

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

	September 30,	December 31,
	2021	2020
	(Unaudited)	(Unaudited)
Assets		
Current assets		
Cash and cash equivalents	63,205	54,771
Marketable securities	51,234	64,684
Short-term bank deposits	159,208	191,038
Trade receivables, net	11,476	16,848
Other receivables and prepaid expenses	11,798	6,526
Inventories	12,403	13,935
	<u>309,324</u>	<u>347,802</u>
Long-term investments		
Marketable securities	84,741	66,836
Long-term bank deposits	97,550	71,421
Severance pay funds	2,391	2,453
	<u>184,682</u>	<u>140,710</u>
Property and equipment, net	20,606	22,976
Intangible assets, net	11,196	12,588
Other long-term assets	35,879	30,222
Operating lease right-of-use assets	25,131	27,823
Goodwill	41,144	41,144
Total assets	<u>627,962</u>	<u>623,265</u>
Liabilities and shareholders' equity		
Current Liabilities		
Trade payables	2,994	3,882
Deferred revenues	93,542	92,127
Operating lease liabilities	4,503	5,224
Other payables and accrued expenses	44,424	42,514
	<u>145,463</u>	<u>143,747</u>
Long-term liabilities		
Deferred revenues	62,455	54,797
Operating lease liabilities	22,617	24,851
Other long-term liabilities	11,841	11,409
	<u>96,913</u>	<u>91,057</u>
Shareholders' equity		
Share capital	728	721
Additional paid-in capital	462,976	443,018
Accumulated other comprehensive income, net of tax	298	1,517
Treasury stock, at cost	(225,575)	(190,552)
Retained earnings	147,159	133,757
Total shareholders' equity	<u>385,586</u>	<u>388,461</u>
Total liabilities and shareholders' equity	<u>627,962</u>	<u>623,265</u>

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,	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	73,418	62,524	209,854	180,981
Cost of revenues	13,294	11,646	38,398	32,893
Gross profit	<u>60,124</u>	<u>50,878</u>	<u>171,456</u>	<u>148,088</u>
Operating expenses, net:				
Research and development, net	18,639	16,747	54,501	49,088
Selling and marketing	29,588	27,659	87,827	82,616
General and administrative	6,024	4,513	15,771	14,114
Total operating expenses, net	<u>54,251</u>	<u>48,919</u>	<u>158,099</u>	<u>145,818</u>
Operating income	5,873	1,959	13,357	2,270
Financial income, net	<u>1,013</u>	<u>2,897</u>	<u>4,870</u>	<u>7,404</u>
Income before taxes on income	6,886	4,856	18,227	9,674
Taxes on income	<u>1,921</u>	<u>1,269</u>	<u>4,825</u>	<u>2,840</u>
Net income	<u><u>4,965</u></u>	<u><u>3,587</u></u>	<u><u>13,402</u></u>	<u><u>6,834</u></u>
Basic net earnings per share	0.11	0.08	0.29	0.15
Weighted average number of shares used to compute basic net earnings per share	45,838,968	46,341,046	45,891,234	46,547,504
Diluted net earnings per share	0.10	0.08	0.28	0.14
Weighted average number of shares used to compute diluted net earnings per share	47,620,254	47,673,698	47,451,932	47,841,411

