

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

|   | <b>September 30,</b> | <b>December 31,</b> |
|---|----------------------|---------------------|
|   | <b>2019</b>          | <b>2018</b>         |
|   | <u>(Unaudited)</u>   | <u>(Unaudited)</u>  |
| <b>Assets</b>   |                      |                     |
| <b>Current assets</b>                                     |                      |                     |
| Cash and cash equivalents                                 | 39,955               | 45,203              |
| Available-for-sale marketable securities                  | 28,177               | 15,742              |
| Short-term bank deposits                                  | 153,812              | 255,454             |
| Trade receivables, net                                    | 12,366               | 17,166              |
| Other receivables and prepaid expenses                    | 9,390                | 7,071               |
| Inventories   | 15,083               | 18,401              |
|   | <u>258,783</u>       | <u>359,037</u>      |
| <b>Long-term investments</b>                              |                      |                     |
| Available-for-sale marketable securities                  | 120,326              | 84,669              |
| Long-term bank deposits                                   | 86,342               | 0                   |
| Severance pay funds                                       | 2,313                | 2,973               |
|   | <u>208,981</u>       | <u>87,642</u>       |
| Property and equipment, net                               | 23,256               | 23,677              |
| Other long-term assets                                    | 21,495               | 20,724              |
| Operating lease right-of-use assets                       | 18,849               | 0                   |
| Goodwill and intangible assets, net                       | 56,127               | 41,641              |
| Total assets  | <u>587,491</u>       | <u>532,721</u>      |
| <b>Liabilities and shareholders' equity</b>               |                      |                     |
| <b>Current Liabilities</b>                                |                      |                     |
| Trade payables  | 4,005                | 4,483               |
| Deferred revenues   | 81,987               | 83,955              |
| Operating lease liabilities                               | 5,183                | 0                   |
| Other payables and accrued expenses                       | 28,089               | 29,596              |
|   | <u>119,264</u>       | <u>118,034</u>      |
| <b>Long-term liabilities</b>                              |                      |                     |
| Deferred revenues   | 54,556               | 43,796              |
| Operating lease liabilities                               | 14,520               | 0                   |
| Other long-term liabilities                               | 12,343               | 6,934               |
|   | <u>81,419</u>        | <u>50,730</u>       |
| <b>Shareholders' equity</b>                               |                      |                     |
| Share capital   | 707                  | 693                 |
| Additional paid-in capital                                | 407,897              | 383,536             |
| Accumulated other comprehensive income (loss), net of tax | 1,026                | (1,110)             |
| Treasury stock, at cost                                   | (139,612)            | (120,717)           |
| Retained earnings   | 116,790              | 101,555             |
| Total shareholders' equity                                | <u>386,808</u>       | <u>363,957</u>      |
| Total liabilities and shareholders' equity                | <u>587,491</u>       | <u>532,721</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,             |                     |
|  | 2019                       | 2018                | 2019                      | 2018                |
|  | (Unaudited)                | (Unaudited)         | (Unaudited)               | (Unaudited)         |
| Revenues   | 62,859                     | 58,764              | 184,710                   | 170,587             |
| Cost of revenues   | 11,527                     | 10,278              | 33,180                    | 30,558              |
| Gross profit   | <u>51,332</u>              | <u>48,486</u>       | <u>151,530</u>            | <u>140,029</u>      |
| Operating expenses, net:   |                            |                     |                           |                     |
| Research and development, net  | 15,108                     | 14,434              | 45,738                    | 43,729              |
| Selling and marketing  | 27,094                     | 27,263              | 80,435                    | 83,249              |
| General and administrative   | 4,403                      | 3,985               | 14,209                    | 11,851              |
