

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

	September 30, 2020	December 31, 2019
	(Unaudited)	(Unaudited)
Assets		
Current assets		
Cash and cash equivalents	48,429	40,751
Marketable securities	62,930	36,924
Short-term bank deposits	179,675	100,276
Trade receivables, net	14,330	22,610
Other receivables and prepaid expenses	8,100	7,469
Inventories	13,290	13,940
	<u>326,754</u>	<u>221,970</u>
Long-term investments		
Marketable securities	75,912	112,696
Long-term bank deposits	70,491	137,095
Severance pay funds	2,252	2,300
	<u>148,655</u>	<u>252,091</u>
Property and equipment, net	23,141	22,971
Other long-term assets	25,959	24,398
Operating lease right-of-use assets	28,185	18,144
Goodwill and intangible assets, net	54,198	55,625
Total assets	<u>606,892</u>	<u>595,199</u>
Liabilities and shareholders' equity		
Current Liabilities		
Trade payables	3,818	6,315
Deferred revenues	90,813	79,239
Operating lease liabilities	4,903	5,193
Other payables and accrued expenses	36,128	34,794
	<u>135,662</u>	<u>125,541</u>
Long-term liabilities		
Deferred revenues	53,333	50,888
Operating lease liabilities	24,181	13,914
Other long-term liabilities	10,113	9,525
	<u>87,627</u>	<u>74,327</u>
Shareholders' equity		
Share capital	718	710
Additional paid-in capital	434,815	414,581
Accumulated other comprehensive income, net of tax	1,917	1,145
Treasury stock, at cost	(184,802)	(145,226)
Retained earnings	130,955	124,121
Total shareholders' equity	<u>383,603</u>	<u>395,331</u>
Total liabilities and shareholders' equity	<u>606,892</u>	<u>595,199</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 nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	62,524	62,859	180,981	184,710
Cost of revenues	11,646	11,527	32,893	33,180
Gross profit	<u>50,878</u>	<u>51,332</u>	<u>148,088</u>	<u>151,530</u>
Operating expenses, net:				
Research and development, net	16,747	15,108	49,088	45,738
Selling and marketing	27,659	27,094	82,616	80,435
General and administrative	4,513	4,403	14,114	14,209
Total operating expenses, net	<u>48,919</u>	<u>46,605</u>	<u>145,818</u>	<u>140,382</u>
Operating income	1,959	4,727	2,270	11,148
Financial income, net	2,897	2,137	7,404	6,047
Income before taxes on income (tax benefit)	4,856	6,864	9,674	17,195
Taxes on income (tax benefit)	1,269	(257)	2,840	1,960
Net income	<u>3,587</u>	<u>7,121</u>	<u>6,834</u>	<u>15,235</u>
Basic net earnings per share	0.08	0.15	0.15	0.33
Weighted average number of shares used to compute basic net earnings per share	46,341,046	46,850,137	46,547,504	46,788,870
Diluted net earnings per share	0.08	0.15	0.14	0.31
Weighted average number of shares used to compute diluted net earnings per share	47,673,698	48,488,313	47,841,411	48,595,899