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,	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
GAAP gross profit	60,124	50,878	171,456	148,088
Stock-based compensation	51	48	149	135
Amortization of intangible assets	464	465	1,393	1,427
Non-GAAP gross profit	<u>60,639</u>	<u>51,391</u>	<u>172,998</u>	<u>149,650</u>
GAAP research and development, net	18,639	16,747	54,501	49,088
Stock-based compensation	1,434	1,301	3,786	3,199
Non-GAAP Research and development, net	<u>17,205</u>	<u>15,446</u>	<u>50,715</u>	<u>45,889</u>
GAAP selling and marketing	29,588	27,659	87,827	82,616
Stock-based compensation	2,212	2,083	6,294	5,814
Non-GAAP selling and marketing	<u>27,376</u>	<u>25,576</u>	<u>81,533</u>	<u>76,802</u>
GAAP general and administrative	6,024	4,513	15,771	14,114
Stock-based compensation	894	975	1,973	2,809
Litigation costs	67	44	288	303
Acquisition costs	629	-	629	-
Non-GAAP general and administrative	<u>4,434</u>	<u>3,494</u>	<u>12,881</u>	<u>11,002</u>
GAAP total operating expenses, net	54,251	48,919	158,099	145,818
Stock-based compensation	4,540	4,359	12,053	11,822
Litigation costs	67	44	288	303
Acquisition costs	629	-	629	-
Non-GAAP total operating expenses, net	<u>49,015</u>	<u>44,516</u>	<u>145,129</u>	<u>133,693</u>
GAAP operating income	5,873	1,959	13,357	2,270
Stock-based compensation	4,591	4,407	12,202	11,957
Amortization of intangible assets	464	465	1,393	1,427
Litigation costs	67	44	288	303
Acquisition costs	629	-	629	-
Non-GAAP operating income	<u>11,624</u>	<u>6,875</u>	<u>27,869</u>	<u>15,957</u>
GAAP financial income, net	1,013	2,897	4,870	7,404
Other loss adjustment	-	-	-	247
Exchange rate differences, net on balance sheet items included in financial income, net	388	(72)	219	480
Non-GAAP financial income, net	<u>1,401</u>	<u>2,825</u>	<u>5,089</u>	<u>8,131</u>
GAAP income before taxes on income	6,886	4,856	18,227	9,674
Stock-based compensation	4,591	4,407	12,202	11,957
Amortization of intangible assets	464	465	1,393	1,427
Litigation costs	67	44	288	303
Acquisition costs	629	-	629	-
Other loss adjustment	-	-	-	247
Exchange rate differences, net on balance sheet items included in financial income, net	388	(72)	219	480
Non-GAAP income before taxes on income	<u>13,025</u>	<u>9,700</u>	<u>32,958</u>	<u>24,088</u>
GAAP taxes on income	1,921	1,269	4,825	2,840
Tax related adjustments	62	62	185	245
Non-GAAP taxes on income	<u>1,983</u>	<u>1,331</u>	<u>5,010</u>	<u>3,085</u>
GAAP net income	4,965	3,587	13,402	6,834
Stock-based compensation	4,591	4,407	12,202	11,957
Amortization of intangible assets	464	465	1,393	1,427
Litigation costs	67	44	288	303
Acquisition costs	629	-	629	-
Other loss adjustment	-	-	-	247
Exchange rate differences, net on balance sheet items included in financial income, net	388	(72)	219	480
Tax related adjustments	(62)	(62)	(185)	(245)
Non-GAAP net income	<u>11,042</u>	<u>8,369</u>	<u>27,948</u>	<u>21,003</u>
GAAP diluted net earnings per share	0.10	0.08	0.28	0.14
Stock-based compensation	0.10	0.09	0.26	0.25
Amortization of intangible assets	0.01	0.01	0.03	0.03
Litigation costs	0.00	0.00	0.01	0.01
Acquisition costs	0.01	0.00	0.01	0.00
Other loss adjustment	0.00	0.00	0.00	0.01
Exchange rate differences, net on balance sheet items included in financial income, net	0.01	(0.00)	0.00	0.01
Tax related adjustments	(0.00)	(0.00)	(0.00)	(0.01)
Non-GAAP diluted net earnings per share	<u>0.23</u>	<u>0.18</u>	<u>0.59</u>	<u>0.44</u>
Weighted average number of shares used to compute Non-GAAP diluted net earnings per share	47,620,254	47,673,698	47,451,932	47,841,411

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

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<u>Cash flow from operating activities:</u>				
Net income	4,965	3,587	13,402	6,834
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	2,527	2,616	7,712	7,883
Stock-based compensation	4,591	4,407	12,202	11,957
Amortization of premium, accretion of discounts and accrued interest on marketable securities, net	768	337	1,903	647
Gain related to securities, net	(327)	(517)	(424)	(580)
Accrued interest on bank deposits	1,504	(598)	1,421	(971)
Increase in accrued severance pay, net	88	48	453	235
Decrease in trade receivables, net	7,023	2,865	5,372	8,280
Increase in other receivables and prepaid expenses and other long-term assets	(627)	(465)	(10,606)	(2,395)
Decrease in inventories	797	816	1,532	650
Decrease in trade payables	(2,554)	(1,078)	(888)	(2,497)
Increase (decrease) in deferred revenues	(2,317)	(7,648)	9,073	14,019
Increase in other payables and accrued expenses	1,280	2,456	1,951	1,735
Operating lease liabilities, net	161	(26)	(263)	(64)
Net cash provided by operating activities	<u>17,879</u>	<u>6,800</u>	<u>42,840</u>	<u>45,733</u>
<u>Cash flows from investing activities:</u>				
Purchase of property and equipment	(1,458)	(1,629)	(3,950)	(6,626)
Proceeds from (investment in) other long-term assets, net	11	(15)	42	(26)
Proceeds from (investment in) bank deposits, net	(154)	(2,666)	4,280	(11,824)
Proceeds from (investment in) sale, redemption of and purchase of marketable securities ,net	(15,852)	8,249	(7,518)	11,712
Net cash provided by (used in) investing activities	<u>(17,453)</u>	<u>3,939</u>	<u>(7,146)</u>	<u>(6,764)</u>
<u>Cash flows from financing activities:</u>				
Proceeds from exercise of stock options	1,917	4,947	7,762	8,285
Repurchase of shares	(195)	(15,907)	(35,022)	(39,576)
Net cash provided by (used in) financing activities	<u>1,722</u>	<u>(10,960)</u>	<u>(27,260)</u>	<u>(31,291)</u>
Increase (decrease) in cash and cash equivalents	2,148	(221)	8,434	7,678
Cash and cash equivalents at the beginning of the period	<u>61,057</u>	<u>48,650</u>	<u>54,771</u>	<u>40,751</u>
Cash and cash equivalents at the end of the period	<u><u>63,205</u></u>	<u><u>48,429</u></u>	<u><u>63,205</u></u>	<u><u>48,429</u></u>