

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

	September 30,	December 31,
	2023	2022
	(Unaudited)	(Unaudited)
Assets		
Current assets		
Cash and cash equivalents	32,422	46,185
Available-for-sale marketable securities	85,409	44,180
Short-term bank deposits	203,913	207,679
Trade receivables, net	12,372	17,752
Other receivables and prepaid expenses	10,915	7,196
Inventories	12,994	11,428
	358,025	334,420
Long-term investments		
Available-for-sale marketable securities	49,898	90,148
Long-term bank deposits	0	43,765
Severance pay funds	2,061	2,146
	51,959	136,059
Property and equipment, net	19,321	21,068
Intangible assets, net	16,710	19,686
Other long-term assets	40,047	41,269
Operating lease right-of-use assets	20,132	23,078
Goodwill	68,008	68,008
Total assets	574,202	643,588
Liabilities and shareholders' equity		
Current Liabilities		
Trade payables	6,069	6,464
Deferred revenues	106,109	108,243
Operating lease liabilities	4,439	4,685
Other payables and accrued expenses	33,206	44,643
	149,823	164,035
Long-term liabilities		
Deferred revenues	63,258	72,219
Operating lease liabilities	15,956	19,461
Other long-term liabilities	20,172	19,430
	99,386	111,110
Shareholders' equity		
Share capital	733	732
Additional paid-in capital	521,196	498,168
Accumulated other comprehensive loss, net of tax	(4,174)	(4,844)
Treasury stock, at cost	(356,969)	(303,299)
Retained earnings	125,662	141,402
Total Radware Ltd. shareholder's equity	286,448	332,159
Non-controlling interest	38,545	36,284
Total shareholders' equity	324,993	368,443
Total liabilities and shareholders' equity	574,202	643,588

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

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	61,612	70,521	196,260	219,343
Cost of revenues	12,838	13,138	38,886	39,967
Gross profit	<u>48,774</u>	<u>57,383</u>	<u>157,374</u>	<u>179,376</u>
Operating expenses, net:				
Research and development, net	20,614	22,083	62,905	64,076
Selling and marketing	30,532	31,416	94,368	93,989
General and administrative	7,824	7,278	24,378	19,542
Total operating expenses, net	<u>58,970</u>	<u>60,777</u>	<u>181,651</u>	<u>177,607</u>
Operating income (loss)	(10,196)	(3,394)	(24,277)	1,769
Financial income, net	3,778	1,350	10,688	6,034
Income (loss) before taxes on income	<u>(6,418)</u>	<u>(2,044)</u>	<u>(13,589)</u>	<u>7,803</u>
Taxes on income	433	920	2,151	3,845
Net income (loss)	<u>(6,851)</u>	<u>(2,964)</u>	<u>(15,740)</u>	<u>3,958</u>
Basic net earnings (loss) per share	(0.16)	(0.07)	(0.36)	0.09
Weighted average number of shares used to compute basic net earnings (loss) per share	42,261,637	44,623,247	43,232,405	45,063,925
Diluted net earnings (loss) per share	(0.16)	(0.07)	(0.36)	0.09
Weighted average number of shares used to compute diluted net earnings (loss) per share	42,261,637	44,623,247	43,232,405	46,189,437

