebas que razonablemente le sean solicitadas para la tramitación de cualquier procedimiento (incluyendo la ejecución, registro y seguimiento de solicitudes de patente, oposiciones a patentes y otros similares) para la concesión de patentes o para la protección de cualesquiera derechos que sean otorgados de conformidad con lo aquí expuesto o en relación con ello. Lo anteriormente previsto se hace extensivo a las patentes.

The Employee is obliged to appear before a Notary, to duly deliver and execute any provided document, both conveyed, affidavit and any other type which is necessary for transferring the property title to the Company (or to whom it is indicated) in relation to all the related rights with the two previous paragraphs, and to assist and provide information or proof that is reasonably requested for any proceedings (including the execution, registration and pursuit of patent requests, oppositions to patents and other similar activities) for the patent concessions or to protect any rights that are granted in conformity with the statements herein or in relation to them. The previous provisions are applicable to patents.

El Trabajador deberá comunicar inmediatamente a la Empresa y entregar a la misma cualquier documento, gráfico, programa o dato relacionado con cualquier descubrimiento, trabajo, creación o mejora relativo a cualesquiera de los productos de la marca de la Empresa que tenga su origen en el trabajo desarrollado en la Empresa como resultado de sus obligaciones con respecto a la misma, independientemente de la circunstancia de que se haya realizado de forma individual, conjuntamente con otros trabajadores o terceras personas, o mediante la utilización de secretos comerciales o información confidencial obtenida de la Empresa.

The Employee must immediately notify the Company and hand in to the Company, any document, graphics, programs or information related to any discovery, work, creation or improvement related to any of the products of the Company’s brand that have their origin in the developmental work in the Company resulting from obligations to the Company, regardless on whether this was developed individually, in conjunction with other employees or third persons, or through the use of commercial secrets or confidential information obtained from the Company.

Además, el Trabajador acepta que la Empresa sea la propietaria en exclusiva de cualesquiera derechos de explotación de los mencionados descubrimientos, trabajos, creaciones o mejoras, así como que la Empresa tendrá el derecho en exclusiva para hacer un uso libre del mismo, en los términos más amplios, sin limitación geográfica o temporal alguna, aún en el caso de que estuvieran protegidos por derechos de autor.
Sin prejuicio de lo dispuesto en la normativa reguladora, en el caso de que el Trabajador solicitara cualquier tipo de compensación en relación con cualquier descubrimiento o mejora, dichas reclamaciones se entenderán completamente resarcidas con la remuneración que por todos los conceptos el Trabajador percibe de la Empresa.

En relación con los programas de ordenador, (y en concreto respecto de las últimas versiones de los siguientes programas de ordenador : (i) OST-Optenet Security Suite for Telcos, (ii) OSE-Optenet Security Suite for Enterprise-PC, (iii) End-Point Manager y cualquier otro programa de ordenador desarrollado) el Trabajador reconoce que todos los derechos de propiedad intelectual sobre todos los programas de ordenador editados y divulgados por la Empresa han sido y serán desarrollados bajo el régimen de obra colectiva, de acuerdo con el artículo 97.2 del texto Refundido de la Ley 1/1996 de Propiedad Intelectual, de 12 de abril. El Trabajador manifiesta que es la Empresa la que por su propia iniciativa y coordinación tiene y, ha tenido, la idea de crear los programas de ordenador y que, por tanto, las contribuciones del Trabajador se funden en una creación única y autónoma sin que sea posible atribuirles separadamente al Trabajador un derecho sobre el conjunto de la obra realizada que es fundida a raíz de los trabajos de coordinación de la Empresa. El Trabajador reconoce que los programas de ordenador son obras originales resultado de un íter intelectual dirigido por la Empresa y que las contribuciones del Trabajador están libres de toda carga y/o gravamen. Además, el Trabajador reconoce que no ha infringido ni infringirá ningún derecho de propiedad intelectual de terceras partes y que no ha incumplido ni incumplirá las condiciones de licencias de open source. El Trabajador reconoce que sus convicciones personales no tendrán incidencia alguna sobre los programas de ordenador. Asimismo el Trabajador garantiza que colaborará en la entrega de cualesquiera documentaos, declaraciones so materiales que sean razonablemente necesarios para acreditar o hacer efectivos por la Empresa todos los derechos de propiedad intelectual sobra la misma. El Trabajador reconoce que ha sido y es remunerado equitativamente por su aportación a los programas de ordenador. El Trabajador manifiesta que conoce, entiende y acepta las facultades que ostenta la Empresa al ser titular de las obras colectivas de los programas de ordenador.

Moreover, the Employee accepts that the Company is the exclusive owner of any exploitation rights of the mentioned discoveries, works, creations or improvements, as well as the fact that the Company will have the exclusive right for using them freely, in the broadest terms, without geographic or seasonal limitations, even if there were protections for copyrights.

Without prejudice to provisions of the regulated laws, in the event of the Employee claiming any type of compensation in relation to any discovery or improvement, said claims will be deemed as completely compensated by the remuneration that for all concepts the Employee receives from the Company.

Regarding computer programs (software products) (and specifically in relation to the latest versions of the following computer programs: (i) OST-Optenet Security Suite for Telcos, (ii) OSE-Optenet Security Suite for Enterprise-PC, (iii) End-Point Manager or any computer program developed) the Employee acknowledges that all intellectual property rights on all computer programs which were edited and disclosed by the Company, have been and will be developed under the regime of collective work, in accordance with Article 97.2 of the consolidated text of the Intellectual Property Law 1/1996, on April 12. The Employee states that is the Company which on their own initiative and coordination has and has had the idea of creating computer programs and, therefore, worker contributions are fused into a single, independent creation without being possible to attribute separately to the Employee a right on all the work as it is melted because of the coordination efforts of the Company.The Employee acknowledges that computer programs are original works resulting from an intellectual process coordinated by the Company and that the Employee contributions are free of charges and / or encumbrances. Moreover, the Employee grants that it has not violated or infringes any right of intellectual property of third parties and has not breached or will not breach any open source licenses conditions. The Employee recognizes that his personal convictions will not have any impact on computer programs. Additionally, the Employee grants that he will collaborate in the delivery of any documents, statements or materials that are reasonably necessary to establish or enforce all intellectual property rights by the Company. The Employee acknowledges that it has been and is being paid fairly for his contribution to computer programs. The Employee states that he knows, understands and accepts the authority which holds the Company to be the owner of the collective works of computer programs.

Sexta.- PROTECCIÓN DE DATOS

De conformidad con lo dispuesto en la Ley Orgánica 15/1999 de Protección de Datos de Carácter Personal, el Trabajador por la presente declara que conoce y acepta que la Empresa u otras Compañías del Grupo conservarán y procesarán datos relativos a él (los "Datos Personales") (que la Empresa podrá recoger por escrito, electrónicamente o de cualquier otro modo) incluyendo, a meros efectos enunciativos, el nombre, dirección particular, número de tarjeta de la seguridad social, permisos de trabajo, salario y beneficios.

El Trabajador conoce y acepta expresamente que la Empresa puede en cualquier momento ceder los Datos Personales a otras Compañías del Grupo en otros países, ya sean Compañías localizadas en la Unión Europea o en otros países, algunos de los cuales pueden no ofrecer un nivel de protección equivalente al que existe en la Unión Europea, para fines de gestión de recursos humanos dentro del Grupo.

El Trabajador reconoce que la Empresa ha tratado y trata sus datos personales de acuerdo con la normativa española de protección de datos. Así, la Empresa ha informado al Trabajador del tratamiento que ha realizado y realiza de sus datos y ha recabado el consentimiento para aquellos tratamientos de datos en los que era necesario.

Sixth.- DATA PROTECTION

For the purposes of the Spanish Data Protection Act 15/1999, the employee hereby agrees and gives his consent to the processing of personal data by the Company or by other companies of the Group relating to the Employee (which the Company may obtain or hold in any form, whether in writing, electronically or otherwise), including but not limited to, the name, address, number of the social security card, residence and work permits, expertise, salary and benefits ("Personal Data").

The Employee expressly knows and accepts that the Company may periodically transfer the Personal Data to other companies within the Group, which may be located in the European Union and elsewhere, including countries that may not offer an equivalent level of protection to that applicable in the European Union, for purposes of human resources management within the Group.

The Employee states that the Company has processed and process his personal data in accordance with the Spanish data protection law. Thus, the Company has informed the Employee about the processing that has performed and performs of his personal data and has obtained the informed consent for those processing of data which may require and informed consent.

Séptima.- RENUNCIA A LA CLAUSULA DE NO COMPETENCIA POSTCONTRACTUAL

Las partes tienen suscrito una cláusula de no competencia post-contractual que establece el siguiente tenor literal:

"Por la naturaleza de las funciones desarrolladas por el trabajador, existe un lógico y efectivo interés industrial y comercial por parte de OPTENET, S.A. en cuanto a que, una vez finalizado el contrato, el trabajador no preste sus servicios, por cuenta propia o ajena a otras sociedades o empresas del mismo sector, que comercialicen los mismos productos o similares a los de la parte contratante. Por ello, el trabajador se compromete a no efectuar dicha concurrencia durante un periodo máximo de dos años después de extinguido el contrato, sea cual fuere la causa de su finalización. OPTENET, S.A. abonará al trabajador, al tiempo de hacerse efectivo el cese en el puesto de trabajo, una cantidad equivalente a una anualidad del salario fijo que viniera percibiendo al tiempo de la extinción por año de no concurrencia.

La efectividad de esta cláusula queda condicionada a la concurrencia, al tiempo de la extinción de la relación laboral, de un efectivo y real interés industrial o comercial en OPTENET, S.A. por mantener una situación de no competencia post-contractual, lo que notificará por escrito".

Ambas partes renuncian expresamente a esta cláusula de no competencia post-contractual con la firma del presente acuerdo de novación, no pudiendo ejercitarla y quedando anulada en todos sus efectos. Todo ello, habida cuenta del propósito del trabajador de poder prestar sus servicios para cualquier tipo de empresa a la finalización de su contrato de trabajo.

Seventh.- RENOUNCE TO THE NON-COMPETE POST-CONTRACTUAL CLAUSE

The parties have agreed a non-compete post-contractual clause, that states the following terms:

"From the nature of the activity carried out by the employee, there is a logic and effective industrial and commercial interest of OPTENET S.A., in terms of, once terminated the employment relationship, the employee cannot provide his services, neither as an independent professional or as employee of other companies active in the same sector, that commercialize with the same or similar products as the contractor. For this reason, the employee commits himself to not compete during a maximum period of two years from the termination of his contract, regardless the cause of the termination, OPTENET S.A. should pay to the employee, at the time of the termination of the contract, an equivalent amount of one year of fixed salary per year of non-competition.

The enforcement of this clause is conditioned to, at the time of the termination of the employment relationship, an existence of an effective and real industrial and commercial interest of OPTENET S.A. to maintain a non-compete post-contractual situation, which will be notified to the employee".

Both parties, with the signature of the present novation agreement, expressly disclaim this non-compete post-contractual clause, leaving it completely voided in all of its effects. All of this, for the purpose of the Employee in order to be able to work for any kind of company after the termination of his/hers employment contract.

