

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

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2017	2016	2017	2016
Net revenues				
Products.....	\$ 241,080	\$ 225,441	\$ 480,563	\$ 460,119
Services.....	277,168	258,236	553,643	513,044
Total.....	<u>518,248</u>	<u>483,677</u>	<u>1,034,206</u>	<u>973,163</u>
Cost of net revenues (1)(2)				
Products.....	43,928	39,908	85,604	82,559
Services.....	43,984	42,322	87,570	85,354
Total.....	<u>87,912</u>	<u>82,230</u>	<u>173,174</u>	<u>167,913</u>
Gross profit.....	<u>430,336</u>	<u>401,447</u>	<u>861,032</u>	<u>805,250</u>
Operating expenses (1)(2)				
Sales and marketing.....	164,705	156,469	329,219	313,925
Research and development.....	89,234	86,294	176,284	167,439
General and administrative.....	38,009	34,803	79,687	69,056
Litigation expense.....	(135)	8,948	(135)	8,948
Total.....	<u>291,813</u>	<u>286,514</u>	<u>585,055</u>	<u>559,368</u>
Income from operations.....	138,523	114,933	275,977	245,882
Other income, net.....	1,302	133	3,945	1,268
Income before income taxes.....	<u>139,825</u>	<u>115,066</u>	<u>279,922</u>	<u>247,150</u>
Provision for income taxes.....	46,687	39,651	92,566	82,019
Net income.....	<u>\$ 93,138</u>	<u>\$ 75,415</u>	<u>\$ 187,356</u>	<u>\$ 165,131</u>
Net income per share - basic.....	<u>\$ 1.44</u>	<u>\$ 1.12</u>	<u>\$ 2.89</u>	<u>\$ 2.41</u>
Weighted average shares - basic.....	<u>64,479</u>	<u>67,549</u>	<u>64,841</u>	<u>68,557</u>
Net income per share - diluted.....	<u>\$ 1.43</u>	<u>\$ 1.11</u>	<u>\$ 2.87</u>	<u>\$ 2.40</u>
Weighted average shares - diluted.....	<u>65,028</u>	<u>67,804</u>	<u>65,389</u>	<u>68,881</u>

Non-GAAP Financial Measures

Net income as reported.....	\$ 93,138	\$ 75,415	\$ 187,356	\$ 165,131
Stock-based compensation expense (3).....	43,895	41,773	90,506	80,006
Amortization of purchased intangible assets.....	3,292	3,519	6,695	6,922
Litigation expense.....	(135)	8,948	(135)	8,948
Tax effects related to above items.....	(13,184)	(15,649)	(27,150)	(26,437)
Net income excluding stock-based compensation expense, amortization of purchased intangible assets and litigation expense (non-GAAP) - diluted.....	<u>\$ 127,006</u>	<u>\$ 114,006</u>	<u>\$ 257,272</u>	<u>\$ 234,570</u>
Net income per share excluding stock-based compensation expense, amortization of purchased intangible assets and litigation expense (non-GAAP) - diluted.....	<u>\$ 1.95</u>	<u>\$ 1.68</u>	<u>\$ 3.93</u>	<u>\$ 3.41</u>
Weighted average shares - diluted.....	<u>65,028</u>	<u>67,804</u>	<u>65,389</u>	<u>68,881</u>

(1) Includes stock-based compensation expense as follows:

Cost of net revenues.....	\$ 5,554	\$ 4,851	\$ 10,771	\$ 9,286
Sales and marketing.....	18,110	15,957	35,160	30,832
Research and development.....	13,884	13,784	27,816	26,614
General and administrative.....	6,347	7,181	16,759	13,274
	<u>\$ 43,895</u>	<u>\$ 41,773</u>	<u>\$ 90,506</u>	<u>\$ 80,006</u>

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

Cost of net revenues.....	\$ 2,532	\$ 2,666	\$ 5,317	\$ 5,333
Sales and marketing.....	251	487	503	973
General and administrative.....	509	366	875	616
	<u>\$ 3,292</u>	<u>\$ 3,519</u>	<u>\$ 6,695</u>	<u>\$ 6,922</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")