| Total operating expenses, net  | <u>46,605</u>              | <u>45,682</u>       | <u>140,382</u>            | <u>138,829</u>      |
| Operating income   | 4,727                      | 2,804               | 11,148                    | 1,200               |
| Financial income, net  | <u>2,137</u>               | <u>1,487</u>        | <u>6,047</u>              | <u>4,877</u>        |
| Income before taxes on income  | 6,864                      | 4,291               | 17,195                    | 6,077               |
| Taxes on income (tax benefit)  | <u>(257)</u>               | <u>1,178</u>        | <u>1,960</u>              | <u>2,285</u>        |
| Net income   | <u><u>7,121</u></u>        | <u><u>3,113</u></u> | <u><u>15,235</u></u>      | <u><u>3,792</u></u> |
| Basic net earnings per share   | 0.15                       | 0.07                | 0.33                      | 0.08                |
| Weighted average number of shares used to compute basic net earnings per share   | 46,850,137                 | 45,537,801          | 46,788,870                | 45,030,328          |
| Diluted net earnings per share   | 0.15                       | 0.06                | 0.31                      | 0.08                |
| Weighted average number of shares used to compute diluted net earnings per share | 48,488,313                 | 48,519,880          | 48,595,899                | 48,012,407          |

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,             |                |
|   | 2019                       | 2018          | 2019                      | 2018           |
|   | (Unaudited)                | (Unaudited)   | (Unaudited)               | (Unaudited)    |
| GAAP gross profit   | 51,332                     | 48,486        | 151,530                   | 140,029        |
| Stock-based compensation  | 57                         | 54            | 171                       | 171            |
| Amortization of intangible assets   | 997                        | 212           | 1,818                     | 654            |
| Non-GAAP gross profit   | <u>52,386</u>              | <u>48,752</u> | <u>153,519</u>            | <u>140,854</u> |
| GAAP research and development, net  | 15,108                     | 14,434        | 45,738                    | 43,729         |
| Stock-based compensation  | 640                        | 819           | 2,064                     | 2,429          |
| Non-GAAP Research and development, net  | <u>14,468</u>              | <u>13,615</u> | <u>43,674</u>             | <u>41,300</u>  |
| GAAP selling and marketing  | 27,094                     | 27,263        | 80,435                    | 83,249         |
| Stock-based compensation  | 1,954                      | 1,666         | 5,258                     | 5,344          |
| Amortization of intangible assets   | 17                         | 20            | 52                        | 61             |
| Non-GAAP selling and marketing  | <u>25,123</u>              | <u>25,577</u> | <u>75,125</u>             | <u>77,844</u>  |
| GAAP general and administrative   | 4,403                      | 3,985         | 14,209                    | 11,851         |
| Stock-based compensation  | 741                        | 527           | 2,290                     | 1,312          |
| Acquisition costs   | -                          | -             | 264                       | -              |
| Litigation costs  | 24                         | 214           | 883                       | 627            |
| Non-GAAP general and administrative   | <u>3,638</u>               | <u>3,244</u>  | <u>10,772</u>             | <u>9,912</u>   |
| GAAP total operating expenses, net  | 46,605                     | 45,682        | 140,382                   | 138,829        |
| Stock-based compensation  | 3,335                      | 3,012         | 9,612                     | 9,085          |
| Acquisition costs   | -                          | -             | 264                       | -              |
| Amortization of intangible assets   | 17                         | 20            | 52                        | 61             |
| Litigation costs  | 24                         | 214           | 883                       | 627            |
| Non-GAAP total operating expenses, net  | <u>43,229</u>              | <u>42,436</u> | <u>129,571</u>            | <u>129,056</u> |
| GAAP operating income   | 4,727                      | 2,804         | 11,148                    | 1,200          |
| Stock-based compensation  | 3,392                      | 3,066         | 9,783                     | 9,256          |
| Acquisition costs   | -                          | -             | 264                       | -              |
| Amortization of intangible assets   | 1,014                      | 232           | 1,870                     | 715            |
| Litigation costs  | 24                         | 214           | 883                       | 627            |
| Non-GAAP operating income   | <u>9,157</u>               | <u>6,316</u>  | <u>23,948</u>             | <u>11,798</u>  |
