

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

	March 31, 2019	December 31, 2018
	(Unaudited)	(Unaudited)
Assets		
Current assets		
Cash and cash equivalents	52,361	45,203
Available-for-sale marketable securities	9,996	15,742
Short-term bank deposits	250,354	255,454
Trade receivables, net	14,346	17,166
Other receivables and prepaid expenses	8,632	7,071
Inventories	17,185	18,401
	<u>352,874</u>	<u>359,037</u>
Long-term investments		
Available-for-sale marketable securities	101,346	84,669
Long-term bank deposits	6,011	0
Severance pay funds	2,187	2,973
	<u>109,544</u>	<u>87,642</u>
Property and equipment, net	23,430	23,677
Other long-term assets	21,221	20,724
Operating lease right-of-use assets	20,539	0
Goodwill and intangible assets, net	54,913	41,641
Total assets	<u>582,521</u>	<u>532,721</u>
Liabilities and shareholders' equity		
Current Liabilities		
Trade payables	3,830	4,483
Deferred revenues	89,068	83,955
Operating lease liabilities	5,197	0
Other payables and accrued expenses	29,628	29,596
	<u>127,723</u>	<u>118,034</u>
Long-term liabilities		
Deferred revenues	50,122	43,796
Operating lease liabilities	15,717	0
Other long-term liabilities	8,733	6,934
	<u>74,572</u>	<u>50,730</u>
Shareholders' equity		
Share capital	701	693
Additional paid-in capital	394,361	383,536
Accumulated other comprehensive income (loss), net of tax	6	(1,110)
Treasury stock, at cost	(120,765)	(120,717)
Retained earnings	105,923	101,555
Total shareholders' equity	<u>380,226</u>	<u>363,957</u>
Total liabilities and shareholders' equity	<u>582,521</u>	<u>532,721</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	
	March 31,	
	2019	2018
	(Unaudited)	(Unaudited)
Revenues	61,397	54,536
Cost of revenues	11,009	9,940
Gross profit	<u>50,388</u>	<u>44,596</u>
Operating expenses, net:		
Research and development, net	15,230	14,662
Selling and marketing	26,661	28,183
General and administrative	4,764	4,055
Total operating expenses, net	<u>46,655</u>	<u>46,900</u>
Operating income (loss)	3,733	(2,304)
Financial income, net	1,791	1,689
Income (loss) before taxes on income	5,524	(615)
Taxes on income	1,156	380
Net income (loss)	<u>4,368</u>	<u>(995)</u>
Basic net income (loss) per share	0.09	(0.02)
Weighted average number of shares used to compute basic net earnings (loss) per share	46,612,325	44,325,008
Diluted net earnings (loss) per share	0.09	(0.02)
Weighted average number of shares used to compute diluted net earnings (loss) per share	48,572,366	44,325,008

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	
	March 31,	
	2019	2018
	(Unaudited)	(Unaudited)
GAAP gross profit	50,388	44,596
Stock-based compensation	55	58
Amortization of intangible assets	411	230
Non-GAAP gross profit	<u>50,854</u>	<u>44,884</u>
GAAP research and development, net	15,230	14,662
Stock-based compensation	710	931
Non-GAAP Research and development, net	<u>14,520</u>	<u>13,731</u>
GAAP selling and marketing	26,661	28,183
Stock-based compensation	1,569	1,904
Amortization of intangible assets	17	20
Non-GAAP selling and marketing	<u>25,075</u>	<u>26,259</u>
GAAP general and administrative	4,764	4,055
Stock-based compensation	767	407
Acquisition costs	264	-
Litigation costs	82	270
Non-GAAP general and administrative	<u>3,651</u>	<u>3,378</u>
GAAP total operating expenses, net	46,655	46,900
Stock-based compensation	3,046	3,242
Acquisition costs	264	-
Amortization of intangible assets	17	20
Litigation costs	82	270
Non-GAAP total operating expenses, net	<u>43,246</u>	<u>43,368</u>
GAAP operating income (loss)	3,733	(2,304)
Stock-based compensation	3,101	3,300
Acquisition costs	264	-
Amortization of intangible assets	428	250
Litigation costs	82	270
Non-GAAP operating income	<u>7,608</u>	<u>1,516</u>
GAAP financial income, net	1,791	1,689
Exchange rate differences, net on balance sheet items included in financial income, net	631	(203)
Non-GAAP financial income, net	<u>2,422</u>	<u>1,486</u>
GAAP income (loss) before taxes on income	5,524	(615)
Stock-based compensation	3,101	3,300
Acquisition costs	264	-
Amortization of intangible assets	428	250
Litigation costs	82	270
Exchange rate differences, net on balance sheet items included in financial income, net	631	(203)
Non-GAAP income before taxes on income	<u>10,030</u>	<u>3,002</u>
GAAP net income (loss)	4,368	(995)
Stock-based compensation	3,101	3,300
Acquisition costs	264	-
Amortization of intangible assets	428	250
Litigation costs	82	270
Exchange rate differences, net on balance sheet items included in financial income, net	631	(203)
Non-GAAP net income	<u>8,874</u>	<u>2,622</u>
GAAP Net earnings (loss) per diluted share	0.09	(0.02)
Stock-based compensation	0.06	0.07
Acquisition costs	0.01	0.00
Amortization of intangible assets	0.01	0.01
Litigation costs	0.00	0.01
Exchange rate differences, net on balance sheet items included in financial income, net	0.01	(0.00)
Non-GAAP Net earnings per diluted share	<u>0.18</u>	<u>0.06</u>
Weighted average number of shares used to compute Non-GAAP diluted net earnings per share	48,572,366	46,424,462

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

	For the three months ended	
	December 31,	
	2019	2018
	(Unaudited)	(Unaudited)
<u>Cash flow from operating activities:</u>		
Net income (loss)	4,368	(995)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	2,687	2,504
Stock based compensation	3,101	3,300
Amortization of premium, accretion of discounts and accrued interest on available-for-sale marketable securities, net	178	276
Accrued interest on bank deposits	(829)	(66)
Increase in accrued severance pay, net	868	239
Decrease (increase) in trade receivables, net	3,170	(37)
Decrease (increase) in other receivables and prepaid expenses and other long-term assets	(1,965)	7,199
Decrease (increase) in inventories	1,216	(148)
Decrease in trade payables	(710)	(1,047)
Increase in deferred revenues	11,020	8,866
Increase (decrease) in other payables and accrued expenses	9	(7,927)
Operating lease liabilities, net	375	0
Net cash provided by operating activities	<u>23,488</u>	<u>12,164</u>
<u>Cash flows from investing activities:</u>		
Purchase of property and equipment	(1,961)	(2,089)
Investment in other long-term assets, net	(29)	(91)
Investment in bank deposits, net	(82)	(17,000)
Investment in sale, redemption of and purchase of available-for-sale marketable securities ,net	(9,661)	(1,186)
Payment for acquisition of subsidiary, net of cash acquired	(12,282)	0
Net cash used in investing activities	<u>(24,015)</u>	<u>(20,366)</u>
<u>Cash flows from financing activities:</u>		
Proceeds from exercise of stock options	7,733	4,952
Repurchase of shares	(48)	0
Net cash provided by financing activities	<u>7,685</u>	<u>4,952</u>
Increase (decrease) in cash and cash equivalents	7,158	(3,250)
Cash and cash equivalents at the beginning of the period	<u>45,203</u>	<u>65,237</u>
Cash and cash equivalents at the end of the period	<u><u>52,361</u></u>	<u><u>61,987</u></u>