

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

	December 31, 2016	December 31, 2015
	<u>(Unaudited)</u>	
Assets		
Current assets		
Cash and cash equivalents	79,639	33,744
Available-for-sales marketable securities	20,452	16,003
Short-term bank deposits	125,995	80,922
Trade receivables, net	19,407	26,410
Other receivables and prepaid expenses	4,159	5,042
Inventories	<u>17,114</u>	<u>16,322</u>
	<u>266,766</u>	<u>178,443</u>
Long-term investments		
Available-for-sales marketable securities	74,967	87,814
Long-term bank deposits	19,092	96,643
Severance pay funds	<u>2,597</u>	<u>2,724</u>
	<u>96,656</u>	<u>187,181</u>
Property and equipment, net	26,354	26,203
Intangible assets, net	2,399	3,518
Other assets	7,595	5,473
Goodwill	<u>30,069</u>	<u>30,069</u>
Total assets	<u><u>429,839</u></u>	<u><u>430,887</u></u>
Liabilities and shareholders' equity		
Current Liabilities		
Trade payables	5,971	9,255
Deferred revenues	53,061	46,061
Other payables and accrued expenses	<u>26,232</u>	<u>22,098</u>
	<u>85,264</u>	<u>77,414</u>
Long-term liabilities		
Deferred revenues	31,100	25,136
Other long-term liabilities	<u>13,846</u>	<u>9,214</u>
	<u>44,946</u>	<u>34,350</u>
Shareholders' equity		
Share capital	663	661
Additional paid-in capital	325,204	312,784
Accumulated other comprehensive income, net of tax	(20)	1,257
Treasury stock, at cost	(116,029)	(94,049)
Retained earnings	<u>89,811</u>	<u>98,470</u>
Total shareholders' equity	<u>299,629</u>	<u>319,123</u>
Total liabilities and shareholders' equity	<u><u>429,839</u></u>	<u><u>430,887</u></u>

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

	For the three months ended December 31,		For the year ended December 31,	
	2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Audited)
Revenues	51,712	55,256	196,585	216,566
Cost of revenues	9,596	9,910	35,695	38,200
Gross profit	42,116	45,346	160,890	178,366
Operating expenses:				
Research and development, net	12,235	12,972	51,732	49,987
Selling and marketing	28,144	24,946	103,774	93,347
General and administrative	4,226	4,055	18,133	17,033
Total operating expenses	44,605	41,973	173,639	160,367
Operating income (loss)	(2,489)	3,373	(12,749)	17,999
Financing income, net	863	2,394	5,741	5,867
Income (loss) before taxes on income	(1,626)	5,767	(7,008)	23,866
Taxes on income	(507)	(1,504)	(1,651)	(5,297)
Net income (loss)	(2,133)	4,263	(8,659)	18,569
Basic net earnings (loss) per share	(0.05)	0.09	(0.20)	0.40
Weighted average number of shares used to compute basic net earnings (loss) per share	43,313,644	45,048,937	43,868,221	45,895,321
Diluted net earnings (loss) per share	(0.05)	0.09	(0.20)	0.40
Weighted average number of shares used to compute diluted net earnings (loss) per share	43,313,644	45,300,967	43,868,221	46,738,604