Octava.-. LEGISLACIÓN APLICABLE

Este contrato de trabajo que define las condiciones laborales del Trabajador, se regirá por:

La voluntad de las partes, específicamente incluidas en el presente Anexo.

El Estatuto de los Trabajadores (RD 1/1995, de 24 de marzo de 1995) y legislación laboral en desarrollo del mismo.

Convenio Colectivo de aplicación en cada momento

Legislación común u ordinaria que complemente la legislación laboral específica.

Si un Tribunal u otra entidad competente estimara nula o no ejecutable cualquier disposición del presente Contrato, tal disposición se considerará eliminada del mismo permaneciendo vigentes las restantes disposiciones.

Eighth.- APPLICABLE LAW

This employment contract which defines the employment conditions of the Employee, is governed by:

The intention of each part, especially those included in the present Annex.

Workers' Statute (Employment Law) (RD 1/1995, March 24, 1995) and employment legislation in development.

Collective Bargaining Agreement in force from time to time

Common and ordinary legislation that complements the specific employment legislation.

If a Court or other competent entity deems null or non-actionable any stipulation or provision of the present Contract, such provision will be considered null and void from the Contract while the rest will be considered permanent.

_____	_____
La Compañía Fecha	The Company Date
_____	_____
Representante Legal Fecha	Legal Representative Date
_____	_____
El Trabajador Fecha	The Employee Date

EXHIBIT A BIS

FORM OF AGREEMENTS IN RESPECT OF NON APPLICABILITY OF ARTICLE 44 OF THE STATUTE OF WORKERS

In [*place*], on [*day*] [*month*] [*year*]

On the one hand, Optenet, S.A., a Spanish corporation with registered office in Oiarzun (Guipúzcoa), Astigarragako Bidea, número 2, Edificio de Oficinas Mamut, holder of the Spanish Taxpayer Identification Number A20595500 and recorded within the Commercial Registry of Guipúzcoa under Volume 1645, Sheet 204, Page SS-13061 (the "**Seller**"), represented herein by Mr. Francisco Alfonso Bernal San Miguel, of legal age, of Spanish nationality, with address for this purpose in Las Rozas de Madrid (Madrid), calle José Echegaray, número 8, Edificio 3, 1ª planta, módulo 1, Parque Empresarial ALVIA, bearer of the ID card number 51979365D, in his capacity as attorney, with sufficient authority for these purposes.

On the other hand, Allot Communications Spain, S.L.U, a sole shareholder Spanish limited liability company with registered office in Pozuelo de Alarcón (Madrid), calle Vía de las Dos Castillas, número 9-A, portal 2, 2º B, holder of the Spanish Taxpayer Identification Number B-87204517 and recorded within the Commercial Registry of Madrid under Volume [®], Sheet [®], Page [®] (the "**Purchaser**"), represented herein by Mr. Tomás Gómez Rodríguez de Acuña, of legal age, of Spanish nationality, with address for this purpose in Pozuelo de Alarcón (Madrid), calle Vía de las Dos Castillas, número 9-A, portal 2, 2º B, bearer of the ID card number 54041507-V, in his capacity as Sole Director, with sufficient authority for these purposes.

[On another hand, Allot Communications Ltd., an Israeli public company ("**Parent**" and, jointly with the Purchaser, the "**Purchasers**"), with registered office in 22 Hanagar Street, Hod Hasharon, Israel holder of the Spanish Taxpayer Identification Number N-6241190-E and recorded within the Commercial Registry of Israel under number 51-239477-6, represented herein by Mr. Julio Eduardo Veloso Caro, of legal age, of Spanish nationality, with address for this purpose in Madrid, calle Fernando El Santo, 15, 1ª planta, bearer of the ID card number 33305363-Y, in his capacity as attorney, with sufficient authority for these purposes.]

[Mr. /Ms.] [®], domiciled in [*number*] [*street*] [*city*], [holding national identity card/ with passport number] [®] (hereinafter, the "**Employee**").

All the Parties recognize each other's legal capacity to enter into this novation agreement**.**

WHEREAS

The Employee renders his/her services for the Seller since (*date*) under an indefinite employment contract. His/her annual salary amounts to XX Euros.

In accordance with the terms and conditions of the asset and purchase agreement signed between the Seller and the Purchasers (hereinafter "**APA**"), the Employee should be transferred to the Purchaser in accordance with the provisions of the article 44 of the Statute of Workers.

Notwithstanding the above, the Seller and the Employee have agreed that the Employee will continue rendering his/her services to the Seller, to which the Purchasers have no objection.

In accordance with the above, the parties subscribe this agreement which shall be governed by the provisions of the following

CLAUSES

ONE.- The Employee will keep rendering his/her services for the Seller.

TWO.- The Employee hereby irrevocable declares that he/she has not filed and will not file any claim against the Purchasers or any company of its Group (including their Affiliates, officers, directors, employees, agents, successors, assigns, stockholders and each person who controls any of them) in relation to any item, right or debt (be it salary or non-salary, in cash or in kind, and including, but not limited, to the employee social benefits or rights to top-up benefits, pension commitments, post-contractual non-compete agreements, exclusivity agreements, seniority, etc.) arising out of or in connection with his/her condition as employee of the Seller and/or the signature of the APA.

In particular, the Employee will not claim against the Purchasers or any company of its Group (including their Affiliates, officers, directors, employees, agents, successors, assigns, stockholders and each person who controls any of them) for his/her potential rights or conditions of being an employee of the Purchaser as a consequence of the signature of the APA and expressly accepts to remain as an employee of the Seller after the signature of the APA takes place.

THREE.- The APA to be signed between the Seller and the Purchaser provides a non-compete obligation of the Seller against the Purchasers.

The Purchasers agree to maintain the employee in the Seller subject to the condition that the Employee is aware of the non-competition obligation of the Seller against the Purchaser established in the APA.

In accordance with the non- competition clause contained in the APA, the Employee acknowledges the obligation established in the referred APA to refrain, and irrovecably assumes as a condition to remain as an employee the Seller, and for the term he/she remains as such employee from performing any activities, either direct or indirectly on his/her own behalf or on behalf of any competing company, that may be in a breach of the non-competition clause contained in the APA..

This non-compete obligation, will be enforceable provided that the Employee remains as an Employee of the Seller and for a maximum term of two (2) years from the date of the Transaction.

_____
The Employee

_____
Optenet

_____
Allot

EXHIBIT C

EARNOUT SCHEDULE

A. Definitions

1. Certain Definitions:

1.1. "Affiliate" means, with respect to any entity, any other entity directly or indirectly controlling, controlled by, or under common control with such entity. For purposes of this definition, “control”, means the power to direct or cause the direction of the management and policies of such entity, directly or indirectly, whether through ownership of voting securities or by contract or otherwise, and the terms “controlling” and “controlled by” have correlative meanings to the foregoing

1.2. "Agreement" means that certain Asset Purchase Agreement by and among the Seller, the Purchaser and the Parent, dated February 19, 2015, to which this Earnout Schedule is attached.

1.3. "Earnout Cap" means €25,000,000.00.

1.4. "Earnout Payment(s)" means any payments by the Purchaser to the Seller as provided in Section 3 of this Schedule.

1.5. "Earnout Period" means each of: (i) the period commencing on the Completion Date and ending on December 31, 2015, (ii) calendar year 2016, (iii) calendar year 2017, (iv) calendar year 2018, (v) calendar year 2019, and (vi) the period commencing on January 1, 2020, and ending on the fifth anniversary of the Completion Date.

1.6. "Earnout Term" means the period commencing on the Completion Date and ending on the earlier of (i) the fifth anniversary thereof and (ii) such time as the Earnout Cap is attained.

1.7. "Liability for Deferred Maintenance and Support" means the amount that represents the liability to provide support and maintenance services after the Completion Date resulting from licensing of the Seller’s products that have been recognized as Seller’s revenues prior to the Completion Date, all calculated in accordance with the Seller’s accounting policies and past practice as attached in Appendix 5, but excluding liability to provide support and maintenance services with respect to licensing of the Seller’s products that are part of the Included Receivables.

1.8. "Minimum Earnout Cap" means €5,000,000.00.

1.9. "Minimum Earnout Payment" means an amount in cash equal to (i) €1,000,000 for the Earnout Period commencing on the Completion Date and ending on December 31, 2015, (ii) €2,000,000 for the Earnout Period that is calendar year 2016, (iii) €1,000,000 for the Earnout Period calendar year 2017 and (iv) €1,000,000 for the Earnout Period that is calendar year 2018.

1.10. "Parent's Group" means the Parent or any of its Affiliates, on a consolidated basis.

1.11. "Periodic Revenue Target" means (i) €8,000,000.00 for each Earnout Period that is a calendar year, and (ii) for each Earnout Period that is not a calendar year, €8,000,000.00 multiplied by the number of days in such Earnout Period and divided by 365.

1.12. "Relevant Products" means the Seller's products forming part of the Purchased Assets as described in Appendix 1 hereto and in the Acquired IP Representation Deed, which shall be deemed incorporated by reference to this definition, and any enhancements, improvements or future versions of such products.

1.13. "Relevant Revenues" means the revenues recognized by the Parent's Group in accordance with US GAAP, based on actual revenues accrued by the Parent's Group after the application of the Relevant Revenues Determination Criteria in respect of the Relevant Products or Relevant Technology, as the case may be, during the Earnout Term, *less* the sum of (a) any revenues recognized during the Earnout Term that are derived with respect to Included Receivables that are invoiced after the Completion Date but prior to the first anniversary thereof, and (b) revenues recognized from Deferred Revenues calculated based on US GAAP (based on book value prior to any fair value price adjustment), as of the Completion Date, to the extent not included in (a) above.

The following rules shall apply to the determination of Relevant Revenues:

A) Relevant Revenues shall not include any income recognized by the Parent Group other than with respect to Relevant Products, except in the case of bundled products or Relevant Technology, as to which the income recognized by the Parent Group shall be considered for the calculation of the Relevant Revenues pursuant to the rules set forth in Appendix 2.

B) Relevant Revenues shall exclude VAT, GST, HST, Sales Tax, Use Tax, customs duties, freight and any other similar tax or expense that may apply.

C) If the Earnout Term ends on the fifth anniversary of the Completion Date, then sixty percent (60%) of the balance of Deferred Revenues based on US GAAP as of the last day of the Earnout Term (the "Deferred Revenues Balance") shall be added to the Relevant Revenues for the last Earnout Period, as follows:

1. The Earnout Payment corresponding to the Earnout Period that is calendar year 2019 shall be recalculated after adding to the Relevant Revenues for such Earnout Period the percentage of the Deferred Revenues Balance that is equal to (A) 365 divided by the sum of (B) (i) 365, plus (ii) the number of days in the Earnout Period commencing on January 1, 2020, and ending on the fifth anniversary of the Completion Date, and the difference between the Earnout Payment corresponding to the Earnout Period that is calendar year 2019 as so recalculated and the Earnout Payment effectively paid for such period (prior to the deduction of any amounts that relate to prior Earnout Periods) shall be added to the Earnout Payment for the Earnout Period ending on the fifth anniversary of the Completion Date.

2. The following percentage of the Deferred Revenues Balance shall be considered as Relevant Revenues for the calculation of the Earnout Payment of the last Earnout Period: such percentage as is equal to (A) the number of days in the Earnout Period commencing on January 1, 2020, and ending on the fifth anniversary of the Completion Date, divided by the sum of (B) (i) 365, plus (ii) the number of days in the Earnout Period commencing on January 1, 2020, and ending on the fifth anniversary of the Completion Date.

