

Mellanox Delivers Record Revenue for the Third Quarter of 2019

Achieves \$335.3 million revenue, up 20% year-over-year and up 8% quarter-over-quarter; Trailing 12 months GAAP operating margin 14.5%; Non-GAAP operating margin 27.8%; Record cash flow from operations of \$130 million

Mellanox® Technologies, Ltd. (NASDAQ: MLNX), a leading supplier of high-performance, end-to-end interconnect solutions for data center servers and storage systems, today announced preliminary financial results for its third quarter ended September 30, 2019.

"Mellanox delivered record revenue and cash flow from operations in the third quarter, with growth across all our major product lines. Sales of our Ethernet adapter solutions grew 28% quarter-over-quarter, and continue to lead the market for data rates of 25 gigabit per second and above. We started shipping ConnectX-6 Dx, the world's first 200 gigabit per second Ethernet adapter with built in crypto acceleration, which will allow security to be deployed throughout enterprise and cloud data centers. We are also seeing healthy adoption of our Ethernet switches across a broad range of data center applications, including hyperscale, cloud, storage, and financial markets, resulting in 25% growth over the prior quarter," said Eyal Waldman, president and CEO of Mellanox Technologies. "Our InfiniBand solutions grew as well, driven by the ramp of our 200 gigabit per second HDR solutions in the high performance computing, artificial intelligence, cloud, and storage market segments. As one key example, Microsoft is now offering InfiniBand HDR connected nodes in the Azure cloud for high performance computing 3 workloads," continued Waldman. "We are pleased with the strong traction of our adapters and switches in the data center, as well as our solid financial results for the third quarter."

Third Quarter 2019 - Highlights

- Revenue of \$335.3 million in the third quarter, an increase of 20.1 percent, compared to \$279.2 million in the third quarter of 2018.
- GAAP gross margins of 64.9 percent in the third quarter, compared to 65.8 percent in the third quarter of 2018.
- Non-GAAP gross margins of 68.1 percent in the third quarter, compared to 69.6 percent in the third quarter of 2018.
- GAAP operating income of \$48.9 million in the third quarter, compared to \$39.5 million in the third quarter of 2018.
- Non-GAAP operating income of \$95.1 million in the third quarter, or 28.4 percent of revenue, compared to \$73.2 million, or 26.2 percent of revenue in the third quarter of 2018.
- GAAP net income of \$44.2 million in the third quarter, compared to \$37.1 million in the third quarter of 2018.
- Non-GAAP net income of \$93.9 million in the third quarter, compared to \$71.4 million in the third quarter of 2018.
- GAAP net income per diluted share of \$0.78 in the third quarter, compared to \$0.68 in the third quarter of 2018.
- Non-GAAP net income per diluted share of \$1.69 in the third quarter, compared to \$1.33 in the third quarter of 2018.
- \$130.0 million in cash provided by operating activities in the third quarter, compared to \$66.4 million in the third quarter of 2018.
- Cash, cash equivalents and short-term investments totaled \$742.5 million at September 30, 2019, compared to \$610.6 million at June 30, 2019.

Commentary Regarding Mellanox Acquisition by NVIDIA

As announced on March 11, 2019, NVIDIA Corporation intends to acquire all the issued and outstanding common shares of Mellanox for \$125 per share in cash. Due to the pending acquisition, Mellanox will not hold an earnings conference call and has suspended the practice of providing forward-looking guidance.

Recent Mellanox Press Release Highlights

- October 15, 2019 - Mellanox Propels NVMe/TCP and RoCE Fabrics to New Heights
- October 7, 2019 - Mellanox Releases Independent Report Demonstrating ConnectX Ethernet NICs Outperform Competition and Ships First ConnectX-6 Dx Secure SmartNICs
- September 25, 2019 - Mellanox Announces Support Solutions for SONiC Open Source Network Operating System
- September 11, 2019 - Mellanox to Ship Record of More Than One Million ConnectX Adapters in Q3 2019
- September 3, 2019 - Mellanox Introduces New LinkX® 200G & 400G Cables & Transceivers at CIOE, Shenzhen, China and ECOC, Dublin, Ireland 2019
- August 26, 2019 - Mellanox Works with VMware and NVIDIA to Enable High Performance Virtualized Machine Learning Solutions
- August 26, 2019 - Mellanox Introduces Revolutionary ConnectX-6 Dx and BlueField-2 Secure Cloud SmartNICs and I/O Processing Unit Solutions
- August 7, 2019 - Mellanox Ethernet and InfiniBand Solutions Deliver Breakthrough Performance for AMD EPYC™

