

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

	March 31, 2020	December 31, 2019
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Assets		
Current assets		
Cash and cash equivalents	40,207	40,751
Marketable securities	52,259	36,924
Short-term bank deposits	76,823	100,276
Trade receivables, net	26,639	22,610
Other receivables and prepaid expenses	7,342	7,469
Inventories	14,854	13,940
	<u>218,124</u>	<u>221,970</u>
Long-term investments		
Marketable securities	92,711	112,696
Long-term bank deposits	165,250	137,095
Severance pay funds	2,091	2,300
	<u>260,052</u>	<u>252,091</u>
Property and equipment, net	23,291	22,971
Other long-term assets	25,914	24,398
Operating lease right-of-use assets	25,169	18,144
Goodwill and intangible assets, net	55,127	55,625
Total assets	<u>607,677</u>	<u>595,199</u>
Liabilities and shareholders' equity		
Current Liabilities		
Trade payables	4,899	6,315
Deferred revenues	90,415	79,239
Operating lease liabilities	4,854	5,193
Other payables and accrued expenses	34,173	34,794
	<u>134,341</u>	<u>125,541</u>
Long-term liabilities		
Deferred revenues	59,742	50,888
Operating lease liabilities	20,440	13,914
Other long-term liabilities	9,532	9,525
	<u>89,714</u>	<u>74,327</u>
Shareholders' equity		
Share capital	712	710
Additional paid-in capital	419,804	414,581
Accumulated other comprehensive income, net of tax	306	1,145
Treasury stock, at cost	(163,895)	(145,226)
Retained earnings	126,695	124,121
Total shareholders' equity	<u>383,622</u>	<u>395,331</u>
Total liabilities and shareholders' equity	<u>607,677</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	
	March 31,	
	2020	2019
	(Unaudited)	(Unaudited)
Revenues	60,012	61,397
Cost of revenues	10,689	11,009
Gross profit	<u>49,323</u>	<u>50,388</u>
Operating expenses, net:		
Research and development, net	15,832	15,230
Selling and marketing	28,202	26,661
General and administrative	4,712	4,764
Total operating expenses, net	<u>48,746</u>	<u>46,655</u>
Operating income	577	3,733
Financial income, net	2,724	1,791
Income before taxes on income	3,301	5,524
Taxes on income	727	1,156
Net income	<u>2,574</u>	<u>4,368</u>
Basic net earnings per share	0.05	0.09
Weighted average number of shares used to compute basic net earnings per share	46,921,344	46,612,325
Diluted net earnings per share	0.05	0.09
Weighted average number of shares used to compute diluted net earnings per share	48,225,688	48,572,366

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	
	March 31,	
	2020	2019
	(Unaudited)	(Unaudited)
GAAP gross profit	49,323	50,388
Stock-based compensation	38	55
Amortization of intangible assets	498	411
Non-GAAP gross profit	49,859	50,854
GAAP research and development, net	15,832	15,230
Stock-based compensation	809	710
Non-GAAP Research and development, net	15,023	14,520
GAAP selling and marketing	28,202	26,661
Stock-based compensation	1,886	1,569
Amortization of intangible assets	-	17
Non-GAAP selling and marketing	26,316	25,075
GAAP general and administrative	4,712	4,764
Stock-based compensation	903	767
Acquisition costs	-	264
Litigation costs	119	82
Non-GAAP general and administrative	3,690	3,651
GAAP total operating expenses, net	48,746	46,655
Stock-based compensation	3,598	3,046
Amortization of intangible assets	-	17
Acquisition costs	-	264
Litigation costs	119	82
Non-GAAP total operating expenses, net	45,029	43,246
GAAP operating income	577	3,733
Stock-based compensation	3,636	3,101
Amortization of intangible assets	498	428
Acquisition costs	-	264
Litigation costs	119	82
Non-GAAP operating income	4,830	7,608
GAAP financial income, net	2,724	1,791
Other loss adjustment	247	-
Exchange rate differences, net on balance sheet items included in financial income, net	(307)	631
Non-GAAP financial income, net	2,664	2,422
GAAP income before taxes on income	3,301	5,524
Stock-based compensation	3,636	3,101
Amortization of intangible assets	498	428
Acquisition costs	-	264
Litigation costs	119	82
Other loss adjustment	247	-
Exchange rate differences, net on balance sheet items included in financial income, net	(307)	631
Non-GAAP income before taxes on income	7,494	10,030
GAAP taxes on income	727	1,156
Tax related adjustments	122	-
Non-GAAP taxes on income	849	1,156
GAAP net income	2,574	4,368
Stock-based compensation	3,636	3,101
Amortization of intangible assets	498	428
Acquisition costs	-	264
Litigation costs	119	82
Other loss adjustment	247	-
Exchange rate differences, net on balance sheet items included in financial income, net	(307)	631
Tax related adjustments	(122)	-
Non-GAAP net income	6,645	8,874
GAAP diluted net earnings per share	0.05	0.09
Stock-based compensation	0.08	0.06
Amortization of intangible assets	0.01	0.01
Acquisition costs	0.00	0.01
Litigation costs	0.00	0.00
Other loss adjustment	0.01	0.00
Exchange rate differences, net on balance sheet items included in financial income, net	(0.01)	0.01
Tax related adjustments	(0.00)	0.00
Non-GAAP diluted net earnings per share	0.14	0.18
Weighted average number of shares used to compute Non-GAAP diluted net earnings per share	48,225,688	48,572,366

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

	For the three months ended March 31,	
	2020	2019
	(Unaudited)	(Unaudited)
<u>Cash flow from operating activities:</u>		
Net income	2,574	4,368
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,630	2,687
Stock-based compensation	3,636	3,101
Amortization of premium, accretion of discounts and accrued interest on marketable securities, net	196	178
Loss related to securities, net	163	0
Accrued interest on bank deposits	(195)	(829)
Increase in accrued severance pay, net	216	868
Decrease (increase) in trade receivables, net	(4,029)	3,170
Increase in other receivables and prepaid expenses and other long-term assets	(459)	(1,965)
Decrease (increase) in inventories	(914)	1,216
Increase in trade payables	(1,416)	(710)
Increase in deferred revenues	20,030	11,020
Increase (decrease) in other payables and accrued expenses	(621)	9
Operating lease liabilities, net	(838)	375
Net cash provided by operating activities	20,973	23,488
<u>Cash flows from investing activities:</u>		
Purchase of property and equipment	(2,452)	(1,961)
Investment in other long-term assets, net	(2)	(29)
Investment in bank deposits, net	(4,506)	(82)
Proceeds from (investment in) sale, redemption of and purchase of marketable securities, net	2,523	(9,661)
Payment for acquisition of subsidiary, net of cash acquired	0	(12,282)
Net cash used in investing activities	(4,437)	(24,015)
<u>Cash flows from financing activities:</u>		
Proceeds from exercise of stock options	1,589	7,733
Repurchase of shares	(18,669)	(48)
Net cash provided by (used in) financing activities	(17,080)	7,685
Increase (decrease) in cash and cash equivalents	(544)	7,158
Cash and cash equivalents at the beginning of the period	40,751	45,203
Cash and cash equivalents at the end of the period	40,207	52,361