

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

	June 30, 2023	December 31, 2022
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Assets		
Current assets		
Cash and cash equivalents	42,644	46,185
Available-for-sale marketable securities	77,222	44,180
Short-term bank deposits	222,769	207,679
Trade receivables, net	16,820	17,752
Other receivables and prepaid expenses	9,815	7,196
Inventories	12,323	11,428
	<u>381,593</u>	<u>334,420</u>
Long-term investments		
Available-for-sale marketable securities	59,375	90,148
Long-term bank deposits	0	43,765
Severance pay funds	2,092	2,146
	<u>61,467</u>	<u>136,059</u>
Property and equipment, net	20,224	21,068
Intangible assets, net	17,702	19,686
Other long-term assets	41,168	41,269
Operating lease right-of-use assets	20,776	23,078
Goodwill	68,008	68,008
Total assets	<u>610,938</u>	<u>643,588</u>
Liabilities and shareholders' equity		
Current Liabilities		
Trade payables	7,847	6,464
Deferred revenues	111,309	108,243
Operating lease liabilities	4,633	4,685
Other payables and accrued expenses	36,391	44,643
	<u>160,180</u>	<u>164,035</u>
Long-term liabilities		
Deferred revenues	70,369	72,219
Operating lease liabilities	17,210	19,461
Other long-term liabilities	18,809	19,430
	<u>106,388</u>	<u>111,110</u>
Shareholders' equity		
Share capital	733	732
Additional paid-in capital	514,743	498,168
Accumulated other comprehensive loss, net of tax	(4,680)	(4,844)
Treasury stock, at cost	(336,953)	(303,299)
Retained earnings	132,513	141,402
Total Radware Ltd. shareholder's equity	<u>306,356</u>	<u>332,159</u>
Non-controlling interest	<u>38,014</u>	<u>36,284</u>
Total shareholders' equity	<u>344,370</u>	<u>368,443</u>
Total liabilities and shareholders' equity	<u>610,938</u>	<u>643,588</u>

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 six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	65,607	75,114	134,648	148,822
Cost of revenues	12,742	13,888	26,048	26,829
Gross profit	52,865	61,226	108,600	121,993
Operating expenses, net:				
Research and development, net	21,141	21,623	42,291	41,993
Selling and marketing	31,917	32,290	63,836	62,573
General and administrative	8,307	5,737	16,554	12,264
Total operating expenses, net	61,365	59,650	122,681	116,830
Operating income (loss)	(8,500)	1,576	(14,081)	5,163
Financial income, net	3,419	2,986	6,910	4,684
Income (loss) before taxes on income	(5,081)	4,562	(7,171)	9,847
Taxes on income	727	1,410	1,718	2,925
Net income (loss)	(5,808)	3,152	(8,889)	6,922
Basic net earnings (loss) per share	(0.13)	0.07	(0.20)	0.15
Weighted average number of shares used to compute basic net earnings (loss) per share	43,400,635	44,914,427	43,725,443	45,288,463
Diluted net earnings (loss) per share	(0.13)	0.07	(0.20)	0.15
Weighted average number of shares used to compute diluted net earnings (loss) per share	43,400,635	45,835,440	43,725,443	46,476,687

Radware Ltd.

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

	For the three months ended	
	June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
GAAP gross profit	52,865	61,226
Share-based compensation	113	94
Amortization of intangible assets	992	1,256
Non-GAAP gross profit	<u>53,970</u>	<u>62,576</u>
GAAP research and development, net	21,141	21,623
Share-based compensation	2,177	1,635
Non-GAAP Research and development, net	<u>18,964</u>	<u>19,988</u>
GAAP selling and marketing	31,917	32,290
Share-based compensation	3,537	3,043
Non-GAAP selling and marketing	<u>28,380</u>	<u>29,247</u>
GAAP general and administrative	8,307	5,737
Share-based compensation	3,068	876
Litigation costs	-	-
Acquisition costs	545	-
Non-GAAP general and administrative	<u>4,694</u>	<u>4,861</u>
GAAP total operating expenses, net	61,365	59,650
Share-based compensation	8,782	5,554
Litigation costs	-	-
Acquisition costs	545	-
Non-GAAP total operating expenses, net	<u>52,038</u>	<u>54,096</u>
GAAP operating income (loss)	(8,500)	1,576
Share-based compensation	8,895	5,648
Amortization of intangible assets	992	1,256
Litigation costs	-	-
Acquisition costs	545	-
Non-GAAP operating income	<u>1,932</u>	<u>8,480</u>
GAAP financial income, net	3,419	2,986
Exchange rate differences, net on balance sheet items included in financial statements	(32)	(1,920)
Non-GAAP financial income, net	<u>3,387</u>	<u>1,066</u>
GAAP income before taxes on income (loss)	(5,081)	4,562
Share-based compensation	8,895	5,648
Amortization of intangible assets	992	1,256
Litigation costs	-	-
Acquisition costs	545	-
Exchange rate differences, net on balance sheet items included in financial statements	(32)	(1,920)
Non-GAAP income before taxes on income	<u>5,319</u>	<u>9,546</u>
GAAP taxes on income	727	1,410
Tax related adjustments	61	61
Non-GAAP taxes on income	<u>788</u>	<u>1,471</u>
GAAP net income (loss)	(5,808)	3,152
Share-based compensation	8,895	5,648
Amortization of intangible assets	992	1,256
Litigation costs	-	-
Acquisition costs	545	-
Exchange rate differences, net on balance sheet items included in financial statements	(32)	(1,920)
Tax related adjustments	(61)	(61)
Non-GAAP net income	<u>4,531</u>	<u>8,075</u>
GAAP diluted net earnings (loss) per share	(0.13)	0.07
Share-based compensation	0.20	0.12
Amortization of intangible assets	0.02	0.03
Litigation costs	0.00	0.00
Acquisition costs	0.01	0.00
Exchange rate differences, net on balance sheet items included in financial statements	(0.00)	(0.04)
Tax related adjustments	(0.00)	(0.00)
Non-GAAP diluted net earnings per share	<u>0.10</u>	<u>0.18</u>
Weighted average number of shares used to compute non-GAAP diluted net earnings per share	44,268,786	45,835,440

