

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

| | Three Months Ended December 31, | |
|---|------------------------------------|------------|
| | 2019 | 2018 |
| Net revenues | | |
| Products..... | \$ 234,536 | \$ 233,877 |
| Services..... | 334,769 | 309,893 |
| Total..... | 569,305 | 543,770 |
| Cost of net revenues (1)(2)(3) | | |
| Products..... | 42,118 | 42,410 |
| Services..... | 46,524 | 44,304 |
| Total..... | 88,642 | 86,714 |
| Gross profit..... | 480,663 | 457,056 |
| Operating expenses (1)(2)(3)(4) | | |
| Sales and marketing..... | 195,519 | 164,259 |
| Research and development..... | 96,005 | 92,038 |
| General and administrative..... | 59,004 | 42,543 |
| Restructuring charges..... | 7,800 | - |
| Total..... | 358,328 | 298,840 |
| Income from operations..... | 122,335 | 158,216 |
| Other income, net..... | 5,220 | 7,095 |
| Income before income taxes..... | 127,555 | 165,311 |
| Provision for income taxes..... | 29,028 | 34,406 |
| Net income..... | \$ 98,527 | \$ 130,905 |
| Net income per share - basic..... | \$ 1.62 | \$ 2.17 |
| Weighted average shares - basic..... | 60,649 | 60,216 |
| Net income per share - diluted..... | \$ 1.62 | \$ 2.16 |
| Weighted average shares - diluted..... | 60,815 | 60,645 |
| Non-GAAP Financial Measures | | |
| Net income as reported..... | \$ 98,527 | \$ 130,905 |
| Stock-based compensation expense (5)..... | 47,661 | 38,689 |
| Amortization of purchased intangible assets..... | 4,588 | 1,774 |
| Facility-exit costs..... | 1,757 | 2,456 |
| Acquisition-related charges..... | 8,266 | - |
| Restructuring charges..... | 7,800 | - |
| Tax effects related to above items..... | (13,234) | (10,286) |
| Net income excluding 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..... | \$ 155,365 | \$ 163,538 |
| Net income per share excluding 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..... | \$ 2.55 | \$ 2.70 |
| Weighted average shares - diluted..... | 60,815 | 60,645 |
| (1) Includes stock-based compensation expense as follows: | | |
| Cost of net revenues..... | \$ 5,489 | \$ 5,088 |
| Sales and marketing..... | 21,766 | 15,519 |
| Research and development..... | 11,202 | 10,292 |
| General and administrative..... | 9,204 | 7,790 |
| | \$ 47,661 | \$ 38,689 |
| (2) Includes amortization of purchased intangible assets as follows: | | |
| Cost of net revenues..... | \$ 3,097 | \$ 1,043 |
| Sales and marketing..... | 961 | 206 |
| General and administrative..... | 530 | 525 |
| | \$ 4,588 | \$ 1,774 |
| (3) Includes facility-exit costs as follows: | | |
| Cost of net revenues..... | \$ 321 | \$ 343 |
| Sales and marketing..... | 686 | 868 |
| Research and development..... | 745 | 920 |
| General and administrative..... | 5 | 325 |
| | \$ 1,757 | \$ 2,456 |
| (4) Includes acquisition-related charges as follows: | | |
| Sales and marketing..... | \$ 409 | \$ - |
| Research and development..... | 34 | - |
| General and administrative..... | 7,823 | - |
| | \$ 8,266 | \$ - |

(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")