

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

| | Three months ended | | |
|--|----------------------|-----------------------|----------------------|
| | December 31, 2007 | September 30, 2007 | December 31, 2006 |
| Net revenues | | | |
| Products..... | \$110,205 | \$106,982 | \$ 92,062 |
| Services..... | 43,979 | 38,625 | 27,968 |
| Total..... | <u>154,184</u> | <u>145,607</u> | <u>120,030</u> |
| Cost of net revenues (1) | | | |
| Products..... | 24,689 | 23,683 | 19,216 |
| Services..... | 10,550 | 9,665 | 7,308 |
| Total..... | <u>35,239</u> | <u>33,348</u> | <u>26,524</u> |
| Gross Profit..... | <u>118,945</u> | <u>112,259</u> | <u>93,506</u> |
| Operating expenses (1) | | | |
| Sales and marketing..... | 58,178 | 48,165 | 39,055 |
| Research and development..... | 24,332 | 19,929 | 14,539 |
| General and administrative..... | 13,426 | 11,196 | 12,818 |
| In-process research and development..... | - | 14,000 | - |
| Total..... | <u>95,936</u> | <u>93,290</u> | <u>66,412</u> |
| Income from operations..... | 23,009 | 18,969 | 27,094 |
| Other income, net..... | 6,132 | 7,355 | 6,431 |
| Income before income taxes..... | 29,141 | 26,324 | 33,525 |
| Provision for income taxes..... | 11,390 | 13,442 | 11,172 |
| Net Income..... | <u>\$ 17,751</u> | <u>\$ 12,882</u> | <u>\$ 22,353</u> |
| Net income per share - basic..... | <u>\$ 0.21</u> | <u>\$ 0.15</u> | <u>\$ 0.27</u> |
| Weighted average shares - basic..... | <u>84,854</u> | <u>84,305</u> | <u>82,062</u> |
| Net income per share - diluted..... | <u>\$ 0.21</u> | <u>\$ 0.15</u> | <u>\$ 0.26</u> |
| Weighted average shares - diluted..... | <u>86,141</u> | <u>85,792</u> | <u>84,636</u> |
| Non-GAAP Financial Measures | | | |
| Net income as reported..... | \$ 17,751 | \$ 12,882 | \$ 22,353 |
| Stock-based compensation expense, net of tax (2)..... | 11,075 | 7,258 | 6,941 |
| In-process research and development (3)..... | - | 14,000 | - |
| Net income excluding stock-based compensation and in-process research and development (non-GAAP)..... | <u>\$ 28,826</u> | <u>\$ 34,140</u> | <u>\$ 29,294</u> |
| Net income per share excluding stock-based compensation and in-process research and development (non-GAAP) - diluted..... | <u>\$ 0.33</u> | <u>\$ 0.40</u> | <u>\$ 0.35</u> |
| Weighted average shares - diluted..... | <u>86,141</u> | <u>85,792</u> | <u>84,636</u> |
| (1) Includes stock-based compensation as follows: | | | |
| Cost of net revenues..... | \$ 1,054 | \$ 753 | \$ 609 |
| Sales and marketing..... | 6,431 | 3,906 | 3,438 |
| Research and development..... | 3,986 | 2,689 | 2,328 |
| General and administrative..... | 3,865 | 2,857 | 2,355 |
| Tax effect of stock based compensation..... | (4,261) | (2,947) | (1,789) |
| | <u>\$ 11,075</u> | <u>\$ 7,258</u> | <u>\$ 6,941</u> |

(2) Stock-based compensation is accounted for in accordance with Financial Accounting Standards Board Statement No. 123(R), "Share-Based Payments" using the attribution method for recognizing compensation expense.

(3) In-process research and development, ("IPR&D") reflects the amount allocated to IPR&D that F5 acquired in the Acopia acquisition. IPR&D represents the present value of estimated after-tax cash flows expected to be generated by purchased technology, which, at the acquisition date, had not yet reached technological feasibility and had no alternative future use.

GAAP to non-GAAP Reconciliation

F5's management evaluates and makes operating decisions using various operating measures. These measures are generally based on the revenues of its products, services operations and certain costs of those operations, such as cost of revenues, research and development, sales and marketing and general and administrative expenses. One such measure is net income excluding stock-based compensation and in-process research and development expenses, which is a non-GAAP financial measure under Section 101 of Regulation G under the Securities Exchange Act of 1934, as amended. This measure consists of GAAP net income excluding, as applicable, stock-based compensation and in-process research and development expense. Net income excluding stock-based compensation and in-process research and development expense (non-GAAP) is adjusted by the amount of additional taxes or tax benefit that the company would accrue if it used non-GAAP results instead of GAAP results to calculate the company's tax liability. Stock-based compensation is a non-cash expense that F5 has accounted for since July 1, 2005 in accordance with the fair value recognition provisions of Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment." In-process research and development expense ("IPR&D") is a non-recurring, non-cash expense which reflects the amount allocated to IPR&D that the company acquired in connection with its acquisition of Acopia Networks, Inc.

Management believes that net income excluding stock-based compensation and in-process research and development expense (non-GAAP) provides useful supplemental information to management and investors regarding the performance of the company's business operations and facilitates comparisons to the company's historical operating results. Although F5's management finds this non-GAAP measure to be useful in evaluating the performance of the business, management's reliance on this measure is limited because items excluded from such measures could have a material effect on F5's earnings and earnings per share calculated in accordance with GAAP. Therefore, F5's management will use its non-GAAP earnings and earnings per share measures, in conjunction with GAAP earnings and earnings per share measures, to address these limitations when evaluating the performance of the company's business. Investors should consider these non-GAAP measures in addition to, and not as a substitute for, financial performance measures in accordance with GAAP.

F5 believes that presenting its non-GAAP measure of earnings and earnings per share provides investors with an additional tool for evaluating the performance of the company's business, which management uses in its own evaluation of the company's performance. Investors are encouraged to look at GAAP results as the best measure of financial performance. For example, stock-based compensation is an obligation of the Company that should be considered and each line item is important to financial performance generally. However, while the GAAP results are more complete, the company provides investors this supplemental measure since, with reconciliation to GAAP, it may provide additional insight into its operational performance and financial results.