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Fortinet Announces Fourth Quarter and Full Year 2009 Financial Results

SUNNYVALE, CA, Jan 27, 2010 (MARKETWIRE via COMTEX News Network) -- Fortinet(R) (NASDAQ: FTNT) -- a leading network security provider and worldwide leader of unified threat management (UTM) solutions -- today announced financial results for the fourth quarter and full year 2009, ended December 31, 2009.

Financial Highlights for the Fourth Quarter of 2009

- -- Billings: Total billings were \$82.3 million for the fourth quarter of 2009, an increase of 13% compared to the fourth quarter of 2008. We define billings as revenue recognized plus the change in deferred revenue from the beginning to the end of the period.
- -- Revenue: Total revenue was \$70.7 million for the fourth quarter of 2009, an increase of 20% compared to the fourth quarter of 2008. Within total revenue, product revenue was \$29.4 million, an increase of 12% compared to the fourth quarter of 2008. Services revenue was \$37.4 million, an increase of 25% compared to the fourth quarter of 2008. Ratable product and services revenue was \$3.9 million, an increase of 32% compared to the fourth quarter of 2008.
- -- Deferred Revenue: Deferred revenue was \$201.9 million as of December 31, 2009, an increase of 18% compared to deferred revenue as of December 31, 2008.
- -- Cash and Cash flow: As of December 31, 2009, cash and cash equivalents and short-term investments were \$260.3 million, an increase from \$152.4 million as of September 30, 2009. Cash flow from operations was \$16.6 million. Net proceeds of \$87.4 million from the Company's initial public offering contributed to the strong increase in cash and cash equivalents and short-term investments during the fourth quarter.
- -- GAAP Operating Income: GAAP operating income was \$7.5 million for the fourth quarter of 2009, representing a GAAP operating margin of 11% and an increase of 19% compared to the fourth quarter of 2008.
- -- Non-GAAP(1) Operating Income: Non-GAAP operating income was \$11.3 million for the fourth quarter of 2009, representing a non-GAAP operating margin of 16% and an increase of 46% compared to the fourth quarter of 2008. Non-GAAP operating income and operating margin exclude non-cash stock-based compensation and non-cash acquisition related charges. Non-cash acquisition related charges consist of intangible asset write-offs but exclude ongoing amortization of intangible assets.
- -- GAAP Net Income and EPS: GAAP net income was \$43.9 million for the fourth quarter of 2009 (which includes a \$37.8 million tax benefit from the reversal of our valuation allowance), compared to \$7.9 million for the fourth quarter of 2008. GAAP EPS was \$0.62 on 70.8 million weighted-average diluted shares outstanding, compared to \$0.12 on 66.9 million weighted-average diluted shares outstanding for the fourth quarter of 2008.
- -- Non-GAAP(1) Net Income and EPS: Non-GAAP net income was \$9.2 million for the fourth quarter of 2009, based on a 21% tax rate. This compares to \$9.1 million for the fourth quarter of 2008, based on a 9% tax rate, and included a \$1.2 million foreign currency gain. Non-GAAP EPS was \$0.13 for the fourth quarter of 2009 on 70.8 million weighted-average diluted shares outstanding, compared to \$0.14 in the fourth quarter of 2008 on 66.9 million weighted-average diluted shares outstanding. Non-GAAP net income

and EPS exclude non-cash stock-based compensation and non-cash acquisition related charges, and the related tax effects and, for the fourth quarter and full year 2009, the reversal of the tax-related valuation allowance.

(1) A reconciliation of GAAP to non-GAAP financial measures has been provided in the financial statement tables included in this press release. An explanation of these measures is also included below under the heading "Non-GAAP Financial Measures."

Full Year 2009 Results

- -- Billings: Total billings were \$282.4 million for fiscal 2009, an increase of 12% compared to fiscal 2008.
- -- Revenue: Total revenue was \$252.1 million for fiscal 2009, an increase of 19% compared to fiscal 2008. Within total revenue, product revenue was \$98.7 million for fiscal 2009, an increase of 4% compared to fiscal 2008, and services revenue was \$139.2 million for fiscal 2009, an increase of 32% compared to fiscal 2008. Ratable product and services revenue was \$14.3 million, an increase of 20% compared to fiscal 2008.
- -- GAAP Operating Income: GAAP operating income was \$25.3 million for fiscal 2009, representing a GAAP operating margin of 10% and an increase of 414% compared to fiscal 2008.
- -- Non-GAAP(1) Operating Income: Non-GAAP operating income was \$35.2 million for fiscal 2009, representing a non-GAAP operating margin of 14% and an increase of 244% compared to fiscal 2008.
- -- GAAP Net Income and EPS: GAAP net income was \$60.2 million for fiscal 2009 (which includes a \$37.8 million tax benefit from the reversal of our valuation allowance), compared to \$7.4 million for 2008. GAAP EPS, based on net income attributable to common shareholders of \$50.9 million, was \$0.78 on 65.2 million weighted-average diluted shares outstanding for fiscal 2009, compared with \$0.11 on 67.1 million weighted-average diluted shares outstanding for fiscal 2008.
- -- Non-GAAP(1) Net Income and EPS: Non-GAAP net income was \$30.5 million for fiscal 2009 compared to \$11.6 million for fiscal 2008. Non-GAAP EPS was \$0.47 on 65.2 million weighted-average diluted shares outstanding for fiscal 2009, compared to \$0.17 on 67.1 million weighted-average diluted shares outstanding for fiscal 2008.

(1) A reconciliation of GAAP to non-GAAP financial measures has been provided in the financial statement tables included in this press release. An explanation of these measures is also included below under the heading "Non-GAAP Financial Measures."

Management Commentary:

Ken Xie, founder, president and chief executive officer of Fortinet, stated: "The fourth quarter of 2009 was a milestone for Fortinet as we successfully completed our IPO and had a strong finish to the year. Our focus on innovation and providing an end-to-end IT security portfolio utilizing our custom ASICs continues to drive Fortinet's market share gains and new customer acquisitions."

Ken Goldman, chief financial officer of Fortinet, stated: "We are very pleased with the company's performance during our first quarter as a public company. In addition to reporting record total revenue, strong billings growth and cash collections led to fourth quarter and full year cash flow that was ahead of our expectations. While cognizant of the volatile economic environment, we remain focused on growing our global market share, delivering strong profits and cash flow, and continuing to introduce innovative, high-performance products."

