F5 Networks, Inc. Condensed Consolidated Statements of Operations (unaudited, in thousands, except per share amounts)

2006 2007 2008 2007 Net revenues 9roducts. \$ 114,786 \$ 97,751 \$ 337,139 \$ 285,339 Products. 50,799 34,674 141,771 94,121 Total. 165,585 132,425 478,910 380,060 Cost of net revenues (1) 26,158 20,770 75,816 60,411 Services. 122,020 8,867 141,016 84,976 Gross Profit 127,407 102,786 388,805 295,084 Gross Profit 127,407 102,786 388,805 295,084 Operating expense (1) 5845 and marketing. 60,483 45,158 176,714 127,300 Research and development. 26,277 17,476 77,027 49,101 General and administrative 13,459 12,275 41,369 30,020 Total 100,219 77,509 23,851 20,338 20,338 Income from operations. 27,188 27,779 73,895 80,533 20,411 21,4651			Three Months Ended June 30.			Nine Months Ended June 30,			
Products \$ 114,786 \$ 9,7751 \$ 337,139 \$ 285,339 Services 50,799 34,674 141,771 380,060 Total 165,585 132,425 478,910 380,060 Cost of net revenues (1) 26,158 20,770 75,816 60,411 Products 38,716 23,877 34,289 24,565 Total 387,176 28,867 34,289 24,565 Total 387,176 28,387 110,105 64,970 Costs Profit 102,788 386,805 295,084 Operating expenses (1) 58 76,714 127,390 Sales and marketing 60,483 45,158 176,714 127,390 Research and development 26,277 17,476 77,027 41,960 Total 100,219 25,100 214,551 101,315 Income form operations 27,179 73,685 80,533 20,313 20,226 80,533 214,551 Income form icome taxes 11,770 13,445 34,502 37,251 113,337 20,385 24,630 \$ 64,11			2008		2007		2008		2007
Products \$ 114,786 \$ 9,7751 \$ 337,139 \$ 285,339 Services 50,799 34,674 141,771 380,060 Total 165,585 132,425 478,910 380,060 Cost of net revenues (1) 26,158 20,770 75,816 60,411 Products 38,716 23,877 34,289 24,565 Total 387,176 28,867 34,289 24,565 Total 387,176 28,387 110,105 64,970 Costs Profit 102,788 386,805 295,084 Operating expenses (1) 58 76,714 127,390 Sales and marketing 60,483 45,158 176,714 127,390 Research and development 26,277 17,476 77,027 41,960 Total 100,219 25,100 214,551 101,315 Income form operations 27,179 73,685 80,533 20,313 20,226 80,533 214,551 Income form icome taxes 11,770 13,445 34,502 37,251 113,337 20,385 24,630 \$ 64,11	Netrovenues								
Services. 50/799 34.674 141.771 94.121 Total. 165.585 132.425 478.910 380.060 Cost of net revenues (1) 26.158 20.770 75.816 60.411 Services. 12.020 8.867 34.289 24.665 Total 12.020 8.867 34.289 24.665 Gross Frofit 29.537 110.105 84.376 Gross Frofit 127.407 102.788 368.805 295.084 Operating expenses (1) 38es and marketing. 60.483 45.158 176.714 127.390 Research and development. 26.277 17.476 77.027 49.101 General and administrative. 13.459 12.375 41.369 38.060 Total 100.219 75.009 295.110 214.551 Income from operations. 27.188 77.79 78.695 80.633 Income town perstance - basic. 3.016 3.1170 \$ 14.127 3.126 3.4.262 Net income per share - basic.		¢	11/ 786	¢	07 751	¢	337 130	¢	285 030
Total 165,585 132,425 478,910 380,060 Cost of net revenues (1) Products 26,158 20,770 75,816 60,411 Services 12,020 0,867 34,289 24,565 713,2425 44,809 24,565 Total 38,778 29,637 110,105 84,976 60,411 348,778 29,637 110,105 84,976 Gross Profit 127,407 102,788 368,805 295,084 176,714 127,390 Research and development 26,277 17,476 77,027 49,101 214,551 Income from operations 100,219 75,009 295,110 214,551 Income from operations 27,178 27,779 73,695 80,533 Income from operations 27,178 13,454 89,132 101,369 Provision for income taxes 30,716 7,175 15,437 20,836 Income before income taxes 30,304 34,954 89,132 101,369 Provision for income taxes 30,614		•	,	φ	,	φ	,	φ	,
