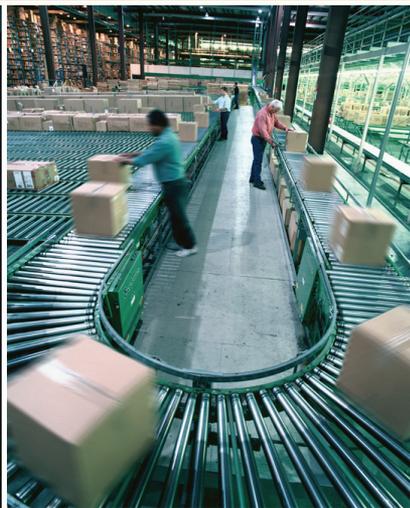


Ensuring the secure and optimized delivery of applications for businesses worldwide



The Global Leader in Application Traffic Management



About F5 Networks

F5 Networks is the industry leader in Application Traffic Management, enabling enterprises and service providers to optimize any mission-critical application or web service, providing secure and predictable delivery of application traffic in an unpredictable environment. F5 Networks has approximately 610 employees and is headquartered in Seattle, Washington, and has offices throughout North America, Europe, Japan and Asia Pacific.

Selected Financial Data (in thousands)	2001	2002	2003	2004
Net Revenues	\$ 107,367	\$ 108,266	\$ 115,895	\$ 171,190
Gross Profit	\$ 61,862	\$ 77,787	\$ 88,990	\$ 131,811
Operating Expenses	\$ 90,578	\$ 87,328	\$ 84,801	\$ 105,483
Income (Loss) from Operations	\$ (28,716)	\$ (9,541)	\$ 4,189	\$ 26,328
Net Income (Loss)	\$ (30,790)	\$ (8,610)	\$ 4,087	\$ 32,953
Cash, Cash Equivalents & Investments	\$ 69,783	\$ 80,333	\$ 79,010	\$ 222,293
Long-Term Debt	\$ 0	\$ 0	\$ 0	\$ 0



John McAdam
President, Chief Executive Officer and Director

TO OUR SHAREHOLDERS:

F5's accomplishments during fiscal 2004 culminated in record annual revenue and the launch of a major upgrade to our BIG-IP family of application traffic management products. During the year, we also made significant inroads into the secure remote access market with the FirePass SSL/VPN technology we acquired from uRoam last year, and rounded out our security offerings with the acquisition of MagniFire and the TrafficShield application firewall. Thanks to the efforts of the entire F5 team, fiscal 2004 was a year of solid achievement on every front.

For the year ended September 30, 2004, revenue of \$171.2 million grew 48 percent from \$115.9 million in fiscal 2003.

With fourth quarter revenue of \$50.2 million up 59 percent year over year, our continued emphasis on leveraging our sales channels resulted in a fourth quarter operating margin of 20 percent, compared to 6 percent in the fourth quarter of last year. The steady improvement in our profitability throughout the year was a key factor in our decision to reverse the valuation allowance on our U.S. deferred tax assets and reinstate our Federal tax provision in the fourth quarter. As a result of this decision, we incurred a one-time net tax benefit of \$5.5 million, which boosted our net income for fiscal 2004 to \$33.0 million or \$0.92 per diluted share. Without this benefit, and taxed on a basis comparable to the prior year, our net income for fiscal 2004 would have been \$27.4 million or \$0.76 per diluted share. For fiscal 2005 we expect to record a provision for income taxes of approximately 37 percent.

Our solid revenue growth throughout fiscal 2004 reflects the growing strength of our core application traffic management business, augmented by increasing sales of our FirePass SSL VPN products. Year over year, traffic management product and service revenue grew approximately 37 percent, while FirePass revenue of \$12.6 million exceeded our first year target of \$8 – 12 million and moved F5 into the number two market share position, behind market-leader Juniper. Demand for our existing BIG-IP products remained strong and drove the growth of traffic management revenues throughout the year and up to the launch of our next generation products at the end of Q4.

While our new BIG-IP products had only a minor impact on our business during fiscal 2004, their release during the first week of September was a major milestone for the company. Code-named "Buffalo Jump", these products were more than two years in development and combine new, high-performance hardware platforms with a new version of our BIG-IP software that incorporates advanced application traffic management and security features in a modular, full-proxy architecture.

The foundation of the BIG-IP version 9 software is a new Traffic Management Operating System (TM/OS) that allows BIG-IP to serve as a full proxy for traffic passing through it to and from the servers that sit behind it in the data center. This capability allows BIG-IP to "understand" the content of applications and make decisions based on complex rules associated with a specific application. It differentiates BIG-IP from competing traffic management solutions which can recognize the nature of a message but can't understand it, just as an English speaker might recognize a conversation in Spanish or French without understanding what is being said. By the same analogy, BIG-IP can understand what is being said, translate between the parties if necessary, and alter the content as needed to provide increased security and deliver functions that would otherwise require a change in the application itself. In addition, its unique architecture enables it to accomplish these tasks at network speed while supporting new functionality as add-on software modules.

