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**F5 Networks Announces Results for First Quarter of Fiscal 2012**

**SEATTLE, WA—January 19, 2012—** For the first quarter of fiscal 2012, F5 Networks, Inc. (NASDAQ: FFIV) announced revenue of \$322.4 million, up 2.5 percent from \$314.6 million in the prior quarter and 19.9 percent from \$268.9 million in the first quarter of fiscal 2011.

GAAP net income was \$66.5 million (\$0.83 per diluted share), compared to \$67.6 million (\$0.84 per diluted share) in the prior quarter and \$55.7 million (\$0.68 per diluted share) in the first quarter a year ago.

Excluding the impact of stock-based compensation net of tax, non-GAAP net income was \$82.2 million (\$1.03 per diluted share), compared to \$85.2 million (\$1.06 per diluted share) in the prior quarter and \$72.2 million (\$0.88 per diluted share) in the first quarter of last year.

A reconciliation of GAAP net income to non-GAAP net income is included on the attached Consolidated Statements of Operations.

“Strong sales in APAC, Japan, and particularly North America offset the seasonal slowdown that typically characterizes the first quarter of a new fiscal year. We were also pleased that sales in the EMEA region exceeded our expectations,” said John McAdam, F5 president and chief executive officer.

“Strength in product sales was driven in part by growing demand for VIPRION 2400, our recently introduced midrange chassis product, across all regions and vertical markets. As a result, sales of all VIPRION products nearly tripled compared to the first quarter of fiscal 2011.

“In addition, sales of our vCMP (Virtual Clustered Multiprocessing) module, which enables customers to run multiple virtual BIG-IPs on a single VIPRION, were very strong during the quarter. Increasing attach rates for Application Security Manager, Access Policy Manager and other BIG-IP software modules also boosted sales, and demand for BIG-IP virtual editions continued to outpace our expectations.”

F5 achieved a non-GAAP operating margin of 37.8 percent, while adding 125 employees during the quarter. The company also continued to strengthen its financial position during the quarter, generating \$132 million in cash from operations. After repurchasing 320,100 shares of

its outstanding common stock the company ended the quarter with \$1.11 billion in cash and investments.

For the current quarter, ending March 31, management has set a revenue goal of \$332 million to \$337 million with a GAAP earnings target of \$0.84 to \$0.86 per diluted share. Excluding stock-based compensation expense, the company's non-GAAP earnings target is \$1.05 to \$1.07 per diluted share.

A reconciliation of the company's expected GAAP and non-GAAP earnings is provided in the following table:

<b>Three months ended March 31, 2012</b>		
<b>Reconciliation of Expected Non-GAAP Second Quarter Earnings</b>	<b>Low</b>	<b>High</b>
Net income	\$67.6	\$69.2
Stock-based compensation expense, net of tax	<u>\$16.9</u>	<u>\$16.9</u>
Non-GAAP net income excluding stock-based compensation expense	<u>\$84.5</u>	<u>\$86.1</u>
Net income per share - diluted	<u>\$0.84</u>	<u>\$0.86</u>
Non-GAAP net income per share - diluted	<u>\$1.05</u>	<u>\$1.07</u>

### **About F5 Networks**

F5 Networks, Inc., the global leader in Application Delivery Networking (ADN), helps the world's largest enterprises and service providers realize the full value of virtualization, cloud computing, and on-demand IT. F5® solutions help integrate disparate technologies to provide greater control of the infrastructure, improve application delivery and data management, and give users seamless, secure, and accelerated access to applications from their corporate desktops and smart devices. An open architectural framework enables F5 customers to apply business policies at "strategic points of control" across the IT infrastructure and into the public cloud. F5 products give customers the agility they need to align IT with changing business conditions, deploy scalable solutions on demand, and manage mobile access to data and services. Enterprises, service and cloud providers, and leading online companies worldwide rely on F5 to optimize their IT investments and drive business forward. For more information, go to [www.f5.com](http://www.f5.com).

You can also follow @f5networks on Twitter or visit us on Facebook for more information about F5, its partners, and technology. For a complete listing of F5 community sites, please visit [www.f5.com/news-press-events/web-media/community.html](http://www.f5.com/news-press-events/web-media/community.html).