- July 24, 2019 - Mellanox Delivers Record Revenue for the Second Quarter of 2019

Note: See attached download for complete financial results.

About Mellanox

Mellanox Technologies (NASDAQ: MLNX) is a leading supplier of end-to-end Ethernet and InfiniBand intelligent interconnect solutions and services for servers, storage, and hyper-converged infrastructure. Mellanox's intelligent interconnect solutions increase data center efficiency by providing the highest throughput and lowest latency, delivering data faster to applications, unlocking system performance and improving security. Mellanox offers a choice of high-performance solutions: network and multicore processors, network adapters, switches, cables, software and silicon, that accelerate application runtime and maximize business results for a wide range of markets including high performance computing, enterprise data centers, cloud, storage, cyber security, telecom and financial services. More information is available at: www.mellanox.com.

Mellanox has achieved and maintained the highest ISS Quality Score possible beginning in May of 2017 and through the date of this release, October 30, 2019.

GAAP to Non-GAAP Reconciliation

To supplement our consolidated financial statements presented in accordance with generally accepted accounting principles (GAAP), Mellanox uses non-GAAP measures of net income which are adjusted from results based on GAAP to exclude sharebased compensation expense, amortization expense of acquired intangible assets, settlement costs, acquisition and other charges, restructuring and impairment charges, gain on investments in privately-held companies, non-operating foreign exchange gains and losses, and income tax effects and adjustments. Settlement costs represent the charges related to the settlement of a contingent royalty obligation. Acquisition and other charges include expenses related to acquisitions of other companies, expenses related to the proxy contest, and expenses related to the pending acquisition of Mellanox by NVIDIA. Restructuring and impairment charges include impairment charges related to our investment in privately-held companies, as well as costs that are the result of restructuring, consisting of employee termination and severance costs, facilities related costs, contract cancellation charges, and impairment of long-lived assets. Gain on investments in privately-held companies represents the realized and unrealized gain related to our private company investees. Non-operating foreign exchange gains and losses include the gains and losses as a result of remeasuring our balance sheet items denominated in foreign currencies and the gains and losses associated with the related hedging instruments. The purpose of income tax effects and adjustments is to exclude tax consequences associated with the above excluded income and expense items, the non-cash impact on the tax provision pertaining to changes in deferred tax assets associated with carryforward losses, and reversals of valuation allowances. Shares used in computing non-GAAP diluted earnings per share represents GAAP basic shares plus total options vested and exercisable. The company believes the non-GAAP results provide useful information to both management and investors, as these non-GAAP results exclude income and expenses that are not indicative of our core operating results. Management believes it is useful to exclude share-based compensation expense, amortization expense of acquired intangible assets, settlement costs, acquisition and other charges, restructuring and impairment charges, gain on investments in privately-held companies, non-operating foreign exchange gains and losses, and income tax effects and adjustments because it enhances investors' ability to understand our business from the same perspective as management, which believes that such items are not directly attributable to nor reflect the underlying performance of the company's business operations. Further, management believes certain non-cash charges such as share-based compensation, 6 amortization of acquired intangible assets, impairment charges, changes related to the utilization of deferred taxes and the net impact on the company's tax provision for non-GAAP adjustments do not reflect the cash operating results of the business. These measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results. These non-GAAP measures may be different than the non-GAAP measures used by other companies. A reconciliation of GAAP to non-GAAP condensed consolidated statements of operations is also presented in the financial statements portion of this release and is posted under the "Investor Relations" section on our website.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

All statements included or incorporated by reference in this release, other than statements or characterizations of historical fact, are forward-looking statements, statements related to trends in the market for our solutions and services, opportunities for our company in 2019 and beyond, future product capabilities and the acquisition of Mellanox by NVIDIA. These forward-looking statements are based on our current expectations, estimates and projections about our industry and business, management's beliefs and certain assumptions made by us, all of which are subject to change.

