

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

	March 31, 2023	December 31, 2022
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Assets		
Current assets		
Cash and cash equivalents	41,882	46,185
Available-for-sale marketable securities	60,693	44,180
Short-term bank deposits	220,287	207,679
Trade receivables, net	18,757	17,752
Other receivables and prepaid expenses	9,114	7,196
Inventories	11,279	11,428
	<u>362,012</u>	<u>334,420</u>
Long-term investments		
Available-for-sale marketable securities	72,476	90,148
Long-term bank deposits	23,711	43,765
Severance pay funds	2,106	2,146
	<u>98,293</u>	<u>136,059</u>
Property and equipment, net	20,750	21,068
Intangible assets, net	18,694	19,686
Other long-term assets	42,443	41,269
Operating lease right-of-use assets	21,891	23,078
Goodwill	68,008	68,008
Total assets	<u>632,091</u>	<u>643,588</u>
Liabilities and shareholders' equity		
Current Liabilities		
Trade payables	4,827	6,464
Deferred revenues	109,846	108,243
Operating lease liabilities	4,815	4,685
Other payables and accrued expenses	41,877	44,643
	<u>161,365</u>	<u>164,035</u>
Long-term liabilities		
Deferred revenues	71,362	72,219
Operating lease liabilities	18,358	19,461
Other long-term liabilities	19,095	19,430
	<u>108,815</u>	<u>111,110</u>
Shareholders' equity		
Share capital	733	732
Additional paid-in capital	506,746	498,168
Accumulated other comprehensive loss, net of tax	(4,719)	(4,844)
Treasury stock, at cost	(316,467)	(303,299)
Retained earnings	138,321	141,402
Total Radware Ltd. shareholder's equity	<u>324,614</u>	<u>332,159</u>
Non-controlling interest	<u>37,297</u>	<u>36,284</u>
Total equity	<u>361,911</u>	<u>368,443</u>
Total liabilities and shareholders' equity	<u>632,091</u>	<u>643,588</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	
	March 31,	
	2023	2022
	(Unaudited)	(Unaudited)
Revenues	69,041	73,708
Cost of revenues	13,306	12,941
Gross profit	55,735	60,767
Operating expenses, net:		
Research and development, net	21,150	20,370
Selling and marketing	31,919	30,283
General and administrative	8,247	6,527
Total operating expenses, net	61,316	57,180
Operating income (loss)	(5,581)	3,587
Financial income, net	3,491	1,698
Income (loss) before taxes on income	(2,090)	5,285
Taxes on income	991	1,515
Net income (loss)	(3,081)	3,770
Basic net earnings (loss) per share	(0.07)	0.08
Weighted average number of shares used to compute basic net earnings (loss) per share	44,053,402	45,666,813
Diluted net earnings (loss) per share	(0.07)	0.08
Weighted average number of shares used to compute diluted net earnings (loss) per share	44,053,402	47,122,247

