

## **Allot Communications Reports 43% Revenue Rise for Second Quarter of 2012**

***--Revenues reach \$26.4 million; EPS was \$0.15 on a non-GAAP basis (\$0.08 on a GAAP basis)--***

### *Key highlights:*

- Second quarter revenues increased to \$26.4 million, a 43% increase over the second quarter of 2011 and 9% increase over the previous quarter*
- Second quarter non-GAAP net profit reaches \$5.0 million, 83% increase over second quarter 2011; non-GAAP EPS of \$0.15, similar to first quarter level, despite dilutive effect from Ortiva acquisition in the quarter*
- Cash, cash equivalents and marketable securities totaled \$159.8 million after acquisition closing; generated approximately \$4.8 million in cash from operations during the quarter*

**Hod Hasharon, Israel – July 31, 2012** – Allot Communications Ltd. (NASDAQ: ALLT), a leading supplier of service optimization and revenue generation solutions for fixed and mobile data worldwide, today announced continued growth in sales during the second quarter of 2012.

Total revenues for the second quarter of 2012 reached \$26.4 million, a 43% increase from the \$18.5 million of revenues reported for the second quarter of 2011, and a 9% increase from the \$24.2 million of revenues reported for the first quarter of 2012. On a GAAP basis, net profit for the second quarter of 2012 was \$2.7 million, or \$0.08 per basic and diluted share. This compares with net profit of \$1.6 million, or \$0.07 per basic share and \$0.06 per diluted share, in the second quarter of 2011, and net profit of \$3.2 million, or \$0.10 per basic and diluted share, in the first quarter of 2012.

On a non-GAAP basis, excluding the impact of share-based compensation, amortization of certain intangibles and certain one-time charges incurred related to M&A activities and compliance with regulatory matters, non-GAAP net profit for the second quarter of 2012 totaled \$5.0 million, or \$0.16 per basic share and \$0.15 per diluted share, compared with non-GAAP net profit of \$2.7 million, or \$0.11 per basic share and \$0.10 per diluted share, for the second quarter of 2011, and non-GAAP net profit \$5.0 million, or \$0.16 per basic share and \$0.15 per diluted share, for the first quarter of 2012. The results reflect added operating expenses from the Ortiva Wireless acquisition, which closed on May 15, 2012.

These non-GAAP measures should be considered in addition to, and not as a substitute for, comparable GAAP measures. The non-GAAP results and a full reconciliation between GAAP and non-GAAP results are provided in the

accompanying Tables 2 and 3. The Company provides these non-GAAP financial measures because it believes that they present a better measure of the Company's core business and management uses the non-GAAP measures internally to evaluate the Company's ongoing performance. Accordingly, the Company believes that they are useful to investors in enhancing an understanding of the Company's operating performance.

"Allot continued to demonstrate sustained revenue growth during the quarter," commented Rami Hadar, Allot Communications' President and Chief Executive Officer. "The demand for network optimization and revenue generating solutions which we offer through our Service Gateway continues to increase as data traffic continues to grow throughout the world. With today's announcement regarding the acquisition of Oversi, we now offer the most comprehensive video solution in the industry."

Recently, the Company achieved the following significant goals:

- During the quarter, received large orders from 14 service providers, 6 of which represented new customers;
- 6 of the large orders came from mobile service providers, 2 of which were new customers
- Announced closing the acquisition of Ortiva Wireless on May 15, which provides Allot with a best-of-breed video optimization solution.
- Announced the deployment of Ortiva's video optimization solution at 3UK, a subsidiary of the Hutchison Group;
- Announced the acquisition of Oversi Networks, a leading provider of video caching solutions.

As of June 30, 2012, cash, cash equivalents, short term deposits and marketable securities totaled \$159.8 million, post-closing the Ortiva acquisition, with no debt. The preliminary allocation of the purchase price for Ortiva is based upon estimates and assumptions that are subject to change within the purchase price allocation period, which is generally one year from the acquisition date. The primary areas of the purchase price allocation that are not yet finalized relate to the measurement of certain assets and liabilities.

### **Conference Call & Webcast**

The Allot management team will host a conference call to discuss its second quarter 2012 earnings results today at 8:30 AM ET, 3:30 PM Israel time.