Products. 26,158 20,770 75,816 60,411 Services. 12,020 8,867 34,289 24,665 Total. 29,637 110,105 84,976 Gross Profit 102,768 368,005 295,084 Operating expenses (1) Sales and marketing. 60,483 45,158 176,714 127,390 Research and development. 26,277 17,476 77,027 49,101 General and administrative. 13,459 12,375 41,369 38,060 Total. 100,219 75,009 295,110 214,551 Income form operations. 27,188 27,779 73,695 80,533 Other income taxes. 11,770 13,145 34,502 37,261 Income bero income taxes. 11,770 13,145 34,502 37,261 Net income per share - basic. \$ 0,24 \$ 0,26 \$ 0,66 \$ 0,77 Weighted average shares - basic. \$ 0,23 \$ 0,26 \$ 0,65 \$ 0,77 B1,951 85,310 84,3									
Products. 26,158 20,770 75,816 60,411 Services. 12,020 8,867 342,892 24,565 Total. 29,637 110,105 84,976 Gross Profit 102,768 368,805 295,084 Operating expenses (1) Sales and marketing. 60,483 45,158 176,714 127,390 Research and development. 26,277 17,476 77,027 49,101 General and administrative. 13,459 12,375 41,369 38,060 Total. 100,219 75,009 295,110 214,551 Income form operations. 27,188 27,779 73,695 80,533 Other income taxes. 11,770 13,145 34,502 37,251 Income bero income taxes. 11,770 13,145 34,502 37,251 Net income per share - basic. \$ 0,24 \$ 0,26 \$ 0,66 \$ 0,77 Weighted average shares - basic. \$ 0,23 \$ 0,26 \$ 0,65 \$ 0,77 Bijosti 81,951 85	Cost of net revenues (1)								
Services. 12.020 8.867 34.289 24.655 Total. 38.178 29.637 110.105 84.976 closs Profit 102.768 386.805 295.084 Operating expenses (1) Sales and marketing. 60.463 45.158 176.714 127.390 Research and development. 26.277 17.476 77.027 49.101 General and administrative. 13.459 12.375 41.369 38.0605 Total. 100.219 75.009 295.110 214.551 Income from operations. 27.188 77.779 73.695 80.533 Income from operations. 27.186 71.75 15.437 20.838 Income kakes 30.904 34.954 89.132 101.695 Provision for income taxes 31.770 13.145 34.502 37.251 Net Income \$ 0.24 \$ 0.26 0.66 0.77 Weighted average shares - basic. \$ 0.23 \$ 0.26 0.65 0.76 Net income ex share - diluted. <t< td=""><td></td><td></td><td>26.158</td><td></td><td>20.770</td><td></td><td>75.816</td><td></td><td>60.411</td></t<>			26.158		20.770		75.816		60.411
Total 38,178 29,637 110,105 84,976 Gross Profit 127,407 102,788 368,805 296,084 Operating expenses (1) 36,89 368,805 296,084 Sales and marketing 60,483 45,158 176,714 127,390 Research and development. 26,277 17,476 77,027 49,109 General and administrative 13,459 12,375 41,369 38,060 Total 100,219 75,009 295,110 214,551 Income form operations 27,188 27,779 73,695 80,533 Other income, net 3,716 7,175 13,345 34,502 31,32 Income bero income taxes 11,770 13,145 34,502 37,251 Net Income ene share - basic \$ 0,24 \$ 0,26 \$ 0,66 \$ 0,77 Weighted average shares - basic \$ 0,23 \$ 0,26 \$ 0,76 \$ 0,76 Weighted average shares - diluted	Services		,		,		,		,
