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

	December 31, 2016	December 31, 2015		
	(Unaudited)			
Assets				
Current assets				
Cash and cash equivalents	79,639	33,744		
Available-for-sales marketable securities	20,452	16,003		
Short-term bank deposits	125,995	80,922		
Trade receivables, net	19,407	26,410		
Other receivables and prepaid expenses	4,159	5,042		
Inventories	17,114	16,322		
	266,766	178,443		
Long-term investments				
Available-for-sales marketable securities	74,967	87,814		
Long-term bank deposits	19,092	96,643		
Severance pay funds	2,597	2,724		
octor amore pary ramas	96,656	187,181		
Property and equipment, net	26,354	26,203		
Intangible assets, net	2,399	3,518		
Other assets	7,595	5,473		
Goodwill	30,069	30,069		
Goodwiii	30,003	30,009		
Total assets	429,839	430,887		
Liabilities and shareholders' equity				
Current Liabilities				
Trade payables	5,971	9,255		
Deferred revenues	53,061	46,061		
Other payables and accrued expenses	26,232	22,098		
	85,264	77,414		
Long-term liabilities				
Deferred revenues	31,100	25,136		
Other long-term liabilities	13,846	9,214		
	44,946	34,350		
Shareholders' equity				
Share capital	663	661		
Additional paid-in capital	325,204	312,784		
Accumulated other comprehensive income, net of tax	(20)	1,257		
Treasury stock, at cost	(116,029)	(94,049)		
Retained earnings	89,811	98,470		
Total shareholders' equity	299,629	319,123		
Total liabilities and shareholders' equity	420 020	420 007		
Total liabilities and shareholders' equity	429,839	430,887		

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

	For the three months ended December 31,		For the year ended December 31,		
	2016	2015	2016	2015	
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	
Revenues	51,712	55,256	196,585	216,566	
Cost of revenues	9,596	9,910	35,695	38,200	
Gross profit	42,116	45,346	160,890	178,366	
Operating expenses:					
Research and development, net	12,235	12,972	51,732	49,987	
Selling and marketing	28,144	24,946	103,774	93,347	
General and administrative	4,226	4,055	18,133	17,033	
Total operating expenses	44,605	41,973	173,639	160,367	
Operating income (loss)	(2,489)	3,373	(12,749)	17,999	
Financing income, net	863	2,394	5,741	5,867	
Income (loss) before taxes on income	(1,626)	5,767	(7,008)	23,866	
Taxes on income	(507)	(1,504)	(1,651)	(5,297)	
Net income (loss)	(2,133)	4,263	(8,659)	18,569	
Basic net earnings (loss) per share	(0.05)	0.09	(0.20)	0.40	
Weighted average number of shares used to compute basic net earnings (loss) per share	43,313,644	45,048,937	43,868,221	45,895,321	
Diluted net earnings (loss) per share	(0.05)	0.09	(0.20)	0.40	
Weighted average number of shares used to compute diluted net earnings (loss) per share	43,313,644	45,300,967	43,868,221	46,738,604	

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 December 31,		For the year ended December 31,	
	2016	2015	2016	2015	
GAAP gross profit	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
•	42,116	45,346	160,890	178,366	
Stock-based compensation	52	42	180	141	
Amortization of intangible assets	254	254	1,014	1,114	
Non-GAAP gross profit	42,422	45,642	162,084	179,621	
GAAP research and development, net	12,235	12,972	51,732	49,987	
Stock-based compensation	948	575	3,339	2,456	
Non-GAAP Research and development, net	11,287	12,397	48,393	47,531	
GAAP selling and marketing	28,144	24,946	103,774	93,347	
Stock-based compensation	1,743	1,187	5,661	4,098	
Amortization of intangible assets	26	29	105	124	
Non-GAAP selling and marketing	26,375	23,730	98,008	89,125	
			· · · · · · · · · · · · · · · · · · ·		
GAAP general and administrative	4,226	4,055	18,133	17,033	
Stock-based compensation	478	452	2,340	2,634	
Litigation related charges	784	744	4,270	3,383	
Non-GAAP general and administrative	2,964	2,859	11,523	11,016	
GAAP total operating expenses	44,605	41,973	173,639	160,367	
Stock-based compensation	3,169	2,214	11,340	9,188	
Amortization of intangible assets	26	29	105	124	
