



Q2 2010 Financial Results

July 22, 2010



Q2 2010 Non-GAAP Results

| | Q2 10 | Q2 09 | Y/Y % growth | Q1 10 |
|---|---------------|---------------|-----------------|---------------|
| Billings ⁽¹⁾ | \$90M | \$69M | 31% | \$79M |
| Revenue | \$76M | \$61M | 24% | \$70M |
| Non-GAAP Gross Margin (%) ⁽²⁾ | 74% | 74% | -- | 73% |
| Non-GAAP Operating Income ⁽²⁾ | \$12M | \$7M | 63% | \$9M |
| Non-GAAP Operating Margin (%) ⁽²⁾ | 16% | 12% | +4% | 13% |
| Non-GAAP Net Income ^{(2) (3)} | \$8M | \$7M | 22% | \$6M |
| Non-GAAP Earnings per Share ^{(2) (3)} | \$0.11 | \$0.10 | 10% | \$0.08 |
| Weighted Diluted Shares used in EPS | 76M | 64M | 18% | 75M |
| Deferred Revenue | \$226M | \$185M | 22% | \$212M |
| Free Cash Flow ⁽⁴⁾ | \$17M | \$14M | 20% | \$21M |

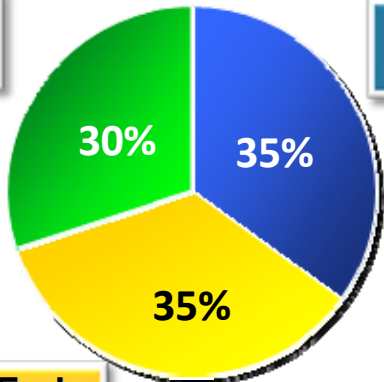
Notes

- (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 was 35% for Q2 2010 and 13% for Q2 2009 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.

Product Segmentation

FortiGate Billings (Q2 10)

Mid Range
FG200-800

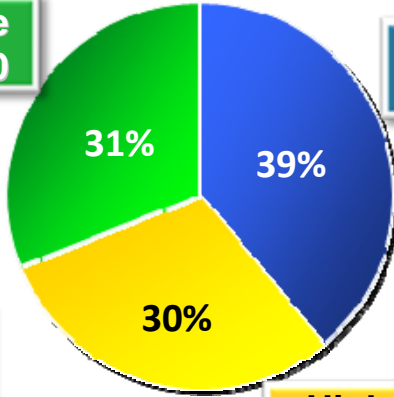


Entry Level
FG30-100

High-End
FG1000-5000

FortiGate Billings (Q2 09)

Mid Range
FG200-800

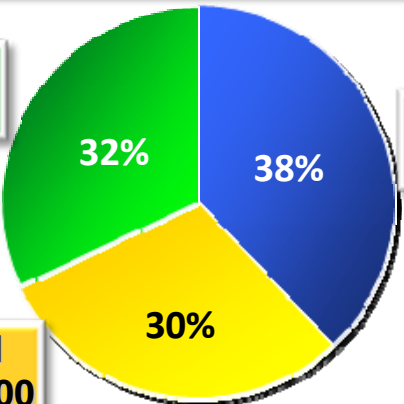


Entry Level
FG30-100

High-End
FG1000-5000

FortiGate Billings (2009)

