



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

	March 31, 2018	December 31, 2017
	(Unaudited)	(Unaudited)
Assets		
Current assets		
Cash and cash equivalents	61,987	65,237
Available-for-sale marketable securities	45,769	42,573
Short-term bank deposits	87,662	93,151
Trade receivables, net	16,034	16,150
Other receivables and prepaid expenses	6,401	12,252
Inventories	18,920	18,772
	<u>236,773</u>	<u>248,135</u>
Long-term investments		
Available-for-sale marketable securities	51,193	54,427
Long-term bank deposits	111,465	88,911
Severance pay funds	3,251	3,251
	<u>165,909</u>	<u>146,589</u>
Property and equipment, net	23,477	23,642
Intangible assets, net	10,164	10,415
Other long-term assets	17,687	8,133
Goodwill	32,174	32,174
Total assets	<u>486,184</u>	<u>469,088</u>
Liabilities and shareholders' equity		
Current Liabilities		
Trade payables	4,320	5,367
Deferred revenues	76,831	69,829
Other payables and accrued expenses	24,248	32,174
	<u>105,399</u>	<u>107,370</u>
Long-term liabilities		
Deferred revenues	45,346	43,482
Other long-term liabilities	5,733	2,880
	<u>51,079</u>	<u>46,362</u>
Shareholders' equity		
Share capital	677	673
Additional paid-in capital	357,496	349,250
Accumulated other comprehensive loss, net of tax	(1,172)	(443)
Treasury stock, at cost	(116,442)	(116,442)
Retained earnings	89,147	82,318
Total shareholders' equity	<u>329,706</u>	<u>315,356</u>
Total liabilities and shareholders' equity	<u>486,184</u>	<u>469,088</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,	
	2018	2017
	(Unaudited)	(Unaudited)
Revenues	54,536	48,912
Cost of revenues	9,940	8,994
Gross profit	<u>44,596</u>	<u>39,918</u>
Operating expenses:		
Research and development, net	14,662	14,240
Selling and marketing	28,183	25,979
General and administrative	4,055	4,780
Total operating expenses	<u>46,900</u>	<u>44,999</u>
Operating loss	(2,304)	(5,081)
Financial income, net	1,689	1,107
Loss before taxes on income	(615)	(3,974)
Taxes on income	(380)	(104)
Net loss	<u>(995)</u>	<u>(4,078)</u>
Basic net loss per share	(0.02)	(0.09)
Weighted average number of shares used to compute basic net loss per share	44,325,008	43,225,062
Diluted net loss per share	(0.02)	(0.09)
Weighted average number of shares used to compute diluted net loss per share	44,325,008	43,225,062

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,	
	2018	2017
	(Unaudited)	(Unaudited)
GAAP gross profit	44,596	39,918
Stock-based compensation	58	55
Amortization of intangible assets	230	253
Non-GAAP gross profit	<u>44,884</u>	<u>40,226</u>
GAAP research and development, net	14,662	14,240
Stock-based compensation	931	898
Non-GAAP Research and development, net	<u>13,731</u>	<u>13,342</u>
GAAP selling and marketing	28,183	25,979
Stock-based compensation	1,904	1,624
Amortization of intangible assets	20	23
Non-GAAP selling and marketing	<u>26,259</u>	<u>24,332</u>
GAAP general and administrative	4,055	4,780
Stock-based compensation	407	420
Acquisition costs	0	340
Litigation costs	270	1,019
Non-GAAP general and administrative	<u>3,378</u>	<u>3,001</u>
GAAP total operating expenses	46,900	44,999
Stock-based compensation	3,242	2,942
Acquisition costs	0	340
Amortization of intangible assets	20	23
Litigation costs	270	1,019
Non-GAAP total operating expenses	<u>43,368</u>	<u>40,675</u>
GAAP operating loss	(2,304)	(5,081)
Stock-based compensation	3,300	2,997
Acquisition costs	0	340
Amortization of intangible assets	250	276
Litigation costs	270	1,019
Non-GAAP operating income (loss)	<u>1,516</u>	<u>(449)</u>
GAAP finance income	1,689	1,107
Exchange rate differences, net on balance sheet items included in financial income	(203)	147
Non-GAAP finance income	<u>1,486</u>	<u>1,254</u>
GAAP loss before taxes on income	(615)	(3,974)
Stock-based compensation	3,300	2,997
Acquisition costs	0	340
Amortization of intangible assets	250	276
Litigation costs	270	1,019
Exchange rate differences, net on balance sheet items included in financial income	(203)	147
Non-GAAP income before taxes on income	<u>3,002</u>	<u>805</u>
GAAP net loss	(995)	(4,078)
Stock-based compensation	3,300	2,997
Acquisition costs	0	340
Amortization of intangible assets	250	276
Litigation costs	270	1,019
Exchange rate differences, net on balance sheet items included in financial income	(203)	147
Non GAAP net income	<u>2,622</u>	<u>701</u>
GAAP Net loss per diluted share	(0.02)	(0.09)
Stock-based compensation	0.07	0.07
Acquisition costs	0.00	0.01
Amortization of intangible assets	0.01	0.01
Litigation costs	0.01	0.02
Exchange rate differences, net on balance sheet items included in financial income	(0.00)	0.00
Non GAAP Net income per diluted share	<u>0.06</u>	<u>0.02</u>

Weighted average number of shares used to compute Non-GAAP diluted net earnings per share

46,424,462

43,985,249

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

	For the three months ended	
	March 31,	
	2018	2017
	(Unaudited)	(Unaudited)
<u>Cash flow from operating activities:</u>		
Net loss	(995)	(4,078)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,504	2,819
Stock based compensation	3,300	2,997
Amortization of premium, accretion of discounts and accrued interest on available-for- sale marketable securities, net	276	361
Accrued interest on bank deposits	(66)	1,382
Increase in accrued severance pay, net	239	135
Increase in trade receivables, net	(37)	(1,450)
Decrease in other current assets and prepaid expenses and other long-term assets	7,199	1,034
Increase in inventories	(148)	(1,278)
Decrease in trade payables	(1,047)	(1,710)
Increase in deferred revenues	8,866	6,814
Decrease in other payables and accrued expenses	(7,927)	(722)
Net cash provided by operating activities	<u>12,164</u>	<u>6,304</u>
<u>Cash flows from investing activities:</u>		
Purchase of property and equipment	(2,089)	(1,882)
Proceeds from (investment in) other long-term assets, net	(91)	47
Investment in bank deposits, net	(17,000)	(33,907)
Proceeds from (investment in) sale, redemption of and purchase of available-for-sale marketable securities ,net	(1,186)	3,887
Payment for acquisition of subsidiary, net of cash acquired	0	(8,269)
Net cash used in investing activities	<u>(20,366)</u>	<u>(40,124)</u>
<u>Cash flows from financing activities:</u>		
Proceeds from exercise of stock options	4,952	1,310
Net cash provided by financing activities	<u>4,952</u>	<u>1,310</u>
Decrease in cash and cash equivalents	(3,250)	(32,510)
Cash and cash equivalents at the beginning of the period	<u>65,237</u>	<u>79,639</u>
Cash and cash equivalents at the end of the period	<u><u>61,987</u></u>	<u><u>47,129</u></u>