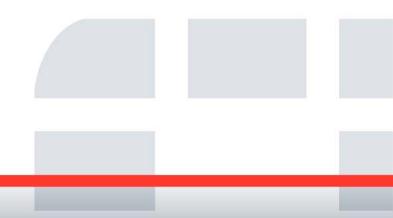


## Q2 2010 Financial Results

July 22, 2010



## Q2 2010 Non-GAAP Results

	Q2 10	Q2 09	Y/Y % growth	Q1 10
Billings <sup>(1)</sup>	\$90M	\$69M	31%	\$79M
Revenue	\$76M	\$61M	24%	\$70M
Non-GAAP Gross Margin (%) <sup>(2)</sup>	74%	74%		73%
Non-GAAP Operating Income (2)	\$12M	\$7M	63%	\$9M
Non-GAAP Operating Margin (%) <sup>(2)</sup>	16%	12%	+4%	13%
Non-GAAP Net Income <sup>(2) (3)</sup>	\$8M	\$7M	22%	\$6M
Non-GAAP Earnings per Share <sup>(2) (3)</sup>	\$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 <sup>(4)</sup>	\$17M	\$14 <b>M</b>	20%	\$21M

Notes

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 (1)to the end of that period

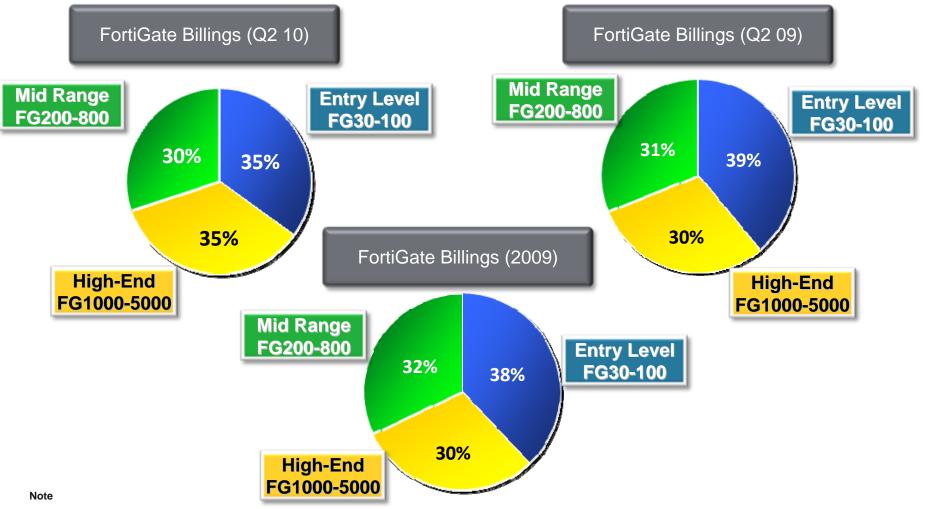
Does not include stock based compensation or acquisition-related write-offs (2)

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 (3)

Free Cash Flow is a non-GAAP measure that we define as Cash Flow from Operations less the purchase of property, plant and equipment. (4)