D) The Seller shall not, under any circumstances, challenge the Deferred Revenues, as determined by the Purchasers if determined pursuant to the Parent's deferred revenues guidelines and accounting policies applied by Parent for financial statement purposes, without prejudice to the right of the Seller to object on other grounds to the calculation of any Earnout Payment as provided in Section 3.4 below.

E) Taking into account that the Parent Group's Relevant Revenues are accounted for in US Dollars and that all calculations and payments to be performed in accordance with this Agreement are to be made in Euro, the Purchasers shall convert the Relevant Revenues into Euro on a daily basis in accordance with the Dollar-Euro exchange rate used by the Parent for recording revenues for financial reporting purposes. As of the date of this Agreement, the Parent uses the representative rate of exchange published by the Bank of Israel; if the Parent changes the reference exchange rate it uses for recording revenues for financial reporting purposes, it shall notify the Seller of the new reference rate and provide additional relevant information in the next Earnout Notice (as defined below).

1.14. "Relevant Revenues Determination Criteria" means the criteria agreed between the Purchasers and the Seller to be applied to determine the corresponding Relevant Revenues in respect of the Relevant Products and Relevant Technology sold by the Parent Group during the Earnout Term, as described in Appendix 2 hereto.

1.15. "Relevant Technology" means the technology embedded in the Seller's products and forming part of the Purchased Assets as described in Appendix 1 hereto and in the Acquired IP Representation Deed, which shall be deemed incorporated by reference to this definition, and any enhancements, improvements or future versions of such technology.

1.16. "US GAAP" means generally accepted accounting principles in the United States, as in effect from time to time.

2. Each other capitalized term used but not defined in this Earnout Schedule shall have the meaning ascribed to it in the Agreement.

B. Earnout Payment(s)

3. Subject to the terms and conditions hereof, the Earnout Payments shall be calculated pursuant to this Section, *provided* that:

(i) the sum of (A) the aggregate amount of all Earnout Payments pursuant to this Earnout Schedule (before any offset pursuant to Article 12 of the Agreement or Section 4 below), and (B) all amounts deducted under Sections 3.1.1, 3.1.2 and 3.1.3, shall not under any circumstances exceed the Earnout Cap, and

(ii) the aggregate amount of all Minimum Earnout Payments pursuant to this Earnout Schedule shall not under any circumstances exceed the Minimum Earnout Cap.

3.1. First, for each Earnout Period a base earnout amount shall be calculated, which shall be equal to the greater of (A) €0.55 for every €1.00 of Relevant Revenues during such Earnout Period in excess of the applicable Periodic Revenue Target (each, a "Revenue Earnout Payment"), and (B) the Minimum Earnout Payment, if any, for such Earnout Period.

3.1.1. With respect to the Earnout Period that is the period commencing on the Completion Date and ending on December 31, 2015 the Earnout Payment shall be calculated as follows:

3.1.1.1. if the amount determined pursuant to Section 3.1 for such Earnout Period is equal to or greater than €2,000,000, then (i) 50% of the outstanding amount (including any interest and expenses) due to Parent in accordance with the Loan Agreement shall be deducted from such amount, (ii) 50% of the Liability for Deferred Maintenance and Support shall then be deducted from the balance, and (iii) the resulting difference shall be the Earnout Payment with respect to such Earnout Period, subject in all cases to the Earnout Cap and to the provisions of Section 4 below.

3.1.1.2. if the amount determined pursuant to Section 3.1 for such Earnout Period is less than €2,000,000, then (i) there shall be added to the amount determined pursuant to Section 3.1 an amount equal to the difference between (A) €2,000,000, and (B) the amount determined pursuant to Section 3.1 for such Earnout Period, (ii) 50% of the outstanding amount (including any interest and expenses) due to Parent in accordance with the Loan Agreement shall be deducted from such amount, (iii) 50% of the Liability for Deferred Maintenance and Support shall then be deducted from the balance, and (iv) the resulting amount shall be the Earnout Payment with respect to such Earnout Period, subject in all cases to the Earnout Cap and to the provisions of Section 4 below; and

3.1.1.3. if, in accordance with Section 3.1.1.2(i), an amount is added to the amount determined pursuant to Section 3.1, the amount so added shall be treated as a non-interest-bearing prepayment from the Purchaser to the Seller, which shall be deducted on a dollar-for-dollar basis from the Earnout Payment that would otherwise be payable with respect to the Earnout Period that is calendar year 2017; if such deductions, together with all other deductions from such Earnout Payment, yields a result that is less than zero, then the deductions for such Earnout Period shall be reduced by such amount as is necessary to bring the Earnout Payment to zero, and the excess of such deduction shall be carried forward and deducted on a dollar-for-dollar basis from any Earnout Payment in subsequent Earnout Periods (in chronological order) until fully exhausted.

3.1.2. With respect to the Earnout Period that is calendar year 2016:

3.1.2.1. on June 30, 2016, Purchaser shall pay to the Seller a prepayment of €250,000, which shall be deemed to be an advance Earnout Payment on account of the Earnout Payment corresponding to such Earnout Period;

3.1.2.2. if the amount determined pursuant to Section 3.1 for such Earnout Period is equal to or greater than €3,000,000, then (i) the outstanding balance (including any interest and expenses) due to Parent in accordance with the Loan Agreement shall be deducted from such amount, (ii) 50% of the Liability for Deferred Maintenance and Support shall then be deducted from the balance, (iii) the amount prepaid in accordance with Section 3.1.2.1 shall then be deducted from the remaining balance, and (iv) the difference shall be the Earnout Payment with respect to such Earnout Period, subject in all cases to the Earnout Cap and to the provisions of Section 4 below.

3.1.2.3. if the amount determined pursuant to Section 3.1 is less than €3,000,000, then (i) there shall be added to the amount determined pursuant to Section 3.1 an amount equal to the difference between (A) €3,000,000, and (B) the amount determined pursuant to Section 3.1 for such Earnout Period, (ii) the outstanding balance (including any interest and expenses) due to Parent in accordance with the Loan Agreement shall be deducted, (iii) 50% of the Liability for Deferred Maintenance and Support shall then be deducted, (iv) the amount prepaid in accordance with Section 3.1.2.1 shall then be deducted from such amount, and (v) the difference shall be the Earnout Payment with respect to such Earnout Period, subject in all cases to the Earnout Cap and to the provisions of Section 4 below; and

3.1.2.4. if, in accordance with Section 3.1.2.3(i), an amount is added to the amount determined pursuant to Section 3.1, the amount so added shall be treated as a non-interest-bearing prepayment from the Purchaser to the Seller, which shall be deducted on a dollar-for-dollar basis from the Earnout Payment that would otherwise be payable with respect to the Earnout Period that is calendar year 2018; if such deductions, together with all other deductions from such Earnout Payment, yields a result that is less than zero, then the deductions for such Earnout Period shall be reduced by such amount as is necessary to bring the Earnout Payment to zero, and the excess of such deduction shall be carried forward and deducted on a dollar-for-dollar basis from any Earnout Payment in subsequent Earnout Periods (in chronological order) until fully exhausted.

3.1.3. With respect to all subsequent Earnout Periods, the deductions, if any, specified in Sections 3.1.1 and 3.1.2 shall be deducted from the amount determined pursuant to Section 3.1 for such Earnout Period, and the difference shall be the Earnout Payment with respect to such Earnout Period, subject in all cases to the Earnout Cap and to the provisions of Section 4 below.

3.2. Within 60 days following the conclusion of an Earnout Period (the "Earnout Notice Date"), the Purchasers shall deliver to the Seller a written statement (the "Earnout Notice") setting forth in reasonable detail the description and calculation of the Relevant Revenues and the Earnout Payment for such period. The Earnout Notice shall attach the information set forth in Appendix 3 hereto. In the event that the Seller is not entitled to any Earnout Payment with respect to an Earnout Period, then the Earnout Notice shall state the description and calculation of the Relevant Revenues and also state that there is no Earnout Payment with respect to such Earnout Period.

3.2.1. If the Purchasers fail to deliver an Earnout Notice within the period stated herein, the Seller shall provide the Purchasers with notice thereof. If the Purchasers unjustifiably do not cure such failure within 10 Business Days of receipt of such notice from the Seller, the Seller shall be entitled to receive from the Purchasers (on each one-month anniversary of the established date for delivery of the Earnout Notice, for so long as the Purchasers unjustifiably have not cured such failure), and on account of the corresponding Earnout Payment, an amount of €100,000, up to a maximum of €1,000,000. The above is without prejudice to the right of the Seller to claim for specific performance of the Purchasers' obligation to deliver the Earnout Notice and for any other remedy, and to receive any amounts in excess of such amount that may be due to the Seller for the relevant Earnout Period as provided herein. For the avoidance of doubt, the Seller shall be entitled to receive such amounts from the Third Escrow Account if there are any outstanding amounts in such account when such payment is due according to the above.

3.3. With respect to each Earnout Period, the Purchaser shall pay the Earnout Payment set forth in the respective Earnout Notice, subject in all cases to the provisions of Section 4 below, within 10 Business Days following the delivery of the Earnout Notice to Seller, irrespective of the commencement of the objection process described below. Any Earnout Payment for the Earnout Period commencing on the Completion Date and ending on December 31, 2015 and for the Earnout Period that is calendar year 2016, as calculated in accordance with Sections 3.1.1 and 3.1.2, respectively, shall be made, by releasing in favor of the Seller the amounts deposited in the Third Escrow Account on the dates specified in this Earnout Schedule, but in no event more than €2,000,000 with respect to the Earnout Period commencing on the Completion Date and ending on December 31, 2015. Any Earnout Payment corresponding to such Earnout Periods in excess of the Minimum Earnout Payment corresponding to each Earnout Period shall be paid, subject in all cases to the provisions of Section 4 below, by the Purchaser to the Seller.

3.4. Within 40 days after the delivery of an Earnout Notice (the "Objection Period"), the Seller may object, in good faith, to the computation of the Earnout Payment made in such Earnout Notice by providing a written notice to that effect to the Purchasers, which notice will set forth in reasonable detail the basis for such objection and, except if the Purchasers have not provided to the Seller sufficient information to calculate it, the amount in dispute (the "Earnout Objection Notice"). Without prejudice to the general reporting obligations of the Purchasers and audit/information rights of the Seller specified under Appendix 4 hereto, the Seller shall, upon request and subject to the confidentiality provisions set forth in the Agreement, be entitled to receive from the Purchasers any information that is reasonably relevant to the calculation of the Relevant Revenues and the corresponding Earnout Payments, *provided*, *however,* that the Purchasers, except if the information requested is materially relevant to the determination of the Earnout Payment, shall not be required to produce information that is not typically provided by the Purchasers through their then existing accounting and reporting systems, without prejudice to the Seller’s financial and technical audit rights as set forth in Appendix 4. In case the Seller requests additional information according to the above after delivery of the Earnout Notice, the Purchasers shall either provide such information or advise the Seller that they do not believe that the request is reasonable; the Objection Period shall be deemed to commence on the day on which the Purchasers deliver to Seller the information requested or notice they do not believe that the request is reasonable.

