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

Assets (Undurted) (Undurted) Current assets Cash and cash equivalents 54,771 40,751 Available-for-sale marketable securities 64,684 36,924 Short-term bank deposits 191,038 100,276 Trade receivables, net 16,648 22,610 Other receivables and prepaid expenses 6,705 7,469 Inventories 13,935 13,940 Available-for-sale marketable securities 66,836 112,696 Long-term bank deposits 71,421 137,095 Severance pay funds 22,976 22,971 Intangible assets, net 12,588 14,481 Other long-term assets 30,222 24,398 Operating lease right-of-use assets 27,823 18,144 Goodwill 41,144 41,144 Total assets 22,277 79,239 Deferred revenues 54,797 50,888 Operating lease liabilities 5,224 5,133 Other long-term liabilities 24,851 13,914 Deferred revenues		December 31, 2020 (Unaudited)	December 31, 	
Current assets 54,771 40,751 Available-for-sale marketable securities 64,684 36,924 Short-term bank deposits 191,038 100,276 Trade receivables, net 15,848 22,610 Other receivables, net 13,935 13,940 Inventories 13,935 13,940 Long-term bank deposits 71,421 137,095 Severance pay funds 2,453 2,300 Long-term bank deposits 71,421 137,095 Severance pay funds 2,453 2,300 Property and equipment, net 12,588 14,481 Other long-term assets 30,222 2,338 Operating lease right-of-use assets 27,823 18,144 Goodwill 41,144 41,144 Total assets 2,2127 79,239 Operating lease liabilities 5,224 5,193 Other payables 4,620 6,315 Deferred revenues 2,217 79,239 Operating lease liabilities 5,224 5,193 Other pay	Assets	(Unaudited)	(Onaudited)	
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Other long-term assets 30,222 24,398 Operating lease right-of-use assets 27,823 18,144 Goodwill 41,144 41,144 Total assets 623,444 595,199 Liabilities and shareholders' equity 623,444 595,199 Current Liabilities 7 79,239 Trade payables 4,620 6,315 Deferred revenues 92,127 79,239 Operating lease liabilities 5,224 5,193 Other payables and accrued expenses 41,955 34,794 Long-term liabilities 54,797 50,888 Operating lease liabilities 24,851 13,914 Other long-term liabilities 24,851 13,914 Other long-term liabilities 24,851 13,914 Other long-term liabilities 11,409 9,525 91,057 74,327 5 Share capital 721 710 Additional paid-in capital 443,018 414,581 Accumulated other comprehensive income, net of tax 1,517 1,145 Tresury stock, at cost (190,552) (145,226)				
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Current LiabilitiesTrade payables $4,620$ $6,315$ Deferred revenues $92,127$ $79,239$ Operating lease liabilities $5,224$ $5,193$ Other payables and accrued expenses $41,955$ $34,794$ Long-term liabilities $143,926$ $125,541$ Deferred revenues $54,797$ $50,888$ Operating lease liabilities $24,851$ $13,914$ Other long-term liabilities $11,409$ $9,525$ $91,057$ $74,327$ $74,327$ Shareholders' equity 721 710 Additional paid-in capital $443,018$ $414,581$ Accumulated other comprehensive income, net of tax $1,517$ $1,145$ Treasury stock, at cost $(190,552)$ $(145,226)$ Retained earnings $133,757$ $124,121$ Total shareholders' equity $388,461$ $395,331$	Total assets	623,444	595,199	
Current LiabilitiesTrade payables $4,620$ $6,315$ Deferred revenues $92,127$ $79,239$ Operating lease liabilities $5,224$ $5,193$ Other payables and accrued expenses $41,955$ $34,794$ Long-term liabilities $143,926$ $125,541$ Deferred revenues $54,797$ $50,888$ Operating lease liabilities $24,851$ $13,914$ Other long-term liabilities $11,409$ $9,525$ $91,057$ $74,327$ $74,327$ Shareholders' equity 721 710 Additional paid-in capital $443,018$ $414,581$ Accumulated other comprehensive income, net of tax $1,517$ $1,145$ Treasury stock, at cost $(190,552)$ $(145,226)$ Retained earnings $133,757$ $124,121$ Total shareholders' equity $388,461$ $395,331$				
Trade payables4,6206,315Deferred revenues92,12779,239Operating lease liabilities5,2245,193Other payables and accrued expenses41,95534,794143,926125,541125,541Long-term liabilitiesDeferred revenues54,79750,888Operating lease liabilities24,85113,914Other long-term liabilities11,4099,52591,05774,32774,327Shareholders' equityShare capital721710Additional paid-in capital443,018414,581Accumulated other comprehensive income, net of tax1,5171,145Treasury stock, at cost(190,552)(145,226)Retained earnings133,757124,121Total shareholders' equity388,461395,331	Liabilities and shareholders' equity			
Deferred revenues92,12779,239Operating lease liabilities5,2245,193Other payables and accrued expenses41,95534,794143,926125,541125,541Long-term liabilitiesDeferred revenues54,79750,888Operating lease liabilities24,85113,914Other long-term liabilities11,4099,52591,05774,32774,327Shareholders' equityShare capital721710Additional paid-in capital443,018414,581Accumulated other comprehensive income, net of tax1,5171,145Treasury stock, at cost(190,552)(145,226)Retained earnings133,757124,121Total shareholders' equity388,461395,331	Current Liabilities			
