January 8, 2017

Mellanox Technologies, Ltd.
Beit Mellanox
Yokneam, Israel 20692
Attn: Eyal Waldman, President and Chief Executive Officer

cc: Board of Directors

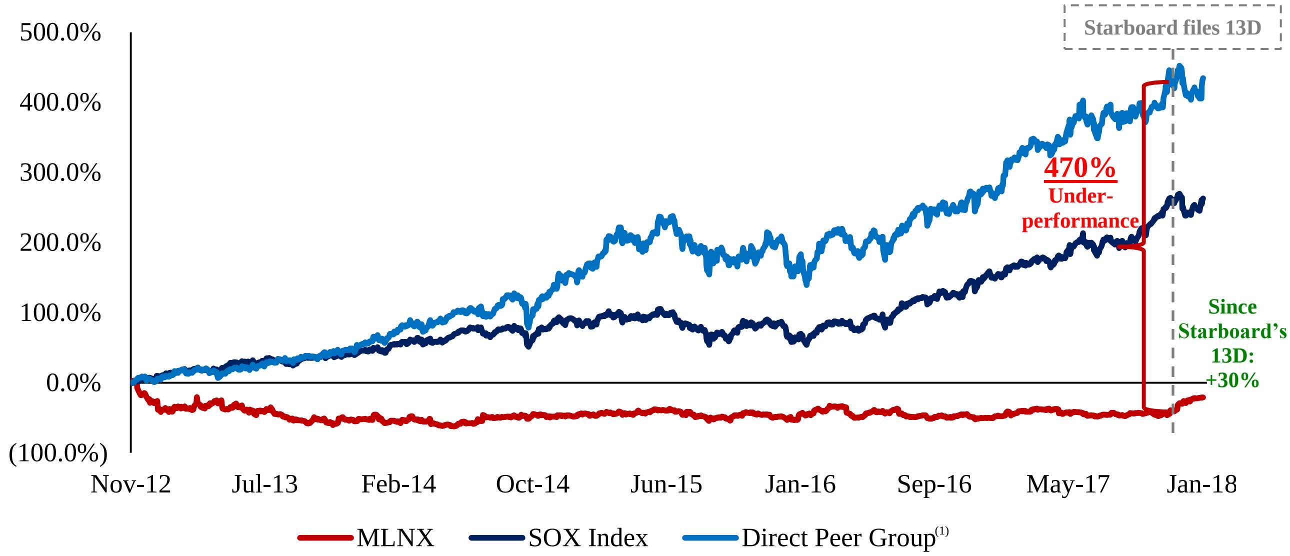
Dear Eyal,

As you know, Starboard Value LP (together with its affiliates, "Starboard") currently has a beneficial ownership interest of approximately 10.7% of the outstanding common stock of Mellanox Technologies, Ltd. ("Mellanox" or the "Company"), making us the Company's largest shareholder. We appreciate the ongoing dialogue we have had over the last two months with you and certain members of the Board of Directors (the "Board") and hope to continue to have constructive discussions. At this time, and in light of the Company's recently announced financial guidance for 2018, we felt it would be helpful and important for us to outline for you and the Board, as well as all other shareholders, our current views on Mellanox and the significant opportunities for value creation we see in 2018 and beyond.

Starboard has a long and successful history of investing in underperforming companies in the semiconductor industry and helping these companies to drive significant operational, financial, and strategic improvements. As we have discussed with you, we have tremendous respect for the business you have built at Mellanox. We invested in Mellanox because we believe the Company is deeply undervalued and there are significant opportunities to create value based on actions within the control of management and the Board. Mellanox has a highly differentiated product set and a leading market position in a number of key verticals. The Company's technology leadership position is apparent and clearly demonstrated through its industry-leading gross margins.

