



Q1 2011 Financial Results

April 27, 2011



Safe Harbor Statement

Please note some of the comments we make today are forward-looking statements, including those regarding our financial guidance for the second quarter and full year 2011, the momentum of our business, our ability to execute and drive growth in coming quarters, our ability to continue to gain market share and capture demand for network security solutions worldwide, key initiatives for our growth strategy and our ability to execute on these initiatives, the adoption and expansion of UTM and other security solutions across certain verticals and geographies, momentum with large customers, service providers and high-end deals, expected growth in our services revenues, trends in the U.S. corporate IT and security spending environment, investments and expected accelerated hiring in, and expected leverage from, our sales and R&D infrastructure and impact from new FASB revenue recognition rules. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. Please refer to our SEC filings, in particular, the risk factors described in our prior year's Form 10-K for more information on these risks and uncertainties and on the limitations that apply to our forward-looking statements. Copies of these reports can be obtained from the SEC or by visiting the investor relations section of our website. All forward-looking statements reflect our opinions only as of the date of this presentation, and we undertake no obligation, and specifically disclaim any obligation, to revise or publicly release the results of any revision of these forward-looking statements in light of new information or future events.

Q1 2011 Non-GAAP Results

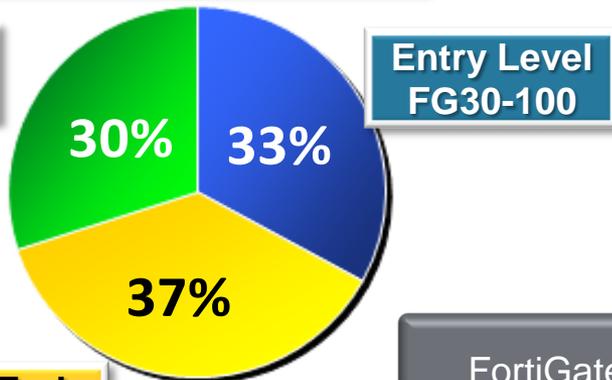
	Q1 11	Q1 10	Y/Y % growth	Q4 10
Billings ⁽¹⁾	\$107M	\$79M	34%	\$111M
Revenue	\$93M	\$70M	34%	\$94M
Non-GAAP Gross Margin (%) ⁽²⁾	75%	73%	+2%	74%
Non-GAAP Operating Income ⁽²⁾	\$20M	\$9M	126%	\$23M
Non-GAAP Operating Margin (%) ⁽²⁾	21%	13%	+8%	25%
Non-GAAP Net Income ^{(2) (3)}	\$14M	\$6M	141%	\$17M
Non-GAAP Earnings per Share ^{(2) (3)}	\$0.17	\$0.08	113%	\$0.22
Weighted Diluted Shares used in EPS	81M	75M	9%	80M
Deferred Revenue	\$266M	\$212M	26%	\$253M
Free Cash Flow ⁽⁴⁾	\$36M	\$21M	75%	\$31M

Notes

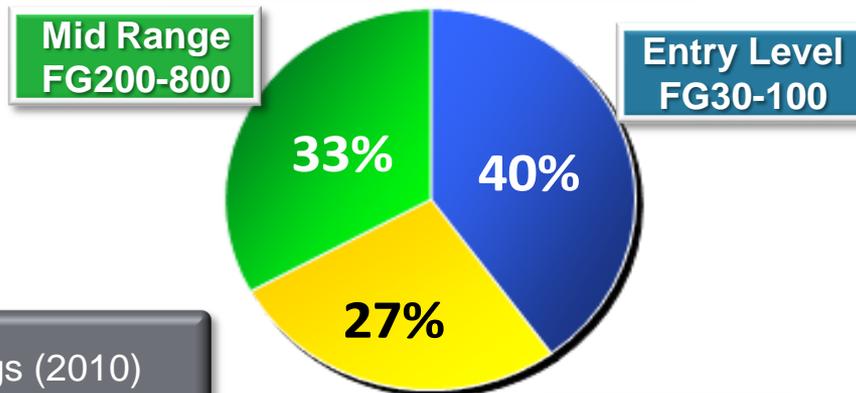
- (1) Billings is a non-GAAP measure that we define as revenue recognized for the particular period plus the change in deferred revenue from the beginning of that period to the end of that period
- (2) Does not include stock based compensation or acquisition-related write-offs
- (3) Assumes effective tax rate of 33% for Q1 2011, 35% for Q1 2010 and 27% for Q4 2010 and removes tax benefit of stock based compensation and write-off of acquisition expense
- (4) Free Cash Flow is a non-GAAP measure that we define as Cash Flow from Operations less the purchase of property, plant and equipment and patent settlement.