Litigation related charges	784	744	4,270	3,383	
Non-GAAP total operating expenses	40,626	38,986	157,924	147,672	
GAAP operating income (loss)	(2,489)	3,373	(12,749)	17,999	
Stock-based compensation	3,221	2,256	11,520	9,329	
Amortization of intangible assets	280	283	1,119		
•	784	744	•	1,238 3,383	
Litigation related charges			4,270		
Non-GAAP operating income (loss)	1,796	6,656	4,160	31,949	
GAAP finance income	963	2 204	F 741	F 967	
Exchange rate differences, net on balance sheet items included in financial income	863 341	2,394 87	5,741 674	5,867	
				1,146	
Non-GAAP finance income	1,204	2,481	6,415	7,013	
CAAD income (loca) hefere tayes on income	(1.626)	F 767	(7,000)	22.000	
GAAP income (loss) before taxes on income	(1,626)	5,767	(7,008)	23,866	
Stock-based compensation	3,221	2,256	11,520	9,329	
Amortization of intangible assets	280	283	1,119	1,238	
Litigation related charges	784	744	4,270	3,383	
Exchange rate differences, net on balance sheet items included in financial income	341	87	674	1,146	
Non-GAAP income before taxes on income	3,000	9,137	10,575	38,962	
GAAP net income (loss)	(2,133)	4,263	(8,659)	18,569	
Stock-based compensation	3,221	2,256	11,520	9,329	
Amortization of intangible assets	280	283	1,119	1,238	
Litigation related charges	784	744	4,270	3,383	
Exchange rate differences, net on balance sheet items included in financial income	341	87	674	1,146	
Non GAAP net income	2,493	7,633	8,924	33,665	
	_	-	-	_	
GAAP Net income (loss) per diluted share	(0.05)	0.09	(0.20)	0.40	
Stock-based compensation	0.07	0.05	0.26	0.20	
Amortization of intangible assets	0.01	0.01	0.03	0.03	
Litigation related charges	0.02	0.02	0.10	0.07	
Exchange rate differences, net on balance sheet items included in financial income	0.01	0.00	0.01	0.02	
Non GAAP Net income per diluted share	0.06	0.17	0.20	0.72	
•					
Weighted average number of shares used to compute Non-GAAP diluted net earnings (loss)				
per share	43,721,973	45,300,967	44,125,436	46,738,604	

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

Table Tab		For the three months ended		For the year ended	
Net income (loss) Additional material particulations Cash flow from operating activities:		Decem	ber 31,		ber 31,
Net income (loss) (2,133) 4,263 (8,659) 18,569 Adjustments to reconcile net income (loss) to net cash provided by operating activities: Depreciation and amortization 2,2663 2,411 10,372 9,401 Stock based compensation 3,221 2,256 11,520 9,329 Gain from sale of available-for-sale marketable securities 5 (1,298) (1,772) (2,438) Amortization of premium, accretion of discounts and accrued interest on available-for-sale marketable securities, net 670 520 1,947 3,208 Amortization of premium, accretion of discounts and accrued interest on available-for-sale marketable securities, net 1,633 (648) 1,179 (1,998) Increase in accrued severance pay, net 111 0 401 125 Decrease (increase) in trade receivables, net 1,939 (2,229) 7,003 (773) Decrease (increase) in trade receivables, net 1,939 (2,229) 7,003 (773) Decrease (increase) in trade payables 1,179 (1,998) 112 Decrease (increase) in trade payables 1,179 (1,998) 112 Decrease (increase) in inventories 1,1144 6,003 (1,799) 122 Decrease (increase) in trade payables 1,179 (1,998) 122 Decrease (increase) in trade payables 1,179 (1,998) 122 Decrease (increase) 1,179 (1,998) 122 Decr		2016	2015	2016	2015
Adjustments to reconcile net income (loss) to net cash provided by operating activities: Depreciation and amortization 2,663 2,211 10,372 9,401 11,520 9,329 Gain from sale of available-for-sale marketable securities 5 (1,298) (1,772) (2,438) Amortization of premium, accretion of discounts and accrued interest on available-for-sale marketable securities, net 670 520 1,947 3,208 marketable securities, net Accrued interest on bank deposits 1,633 (648) 1,179 (1,998) Increase in accrued severance pay, net 111 0 401 125 Decrease (increase) in trade receivables, net 1,939 (2,229) 7,003 (773) Decrease (increase) in