

Radware Ltd. Condensed Consolidated Balance Sheets (U.S. Dollars in thousands)

	December 31, 2017	December 31, 2016
A	(Unaudited)	(Unaudited)
Assets		
Current assets		
Cash and cash equivalents	65,237	79,639
Available-for-sale marketable securities	42,573	20,452
Short-term bank deposits	93,151	125,995
Trade receivables, net	16,150	19,407
Other receivables and prepaid expenses	12,252	4,159
Inventories	18,772	17,114
	248,135	266,766
Long term investments		
Long-term investments Available-for-sale marketable securities	54,427	74,967
Long-term bank deposits	88,911	19,092
Severance pay funds	3,251	2,597
Severance pay runus	146,589	96,656
Property and equipment, net	23,642	26,354
Intangible assets, net	10,415	2,399
Other long-term assets	8,133	8,092
Goodwill	32,174	30,069
Total assets	469,088	430,336
Liabilities and shareholders' equity		
Current Liabilities		
Trade payables	5,367	5,971
Deferred revenues	69,829	53,061
Other payables and accrued expenses	32,174	26,232
Other payables and accided expenses	107,370	85,264
		05,204
Long-term liabilities		
Deferred revenues	43,482	31,100
Other long-term liabilities	2,880	14,209
	46,362	45,309
Shareholders' equity		
Share capital	673	663
Additional paid-in capital	349,250	325,338
Accumulated other comprehensive loss, net of tax	(443)	(20)
Treasury stock, at cost	(116,442)	(116,029)
Retained earnings	82,318	89,811
Total shareholders' equity	315,356	299,763
Tatal liabilities and shough aldered and '	460,000	420.226
Total liabilities and shareholders' equity	469,088	430,336

Radware Ltd. Condensed Consolidated Statements of Income (Loss) (U.S Dollars in thousands, except share and per share data)

	For the three months ended		For the year ended	
	December 31,		December 31,	
	(1 (2017	(1) = 2016	(1 2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	58,454	51,712	211,369	196,585
Cost of revenues	11,060	9,596	39,616	35,695
Gross profit	47,394	42,116	171,753	160,890
Operating expenses:				
Research and development, net	15,072	12,235	59,003	51,732
Selling and marketing	29,166	28,144	108,744	103,774
General and administrative	4,265	4,226	17,577	18,133
Other income	(6,900)	-	(6,900)	-
Total operating expenses	41,603	44,605	178,424	173,639
Operating income (loss)	5,791	(2,489)	(6,671)	(12,749)
Financial income, net	935	863	4,830	5,741
Income (loss) before taxes on income	6,726	(1,626)	(1,841)	(7,008)
Taxes on income	(4,605)	(507)	(5,652)	(1,651)
Net income (loss)	2,121	(2,133)	(7,493)	(8,659)
Basic net earnings (loss) per share	0.05	(0.05)	(0.17)	(0.20)
Weighted average number of shares used to compute basic net earnings	43,859,400	43,313,644	43,475,844	43,868,221
Diluted net earnings (loss) per share	0.05	(0.05)	(0.17)	(0.20)
Weighted average number of shares used to compute diluted net earnings	45,728,792	43,313,644	43,475,844	43,868,221

Radware Ltd.

