

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

| | June 30, | December 31, |
|--|-----------------------|-----------------------|
| | 2016 | 2015 |
| | (Unaudited) | |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 21,928 | 33,744 |
| Available-for-sale marketable securities | 16,341 | 16,003 |
| Short-term bank deposits | 183,465 | 80,922 |
| Trade receivables, net | 26,057 | 26,410 |
| Other receivables and prepaid expenses | 4,382 | 5,042 |
| Inventories | 16,181 | 16,322 |
| | <u>268,354</u> | <u>178,443</u> |
| Long-term investments | | |
| Available-for-sale marketable securities | 83,904 | 87,814 |
| Long-term bank deposits | 9,143 | 96,643 |
| Severance pay funds | 2,699 | 2,724 |
| | <u>95,746</u> | <u>187,181</u> |
| Property and equipment, net | 27,177 | 26,203 |
| Intangible assets, net | 2,959 | 3,518 |
| Other assets | 6,677 | 5,473 |
| Goodwill | 30,069 | 30,069 |
| | <u>430,982</u> | <u>430,887</u> |
| Total assets | <u>430,982</u> | <u>430,887</u> |

Liabilities and shareholders' equity**Current liabilities**

| | | |
|-------------------------------------|--------------|--------------|
| Trade payables | 6,087 | 9,255 |
| Deferred revenues | 52,530 | 46,061 |
| Other payables and accrued expenses | 22,547 | 22,098 |
| | <hr/> 81,164 | <hr/> 77,414 |

Long-term liabilities

| | | |
|-----------------------------|--------------|--------------|
| Deferred revenues | 27,261 | 25,136 |
| Other long-term liabilities | 14,088 | 9,214 |
| | <hr/> 41,349 | <hr/> 34,350 |

Shareholders' equity

| | | |
|---|---------------|---------------|
| Share capital | 661 | 661 |
| Additional paid-in capital | 318,331 | 312,784 |
| Accumulated other comprehensive income, net of tax | 847 | ,1257 |
| Treasury stock, at cost | (105,761) | (94,049) |
| Retained earnings | 94,391 | 98,470 |
| Total shareholders' equity | <hr/> 308,469 | <hr/> ,319123 |

| | | |
|--|---------------|---------------|
| Total liabilities and shareholders' equity | <hr/> 430,982 | <hr/> 430,887 |
|--|---------------|---------------|

Radware Ltd.

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

| | <u>For the Three months ended</u> | | <u>For the Six months ended</u> | |
|---|-----------------------------------|--------------------------|---------------------------------|--------------------------|
| | <u>June 30,</u> | | <u>June 30,</u> | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Revenues | 49,585 | 56,027 | 98,010 | 113,251 |
| Cost of revenues | <u>8,887</u> | <u>9,684</u> | <u>17,541</u> | <u>19,784</u> |
| Gross profit | <u>40,698</u> | <u>46,343</u> | <u>80,469</u> | <u>93,467</u> |
| Operating expenses: | | | | |
| Research and development, net | 13,001 | 12,239 | 26,425 | 24,190 |
| Selling and marketing | 25,865 | 22,082 | 50,777 | 45,662 |
| General and administrative | <u>3,893</u> | <u>4,400</u> | <u>9,662</u> | <u>8,497</u> |
| Total operating expenses | <u>42,759</u> | <u>38,721</u> | <u>86,864</u> | <u>78,349</u> |
| Operating income (loss) | (2,061) | 7,622 | (6,395) | 15,118 |
| Financial income, net | <u>1,232</u> | <u>1,450</u> | <u>3,172</u> | <u>2,100</u> |
| Income (loss) before taxes on income | (829) | 9,072 | (3,223) | 17,218 |
| Taxes on income | <u>498</u> | <u>1,886</u> | <u>856</u> | <u>3,573</u> |
| Net income (loss) | (1,327) | 7,186 | (4,079) | 13,645 |
| | | | | |
| Basic net earnings (loss) per share | <u>\$(0.03)</u> | <u>\$0.16</u> | <u>\$(0.09)</u> | <u>\$0.29</u> |
| | | | | |
| Weighted average number of shares used to compute basic net earnings (loss) per share | <u>43,944,924</u> | <u>46,304,373</u> | <u>44,206,677</u> | <u>46,350,151</u> |

| | | | | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| Diluted net earnings (loss) per share | <u>\$(0.03)</u> | <u>\$0.15</u> | <u>\$(0.09)</u> | <u>\$0.29</u> |
| Weighted average number of shares used to compute diluted net earnings (loss) per share | <u>43,944,924</u> | <u>47,659,321</u> | <u>44,206,677</u> | <u>47,552,869</u> |

Radware Ltd.