Product Segmentation

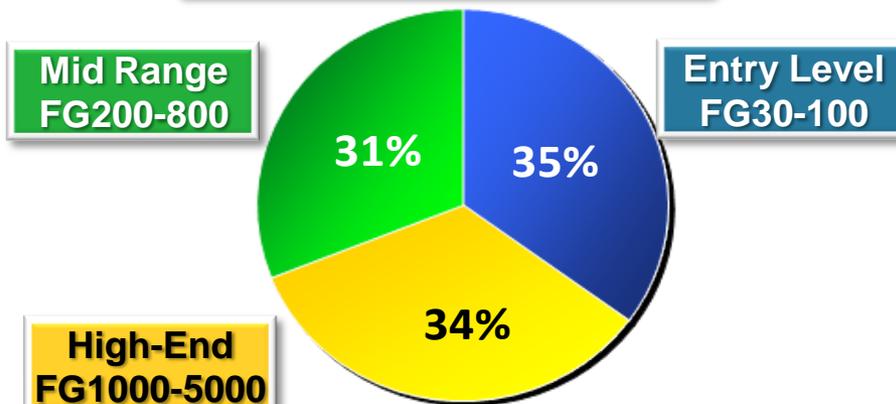
FortiGate Billings (Q1 11)



FortiGate Billings (Q1 10)



FortiGate Billings (2010)

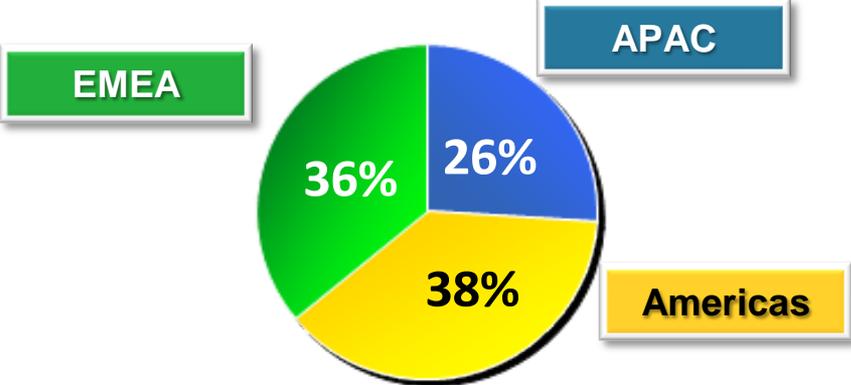


Note

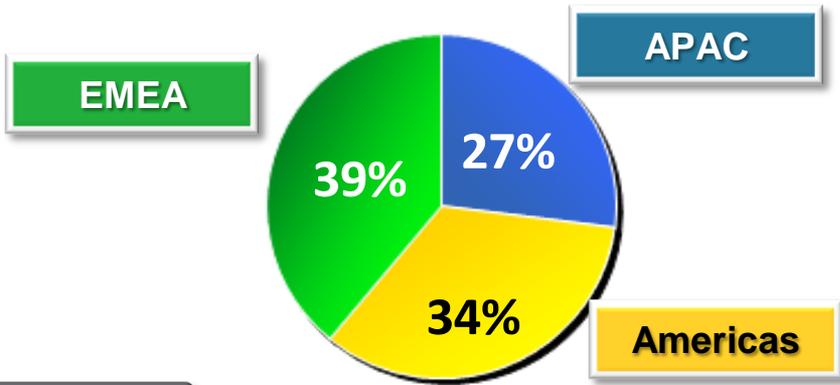
Represents FortiGate billings by Product Category. Billings is a non-GAAP measure that we define as revenue recognized for the particular period plus the change in deferred revenue from the beginning of that period to the end of that period

