



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

	December 31, 2017	December 31, 2016
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Assets		
Current assets		
Cash and cash equivalents	65,237	79,639
Available-for-sale marketable securities	42,573	20,452
Short-term bank deposits	93,151	125,995
Trade receivables, net	16,150	19,407
Other receivables and prepaid expenses	12,252	4,159
Inventories	18,772	17,114
	<u>248,135</u>	<u>266,766</u>
Long-term investments		
Available-for-sale marketable securities	54,427	74,967
Long-term bank deposits	88,911	19,092
Severance pay funds	3,251	2,597
	<u>146,589</u>	<u>96,656</u>
Property and equipment, net	23,642	26,354
Intangible assets, net	10,415	2,399
Other long-term assets	8,133	8,092
Goodwill	32,174	30,069
	<u>469,088</u>	<u>430,336</u>
Total assets	<u><u>469,088</u></u>	<u><u>430,336</u></u>
Liabilities and shareholders' equity		
Current Liabilities		
Trade payables	5,367	5,971
Deferred revenues	69,829	53,061
Other payables and accrued expenses	32,174	26,232
	<u>107,370</u>	<u>85,264</u>
Long-term liabilities		
Deferred revenues	43,482	31,100
Other long-term liabilities	2,880	14,209
	<u>46,362</u>	<u>45,309</u>
Shareholders' equity		
Share capital	673	663
Additional paid-in capital	349,250	325,338
Accumulated other comprehensive loss, net of tax	(443)	(20)
Treasury stock, at cost	(116,442)	(116,029)
Retained earnings	82,318	89,811
Total shareholders' equity	<u>315,356</u>	<u>299,763</u>
Total liabilities and shareholders' equity	<u><u>469,088</u></u>	<u><u>430,336</u></u>

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

	For the three months ended		For the year ended	
	December 31,		December 31,	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	58,454	51,712	211,369	196,585
Cost of revenues	11,060	9,596	39,616	35,695
Gross profit	<u>47,394</u>	<u>42,116</u>	<u>171,753</u>	<u>160,890</u>
Operating expenses:				
Research and development, net	15,072	12,235	59,003	51,732
Selling and marketing	29,166	28,144	108,744	103,774
General and administrative	4,265	4,226	17,577	18,133
Other income	(6,900)	-	(6,900)	-
Total operating expenses	<u>41,603</u>	<u>44,605</u>	<u>178,424</u>	<u>173,639</u>
Operating income (loss)	5,791	(2,489)	(6,671)	(12,749)
Financial income, net	935	863	4,830	5,741
Income (loss) before taxes on income	6,726	(1,626)	(1,841)	(7,008)
Taxes on income	(4,605)	(507)	(5,652)	(1,651)
Net income (loss)	<u>2,121</u>	<u>(2,133)</u>	<u>(7,493)</u>	<u>(8,659)</u>
Basic net earnings (loss) per share	0.05	(0.05)	(0.17)	(0.20)
Weighted average number of shares used to compute basic net earnings	43,859,400	43,313,644	43,475,844	43,868,221
Diluted net earnings (loss) per share	0.05	(0.05)	(0.17)	(0.20)
Weighted average number of shares used to compute diluted net earnings	45,728,792	43,313,644	43,475,844	43,868,221

