

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

	Three Months Ended September 30,		Years Ended September 30,	
	2018	2017	2018	2017
Net revenues				
Products.....	\$ 256,412	\$ 248,990	\$ 960,108	\$ 964,662
Services.....	306,297	289,008	1,201,299	1,125,379
Total.....	<u>562,709</u>	<u>537,998</u>	<u>2,161,407</u>	<u>2,090,041</u>
Cost of net revenues (1)(2)				
Products.....	48,505	46,641	181,061	176,032
Services.....	44,935	43,900	180,420	177,453
Total.....	<u>93,440</u>	<u>90,541</u>	<u>361,481</u>	<u>353,485</u>
Gross Profit.....	<u>469,269</u>	<u>447,457</u>	<u>1,799,926</u>	<u>1,736,556</u>
Operating expenses (1)(2)				
Sales and marketing.....	160,425	162,068	664,135	652,239
Research and development.....	95,078	85,479	366,084	350,365
General and administrative.....	41,748	37,832	160,382	156,887
Litigation expense.....	-	525	-	391
Restructuring charges.....	18,426	12,718	18,426	12,718
Total.....	<u>315,677</u>	<u>298,622</u>	<u>1,209,027</u>	<u>1,172,600</u>
Income from operations.....	153,592	148,835	590,899	563,956
Other income, net.....	5,667	5,027	12,861	11,561
Income before income taxes.....	159,259	153,862	603,760	575,517
Provision for income taxes.....	26,378	18,119	150,071	154,756
Net Income.....	<u>\$ 132,881</u>	<u>\$ 135,743</u>	<u>\$ 453,689</u>	<u>\$ 420,761</u>
Net income per share - basic.....	<u>\$ 2.20</u>	<u>\$ 2.15</u>	<u>\$ 7.41</u>	<u>\$ 6.56</u>
Weighted average shares - basic.....	<u>60,462</u>	<u>63,088</u>	<u>61,262</u>	<u>64,173</u>
Net income per share - diluted.....	<u>\$ 2.18</u>	<u>\$ 2.14</u>	<u>\$ 7.32</u>	<u>\$ 6.50</u>
Weighted average shares - diluted.....	<u>61,070</u>	<u>63,446</u>	<u>62,013</u>	<u>64,775</u>

**Non-GAAP Financial Measures**

Net income as reported.....	\$ 132,881	\$ 135,743	\$ 453,689	\$ 420,761
Stock-based compensation expense (3).....	36,848	41,586	157,855	175,326
Amortization of purchased intangible assets.....	2,667	2,788	11,080	12,271
Litigation expense.....	-	525	-	391
Restructuring charges.....	18,426	12,718	18,426	12,718
Facility exit costs.....	2,514	-	2,514	-
Gain on sale of patent.....	(534)	-	(534)	-
Tax effects related to above items.....	(15,769)	(17,472)	(49,557)	(57,532)
Non-recurring foreign tax credit benefit.....	-	(21,000)	-	(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, facility exit costs, gain on sale of patent and non-recurring tax expenses and benefits (non-GAAP) - diluted.....	<u>\$ 177,033</u>	<u>\$ 154,888</u>	<u>\$ 612,057</u>	<u>\$ 542,935</u>
Net income per share excluding stock-based compensation expense, amortization of purchased intangible assets, litigation expense, restructuring charges, facility exit costs, gain on sale of patent and a non-recurring foreign tax credit benefit (non-GAAP) - diluted.....	<u>\$ 2.90</u>	<u>\$ 2.44</u>	<u>\$ 9.87</u>	<u>\$ 8.38</u>
Weighted average shares - diluted.....	<u>61,070</u>	<u>63,446</u>	<u>62,013</u>	<u>64,775</u>

(1) Includes stock-based compensation as follows:

Cost of net revenues.....	\$ 5,182	\$ 5,280	\$ 21,122	\$ 21,435
Sales and marketing.....	14,347	16,918	61,533	69,655
Research and development.....	10,892	12,004	47,327	53,399
General and administrative.....	6,427	7,384	27,873	30,837
Total.....	<u>\$ 36,848</u>	<u>\$ 41,586</u>	<u>\$ 157,855</u>	<u>\$ 175,326</u>

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

Cost of net revenues.....	\$ 1,890	\$ 2,027	\$ 7,973	\$ 9,372
Sales and marketing.....	252	252	1,007	1,006
General and administrative.....	525	509	2,100	1,893
Total.....	<u>\$ 2,667</u>	<u>\$ 2,788</u>	<u>\$ 11,080</u>	<u>\$ 12,271</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")