Conference Call Details

Fortinet will host a conference call today, January 27, 2010, at 1:30 p.m. Pacific Time (4:30 p.m. Eastern Time) to discuss the Company's financial results. To access this call, dial 888-601-3860 (domestic) or 913-312-1437 (international) with conference ID #2125684. A live webcast of the conference call and supplemental slides will be accessible from the Investor Relations page of Fortinet's website at http://investor.fortinet.com, and a replay will be archived and accessible at: http://investor.fortinet.com. A replay of this conference call can also be accessed until February 5, 2010, by dialing 888-203-1112 (domestic) or 719-457-0820 (international). The replay passcode is 2125684.

Following Fortinet's earnings conference call, the Company will host an additional question-and-answer session at 3:30 p.m., Pacific Time (6:30 p.m. Eastern Time), to provide an opportunity for financial analysts to ask more detailed product and financial questions. To access this call, dial 800-215-2540 (domestic) or 913-312-0943 (international) with conference ID #8493298. This follow-up call will be webcast live and accessible at http://investor.fortinet.com, and will be archived and available after the call at http://investor.fortinet.com/events.cfm. A replay of this conference call will also be available through February 5, 2010 at 888-203-1112 (domestic) or 719-457-0820 (international). The replay passcode is 8493298.

About Fortinet (<u>www.fortinet.com</u>)

Fortinet (NASDAQ: FTNT) is a worldwide provider of network security and unified threat management (UTM) solutions. Our products and subscription services provide broad, integrated and high-performance protection against dynamic security threats while simplifying the IT security infrastructure. Our customers include enterprises, service providers and government entities worldwide, including the majority of the 2009 Fortune Global 100. Fortinet is headquartered in Sunnyvale, Calif., with offices around the world.

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Forward-looking Statements

This press release contains forward-looking statements that involve risks and uncertainties. These statements include statements regarding our continued focus on innovation and providing an end-to-end IT security portfolio to drive market share gains and new customer acquisitions and statements regarding our focus on growing our global market share, delivering strong profits and cash flows, and continuing to introduce innovative, high-performance products. Although Fortinet attempts to be accurate in making forward-looking statements, it is possible that future circumstances might differ from the assumptions on which such statements are based. Important factors that could cause results to differ materially from the statements herein include the following: general economic risks; uncertainty regarding increased business and renewals from existing customers; uncertainties around continued success in sales growth; risks associated with successful implementation of multiple integrated software products; execution risks around new product introductions and innovation; the ability to attract and retain key personnel; risks associated with management of growth; lengthy sales and implementation cycles, particularly in larger organizations; technological changes that make our products and services less competitive; and the other risk factors set forth from time to time in our filings with the SEC, copies of which are available free of charge at the SEC's website at <u>www.sec.gov</u> or upon request from Fortinet's investor relations department.

Non-GAAP Financial Measures

Fortinet has provided in this release financial information that has not been prepared in accordance with GAAP. Fortinet uses these non-GAAP financial measures internally in analyzing its financial results and believes they are useful to investors, as a supplement to GAAP measures, in evaluating Fortinet's ongoing operational performance. Fortinet believes that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing its financial results with other companies in Fortinet's industry, many of which present similar non-GAAP financial measures to investors.

Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Investors are encouraged to review the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measure below. As previously mentioned, a reconciliation of our non-GAAP financial measures to their most directly comparable GAAP measures has been provided in the financial statement tables included below in this press release.

Billings. We define billings as revenue recognized plus the change in deferred revenue from the beginning to the end of the period. Fortinet considers billings to be a useful metric for management and investors because billings drive deferred revenue, which are an important indicator of the health and visibility of Fortinet's business, and have historically represented a majority of the quarterly revenue that Fortinet recognizes. There are a number of limitations related to the use of billings versus revenue calculated in accordance with GAAP. First, billings include amounts that have not yet been recognized as revenue. Second, Fortinet may calculate billings in a manner that is different from peer companies that report similar financial measures. Management compensates for these limitations by providing specific information regarding GAAP revenues and evaluating billings together with revenues calculated in accordance with GAAP.

Non-GAAP operating income and operating margin. We define non-GAAP operating income as operating income plus noncash stock-based compensation and non-cash acquisition related charges. Non-cash acquisition related charges include intangible asset write-offs but exclude ongoing amortization of intangible assets. Non-GAAP operating margin is defined as non-GAAP operating income divided by revenue. Fortinet considers these non-GAAP financial measures to be useful metrics for management and investors because they exclude the effect of non-cash stock-based compensation, non-cash acquisition related charges and one-time events so that Fortinet's management and investors can compare Fortinet's recurring core business operating results over multiple periods. There are a number of limitations related to the use of non-GAAP operating income versus operating income calculated in accordance with GAAP. First, non-GAAP operating income excludes some costs, namely, non-cash stock-based compensation, that are recurring. Non-cash stock-based compensation has been and will continue to be for the foreseeable future a significant recurring expense in Fortinet's business. Second, non-cash stock-based compensation is an important part of our employees' compensation and impacts their performance. Third, the components of the costs that we exclude in our calculation of non-GAAP operating income may differ from the components that our peer companies exclude when they report their results of operations. Management compensates for these limitations by providing specific information regarding the GAAP amounts excluded from non-GAAP operating income and evaluating non-GAAP operating income together with operating income calculated in accordance with GAAP.

Non-GAAP net income and EPS. We define non-GAAP net income as net income plus non-cash stock-based compensation and non-cash acquisition related charges, less the related tax effects and, for the fourth quarter and full year 2009, adjusted for the tax-related valuation allowance reversal and, for fiscal 2009, the premium paid on repurchase of convertible preferred stock. We define non-GAAP EPS as non-GAAP net income divided by the weighted-average outstanding shares, on a fullydiluted basis. We consider these non-GAAP financial measures to be a useful metric for management and investors for the same reasons that Fortinet uses non-GAAP operating income and non-GAAP operating margin. However, in order to provide a complete picture of our recurring core business operating results, we exclude from non-GAAP net income and non-GAAP EPS the tax effects associated with stock-based compensation and the non-cash acquisition related charges. Without excluding these tax effects, investors would only see the gross effect that excluding these expenses had on our operating results. The same limitations described above regarding Fortinet's use of non-GAAP operating income and non-GAAP operating margin apply to our use of non-GAAP net income and non-GAAP EPS. Management compensates for these limitations by providing specific information regarding the GAAP amounts excluded from non-GAAP net income and non-GAAP EPS and evaluating non-GAAP net income and non-GAAP EPS together with net income and EPS calculated in accordance with GAAP.