Mid Range
FG200-800



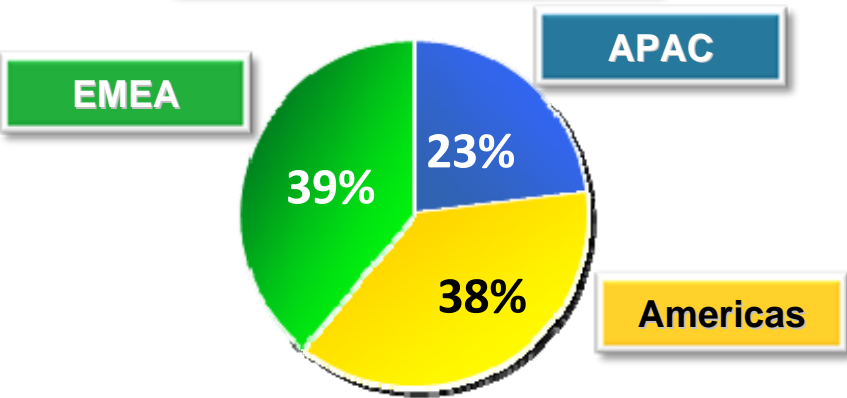
Entry Level
FG30-100

High-End
FG1000-5000

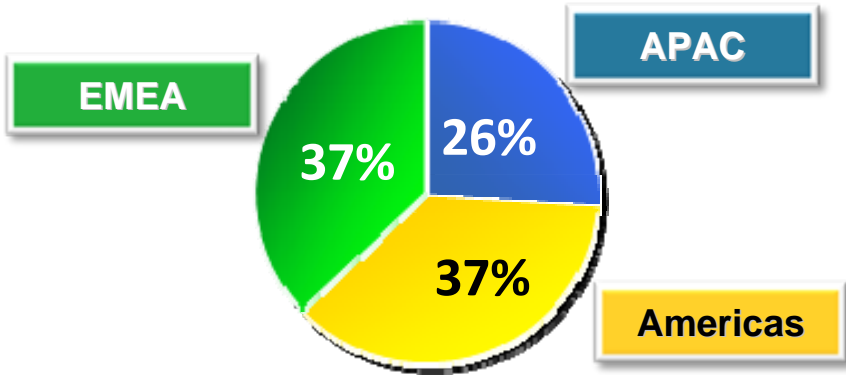
Note
Represents FortiGate billings by Product Category. Billings is a non-GAAP measure that we define as revenue recognized for the particular period plus the change in deferred revenue from the beginning of that period to the end of that period

Revenue by Geography

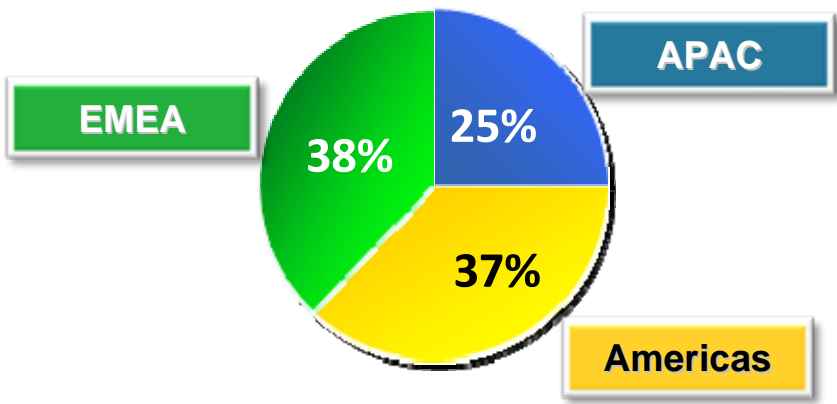
Revenue by Geo (Q2 10)



Revenue by Geo (Q2 09)

