

RADWARE ANNOUNCES FIRST QUARTER 2018 EARNINGS

First Quarter 2018 Results and Financial Highlights

- *Revenues of \$55 Million, up 11% from the first quarter of 2017*
- *Non-GAAP EPS of \$0.06; GAAP EPS of \$(0.02)*
- *Operating cash flow for the last twelve months of \$37 million*

TEL AVIV, ISRAEL, MAY 2, 2018 — [Radware®](#) (NASDAQ: RDWR), a leading provider of cyber security and application delivery solutions, today announced its consolidated financial results for the quarter ended March 31, 2018.

“We are very pleased with our results for the first quarter, our third consecutive quarter with double digit revenue growth. The cyber threat landscape continues to evolve, and customers are investing in attack mitigation more strategically. Radware is benefiting from the competitive advantages of our comprehensive solution portfolio for datacenter attack mitigation while at the same time continuing to expand this portfolio,” said Roy Zisapel, Radware President & CEO. “Looking at the strong first quarter performance and robust pipeline, we clearly started 2018 on the right foot and are excited about the opportunities that lie ahead of us.”

Financial Highlights for the First Quarter of 2018

Revenues for the first quarter of 2018 totaled \$54.5 million, up 11% from revenues of \$48.9 million for the first quarter of 2017:

- Revenues in the Americas region were \$24.2 million for the first quarter of 2018, up 32% from revenues of \$18.3 million in the first quarter of 2017.
- Revenues in the EMEA region were \$15.1 million for the first quarter of 2018, up 4% from revenues of \$14.6 million in the first quarter of 2017.
- Revenues in the APAC region were \$15.2 million for the first quarter of 2018, down 5% from revenues of \$16.0 million in the first quarter of 2017.

Net loss on a GAAP basis for the first quarter of 2018 was (\$1.0) million or \$(0.02) per diluted share, compared with net loss of (\$4.1) million or \$(0.09) per diluted share for the first quarter of 2017.

Non-GAAP net income for the first quarter of 2018 was \$2.6 million or \$0.06 per diluted share, compared with non-GAAP net income of \$0.7 million or \$0.02 per diluted share for the first quarter of 2017.

Non-GAAP results are calculated excluding the impact of stock-based compensation, exchange rate differences, net on balance sheet items included in financial income, amortization of intangible assets, acquisition costs and litigation costs. A reconciliation of each of the company's non-GAAP measures to the comparable GAAP measured is included at the end of this press release.

As of March 31, 2018, the Company had cash, cash equivalents, short-term and long-term bank deposits and marketable securities of \$358.1 million. Cash generated from operations in the first quarter of 2018 totaled \$12.2 million.

Share Repurchase Plan

The Company also announced that its board of directors has authorized a new one-year plan to repurchase up to \$40 million of its issued and outstanding ordinary shares. The share repurchase plan authorizes management to repurchase, from time to time, ordinary shares in open market transactions, in privately negotiated transactions or in other legally permissible ways depending on market conditions, share price, trading volume and other factors. Such repurchases, which will be funded from available working capital, will be made in accordance with applicable U.S. securities laws and regulations, including

Rule 10b-18 promulgated by the Securities and Exchange Commission. The share repurchase plan does not obligate Radware to buy back any specific number of shares and may be suspended or terminated at any time at management's discretion.

Conference Call

Radware management will host a call on Wednesday, May 2, 2018 at 8:30 am ET to discuss its first quarter 2018 results and the company's outlook for the second quarter of 2018.

Participants in the US call: Toll Free 833-241-4257

Participants Internationally call: +1-647-689-4208

Conference ID: 5988018

A replay will be available for 2 days, starting 2 hours after the end of the call, on telephone number +1-416-621-4642 or (US toll-free) 800-585-8367.

A live webcast of the conference call can also be heard by accessing the Company's website at: <http://www.radware.com/IR/>. The webcast will remain available for replay during the next 12 months.