To access the conference call, please dial one of the following numbers: US: +1 646 254 3362, UK: +44 (0)20 3450 9987, Israel: +972 3763 0146, participant code 7208054.

A replay of the conference call will be available from 12:01 am ET on August 1, 2012 through August 31, 2012 at 11:59 pm UK time. To access the replay, please dial: US: +1 347 366 9565, UK: +44 (0)20 3427 0598, access code: 7208054#.

A live webcast of the conference call can be accessed on the Allot Communications website at [www.allot.com](http://www.allot.com). The webcast will also be archived on the website following the conference call.

### **About Allot Communications**

Allot Communications Ltd. (NASDAQ: ALLT) is a leading provider of intelligent data traffic optimization and monetization solutions for fixed and mobile broadband operators and large enterprises worldwide. Allot's scalable, carrier-grade solutions provide the visibility, topology awareness, security, application control and subscriber management that are vital to managing fixed and mobile data, enhancing user experience, containing operating costs, and enabling service providers to generate revenues from their broadband networks. Allot's rich portfolio of solutions leverages dynamic actionable recognition technology (DART) to transform broadband pipes into smart networks that can rapidly and efficiently deploy value added Internet services. For more information, please visit <http://www.allot.com>.

### **Safe Harbor Statement**

*Information provided in this press release may contain statements relating to current expectations, estimates, forecasts and projections about future events that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally relate to the Company's plans, objectives and expectations for future operations. These forward-looking statements are based upon management's current estimates and projections of future results or trends. Actual results may differ materially from those projected as a result of certain risks and uncertainties. These factors include, but are not limited to: our ability to increase the breadth and functionality of the Service Gateway platform, changes in general economic and business conditions; the Company's inability to develop and introduce new technologies, products and applications; loss of market; and other factors discussed under the heading "Risk Factors" in the Company's annual report on Form 20-F filed with the Securities and Exchange Commission. These forward-looking statements are made only as of the date hereof, and the Company undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.*

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

|  | <b>Three Months Ended</b> |                   | <b>Six Months Ended</b> |                   |
|--|---------------------------|-------------------|-------------------------|-------------------|
|  | <b>June 30,</b>           |                   | <b>June 30,</b>         |                   |
|  | <b>2012</b>               | <b>2011</b>       | <b>2012</b>             | <b>2011</b>       |
|  | <b>(Unaudited)</b>        |                   | <b>(Unaudited)</b>      |                   |
| Revenues   | \$ 26,405                 | \$ 18,454         | \$ 50,622               | \$ 35,637         |
| Cost of revenues   | <u>7,755</u>              | <u>5,305</u>      | <u>14,656</u>           | <u>10,157</u>     |
| Gross profit   | <u>18,650</u>             | <u>13,149</u>     | <u>35,966</u>           | <u>25,480</u>     |
| Operating expenses:  |                           |                   |                         |                   |
| Research and development costs, net  | 5,332                     | 3,092             | 9,342                   | 6,064             |
| Sales and marketing  | 8,126                     | 6,388             | 15,881                  | 12,701            |
| General and administrative   | <u>2,659</u>              | <u>1,979</u>      | <u>5,433</u>            | <u>3,406</u>      |
| Total operating expenses   | <u>16,117</u>             | <u>11,459</u>     | <u>30,656</u>           | <u>22,171</u>     |
| Operating profit   | 2,533                     | 1,690             | 5,310                   | 3,309             |
| Financial and other income (expenses), net   | <u>187</u>                | <u>(63)</u>       | <u>649</u>              | <u>29</u>         |
| Profit before income tax expenses  | <u>2,720</u>              | <u>1,627</u>      | <u>5,959</u>            | <u>3,338</u>      |
| Tax expenses   | <u>21</u>                 | <u>16</u>         | <u>24</u>               | <u>101</u>        |
| Net profit   | <u>2,699</u>              | <u>1,611</u>      | <u>5,935</u>            | <u>3,237</u>      |
| <b>Basic net profit per share</b>  | <u>\$ 0.08</u>            | <u>\$ 0.07</u>    | <u>\$ 0.19</u>          | <u>\$ 0.14</u>    |
| <b>Diluted net profit per share</b>  | <u>\$ 0.08</u>            | <u>\$ 0.06</u>    | <u>\$ 0.18</u>          | <u>\$ 0.12</u>    |
| Weighted average number of shares<br>used in computing basic net<br>earnings per share   | <u>31,873,752</u>         | <u>24,195,495</u> | <u>31,548,294</u>       | <u>23,948,546</u> |
| Weighted average number of shares<br>used in computing diluted net<br>earnings per share | <u>33,356,308</u>         | <u>26,253,139</u> | <u>33,169,640</u>       | <u>25,963,671</u> |