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 year ended	
	December 31,		December 31,	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
GAAP gross profit	47,394	42,116	171,753	160,890
Stock-based compensation	60	52	241	180
Amortization of intangible assets	86	254	1,137	1,014
Acquisition costs	550	-	550	-
Non-GAAP gross profit	48,090	42,422	173,681	162,084
GAAP research and development, net	15,072	12,235	59,003	51,732
Stock-based compensation	984	948	3,867	3,339
Acquisition costs	204	-	204	-
Non-GAAP Research and development, net	13,884	11,287	54,932	48,393
GAAP selling and marketing	29,166	28,144	108,744	103,774
Stock-based compensation	1,717	1,743	6,894	5,661
Amortization of intangible assets	24	26	94	105
Non-GAAP selling and marketing	27,425	26,375	101,756	98,008
GAAP general and administrative	4,265	4,226	17,577	18,133
Stock-based compensation	456	478	2,029	2,340
Acquisition costs	-	-	340	-
Litigation costs	76	784	2,052	4,270
Non-GAAP general and administrative	3,733	2,964	13,156	11,523
GAAP other income	(6,900)	-	(6,900)	-
Court verdict	(6,900)	-	(6,900)	-
Non-GAAP other income	-	-	-	-
GAAP total operating expenses	41,603	44,605	178,424	173,639
Stock-based compensation	3,157	3,169	12,790	11,340
Acquisition costs	204	-	544	-
Amortization of intangible assets	24	26	94	105
Litigation costs	76	784	2,052	4,270
Court verdict	(6,900)	-	(6,900)	-
Non-GAAP total operating expenses	45,042	40,626	169,844	157,924
GAAP operating income (loss)	5,791	(2,489)	(6,671)	(12,749)
Stock-based compensation	3,217	3,221	13,031	11,520
Acquisition costs	754	-	1,094	-
Amortization of intangible assets	110	280	1,231	1,119
Litigation costs	76	784	2,052	4,270
Court verdict	(6,900)	-	(6,900)	-
Non-GAAP operating income	3,048	1,796	3,837	4,160
GAAP finance income	935	863	4,830	5,741
Exchange rate differences, net on balance sheet items included in financial income	558	341	635	674
Non-GAAP finance income	1,493	1,204	5,465	6,415
GAAP income (loss) before taxes on income	6,726	(1,626)	(1,841)	(7,008)
Stock-based compensation	3,217	3,221	13,031	11,520
Acquisition costs	754	-	1,094	-
Amortization of intangible assets	110	280	1,231	1,119
Litigation costs	76	784	2,052	4,270
Court verdict	(6,900)	-	(6,900)	-
Exchange rate differences, net on balance sheet items included in financial income	558	341	635	674
Non-GAAP income before taxes on income	4,541	3,000	9,302	10,575
GAAP taxes on income	(4,605)	(507)	(5,652)	(1,651)
Change in the federal rate	3,249	-	3,249	-
Court verdict	724	-	724	-
Non-GAAP taxes on income	(632)	(507)	(1,679)	(1,651)
GAAP net income (loss)	2,121	(2,133)	(7,493)	(8,659)
Stock-based compensation	3,217	3,221	13,031	11,520
Acquisition costs	754	-	1,094	-
Amortization of intangible assets	110	280	1,231	1,119
Litigation costs	76	784	2,052	4,270
Exchange rate differences, net on balance sheet items included in financial income	558	341	635	674
Change in the federal rate	3,249	-	3,249	-
Court verdict	(6,176)	-	(6,176)	-
Non-GAAP net income	3,909	2,493	7,623	8,924
GAAP Net earnings (loss) per diluted share	0.05	(0.05)	(0.17)	(0.20)
Stock-based compensation	0.07	0.07	0.30	0.26
Acquisition costs	0.02	-	0.02	-
Amortization of intangible assets	-	0.01	0.03	0.03
Litigation costs	-	0.02	0.05	0.10
Exchange rate differences, net on balance sheet items included in financial income	0.01	0.01	0.01	0.01
Change in the federal rate	0.08	-	0.07	-
Court verdict	(0.14)	-	(0.14)	-
Non GAAP Net earnings per diluted share	0.09	0.06	0.17	0.20
Weighted average number of shares used to compute non-GAAP diluted net earnings per	45,728,792	43,721,973	44,756,732	44,125,436

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

	For the three months ended		For the year ended	
	December 31,		December 31,	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash flow from operating activities:				
Net income (loss)	2,121	(2,133)	(7,493)	(8,659)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	2,567	2,663	11,234	10,372
Stock based compensation	3,217	3,221	13,031	11,520
Loss (gain) from sale of available-for-sale marketable securities	(18)	6	(18)	(1,771)
Amortization of premium, accretion of discounts and accrued interest on available-for-sale marketable securities, net	465	672	1,546	1,949
Accrued interest on bank deposits	(586)	1,633	226	1,179
Increase (decrease) in accrued severance pay, net	(430)	111	(210)	401
Decrease (increase) in trade receivables, net	(3,836)	1,939	3,390	7,003
Increase in other current assets, prepaid expenses and deferred income taxes, net	(8,258)	(1,542)	(7,879)	(1,804)
Increase in inventories	(48)	(302)	(1,658)	(792)
Increase (decrease) in trade payables	817	920	(734)	(3,284)
Increase in deferred revenues	11,119	11,143	28,781	12,964
Increase (decrease) in other payables and accrued expenses	826	4,344	(8,753)	8,855
Excess tax benefit from stock-based compensation	-	473	-	547
Net cash provided by operating activities	<u>7,956</u>	<u>23,148</u>	<u>31,463</u>	<u>38,480</u>
Cash flows from investing activities:				
Purchase of property and equipment	(1,613)	(1,333)	(7,210)	(9,404)
Investment in other long-term assets, net	(18)	(53)	(6)	(53)
Proceeds from (investment in) bank deposits, net	-	29,586	(37,200)	31,295
Proceeds from (investment in) sale, redemption of and purchase of available-for-sale marketable securities, net	(2,119)	(1,079)	(3,657)	6,521
Payment for acquisition of subsidiary, net of cash acquired	-	-	(8,269)	-
Net cash provided (used in) in investing activities	<u>(3,750)</u>	<u>27,121</u>	<u>(56,342)</u>	<u>28,359</u>
Cash flows from financing activities:				
Proceeds from exercise of stock options	7,501	1,253	10,890	1,583
Excess tax benefit from stock-based compensation	-	(473)	-	(547)
Repurchase of shares	-	(10,268)	(413)	(21,980)
Net cash provided by (used in) financing activities	<u>7,501</u>	<u>(9,488)</u>	<u>10,477</u>	<u>(20,944)</u>
Increase (decrease) in cash and cash equivalents	11,707	40,781	(14,402)	45,895
Cash and cash equivalents at the beginning of the period	<u>53,530</u>	<u>38,858</u>	<u>79,639</u>	<u>33,744</u>
Cash and cash equivalents at the end of the period	<u><u>65,237</u></u>	<u><u>79,639</u></u>	<u><u>65,237</u></u>	<u><u>79,639</u></u>