Operating expenses (1) 5 Sales and marketing 60,483 45,158 176,714 127,390 Research and development. 26,277 17,476 77,027 49,101 General and administrative. 13,459 12,375 41,389 38,060 Total. 100,219 75,009 295,110 214,551 Income from operations. 27,188 27,779 73,695 80,533 Other income, net. 3,716 7,175 16,437 20,836 Income brin come taxes. 30,904 34,954 89,132 101,369 Provision for income taxes. 11,770 13,145 34,502 37,251 Net income per share - basic. \$ 0,24 \$ 0,26 \$ 0,66 \$ 0,77 Weighted average shares - basic. \$ 0,24 \$ 0,26 \$ 0,66 \$ 0,77 Wei income per share - diluted. \$ 0,23 \$ 0,26 \$ 0,65 \$ 0,76 Weighted average shares - diluted. \$ 19,134 \$ 21,809 \$ 54,630 \$ 64,118 Non-GAAP Financial Measures <t< td=""><td>Total</td><td></td><td></td><td></td><td>29,637</td><td></td><td>110,105</td><td></td><td>84,976</td></t<>	Total				29,637		110,105		84,976
Sales and marketing	Gross Profit		127,407		102,788		368,805		295,084
Research and development. 26.27 17.476 77.027 49,101 General and administrative. 13,459 12,375 41,369 38,060 Total. 100,219 75.009 295,110 214,551 Income from operations. 27,188 27,779 36,865 80,533 Other income, net. 3,716 7,175 15,437 20,836 Income before income taxes 30,904 34,954 89,132 101,369 Provision for income taxes 11,770 13,145 34,600 37,251 Net Income per share - basic. \$ 0,24 \$ 0,26 \$ 0,66 \$ 0.77 Weighted average shares - basic. \$ 0,23 \$ 0,26 \$ 0,65 \$ 0.76 Weighted average shares - diluted. \$ 0,23 \$ 0,26 \$ 0,65 \$ 0.76 Weighted average shares - diluted. \$ 0,23 \$ 0,26 \$ 0,65 \$ 0.76 Weighted average shares - diluted. \$ 0,37 \$ 30,310 \$ 24,893 \$ 24,683 Net income per share excluding stock-based compensation \$ 30,171 \$ 30,29	Operating expenses (1)								
General and administrative 13,459 12,375 41,369 38,060 Total 100,219 75,009 295,110 214,551 Income from operations 27,188 27,779 73,695 80,533 Other income, net 3,716 7,175 15,437 20,836 Income before income taxes 30,904 34,954 89,132 101,369 Provision for income taxes 11,770 13,145 34,502 37,251 Net Income \$ 19,134 \$ 21,809 \$ 54,630 \$ 64,118 Net income per share - basic \$ 0,24 \$ 0,26 \$ 0,66 \$ 0,77 Weighted average shares - basic \$ 10,39 \$ 21,809 \$ 54,630 \$ 64,118 Net income per share - diluted \$ 0,23 \$ 0,26 \$ 0,65 \$ 0,76 Weighted average shares - diluted \$ 0,23 \$ 0,26 \$ 0,65 \$ 0,76 Weighted average shares - diluted \$ 0,23 \$ 0,26 \$ 0,65 \$ 0,76 Weighted average shares - diluted \$ 19,134 \$ 21,809 \$ 54,630 \$ 64,118 Stock-based compensation expense, net of tax (2) \$ 11,03	Sales and marketing		60,483		45,158		176,714		127,390
Total 100,219 75,009 295,110 214,551 Income from operations 27,188 27,779 73,695 80,533 Other income, net 3,716 7,175 15,437 20,836 Income before income taxes 30,004 34,954 89,132 101,369 Provision for income taxes 11,770 13,145 34,502 37,251 Net Income \$ 19,134 \$ 21,809 \$ 54,630 \$ 64,118 Net income per share - basic \$ 0,24 \$ 0,26 \$ 0,66 \$ 0,77 Weighted average shares - basic \$ 0,23 \$ 0,26 \$ 0,66 \$ 0,77 Weighted average shares - diluted \$ 0,23 \$ 0,26 \$ 0,65 \$ 0,76 Weighted average shares - diluted \$ 0,23 \$ 0,26 \$ 0,65 \$ 0,76 Weighted average shares - diluted \$ 0,23 \$ 0,26 \$ 0,65 \$ 0,76 Nor-GAAP Financial Measures \$ 19,134 \$ 21,809 \$ 54,630 \$ 64,118 Stock-based compensation expense, net of tax (2) \$ 11,037 \$ 8,481 3	Research and development		26,277		17,476		77,027		49,101
