

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

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Net revenues				
Products	\$ 236,933	\$ 196,746	\$ 680,669	\$ 586,565
Services	203,352	173,556	586,111	499,420
Total	440,285	370,302	1,266,780	1,085,985
Cost of net revenues (1)(2)				
Products	40,387	32,350	115,437	93,915
Services	39,075	32,567	112,570	92,189
Total	79,462	64,917	228,007	186,104
Gross profit	360,823	305,385	1,038,773	899,881
Operating expenses (1)(2)				
Sales and marketing	139,945	121,906	415,000	363,205
Research and development	67,026	54,075	198,391	155,150
General and administrative	27,773	25,327	79,306	75,889
Total	234,744	201,308	692,697	594,244
Income from operations	126,079	104,077	346,076	305,637
Other income, net	1,193	2,874	1,462	6,542
Income before income taxes	127,272	106,951	347,538	312,179
Provision for income taxes	47,799	38,773	130,376	111,096
Net income	\$ 79,473	\$ 68,178	\$ 217,162	\$ 201,083
Net income per share — basic	\$ 1.06	\$ 0.87	\$ 2.86	\$ 2.56
Weighted average shares — basic	74,812	78,516	75,926	78,636
Net income per share — diluted	\$ 1.05	\$ 0.86	\$ 2.84	\$ 2.54
Weighted average shares — diluted	75,369	78,864	76,581	79,207
Non-GAAP Financial Measures				
Net income as reported	\$ 79,473	\$ 68,178	\$ 217,162	\$ 201,083
Stock-based compensation expense (3)	31,833	27,861	101,997	82,181
Amortization of purchased intangible assets	2,172	1,032	6,341	3,098
Tax effects related to above items	(8,912)	(8,650)	(29,274)	(22,576)
Net income excluding stock-based compensation and amortization of purchased intangible assets (non-GAAP) - diluted	\$ 104,566	\$ 88,421	\$ 296,226	\$ 263,786
Net income per share excluding stock-based compensation and amortization of purchased intangible assets (non-GAAP) - diluted	\$ 1.39	\$ 1.12	\$ 3.87	\$ 3.33
Weighted average shares - diluted	75,369	78,864	76,581	79,207

(1) Includes stock-based compensation as follows:

Cost of net revenues	\$	3,522	\$	2,966	\$	11,394	\$	8,860
Sales and marketing		12,350		10,259		40,570		31,533
Research and development		10,976		8,966		34,604		25,030
General and administrative		4,985		5,670		15,429		16,758
	\$	<u>31,833</u>	\$	<u>27,861</u>	\$	<u>101,997</u>	\$	<u>82,181</u>

(2) Includes amortization of purchased intangible assets as follows:

Cost of net revenues	\$	1,786	\$	957	\$	5,239	\$	2,873
Sales and marketing		386		75		1,102		225
	\$	<u>2,172</u>	\$	<u>1,032</u>	\$	<u>6,341</u>	\$	<u>3,098</u>

(3) Stock-based compensation is accounted for in accordance with the fair value recognition provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 718, Compensation – Stock Compensation (“FASB ASC Topic 718”)