

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

	December 31, 2022	December 31, 2021
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Assets		
Current assets		
Cash and cash equivalents	46,185	92,513
Marketable securities	44,180	39,497
Short-term bank deposits	207,679	155,879
Trade receivables, net	17,752	13,191
Other receivables and prepaid expenses	8,646	8,046
Inventories	11,428	11,580
	<u>335,870</u>	<u>320,706</u>
Long-term investments		
Marketable securities	90,148	98,224
Long-term bank deposits	43,765	79,708
Severance pay funds	2,146	2,454
	<u>136,059</u>	<u>180,386</u>
Property and equipment, net	21,068	20,240
Intangible assets, net	19,686	10,731
Other long-term assets	43,636	37,334
Operating lease right-of-use assets	23,078	24,829
Goodwill	68,008	41,144
Total assets	<u>647,405</u>	<u>635,370</u>
Liabilities and equity		
Current liabilities		
Trade payables	8,067	4,310
Deferred revenues	108,243	99,922
Operating lease liabilities	4,685	5,090
Other payables and accrued expenses	45,444	56,565
	<u>166,439</u>	<u>165,887</u>
Long-term liabilities		
Deferred revenues	72,219	67,065
Operating lease liabilities	19,461	22,360
Other long-term liabilities	20,843	10,065
	<u>112,523</u>	<u>99,490</u>
Equity		
Radware Ltd. equity		
Share capital	732	730
Additional paid-in capital	498,168	471,173
Accumulated other comprehensive loss, net of tax	(4,844)	(455)
Treasury stock, at cost	(303,299)	(243,023)
Retained earnings	141,402	141,568
Total Radware Ltd. shareholder's equity	<u>332,159</u>	<u>369,993</u>
Non-controlling interest	<u>36,284</u>	<u>-</u>
Total equity	<u>368,443</u>	<u>369,993</u>
Total liabilities and equity	<u>647,405</u>	<u>635,370</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,	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Revenues	74,083	76,642	293,426	286,496
Cost of revenues	13,917	14,048	53,884	52,446
Gross profit	60,166	62,594	239,542	234,050
Operating expenses, net:				
Research and development, net	22,486	19,597	86,562	74,098
Selling and marketing	32,544	32,015	126,533	119,842
General and administrative	10,244	6,114	29,786	21,885
Total operating expenses, net	65,274	57,726	242,881	215,825
Operating income (loss)	(5,108)	4,868	(3,339)	18,225
Financial income (expense), net	2,018	(463)	8,052	4,407
Income (loss) before taxes on income	(3,090)	4,405	4,713	22,632
Taxes on income	1,034	9,996	4,879	14,821
Net income (loss)	(4,124)	(5,591)	(166)	7,811
Basic net earnings (loss) per share attributed to Radware Ltd.'s shareholders	(0.09)	(0.12)	(0.00)	0.17
Weighted average number of shares used to compute basic net earnings (loss) per share	44,586,590	46,004,419	44,943,168	45,919,835
Diluted net earnings (loss) per share attributed to Radware Ltd.'s shareholders	(0.09)	(0.12)	(0.00)	0.16
Weighted average number of shares used to compute diluted net earnings (loss) per share	44,586,590	46,004,419	44,943,168	47,503,091

