

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

	<u>December 31,</u> <b>2019</b>	<u>December 31,</u> <b>2018</b>
	(Unaudited)	(Unaudited)
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	40,751	45,203
Available-for-sale marketable securities	36,924	15,742
Short-term bank deposits	100,276	255,454
Trade receivables, net	22,610	17,166
Other receivables and prepaid expenses	8,032	7,071
Inventories	13,940	18,401
	<u>222,533</u>	<u>359,037</u>
<b>Long-term investments</b>		
Available-for-sale marketable securities	112,696	84,669
Long-term bank deposits	137,095	-
Severance pay funds	2,300	2,973
	<u>252,091</u>	<u>87,642</u>
Property and equipment, net	22,971	23,677
Intangible assets, net	14,481	9,467
Other long-term assets	24,293	20,724
Operating lease right-of-use assets	18,144	-
Goodwill	41,144	32,174
Total assets	<u>595,657</u>	<u>532,721</u>
<b>Liabilities and shareholders' equity</b>		
<b>Current Liabilities</b>		
Trade payables	6,878	4,483
Deferred revenues	79,239	83,955
Operating lease liabilities	5,193	-
Other payables and accrued expenses	34,689	29,596
	<u>125,999</u>	<u>118,034</u>
<b>Long-term liabilities</b>		
Deferred revenues	50,888	43,796
Operating lease liabilities	13,914	-
Other long-term liabilities	9,525	6,934
	<u>74,327</u>	<u>50,730</u>
<b>Shareholders' equity</b>		
Share capital	710	693
Additional paid-in capital	414,581	383,536
Accumulated other comprehensive income (loss), net of tax	1,145	(1,110)
Treasury stock, at cost	(145,226)	(120,717)
Retained earnings	124,121	101,555
Total shareholders' equity	<u>395,331</u>	<u>363,957</u>
Total liabilities and shareholders' equity	<u>595,657</u>	<u>532,721</u>

**Radware Ltd.**  
**Condensed Consolidated Statements of Income**  
(U.S Dollars in thousands, except share and per share data)

	For the three months ended		For the year ended	
	December 31,		December 31,	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	67,362	63,817	252,072	234,404
Cost of revenues	11,994	11,117	45,174	41,675
Gross profit	<u>55,368</u>	<u>52,700</u>	<u>206,898</u>	<u>192,729</u>
Operating expenses, net:				
Research and development, net	16,103	13,945	61,841	57,674
Selling and marketing	29,121	28,137	109,556	111,386
General and administrative	4,375	4,294	18,584	16,145
Total operating expenses, net	<u>49,599</u>	<u>46,376</u>	<u>189,981</u>	<u>185,205</u>
Operating income	5,769	6,324	16,917	7,524
Financial income, net	2,745	2,397	8,792	7,274
Income before taxes on income	8,514	8,721	25,709	14,798
Taxes on income	1,183	778	3,143	3,063
Net income	<u>7,331</u>	<u>7,943</u>	<u>22,566</u>	<u>11,735</u>
Basic net earnings per share	0.16	0.17	0.48	0.26
Weighted average number of shares used to compute basic net earnings per share	46,900,711	46,357,278	46,816,899	45,289,296
Diluted net earnings per share	0.15	0.16	0.47	0.25
Weighted average number of shares used to compute diluted net earnings per share	48,304,507	48,279,751	48,523,120	47,691,868

