

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

	September 30, 2018	December 31, 2017
	(Unaudited)	(Unaudited)
Assets		
Current assets		
Cash and cash equivalents	59,565	65,237
Available-for-sale marketable securities	37,004	42,573
Short-term bank deposits	203,299	93,151
Trade receivables, net	18,491	16,150
Other receivables and prepaid expenses	6,308	12,252
Inventories	<u>20,463</u>	<u>18,772</u>
	<u>345,130</u>	<u>248,135</u>
Long-term investments		
Available-for-sale marketable securities	61,078	54,427
Long-term bank deposits	21,258	88,911
Severance pay funds	<u>3,105</u>	<u>3,251</u>
	<u>85,441</u>	<u>146,589</u>
Property and equipment, net	21,848	23,642
Intangible assets, net	9,699	10,415
Other long-term assets	20,064	8,133
Goodwill	<u>32,174</u>	<u>32,174</u>
Total assets	<u><u>514,356</u></u>	<u><u>469,088</u></u>
Liabilities and shareholders' equity		
Current Liabilities		
Trade payables	5,424	5,367
Deferred revenues	76,663	69,829
Other payables and accrued expenses	<u>30,663</u>	<u>32,174</u>
	<u>112,750</u>	<u>107,370</u>
Long-term liabilities		
Deferred revenues	41,040	43,482
Other long-term liabilities	<u>5,484</u>	<u>2,880</u>
	<u>46,524</u>	<u>46,362</u>
Shareholders' equity		
Share capital	691	673
Additional paid-in capital	378,067	349,250
Accumulated other comprehensive loss, net of tax	(1,168)	(443)
Treasury stock, at cost	(116,442)	(116,442)
Retained earnings	<u>93,934</u>	<u>82,318</u>
Total shareholders' equity	<u>355,082</u>	<u>315,356</u>
Total liabilities and shareholders' equity	<u><u>514,356</u></u>	<u><u>469,088</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 nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	58,764	53,047	170,587	152,915
Cost of revenues	10,278	9,928	30,558	28,556
Gross profit	<u>48,486</u>	<u>43,119</u>	<u>140,029</u>	<u>124,359</u>
Operating expenses:				
Research and development, net	14,434	14,678	43,729	43,931
Selling and marketing	27,263	27,189	83,249	79,578
General and administrative	3,985	4,152	11,851	13,312
Total operating expenses	<u>45,682</u>	<u>46,019</u>	<u>138,829</u>	<u>136,821</u>
Operating income (loss)	2,804	(2,900)	1,200	(12,462)
Financial income, net	1,487	2,148	4,877	3,895
Income (loss) before taxes on income	4,291	(752)	6,077	(8,567)
Taxes on income	(1,178)	(725)	(2,285)	(1,047)
Net income (loss)	<u>3,113</u>	<u>(1,477)</u>	<u>3,792</u>	<u>(9,614)</u>
Basic net income (loss) per share	0.07	(0.03)	0.08	(0.22)
Weighted average number of shares used to compute basic net earnings (loss) per share	45,537,801	43,951,325	45,030,328	43,347,092
Diluted net earnings (loss) per share	0.06	(0.03)	0.08	(0.22)
Weighted average number of shares used to compute diluted net earnings (loss) per share	48,519,880	43,951,325	48,012,407	43,347,092

