ANNUAL REPORT 2011

John McAdam
President and Chief Executive Officer, F5 Networks

About F5 Networks

F5 Networks, Inc., the global leader in Application Delivery Networking (ADN), helps the world's largest enterprises and service providers realize the full value of virtualization, cloud computing, and on-demand IT. F5 solutions help integrate disparate technologies to provide greater control of the infrastructure, improve application delivery and data management, and give users seamless, secure, and accelerated access to applications from their corporate desktops and smart devices. An open architectural framework enables F5 customers to apply business policies at "strategic points of control" across the IT infrastructure and into the public cloud. F5 products give customers the agility they need to align IT with changing business conditions, deploy scalable solutions on demand, and manage mobile access to data and services. Enterprises, service and cloud providers, and leading online companies worldwide rely on F5 to optimize their IT investments and drive business forward. For more information, go to www.f5.com.

In fiscal 2011 F5 passed two major milestones: annual revenue, which grew 31 percent during the year, exceeded $1 billion for the first time; and after repurchasing nearly 3 million shares of our common stock, we ended the year with more than $1 billion in cash and investments.

Excluding stock-based compensation expense, our non-GAAP operating margin was 38.2 percent for the year, and non-GAAP earnings were $3.78 per share.

Ongoing business and industry trends including data center consolidation, virtualization, and cloud computing continued to create strong demand for our products and services in fiscal 2011. In addition, our focus on increasing the size and productivity of our sales and services organizations was a key factor in driving our revenue growth during the year.

Selected Financial Data
[in thousands]

	2007	2008	2009	2010	2011
Net Revenues	$ 525,667	$ 650,173	$ 653,079	$ 881,972	$ 1,151,834
Gross Profit	$ 407,343	$ 501,155	$ 510,353	$ 710,020	$ 943,830
Operating Expenses	$ 307,841	$ 401,841	$ 388,429	$ 480,018	$ 593,168
Income from Operations	$ 99,502	$ 99,314	$ 121,924	$ 230,002	$ 350,662
Net Income	$ 77,000	$ 74,331	$ 91,535	$ 151,153	$ 241,397
Cash, Equivalents & Investments	$ 474,831	$ 451,272	$ 574,422	$ 862,066	$ 1,012,753
Long-Term Debt	$ 0	$ 0	$ 0	$ 0	$ 0

Of the nearly 500 new employees we hired in fiscal 2011, more than a third were in sales and sales support, and many have already become significant contributors to our top-line growth. In May, we launched new sales and technical accreditation programs that combine studies of customer use cases with advanced training in F5 solutions to help our sales teams and partners identify and target opportunities in new and existing accounts. To date, approximately 430 F5 employees and 1,100 partners have completed the technical accreditation program, more than 800 F5 employees and 1,300 partners have completed the sales accreditation program, and we are already seeing measurable results in terms of improving sales productivity.
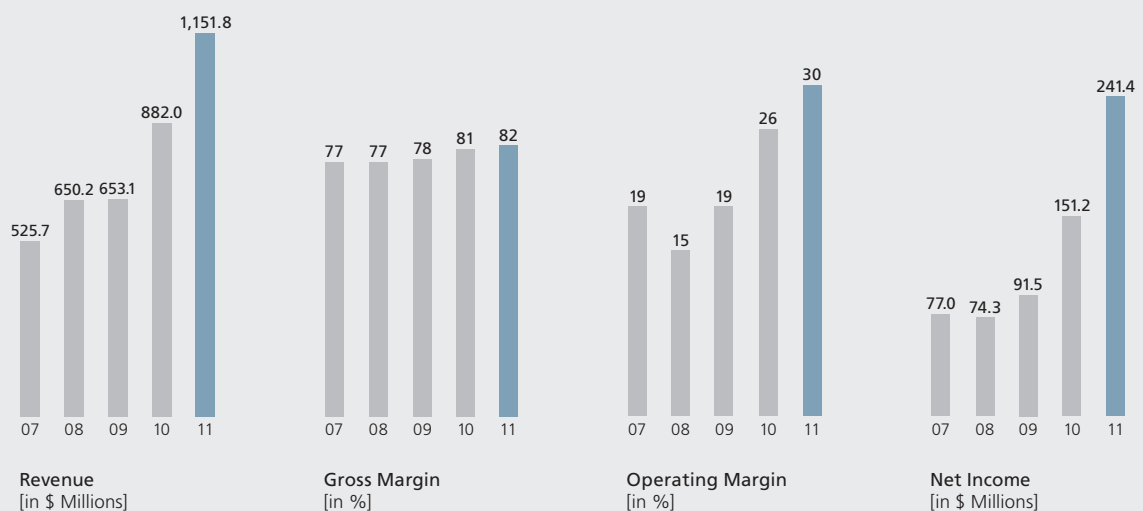
During fiscal 2011, roughly a quarter of our new hires joined our services organization, which grew services revenue 34 percent and deferred revenue 32 percent while increasing customer satisfaction to a score of 9.4 out of 10 in the fourth quarter. Early in the year, we rolled out iHealth, a new online diagnostic tool that allows customers to analyze data from their F5 systems to detect potential configuration problems and optimize performance. Customer response has been very positive, and iHealth has contributed to improved service margins by helping to lower maintenance costs.

