

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

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Net revenues				
Products.....	\$ 235,109	\$ 231,366	\$ 715,672	\$ 691,485
Services.....	282,728	265,156	836,371	778,200
Total.....	<u>517,837</u>	<u>496,522</u>	<u>1,552,043</u>	<u>1,469,685</u>
Cost of net revenues (1)(2)				
Products.....	43,787	40,474	129,391	123,033
Services.....	45,983	43,869	133,553	129,223
Total.....	<u>89,770</u>	<u>84,343</u>	<u>262,944</u>	<u>252,256</u>
Gross profit.....	<u>428,067</u>	<u>412,179</u>	<u>1,289,099</u>	<u>1,217,429</u>
Operating expenses (1)(2)				
Sales and marketing.....	160,952	156,620	490,171	470,545
Research and development.....	88,602	83,042	264,886	250,481
General and administrative.....	39,368	34,182	119,055	103,238
Litigation expense.....	1	(527)	(134)	8,421
Total.....	<u>288,923</u>	<u>273,317</u>	<u>873,978</u>	<u>832,685</u>
Income from operations.....	139,144	138,862	415,121	384,744
Other income, net.....	2,589	978	6,534	2,246
Income before income taxes.....	141,733	139,840	421,655	386,990
Provision for income taxes.....	44,071	48,051	136,637	130,070
Net income.....	<u>\$ 97,662</u>	<u>\$ 91,789</u>	<u>\$ 285,018</u>	<u>\$ 256,920</u>
Net income per share - basic.....	<u>\$ 1.53</u>	<u>\$ 1.37</u>	<u>\$ 4.42</u>	<u>\$ 3.78</u>
Weighted average shares - basic.....	<u>63,935</u>	<u>66,851</u>	<u>64,539</u>	<u>67,990</u>
Net income per share - diluted.....	<u>\$ 1.52</u>	<u>\$ 1.37</u>	<u>\$ 4.38</u>	<u>\$ 3.75</u>
Weighted average shares - diluted.....	<u>64,361</u>	<u>67,235</u>	<u>65,116</u>	<u>68,429</u>
Non-GAAP Financial Measures				
Net income as reported.....	\$ 97,662	\$ 91,789	\$ 285,018	\$ 256,920
Stock-based compensation expense (3).....	43,234	38,437	133,740	118,443
Amortization of purchased intangible assets.....	2,788	3,518	9,483	10,440
Litigation expense.....	1	(527)	(134)	8,421
Tax effects related to above items.....	(12,910)	(11,515)	(40,060)	(37,952)
Net income excluding stock-based compensation expense, amortization of purchased intangible assets and litigation expense (non-GAAP) - diluted.....	<u>\$ 130,775</u>	<u>\$ 121,702</u>	<u>\$ 388,047</u>	<u>\$ 356,272</u>
Net income per share excluding stock-based compensation expense, amortization of purchased intangible assets and litigation expense (non-GAAP) - diluted.....	<u>\$ 2.03</u>	<u>\$ 1.81</u>	<u>\$ 5.96</u>	<u>\$ 5.21</u>
Weighted average shares - diluted.....	<u>64,361</u>	<u>67,235</u>	<u>65,116</u>	<u>68,429</u>
(1) Includes stock-based compensation expense as follows:				
Cost of net revenues.....	\$ 5,384	\$ 4,643	\$ 16,155	\$ 13,929
Sales and marketing.....	17,577	15,130	52,737	45,962
Research and development.....	13,579	12,987	41,395	39,601
General and administrative.....	6,694	5,677	23,453	18,951
Total.....	<u>\$ 43,234</u>	<u>\$ 38,437</u>	<u>\$ 133,740</u>	<u>\$ 118,443</u>
(2) Includes amortization of purchased intangible assets as follows:				
Cost of net revenues.....	\$ 2,028	\$ 2,666	\$ 7,345	\$ 7,999
Sales and marketing.....	251	486	754	1,459
General and administrative.....	509	366	1,384	982
Total.....	<u>\$ 2,788</u>	<u>\$ 3,518</u>	<u>\$ 9,483</u>	<u>\$ 10,440</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")