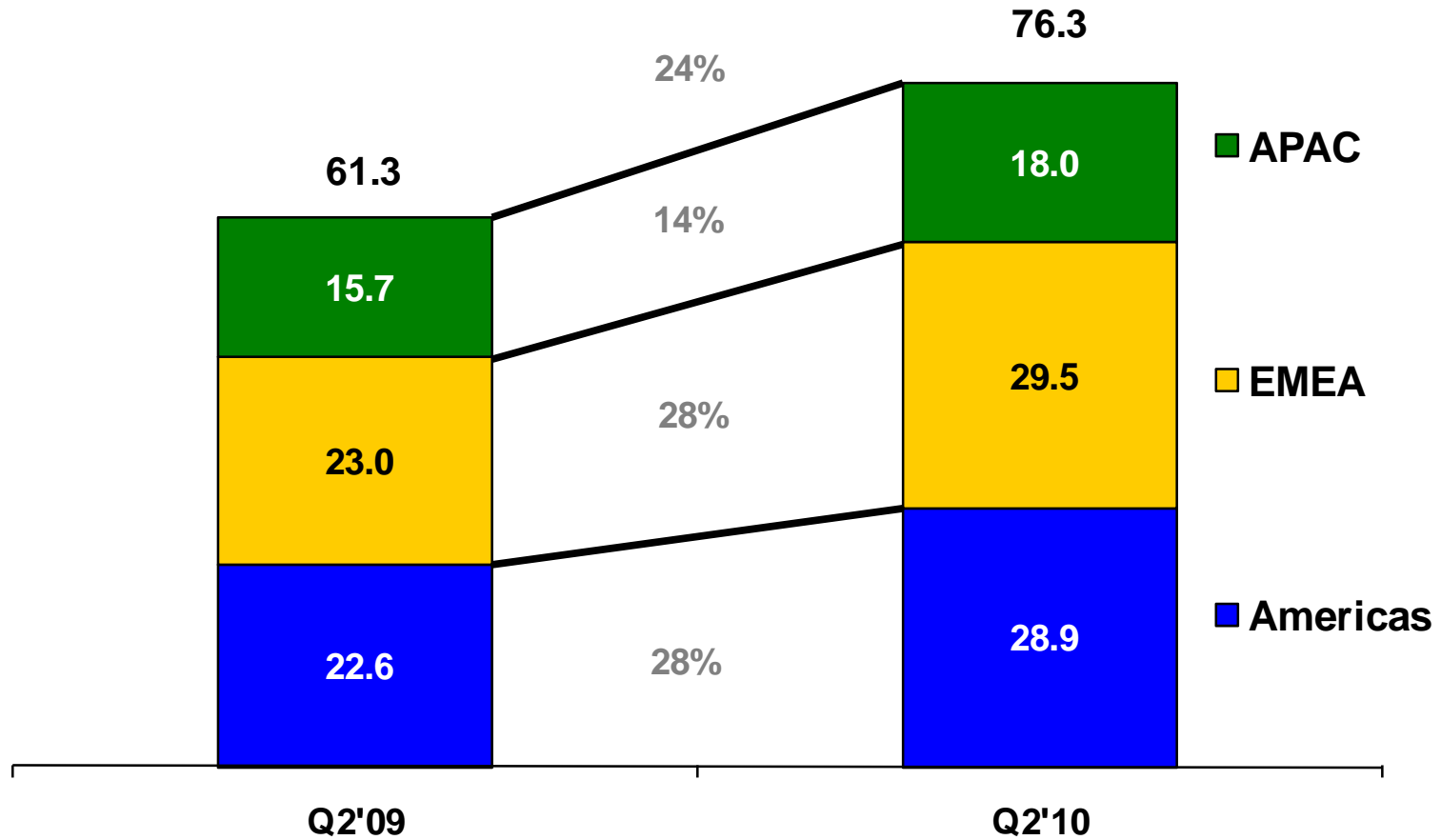


Revenue by Geo (2009)