Unfortunately, despite an extremely strong product and technology portfolio, Mellanox has been one of the worst performing semiconductor companies for an extended period of time. As shown below, prior to our involvement, the Company dramatically underperformed the peer group and the broader semiconductor industry over the past 1, 3, and 5 years. In fact, in the 5 years prior to Starboard's Schedule 13D filed with the Securities and Exchange Commission on November 20, 2017, disclosing our substantial ownership position, Mellanox underperformed the peer group and the Philadelphia Stock Exchange Semiconductor (SOX) Index by 470% and 300%, respectively. Since Starboard filed its Schedule 13D, Mellanox has outperformed its peers and the SOX index by almost 30%, which we believe is largely a reflection of investor enthusiasm for potential changes as a result of our involvement.

Five Year Stock Price Performance

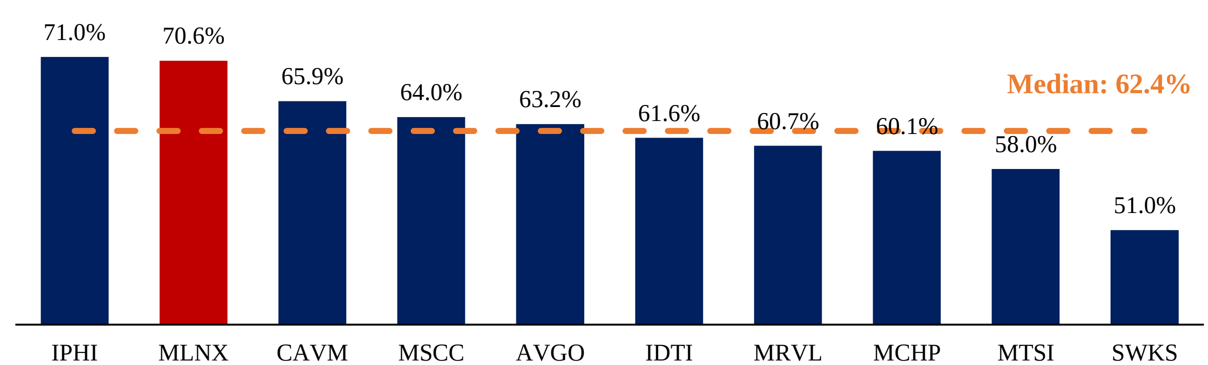


Source: Capital IQ. Market data as of January 4, 2018. Prices adjusted for dividends.
(1) Direct Peer Group includes IPHI, CAVM, MSCC, AVGO, IDTI, MRVL, MCHP, MTSI, SWKS.

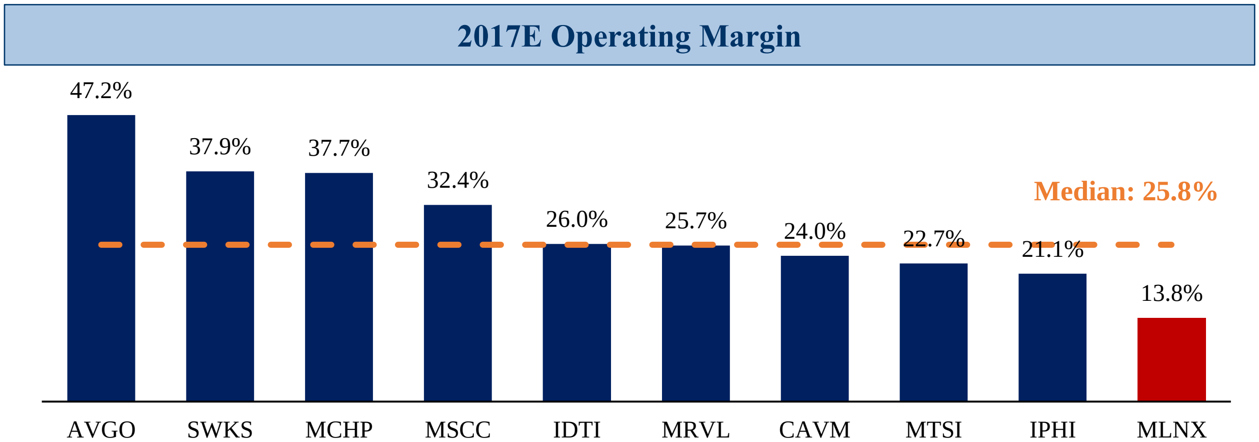
This consistent underperformance is troubling and puzzling, given both the strong performance of Mellanox's peers and the tailwinds provided by the Company's favorable exposure to many of the most attractive end markets in the industry: high-performance computing, cloud computing, hyperscale data centers, and artificial intelligence. This underperformance has led to a crisis of confidence among investors and has contributed to Mellanox trading at a meaningful discount to its peers. We believe that this poor stock price performance has been driven by a pattern of weak execution that has included both excessive spending and missed growth opportunities.