## 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,	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
GAAP gross profit	55,368	52,700	206,898	192,729
Stock-based compensation	53	50	224	221
Amortization of intangible assets	486	212	2,304	866
Non-GAAP gross profit	<u>55,907</u>	<u>52,962</u>	<u>209,426</u>	<u>193,816</u>
GAAP research and development, net	16,103	13,945	61,841	57,674
Stock-based compensation	791	694	2,855	3,123
Acquisition costs	-	20	-	20
Non-GAAP Research and development, net	<u>15,312</u>	<u>13,231</u>	<u>58,986</u>	<u>54,531</u>
GAAP selling and marketing	29,121	28,137	109,556	111,386
Stock-based compensation	1,696	1,727	6,954	7,071
Amortization of intangible assets	17	21	69	82
Non-GAAP selling and marketing	<u>27,408</u>	<u>26,389</u>	<u>102,533</u>	<u>104,233</u>
GAAP general and administrative	4,375	4,294	18,584	16,145
Stock-based compensation	742	775	3,032	2,087
Acquisition costs	(18)	(222)	246	(222)
Litigation costs	-	202	883	829
Non-GAAP general and administrative	<u>3,651</u>	<u>3,539</u>	<u>14,423</u>	<u>13,451</u>
GAAP total operating expenses, net	49,599	46,376	189,981	185,205
Stock-based compensation	3,229	3,196	12,841	12,281
Acquisition costs	(18)	(202)	246	(202)
Amortization of intangible assets	17	21	69	82
Litigation costs	-	202	883	829
Non-GAAP total operating expenses, net	<u>46,371</u>	<u>43,159</u>	<u>175,942</u>	<u>172,215</u>
GAAP operating income	5,769	6,324	16,917	7,524
Stock-based compensation	3,282	3,246	13,065	12,502
Acquisition costs	(18)	(202)	246	(202)
Amortization of intangible assets	503	233	2,373	948
Litigation costs	-	202	883	829
Non-GAAP operating income	<u>9,536</u>	<u>9,803</u>	<u>33,484</u>	<u>21,601</u>
GAAP financial income, net	2,745	2,397	8,792	7,274
Other gain adjustment	-	-	(563)	-
Exchange rate differences, net on balance sheet items included in financial income, net	(148)	(59)	2,270	196
Non-GAAP financial income, net	<u>2,597</u>	<u>2,338</u>	<u>10,499</u>	<u>7,470</u>
GAAP income before taxes on income	8,514	8,721	25,709	14,798
Stock-based compensation	3,282	3,246	13,065	12,502
Acquisition costs	(18)	(202)	246	(202)
Amortization of intangible assets	503	233	2,373	948
Litigation costs	-	202	883	829
Other gain adjustment	-	-	(563)	-
Exchange rate differences, net on balance sheet items included in financial income, net	(148)	(59)	2,270	196
Non-GAAP income before taxes on income	<u>12,133</u>	<u>12,141</u>	<u>43,983</u>	<u>29,071</u>
GAAP taxes on income	1,183	778	3,143	3,063
Amortization of deferred tax liability related to intangible assets	39	-	286	-
Tax related to other gain adjustment	-	-	(52)	-
Non-GAAP taxes on income	<u>1,222</u>	<u>778</u>	<u>3,377</u>	<u>3,063</u>
GAAP net income	7,331	7,943	22,566	11,735
Stock-based compensation	3,282	3,246	13,065	12,502
Acquisition costs	(18)	(202)	246	(202)
Amortization of intangible assets	503	233	2,373	948
Litigation costs	-	202	883	829
Other gain adjustment	-	-	(563)	-
Exchange rate differences, net on balance sheet items included in financial income, net	(148)	(59)	2,270	196
Amortization of deferred tax liability related to intangible assets	(39)	-	(286)	-
Tax related to other gain adjustment	-	-	52	-
Non-GAAP net income	<u>10,911</u>	<u>11,363</u>	<u>40,606</u>	<u>26,008</u>
GAAP diluted net earnings per share	0.15	0.16	0.47	0.25
Stock-based compensation	0.07	0.07	0.27	0.26
Acquisition costs	(0.00)	(0.00)	0.01	(0.00)
Amortization of intangible assets	0.01	0.00	0.05	0.02
Litigation costs	0.00	0.00	0.02	0.02
Other gain adjustment	0.00	0.00	(0.01)	0.00
Exchange rate differences, net on balance sheet items included in financial income, net	(0.00)	(0.00)	0.05	0.00
Amortization of deferred tax liability related to intangible assets	(0.00)	0.00	(0.01)	0.00
Tax related to other gain adjustment	0.00	0.00	0.00	0.00
Non-GAAP diluted net earnings per share	<u>0.23</u>	<u>0.24</u>	<u>0.84</u>	<u>0.55</u>
Weighted average number of shares used to compute Non-GAAP diluted net earnings per share	48,304,507	48,279,751	48,523,120	47,691,868

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

	<b>For the three months ended</b>		<b>For the year ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b><u>Cash flow from operating activities:</u></b>				
Net income	7,331	7,943	22,566	11,735
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	2,789	2,402	11,283	9,782
Stock based compensation	3,282	3,247	13,065	12,503
Amortization of premium, accretion of discounts and accrued interest on available-for-sale marketable securities, net	150	513	618	1,395
Other loss (gain)	26	-	(537)	-
Accrued interest on bank deposits	596	(962)	2,123	(2,391)
Increase in accrued severance pay, net	64	189	888	323
Decrease (increase) in trade receivables, net	(7,557)	1,325	(2,407)	(1,169)
Decrease (increase) in other receivables and prepaid expenses and other long-term assets	(2,599)	(1,765)	(7,448)	2,727
Decrease in inventories	1,143	2,062	4,461	371
Decrease (increase) in trade payables	2,873	(941)	2,338	(884)
Increase (decrease) in deferred revenues	(6,416)	10,048	2,260	14,440
Increase in other payables and accrued expenses	2,168	1,636	2,679	419
Operating lease liabilities, net	109	-	963	-
Net cash provided by operating activities	<u>3,959</u>	<u>25,697</u>	<u>52,852</u>	<u>49,251</u>
<b><u>Cash flows from investing activities:</u></b>				
Purchase of property and equipment	(2,002)	(3,998)	(8,155)	(8,869)
Proceeds from (investment in) other long-term assets, net	(7)	-	4	40
Proceeds from (investment in) bank deposits, net	2,187	(29,935)	15,960	(71,002)
Investment in sale, redemption of and purchase of available-for-sale marketable securities ,net	(1,131)	(2,765)	(46,363)	(5,672)
Payment for acquisition of subsidiary, net of cash acquired	-	-	(12,239)	-
Net cash used in investing activities	<u>(953)</u>	<u>(36,698)</u>	<u>(50,793)</u>	<u>(85,503)</u>
<b><u>Cash flows from financing activities:</u></b>				
Proceeds from exercise of stock options	3,406	2,224	17,999	21,803
Repayment of contingent consideration	-	(1,310)	-	(1,310)
Repurchase of shares	(5,616)	(4,275)	(24,510)	(4,275)
Net cash provided by (used in) financing activities	<u>(2,210)</u>	<u>(3,361)</u>	<u>(6,511)</u>	<u>16,218</u>
Increase (decrease) in cash and cash equivalents	796	(14,362)	(4,452)	(20,034)
Cash and cash equivalents at the beginning of the period	<u>39,955</u>	<u>59,565</u>	<u>45,203</u>	<u>65,237</u>
Cash and cash equivalents at the end of the period	<u>40,751</u>	<u>45,203</u>	<u>40,751</u>	<u>45,203</u>