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

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<u>Cash flow from operating activities:</u>				
Net income (loss)	(5,808)	3,152	(8,889)	6,922
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	3,113	3,229	6,191	5,717
Share-based compensation	8,895	5,648	17,892	10,064
Amortization of premium, accretion of discounts and accrued interest on marketable securities, net	718	798	955	1,386
Loss (gain) related to securities, net	(1)	(1)	244	(60)
Increase (decrease) in accrued interest on bank deposits	229	39	(1,525)	72
Increase (decrease) in accrued severance pay, net	(36)	(53)	(105)	94
Increase in trade receivables, net	1,937	7,203	932	1,349
Increase (decrease) in other receivables and prepaid expenses and other long-term assets	532	(509)	(2,326)	(4,325)
Decrease (increase) in inventories	(1,044)	(148)	(895)	177
Increase (decrease) in trade payables	3,020	(713)	1,383	3,130
Increase in deferred revenues	470	18,064	1,216	20,500
Decrease in other payables and accrued expenses	(6,944)	(3,850)	(11,442)	(22,182)
Decrease in operating lease liabilities, net	(215)	(1,335)	(1)	(1,772)
Net cash provided by operating activities	<u>4,866</u>	<u>31,524</u>	<u>3,630</u>	<u>21,072</u>
<u>Cash flows from investing activities:</u>				
Purchase of property and equipment	(1,595)	(2,333)	(3,363)	(4,497)
Proceeds from other long-term assets, net	1	92	48	37
Proceeds from (investment in) bank deposits, net	21,000	(42,550)	30,200	(20,201)
Proceeds from sale, redemption of and purchase of marketable securities, net	(3,857)	(9,196)	(1,881)	(4,640)
Payment for the business acquisition of SecurityDAM Ltd.	0	0	0	(30,000)
Net cash provided (used in) investing activities	<u>15,549</u>	<u>(53,987)</u>	<u>25,004</u>	<u>(59,301)</u>
<u>Cash flows from financing activities:</u>				
Proceeds from exercise of stock options	88	239	308	801
Repurchase of shares	(19,741)	(18,060)	(32,483)	(40,886)
Proceeds from issuance of Preferred A shares in subsidiary		35,000		35,000
Net cash provided by (used in) financing activities	<u>(19,653)</u>	<u>17,179</u>	<u>(32,175)</u>	<u>(5,085)</u>
Increase (decrease) in cash and cash equivalents	762	(5,284)	(3,541)	(43,314)
Cash and cash equivalents at the beginning of the period	<u>41,882</u>	<u>54,483</u>	<u>46,185</u>	<u>92,513</u>
Cash and cash equivalents at the end of the period	<u><u>42,644</u></u>	<u><u>49,199</u></u>	<u><u>42,644</u></u>	<u><u>49,199</u></u>

Radware Ltd.
RECONCILIATION OF GAAP NET INCOME (LOSS) TO EBITDA AND ADJUSTED EBITDA (NON-GAAP)
(U.S Dollars in thousands)

	For the three months ended	
	June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
GAAP net income (loss)	(5,808)	3,152
Exclude: Financial income, net	(3,419)	(2,986)
Exclude: Depreciation and amortization expense	3,113	3,229
Exclude: Taxes on income	727	1,410
EBITDA	(5,387)	4,805
Share-based compensation	8,895	5,648
Litigation costs	-	-
Acquisition costs	545	-
Adjusted EBITDA	4,053	10,453

	For the three months ended	
	June 30,	
	2023	2022
Amortization of intangible assets	992	1,256
Depreciation	2,121	1,973
	3,113	3,229

For the six months ended

June 30,

<u>2023</u>	<u>2022</u>
(Unaudited)	(Unaudited)
(8,889)	6,922
(6,910)	(4,684)
6,191	5,717
1,718	2,925
<u>(7,890)</u>	<u>10,880</u>
17,892	10,064
-	288
558	1,142
<u>10,560</u>	<u>22,374</u>

For the six months ended

June 30,

<u>2023</u>	<u>2022</u>
1,984	1,720
4,207	3,997
<u>6,191</u>	<u>5,717</u>