

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

	June 30,	December 31,
	2019	2018
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Assets		
Current assets		
Cash and cash equivalents	34,191	45,203
Available-for-sale marketable securities	25,923	15,742
Short-term bank deposits	193,944	255,454
Trade receivables, net	14,987	17,166
Other receivables and prepaid expenses	10,182	7,071
Inventories	<u>15,964</u>	<u>18,401</u>
	<u>295,191</u>	<u>359,037</u>
Long-term investments		
Available-for-sale marketable securities	120,174	84,669
Long-term bank deposits	39,732	0
Severance pay funds	<u>2,267</u>	<u>2,973</u>
	<u>162,173</u>	<u>87,642</u>
Property and equipment, net	23,538	23,677
Other long-term assets	21,425	20,724
Operating lease right-of-use assets	19,868	0
Goodwill and intangible assets, net	<u>54,838</u>	<u>41,641</u>
Total assets	<u><u>577,033</u></u>	<u><u>532,721</u></u>
Liabilities and shareholders' equity		
Current Liabilities		
Trade payables	3,802	4,483
Deferred revenues	86,207	83,955
Operating lease liabilities	5,495	0
Other payables and accrued expenses	<u>29,729</u>	<u>29,596</u>
	<u>125,233</u>	<u>118,034</u>
Long-term liabilities		
Deferred revenues	45,446	43,796
Operating lease liabilities	15,033	0
Other long-term liabilities	<u>10,171</u>	<u>6,934</u>
	<u>70,650</u>	<u>50,730</u>
Shareholders' equity		
Share capital	704	693
Additional paid-in capital	400,756	383,536
Accumulated other comprehensive income (loss), net of tax	791	(1,110)
Treasury stock, at cost	(130,770)	(120,717)
Retained earnings	<u>109,669</u>	<u>101,555</u>
Total shareholders' equity	<u>381,150</u>	<u>363,957</u>
Total liabilities and shareholders' equity	<u><u>577,033</u></u>	<u><u>532,721</u></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,	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	60,454	57,287	121,851	111,823
Cost of revenues	10,644	10,340	21,653	20,280
Gross profit	<u>49,810</u>	<u>46,947</u>	<u>100,198</u>	<u>91,543</u>
Operating expenses, net:				
Research and development, net	15,400	14,633	30,630	29,295
Selling and marketing	26,680	27,803	53,341	55,986
General and administrative	5,042	3,811	9,806	7,866
Total operating expenses, net	<u>47,122</u>	<u>46,247</u>	<u>93,777</u>	<u>93,147</u>
Operating income (loss)	2,688	700	6,421	(1,604)
Financial income, net	2,119	1,701	3,910	3,390
Income before taxes on income	4,807	2,401	10,331	1,786
Taxes on income	(1,061)	(727)	(2,217)	(1,107)
Net income	<u>3,746</u>	<u>1,674</u>	<u>8,114</u>	<u>679</u>
Basic net earnings per share	0.08	0.04	0.17	0.02
Weighted average number of shares used to compute basic net earnings per share	46,899,813	44,839,420	46,757,981	44,583,442
Diluted net earnings per share	0.08	0.04	0.17	0.01
Weighted average number of shares used to compute diluted net earnings per share	48,722,684	47,396,099	48,649,438	46,936,309