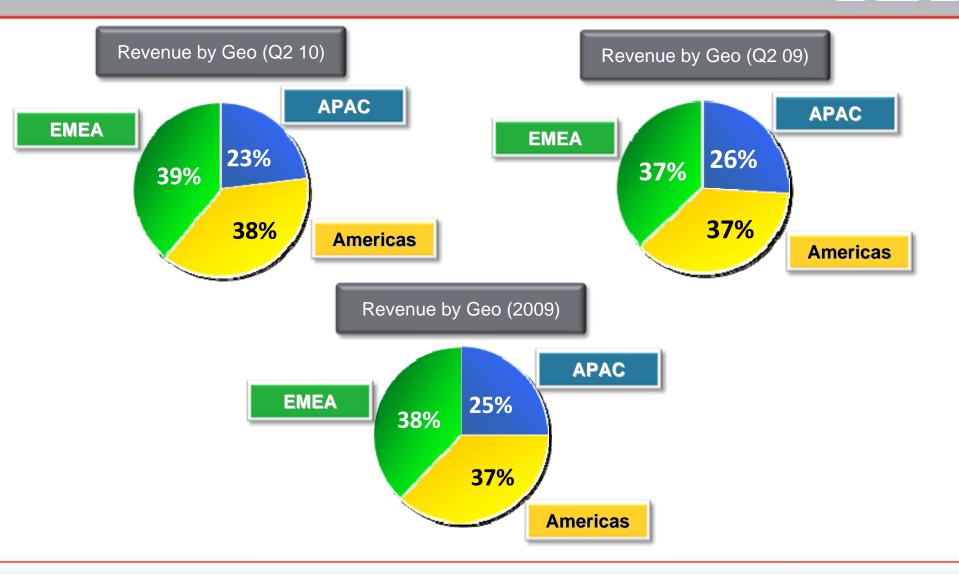
## **Product Segmentation**



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



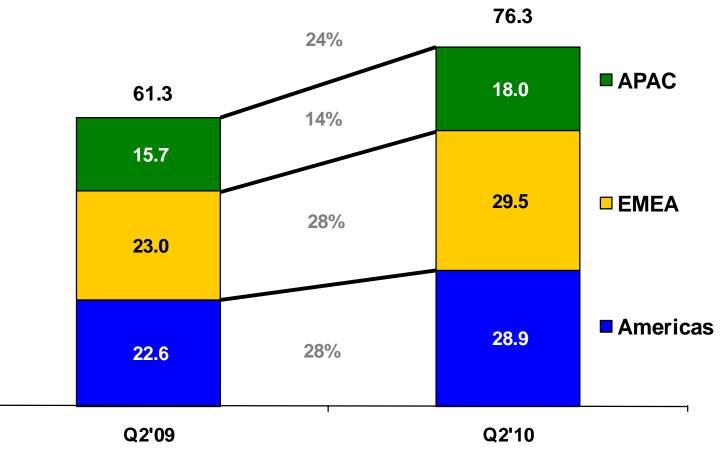
## Revenue by Geography





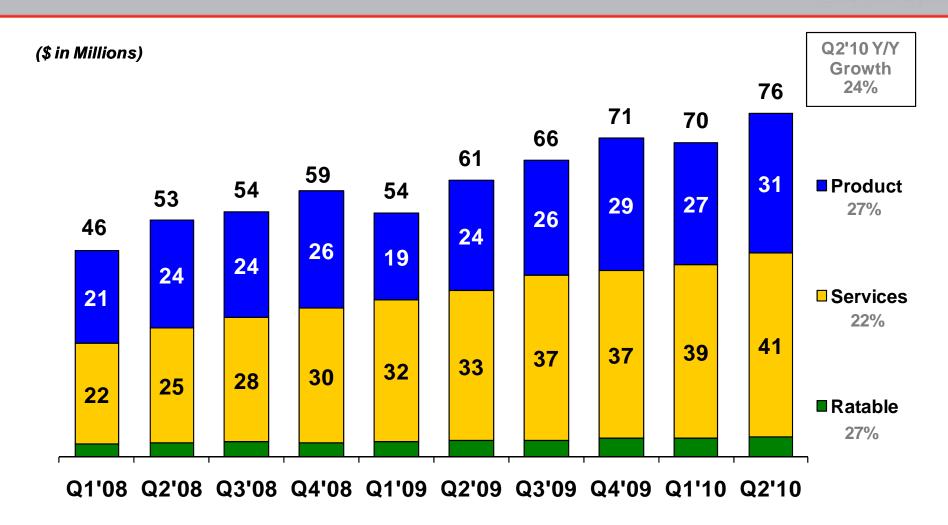
## Revenue Growth by Geography

(\$ in Millions)