| GAAP financial income, net  | 2,137                      | 1,487         | 6,047                     | 4,877          |
| Other gain adjustment   | (253)                      | -             | (563)                     | -              |
| Exchange rate differences, net on balance sheet items included in financial income, net   | 878                        | 432           | 2,418                     | 255            |
| Non-GAAP financial income, net  | <u>2,762</u>               | <u>1,919</u>  | <u>7,902</u>              | <u>5,132</u>   |
| GAAP income before taxes on income (tax benefit)  | 6,864                      | 4,291         | 17,195                    | 6,077          |
| Stock-based compensation  | 3,392                      | 3,066         | 9,783                     | 9,256          |
| Acquisition costs   | -                          | -             | 264                       | -              |
| Amortization of intangible assets   | 1,014                      | 232           | 1,870                     | 715            |
| Litigation costs  | 24                         | 214           | 883                       | 627            |
| Other gain adjustment   | (253)                      | -             | (563)                     | -              |
| Exchange rate differences, net on balance sheet items included in financial income, net   | 878                        | 432           | 2,418                     | 255            |
| Non-GAAP income before taxes on income  | <u>11,919</u>              | <u>8,235</u>  | <u>31,850</u>             | <u>16,930</u>  |
| GAAP taxes on income (tax benefit)  | (257)                      | 1,178         | 1,960                     | 2,285          |
| Amortization of deferred tax liability related to intangible assets                       | 247                        | -             | 247                       | -              |
| Tax related to other gain adjustment  | 19                         | -             | (52)                      | -              |
| Non-GAAP taxes on income  | <u>9</u>                   | <u>1,178</u>  | <u>2,155</u>              | <u>2,285</u>   |
| GAAP net income   | 7,121                      | 3,113         | 15,235                    | 3,792          |
| Stock-based compensation  | 3,392                      | 3,066         | 9,783                     | 9,256          |
| Acquisition costs   | -                          | -             | 264                       | -              |
| Amortization of intangible assets   | 1,014                      | 232           | 1,870                     | 715            |
| Litigation costs  | 24                         | 214           | 883                       | 627            |
| Other gain adjustment   | (253)                      | -             | (563)                     | -              |
| Exchange rate differences, net on balance sheet items included in financial income, net   | 878                        | 432           | 2,418                     | 255            |
| Amortization of deferred tax liability related to intangible assets                       | (247)                      | -             | (247)                     | -              |
| Tax related to other gain adjustment  | (19)                       | -             | 52                        | -              |
| Non-GAAP net income   | <u>11,910</u>              | <u>7,057</u>  | <u>29,695</u>             | <u>14,645</u>  |
| GAAP diluted net earnings per share   | 0.15                       | 0.06          | 0.31                      | 0.08           |
| Stock-based compensation  | 0.07                       | 0.06          | 0.20                      | 0.19           |
| Acquisition costs   | 0.00                       | 0.00          | 0.01                      | 0.00           |
| Amortization of intangible assets   | 0.02                       | 0.01          | 0.04                      | 0.02           |
| Litigation costs  | 0.00                       | 0.01          | 0.02                      | 0.01           |
| Other gain adjustment   | (0.01)                     | 0.00          | (0.01)                    | 0.00           |
| Exchange rate differences, net on balance sheet items included in financial income, net   | 0.02                       | 0.01          | 0.05                      | 0.01           |
| Amortization of deferred tax liability related to intangible assets                       | (0.01)                     | 0.00          | (0.01)                    | 0.00           |
| Tax related to other gain adjustment  | (0.00)                     | 0.00          | 0.00                      | 0.00           |
| Non-GAAP diluted net earnings per share   | <u>0.25</u>                | <u>0.15</u>   | <u>0.61</u>               | <u>0.31</u>    |
| Weighted average number of shares used to compute Non-GAAP diluted net earnings per share | 48,488,313                 | 48,519,880    | 48,595,899                | 48,012,407     |

**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,             |                      |
|   | 2019                       | 2018                 | 2019                      | 2018                 |