FORTINET, INC. CONDENSED CONSOLIDATED BALANCE SH (in thousands) (unaudited)	IEETS	
	cember 28	December 31,
ASSETS	-	2009
- CURRENT ASSETS:		
	56,571	\$ 212,458
Short-term investments	-	47,856
Accounts receivable, net of allowance for		
doubtful accounts of \$318 and \$367, respectively	46,043	54,551
Inventory	11,419	10,649
Deferred tax asset	69	9,652
Prepaid expenses and other current assets	3,270	3,100
Deferred cost of revenues	3,470	3,951
- Total current assets	188,461	342,217
PROPERTY AND EQUIPMENT Net	3,425	6,387
DEFERRED COST OF REVENUES Noncurrent	5,161	5,743
DEFERRED TAX ASSET Noncurrent	-	31,671
OTHER ASSETS	2,058	1,195
TOTAL ASSETS \$	5 199,105	\$ 387,213

LIABILITIES AND STOCK	(HOLDERS' (DEFICI	IT) EOUITY				
CURRENT LIABILITIES:		, - <u>z</u>				
Accounts payable			\$	7,004	\$	10,987
Accrued liabilities				12,128		14,911
Accrued payroll and c				12,839		13,991
Deferred revenue 0	Current			118,297		140,537
Income tax payable				-		139
- L]						
	nt liabilities					180,565
DEFERRED REVENUE Nor				53,320		61,393
OTHER NON-CURRENT LIABI DEFERRED RENT Noncur				746		2,525 278
DELEVED VENI NOUGN						-
Total liabil	lities					244,761
STOCKHOLDERS' (DEFICIT)	EQUITY:					
Convertible preferred	-			94,368		-
Common stock				21		70
Additional paid-in-ca	apital			20,833		204,265
Treasury stock com						(2,995)
Accumulated other com	mprehensive incom	ne (loss)				
Accumulated deficit						(59,972)
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Total stockh	nolders' (deficit	c) equity				
TOTAL LIABILITIES AND S						
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POLITTY			Ş	199,105	Ģ	307,213
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ODEDATING EXDENCES.						
OPERATING EXPENSES: Research and						
development*	8,849	10,988	37,035	42,195		
Sales and marketing*						
General and	, -		- 7	, -		
administrative*	4,273	4,642	16,640	18,320		
Total operating						
expenses	-	42,349		156,806		
OPERATING INCOME INTEREST INCOME	6,273 742					
OTHER INCOME	1,539		2,614 1,710			
OTHER INCOME	±,555		1,710			
INCOME BEFORE INCOME						
TAXES	8,554	7,807	9,251	27,513		
PROVISION / (BENEFIT)						
FOR INCOME TAXES	611	(36,132)	1,888	(32,666)		
NET INCOME	\$ 7,943	\$ 43,939	\$ 7,363	\$ 60,179		
Premium paid on	- 7 -					
repurchase of convertil preferred shares	DT6	_	_	(9,266)		
Net income attributable	_	_	_	(9,200)		
to common shareholders		\$ 43,939	\$ 7,363	\$ 50,913		
		==========				
Net income per share:						
Basic	\$ 0.38	\$ 1.02	\$ 0.37	\$ 1.93		
		======				
Diluted		\$ 0.62		•		
Weighted-average shares				======		
outstanding:						
Basic	20,663	42,991	20,017	26,334		
	-	==========				
Diluted	66,935	70,760	67,122	65,219		
	==========	======	=======	======		
*Includes stock-based						
compensation expense as follows:						
Cost of product						
revenue	\$ 21	\$ 26	\$ 67	\$ 102		
Cost of services	·		т - .	·		
revenue	117	193	400	658		
Research and						
development	322	571				
Sales and marketing	645	918	2,512	3,020		
General and	220	4 7 4	1 001	1 510		
administrative	339	474	1,271	1,718		
	\$ 1 444	\$ 2 182	\$ 5,299	s 7 461		
			ç 3,299 =========			
		ET, INC.				
CONSO	LIDATED STATE	MENTS OF CASH	FLOWS			
	(in th	ousands)				
		udited)				
	Three Mon	ths Ended	Years Ended			
	Dogombor 20	Dogombor 21	Dogombor 20	Dogombor 21		
		VECENDER SI				
	2008	2009	2008	December 31, 2009		