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,	
	2023	2022
	(Unaudited)	(Unaudited)
GAAP gross profit	55,735	60,767
Share-based compensation	113	90
Amortization of intangible assets	992	464
Non-GAAP gross profit	<u>56,840</u>	<u>61,321</u>
GAAP research and development, net	21,150	20,370
Share-based compensation	1,959	1,809
Non-GAAP Research and development, net	<u>19,191</u>	<u>18,561</u>
GAAP selling and marketing	31,919	30,283
Share-based compensation	3,394	1,849
Non-GAAP selling and marketing	<u>28,525</u>	<u>28,434</u>
GAAP general and administrative	8,247	6,527
Share-based compensation	3,531	668
Litigation costs	-	-
Acquisition costs	13	1,142
Non-GAAP general and administrative	<u>4,703</u>	<u>4,717</u>
GAAP total operating expenses, net	61,316	57,180
Share-based compensation	8,884	4,326
Litigation costs	-	-
Acquisition costs	13	1,142
Non-GAAP total operating expenses, net	<u>52,419</u>	<u>51,712</u>
GAAP operating income (loss)	(5,581)	3,587
Share-based compensation	8,997	4,416
Amortization of intangible assets	992	464
Litigation costs	-	-
Acquisition costs	13	1,142
Non-GAAP operating income	<u>4,421</u>	<u>9,609</u>
GAAP financial income, net	3,491	1,698
Exchange rate differences, net on balance sheet items included in financial income, net	(775)	(894)
Non-GAAP financial income, net	<u>2,716</u>	<u>804</u>
GAAP income before taxes on income (loss)	(2,090)	5,285
Share-based compensation	8,997	4,416
Amortization of intangible assets	992	464
Litigation costs	-	-
Acquisition costs	13	1,142
Exchange rate differences, net on balance sheet items included in financial income, net	(775)	(894)
Non-GAAP income before taxes on income	<u>7,137</u>	<u>10,413</u>
GAAP taxes on income	991	1,515
Tax related adjustments	62	62
Non-GAAP taxes on income	<u>1,053</u>	<u>1,577</u>
GAAP net income (loss)	(3,081)	3,770
Share-based compensation	8,997	4,416
Amortization of intangible assets	992	464
Litigation costs	-	-
Acquisition costs	13	1,142
Exchange rate differences, net on balance sheet items included in financial income, net	(775)	(894)
Tax related adjustments	(62)	(62)
Non-GAAP net income	<u>6,084</u>	<u>8,836</u>
GAAP diluted net earnings (loss) per share	(0.07)	0.08
Share-based compensation	0.20	0.09
Amortization of intangible assets	0.02	0.01
Litigation costs	0.00	0.00
Acquisition costs	0.00	0.02
Exchange rate differences, net on balance sheet items included in financial income, net	(0.02)	(0.02)
Tax related adjustments	(0.00)	(0.00)
Non-GAAP diluted net earnings per share	<u>0.14</u>	<u>0.19</u>
Weighted average number of shares used to compute non-GAAP diluted net earnings per share	44,762,161	47,122,247

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

For the three months ended
March 31,

	2023	2022
	(Unaudited)	(Unaudited)

Cash flow from operating activities:

Net income (loss)	(3,081)	3,770
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,078	2,488
Share-based compensation	8,997	4,416
Amortization of premium, accretion of discounts and accrued interest on marketable securities, net	237	588
Loss (gain) related to securities, net	245	(59)
Increase (decrease) in accrued interest on bank deposits	(1,754)	33
Increase (decrease) in accrued severance pay, net	(69)	147
Increase in trade receivables, net	(1,005)	(5,854)
Increase in other receivables and prepaid expenses and other long-term assets	(2,858)	(3,816)
Decrease in inventories	149	325
Increase (decrease) in trade payables	(1,637)	3,843
Increase in deferred revenues	746	2,436
Decrease in other payables and accrued expenses	(4,498)	(18,332)
Increase (decrease) in operating lease liabilities, net	214	(437)
Net cash used in operating activities	(1,236)	(10,452)

Cash flows from investing activities:

Purchase of property and equipment	(1,768)	(2,164)
Proceeds from (investment in) other long-term assets, net	47	(55)
Proceeds from bank deposits, net	9,200	22,349
Proceeds from sale, redemption of and purchase of marketable securities, net	1,976	4,556
Payment for the acquisition of intangible assets	0	(30,000)
Net cash provided (used in) investing activities	9,455	(5,314)

Cash flows from financing activities:

Proceeds from exercise of stock options	220	562
Repurchase of shares	(12,742)	(22,826)
Net cash used in financing activities	(12,522)	(22,264)
Decrease in cash and cash equivalents	(4,303)	(38,030)
Cash and cash equivalents at the beginning of the period	46,185	92,513
Cash and cash equivalents at the end of the period	41,882	54,483

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	
	March 31,	
	2023	2022
	(Unaudited)	(Unaudited)
GAAP net income (loss)	(3,081)	3,770
Exclude: Financial expense (income), net	(3,491)	(1,698)
Exclude: Depreciation and amortization expense	3,078	2,488
Exclude: Taxes on income	991	1,515
EBITDA	(2,503)	6,075
Share-based compensation	8,997	4,416
Litigation costs	-	-
Acquisition costs	13	1,142
Adjusted EBITDA	6,507	11,633

	For the three months ended	
	March 31,	
	2023	2022
Amortization of intangible assets	992	464
Depreciation	2,086	2,024
	3,078	2,488