Non-GAAP Reconciliation of Supplemental Financial Information

(U.S. Dollars in thousands, except share and per share data)

| | <u>For the Three months ended</u> | | <u>For the Six months ended</u> | |
|--|-----------------------------------|--------------------|---------------------------------|--------------------|
| | <u>June 30,</u> | | <u>June 30,</u> | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| | <u>(Unaudited)</u> | <u>(Unaudited)</u> | <u>(Unaudited)</u> | <u>(Unaudited)</u> |
| GAAP net Income (loss) | <u>(1,327)</u> | <u>7,186</u> | <u>(4,079)</u> | <u>13,645</u> |
| Stock-based compensation expenses, included in: | | | | |
| Cost of revenues | 39 | 35 | 81 | 69 |
| Research and development, net | 667 | 644 | 1,450 | 1,262 |
| Selling and marketing | 1,394 | 1,017 | 2,662 | 1,906 |
| General and administrative | <u>644</u> | <u>716</u> | <u>1,428</u> | <u>1,392</u> |
| | <u>2,744</u> | <u>2,412</u> | <u>5,621</u> | <u>4,629</u> |
| Amortization of intangible assets included in: | | | | |
| Cost of revenues | 254 | 294 | 507 | 607 |
| Selling and marketing | <u>26</u> | <u>28</u> | <u>52</u> | <u>66</u> |
| | <u>280</u> | <u>322</u> | <u>559</u> | <u>673</u> |
| Exchange rate differences, net on balance sheet items included in financial income | <u>460</u> | <u>(107)</u> | <u>157</u> | <u>525</u> |

| | | | | |
|---|---------------|---------------|---------------|---------------|
| Litigation costs | <u>433</u> | <u>959</u> | <u>2,597</u> | <u>1,771</u> |
| Non-GAAP net income | <u>2,590</u> | <u>10,772</u> | <u>4,855</u> | <u>21,243</u> |
| Non-GAAP diluted net earnings per share | <u>\$0.06</u> | <u>\$0.23</u> | <u>\$0.11</u> | <u>\$0.45</u> |
| Weighted average number of shares used to compute Non-GAAP diluted net earnings per share | 44,101,539 | 47,659,321 | 44,354,630 | 47,552,869 |

Radware Ltd.

Condensed Consolidated Statements of Cash Flows

(U.S. Dollars in thousands)

| For the Three months ended on June 30, | | For the Six months ended on June 30, | |
|---|--------------------|---|--------------------|
| 2016 | 2015 | 2016 | 2015 |
| (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |

Cash flows from operating activities:

| | | | | |
|--|---------|---------|---------|---------|
| Net income (loss) | (1,327) | 7,186 | (4,079) | 13,645 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 2,561 | 2,348 | 5,095 | 4,553 |
| Stock based compensation | 2,744 | 2,412 | 5,621 | 4,629 |
| Gain from sale of available-for-sale marketable securities | (549) | (229) | (1,126) | (423) |
| Amortization of premiums, accretion of discounts and accrued interest on available-for-sale marketable securities, net | 514 | 486 | 892 | 1,921 |
| Accrued interest on bank deposits | 6 | (490) | (655) | (831) |
| Increase (decrease) in accrued severance pay, net | 19 | (6) | 341 | 41 |
| Decrease in trade receivables, net | 1,848 | 2,188 | 353 | 1,879 |
| Increase in other current assets and prepaid expenses and deferred income taxes, net | (106) | (709) | (410) | (829) |
| Decrease (increase) in inventories | 395 | (60) | 141 | 531 |
| Increase (decrease) in trade payables | 1,010 | 207 | (3,168) | (2,503) |
| Increase (decrease) in deferred revenues | (73) | (2,448) | 8,594 | 2,947 |
| Increase in other payables and accrued expenses and other long-term liabilities | 679 | 3,760 | 4,931 | 1,087 |
| Excess tax benefit from stock-based compensation | 74 | (230) | 74 | (460) |
| | | | | |
| Net cash provided by operating activities | 7,795 | 14,415 | 16,604 | 26,187 |

Cash flows from investing activities:

| | | | | |
|--|---------|----------|----------|----------|
| Purchase of property and equipment | (2,881) | (4,247) | (5,510) | (7,200) |
| Proceeds from (investment in) other long-term assets | (16) | - | 3 | (51) |
| Investment in bank deposits, net | (9,952) | (17,652) | (14,388) | (40,845) |
| Proceeds from (investment in) available-for-sale marketable securities | 155 | (869) | 3,261 | 16,518 |

| | | | | |
|---------------------------------------|----------|----------|----------|----------|
| Net cash used in investing activities | (12,694) | (22,768) | (16,634) | (31,578) |
|---------------------------------------|----------|----------|----------|----------|

Radware Ltd.

Condensed Consolidated Statements of Cash Flows

(U.S. Dollars in thousands)

| | For the Three months ended on June 30, | | For the Six months ended on June 30, | |
|--|---|-------------|---|-------------|
| | 2016 | 2015 | 2016 | 2015 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| <u>Cash flows from financing activities:</u> | | | | |
| Proceeds from exercise of stock options | - | 5,493 | - | 7,703 |
| Excess tax benefit from stock-based compensation | (74) | 230 | (74) | 460 |
| Repurchase of shares | (4,932) | - | (11,712) | (19,727) |
| Net cash provided by (used in) financing activities | (5,006) | 5,723 | (11,786) | (11,564) |
| Decrease in cash and cash equivalents | (9,905) | (2,630) | (11,816) | (16,955) |
| Cash and cash equivalents at the beginning of the period | 31,833 | 30,654 | 33,744 | 44,979 |
| Cash and cash equivalents at the end of the period | 21,928 | 28,024 | 21,928 | 28,024 |