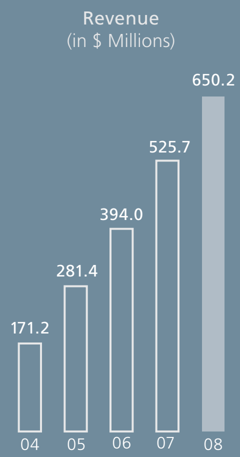
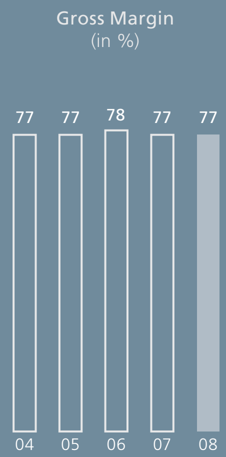
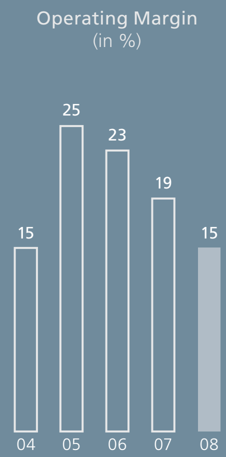
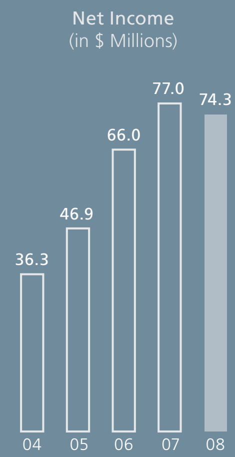
Annual Report 2008









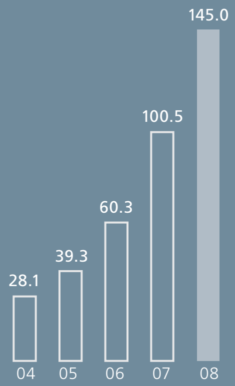
Selected Financial Data (in thousands)

	2004 - restated -	2005 - restated -	2006	2007	2008
Net Revenues	$ 171,190	$ 281,410	$ 394,049	$ 525,667	**$ 650,173**
Gross Profit	$ 131,791	$ 216,226	$ 305,896	$ 407,343	**$ 501,155**
Operating Expenses	$ 106,645	$ 146,868	$ 215,758	$ 307,841	**$ 401,841**
Income from Operations	$ 25,146	$ 69,358	$ 90,138	$ 99,502	**$ 99,314**
Net Income	$ 36,328	$ 46,902	$ 66,005	$ 77,000	**$ 74,331**
Cash, Equivalents & Investments	$ 222,293	$ 365,015	$ 492,176	$ 474,831	**$ 451,272**
Long-Term Debt	$ 0	$ 0	$ 0	$ 0	**$ 0**

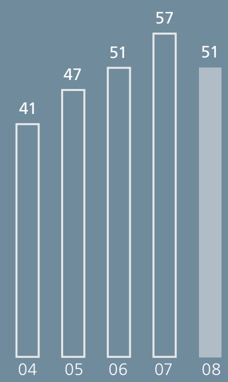
About F5 Networks

F5 Networks is the global leader in Application Delivery Networking. F5 provides solutions that make applications secure, fast, and available for everyone. By adding intelligence and manageability into the network to offload applications and optimize the data storage layer, F5 extends the power of intelligent networking to all levels of application delivery. F5's extensible architecture optimizes applications, delivers application reliability, and protects the application and network. Enterprise organizations, service providers and Web 2.0 content providers worldwide trust F5 to keep their applications running. The company is headquartered in Seattle, Washington with offices worldwide. For more information, go to www.f5.com.

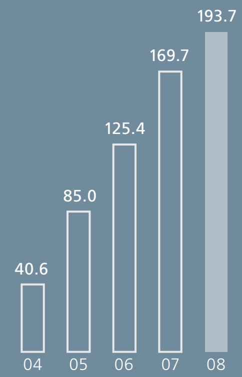
Deferred Revenue
(in $ Millions)



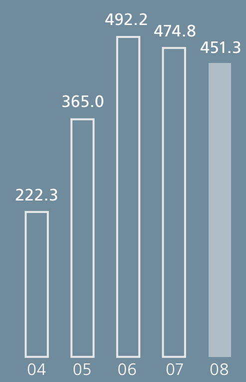
DSO
(in days)



Cash Flow from Operations
(in $ Millions)



Cash, Equivalents & Investments
(in $ Millions)



To Our Shareholders:

F5's business strategy and operating model enabled us to deliver four quarters of sequential growth and solid profitability, along with a number of new products that we believe will continue to drive our growth in fiscal 2009. We managed to achieve these results in spite of an obviously challenging global economic environment.