Income from operations. 27,188 27,779 73,695 80,533 Income performe taxes. 30,904 34,954 89,132 101,369 Provision for income taxes. 11,770 13,145 34,502 37,251 Net income, net. \$ 19,134 \$ 21,809 \$ 54,630 \$ 64,118 Net income per share - basic \$ 0,24 \$ 0,26 \$ 0,66 \$ 0,77 Weighted average shares - basic \$ 0,24 \$ 0,26 \$ 0,66 \$ 0,77 Weighted average shares - basic \$ 0,23 \$ 0,26 \$ 0,66 \$ 0,77 Weighted average shares - diluted. \$ 0,23 \$ 0,26 \$ 0,65 \$ 0,76 Weighted average shares - diluted. \$ 0,23 \$ 0,26 \$ 0,65 \$ 0,76 Weighted average shares - diluted. \$ 0,23 \$ 0,26 \$ 0,65 \$ 0,76 Weighted average shares - diluted. \$ 0,171 \$ 30,290 \$ 54,630 \$ 64,118 Stock-based compensation expense, net of tax (2) \$ 11,037 \$ 8,481 \$ 33,310 \$ 24,689 Net income excluding stock-based \$ 0,37 \$ 0,36 \$ 1.04 \$ 1.05 <td< td=""><td>General and administrative</td><td></td><td></td><td></td><td>12,375</td><td></td><td></td><td></td><td>38,060</td></td<>	General and administrative				12,375				38,060
Other income, net. 3,716 7,175 15,437 20,836 Income before income taxes. 30,904 34,954 89,132 101,369 Provision for income taxes. 11,770 13,145 34,502 37,251 Net Income \$ 19,134 \$ 21,809 \$ 54,630 \$ 64,118 Net income per share - basic. \$ 0,24 \$ 0,26 \$ 0,66 \$ 0,77 Weighted average shares - basic. \$ 0,23 \$ 0,26 \$ 0,65 \$ 0,76 Weighted average shares - diluted. \$ 0,23 \$ 0,26 \$ 0,65 \$ 0,76 Weighted average shares - diluted. \$ 0,23 \$ 0,26 \$ 0,65 \$ 0,76 Weighted average shares - diluted. \$ 0,23 \$ 0,26 \$ 0,65 \$ 0,76 Non-GAAP Financial Measures \$ 11,037 \$ 8,481 33,310 24,689 Net income excluding stock-based compensation. \$ 30,171 \$ 30,290 \$ 87,940 \$ 88,807 Net income per share excluding stock-based \$ 0,37 \$ 0,36 \$ 1,04 \$ 1,05 Weighted average shares - diluted. \$ 0,37 \$ 0,36 \$ 1,04 \$ 1,05 Weig	Total		100,219		75,009		295,110		214,551
Other income, net. 3,716 7,175 15,437 20,836 Income before income taxes. 30,904 34,954 89,132 101,369 Provision for income taxes. 11,770 13,145 34,502 37,251 Net Income \$ 19,134 \$ 21,809 \$ 54,630 \$ 64,118 Net income per share - basic. \$ 0,24 \$ 0,26 \$ 0,66 \$ 0,77 Weighted average shares - basic. \$ 0,23 \$ 0,26 \$ 0,65 \$ 0,76 Weighted average shares - diluted. \$ 0,23 \$ 0,26 \$ 0,65 \$ 0,76 Weighted average shares - diluted. \$ 0,23 \$ 0,26 \$ 0,65 \$ 0,76 Weighted average shares - diluted. \$ 0,23 \$ 0,26 \$ 0,65 \$ 0,76 Non-GAAP Financial Measures \$ 11,037 \$ 8,481 33,310 24,689 Net income excluding stock-based compensation. \$ 30,171 \$ 30,290 \$ 87,940 \$ 88,807 Net income per share excluding stock-based \$ 0,37 \$ 0,36 \$ 1,04 \$ 1,05 Weighted average shares - diluted. \$ 0,37 \$ 0,36 \$ 1,04 \$ 1,05 Weig	Income from operations.	_	27.188		27,779		73.695		80.533
Income before income taxes 30,904 34,954 89,132 101,369 Provision for income taxes 11,770 13,145 34,954 34,502 37,251 Net Income \$ 19,134 \$ 21,809 \$ 54,630 \$ 64,118 Net income per share - basic \$ 0.24 \$ 0.26 \$ 0.66 \$ 0.77 Weighted average shares - basic \$ 0.23 \$ 0.26 \$ 0.65 \$ 0.76 Weighted average shares - diluted \$ 0.23 \$ 0.26 \$ 0.65 \$ 0.76 Weighted average shares - diluted \$ 0.23 \$ 0.26 \$ 0.65 \$ 0.76 Weighted average shares - diluted \$ 0.23 \$ 0.26 \$ 0.65 \$ 0.76 Weighted average shares - diluted \$ 0.23 \$ 0.26 \$ 0.65 \$ 0.76 Weighted average shares - diluted \$ 0.37 \$ 0.36 \$ 44,308 \$ 84,832 Non-GAAP Financial Measures \$ 11,037 \$ 8,481 33,310 \$ 24,689 Net income excluding stock-based compensation \$ 30,171 \$ 30,290 \$ 87,940 \$ 88,807 Net income per share excluding stock-based \$ 0.37 \$ 0.36 \$ 1.04 \$ 1.05 <td></td> <td></td> <td>,</td> <td></td> <td>,</td> <td></td> <td>,</td> <td></td> <td>,</td>			,		,		,		,