Net income \$ 7,943 43,939 \$ 7,363 \$ 60,179 Adjustments to reconcile net income to net cash provided by operating activities: Depreciation and amortization 928 1,613 4,234 5,935 Stock-based expense 1,444 2,183 5,299 7,462 Writeoff of intragible assets - 1,663 - 2,738 Amortization of investment premiums 11 (16) 41 836 Exceses tax benefit from employee - (1,461) - (1,574) Income tax benefit from employee - (30,211) - (30,211) Changes in operating assets - (1,661) (1,574) Income tax benefit from release of valuation allowane - (30,211) - (30,211) Changes in operating assets - (1,461) (1,574) (190) Deferred cost of receivable net (7,473) (10,441) (18,	OPERATING ACTIVITIES:				
reconcile met income to net cash provided by operating activities; Depreciation and amortization 928 1,613 4,234 5,935 Stock-based expense 1,444 2,183 5,299 7,462 Writeoff of intangible assets - 1,663 - 2,738 Amortization of investment premiums 11 (16) 41 836 Excess tax benefit from employee stock option plans - (1,461) - (1,574) Income tax benefit from release of valuation allowance - (30,211) - (30,211) Changes in operating assets and liabilities: Accounts receivable - net (7,473) (10,441) (18,350) (8,509) Inventory 555 (460) (189) (2,012) Deferred cost of revenues (2) (137) (1,231) (1,063) Prepaid expenses and other current assets (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets 999 (613) (80) (419) Accounts payable (4,652) 1,964 (1,864) 3,046 Accrued liabilities 1,555 1,996 (780) 2,157 Accrued payroll and compensation 2,932 1,318 5,030 630 Deferred revenue 13,510 11,555 40,363 30,313 Income taxes payable 415 3,084 (2,141) 2,582 Payable 41	Net income \$	7,943	43,939	\$ 7,363 \$	60,179
to net cash provided by operating activities; Depreclation and amortization 928 1,613 4,234 5,935 Stoch-based expense 1,444 2,183 5,299 7,662 Writeoff of intangible assets - 1,663 - 2,738 Amortization of investment premiums 11 (16) 41 836 Excess tax benefit from release of valuation allowance - (1,461) - (1,574) Income tax benefit from release of valuation allowance - (30,211) - (30,211) Changes in operating assets and liabilities: Accounts receivable net (7,473) (10,441) (18,350) (8,569) Inventory 555 (460) (189) (2,012) Deferred cost of revenues (2) (137) (1,231) (1,063) Prepaid expenses and other current assets 539 (9,572) 205 (9,578) Accounts payable (4,552) 1,964 (1,864) 3,046 Accounts payable (2,952) 1,318 5,030 630 <t< td=""><td>Adjustments to</td><td></td><td></td><td></td><td></td></t<>	Adjustments to				
by operating activities: Depreciation and amortization 928 1,613 4,234 5,935 Stock-based expense 1,444 2,183 5,299 7,462 Writeoff of intangible assets - 1,663 - 2,738 Amortization of investment premiums 11 (16) 41 836 Excess tax benefit from employee stock option plans - (1,461) - (1,574) Income tax benefit from release of valuation allowance - (30,211) - (30,211) Changes in operating assets and liabilities: Accounts receivable - net (7,473) (10,441) (18,350) (8,509) Inventory 555 (460) (189) (2,012) Deferred cost of revenues (2) (137) (1,231) (1,063) Prepaid expenses and other current assets (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets 999 (619) (80) (419) Accounds payable (4,652) 1,964 (1,864) 3,046 Accrued liabilities 1,555 1,996 (780) 2,157 Accrued payroll and compensation 2,932 1,318 5,030 630 Deferred revenue 13,510 11,555 40,363 30,313 Income taxes payable 415 3,084 (2,141) 2,582 Payable 415 3,084 (2,	reconcile net income				
Depreciation 928 1,613 4,234 5,935 Stock-based expense 1,444 2,183 5,299 7,462 Writeoff of intangible assets - 1,663 - 2,738 Amortization of investment premiums 11 (16) 41 836 Excess tax benefit from employee stock option plans - (1,461) - (1,574) Income tax benefit from release of valuation allowance - (30,211) - (30,211) Changes in operating assets and liabilities: Accounts - (30,211) - (30,211) Deferred coat of revenues (2) (137) (1,231) (1,063) Prepaid expenses and other current assets (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other accurent assets (114) 167 (214) (190) Deferred revenue 13,510 1,555 1,996 (780) 2,157 Accouted payroll and compensation 2,932 1,318	to net cash provided				
amortization 928 1,613 4,234 5,935 Stock-based expense 1,444 2,183 5,299 7,462 Writeoff of intangible assets - 1,663 - 2,738 Amortization of investment premiums 11 (16) 41 836 Excess tax benefit from employee stock option plans - (1,461) - (1,574) Income tax benefit from release of valuation allowance - (30,211) - (30,211) Changes in operating assets and liabilities: Accounts receivable net (7,473) (10,441) (18,50) (8,509) Inventory 555 (460) (189) (2,012) Deferred cost of revenues (2) (137) (1,231) (1,063) Prepaid expenses and other current assets (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets	by operating activities	;			
Stock-based expense 1,444 2,183 5,299 7,462 Writeoff of intagible assets - 1,663 - 2,738 Amortization of investment premiums 11 (16) 41 836 Excess tax benefit from employee stock option plans - (1,461) - (1,574) Income tax benefit from release of valuation allowance - (30,211) - (30,211) Changes in operating assets and liabilities: Accounts - (30,211) - (30,211) Deferred cost of revenues (2) (137) (1,231) (1,063) Prepaid expenses and other current assets (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets 919 (619) (80) (419) Accrued liabilities 1,555 1,996 (780) 2,157 Accrued paynol 2,932 1,318 5,030 630 Deferred revenue 13,510 11,555 40,363 30,313	Depreciation and				
Writeoff of intangible asets - 1,663 - 2,738 Amortization of investment - 1,663 - 2,738 Amortization of investment - 1603 - 2,738 Amortization of investment - 1,663 - 2,738 Amortization of investment - 160 41 836 Excess tax benefit - (1,461) - (1,574) Income tax benefit - (1,461) - (1,574) Income tax benefit - (30,211) - (30,211) Changes in operating assets and liabilities: - (30,211) - (30,211) Changes in operating assets and liabilities: - (460) (189) (2,012) Deferred cost of revenues (2) (137) (1,231) (1,063) Prepaid expenses and other (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets 999 (619) <td>amortization</td> <td>928</td> <td>1,613</td> <td>4,234</td> <td>5,935</td>	amortization	928	1,613	4,234	5,935
<pre>intangible assets - 1,663 - 2,738 Amortization of investment premiums 11 (16) 41 836 Excess tax benefit from employee stock option plans - (1,461) - (1,574) Income tax benefit from release of valuation allowance - (30,211) - (30,211) Changes in operating assets and liabilities: Accounts receivable net (7,473) (10,441) (18,350) (8,509) Inventory 555 (460) (189) (2,012) Deferred cost of revenues (2) (137) (1,231) (1,063) Prepaid expenses and other current assets (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets (144) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets (114) 167 (214) (180) Deferred tax assets 529 (9,572) 205 (9,578) Other assets (114) 167 (214) (180) Deferred tax assets (114) 167 (214) (180) Defered tax assets (114) 167 (214) (180) Defered tax assets (114) 167 (214) (180) Defered tax assets (114) (155 (114) (180) Defered tax assets (114) (155 (114) (180) Defered tax assets (114) (155 (114) (180) Defered tax assets (114) (1</pre>	Stock-based expense	1,444	2,183	5,299	7,462
Amortization of investment premiums 11 (16) 41 836 Excess tax benefit from employee stock option plans - (1,461) - (1,574) Income tax benefit from release of valuation allowance - (30,211) - (30,211) Changes in operating assets and liabilities: Accounts receivable net (7,473) (10,441) (18,350) (8,509) Inventory 555 (460) (189) (2,012) Deferred cost of revenues (2) (137) (1,231) (1,063) Prepaid expenses and other current assets (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets 999 (619) (80) (419) Accounts payable (4,652) 1,964 (1,864) 3,046 Accrued liabilities 1,555 1,996 (780) 2,157 Accrued payroll and compensation 2,932 1,318 5,030 630 Deferred revenue 13,510 11,555 40,363 30,313 Income taxes payable 15 3,084 (2,141) 2,582 CASH FLOWS FROM INVESTING ACTIVITIES: Purchase of property and equipment (1,850) (336) (2,798) (4,589) Mutuities and sales of short-term investments (36,948) (18,569) (80,588) (137,231) Maturities and sales of short-term investments 12,986 48,843 31,742 156,126 Payments made in connection with business acquisition, net - (2,000) (900) Decrease in restricted cash - (62) -	Writeoff of				
investment premiums 11 (16) 41 836 Excess tax benefit from employee stock option plans - (1,461) - (1,574) Income tax benefit from release of valuation allowance - (30,211) - (30,211) Changes in operating assets and liabilities: Accounts receivable net (7,473) (10,441) (18,350) (8,509) Inventory 555 (460) (189) (2,012) Deferred cost of revenues (2) (137) (1,231) (1,063) Prepaid expenses and other current assets (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets 999 (619) (80) (419) Accounts payable (4,652) 1,964 (1,864) 3,046 Accrued liabilities 1,555 1,996 (780) 2,157 Accrued payroll and compensation 2,932 1,318 5,030 630 Deferred revenue 13,510 11,555 40,363 30,313 Income taxes payable 415 3,084 (2,141) 2,582 Net cash provided by operating activities 18,580 16,565 37,686 62,322 Net cash provided by operating activities 18,580 16,565 37,686 62,322 CASH FLOWS FROM INVESTING ACTIVITIES: Purchase of property and equipment (1,850) (336) (2,798) (4,589) Purchase of short-term investments (36,948) (18,569) (80,588) (137,231) Maturities and sales of short-term investments 12,986 48,843 31,742 156,126 Payments made in connection with business acquisition, net - (2,000) (900) Decrease in restricted cash - (62) -	intangible assets	-	1,663	-	2,738
premiums 11 (16) 41 836 Excess tax benefit from employee stock option plans - (1,461) - (1,574) Income tax benefit from release of valuation - (30,211) - (30,211) Changes in operating assets and liabilities: Accounts - (30,211) - (30,211) Changes in operating assets and liabilities: Accounts - (30,211) - (30,211) Changes in operating assets and liabilities: Accounts - (30,211) - (30,211) Deferred cost of - - - (20,212) (160) (1,231) (1,663) Deferred tax assets (21) (167) (11,41) (17,231) (1,663) 3,046 Accounts payable (4,652) 1,964 (1,864) 3,046 Accrued payroll - - - - - - - - - - - - - -	Amortization of				
Excess tax benefit from employee stock option plans - (1,461) - (1,574) Income tax benefit from release of valuation allowance - (30,211) - (30,211) Changes in operating assets and liabilities: Accounts receivable net (7,473) (10,441) (18,350) (8,509) Inventory 555 (460) (189) (2,012) Deferred cost of revenues (2) (137) (1,231) (1,063) Prepaid expenses and other current assets (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets 999 (619) (80) (419) Accounts payable (4,652) 1,964 (1,664) 3,046 Accrued liabilities 1,555 1,996 (780) 2,157 Accrued payroll and compensation 2,932 1,318 5,030 630 Deferred revenue 13,510 11,555 40,363 30,313 Income taxes payable 415 3,084 (2,141) 2,582 Terret cash provided by operating activities 18,580 16,565 37,686 62,322 CASH FLOWS FROM INVESTING ACTIVITIES: Purchase of property and equipment (1,850) (336) (2,798) (4,589) Purchase of short-term investments (36,948) (18,569) (80,588) (137,231) Maturities and sales of short-term investments 12,986 48,843 31,742 156,126 Payments made in connection with business acquisition, net - (2,000) (900) Decrease in restricted cash - (62) -	investment				
from employee stock option plans - (1,461) - (1,574) Income tax benefit from release of valuation allowance - (30,211) - (30,211) Changes in operating assets and liabilities: Accounts receivable net (7,473) (10,441) (18,350) (8,509) Inventory 555 (460) (189) (2,012) Deferred cost of revenues (2) (137) (1,231) (1,063) Prepaid expenses and other current assets (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets 999 (619) (80) (419) Accounts payable (4,652) 1,964 (1,864) 3,046 Accrued liabilities 1,555 1,996 (780) 2,157 Accrued payroll and compensation 2,932 1,318 5,030 630 Deferred revenue 13,510 11,555 40,363 30,213 Income taxes payable 415 3,084 (2,141) 2,582 The cash provided by operating activities 18,580 16,565 37,686 62,322 CASH FLOWS FROM INVESTING ACTIVITIES: Purchase of short-term investments (36,948) (18,569) (80,588) (137,231) Maturities and sales of short-term investments 12,986 48,843 31,742 156,126 Payments made in connection with business acquisition, net (2,000) (900) Decrease in restricted cash (62)	premiums	11	(16)	41	836
