

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

	Three Months Ended September 30,		Twelve Months Ended September 30,	
	2016	2015	2016	2015
Net revenues				
Products.....	\$ 252,984	\$ 257,719	\$ 944,469	\$ 991,539
Services.....	272,365	243,582	1,050,565	928,284
Total.....	<u>525,349</u>	<u>501,301</u>	<u>1,995,034</u>	<u>1,919,823</u>
Cost of net revenues (1)(2)				
Products.....	43,591	44,505	166,624	174,225
Services.....	41,358	40,153	170,581	158,036
Total.....	<u>84,949</u>	<u>84,658</u>	<u>337,205</u>	<u>332,261</u>
Gross Profit.....	<u>440,400</u>	<u>416,643</u>	<u>1,657,829</u>	<u>1,587,562</u>
Operating expenses (1)(2)				
Sales and marketing.....	158,198	151,653	628,743	602,540
Research and development.....	83,746	77,665	334,227	296,583
General and administrative.....	35,193	39,726	138,431	135,540
Litigation expense.....	630	-	9,051	-
Total.....	<u>277,767</u>	<u>269,044</u>	<u>1,110,452</u>	<u>1,034,663</u>
Income from operations.....	162,633	147,599	547,377	552,899
Other income, net.....	268	1,865	2,514	8,445
Income before income taxes.....	<u>162,901</u>	<u>149,464</u>	<u>549,891</u>	<u>561,344</u>
Provision for income taxes.....	53,966	52,427	184,036	196,330
Net Income.....	<u>\$ 108,935</u>	<u>\$ 97,037</u>	<u>\$ 365,855</u>	<u>\$ 365,014</u>
Net income per share - basic.....	<u>\$ 1.66</u>	<u>\$ 1.37</u>	<u>\$ 5.43</u>	<u>\$ 5.07</u>
Weighted average shares - basic.....	<u>65,772</u>	<u>70,679</u>	<u>67,433</u>	<u>71,944</u>
Net income per share - diluted.....	<u>\$ 1.64</u>	<u>\$ 1.36</u>	<u>\$ 5.38</u>	<u>\$ 5.03</u>
Weighted average shares - diluted.....	<u>66,262</u>	<u>71,098</u>	<u>67,984</u>	<u>72,547</u>
Non-GAAP Financial Measures				
Net income as reported.....	\$ 108,935	\$ 97,037	\$ 365,855	\$ 365,014
Stock-based compensation expense (3).....	38,317	41,634	156,760	145,553
Amortization of purchased intangible assets.....	3,462	3,409	13,902	13,231
Litigation expense.....	630	-	9,051	-
Tax effects related to above items.....	(11,433)	(11,414)	(49,385)	(43,461)
Net income excluding stock-based compensation expense, amortization of purchased intangible assets and litigation expense (non-GAAP) - diluted.....	<u>\$ 139,911</u>	<u>\$ 130,666</u>	<u>\$ 496,183</u>	<u>\$ 480,337</u>
Net income per share excluding stock-based compensation expense, amortization of purchased intangible assets and litigation expense (non-GAAP) - diluted.....	<u>\$ 2.11</u>	<u>\$ 1.84</u>	<u>\$ 7.30</u>	<u>\$ 6.62</u>
Weighted average shares - diluted.....	<u>66,262</u>	<u>71,098</u>	<u>67,984</u>	<u>72,547</u>
(1) Includes stock-based compensation as follows:				
Cost of net revenues.....	\$ 4,601	\$ 3,723	\$ 18,530	\$ 14,220
Sales and marketing.....	15,203	13,992	61,165	56,754
Research and development.....	12,949	11,629	52,550	46,129
General and administrative.....	5,564	12,290	24,515	28,450
Total.....	<u>\$ 38,317</u>	<u>\$ 41,634</u>	<u>\$ 156,760</u>	<u>\$ 145,553</u>
(2) Includes amortization of purchased intangible assets as follows:				
Cost of net revenues.....	\$ 2,706	\$ 2,682	\$ 10,705	\$ 10,650
Sales and marketing.....	391	487	1,850	1,946
General and administrative.....	365	240	1,347	635
Total.....	<u>\$ 3,462</u>	<u>\$ 3,409</u>	<u>\$ 13,902</u>	<u>\$ 13,231</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")