

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

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2018	2017	2018	2017
Net revenues				
Products.....	\$ 237,558	\$ 241,080	\$ 464,861	\$ 480,563
Services.....	295,746	277,168	591,634	553,643
Total.....	<u>533,304</u>	<u>518,248</u>	<u>1,056,495</u>	<u>1,034,206</u>
Cost of net revenues (1)(2)				
Products.....	44,127	43,928	87,392	85,604
Services.....	45,518	43,984	89,640	87,570
Total.....	<u>89,645</u>	<u>87,912</u>	<u>177,032</u>	<u>173,174</u>
Gross profit.....	<u>443,659</u>	<u>430,336</u>	<u>879,463</u>	<u>861,032</u>
Operating expenses (1)(2)				
Sales and marketing.....	169,970	164,705	337,904	329,219
Research and development.....	91,056	89,234	176,945	176,284
General and administrative.....	39,276	38,009	79,260	79,687
Litigation expense.....	-	(135)	-	(135)
Total.....	<u>300,302</u>	<u>291,813</u>	<u>594,109</u>	<u>585,055</u>
Income from operations.....	143,357	138,523	285,354	275,977
Other income, net.....	2,790	1,302	4,935	3,945
Income before income taxes.....	146,147	139,825	290,289	279,922
Provision for income taxes.....	36,511	46,687	92,224	92,566
Net income.....	<u>\$ 109,636</u>	<u>\$ 93,138</u>	<u>\$ 198,065</u>	<u>\$ 187,356</u>

Net income per share - basic.....	<u>\$ 1.79</u>	<u>\$ 1.44</u>	<u>\$ 3.20</u>	<u>\$ 2.89</u>
Weighted average shares - basic.....	<u>61,420</u>	<u>64,479</u>	<u>61,812</u>	<u>64,841</u>
Net income per share - diluted.....	<u>\$ 1.77</u>	<u>\$ 1.43</u>	<u>\$ 3.18</u>	<u>\$ 2.87</u>
Weighted average shares - diluted.....	<u>62,059</u>	<u>65,028</u>	<u>62,351</u>	<u>65,389</u>

Non-GAAP Financial Measures

Net income as reported.....	\$ 109,636	\$ 93,138	\$ 198,065	\$ 187,356
Stock-based compensation expense (3).....	41,320	43,895	82,268	90,506
Amortization of purchased intangible assets.....	2,805	3,292	5,610	6,695
Litigation expense.....	-	(135)	-	(135)
Tax effects related to above items.....	(10,466)	(13,184)	(19,649)	(27,150)
Tax on deemed repatriation of undistributed foreign earnings.....	-	-	7,000	-
Remeasurement of net deferred tax assets due to change in U.S. tax rate.....	-	-	11,584	-
Net income excluding stock-based compensation expense, amortization of purchased intangible assets, litigation expense, and non-recurring tax expenses and benefits (non-GAAP) - diluted.....	<u>\$ 143,295</u>	<u>\$ 127,006</u>	<u>\$ 284,878</u>	<u>\$ 257,272</u>

Net income per share excluding stock-based compensation expense, amortization of purchased intangible assets, litigation expense, and non-recurring tax expenses and benefits (non-GAAP) - diluted.....	<u>\$ 2.31</u>	<u>\$ 1.95</u>	<u>\$ 4.57</u>	<u>\$ 3.93</u>
Weighted average shares - diluted.....	<u>62,059</u>	<u>65,028</u>	<u>62,351</u>	<u>65,389</u>

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

Cost of net revenues.....	\$ 5,543	\$ 5,554	\$ 10,993	\$ 10,771
Sales and marketing.....	15,555	18,110	31,033	35,160
Research and development.....	12,497	13,884	24,903	27,816
General and administrative.....	7,725	6,347	15,339	16,759
Total.....	<u>\$ 41,320</u>	<u>\$ 43,895</u>	<u>\$ 82,268</u>	<u>\$ 90,506</u>

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

Cost of net revenues.....	\$ 2,028	\$ 2,532	\$ 4,056	\$ 5,317
Sales and marketing.....	252	251	504	503
General and administrative.....	525	509	1,050	875
Total.....	<u>\$ 2,805</u>	<u>\$ 3,292</u>	<u>\$ 5,610</u>	<u>\$ 6,695</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")