

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

	March 31, 2016	December 31, 2015
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Assets		
Current assets		
Cash and cash equivalents	31,833	33,744
Available-for-sale marketable securities	17,305	16,003
Short-term bank deposits	150,844	80,922
Trade receivables, net	27,905	26,410
Other receivables and prepaid expenses	5,346	5,042
Inventories	16,576	16,322
	<u>249,809</u>	<u>178,443</u>
Long-term investments		
Available-for-sale marketable securities	83,186	87,814
Long-term bank deposits	31,818	96,643
Severance pay funds	2,747	2,724
	<u>117,751</u>	<u>187,181</u>
Property and equipment, net	26,577	26,203
Intangible assets, net	3,239	3,518
Other assets	5,559	5,473
Goodwill	30,069	30,069
	<u>433,004</u>	<u>430,887</u>
Total assets		
Liabilities and shareholders' equity		
Current liabilities		
Trade payables	5,077	9,255
Deferred revenues	53,029	46,061
Other payables and accrued expenses	21,849	22,098
	<u>79,955</u>	<u>77,414</u>
Long-term liabilities		
Deferred revenues	26,835	25,136
Other long-term liabilities	14,060	9,214
	<u>40,895</u>	<u>34,350</u>
Shareholders' equity		
Share capital	661	661
Additional paid-in capital	315,661	312,784
Accumulated other comprehensive income	943	1,257
Treasury stock, at cost	(100,829)	(94,049)
Retained earnings	95,718	98,470
Total shareholders' equity	<u>312,154</u>	<u>319,123</u>
Total liabilities and shareholders' equity	<u>433,004</u>	<u>430,887</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,

	<u>2016</u> (Unaudited)	<u>2015</u> (Unaudited)
Revenues	48,425	57,224
Cost of revenues	<u>8,654</u>	<u>10,100</u>
Gross profit	<u>39,771</u>	<u>47,124</u>
Operating expenses:		
Research and development, net	13,424	11,951
Selling and marketing	24,912	23,580
General and administrative	<u>5,769</u>	<u>4,097</u>
Total operating expenses	<u>44,105</u>	<u>39,628</u>
Operating income (loss)	(4,334)	7,496
Financial income, net	<u>1,940</u>	<u>650</u>
Income (loss) before taxes on income	(2,394)	8,146
Taxes on income	<u>358</u>	<u>1,687</u>
Net income (loss)	<u>(2,752)</u>	<u>6,459</u>
Basic net earnings (loss) per share	<u>(0.06)</u>	<u>0.14</u>
Weighted average number of shares used to compute basic net earnings (loss) per share	44,468,827	46,398,833
Diluted net earnings (loss) per share	<u>(0.06)</u>	<u>0.14</u>
Weighted average number of shares used to compute diluted net earnings (loss) per share	44,468,827	47,449,320

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

For the Three months ended
March 31,

	<u>2016</u> (Unaudited)	<u>2015</u> (Unaudited)
GAAP net income (loss)	<u>(2,752)</u>	<u>6,459</u>
Stock-based compensation expenses, included in:		
Cost of revenues	42	34
Research and development, net	783	618
Selling and marketing	1,268	889
General and administrative	<u>784</u>	<u>676</u>
	<u>2,877</u>	<u>2,217</u>
Amortization of intangible assets included in:		
Cost of revenues	253	313
Selling and marketing	<u>26</u>	<u>38</u>
	<u>279</u>	<u>351</u>
Exchange rate differences, net on balance sheet items included in financial income	<u>(303)</u>	<u>631</u>
Litigation costs	<u>2,164</u>	<u>812</u>
Non-GAAP net income	<u>2,265</u>	<u>10,470</u>
Non-GAAP diluted net earnings per share	<u>0.05</u>	<u>0.22</u>
Weighted average number of shares used to compute Non-GAAP diluted net earnings per share	44,608,119	47,449,320

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

	For the three months ended on March 31,	
	2016	2015
	(Unaudited)	(Unaudited)
<u>Cash flows from operating activities:</u>		
Net income (loss)	(2,752)	6,459
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	2,534	2,205
Stock based compensation	2,877	2,217
Gain from sale of available-for-sale marketable securities	(577)	(194)
Amortization of premiums, accretion of discounts and accrued interest on available-for-sale marketable securities, net	378	1,435
Accrued interest on bank deposits	(661)	(341)
Increase in accrued severance pay, net	322	47
Increase in trade receivables, net	(1,495)	(309)
Increase in other assets and prepaid expenses	(304)	(120)
Decrease (increase) in inventories	(254)	591
Decrease in trade payables	(4,178)	(2,710)
Increase in deferred revenues	8,667	5,395
Increase (decrease) in other payables and accrued expenses and other long-term liabilities	4,252	(2,673)
Tax benefit related to exercise of stock options	-	(230)
Net cash provided by operating activities	8,809	11,772
<u>Cash flows from investing activities:</u>		
Purchase of property and equipment	(2,629)	(2,953)
Investment in (proceeds from) other long-term assets	19	(51)
Investment in bank deposits, net	(4,436)	(23,193)
Proceeds from sale, redemption of and purchase of available-for-sale marketable securities ,net	3,106	17,387
Net cash used in investing activities	(3,940)	(8,810)

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

	For the three months ended on March 31,	
	2016	2015
	(Unaudited)	(Unaudited)
<u>Cash flows from financing activities:</u>		
Proceeds from exercise of stock options	-	2,210
Excess tax benefit from stock-based compensation	-	230
Repurchase of shares	(6,780)	(19,727)
Net cash used in financing activities	(6,780)	(17,287)
Decrease in cash and cash equivalents	(1,911)	(14,325)
Cash and cash equivalents at the beginning of the year	33,744	44,979
Cash and cash equivalents at the end of the year	31,833	30,654