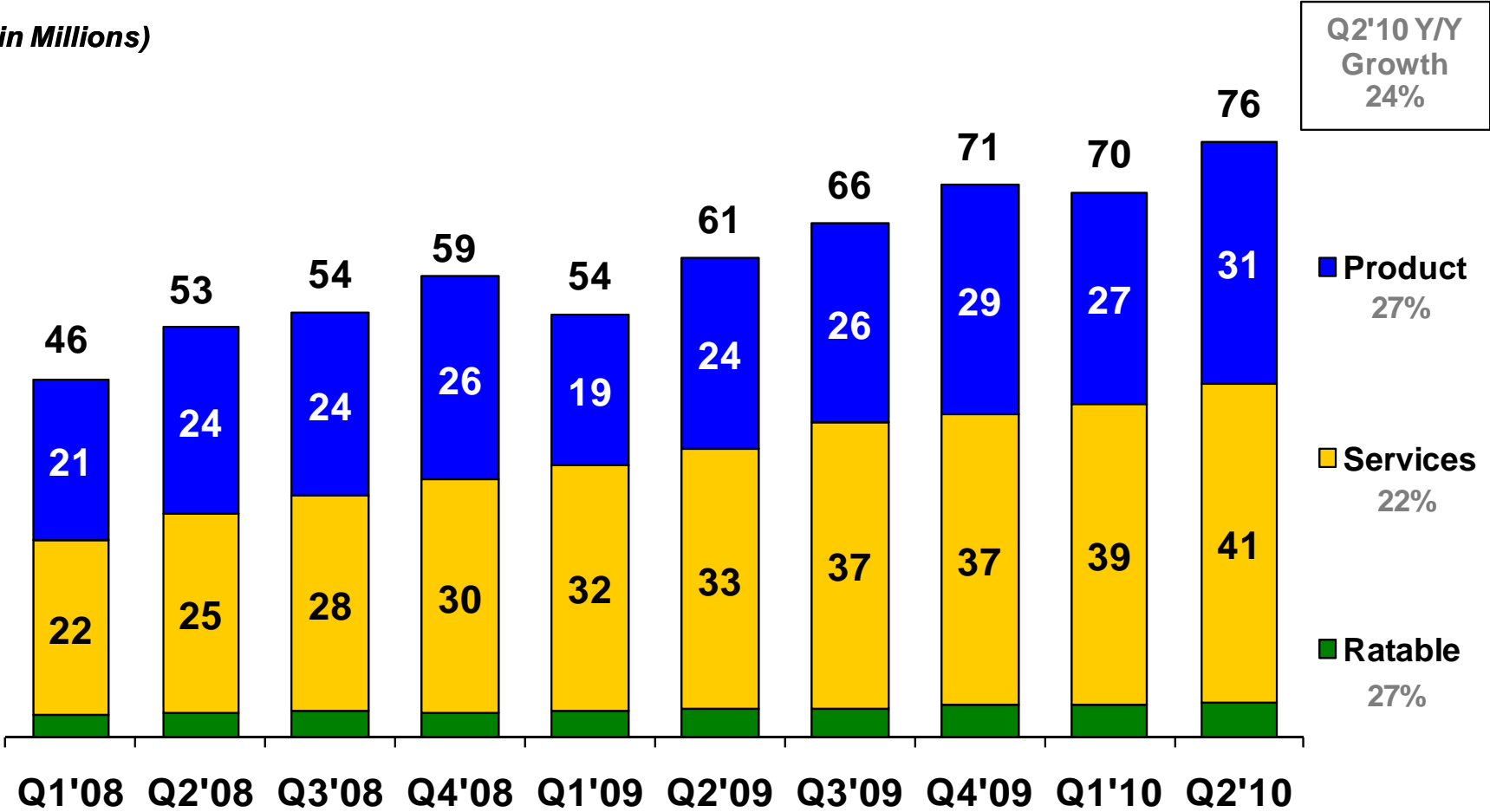
Revenue Growth by Geography

(\$ in Millions)