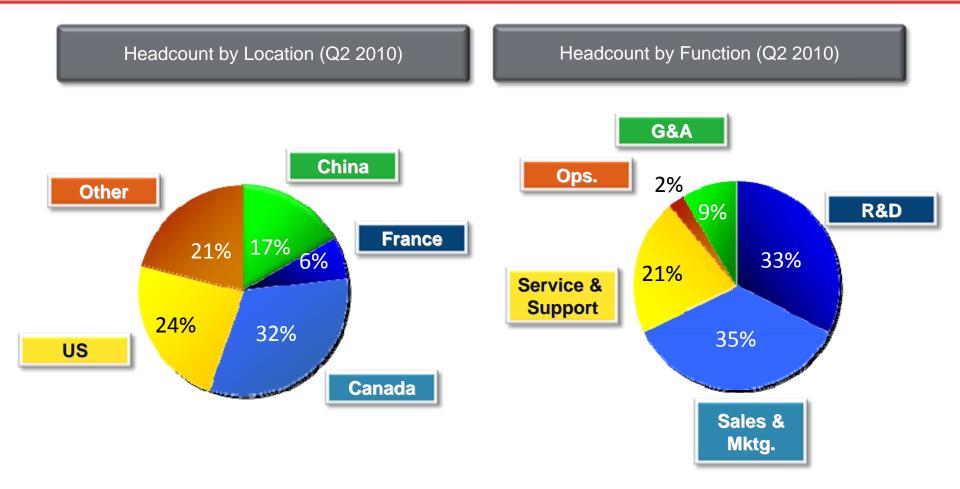


## Quarterly Revenue Mix & Q2'10 Y/Y Growth





## **Global Employee Footprint**



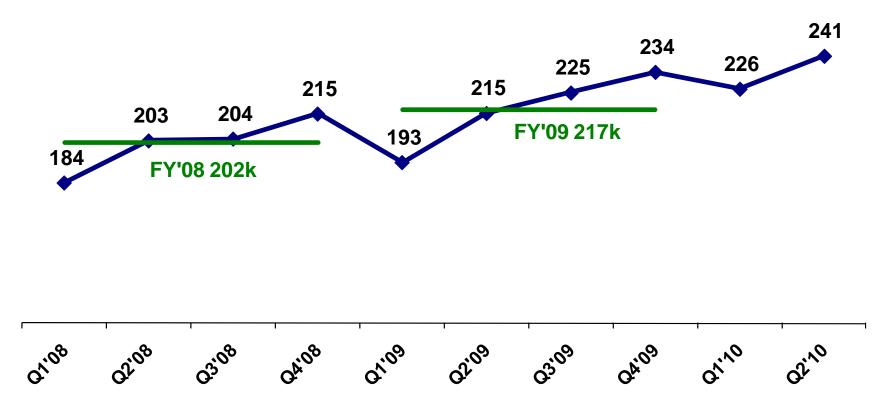
#### **Total Headcount: 1,287**



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### Revenue per Employee

(\$ in Thousands, Annualized)





## Q2 2010 Select Financial Statistics

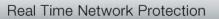
	Q2 10	Q1 10	Q2 09
Cash and Investments	\$309M	\$281M	\$136M
Deferred Revenue	\$226M	\$212M	\$185M
Free Cash Flow	\$17M	\$21M	\$14 <b>M</b>
Working Capital	\$148M	\$143M	\$32M
Accounts Receivable	\$60M	\$51M	\$44M
DSO	71	66	64
Net Inventory	\$12M	\$10M	\$10M
Inventory Turns	3.3	4.0	3.3
Revenue per Employee (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

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## Maintaining Strong Balance Sheet

(\$ in Mill	lions) 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)