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Use of Non-GAAP Financial Information

In addition to reporting financial results in accordance with generally accepted accounting principles (GAAP), Radware uses non-GAAP measures of gross profit, operating income, financial income, net income and earnings per share, which are adjustments from results based on GAAP to exclude stock-based compensation expenses, in accordance with ASC No. 718, amortization of intangible assets, acquisition costs, litigation costs and exchange rate differences, net on balance sheet items included in finance income. Such exchange rate differences may vary from period to period due to changes in exchange rates driven by general market conditions or other circumstances outside of the normal course of Radware's operations. Management believes that exclusion of these charges allows comparisons of operating results that are consistent across past, present and future periods. Furthermore, Radware uses a measure called "total deferred revenues" which is defined as the sum of short and long term deferred revenues on the balance sheet and uncollected billed amounts that were offset against trade receivables, and are not presented on the balance sheet. Radware's management believes the non-GAAP financial information provided in this release is useful to investors for the purpose of understanding and assessing Radware's ongoing operations. The presentation of this non-GAAP financial information is not intended to be considered in isolation or as a substitute for results prepared in accordance with GAAP. A reconciliation of the non-GAAP financial measures discussed in this press release, to the most directly comparable GAAP financial measures, is included with the financial information contained in this press release. Management uses both GAAP and non-GAAP information in evaluating and operating business internally and, as such, has determined that it is important to provide this information to investors.

Safe Harbor Statement

This press release may contain statements concerning Radware's future prospects that are "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Statements preceded by, followed by, or that otherwise include the words "believes", "expects", "anticipates", "intends", "estimates", "plans", and similar expressions or future or conditional verbs such as "will", "should", "would", "may" and "could" are generally forward-looking in nature and not historical facts. Because such statements deal with future events, they are subject to various risks and uncertainties and actual results, expressed or implied by such forward-looking statements, could differ materially from Radware's current forecasts and estimates. Factors that could cause or contribute to such differences include, but are not limited to: the impact of global economic conditions and volatility of the market for our products; changes in the competitive landscape; inability to realize our investment objectives; timely availability and customer acceptance of our new and existing products; risks and uncertainties relating to acquisitions; the impact of economic and political uncertainties and weaknesses in various regions of the world, including the commencement or escalation of hostilities or acts of terrorism; Competition in the market for Application Delivery and Network Security solutions and our industry in general is intense; and other factors and risks on which we may have little or no control. This list is intended to identify only certain of the principal factors that could cause actual results to differ. For a more detailed description of the risks and uncertainties affecting Radware, reference is made to Radware's Annual Report on Form 20-F, which is on file with the Securities and Exchange Commission (SEC) and the other risk factors discussed from time to time by Radware in reports filed with, or furnished to, the SEC. Forward-looking statements speak only as of the date on which they are made and, except as required by applicable law, Radware undertakes no commitment to revise or update any forward-looking statement in order to reflect events or circumstances after the date any such statement is made. Radware's public filings are available from the SEC's website at www.sec.gov or may be obtained on Radware's website at www.radware.com.

About Radware

[Radware®](#) (NASDAQ: RDWR), is a global leader of cyber security and application delivery solutions for physical, cloud, and software defined data centers. Its award-winning solutions portfolio secures the digital experience by providing infrastructure, application, and corporate IT protection and availability services to enterprises globally. Radware's solutions empower more than 12,500 enterprise and carrier customers worldwide to adapt to market challenges quickly, maintain business continuity and achieve maximum productivity while keeping costs down. For more information, please visit www.radware.com.