Quarterly Revenue Mix & Q2'10 Y/Y Growth

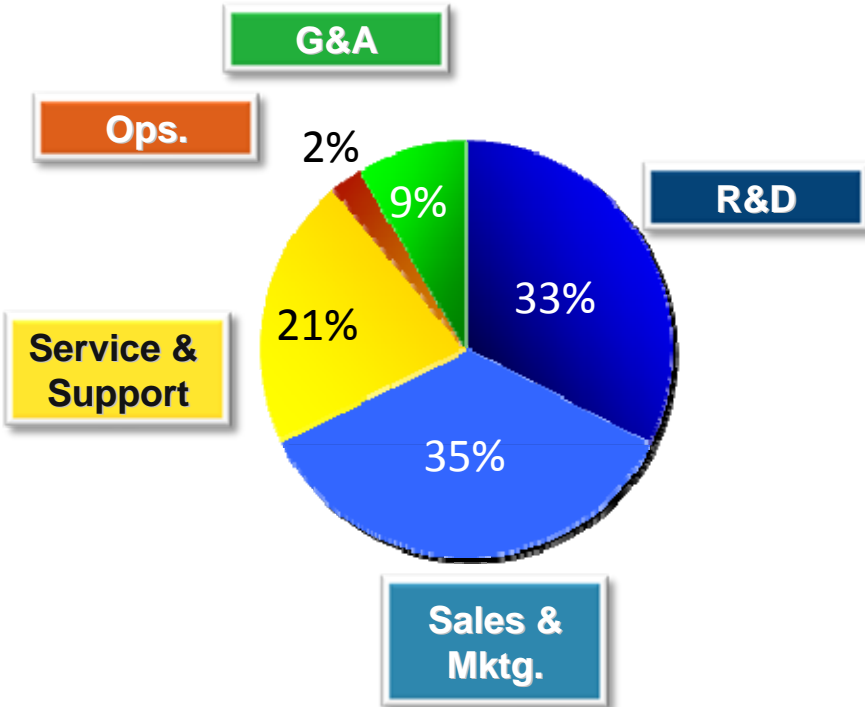
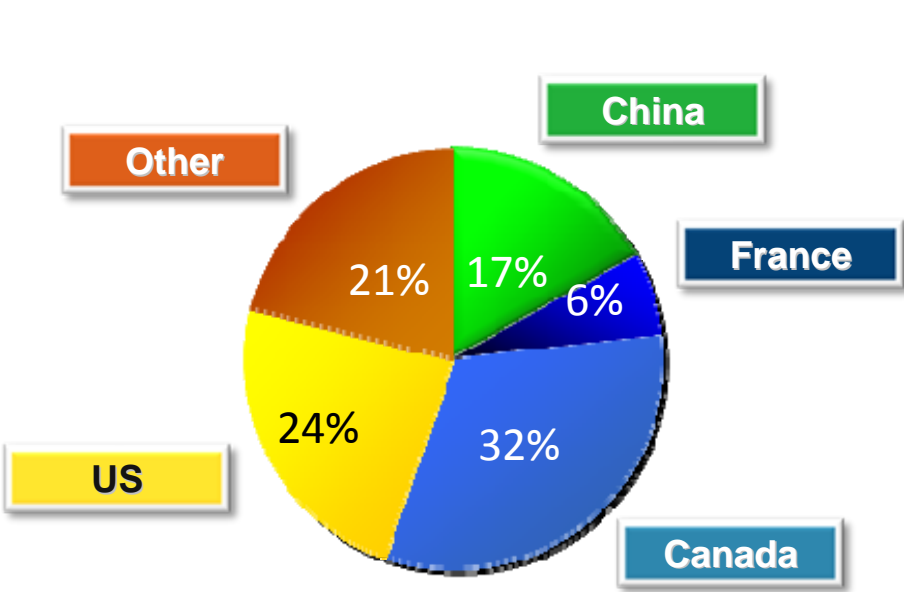
(\$ in Millions)



Global Employee Footprint

Headcount by Location (Q2 2010)