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,	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
GAAP gross profit	49,810	46,947	100,198	91,543
Stock-based compensation	59	59	114	117
Amortization of intangible assets	410	212	821	442
Non-GAAP gross profit	50,279	47,218	101,133	92,102
GAAP research and development, net	15,400	14,633	30,630	29,295
Stock-based compensation	714	679	1,424	1,610
Non-GAAP Research and development, net	14,686	13,954	29,206	27,685
GAAP selling and marketing	26,680	27,803	53,341	55,986
Stock-based compensation	1,735	1,774	3,304	3,678
Amortization of intangible assets	18	21	35	41
Non-GAAP selling and marketing	24,927	26,008	50,002	52,267
GAAP general and administrative	5,042	3,811	9,806	7,866
Stock-based compensation	782	378	1,549	785
Acquisition costs	-	-	264	-
Litigation costs	777	143	859	413
Non-GAAP general and administrative	3,483	3,290	7,134	6,668
GAAP total operating expenses, net	47,122	46,247	93,777	93,147
Stock-based compensation	3,231	2,831	6,277	6,073
Acquisition costs	-	-	264	-
Amortization of intangible assets	18	21	35	41
Litigation costs	777	143	859	413
Non-GAAP total operating expenses, net	43,096	43,252	86,342	86,620
GAAP operating income (loss)	2,688	700	6,421	(1,604)
Stock-based compensation	3,290	2,890	6,391	6,190
Acquisition costs	-	-	264	-
Amortization of intangible assets	428	233	856	483
Litigation costs	777	143	859	413
Non-GAAP operating income	7,183	3,966	14,791	5,482
GAAP financial income, net	2,119	1,701	3,910	3,390
Other gain adjustments	(310)	-	(310)	-
Exchange rate differences, net on balance sheet items included in financial income, net	909	26	1,540	(177)
Non-GAAP financial income, net	2,718	1,727	5,140	3,213
GAAP income before taxes on income	4,807	2,401	10,331	1,786
Stock-based compensation	3,290	2,890	6,391	6,190
Acquisition costs	-	-	264	-
Amortization of intangible assets	428	233	856	483
Litigation costs	777	143	859	413
Other gain adjustments	(310)	-	(310)	-
Exchange rate differences, net on balance sheet items included in financial income, net	909	26	1,540	(177)
Non-GAAP income before taxes on income	9,901	5,693	19,931	8,695
GAAP taxes on income	(1,061)	(727)	(2,217)	(1,107)
Tax expenses on other gain adjustments	71	-	71	-
Non-GAAP taxes on income	(990)	(727)	(2,146)	(1,107)
GAAP net income	3,746	1,674	8,114	679
Stock-based compensation	3,290	2,890	6,391	6,190
Acquisition costs	-	-	264	-
Amortization of intangible assets	428	233	856	483
Litigation costs	777	143	859	413
Other gain adjustments	(310)	-	(310)	-
Exchange rate differences, net on balance sheet items included in financial income, net	909	26	1,540	(177)
Tax expenses on other gain adjustments	71	-	71	-
Non-GAAP net income	8,911	4,966	17,785	7,588
GAAP diluted net earnings per share	0.08	0.04	0.17	0.02
Stock-based compensation	0.07	0.06	0.13	0.13
Acquisition costs	0.00	0.00	0.01	0.00
Amortization of intangible assets	0.01	0.00	0.02	0.01
Litigation costs	0.02	0.00	0.02	0.01
Other gain adjustments	(0.01)	0.00	(0.01)	0.00
Exchange rate differences, net on balance sheet items included in financial income, net	0.02	0.00	0.03	(0.00)
Tax expenses on other gain adjustments	0.00	0.00	0.00	0.00
Non-GAAP diluted net earnings per share	0.18	0.10	0.37	0.16
Weighted average number of shares used to compute Non-GAAP diluted net earnings per share	48,722,684	47,396,099	48,649,438	46,936,309

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,	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<u>Cash flow from operating activities:</u>				
Net income	3,746	1,674	8,114	679
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	2,701	2,443	5,388	4,948
Stock based compensation	3,290	2,890	6,391	6,190
Amortization of premium, accretion of discounts and accrued interest on available-for-sale marketable securities, net	149	414	327	690
Other gain	(310)	0	(310)	0
Accrued interest on bank deposits	3,160	(146)	2,331	(212)
Increase (decrease) in accrued severance pay, net	65	(97)	933	142
Decrease (increase) in trade receivables, net	(641)	(2,564)	2,529	(2,601)
Decrease (increase) in other receivables and prepaid expenses and other long-term assets	(1,721)	(2,501)	(3,686)	4,697
Decrease in inventories	1,221	477	2,437	329
Decrease (increase) in trade payables	(28)	424	(738)	(623)
Increase (decrease) in deferred revenues	(7,237)	(1,700)	3,783	7,166
Increase (decrease) in other payables and accrued expenses	463	1,245	472	(6,682)
Operating lease liabilities, net	285	0	660	0
Net cash provided by operating activities	<u>5,143</u>	<u>2,559</u>	<u>28,631</u>	<u>14,723</u>
<u>Cash flows from investing activities:</u>				
Purchase of property and equipment	(2,382)	(1,187)	(4,343)	(3,276)
Proceeds from (investment in) other long-term assets, net	(33)	131	(62)	40
Proceeds from (investment in) bank deposits, net	19,529	(9,067)	19,447	(26,067)
Investment in sale, redemption of and purchase of available-for-sale marketable securities, net	(33,574)	(686)	(43,235)	(1,872)
Payment for acquisition of subsidiary, net of cash acquired	43	0	(12,239)	0
Net cash used in investing activities	<u>(16,417)</u>	<u>(10,809)</u>	<u>(40,432)</u>	<u>(31,175)</u>
<u>Cash flows from financing activities:</u>				
Proceeds from exercise of stock options	3,109	7,939	10,842	12,891
Repurchase of shares	(10,005)	0	(10,053)	0
Net cash provided by (used in) financing activities	<u>(6,896)</u>	<u>7,939</u>	<u>789</u>	<u>12,891</u>
Decrease in cash and cash equivalents	(18,170)	(311)	(11,012)	(3,561)
Cash and cash equivalents at the beginning of the period	<u>52,361</u>	<u>61,987</u>	<u>45,203</u>	<u>65,237</u>
Cash and cash equivalents at the end of the period	<u><u>34,191</u></u>	<u><u>61,676</u></u>	<u><u>34,191</u></u>	<u><u>61,676</u></u>