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

| | March 31, 2018 | December 31, 2017 |
|--|---------------------------|------------------------------|
| | (Unaudited) | (Unaudited) |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 61,987 | 65,237 |
| Available-for-sale marketable securities | 45,769 | 42,573 |
| Short-term bank deposits | 87,662 | 93,151 |
| Trade receivables, net | 16,034 | 16,150 |
| Other receivables and prepaid expenses | 6,401 | 12,252 |
| Inventories | 18,920 | 18,772 |
| | <u>236,773</u> | <u>248,135</u> |
| Long-term investments | | |
| Available-for-sale marketable securities | 51,193 | 54,427 |
| Long-term bank deposits | 111,465 | 88,911 |
| Severance pay funds | 3,251 | 3,251 |
| | <u>165,909</u> | <u>146,589</u> |
| Property and equipment, net | 23,477 | 23,642 |
| Intangible assets, net | 10,164 | 10,415 |
| Other long-term assets | 17,687 | 8,133 |
| Goodwill | 32,174 | 32,174 |
| Total assets | <u>486,184</u> | <u>469,088</u> |
| Liabilities and shareholders' equity | | |
| Current Liabilities | | |
| Trade payables | 4,320 | 5,367 |
| Deferred revenues | 76,831 | 69,829 |
| Other payables and accrued expenses | 24,248 | 32,174 |
| | <u>105,399</u> | <u>107,370</u> |
| Long-term liabilities | | |
| Deferred revenues | 45,346 | 43,482 |
| Other long-term liabilities | 5,733 | 2,880 |
| | <u>51,079</u> | <u>46,362</u> |
| Shareholders' equity | | |
| Share capital | 677 | 673 |
| Additional paid-in capital | 357,496 | 349,250 |
| Accumulated other comprehensive loss, net of tax | (1,172) | (443) |
| Treasury stock, at cost | (116,442) | (116,442) |
| Retained earnings | 89,147 | 82,318 |
| Total shareholders' equity | <u>329,706</u> | <u>315,356</u> |
| Total liabilities and shareholders' equity | <u>486,184</u> | <u>469,088</u> |

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

| | For the three months ended | |
|--|-----------------------------------|-------------|
| | March 31, | |
| | 2018 | 2017 |
| | (Unaudited) | (Unaudited) |
| Revenues | 54,536 | 48,912 |
| Cost of revenues | 9,940 | 8,994 |
| Gross profit | 44,596 | 39,918 |
| Operating expenses: | | |
| Research and development, net | 14,662 | 14,240 |
| Selling and marketing | 28,183 | 25,979 |
| General and administrative | 4,055 | 4,780 |
| Total operating expenses | 46,900 | 44,999 |
| Operating loss | (2,304) | (5,081) |
| Financial income, net | 1,689 | 1,107 |
| Loss before taxes on income | (615) | (3,974) |
| Taxes on income | (380) | (104) |
| Net loss | (995) | (4,078) |
| Basic net loss per share | (0.02) | (0.09) |
| Weighted average number of shares used to compute basic net loss per share | 44,325,008 | 43,225,062 |
| Diluted net loss per share | (0.02) | (0.09) |
| Weighted average number of shares used to compute diluted net loss per share | 44,325,008 | 43,225,062 |

