



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

	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
	(Unaudited)	(Unaudited)
Assets		
Current assets		
Cash and cash equivalents	48,650	40,751
Marketable securities	63,568	36,924
Short-term bank deposits	114,137	100,276
Trade receivables, net	17,195	22,610
Other receivables and prepaid expenses	8,444	7,469
Inventories	<u>14,106</u>	<u>13,940</u>
	<u>266,100</u>	<u>221,970</u>
Long-term investments		
Marketable securities	83,647	112,696
Long-term bank deposits	132,765	137,095
Severance pay funds	<u>2,191</u>	<u>2,300</u>
	<u>218,603</u>	<u>252,091</u>
Property and equipment, net	23,663	22,971
Other long-term assets	25,358	24,398
Operating lease right-of-use assets	24,117	18,144
Goodwill and intangible assets, net	<u>54,663</u>	<u>55,625</u>
Total assets	<u><u>612,504</u></u>	<u><u>595,199</u></u>
Liabilities and shareholders' equity		
Current Liabilities		
Trade payables	4,896	6,315
Deferred revenues	97,703	79,239
Operating lease liabilities	4,573	5,193
Other payables and accrued expenses	<u>33,672</u>	<u>34,794</u>
	<u>140,844</u>	<u>125,541</u>
Long-term liabilities		
Deferred revenues	54,091	50,888
Operating lease liabilities	20,469	13,914
Other long-term liabilities	<u>10,004</u>	<u>9,525</u>
	<u>84,564</u>	<u>74,327</u>
Shareholders' equity		
Share capital	713	710
Additional paid-in capital	425,466	414,581
Accumulated other comprehensive income, net of tax	2,444	1,145
Treasury stock, at cost	(168,895)	(145,226)
Retained earnings	<u>127,368</u>	<u>124,121</u>
Total shareholders' equity	<u>387,096</u>	<u>395,331</u>
Total liabilities and shareholders' equity	<u><u>612,504</u></u>	<u><u>595,199</u></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 six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	58,445	60,454	118,457	121,851
Cost of revenues	<u>10,558</u>	<u>10,644</u>	<u>21,247</u>	<u>21,653</u>
Gross profit	<u>47,887</u>	<u>49,810</u>	<u>97,210</u>	<u>100,198</u>
Operating expenses, net:				
Research and development, net	16,509	15,400	32,341	30,630
Selling and marketing	26,755	26,680	54,957	53,341
General and administrative	<u>4,889</u>	<u>5,042</u>	<u>9,601</u>	<u>9,806</u>
Total operating expenses, net	<u>48,153</u>	<u>47,122</u>	<u>96,899</u>	<u>93,777</u>
Operating income (loss)	(266)	2,688	311	6,421
Financial income, net	<u>1,783</u>	<u>2,119</u>	<u>4,507</u>	<u>3,910</u>
Income before taxes on income	1,517	4,807	4,818	10,331
Taxes on income	<u>844</u>	<u>1,061</u>	<u>1,571</u>	<u>2,217</u>
Net income	<u>673</u>	<u>3,746</u>	<u>3,247</u>	<u>8,114</u>
Basic net earnings per share	0.01	0.08	0.07	0.17
Weighted average number of shares used to compute basic net earnings per share	46,387,585	46,899,813	46,652,734	46,757,981
Diluted net earnings per share	0.01	0.08	0.07	0.17
Weighted average number of shares used to compute diluted net earnings per share	47,632,309	48,722,684	47,927,268	48,649,438

