

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2008	2007	2008	2007
Net revenues				
Products.....	\$ 112,148	\$ 96,126	\$ 222,353	\$ 188,188
Services.....	46,993	31,479	90,972	59,447
Total.....	<u>159,141</u>	<u>127,605</u>	<u>313,325</u>	<u>247,635</u>
Cost of net revenues				
Products.....	24,969	20,425	49,658	39,641
Services.....	11,719	8,390	22,269	15,698
Total.....	<u>36,688</u>	<u>28,815</u>	<u>71,927</u>	<u>55,339</u>
Gross Profit.....	<u>122,453</u>	<u>98,790</u>	<u>241,398</u>	<u>192,296</u>
Operating expenses				
Sales and marketing.....	58,053	43,177	116,231	82,232
Research and development.....	26,418	17,086	50,750	31,625
General and administrative.....	14,484	12,867	27,910	25,685
Total.....	<u>98,955</u>	<u>73,130</u>	<u>194,891</u>	<u>139,542</u>
Income from operations.....	23,498	25,660	46,507	52,754
Other income, net.....	5,589	7,230	11,721	13,661
Income before income taxes.....	<u>29,087</u>	<u>32,890</u>	<u>58,228</u>	<u>66,415</u>
Provision for income taxes.....	11,342	12,934	22,732	24,106
Net Income.....	<u>\$ 17,745</u>	<u>\$ 19,956</u>	<u>\$ 35,496</u>	<u>\$ 42,309</u>
Net income per share - basic.....	\$ 0.21	\$ 0.24	\$ 0.42	\$ 0.51
Weighted average shares - basic.....	<u>82,974</u>	<u>82,834</u>	<u>83,919</u>	<u>82,444</u>
Net income per share - diluted.....	\$ 0.21	\$ 0.24	\$ 0.42	\$ 0.50
Weighted average shares - diluted.....	<u>83,805</u>	<u>84,780</u>	<u>85,018</u>	<u>84,488</u>
<b>Non-GAAP Financial Measures</b>				
Net income as reported.....	\$ 17,745	\$ 19,956	\$ 35,496	\$ 42,309
Stock-based compensation expense, net of tax (2).....	11,198	9,268	22,273	16,209
Net income excluding stock-based compensation.....	<u>\$ 28,943</u>	<u>\$ 29,224</u>	<u>\$ 57,769</u>	<u>\$ 58,518</u>
Net income per share excluding stock-based compensation (non-GAAP) - diluted.....	<u>\$ 0.35</u>	<u>\$ 0.34</u>	<u>\$ 0.68</u>	<u>\$ 0.69</u>
Weighted average shares - diluted.....	<u>83,805</u>	<u>84,780</u>	<u>85,018</u>	<u>84,488</u>
(1) Includes stock-based compensation as follows:				
Cost of net revenues.....	\$ 1,051	\$ 584	\$ 2,105	\$ 1,193
Sales and marketing.....	6,161	4,400	12,592	7,838
Research and development.....	4,118	2,651	8,104	4,979
General and administrative.....	4,337	4,070	8,202	6,425
Tax effect of stock based compensation.....	<u>(4,469)</u>	<u>(2,437)</u>	<u>(8,730)</u>	<u>(4,226)</u>
	<u>11,198</u>	<u>9,268</u>	<u>22,273</u>	<u>16,209</u>

(2) Stock-based compensation is accounted for in accordance with Financial Accounting Standards Board Statement No. 123(R), "Share-Based Payments" using the attribution method for recognizing compensation expense.

## **GAAP to non-GAAP Reconciliation**

F5's management evaluates and makes operating decisions using various operating measures. These measures are generally based on the revenues of its products, services operations and certain costs of those operations, such as costs of revenues, research and development, sales and marketing and general and administrative expenses. One such measure is net income excluding stock-based compensation, which is a non-GAAP financial measure under Section 101 of Regulation G under the Securities and Exchange Act of 1934, as amended. This measure consists of GAAP net income excluding, as applicable, stock-based compensation. Net income excluding stock-based compensation (non-GAAP) is adjusted by the amount of additional taxes or tax benefit that the company would accrue if it used non-GAAP results instead of GAAP results to calculate the company's tax liability. Stock-based compensation is a non-cash expense that F5 has accounted for since July 1, 2005 in accordance with the fair value recognition provisions of Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment."

Management believes that net income excluding stock-based compensation (non-GAAP) provides useful supplemental information to management and investors regarding the performance of the company's business operations and facilitates comparisons to the company's historical operating results. Although F5's management finds this non-GAAP measure to be useful in evaluating the performance of the business, management's reliance on this measure is limited, because items excluded from such measures could have a material effect on F5's earnings and earnings per share calculated in accordance with GAAP. Therefore, F5's management will use its non-GAAP earnings and earnings per share measures, in conjunction with GAAP earnings and earnings per share measures, to address these limitations, when evaluating the performance of the company's business. Investors should consider these non-GAAP measures in addition to, and not as a substitute for, financial performance measures in accordance with GAAP.

F5 believes that presenting its non-GAAP measure of earnings and earnings per share provides investors with an additional tool for evaluating the performance of the company's business, which management uses in its own evaluation of the company's performance. Investors are encouraged to look at GAAP results as the best measure of financial performance. For example, stock-based compensation is an obligation of the company that should be considered and each line item is important to financial performance generally. However, while the GAAP results are more complete, the company provides investors this supplemental measure since, with reconciliation to GAAP, it may provide additional insight into its operational performance and financial results.