## **Forward Looking Statements**

Statements in this press release concerning the continuing strength of F5's business, sequential growth, the target revenue and earnings range, share amount and share price assumptions, demand for application delivery networking and storage virtualization products and other statements that are not historical facts are forward-looking statements. Such forward-looking statements involve risks and uncertainties, as well as assumptions and other factors that, if they do not fully materialize or prove correct, could cause the actual results, performance or achievements of the company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to: customer acceptance of our new traffic management, security, application delivery, WAN optimization and storage virtualization offerings; the timely development, introduction and acceptance of additional new products and features by F5 or its competitors; competitive pricing pressures; increased sales discounts; uncertain global economic conditions which may result in reduced customer demand for our products and services and changes in customer payment patterns; F5's ability to sustain, develop and effectively utilize distribution relationships; F5's ability to attract, train and retain qualified product development, marketing, sales, professional services and customer support personnel; F5's ability to expand in international markets; the unpredictability of F5's sales cycle; the share repurchase program; future prices of F5's common stock; and other risks and uncertainties described more fully in our documents filed with or furnished to the Securities and Exchange Commission. All forward-looking statements in this press release are based on information available as of the date hereof and qualified in their entirety by this cautionary statement. F5 assumes no obligation to revise or update these forward-looking statements.

## **GAAP to non-GAAP Reconciliation**

F5's management evaluates and makes operating decisions using various operating measures. These measures are generally based on the revenues of its products, services operations and certain costs of those operations, such as cost of revenues, research and development, sales and marketing and general and administrative expenses. One such measure is net income excluding stock-based compensation, which is a non-GAAP financial measure under Section 101 of Regulation G under the Securities Exchange Act of 1934, as amended. This measure consists of GAAP net income excluding, as applicable, stock-based compensation. Net income excluding stock-based compensation (non-GAAP) is adjusted by the amount of additional taxes or tax benefit that the company would accrue if it used non-GAAP results instead of GAAP results to calculate the company's tax liability. Stock-based compensation is a non-cash expense that F5 has accounted for since July 1, 2005 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”).

Management believes that net income excluding stock-based compensation (non-GAAP) provides useful supplemental information to management and investors regarding the performance of the company’s business operations and facilitates comparisons to the company’s historical operating results. Although F5’s management finds this non-GAAP measure to be useful in evaluating the performance of the business, management’s reliance on this measure is limited because items excluded from such measures could have a material effect on F5’s earnings and earnings per share calculated in accordance with GAAP. Therefore, F5’s management will use its non-GAAP earnings and earnings per share measures, in conjunction with GAAP earnings and earnings per share measures, to address these limitations when evaluating the performance of the company’s business. Investors should consider these non-GAAP measures in addition to, and not as a substitute for, financial performance measures in accordance with GAAP.

F5 believes that presenting its non-GAAP measure of earnings and earnings per share provides investors with an additional tool for evaluating the performance of the company’s business and which management uses in its own evaluation of the company’s performance. Investors are encouraged to look at GAAP results as the best measure of financial performance. For example, stock-based compensation is an obligation of the company that should be considered and each line item is important to financial performance generally. However, while the GAAP results are more complete, the company provides investors this supplemental measure since, with reconciliation to GAAP, it may provide additional insight into its operational performance and financial results.

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**F5 Networks, Inc.**  
**Condensed Consolidated Balance Sheets**  
(unaudited, in thousands)

	<u>December 31,</u> <u>2011</u>	<u>September 30,</u> <u>2011</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents .....	\$ 257,488	\$ 216,784
Short-term investments .....	299,049	325,766
Accounts receivable, net of allowances of \$3,035 and \$2,898 .....	187,862	165,676
Inventories .....	17,493	17,149
Deferred tax assets .....	8,604	8,391
Other current assets .....	33,606	29,907
Total current assets .....	<u>804,102</u>	<u>763,673</u>
Property and equipment, net .....	50,870	47,998
Long-term investments .....	558,307	470,203
Deferred tax assets .....	35,172	34,762
Goodwill .....	234,691	234,691
Other assets, net .....	15,547	17,222
Total assets .....	<u>\$ 1,698,689</u>	<u>\$ 1,568,549</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable .....	\$ 32,566	\$ 33,525
Accrued liabilities .....	97,368	67,902
Deferred revenue .....	302,820	270,880
Total current liabilities .....	<u>432,754</u>	<u>372,307</u>
Other long-term liabilities .....	18,536	18,388
Deferred revenue, long-term .....	77,209	72,418
Total long-term liabilities .....	<u>95,745</u>	<u>90,806</u>
Commitments and contingencies		
Shareholders' equity		
Preferred stock, no par value; 10,000 shares authorized, no shares outstanding .....	-	-
Common stock, no par value; 200,000 shares authorized 79,169 and 79,145 shares issued and outstanding .....	379,349	380,737
Accumulated other comprehensive loss .....	(6,772)	(6,422)
Retained earnings .....	797,613	731,121
Total shareholders' equity .....	<u>1,170,190</u>	<u>1,105,436</u>
Total liabilities and shareholders' equity .....	<u>\$ 1,698,689</u>	<u>\$ 1,568,549</u>

**F5 Networks, Inc.**  
**Condensed Consolidated Statements of Operations**  
(unaudited, in thousands, except per share amounts)