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,	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
GAAP gross profit	50,878	51,332	148,088	151,530
Stock-based compensation	48	57	135	171
Amortization of intangible assets	465	997	1,427	1,818
Non-GAAP gross profit	<u>51,391</u>	<u>52,386</u>	<u>149,650</u>	<u>153,519</u>
GAAP research and development, net	16,747	15,108	49,088	45,738
Stock-based compensation	1,301	640	3,199	2,064
Non-GAAP Research and development, net	<u>15,446</u>	<u>14,468</u>	<u>45,889</u>	<u>43,674</u>
GAAP selling and marketing	27,659	27,094	82,616	80,435
Stock-based compensation	2,083	1,954	5,814	5,258
Amortization of intangible assets	-	17	-	52
Non-GAAP selling and marketing	<u>25,576</u>	<u>25,123</u>	<u>76,802</u>	<u>75,125</u>
GAAP general and administrative	4,513	4,403	14,114	14,209
Stock-based compensation	975	741	2,809	2,290
Acquisition costs	-	-	-	264
Litigation costs	44	24	303	883
Non-GAAP general and administrative	<u>3,494</u>	<u>3,638</u>	<u>11,002</u>	<u>10,772</u>
GAAP total operating expenses, net	48,919	46,605	145,818	140,382
Stock-based compensation	4,359	3,335	11,822	9,612
Amortization of intangible assets	-	17	-	52
Acquisition costs	-	-	-	264
Litigation costs	44	24	303	883
Non-GAAP total operating expenses, net	<u>44,516</u>	<u>43,229</u>	<u>133,693</u>	<u>129,571</u>
GAAP operating income	1,959	4,727	2,270	11,148
Stock-based compensation	4,407	3,392	11,957	9,783
Amortization of intangible assets	465	1,014	1,427	1,870
Acquisition costs	-	-	-	264
Litigation costs	44	24	303	883
Non-GAAP operating income	<u>6,875</u>	<u>9,157</u>	<u>15,957</u>	<u>23,948</u>
GAAP financial income, net	2,897	2,137	7,404	6,047
Other loss (gain) adjustment	-	(253)	247	(563)
Exchange rate differences, net on balance sheet items included in financial income, net	(72)	878	480	2,418
Non-GAAP financial income, net	<u>2,825</u>	<u>2,762</u>	<u>8,131</u>	<u>7,902</u>
GAAP income before taxes on income (tax benefit)	4,856	6,864	9,674	17,195
Stock-based compensation	4,407	3,392	11,957	9,783
Amortization of intangible assets	465	1,014	1,427	1,870
Acquisition costs	-	-	-	264
Litigation costs	44	24	303	883
Other loss (gain) adjustment	-	(253)	247	(563)
Exchange rate differences, net on balance sheet items included in financial income, net	(72)	878	480	2,418
Non-GAAP income before taxes on income (tax benefit)	<u>9,700</u>	<u>11,919</u>	<u>24,088</u>	<u>31,850</u>
GAAP taxes on income (tax benefit)	1,269	(257)	2,840	1,960
Tax related adjustments	62	266	245	195
Non-GAAP taxes on income	<u>1,331</u>	<u>9</u>	<u>3,085</u>	<u>2,155</u>
GAAP net income	3,587	7,121	6,834	15,235
Stock-based compensation	4,407	3,392	11,957	9,783
Amortization of intangible assets	465	1,014	1,427	1,870
Acquisition costs	-	-	-	264
Litigation costs	44	24	303	883
Other loss (gain) adjustment	-	(253)	247	(563)
Exchange rate differences, net on balance sheet items included in financial income, net	(72)	878	480	2,418
Tax related adjustments	(62)	(266)	(245)	(195)
Non-GAAP net income	<u>8,369</u>	<u>11,910</u>	<u>21,003</u>	<u>29,695</u>
GAAP diluted net earnings per share	0.08	0.15	0.14	0.31
Stock-based compensation	0.09	0.07	0.25	0.20
Amortization of intangible assets	0.01	0.02	0.03	0.04
Acquisition costs	0.00	0.00	0.00	0.01
Litigation costs	0.00	0.00	0.01	0.02
Other loss (gain) adjustment	0.00	(0.01)	0.01	(0.01)
Exchange rate differences, net on balance sheet items included in financial income, net	(0.00)	0.02	0.01	0.05
Tax related adjustments	(0.00)	(0.01)	(0.01)	(0.00)
Non-GAAP diluted net earnings per share	<u>0.18</u>	<u>0.25</u>	<u>0.44</u>	<u>0.61</u>
Weighted average number of shares used to compute Non-GAAP diluted net earnings per share	47,673,698	48,488,313	47,841,411	48,595,899

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,	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<u>Cash flow from operating activities:</u>				
Net income	3,587	7,121	6,834	15,235
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	2,616	3,106	7,883	8,494
Stock-based compensation	4,407	3,392	11,957	9,783
Amortization of premium, accretion of discounts and accrued interest on marketable securities, net	337	141	647	468
Gain related to securities, net	(517)	(253)	(580)	(563)
Accrued interest on bank deposits	(598)	(804)	(971)	1,527
Increase (decrease) in accrued severance pay, net	48	(109)	235	824
Decrease in trade receivables, net	2,865	2,621	8,280	5,150
Increase in other receivables and prepaid expenses and other long-term assets	(465)	(1,163)	(2,395)	(4,849)
Decrease in inventories	816	881	650	3,318
Increase (decrease) in trade payables	(1,078)	203	(2,497)	(535)
Increase (decrease) in deferred revenues	(7,648)	4,893	14,019	8,676
Increase in other payables and accrued expenses	2,456	39	1,735	511
Operating lease liabilities, net	(26)	194	(64)	854
Net cash provided by operating activities	<u>6,800</u>	<u>20,262</u>	<u>45,733</u>	<u>48,893</u>
<u>Cash flows from investing activities:</u>				
Purchase of property and equipment	(1,629)	(1,810)	(6,626)	(6,153)
Proceeds from (investment in) other long-term assets, net	(15)	73	(26)	11
Proceeds from (investment in) bank deposits, net	(2,666)	(5,674)	(11,824)	13,773
Proceeds from (investment in) sale, redemption of and purchase of marketable securities, net	8,249	(1,997)	11,712	(45,232)
Payment for acquisition of subsidiary, net of cash acquired	0	0	0	(12,239)
Net cash provided by (used in) investing activities	<u>3,939</u>	<u>(9,408)</u>	<u>(6,764)</u>	<u>(49,840)</u>
<u>Cash flows from financing activities:</u>				
Proceeds from exercise of stock options	4,947	3,751	8,285	14,593
Repurchase of shares	(15,907)	(8,841)	(39,576)	(18,894)
Net cash used in financing activities	<u>(10,960)</u>	<u>(5,090)</u>	<u>(31,291)</u>	<u>(4,301)</u>
Increase (decrease) in cash and cash equivalents	(221)	5,764	7,678	(5,248)
Cash and cash equivalents at the beginning of the period	<u>48,650</u>	<u>34,191</u>	<u>40,751</u>	<u>45,203</u>
Cash and cash equivalents at the end of the period	<u>48,429</u>	<u>39,955</u>	<u>48,429</u>	<u>39,955</u>