Fiscal 2008 Highlights:

Following are some of the company's key accomplishments during the past year:

- The fourth quarter of fiscal 2008 marked our 23rd consecutive quarter of sequential revenue growth, driven by the continuing strength of our core business.
- Annual revenue of $650 million was up 24 percent from fiscal 2007.
- Revenue from our ARX line of file virtualization products, which we acquired with Acopia in September 2007, was within our target range of $25 million to $30 million for the year.
- Gross margins remained at historic levels and operating margins trended up throughout our year-long integration of Acopia.
- We generated record cash flow of $194 million from operations and ended the year with $451 million in cash and investments, after purchasing Acopia for $210 million in September 2007 and repurchasing $200 million of F5 stock in fiscal 2008.
- In January 2008 we extended our technology lead with the introduction of VIPRION, the industry's first chassis-based controller for advanced application delivery, which has gained solid traction and is opening new opportunities as the high end of our BIG-IP product family.
- In July 2008, we launched two new entry-level products (BIG-IP 1600 and BIG-IP 3600), the first in a series of refreshed hardware platforms we plan to roll out in fiscal 2009.
- During the year, we added SAP to the list of partners, including Microsoft and Oracle, who have embraced our Application Ready Solutions strategy.
- We continued to extend our market leadership, moving farther up in vision and execution on Gartner's Magic Quadrant and capturing 60 percent of the Application Delivery Controller/Advanced Platform market.
- We continued to improve our service delivery and execution, achieving customer satisfaction ratings above 9 on a 10-point scale.

Our ability to achieve these results in a very difficult economic climate reflects our commitment to balance revenue growth through investments in people and technology with disciplined expense control and improving profitability.

Balancing Growth and Profitability

Throughout fiscal 2007 we accelerated our investments in sales, service, and product development, increasing our total headcount, with the addition of Acopia, by nearly 50 percent. In fiscal 2008, we began to see the first returns on our investment in sales as more feet on the street helped drive our sequential revenue growth against increasing economic headwinds. Our investment in service personnel not only paid off in robust service revenue growth during 2008, but enabled us to achieve new levels of customer satisfaction. As a result of our investments in product development, we were able to meet our targets for the delivery of VIPRION and the first phase of our BIG-IP platform refresh and press forward with the development of other products scheduled for release over the next 18 months. VIPRION has become a significant contributor to product revenue during the past three quarters, and demand for our new entry-level products outstripped our internal expectations, offsetting slower sales of the products they were designed to replace.

In fiscal 2008, with the Acopia team on board and a larger organization in place, we scaled back recruiting and returned to our practice of hiring behind revenue growth. Strategically, our focus in fiscal 2008 was on leveraging our expanded sales, marketing, and service organizations to address growing opportunities in our core business and in the emerging file virtualization market. Although we continued to fill needed positions across the organization, we adjusted the pace of hiring each quarter in response to changing business conditions. As a result, we were able to maintain or improve our non-GAAP operating margins, which increased from 24.9 percent in the first quarter of 2008 to 26.7 percent in the fourth quarter.

Leveraging Our Partnerships

Partnerships have always been key to our success in penetrating large accounts and winning market share against major competitors like Cisco. Industry partners such as Dell, Hewlett Packard, Nokia, and Ericsson resell our products and are instrumental in helping us penetrate accounts where Cisco has a dominant presence. In fiscal 2008, we also made progress in building relationships with several large systems integrators, including Hewlett Packard, EDS, IBM, and CSC, who integrate our products into their enterprise solutions.

Since introducing iControl in 2001, we have built and maintained strong technology partnerships with Microsoft, Oracle, Siebel, PeopleSoft, SAP, and other large software vendors who have adapted their applications to exploit the capabilities of our products. For the past two years, we have worked closely with Microsoft, Oracle, and SAP to develop Application Ready Solutions, which are configured and tested to optimize the performance, availability, and security of specific applications. More recently, we have developed partnerships with VMware and Microsoft to integrate our products with their server virtualization technology. For customers turning to server virtualization to lower their capital and operating costs, both our ADC and file virtualization products offer significant additional savings by reducing the number of physical and virtual servers, the number of storage devices attached to them, and the cost and complexity of managing servers and storage.

Over the past several years, reference selling by our iControl partners has been a key competitive advantage, accounting for more than half of quarterly sales. Within the past two years, sales of Application Ready Solutions in conjunction with our focus on solution selling have boosted the number of $1 million accounts (customers that spend more than $1 million per year) from fewer than 30 in fiscal 2006 to more than 75 in fiscal 2008.

All of our partnership programs are tailored to the specific strengths of our partners and aligned with their strategic initiatives. The ability of our products to optimize the performance and scalability of their solutions underscores the power and flexibility of our leading-edge technology.