Reconciliation of GAAP to Non-GAAP Financial Information (U.S Dollars in thousands, except share and per share data)

Management Man		For the three months ended December 31,		For the year ended	
				December 31, 2017 2016	
Stock-based compensation					(Unaudited)
Amortization of intangible assets 86 254 1.137 1.00 Acquisition costs 550 - 55	GAAP gross profit	47,394	42,116	171,753	160,890
Acquisition costs 550	Stock-based compensation			241	180
Non-GAAP gross profit 48,090					1,014
SAP research and development, net 15,072 12,235 59,003 51,7	•				-
Sinch-based compensation	Non-GAAP gross profit	48,090	42,422	173,681	162,084
Stock-based compensation 984 988 3.867 3.31 3.00 3.	CAAD research and development not	45.072	42.225	50.003	F4 722
Acquisition costs 204 - 204 - 204 - 204 - 204 - 205 -					
Non-GAAP Research and development, net 13,884 11,287 54,932 48,25 48,25 48,25 48,25 48,25 48,25 48,25 48,25 48,26	·		-		-
APP selling and marketing 29,166 28,144 108,744 103, 5tock-based compensation 1,717 1,743 6,894 5,64 5,64 4,000 1,1756 58,000 5,64 5,65 5,64 5,65 5,64 5,65 5,64 5,65 5,65 5,64 5,65	·		11.287		48,393
Stock-based compensation	, , , , , , , , , , , , , , , , , , ,				
Annortzation of intangible assets 24 26 94 10 Non-GAAP selling and marketing 27,425 26,375 101,756 98,0 GAAP general and administrative 4,265 4,226 17,577 18,1 Stock-based compensation 456 478 2,029 2,3 Acquisition costs -	GAAP selling and marketing	29,166	28,144	108,744	103,774
Non-GAAP selling and marketing 27,425 26,375 101,756 98,0	Stock-based compensation	1,717	1,743	6,894	5,661
Apple	Amortization of intangible assets	24	26	94	105
Stock-based compensation 456 478 2,029 2,33	Non-GAAP selling and marketing	27,425	26,375	101,756	98,008
Stock-based compensation 456 478 2,029 2,33 Acquisition costs 76 784 2,052 4,22 Non-GAAP general and administrative 3,733 2,964 13,156 11,5 GAAP other income (6,900) -					
Acquisition costs 76					18,133
Litigation costs 76	·	456			2,340
Non-GAAP general and administrative 3,733 2,964 13,156 11,56 11,56	•	-			-
Court verdict					4,270
Court verdict	NON-GAAP general and administrative	3,733	2,964	13,156	11,523
Court verdict (6,900) - (6,900) - Non-GAAP other income - - - - GAAP total operating expenses 41,603 44,605 178,424 173,4 Stock-based compensation 3,157 3,169 12,790 11,3 Acquisition costs 204 - 544 - Amortization of intangible assets 24 26 94 10 Utigation costs 76 784 2,052 44,25 Court verdict (6,900) - (6,900) - GAAP operating income (loss) 5,791 (2,489) (6,671) (12,7 Stock-based compensation 3,217 3,221 13,031 11,5 Acquisition costs 754 - 1,094 - Amortization of intangible assets 110 280 1,231 1,1 Court verdict (6,900) - (6,900) - Non-GAAP operating income 3,048 1,796 3,837 4,1	GAAP other income	(6,000)		(6,000)	
Non-GAAP other income			-		-
GAAP total operating expenses		(0,300)		(0,500)	
Stock-based compensation 3,157 3,169 12,790 11,3 Acquisition costs 204 - 544 - Amortization of intangible assets 24 26 94 10 Uitigation costs 76 784 2,052 4,25 Court verdict (6,900) - (6,900) - Non-GAAP total operating expenses 45,042 40,626 169,844 157,52 GAAP operating income (loss) 5,791 (2,489) (6,671) (12,7 Stock-based compensation 3,217 3,221 13,031 11,5 Acquisition costs 754 - 1,094 - Amortization of intangible assets 110 280 1,231 1,1 Litigation costs 76 784 2,052 4,2 Court verdict (6,900) - (6,900) - SAP finance income 935 863 4,830 5,7 Stock-based compensation 3,217 3,221 13,031 11,5 <td>NOT GAST GATE ITHOUGH</td> <td></td> <td></td> <td></td> <td></td>	NOT GAST GATE ITHOUGH				