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 six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
GAAP gross profit	47,887	49,810	97,210	100,198
Stock-based compensation	49	59	87	114
Amortization of intangible assets	464	410	962	821
Non-GAAP gross profit	<u>48,400</u>	<u>50,279</u>	<u>98,259</u>	<u>101,133</u>
GAAP research and development, net	16,509	15,400	32,341	30,630
Stock-based compensation	1,089	714	1,898	1,424
Non-GAAP Research and development, net	<u>15,420</u>	<u>14,686</u>	<u>30,443</u>	<u>29,206</u>
GAAP selling and marketing	26,755	26,680	54,957	53,341
Stock-based compensation	1,845	1,735	3,731	3,304
Amortization of intangible assets	-	18	-	35
Non-GAAP selling and marketing	<u>24,910</u>	<u>24,927</u>	<u>51,226</u>	<u>50,002</u>
GAAP general and administrative	4,889	5,042	9,601	9,806
Stock-based compensation	931	782	1,834	1,549
Acquisition costs	-	-	-	264
Litigation costs	140	777	259	859
Non-GAAP general and administrative	<u>3,818</u>	<u>3,483</u>	<u>7,508</u>	<u>7,134</u>
GAAP total operating expenses, net	48,153	47,122	96,899	93,777
Stock-based compensation	3,865	3,231	7,463	6,277
Amortization of intangible assets	-	18	-	35
Acquisition costs	-	-	-	264
Litigation costs	140	777	259	859
Non-GAAP total operating expenses, net	<u>44,148</u>	<u>43,096</u>	<u>89,177</u>	<u>86,342</u>
GAAP operating income (loss)	(266)	2,688	311	6,421
Stock-based compensation	3,914	3,290	7,550	6,391
Amortization of intangible assets	464	428	962	856
Acquisition costs	-	-	-	264
Litigation costs	140	777	259	859
Non-GAAP operating income	<u>4,252</u>	<u>7,183</u>	<u>9,082</u>	<u>14,791</u>
GAAP financial income, net	1,783	2,119	4,507	3,910
Other loss (gain) adjustment	-	(310)	247	(310)
Exchange rate differences, net on balance sheet items included in financial income, net	859	909	552	1,540
Non-GAAP financial income, net	<u>2,642</u>	<u>2,718</u>	<u>5,306</u>	<u>5,140</u>
GAAP income before taxes on income	1,517	4,807	4,818	10,331
Stock-based compensation	3,914	3,290	7,550	6,391
Amortization of intangible assets	464	428	962	856
Acquisition costs	-	-	-	264
Litigation costs	140	777	259	859
Other loss (gain) adjustment	-	(310)	247	(310)
Exchange rate differences, net on balance sheet items included in financial income, net	859	909	552	1,540
Non-GAAP income before taxes on income	<u>6,894</u>	<u>9,901</u>	<u>14,388</u>	<u>19,931</u>
GAAP taxes on income	844	1,061	1,571	2,217
Tax related adjustments	61	(71)	183	(71)
Non-GAAP taxes on income	<u>905</u>	<u>990</u>	<u>1,754</u>	<u>2,146</u>
GAAP net income	673	3,746	3,247	8,114
Stock-based compensation	3,914	3,290	7,550	6,391
Amortization of intangible assets	464	428	962	856
Acquisition costs	-	-	-	264
Litigation costs	140	777	259	859
Other loss (gain) adjustment	-	(310)	247	(310)
Exchange rate differences, net on balance sheet items included in financial income, net	859	909	552	1,540
Tax related adjustments	(61)	71	(183)	71
Non-GAAP net income	<u>5,989</u>	<u>8,911</u>	<u>12,634</u>	<u>17,785</u>
GAAP diluted net earnings per share	0.01	0.08	0.07	0.17
Stock-based compensation	0.08	0.07	0.16	0.13
Amortization of intangible assets	0.01	0.01	0.02	0.02
Acquisition costs	0.00	0.00	0.00	0.01
Litigation costs	0.00	0.02	0.01	0.02
Other loss (gain) adjustment	0.00	(0.01)	0.01	(0.01)
Exchange rate differences, net on balance sheet items included in financial income, net	0.02	0.02	0.01	0.03
Tax related adjustments	(0.00)	0.00	(0.00)	0.00
Non-GAAP diluted net earnings per share	<u>0.13</u>	<u>0.18</u>	<u>0.26</u>	<u>0.37</u>
Weighted average number of shares used to compute Non-GAAP diluted net earnings per share	47,632,309	48,722,684	47,927,268	48,649,438

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

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<u>Cash flow from operating activities:</u>				
Net income	673	3,746	3,247	8,114
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	2,637	2,701	5,267	5,388
Stock-based compensation	3,914	3,290	7,550	6,391
Amortization of premium, accretion of discounts and accrued interest on marketable securities, net	114	149	310	327
Gain related to securities, net	(226)	(310)	(63)	(310)
Accrued interest on bank deposits	(178)	3,160	(373)	2,331
Increase (decrease) in accrued severance pay, net	(29)	65	187	933
Decrease (increase) in trade receivables, net	9,444	(641)	5,415	2,529
Increase in other receivables and prepaid expenses and other long-term assets	(1,471)	(1,721)	(1,930)	(3,686)
Decrease (increase) in inventories	748	1,221	(166)	2,437
Decrease in trade payables	(3)	(28)	(1,419)	(738)
Increase (decrease) in deferred revenues	1,637	(7,237)	21,667	3,783
Increase (decrease) in other payables and accrued expenses	(100)	463	(721)	472
Operating lease liabilities, net	800	285	(38)	660
Net cash provided by operating activities	<u>17,960</u>	<u>5,143</u>	<u>38,933</u>	<u>28,631</u>
<u>Cash flows from investing activities:</u>				
Purchase of property and equipment	(2,545)	(2,382)	(4,997)	(4,343)
Investment in other long-term assets, net	(9)	(33)	(11)	(62)
Proceeds from (investment in) bank deposits, net	(4,652)	19,529	(9,158)	19,447
Proceeds from (investment in) sale, redemption of and purchase of marketable securities, net	940	(33,574)	3,463	(43,235)
Payment for acquisition of subsidiary, net of cash acquired	0	43	0	(12,239)
Net cash used in investing activities	<u>(6,266)</u>	<u>(16,417)</u>	<u>(10,703)</u>	<u>(40,432)</u>
<u>Cash flows from financing activities:</u>				
Proceeds from exercise of stock options	1,749	3,109	3,338	10,842
Repurchase of shares	(5,000)	(10,005)	(23,669)	(10,053)
Net cash provided by (used in) financing activities	<u>(3,251)</u>	<u>(6,896)</u>	<u>(20,331)</u>	<u>789</u>
Increase (decrease) in cash and cash equivalents	8,443	(18,170)	7,899	(11,012)
Cash and cash equivalents at the beginning of the period	<u>40,207</u>	<u>52,361</u>	<u>40,751</u>	<u>45,203</u>
Cash and cash equivalents at the end of the period	<u>48,650</u>	<u>34,191</u>	<u>48,650</u>	<u>34,191</u>