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 nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
GAAP gross profit	48,774	57,383	157,374	179,376
Share-based compensation	177	103	403	287
Amortization of intangible assets	992	992	2,976	2,712
Non-GAAP gross profit	<u>49,943</u>	<u>58,478</u>	<u>160,753</u>	<u>182,375</u>
GAAP research and development, net	20,614	22,083	62,905	64,076
Share-based compensation	2,064	1,775	6,200	5,219
Non-GAAP Research and development, net	<u>18,550</u>	<u>20,308</u>	<u>56,705</u>	<u>58,857</u>
GAAP selling and marketing	30,532	31,416	94,368	93,989
Share-based compensation	2,134	3,356	9,065	8,248
Restructuring costs	1,273	-	1,273	-
Non-GAAP selling and marketing	<u>27,125</u>	<u>28,060</u>	<u>84,030</u>	<u>85,741</u>
GAAP general and administrative	7,824	7,278	24,378	19,542
Share-based compensation	2,884	2,397	9,483	3,941
Acquisition costs	211	-	769	-
Litigation costs	-	-	-	1,142
Non-GAAP general and administrative	<u>4,729</u>	<u>4,881</u>	<u>14,126</u>	<u>14,459</u>
GAAP total operating expenses, net	58,970	60,777	181,651	177,607
Share-based compensation	7,082	7,528	24,748	17,408
Acquisition costs	211	-	769	-
Litigation costs	-	-	-	1,142
Restructuring costs	1,273	-	1,273	-
Non-GAAP total operating expenses, net	<u>50,404</u>	<u>53,249</u>	<u>154,861</u>	<u>159,057</u>
GAAP operating income (loss)	(10,196)	(3,394)	(24,277)	1,769
Share-based compensation	7,259	7,631	25,151	17,695
Acquisition costs	211	-	769	-
Amortization of intangible assets	992	992	2,976	2,712
Litigation costs	-	-	-	1,142
Restructuring costs	1,273	-	1,273	-
Non-GAAP operating income	<u>(461)</u>	<u>5,229</u>	<u>5,892</u>	<u>23,318</u>
GAAP financial income, net	3,778	1,350	10,688	6,034
Exchange rate differences, net on balance sheet items included in financial income, net	37	1,100	(770)	(1,714)
Non-GAAP financial income, net	<u>3,815</u>	<u>2,450</u>	<u>9,918</u>	<u>4,320</u>
GAAP income before taxes on income (loss)	(6,418)	(2,044)	(13,589)	7,803
Share-based compensation	7,259	7,631	25,151	17,695
Acquisition costs	211	-	769	-
Amortization of intangible assets	992	992	2,976	2,712
Litigation costs	-	-	-	1,142
Restructuring costs	1,273	-	1,273	-
Exchange rate differences, net on balance sheet items included in financial income, net	37	1,100	(770)	(1,714)
Non-GAAP income before taxes on income	<u>3,354</u>	<u>7,679</u>	<u>15,810</u>	<u>27,638</u>
GAAP taxes on income	433	920	2,151	3,845
Tax related adjustments	62	62	185	185
Non-GAAP taxes on income	<u>495</u>	<u>982</u>	<u>2,336</u>	<u>4,030</u>
GAAP net income (loss)	(6,851)	(2,964)	(15,740)	3,958
Share-based compensation	7,259	7,631	25,151	17,695
Acquisition costs	211	-	769	-
Amortization of intangible assets	992	992	2,976	2,712
Litigation costs	-	-	-	1,142
Restructuring costs	1,273	-	1,273	-
Exchange rate differences, net on balance sheet items included in financial income, net	37	1,100	(770)	(1,714)
Tax related adjustments	(62)	(62)	(185)	(185)
Non-GAAP net income	<u>2,859</u>	<u>6,697</u>	<u>13,474</u>	<u>23,608</u>
GAAP diluted net earnings (loss) per share	(0.16)	(0.07)	(0.36)	0.09
Share-based compensation	0.17	0.17	0.57	0.38
Acquisition costs	0.00	0.00	0.02	0.00
Amortization of intangible assets	0.03	0.02	0.07	0.06
Litigation costs	0.00	0.00	0.00	0.03
Restructuring costs	0.03	0.00	0.03	0.00
Exchange rate differences, net on balance sheet items included in financial income, net	0.00	0.02	(0.02)	(0.04)
Tax related adjustments	0.00	(0.00)	0.00	(0.00)
Non-GAAP diluted net earnings per share	<u>0.07</u>	<u>0.15</u>	<u>0.31</u>	<u>0.51</u>
Weighted average number of shares used to compute non-GAAP diluted net earnings per share	43,163,159	45,623,336	44,058,549	46,189,437

