

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

	December 31, 2020	December 31, 2019
	(Unaudited)	(Unaudited)
Assets		
Current assets		
Cash and cash equivalents	54,771	40,751
Available-for-sale marketable securities	64,684	36,924
Short-term bank deposits	191,038	100,276
Trade receivables, net	16,848	22,610
Other receivables and prepaid expenses	6,705	7,469
Inventories	13,935	13,940
	347,981	221,970
Long-term investments		
Available-for-sale marketable securities	66,836	112,696
Long-term bank deposits	71,421	137,095
Severance pay funds	2,453	2,300
	140,710	252,091
Property and equipment, net	22,976	22,971
Intangible assets, net	12,588	14,481
Other long-term assets	30,222	24,398
Operating lease right-of-use assets	27,823	18,144
Goodwill	41,144	41,144
Total assets	623,444	595,199
Liabilities and shareholders' equity		
Current Liabilities		
Trade payables	4,620	6,315
Deferred revenues	92,127	79,239
Operating lease liabilities	5,224	5,193
Other payables and accrued expenses	41,955	34,794
	143,926	125,541
Long-term liabilities		
Deferred revenues	54,797	50,888
Operating lease liabilities	24,851	13,914
Other long-term liabilities	11,409	9,525
	91,057	74,327
Shareholders' equity		
Share capital	721	710
Additional paid-in capital	443,018	414,581
Accumulated other comprehensive income, net of tax	1,517	1,145
Treasury stock, at cost	(190,552)	(145,226)
Retained earnings	133,757	124,121
Total shareholders' equity	388,461	395,331
Total liabilities and shareholders' equity	623,444	595,199

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 year ended	
	December 31,		December 31,	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	69,046	67,362	250,027	252,072
Cost of revenues	12,191	11,994	45,084	45,174
Gross profit	<u>56,855</u>	<u>55,368</u>	<u>204,943</u>	<u>206,898</u>
Operating expenses, net:				
Research and development, net	17,748	16,103	66,836	61,841
Selling and marketing	30,399	29,121	113,015	109,556
General and administrative	4,810	4,375	18,924	18,584
Total operating expenses, net	<u>52,957</u>	<u>49,599</u>	<u>198,775</u>	<u>189,981</u>
Operating income	3,898	5,769	6,168	16,917
Financial income, net	392	2,745	7,796	8,792
Income before taxes on income	4,290	8,514	13,964	25,709
Taxes on income	1,488	1,183	4,328	3,143
Net income	<u>2,802</u>	<u>7,331</u>	<u>9,636</u>	<u>22,566</u>
Basic net earnings per share	0.06	0.16	0.21	0.48
Weighted average number of shares used to compute basic net earnings per share	46,204,690	46,900,711	46,460,974	46,816,899
Diluted net earnings per share	0.06	0.15	0.20	0.47
Weighted average number of shares used to compute diluted net earnings per share	47,440,556	48,304,507	47,739,540	48,523,120