	Three months ended December 31, 2011	Three months ended September 30, 2011	Three months ended December 31, 2010
Net revenues			
Products.....	\$ 196,554	\$ 197,446	\$ 171,492
Services.....	125,878	117,169	97,442
Total.....	<u>322,432</u>	<u>314,615</u>	<u>268,934</u>
Cost of net revenues (1)			
Products.....	33,200	34,485	31,614
Services.....	22,406	21,435	17,349
Total.....	<u>55,606</u>	<u>55,920</u>	<u>48,963</u>
Gross Profit.....	<u>266,826</u>	<u>258,695</u>	<u>219,971</u>
Operating expenses (1)			
Sales and marketing.....	106,238	100,945	86,825
Research and development.....	39,122	36,552	32,606
General and administrative.....	21,677	21,867	20,684
Total.....	<u>167,037</u>	<u>159,364</u>	<u>140,115</u>
Income from operations.....	99,789	99,331	79,856
Other income, net.....	1,861	4,087	2,545
Income before income taxes.....	<u>101,650</u>	<u>103,418</u>	<u>82,401</u>
Provision for income taxes (1).....	35,158	35,808	26,738
Net Income.....	<u>\$ 66,492</u>	<u>\$ 67,610</u>	<u>\$ 55,663</u>
Net income per share - basic.....	<u>\$ 0.84</u>	<u>\$ 0.84</u>	<u>\$ 0.69</u>
Weighted average shares - basic.....	<u>79,272</u>	<u>80,317</u>	<u>80,644</u>
Net income per share - diluted.....	<u>\$ 0.83</u>	<u>\$ 0.84</u>	<u>\$ 0.68</u>
Weighted average shares - diluted.....	<u>79,822</u>	<u>80,766</u>	<u>81,648</u>
<b>Non-GAAP Financial Measures</b>			
Net income as reported.....	\$ 66,492	\$ 67,610	\$ 55,663
Stock-based compensation expense, net of tax (2).....	15,748	17,635	16,536
Net income excluding stock-based compensation expense (non-GAAP).....	<u>\$ 82,240</u>	<u>\$ 85,245</u>	<u>\$ 72,199</u>
Net income per share excluding stock-based compensation expense (non-GAAP) - diluted.....	<u>\$ 1.03</u>	<u>\$ 1.06</u>	<u>\$ 0.88</u>
Weighted average shares - diluted.....	<u>79,822</u>	<u>80,766</u>	<u>81,648</u>
(1) Includes stock-based compensation as follows:			
Cost of net revenues.....	\$ 2,538	\$ 2,565	\$ 2,228
Sales and marketing.....	9,054	8,756	8,733
Research and development.....	5,826	5,913	5,888
General and administrative.....	4,705	4,900	6,091
Tax effect of stock-based compensation.....	(6,375)	(4,499)	(6,404)
	<u>\$ 15,748</u>	<u>\$ 17,635</u>	<u>\$ 16,536</u>

(2) 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")

**F5 Networks, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
(unaudited, in thousands)

	Three months ended December 31,	
	2011	2010
<b>Operating activities</b>		
Net income.....	\$ 66,492	\$ 55,663
Adjustments to reconcile net income to net cash provided by operating activities:		
Realized loss (gain) on disposition of assets and investments.....	579	(212)
Stock-based compensation.....	22,123	22,940
Provisions for doubtful accounts and sales returns.....	415	228
Depreciation and amortization.....	5,822	5,250
Deferred income taxes.....	(598)	(888)
Changes in operating assets and liabilities:		
Accounts receivable.....	(22,601)	(30,082)
Inventories.....	(344)	632
Other current assets.....	(3,879)	7,771
Other assets.....	562	(213)
Accounts payable and accrued liabilities.....	26,576	13,657
Deferred revenue.....	36,732	28,393
Net cash provided by operating activities.....	131,879	103,139
<b>Investing activities</b>		
Purchases of investments.....	(262,499)	(251,499)
Maturities of investments.....	198,102	98,818
Sales of investments.....	2,886	61,032
Increase in restricted cash.....	(3)	(39)
Purchases of property and equipment.....	(5,857)	(5,491)
Net cash used in investing activities.....	(67,371)	(97,179)
<b>Financing activities</b>		
Excess tax benefit from stock-based compensation.....	1,399	10,130
Proceeds from the exercise of stock options and purchases of stock under employee stock purchase plan.....	9,577	8,842
Repurchase of common stock.....	(34,473)	(24,998)
Net cash used in financing activities.....	(23,497)	(6,026)
Net increase (decrease) in cash and cash equivalents.....	41,011	(66)
Effect of exchange rate changes on cash and cash equivalents.....	(307)	(555)
Cash and cash equivalents, beginning of period.....	216,784	168,754
Cash and cash equivalents, end of period.....	\$ 257,488	\$ 168,133