(\$ in Millions)	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

Real Time Network Protection



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

Q2'10   Adj   Q2'10   Adj   Q2'9   Adj   Q2'9   Adj   Q2'9     Revenue:   \$31,037   \$ - \$31,037   \$ - \$31,037   \$ 2,4,451   \$ - \$3,473   38,625   - 4,060     Total Revenue   76,331   -   76,331   -   76,331   -   61,345   -   61,345   -   4,060   -   4,060   -   4,060   -   4,060   -   4,060   -   4,060   -   4,060   -   4,060   -   4,060   -   4,060   -   4,060   -   4,060   -   4,060   -   4,060   -   -   4,060   -   -   4,060   -   -   4,060   -   -   4,060   -   -   -   -   6,075   -   6,075   -   6,075   -   6,075   -   6,075   -   -   1,036   -   1,306   -   1,306   -   1,306   -   1,305   -   1,	(in thousands, except per share amounts)			Pro forma			Pro forma			Pro form	na
Product   \$ 31,037   \$ -   \$ 31,037   \$ -   \$ 24,451   \$ -   \$ 24,451   \$ -   \$ 24,451   \$ -   \$ 24,451   \$ -   \$ 24,451   \$ -   \$ 24,451   \$ -   \$ 33,473   33,473   33,473   33,473   -   33,473   33,473   -   33,473   -   33,473   33,473   -   33,473   33,473   -   33,473   33,473   -   33,473   33,473   -   33,473 <th></th> <th>Q2'10</th> <th>Adj</th> <th>Q2'10</th> <th>Q2'09</th> <th>Adj</th> <th>Q2'09</th> <th>Q1'10</th> <th>Adj</th> <th>Q1'10</th> <th></th>		Q2'10	Adj	Q2'10	Q2'09	Adj	Q2'09	Q1'10	Adj	Q1'10	
Services   40,964   -   40,964   33,473   -	Revenue:										
Ratable product and services 4,330 - 4,330 - 4,330 - 4,330   Total Revenue 76,331 - 76,331 - 76,331 - 61,345 - 61,345 - 69,795 - 11,314 (24) 11,290 6,763 - 1,503 - 1,593 - 1,593 - 1,593 - 1,593 - 1,593 - 1,593 - 1,593 - 1,593	Product	\$ 31,037	\$-	\$ 31,037	\$ 24,451	\$ -	\$ 24,451	\$ 27,110	\$ -	\$ 27,1	10
Total Revenue   76,331   -   76,331   -   76,331   -   76,331     Cost of revenue:   11,822   (26)   11,796   11,796   11,314   (24)   11,290     Cost of services revenue   6,818   (234)   6,584   5,557   1,725   5,557   1,306   -   1,306   1,345   -   6,9,795   -   6,9,795     Cost of revenue   1,525   -   1,525   1,306   -   1,306   1,306   1,533   -   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:   19,215   2.6   19,241   14,135   658   14,793   15,796   24   15,820     Services   2,805   -   2,805   2,2115   -   2,115   -   2,115   -   2,467   -   2,467     Operating Expenses:   12,676   (587)   12,	Services	40,964	-	40,964	33,473	-	33,473	38,625	-	38,6	25
Cost of revenue:   11,822   (26)   11,796     Cost of product revenue   6,818   (234)   6,584   5,357   (172)   5,185   6,468   (208)   6,260     Cost of revenue   20,165   (260)   19,905   16,979   (830)   16,149   19,375   (232)   19,143     Gross Profit:   19,215   26   19,241   14,135   658   14,793   15,796   24   15,800     Services   34,146   234   34,380   28,116   172   28,288   32,157   208   32,157   208   32,2157   24   15,800     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:   10,534   (498)   10,036   11,934   (554)   11,800   4,516   (404)   4,112   5,	Ratable product and services	4,330	-	4,330	3,421	-	3,421	4,060	-	4,0	60
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   (80)   16,149   19,375   (232)   19,143     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     Total gross profit   56,166   260   56,426   44,366   830   45,196   50,420   232   50,652     Operating Expenses:   12,676   (587)   12,089   10,534   (498)   10,036   24,37	Total Revenue	76,331	-	76,331	61,345	-	61,345	69,795	-	69,7	95
