

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

	Three Months Ended September 30,		Years Ended September 30,	
	2019	2018	2019	2018
Net revenues				
Products.....	\$ 264,926	\$ 256,412	\$ 985,591	\$ 960,108
Services.....	325,462	306,297	1,256,856	1,201,299
Total.....	<u>590,388</u>	<u>562,709</u>	<u>2,242,447</u>	<u>2,161,407</u>
Cost of net revenues (1)(2)(3)				
Products.....	44,693	48,505	174,986	181,061
Services.....	46,225	44,935	181,591	180,420
Total.....	<u>90,918</u>	<u>93,440</u>	<u>356,577</u>	<u>361,481</u>
Gross profit.....	<u>499,470</u>	<u>469,269</u>	<u>1,885,870</u>	<u>1,799,926</u>
Operating expenses (1)(2)(3)(4)(5)				
Sales and marketing.....	217,554	160,425	748,619	664,135
Research and development.....	102,812	95,078	408,058	366,084
General and administrative.....	64,390	41,748	210,730	160,382
Restructuring charges.....	-	18,426	-	18,426
Total.....	<u>384,756</u>	<u>315,677</u>	<u>1,367,407</u>	<u>1,209,027</u>
Income from operations.....	114,714	153,592	518,463	590,899
Other income, net (6).....	3,397	5,667	22,648	12,861
Income before income taxes.....	118,111	159,259	541,111	603,760
Provision for income taxes.....	23,274	26,378	113,377	150,071
Net income.....	<u>\$ 94,837</u>	<u>\$ 132,881</u>	<u>\$ 427,734</u>	<u>\$ 453,689</u>
Net income per share - basic.....	<u>\$ 1.57</u>	<u>\$ 2.20</u>	<u>\$ 7.12</u>	<u>\$ 7.41</u>
Weighted average shares - basic.....	<u>60,283</u>	<u>60,462</u>	<u>60,044</u>	<u>61,262</u>
Net income per share - diluted.....	<u>\$ 1.57</u>	<u>\$ 2.18</u>	<u>\$ 7.08</u>	<u>\$ 7.32</u>
Weighted average shares - diluted.....	<u>60,448</u>	<u>61,070</u>	<u>60,456</u>	<u>62,013</u>
Non-GAAP Financial Measures				
Net income as reported.....	\$ 94,837	\$ 132,881	\$ 427,734	\$ 453,689
Stock-based compensation expense (7).....	43,732	36,848	162,914	157,855
Amortization of purchased intangible assets.....	4,586	2,667	11,846	11,080
Facility-exit costs.....	15,048	2,514	28,800	2,514
Acquisition-related charges.....	8,079	-	41,742	-
Impairment charges.....	6,273	-	6,273	-
Restructuring charges.....	-	18,426	-	18,426
Gain on sale of patent.....	-	(534)	-	(534)
Tax effects related to above items.....	(15,807)	(15,769)	(53,048)	(49,557)
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, facility-exit costs, acquisition-related charges, impairment charges, restructuring charges, gain on sale of patent and non-recurring tax expenses and benefits (non-GAAP) - diluted.....	<u>\$ 156,748</u>	<u>\$ 177,033</u>	<u>\$ 626,261</u>	<u>\$ 612,057</u>
Net income per share excluding stock-based compensation expense, amortization of purchased intangible assets, facility-exit costs, acquisition-related charges, impairment charges, restructuring charges, gain on sale of patent and non-recurring tax expenses and benefits (non-GAAP) - diluted.....	<u>\$ 2.59</u>	<u>\$ 2.90</u>	<u>\$ 10.36</u>	<u>\$ 9.87</u>
Weighted average shares - diluted.....	<u>60,448</u>	<u>61,070</u>	<u>60,456</u>	<u>62,013</u>
(1) Includes stock-based compensation expense as follows:				
Cost of net revenues.....	\$ 5,233	\$ 5,182	\$ 20,385	\$ 21,122
Sales and marketing.....	19,832	14,347	69,477	61,533
Research and development.....	10,288	10,892	40,886	47,327
General and administrative.....	8,379	6,427	32,166	27,873
	<u>\$ 43,732</u>	<u>\$ 36,848</u>	<u>\$ 162,914</u>	<u>\$ 157,855</u>
(2) Includes amortization of purchased intangible assets as follows:				
Cost of net revenues.....	\$ 3,096	\$ 1,890	\$ 7,653	\$ 7,973
Sales and marketing.....	961	252	2,083	1,007
General and administrative.....	529	525	2,110	2,100
	<u>\$ 4,586</u>	<u>\$ 2,667</u>	<u>\$ 11,846</u>	<u>\$ 11,080</u>
(3) Includes facility-exit costs as follows:				
Cost of net revenues.....	\$ 1,806	\$ 352	\$ 3,520	\$ 352
Sales and marketing.....	3,838	630	7,470	630
Research and development.....	4,403	1,247	9,994	1,247
General and administrative.....	5,001	285	7,816	285
	<u>\$ 15,048</u>	<u>\$ 2,514</u>	<u>\$ 28,800</u>	<u>\$ 2,514</u>
(4) Includes acquisition-related charges as follows:				
Sales and marketing.....	\$ 445	\$ -	\$ 6,551	\$ -
Research and development.....	205	-	16,321	-
General and administrative.....	7,429	-	18,870	-
	<u>\$ 8,079</u>	<u>\$ -</u>	<u>\$ 41,742</u>	<u>\$ -</u>
(5) Includes impairment charges as follows:				
General and administrative.....	\$ 6,273	\$ -	\$ 6,273	\$ -
	<u>\$ 6,273</u>	<u>\$ -</u>	<u>\$ 6,273</u>	<u>\$ -</u>
(6) Includes gain on sale of patent as follows:				
Other income, net.....	\$ -	\$ (534)	\$ -	\$ (534)
	<u>\$ -</u>	<u>\$ (534)</u>	<u>\$ -</u>	<u>\$ (534)</u>
(7) 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")				