



Q2 2011 Financial Results

July 19, 2011



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Q2 2011 Non-GAAP Results

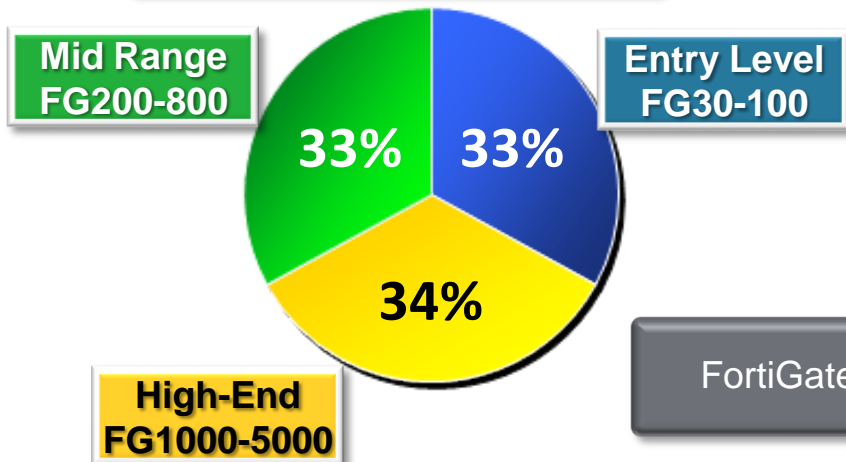
| | Q2 11 | Q2 10 | Y/Y % growth | Q1 11 |
|-------------------------------------------------------|---------------|---------------|-----------------|---------------|
| Billings ⁽¹⁾ | \$110M | \$90M | 22% | \$107M |
| Revenue | \$103M | \$76M | 35% | \$93M |
| Non-GAAP Gross Margin (%) ⁽²⁾ | 75% | 74% | +1% | 75% |
| Non-GAAP Operating Income ⁽²⁾ | \$22M | \$12M | 84% | \$20M |
| Non-GAAP Operating Margin (%) ⁽²⁾ | 22% | 16% | +6% | 21% |
| Non-GAAP Net Income ^{(2) (3)} | \$15M | \$8M | 88% | \$14M |
| Non-GAAP Earnings per Share ^{(2) (3)} | \$0.09 | \$0.05 | 80% | \$0.09 |
| Weighted Diluted Shares used in EPS | 164M | 151M | 8% | 163M |
| Deferred Revenue | \$273M | \$226M | 21% | \$266M |
| Free Cash Flow ⁽⁴⁾ | \$33M | \$17M | 99% | \$36M |

Notes

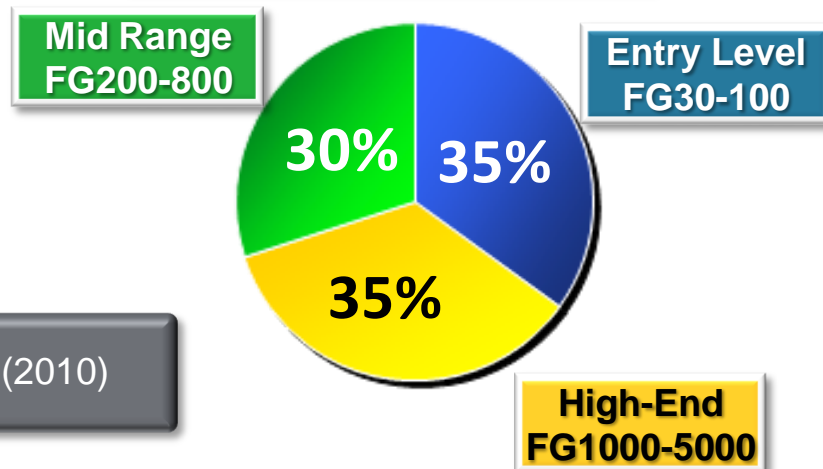
- (1) Billings is a non-GAAP measure that we define as revenue recognized for the particular period plus the change in deferred revenue from the beginning of that period to the end of that period
- (2) Does not include stock based compensation or acquisition-related write-offs
- (3) Assumes effective tax rate of 33% for Q2 2011, 35% for Q2 2010 and 33% for Q1 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.

