

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

	September 30,	December 31,
	2016	2015
	(Unaudited)	
Assets		
Current assets		
Cash and cash equivalents	38,858	33,744
Available-for-sales marketable securities	20,016	16,003
Short-term bank deposits	148,122	80,922
Trade receivables, net	21,346	26,410
Other receivables and prepaid expenses	4,297	5,042
Inventories	16,812	16,322
	249,451	178,443
Long-term investments		
Available-for-sales marketable securities	75,692	87,814
Long-term bank deposits	28,187	96,643
Severance pay funds	2,812	2,724
	106,691	187,181
Property and equipment, net	27,404	26,203
Intangible assets, net	2,679	3,518
Other assets	6,739	5,473
Goodwill	30,069	30,069
	423,033	430,887
Total assets	423,033	430,887
Liabilities and shareholders' equity		
Current Liabilities		
Trade payables	5,051	9,255
Deferred revenues	48,618	46,061
Other payables and accrued expenses	22,201	22,098
	75,870	77,414
Long-term liabilities		
Deferred revenues	24,400	25,136
Other long-term liabilities	14,075	9,214
	38,475	34,350
Shareholders' equity		
Share capital	662	661
Additional paid-in capital	321,338	312,784
Accumulated other comprehensive income, net of tax	505	1,257
Treasury stock, at cost	(105,761)	(94,049)
Retained earnings	91,944	98,470
Total shareholders' equity	308,688	319,123
Total liabilities and shareholders' equity	423,033	430,887

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 Nine months ended	
	September 30,		September 30,	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	46,863	48,059	144,873	161,310
Cost of revenues	<u>8,558</u>	<u>8,506</u>	<u>26,099</u>	<u>28,290</u>
Gross profit	<u>38,305</u>	<u>39,553</u>	<u>118,774</u>	<u>133,020</u>
Operating expenses:				
Research and development, net	13,072	12,825	39,497	37,015
Selling and marketing	24,853	22,739	75,630	68,401
General and administrative	<u>4,245</u>	<u>4,481</u>	<u>13,907</u>	<u>12,978</u>
Total operating expenses	<u>42,170</u>	<u>40,045</u>	<u>129,034</u>	<u>118,394</u>
Operating income (loss)	(3,865)	(492)	(10,260)	14,626
Financial income, net	<u>1,706</u>	<u>1,373</u>	<u>4,878</u>	<u>3,473</u>
Income (loss) before taxes on income	(2,159)	881	(5,382)	18,099
Taxes on income	<u>(288)</u>	<u>(220)</u>	<u>(1,144)</u>	<u>(3,793)</u>
Net income (loss)	<u>(2,447)</u>	<u>661</u>	<u>(6,526)</u>	<u>14,306</u>
Basic net earnings (loss) per share	(0.06)	0.01	(0.15)	0.31
Weighted average number of shares used to compute basic net earnings (loss) per share	43,752,220	45,842,187	44,053,422	46,180,689
Diluted net earnings (loss) per share	(0.06)	0.01	(0.15)	0.30
Weighted average number of shares used to compute diluted net earnings (loss) per share	43,752,220	46,557,853	44,053,422	47,221,057