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

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<u>Cash flow from operating activities:</u>				
Net income (loss)	(6,851)	(2,964)	(15,740)	3,958
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	3,025	3,097	9,216	8,814
Share-based compensation	7,259	7,631	25,151	17,695
Amortization of premium, accretion of discounts and accrued interest on marketable securities, net	161	193	1,116	1,579
Loss (gain) related to securities, net	0	(4)	244	(64)
Decrease in accrued interest on bank deposits	(2,289)	(1,128)	(3,814)	(1,056)
Decrease in accrued severance pay, net	(401)	(176)	(506)	(82)
Decrease (increase) in trade receivables, net	4,448	(1,509)	5,380	(160)
Decrease (increase) in other receivables and prepaid expenses and other long-term assets	(215)	3,852	(2,541)	(473)
Decrease (increase) in inventories	(671)	549	(1,566)	726
Increase (decrease) in trade payables	(1,778)	(670)	(395)	2,460
Increase (decrease) in deferred revenues	(12,311)	(8,609)	(11,095)	11,891
Increase (decrease) in other payables and accrued expenses	644	1,463	(10,798)	(20,719)
Decrease in operating lease liabilities, net	(804)	(209)	(805)	(1,981)
Net cash provided by (used in) operating activities	<u>(9,783)</u>	<u>1,516</u>	<u>(6,153)</u>	<u>22,588</u>
<u>Cash flows from investing activities:</u>				
Purchase of property and equipment	(1,130)	(2,549)	(4,493)	(7,046)
Proceeds from other long-term assets, net	29	69	77	106
Proceeds from (investment in) bank deposits, net	21,145	1,000	51,345	(19,201)
Proceeds from sale, redemption of and purchase of marketable securities, net	2,228	(862)	347	(5,502)
Payment for the business acquisition of SecurityDAM Ltd.	(2,063)	0	(2,063)	(30,000)
Net cash provided (used in) investing activities	<u>20,209</u>	<u>(2,342)</u>	<u>45,213</u>	<u>(61,643)</u>
<u>Cash flows from financing activities:</u>				
Proceeds from exercise of stock options	0	401	308	1,202
Repurchase of shares	(20,648)	(6,305)	(53,131)	(47,191)
Proceeds from issuance of Preferred A shares in subsidiary	0	0	0	35,000
Net cash used in financing activities	<u>(20,648)</u>	<u>(5,904)</u>	<u>(52,823)</u>	<u>(10,989)</u>
Decrease in cash and cash equivalents	(10,222)	(6,730)	(13,763)	(50,044)
Cash and cash equivalents at the beginning of the period	<u>42,644</u>	<u>49,199</u>	<u>46,185</u>	<u>92,513</u>
Cash and cash equivalents at the end of the period	<u><u>32,422</u></u>	<u><u>42,469</u></u>	<u><u>32,422</u></u>	<u><u>42,469</u></u>

Radware Ltd.

RECONCILIATION OF GAAP NET INCOME (LOSS) TO EBITDA AND ADJUSTED EBITDA (NON-GAAP)
(U.S Dollars in thousands)

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
GAAP net income (loss)	(6,851)	(2,964)	(15,740)	3,958
Exclude: Financial income, net	(3,778)	(1,350)	(10,688)	(6,034)
Exclude: Depreciation and amortization expense	3,025	3,097	9,216	8,814
Exclude: Taxes on income	433	920	2,151	3,845
EBITDA	(7,171)	(297)	(15,061)	10,583
Share-based compensation	7,259	7,631	25,151	17,695
Litigation costs	-	-	-	1,142
Restructuring costs	1,273	-	1,273	-
Acquisition costs	211	-	769	-
Adjusted EBITDA	1,572	7,334	12,132	29,420

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Amortization of intangible assets	992	992	2,976	2,712
Depreciation	2,033	2,105	6,240	6,102
	<u>3,025</u>	<u>3,097</u>	<u>9,216</u>	<u>8,814</u>