Stock-based compensation 3,157 3,169 12,790 11,3 Acquisition costs 204 - 544 - Amortization of intangible assets 24 26 94 10 Litigation costs 76 784 2,052 4,25 Court verdict (6,900) - (6,900) - Non-GAAP total operating expenses 45,042 40,626 169,844 157,52 GAAP operating income (loss) 5,791 (2,489) (6,671) (12,7 Stock-based compensation 3,217 3,221 13,031 11,5 Acquisition costs 754 - 1,094 - Amortization of intangible assets 110 280 1,231 1,11 Litigation costs 76 784 2,052 4,22 Court verdict (6,900) - (6,900) - GAAP finance income 935 863 4,830 5,74 Stock-based compensation 3,217 3,221 13,031 11,	GAAP total operating expenses	41,603	44.605	178 424	173,639
Acquisition costs 204 - 544 - Amortization of intangible assets 24 26 94 10 Litigation costs 76 784 2,052 4,22 Court verdict (6,900) - (6,900) - Non-GAAP total operating expenses 45,042 40,626 169,844 157,8 GAAP operating income (loss) 5,791 (2,489) (6,671) (12,7 Stock-based compensation 3,217 3,221 13,031 11,5 Acquisition costs 754 - 1,094 - Amortization of intangible assets 110 280 1,231 1,1 Litigation costs 76 784 2,052 4,2 Court verdict (6,900) - (6,900) - Non-GAAP operating income 3,048 1,796 3,837 4,1 GAAP finance income 935 863 4,830 5,74 Exchange rate differences, net on balance sheet items included in financial income 558 <t< td=""><td></td><td></td><td></td><td></td><td>11,340</td></t<>					11,340
Amortization of intangible assets 24 26 94 10 Litigation costs (6,900) - (6,	·				
Litigation costs 76 784 2,052 4,25 Court verdict (6,900) - (6,900) - Non-GAAP total operating expenses 45,042 40,626 169,844 157,55 GAAP operating income (loss) 5,791 (2,489) (6,671) (12,7 Stock-based compensation 3,217 3,221 13,031 11,5 Acquisition costs 754 - 1,094 - Amortization of intangible assets 110 280 1,231 1,11 Litigation costs 76 784 2,052 4,22 Court verdict (6,900) - (6,900) - Non-GAAP operating income 3,048 1,796 3,837 4,14 GAAP finance income 935 863 4,830 5,74 Exchange rate differences, net on balance sheet items included in financial income 558 341 635 67 RAQuisition costs 754 - 1,094 - - 4 4 2,052			26		105
Non-GAAP total operating expenses		76	784		4,270
GAAP operating income (loss) 5,791 (2,489) (6,671) (12,7 Stock-based compensation 3,217 3,221 13,031 11,5 Stock-based compensation 3,217 3,221 13,031 11,5 Stock-based compensation 110 280 1,231 1,11 Stock-based compensation 1,094 - 1,094 - 4,21 Stock-based compensation 1,090 - (6,900)	Court verdict	(6,900)	-	(6,900)	-
Stock-based compensation 3,217 3,221 13,031 11,5 Acquisition costs 754 - 1,094 - Amortization of intangible assets 110 280 1,231 1,13 Litigation costs 76 784 2,052 4,22 Court verdict (6,900) - (6,900) - Non-GAAP operating income 3,048 1,796 3,837 4,11 GAAP finance income 935 863 4,830 5,76 Exchange rate differences, net on balance sheet items included in financial income 558 341 635 67 Non-GAAP finance income 6,726 (1,626) (1,841) (7,00 Stock-based compensation 3,217 3,221 13,031 11,5 Acquisition costs 754 - 1,094 - Amortization of intangible assets 110 280 1,231 1,11 Litigation costs 76 784 2,052 4,27 Court verdict (6,900) - <td>Non-GAAP total operating expenses</td> <td>45,042</td> <td>40,626</td> <td>169,844</td> <td>157,924</td>	Non-GAAP total operating expenses	45,042	40,626	169,844	157,924
Stock-based compensation 3,217 3,221 13,031 11,5 Acquisition costs 754 - 1,094 - Amortization of intangible assets 110 280 1,231 1,13 Litigation costs 76 784 2,052 4,22 Court verdict (6,900) - (6,900) - Non-GAAP operating income 3,048 1,796 3,837 4,11 GAAP finance income 935 863 4,830 5,76 Exchange rate differences, net on balance sheet items included in financial income 558 341 635 67 Non-GAAP finance income 6,726 (1,626) (1,841) (7,00 Stock-based compensation 3,217 3,221 13,031 11,5 Acquisition costs 754 - 1,094 - Amortization of intangible assets 110 280 1,231 1,11 Litigation costs 76 784 2,052 4,27 Court verdict (6,900) - <td></td> <td></td> <td></td> <td></td> <td></td>					