Revenue by Geography

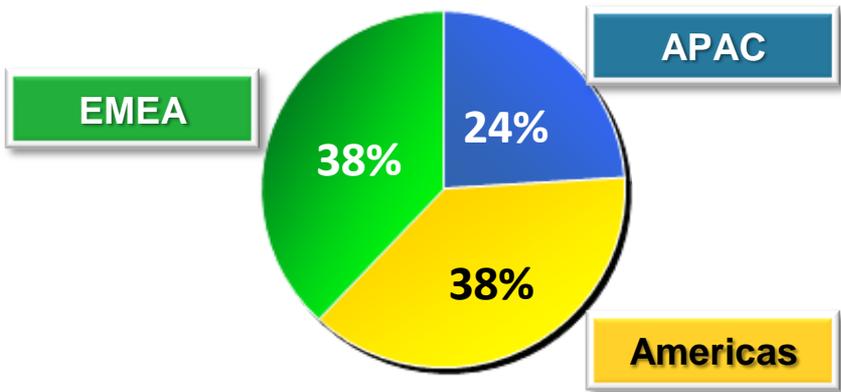
Revenue by Geo (Q1 11)



Revenue by Geo (Q1 10)

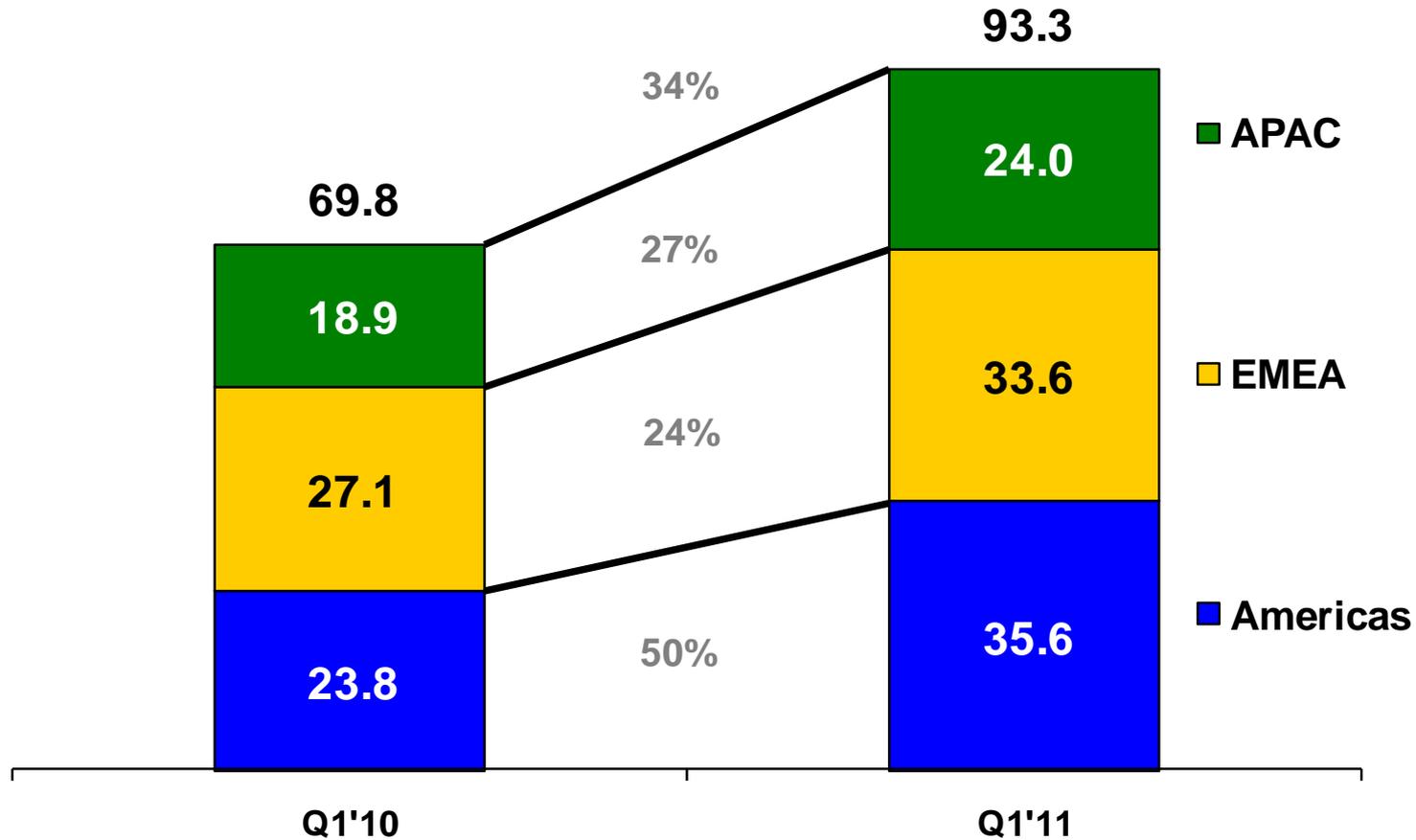


Revenue by Geo (2010)