stock option plans - (1,461) - (1,574) Income tax benefit from release of valuation allowance - (30,211) - (30,211) Changes in operating assets and liabilities: Accounts - (30,211) - (30,211) Changes in operating assets and liabilities: Accounts (20,212) Deferred cost of - (30,211) (1,231) (1,063) Inventory 555 (460) (189) (2,012) Deferred cost of - - (30,211) (1,063) Prepaid expenses and other - (1,17) (1,231) (1,063) Current assets (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets 999 (619) (80) (419) Accounts payable (4,552) 1,964 (1,864) 3,046 Accound payroll and compensation 2,932 1,318 5,030 630	Excess tax benefit				
Income tax benefit from release of valuation allowance - (30,211) - (30,211) Changes in operating assets and liabilities: Accounts receivable net (7,473) (10,441) (18,350) (8,509) Inventory 555 (460) (189) (2,012) Defered cost of revenues (2) (137) (1,231) (1,063) Prepaid expenses and other current assets (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets 999 (619) (80) (4199) Accounts payable (4,652) 1,964 (1,864) 3,046 Accrued liabilities 1,555 1,996 (780) 2,157 Accrued payroll and compensation 2,932 1,318 5,030 630 Deferred revenue 13,510 11,555 40,363 30,313 Income taxes payable 415 3,084 (2,141) 2,582 	from employee				
from release of valuation allowance - (30,211) - (30,211) Changes in operating assets and liabilities: Accounts receivable net (7,473) (10,441) (18,350) (8,509) Inventory 555 (460) (189) (2,012) Deferred cost of revenues (2) (137) (1,231) (1,063) Prepaid expenses and other current assets (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets 999 (619) (80) (419) Accounts payable (4,652) 1,964 (1,864) 3,046 Accrued liabilities 1,555 1,996 (780) 2,157 Accrued payroll and compensation 2,932 1,318 5,030 630 Deferred revenue 13,510 11,555 40,363 30,313 Income taxes payable 415 3,084 (2,141) 2,582 Net cash provided by operating activities 18,580 16,565 37,686 62,322 CASH FLOWS FROM INVESTING ACTIVITIES: Purchase of short-term investments (36,948) (18,569) (80,588) (137,231) Maturities and sales of short-term investments 12,986 48,843 31,742 156,126 Payants made in connection with business acquisition, net - (2,000) (900) Decrease in restricted cash - (62) -	stock option plans	-	(1,461)	-	(1,574)
valuation allowance - (30,211) - (30,211) Changes in operating assets and liabilities: Accounts receivable net (7,473) (10,441) (18,350) (8,509) Inventory 555 (460) (189) (2,012) Deferred cost of revenues (2) (137) (1,231) (1,063) Prepaid expenses and other current assets (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets 999 (619) (80) (419) Accounts payable (4,652) 1,964 (1,864) 3,046 Accrued liabilities 1,555 1,996 (780) 2,157 Accrued payroll and compensation 2,932 1,318 5,030 630 Deferred revenue 13,510 11,555 40,363 30,313 Income taxes payable 415 3,084 (2,141) 2,582 Deferred revenue 13,510 11,555 37,686 62,322 Net cash provided by operating activities 18,580 16,565 37,686 62,322 CASH FLOWS FROM INVESTING ACTIVITIES: Purchase of property and equipment (1,850) (336) (2,798) (4,589) Purchase of short-term investments (36,948) (18,569) (80,588) (137,231) Maturities and sales of short-term investments 12,986 48,843 31,742 156,126 Payments made in connection with business acquisition, net - (2,000) (900) Decrease in restricted cash - (62) -	Income tax benefit				
allowance - (30,211) - (30,211) Changes in operating assets and liabilities: Accounts receivable net (7,473) (10,441) (18,350) (8,509) Inventory 555 (460) (189) (2,012) Deferred cost of revenues (2) (137) (1,231) (1,063) Prepaid expenses and other current assets (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets 999 (619) (80) (419) Accounts payable (4,652) 1,964 (1,864) 3,046 Accrued payroll and compensation 2,932 1,318 5,030 630 Deferred revenue 13,510 11,555 40,363 30,313 Income taxes payable 415 3,084 (2,141) 2,582 The cash provided by operating activities 18,580 16,565 37,686 62,322 CASH FLOWS FROM INVESTING ACTIVITIES: Purchase of property and equipment (1,850) (336) (2,798) (4,589) Purchase of short-term investments (36,948) (18,569) (80,588) (137,231) Maturities and sales of short-term investments 12,986 48,843 31,742 156,126 Payments made in connection with business acquisition, net - (2,000) (900) Decrease in restricted cash (62) -	from release of				
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assets and liabilities: Accounts receivable net (7,473) (10,441) (18,350) (8,509) Inventory 555 (460) (189) (2,012) Deferred cost of revenues (2) (137) (1,231) (1,063) Prepaid expenses and other current assets (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets 999 (619) (80) (419) Accounts payable (4,652) 1,964 (1,864) 3,046 Accrued payroll and compensation 2,932 1,318 5,030 630 Deferred revenue 13,510 11,555 40,363 30,313 Income taxes payable 415 3,084 (2,141) 2,582 Net cash provided by operating activities 18,580 16,565 37,686 62,322 CASH FLOWS FROM INVESTING ACTIVITIES: Purchase of froperty and equipment (1,850) (336) (2,798) (4,589) Purchase of frot-term investments (36,948) (18,569) (80,588) (137,231) Maturities and sales of short-term investments 12,986 48,843 31,742 156,126 Payments made in connection with business acquisition, net - (2,000) (900) Decrease in restricted cash (62) -	allowance	-	(30,211)	-	(30,211)
Accounts receivable net (7,473) (10,441) (18,350) (8,509) Inventory 555 (460) (189) (2,012) Deferred cost of revenues (2) (137) (1,231) (1,063) Prepaid expenses and other	Changes in operating				
receivable net (7,473) (10,441) (18,350) (8,509) Inventory 555 (460) (189) (2,012) Deferred cost of revenues (2) (137) (1,231) (1,063) Prepaid expenses and other (2) (137) (1,231) (1,063) Prepaid expenses and other (2) (137) (1,231) (1,063) Outrent assets 529 (9,572) 205 (9,578) Other assets 999 (619) (80) (419) Accounds payable (4,652) 1,964 (1,864) 3,046 Accrued payroll and compensation 2,932 1,318 5,030 630 Deferred revenue 13,510 11,555 40,363 30,313 Income taxes payable 415 3,084 (2,141) 2,582	assets and liabilities	3:			
Inventory 555 (460) (189) (2,012) Deferred cost of revenues (2) (137) (1,231) (1,063) Prepaid expenses and other (2) (137) (1,231) (1,063) Current assets (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets 999 (619) (80) (419) Accounts payable (4,652) 1,964 (1,864) 3,046 Accrued liabilities 1,555 1,996 (780) 2,157 Accould payroll and compensation 2,932 1,318 5,030 630 Deferred revenue 13,510 11,555 40,363 30,313 Income taxes payable 415 3,084 (2,141) 2,582	Accounts				
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revenues (2) (137) (1,231) (1,063) Prepaid expenses and other (1,063) current assets (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets 999 (619) (80) (419) Accounts payable (4,652) 1,964 (1,864) 3,046 Accrued liabilities 1,555 1,996 (780) 2,157 Accrued payroll and compensation 2,932 1,318 5,030 630 Deferred revenue 13,510 11,555 40,363 30,313 Income taxes payable 415 3,084 (2,141) 2,582 matchild by operating activities 18,580 16,565 37,686 62,322 Net cash provided by operating activities 18,580 (18,569) (80,588) (137,231) Maturities and sales of short-term investments 12,986 48,843 31,742 156,126 Payments made in connection with busines	Inventory	555	(460)	(189)	(2,012)
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current assets (114) 167 (214) (190) Deferred tax assets 529 (9,572) 205 (9,578) Other assets 999 (619) (80) (419) Accounts payable (4,652) 1,964 (1,864) 3,046 Accrued labilities 1,555 1,996 (780) 2,157 Accrued payroll and compensation 2,932 1,318 5,030 630 Deferred revenue 13,510 11,555 40,363 30,313 Income taxes payable 415 3,084 (2,141) 2,582 Net cash provided by operating activities 18,580 16,565 37,686 62,322 CASH FLOWS FROM INVESTING ACTIVITIES: Vurchase of property and equipment (1,850) (336) (2,798) (4,589) Purchase of short-term investments 12,986 48,843 31,742 156,126 Payments made in connection with business acquisition, net	Prepaid expenses				
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Accounts payable (4,652) 1,964 (1,864) 3,046 Accrued liabilities 1,555 1,996 (780) 2,157 Accrued payroll and compensation 2,932 1,318 5,030 630 Deferred revenue 13,510 11,555 40,363 30,313 Income taxes payable 415 3,084 (2,141) 2,582 Net cash provided by operating activities 18,580 16,565 37,686 62,322 CASH FLOWS FROM INVESTING ACTIVITIES: Purchase of property and equipment (1,850) (336) (2,798) (4,589) Purchase of short-term investments (36,948) (18,569) (80,588) (137,231) Maturities and sales of short-term investments 12,986 48,843 31,742 156,126 Payments made in connection with business acquisition, net - - (2,000) (900) Decrease in - - (62) -	Deferred tax assets	529	(9,572)	205	(9,578)
Accrued liabilities 1,555 1,996 (780) 2,157 Accrued payroll and compensation 2,932 1,318 5,030 630 Deferred revenue 13,510 11,555 40,363 30,313 Income taxes payable 415 3,084 (2,141) 2,582 Payable 415 3,084 (2,141) 2,582 Net cash provided by operating activities 18,580 16,565 37,686 62,322 CASH FLOWS FROM INVESTING ACTIVITIES: Purchase of property and equipment (1,850) (336) (2,798) (4,589) Purchase of short-term investments (36,948) (18,569) (80,588) (137,231) Maturities and sales of short-term investments 12,986 48,843 31,742 156,126 Payments made in connection with business acquisition, net - - (2,000) (900) Decrease in - - (62) -			(619)		(419)
Accrued payroll and compensation 2,932 1,318 5,030 630 Deferred revenue 13,510 11,555 40,363 30,313 Income taxes payable 415 3,084 (2,141) 2,582 Net cash provided by operating activities 18,580 16,565 37,686 62,322 CASH FLOWS FROM INVESTING ACTIVITIES: Purchase of property and equipment (1,850) (336) (2,798) (4,589) Purchase of short-term investments (36,948) (18,569) (80,588) (137,231) Maturities and sales of short-term investments 12,986 48,843 31,742 156,126 Payments made in connection with output 000 000 000 Decrease in - - (2,000) (900)	Accounts payable	(4,652)	1,964	(1,864)	3,046
and compensation 2,932 1,318 5,030 630 Deferred revenue 13,510 11,555 40,363 30,313 Income taxes payable 415 3,084 (2,141) 2,582 Net cash provided by operating Net cash provided by operating CASH FLOWS FROM 18,580 16,565 37,686 62,322 CASH FLOWS FROM	Accrued liabilities	1,555	1,996	(780)	2,157
Deferred revenue 13,510 11,555 40,363 30,313 Income taxes payable 415 3,084 (2,141) 2,582 Net cash provided by operating activities 18,580 16,565 37,686 62,322 CASH FLOWS FROM INVESTING ACTIVITIES:	Accrued payroll				
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payable4153,084(2,141)2,582Net cash provided by operating activities18,58016,56537,68662,322CASH FLOWS FROMINVESTING ACTIVITIES:Purchase of property and equipment(1,850)(336)(2,798)(4,589)Purchase of short-terminvestments(36,948)(18,569)(80,588)(137,231)Maturities and sales of short-term investments12,98648,84331,742156,126Payments made in connection with business acquisition, net(2,000)(900)Decrease in restricted cash(62)-	Deferred revenue	13,510	11,555	40,363	30,313
Net cash provided by operating activities 18,580 16,565 37,686 62,322 CASH FLOWS FROM INVESTING ACTIVITIES: Purchase of property and equipment (1,850) (336) (2,798) (4,589) Purchase of short-term investments (36,948) (18,569) (80,588) (137,231) Maturities and sales of short-term investments 12,986 48,843 31,742 156,126 Payments made in connection with business acquisition, net - (2,000) (900) Decrease in restricted cash - (62) -					
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CASH FLOWS FROM INVESTING ACTIVITIES: Purchase of property and equipment (1,850) (336) (2,798) (4,589) Purchase of short-term investments (36,948) (18,569) (80,588) (137,231) Maturities and sales of short-term investments 12,986 48,843 31,742 156,126 Payments made in connection with business acquisition, net - (2,000) (900) Decrease in restricted cash - (62) -					
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<pre>investments (36,948) (18,569) (80,588) (137,231) Maturities and sales of short-term investments 12,986 48,843 31,742 156,126 Payments made in connection with business acquisition, net (2,000) (900) Decrease in restricted cash (62) -</pre>		(1,850)	(336)	(2,798)	(4,589)
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of short-term investments 12,986 48,843 31,742 156,126 Payments made in connection with business acquisition, net (2,000) (900) Decrease in restricted cash (62) -		(36,948)	(18,569)	(80,588)	(137,231)
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Payments made in connection with business acquisition, net (2,000) (900) Decrease in restricted cash (62) -					
connection with business acquisition, net (2,000) (900) Decrease in restricted cash (62) -		12,986	48,843	31,742	156,126
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acquisition, net (2,000) (900) Decrease in restricted cash (62) -					
Decrease in restricted cash (62) -				(0.000)	(
restricted cash (62) -		-	-	(2,000)	(900)
Net asch provided	restricted cash	-	-	(62)	-
	 Net cash provided				