Acquisition costs 754 - 1,094 - Amortization of intangible assets 110 280 1,231 1,11 1,11 1,11 1,11 1,11 1,11 1,1	GAAP operating income (loss)	5,791	(2,489)	(6,671)	(12,749)
Amortization of intangible assets 110 280 1,231 1,11 1,11 1,11 1,11 1,11 1,11 1,1	·				11,520
Litigation costs 76 784 2,052 4,27 Court verdict (6,900) - (6,900) - Non-GAAP operating income 3,048 1,796 3,837 4,160 GAAP finance income 935 863 4,830 5,74 Exchange rate differences, net on balance sheet items included in financial income 558 341 635 67 Non-GAAP finance income 1,493 1,204 5,465 6,42 GAAP income (loss) before taxes on income 6,726 (1,626) (1,841) (7,00 Stock-based compensation 3,217 3,221 13,031 11,5 Acquisition costs 754 - 1,094 - Amortization of intangible assets 110 280 1,231 1,11 Litigation costs 76 784 2,052 4,22 Court verdict (6,900) - (6,900) - Exchange rate differences, net on balance sheet items included in financial income 558 341 635 67 <					-
Court verdict (6,900) - (6,900) - Non-GAAP operating income 3,048 1,796 3,837 4,11 GAAP finance income 935 863 4,830 5,74 Exchange rate differences, net on balance sheet items included in financial income 558 341 635 67 Non-GAAP finance income 1,493 1,204 5,465 6,42 GAAP income (loss) before taxes on income 6,726 (1,626) (1,841) (7,00 Stock-based compensation 3,217 3,221 13,031 11,5 Acquisition costs 754 - 1,094 - Amortization of intangible assets 110 280 1,231 1,1 Litigation costs 76 784 2,052 4,23 Court verdict (6,900) - (6,900) - Exchange rate differences, net on balance sheet items included in financial income 558 341 635 67 Non-GAAP income before taxes on income 4,541 3,000 9,302 10,5					1,119
Non-GAAP operating income 3,048 1,796 3,837 4,165	=				4,270
GAAP finance income Exchange rate differences, net on balance sheet items included in financial income 558 341 635 67. 67. 67. 635 67. 67. 67. 67. 67. 67. 67. 67. 67. 67.					-
Exchange rate differences, net on balance sheet items included in financial income 558 341 635 67-75 Non-GAAP finance income 1,493 1,204 5,465 6,42 GAAP income (loss) before taxes on income 6,726 (1,626) (1,841) (7,00 Stock-based compensation 3,217 3,221 13,031 11,5 Acquisition costs 754 - 1,094 - Amortization of intangible assets 110 280 1,231 1,13 Litigation costs 76 784 2,052 4,27 Court verdict (6,900) - (6,900) - Exchange rate differences, net on balance sheet items included in financial income 558 341 635 67 Non-GAAP income before taxes on income 4,541 3,000 9,302 10,5 GAAP taxes on income (4,605) (507) (5,652) (1,652) Change in the federal rate 3,249 - 3,249 - 3,249 -	Non-GAAP operating income	3,048	1,796	3,837	4,160
Exchange rate differences, net on balance sheet items included in financial income 558 341 635 67-75 Non-GAAP finance income 1,493 1,204 5,465 6,42 GAAP income (loss) before taxes on income 6,726 (1,626) (1,841) (7,00 Stock-based compensation 3,217 3,221 13,031 11,5 Acquisition costs 754 - 1,094 - Amortization of intangible assets 110 280 1,231 1,13 Litigation costs 76 784 2,052 4,27 Court verdict (6,900) - (6,900) - Exchange rate differences, net on balance sheet items included in financial income 558 341 635 67 Non-GAAP income before taxes on income 4,541 3,000 9,302 10,5 GAAP taxes on income (4,605) (507) (5,652) (1,652) Change in the federal rate 3,249 - 3,249 - 3,249 -	CAAR finance income	025	963	4 920	E 7/11