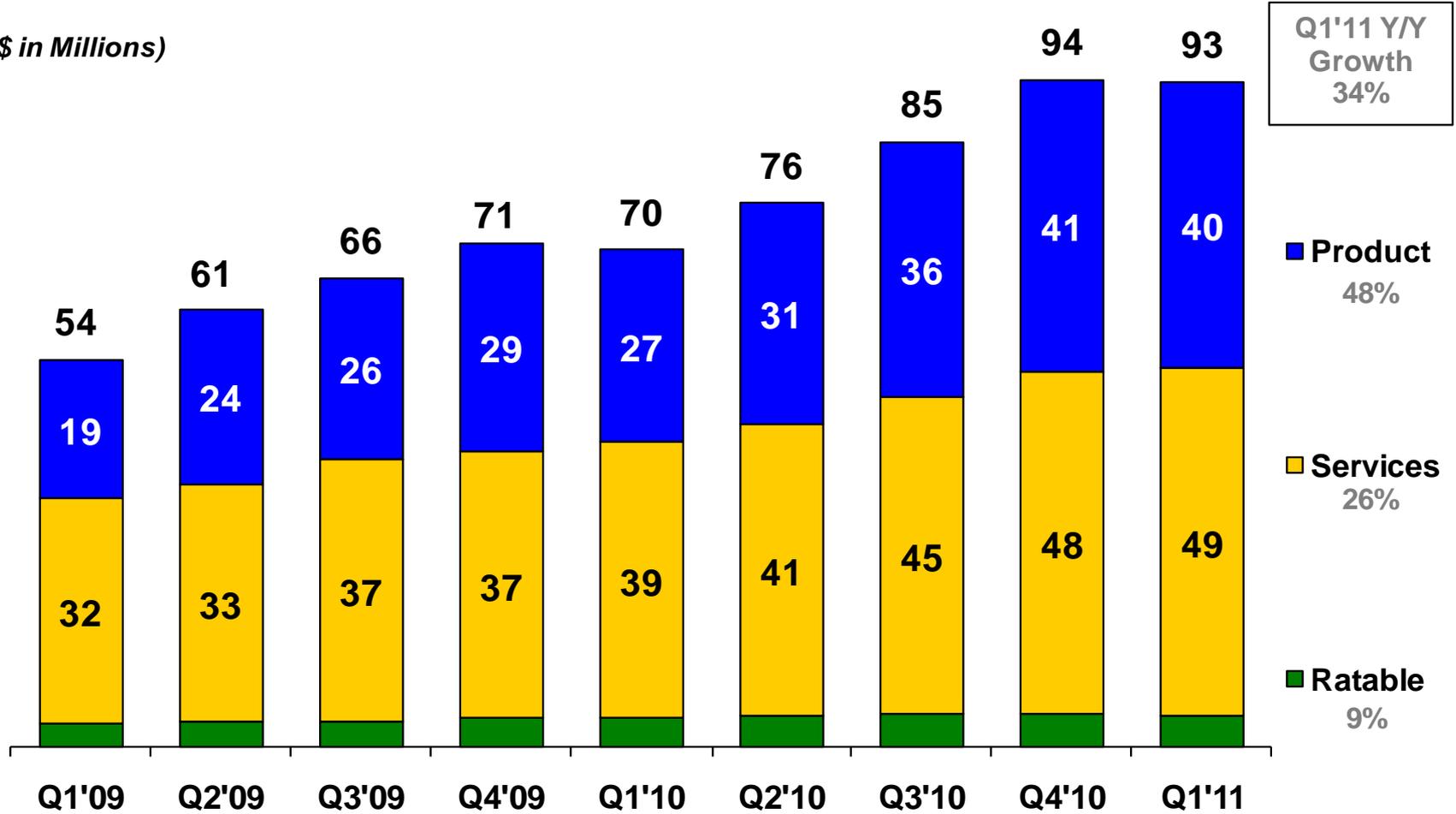
Revenue Growth by Geography

(\$ in Millions)



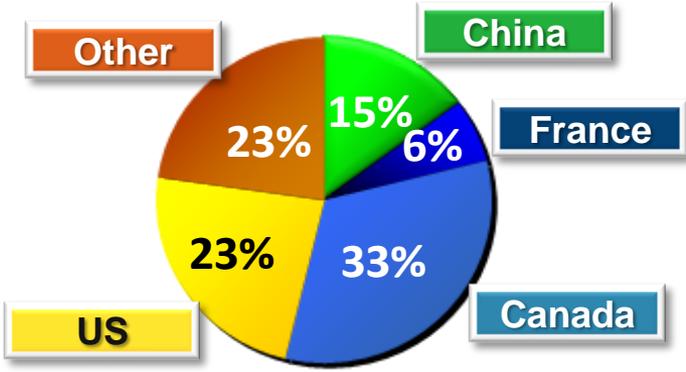
Quarterly Revenue Mix & Q1'11 Y/Y Growth

(\$ in Millions)