Product Segmentation

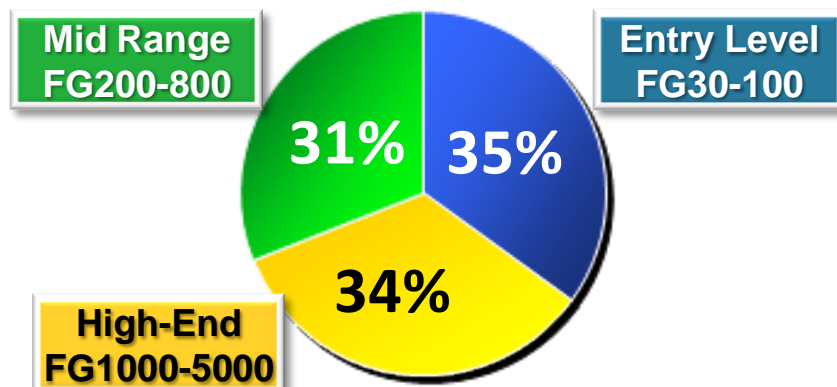
FortiGate Billings (Q2 11)



FortiGate Billings (Q2 10)



FortiGate Billings (2010)

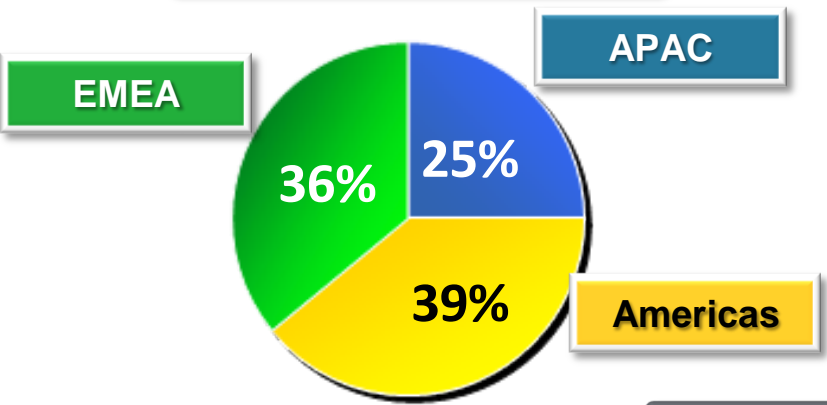


Note

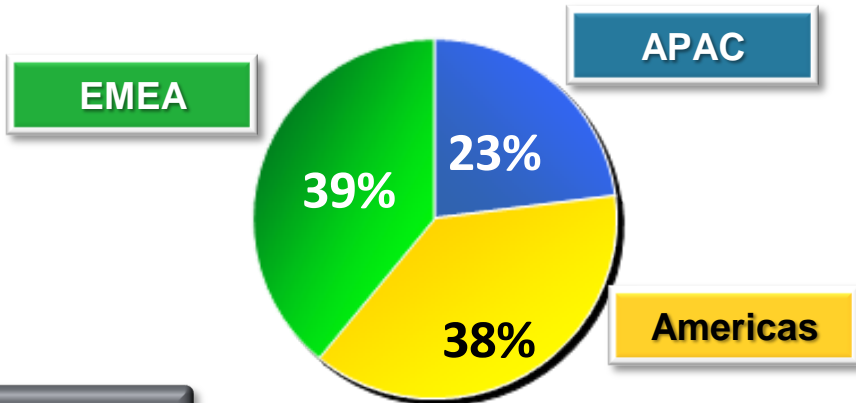
Represents FortiGate billings by Product Category. Billings is a non-GAAP measure that we define as revenue recognized for the particular period plus the change in deferred revenue from the beginning of that period to the end of that period

Revenue by Geography

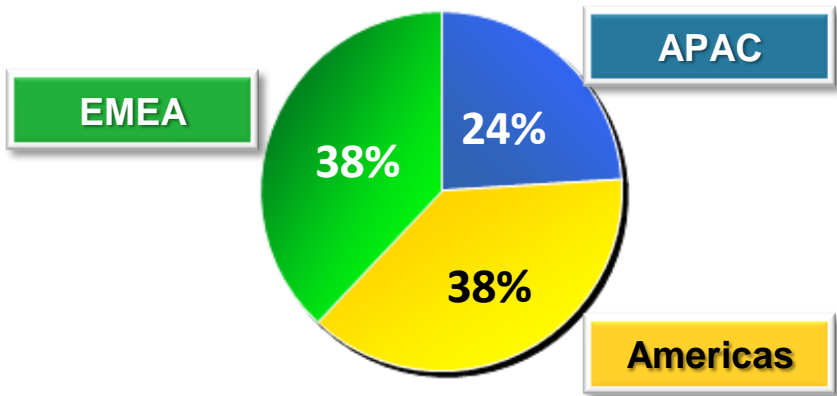
Revenue by Geo (Q2 11)