Non-GAAP finance income 1,493 1,204 5,465 6,43 GAAP income (loss) before taxes on income 6,726 (1,626) (1,841) (7,00 Stock-based compensation 3,217 3,221 13,031 11,5 Acquisition costs 754 - 1,094 - Amortization of intangible assets 110 280 1,231 1,13 Litigation costs 76 784 2,052 4,23 Court verdict (6,900) - (6,900) - Exchange rate differences, net on balance sheet items included in financial income 558 341 635 67 Non-GAAP income before taxes on income 4,541 3,000 9,302 10,5 GAAP taxes on income (4,605) (507) (5,652) (1,605) Change in the federal rate 3,249 - 3,249 - 3,249					
GAAP income (loss) before taxes on income 6,726 (1,626) (1,841) (7,000 stock-based compensation 3,217 3,221 13,031 11,500 Acquisition costs 754 - 1,094 - 1,094 - 1,095 11					6,415
Stock-based compensation 3,217 3,221 13,031 11,5 Acquisition costs 754 - 1,094 - Amortization of intangible assets 110 280 1,231 1,1: Litigation costs 76 784 2,052 4,2: Court verdict (6,900) - (6,900) - Exchange rate differences, net on balance sheet items included in financial income 558 341 635 67. Non-GAAP income before taxes on income 4,541 3,000 9,302 10,5 GAAP taxes on income (4,605) (507) (5,652) (1,65) Change in the federal rate 3,249 - 3,249 -	Non-OAA Illiance income	1,433	1,204	3,403	0,413
Stock-based compensation 3,217 3,221 13,031 11,5 Acquisition costs 754 - 1,094 - Amortization of intangible assets 110 280 1,231 1,1: Litigation costs 76 784 2,052 4,2: Court verdict (6,900) - (6,900) - Exchange rate differences, net on balance sheet items included in financial income 558 341 635 67. Non-GAAP income before taxes on income 4,541 3,000 9,302 10,5 GAAP taxes on income (4,605) (507) (5,652) (1,65) Change in the federal rate 3,249 - 3,249 -	GAAP income (loss) before taxes on income	6.726	(1.626)	(1.841)	(7,008)
Acquisition costs 754 - 1,094 - Amortization of intangible assets 110 280 1,231 1,13 Litigation costs 76 784 2,052 4,23 Court verdict (6,900) - (6,900) - Exchange rate differences, net on balance sheet items included in financial income 58 341 635 67 Non-GAAP income before taxes on income 4,541 3,000 9,302 10,5 GAAP taxes on income (4,605) (507) (5,652) (1,65 Change in the federal rate 3,249 - 3,249 -					11,520
Amortization of intangible assets 110 280 1,231 1,12 Litigation costs 76 784 2,052 4,22 Court verdict (6,900) - (6,900) - Exchange rate differences, net on balance sheet items included in financial income 558 341 635 67 Non-GAAP income before taxes on income 4,541 3,000 9,302 10,5 GAAP taxes on income (4,605) (507) (5,652) (1,68 Change in the federal rate 3,249 - 3,249 -	· · · · · · · · · · · · · · · · · · ·				-
Court verdict (6,900) - (0,900) - Exchange rate differences, net on balance sheet items included in financial income 558 341 635 67 Non-GAAP income before taxes on income 4,541 3,000 9,302 10,5 GAAP taxes on income (4,605) (507) (5,652) (1,65 Change in the federal rate 3,249 - 3,249 -	•	110	280		1,119
Exchange rate differences, net on balance sheet items included in financial income 558 341 635 67 Non-GAAP income before taxes on income 4,541 3,000 9,302 10,5 GAAP taxes on income (4,605) (507) (5,652) (1,63 Change in the federal rate 3,249 - 3,249 -	Litigation costs	76	784		4,270
Non-GAAP income before taxes on income 4,541 3,000 9,302 10,5 GAAP taxes on income (4,605) (507) (5,652) (1,682) Change in the federal rate 3,249 - 3,249 -	Court verdict	(6,900)	-	(6,900)	-
GAAP taxes on income (4,605) (507) (5,652) (1,655 Change in the federal rate 3,249 - 3,249 -		558			674
Change in the federal rate 3,249 - 3,249 -	Non-GAAP income before taxes on income	4,541	3,000	9,302	10,575
Change in the federal rate 3,249 - 3,249 -					