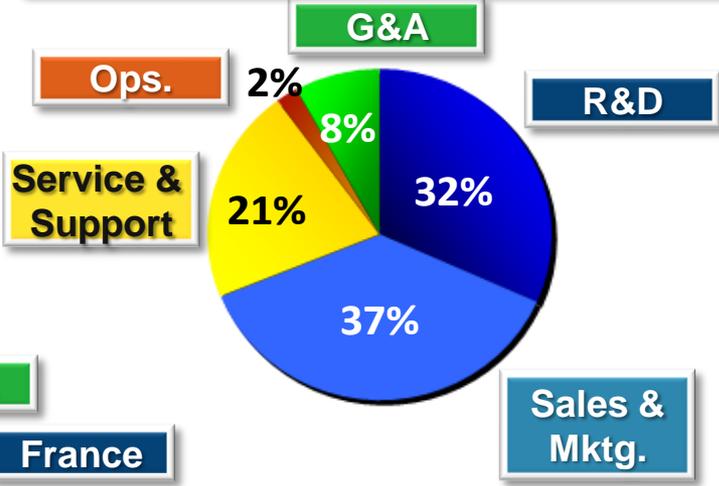


Global Employee Footprint

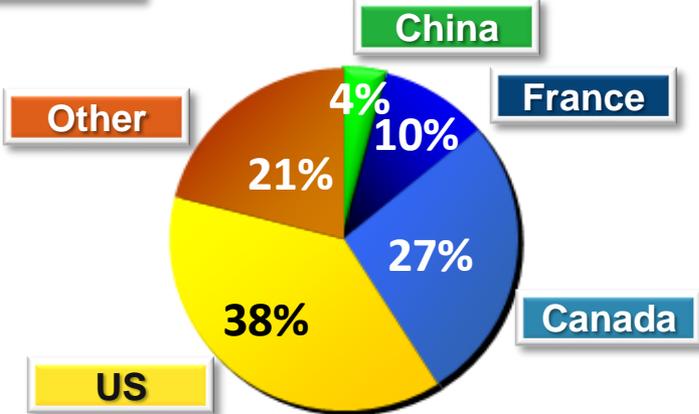
Headcount by Location (Q1 2011)



Headcount by Function (Q1 2011)



