

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

	December 31, 2018	December 31, 2017
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Assets		
Current assets		
Cash and cash equivalents	45,203	65,237
Available-for-sale marketable securities	15,742	42,573
Short-term bank deposits	255,454	93,151
Trade receivables, net	17,166	16,150
Other receivables and prepaid expenses	6,667	12,252
Inventories	<u>18,401</u>	<u>18,772</u>
	<u>358,633</u>	<u>248,135</u>
Long-term investments		
Available-for-sale marketable securities	84,669	54,427
Long-term bank deposits	0	88,911
Severance pay funds	<u>2,973</u>	<u>3,251</u>
	<u>87,642</u>	<u>146,589</u>
Property and equipment, net	23,677	23,642
Intangible assets, net	9,467	10,415
Other long-term assets	20,724	8,133
Goodwill	<u>32,174</u>	<u>32,174</u>
Total assets	<u><u>532,317</u></u>	<u><u>469,088</u></u>
Liabilities and shareholders' equity		
Current Liabilities		
Trade payables	4,483	5,367
Deferred revenues	83,955	69,829
Other payables and accrued expenses	<u>29,918</u>	<u>32,174</u>
	<u>118,356</u>	<u>107,370</u>
Long-term liabilities		
Deferred revenues	43,796	43,482
Other long-term liabilities	<u>6,208</u>	<u>2,880</u>
	<u>50,004</u>	<u>46,362</u>
Shareholders' equity		
Share capital	693	673
Additional paid-in capital	383,536	349,250
Accumulated other comprehensive loss, net of tax	(1,110)	(443)
Treasury stock, at cost	(120,717)	(116,442)
Retained earnings	<u>101,555</u>	<u>82,318</u>
Total shareholders' equity	<u>363,957</u>	<u>315,356</u>
Total liabilities and shareholders' equity	<u><u>532,317</u></u>	<u><u>469,088</u></u>

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 year ended	
	December 31,		December 31,	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	63,817	58,454	234,404	211,369
Cost of revenues	11,117	11,060	41,675	39,616
Gross profit	<u>52,700</u>	<u>47,394</u>	<u>192,729</u>	<u>171,753</u>
Operating expenses, net:				
Research and development, net	13,945	15,072	57,674	59,003
Selling and marketing	28,137	29,166	111,386	108,744
General and administrative	4,294	4,265	16,145	17,577
Other income	0	(6,900)	0	(6,900)
Total operating expenses, net	<u>46,376</u>	<u>41,603</u>	<u>185,205</u>	<u>178,424</u>
Operating income (loss)	6,324	5,791	7,524	(6,671)
Financial income, net	<u>2,397</u>	<u>935</u>	<u>7,274</u>	<u>4,830</u>
Income (loss) before taxes on income	8,721	6,726	14,798	(1,841)
Taxes on income	<u>778</u>	<u>4,605</u>	<u>3,063</u>	<u>5,652</u>
Net income (loss)	<u><u>7,943</u></u>	<u><u>2,121</u></u>	<u><u>11,735</u></u>	<u><u>(7,493)</u></u>
Basic net income (loss) per share	0.17	0.05	0.26	(0.17)
Weighted average number of shares used to compute basic net earnings (loss) per share	46,357,278	43,859,400	45,289,296	43,475,844
Diluted net earnings (loss) per share	0.16	0.05	0.25	(0.17)
Weighted average number of shares used to compute diluted net earnings (loss) per share	48,279,751	45,728,792	47,691,868	43,475,844

