



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

	September 30, 2017	December 31, 2016
	(Unaudited)	
Assets		
Current assets		
Cash and cash equivalents	53,530	79,639
Available-for-sale marketable securities	25,145	20,452
Short-term bank deposits	87,114	125,995
Trade receivables, net	12,314	19,407
Other receivables and prepaid expenses	3,905	4,159
Inventories	18,724	17,114
	200,732	266,766
Long-term investments		
Available-for-sale marketable securities	70,717	74,967
Long-term bank deposits	94,361	19,092
Severance pay funds	2,830	2,597
	167,908	96,656
Property and equipment, net	24,487	26,354
Intangible assets, net	10,525	2,399
Other long-term assets	8,084	8,092
Goodwill	32,174	30,069
	443,910	430,336
Total assets	443,910	430,336
Liabilities and shareholders' equity		
Current Liabilities		
Trade payables	4,552	5,971
Deferred revenues	63,534	53,061
Other payables and accrued expenses	25,107	26,232
	93,193	85,264
Long-term liabilities		
Deferred revenues	38,658	31,100
Other long-term liabilities	9,130	14,209
	47,788	45,309
Shareholders' equity		
Share capital	666	663
Additional paid-in capital	338,539	325,338
Accumulated other comprehensive loss, net of tax	(31)	(20)
Treasury stock, at cost	(116,442)	(116,029)
Retained earnings	80,197	89,811
Total shareholders' equity	302,929	299,763
Total liabilities and shareholders' equity	443,910	430,336

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

	Three months ended September 30,		Nine months ended September 30,	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Revenues	53,047	46,863	152,915	144,873
Cost of revenues	9,928	8,558	28,556	26,099
Gross profit	<u>43,119</u>	<u>38,305</u>	<u>124,359</u>	<u>118,774</u>
Operating expenses:				
Research and development, net	14,678	13,072	43,931	39,497
Selling and marketing	27,189	24,853	79,578	75,630
General and administrative	4,152	4,245	13,312	13,907
Total operating expenses	<u>46,019</u>	<u>42,170</u>	<u>136,821</u>	<u>129,034</u>
Operating loss	(2,900)	(3,865)	(12,462)	(10,260)
Financial income, net	2,148	1,706	3,895	4,878
Loss before taxes on income	(752)	(2,159)	(8,567)	(5,382)
Taxes on income	(725)	(288)	(1,047)	(1,144)
Net loss	<u>(1,477)</u>	<u>(2,447)</u>	<u>(9,614)</u>	<u>(6,526)</u>
Basic net loss per share	(0.03)	(0.06)	(0.22)	(0.15)
Weighted average number of shares used to compute basic net loss per share	43,951,325	43,752,220	43,347,092	44,053,422
Diluted net loss per share	(0.03)	(0.06)	(0.22)	(0.15)
Weighted average number of shares used to compute diluted net loss per share	43,951,325	43,752,220	43,347,092	44,053,422

Radware Ltd.