3.5. Failure by the Seller to deliver an Earnout Objection Notice within the Objection Period shall be deemed to be a final acceptance by the Seller of the Earnout Notice.

3.6. To the extent that no Earnout Objection Notice has been delivered to the Purchasers within the Objection Period with respect to an Earnout Notice, or that Seller has expressly accepted the Earnout Payment determined in the Earnout Notice, then the payment of the corresponding Earnout Payment as described in section 3.3 above shall be deemed final in respect of such Earnout Period.

3.7. If the Seller timely delivers an Earnout Objection Notice, then the Purchasers and the Seller shall use reasonable efforts to resolve the objection as to the computation of the Earnout Payment within 10 Business Days thereafter, and if it is so resolved, the Earnout Notice shall be modified by the Parties as necessary to reflect such resolution and the Earnout Notice as so modified, shall be deemed finally determined and agreed (the "Revised Earnout Notice"). In case the Revised Earnout Notice provides for a Earnout Payment higher than the one contemplated in the initial Earnout Notice (and therefore paid to the Seller according to Section 3.3 above), then the Purchaser shall pay to the Seller the difference within 10 Business Days following the date of agreement on the Revised Earnout Notice. In case the Revised Earnout Notice provides for a Earnout Payment lower than the one shown in the initial Earnout Notice (and therefore paid to the Seller according to Section 3.3 above), then the Seller shall reimburse to the Purchaser the difference within 10 Business Days following the date of agreement on the Revised Earnout Notice.

3.8. If the Purchasers and the Seller are unable to resolve an objection within 10 Business Days after the timely delivery of an Earnout Objection Notice, then the following provisions of Sections 3.8.1 through 3.8.6 shall apply:

3.8.1. Within 15 Business Days after the delivery of such Earnout Objection Notice, the objection shall be referred by either the Purchasers or the Seller to the Madrid, Spain office of an independent certified public accounting firm which is one of the four largest international accounting firms (other than the Seller's and Purchasers' audit firms) (the "Accounting Expert").

The Accounting Expert shall conduct such review of the Earnout Notice and the Earnout Objection Notice, and the Accounting Expert's authority shall be limited to determine the amount of Relevant Revenues for purposes of the calculation of the Earnout Payment in dispute, and shall conduct such hearings or hear such presentations by the parties as the Accounting Expert deems necessary. The Accounting Expert shall not be bound by procedure law or rules of evidence and shall have no authority to issue any injunctions, orders or other interlocutory remedies.

3.8.2. The Purchasers shall submit to the Accounting Expert any information (whether in writing, by testimony or in oral hearings, and whether or not confidential, proprietary or public) it may reasonably request, provided that the Purchasers shall not be required to produce information that is not available to the Purchasers through their then existing accounting and reporting systems, but it shall only be presented or provided to the Accounting Expert (and no other Person) in strict confidence. Any proceeding hereunder and the content of any discussions or communications with the Accounting Expert, as well as the Accounting Expert's determination, shall be conducted on a confidential basis, and the Accounting Expert shall be required (if requested by the Purchasers) to execute, prior to the commencement of its service, a standard confidentiality agreement.

3.8.3. The Accounting Expert shall, as promptly as practicable and in no event later than 30 days following the date on which it has received all relevant information requested by it, issue its written determination of the Relevant Revenues. The determination of the Accounting Expert hereunder shall be final and binding on the parties, and may not be challenged or subject to any appeal, shall constitute a final determination of the basis for calculating the Earnout Payment in question. The proceedings described herein and the Accounting Expert's determination shall be the sole and exclusive proceedings relating to the determination of the Earnout Payment, if any, and any objection or dispute related thereto. In case the calculation of the Earnout Payment based on the Accounting Expert determination determines a higher Earnout Payment than the one contemplated in the Earnout Notice (and therefore paid to the Seller according to Section 3.3 above), then the Purchaser shall pay to the Seller the difference within 10 Business Days following the date of Accounting Expert's report. In case calculation of the Earnout Payment based on the Accounting Expert determination results in a lower cash payment amount than the one contemplated in the Earnout Notice (and therefore paid to the Seller according to Section 3.3 above), then the Seller shall reimburse to the Purchaser the difference within 10 Business Days following the date of the Accounting Expert's report.

3.8.4. The fees and expenses of the Accounting Expert, if required, shall be borne by the Seller and the Purchaser on a 50/50 basis, *provided*, *however* that if, ultimately, the actual Earnout Payment that results from the determination by the Accounting Expert is greater than the amount set forth in the Earnout Notice by more than 5%, then the Purchaser shall bear such fees and expenses.

3.8.5. If the matter was not timely submitted to the Accounting Expert then the Seller shall be deemed to have waived in full its objections and the Earnout Notice shall constitute a final determination of the Earnout Payment stated therein and shall bind the Seller.

C. <u>General Terms</u>

4. Notwithstanding anything to the contrary in this Earnout Schedule or in the Agreement, the Purchaser shall be entitled to (i) set off against any Earnout Payment otherwise payable to Seller any Losses due to any Indemnified Party pursuant to the indemnification obligations of the Seller under Article 12 of the Agreement in accordance with the terms thereof, and (ii) hold back any cash payment otherwise payable to Seller to the extent the Purchasers has given the Seller notice of any Claim for Losses that may be due to any Indemnified Party pursuant to the indemnification obligations of the Seller under Article 12 of the Agreement, until the final resolution of such Claim. In addition, the Seller shall notify the Purchasers immediately upon the receipt of any amount(s) from the European Commission related to Project MIRACLE: machine-readable and interoperable age classification labels in Europe (grant agreement nº 621059), and such amount(s) shall be subtracted from the next Earnout Payment, as provided for in the Agreement.

5. Notwithstanding anything to the contrary in this Earnout Schedule or in the Agreement, following the Completion, the Purchasers will assume control of the Purchased Assets, and have absolute discretion to operate the Purchased Assets (including Relevant Products and Relevant Technology) and its business as it sees fit, without prejudice to the obligation of the Purchasers to set the appropriate accounting and reporting systems necessary or convenient to enable the exact calculation of the Relevant Revenues as provided in this Schedule to the Agreement and the obligations set forth in sections 7 and 8 below.

6. The Purchasers, their Affiliates and representatives will have and reserve the exclusive authority, power and right at all times to control all aspects of the Purchasers' business and operations of the Purchasers or any Affiliate thereof, including, without limitation, the Purchased Assets, the Relevant Products and Relevant Technology.

7. The Parent shall be freely entitled to sell the shares held by it in the Purchaser and the Purchaser shall be freely entitled to transfer or in any other manner dispose of all or any part of the Acquired IP, to any other entity that is directly or indirectly wholly owned by the Parent, and which simultaneously adheres to the Agreement and jointly and severally assumes the obligations of the Purchasers under it.

8. (a) If the Parent sells its holdings in the Purchaser during the Earnout Term and other than as permitted by Section 7, the Purchaser shall pay the Seller an amount equal to:

   (A) the greater of (i) €20,000,000 and (ii) the cash consideration received by the Parent or the Purchaser upon such sale (including deferred payments, as to which the Purchaser shall make payment, when such deferred payments are actually received by Parent or the Purchaser), multiplied by the applicable percentage in the table below, *less*

   (B) the Completion Consideration, *less*

   (C) an amount equal to (i) the sum of (A) the aggregate amount of all Earnout Payments pursuant to this Earnout Schedule (before any offset pursuant to Article 12 of the Agreement or Section 4 below), plus (B) all amounts deducted under Sections 3.1.1, 3.1.2 and 3.1.3, *less*

   (D) the outstanding balance (including any interest and expenses), if any, due to the Parent in accordance with the Loan Agreement.

Transfer Date	**Percentage**
From Completion Date (included) up to the first anniversary of Completion Date (excluded)	90%
From the first anniversary of Completion Date (included) to the third anniversary of Completion Date (excluded)	70%
From the third anniversary of Completion Date (included) to the end of the Earnout Period (excluded)	60%

The amount paid by the Purchaser to the Seller according to the above, plus the amount calculated pursuant to Section 8(C) above, shall in no event exceed the Earnout Cap. Upon payment by the Purchaser to the Seller of the amount according to the above, the Earnout Cap shall be deemed to have been reached, and there shall be no further obligation to make any Earnout Payment. Should the consideration received by the Parent or the Purchaser upon such sale be in any other form but cash, Parent and the Seller shall mutually appoint an agreed upon investment banker to determine the cash value of such in kind consideration and the calculation specified above shall apply *mutatis mutandis*.

(b) The provisions in Section 8(a) above shall apply if the Purchaser sells or in any other manner disposes of all or substantially all of the Acquired IP to a third party (whether in a single transaction or series of transactions). If the Purchaser sells or in any other manner disposes of a material portion, but less than substantially all, of the Acquired IP to a third party (whether by a single or series of transactions), the provisions in Section 8(a) above shall apply but Purchaser shall be obligated to continue to make Earnout Payments with respect to the retained Acquired IP, up to the Earnout Cap.

For the avoidance of doubt, any change of control of Parent, whether by a merger, consolidation, purchase of all or substantially all of its assets, tender offer or otherwise, shall not trigger a payment obligation under this Section 8.

9. During the Earnout Period the Purchaser and Parent shall invest reasonable commercial efforts to develop the Purchaser's business and actively promote the Relevant Products, subject to Parent and Purchaser's being entitled to terminate the development, production or use of any Relevant Product and Relevant Technology based on reasonable economic grounds. Purchasers shall provide Seller with written notice with respect to the termination of development, production or use of any Relevant Product and Relevant Technology. In addition, for the period commencing on the Completion Date and ending 12 months thereafter, at least 50% of the Scheduled Employees shall remain employed by Purchaser and provide services in Spain in connection with the Relevant Products.

10. Except as otherwise stated herein, this Earnout Schedule shall be subject to the provisions of the Agreement.

11. In the event that the Seller provides any information deemed Confidential to any third party for any purpose that third party shall be required to execute a binding non-disclosure agreement with the Purchasers in advance.