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,	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
GAAP gross profit	60,166	62,594	239,542	234,050
Stock-based compensation	112	87	399	236
Amortization of intangible assets	992	465	3,704	1,858
Non-GAAP gross profit	<u>61,270</u>	<u>63,146</u>	<u>243,645</u>	<u>236,144</u>
GAAP research and development, net	22,486	19,597	86,562	74,098
Stock-based compensation	2,073	1,626	7,292	5,412
Non-GAAP Research and development, net	<u>20,413</u>	<u>17,971</u>	<u>79,270</u>	<u>68,686</u>
GAAP selling and marketing	32,544	32,015	126,533	119,842
Stock-based compensation	2,993	2,517	11,241	8,811
Non-GAAP selling and marketing	<u>29,551</u>	<u>29,498</u>	<u>115,292</u>	<u>111,031</u>
GAAP general and administrative	10,244	6,114	29,786	21,885
Stock-based compensation	4,480	1,142	8,421	3,115
Litigation costs	-	-	-	288
Acquisition costs	819	296	1,961	925
Non-GAAP general and administrative	<u>4,945</u>	<u>4,676</u>	<u>19,404</u>	<u>17,557</u>
GAAP total operating expenses, net	65,274	57,726	242,881	215,825
Stock-based compensation	9,546	5,285	26,954	17,338
Litigation costs	-	-	-	288
Acquisition costs	819	296	1,961	925
Non-GAAP total operating expenses, net	<u>54,909</u>	<u>52,145</u>	<u>213,966</u>	<u>197,274</u>
GAAP operating income (loss)	(5,108)	4,868	(3,339)	18,225
Stock-based compensation	9,658	5,372	27,353	17,574
Amortization of intangible assets	992	465	3,704	1,858
Litigation costs	-	-	-	288
Acquisition costs	819	296	1,961	925
Non-GAAP operating income	<u>6,361</u>	<u>11,001</u>	<u>29,679</u>	<u>38,870</u>
GAAP financial income (loss), net	2,018	(463)	8,052	4,407
Exchange rate differences, net on balance sheet items included in financial income (loss), net	413	1,592	(1,301)	1,811
Non-GAAP financial income, net	<u>2,431</u>	<u>1,129</u>	<u>6,751</u>	<u>6,218</u>
GAAP income (loss) before taxes on income	(3,090)	4,405	4,713	22,632
Stock-based compensation	9,658	5,372	27,353	17,574
Amortization of intangible assets	992	465	3,704	1,858
Litigation costs	-	-	-	288
Acquisition costs	819	296	1,961	925
Exchange rate differences, net on balance sheet items included in financial income (loss), net	413	1,592	(1,301)	1,811
Non-GAAP income before taxes on income	<u>8,792</u>	<u>12,130</u>	<u>36,430</u>	<u>45,088</u>
GAAP taxes on income	1,034	9,996	4,879	14,821
Tax settlement	-	(8,247)	-	(8,247)
Tax related adjustments	61	61	246	246
Non-GAAP taxes on income	<u>1,095</u>	<u>1,810</u>	<u>5,125</u>	<u>6,820</u>
GAAP net income (loss)	(4,124)	(5,591)	(166)	7,811
Stock-based compensation	9,658	5,372	27,353	17,574
Amortization of intangible assets	992	465	3,704	1,858
Litigation costs	-	-	-	288
Acquisition costs	819	296	1,961	925
Exchange rate differences, net on balance sheet items included in financial income, net	413	1,592	(1,301)	1,811
Tax settlement	-	8,247	-	8,247
Tax related adjustments	(61)	(61)	(246)	(246)
Non-GAAP net income	<u>7,697</u>	<u>10,320</u>	<u>31,305</u>	<u>38,268</u>
GAAP diluted net earnings (loss) per share	(0.09)	(0.12)	(0.00)	0.16
Stock-based compensation	0.21	0.11	0.60	0.37
Amortization of intangible assets	0.02	0.01	0.08	0.04
Litigation costs	0.00	0.00	0.00	0.01
Acquisition costs	0.02	0.01	0.04	0.02
Exchange rate differences, net on balance sheet items included in financial income (loss), net	0.01	0.03	(0.03)	0.04
Tax settlement	0.00	0.17	0.00	0.17
Tax related adjustments	(0.00)	(0.00)	(0.01)	(0.01)
Non-GAAP diluted net earnings per share	<u>0.17</u>	<u>0.22</u>	<u>0.68</u>	<u>0.81</u>
Weighted average number of shares used to compute Non-GAAP diluted net earnings per share	45,227,288	47,655,351	45,947,476	47,503,091

