

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

	June 30, 2017	December 31, 2016
	(Unaudited)	
Assets		
Current assets		
Cash and cash equivalents	50,086	79,639
Available-for-sale marketable securities	21,350	20,452
Short-term bank deposits	84,830	125,995
Trade receivables, net	17,638	19,407
Other receivables and prepaid expenses	3,447	4,159
Inventories	19,455	17,114
	<u>196,806</u>	<u>266,766</u>
Long-term investments		
Available-for-sale marketable securities	75,478	74,967
Long-term bank deposits	93,851	19,092
Severance pay funds	2,830	2,597
	<u>172,159</u>	<u>96,656</u>
Property and equipment, net	25,711	26,354
Intangible assets, net	10,922	2,399
Other long-term assets	8,072	8,092
Goodwill	32,174	30,069
	<u>445,844</u>	<u>430,336</u>
Total assets	<u>445,844</u>	<u>430,336</u>
Liabilities and shareholders' equity		
Current Liabilities		
Trade payables	5,967	5,971
Deferred revenues	63,183	53,061
Other payables and accrued expenses	25,187	26,232
	<u>94,337</u>	<u>85,264</u>
Long-term liabilities		
Deferred revenues	36,296	31,100
Other long-term liabilities	14,490	14,209
	<u>50,786</u>	<u>45,309</u>
Shareholders' equity		
Share capital	665	663
Additional paid-in capital	334,418	325,338
Accumulated other comprehensive loss, net of tax	(7)	(20)
Treasury stock, at cost	(116,029)	(116,029)
Retained earnings	81,674	89,811
Total shareholders' equity	<u>300,721</u>	<u>299,763</u>
Total liabilities and shareholders' equity	<u>445,844</u>	<u>430,336</u>

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	50,956	49,585	99,868	98,010
Cost of revenues	<u>9,634</u>	<u>8,887</u>	<u>18,628</u>	<u>17,541</u>
Gross profit	<u>41,322</u>	<u>40,698</u>	<u>81,240</u>	<u>80,469</u>
Operating expenses:				
Research and development, net	15,013	13,001	29,253	26,425
Selling and marketing	26,410	25,865	52,389	50,777
General and administrative	<u>4,380</u>	<u>3,893</u>	<u>9,160</u>	<u>9,662</u>
Total operating expenses	<u>45,803</u>	<u>42,759</u>	<u>90,802</u>	<u>86,864</u>
Operating loss	(4,481)	(2,061)	(9,562)	(6,395)
Financial income, net	<u>640</u>	<u>1,232</u>	<u>1,747</u>	<u>3,172</u>
Loss before taxes on income	<u>(3,841)</u>	<u>(829)</u>	<u>(7,815)</u>	<u>(3,223)</u>
Taxes on income	<u>(218)</u>	<u>(498)</u>	<u>(322)</u>	<u>(856)</u>
Net loss	<u>(4,059)</u>	<u>(1,327)</u>	<u>(8,137)</u>	<u>(4,079)</u>
Basic net loss per share	(0.09)	(0.03)	(0.19)	(0.09)
Weighted average number of shares used to compute basic net loss per share	43,821,006	43,944,924	43,282,607	44,206,677
Diluted net loss per share	(0.09)	(0.03)	(0.19)	(0.09)
Weighted average number of shares used to compute diluted net loss per share	43,821,006	43,944,924	43,282,607	44,206,677