Appendix 1
List of Relevant Products and Relevant Technology

· OST (Optenet Security Suite for Telecom Operators):

SERVICES INCLUDED / OPTENET COMERCIAL PACKAGES		END USER IN-THE-CLOUD VALUE ADDED SOLUTION									END POINT SOLUTION		SOLUTIONS FOR OPERATOR´S NETWORK		
		WebFilter™	WebSecure™	MessageSecure™	ContentSecure™	Botnet Protection	Wifi Solution	Kids Portal	Marketing Online	Smartlinks	WebFilter Endoint	ContentSecure Endoint	WOLF	HostSecure	AntiSpamOUT
SECURITY SERVICES	Web/Wap Filter	X	X		X				X	X	X	X	X		
	Kids Portal							X	X	X					
	Anti-Spam In			X	X							X			
	MMS Filter				X										
	Law Compliance												X		
	Content Uploading Filter/Image Filter													X	
	Anti-Virus		X	X	X							X			X
	Anti-phishing	X	X	X	X						X	X			
	Anti-spyware		X		X							X			
	Malicious Code Detection		X		X							X			
	Application Manager	X	X		X				X	X	X	X			
	Botnet Protection					X									
	Firewall				X							X			
	IDS/IPS				X										
Other Services	Ads Free	X	X		X				X	X					
	Traffic Injection								X	X					
	End Point Manager						X								
	End Point Mobile control						X								
	Marketing Campaign Manager	X	X		X				X	X					
	Real-Time Reporting	X	X	X	X	X	X	X	X	X	X	X	X	X	X
	Adm. Interface	X	X	X	X	X	X	X	X	X			X	X	X
	Adm. Marketing Campign Management								X	X					
	End-User Adm. Interface	X	X	X	X	X			X	X	X	X			X
Network Services	BW Management				X										
	Anti-Spam Out			X	X										X
	Traffic Acceleration - Caching				X										

· OSE (Idem for Enterprises)

SERVICES INCLUDED / OPTENET COMERCIAL PACKAGES		NETWOR SECURITY SOLUTION					
		WebFilter™	WebSecure™	MailSecure™	NetSecure™	WebFilter Multiplatform™	NetSecure Multiplatform™
SECURITY SERVICES	Web/Wap Filter	X	X		X	X	X
	Anti-Spam In			X	X		X
	MMS Filter				X		X
	Anti-Virus		X	X	X		X
	Anti-phishing	X	X	X	X	X	X
	Anti-spyware		X		X		X
	Malicious Code Detection		X		X		X
	Application Manager	X	X		X	X	X
	Botnet Protectiton				X		X
	Firewall				X		X
	WebFilter Endpoint					X	
	NetSecure Endpoint						X
	IDS/IPS				X		X
Other Services	Ads Free	X	X		X	X	X
	Online Marketing	X	X		X	X	X
	Real-Time Reporting	X	X	X	X	X	X
	Adm. Interface	X	X	X	X	X	X
Network Services	BW Management				X		X
	Anti-Spam Out			X	X		X
	Proxy	X	X		X	X	X
	Authentication methods	X	X		X	X	X
	Traffic Acceleration - Caching				X		X

· End-Point Manager

SERVICES INCLUDED / OPTENET COMERCIAL PACKAGES		END POINT SOLUTION	
		WebFilter Endoint	ContentSecure Endoint
SECURITY SERVICES	Web/Wap Filter	X	X
	Anti-Spam In		X
	Anti-Virus		X
	Anti-phishing	X	X
	Anti-spyware		X
	Malicious Code Detection		X
	Ads Free	X	X
	Application Manager	X	X
	Firewall		X
	Real-Time Reporting	X	X
	End-User Adm. Interface	X	X

Relevant Technology:
CCOTA
MIDAS
GIANT

And Seller's technology specifically described in section B of the Acquired IP Representation Deed.

Appendix 2
Relevant Revenue Determination Criteria

The following criteria shall be applied for calculating Relevant Revenues from the revenues recognized by the Parent Group from Relevant Products or Relevant Technology:

A. All revenues obtained by Parent's Group for Relevant Products will be split 70% to the Seller (and therefore considered as Relevant Revenues in such proportion) and 30% to Parent (and therefore not considered as Relevant Revenues in such proportion), other than as specifically specified below.

   Notwithstanding the above, revenues that are related to Included Receivables that are not invoiced prior to the first anniversary of Completion Date shall be allocated 100% to the Seller (and therefore fully considered as Relevant Revenues).

B. In the case of revenues derived by the Parent's Group from the sale of a bundled product (*i.e.* that incorporates both one or more Relevant Products and one or more non-Relevant Products), the following rules shall apply:

   a. The revenues recognized from the bundled product as a whole shall be the basis.

   b. The full cost of third-party hardware included in such bundled product shall be deducted from the above revenues;

   c. Thereafter, the remaining amount of revenues shall be allocated between the Relevant Product(s) and the non-Relevant Product(s) based on the relative list price of all of the products comprising the bundled product (other than third-party hardware), without regard to any discount stated to have been granted on any of the products.

   § For avoidance of doubt, once the unbundled Relevant Revenues for the Relevant Products have been calculated in accordance with the above, they will be split as per A above.

C. Revenues derived from the use by any company within Parent's Group of Relevant Technology will contribute to the Relevant Revenues such that a unit price for the relevant technology inside of each product will be calculated as 50% of the "ClearPipe" price specified in the Vodafone Global Agreement attached to this Appendix 2 as Sub-appendix 2.

Appendix 3
Information attached to the Earnout Notice

Purchasers shall provide to the Seller the following information, on a per customer basis or broken down by each customer's relevant project, when applicable, as per the Relevant Revenue Determination Criteria Schedule, subject to Purchaser and Parent's confidentiality obligations:

- For Relevant Revenues under A and B of Appendix 2:

    1. Customer name
    2. Relevant Product sold
    3. Country
    4. Total revenues recognized for the period
    5. Applicable Split
    6. Adjustments due to "de-bundling"
    7. The Relevant Revenues
    8. The amount of Included Receivables invoiced to the customers

- For Relevant Revenues under C of Appendix 2 (in addition to 1 to 8 above)

    1. Technology actually used
    2. Number of licenses actually sold
    3. Relevant Revenues recognized arising from each end product for which technology was used and the Relevant Revenues calculation thereof.

- Deferred Revenues as of the end of the corresponding Earnout Period.

The previous information will be provided in written form and discussed during an end of year committee with the attendance of an informed Purchasers' representative. During such meeting, a general view on the business performance and perspectives will also be provided together with any reasonable additional clarifications that the Seller's representatives might ask for, related to Relevant Revenues, Relevant Products and Relevant Technology.

Appendix 4
Reporting Information on the Business

Purchasers shall provide to the Seller the following information:

- Annual revenue projection on a non-binding basis in respect of the Relevant Products during January of the applicable year.

- Quarterly reports including the following information within 45 days following the end of the applicable quarter: Revenue estimates that were achieved regarding the Relevant Products and Relevant Technology.

- Mid-year meeting, following the request of Seller with the attendance of a Purchasers' informed representative following Q2 closing related to Relevant Revenues, Relevant Products, Relevant Technology.

At Seller's request, Seller's independent certified public accounting firm, which shall be a nationally recognized accounting firm, shall be allowed to conduct a financial audit of the information necessary for the calculation of the Relevant Revenues at the offices of Parent upon prior notice, during usual business hours and upon signing a standard confidentiality agreement, and shall receive, for the purpose of conducting such audit access to any reports or information available on Parent's ERP and any other information or documentation reasonably necessary to calculate the Earnout Payments.

Additionally, at Seller's request, Seller may appoint an independent technical advisor to meet with the appropriate officers of Parent in R&D and Product Management, to discuss the Relevant Product and Relevant Technology and the related road maps and development plans, in order to confirm that the Relevant Revenues properly relate to the Relevant Products and Relevant Technology. Such meetings shall take place upon prior notice by the Seller to the Purchasers, during usual business hours and upon signing a standard confidentiality agreement. Seller's advisor shall receive, for such purpose, any requested report or information that may be reasonably required.

