



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

	June 30, 2018	December 31, 2017
	(Unaudited)	(Unaudited)
Assets		
Current assets		
Cash and cash equivalents	61,676	65,237
Available-for-sale marketable securities	41,234	42,573
Short-term bank deposits	149,622	93,151
Trade receivables, net	18,598	16,150
Other receivables and prepaid expenses	7,687	12,252
Inventories	18,443	18,772
	<u>297,260</u>	<u>248,135</u>
Long-term investments		
Available-for-sale marketable securities	55,948	54,427
Long-term bank deposits	58,718	88,911
Severance pay funds	3,039	3,251
	<u>117,705</u>	<u>146,589</u>
Property and equipment, net	22,453	23,642
Intangible assets, net	9,932	10,415
Other long-term assets	18,492	8,133
Goodwill	32,174	32,174
Total assets	<u>498,016</u>	<u>469,088</u>
Liabilities and shareholders' equity		
Current Liabilities		
Trade payables	4,744	5,367
Deferred revenues	76,758	69,829
Other payables and accrued expenses	25,212	32,174
	<u>106,714</u>	<u>107,370</u>
Long-term liabilities		
Deferred revenues	43,719	43,482
Other long-term liabilities	5,413	2,880
	<u>49,132</u>	<u>46,362</u>
Shareholders' equity		
Share capital	685	673
Additional paid-in capital	368,318	349,250
Accumulated other comprehensive loss, net of tax	(1,212)	(443)
Treasury stock, at cost	(116,442)	(116,442)
Retained earnings	90,821	82,318
Total shareholders' equity	<u>342,170</u>	<u>315,356</u>
Total liabilities and shareholders' equity	<u>498,016</u>	<u>469,088</u>

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

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	57,287	50,956	111,823	99,868
Cost of revenues	<u>10,340</u>	<u>9,634</u>	<u>20,280</u>	<u>18,628</u>
Gross profit	<u>46,947</u>	<u>41,322</u>	<u>91,543</u>	<u>81,240</u>
Operating expenses:				
Research and development, net	14,633	15,013	29,295	29,253
Selling and marketing	27,803	26,410	55,986	52,389
General and administrative	<u>3,811</u>	<u>4,380</u>	<u>7,866</u>	<u>9,160</u>
Total operating expenses	<u>46,247</u>	<u>45,803</u>	<u>93,147</u>	<u>90,802</u>
Operating income (loss)	700	(4,481)	(1,604)	(9,562)
Financial income, net	<u>1,701</u>	<u>640</u>	<u>3,390</u>	<u>1,747</u>
Income (loss) before taxes on income	2,401	(3,841)	1,786	(7,815)
Taxes on income	<u>(727)</u>	<u>(218)</u>	<u>(1,107)</u>	<u>(322)</u>
Net income (loss)	<u>1,674</u>	<u>(4,059)</u>	<u>679</u>	<u>(8,137)</u>
Basic net income (loss) per share	0.04	(0.09)	0.02	(0.19)
Weighted average number of shares used to compute basic net earnings (loss) per share	44,839,420	43,821,006	44,583,442	43,282,607
Diluted net earnings (loss) per share	0.04	(0.09)	0.01	(0.19)
Weighted average number of shares used to compute diluted net earnings (loss) per share	47,396,099	43,821,006	46,936,309	43,282,607