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

|  | <b>Three Months Ended</b> |                | <b>Six Months Ended</b> |                |
|--|---------------------------|----------------|-------------------------|----------------|
|  | <b>June 30,</b>           |                | <b>June 30,</b>         |                |
|  | <b>2012</b>               | <b>2011</b>    | <b>2012</b>             | <b>2011</b>    |
|  | <b>(Unaudited)</b>        |                | <b>(Unaudited)</b>      |                |
| GAAP net profit as reported  | \$ 2,699                  | \$ 1,611       | \$ 5,935                | \$ 3,237       |
| Non-GAAP adjustments   |                           |                |                         |                |
| Expenses recorded for stock-based compensation   |                           |                |                         |                |
| Cost of revenues   | 52                        | 27             | 97                      | 50             |
| Research and development costs, net  | 240                       | 96             | 428                     | 188            |
| Sales and marketing  | 446                       | 238            | 763                     | 459            |
| General and administrative   | 288                       | 186            | 454                     | 367            |
| Expenses related to M&A activities and compliance with regulatory matters (*)            |                           |                |                         |                |
| General and administrative   | 666                       | 538            | 1,711                   | 538            |
| Research and development costs, net  | 250                       | -              | 250                     | -              |
| Sales and marketing  | 93                        | -              | 93                      | -              |
| Intangible assets amortization - cost of revenues  | 262                       | 30             | 293                     | 60             |
| Total adjustments  | 2,297                     | 1,115          | 4,089                   | 1,662          |
| Non-GAAP net profit  | \$ 4,996                  | \$ 2,726       | \$ 10,024               | \$ 4,899       |
| <b>Non- GAAP basic net profit per share</b>  | <b>\$ 0.16</b>            | <b>\$ 0.11</b> | <b>\$ 0.32</b>          | <b>\$ 0.20</b> |
| <b>Non- GAAP diluted net profit per share</b>  | <b>\$ 0.15</b>            | <b>\$ 0.10</b> | <b>\$ 0.30</b>          | <b>\$ 0.19</b> |
| Weighted average number of shares<br>used in computing basic net<br>earnings per share   | 31,873,752                | 24,195,495     | 31,548,294              | 23,948,546     |
| Weighted average number of shares<br>used in computing diluted net<br>earnings per share | 33,662,390                | 26,399,604     | 33,401,374              | 26,116,991     |

**TABLE - 3**  
**ALLOT COMMUNICATIONS LTD.**  
**AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS on a NON-GAAP BASIS**  
(U.S. dollars in thousands, except share and per share data)