Appendix 5
Liability for Deferred Maintenance and Support

a) Invoiced

Category	Entity	Customer	Region	Country	Products	Revenue Category	Type	start date	end date	Status	Booking	Maintenance	License	Revenue	DR 2015	DR 2016	DR 2017	DR 2018	DR 2019	Comments	FY	Total DR
Enterprise	Others	AJUNTAMENT D'HOSPITALET	South Europe	Spain	*OSE MailSecure*	*3.2*	*3.X*	*30/06/2014*	*30/06/2016*	*Invoiced*	*12,661*	938	11,723	11,958	*391*	*234*				*Renewal license + X years M&S*	*2014*	*625*
Enterprise	Others	AKSHI	CEE	Albania	*OST ContentSecure*	*1.1*	*1.X*	*29/09/2014*	*28/09/2015*	*Invoiced*	*76,662*	5,679	70,983	72,403	*3,313*						*2014*	*3,313*
Enterprise	Others	ASEPEYO (COSTAISA, S.A)	South Europe	Spain	*OSE Webfilter*	*3.1*	*3.X*	*06/06/2014*	*06/06/2015*	*Invoiced*	*15,413*	1,142	14,271	14,842	*381*					*Renewal license + X years M&S*	*2014*	*381*
Enterprise	Others - Large	BIT	DACH	Suitzerland	*OST WebSecure*	*3.2*	*3.X*	*01/01/2015*	*31/12/2016*	*Invoiced*	*421,140*	31,196	389,944	389,944	*12,998*	*15,598*				*Renewal license + X years M&S*	*2014*	*28,596*
ISPs	Others	Bosnia and Herzegovina Telecom	CEE	Bosnia and Herzegovina	*OST ChildSecure*	*3.1*	*3.X*	*01/07/2014*	*30/06/2015*	*Invoiced*	*23,621*	1,750	21,871	22,746	*583*					*Renewal license + X years M&S*	*2014*	*583*
Enterprise	Others - Large	Bouygues Structis	South Europe	France	*OST WebSecure*	*3.3*	*3.X*	*01/01/2013*	*31/12/2015*	*invoiced*	*189,996*	14,074	*175,922*	*185,305*	*3,909*					*Renewal license + X years M&S*	*2012*	*3,909*
Enterprise	Others	CAESM-F97232	South Europe	France	*OSE Webfilter*	*1.3*	*1.X*	*31/03/2014*	*31/03/2017*	*Invoiced*	*19,318*	1,431	17,887	18,244	*397*	*397*	*119*				*2014*	*914*
Enterprise	Others	CONTENUR, S.A.	South Europe	Spain	*OSE ContentSecure*	*3.4*	*3.X*	*14/03/2013*	*14/03/2017*	*invoiced*	*10,771*	798	*9,973*	*10,322*	*166*	*166*	*50*			*Renewal license + X years M&S*	*2013*	*382*
Enterprise	Others	Deloitte & Touche	LATAM	Chile	*OSE Webfilter*	*3.3*	*3.X*	*25/05/2013*	*25/05/2016*	*invoiced*	*12,130*	898	*11,231*	*11,705*	*250*	*125*				*Renewal license + X years M&S*	*2013*	*374*
Enterprise	Others	E.S.E METROSALUD	LATAM	Colombia	*OST ContentSecure*	*3.1*	*3.X*	*01/05/2014*	*30/04/2015*	*Invoiced*	*10,263*	760	9,503	10,010	*127*					*Renewal license + X years M&S*	*2014*	*127*
ISPs	Others - Large	EDATEL	LATAM	Colombia	*OST ContentSecure*	*3.2*	*3.X*	*01/01/2015*	*31/12/2016*	*Invoiced*	*30,146*	2,233	*27,913*	*27,913*	*930*	*1,117*				*Renewal license + X years M&S*	*2013*	*2,047*
ISPs	Others - Large	EMCALI	LATAM	Colombia	*OST ContentSecure*	*3.2*	*3.X*	*01/01/2014*	*31/12/2015*	*Invoiced*	*45,123*	3,342	*41,781*	*43,452*	*1,393*					*Renewal license + X years M&S*	*2013*	*1,393*
ISPs	Others - Large	ENTEL	LATAM	Chile	*OST ContentSecure*	*3.4*	*3.X*	*15/05/2014*	*15/05/2018*	*Invoiced*	*34,549*	2,559	31,990	32,390	*533*	*640*	*640*	*240*		*Renewal license + X years M&S*	*2014*	*2,053*
ISPs	Others - Large	ENTEL	LATAM	Chile	*OST MailSecure*	*3.3*	*3.X*	*01/04/2014*	*31/03/2017*	*Invoiced*	*35,545*	2,633	32,912	33,571	*731*	*878*	*219*			*Renewal license + X years M&S*	*2014*	*1,828*
ISPs	Others - Large	ENTEL	LATAM	Chile	*OST MailSecure*	*3.2*	*3.X*	*01/04/2014*	*31/03/2017*	*Invoiced*	*14,666*	1,086	13,580	13,851	*302*	*362*	*91*			*Renewal license + X years M&S*	*2014*	*754*
ISPs	Others - Large	ENTEL	LATAM	Chile	*OST MailSecure*	*3.1*	*3.X*	*01/08/2014*	*31/07/2015*	*Invoiced*	*17,729*	1,313	16,416	16,963	*547*					*Renewal license + X years M&S*	*2014*	*547*
ISPs	Others - Large	ENTEL	LATAM	Chile	*OST WebFilter*	*3.1*	*3.X*	*01/01/2014*	*31/12/2015*	*Invoiced*	*15,141*	1,122	14,019	14,580	*467*					*Renewal license + X years M&S*	*2014*	*467*
Enterprise	Others	Gobernación de Antioquia	LATAM	Colombia	*OSE WebSecure*	*3.2*	*3.X*	*01/06/2013*	*30/05/2015*	*invoiced*	*20,505*	1,519	*18,986*	*20,315*	*190*					*Renewal license + X years M&S*	*2013*	*190*
Enterprise	Others	Gobernación de Antioquia	LATAM	Colombia	*OSE WebSecure*	*3.2*	*3.X*	*01/06/2013*	*30/05/2015*	*invoiced*	*33,786*	2,503	*31,283*	*33,786*	***0***					*Renewal license + X years M&S*	*2012*	*0*
Enterprise	Others	GRUPO GSS	South Europe	Spain	*OSE Webfilter*	*3.1*	*3.X*	*01/11/2014*	*31/10/2015*	*Invoiced*	*10,000*	741	9,259	9,383	*494*					*Renewal license + X years M&S*	*2014*	*494*
ISPs	Others	HT Croatia	CEE	Croatia	*OST WebSecure*	*3.2*	*3.X*	*01/07/2013*	*30/06/2015*	*invoiced*	*82,636*	6,121	*76,514*	*81,105*	*1,020*					*Renewal license + X years M&S*	*2013*	*1,020*
Enterprise	Others	IES BIDEBIETA	South Europe	Spain	*OST WebSecure*	*3.2*	*3.X*	*01/01/2013*	*31/12/2015*	*invoiced*	*11,244*	833	*10,411*	*10,967*	*231*					*Renewal license + X years M&S*	*2012*	*231*
Enterprise	Others	JCCM	South Europe	Spain	*OSE Webfilter*	*3.1*	*3.X*	*30/09/2014*	*30/09/2015*	*Invoiced*	*31,733*	2,351	29,382	29,970	*1,371*					*Renewal license + X years M&S*	*2014*	*1,371*
ISPs	Others	JP Hrvatske telekomunikacije d.d.	CEE	Bosnia and Herzegovina	*OST WebSecure*	*3.1*	*3.X*	*01/07/2014*	*30/06/2015*	*Invoiced*	*10,367*	768	9,599	9,983	*256*					*Renewal license + X years M&S*	*2014*	*256*
ISPs	Others	Polska Telefonia Cyfrowa	CEE	Poland	*OST WOLF*	*3.1*	*3.X*	*10/09/2014*	*09/09/2015*	*Invoiced*	*25,875*	1,917	23,958	24,438	*958*					*Renewal license + X years M&S*	*2014*	*958*
Enterprise	Others - Large	Richemont	DACH	Suitzerland	*OST WebSecure*	*3.2*	*3.X*	*01/07/2014*	*30/06/2016*	*Invoiced*	*185,244*	13,722	171,522	174,953	*4,574*	*3,430*				*Renewal license + X years M&S*	*2014*	*8,004*
Enterprise	Others	SECURITAS	South Europe	Spain	*OST WebSecure*	*3.3*	*3.X*	*01/01/2013*	*31/12/2015*	*invoiced*	*20,987*	1,555	*19,432*	*20,469*	*432*					*Renewal license + X years M&S*	*2012*	*432*
ISPs	Others	Slovak Telekom	CEE	Slovakia	*OST WebSecure*	*1.1*	*1.X*	*11/08/2014*	*10/08/2015*	*Invoiced*	*13,129*	973	12,157	12,481	*486*					*New License + X years M&S*	*2014*	*486*
Enterprise	Others	SUNARP	LATAM	Peru	*OST WebSecure*	*1.1*	*1.X*	*28/07/2014*	*28/07/2015*	*Invoiced*	*32,099*	2,378	29,721	30,712	*991*						*2014*	*991*
Enterprise	Others	UNIVERSIDAD DE NAVARRA	South Europe	Spain	*OSE WebSecure*	*3.1*	*3.X*	*01/01/2015*	*31/12/2015*	*Invoiced*	*10,296*	763	9,533	9,533	*636*					*Renewal license + X years M&S*	*2014*	*636*
ISPs	Others	Uzbektelecom	Others	Usbekistan	*OST ChildSecure*	*1.1*	*1.X*	*01/07/2014*	*30/06/2015*	*Invoiced*	*86,459*	6,404	80,054	83,256	*2,135*					*New License + X years M&S*	*2014*	*2,135*
ISPs	Vodafone	Vodafone	Northen Europe	UK	*ContentSecure*	*1.3*	*1.X*	*01/04/2013*	*31/03/2016*	*invoiced*	*1,708,250*	126,537	*1,581,713*	*1,655,526*	*35,149*	*10,545*				*New License + X years M&S*	*2013*	*45,694*
ISPs	Vodafone	Vodafone Italia	South Europe	Italy	*OST ContentSecure*	*1.3*	*1.X*	*31/12/2013*	*31/12/2016*	*Invoiced*	*526,063*	38,968	*487,095*	*500,084*	*10,824*	*12,989*				*New License + X years M&S*	*2013*	*23,814*
ISPs	Vodafone	Vodafone Italia	South Europe	Italy	*OST ContentSecure*	*1.3*	*1.X*	*01/04/2014*	*31/03/2017*	*Invoiced*	*275,400*	20,400	255,000	260,100	*5,667*	*6,800*	*1,700*			*New License + X years M&S*	*2014*	*14,167*
ISPs	Vodafone	Vodafone Italia	South Europe	Italy	*OST ContentSecure*	*1.3*	*1.X*	*01/04/2013*	*31/03/2016*	*Invoiced*	*295,688*	21,903	*273,785*	*286,561*	*6,084*	*1,825*				*New License + X years M&S*	*2013*	*7,909*
ISPs	Vodafone	Vodafone Italia	South Europe	Italy	*OST ContentSecure*	*1.3*	*1.X*	*01/10/2013*	*30/09/2017*	*invoiced*	*122,400*	9,067	113,333	114,089	*2,519*	*3,022*	*2,267*			*New License + X years M&S*	*2014*	*7,807*

ISPs	Vodafone	Vodafone Romania	CEE	Romania	*OST ContentSecure*	*1.3*	*1.X*	*01/10/2014*	*30/09/2017*	*Invoiced*	*51,300*	3,800	47,500	47,817	*1,056*	*1,267*	*950*		*New License + X years M&S*	*2014*	*3,272*
ISPs	Vodafone	Vodafone Spain	South Europe	Spain	*OSE WebSecure*	*3.1*	*3.X*	*01/04/2014*	*31/03/2015*	*Invoiced*	*24,500*	1,815	22,685	24,046	*151*				*Renewal license + X years M&S*	*2014*	*151*
ISPs	Vodafone	Vodafone Spain	South Europe	Spain	*OST WOLF*	*3.1*	*3.X*	*01/04/2014*	*31/03/2015*	*Invoiced*	*20,580*	1,524	19,055	20,199	*127*				*Renewal license + X years M&S*	*2014*	*127*
ISPs	Vodafone	Vodafone Spain	South Europe	Spain	*OSE WebSecure*	*3.1*	*3.X*	*01/04/2014*	*31/03/2015*	*Invoiced*	*3,112*	231	2,882	3,054	*19*				*Renewal license + X years M&S*	*2014*	*19*
ISPs	Vodafone	Vodafone UK	Northen Europe	UK	*OST ContentSecure*	*1.3*	*1.X*	*01/08/2014*	*31/07/2017*	*Invoiced*	*39,443*	2,922	36,521	36,927	*812*	*974*	*568*		*New License + X years M&S*	*2014*	*2,354*
ISPs	Vodafone	Vodafone UK	Northen Europe	UK	*OST WOLF*	*3.2*	*3.X*	*30/10/2013*	*01/11/2015*	*invoiced*	*62,100*	4,600	*57,500*	*60,183*	*1,533*				*Renewal license + X years M&S*	*2013*	*1,533*
Enterprise	Others	Xunta Galicia (Coruña)	South Europe	Spain	*OST ChildSecure*	*1.3*	*1.X*	*01/10/2014*	*30/09/2017*	*Invoiced*	*16,765*	1,242	15,523	15,626	*345*	*414*	*310*		*Renewal license + X years M&S*	*2014*	*1,069*