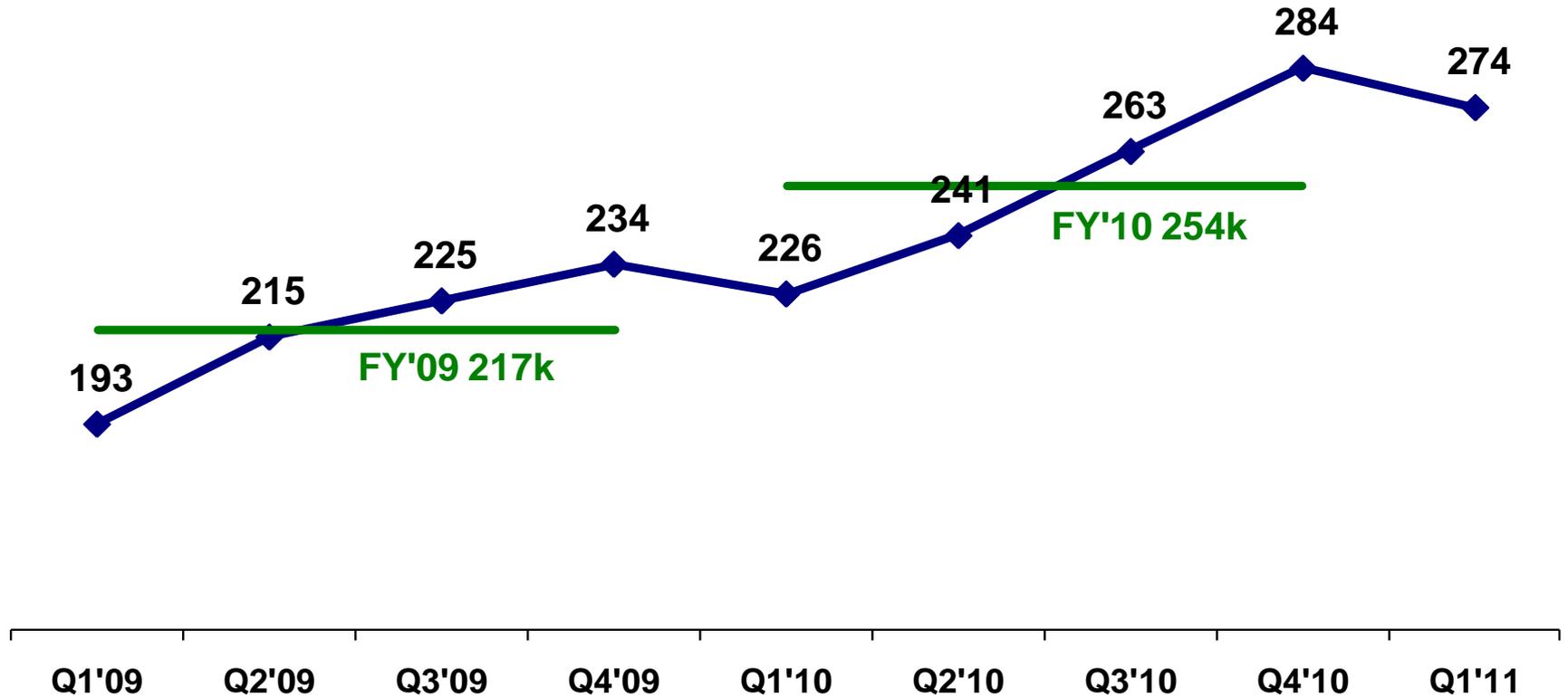
Headcount Cost by Location (Q1 2011)



Total Headcount:
1,389

Revenue per Employee

(\$ in Thousands, Annualized)



Q1 2011 Select Financial Statistics

	Q1 11	Q4 10	Q1 10
Cash and Investments	\$433M	\$387M	\$281M
Deferred Revenue	\$266M	\$253M	\$212M
Free Cash Flow	\$36M	\$31M	\$21M
Working Capital	\$168M	\$202M	\$143M
Accounts Receivable	\$71M	\$72M	\$51M
DSO	69	70	66
Net Inventory	\$12M	\$14M	\$10M
Inventory Turns	4.0	3.9	4.0
Revenue per Employee (Annualized)	\$274K	\$284K	\$226K
No. of Deals >\$100K	111	142	84
No. of Deals >\$250K	34	45	22
No. of Deals >\$500K	18	13	8

