

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

	March 31, 2017	December 31, 2016
	(Unaudited)	(Unaudited)
Assets		
Current assets		
Cash and cash equivalents	47,129	79,639
Available-for-sale marketable securities	20,922	20,452
Short-term bank deposits	101,471	125,995
Trade receivables, net	20,990	19,407
Other receivables and prepaid expenses	3,250	4,159
Inventories	18,392	17,114
	<u>212,154</u>	<u>266,766</u>
Long-term investments		
Available-for-sale marketable securities	70,307	74,967
Long-term bank deposits	76,141	19,092
Severance pay funds	2,597	2,597
	<u>149,045</u>	<u>96,656</u>
Property and equipment, net	25,751	26,354
Intangible assets, net	8,870	2,399
Other long-term assets	8,030	8,092
Goodwill	34,392	30,069
	<u>257,043</u>	<u>201,914</u>
Total assets	<u><u>438,242</u></u>	<u><u>430,336</u></u>
Liabilities and shareholders' equity		
Current Liabilities		
Trade payables	4,393	5,971
Deferred revenues	59,541	53,061
Other payables and accrued expenses	28,227	26,232
	<u>92,161</u>	<u>85,264</u>
Long-term liabilities		
Deferred revenues	31,787	31,100
Other long-term liabilities	14,258	14,209
	<u>46,045</u>	<u>45,309</u>
Shareholders' equity		
Share capital	664	663
Additional paid-in capital	329,644	325,338
Accumulated other comprehensive income, net of tax	24	(20)
Treasury stock, at cost	(116,029)	(116,029)
Retained earnings	85,733	89,811
Total shareholders' equity	<u>300,036</u>	<u>299,763</u>
Total liabilities and shareholders' equity	<u><u>438,242</u></u>	<u><u>430,336</u></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,	
	2017	2016
	(Unaudited)	(Unaudited)
Revenues	48,912	48,425
Cost of revenues	<u>8,994</u>	<u>8,654</u>
Gross profit	<u>39,918</u>	<u>39,771</u>
Operating expenses:		
Research and development, net	14,240	13,424
Selling and marketing	25,979	24,912
General and administrative	<u>4,780</u>	<u>5,769</u>
Total operating expenses	<u>44,999</u>	<u>44,105</u>
Operating loss	(5,081)	(4,334)
Financial income, net	<u>1,107</u>	<u>1,940</u>
Loss before taxes on income	(3,974)	(2,394)
Taxes on income	<u>(104)</u>	<u>(358)</u>
Net loss	<u>(4,078)</u>	<u>(2,752)</u>
Basic net loss per share	(0.09)	(0.06)
Weighted average number of shares used to compute basic net loss per share	43,225,062	44,468,827
Diluted net loss per share	(0.09)	(0.06)
Weighted average number of shares used to compute diluted net loss per share	43,225,062	44,468,827

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,	
	2017	2016
	(Unaudited)	(Unaudited)
GAAP gross profit	39,918	39,771
Stock-based compensation	55	42
Amortization of intangible assets	253	253
Non-GAAP gross profit	<u>40,226</u>	<u>40,066</u>
GAAP research and development, net	14,240	13,424
Stock-based compensation	898	783
Non-GAAP Research and development, net	<u>13,342</u>	<u>12,641</u>
GAAP selling and marketing	25,979	24,912
Stock-based compensation	1,624	1,268
Amortization of intangible assets	23	26
Non-GAAP selling and marketing	<u>24,332</u>	<u>23,618</u>
GAAP general and administrative	4,780	5,769
Stock-based compensation	420	784
Acquisition costs	340	0
Litigation costs	1,019	2,164
Non-GAAP general and administrative	<u>3,001</u>	<u>2,821</u>
GAAP total operating expenses	44,999	44,105
Stock-based compensation	2,942	2,835
Acquisition costs	340	0
Amortization of intangible assets	23	26
Litigation costs	1,019	2,164
Non-GAAP total operating expenses	<u>40,675</u>	<u>39,080</u>
GAAP operating loss	(5,081)	(4,334)
Stock-based compensation	2,997	2,877
Acquisition costs	340	0
Amortization of intangible assets	276	279
Litigation costs	1,019	2,164
Non-GAAP operating income (loss)	<u>(449)</u>	<u>986</u>
GAAP finance income	1,107	1,940
Exchange rate differences, net on balance sheet items included in financial income	147	(303)
Non-GAAP finance income	<u>1,254</u>	<u>1,637</u>
GAAP loss before taxes on income	(3,974)	(2,394)
Stock-based compensation	2,997	2,877
Acquisition costs	340	0
Amortization of intangible assets	276	279
Litigation costs	1,019	2,164
Exchange rate differences, net on balance sheet items included in financial income	147	(303)
Non-GAAP income before taxes on income	<u>805</u>	<u>2,623</u>
GAAP net loss	(4,078)	(2,752)
Stock-based compensation	2,997	2,877
Acquisition costs	340	0
Amortization of intangible assets	276	279
Litigation costs	1,019	2,164
Exchange rate differences, net on balance sheet items included in financial income	147	(303)
Non GAAP net income	<u>701</u>	<u>2,265</u>
GAAP Net loss per diluted share	(0.09)	(0.06)
Stock-based compensation	0.07	0.06
Acquisition costs	0.01	0.00
Amortization of intangible assets	0.01	0.01
Litigation costs	0.02	0.05
Exchange rate differences, net on balance sheet items included in financial income	0.00	(0.01)
Non GAAP Net income per diluted share	<u>0.02</u>	<u>0.05</u>
Weighted average number of shares used to compute Non-GAAP diluted net earnings per share	43,985,249	44,608,119

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

	For the three months ended	
	March 31,	
	2017	2016
<u>Cash flow from operating activities:</u>		
Net loss	(4,078)	(2,752)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,819	2,534
Stock based compensation	2,997	2,877
Gain from sale of available-for-sale marketable securities	0	(577)
Amortization of premium, accretion of discounts and accrued interest on available-for-sale marketable securities, net	361	378
Accrued interest on bank deposits	1,382	(661)
Increase in accrued severance pay, net	135	322
Increase in trade receivables, net	(1,450)	(1,495)
Decrease (increase) in other current assets and prepaid expenses and deferred income taxes, net	1,034	(304)
Increase in inventories	(1,278)	(254)
Decrease in trade payables	(1,710)	(4,178)
Increase in deferred revenues	6,814	8,667
Increase (decrease) in other payables and accrued expenses	(722)	4,252
Net cash provided by operating activities	6,304	8,809
<u>Cash flows from investing activities:</u>		
Purchase of property and equipment	(1,882)	(2,629)
Investment in other long-term assets, net	47	19
Investment in bank deposits, net	(33,907)	(4,436)
Proceeds from sale, redemption of and purchase of available-for-sale marketable securities, net	3,887	3,106
Payment for acquisition of subsidiary, net of cash acquired	(8,269)	0
Net cash used in investing activities	(40,124)	(3,940)
<u>Cash flows from financing activities:</u>		
Proceeds from exercise of stock options	1,310	0
Repurchase of shares	0	(6,780)
Net cash provided (used in) financing activities	1,310	(6,780)
Decrease in cash and cash equivalents	(32,510)	(1,911)
Cash and cash equivalents at the beginning of the period	79,639	33,744
Cash and cash equivalents at the end of the period	47,129	31,833