Deferred revenues92,12779,239Operating lease liabilities5,2245,193Other payables and accrued expenses41,95534,794143,926125,541125,541Long-term liabilitiesDeferred revenues54,79750,888Operating lease liabilities24,85113,914Other long-term liabilities11,4099,52591,05774,32774,327Shareholders' equityShare capital721710Additional paid-in capital443,018414,581Accumulated other comprehensive income, net of tax1,5171,145Treasury stock, at cost(190,552)(145,226)Retained earnings133,757124,121Total shareholders' equity388,461395,331	Trade payables	4,620	6,315	
Other payables and accrued expenses41,95534,794143,926125,541Long-term liabilitiesDeferred revenues54,79750,888Operating lease liabilities24,85113,914Other long-term liabilities11,4099,52591,05774,32791,05774,327Shareholders' equityShare capital721710Additional paid-in capital443,018414,581Accumulated other comprehensive income, net of tax1,5171,145Treasury stock, at cost(190,552)(145,226)Retained earnings133,757124,121Total shareholders' equity388,461395,331	Deferred revenues	92,127	79,239	
Long-term liabilitiesDeferred revenues $54,797$ Operating lease liabilities $24,851$ 0ther long-term liabilities $11,409$ 9,525 $91,057$ 74,327Shareholders' equityShare capital 721 Additional paid-in capital $443,018$ Accumulated other comprehensive income, net of tax $1,517$ Treasury stock, at cost $(190,552)$ Retained earnings $133,757$ Total shareholders' equity $388,461$ Stateholders' equity $388,461$	Operating lease liabilities	5,224	5,193	
Long-term liabilitiesDeferred revenues54,79750,888Operating lease liabilities24,85113,914Other long-term liabilities11,4099,52591,05774,327Shareholders' equity721710Additional paid-in capital443,018414,581Accumulated other comprehensive income, net of tax1,5171,145Treasury stock, at cost(190,552)(145,226)Retained earnings133,757124,121Total shareholders' equity388,461395,331	Other payables and accrued expenses	41,955		
Deferred revenues54,79750,888Operating lease liabilities24,85113,914Other long-term liabilities11,4099,52591,05774,327Shareholders' equity721710Additional paid-in capital443,018414,581Accumulated other comprehensive income, net of tax1,5171,145Treasury stock, at cost(190,552)(145,226)Retained earnings133,757124,121Total shareholders' equity388,461395,331		143,926	125,541	
Deferred revenues54,79750,888Operating lease liabilities24,85113,914Other long-term liabilities11,4099,52591,05774,327Shareholders' equity721710Additional paid-in capital443,018414,581Accumulated other comprehensive income, net of tax1,5171,145Treasury stock, at cost(190,552)(145,226)Retained earnings133,757124,121Total shareholders' equity388,461395,331	Long term liabilities			
Operating lease liabilities24,85113,914Other long-term liabilities11,4099,52591,05774,327Shareholders' equity721710Share capital443,018414,581Additional paid-in capital443,018414,581Accumulated other comprehensive income, net of tax1,5171,145Treasury stock, at cost(190,552)(145,226)Retained earnings133,757124,121Total shareholders' equity388,461395,331		54 797	50 888	
Other long-term liabilities11,4099,52591,05774,327Shareholders' equity721710Share capital721710Additional paid-in capital443,018414,581Accumulated other comprehensive income, net of tax1,5171,145Treasury stock, at cost(190,552)(145,226)Retained earnings133,757124,121Total shareholders' equity388,461395,331				
Shareholders' equity91,05774,327Share capital721710Additional paid-in capital443,018414,581Accumulated other comprehensive income, net of tax1,5171,145Treasury stock, at cost(190,552)(145,226)Retained earnings133,757124,121Total shareholders' equity388,461395,331				
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Share capital721710Additional paid-in capital443,018414,581Accumulated other comprehensive income, net of tax1,5171,145Treasury stock, at cost(190,552)(145,226)Retained earnings133,757124,121Total shareholders' equity388,461395,331				
Additional paid-in capital443,018414,581Accumulated other comprehensive income, net of tax1,5171,145Treasury stock, at cost(190,552)(145,226)Retained earnings133,757124,121Total shareholders' equity388,461395,331	Shareholders' equity			
Additional paid-in capital443,018414,581Accumulated other comprehensive income, net of tax1,5171,145Treasury stock, at cost(190,552)(145,226)Retained earnings133,757124,121Total shareholders' equity388,461395,331		721	710	
Accumulated other comprehensive income, net of tax1,5171,145Treasury stock, at cost(190,552)(145,226)Retained earnings133,757124,121Total shareholders' equity388,461395,331	-			
Treasury stock, at cost (190,552) (145,226) Retained earnings 133,757 124,121 Total shareholders' equity 388,461 395,331		1,517	1,145	
Retained earnings 133,757 124,121 Total shareholders' equity 388,461 395,331	-			
Total shareholders' equity 388,461 395,331	-			
Total liabilities and shareholders' equity 623,444 595,199	Total shareholders' equity	388,461		
	Total liabilities and shareholders' equity	623,444	595,199	