Provision for income taxes 11,770 13,145 34,502 37,251 Net Income \$ 19,134 \$ 21,809 \$ 54,630 \$ 64,118 Net income per share - basic \$ 0.24 \$ 0.26 \$ 0.66 \$ 0.77 Weighted average shares - basic \$ 0.23 \$ 0.26 \$ 0.65 \$ 0.76 Weighted average shares - diluted \$ 0.23 \$ 0.26 \$ 0.65 \$ 0.76 Weighted average shares - diluted \$ 0.23 \$ 0.26 \$ 0.65 \$ 0.76 Weighted average shares - diluted \$ 0.23 \$ 0.26 \$ 0.65 \$ 0.76 Weighted average shares - diluted \$ 0.23 \$ 0.26 \$ 0.65 \$ 0.76 Weighted average shares - diluted \$ 19,134 \$ 21,809 \$ 54,630 \$ 64,118 Stock-based compensation expense, net of tax (2) 11,037 \$ 8,481 33,310 \$ 24,689 Net income per share excluding stock-based \$ 0.37 \$ 0.36 \$ 1.04 \$ 1.05 Weighted average shares - diluted \$ 0.37 \$ 0.36 \$ 1.04 \$ 1.05 Weighted average shares - diluted \$ 0.37 \$ 0.36 \$ 1.04 \$ 1.05		-							
Net Income \$ 19,134 \$ 21,809 \$ 54,630 \$ 64,118 Net income per share - basic \$ 0.24 \$ 0.26 \$ 0.26 \$ 0.66 \$ 0.77 Weighted average shares - basic \$ 19,134 \$ 0.23 \$ 0.26 \$ 0.65 \$ 0.76 Weighted average shares - diluted \$ 0.23 \$ 0.23 \$ 0.26 \$ 0.65 \$ 0.76 Weighted average shares - diluted \$ 0.23 \$ 0.23 \$ 0.26 \$ 0.65 \$ 0.76 Weighted average shares - diluted \$ 0.23 \$ 0.26 \$ 0.65 \$ 0.76 Weighted average shares - diluted \$ 0.23 \$ 0.26 \$ 0.65 \$ 0.76 Non-GAAP Financial Measures \$ 19,134 \$ 21,809 \$ 54,630 \$ 64,118 Stock-based compensation expense, net of tax (2) 11,037 \$ 8,481 33,310 \$ 24,689 Net income excluding stock-based compensation \$ 30,171 \$ 30,290 \$ 87,940 \$ 88,807 Net income per share excluding stock-based compensation (non-GAAP) - diluted \$ 0.37 \$ 0.36 \$ 1.04 \$ 1.05 Weighted average shares - diluted \$ 81,951 \$ 85,310 \$ 84,308 \$ 84,832					,		,		,
Weighted average shares - basic 81,096 83,614 83,218 82,834 Net income per share - diluted \$ 0.23 0.26 0.65 0.76 Weighted average shares - diluted \$ 19,134 \$ 21,809 \$ 54,630 \$ 64,118 Stock-based compensation expense, net of tax (2) 11,037 8,481 33,310 24,689 Net income excluding stock-based compensation \$ 30,171 \$ 30,290 \$ 87,940 \$ 88,807 Net income per share excluding stock-based compensation (non-GAAP) - diluted \$ 0.37 \$ 0.36 \$ 1.04 \$ 1.05 Weighted average shares - diluted \$ 1,951 85,310 84,308 84,832 (1) Includes stock-based compensation as follows: \$ 1,065 \$ 622 \$ 3,170 \$ 1,815 Sales and marketing 5,846 4,040 18,438 11,877 Research and development 3,790 3,349 11,922 9,774 Tax effect of stock based compensation (3,780) (2,092) (12,510) (6,318)		_	19,134	\$	21,809	\$	54,630	\$	64,118
Weighted average shares - basic 81,096 83,614 83,218 82,834 Net income per share - diluted \$ 0.23 0.26 0.65 0.76 Weighted average shares - diluted \$ 19,134 \$ 21,809 \$ 54,630 \$ 64,118 Stock-based compensation expense, net of tax (2) \$ 19,134 \$ 21,809 \$ 54,630 \$ 64,118 Stock-based compensation expense, net of tax (2) \$ 30,171 \$ 30,290 \$ 87,940 \$ 88,807 Net income excluding stock-based compensation. \$ 0.37 \$ 0.36 \$ 1.04 \$ 1.05 Weighted average shares - diluted \$ 1.04 \$ 1.05 \$ 84,308 84,832 Vet income excluding stock-based compensation. \$ 0.37 \$ 0.36 \$ 1.04 \$ 1.05 Weighted average shares - diluted \$ 1.05 \$ 84,308 84,832 (1) Includes stock-based compensation as follows: Cost of net revenues \$ 1,065 \$ 622 \$ 3,170 \$ 1,815 Sales and marketing 5,846 4,040 18,438 11,877 Research and development 4,116 2,562 12,220 7,541 General and administrative 3,790 3,349 1									