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,	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
GAAP gross profit	52,700	47,394	192,729	171,753
Stock-based compensation	50	60	221	241
Amortization of intangible assets	212	86	866	1,137
Acquisition costs	-	550	-	550
Non-GAAP gross profit	<u>52,962</u>	<u>48,090</u>	<u>193,816</u>	<u>173,681</u>
GAAP research and development, net	13,945	15,072	57,674	59,003
Stock-based compensation	694	984	3,123	3,867
Acquisition costs	20	204	20	204
Non-GAAP Research and development, net	<u>13,231</u>	<u>13,884</u>	<u>54,531</u>	<u>54,932</u>
GAAP selling and marketing	28,137	29,166	111,386	108,744
Stock-based compensation	1,727	1,717	7,071	6,894
Amortization of intangible assets	21	24	82	94
Non-GAAP selling and marketing	<u>26,389</u>	<u>27,425</u>	<u>104,233</u>	<u>101,756</u>
GAAP general and administrative	4,294	4,265	16,145	17,577
Stock-based compensation	775	456	2,087	2,029
Acquisition costs	(222)	-	(222)	340
Litigation costs	202	76	829	2,052
Non-GAAP general and administrative	<u>3,539</u>	<u>3,733</u>	<u>13,451</u>	<u>13,156</u>
GAAP other income	-	(6,900)	-	(6,900)
Court verdict	-	(6,900)	-	(6,900)
Non-GAAP other income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
GAAP total operating expenses, net	46,376	41,603	185,205	178,424
Stock-based compensation	3,196	3,157	12,281	12,790
Acquisition costs	(202)	204	(202)	544
Amortization of intangible assets	21	24	82	94
Litigation costs	202	76	829	2,052
Court verdict	-	(6,900)	-	(6,900)
Non-GAAP total operating expenses, net	<u>43,159</u>	<u>45,042</u>	<u>172,215</u>	<u>169,844</u>
GAAP operating income (loss)	6,324	5,791	7,524	(6,671)
Stock-based compensation	3,246	3,217	12,502	13,031
Acquisition costs	(202)	754	(202)	1,094
Amortization of intangible assets	233	110	948	1,231
Litigation costs	202	76	829	2,052
Court verdict	-	(6,900)	-	(6,900)
Non-GAAP operating income (loss)	<u>9,803</u>	<u>3,048</u>	<u>21,601</u>	<u>3,837</u>
GAAP financial income, net	2,397	935	7,274	4,830
Exchange rate differences, net on balance sheet items included in financial income, net	(59)	558	196	635
Non-GAAP financial income, net	<u>2,338</u>	<u>1,493</u>	<u>7,470</u>	<u>5,465</u>
GAAP income (loss) before taxes on income	8,721	6,726	14,798	(1,841)
Stock-based compensation	3,246	3,217	12,502	13,031
Acquisition costs	(202)	754	(202)	1,094
Amortization of intangible assets	233	110	948	1,231
Litigation costs	202	76	829	2,052
Court verdict	-	(6,900)	-	(6,900)
Exchange rate differences, net on balance sheet items included in financial income, net	(59)	558	196	635
Non-GAAP income before taxes on income	<u>12,141</u>	<u>4,541</u>	<u>29,071</u>	<u>9,302</u>
GAAP taxes on income	778	4,605	3,063	5,652
Change in the federal rate	-	3,249	-	3,249
Court verdict	-	724	-	724
Non-GAAP taxes on income	<u>778</u>	<u>8,578</u>	<u>3,063</u>	<u>9,625</u>
GAAP net income (loss)	7,943	2,121	11,735	(7,493)
Stock-based compensation	3,246	3,217	12,502	13,031
Acquisition costs	(202)	754	(202)	1,094
Amortization of intangible assets	233	110	948	1,231
Litigation costs	202	76	829	2,052
Exchange rate differences, net on balance sheet items included in financial income, net	(59)	558	196	635
Change in the federal rate	-	3,249	-	3,249
Court verdict	-	(6,176)	-	(6,176)
Non-GAAP net income	<u>11,363</u>	<u>3,909</u>	<u>26,008</u>	<u>7,623</u>
GAAP Net earnings (loss) per diluted share	0.16	0.05	0.25	(0.17)
Stock-based compensation	0.07	0.07	0.26	0.30
Acquisition costs	(0.00)	0.02	(0.00)	0.02
Amortization of intangible assets	0.00	0.00	0.02	0.03
Litigation costs	0.00	0.00	0.02	0.05
Exchange rate differences, net on balance sheet items included in financial income, net	(0.00)	0.01	0.00	0.01
Change in the federal rate	0.00	0.08	0.00	0.07
Court verdict	0.00	(0.14)	0.00	(0.14)
Non-GAAP Net earnings per diluted share	<u>0.24</u>	<u>0.09</u>	<u>0.55</u>	<u>0.17</u>
Weighted average number of shares used to compute Non-GAAP diluted net earnings per share	48,279,751	45,728,792	47,691,868	44,756,732

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,	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
<u>Cash flow from operating activities:</u>				
Net income (loss)	7,943	2,121	11,735	(7,493)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	2,402	2,567	9,782	11,234
Stock based compensation	3,246	3,217	12,502	13,031
Loss (gain) from sale of available-for-sale marketable securities	0	(18)	0	(18)
Amortization of premium, accretion of discounts and accrued interest on available-for-sale marketable securities, net	513	465	1,395	1,546
Accrued interest on bank deposits	(962)	(586)	(2,391)	226
Increase (decrease) in accrued severance pay, net	189	(430)	323	(210)
Decrease (increase) in trade receivables, net	1,325	(3,836)	(1,169)	3,390
Decrease (increase) in other receivables and prepaid expenses and other long-term assets	(1,359)	(8,258)	3,133	(7,879)
Decrease (increase) in inventories	2,062	(48)	371	(1,658)
Increase (decrease) in trade payables	(941)	817	(884)	(734)
Increase in deferred revenues	10,048	11,119	14,440	28,781
Increase (decrease) in other payables and accrued expenses	1,231	826	14	(8,753)
Net cash provided by operating activities	<u>25,697</u>	<u>7,956</u>	<u>49,251</u>	<u>31,463</u>
<u>Cash flows from investing activities:</u>				
Purchase of property and equipment	(3,998)	(1,613)	(8,869)	(7,210)
Proceeds from (investment in) other long-term assets, net	0	(18)	40	(6)
Investment in bank deposits, net	(29,935)	0	(71,002)	(37,200)
Proceeds from (investment in) sale, redemption of and purchase of available-for-sale marketable securities, net	(2,765)	(2,119)	(5,672)	(3,657)
Payment for acquisition of subsidiary, net of cash acquired	0	0	0	(8,269)
Net cash used in investing activities	<u>(36,698)</u>	<u>(3,750)</u>	<u>(85,503)</u>	<u>(56,342)</u>
<u>Cash flows from financing activities:</u>				
Proceeds from exercise of stock options	2,223	7,501	21,802	10,890
Repayment of contingent consideration	(1,310)	0	(1,310)	0
Repurchase of shares	(4,274)	0	(4,274)	(413)
Net cash provided by financing activities	<u>(3,361)</u>	<u>7,501</u>	<u>16,218</u>	<u>10,477</u>
Increase (decrease) in cash and cash equivalents	(14,362)	11,707	(20,034)	(14,402)
Cash and cash equivalents at the beginning of the period	<u>59,565</u>	<u>53,530</u>	<u>65,237</u>	<u>79,639</u>
Cash and cash equivalents at the end of the period	<u>45,203</u>	<u>65,237</u>	<u>45,203</u>	<u>65,237</u>