Radware Ltd.

Condensed Consolidated Statements of Income

(U.S Dollars in thousands, except share and per share data)

	For the three months ended		For the year ended	
		ber 31,	December 31,	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	69,046	67,362	250,027	252,072
Cost of revenues	12,191	11,994	45,084	45,174
Gross profit	56,855	55,368	204,943	206,898
Operating expenses, net:				
Research and development, net	17,748	16,103	66,836	61,841
Selling and marketing	30,399	29,121	113,015	109,556
General and administrative	4,810	4,375	18,924	18,584
Total operating expenses, net	52,957	49,599	198,775	189,981
Operating income	3,898	5,769	6,168	16,917
Financial income, net	392	2,745	7,796	8,792
Income before taxes on income	4,290	8,514	13,964	25,709
Taxes on income	1,488	1,183	4,328	3,143
Net income	2,802	7,331	9,636	22,566
Basic net earnings per share	0.06	0.16	0.21	0.48
Weighted average number of shares used to compute basic net earnings per share	46,204,690	46,900,711	46,460,974	46,816,899
Diluted net earnings per share	0.06	0.15	0.20	0.47
Weighted average number of shares used to compute diluted net earnings per share	47,440,556	48,304,507	47,739,540	48,523,120

Radware Ltd.

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

	For the three Decem		For the year ended December 31,	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
GAAP gross profit	56,855	55,368	204,943	206,898
Stock-based compensation	53	53	188	224
Amortization of intangible assets	464	486	1,891	2,304
Non-GAAP gross profit	57,372	55,907	207,022	209,426
GAAP research and development, net	17,748	16,103	66,836	61,841
Stock-based compensation	1,210	791	4,409	2,855
Non-GAAP Research and development, net	16,538	15,312	62,427	58,986
GAAP selling and marketing	30,399	29,121	113,015	109,556
Stock-based compensation	2,501	1,696	8,315	6,954
Amortization of intangible assets		17		69
Non-GAAP selling and marketing	27,898	27,408	104,700	102,533
GAAP general and administrative	4,810	4,375	18,924	18,584
Stock-based compensation	824	742	3,633	3,032
Acquisition costs	-	(18)	-	246
Litigation costs	145		448	883
Non-GAAP general and administrative	3,841	3,651	14,843	14,423
GAAP total operating expenses, net	52,957	49,599	198,775	189,981
Stock-based compensation	4,535	3,229	16,357	12,841
Acquisition costs	-	(18)	-	246
Amortization of intangible assets Litigation costs	- 145	17	448	69 883
Non-GAAP total operating expenses, net	48,277	46,371	181,970	175,942
	2 000	5 300		16.017
GAAP operating income	3,898	5,769	6,168	16,917
Stock-based compensation Acquisition costs	4,588	3,282 (18)	16,545 -	13,065 246
Amortization of intangible assets	464	503	1,891	2,373
Litigation costs	145	-	448	883
Non-GAAP operating income	9,095	9,536	25,052	33,484
GAAP financial income, net	392	2,745	7,796	8,792
Other loss (gain) adjustment	-	-	247	(563)
Exchange rate differences, net on balance sheet items included in financial income, net	1,826	(148)	2,306	2,270
Non-GAAP financial income, net	2,218	2,597	10,349	10,499
GAAP income before taxes on income	4,290	8,514	13,964	25,709
Stock-based compensation	4,588	3,282	16,545	13,065
Acquisition costs	-,500	(18)	-	246
Amortization of intangible assets	464	503	1,891	2,373
Litigation costs	145	-	448	883
Other loss (gain) adjustment	-	-	247	(563)
Exchange rate differences, net on balance sheet items included in financial income, net	1,826	(148)	2,306	2,270