Net income per share - diluted	•			\$		\$		\$	
Weighted average shares - diluted	Weighted average shares - basic	·	81,096		83,614		83,218		82,834
Non-GAAP Financial Measures Net income as reported	•	. \$		\$		\$		\$	
Net income as reported\$ 19,134 \$ 21,809 \$ 54,630 \$ 64,118 Stock-based compensation expense, net of tax (2) 11,037 8,481 33,310 24,689 Net income excluding stock-based compensation \$ 30,171 \$ 30,290 \$ 87,940 \$ 88,807 Net income per share excluding stock-based compensation (non-GAAP) - diluted \$ 0.37 \$ 0.36 \$ 1.04 \$ 1.05 Weighted average shares - diluted \$ 0.37 \$ 0.36 \$ 1.04 \$ 1.05 Weighted average shares - diluted \$ 1,065 \$ 622 \$ 3,170 \$ 1,815 Sales and marketing \$ 1,065 \$ 622 \$ 3,170 \$ 1,815 Sales and marketing \$ 1,065 \$ 622 \$ 3,170 \$ 1,815 General and administrative \$ 3,790 3,349 11,992 9,774 Tax effect of stock based compensation \$ 3,790 \$ 3,349 11,992 9,774	Weighted average shares - diluted		81,951		85,310		84,308		84,832
Stock-based compensation expense, net of tax (2)	Non-GAAP Financial Measures								
Stock-based compensation expense, net of tax (2)	Net income as reported.	\$	19.134	\$	21.809	\$	54.630	\$	64.118
Net income per share excluding stock-based compensation (non-GAAP) - diluted \$ 0.37 \$ 0.36 \$ 1.04 \$ 1.05 Weighted average shares - diluted \$ 81,951 \$ 85,310 \$ 84,308 \$ 84,832 (1) Includes stock-based compensation as follows: \$ 1,065 \$ 622 \$ 3,170 \$ 1,815 \$ 1,815 \$ 1,065 \$ 622 \$ 3,170 \$ 1,815 Sales and marketing \$ 1,065 \$ 622 \$ 3,170 \$ 1,815 \$ 1,846 \$ 4,040 \$ 18,438 \$ 11,877 \$ 1,816 \$ 2,562 \$ 12,220 \$ 7,541 General and administrative \$ 3,790 \$ 3,349 \$ 11,992 \$ 9,774 \$ 3,780 \$ (2,092) \$ (12,510) \$ (6,318)	Stock-based compensation expense, net of tax (2)		11,037		8,481		33,310		24,689
compensation (non-GAAP) - diluted	Net income excluding stock-based compensation	\$	30,171	\$	30,290	\$	87,940	\$	88,807
Weighted average shares - diluted	Net income per share excluding stock-based								
(1) Includes stock-based compensation as follows: Cost of net revenues \$ 1,065 \$ 622 \$ 3,170 \$ 1,815 Sales and marketing 5,846 4,040 18,438 11,877 Research and development 4,116 2,562 12,220 7,541 General and administrative 3,790 3,349 11,992 9,774 Tax effect of stock based compensation	compensation (non-GAAP) - diluted	. \$	0.37	\$	0.36	\$	1.04	\$	1.05
Cost of net revenues	Weighted average shares - diluted		81,951		85,310		84,308		84,832
Cost of net revenues	(1) Includes stock-based compensation as follows:								
Sales and marketing 5,846 4,040 18,438 11,877 Research and development 4,116 2,562 12,220 7,541 General and administrative 3,790 3,349 11,992 9,774 Tax effect of stock based compensation		. \$	1,065	\$	622	\$	3,170	\$	1,815
Research and development			5,846		4,040		18,438		11,877
General and administrative 3,790 3,349 11,992 9,774 Tax effect of stock based compensation (3,780) (2,092) (12,510) (6,318)	Research and development								7,541
