

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

Three Months Ended

December 31,

2020 **2019**

Net revenues		
Products (1).....	\$ 288,045	\$ 234,536
Services.....	336,572	334,769
Total.....	<u>624,617</u>	<u>569,305</u>
Cost of net revenues (2)(3)(4)(5)		
Products.....	67,038	42,118
Services.....	47,941	46,524
Total.....	<u>114,979</u>	<u>88,642</u>
Gross profit.....	<u>509,638</u>	<u>480,663</u>
Operating expenses (2)(3)(4)(5)		
Sales and marketing.....	214,546	195,519
Research and development.....	114,191	96,005
General and administrative.....	63,153	59,004
Restructuring charges.....	-	7,800
Total.....	<u>391,890</u>	<u>358,328</u>
Income from operations.....	117,748	122,335
Other income, net.....	(683)	5,220
Income before income taxes.....	117,065	127,555
Provision for income taxes.....	29,387	29,028
Net income.....	<u>\$ 87,678</u>	<u>\$ 98,527</u>
Net income per share - basic.....	<u>\$ 1.43</u>	<u>\$ 1.62</u>
Weighted average shares - basic.....	<u>61,440</u>	<u>60,649</u>
Net income per share - diluted.....	<u>\$ 1.41</u>	<u>\$ 1.62</u>
Weighted average shares - diluted.....	<u>62,282</u>	<u>60,815</u>

Non-GAAP Financial Measures

Net income as reported.....	\$ 87,678	\$ 98,527
Acquisition-related write-downs of assumed deferred revenue.....	1,283	-
Stock-based compensation expense.....	58,069	47,661
Amortization of purchased intangible assets.....	10,706	4,588
Facility-exit costs.....	1,336	1,757
Acquisition-related charges.....	17,665	8,266
Restructuring charges.....	-	7,800
Tax effects related to above items.....	(15,273)	(13,234)
Net income excluding acquisition-related write-downs of assumed deferred revenue, stock-based compensation expense, amortization of purchased intangible assets, facility-exit costs, acquisition-related charges and restructuring charges (non-GAAP) - diluted.....	<u>\$ 161,464</u>	<u>\$ 155,365</u>

Net income per share excluding acquisition-related write-downs of assumed deferred revenue, stock-based compensation expense, amortization of purchased intangible assets, facility-exit costs, acquisition-related charges and restructuring charges (non-GAAP) - diluted.....	<u>\$ 2.59</u>	<u>\$ 2.55</u>
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Weighted average shares - diluted.....	<u>62,282</u>	<u>60,815</u>
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(1) GAAP net product revenues.....	\$ 288,045	\$ 234,536
Acquisition-related write-downs of assumed deferred revenue.....	1,283	-
Non-GAAP net product revenues.....	<u>289,328</u>	<u>234,536</u>
GAAP net service revenues.....	336,572	334,769
Acquisition-related write-downs of assumed deferred revenue.....	-	-
Non-GAAP net service revenues.....	<u>336,572</u>	<u>334,769</u>
Total non-GAAP net revenues.....	<u>\$ 625,900</u>	<u>\$ 569,305</u>

(2) Includes stock-based compensation expense as follows:		
Cost of net revenues.....	\$ 7,342	\$ 5,489
Sales and marketing.....	25,243	21,766
Research and development.....	14,987	11,202
General and administrative.....	10,497	9,204
	<u>\$ 58,069</u>	<u>\$ 47,661</u>

(3) Includes amortization of purchased intangible assets as follows:		
Cost of net revenues.....	\$ 7,382	\$ 3,097
Sales and marketing.....	2,749	961
General and administrative.....	575	530
	<u>\$ 10,706</u>	<u>\$ 4,588</u>

(4) Includes facility-exit costs as follows:		
Cost of net revenues.....	\$ 172	\$ 321
Sales and marketing.....	406	686
Research and development.....	334	745
General and administrative.....	424	5
	<u>\$ 1,336</u>	<u>\$ 1,757</u>

(5) Includes acquisition-related charges as follows:		
Cost of net revenues.....	\$ 2,490	\$ -
Sales and marketing.....	4,771	409
Research and development.....	4,393	34
General and administrative.....	6,011	7,823
	<u>\$ 17,665</u>	<u>\$ 8,266</u>