· · · · · · · · · · · · · · · · · · ·					(1,651)
724	<u> </u>		-		-
Court verdict 724 - 724 - Non-GAAP taxes on income (632) (507) (1,679) (1,65)			(507)		(1.651)
Non-GAAP taxes on income (632) (507) (1,679) (1,659)	Non-GAAP taxes on Income	(632)	(507)	(1,679)	(1,651)
GAAP net income (loss) 2,121 (2,133) (7,493) (8,65	GAAP net income (loss)	2 121	(2.133)	(7.493)	(8,659)
					11,520
	·				-
			280		1,119
					4,270
	Exchange rate differences, net on balance sheet items included in financial income	558	341		674
Change in the federal rate 3,249 - 3,249 -	Change in the federal rate	3,249	-	3,249	-
Court verdict (6,176) - (6,176) -					_
Non-GAAP net income <u>3,909</u> <u>2,493</u> <u>7,623</u> <u>8,92</u>	Non-GAAP net income	3,909	2,493	7,623	8,924
				_	
	- ' '				(0.20)
					0.26
Acquisition costs 0.02 - 0.02 -	· · · · · · · · · · · · · · · · · · ·	0.02			-
<u> </u>	_	-			0.03
· ·	=	- 0.01			0.10 0.01
Exchange rate differences, net on balance sheet items included in financial income 0.01 0.01 0.01 0.01 0.00 0.00 0.00 0.0					0.01
Court verdict (0.14) - (0.14) -	=				-
					0.20
0.00 0.00 0.17 0.2	1.0.1. 0.1.1. Het carriings per unuteu shure	0.03	0.00	0.17	0.20

Radware Ltd. Condensed Consolidated Statements of Cash Flow (U.S. Dollars in thousands)

	For the three months ended December 31,		For the year ended December 31,	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash flow from operating activities:				
Net income (loss)	2,121	(2,133)	(7,493)	(8,659)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	2,567	2,663	11,234	10,372
Stock based compensation	3,217	3,221	13,031	11,520
Loss (gain) from sale of available-for-sale marketable securities	(18)	6	(18)	(1,771)
Amortization of premium, accretion of discounts and accrued interest on available-for-				
sale marketable securities, net	465	672	1,546	1,949
Accrued interest on bank deposits	(586)	1,633	226	1,179
Increase (decrease) in accrued severance pay, net	(430)	111	(210)	401
Decrease (increase) in trade receivables, net	(3,836)	1,939	3,390	7,003
Increase in other current assets, prepaid expenses and deferred income taxes, net	(8,258)	(1,542)	(7,879)	(1,804)
Increase in inventories	(48)	(302)	(1,658)	(792)
Increase (decrease) in trade payables	817	920	(734)	(3,284)
Increase in deferred revenues	11,119	11,143	28,781	12,964
ncrease (decrease) in other payables and accrued expenses	826	4,344	(8,753)	8,855
Excess tax benefit from stock-based compensation	-	473	-	547
Net cash provided by operating activities	7,956	23,148	31,463	38,480
Cash flows from investing activities:				
Purchase of property and equipment	(1,613)	(1,333)	(7,210)	(9,404)
Investment in other long-term assets, net	(18)	(53)	(6)	(53)
Proceeds from (investment in) bank deposits, net	-	29,586	(37,200)	31,295
Proceeds from (investment in) sale, redemption of and purchase of available-for-sale				
marketable securities ,net	(2,119)	(1,079)	(3,657)	6,521
Payment for acquisition of subsidiary, net of cash acquired	-	-	(8,269)	-
Net cash provided (used in) in investing activities	(3,750)	27,121	(56,342)	28,359
Cash flows from financing activities:				
Proceeds from exercise of stock options	7,501	1,253	10,890	1,583
Excess tax benefit from stock-based compensation	-	(473)	-	(547)
Repurchase of shares		(10,268)	(413)	(21,980)
Net cash provided by (used in) financing activities	7,501	(9,488)	10,477	(20,944)
Increase (decrease) in cash and cash equivalents	11,707	40,781	(14,402)	45,895
Cash and cash equivalents at the beginning of the period	53,530	38,858	79,639	33,744
Cash and cash equivalents at the end of the period	65,237	79,639	65,237	79,639