	General and administrative		3,790		3,349		11,992		9,774
<u>11,037</u> <u>8,481</u> <u>33,310</u> <u>24,689</u>	Tax effect of stock based compensation		(3,780)		(2,092)		(12,510)		(6,318)
			11,037		8,481		33,310	_	24,689

(2) Stock-based compensation is accounted for in accordance with Financial Accounting Standards Board Statement No. 123(R), "Share-Based Payments" using the attribution method for recognizing compensation expense.

GAAP to non-GAAP Reconciliation

F5's management evaluates and makes operating decisions using various operating measures. These measures are generally based on the revenues of its products, services operations and certain costs of those operations, such as costs of revenues, research and development, sales and marketing and general and administrative expenses. One such measure is net income excluding stock-based compensation, which is a non-GAAP financial measure under Section 101 of Regulation G under the Securities and Exchange Act of 1934, as amended. This measure consists of GAAP net income excluding, as applicable, stock-based compensation. Net income excluding stock-based compensation (non-GAAP) is adjusted by the amount of additional taxes or tax benefit that the company would accrue if it used non-GAAP results instead of GAAP results to calculate the company's tax liability. Stock-based compensation is a non-cash expense that F5 has accounted for since July 1, 2005 in accordance with the fair value recognition provisions of Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment."

Management believes that net income excluding stock-based compensation (non-GAAP) provides useful supplemental information to management and investors regarding the performance of the company's business operations and facilitates comparisons to the company's historical operating results. Although F5's management finds this non-GAAP measure to be useful in evaluating the performance of the business, management's reliance on this measure is limited, because items excluded from such measures could have a material effect on F5's earnings and earnings per share calculated in accordance with GAAP. Therefore, F5's management will use its non-GAAP earnings and earnings per share measures, in conjunction with GAAP earnings and earnings per share measures, to address these limitations, when evaluating the performance of the company's business. Investors should consider these non-GAAP measures in addition to, and not as a substitute for, financial performance measures in accordance with GAAP.

F5 believes that presenting its non-GAAP measure of earnings and earnings per share provides investors with an additional tool for evaluating the performance of the company's business, which management uses in its own evaluation of the company's performance. Investors are encouraged to look at GAAP results as the best measure of financial performance. For example, stock-based compensation is an obligation of the company that should be considered and each line item is important to financial performance generally. However, while the GAAP results are more complete, the company provides investors this supplemental measure since, with reconciliation to GAAP, it may provide additional insight into its operational performance and financial results.