Revenue by Geo (Q2 10)

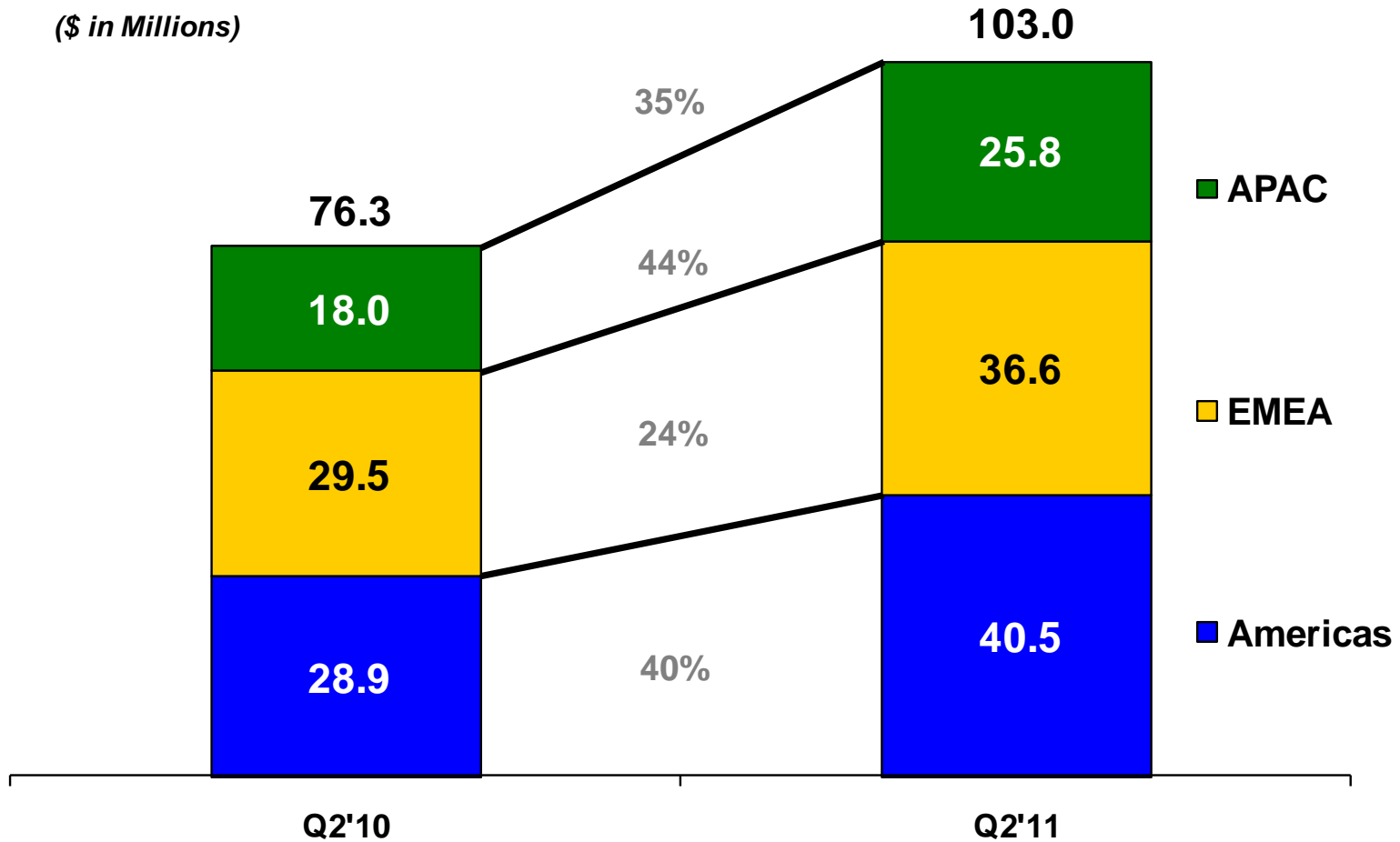


Revenue by Geo (2010)