|  | <b>Three Months Ended</b> |                   | <b>Six Months Ended</b> |                   |
|--|---------------------------|-------------------|-------------------------|-------------------|
|  | <b>June 30,</b>           |                   | <b>June 30,</b>         |                   |
|  | <b>2012</b>               | <b>2011</b>       | <b>2012</b>             | <b>2011</b>       |
|  | <b>(Unaudited)</b>        |                   | <b>(Unaudited)</b>      |                   |
| Revenues   | \$ 26,405                 | \$ 18,454         | \$ 50,622               | \$ 35,637         |
| Cost of revenues   | <u>7,441</u>              | <u>5,248</u>      | <u>14,266</u>           | <u>10,047</u>     |
| Gross profit   | <u>18,964</u>             | <u>13,206</u>     | <u>36,356</u>           | <u>25,590</u>     |
| Operating expenses:  |                           |                   |                         |                   |
| Research and development costs, net  | 4,842                     | 2,996             | 8,664                   | 5,876             |
| Sales and marketing  | 7,587                     | 6,150             | 15,025                  | 12,242            |
| General and administrative   | <u>1,705</u>              | <u>1,255</u>      | <u>3,268</u>            | <u>2,501</u>      |
| Total operating expenses   | 14,134                    | 10,401            | 26,957                  | 20,619            |
| Operating profit   | 4,830                     | 2,805             | 9,399                   | 4,971             |
| Financial and other income (expenses), net   | <u>187</u>                | <u>(63)</u>       | <u>649</u>              | <u>29</u>         |
| Profit before income tax expenses  | 5,017                     | 2,742             | 10,048                  | 5,000             |
| Tax expenses   | <u>21</u>                 | <u>16</u>         | <u>24</u>               | <u>101</u>        |
| Net profit   | <u>4,996</u>              | <u>2,726</u>      | <u>10,024</u>           | <u>4,899</u>      |
| <b>Basic net profit per share</b>  | <u>\$ 0.16</u>            | <u>\$ 0.11</u>    | <u>\$ 0.32</u>          | <u>\$ 0.20</u>    |
| <b>Diluted net profit per share</b>  | <u>\$ 0.15</u>            | <u>\$ 0.10</u>    | <u>\$ 0.30</u>          | <u>\$ 0.19</u>    |
| Weighted average number of shares<br>used in computing basic net<br>earnings per share   | <u>31,873,752</u>         | <u>24,195,495</u> | <u>31,548,294</u>       | <u>23,948,546</u> |
| Weighted average number of shares<br>used in computing diluted net<br>earnings per share | <u>33,662,390</u>         | <u>26,399,604</u> | <u>33,401,374</u>       | <u>26,116,991</u> |

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

|   | <b>June 30,<br/>2012<br/>(Unaudited)</b> | <b>December 31,<br/>2011<br/>(Audited)</b> |
|---|--|--|
| <b>ASSETS</b>                               |  |  |
| <b>CURRENT ASSETS:</b>                      |  |  |
| Cash and cash equivalents                   | \$ 70,083                                | \$ 116,682                                 |
| Short term deposits                         | 71,000                                   | 24,000                                     |
| Marketable securities and restricted cash   | 18,692                                   | 18,718                                     |
| Trade receivables, net                      | 17,454                                   | 11,926                                     |
| Other receivables and prepaid expenses      | 4,387                                    | 5,950                                      |
| Inventories                                 | 11,673                                   | 10,501                                     |
| Total current assets                        | <u>193,289</u>                           | <u>187,777</u>                             |
| <b>LONG-TERM ASSETS:</b>                    |  |  |
| Severance pay fund                          | 181                                      | 178  |
| Other assets and deferred taxes             | 355                                      | 356  |
| Total long-term assets                      | <u>536</u>                               | <u>534</u>                                 |
| PROPERTY AND EQUIPMENT, NET                 | <u>5,913</u>                             | <u>5,352</u>                               |
| GOODWILL AND INTANGIBLE ASSETS, NET         | <u>17,424</u>                            | <u>3,395</u>                               |
| Total assets                                | <u><u>\$ 217,162</u></u>                 | <u><u>\$ 197,058</u></u>                   |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |  |  |
| <b>CURRENT LIABILITIES:</b>                 |  |  |
| Trade payables                              | \$ 7,316                                 | \$ 2,684                                   |
| Deferred revenues                           | 17,156                                   | 16,694                                     |
| Other payables and accrued expenses         | 12,787                                   | 9,462                                      |
| Total current liabilities                   | <u>37,259</u>                            | <u>28,840</u>                              |
| <b>LONG-TERM LIABILITIES:</b>               |  |  |
| Deferred revenues                           | 5,135                                    | 5,430                                      |
| Accrued severance pay                       | 229                                      | 219  |
| Total long-term liabilities                 | <u>5,364</u>                             | <u>5,649</u>                               |
| SHAREHOLDERS' EQUITY                        | <u>174,539</u>                           | <u>162,569</u>                             |
| Total liabilities and shareholders' equity  | <u><u>\$ 217,162</u></u>                 | <u><u>\$ 197,058</u></u>                   |

