

Blue Coat Reports Financial Results for Second Fiscal Quarter Ended October 31, 2009

SUNNYVALE, Calif., November 24, 2009 – Blue Coat Systems, Inc. (Nasdaq: BCSI), the technology leader in [Application Delivery Networking](#), today reported its financial results for its second fiscal quarter ended October 31, 2009. Total net revenue for the second quarter of fiscal 2010 was \$120.4 million, an increase of 1% compared with net revenue of \$119.0 million in the second quarter of fiscal 2009, and an increase of 4% compared with net revenue of \$116.0 million in the first quarter of fiscal 2010.

“I am very pleased with Blue Coat’s financial performance in the second quarter, and believe it further validates that our unique Application Delivery Network strategy is resonating strongly in the market,” said Brian NeSmith, president and chief executive officer, Blue Coat Systems. “In the quarter, we experienced solid sequential revenue growth in North America and in Europe. We saw strong demand in both the U.S. Federal and enterprise segments of our business for Application Delivery Network solutions, which help contain network and bandwidth costs, enhance business productivity, and mitigate exposure to evolving threat environments.”

On a GAAP basis, the Company reported net income of \$8.4 million, or \$0.19 per diluted share, in the second quarter of fiscal 2010, compared with net loss of \$0.3 million, or \$(0.01) per diluted share, in the second quarter of fiscal 2009, and net income of \$4.0 million, or \$0.09 per diluted share, in the first quarter of fiscal 2010.

The Company reported non-GAAP net income of \$13.1 million, or \$0.29 per diluted share, in the second quarter of fiscal 2010, compared with non-GAAP net income of \$11.6 million, or \$0.27 per diluted share, in the second quarter of fiscal 2009, and non-GAAP net income of \$10.1 million, or \$0.23 per diluted share, in the first quarter of fiscal 2010.

“Blue Coat’s second quarter results featured strong improvement in operating profitability, which is an important initiative for the company in Fiscal 2010,” said Gordon Brooks, senior vice president and chief financial officer, Blue Coat Systems. “In the quarter, our non-GAAP operating margin percentage increased sequentially 300 basis points to 15.5% compared with 12.5% in the prior quarter. This improvement further highlights our commitment to increasing operating profitability.”

Non-GAAP net income excludes charges related to the fair value write-up of acquired inventory sold, stock-based compensation expense, amortization of intangible assets, expenses for matters related to the stock option investigation, and restructuring expenses, and assumes a long-term effective tax rate of 30% on non-GAAP pre-tax income. A discussion of non-GAAP financial measures is provided under the section “About Non-GAAP Financial Measures” later in this press release. A detailed reconciliation of the GAAP to non-GAAP financial measures is included in Table 2 of this press release.

The Company ended the quarter on October 31, 2009, with cash, cash equivalents, and restricted cash of \$142.5 million, an increase of \$19.8 million from the prior quarter. Cash flow provided by operations in the second quarter of fiscal 2010 was \$18.2 million.

Financial Outlook

For the third fiscal quarter ending January 31, 2010, the Company currently expects net revenue in the range of \$121 to \$126 million. On a GAAP basis, the Company currently expects net income of \$0.01 to \$0.12 per diluted share. On a non-GAAP basis, the Company currently expects net income of \$0.31 to \$0.36 per diluted share. For the third quarter of fiscal 2010, the Company is assuming a diluted share count of approximately 46.5 million shares. The increased range in GAAP net income per diluted share is due to the variability of the timing of restructuring expenses.

About Non-GAAP Financial Measures

The Company uses non-GAAP financial measures of income for internal evaluation and to report the results of its business. These non-GAAP financial measures include non-GAAP gross profit, non-GAAP operating income, non-GAAP net income, and non-GAAP diluted net income per share. These measures are not in accordance with, nor an alternative to, U.S. generally accepted accounting principles or GAAP. These measures are intended to supplement GAAP financial information, and may be different from non-GAAP financial measures used by other companies. The Company believes that these measures provide useful information to its management, board of directors and investors regarding its ongoing operating activities and business trends related to its financial condition and results of operations. The Company believes that it is useful to provide investors with information to understand how specific line items in the statement of operations are affected by certain items, such as the fair value write-up of acquired inventory sold, stock-based compensation expense, amortization of intangible assets, expenses for matters related to the stock option investigation, restructuring expenses, and related income tax adjustments. In addition, the Company's management and board of directors use these non-GAAP financial measures in developing operating budgets and in reviewing the Company's financial results of operations, since items such as expense related to the fair value write-up of acquired inventory sold, stock-based compensation expense, amortization of intangible assets, expenses for matters related to the stock option investigation, restructuring expenses, and related income tax adjustments do not impact its current resource allocation decisions. Additionally, the Company believes that inclusion of these non-GAAP financial measures provides consistency and comparability with its past reports of financial results. However, investors should be aware that non-GAAP measures have inherent limitations and should be read in conjunction with the Company's consolidated financial statements prepared in accordance with GAAP. Refer to the accompanying tables for a detailed reconciliation of GAAP to non-GAAP gross profit, operating income, net income and net income per share.

Conference Call & Webcast

Blue Coat will hold its quarterly conference call to discuss results for the second quarter of fiscal 2010 and the outlook for the third quarter of fiscal 2010 on Tuesday, November 24, 2009 at 5:00 p.m. ET (2:00 p.m. PT). Participants in the United States should call (800) 230-1092. International participants should call (612) 234-9959. The passcode for the call is: 122333. The conference call can also be accessed

through an audio webcast from the Company's website, www.bluecoat.com/company/investorrelations. A replay of the call will be available starting on Tuesday, November 24, 2009 at 8:00 p.m. ET (5:00 p.m. PT), and can be accessed by calling (800) 475-6701 for U.S. participants and (320) 365-3844 for international participants. The passcode for the replay is 122333. An audio Webcast of the call will also be available at www.bluecoat.com/company/investorrelations

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Boiler Plate:

About Blue Coat Systems

Blue Coat Systems is the technology leader in Application Delivery Networking. Blue Coat offers an Application Delivery Network Infrastructure that provides the visibility, acceleration and security required to optimize and secure the flow of information to any user, on any network, anywhere. This application intelligence enables enterprises to tightly align network investments with business requirements, speed decision making and secure business applications for long-term competitive advantage. For additional information, please visit www.bluecoat.com.

Forwarding Statement:

FORWARD LOOKING STATEMENTS: This document contains certain forward looking statements. All statements other than statements of historical fact are statements that could be deemed forward-looking statements including: statements regarding our business outlook, future financial and operating results; any statements of expectation or belief; any statements regarding plans, strategies and objectives of management for future operations; and any statements of assumptions underlying any of the foregoing. Risks, uncertainties and assumptions include the risks that are described from time to time in the Securities and Exchange Commission reports filed by the Company, including but not limited to the risks described in the Company's most recent reports on Form 10-K and Form 10-Q, particularly under the heading "Risk Factors." Accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what impact they will have on the results of operations or financial condition of the Company. The Company assumes no obligation and does not intend to update these forward-looking statements except as required by applicable law after the date on which it was made.

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