inventories (302) 69 (792) 522 Decrease (increase) in inventories (302) 69 (792) 522 Increase in deferred revenues 11,144 6,003 12,964 3,849 Increase in other payables and accrued expenses 3,302 (1,779) 7,813 424 Excess tax benefit from stock-based compensation 605 58 679 (632) Net cash provided by operating activities Cash flows from linvesting activities Cash flows from (investment in) bank deposits, net (1,333) (3,056) (9,404) (13,774) Investment in other long-term assets, net (1,079) 4,621 6,521 40,845 Proceeds from sale, redemption of and purchase of available-for-sale marketable securities, net (1,079) 4,621 6,521 40,845 Cash flows from financing activities	Cash flow from operating activities:				
Depreciation and amortization 2,663 2,411 10,372 9,401	Net income (loss)	(2,133)	4,263	(8,659)	18,569
Stock based compensation 3,221 2,256 11,520 9,329 Gain from sale of available-for-sale marketable securities 5 (1,298) (1,772) (2,438) Amortization of premium, accretion of discounts and accrued interest on available-for-sale marketable securities, net 670 520 1,947 3,208 Accrued interest on bank deposits 1,633 (648) 1,179 (1,998) Increase in accrued severance pay, net 111 0 401 125 Decrease (increase) in trade receivables, net 1,939 (2,229) 7,003 (773) Decrease (increase) in inventories 1,939 (2,229) 7,003 (773) Decrease (increase) in trade payables 920 3,229 (3,284) (562) Increase in deferred revenues 11,144 6,003 12,964 3,849 Increase in deferred revenues 11,144 6,003 12,964 3,849 Increase in deferred revenues 3,302 (1,779) 7,813 424 Excess tax benefit from stock-based compensation 605 58 679 (632) Net cash provided by operating activities 23,280 15,649 38,612 39,136 Cash flows from investing activities (1,374) Investment in other long-term assets, net (53) (16) (53) (100) Proceeds from (investment in) bank deposits, net 29,586 4,063 31,295 (33,824) Proceeds from sale, redemption of and purchase of available-for-sale marketable securities, net (1,079) 4,621 6,521 40,845 Net cash provided by (used in) investing activities 27,121 5,612 28,359 (6,853)	Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Cash flows from financing activities Social (1,298) (1,772) (2,438)	Depreciation and amortization	2,663	2,411	10,372	9,401
Amortization of premium, accretion of discounts and accrued interest on available-for-sale marketable securities, net Accrued interest on bank deposits 1,633 (648) 1,179 (1,998) Increase in accrued severance pay, net 111 0 401 125 Decrease (increase) in trade receivables, net 1,939 (2,229) 7,003 (773) Decrease (increase) in other current assets and prepaid expenses and deferred income taxes, net 4,988 2,794 (759) 112 Decrease (increase) in inventories 1,920 69 (792) 522 Decrease (increase) in trade payables 1,144 6,003 12,964 3,849 Increase (decrease) in trade payables and accrued expenses 11,144 6,003 12,964 3,849 Increase (decrease) in other payables and accrued expenses 11,144 6,003 12,964 3,849 Increase (decrease) in other payables and accrued expenses 2,302 (1,779) 7,813 424 Excess tax benefit from stock-based compensation 605 58 679 (632) Net cash provided by operating activities Cash flows from investing activities: Cash flows from investing activities: Cash flows from investing activities: Cash flows from investment in) bank deposits, net Proceeds from sale, redemption of and purchase of available-for-sale marketable securities ,net (1,079) 4,621 6,521 40,845 Net cash provided by (used in) investing activities Cash flows from financing activities Cash flows from financing activities	Stock based compensation	3,221	2,256	11,520	9,329
marketable securities, net Accrued interest on bank deposits Increase in accrued severance pay, net Increase in accrued severance pay, net Increase in trade receivables, net Increase (increase) in trade receivables, net Increase (increase) in other current assets and prepaid expenses and deferred income taxes, net Increase (increase) in inventories Increase (incr	Gain from sale of available-for-sale marketable securities	5	(1,298)	(1,772)	(2,438)
