

Voltaire Announces First Quarter 2009 Financial Results

BILLERICA, Mass. and RA'ANANA, Israel – May 6, 2009 – Voltaire Ltd. (NASDAQ: VOLT), a leading provider of scale-out data center fabrics, today announced financial results for the three-month period ended March 31, 2009.

Main Highlights

- Revenues total \$7.7 million
- Gross margin increases to 56.7%
- Cash, cash equivalents and marketable securities at March 31, 2009 total \$54.8 million
- Reiterates annual 2009 revenue guidance of around \$50 million with gross margin in the range of 50-55%
- Unveils 10 Gigabit Ethernet architecture for scale-out data centers, expected to substantially increase addressable market

Financial Results

Revenues for the first quarter of 2009 totaled \$7.7 million, compared to \$16.6 million in the first quarter of 2008.

Gross profit for the first quarter of 2009 totaled \$4.4 million, compared to \$6.0 million in the first quarter of 2008.

Gross margin for the first quarter of 2009 reached 56.7%, compared to 36.1% gross margin for the first quarter of 2008. On a non-GAAP basis gross margin increased to 56.8% compared to 48.6% in the first quarter of 2008.

Operating expenses for the quarter, on both a GAAP and non-GAAP basis, included a provision for a specific doubtful debt of \$1.7 million

On a GAAP basis, operating loss for the first quarter of 2009 totaled \$5.9 million, compared to operating loss of \$2.4 million in the first quarter of 2008. Net loss for the first quarter of 2009 totaled \$6.1 million, or \$0.29 per share, compared to net loss of \$2.1 million, or \$0.10 per share, in the first quarter of 2008.

On a non-GAAP basis, operating loss for the first quarter of 2009 totaled \$5.4 million, compared to non-GAAP operating income of \$0.1 million in the first quarter of 2008. Net loss, on a non-GAAP basis, for the first quarter of 2009 totaled \$5.5 million, or \$0.26 per share, compared to non-GAAP net income of \$0.4 million, or \$0.02 per diluted share, in the first quarter of 2008.

Cash, cash equivalents, and marketable bonds and securities as of March 31, 2009, totaled \$54.8 million, compared to \$55.8 million as of December 31, 2008.

Mr. Ronnie Kenneth, Chairman and CEO of Voltaire commented, "During the first quarter of 2009, seasonally our weakest quarter of the year, we continued to navigate through challenging market dynamics and a fluctuating economy. The commercial verticals – primarily financial services, energy and telecom – drove a significant portion of our revenues. Conversely, in our traditional HPC verticals, we witnessed a substantial decline in revenues as many of these end-customers chose to wait for the availability of next generation processor technology, released only at the very end of the quarter. This technology, combined with our 40 Gb/s InfiniBand switches, offers substantial gains in performance and efficiency.

Now that this technology is available, we are seeing our pipeline of potential orders increasing at a faster pace than in recent quarters and are witnessing growing demand for our high port count 40 Gb/s switch and UFM management software which will become generally available later this quarter.

Furthermore, we believe that our upcoming 10 Gigabit Ethernet products, which will be available before the end of the year, open the door to new markets and expansion opportunities for Voltaire, increasing our addressable market from hundreds of millions of dollars to billions of dollars.

Looking ahead, we are optimistic and believe that we will meet our defined revenue targets for the year. We will continue to keep a tight rein on expenses, without compromising investment in product development or our long term growth prospects.”

Outlook

Management reiterates previously announced guidance, and expects revenues for the full year of 2009 to be around \$50 million. Gross margin for the year is expected to be in the range of 50-55%, while non-GAAP operating expense levels are expected to remain at a similar level to 2008.

Use of Non-GAAP Financial Measure

Voltaire reports its results of operations in accordance with GAAP and, additionally, on a non-GAAP basis. Non-GAAP operating income (loss) and non-GAAP net income (loss) are calculated based on the operating income (loss) or net income (loss) in Voltaire’s financial statements excluding (i) non-cash equity-based compensation charges recorded in accordance with SFAS 123R, and (ii) the \$2.1 million expense recorded in the first quarter of 2008 under cost of revenues for the one-time repayment of grants to the Office of the Israeli Chief Scientist. Reconciliation of this non-GAAP measure to operating income (loss) and net income (loss), the most comparable GAAP measures, is provided in the schedules attached to this release. Voltaire provides these non-GAAP financial measures because its management believes that they are useful in enhancing an understanding of Voltaire’s ongoing performance. Voltaire uses internally the Non-GAAP information to evaluate the Company’s ongoing performance. Voltaire is providing this information to investors to enable them to perform comparisons of operating results in a manner similar to how the Company analyzes its operating results.