Radware Ltd.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
GAAP gross profit	41,322	40,698	81,240	80,469
Stock-based compensation	61	39	116	81
Amortization of intangible assets	419	254	672	507
Non-GAAP gross profit	<u>41,802</u>	<u>40,991</u>	<u>82,028</u>	<u>81,057</u>
GAAP research and development, net	15,013	13,001	29,253	26,425
Stock-based compensation	1,028	667	1,926	1,450
Non-GAAP Research and development, net	<u>13,985</u>	<u>12,334</u>	<u>27,327</u>	<u>24,975</u>
GAAP selling and marketing	26,410	25,865	52,389	50,777
Stock-based compensation	1,875	1,394	3,499	2,662
Amortization of intangible assets	24	26	47	52
Non-GAAP selling and marketing	<u>24,511</u>	<u>24,445</u>	<u>48,843</u>	<u>48,063</u>
GAAP general and administrative	4,380	3,893	9,160	9,662
Stock-based compensation	583	644	1,003	1,428
Acquisition costs	-	-	340	-
Litigation costs	600	433	1,619	2,597
Non-GAAP general and administrative	<u>3,197</u>	<u>2,816</u>	<u>6,198</u>	<u>5,637</u>
GAAP total operating expenses	45,803	42,759	90,802	86,864
Stock-based compensation	3,486	2,705	6,428	5,540
Acquisition costs	-	-	340	-
Amortization of intangible assets	24	26	47	52
Litigation costs	600	433	1,619	2,597
Non-GAAP total operating expenses	<u>41,693</u>	<u>39,595</u>	<u>82,368</u>	<u>78,675</u>
GAAP operating loss	(4,481)	(2,061)	(9,562)	(6,395)
Stock-based compensation	3,547	2,744	6,544	5,621
Acquisition costs	-	-	340	-
Amortization of intangible assets	443	280	719	559
Litigation costs	600	433	1,619	2,597
Non-GAAP operating income (loss)	<u>109</u>	<u>1,396</u>	<u>(340)</u>	<u>2,382</u>
GAAP finance income	640	1,232	1,747	3,172
Exchange rate differences, net on balance sheet items included in financial income	659	460	806	157
Non-GAAP finance income	<u>1,299</u>	<u>1,692</u>	<u>2,553</u>	<u>3,329</u>
GAAP loss before taxes on income	(3,841)	(829)	(7,815)	(3,223)
Stock-based compensation	3,547	2,744	6,544	5,621
Acquisition costs	-	-	340	-
Amortization of intangible assets	443	280	719	559
Litigation costs	600	433	1,619	2,597
Exchange rate differences, net on balance sheet items included in financial income	659	460	806	157
Non-GAAP income before taxes on income	<u>1,408</u>	<u>3,088</u>	<u>2,213</u>	<u>5,711</u>
GAAP net loss	(4,059)	(1,327)	(8,137)	(4,079)
Stock-based compensation	3,547	2,744	6,544	5,621
Acquisition costs	-	-	340	-
Amortization of intangible assets	443	280	719	559
Litigation costs	600	433	1,619	2,597
Exchange rate differences, net on balance sheet items included in financial income	659	460	806	157
Non GAAP net income	<u>1,190</u>	<u>2,590</u>	<u>1,891</u>	<u>4,855</u>
GAAP Net loss per diluted share	(0.09)	(0.03)	(0.19)	(0.09)
Stock-based compensation	0.08	0.06	0.15	0.13
Acquisition costs	0.00	0.00	0.01	0.00
Amortization of intangible assets	0.01	0.01	0.02	0.01
Litigation costs	0.01	0.01	0.04	0.06
Exchange rate differences, net on balance sheet items included in financial income	0.02	0.01	0.01	0.00
Non GAAP Net income per diluted share	<u>0.03</u>	<u>0.06</u>	<u>0.04</u>	<u>0.11</u>

Weighted average number of shares used to compute Non-GAAP diluted net earnings per : 45,054,172 44,101,539 44,279,284 44,354,630

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
<u>Cash flow from operating activities:</u>				
Net loss	(4,059)	(1,327)	(8,137)	(4,079)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	2,987	2,561	5,806	5,095
Stock based compensation	3,547	2,744	6,544	5,621
Gain from sale of available-for-sale marketable securities	-	(549)	-	(1,126)
Amortization of premium, accretion of discounts and accrued interest on available-for-sale marketable securities, net	270	514	631	892
Accrued interest on bank deposits	150	6	1,532	(655)
Increase in accrued severance pay, net	41	19	176	341
Increase in trade receivables, net	3,352	1,848	1,902	353
Decrease (increase) in other current assets, prepaid expenses and deferred income taxes, net	(196)	(106)	838	(410)
Increase (decrease) in inventories	(1,063)	395	(2,341)	141
Decrease (increase) in trade payables	1,574	1,010	(136)	(3,168)
Increase (decrease) in deferred revenues	8,135	(73)	14,949	8,594
Increase (decrease) in other payables and accrued expenses	(3,374)	679	(4,096)	4,931
Excess tax benefit from stock-based compensation	-	74	-	74
Net cash provided by operating activities	<u>11,364</u>	<u>7,795</u>	<u>17,668</u>	<u>16,604</u>
<u>Cash flows from investing activities:</u>				
Purchase of property and equipment	(2,475)	(2,881)	(4,357)	(5,510)
Proceeds from (investment in) other long-term assets, net	(31)	(16)	16	3
Investment in bank deposits, net	(1,219)	(9,952)	(35,126)	(14,388)
Proceeds from sale, redemption of and purchase of available-for-sale marketable securities, net	(5,910)	155	(2,023)	3,261
Payment for acquisition of subsidiary, net of cash acquired	-	-	(8,269)	-
Net cash used in investing activities	<u>(9,635)</u>	<u>(12,694)</u>	<u>(49,759)</u>	<u>(16,634)</u>
<u>Cash flows from financing activities:</u>				
Proceeds from exercise of stock options	1,228	-	2,538	-
Excess tax benefit from stock-based compensation	-	(74)	-	(74)
Repurchase of shares	-	(4,932)	-	(11,712)
Net cash provided (used in) financing activities	<u>1,228</u>	<u>(5,006)</u>	<u>2,538</u>	<u>(11,786)</u>
Increase (decrease) in cash and cash equivalents	2,957	(9,905)	(29,553)	(11,816)
Cash and cash equivalents at the beginning of the period	<u>47,129</u>	<u>31,833</u>	<u>79,639</u>	<u>33,744</u>
Cash and cash equivalents at the end of the period	<u><u>50,086</u></u>	<u><u>21,928</u></u>	<u><u>50,086</u></u>	<u><u>21,928</u></u>