

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

| | Three months ended December 31, 2014 | Three months ended September 30, 2014 | Three months ended December 31, 2013 |
|--|--|---|--|
| Net revenues | | | |
| Products..... | \$ 240,937 | \$ 255,461 | \$ 218,601 |
| Services..... | 221,856 | 209,805 | 187,851 |
| Total..... | <u>462,793</u> | <u>465,266</u> | <u>406,452</u> |
| Cost of net revenues (1)(2) | | | |
| Products..... | 42,070 | 43,351 | 37,244 |
| Services..... | 37,278 | 38,601 | 35,639 |
| Total..... | <u>79,348</u> | <u>81,952</u> | <u>72,883</u> |
| Gross profit..... | <u>383,445</u> | <u>383,314</u> | <u>333,569</u> |
| Operating expenses (1)(2) | | | |
| Sales and marketing..... | 148,816 | 143,284 | 134,803 |
| Research and development..... | 70,060 | 65,401 | 64,133 |
| General and administrative..... | 32,254 | 27,148 | 25,500 |
| Total..... | <u>251,130</u> | <u>235,833</u> | <u>224,436</u> |
| Income from operations..... | 132,315 | 147,481 | 109,133 |
| Other income, net..... | 2,594 | 2,323 | 246 |
| Income before income taxes..... | 134,909 | 149,804 | 109,379 |
| Provision for income taxes..... | 45,833 | 55,783 | 41,331 |
| Net Income..... | <u>\$ 89,076</u> | <u>\$ 94,021</u> | <u>\$ 68,048</u> |
| Net income per share - basic..... | <u>\$ 1.21</u> | <u>\$ 1.27</u> | <u>\$ 0.88</u> |
| Weighted average shares - basic..... | <u>73,350</u> | <u>73,817</u> | <u>77,438</u> |
| Net income per share - diluted..... | <u>\$ 1.21</u> | <u>\$ 1.26</u> | <u>\$ 0.87</u> |
| Weighted average shares - diluted..... | <u>73,857</u> | <u>74,366</u> | <u>77,822</u> |
| Non-GAAP Financial Measures | | | |
| Net income as reported..... | \$ 89,076 | \$ 94,021 | \$ 68,048 |
| Stock-based compensation expense (3)..... | 30,625 | 25,159 | 34,528 |
| Amortization of purchased intangible assets..... | 3,149 | 3,147 | 2,086 |
| Tax effects related to above items..... | (8,629) | (5,585) | (9,899) |
| Net income excluding stock-based compensation and amortization of purchased intangible assets (non-GAAP) - diluted..... | <u>\$ 114,221</u> | <u>\$ 116,742</u> | <u>\$ 94,763</u> |
| Net income per share excluding stock-based compensation and amortization of purchased intangible assets (non-GAAP) - diluted..... | <u>\$ 1.55</u> | <u>\$ 1.57</u> | <u>\$ 1.22</u> |
| Weighted average shares - diluted..... | <u>73,857</u> | <u>74,366</u> | <u>77,822</u> |
| (1) Includes stock-based compensation as follows: | | | |
| Cost of net revenues..... | \$ 2,931 | \$ 2,591 | \$ 3,858 |
| Sales and marketing..... | 12,627 | 9,521 | 14,002 |
| Research and development..... | 10,440 | 9,029 | 11,638 |
| General and administrative..... | 4,627 | 4,018 | 5,030 |
| Total..... | <u>\$ 30,625</u> | <u>\$ 25,159</u> | <u>\$ 34,528</u> |
| (2) Includes amortization of purchased intangible assets as follows: | | | |
| Cost of net revenues..... | \$ 2,651 | \$ 2,651 | \$ 1,727 |
| Sales and marketing..... | 486 | 496 | 359 |
| General and administrative..... | 12 | - | - |
| Total..... | <u>\$ 3,149</u> | <u>\$ 3,147</u> | <u>\$ 2,086</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")