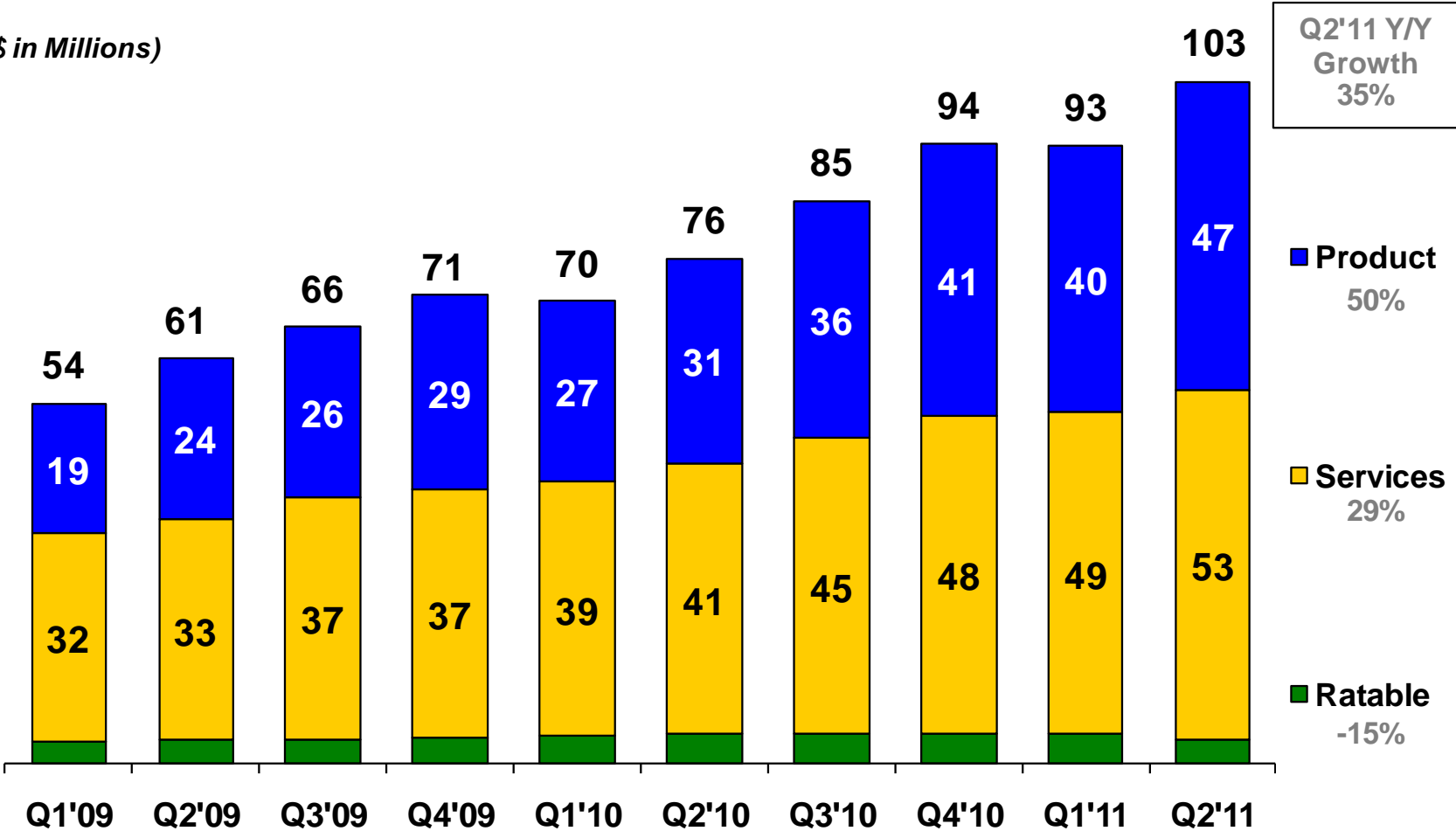
Revenue Growth by Geography

(\$ in Millions)



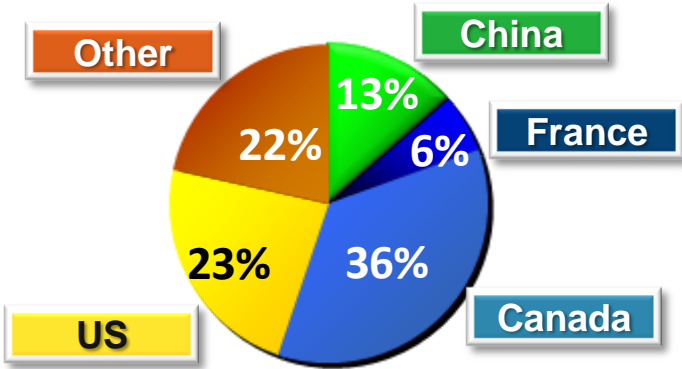
Quarterly Revenue Mix & Q2'11 Y/Y Growth

