

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

	Three months ended December 31, 2018	Three months ended December 31, 2017
Net revenues		
Products.....	\$ 233,877	\$ 227,303
Services.....	309,893	295,888
Total.....	<u>543,770</u>	<u>523,191</u>
Cost of net revenues (1)(2)		
Products.....	42,410	43,265
Services.....	44,304	44,122
Total.....	<u>86,714</u>	<u>87,387</u>
Gross profit.....	457,056	435,804
Operating expenses (1)(2)		
Sales and marketing.....	164,259	167,934
Research and development.....	92,038	85,889
General and administrative.....	42,543	39,984
Total.....	<u>298,840</u>	<u>293,807</u>
Income from operations.....	158,216	141,997
Other income, net.....	7,095	2,145
Income before income taxes.....	165,311	144,142
Provision for income taxes.....	34,406	55,713
Net Income.....	<u>\$ 130,905</u>	<u>\$ 88,429</u>
Net income per share - basic.....	<u>\$ 2.17</u>	<u>\$ 1.42</u>
Weighted average shares - basic.....	<u>60,216</u>	<u>62,195</u>
Net income per share - diluted.....	<u>\$ 2.16</u>	<u>\$ 1.41</u>
Weighted average shares - diluted.....	<u>60,645</u>	<u>62,550</u>

Non-GAAP Financial Measures

Net income as reported.....	\$ 130,905	\$ 88,429
Stock-based compensation expense (3).....	38,689	40,948
Amortization of purchased intangible assets.....	1,774	2,805
Facility exit costs.....	2,456	-
Tax effects related to above items.....	(10,286)	(9,183)
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 and non-recurring tax expenses and benefits (non-GAAP) - diluted.....	<u>\$ 163,538</u>	<u>\$ 141,583</u>
Net income per share excluding stock-based compensation expense, amortization of purchased intangible assets, facility exit costs and non-recurring tax expenses and benefits (non-GAAP) - diluted.....	<u>\$ 2.70</u>	<u>\$ 2.26</u>
Weighted average shares - diluted.....	<u>60,645</u>	<u>62,550</u>

(1) Includes stock-based compensation as follows:

Cost of net revenues.....	\$ 5,088	\$ 5,450
Sales and marketing.....	15,519	15,478
Research and development.....	10,292	12,406
General and administrative.....	7,790	7,614
Total.....	<u>\$ 38,689</u>	<u>\$ 40,948</u>

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

Cost of net revenues.....	\$ 1,043	\$ 2,028
Sales and marketing.....	206	252
General and administrative.....	525	525
Total.....	<u>\$ 1,774</u>	<u>\$ 2,805</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")