Maintaining Strong Balance Sheet

(\$ in Millions)

	Q1 11	Q4 10	Q1 10
Assets			
Cash and Investments	433	387	281
Accounts Receivable	71	72	51
Inventory	12	14	10
Property and Equipment	7	7	7
Deferred Cost of Revenue	8	9	9
Deferred Tax Assets	46	48	41
Other	10	8	5
Total Assets	587	545	404
Liabilities and Shareholders' Equity			
Accounts Payable	9	13	10
Accrued Expenses	54	47	31
Deferred Revenue	266	253	212
Common Stock	260	249	206
Retained Earnings	(2)	(17)	(55)
Total Liabilities and Shareholders' Equity	587	545	404

Statement of Cash Flows (Non-GAAP)

	(\$ in Millions)	Q1 11	Q1 10
Net Income		14	4
Depreciation, Amortization, and Intangibles		5	4
Other Adjustments to Net Income		3	2
Non-GAAP Operating Income + Depreciation		22	10
Accounts Receivable		1	3
Inventory		1	-
Accounts Payable / Accrued Expenses / Other		-	(1)
Deferred Revenue		13	10
Non-GAAP Cash Flow from Operations		37	22
Purchase of Property, Plant and Equipment		(1)	(1)
Free Cash Flow		36	21
Stock Option and Warrant Exercises		7	1
Patent Settlement		3	-
Effect of Exchange Rate on Cash / Other		(1)	(1)
Net Cash Flow		45	21

Q2 and 2011 Guidance

	Q2 11	Y/Y % Mid-Pt growth	2011	Y/Y % Mid-Pt growth
Billings ⁽¹⁾	\$109 - 112M	22%	\$455 - 470M	23%
Revenue	\$95 - 96M	25%	\$390 - 400M	22%
Non-GAAP Gross Margin (%) ⁽²⁾	~74%		~74%	
Non-GAAP Operating Margin (%) ⁽²⁾	19 - 20%		~20%	
Non-GAAP Earnings per Share ^{(2) (3)}	\$0.16 - 0.17		\$0.69 - 0.71	
Weighted Diluted Shares used in EPS	82 - 83M		83 - 84M	
Free Cash Flow ⁽⁴⁾	\$25M+		\$125M+	

Notes

- (1) Billings is a non-GAAP measure that we define as revenue recognized for the particular period plus the change in deferred revenue from the beginning of that period to the end of that period
- (2) Does not include stock based compensation or acquisition-related write-offs
- (3) Assumes effective tax rate of 33% for Q2 2011 and 2011 and removes tax benefit of stock based compensation and write-off of acquisition expense
- (4) Free Cash Flow is a non-GAAP measure that we define as Cash Flow from Operations less the purchase of property, plant and equipment and patent settlement.

GAAP to Non-GAAP – Operating Results (Q1'11 vs. Q1'10 vs. Q4'10)

