

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

	Three Months Ended		
	December 31, 2017	September 30, 2017	December 31, 2016
Net revenues			
Products.....	\$ 227,303	\$ 248,990	\$ 239,483
Services.....	295,888	289,008	276,475
Total.....	<u>523,191</u>	<u>537,998</u>	<u>515,958</u>
Cost of net revenues (1)(2)			
Products.....	43,265	46,641	41,676
Services.....	44,122	43,900	43,586
Total.....	<u>87,387</u>	<u>90,541</u>	<u>85,262</u>
Gross profit.....	<u>435,804</u>	<u>447,457</u>	<u>430,696</u>
Operating expenses (1)(2)			
Sales and marketing.....	167,934	162,068	164,514
Research and development.....	85,889	85,479	87,050
General and administrative.....	39,984	37,832	41,678
Litigation expense.....	-	525	-
Restructuring charges.....	-	12,718	-
Total.....	<u>293,807</u>	<u>298,622</u>	<u>293,242</u>
Income from operations.....	141,997	148,835	137,454
Other income, net.....	2,145	5,027	2,643
Income before income taxes.....	144,142	153,862	140,097
Provision for income taxes.....	55,713	18,119	45,879
Net Income.....	<u>\$ 88,429</u>	<u>\$ 135,743</u>	<u>\$ 94,218</u>
Net income per share - basic.....	<u>\$ 1.42</u>	<u>\$ 2.15</u>	<u>\$ 1.45</u>
Weighted average shares - basic.....	<u>62,195</u>	<u>63,088</u>	<u>65,195</u>
Net income per share - diluted.....	<u>\$ 1.41</u>	<u>\$ 2.14</u>	<u>\$ 1.44</u>
Weighted average shares - diluted.....	<u>62,550</u>	<u>63,446</u>	<u>65,645</u>

Non-GAAP Financial Measures

Net income as reported.....	\$ 88,429	\$ 135,743	\$ 94,218
Stock-based compensation expense (3).....	40,948	41,586	46,611
Amortization of purchased intangible assets.....	2,805	2,788	3,403
Litigation expense.....	-	525	-
Restructuring charges.....	-	12,718	-
Tax effects related to above items.....	(9,183)	(17,472)	(13,966)
Non-recurring foreign tax credit benefit.....	-	(21,000)	-
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, restructuring charges and non-recurring tax expenses and benefits (non-GAAP) - diluted.....	<u>\$ 141,583</u>	<u>\$ 154,888</u>	<u>\$ 130,266</u>

Net income per share excluding stock-based compensation expense, amortization of purchased intangible assets, litigation expense, restructuring charges and non-recurring tax expenses and benefits (non-GAAP) - diluted.....	<u>\$ 2.26</u>	<u>\$ 2.44</u>	<u>\$ 1.98</u>
Weighted average shares - diluted.....	<u>62,550</u>	<u>63,446</u>	<u>65,645</u>

(1) Includes stock-based compensation as follows:

Cost of net revenues.....	\$ 5,450	\$ 5,280	\$ 5,217
Sales and marketing.....	15,478	16,918	17,050
Research and development.....	12,406	12,004	13,932
General and administrative.....	7,614	7,384	10,412
Total.....	<u>\$ 40,948</u>	<u>\$ 41,586</u>	<u>\$ 46,611</u>

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

Cost of net revenues.....	\$ 2,028	\$ 2,027	\$ 2,785
Sales and marketing.....	252	252	252
General and administrative.....	525	509	366
Total.....	<u>\$ 2,805</u>	<u>\$ 2,788</u>	<u>\$ 3,403</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")