Accrued interest on bank deposits Increase in accrued severance pay, net Increase in deferred revents severance pay, net Increase in deferred revents severance pay, net Increase in deferred increase in inventories Increase in deferred revenues Increase in deferred revenues Increase in deferred revenues Increase in deferred revenues Increase in other payables and accrued expenses Increase in deferred revenues Increase in deferred revenues Increase in other payables and accrued expenses Increase in deferred revenues Increase in deferred income taxes, net Increase in def	•	670	520	1,947	3,208
Increase in accrued severance pay, net 111 0 401 125 Decrease (increase) in trade receivables, net 1,939 (2,229) 7,003 (773) Decrease (increase) in other current assets and prepaid expenses and deferred income taxes, net (498) 2,794 (759) 112 Decrease (increase) in inventories (302) 69 (792) 522 Decrease (increase) in trade payables 920 3,229 (3,284) (562) Increase in deferred revenues 11,144 6,003 12,964 3,849 Increase (decrease) in other payables and accrued expenses 3,302 (1,779) 7,813 424 Excess tax benefit from stock-based compensation 605 58 679 (632) Net cash provided by operating activities 23,280 15,649 38,612 39,136 Cash flows from investing activities: (1,333) (3,056) (9,404) (13,774) Investment in other long-term assets, net (53) (16) (53) (100) Proceeds from (investment in) bank deposits, net 29,586 4,063 31,295 (33,824) Proceeds from sale, redemption of and purchase of available-for-sale marketable securities and provided by (used in) investing activities 27,121 5,612 28,359 (6,853) Cash flows from financing activities:	,	1.633	(648)	1.179	(1.998)
Decrease (increase) in trade receivables, net 1,939 (2,229) 7,003 (773)	·	,			
Decrease (increase) in other current assets and prepaid expenses and deferred income taxes, net (498) 2,794 (759) 112			(2 229)		
Decrease (increase) in inventories (302) 69 (792) 522 Decrease (increase) in trade payables 920 3,229 (3,284) (562) Increase in deferred revenues 11,144 6,003 12,964 3,849 Increase (decrease) in other payables and accrued expenses 3,302 (1,779) 7,813 424 Excess tax benefit from stock-based compensation 605 58 679 (632) Net cash provided by operating activities 23,280 15,649 38,612 39,136 Cash flows from investing activities: Purchase of property and equipment (1,333) (3,056) (9,404) (13,774) Investment in other long-term assets, net (53) (16) (53) (100) Proceeds from (investment in) bank deposits, net 29,586 4,063 31,295 (33,824) Proceeds from sale, redemption of and purchase of available-for-sale marketable securities ,net (1,079) 4,621 6,521 40,845 Net cash provided by (used in) investing activities 27,121 5,612 28,359 (6,853)	· · · · · · · · · · · · · · · · · · ·				• •
Decrease (increase) in trade payables 920 3,229 (3,284) (562) Increase in deferred revenues 11,144 6,003 12,964 3,849 Increase (decrease) in other payables and accrued expenses 3,302 (1,779) 7,813 424 Excess tax benefit from stock-based compensation 605 58 679 (632) Net cash provided by operating activities 23,280 15,649 38,612 39,136 Cash flows from investing activities: Purchase of property and equipment (1,333) (3,056) (9,404) (13,774) Investment in other long-term assets, net (53) (16) (53) (100) Proceeds from sale, redemption of and purchase of available-for-sale marketable securities and provided by (used in) investing activities 29,586 4,063 31,295 (33,824) Net cash provided by (used in) investing activities 27,121 5,612 28,359 (6,853)	, , , ,	` '			
Increase in deferred revenues Increase in deferred revenues Increase (decrease) in other payables and accrued expenses Increase (decrease) in charges Increase (decrease) in ch	,			• •	