Looking at margins, Mellanox is one of the few fabless semiconductor companies that has been able to achieve gross margins in excess of 70%. Despite this enviable position, Mellanox has one of the lowest operating margins of any fabless semiconductor company of reasonable scale.

2017E Gross Margin



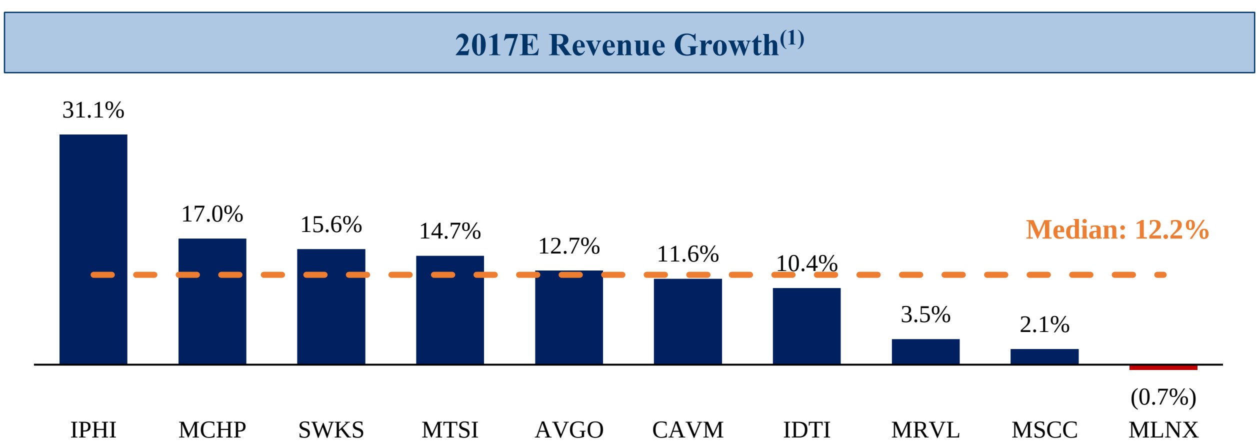
Source: Capital IQ, Bloomberg. Market data as of January 4, 2018. Estimates reflect consensus estimates, which are typically based on non-GAAP metrics.



Source: Capital IQ, Bloomberg. Market data as of January 4, 2018. Estimates reflect consensus estimates, which are typically based on non-GAAP metrics.

In fact, the gap between gross margin and operating margin is among the highest we have ever seen for a semiconductor company. This is driven by what appears to be excessive spending in both R&D and SG&A. As detailed in the accompanying slides, over the last twelve months Mellanox's R&D expenditures as a percentage of revenue were 42%, compared to the peer median of 22%. On SG&A, Mellanox spent 24% of revenue versus the peer median of 17%. It is critical to appreciate that Mellanox is not just slightly worse than peers on these key metrics, it is completely out of line with the peer group.