Warrants exercised sold thru IPO - 1,121 - 1,121 Options exercised sold thru IPO - 441 - 442 Excess tax benefit from employee stock - - 441 - 442 Excess tax benefit from employee stock - - 1,461 - 1,57 Repurchase of - - - (12,764) - - (2,992) Net cash provided by (used in) financing - - - (2,992) Net cash provided - - - - (2,992) Net cash provided - - - (2,992) Net cash provided - - - (2,992) Marciang activities 168 91,792 2,117 78,042 EFFECT OF EXCHANGE - <t< th=""><th></th><th>y (used in)</th><th></th><th></th><th></th><th></th></t<>		y (used in)				
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FINANCING ACTIVITIES: Proceeds from exercise of stock options 168 509 2,117 2,411 Proceeds from IPO, net of offering costs - 88,260 - 88,261 Warrants exercised - 1,121 - 1,121 sold thru IPO - 441 - 444 Excess tax benefit - - - (12,76) Repurchase of - - - (12,76) Repurchase of common - - - (12,76) Repurchase of common - - - (2,99) Net cash provided by (used in) financing - - - (2,99) CASH EQUIVALENTS (1,561) (70) (937) 2,111 NE CASH EQUIVALENTS (1,561) (70) (937) 2,111 NCASH AND CASH EQUIVALENTS (8,625) 138,225 (14,840) 155,68' CASH AND CASH EQUIVALENTS End of End of End of End of </td <td>CASH FLOWS</td> <td> FROM</td> <td></td> <td></td> <td></td> <td></td>	CASH FLOWS	 FROM				
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Options exercised sold thru IPO - 441 - 441 Excess tax benefit from employee stock option plans - 1,461 - 1,577 Repurchase of common stock (12,761 Repurchase of common stock (2,999 Net cash provided by (used in) financing activities 168 91,792 2,117 78,049 EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS (1,561) (70) (937) 2,110 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (8,625) 138,225 (14,840) 155,887 CASH AND CASH EQUIVALENTS (8,625) 138,225 (14,840) 155,887 CASH AND CASH EQUIVALENTS Beginning of period 65,196 74,233 71,411 56,577 CASH AND CASH EQUIVALENTS End of period \$ 56,571 \$ 212,458 \$ 56,571 \$ 212,458 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: Accrued offering costs - not yet paid - 872 - 877 Reconciliations of non-GAAP results of operations measures to the nearest comparable GAAP measures (in thousands, except per share amounts) (unaudited) Three Months Ended Fiscal Years Ended 		exercised		,		,
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EQUIVALENTS (8,625) 138,225 (14,840) 155,887 CASH AND CASH EQUIVALENTS Beginning of period 65,196 74,233 71,411 56,577 Beginning of period 65,196 74,233 71,411 56,577 CASH AND CASH EQUIVALENTS End of						
CASH AND CASH EQUIVALENTS Beginning of period 65,196 74,233 71,411 56,572 CASH AND CASH EQUIVALENTS End of period \$ 56,571 \$ 212,458 \$ 56,571 \$ 212,458 ====================================			(8,625)	138 225	(14 840)	155 887
EQUIVALENTS Beginning of period 65,196 74,233 71,411 56,572 CASH AND CASH EQUIVALENTS End of period \$ 56,571 \$ 212,458 \$ 56,571 \$ 212,458 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: Accrued offering costs - not yet paid - 872 - 872 Reconciliations of non-GAAP results of operations measures to the nearest comparable GAAP measures (in thousands, except per share amounts) (unaudited) Three Months Ended Fiscal Years Ended			(0,025)	130,223	(14,040)	100,007
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comparable GAAP measures (in thousands, except per share amounts) (unaudited) Three Months Ended Fiscal Years Ended		5	_	872	-	872
(in thousands, except per share amounts) (unaudited) Three Months Ended Fiscal Years Ended	_	-	AP results o	of operations	measures to	the nearest
(unaudited) Three Months Ended Fiscal Years Ended	comparable	GAAP measures				
Three Months Ended Fiscal Years Ended			share amour	nts)		
	(unaudited	·	adad Fie	aal Voara En	dod	
December December December						
		December Decemb	per Dec	ember Decemi	ber	
28, 31, 28, 31,		28, 31	1	28, 31	,	
2008 2009 2008 2009					9	
Total			711 401	1 701 4050	115	
revenue \$59,066 \$70,711 \$211,791 \$252,115 Increase in deferred	Increase i		/II \$21	.ı,/yı ş252,	772	