(\$ in Millions)

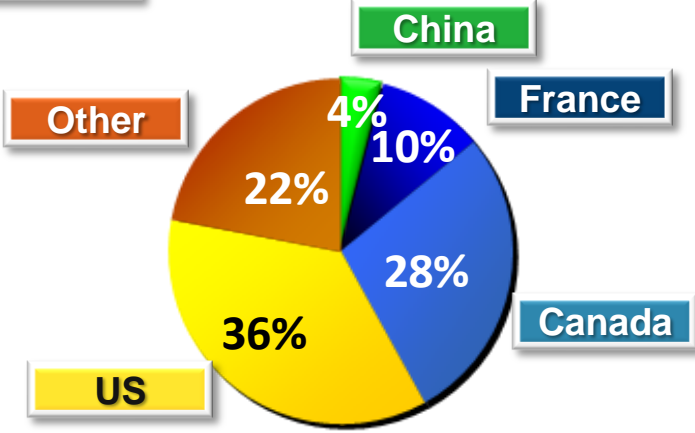
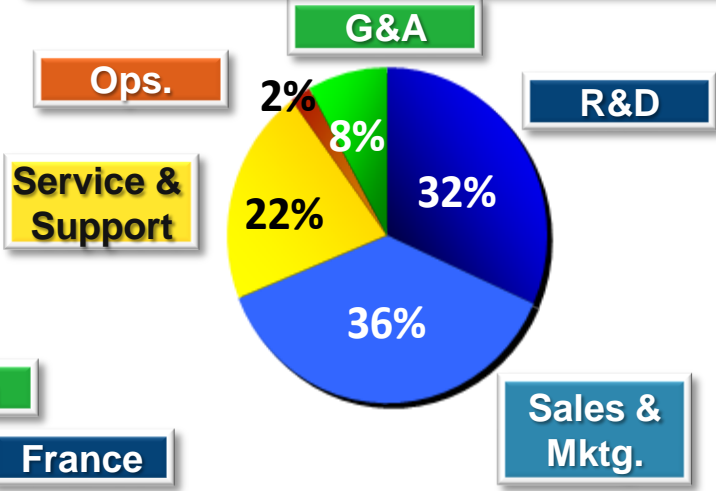


Global Employee Footprint

Headcount by Location (Q2 2011)



Headcount by Function (Q2 2011)