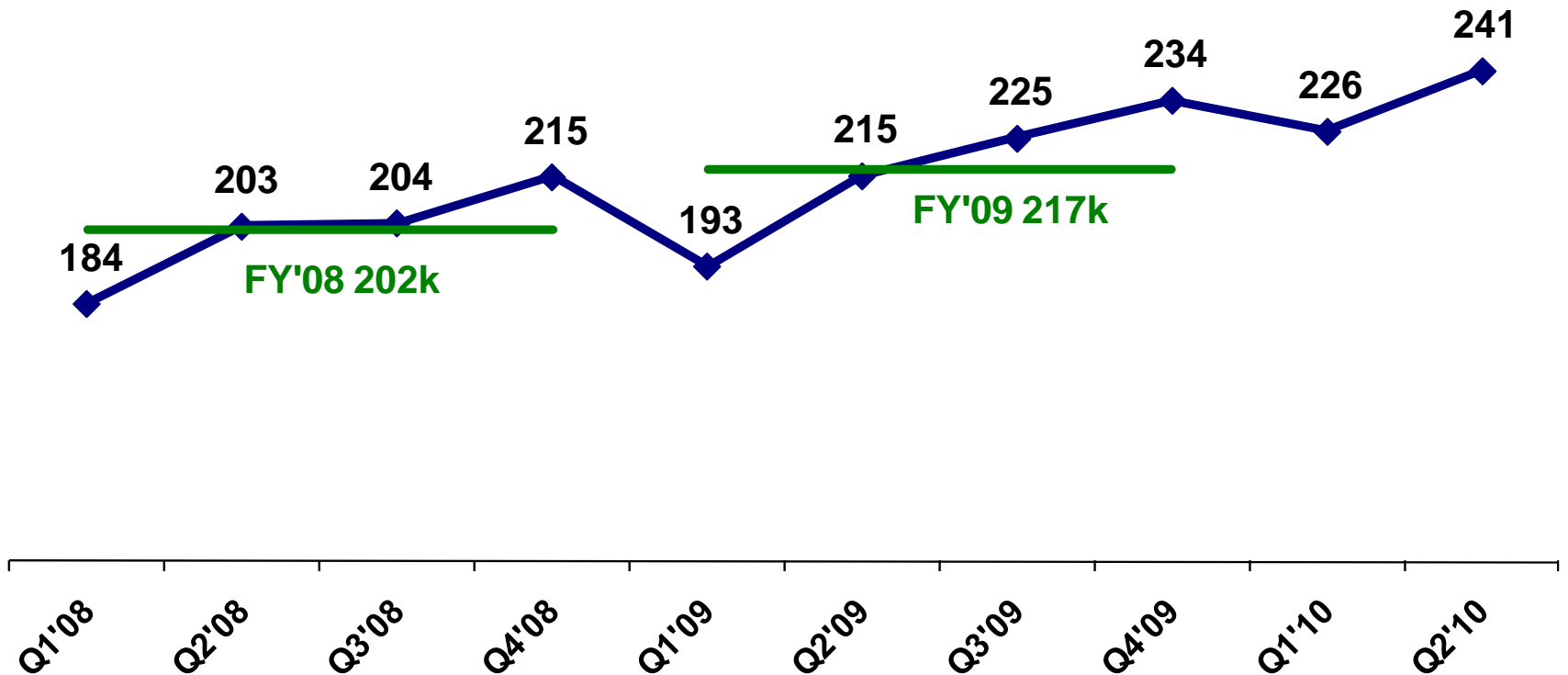
Headcount by Function (Q2 2010)



Total Headcount: 1,287

Revenue per Employee

(\$ in Thousands, Annualized)



Q2 2010 Select Financial Statistics

| | Q2 10 | Q1 10 | Q2 09 |
|-----------------------------------|--------|--------|--------|
| Cash and Investments | \$309M | \$281M | \$136M |
| Deferred Revenue | \$226M | \$212M | \$185M |
| Free Cash Flow | \$17M | \$21M | \$14M |
| Working Capital | \$148M | \$143M | \$32M |
| Accounts Receivable | \$60M | \$51M | \$44M |
| DSO | 71 | 66 | 64 |
| Net Inventory | \$12M | \$10M | \$10M |
| Inventory Turns | 3.3 | 4.0 | 3.3 |
| Revenue per Employee (Annualized) | \$241K | \$226K | \$215K |
| No. of Deals >\$100K | 96 | 84 | 67 |
| No. of Deals >\$250K | 32 | 22 | 19 |
| No. of Deals >\$500K | 18 | 8 | 7 |

Maintaining Strong Balance Sheet

(\$ in Millions)

| | Q2 10 | Q1 10 | Q2 09 |
|---|------------|------------|------------|
| Assets | | | |
| Cash and Investments | 309 | 281 | 136 |
| Accounts Receivable | 60 | 51 | 44 |
| Inventory | 12 | 10 | 10 |
| Property and Equipment | 7 | 7 | 6 |
| Deferred Cost of Revenue | 10 | 9 | 9 |
| Deferred Tax Assets | 44 | 41 | 0 |
| Other | 6 | 5 | 6 |
| Total Assets | 448 | 404 | 211 |
| Liabilities and Shareholders' Equity | | | |
| Accounts Payable | 13 | 10 | 8 |
| Accrued Expenses | 32 | 31 | 26 |
| Deferred Revenue | 226 | 212 | 185 |
| Common Stock | 225 | 206 | 104 |
| Retained Earnings | (48) | (55) | (112) |
| Total Liabilities and Shareholders' Equity | 448 | 404 | 211 |