Extending Our Technology Leadership

F5's Application Delivery Controllers (ADCs) offer a range of features, functions and performance that is unmatched by competing products. As the high end of our ADC product family, VIPRION delivers unprecedented throughput and supports the full array of software modules currently available on TMOS. Since it was released in January, we have seen solid demand for VIPRION, particularly among large telecommunications companies and internet content providers with massive throughput requirements. We have also seen growing interest from enterprise customers for large-scale projects such as data consolidation.

With the introduction of BIG-IP 1600 and 3600 in July, we delivered the first phase of a complete BIG-IP platform refresh that is scheduled to roll out through fiscal 2009. Incorporating dual-core processors, clustered multiprocessing, and other technology developed for VIPRION, these entry-level products replace BIG-IP 1500 and 3400, delivering twice the performance for roughly the same price. Both products include Fast Cache, IPv6 Gateway, Rate Shaping, SSL Offload, and Compression as standard features. In addition, BIG-IP 3600 runs WebAccelerator and Application Security Manager, software modules that were previously available only on our high-end products.

In late October, we introduced BIG-IP 6900, which replaces the BIG-IP 6400 and 6800 platforms and offers relative performance and feature enhancements comparable to those of our new entry-level products. Also in October, we introduced the ARX 4000, our first 10-gigabit file virtualization product that can manage up to 2 billion files.

Within the next six months we plan to introduce a replacement platform for BIG-IP 8400 and 8800, which will be released in conjunction with BIG-IP v.10, a new version of the BIG-IP software. In addition to a number of other advanced features, v.10 will incorporate WAN Optimization as a software module, running on TMOS and tightly integrated with other functions that make up our core application delivery solution.

Over the next 12 to 18 months, other planned hardware releases on our product roadmap include new high-end platforms and a new blade for VIPRION, which will double the system's current performance. During fiscal 2009, we also plan to introduce BIG-IP Secure Access Manager, which will replace our FirePass SSL VPN appliance. Available as a software module on TMOS, Secure Access Manager will be tightly integrated with other BIG-IP modules including WAN Optimization, Application Security Manager, and WebAccelerator.

As we roll out new products and add functionality to expand our addressable markets, we continue to widen our competitive lead, consolidate our position in the data center, and increase awareness of the F5 brand. While the global business environment has become even more challenging, we believe our products and solutions offer customers with constrained budgets cost-effective ways to get more out of their existing data center and network infrastructure, trim capital spending, and reduce operating costs. During fiscal 2009, we will continue to focus on leveraging our strengths to increase our market share and grow our business profitably.

On behalf of the Board, I want to thank our customers, partners, and the entire F5 team for your past and continuing contributions to the company's success—and to our shareholders, including F5 employees, for your ongoing confidence and support.

John McAdam

John McAdam
President & Chief Executive Officer

November 15, 2008

Shareholders' Information

Annual Shareholders Meeting:
March 12, 2009 11:00 a.m.
Location: 333 Elliott Ave West
Seattle, WA 98119
Parking: Corporate Headquarters

Corporate Headquarters
401 Elliott Ave West
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www.f5.com

NASDAQ Listing
NASDAQ Symbol – FFIV

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Seattle, WA

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212.936.5100

Board of Directors

Gary Ames	Retired President and Chief Executive Officer of MediaOne International
Deborah Bevier	Principal, DL Bevier Consulting LLC
Karl Guelich	Certified Public Accountant
Alan Higginson	Board Chair Chairman, Hubspan, Inc.
John McAdam	President and Chief Executive Officer
Scott Thompson	President, PayPal

In Memoriam

It is with great sadness that we note the passing of Keith Grinstein on September 27, 2008. Keith was 48 and had been a member of F5's Board since December 1999. Keith was a great supporter of F5. We appreciated his guidance, valued his advice, and enjoyed his wit. Keith will be missed by all of us here at F5.

Corporate Officers

John McAdam	President and Chief Executive Officer
Andy Reinland	Senior Vice President and Chief Finance Officer
John Rodriguez	Senior Vice President and Chief Accounting Officer
Karl Triebes	Senior Vice President of Product Development and Chief Technical Officer
Julian Eames	Senior Vice President of Business Operations
Mark Anderson	Senior Vice President of Worldwide Sales
Dan Matte	Senior Vice President of Marketing and Business Development
Jeff Christianson	Senior Vice President and General Counsel

The statements contained in this report that are not purely historical are forward-looking statements. These statements include, but are not limited to, statements about our plans, objectives, expectations, strategies, intentions or other characterizations of future events or circumstances. These statements are generally identified by the words "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "target," and similar expressions. These forward-looking statements are based on current information and expectations and are subject to a number of risks and uncertainties. Our actual results could differ materially from those expressed or implied by these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed under the heading "Risk Factors" in the company's Form 10-K for fiscal 2008 and in other documents we file from time to time with the Securities and Exchange Commission. We assume no obligation to update any such forward-looking statements.

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Corporate Headquarters

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