

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

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2019	2018	2019	2018
Net revenues				
Products.....	\$ 237,859	\$ 237,558	\$ 471,736	\$ 464,861
Services.....	307,036	295,746	616,929	591,634
Total.....	<u>544,895</u>	<u>533,304</u>	<u>1,088,665</u>	<u>1,056,495</u>
Cost of net revenues (1)(2)				
Products.....	43,547	44,127	85,957	87,392
Services.....	44,631	45,518	88,935	89,640
Total.....	<u>88,178</u>	<u>89,645</u>	<u>174,892</u>	<u>177,032</u>
Gross profit.....	<u>456,717</u>	<u>443,659</u>	<u>913,773</u>	<u>879,463</u>
Operating expenses (1)(2)				
Sales and marketing.....	170,954	169,970	335,213	337,904
Research and development.....	96,314	91,056	188,352	176,945
General and administrative.....	46,656	39,276	89,199	79,260
Total.....	<u>313,924</u>	<u>300,302</u>	<u>612,764</u>	<u>594,109</u>
Income from operations.....	142,793	143,357	301,009	285,354
Other income, net.....	7,434	2,790	14,529	4,935
Income before income taxes.....	150,227	146,147	315,538	290,289
Provision for income taxes.....	34,140	36,511	68,546	92,224
Net income.....	<u>\$ 116,087</u>	<u>\$ 109,636</u>	<u>\$ 246,992</u>	<u>\$ 198,065</u>
Net income per share - basic.....	<u>\$ 1.94</u>	<u>\$ 1.79</u>	<u>\$ 4.12</u>	<u>\$ 3.20</u>
Weighted average shares - basic.....	<u>59,686</u>	<u>61,420</u>	<u>59,954</u>	<u>61,812</u>
Net income per share - diluted.....	<u>\$ 1.93</u>	<u>\$ 1.77</u>	<u>\$ 4.09</u>	<u>\$ 3.18</u>
Weighted average shares - diluted.....	<u>60,029</u>	<u>62,059</u>	<u>60,374</u>	<u>62,351</u>

Non-GAAP Financial Measures

Net income as reported.....	\$ 116,087	\$ 109,636	\$ 246,992	\$ 198,065
Stock-based compensation expense (3).....	39,494	41,320	78,183	82,268
Amortization of purchased intangible assets.....	1,774	2,805	3,548	5,610
Facility exit costs.....	2,592	-	5,048	-
Acquisition-related charges.....	3,530	-	3,530	-
Tax effects related to above items.....	(9,036)	(10,466)	(19,322)	(19,649)
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 and non-recurring tax expenses and benefits (non-GAAP) - diluted.....	<u>\$ 154,441</u>	<u>\$ 143,295</u>	<u>\$ 317,979</u>	<u>\$ 284,878</u>
Net income per share excluding stock-based compensation expense, amortization of purchased intangible assets, facility exit costs, acquisition-related charges and non-recurring tax expenses and benefits (non-GAAP) - diluted.....	<u>\$ 2.57</u>	<u>\$ 2.31</u>	<u>\$ 5.27</u>	<u>\$ 4.57</u>
Weighted average shares - diluted.....	<u>60,029</u>	<u>62,059</u>	<u>60,374</u>	<u>62,351</u>

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

Cost of net revenues.....	\$ 4,946	\$ 5,543	\$ 10,034	\$ 10,993
Sales and marketing.....	16,359	15,555	31,878	31,033
Research and development.....	10,269	12,497	20,561	24,903
General and administrative.....	7,920	7,725	15,710	15,339
Total.....	<u>\$ 39,494</u>	<u>\$ 41,320</u>	<u>\$ 78,183</u>	<u>\$ 82,268</u>

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

Cost of net revenues.....	\$ 1,043	\$ 2,028	\$ 2,086	\$ 4,056
Sales and marketing.....	206	252	412	504
General and administrative.....	525	525	1,050	1,050
Total.....	<u>\$ 1,774</u>	<u>\$ 2,805</u>	<u>\$ 3,548</u>	<u>\$ 5,610</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")