

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

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2016	2015	2016	2015
Net revenues				
Products.....	\$ 225,441	\$ 244,116	\$ 460,119	\$ 485,053
Services.....	258,236	228,027	513,044	449,883
Total.....	<u>483,677</u>	<u>472,143</u>	<u>973,163</u>	<u>934,936</u>
Cost of net revenues (1)(2)				
Products.....	39,908	43,600	82,559	85,670
Services.....	42,322	38,996	85,354	76,274
Total.....	<u>82,230</u>	<u>82,596</u>	<u>167,913</u>	<u>161,944</u>
Gross profit.....	<u>401,447</u>	<u>389,547</u>	<u>805,250</u>	<u>772,992</u>
Operating expenses (1)(2)				
Sales and marketing.....	156,469	151,238	313,925	300,054
Research and development.....	86,294	74,521	167,439	144,581
General and administrative.....	34,803	30,933	69,056	63,187
Litigation expense.....	8,948	-	8,948	-
Total.....	<u>286,514</u>	<u>256,692</u>	<u>559,368</u>	<u>507,822</u>
Income from operations.....	114,933	132,855	245,882	265,170
Other income, net.....	133	3,266	1,268	5,860
Income before income taxes.....	115,066	136,121	247,150	271,030
Provision for income taxes.....	39,651	50,392	82,019	96,225
Net income.....	<u>\$ 75,415</u>	<u>\$ 85,729</u>	<u>\$ 165,131</u>	<u>\$ 174,805</u>
Net income per share - basic.....	<u>\$ 1.12</u>	<u>\$ 1.19</u>	<u>\$ 2.41</u>	<u>\$ 2.40</u>
Weighted average shares - basic.....	<u>67,549</u>	<u>72,240</u>	<u>68,557</u>	<u>72,801</u>
Net income per share - diluted.....	<u>\$ 1.11</u>	<u>\$ 1.18</u>	<u>\$ 2.40</u>	<u>\$ 2.38</u>
Weighted average shares - diluted.....	<u>67,804</u>	<u>72,711</u>	<u>68,881</u>	<u>73,326</u>

Non-GAAP Financial Measures

Net income as reported.....	\$ 75,415	\$ 85,729	\$ 165,131	\$ 174,805
Stock-based compensation expense (3).....	41,773	36,777	80,006	67,402
Amortization of purchased intangible assets.....	3,519	3,314	6,922	6,463
Litigation expense.....	8,948	-	8,948	-
Tax effects related to above items.....	(15,649)	(10,556)	(26,437)	(19,185)
Net income excluding stock-based compensation expense, amortization of purchased intangible assets and litigation expense (non-GAAP) - diluted.....	<u>\$ 114,006</u>	<u>\$ 115,264</u>	<u>\$ 234,570</u>	<u>\$ 229,485</u>
Net income per share excluding stock-based compensation expense, amortization of purchased intangible assets and litigation expense (non-GAAP) - diluted.....	<u>\$ 1.68</u>	<u>\$ 1.59</u>	<u>\$ 3.41</u>	<u>\$ 3.13</u>
Weighted average shares - diluted.....	<u>67,804</u>	<u>72,711</u>	<u>68,881</u>	<u>73,326</u>

(1) Includes stock-based compensation expense as follows:

Cost of net revenues.....	\$ 4,851	\$ 3,826	\$ 9,286	\$ 6,757
Sales and marketing.....	15,957	15,360	30,832	27,987
Research and development.....	13,784	12,193	26,614	22,633
General and administrative.....	7,181	5,398	13,274	10,025
	<u>\$ 41,773</u>	<u>\$ 36,777</u>	<u>\$ 80,006</u>	<u>\$ 67,402</u>

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

Cost of net revenues.....	\$ 2,666	\$ 2,666	\$ 5,333	\$ 5,317
Sales and marketing.....	487	487	973	973
General and administrative.....	366	161	616	173
	<u>\$ 3,519</u>	<u>\$ 3,314</u>	<u>\$ 6,922</u>	<u>\$ 6,463</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")