Enterprise	Others	DIPUTACION DE TARRAGONA	Southern Europe	Spain	OSE Webfilter	3.1	3.X	14/03/2015	13/03/2016	Invoiced	1,180	87	1,093	1,093	87				Renewal license + X years M&S	2015	87
Enterprise	Others	Electrificadora del Caribe S.A. E.S.P.	Latam	Colombia	OSE WebSecure	3.1	3.X	01/11/2014	30/04/2015	Invoiced	17,896	1,326	16,570	17,454	442				Renewal license + X years M&S	2015	442
Enterprise	Others	Gas Natural S.A. ESP	Latam	Colombia	OSE WebSecure	3.1	3.X	01/11/2014	30/04/2015	Invoiced	10,568	783	9,785	10,307	261				Renewal license + X years M&S	2015	261
Enterprise	Others	INSTITUTION-STE-MARIE-F92164	Southern Europe	France	OSE Webfilter	3.1	3.X	05/10/2014	05/10/2015	Invoiced	1,782	132	1,650	1,716	66				Renewal license + X years M&S	2015	66
Enterprise	Others	LYCEE-LA-PROVIDENCE-F49300	Southern Europe	France	OSE Webfilter	3.1	3.X	16/02/2015	16/02/2016	Invoiced	1,008	75	933	940	68				Renewal license + X years M&S	2015	68
ISP	Others	ORANGE FRANCE Mobile (Openwave)	Southern Europe	France	OST ChildSecure Mobile	3.1	3.X	01/01/2015	31/12/2015	Invoiced	9,793	725	9,068	9,189	605				Renewal license + X years M&S	2015	605
Enterprise	Others	SERMICRO	Southern Europe	Spain	OSE NetSecure	3.3	3.X	31/01/2015	31/01/2018	Invoiced	26,528	1,965	24,563	24,563	600	655	655	55	Renewal license + X years M&S	2015	1,965
ISP	Others	SFR-WAP	Southern Europe	France	OST ChildSecure Mobile	3.1	3.X	01/01/2015	31/12/2015	Invoiced	40,000	2,963	37,037	37,531	2,469				Renewal license + X years M&S	2015	2,469
ISPs	Others	OPTUS	APAC	Australia	OST ContentSecure	3.1	3.X	12/07/2014	12/07/2015	Invoiced	67,000	4,963	62,037	64,932	2,068				Renewal license + X years M&S		2,068
Enterprise	Others	INE	Southern Europe	Spain	OSE NetSecure	3.1	3.X	30/10/2014	30/10/2015	Invoiced	50,212	3,719	46,493	47,733	2,480				Renewal license + X years M&S		2,480
ISPs	Vodafone	Vodafone Ireland	Northern Europe	Ireland	OST Content Secure Mobile	1.3	1.x	01/12/2014	30/11/2017	Invoiced	34,200	2,533	31,667	30,330	704	844	2,322		Renewal license + X years M&S		3,870
Enterprise	Others	FUNDACIÓN INTEGRA	Southern Europe	Spain	OSE WebSecure	3.1	3.X	01/01/2015	31/12/2015	Invoiced	24,400	1,807	22,593	22,894	1,506				Renewal license + X years M&S		1,506
ISPs	Others	Turkcell	Southern Europe	Turkey	Support	3.1	3.X	22/12/2014	22/12/2015	Invoiced	17,000	1,259	15,741	15,951	1,049				Renewal license + X years M&S		1,049
ISPs	Others	ORANGE SLOVAKIA	CEE	Slovakia	Support	3.1	3.X	22/09/2014	21/09/2015	Invoiced	11,200	830	10,370	10,716	484				Renewal license + X years M&S		484
Enterprise	Others	ANTENA3	Southern Europe	Spain	OSE Webfilter	3.1	3.X	01/01/2015	31/12/2015	Invoiced	11,000	815	10,185	10,185	815				Renewal license + X years M&S		815
Enterprise	Others	MECAPLAST-MC98000	Southern Europe	France	OSE Webfilter	3.1	3.X	01/01/2015	31/12/2015	Invoiced	10,000	741	9,259	9,259	741				Renewal license + X years M&S		741
Enterprise	Others	GNF Panama	Latam	Panama	OSE WebSecure	3.1	3.X	01/12/2014	30/11/2015	Invoiced	17,896	1,326	16,570	16,902	994				Renewal license + X years M&S		994
Enterprise	Others	Banco Mare Nostrum, S.A.	Southern Europe	Spain	OSE Webfilter	3.1	3.X	06/11/2014	06/05/2015	Invoiced	7,358	545	6,813	7,222	136				Renewal license + X years M&S		136
Enterprise	Others	UNIV. SANBUENAVENTURA	Latam	Colombia	OSE WebSecure	3.1	3.X	22/12/2014	22/12/2015	Invoiced	6,789	503	6,286	6,286	503				Renewal license + X years M&S		503
Enterprise	Others	ROCA JUNYENT	Southern Europe	Spain	OSE WebSecure	3.1	3.X	30/04/2014	30/04/2015	Invoiced	6,776	502	6,274	6,692	84				Renewal license + X years M&S		84
Enterprise	Others	INDRA SISTEMAS-RSI (USO INTERNO + CAJAS)	Southern Europe	Spain	OSE Webfilter	3.1	3.X	01/01/2015	31/12/2015	Invoiced	4,796	355	4,440	4,500	296				Renewal license + X years M&S		296
Enterprise	Others	CAMARA OFICIAL DE COMERCIO DE INDUSTRIA DE MADRID	Southern Europe	Spain	OSE WebSecure	3.1	3.X	01/12/2014	30/11/2015	Invoiced	9,000	667	8,333	8,444	556				Renewal license + X years M&S		556
Enterprise	Others	GARCIA CARRION	Southern Europe	Spain	OSE Webfilter	3.1	3.X	01/10/2015	30/09/2015	Invoiced	4,128	306	3,823	3,950	178				Renewal license + X years M&S		178
Enterprise	Others	Ayuntamiento de Bilbao	Southern Europe	Spain	OSE Webfilter	3.1	3.X	01/01/2015	31/12/2015	Invoiced	3,750	278	3,472	3,519	231				Renewal license + X years M&S		231
Enterprise	Others	AENA	Southern Europe	Spain	OSE WebSecure	3.1	3.X	01/01/2015	30/06/2015	Invoiced	3,078	228	2,850	2,888	190				Renewal license + X years M&S		190
Enterprise	Others	AIRNOSTRUM	Southern Europe	Spain	OSE Webfilter	3.1	3.X	01/01/2015	31/12/2015	Invoiced	2,500	185	2,315	2,346	154				Renewal license + X years M&S		154
Enterprise	Others	AYUNTAMIENTO DE BARAKALDO	Southern Europe	Spain	OSE Webfilter	3.1	3.X	01/01/2015	31/12/2015	Invoiced	2,125	157	1,968	1,994	131				Renewal license + X years M&S		131
Enterprise	Others	CARBUREIBAR/PIERBURG	Southern Europe	Spain	OSE WebSecure	3.1	3.X	01/01/2015	31/12/2015	Invoiced	1,792	133	1,660	1,682	111				Renewal license + X years M&S		111
Enterprise	Others	M.TORRES DISEÑOS INDUSTRIALES S.A	Southern Europe	Spain	OSE NetSecure	3.1	3.X	01/01/2015	31/12/2015	Invoiced	1,450	107	1,343	1,360	90				Renewal license + X years M&S		90

Enterprise	Others	Collegio Sacerdotale Tiberino	Southern Europe	Italy	*OSE Webfilter*	*3.1*	*3.X*	*01/01/2015*	*31/12/2015*	*Invoiced*	*920*	68	*852*	*863*	*57*					*Renewal license + X years M&S*	*57*
Enterprise	Others	CEAMSE	Latam	Argentina	*OSE Webfilter*	*3.1*	*3.X*	*01/01/2015*	*31/12/2015*	*Invoiced*	*896*	66	*830*	*841*	*55*					*Renewal license + X years M&S*	*55*
Enterprise	Others	ASOCIACION LARRAUN DE OLZA	Southern Europe	Spain	*OSE WebSecure*	*3.1*	*3.X*	*01/01/2015*	*31/12/2015*	*Invoiced*	*796*	59	*737*	*737*	*59*					*Renewal license + X years M&S*	*59*
Enterprise	Others	IMMOSERVEIS J. COMPANY S.L.	Southern Europe	Spain	*OSE Webfilter*	*3.1*	*3.X*	*01/01/2015*	*31/12/2015*	*Invoiced*	*764*	57	*708*	*708*	*57*					*Renewal license + X years M&S*	*57*
Enterprise	Others	Ayuntamiento de Aretxabaleta	Southern Europe	Spain	*OSE Webfilter*	*3.1*	*3.X*	*01/01/2015*	*31/12/2015*	*Invoiced*	*544*	40	*504*	*504*	*40*					*Renewal license + X years M&S*	*40*
Enterprise	Others	PONTIFICIA UNIVERSITA DELLA SANTA CROCE-	Southern Europe	Italy	*OSE Webfilter*	*3.1*	*3.X*	*01/01/2015*	*31/12/2015*	*Invoiced*	*451*	33	*418*	*418*	*33*					*Renewal license + X years M&S*	*33*
Enterprise	Others	Ayto. Santander	Southern Europe	Spain	*OSE Webfilter*	*1.3*	*1,x*	*01/01/2015*	*31/12/2017*	*Invoiced*	*14,805*	1,097	*13,708*	*13,708*	*366*	*366*	*366*			*Renewal license + X years M&S*	*1,097*
Enterprise	Others	CPG Tunise	Others	Tunisse	*OSE Webfilter*	*3.1*	*3.X*	*15/07/2014*	*15/07/2015*	*Invoiced*	*9,963*	738	*9,225*	*9,656*	*308*					*Renewal license + X years M&S*	*308*
Enterprise	Others	SEUR	Southern Europe	Spain	*OSE Webfilter*	*3.1*	*3.X*	*30/11/2014*	*01/06/2015*	*Invoiced*	*5,684*	421	*5,263*	*5,473*	*211*					*Renewal license + X years M&S*	*211*
Enterprise	Others	CNFDI-F91800	Southern Europe	France	*OSE Webfilter*	*3.1*	*3.X*	*01/01/2015*	*31/12/2015*	*Invoiced*	*899*	67	*832*	*843*	*55*					*Renewal license + X years M&S*	*55*
Enterprise	Others	MAIRIE-DE-CHATILLON-F92320	Southern Europe	France	*OSE Webfilter*	*3.1*	*3.X*	*01/01/2015*	*31/12/2015*	*Invoiced*	*802*	59	*742*	*752*	*49*					*Renewal license + X years M&S*	*49*
Enterprise	Others	MAIRIE-DE-CHATILLON-F92320	Southern Europe	France	*OSE Webfilter*	*3.1*	*3.X*	*01/01/2015*	*31/12/2015*	*Invoiced*	*768*	57	*711*	*721*	*47*					*Renewal license + X years M&S*	*47*
Enterprise	Others	MAIRIE-DE-CHATILLON-F92320	Southern Europe	France	*OSE Webfilter*	*3.1*	*3.X*	*01/01/2015*	*31/12/2015*	*Invoiced*	*726*	54	*673*	*682*	*45*					*Renewal license + X years M&S*	*45*
Enterprise	Others	MAIRIE-DE-CHATILLON-F92320	Southern Europe	France	*OSE Webfilter*	*3.1*	*3.X*	*01/01/2015*	*31/12/2015*	*Invoiced*	*720*	53	*667*	*676*	*44*					*Renewal license + X years M&S*	*44*
Enterprise	Others	MAIRIE-DE-CHATILLON-F92320	Southern Europe	France	*OSE Webfilter*	*3.1*	*3.X*	*01/01/2015*	*31/12/2015*	*Invoiced*	*576*	43	*533*	*540*	*36*					*Renewal license + X years M&S*	*36*
Enterprise	Others	ECOLES-MAIRIE-DE-ROUSSET-F13790	Southern Europe	France	*OSE Webfilter*	*3.1*	*3.X*	*01/01/2015*	*31/12/2015*	*Invoiced*	*507*	38	*470*	*476*	*31*					*Renewal license + X years M&S*	*31*
Enterprise	Others	ECOLE-ELEMENTAIRE-JACQUES-PREVERT-F33520	Southern Europe	France	*OSE Webfilter*	*3.1*	*3.X*	*01/01/2015*	*31/12/2015*	*Invoiced*	*460*	34	*426*	*432*	*28*					*Renewal license + X years M&S*	*28*
Enterprise	Others	COLLEGE-PRIVE-JEANNE-DARC-F94270	Southern Europe	France	*OSE Webfilter*	*3.1*	*3.X*	*01/01/2015*	*31/12/2015*	*Invoiced*	*378*	28	*350*	*355*	*23*					*Renewal license + X years M&S*	*23*
Enterprise	Others	MAIRIE-BEIGNON-F56380	Southern Europe	France	*OSE Webfilter*	*3.1*	*3.X*	*01/01/2015*	*31/12/2015*	*Invoiced*	*346*	26	*320*	*324*	*21*					*Renewal license + X years M&S*	*21*
Enterprise	Others	VILLE-ANTONY-F92160	Southern Europe	France	*OSE Webfilter*	*3.1*	*3.X*	*01/01/2015*	*31/12/2015*	*Invoiced*	*300*	22	*278*	*281*	*19*					*Renewal license + X years M&S*	*19*
Enterprise	Others	VILLE-ANTONY-F92160	Southern Europe	France	*OSE Webfilter*	*3.1*	*3.X*	*01/01/2015*	*31/12/2015*	*Invoiced*	*253*	19	*234*	*237*	*16*					*Renewal license + X years M&S*	*16*
Enterprise	Others	ECOLE-MAIRIE-DE-LORNAY-F74150	Southern Europe	France	*OSE Webfilter*	*3.1*	*3.X*	*01/01/2015*	*31/12/2015*	*Invoiced*	*192*	14	*178*	*180*	*12*					*Renewal license + X years M&S*	*12*
Enterprise	Others	BIBLIOTHEQUE-MUNICIPALE-DE-VIERZON-F18100	Southern Europe	France	*OSE Webfilter*	*3.1*	*3.X*	*01/01/2015*	*31/12/2015*	*Invoiced*	*48*	4	*44*	*45*	*3*					*Renewal license + X years M&S*	*3*
Enterprise	Others	ECOLE-PRIMAIRE-DE-MONTBLANC-F34290	Southern Europe	France	*OSE Webfilter*	*3.1*	*3.X*	*01/01/2015*	*31/12/2015*	*Invoiced*	*31*	2	*29*	*29*	*2*					*Renewal license + X years M&S*	*2*
														TOTAL (€)	**125,195**	**62,648**	**10,257**	**295**	**0**		**198,394**

