

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2018	2017	2018	2017
Net revenues				
Products.....	\$ 238,835	\$ 235,109	\$ 703,696	\$ 715,672
Services.....	303,368	282,728	895,002	836,371
Total.....	<u>542,203</u>	<u>517,837</u>	<u>1,598,698</u>	<u>1,552,043</u>
Cost of net revenues (1)(2)				
Products.....	45,164	43,787	132,556	129,391
Services.....	45,845	45,983	135,485	133,553
Total.....	<u>91,009</u>	<u>89,770</u>	<u>268,041</u>	<u>262,944</u>
Gross profit.....	<u>451,194</u>	<u>428,067</u>	<u>1,330,657</u>	<u>1,289,099</u>
Operating expenses (1)(2)				
Sales and marketing.....	165,806	160,952	503,710	490,171
Research and development.....	94,061	88,602	271,006	264,886
General and administrative.....	39,374	39,368	118,634	119,055
Litigation expense.....	-	1	-	(134)
Total.....	<u>299,241</u>	<u>288,923</u>	<u>893,350</u>	<u>873,978</u>
Income from operations.....	151,953	139,144	437,307	415,121
Other income, net.....	2,259	2,589	7,194	6,534
Income before income taxes.....	154,212	141,733	444,501	421,655
Provision for income taxes.....	31,469	44,071	123,693	136,637
Net income.....	<u>\$ 122,743</u>	<u>\$ 97,662</u>	<u>\$ 320,808</u>	<u>\$ 285,018</u>
Net income per share - basic.....	<u>\$ 2.01</u>	<u>\$ 1.53</u>	<u>\$ 5.21</u>	<u>\$ 4.42</u>
Weighted average shares - basic.....	<u>60,970</u>	<u>63,935</u>	<u>61,531</u>	<u>64,539</u>
Net income per share - diluted.....	<u>\$ 1.99</u>	<u>\$ 1.52</u>	<u>\$ 5.16</u>	<u>\$ 4.38</u>
Weighted average shares - diluted.....	<u>61,633</u>	<u>64,361</u>	<u>62,214</u>	<u>65,116</u>
Non-GAAP Financial Measures				
Net income as reported.....	\$ 122,743	\$ 97,662	\$ 320,808	\$ 285,018
Stock-based compensation expense (3).....	38,739	43,234	121,007	133,740
Amortization of purchased intangible assets.....	2,803	2,788	8,413	9,483
Litigation expense.....	-	1	-	(134)
Tax effects related to above items.....	(14,139)	(12,910)	(33,788)	(40,060)
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>\$ 150,146</u>	<u>\$ 130,775</u>	<u>\$ 435,024</u>	<u>\$ 388,047</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>\$ 2.44</u>	<u>\$ 2.03</u>	<u>\$ 6.99</u>	<u>\$ 5.96</u>
Weighted average shares - diluted.....	<u>61,633</u>	<u>64,361</u>	<u>62,214</u>	<u>65,116</u>
(1) Includes stock-based compensation expense as follows:				
Cost of net revenues.....	\$ 4,947	\$ 5,384	\$ 15,940	\$ 16,155
Sales and marketing.....	16,153	17,577	47,186	52,737
Research and development.....	11,532	13,579	36,435	41,395
General and administrative.....	6,107	6,694	21,446	23,453
Total.....	<u>\$ 38,739</u>	<u>\$ 43,234</u>	<u>\$ 121,007</u>	<u>\$ 133,740</u>
(2) Includes amortization of purchased intangible assets as follows:				
Cost of net revenues.....	\$ 2,027	\$ 2,028	\$ 6,083	\$ 7,345
Sales and marketing.....	251	251	755	754
General and administrative.....	525	509	1,575	1,384
Total.....	<u>\$ 2,803</u>	<u>\$ 2,788</u>	<u>\$ 8,413</u>	<u>\$ 9,483</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")