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   -   1,525   -   1,503   -   1,593 </th <th>Cost of revenue:</th> <th></th>	Cost of revenue:										
Cost of ratable product and services 1,525 - 1,525 1,306 - 1,306 - 1,306   Total cost of revenue 20,165 (260) 19,905 16,979 (830) 16,149 19,375 (232) 19,143   Gross Profit: 19,215 26 19,241 14,135 658 14,793 32,157 20 32,265 32,157 28 32,265 32,157 28 32,267 32,267 2,467 - <	Cost of product revenue	, -	• • •	,	-,	``'	- ,	7 -	. ,	,	
Total cost of revenue Gross Profit: Product   20,165   (260)   19,905   16,979   (830)   16,149     Gross Profit: Product   19,215   26   19,241   14,135   658   14,793     Services   34,146   234   34,380   28,116   172   28,288   32,157   208   32,365     Total gross profit   56,166   260   56,426   44,366   830   45,196     Operating Expenses:   12,676   (587)   12,089   10,534   (498)   10,036     Sales and marketing   27,777   (897)   26,880   24,341   (692)   23,649   26,723   (866)   25,857     Goerating expenses   46,386   (2,004)   44,382   39,391   (1,594)   37,797   43,716   (1,916)   41,800     Operating income   9,789   2,264   12,044   4,975   2,424   7,399   6,704   2,148   8,852     Interest income   399   -   399   535   -   535   268<		,	(234)			(172)	-,		(208)		
Gross Profit: 1 <	Cost of ratable product and services	1,525	-	1,525	1,306	-	1,306	1,593	-	1,5	93
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 - 2,115 2,467 - 2,467   Total gross profit 56,166 260 56,426 44,366 830 45,196 50,420 232 50,652   Operating Expenses: - - - - - - - 2,467 - 2,467   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   Operating income 9,780 2,264 12,044 4,975 2,424 7,399 6,704 2,148 8,852   Interest income 399 -		20,165	(260)	19,905	16,979	(830)	16,149	19,375	(232)	19,1	43
Services 34,146 234 34,380 28,116 172 28,288 32,157 208 32,365   Ratable product and services 2,805 - 2,805 - 2,805 - 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: 12,676 (587) 12,089 10,534 (498) 10,036 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 - 87 - 87 - 5,228 2,424 7,652 6,722 2,148 <th></th>											
Ratable product and services 2,805 - 2,805 2,805 2,115 - 2,115 - 2,115 5,115 <th></th> <th>,</th> <th>-</th> <th>,</th> <th>· ·</th> <th></th> <th>,</th> <th>-,</th> <th></th> <th>,</th> <th></th>		,	-	,	· ·		,	-,		,	
Total gross profit Operating Expenses: 56,166 260 56,426   Operating Expenses: -		,	234		· ·	172			208		
Operating Expenses:   Image: Constraint of the constrelevant of the constraint of the constraint of the constraint of	Ratable product and services	2,805	-	2,805	,	-		2,467	-	2,4	67
Research and development12,676(587)12,08910,534(498)10,03611,934(554)11,380Sales and marketing27,777(897)26,88024,341(692)23,64926,723(866)25,857General and administrative5,933(520)5,4134,516(404)4,1125,059(496)4,563Total operating expenses46,386(2,004)44,38239,391(1,594)37,79743,716(1,916)41,800Operating income9,7802,26412,0444,9752,4247,3996,7042,1488,852Interest income399-399535-535268-268Other income (expense), net87-87(282)-(282) <th< th=""><th></th><th>56,166</th><th>260</th><th>56,426</th><th>44,366</th><th>830</th><th>45,196</th><th>50,420</th><th>232</th><th>50,6</th><th>52</th></th<>		56,166	260	56,426	44,366	830	45,196	50,420	232	50,6	52