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 March 31, | |
|--|---|--------------------|
| | 2018 | 2017 |
| | (Unaudited) | (Unaudited) |
| GAAP gross profit | 44,596 | 39,918 |
| Stock-based compensation | 58 | 55 |
| Amortization of intangible assets | 230 | 253 |
| Non-GAAP gross profit | <u>44,884</u> | <u>40,226</u> |
| GAAP research and development, net | 14,662 | 14,240 |
| Stock-based compensation | 931 | 898 |
| Non-GAAP Research and development, net | <u>13,731</u> | <u>13,342</u> |
| GAAP selling and marketing | 28,183 | 25,979 |
| Stock-based compensation | 1,904 | 1,624 |
| Amortization of intangible assets | 20 | 23 |
| Non-GAAP selling and marketing | <u>26,259</u> | <u>24,332</u> |
| GAAP general and administrative | 4,055 | 4,780 |
| Stock-based compensation | 407 | 420 |
| Acquisition costs | 0 | 340 |
| Litigation costs | 270 | 1,019 |
| Non-GAAP general and administrative | <u>3,378</u> | <u>3,001</u> |
| GAAP total operating expenses | 46,900 | 44,999 |
| Stock-based compensation | 3,242 | 2,942 |
| Acquisition costs | 0 | 340 |
| Amortization of intangible assets | 20 | 23 |
| Litigation costs | 270 | 1,019 |
| Non-GAAP total operating expenses | <u>43,368</u> | <u>40,675</u> |
| GAAP operating loss | (2,304) | (5,081) |
| Stock-based compensation | 3,300 | 2,997 |
| Acquisition costs | 0 | 340 |
| Amortization of intangible assets | 250 | 276 |
| Litigation costs | 270 | 1,019 |
| Non-GAAP operating income (loss) | <u>1,516</u> | <u>(449)</u> |
| GAAP finance income | 1,689 | 1,107 |
| Exchange rate differences, net on balance sheet items included in financial income | (203) | 147 |
| Non-GAAP finance income | <u>1,486</u> | <u>1,254</u> |
| GAAP loss before taxes on income | (615) | (3,974) |
| Stock-based compensation | 3,300 | 2,997 |
| Acquisition costs | 0 | 340 |
| Amortization of intangible assets | 250 | 276 |
| Litigation costs | 270 | 1,019 |
| Exchange rate differences, net on balance sheet items included in financial income | (203) | 147 |
| Non-GAAP income before taxes on income | <u>3,002</u> | <u>805</u> |
| GAAP net loss | (995) | (4,078) |
| Stock-based compensation | 3,300 | 2,997 |
| Acquisition costs | 0 | 340 |
| Amortization of intangible assets | 250 | 276 |
| Litigation costs | 270 | 1,019 |
| Exchange rate differences, net on balance sheet items included in financial income | (203) | 147 |
| Non GAAP net income | <u>2,622</u> | <u>701</u> |
| GAAP Net loss per diluted share | (0.02) | (0.09) |
| Stock-based compensation | 0.07 | 0.07 |
| Acquisition costs | 0.00 | 0.01 |
| Amortization of intangible assets | 0.01 | 0.01 |
| Litigation costs | 0.01 | 0.02 |
| Exchange rate differences, net on balance sheet items included in financial income | (0.00) | 0.00 |
| Non GAAP Net income per diluted share | <u>0.06</u> | <u>0.02</u> |

Weighted average number of shares used to compute Non-GAAP diluted net earnings per share

46,424,462

43,985,249

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

| | For the three months ended | |
|--|-----------------------------------|-----------------|
| | March 31, | |
| | 2018 | 2017 |
| | (Unaudited) | (Unaudited) |
| <u>Cash flow from operating activities:</u> | | |
| Net loss | (995) | (4,078) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 2,504 | 2,819 |
| Stock based compensation | 3,300 | 2,997 |
| Amortization of premium, accretion of discounts and accrued interest on available-for- sale marketable securities, net | 276 | 361 |
| Accrued interest on bank deposits | (66) | 1,382 |
| Increase in accrued severance pay, net | 239 | 135 |
| Increase in trade receivables, net | (37) | (1,450) |
| Decrease in other current assets and prepaid expenses and other long-term assets | 7,199 | 1,034 |
| Increase in inventories | (148) | (1,278) |
| Decrease in trade payables | (1,047) | (1,710) |
| Increase in deferred revenues | 8,866 | 6,814 |
| Decrease in other payables and accrued expenses | (7,927) | (722) |
| Net cash provided by operating activities | <u>12,164</u> | <u>6,304</u> |
| <u>Cash flows from investing activities:</u> | | |
| Purchase of property and equipment | (2,089) | (1,882) |
| Proceeds from (investment in) other long-term assets, net | (91) | 47 |
| Investment in bank deposits, net | (17,000) | (33,907) |
| Proceeds from (investment in) sale, redemption of and purchase of available-for-sale marketable securities ,net | (1,186) | 3,887 |
| Payment for acquisition of subsidiary, net of cash acquired | 0 | (8,269) |
| Net cash used in investing activities | <u>(20,366)</u> | <u>(40,124)</u> |
| <u>Cash flows from financing activities:</u> | | |
| Proceeds from exercise of stock options | 4,952 | 1,310 |
| Net cash provided by financing activities | <u>4,952</u> | <u>1,310</u> |
| Decrease in cash and cash equivalents | (3,250) | (32,510) |
| Cash and cash equivalents at the beginning of the period | 65,237 | 79,639 |
| Cash and cash equivalents at the end of the period | <u>61,987</u> | <u>47,129</u> |