Increase (decrease) in other payables and accrued expenses 3,302 (1,779) 7,813 424 Excess tax benefit from stock-based compensation 605 58 679 (632) Net cash provided by operating activities Cash flows from investing activities: Purchase of property and equipment Investment in other long-term assets, net Proceeds from (investment in) bank deposits, net Proceeds from (investment in) bank deposits, net Proceeds from stock-based compensation (1,333) (3,056) (9,404) (13,774) (100) (10	·		•		, ,
Excess tax benefit from stock-based compensation Net cash provided by operating activities Cash flows from investing activities: Purchase of property and equipment Investment in other long-term assets, net Proceeds from (investment in) bank deposits, net Proceeds from stock-based compensation (1,333) (3,056) (9,404) (13,774) (100)		,	•		
Net cash provided by operating activities: Cash flows from investing activities: 23,280 15,649 38,612 39,136	, , , , , , , , , , , , , , , , , , , ,	,			
Purchase of property and equipment (1,333) (3,056) (9,404) (13,774) Investment in other long-term assets, net (53) (16) (53) (100) Proceeds from (investment in) bank deposits, net 29,586 4,063 31,295 (33,824) Proceeds from sale, redemption of and purchase of available-for-sale marketable securities ,net (1,079) 4,621 6,521 40,845 Net cash provided by (used in) investing activities 27,121 5,612 28,359 (6,853)	·		15,649		<u></u>
Investment in other long-term assets, net Proceeds from (investment in) bank deposits, net Proceeds from (investment in) bank deposits, net Proceeds from sale, redemption of and purchase of available-for-sale marketable securities ,net Net cash provided by (used in) investing activities Cash flows from financing activities: (53) (16) (53) (100) (4,063 31,295 (33,824) 40,845 27,121 5,612 28,359 (6,853) Cash flows from financing activities:	Cash flows from investing activities:				
Proceeds from (investment in) bank deposits, net Proceeds from (investment in) bank deposits, net Proceeds from sale, redemption of and purchase of available-for-sale marketable securities ,net Net cash provided by (used in) investing activities Cash flows from financing activities: 29,586 4,063 31,295 6,521 40,845 27,121 5,612 28,359 (6,853)	Purchase of property and equipment	(1,333)	(3,056)	(9,404)	(13,774)
Proceeds from sale, redemption of and purchase of available-for-sale marketable securities ,net (1,079) 4,621 6,521 40,845 Net cash provided by (used in) investing activities 27,121 5,612 28,359 (6,853)	Investment in other long-term assets, net	(53)	(16)	(53)	(100)
Net cash provided by (used in) investing activities 27,121 5,612 28,359 (6,853) Cash flows from financing activities:	Proceeds from (investment in) bank deposits, net	29,586	4,063	31,295	(33,824)
Cash flows from financing activities:	Proceeds from sale, redemption of and purchase of available-for-sale marketable securities ,net	(1,079)	4,621	6,521	40,845
	Net cash provided by (used in) investing activities	27,121	5,612	28,359	(6,853)
	Cash flows from financing activities:				
Proceeds from exercise of stock options 1,253 175 1,583 8,746	Proceeds from exercise of stock options	1,253	175	1,583	8,746
Excess tax benefit from stock-based compensation (605) (58) (679) 632	Excess tax benefit from stock-based compensation	(605)	(58)	(679)	632
Repurchase of shares(10,268)(8,389)(21,980)(52,896)	Repurchase of shares	(10,268)	(8,389)	(21,980)	(52,896)
Net cash used in financing activities (9,620) (8,272) (21,076) (43,518)	Net cash used in financing activities	(9,620)	(8,272)	(21,076)	(43,518)
Increase (decrease) in cash and cash equivalents 40,781 12,989 45,895 (11,235)	Increase (decrease) in cash and cash equivalents	40,781	12,989	45,895	(11,235)
Cash and cash equivalents at the beginning of the period <u>38,858</u> <u>20,755</u> <u>33,744</u> <u>44,979</u>	Cash and cash equivalents at the beginning of the period	38,858	20,755	33,744	44,979
Cash and cash equivalents at the end of the period 79,639 33,744 79,639 33,744	Cash and cash equivalents at the end of the period	79,639	33,744	79,639	33,744