

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
Net revenues				
Products.....	\$ 248,929	\$ 238,835	\$ 720,665	\$ 703,696
Services.....	314,465	303,368	931,394	895,002
Total.....	<u>563,394</u>	<u>542,203</u>	<u>1,652,059</u>	<u>1,598,698</u>
Cost of net revenues (1)(2)(3)				
Products.....	44,336	45,164	130,293	132,556
Services.....	46,431	45,845	135,366	135,485
Total.....	<u>90,767</u>	<u>91,009</u>	<u>265,659</u>	<u>268,041</u>
Gross profit.....	<u>472,627</u>	<u>451,194</u>	<u>1,386,400</u>	<u>1,330,657</u>
Operating expenses (1)(2)(3)(4)				
Sales and marketing.....	195,852	165,806	531,065	503,710
Research and development.....	116,894	94,061	305,246	271,006
General and administrative.....	57,141	39,374	146,340	118,634
Total.....	<u>369,887</u>	<u>299,241</u>	<u>982,651</u>	<u>893,350</u>
Income from operations.....	<u>102,740</u>	<u>151,953</u>	<u>403,749</u>	<u>437,307</u>
Other income, net.....	4,722	2,259	19,251	7,194
Income before income taxes.....	<u>107,462</u>	<u>154,212</u>	<u>423,000</u>	<u>444,501</u>
Provision for income taxes.....	21,557	31,469	90,103	123,693
Net income.....	<u>\$ 85,905</u>	<u>\$ 122,743</u>	<u>\$ 332,897</u>	<u>\$ 320,808</u>
Net income per share - basic.....	<u>\$ 1.43</u>	<u>\$ 2.01</u>	<u>\$ 5.55</u>	<u>\$ 5.21</u>
Weighted average shares - basic.....	<u>59,981</u>	<u>60,970</u>	<u>59,963</u>	<u>61,531</u>
Net income per share - diluted.....	<u>\$ 1.43</u>	<u>\$ 1.99</u>	<u>\$ 5.51</u>	<u>\$ 5.16</u>
Weighted average shares - diluted.....	<u>60,196</u>	<u>61,633</u>	<u>60,372</u>	<u>62,214</u>
Non-GAAP Financial Measures				
Net income as reported.....	<u>\$ 85,905</u>	<u>\$ 122,743</u>	<u>\$ 332,897</u>	<u>\$ 320,808</u>
Stock-based compensation expense (5).....	40,999	38,739	119,182	121,007
Amortization of purchased intangible assets.....	3,712	2,803	7,260	8,413
Facility-exit costs.....	8,704	-	13,752	-
Acquisition-related charges.....	30,133	-	33,663	-
Tax effects related to above items.....	(17,919)	(14,139)	(37,241)	(33,788)
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>\$ 151,534</u>	<u>\$ 150,146</u>	<u>\$ 469,513</u>	<u>\$ 435,024</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>\$ 2.52</u>	<u>\$ 2.44</u>	<u>\$ 7.78</u>	<u>\$ 6.99</u>
Weighted average shares - diluted.....	<u>60,196</u>	<u>61,633</u>	<u>60,372</u>	<u>62,214</u>
(1) Includes stock-based compensation expense as follows:				
Cost of net revenues.....	\$ 5,118	\$ 4,947	\$ 15,152	\$ 15,940
Sales and marketing.....	17,767	16,153	49,645	47,186
Research and development.....	10,037	11,532	30,598	36,435
General and administrative.....	8,077	6,107	23,787	21,446
Total.....	<u>\$ 40,999</u>	<u>\$ 38,739</u>	<u>\$ 119,182</u>	<u>\$ 121,007</u>
(2) Includes amortization of purchased intangible assets as follows:				
Cost of net revenues.....	\$ 2,471	\$ 2,027	\$ 4,557	\$ 6,083
Sales and marketing.....	710	251	1,122	755
General and administrative.....	531	525	1,581	1,575
Total.....	<u>\$ 3,712</u>	<u>\$ 2,803</u>	<u>\$ 7,260</u>	<u>\$ 8,413</u>
(3) Includes facility-exit costs as follows:				
Cost of net revenues.....	\$ 1,026	\$ -	\$ 1,714	\$ -
Sales and marketing.....	2,021	-	3,632	-
Research and development.....	3,605	-	5,591	-
General and administrative.....	2,052	-	2,815	-
Total.....	<u>\$ 8,704</u>	<u>\$ -</u>	<u>\$ 13,752</u>	<u>\$ -</u>
(4) Includes acquisition-related charges as follows:				
Sales and marketing.....	\$ 6,106	\$ -	\$ 6,106	\$ -
Research and development.....	16,116	-	16,116	-
General and administrative.....	7,911	-	11,441	-
Total.....	<u>\$ 30,133</u>	<u>\$ -</u>	<u>\$ 33,663</u>	<u>\$ -</u>
(5) 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")				