revenue	13,510	11,555	40,363					
Total billings (Non-GAAP)		\$82,266						
	======	====== e Months End	=======	=======	e Months E	Inded		
	Dec	cember 28, 20	008	Dec	ember 31,	2009		
	GAAP	Adjust- ments		GAAP Actual	Adjust-	Non-GAAP		
		138 (c)			1,663 (219 (
Gross								
Profit		138				51,684 ======		
Gross								
Margin	69.8%	1,306 (c)		70.4%	1,963 (73.1% b)		
Operating								
Income		1,444 ======						
Operating								
Margin	10.6%		13.1%	10.5%		16.0%		
		1,444 (c)			1,663 (2,182 (
		(289)(d)			(796)((37,771)(d)		
Net Income	7 943	1 155	9 098	43 939	 (34 722)	9,217		
Net Income						======		
Net Income per share								
- diluted	\$ 0.12		\$ 0.14	\$ 0.62		\$ 0.13		
Shares used	======		======		======	======		
in per sha calculation	re							
- diluted				70,760		70,760		
(a) To elim		====== 7 million of						
(a) To eliminate \$1.7 million of non-cash acquisition related charges.(b) To eliminate \$2.2 million of stock-based compensation expense in the								
	quarter of inate \$1 4	E 2009. A million of	stock-base	d compensa	tion exper	se in the		
	quarter of			a componida	oron only on			
(d) To elim and (c)		tax effects	related to	expenses :	noted in (a), (b)		
(e) To eliminate the income statement impact from the reversal of the valuation allowance.								
		lscal Year 20			scal Year			
	GAAP	Adjust- ments	Non-GAAP	GAAP	Adjust-			
					2,387 (
		467 (c)			2,387 (760 (
Gross Profit	146,319	467	146,786	182,140		185,287		