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 year ended	
	December 31,		December 31,	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
GAAP gross profit	42,116	45,346	160,890	178,366
Stock-based compensation	52	42	180	141
Amortization of intangible assets	254	254	1,014	1,114
Non-GAAP gross profit	42,422	45,642	162,084	179,621
GAAP research and development, net	12,235	12,972	51,732	49,987
Stock-based compensation	948	575	3,339	2,456
Non-GAAP Research and development, net	11,287	12,397	48,393	47,531
GAAP selling and marketing	28,144	24,946	103,774	93,347
Stock-based compensation	1,743	1,187	5,661	4,098
Amortization of intangible assets	26	29	105	124
Non-GAAP selling and marketing	26,375	23,730	98,008	89,125
GAAP general and administrative	4,226	4,055	18,133	17,033
Stock-based compensation	478	452	2,340	2,634
Litigation related charges	784	744	4,270	3,383
Non-GAAP general and administrative	2,964	2,859	11,523	11,016
GAAP total operating expenses	44,605	41,973	173,639	160,367
Stock-based compensation	3,169	2,214	11,340	9,188
Amortization of intangible assets	26	29	105	124
Litigation related charges	784	744	4,270	3,383
Non-GAAP total operating expenses	40,626	38,986	157,924	147,672
GAAP operating income (loss)	(2,489)	3,373	(12,749)	17,999
Stock-based compensation	3,221	2,256	11,520	9,329
Amortization of intangible assets	280	283	1,119	1,238
Litigation related charges	784	744	4,270	3,383
Non-GAAP operating income (loss)	1,796	6,656	4,160	31,949
GAAP finance income	863	2,394	5,741	5,867
Exchange rate differences, net on balance sheet items included in financial income	341	87	674	1,146
Non-GAAP finance income	1,204	2,481	6,415	7,013
GAAP income (loss) before taxes on income	(1,626)	5,767	(7,008)	23,866
Stock-based compensation	3,221	2,256	11,520	9,329
Amortization of intangible assets	280	283	1,119	1,238
Litigation related charges	784	744	4,270	3,383
Exchange rate differences, net on balance sheet items included in financial income	341	87	674	1,146
Non-GAAP income before taxes on income	3,000	9,137	10,575	38,962
GAAP net income (loss)	(2,133)	4,263	(8,659)	18,569
Stock-based compensation	3,221	2,256	11,520	9,329
Amortization of intangible assets	280	283	1,119	1,238
Litigation related charges	784	744	4,270	3,383
Exchange rate differences, net on balance sheet items included in financial income	341	87	674	1,146
Non GAAP net income	2,493	7,633	8,924	33,665
GAAP Net income (loss) per diluted share	(0.05)	0.09	(0.20)	0.40
Stock-based compensation	0.07	0.05	0.26	0.20
Amortization of intangible assets	0.01	0.01	0.03	0.03
Litigation related charges	0.02	0.02	0.10	0.07
Exchange rate differences, net on balance sheet items included in financial income	0.01	0.00	0.01	0.02
Non GAAP Net income per diluted share	0.06	0.17	0.20	0.72
Weighted average number of shares used to compute Non-GAAP diluted net earnings (loss) per share	43,721,973	45,300,967	44,125,436	46,738,604

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

	For the three months ended		For the year ended	
	December 31,		December 31,	
	2016	2015	2016	2015
<u>Cash flow from operating activities:</u>				
Net income (loss)	(2,133)	4,263	(8,659)	18,569
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	2,663	2,411	10,372	9,401
Stock based compensation	3,221	2,256	11,520	9,329
Gain from sale of available-for-sale marketable securities	5	(1,298)	(1,772)	(2,438)
Amortization of premium, accretion of discounts and accrued interest on available-for-sale marketable securities, net	670	520	1,947	3,208
Accrued interest on bank deposits	1,633	(648)	1,179	(1,998)
Increase in accrued severance pay, net	111	0	401	125
Decrease (increase) in trade receivables, net	1,939	(2,229)	7,003	(773)
Decrease (increase) in other current assets and prepaid expenses and deferred income taxes, net	(498)	2,794	(759)	112
Decrease (increase) in inventories	(302)	69	(792)	522
Decrease (increase) in trade payables	920	3,229	(3,284)	(562)
Increase in deferred revenues	11,144	6,003	12,964	3,849
Increase (decrease) in other payables and accrued expenses	3,302	(1,779)	7,813	424
Excess tax benefit from stock-based compensation	605	58	679	(632)
Net cash provided by operating activities	<u>23,280</u>	<u>15,649</u>	<u>38,612</u>	<u>39,136</u>
<u>Cash flows from investing activities:</u>				
Purchase of property and equipment	(1,333)	(3,056)	(9,404)	(13,774)
Investment in other long-term assets, net	(53)	(16)	(53)	(100)
Proceeds from (investment in) bank deposits, net	29,586	4,063	31,295	(33,824)
Proceeds from sale, redemption of and purchase of available-for-sale marketable securities ,net	(1,079)	4,621	6,521	40,845
Net cash provided by (used in) investing activities	<u>27,121</u>	<u>5,612</u>	<u>28,359</u>	<u>(6,853)</u>
<u>Cash flows from financing activities:</u>				
Proceeds from exercise of stock options	1,253	175	1,583	8,746
Excess tax benefit from stock-based compensation	(605)	(58)	(679)	632
Repurchase of shares	(10,268)	(8,389)	(21,980)	(52,896)
Net cash used in financing activities	<u>(9,620)</u>	<u>(8,272)</u>	<u>(21,076)</u>	<u>(43,518)</u>
Increase (decrease) in cash and cash equivalents	40,781	12,989	45,895	(11,235)
Cash and cash equivalents at the beginning of the period	<u>38,858</u>	<u>20,755</u>	<u>33,744</u>	<u>44,979</u>
Cash and cash equivalents at the end of the period	<u>79,639</u>	<u>33,744</u>	<u>79,639</u>	<u>33,744</u>