

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

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2014	2013	2014	2013
Net revenues				
Products.....	\$ 225,135	\$ 185,107	\$ 443,736	\$ 389,819
Services.....	194,908	165,125	382,759	325,864
Total.....	<u>420,043</u>	<u>350,232</u>	<u>826,495</u>	<u>715,683</u>
Cost of net revenues (1)(2)				
Products.....	37,806	29,773	75,050	61,565
Services.....	37,856	30,529	73,495	59,622
Total.....	<u>75,662</u>	<u>60,302</u>	<u>148,545</u>	<u>121,187</u>
Gross profit.....	<u>344,381</u>	<u>289,930</u>	<u>677,950</u>	<u>594,496</u>
Operating expenses (1)(2)				
Sales and marketing.....	140,252	119,031	275,055	241,299
Research and development.....	67,232	52,534	131,365	101,075
General and administrative.....	26,033	25,889	51,533	50,562
Total.....	<u>233,517</u>	<u>197,454</u>	<u>457,953</u>	<u>392,936</u>
Income from operations.....	110,864	92,476	219,997	201,560
Other income, net.....	23	2,118	269	3,668
Income before income taxes.....	110,887	94,594	220,266	205,228
Provision for income taxes.....	41,246	31,182	82,577	72,323
Net income.....	<u>\$ 69,641</u>	<u>\$ 63,412</u>	<u>\$ 137,689</u>	<u>\$ 132,905</u>

Net income per share - basic.....	<u>\$ 0.92</u>	<u>\$ 0.81</u>	<u>\$ 1.80</u>	<u>\$ 1.69</u>
Weighted average shares - basic.....	<u>75,508</u>	<u>78,601</u>	<u>76,483</u>	<u>78,696</u>
Net income per share - diluted.....	<u>\$ 0.91</u>	<u>\$ 0.80</u>	<u>\$ 1.79</u>	<u>\$ 1.68</u>
Weighted average shares - diluted.....	<u>76,244</u>	<u>79,114</u>	<u>77,086</u>	<u>79,263</u>

Non-GAAP Financial Measures

Net income as reported.....	\$ 69,641	\$ 63,412	\$ 137,689	\$ 132,905
Stock-based compensation expense (3).....	35,636	27,610	70,164	54,320
Amortization of purchased intangible assets (4).....	2,083	1,033	4,169	2,066
Tax effects related to above items.....	(10,463)	(7,313)	(20,362)	(13,926)
Net income excluding stock-based compensation expense and amortization of purchased intangible assets (non-GAAP) - diluted.....	<u>\$ 96,897</u>	<u>\$ 84,742</u>	<u>\$ 191,660</u>	<u>\$ 175,365</u>
Net income per share excluding stock-based compensation expense and amortization of purchased intangible assets (non-GAAP) - diluted.....	<u>\$ 1.27</u>	<u>\$ 1.07</u>	<u>\$ 2.49</u>	<u>\$ 2.21</u>
Weighted average shares - diluted.....	<u>76,244</u>	<u>79,114</u>	<u>77,086</u>	<u>79,263</u>

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

Cost of net revenues.....	\$ 4,014	\$ 2,927	\$ 7,872	\$ 5,894
Sales and marketing.....	14,218	10,718	28,220	21,274
Research and development.....	11,990	8,262	23,628	16,064
General and administrative.....	5,414	5,703	10,444	11,088
	<u>\$ 35,636</u>	<u>\$ 27,610</u>	<u>\$ 70,164</u>	<u>\$ 54,320</u>

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

Cost of net revenues.....	\$ 1,726	\$ 958	\$ 3,453	\$ 1,916
Sales and marketing.....	357	75	716	150
	<u>\$ 2,083</u>	<u>\$ 1,033</u>	<u>\$ 4,169</u>	<u>\$ 2,066</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")

(4) Beginning with the second quarter of fiscal 2012, the company will exclude amortization of purchased intangible assets and acquisition-related charges in addition to stock-based compensation expense as a non-GAAP financial measure