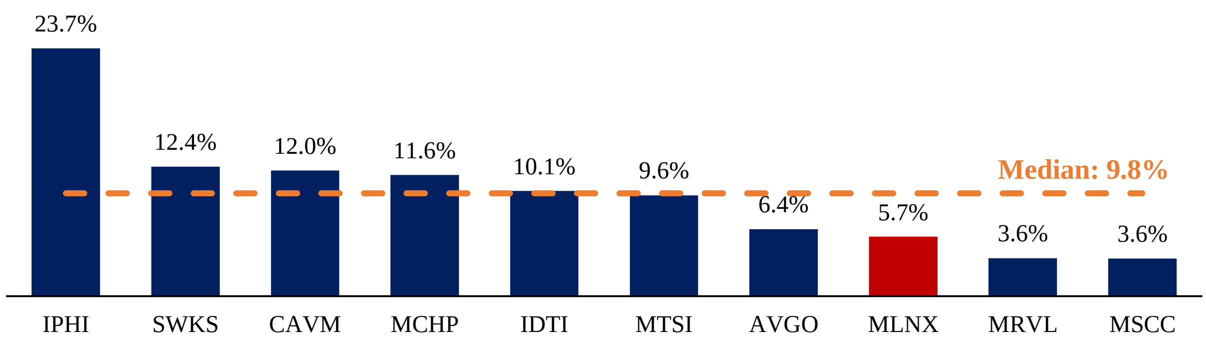
While Mellanox's level of R&D spending would be hard to justify under any circumstances, shareholders would expect that level of expense over a multi-year period to at least generate above-average revenue growth. However, as shown in the charts below, despite spending among the highest percentage of revenue on R&D in the peer group for a number of years now, Mellanox's organic growth rate for 2017 will be the absolute worst of its direct peers. Even after accounting for the Company's recently committed expectation of growth for 2018, Mellanox's multi-year organic growth rate will remain at the low end of the peer group.



Source: Capital IQ, Bloomberg. Market data as of January 4, 2018.

(1) CY2017E revenue estimates based on analyst consensus estimates per Bloomberg. Adjusted to account for effects of acquisitions and divestitures during 2016-2017 to measure organic growth.

2016 – 2018E Revenue CAGR(1)



Source: Capital IQ, Bloomberg. Market data as of January 4, 2018.

(1) CY2018E revenue estimates based on analyst consensus estimates per Bloomberg. Adjusted to account for effects of acquisitions and divestitures during 2016-2017 to measure organic growth.

Despite these glaring and obvious issues, it seems that until the disclosure of our involvement in Mellanox, there was no intent to change strategy or shift focus towards a better balance of investing for growth while delivering reasonable profitability. It now appears that due to our involvement and other external pressures, you and the Board recognize there is a problem. However, while the new targets for 2018 that were disclosed in December represent a modest improvement, we remain concerned that these commitments are merely reactionary, and, even if these new goals are achieved, do not come close to addressing the magnitude of the problem.

Moreover, given Mellanox's extended history of underperformance and missed expectations, we believe that the Company lacks sufficient credibility to convince shareholders that it will hit even these modest targets. As shown on slides 8 and 9 of the accompanying presentation, Mellanox has unfortunately stood out among its peers by missing consensus expectations on revenue and/or EPS in each of the previous four quarters while also repeatedly taking down its revenue guidance and pushing out expectations for new product launches.

Even more concerning, this pattern of missing expectations has come during a time when almost every other semiconductor company has repeatedly beaten expectations and raised guidance. When combined with years of poor stock price and operational performance, how can shareholders have confidence that this time is different? How can shareholders have confidence that Mellanox will suddenly go from missing expectations to beating them?

We are also concerned that the targets outlined for 2018 are solely reliant on revenue growth to drive operating margin expansion, adding additional risk to the plan. As shown in the table below, when analyzing the Company's new margin targets in the context of the new growth expectations you provided, it appears that the margin targets for 2018 do not actually imply any reduction in operating expenses. For example, if Mellanox grows 2018 revenue 14.5% year-over-year, per the Company's "low-to-mid-teens" guidance, and achieves the targeted 68-69% gross margin, the Company should achieve an almost 19% operating margin simply by keeping expenses flat. Thus, it appears that the 2018 operating margin target of "high teens" for 2018 actually implies that operating expenses will be flat or increase, albeit at a slower rate than expected revenue growth. Given the Company's historical failures to achieve stated revenue growth objectives, we believe there is material risk to this plan given its heavy reliance on revenue growth as the primary lever to drive operating margin improvements.

