

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2008	2007	2008	2007
Net revenues				
Products.....	\$ 114,786	\$ 97,751	\$ 337,139	\$ 285,939
Services.....	50,799	34,674	141,771	94,121
Total.....	<u>165,585</u>	<u>132,425</u>	<u>478,910</u>	<u>380,060</u>
Cost of net revenues (1)				
Products.....	26,158	20,770	75,816	60,411
Services.....	12,020	8,867	34,289	24,565
Total.....	<u>38,178</u>	<u>29,637</u>	<u>110,105</u>	<u>84,976</u>
Gross Profit.....	<u>127,407</u>	<u>102,788</u>	<u>368,805</u>	<u>295,084</u>
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.....	<u>100,219</u>	<u>75,009</u>	<u>295,110</u>	<u>214,551</u>
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.....	<u>\$ 19,134</u>	<u>\$ 21,809</u>	<u>\$ 54,630</u>	<u>\$ 64,118</u>
Net income per share - basic.....	\$ 0.24	\$ 0.26	\$ 0.66	\$ 0.77
Weighted average shares - basic.....	<u>81,096</u>	<u>83,614</u>	<u>83,218</u>	<u>82,834</u>
Net income per share - diluted.....	\$ 0.23	\$ 0.26	\$ 0.65	\$ 0.76
Weighted average shares - diluted.....	<u>81,951</u>	<u>85,310</u>	<u>84,308</u>	<u>84,832</u>
Non-GAAP Financial Measures				
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.....	<u>\$ 30,171</u>	<u>\$ 30,290</u>	<u>\$ 87,940</u>	<u>\$ 88,807</u>
Net income per share excluding stock-based compensation (non-GAAP) - diluted.....	<u>\$ 0.37</u>	<u>\$ 0.36</u>	<u>\$ 1.04</u>	<u>\$ 1.05</u>
Weighted average shares - diluted.....	<u>81,951</u>	<u>85,310</u>	<u>84,308</u>	<u>84,832</u>
(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.....	<u>(3,780)</u>	<u>(2,092)</u>	<u>(12,510)</u>	<u>(6,318)</u>
	<u>11,037</u>	<u>8,481</u>	<u>33,310</u>	<u>24,689</u>

(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.