b) Not invoiced - Discounted

Category	Entity	Customer	Region	Country	Products	Revenue Category	Type	start date	end date	Status	Booking	Maintenance	License	Revenue	DR 2015	DR 2016	DR 2017	DR 2018	DR 2019	Comments	FY	Total DR
ISPs	Others	INTERNEXA	LATAM	Colombia	*OST WOLF*	*3.2*	*1.X*	*30/11/2014*	*30/11/2016*	*RFP*	*73,801*	5,467	68,334	68,562	*2,278*	*2,506*				*New License + X years M&S*	*2014*	*4,783*
Enterprise	Others	Sedapal	LATAM	Peru	*OST WebSecure*	*1.3*		*30/10/2014*	*30/10/2017*	*RFP*	*30,735*	2,277	28,458	28,585	*632*	*759*	*632*				*2014*	*2,024*
ISPs	Vodafone	Vodafone Italia	South Europe	Italy	*OST ContentSecure*	*1.3*	*1.X*	*31/12/2014*	*31/12/2017*	*contract*	*306,000*	22,667	283,333	283,333	*6,296*	*7,556*	*7,556*				*2014*	*21,407*
Enterprise	Others	ITP	Southern Europe	Spain	*OSE WebSecure*	*3.1*	*3.X*	*01/12/2014*	*30/11/2015*	*RFP*	*7,914*	586	*7,327*	*7,474*	*440*					*Renewal license + X years M&S*		*440*
Enterprise	Others	CATALUNYA CAIXA	Southern Europe	Spain	*OSE Webfilter*	*3.1*	*3.X*	*01/10/2014*	*31/03/2015*	*RFP*	*7,705*	571	*7,134*	*7,610*	*95*					*Renewal license + X years M&S*		*95*
Enterprise	Others	AYUNTAMIENTO DE CARTAGENA	Southern Europe	Spain	*OSE Webfilter*	*3.1*	*3.X*	*01/01/2015*	*31/12/2015*	*RFP*	*4,410*	327	*4,083*	*4,138*	*272*					*Renewal license + X years M&S*		*272*
Enterprise	Others	UNICAJA	Southern Europe	Spain	*OSE Webfilter*	*3.1*	*3.X*	*01/01/2015*	*31/12/2015*	*RFP*	*2,934*	217	*2,717*	*2,753*	*181*					*Renewal license + X years M&S*		*181*
Enterprise	Others	SERVIR	LATAM	Peru	*OSE Webfilter*	*1.1*	*1,x*	*20/01/2015*	*20/01/2016*	*RFP*	*13,258*	982	*12,276*	*12,358*	*818*	*82*				*Renewal license + X years M&S*		*900*
Enterprise	Others	Viscofan	Southern Europe	Spain	*OSE Webfilter*	*3.1*	*3.X*	*01/01/2015*	*31/12/2015*	*RFP*	*1,679*	124	*1,555*	*1,575*	*104*					*Renewal license + X years M&S*		*104*
														TOTAL (€)	**11,117**	**10,902**	**8,188**	**0**	**0**			**30,206**

c) Not invoiced - Not discounted

Category	Entity	Customer	Region	Country	Products	Revenue Category	Type	start date	end date	Status	Booking	Maintenance	License	Revenue	DR 2015	DR 2016	DR 2017	DR 2018	DR 2019	Comments	FY	Total DR
Enterprise	Others - Large	BIT	DACH	Suitzerland	*OST WebSecure*	*3.3*	*3.X*	*01/01/2017*	*31/12/2019*	*Contract*	*631,710*	46,793	584,917	584,917			*15,598*	*15,598*	*15,598*	*Renewal license + X years M&S*	*2014*	*46,793*
ISPs	Others - Large	EDATEL	LATAM	Colombia	*OST WOLF*	*3.2*	*3.X*	*01/01/2015*	*31/12/2016*	*PO*	*55,655*	4,123	*51,532*	*51,532*	*1,718*	*2,061*				*Renewal license + X years M&S*	*2013*	*3,779*
ISPs	Others - Large	ETB	LATAM	Colombia	*OST ContentSecure*	*3.2*	*3.X*	*20/12/2013*	*31/12/2015*	*contract*	*397,710*	29,460	*368,250*	*382,980*	*12,275*					*Renewal license + X years M&S*	*2013*	*12,275*
ISPs	Others - Large	ETB	LATAM	Colombia	*OST ChildSecure*	*3.2*	*3.X*	*20/12/2013*	*31/12/2015*	*contract*	*313,013*	23,186	*289,826*	*301,419*	*9,661*					*Renewal license + X years M&S*	*2013*	*9,661*
ISPs	Others - Large	ETB	LATAM	Colombia	*MailSecure*	*1.3*	*1.X*	*22/11/2012*	*30/06/2015*	*Contract*	*183,734*	13,610	*170,124*	*181,919*	*1,815*					*New License + X years M&S*	*2012*	*1,815*
Enterprise	Others - Large	Richemont	DACH	Suitzerland	*OST WebSecure*	*3.3*	*3.X*	*01/07/2016*	*30/06/2019*	*Contract*	*277,866*	20,583	257,283	257,283		*3,430*	*6,861*	*6,861*	*3,430*	*Renewal license + X years M&S*	*2014*	*20,583*
ISPs	Others - Large	UNE	LATAM	Colombia	*OST WOLF*	*3.3*	*3.X*	*01/01/2015*	*31/12/2017*	*PO*	*189,433*	14,032	*175,401*	*175,401*	*3,898*	*4,677*	*4,677*			*Renewal license + X years M&S*	*2013*	*13,253*
Enterprise	Others	Besalco (Constructora El Blanco Ltda)	Latam	Chile	OSE NetSecure	*3.1*	*3.X*	*21/11/2014*	*21/11/2015*	*Contract*	*5,026*	372	4,654	4,722	*305*					*Renewal license + X years M&S*	*2015*	*305*
ISPs	Others	SUPERONLINE ÄletiÅim Hizmetleri A.Å.	Southern Europe	Turkey	*Support*	*3.1*	*3.X*	*01/01/2015*	*31/12/2015*	*RFP*	*1,795*	133	*1,662*	*1,684*	*111*					*Renewal license + X years M&S*		*111*
ISPs	Others	ROSTELECOM	CEE	Russian Federation	*OST WebFilter*	*3.1*	*3.X*	*01/01/2015*	*31/12/2015*	*RFP*	*1,325*	98	*1,227*	*1,244*	*82*					*Renewal license + X years M&S*		*82*
Enterprise	Others	SENEGALAISE-DES-EAUX-SN	Southern Europe	France	*OSE WebSecure*	*3.2*	*3.X*	*25/09/2014*	*25/09/2016*	*RFP*	*1,161*	86	*1,075*	*1,093*	*36*	*32*				*Renewal license + X years M&S*		*68*
														TOTAL (€)	**29,899**	**10,201**	**27,136**	**22,459**	**19,028**			**108,723**

d) Total (a+b+c)

Category	Entity	Customer	Region	Country	Products	Revenue Category	Type	start date	end date	Status	Booking	Maintenance	License	Revenue	DR 2015	DR 2016	DR 2017	DR 2018	DR 2019	Comments	FY	Total DR
														TOTAL (€)	**166,210**	**83,751**	**45,581**	**22,753**	**19,028**			**337,324**

Exhibit 8.1

List of Subsidiaries

Company	Jurisdiction of Incorporation
Allot Communications Inc.	United States
Allot Communications Europe SARL	France
Allot Communications (Asia Pacific) Pte. Limited	Singapore
Allot Communications (UK) Limited	United Kingdom
Allot Communications Japan K.K.	Japan
Allot Communications (New Zealand) Limited	New Zealand
Oversi Networks Ltd.	Israel
Allot Communications (Hong Kong) Ltd	Hong Kong
Allot Communications Africa (PTY) Ltd	South Africa
Allot Communications India Private Ltd	India
Allot Communications Spain, S.L.U.	Spain

EXHIBIT 12.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO EXCHANGE ACT RULE 13A-14(A)/15D-14(A) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrei Elefant, certify that:

1. I have reviewed this annual report on Form 20-F of Allot Communications Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Andrei Elefant
Andrei Elefant
President and Chief Executive Officer
(Principal Executive Officer)

Date: March 26, 2015

EXHIBIT 12.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO EXCHANGE ACT RULE 13A-14(A)/15D-14(A) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Shmuel Arvatz, certify that:

1. I have reviewed this annual report on Form 20-F of Allot Communications Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Shmuel Arvatz
Shmuel Arvatz
Chief Financial Officer
(Principal Financial Officer)

Date: March 26, 2015

EXHIBIT 13.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Allot Communications Ltd. (the "Company") on Form 20-F for the period ended December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andrei Elefant, and I, Shmuel Arvatz, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company

/s/ Andrei Elefant
Andrei Elefant
President and Chief Executive Officer
(Principal Executive Officer)

Date: March 26, 2015

/s/ Shmuel Arvatz
Shmuel Arvatz
Chief Financial Officer
(Principal Financial Officer)

Date: March 26, 2015

Exhibit 14.1

Kost Forer Gabbay & Kasierer

3 Aminadav St.
Tel-Aviv 67067, Israel

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www.ey.com

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Form S-8 (File Nos. 333-140701, 333-149237, 333-159306, 333-165144, 333-172492, 333-180770, 333-187406, and 333-194833) pertaining to the 2006 Compensation Incentive Plan of Allot Communications Ltd., of our report dated March 26, 2015, with respect to the consolidated financial statements and the effectiveness of internal control over financial reporting of Allot Communications Ltd. included in this annual report on Form 20-F for the year ended December 31, 2014.

/s/ Kost Forer Gabbay & Kasierer
KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

Tel Aviv, Israel
March 26, 2015