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,	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
GAAP gross profit	48,486	43,119	140,029	124,359
Stock-based compensation	54	65	171	181
Amortization of intangible assets	212	379	654	1,051
Non-GAAP gross profit	<u>48,752</u>	<u>43,563</u>	<u>140,854</u>	<u>125,591</u>
GAAP research and development, net	14,434	14,678	43,729	43,931
Stock-based compensation	819	957	2,429	2,883
Non-GAAP Research and development, net	<u>13,615</u>	<u>13,721</u>	<u>41,300</u>	<u>41,048</u>
GAAP selling and marketing	27,263	27,189	83,249	79,578
Stock-based compensation	1,666	1,678	5,344	5,177
Amortization of intangible assets	20	23	61	70
Non-GAAP selling and marketing	<u>25,577</u>	<u>25,488</u>	<u>77,844</u>	<u>74,331</u>
GAAP general and administrative	3,985	4,152	11,851	13,312
Stock-based compensation	527	570	1,312	1,573
Acquisition costs	-	-	-	340
Litigation costs	214	357	627	1,976
Non-GAAP general and administrative	<u>3,244</u>	<u>3,225</u>	<u>9,912</u>	<u>9,423</u>
GAAP total operating expenses	45,682	46,019	138,829	136,821
Stock-based compensation	3,012	3,205	9,085	9,633
Acquisition costs	-	-	-	340
Amortization of intangible assets	20	23	61	70
Litigation costs	214	357	627	1,976
Non-GAAP total operating expenses	<u>42,436</u>	<u>42,434</u>	<u>129,056</u>	<u>124,802</u>
GAAP operating income (loss)	2,804	(2,900)	1,200	(12,462)
Stock-based compensation	3,066	3,270	9,256	9,814
Acquisition costs	-	-	-	340
Amortization of intangible assets	232	402	715	1,121
Litigation costs	214	357	627	1,976
Non-GAAP operating income (loss)	<u>6,316</u>	<u>1,129</u>	<u>11,798</u>	<u>789</u>
GAAP finance income	1,487	2,148	4,877	3,895
Exchange rate differences, net on balance sheet items included in financial income	432	(729)	255	77
Non-GAAP finance income	<u>1,919</u>	<u>1,419</u>	<u>5,132</u>	<u>3,972</u>
GAAP income (loss) before taxes on income	4,291	(752)	6,077	(8,567)
Stock-based compensation	3,066	3,270	9,256	9,814
Acquisition costs	-	-	-	340
Amortization of intangible assets	232	402	715	1,121
Litigation costs	214	357	627	1,976
Exchange rate differences, net on balance sheet items included in financial income	432	(729)	255	77
Non-GAAP income before taxes on income	<u>8,235</u>	<u>2,548</u>	<u>16,930</u>	<u>4,761</u>
GAAP net income (loss)	3,113	(1,477)	3,792	(9,614)
Stock-based compensation	3,066	3,270	9,256	9,814
Acquisition costs	-	-	-	340
Amortization of intangible assets	232	402	715	1,121
Litigation costs	214	357	627	1,976
Exchange rate differences, net on balance sheet items included in financial income	432	(729)	255	77
Non-GAAP net income	<u>7,057</u>	<u>1,823</u>	<u>14,645</u>	<u>3,714</u>
GAAP Net earnings (loss) per diluted share	0.06	(0.03)	0.08	(0.22)
Stock-based compensation	0.06	0.07	0.19	0.22
Acquisition costs	0.00	0.00	0.00	0.01
Amortization of intangible assets	0.01	0.01	0.02	0.03
Litigation costs	0.01	0.01	0.01	0.04
Exchange rate differences, net on balance sheet items included in financial income	0.01	(0.02)	0.01	0.00
Non-GAAP Net earnings per diluted share	<u>0.15</u>	<u>0.04</u>	<u>0.31</u>	<u>0.08</u>
Weighted average number of shares used to compute Non-GAAP diluted net earnings per share	48,519,880	45,210,495	48,012,407	44,431,570

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
<u>Cash flow from operating activities:</u>				
Net income (loss)	3,113	(1,477)	3,792	(9,614)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	2,433	2,861	7,380	8,667
Stock based compensation	3,066	3,270	9,256	9,814
Amortization of premium, accretion of discounts and accrued interest on available-for-sale marketable securities, net	192	450	882	1,081
Accrued interest on bank deposits	(1,217)	(720)	(1,429)	812
Increase (decrease) in accrued severance pay, net	(8)	44	134	220
Decrease (increase) in trade receivables, net	107	5,324	(2,494)	7,226
Decrease (increase) in other receivables and prepaid expenses and other long-term assets	(206)	(459)	4,493	379
Decrease (increase) in inventories	(2,020)	731	(1,691)	(1,610)
Increase (decrease) in trade payables	680	(1,415)	57	(1,551)
Increase (decrease) in deferred revenues	(2,774)	2,713	4,392	17,662
Increase (decrease) in other payables and accrued expenses	5,465	(5,483)	(1,217)	(9,579)
Net cash provided by operating activities	<u>8,831</u>	<u>5,839</u>	<u>23,555</u>	<u>23,507</u>
<u>Cash flows from investing activities:</u>				
Purchase of property and equipment	(1,595)	(1,240)	(4,870)	(5,597)
Proceeds from (investment in) other long-term assets, net	0	(4)	38	12
Investment in bank deposits, net	(15,000)	(2,074)	(41,067)	(37,200)
Proceeds from (investment in) sale, redemption of and purchase of available-for-sale marketable securities ,net	(1,035)	485	(2,907)	(1,538)
Payment for acquisition of subsidiary, net of cash acquired	0	0	0	(8,269)
Net cash used in investing activities	<u>(17,630)</u>	<u>(2,833)</u>	<u>(48,806)</u>	<u>(52,592)</u>
<u>Cash flows from financing activities:</u>				
Proceeds from exercise of stock options	6,688	851	19,579	3,389
Repurchase of shares	0	(413)	0	(413)
Net cash provided by financing activities	<u>6,688</u>	<u>438</u>	<u>19,579</u>	<u>2,976</u>
Increase (decrease) in cash and cash equivalents	(2,111)	3,444	(5,672)	(26,109)
Cash and cash equivalents at the beginning of the period	<u>61,676</u>	<u>50,086</u>	<u>65,237</u>	<u>79,639</u>
Cash and cash equivalents at the end of the period	<u>59,565</u>	<u>53,530</u>	<u>59,565</u>	<u>53,530</u>