Statement of Cash Flows (Non-GAAP)

| <i>(\$ in Millions)</i> | Q2 10 | Q2 09 | 1H 10 | 1H 09 |
|---|--------------|--------------|--------------|--------------|
| Net Income | 7 | 5 | 11 | 8 |
| Depreciation, Amortization, and Intangibles | 4 | 4 | 7 | 7 |
| Other Adjustments to Net Income | 2 | 0 | 6 | 0 |
| Non-GAAP Operating Income + Depreciation | 13 | 9 | 24 | 15 |
| Accounts Receivable | (8) | (3) | (5) | 3 |
| Inventory | (3) | 0 | (3) | 0 |
| Accounts Payable / Accrued Expenses / Other | 2 | 1 | 0 | (1) |
| Deferred Revenue | 14 | 7 | 24 | 13 |
| Cash Flow from Operations | 18 | 14 | 40 | 30 |
| Purchase of Property, Plant and Equipment | (1) | 0 | (2) | (3) |
| Free Cash Flow | 17 | 14 | 38 | 27 |
| Stock Repurchase | 0 | (8) | 0 | (16) |
| Stock Option and Warrant Exercises | 11 | 1 | 13 | 1 |
| Effect of Exchange Rate on Cash / Other | 0 | 1 | (2) | 0 |
| Net Cash Flow | 28 | 8 | 49 | 12 |

GAAP to Non-GAAP – Operating Results (Q2'10 vs. Q2'09 vs. Q1'10)

(in thousands, except per share amounts)

| | Q2'10 | Adj | Pro forma Q2'10 | Q2'09 | Adj | Pro forma Q2'09 | Q1'10 | Adj | Pro forma Q1'10 |
|--|-----------|----------|--------------------|-----------|----------|--------------------|-----------|----------|--------------------|
| Revenue: | | | | | | | | | |
| Product | \$ 31,037 | \$ - | \$ 31,037 | \$ 24,451 | \$ - | \$ 24,451 | \$ 27,110 | \$ - | \$ 27,110 |
| Services | 40,964 | - | 40,964 | 33,473 | - | 33,473 | 38,625 | - | 38,625 |
| Ratable product and services | 4,330 | - | 4,330 | 3,421 | - | 3,421 | 4,060 | - | 4,060 |
| Total Revenue | 76,331 | - | 76,331 | 61,345 | - | 61,345 | 69,795 | - | 69,795 |
| Cost of revenue: | | | | | | | | | |
| Cost of product revenue | 11,822 | (26) | 11,796 | 10,316 | (658) | 9,658 | 11,314 | (24) | 11,290 |
| Cost of services revenue | 6,818 | (234) | 6,584 | 5,357 | (172) | 5,185 | 6,468 | (208) | 6,260 |
| Cost of ratable product and services | 1,525 | - | 1,525 | 1,306 | - | 1,306 | 1,593 | - | 1,593 |
| Total cost of revenue | 20,165 | (260) | 19,905 | 16,979 | (830) | 16,149 | 19,375 | (232) | 19,143 |
| Gross Profit: | | | | | | | | | |
| Product | 19,215 | 26 | 19,241 | 14,135 | 658 | 14,793 | 15,796 | 24 | 15,820 |
| Services | 34,146 | 234 | 34,380 | 28,116 | 172 | 28,288 | 32,157 | 208 | 32,365 |
| Ratable product and services | 2,805 | - | 2,805 | 2,115 | - | 2,115 | 2,467 | - | 2,467 |
| Total gross profit | 56,166 | 260 | 56,426 | 44,366 | 830 | 45,196 | 50,420 | 232 | 50,652 |
| Operating Expenses: | | | | | | | | | |
| Research and development | 12,676 | (587) | 12,089 | 10,534 | (498) | 10,036 | 11,934 | (554) | 11,380 |
| Sales and marketing | 27,777 | (897) | 26,880 | 24,341 | (692) | 23,649 | 26,723 | (866) | 25,857 |
| General and administrative | 5,933 | (520) | 5,413 | 4,516 | (404) | 4,112 | 5,059 | (496) | 4,563 |
| Total operating expenses | 46,386 | (2,004) | 44,382 | 39,391 | (1,594) | 37,797 | 43,716 | (1,916) | 41,800 |
| Operating income | 9,780 | 2,264 | 12,044 | 4,975 | 2,424 | 7,399 | 6,704 | 2,148 | 8,852 |
| Interest income | 399 | - | 399 | 535 | - | 535 | 268 | - | 268 |
| Other income (expense), net | 87 | - | 87 | (282) | - | (282) | (250) | - | (250) |
| Net income before income taxes | 10,266 | 2,264 | 12,530 | 5,228 | 2,424 | 7,652 | 6,722 | 2,148 | 8,870 |
| Provision for income taxes | 3,397 | 989 | 4,386 | 652 | 350 | 1,002 | 2,504 | 601 | 3,105 |
| Net income | \$ 6,869 | \$ 1,275 | \$ 8,144 | \$ 4,576 | \$ 2,074 | \$ 6,650 | \$ 4,218 | \$ 1,547 | \$ 5,765 |
| Basic net income per share | \$ 0.10 | | \$ 0.12 | \$ 0.03 | | \$ 0.32 | \$ 0.06 | | \$ 0.09 |
| Diluted net income per share | \$ 0.09 | | \$ 0.11 | \$ 0.01 | | \$ 0.10 | \$ 0.06 | | \$ 0.08 |
| Shares used in computing net income per share | | | | | | | | | |
| Basic | 68,495 | | 68,495 | 20,574 | | 20,574 | 67,181 | | 67,181 |
| Diluted | 75,637 | | 75,637 | 64,032 | | 64,032 | 74,878 | | 74,878 |