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

|  | Three Months Ended |          | Six Months Ended |      |          |           |
|--|--------------------|----------|------------------|------|----------|-----------|
|  | June 30,           |          | June 30,         |      |          |           |
|  | 2012               | 2011     | 2012             | 2011 |          |           |
|  | (Unaudited)        |          | (Unaudited)      |      |          |           |
| <u>Cash flows from operating activities:</u>                                       |                    |          |                  |      |          |           |
| Net income   | \$                 | 2,699    | \$1,611          | \$   | 5,935    | \$3,237   |
| Adjustments to reconcile net income to net cash provided by operating activities:  |                    |          |                  |      |          |           |
| Depreciation   |                    | 718      | 679              |      | 1,363    | 1,336     |
| Stock-based compensation related to options granted to employees and non-employees |                    | 1,026    | 547              |      | 1,742    | 1,064     |
| Amortization of intangible assets  |                    | 262      | 31               |      | 293      | 61        |
| Capital loss   |                    | -        | 13               |      | 4        | 9         |
| Increase in accrued severance pay, net   |                    | 13       | 3                |      | 7        | 6         |
| Decrease (Increase) in other assets  |                    | 2        | 2                |      | 1        | (1)       |
| Decrease in accrued interest and amortization of premium on marketable securities  |                    | 11       | 48               |      | 48       | 47        |
| Increase (Decrease) in trade receivables   |                    | (1,112)  | 2,364            |      | (5,499)  | (403)     |
| Decrease (Increase) in other receivables and prepaid expenses                      |                    | 1,402    | (1,240)          |      | 1,626    | (1,334)   |
| Decrease in inventories  |                    | 472      | 1,920            |      | 321      | 1,106     |
| Increase (Decrease) in trade payables  |                    | (763)    | (3,075)          |      | 2,492    | (3,046)   |
| Increase (Decrease) in employees and payroll accruals                              |                    | 113      | (17)             |      | 378      | (609)     |
| Increase (Decrease) in deferred revenues   |                    | (2,847)  | (396)            |      | (1,636)  | 1,064     |
| Increase in other payables and accrued expenses                                    |                    | 2,794    | 405              |      | 2,117    | 1,323     |
| Net cash provided by operating activities  |                    | 4,790    | 2,895            |      | 9,192    | 3,860     |
| <u>Cash flows from investing activities:</u>                                       |                    |          |                  |      |          |           |
| Decrease (Increase) in restricted deposit  |                    | 65       | (1)              |      | 21       | (487)     |
| Investment in short-term deposit   |                    | (65,000) | -                |      | (47,000) | -         |
| Purchase of property and equipment   |                    | (766)    | (588)            |      | (1,469)  | (1,298)   |
| Proceeds from sale of property and equipment                                       |                    | -        | -                |      | -        | 30        |
| Investment in marketable securities  |                    | (1,000)  | (1,061)          |      | (1,251)  | (1,914)   |
| Proceeds from redemption or sale of marketable securities                          |                    | 750      | 800              |      | 1,200    | 1,600     |
| Acquisition of Ortiva  |                    | (10,399) | -                |      | (10,399) | -         |
| Loan issued to Ortiva  |                    | (1,000)  | -                |      | (1,000)  | -         |
| Net cash used in investing activities  |                    | (77,350) | (850)            |      | (59,898) | (2,069)   |
| <u>Cash flows from financing activities:</u>                                       |                    |          |                  |      |          |           |
| Exercise of warrants and employee stock options                                    |                    | 1,741    | 214              |      | 4,107    | 1,467     |
| Net cash provided by financing activities  |                    | 1,741    | 214              |      | 4,107    | 1,467     |
| Increase (Decrease) in cash and cash equivalents                                   |                    | (70,819) | 2,259            |      | (46,599) | 3,258     |
| Cash and cash equivalents at the beginning of the year                             |                    | 140,902  | 43,857           |      | 116,682  | 42,858    |
| Cash and cash equivalents at the end of the year                                   | \$                 | 70,083   | \$ 46,116        | \$   | 70,083   | \$ 46,116 |