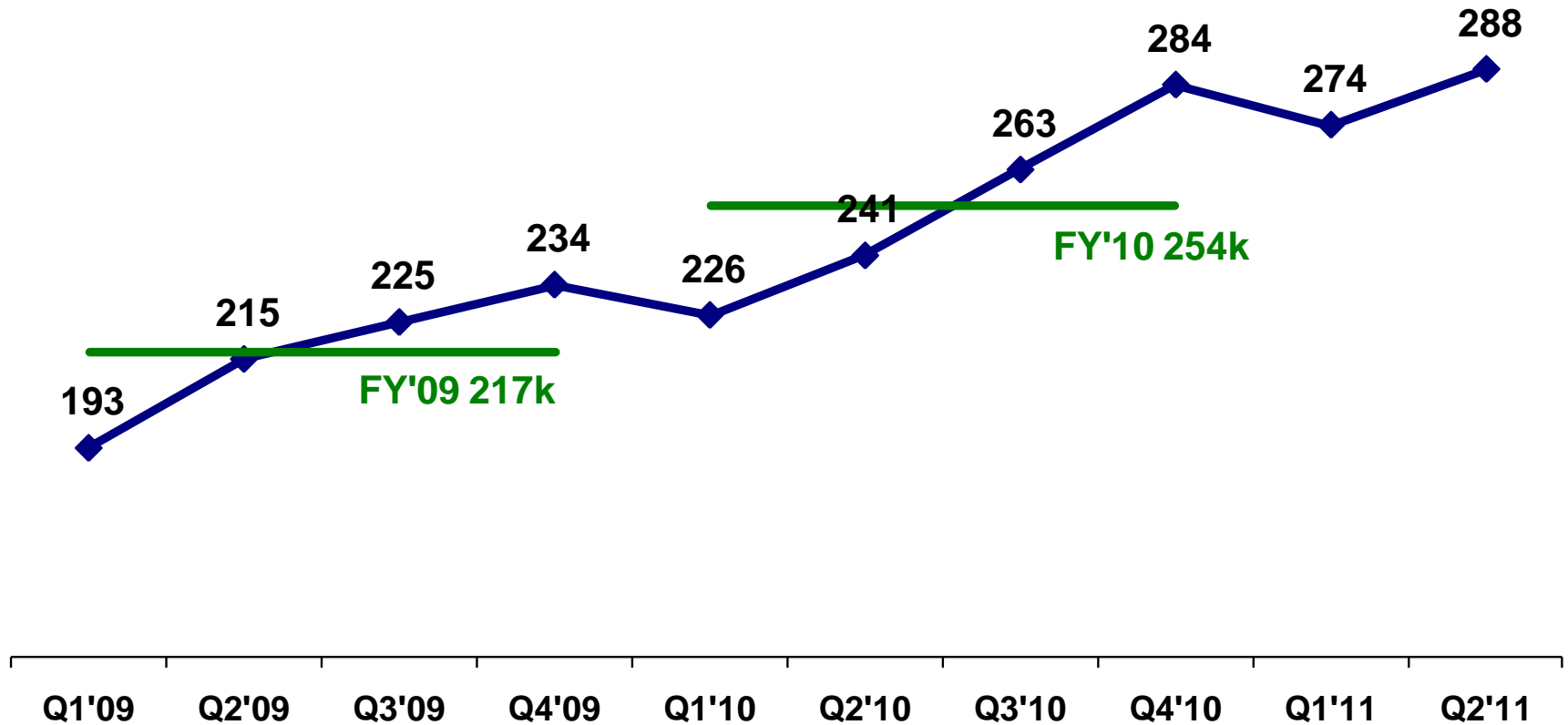


Headcount Cost by Location (Q2 2011)

Total Headcount:
1,475

Revenue per Employee

(\$ in Thousands, Annualized)



Q2 2011 Select Financial Statistics

| | Q2 11 | Q1 11 | Q2 10 |
|-----------------------------------|--------|--------|--------|
| Cash and Investments | \$468M | \$433M | \$309M |
| Deferred Revenue | \$273M | \$266M | \$226M |
| Free Cash Flow | \$33M | \$36M | \$17M |
| Working Capital | \$208M | \$168M | \$148M |
| Accounts Receivable | \$72M | \$71M | \$60M |
| DSO | 63 | 69 | 71 |
| Net Inventory | \$14M | \$12M | \$12M |
| Inventory Turns | 4.0 | 4.0 | 3.3 |
| Revenue per Employee (Annualized) | \$288K | \$274K | \$241K |
| No. of Deals >\$100K | 127 | 111 | 96 |
| No. of Deals >\$250K | 37 | 34 | 32 |
| No. of Deals >\$500K | 11 | 18 | 18 |

Maintaining Strong Balance Sheet

(\$ in Millions)

| | Q2 11 | Q1 11 | Q2 10 |
|---------------------------------------------------|------------|------------|------------|
| Assets | | | |
| Cash and Investments | 468 | 433 | 309 |
| Accounts Receivable | 72 | 71 | 60 |
| Inventory | 14 | 12 | 12 |
| Property and Equipment | 7 | 7 | 7 |
| Deferred Cost of Revenue | 7 | 8 | 10 |
| Deferred Tax Assets | 51 | 46 | 44 |
| Other | 16 | 10 | 6 |
| Total Assets | 635 | 587 | 448 |
| Liabilities and Shareholders' Equity | | | |
| Accounts Payable | 13 | 9 | 13 |
| Accrued Expenses | 61 | 54 | 32 |
| Deferred Revenue | 273 | 266 | 226 |
| Common Stock | 275 | 260 | 225 |
| Retained Earnings | 13 | (2) | (48) |
| Total Liabilities and Shareholders' Equity | 635 | 587 | 448 |

Statement of Cash Flows (Non-GAAP)