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

	For the three months ended	
	December 31,	
	2022	2021
	(Unaudited)	(Unaudited)
GAAP net income (loss)	(4,124)	(5,591)
Exclude: Financial expense (income), net	(2,018)	463
Exclude: Depreciation and amortization expense	2,878	2,484
Exclude: Taxes on income	1,034	9,996
EBITDA	(2,230)	7,352
Share-based compensation	9,658	5,372
Litigation costs	-	-
Acquisition costs	819	296
Adjusted EBITDA	8,247	13,020

	For the three months ended	
	December 31,	
	2022	2021
Amortization of intangible assets	992	465
Depreciation	1,886	2,019
	2,878	2,484

For the twelve months ended
December 31,

<u>2022</u>	<u>2021</u>
(Unaudited)	(Unaudited)
(166)	7,811
(8,052)	(4,407)
11,692	10,196
4,879	14,821
<u>8,353</u>	<u>28,421</u>
27,353	17,574
-	288
1,961	925
<u>37,667</u>	<u>47,208</u>

For the twelve months ended
December 31,

<u>2022</u>	<u>2021</u>
3,704	1,858
7,988	8,338
<u>11,692</u>	<u>10,196</u>

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,	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
<u>Cash flow from operating activities:</u>				
Net income (loss)	(4,124)	(5,591)	(166)	7,811
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	2,878	2,484	11,692	10,196
Share-based compensation	9,658	5,372	27,353	17,574
Amortization of premium, accretion of discounts and accrued interest on marketable securities, net	766	817	2,345	2,720
Gain related to securities, net	(4)	(14)	(68)	(438)
Increase (decrease) in accrued interest on bank deposits	(1,424)	1,003	(2,480)	2,424
Increase in accrued severance pay, net	301	15	219	468
Decrease (increase) in trade receivables, net	(4,401)	(1,715)	(4,561)	3,657
Decrease (increase) in other receivables and prepaid expenses and other long-term assets	(5,243)	2,515	(5,716)	(8,091)
Decrease (increase) in inventories	(574)	823	152	2,355
Increase in trade payables	1,297	1,316	3,757	428
Increase in deferred revenues	1,584	10,990	13,475	20,063
Increase (decrease) in other payables and accrued expenses	8,418	10,287	(12,301)	12,238
Operating lease liabilities, net	428	632	(1,553)	369
Net cash provided by operating activities	<u>9,560</u>	<u>28,934</u>	<u>32,148</u>	<u>71,774</u>
<u>Cash flows from investing activities:</u>				
Purchase of property and equipment	(1,768)	(1,653)	(8,814)	(5,603)
Proceeds from (investment in) other long-term assets, net	(71)	7	35	49
Proceeds from (investment in) bank deposits, net	5,824	20,168	(13,377)	24,448
Investment in, redemption of and purchase of marketable securities ,net	1,640	(3,527)	(3,862)	(11,045)
Payment for the business acquisition of SecurityDAM Ltd.	-	-	(30,000)	-
Net cash provided by (used in) investing activities	<u>5,625</u>	<u>14,995</u>	<u>(56,018)</u>	<u>7,849</u>
<u>Cash flows from financing activities:</u>				
Proceeds from exercise of share options	832	2,828	2,034	10,590
Repurchase of shares	(12,301)	(17,449)	(59,492)	(52,471)
Proceeds from issuance of Preferred A shares in subsidiary	-	-	35,000	-
Net cash used in financing activities	<u>(11,469)</u>	<u>(14,621)</u>	<u>(22,458)</u>	<u>(41,881)</u>
Increase (decrease) in cash and cash equivalents	3,716	29,308	(46,328)	37,742
Cash and cash equivalents at the beginning of the period	<u>42,469</u>	<u>63,205</u>	<u>92,513</u>	<u>54,771</u>
Cash and cash equivalents at the end of the period	<u><u>46,185</u></u>	<u><u>92,513</u></u>	<u><u>46,185</u></u>	<u><u>92,513</u></u>