As a result of this new capability, BIG-IP version 9 gives customers the ability to secure and optimize the delivery of their applications in ways that were not possible with earlier versions of the technology and that we believe represent a major competitive advantage over other traffic management products. In addition, the TM/OS architecture will enable it to serve as the base operating system for FirePass and TrafficShield, allowing us to offer those products as standalone systems or as integrated software modules on the BIG-IP platform.

Although BIG-IP version 9 incorporates a number of important security features, the addition of FirePass and TrafficShield to our product portfolio has substantially increased our addressable market by opening up security markets adjacent to application traffic management. As the number two provider of SSL VPNs for remote access, we believe we are well-positioned to increase our share of this rapidly emerging market. With TrafficShield, we also believe we are the technology leader in a new and potentially huge market for application firewalls designed to protect enterprises from security breaches that conventional firewalls and other types of security devices can't detect or prevent.

What sets TrafficShield apart from intrusion detection and prevention devices is that it uses a positive security model to screen out potential security threats. In contrast to negative security models, which screen incoming traffic against a list of known threats, TrafficShield employs "crawler" technology to comb an application and create a set of permissible inputs or policies which are used to screen all traffic directed to that application and reject any transmission that does not conform to those policies. The advantage of this approach is the ability to recognize and stop day-zero attacks, brand new threats for which there is no existing profile for signature. While there are several smaller companies that employ similar technology, we believe TrafficShield's wire-speed performance and rich functionality make it superior to other products currently on the market. As a result, we are already seeing strong interest in TrafficShield among our enterprise customers following its introduction in the first week of November.

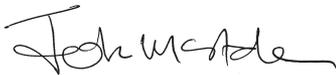
As all of these new products have entered the market, we have continued to strengthen our distribution channels and our partnerships with solution providers. Throughout the year we have added nearly a hundred new resellers, many with a focus on the security market. In addition, we have recently concluded distribution agreements with GE Access, one of North America's largest distributors of networking and security products, and with CTC, the leading systems integrator in Japan. On the solutions front, we continue to expand our cooperative relationships with iControl

partners such as Microsoft, Oracle, Seibel and others who have modified their applications to interact with our products. During the fourth quarter of fiscal 2004, we estimate that demand-pull from the sale of these iControl-enabled products helped drive approximately 40 percent of our application traffic management revenue.

From a financial perspective, F5's balance sheet has never been stronger. During fiscal 2004, we generated \$40.6 million in cash flow from operations, and after paying approximately \$30 million in cash for the MagniFire acquisition, we ended the year with no debt and \$222 million in cash and investments.

Looking ahead, we believe the combined strength of our product portfolio, our market position and our business strategy, backed by a sound operating model and a strong balance sheet, will enable us to continue our revenue growth and further improve our profitability in fiscal 2005.

On behalf of the Board of Directors, our management team and the entire company, I appreciate your support for our continuing efforts to build a thriving company and deliver increasing shareholder value.



John McAdam

President, Chief Executive Officer and Director

F5 Networks, Inc.

November 15, 2004

Board of Directors		Corporate Officers	
Gary Ames	Retired President and Chief Executive Officer of MediaOne International	John McAdam	President and Chief Executive Officer
Keith Grinstein	Partner, Second Avenue Partners	Steve Coburn	Senior Vice President of Finance and Chief Financial Officer
Karl Guelich	Certified Public Accountant	Tom Hull	Senior Vice President of Worldwide Sales
Alan Higginson	Board Chair, President and CEO, Hubspan, Inc.	Jeff Pancottine	Senior Vice President and General Manager, Security Business Unit
Rich Malone	General Principal and Chief Information Officer Edward Jones	Julian Eames	Senior Vice President of Business Operations and Global Services
John McAdam	President and Chief Executive Officer	Dan Matte	Senior Vice President of Marketing
		Karl Triebes	Senior Vice President of Product Development and Chief Technical Officer
		Joann Reiter	Vice President and General Counsel

Notice of Annual Meeting

Our annual shareholders meeting will be held:

F5 Networks Corporate Headquarters

February 24, 2005

10:00 AM

Corporate Headquarters

401 Elliott Avenue West

Seattle, WA 98119

206.272.5555

www.f5.com

NASDAQ Listing

NASDAQ Symbol – FFIV

Investor Relations

206.272.6677 • info@f5.com

Independent Accountants

PricewaterhouseCoopers LLP • Seattle, WA

Transfer Agent

American Stock Transfer • 212.936.5100

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 revenue growth and profitability, our plans, objectives, expectations, strategies and intentions and are generally identified by the words "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," and similar expressions. Because these forward-looking statements 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 10K for fiscal 2004 and in other documents we file from time to time with the Securities and Exchange Commission. All forward looking statements included in this report are based on information available to us on the date hereof. We assume no obligation to update any such forward-looking statements.



The Global Leader in Application Traffic Management