Forward-looking statements can often be identified by words such as "projects," "anticipates," "expects," "intends," "plans," "predicts," "believes," "seeks," "estimates," "may," "will," "should," "would," "could," "potential," "continue," "ongoing," similar expressions and variations or negatives of these words. These forward-looking statements are not guarantees of future results and are subject to risks, uncertainties and assumptions that could cause our actual results to differ materially and adversely from those expressed in any forward-looking statement. The risks and uncertainties that could cause our results to

differ materially from those expressed or implied by such forward-looking statements include the continued expansion of our product line, customer base and the total available market of our products, the continued growth in demand for our products, the continued, increased demand for industry standards-based technology, our ability to react to trends and challenges in our business and the markets in which we operate, our ability to anticipate market needs or develop new or enhanced products to meet those needs, the adoption rate of our products, our ability to establish and maintain successful relationships with our OEM partners, our ability to effectively compete in our industry, fluctuations in demand, sales cycles and prices for our products and services, our success converting design wins to revenue-generating product shipments, the continued launch and volume ramp of large customer sales opportunities, our ability to protect our intellectual property rights, our ability to successfully acquire businesses and technologies and to successfully integrate and operate these acquired businesses, our success in realizing the anticipated benefits of mergers and acquisitions, and our ability to obtain debt at competitive rates or in sufficient amounts in order to fund our contractual commitments. Furthermore, the majority of our quarterly revenue are derived from customer orders received and fulfilled in the same quarterly period. We have limited visibility into actual end-user demand as such demand impacts us and our OEM customer inventory balances in any given quarter. Consequently, this introduces risk and uncertainty into our revenue and production forecasts and business planning and could negatively impact our financial results. In addition, current uncertainty in the global economic environment poses a risk to the overall economy as businesses may defer purchases in response to tighter credit conditions, changing overall demand for our products, and negative financial news. Consequently, our results could differ materially from our prior results due to these general economic and market conditions, political events and other risks and uncertainties described more fully in our documents filed with or furnished to the Securities and Exchange Commission. Additionally, there are risks, uncertainties and assumptions in connection with the proposed transaction with NVIDIA including, (i) the risk that the proposed transaction may not be completed in a timely manner or at all, which may adversely affect Mellanox's business and the price of the ordinary shares of Mellanox, (ii) the failure to satisfy any of the conditions to the consummation of the proposed transaction, including the approval of the merger agreement by the shareholders of Mellanox and the receipt of certain governmental and regulatory approvals, (iii) the occurrence of any event, change or other circumstance that could give rise to the termination of the merger agreement, (iv) the effect of the announcement or pendency of the proposed transaction on Mellanox's business relationships, operating results and business generally, (v) risks that the proposed transaction disrupts current plans and operations and the potential difficulties in employee retention as a result of the proposed transaction, (vi) risks related to diverting management's attention from Mellanox's ongoing business operations, (vii) the outcome of any legal proceedings that may be instituted against us related to the merger agreement or the proposed transaction; and (viii) unexpected costs, charges or expenses resulting from the proposed transaction.

More information about the risks, uncertainties and assumptions that may impact our business is set forth in our annual report on Form 10-K filed with the SEC on February 22, 2019. All forward-looking statements in this press release, are based on information available to us as of the date hereof, and we assume no obligation to update these forward-looking statements.

Amounts reported in this release are preliminary and subject to finalization prior to the filing of our next Quarterly Report on Form 10-Q.

Mellanox is a registered trademark of Mellanox Technologies, Ltd. All other trademarks are property of their respective owners.

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