While building and maintaining world-class sales and service teams are high on our list of priorities, our number one goal is continuing to develop new technologies that expand our addressable market by responding to the challenges and opportunities of today's rapidly evolving IT infrastructure. Accordingly, we increased the size of our product development organization by 20 percent in fiscal 2011 while delivering an array of industry-leading products.

Near the end of the first quarter we introduced a virtual edition of ARX, our file virtualization product, and ARX Cloud Extender, software that allows ARX customers to use cloud resources as a low-cost storage tier. In May, we launched two new ARX platforms which doubled the performance of their predecessors at half the price.

During the first half of the year, we also released virtual editions of BIG-IP Access Policy Manager and Enterprise Manager. Following the release of BIG-IP WebAccelerator Virtual Edition (VE) in December 2011, all of our product software modules will be available in virtual editions.

In May, we introduced VIPRION 2400, our chassis-based Application Delivery Controller (ADC), priced in the mid-range of our product family. VIPRION 2400, which began shipping at the end of the third quarter,

Revenue
[in $ Millions]

07	08	09	10	11
525.7	650.2	653.1	882.0	1,151.8

Gross Margin
[in %]

07	08	09	10	11
77	77	78	81	82

Operating Margin
[in %]

07	08	09	10	11
19	15	19	26	30

Net Income
[in $ Millions]

07	08	09	10	11
77.0	74.3	91.5	151.2	241.4

delivers all the features and functionality of our unique VIPRION architecture at a price point roughly half that of VIPRION 4400, the top end of our ADC family. In its minimum configuration (a chassis with one blade) VIPRION 2400 is priced just above BIG-IP 6900 and delivers more than six times the performance at Layer 4. Initial sales of VIPRION 2400 were stronger than we anticipated, and customer demand continues to exceed our expectations.
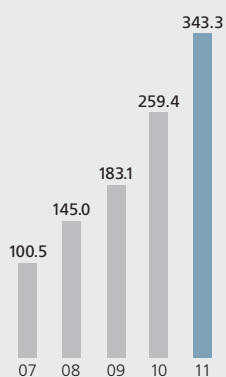
Along with unrivalled performance and scalability, both VIPRION platforms are designed to support all the features and functions of TMOS version 11, a major upgrade of our ADC operating system released in October 2011. In addition to more than 150 new features, including several dozen specific to the telecommunications industry, TMOS v11 has improved centralized management capabilities and security enhancements that strengthen and expand our suite of security offerings. It also includes iApps and Virtual Clustered Multiprocessing (vCMP), major new features that simplify the deployment and enhance the flexibility of our products.

