

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

	Three months ended December 31, 2013	Three months ended September 30, 2013	Three months ended December 31, 2012
Net revenues			
Products.....	\$ 218,601	\$ 212,291	\$ 204,712
Services.....	187,851	183,038	160,739
Total.....	<u>406,452</u>	<u>395,329</u>	<u>365,451</u>
Cost of net revenues (1)(2)			
Products.....	37,244	35,151	31,792
Services.....	35,639	31,792	29,093
Total.....	<u>72,883</u>	<u>66,943</u>	<u>60,885</u>
Gross profit.....	<u>333,569</u>	<u>328,386</u>	<u>304,566</u>
Operating expenses (1)(2)			
Sales and marketing.....	134,803	119,836	122,268
Research and development.....	64,133	54,464	48,541
General and administrative.....	25,500	26,512	24,673
Loss on facility sublease.....	-	2,393	-
Total.....	<u>224,436</u>	<u>203,205</u>	<u>195,482</u>
Income from operations.....	109,133	125,181	109,084
Other income, net.....	246	732	1,550
Income before income taxes.....	109,379	125,913	110,634
Provision for income taxes.....	41,331	49,682	41,141
Net income.....	<u>\$ 68,048</u>	<u>\$ 76,231</u>	<u>\$ 69,493</u>
Net income per share - basic.....	<u>\$ 0.88</u>	<u>\$ 0.97</u>	<u>\$ 0.88</u>
Weighted average shares - basic.....	<u>77,438</u>	<u>78,353</u>	<u>78,789</u>
Net income per share - diluted.....	<u>\$ 0.87</u>	<u>\$ 0.97</u>	<u>\$ 0.88</u>
Weighted average shares - diluted.....	<u>77,822</u>	<u>78,674</u>	<u>79,278</u>
Non-GAAP Financial Measures			
Net income as reported.....	\$ 68,048	\$ 76,231	\$ 69,493
Stock-based compensation expense (3).....	34,528	22,031	26,710
Amortization of purchased intangible assets (4).....	2,086	1,033	1,033
Loss on facility sublease.....	-	2,393	-
Tax effects related to above items.....	(9,899)	(2,538)	(6,613)
Net income excluding stock-based compensation, amortization of purchased intangible assets and loss on facility sublease (non-GAAP) - diluted.....	<u>\$ 94,763</u>	<u>\$ 99,150</u>	<u>\$ 90,623</u>
Net income per share excluding stock-based compensation, amortization of purchased intangible assets and loss on facility sublease (non-GAAP) - diluted.....	<u>\$ 1.22</u>	<u>\$ 1.26</u>	<u>\$ 1.14</u>
Weighted average shares - diluted.....	<u>77,822</u>	<u>78,674</u>	<u>79,278</u>
(1) Includes stock-based compensation as follows:			
Cost of net revenues.....	\$ 3,858	\$ 2,258	\$ 2,967
Sales and marketing.....	14,002	7,945	10,556
Research and development.....	11,638	7,638	7,802
General and administrative.....	5,030	4,190	5,385
Total.....	<u>\$ 34,528</u>	<u>\$ 22,031</u>	<u>\$ 26,710</u>
(2) Includes amortization of purchased intangible assets as follows:			
Cost of net revenues.....	\$ 1,727	\$ 958	\$ 958
Sales and marketing.....	359	75	75
Total.....	<u>\$ 2,086</u>	<u>\$ 1,033</u>	<u>\$ 1,033</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")

(4) Beginning with the second quarter of fiscal 2012, the company will exclude amortization of purchased intangible assets and acquisition-related charges in addition to stock-based compensation expense as a non-GAAP financial measure