Sales and marketing General and administrative27,777(897)26,88024,341(692)23,64926,723(866)25,857General and administrative5,933(520)5,4134,516(404)4,1125,059(496)4,563Total operating expenses46,386(2,004)44,38239,391(1,594)37,79743,716(1,916)41,800Operating income9,7802,26412,0444,9752,4247,3996,7042,1488,852Interest income399-399535-535268-268Other income (expense), net87-87(282)-(282)(250)-(250)Net income before income taxes10,2662,26412,5305,2282,4247,6526,7222,1488,870Provision for income taxes3,3979894,3866523501,0022,5046013,105			()			(			<i>(</i> )		
General and administrative 5,933 (520) 5,413   Total operating expenses 46,386 (2,004) 44,382   Operating income 9,780 2,264 12,044   1nterest income 399 - 399   Other income (expense), net 87 - 87   Net income before income taxes 10,266 2,264 12,530   3,397 989 4,386 2,424 7,652   6,722 2,148 8,870   2,504 6,722 2,148 8,870   3,397 989 4,386 5,235 1,002 2,504 601 3,105	•	,	. ,	·	,	``'		,	( )	,	
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 6,722 2,148 8,870   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	-		. ,			• • •			( )		
Operating income 9,780 2,264 12,044   1nterest income 399 - 399   Other income (expense), net 87 - 87   Net income before income taxes 10,266 2,264 12,530   3,397 989 4,386 5,228 2,424 7,652   6,704 2,148 8,852   268 - 268   2500 - (250)   25,228 2,424 7,652 6,722 2,148 8,870   2,504 601 3,105 3,105 3,105 3,105			. ,			. ,		· · ·	( )	,	
Interest income 399 - 399 - 399 535 - 535 268 - 268   Other income (expense), net 87 - 87 - 87 - (282) - (282) - (282) - (282) - (282) - (250) <th< th=""><th></th><th>· · ·</th><th></th><th>,</th><th>,</th><th>( / /</th><th>,</th><th>· · · ·</th><th></th><th>,</th><th></th></th<>		· · ·		,	,	( / /	,	· · · ·		,	
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	Operating income	9,780	2,264	12,044	4,975	2,424	7,399	6,704	2,148	8,8	52
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   6,722   2,148   8,870	Interest income	399	-	399		-	535	268	-	2	68
Provision for income taxes   3,397   989   4,386   652   350   1,002   2,504   601   3,105	Other income (expense), net	87	-	87	(282)	-	(282)	(250)	-	(2	50)
	Net income before income taxes	10,266	2,264	12,530	5,228	2,424	7,652	6,722	2,148	8,8	70
Net income   \$ 6,869   \$ 1,275   \$ 8,144   \$ 4,576   \$ 2,074   \$ 6,650   \$ 4,218   \$ 1,547   \$ 5,765	Provision for income taxes	3,397	989	4,386	652	350	1,002	2,504	601	3,1	05
	Net income	\$ 6,869	\$ 1,275	\$ 8,144	\$ 4,576	\$ 2,074	\$ 6,650	\$ 4,218	\$ 1,547	\$ 5,7	65
Basic net income per share   \$ 0.10   \$ 0.12   \$ 0.03   \$ 0.32   \$ 0.06   \$ 0.09	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	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	Shares used in computing net income per share										
Basic   68,495   68,495   20,574   67,181   67,181		68,495		68,495	20,574		20,574	67,181		67,1	181
Diluted   75,637   75,637   64,032   74,878   74,878	Diluted	75,637		75,637	64,032		64,032	74,878		74,8	378

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

% of revenue			Pro forma			Pro forma			Pro forma
	Q2'10	Adj	Q2'10	Q2'09	Adj	Q2'09	Q1'10	Adj	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%

