

RADWARE LTD  
Form 6-K  
July 24, 2006

**Dennis S. Dobson, Inc.**

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**FOR IMMEDIATE RELEASE**

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**RADWARE LTD. ANNOUNCES RESULTS**

**\* Quarterly revenues of \$20.1 million**

**\* GAAP loss per share \$0.03, Non-GAAP EPS \$0.02**

Tel Aviv, Israel, July 24, 2006 Radware (NASDAQ: RDWR), the leading provider of intelligent integrated solutions for ensuring the fast, reliable and secure delivery of networked and Web-enabled applications over IP, today reported its results for the second quarter of 2006. Revenues totaled \$20.1 million, an increase of 15% compared with revenues of \$17.5 million in the second quarter of 2005 and a slight increase compared with revenues of \$20.0 million for the first quarter of 2006.

Net loss on a GAAP basis for the second quarter of 2006 was \$0.6 million or \$0.03 per diluted share, compared to income of \$0.3 million or \$0.02 per diluted share in the first quarter of 2006.

Net income excluding the effects of stock-based compensation expense for the second quarter of 2006 was \$0.3 million or \$0.02 per diluted share, compared with net income of \$1.0 million or \$0.05 per diluted share in the second quarter of 2005 and net income of \$1.4 million or \$0.07 per diluted share in the first quarter of 2006.

The Company continued to maintain positive operational cash flow. In the second quarter of 2006 the Company generated cash in the amount of \$0.4 million. This led to a balance of \$170.4 million in cash, short-term and long-term bank deposits and marketable securities.

During Q2 we continued to invest and align resources to improve sales performance and believe we are beginning to see the results of these efforts, said Roy Zisapel, President and CEO at Radware. Moving forward, we will continue our focus on driving revenues while maintaining our current level of operating expenses which we believe is sufficient to support our growth objectives.

**During the quarter ended June 30, 2006, Radware released the following significant announcements:**

–

Digital Media Innovator Vizrea Selects Radware Application Delivery Solution for New Mobile Camera Phone Service

–

Regency Hospital Company Chooses Radware to Ensure Continuous, Secure Access to Medical Records and Patient Care Information

–

Radware Introduces Industry's Fastest Layer 7 Performance and Highest Port Density Application Delivery Platform

–

Radware's Announces New AS5 Application Switch Platform to Power AppDirector 6000 and DefensePro 6000

–

Oracle Certifies Radware Application Delivery Solution

Company management will host a quarterly investor conference call at 8:45 AM EDT on July 24, 2006. The call will focus on financial results for the quarter ended June 30, 2006, and certain other matters related to the Company's business.

The conference call will be webcast on July 24, 2006 at 8:45 AM EDT in the listen only mode via the Internet at:

<http://www.radware.com/content/company/investorrelations/default.asp>

Please use the following dial-in numbers to participate in the second quarter 2006 call:

Participants in the U.S. Call: 1-800-230-1059 (Toll Free)

Participants outside the U.S. Call: 1-612-332-1025

### **About Radware**

Radware (NASDAQ:RDWR) is the global leader in integrated application delivery solutions, assuring the full availability, maximum performance and complete security of all business critical networked applications while dramatically cutting operating and scaling costs. Over 3,000 enterprises and carriers worldwide use Radware application-smart switches to drive business productivity and improve profitability by adding critical application

intelligence to their IP infrastructure, making networks more responsive to specific business processes. Radware's APSolute product family provides the most complete set of application front-end, remote access and security capabilities for application-smart networking to ensure faster, more reliable and secure business transactions. Learn more on how Radware application delivery solutions can enable you to get the most of your investments in IT infrastructure and people. [www.radware.com](http://www.radware.com).

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This press release may contain forward-looking statements that are subject to risks and uncertainties. Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to, general business conditions in the Application Switching industry, changes in demand for Application Switching products, the timing and amount or cancellation of orders and other risks detailed from time to time in Radware's filings with the Securities and Exchange Commission, including Radware's Form 20-F.

**Condensed Consolidated Balance Sheets**  
(U.S. Dollars in Thousands)

|  | <b>December 31,</b> | <b>June 30,</b> |
|--|---------------------|-----------------|
|  | <b>2005</b>         | <b>2006</b>     |
|  | (Audited)           | (Unaudited)     |
| <b>Current assets</b>                  |                     |                 |
| Cash and cash equivalents              | 56,263              | 38,657          |
| Short-term bank deposits               | 10,195              | -               |
| Short-term marketable securities       | 60,443              | 81,729          |
| Trade receivables, net                 | 14,661              | 17,124          |
| Other receivables and prepaid expenses | 1,451               | 1,832           |
| Inventories                            | 5,254               | 6,869           |
|  | 148,267             | 146,211         |
| <b><u>Long-term investments</u></b>    |                     |                 |
| Long-term bank deposit                 | 9,458               | 9,192           |
| Long-term marketable securities        | 28,134              | 40,867          |
| Severance pay funds                    | 2,178               | 2,521           |
|  | 39,770              | 52,580          |
| Property and equipment, net            | 5,968               | 6,847           |