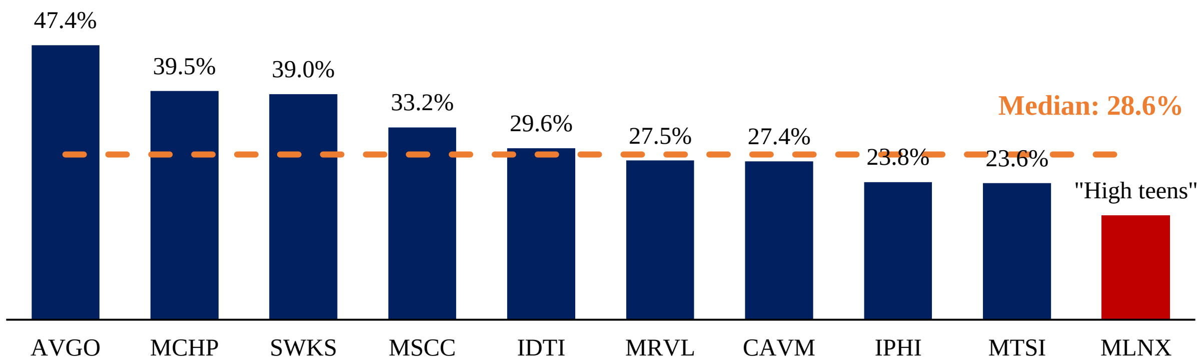
2017E to 2018E Operating Margin Bridge Assuming Flat OpEx

($ in millions)	**2017E Consensus**
Revenue	$861.5
Operating Income	$118.6
Operating Margin	*13.8%*
($ in millions)	**2018E**
Revenue	$986.4
Growth - Mgmt Guidance	*14.5%*
Incremental Revenue	$124.9
Gross Margin - Mgmt Guidance	*68.5%*
Incremental Gross Profit	$85.6
2017E Operating Income	$118.6
Plus: Incremental Gross Profit	$85.6
Less: GM Compression on 2017 Revenue	($18.0)
Implied 2018 Operating Income Assuming Flat OpEx	**$186.1**
Implied 2018 Operating Margin	***18.9%***
Mellanox's 2018 Target	***"High Teens"***

Source: Bloomberg, Capital IQ. 2018 Management Guidance reflects targets presented in Investor Presentation released on December 7, 2017.

Further, we are concerned that Mellanox has set the bar far too low. For example, even if the 2018 targets are achieved, Mellanox would *still* be expected to come in dead last among the peer group in terms of operating margins.

2018E Operating Margin



Source: Capital IQ, Bloomberg. Market data as of January 4, 2018. Estimates reflect consensus estimates, which are typically based on non-GAAP metrics.

Looking forward, we have severe concerns regarding the Company's recently announced plan – we do not believe that it goes nearly far enough to address the magnitude of the problem and there remains significant skepticism about whether the Company can hit even these modest targets.

Our goal is for Mellanox to create substantial value for the benefit of all shareholders. However, the time for fringe changes and marginal improvements has long passed. Given the significant and continuing underperformance at Mellanox, and the high level of frustration among the shareholder base, the Company's recently announced targets are not nearly enough to offset years of poor performance and missed expectations.

As we have discussed, we remain open to working with you to help drive significant improvements in operating and financial performance at Mellanox. Starboard has a long and successful history of working with companies in the semiconductor industry to drive significant value creation for the benefit of all shareholders. We believe there is a tremendous opportunity at Mellanox, but it will require substantial change, well beyond just the Company's recently announced 2018 targets.

Our focus is on ensuring that the best interests of all shareholders are being represented. We remain available to speak with you and members of the Board to discuss these topics further.

Best Regards,

Peter A. Feld
Managing Member
Starboard Value LP