| <i>(\$ in Millions)</i> | Q2 11 | Q2 10 | 1H 11 | 1H 10 |
|-------------------------------------------------|--------------|--------------|--------------|--------------|
| GAAP Net Income | 14 | 7 | 28 | 11 |
| Depreciation, Amortization, and Intangibles | 6 | 4 | 10 | 7 |
| Other Adjustments to Net Income | 4 | 2 | 8 | 6 |
| Non-GAAP Operating Income + Depreciation | 24 | 13 | 46 | 24 |
| Accounts Receivable | (1) | (8) | - | (5) |
| Inventory | (2) | (3) | (1) | (3) |
| Accounts Payable / Accrued Expenses / Other | 6 | 2 | 5 | - |
| Deferred Revenue | 7 | 14 | 21 | 24 |
| Non-GAAP Cash Flow from Operations | 34 | 18 | 71 | 40 |
| Purchase of Property, Plant and Equipment | (1) | (1) | (1) | (2) |
| Free Cash Flow | 33 | 17 | 70 | 38 |
| Stock Option and Warrant Exercises | 4 | 11 | 11 | 13 |
| Patent Settlement | - | - | 3 | - |
| Acquisition | (3) | - | (3) | - |
| Effect of Exchange Rate on Cash / Other | 2 | - | - | (2) |
| Net Cash Flow | 36 | 28 | 81 | 49 |

Q3 and 2011 Guidance

| | Q3 11 | Y/Y % Mid-Pt growth | 2011 | Y/Y % Mid-Pt growth |
|-------------------------------------------------------|---------------|---------------------------|---------------|---------------------------|
| Billings ⁽¹⁾ | \$114 - 118M | 22% | \$460 - 470M | 24% |
| Revenue | \$101 - 103M | 20% | \$395 - 410M | 24% |
| Non-GAAP Gross Margin (%) ⁽²⁾ | ~74% | | 74 - 75% | |
| Non-GAAP Operating Margin (%) ⁽²⁾ | 20 - 21% | | ~21% | |
| Non-GAAP Earnings per Share ^{(2) (3)} | \$0.09 – 0.10 | | \$0.36 - 0.37 | |
| Weighted Diluted Shares used in EPS | 165 - 167M | | 165 - 167M | |
| Free Cash Flow ⁽⁴⁾ | ~\$30M | | \$135 - 140M | |

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 (Q2'11 vs. Q2'10 vs. Q1'11)

| (in thousands, except per share amounts) | Q2'11 | Adj | Non-GAAP Q2'11 | Q2'10 | Adj | Non-GAAP Q2'10 | Q1'11 | Adj | Non-GAAP Q1'11 |
|------------------------------------------------------|-----------|---------|-------------------|-----------|----------|-------------------|-----------|---------|-------------------|
| Revenue: | | | | | | | | | |
| Product | \$ 46,687 | | \$ 46,687 | \$ 31,037 | \$ - | \$ 31,037 | \$ 40,165 | \$ - | \$ 40,165 |
| Services | 52,671 | | 52,671 | 40,964 | - | 40,964 | 48,686 | - | 48,686 |
| Ratable product and services | 3,665 | | 3,665 | 4,330 | - | 4,330 | 4,415 | - | 4,415 |
| Total Revenue | 103,023 | | 103,023 | 76,331 | - | 76,331 | 93,266 | - | 93,266 |
| Cost of revenue: | | | | | | | | | |
| Cost of product revenue | 16,591 | (43) | 16,548 | 11,822 | (26) | 11,796 | 14,075 | (22) | 14,053 |
| Cost of services revenue | 8,596 | (362) | 8,234 | 6,818 | (234) | 6,584 | 7,781 | (198) | 7,583 |
| Cost of ratable product and services | 1,371 | - | 1,371 | 1,525 | - | 1,525 | 1,560 | - | 1,560 |
| Total cost of revenue | 26,558 | (405) | 26,153 | 20,165 | (260) | 19,905 | 23,416 | (220) | 23,196 |
| Gross Profit: | | | | | | | | | |
| Product | 30,096 | 43 | 30,139 | 19,215 | 26 | 19,241 | 26,090 | 22 | 26,112 |
| Services | 44,075 | 362 | 44,437 | 34,146 | 234 | 34,380 | 40,905 | 198 | 41,103 |
| Ratable product and services | 2,294 | - | 2,294 | 2,805 | - | 2,805 | 2,855 | - | 2,855 |
| Total gross profit | 76,465 | 405 | 76,870 | 56,166 | 260 | 56,426 | 69,850 | 220 | 70,070 |
| Operating Expenses: | | | | | | | | | |
| Research and development | 15,942 | (985) | 14,957 | 12,676 | (587) | 12,089 | 14,421 | (453) | 13,968 |
| Sales and marketing | 35,896 | (1,681) | 34,215 | 27,777 | (897) | 26,880 | 32,718 | (1,900) | 30,818 |
| General and administrative | 5,848 | (321) | 5,527 | 5,933 | (520) | 5,413 | 5,266 | (20) | 5,246 |
| Total operating expenses | 57,686 | (2,987) | 54,699 | 46,386 | (2,004) | 44,382 | 52,405 | (2,373) | 50,032 |
| Operating income | 18,779 | 3,392 | 22,171 | 9,780 | 2,264 | 12,044 | 17,445 | 2,593 | 20,038 |
| Interest income | 863 | | 863 | 399 | - | 399 | 793 | - | 793 |
| Other income (expense), net | (207) | | (207) | 87 | - | 87 | (95) | - | (95) |
| Net income before income taxes | 19,435 | 3,392 | 22,827 | 10,266 | 2,264 | 12,530 | 18,143 | 2,593 | 20,736 |
| Provision for income taxes | 4,941 | 2,592 | 7,533 | 3,397 | 989 | 4,386 | 4,556 | 2,287 | 6,843 |
| Net income | \$ 14,494 | \$ 800 | \$ 15,294 | \$ 6,869 | \$ 1,275 | \$ 8,144 | \$ 13,587 | \$ 306 | \$ 13,893 |
| Basic net income per share | \$ 0.10 | | \$ 0.10 | \$ 0.05 | | \$ 0.06 | \$ 0.09 | | \$ 0.09 |
| Diluted net income per share | \$ 0.09 | | \$ 0.09 | \$ 0.05 | | \$ 0.05 | \$ 0.08 | | \$ 0.09 |
| Shares used in computing net income per share | | | | | | | | | |
| Basic | 152,267 | | 152,267 | 136,990 | | 136,990 | 150,308 | | 150,308 |
| Diluted | 163,887 | | 163,887 | 151,274 | | 151,274 | 162,864 | | 162,864 |