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 year ended	
	December 31,		December 31,	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
GAAP gross profit	56,855	55,368	204,943	206,898
Stock-based compensation	53	53	188	224
Amortization of intangible assets	464	486	1,891	2,304
Non-GAAP gross profit	<u>57,372</u>	<u>55,907</u>	<u>207,022</u>	<u>209,426</u>
GAAP research and development, net	17,748	16,103	66,836	61,841
Stock-based compensation	1,210	791	4,409	2,855
Non-GAAP Research and development, net	<u>16,538</u>	<u>15,312</u>	<u>62,427</u>	<u>58,986</u>
GAAP selling and marketing	30,399	29,121	113,015	109,556
Stock-based compensation	2,501	1,696	8,315	6,954
Amortization of intangible assets	-	17	-	69
Non-GAAP selling and marketing	<u>27,898</u>	<u>27,408</u>	<u>104,700</u>	<u>102,533</u>
GAAP general and administrative	4,810	4,375	18,924	18,584
Stock-based compensation	824	742	3,633	3,032
Acquisition costs	-	(18)	-	246
Litigation costs	145	-	448	883
Non-GAAP general and administrative	<u>3,841</u>	<u>3,651</u>	<u>14,843</u>	<u>14,423</u>
GAAP total operating expenses, net	52,957	49,599	198,775	189,981
Stock-based compensation	4,535	3,229	16,357	12,841
Acquisition costs	-	(18)	-	246
Amortization of intangible assets	-	17	-	69
Litigation costs	145	-	448	883
Non-GAAP total operating expenses, net	<u>48,277</u>	<u>46,371</u>	<u>181,970</u>	<u>175,942</u>
GAAP operating income	3,898	5,769	6,168	16,917
Stock-based compensation	4,588	3,282	16,545	13,065
Acquisition costs	-	(18)	-	246
Amortization of intangible assets	464	503	1,891	2,373
Litigation costs	145	-	448	883
Non-GAAP operating income	<u>9,095</u>	<u>9,536</u>	<u>25,052</u>	<u>33,484</u>
GAAP financial income, net	392	2,745	7,796	8,792
Other loss (gain) adjustment	-	-	247	(563)
Exchange rate differences, net on balance sheet items included in financial income, net	1,826	(148)	2,306	2,270
Non-GAAP financial income, net	<u>2,218</u>	<u>2,597</u>	<u>10,349</u>	<u>10,499</u>
GAAP income before taxes on income	4,290	8,514	13,964	25,709
Stock-based compensation	4,588	3,282	16,545	13,065
Acquisition costs	-	(18)	-	246
Amortization of intangible assets	464	503	1,891	2,373
Litigation costs	145	-	448	883
Other loss (gain) adjustment	-	-	247	(563)
Exchange rate differences, net on balance sheet items included in financial income, net	1,826	(148)	2,306	2,270
Non-GAAP income before taxes on income	<u>11,313</u>	<u>12,133</u>	<u>35,401</u>	<u>43,983</u>
GAAP taxes on income	1,488	1,183	4,328	3,143
Tax related adjustments	61	39	306	234
Non-GAAP taxes on income	<u>1,549</u>	<u>1,222</u>	<u>4,634</u>	<u>3,377</u>
GAAP net income	2,802	7,331	9,636	22,566
Stock-based compensation	4,588	3,282	16,545	13,065
Acquisition costs	-	(18)	-	246
Amortization of intangible assets	464	503	1,891	2,373
Litigation costs	145	-	448	883
Other loss (gain) adjustment	-	-	247	(563)
Exchange rate differences, net on balance sheet items included in financial income, net	1,826	(148)	2,306	2,270
Tax related adjustments	(61)	(39)	(306)	(234)
Non-GAAP net income	<u>9,764</u>	<u>10,911</u>	<u>30,767</u>	<u>40,606</u>
GAAP diluted net earnings per share	0.06	0.15	0.20	0.47
Stock-based compensation	0.10	0.07	0.35	0.27
Acquisition costs	0.00	(0.00)	0.00	0.01
Amortization of intangible assets	0.01	0.01	0.04	0.05
Litigation costs	0.00	0.00	0.01	0.02
Other loss (gain) adjustment	0.00	0.00	0.01	(0.01)
Exchange rate differences, net on balance sheet items included in financial income, net	0.04	(0.00)	0.05	0.05
Tax related adjustments	(0.00)	(0.00)	(0.01)	(0.00)
Non-GAAP diluted net earnings per share	<u>0.21</u>	<u>0.23</u>	<u>0.64</u>	<u>0.84</u>
Weighted average number of shares used to compute Non-GAAP diluted net earnings per share	47,440,556	48,304,507	47,739,540	48,523,120

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

	For the three months ended December 31,		For the year ended December 31,	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
<u>Cash flow from operating activities:</u>				
Net income	2,802	7,331	9,636	22,566
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	2,676	2,789	10,559	11,283
Stock-based compensation	4,588	3,282	16,545	13,064
Amortization of premium, accretion of discounts and accrued interest on marketable securities, net	284	150	931	618
Other loss (gain)	(58)	26	(638)	(537)
Accrued interest on bank deposits	(239)	596	(1,210)	2,123
Increase (decrease) in accrued severance pay, net	(33)	64	202	888
Decrease (increase) in trade receivables, net	(2,518)	(7,557)	5,762	(2,407)
Increase in other receivables and prepaid expenses and other long-term assets	(2,667)	(2,140)	(5,062)	(6,989)
Decrease (increase) in inventories	(645)	1,143	5	4,461
Decrease (increase) in trade payables	802	2,310	(1,695)	1,775
Increase (decrease) in deferred revenues	2,778	(6,416)	16,797	2,260
Increase in other payables and accrued expenses	6,955	2,272	8,690	2,784
Operating lease liabilities, net	1,353	109	1,289	963
Net cash provided by operating activities	<u>16,078</u>	<u>3,959</u>	<u>61,811</u>	<u>52,852</u>
<u>Cash flows from investing activities:</u>				
Purchase of property and equipment	(2,045)	(2,002)	(8,671)	(8,155)
Proceeds from (investment in) other long-term assets, net	(84)	(7)	(110)	4
Proceeds from (investment in) bank deposits, net	(12,054)	2,187	(23,878)	15,960
Proceeds from (investment in) sale, redemption of and purchase of marketable securities, net	6,579	(1,131)	18,291	(46,363)
Payment for acquisition of subsidiary, net of cash acquired	0	0	0	(12,239)
Net cash used in investing activities	<u>(7,604)</u>	<u>(953)</u>	<u>(14,368)</u>	<u>(50,793)</u>
<u>Cash flows from financing activities:</u>				
Proceeds from exercise of stock options	3,618	3,406	11,903	17,998
Repurchase of shares	(5,750)	(5,616)	(45,326)	(24,509)
Net cash used in financing activities	<u>(2,132)</u>	<u>(2,210)</u>	<u>(33,423)</u>	<u>(6,511)</u>
Increase (decrease) in cash and cash equivalents	6,342	796	14,020	(4,452)
Cash and cash equivalents at the beginning of the period	<u>48,429</u>	<u>39,955</u>	<u>40,751</u>	<u>45,203</u>
Cash and cash equivalents at the end of the period	<u>54,771</u>	<u>40,751</u>	<u>54,771</u>	<u>40,751</u>