

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

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Net revenues				
Products (1).....	\$ 253,331	\$ 248,929	\$ 747,405	\$ 720,665
Services.....	329,921	314,465	988,601	931,394
Total.....	<u>583,252</u>	<u>563,394</u>	<u>1,736,006</u>	<u>1,652,059</u>
Cost of net revenues (2)(3)(4)(5)				
Products.....	57,437	44,336	152,641	130,293
Services.....	48,603	46,431	143,279	135,366
Total.....	<u>106,040</u>	<u>90,767</u>	<u>295,920</u>	<u>265,659</u>
Gross profit.....	<u>477,212</u>	<u>472,627</u>	<u>1,440,086</u>	<u>1,386,400</u>
Operating expenses (2)(3)(4)(5)				
Sales and marketing.....	211,808	195,852	622,799	531,065
Research and development.....	115,991	116,894	321,024	305,246
General and administrative.....	61,792	57,141	194,809	146,340
Restructuring charges.....	-	-	7,800	-
Total.....	<u>389,591</u>	<u>369,887</u>	<u>1,146,432</u>	<u>982,651</u>
Income from operations.....	87,621	102,740	293,654	403,749
Other income, net.....	141	4,722	5,220	19,251
Income before income taxes.....	87,762	107,462	298,874	423,000
Provision for income taxes.....	17,890	21,557	69,096	90,103
Net income.....	<u>\$ 69,872</u>	<u>\$ 85,905</u>	<u>\$ 229,778</u>	<u>\$ 332,897</u>
Net income per share - basic.....	<u>\$ 1.15</u>	<u>\$ 1.43</u>	<u>\$ 3.78</u>	<u>\$ 5.55</u>
Weighted average shares - basic.....	<u>60,978</u>	<u>59,981</u>	<u>60,831</u>	<u>59,963</u>
Net income per share - diluted.....	<u>\$ 1.14</u>	<u>\$ 1.43</u>	<u>\$ 3.76</u>	<u>\$ 5.51</u>
Weighted average shares - diluted.....	<u>61,415</u>	<u>60,196</u>	<u>61,182</u>	<u>60,372</u>
Non-GAAP Financial Measures				
Net income as reported.....	\$ 69,872	\$ 85,905	\$ 229,778	\$ 332,897
Acquisition-related write-downs of assumed deferred revenue.....	2,670	-	4,861	-
Stock-based compensation expense.....	50,868	40,999	149,751	119,182
Amortization of purchased intangible assets.....	10,676	3,712	23,884	7,260
Facility-exit costs.....	2,545	8,704	5,556	13,752
Acquisition-related charges.....	13,443	30,133	45,162	33,663
Restructuring charges.....	-	-	7,800	-
Tax effects related to above items.....	(16,044)	(17,919)	(41,450)	(37,241)
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, restructuring charges and non-recurring tax expenses and benefits (non-GAAP) - diluted.....	<u>\$ 134,030</u>	<u>\$ 151,534</u>	<u>\$ 425,342</u>	<u>\$ 469,513</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, restructuring charges and non-recurring tax expenses and benefits (non-GAAP) - diluted.....	<u>\$ 2.18</u>	<u>\$ 2.52</u>	<u>\$ 6.95</u>	<u>\$ 7.78</u>
Weighted average shares - diluted.....	<u>61,415</u>	<u>60,196</u>	<u>61,182</u>	<u>60,372</u>
(1) GAAP net product revenues.....	\$ 253,331	\$ 248,929	\$ 747,405	\$ 720,665
Acquisition-related write-downs of assumed deferred revenue.....	2,670	-	4,861	-
Non-GAAP net product revenues.....	<u>256,001</u>	<u>248,929</u>	<u>752,266</u>	<u>720,665</u>
GAAP net service revenues.....	329,921	314,465	988,601	931,394
Acquisition-related write-downs of assumed deferred revenue.....	-	-	-	-
Non-GAAP net service revenues.....	<u>329,921</u>	<u>314,465</u>	<u>988,601</u>	<u>931,394</u>
Total non-GAAP net revenues.....	<u>\$ 585,922</u>	<u>\$ 563,394</u>	<u>\$ 1,740,867</u>	<u>\$ 1,652,059</u>
(2) Includes stock-based compensation expense as follows:				
Cost of net revenues.....	\$ 6,771	\$ 5,118	\$ 18,694	\$ 15,152
Sales and marketing.....	21,784	17,767	66,188	49,645
Research and development.....	13,145	10,037	36,904	30,598
General and administrative.....	9,168	8,077	27,965	23,787
Total.....	<u>\$ 50,868</u>	<u>\$ 40,999</u>	<u>\$ 149,751</u>	<u>\$ 119,182</u>
(3) Includes amortization of purchased intangible assets as follows:				
Cost of net revenues.....	\$ 7,382	\$ 2,471	\$ 16,432	\$ 4,557
Sales and marketing.....	2,749	710	5,863	1,122
General and administrative.....	545	531	1,589	1,581
Total.....	<u>\$ 10,676</u>	<u>\$ 3,712</u>	<u>\$ 23,884</u>	<u>\$ 7,260</u>
(4) Includes facility-exit costs as follows:				
Cost of net revenues.....	\$ 342	\$ 1,026	\$ 843	\$ 1,714
Sales and marketing.....	751	2,021	1,828	3,632
Research and development.....	776	3,605	1,929	5,591
General and administrative.....	676	2,052	956	2,815
Total.....	<u>\$ 2,545</u>	<u>\$ 8,704</u>	<u>\$ 5,556</u>	<u>\$ 13,752</u>
(5) Includes acquisition-related charges as follows:				
Cost of net revenues.....	\$ -	\$ -	\$ 13	\$ -
Sales and marketing.....	5,675	6,106	9,448	6,106
Research and development.....	547	16,116	1,327	16,116
General and administrative.....	7,221	7,911	34,374	11,441
Total.....	<u>\$ 13,443</u>	<u>\$ 30,133</u>	<u>\$ 45,162</u>	<u>\$ 33,663</u>