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		For the Nine months ended	
	September 30,		September 30,	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
GAAP gross profit	38,305	39,553	118,774	133,020
Stock-based compensation	47	30	128	99
Amortization of intangible assets	253	253	760	860
Non-GAAP gross profit	<u>38,605</u>	<u>39,836</u>	<u>119,662</u>	<u>133,979</u>
GAAP Research and development, net	13,072	12,825	39,497	37,015
Stock-based compensation	941	619	2,391	1,881
Non-GAAP Research and development, net	<u>12,131</u>	<u>12,206</u>	<u>37,106</u>	<u>35,134</u>
GAAP selling and marketing	24,853	22,739	75,630	68,401
Stock-based compensation	1,256	1,005	3,918	2,911
Amortization of intangible assets	27	29	79	95
Non-GAAP selling and marketing	<u>23,570</u>	<u>21,705</u>	<u>71,633</u>	<u>65,395</u>
GAAP general and administrative	4,245	4,481	13,907	12,978
Stock-based compensation	434	790	1,862	2,182
Litigation related charges	889	868	3,486	2,639
Non-GAAP general and administrative	<u>2,922</u>	<u>2,823</u>	<u>8,559</u>	<u>8,157</u>
GAAP total operating expenses	42,170	40,045	129,034	118,394
Stock-based compensation	2,631	2,414	8,171	6,974
Amortization of intangible assets	27	29	79	95
Litigation related charges	889	868	3,486	2,639
Non-GAAP total operating expenses	<u>38,623</u>	<u>36,734</u>	<u>117,298</u>	<u>108,686</u>
GAAP operating income (loss)	(3,865)	(492)	(10,260)	14,626
Stock-based compensation	2,678	2,444	8,299	7,073
Amortization of intangible assets	280	282	839	955
Litigation related charges	889	868	3,486	2,639
Non-GAAP operating income (loss)	<u>(18)</u>	<u>3,102</u>	<u>2,364</u>	<u>25,293</u>
GAAP finance income	1,706	1,373	4,878	3,473
Exchange rate differences, net on balance sheet items included in financial income	176	535	333	1,059
Non-GAAP finance income	<u>1,882</u>	<u>1,908</u>	<u>5,211</u>	<u>4,532</u>
GAAP income (loss) before taxes on income	(2,159)	881	(5,382)	18,099
Stock-based compensation	2,678	2,444	8,299	7,073
Amortization of intangible assets	280	282	839	955
Litigation related charges	889	868	3,486	2,639
Exchange rate differences, net on balance sheet items included in financial income	176	535	333	1,059
Non-GAAP income before taxes on income	<u>1,864</u>	<u>5,010</u>	<u>7,575</u>	<u>29,825</u>
GAAP net income (loss)	(2,447)	661	(6,526)	14,306
Stock-based compensation	2,678	2,444	8,299	7,073
Amortization of intangible assets	280	282	839	955
Litigation related charges	889	868	3,486	2,639
Exchange rate differences, net on balance sheet items included in financial income	176	535	333	1,059
Non GAAP net income	<u>1,576</u>	<u>4,790</u>	<u>6,431</u>	<u>26,032</u>
GAAP Net income (loss) per diluted share	(0.06)	0.01	(0.15)	0.30
Stock-based compensation	0.06	0.05	0.19	0.15
Amortization of intangible assets	0.01	0.01	0.02	0.02
Litigation related charges	0.02	0.02	0.08	0.06
Exchange rate differences, net on balance sheet items included in financial income	0.01	0.01	0.01	0.02
Non GAAP Net income per diluted share	<u>0.04</u>	<u>0.10</u>	<u>0.15</u>	<u>0.55</u>
Weighted average number of shares used to compute diluted net earnings (loss) per share	44,077,078	46,557,853	44,260,343	47,221,057

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

	<u>For the three months ended</u> <u>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<u>Cash flow from operating activities:</u>				
Net income (loss)	(2,447)	661	(6,526)	14,306
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	2,614	2,437	7,709	6,990
Stock based compensation	2,678	2,444	8,299	7,073
Gain from sale of available-for-sale marketable securities	(651)	(717)	(1,778)	(1,140)
Amortization of premium, accretion of discounts and accrued interest on available-for- sale marketable securities	385	767	1,277	2,688
Accrued interest on bank deposits	201	(519)	(455)	(1,350)
Increase (decrease) in accrued severance pay, net	(51)	84	290	125
Decrease (increase) in trade receivables, net	4,711	(423)	5,064	1,456
Decrease (increase) in other current assets and prepaid expenses and deferred income taxes, net	149	(1,852)	(260)	(2,681)
Decrease (increase) in inventories	(631)	(78)	(490)	453
Decrease in trade payables	(1,036)	(1,288)	(4,204)	(3,791)
Increase (decrease) in deferred revenues	(6,773)	(5,101)	1,821	(2,154)
Increase (decrease) in other payables and accrued expenses	(421)	1,115	4,512	2,202
Excess tax benefit from stock-based compensation	0	(230)	74	(690)
Net cash provided by (used in) operating activities	<u>(1,272)</u>	<u>(2,700)</u>	<u>15,333</u>	<u>23,487</u>
<u>Cash flows from investing activities:</u>				
Purchase of property and equipment	(2,561)	(3,518)	(8,071)	(10,718)
Investment in other long-term assets, net	(3)	(33)	0	(84)
Proceeds from sale, investment in bank deposits, net	16,097	2,958	1,708	(37,887)
Proceeds from sale, redemption of and purchase of available-for-sale marketable securities ,net	4,339	19,706	7,600	36,224
Net cash provided by (used in) investing activities	<u>17,872</u>	<u>19,113</u>	<u>1,237</u>	<u>(12,465)</u>
<u>Cash flows from financing activities:</u>				
Proceeds from exercise of stock options	330	868	330	8,571
Excess tax benefit from stock-based compensation	0	230	(74)	690
Repurchase of shares	0	(24,780)	(11,712)	(44,507)
Net cash provided by (used in) financing activities	<u>330</u>	<u>(23,682)</u>	<u>(11,456)</u>	<u>(35,246)</u>
Increase (decrease) in cash and cash equivalents	16,930	(7,269)	5,114	(24,224)
Cash and cash equivalents at the beginning of the period	<u>21,928</u>	<u>28,024</u>	<u>33,744</u>	<u>44,979</u>
Cash and cash equivalents at the end of the period	<u>38,858</u>	<u>20,755</u>	<u>38,858</u>	<u>20,755</u>