	======	======	=======	=======	======	
Gross Margin	69.1%	4,832 (c)		72.2%	6,701 (b)	73.5%
Operating Income		5,299			9,848	
Operating Margin		5,299 (c)		10.0%		14.0%
		(1,060)(d)			(1,772)(d) (37,771)(e)	
Net Income					(29,695) ======	
Premium pai on repurch of convert preferred	d ase					
shares	-		-		9,266(f)	-
Net Income attributab to common						
shareholde			11,602 ======			30,484
Net Income per share						
- diluted				\$ 0.78		\$ 0.47
Shares used in per sha calculatio	re					
- diluted	67,122		•	65,219		65,219
(b) To elim in fisc	inate \$2.4 inate \$7.9 al 2009.	4 million of 5 million of	non-cash ad stock-based	cquisition d compensa	related char tion expense	
	inate \$5.3 al 2008.	3 million of	stock-base	d compensa	tion expense	
(d) To elim and (c)		tax effects	related to	expenses 1	noted in (a),	, (b)
valuati	on allowa	nce.			reversal of holders for t	
-		repurchase of				Lile
Investor Co Michelle Sp	olver					
Fortinet, I 408-486-783						
mspolver@fo	rtinet.com	<u>n</u>				
Seth Potter ICR						

646-277-1230 seth.potter@icrinc.com

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