(in thousands, except per share amounts)	Q1'11	Adj	Pro forma Q1'11	Q1'10	Adj	Pro forma Q1'10	Q4'10	Adj	Pro forma Q4'10
Revenue:									
Product	\$ 40,165	\$ -	\$ 40,165	\$ 27,110	\$ -	\$ 27,110	\$ 41,080	\$ -	\$ 41,080
Services	48,686	-	48,686	38,625	-	38,625	47,930	-	47,930
Ratable product and services	4,415	-	4,415	4,060	-	4,060	4,589	-	4,589
Total Revenue	93,266	-	93,266	69,795	-	69,795	93,599	-	93,599
Cost of revenue:									
Cost of product revenue	14,075	(22)	14,053	11,314	(24)	11,290	15,545	(25)	15,520
Cost of services revenue	7,781	(198)	7,583	6,468	(208)	6,260	7,116	(245)	6,871
Cost of ratable product and services	1,560	-	1,560	1,593	-	1,593	1,562	-	1,562
Total cost of revenue	23,416	(220)	23,196	19,375	(232)	19,143	24,223	(270)	23,953
Gross Profit:									
Product	26,090	22	26,112	15,796	24	15,820	25,535	25	25,560
Services	40,905	198	41,103	32,157	208	32,365	40,814	245	41,059
Ratable product and services	2,855	-	2,855	2,467	-	2,467	3,027	-	3,027
Total gross profit	69,850	220	70,070	50,420	232	50,652	69,376	270	69,646
Operating Expenses:									
Research and development	14,421	(453)	13,968	11,934	(554)	11,380	12,802	(598)	12,204
Sales and marketing	32,718	(1,900)	30,818	26,723	(866)	25,857	30,481	(1,030)	29,451
General and administrative	5,266	(20)	5,246	5,059	(496)	4,563	5,395	(571)	4,824
Total operating expenses	52,405	(2,373)	50,032	43,716	(1,916)	41,800	48,678	(2,199)	46,479
Operating income	17,445	2,593	20,038	6,704	2,148	8,852	20,698	2,469	23,167
Interest income	793	-	793	268	-	268	634	-	634
Other income (expense), net	(95)	-	(95)	(250)	-	(250)	(250)	-	(250)
Net income before income taxes	18,143	2,593	20,736	6,722	2,148	8,870	21,082	2,469	23,551
Provision for income taxes	4,556	2,287	6,843	2,504	601	3,105	4,941	1,332	6,273
Net income	\$ 13,587	\$ 306	\$ 13,893	\$ 4,218	\$ 1,547	\$ 5,765	\$ 16,141	\$ 1,137	\$ 17,278
Basic net income per share	\$ 0.18		\$ 0.18	\$ 0.06		\$ 0.09	\$ 0.22		\$ 0.23
Diluted net income per share	\$ 0.17		\$ 0.17	\$ 0.06		\$ 0.08	\$ 0.20		\$ 0.22
Shares used in computing net income per share									
Basic	75,154		75,154	67,181		67,181	73,849		73,849
Diluted	81,432		81,432	74,878		74,878	80,334		80,334

GAAP to Non-GAAP – Operating Results (cont.)

(Q1'11 vs. Q1'10 vs. Q4'10)

% of revenue	Q1'11			Q1'10			Q4'10		
	Q1'11	Adj	Pro forma Q1'11	Q1'10	Adj	Pro forma Q1'10	Q4'10	Adj	Pro forma Q4'10
Revenue:									
Product	43%	-	43%	39%	-	39%	44%	-	44%
Services	52%	-	52%	55%	-	55%	51%	-	51%
Ratable product and services	5%	-	5%	6%	-	6%	5%	-	6%
Total Revenue	100%		100%	100%	-	100%	100%	-	100%
Cost of revenue:									
Cost of product revenue	15%	-	15%	16%	-	16%	17%	-	17%
Cost of services revenue	8%	-	8%	9%	-	9%	8%	-	8%
Cost of ratable product and services	2%	-	2%	2%	-	2%	1%	-	1%
Total cost of revenue	25%	-	25%	27%	-	27%	26%	-	26%
Gross Profit:									
Product	65%	-	65%	58%	-	58%	62%	-	62%
Services	84%	-	84%	84%	-	84%	85%	-	85%
Ratable product and services	65%	-	65%	61%	-	61%	66%	-	66%
Total gross profit	75%	-	75%	73%	-	73%	74%	-	74%
Operating Expenses:									
Research and development	15%	-	15%	17%	(1%)	16%	14%	(1%)	13%
Sales and marketing	35%	(2%)	33%	38%	(1%)	37%	33%	(2%)	31%
General and administrative	6%	-	6%	8%	(1%)	7%	5%	-	5%
Total operating expenses	56%	(2%)	54%	63%	(3%)	60%	52%	(3%)	49%
Operating income	19%	2%	21%	10%	3%	13%	22%	3%	25%
Interest income	1%	-	1%	-	-	-	1%	-	1%
Net income before income taxes	20%	2%	22%	10%	3%	13%	23%	3%	26%
Provision for income taxes	5%	2%	7%	4%	1%	5%	6%	2%	8%
Net income	15%	-	15%	6%	2%	8%	17%	1%	18%