Non-GAAP income before taxes on income	11,313	12,133	35,401	43,983
GAAP taxes on income	1,488	1,183	4,328	3,143
Tax related adjustments	61	39	306	234
Non-GAAP taxes on income	1,549	1,222	4,634	3,377
GAAP net income	2,802	7,331	9,636	22,566
Stock-based compensation	4,588	3,282	16,545	13,065
Acquisition costs	-	(18)	-	246
Amortization of intangible assets	464	503	1,891	2,373
Litigation costs	145	-	448	883
Other loss (gain) adjustment	-	-	247	(563)
Exchange rate differences, net on balance sheet items included in financial income, net	1,826	(148)	2,306	2,270
Tax related adjustments Non-GAAP net income	<u>(61)</u> 9,764	(39) 10,911	(306) 30,767	(234) 40,606
GAAP diluted net earnings per share	0.06	0.15	0.20	0.47
Stock-based compensation	0.10	0.07	0.35	0.27
Acquisition costs Amortization of intangible assets	0.00 0.01	(0.00) 0.01	0.00 0.04	0.01 0.05
Litigation costs	0.01	0.01	0.04	0.03
Other loss (gain) adjustment	0.00	0.00	0.01	(0.01)
Exchange rate differences, net on balance sheet items included in financial income, net	0.04	(0.00)	0.05	0.05
	(0.00)	(0.00)	(0.01)	(0.00)
Tax related adjustments				

47,440,556

48,304,507

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,	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash flow from operating activities:				
Net income	2,802	7,331	9,636	22,566
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	2,676	2,789	10,559	11,283
Stock-based compensation	4,588	3,282	16,545	13,064
Amortization of premium, accretion of discounts and accrued interest on marketable securities, net	284	150	931	618
Other loss (gain)	(58)	26	(638)	(537)
Accrued interest on bank deposits	(239)	596	(1,210)	2,123
Increase (decrease) in accrued severance pay, net	(33)	64	202	888
Decrease (increase) in trade receivables, net	(2,518)	(7,557)	5,762	(2,407)
Increase in other receivables and prepaid expenses and other long-term assets	(2,667)	(2,140)	(5,062)	(6,989)
Decrease (increase) in inventories	(645)	1,143	5	4,461
Decrease (increase) in trade payables	802	2,310	(1,695)	1,775
Increase (decrease) in deferred revenues	2,778	(6,416)	16,797	2,260
Increase in other payables and accrued expenses	6,955	2,272	8,690	2,784
Operating lease liabilities, net	1,353	109	1,289	963
Net cash provided by operating activities	16,078	3,959	61,811	52,852
Cash flows from investing activities:				
Purchase of property and equipment	(2,045)	(2,002)	(8,671)	(8,155)
Proceeds from (investment in) other long-term assets, net	(84)	(7)	(110)	4
Proceeds from (investment in) bank deposits, net	(12,054)	2,187	(23,878)	15,960
Proceeds from (investment in) sale, redemption of and purchase of marketable securities, net	6,579	(1,131)	18,291	(46,363)
Payment for acquisition of subsidiary, net of cash acquired	0	0	0	(12,239)
Net cash used in investing activities	(7,604)	(953)	(14,368)	(50,793)
Cash flows from financing activities:				
Proceeds from exercise of stock options	3,618	3,406	11,903	17,998
Repurchase of shares	(5,750)	(5,616)	(45,326)	(24,509)
Net cash used in financing activities	(2,132)	(2,210)	(33,423)	(6,511)
Increase (decrease) in cash and cash equivalents	6,342	796	14,020	(4,452)
Cash and cash equivalents at the beginning of the period	48,429	39,955	40,751	45,203
Cash and cash equivalents at the end of the period	54,771	40,751	54,771	40,751