Reconciliation of GAAP to Non-GAAP Financial Information
(U.S Dollars in thousands, except share and per share data)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
GAAP gross profit	43,119	38,305	124,359	118,774
Stock-based compensation	65	47	181	128
Amortization of intangible assets	379	253	1,051	760
Non-GAAP gross profit	<u>43,563</u>	<u>38,605</u>	<u>125,591</u>	<u>119,662</u>
GAAP research and development, net	14,678	13,072	43,931	39,497
Stock-based compensation	957	941	2,883	2,391
Non-GAAP Research and development, net	<u>13,721</u>	<u>12,131</u>	<u>41,048</u>	<u>37,106</u>
GAAP selling and marketing	27,189	24,853	79,578	75,630
Stock-based compensation	1,678	1,256	5,177	3,918
Amortization of intangible assets	23	27	70	79
Non-GAAP selling and marketing	<u>25,488</u>	<u>23,570</u>	<u>74,331</u>	<u>71,633</u>
GAAP general and administrative	4,152	4,245	13,312	13,907
Stock-based compensation	570	434	1,573	1,862
Acquisition costs	-	-	340	-
Litigation costs	357	889	1,976	3,486
Non-GAAP general and administrative	<u>3,225</u>	<u>2,922</u>	<u>9,423</u>	<u>8,559</u>
GAAP total operating expenses	46,019	42,170	136,821	129,034
Stock-based compensation	3,205	2,631	9,633	8,171
Acquisition costs	-	-	340	-
Amortization of intangible assets	23	27	70	79
Litigation costs	357	889	1,976	3,486
Non-GAAP total operating expenses	<u>42,434</u>	<u>38,623</u>	<u>124,802</u>	<u>117,298</u>
GAAP operating loss	(2,900)	(3,865)	(12,462)	(10,260)
Stock-based compensation	3,270	2,678	9,814	8,299
Acquisition costs	-	-	340	-
Amortization of intangible assets	402	280	1,121	839
Litigation costs	357	889	1,976	3,486
Non-GAAP operating income (loss)	<u>1,129</u>	<u>(18)</u>	<u>789</u>	<u>2,364</u>
GAAP finance income	2,148	1,706	3,895	4,878
Exchange rate differences, net on balance sheet items included in financial income	(729)	176	77	333
Non-GAAP finance income	<u>1,419</u>	<u>1,882</u>	<u>3,972</u>	<u>5,211</u>
GAAP loss before taxes on income	(752)	(2,159)	(8,567)	(5,382)
Stock-based compensation	3,270	2,678	9,814	8,299
Acquisition costs	-	-	340	-
Amortization of intangible assets	402	280	1,121	839
Litigation costs	357	889	1,976	3,486
Exchange rate differences, net on balance sheet items included in financial income	(729)	176	77	333
Non-GAAP income before taxes on income	<u>2,548</u>	<u>1,864</u>	<u>4,761</u>	<u>7,575</u>
GAAP net loss	(1,477)	(2,447)	(9,614)	(6,526)
Stock-based compensation	3,270	2,678	9,814	8,299
Acquisition costs	-	-	340	-
Amortization of intangible assets	402	280	1,121	839
Litigation costs	357	889	1,976	3,486
Exchange rate differences, net on balance sheet items included in financial income	(729)	176	77	333
Non GAAP net income	<u>1,823</u>	<u>1,576</u>	<u>3,714</u>	<u>6,431</u>
GAAP Net loss per diluted share	(0.03)	(0.06)	(0.22)	(0.15)
Stock-based compensation	0.07	0.06	0.22	0.19
Acquisition costs	0.00	0.00	0.01	0.00
Amortization of intangible assets	0.01	0.01	0.03	0.02
Litigation costs	0.01	0.02	0.04	0.08
Exchange rate differences, net on balance sheet items included in financial income	(0.02)	0.00	0.00	0.01
Non GAAP Net income per diluted share	<u>0.04</u>	<u>0.04</u>	<u>0.08</u>	<u>0.15</u>
Weighted average number of shares used to compute non-GAAP diluted net earnings per share	45,210,495	44,077,078	44,431,570	44,260,343

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<u>Cash flow from operating activities:</u>				
Net loss	(1,477)	(2,447)	(9,614)	(6,526)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	2,861	2,614	8,667	7,709
Stock based compensation	3,270	2,678	9,814	8,299
Gain from sale of available-for-sale marketable securities	-	(651)	-	(1,778)
Amortization of premium, accretion of discounts and accrued interest on available-for-sale marketable securities, net	450	385	1,081	1,277
Accrued interest on bank deposits	(720)	201	812	(455)
Increase (decrease) in accrued severance pay, net	44	(51)	220	290
Increase in trade receivables, net	5,324	4,711	7,226	5,064
Decrease (increase) in other current assets, prepaid expenses and deferred income taxes, net	(459)	149	379	(260)
Increase (decrease) in inventories	731	(631)	(1,610)	(490)
Increase in trade payables	(1,415)	(1,036)	(1,551)	(4,204)
Increase (decrease) in deferred revenues	2,713	(6,773)	17,662	1,821
Increase (decrease) in other payables and accrued expenses	(5,483)	(421)	(9,579)	4,512
Excess tax benefit from stock-based compensation	-	-	-	74
Net cash provided by (used in) operating activities	<u>5,839</u>	<u>(1,272)</u>	<u>23,507</u>	<u>15,333</u>
<u>Cash flows from investing activities:</u>				
Purchase of property and equipment	(1,240)	(2,561)	(5,597)	(8,071)
Proceeds from (investment in) other long-term assets, net	(4)	(3)	12	-
Proceeds from (investment in) bank deposits, net	(2,074)	16,097	(37,200)	1,708
Proceeds from (investment in) sale, redemption of and purchase of available-for-sale marketable securities	485	4,339	(1,538)	7,600
Payment for acquisition of subsidiary, net of cash acquired	-	-	(8,269)	-
Net cash provided (used in) in investing activities	<u>(2,833)</u>	<u>17,872</u>	<u>(52,592)</u>	<u>1,237</u>
<u>Cash flows from financing activities:</u>				
Proceeds from exercise of stock options	851	330	3,389	330
Excess tax benefit from stock-based compensation	-	-	-	(74)
Repurchase of shares	(413)	-	(413)	(11,712)
Net cash provided by (used in) financing activities	<u>438</u>	<u>330</u>	<u>2,976</u>	<u>(11,456)</u>
Increase (decrease) in cash and cash equivalents	3,444	16,930	(26,109)	5,114
Cash and cash equivalents at the beginning of the period	<u>50,086</u>	<u>21,928</u>	<u>79,639</u>	<u>33,744</u>
Cash and cash equivalents at the end of the period	<u><u>53,530</u></u>	<u><u>38,858</u></u>	<u><u>53,530</u></u>	<u><u>38,858</u></u>