

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.....	<u>569,305</u>	<u>543,770</u>
Cost of net revenues (1)(2)(3)		
Products.....	42,118	42,410
Services.....	46,524	44,304
Total.....	<u>88,642</u>	<u>86,714</u>
Gross profit.....	<u>480,663</u>	<u>457,056</u>
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.....	<u>358,328</u>	<u>298,840</u>
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.....	<u>\$ 98,527</u>	<u>\$ 130,905</u>
Net income per share - basic.....	<u>\$ 1.62</u>	<u>\$ 2.17</u>
Weighted average shares - basic.....	<u>60,649</u>	<u>60,216</u>
Net income per share - diluted.....	<u>\$ 1.62</u>	<u>\$ 2.16</u>
Weighted average shares - diluted.....	<u>60,815</u>	<u>60,645</u>

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.....	<u>\$ 155,365</u>	<u>\$ 163,538</u>
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.....	<u>\$ 2.55</u>	<u>\$ 2.70</u>
Weighted average shares - diluted.....	<u>60,815</u>	<u>60,645</u>

(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
Total.....	<u>\$ 47,661</u>	<u>\$ 38,689</u>

(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
Total.....	<u>\$ 4,588</u>	<u>\$ 1,774</u>

(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
Total.....	<u>\$ 1,757</u>	<u>\$ 2,456</u>

(4) Includes acquisition-related charges as follows:

Sales and marketing.....	\$ 409	\$ -
Research and development.....	34	-
General and administrative.....	7,823	-
Total.....	<u>\$ 8,266</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")