iApps are portable, customizable, reusable templates that reduce deployment time for our products from days to minutes. Currently, we offer 32 iApps for applications from Microsoft, Oracle, VMw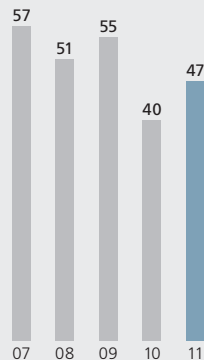are, and others, and we've already begun to see examples of iApps created by customers and partners for their own applications.

vCMP allows customers to create many virtual ADCs within a single high-performance chassis or appliance, each running different software modules and managing traffic for different applications and users. At present, vCMP only runs on the VIPRION architecture. However, during calendar year 2012, we plan to introduce several new BIG-IP appliances designed to support vCMP and the full range of features and functions in TMOS v11.
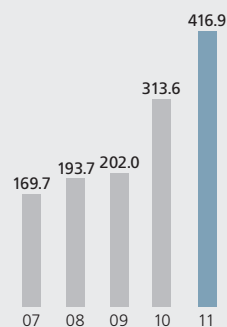
Over the past several years, security has become an increasingly important segment of our addressable market, and the new security features in TMOS v11 strengthen and enhance our ability to deliver comprehensive security solutions that include protection for networks, applications, and data. In addition to improved protection against denial of service attacks and other network threats, TMOS v11 enables tighter integration and improved performance of our security software modules— BIG-IP Application Security Manager (ASM), Protocol Security Module (PSM), Access Policy Manager (APM), and Edge Gateway—that provide multi-level protection against known and unknown types of attacks.
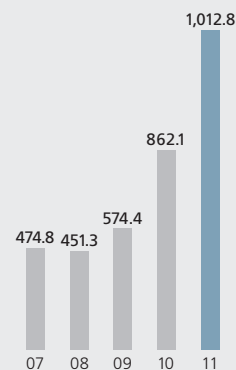
Deferred Revenue
[in $ Millions]

07	08	09	10	11
100.5	145.0	183.1	259.4	343.3

DSO
[in Days]

07	08	09	10	11
57	51	55	40	47

Cash Flow from Operations
[in $ Millions]

07	08	09	10	11
169.7	193.7	202.0	313.6	416.9
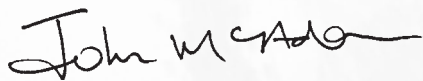
Cash, Equivalents & Investments [in $ Millions]

07	08	09	10	11
474.8	451.3	574.4	862.1	1,012.8

As fiscal 2012 unfolds, I am confident that the combination of our high-performance, purpose-built hardware with the breadth of features and functions in TMOS and our suite of software modules will be a compelling driver of product sales as organizations confront the challenges of managing and securing increasingly dynamic IT infrastructures that extend beyond their own data centers. I am equally confident that our ongoing investments in our sales, service, and product development organizations will continue to expand our market opportunity, enlarge our global footprint, and make our brand synonymous with leading-edge technology and high-quality products and services.

In the eleven and a half years that I have been privileged to lead the F5 team, I have never been prouder of our accomplishments or more confident in the strength of our organization and our ability to turn opportunity into continued growth and profitability for the benefit of all our stakeholders.

On behalf of F5's Board of Directors and all our employees, thanks for your continuing confidence in us and in the future of F5.

John McAdam
President and Chief Executive Officer, F5 Networks

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Senior Vice President and General Counsel

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Senior Vice President of Security and
Strategic Solutions

Shareholders' Information

Annual Shareholders Meeting
March 15, 2012
11:00 a.m.
Location: 351 Elliott Ave West
Seattle, WA 98119
Parking: Corporate Headquarters

Corporate Headquarters
401 Elliott Ave West
Seattle, WA 98119
206.272.5555

NASDAQ Listing
NASDAQ Symbol – FFIV

Investor Relations
206.272.6677
info@f5.com
www.f5.com

Independent Accountants
PricewaterhouseCoopers LLP
Seattle, WA

Transfer Agent
American Stock Transfer
800.937.5449

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F5 Networks, Inc.

401 Elliott Avenue West

Seattle, WA 98119

888.882.4447

www.f5.com