**Other assets**

|   |             |             |
|---|-------------|-------------|
| Intangible assets, net, long-term<br>deferred taxes and other long-term<br>assets | 3,888       | 3,715       |
| Goodwill  | 6,454       | 6,454       |
|   | 10,342      | 10,169      |
| <br>Total assets  | <br>204,347 | <br>215,807 |
| <br><b>Current liabilities</b>  |             |             |
| Trade payables  | 5,329       | 5,927       |
| Deferred revenues, other payables and<br>accrued expenses                         | 18,933      | 22,058      |
|   | 24,262      | 27,985      |
| <br>Accrued severance pay   | <br>2,659   | <br>3,262   |
| <br>Total liabilities   | <br>26,921  | <br>31,247  |
| <br><b>Shareholders' equity</b>   |             |             |
| Share capital   | 470         | 483         |
| Additional paid-in capital  | 153,010     | 160,270     |
| Accumulated other comprehensive<br>loss   | (404)       | (316)       |
| Deferred stock compensation   | (67)        | -           |
| Retained earnings   | 24,417      | 24,123      |
| Total shareholders' equity  | 177,426     | 184,560     |
| Total liabilities and shareholders'<br>equity                                     | 204,347     | 215,807     |

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

**For the Three  
months ended  
June 30, 2005**

**For the Three months  
ended June 30, 2006**

**For the Six  
months ended  
June 30, 2005**

**For the Six months  
ended June 30, 2006**

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|   | (Unaudited)    | (Unaudited)      | (Unaudited)    | (Unaudited)      |
|---|----------------|------------------|----------------|------------------|
| Revenues  | 17,507         | 20,058           | 37,528         | 40,104           |
| Cost of revenues  | <u>3,491</u>   | <u>3,876</u>     | <u>7,046</u>   | <u>7,741</u>     |
| Gross profit  | <u>14,016</u>  | <u>16,182</u>    | <u>30,482</u>  | <u>32,363</u>    |
| Operating expenses:   |                |                  |                |                  |
| Research and development, net   | 3,331          | 4,268            | 6,357          | 8,100            |
| Sales and marketing   | 9,617          | 12,883           | 18,613         | 25,006           |
| General and administrative  | <u>1,343</u>   | <u>1,528</u>     | <u>2,557</u>   | <u>3,006</u>     |
| Total operating expenses  | <u>14,291</u>  | <u>18,679</u>    | <u>27,527</u>  | <u>36,112</u>    |
| Operating income (loss)   | (275)          | (2,497)          | 2,955          | (3,749)          |
| Financial income, net   | <u>1,291</u>   | <u>1,815</u>     | <u>2,517</u>   | <u>3,415</u>     |
| Income (loss) before income taxes   | 1,016          | (682)            | 5,472          | (334)            |
| Income taxes  | <u>(16)</u>    | <u>78</u>        | <u>(71)</u>    | <u>40</u>        |
| Net income (loss)   | <u>1,000</u>   | <u>(604)</u>     | <u>5,401</u>   | <u>(294)</u>     |
| Basic net earnings (loss) per share   | <u>\$ 0.05</u> | <u>\$ (0.03)</u> | <u>\$ 0.29</u> | <u>\$ (0.02)</u> |
| Weighted average number of shares used to compute basic net earnings (loss) per share   | 18,731,856     | 19,493,518       | 18,636,420     | 19,337,817       |
| Diluted net earnings (loss) per share   | <u>\$ 0.05</u> | <u>\$ (0.03)</u> | <u>\$ 0.27</u> | <u>\$ (0.02)</u> |
| Weighted average number of shares used to compute diluted net earnings (loss) per share | 20,253,050     | 19,493,518       | 20,271,009     | 19,337,817       |

**Reconciliation of Supplemental Financial Information**  
**(U.S. Dollars in thousands, except share and per share data)**

|  | <u>For the Three<br/>months ended<br/>June 30, 2005</u> | <u>For the Three<br/>months ended<br/>June 30, 2006</u> | <u>For the Six<br/>months ended<br/>June 30, 2005</u> | <u>For the Six months<br/>ended June 30, 2006</u> |
|--|---|---|---|---|
| GAAP Net income (loss)   | <u>1,000</u>  | <u>(604)</u>  | <u>5,401</u>  | <u>(294)</u>                                      |
| Stock-based compensation<br>expenses, included in:   |   |   |   |   |
| Cost of revenues   | -   | 17  | -   | 37  |
| Research and development, net  | -   | 241   | -   | 540   |
| Sales and marketing  | -   | 696   | -   | 1,453   |
| General and administrative   | -   | 116   | -   | 229   |
| Income taxes   | <u>-</u>  | <u>(117)</u>  | <u>-</u>  | <u>(233)</u>                                      |
|  | <u>-</u>  | <u>953</u>  | <u>-</u>  | <u>2,026</u>                                      |
| Non-GAAP Net income  | <u>1,000</u>  | <u>349</u>  | <u>5,401</u>  | <u>1,732</u>                                      |
| Non-GAAP Diluted net earnings<br>per share   | <u>\$ 0.05</u>  | <u>\$ 0.02</u>  | <u>\$ 0.27</u>  | <u>\$ 0.09</u>                                    |
| Weighted average number of<br>shares used to compute<br>Non-GAAP diluted net earnings<br>per share | 20,253,050  | 19,891,804  | 20,271,009  | 20,054,493  |