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

(Q2'10 vs. Q2'09 vs. Q1'10)



| % of revenue | Q2'10 | | | Q2'09 | | | Q1'10 | | |
|---------------------------------------|-------------|-------------|-----------------|-------------|-------------|-----------------|-------------|-------------|-----------------|
| | Q2'10 | Adj | Pro forma Q2'10 | Q2'09 | Adj | Pro forma Q2'09 | Q1'10 | Adj | Pro forma Q1'10 |
| Revenue: | | | | | | | | | |
| Product | 41% | - | 41% | 40% | - | 40% | 39% | - | 39% |
| Services | 54% | - | 54% | 55% | - | 55% | 55% | - | 55% |
| Ratable product and services | 5% | - | 5% | 5% | - | 5% | 6% | - | 6% |
| Total Revenue | 100% | - | 100% | 100% | - | 100% | 100% | - | 100% |
| Cost of revenue: | | | | | | | | | |
| Cost of product revenue | 16% | - | 16% | 17% | (1%) | 16% | 16% | - | 16% |
| Cost of services revenue | 8% | - | 8% | 9% | (1%) | 8% | 9% | - | 9% |
| Cost of ratable product and services | 2% | - | 2% | 2% | - | 2% | 2% | - | 2% |
| Total cost of revenue | 26% | - | 26% | 28% | (2%) | 26% | 27% | - | 27% |
| Gross Profit: | | | | | | | | | |
| Product | 62% | - | 62% | 58% | 3% | 61% | 58% | - | 58% |
| Services | 84% | - | 84% | 86% | (1%) | 85% | 84% | - | 84% |
| Ratable product and services | 65% | - | 65% | 62% | - | 62% | 61% | - | 61% |
| Total gross profit | 74% | - | 74% | 72% | 2% | 74% | 73% | - | 73% |
| Operating Expenses: | | | | | | | | | |
| Research and development | 17% | (1%) | 16% | 17% | (1%) | 16% | 17% | (1%) | 16% |
| Sales and marketing | 36% | (1%) | 35% | 40% | (1%) | 39% | 38% | (1%) | 37% |
| General and administrative | 8% | (1%) | 7% | 7% | - | 7% | 8% | (1%) | 7% |
| Total operating expenses | 61% | (3%) | 58% | 64% | (2%) | 62% | 63% | (3%) | 60% |
| Operating income | 13% | 3% | 16% | 8% | 4% | 12% | 10% | 3% | 13% |
| Interest income | 1% | - | 1% | 1% | - | 1% | - | - | - |
| Net income before income taxes | 14% | 3% | 17% | 9% | 4% | 13% | 10% | 3% | 13% |
| Provision for income taxes | 5% | 1% | 6% | 1% | 1% | 2% | 4% | 1% | 5% |
| Net income | 9% | 2% | 11% | 8% | 3% | 11% | 6% | 2% | 8% |