

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

	Three Months Ended September 30,		Years Ended September 30,	
	2017	2016	2017	2016
Net revenues				
Products.....	\$ 248,990	\$ 252,984	\$ 964,662	\$ 944,469
Services.....	289,008	272,365	1,125,379	1,050,565
Total.....	<u>537,998</u>	<u>525,349</u>	<u>2,090,041</u>	<u>1,995,034</u>
Cost of net revenues (1)(2)				
Products.....	46,641	43,591	176,032	166,624
Services.....	43,900	41,358	177,453	170,581
Total.....	<u>90,541</u>	<u>84,949</u>	<u>353,485</u>	<u>337,205</u>
Gross Profit.....	<u>447,457</u>	<u>440,400</u>	<u>1,736,556</u>	<u>1,657,829</u>
Operating expenses (1)(2)				
Sales and marketing.....	162,068	158,198	652,239	628,743
Research and development.....	85,479	83,746	350,365	334,227
General and administrative.....	37,832	35,193	156,887	138,431
Litigation expense.....	525	630	391	9,051
Restructuring charges.....	12,718	-	12,718	-
Total.....	<u>298,622</u>	<u>277,767</u>	<u>1,172,600</u>	<u>1,110,452</u>
Income from operations.....	148,835	162,633	563,956	547,377
Other income, net.....	5,027	268	11,561	2,514
Income before income taxes.....	153,862	162,901	575,517	549,891
Provision for income taxes.....	18,119	53,966	154,756	184,036
Net Income.....	<u>\$ 135,743</u>	<u>\$ 108,935</u>	<u>\$ 420,761</u>	<u>\$ 365,855</u>
Net income per share - basic.....	<u>\$ 2.15</u>	<u>\$ 1.66</u>	<u>\$ 6.56</u>	<u>\$ 5.43</u>
Weighted average shares - basic.....	<u>63,088</u>	<u>65,772</u>	<u>64,173</u>	<u>67,433</u>
Net income per share - diluted.....	<u>\$ 2.14</u>	<u>\$ 1.64</u>	<u>\$ 6.50</u>	<u>\$ 5.38</u>
Weighted average shares - diluted.....	<u>63,446</u>	<u>66,262</u>	<u>64,775</u>	<u>67,984</u>
Non-GAAP Financial Measures				
Net income as reported.....	\$ 135,743	\$ 108,935	\$ 420,761	\$ 365,855
Stock-based compensation expense (3).....	41,586	38,317	175,326	156,760
Amortization of purchased intangible assets.....	2,788	3,462	12,271	13,902
Litigation expense.....	525	630	391	9,051
Restructuring charges.....	12,718	-	12,718	-
Tax effects related to above items.....	(17,472)	(11,433)	(57,532)	(49,385)
Non-recurring foreign tax credit benefit.....	(21,000)	-	(21,000)	-
Net income excluding stock-based compensation expense, amortization of purchased intangible assets, litigation expense, restructuring charges and a non-recurring foreign tax credit benefit (non-GAAP) - diluted.....	<u>\$ 154,888</u>	<u>\$ 139,911</u>	<u>\$ 542,935</u>	<u>\$ 496,183</u>
Net income per share excluding stock-based compensation expense, amortization of purchased intangible assets, litigation expense, restructuring charges and a non-recurring foreign tax credit benefit (non-GAAP) - diluted.....	<u>\$ 2.44</u>	<u>\$ 2.11</u>	<u>\$ 8.38</u>	<u>\$ 7.30</u>
Weighted average shares - diluted.....	<u>63,446</u>	<u>66,262</u>	<u>64,775</u>	<u>67,984</u>
(1) Includes stock-based compensation as follows:				
Cost of net revenues.....	\$ 5,280	\$ 4,601	\$ 21,435	\$ 18,530
Sales and marketing.....	16,918	15,203	69,655	61,165
Research and development.....	12,004	12,949	53,399	52,550
General and administrative.....	7,384	5,564	30,837	24,515
Total.....	<u>\$ 41,586</u>	<u>\$ 38,317</u>	<u>\$ 175,326</u>	<u>\$ 156,760</u>
(2) Includes amortization of purchased intangible assets as follows:				
Cost of net revenues.....	\$ 2,027	\$ 2,706	\$ 9,372	\$ 10,705
Sales and marketing.....	252	391	1,006	1,850
General and administrative.....	509	365	1,893	1,347
Total.....	<u>\$ 2,788</u>	<u>\$ 3,462</u>	<u>\$ 12,271</u>	<u>\$ 13,902</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")