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

(Q2'11 vs. Q2'10 vs. Q1'11)

| % of revenue | Q2'11 | | | Q2'10 | | | Q1'11 | | |
|---------------------------------------|-------------|-------------|----------------|-------------|-------------|----------------|-------------|-------------|----------------|
| | Q2'11 | Adj | Non-GAAP Q2'11 | Q2'10 | Adj | Non-GAAP Q2'10 | Q1'11 | Adj | Non-GAAP Q1'11 |
| Revenue: | | | | | | | | | |
| Product | 45% | - | 45% | 41% | - | 41% | 43% | - | 43% |
| Services | 51% | - | 51% | 54% | - | 54% | 52% | - | 52% |
| Ratable product and services | 4% | - | 4% | 5% | - | 5% | 5% | - | 5% |
| Total Revenue | 100% | - | 100% | 100% | - | 100% | 100% | | 100% |
| Cost of revenue: | | | | | | | | | |
| Cost of product revenue | 16% | - | 16% | 16% | - | 16% | 15% | - | 15% |
| Cost of services revenue | 9% | (1%) | 8% | 8% | - | 8% | 8% | - | 8% |
| Cost of ratable product and services | 1% | - | 1% | 2% | - | 2% | 2% | - | 2% |
| Total cost of revenue | 26% | (1%) | 25% | 26% | - | 26% | 25% | - | 25% |
| Gross Profit: | | | | | | | | | |
| Product | 64% | 1% | 65% | 62% | - | 62% | 65% | - | 65% |
| Services | 84% | - | 84% | 84% | - | 84% | 84% | - | 84% |
| Ratable product and services | 63% | - | 63% | 65% | - | 65% | 65% | - | 65% |
| Total gross profit | 74% | 1% | 75% | 74% | - | 74% | 75% | - | 75% |
| Operating Expenses: | | | | | | | | | |
| Research and development | 15% | - | 15% | 17% | (1%) | 16% | 15% | | 15% |
| Sales and marketing | 35% | (2%) | 33% | 36% | (1%) | 35% | 35% | (2%) | 33% |
| General and administrative | 6% | (1%) | 5% | 8% | (1%) | 7% | 6% | - | 6% |
| Total operating expenses | 56% | (3%) | 53% | 61% | (3%) | 58% | 56% | (2%) | 54% |
| Operating income | 18% | 4% | 22% | 13% | 3% | 16% | 19% | 2% | 21% |
| Interest income | 1% | - | 1% | 1% | - | 1% | 1% | - | 1% |
| Net income before income taxes | 19% | 4% | 23% | 14% | 3% | 17% | 20% | 2% | 22% |
| Provision for income taxes | 5% | 2% | 7% | 5% | 1% | 6% | 5% | 2% | 7% |
| Net income | 14% | 2% | 16% | 9% | 2% | 11% | 15% | - | 15% |