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 six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
GAAP gross profit	46,947	41,322	91,543	81,240
Stock-based compensation	59	61	117	116
Amortization of intangible assets	212	419	442	672
Non-GAAP gross profit	<u>47,218</u>	<u>41,802</u>	<u>92,102</u>	<u>82,028</u>
GAAP research and development, net	14,633	15,013	29,295	29,253
Stock-based compensation	679	1,028	1,610	1,926
Non-GAAP Research and development, net	<u>13,954</u>	<u>13,985</u>	<u>27,685</u>	<u>27,327</u>
GAAP selling and marketing	27,803	26,410	55,986	52,389
Stock-based compensation	1,774	1,875	3,678	3,499
Amortization of intangible assets	21	24	41	47
Non-GAAP selling and marketing	<u>26,008</u>	<u>24,511</u>	<u>52,267</u>	<u>48,843</u>
GAAP general and administrative	3,811	4,380	7,866	9,160
Stock-based compensation	378	583	785	1,003
Acquisition costs	-	-	-	340
Litigation costs	143	600	413	1,619
Non-GAAP general and administrative	<u>3,290</u>	<u>3,197</u>	<u>6,668</u>	<u>6,198</u>
GAAP total operating expenses	46,247	45,803	93,147	90,802
Stock-based compensation	2,831	3,486	6,073	6,428
Acquisition costs	-	-	-	340
Amortization of intangible assets	21	24	41	47
Litigation costs	143	600	413	1,619
Non-GAAP total operating expenses	<u>43,252</u>	<u>41,693</u>	<u>86,620</u>	<u>82,368</u>
GAAP operating income (loss)	700	(4,481)	(1,604)	(9,562)
Stock-based compensation	2,890	3,547	6,190	6,544
Acquisition costs	-	-	-	340
Amortization of intangible assets	233	443	483	719
Litigation costs	143	600	413	1,619
Non-GAAP operating income (loss)	<u>3,966</u>	<u>109</u>	<u>5,482</u>	<u>(340)</u>
GAAP finance income	1,701	640	3,390	1,747
Exchange rate differences, net on balance sheet items included in financial income	26	659	(177)	806
Non-GAAP finance income	<u>1,727</u>	<u>1,299</u>	<u>3,213</u>	<u>2,553</u>
GAAP income (loss) before taxes on income	2,401	(3,841)	1,786	(7,815)
Stock-based compensation	2,890	3,547	6,190	6,544
Acquisition costs	-	-	-	340
Amortization of intangible assets	233	443	483	719
Litigation costs	143	600	413	1,619
Exchange rate differences, net on balance sheet items included in financial income	26	659	(177)	806
Non-GAAP income before taxes on income	<u>5,693</u>	<u>1,408</u>	<u>8,695</u>	<u>2,213</u>
GAAP net income (loss)	1,674	(4,059)	679	(8,137)
Stock-based compensation	2,890	3,547	6,190	6,544
Acquisition costs	-	-	-	340
Amortization of intangible assets	233	443	483	719
Litigation costs	143	600	413	1,619
Exchange rate differences, net on balance sheet items included in financial income	26	659	(177)	806
Non GAAP net income	<u>4,966</u>	<u>1,190</u>	<u>7,588</u>	<u>1,891</u>
GAAP Net earnings (loss) per diluted share	0.04	(0.09)	0.01	(0.19)
Stock-based compensation	0.06	0.08	0.13	0.15
Acquisition costs	0.00	0.00	0.00	0.01
Amortization of intangible assets	0.00	0.01	0.01	0.02
Litigation costs	0.00	0.01	0.01	0.04
Exchange rate differences, net on balance sheet items included in financial income	0.00	0.01	(0.00)	0.02
Non GAAP Net earnings per diluted share	<u>0.10</u>	<u>0.02</u>	<u>0.16</u>	<u>0.04</u>
Weighted average number of shares used to compute Non-GAAP diluted net earnings per share	47,396,099	45,054,172	46,936,309	44,279,284

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

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<u>Cash flow from operating activities:</u>				
Net income (loss)	1,674	(4,059)	679	(8,137)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	2,443	2,987	4,948	5,806
Stock based compensation	2,890	3,547	6,190	6,544
Amortization of premium, accretion of discounts and accrued interest on available-for- sale marketable securities, net	414	270	690	631
Accrued interest on bank deposits	(146)	150	(212)	1,532
Increase (decrease) in accrued severance pay, net	(97)	41	142	176
Decrease (increase) in trade receivables, net	(2,564)	3,352	(2,601)	1,902
Decrease (increase) in other current assets and prepaid expenses and other long-term assets	(2,501)	(196)	4,697	838
Decrease (increase) in inventories	477	(1,063)	329	(2,341)
Increase (decrease) in trade payables	424	1,574	(623)	(136)
Increase (decrease) in deferred revenues	(1,700)	8,135	7,166	14,949
Increase (decrease) in other payables and accrued expenses	1,245	(3,374)	(6,682)	(4,096)
Net cash provided by operating activities	<u>2,559</u>	<u>11,364</u>	<u>14,723</u>	<u>17,668</u>
<u>Cash flows from investing activities:</u>				
Purchase of property and equipment	(1,187)	(2,475)	(3,276)	(4,357)
Proceeds from (investment in) other long-term assets, net	131	(31)	40	16
Investment in bank deposits, net	(9,067)	(1,219)	(26,067)	(35,126)
Investment in sale, redemption of and purchase of available-for-sale marketable securities	(686)	(5,910)	(1,872)	(2,023)
Payment for acquisition of subsidiary, net of cash acquired	0	0	0	(8,269)
Net cash used in investing activities	<u>(10,809)</u>	<u>(9,635)</u>	<u>(31,175)</u>	<u>(49,759)</u>
<u>Cash flows from financing activities:</u>				
Proceeds from exercise of stock options	7,939	1,228	12,891	2,538
Net cash provided by financing activities	<u>7,939</u>	<u>1,228</u>	<u>12,891</u>	<u>2,538</u>
Increase (decrease) in cash and cash equivalents	(311)	2,957	(3,561)	(29,553)
Cash and cash equivalents at the beginning of the period	<u>61,987</u>	<u>47,129</u>	<u>65,237</u>	<u>79,639</u>
Cash and cash equivalents at the end of the period	<u><u>61,676</u></u>	<u><u>50,086</u></u>	<u><u>61,676</u></u>	<u><u>50,086</u></u>