|   | (Unaudited)                | (Unaudited)          | (Unaudited)               | (Unaudited)          |
| <u>Cash flow from operating activities:</u>   |                            |                      |                           |                      |
| Net income  | 7,121                      | 3,113                | 15,235                    | 3,792                |
| Adjustments to reconcile net income to net cash provided by operating activities:                                     |                            |                      |                           |                      |
| Depreciation and amortization   | 3,106                      | 2,433                | 8,494                     | 7,380                |
| Stock based compensation  | 3,392                      | 3,066                | 9,783                     | 9,256                |
| Amortization of premium, accretion of discounts and accrued interest on available-for-sale marketable securities, net | 141                        | 192                  | 468                       | 882                  |
| Other gain  | (253)                      | 0                    | (563)                     | 0                    |
| Accrued interest on bank deposits   | (804)                      | (1,217)              | 1,527                     | (1,429)              |
| Increase (decrease) in accrued severance pay, net   | (109)                      | (8)                  | 824                       | 134                  |
| Decrease (increase) in trade receivables, net   | 2,621                      | 107                  | 5,150                     | (2,494)              |
| Decrease (increase) in other receivables and prepaid expenses and other long-term assets                              | (1,163)                    | (206)                | (4,849)                   | 4,493                |
| Decrease (increase) in inventories  | 881                        | (2,020)              | 3,318                     | (1,691)              |
| Decrease (increase) in trade payables   | 203                        | 680                  | (535)                     | 57                   |
| Increase (decrease) in deferred revenues  | 4,893                      | (2,774)              | 8,676                     | 4,392                |
| Increase (decrease) in other payables and accrued expenses  | 39                         | 5,465                | 511                       | (1,217)              |
| Operating lease liabilities, net  | 194                        | 0                    | 854                       | 0                    |
| Net cash provided by operating activities   | <u>20,262</u>              | <u>8,831</u>         | <u>48,893</u>             | <u>23,555</u>        |
| <u>Cash flows from investing activities:</u>  |                            |                      |                           |                      |
| Purchase of property and equipment  | (1,810)                    | (1,595)              | (6,153)                   | (4,870)              |
| Proceeds from other long-term assets, net   | 73                         | 0                    | 11                        | 38                   |
| Proceeds from (investment in) bank deposits, net  | (5,674)                    | (15,000)             | 13,773                    | (41,067)             |
| Investment in sale, redemption of and purchase of available-for-sale marketable securities ,net                       | (1,997)                    | (1,035)              | (45,232)                  | (2,907)              |
| Payment for acquisition of subsidiary, net of cash acquired   | 0                          | 0                    | (12,239)                  | 0                    |
| Net cash used in investing activities   | <u>(9,408)</u>             | <u>(17,630)</u>      | <u>(49,840)</u>           | <u>(48,806)</u>      |
| <u>Cash flows from financing activities:</u>  |                            |                      |                           |                      |
| Proceeds from exercise of stock options   | 3,751                      | 6,688                | 14,593                    | 19,579               |
| Repurchase of shares  | (8,841)                    | 0                    | (18,894)                  | 0                    |
| Net cash provided by (used in) financing activities   | <u>(5,090)</u>             | <u>6,688</u>         | <u>(4,301)</u>            | <u>19,579</u>        |
| Increase (decrease) in cash and cash equivalents  | 5,764                      | (2,111)              | (5,248)                   | (5,672)              |
| Cash and cash equivalents at the beginning of the period  | <u>34,191</u>              | <u>61,676</u>        | <u>45,203</u>             | <u>65,237</u>        |
| Cash and cash equivalents at the end of the period  | <u><u>39,955</u></u>       | <u><u>59,565</u></u> | <u><u>39,955</u></u>      | <u><u>59,565</u></u> |