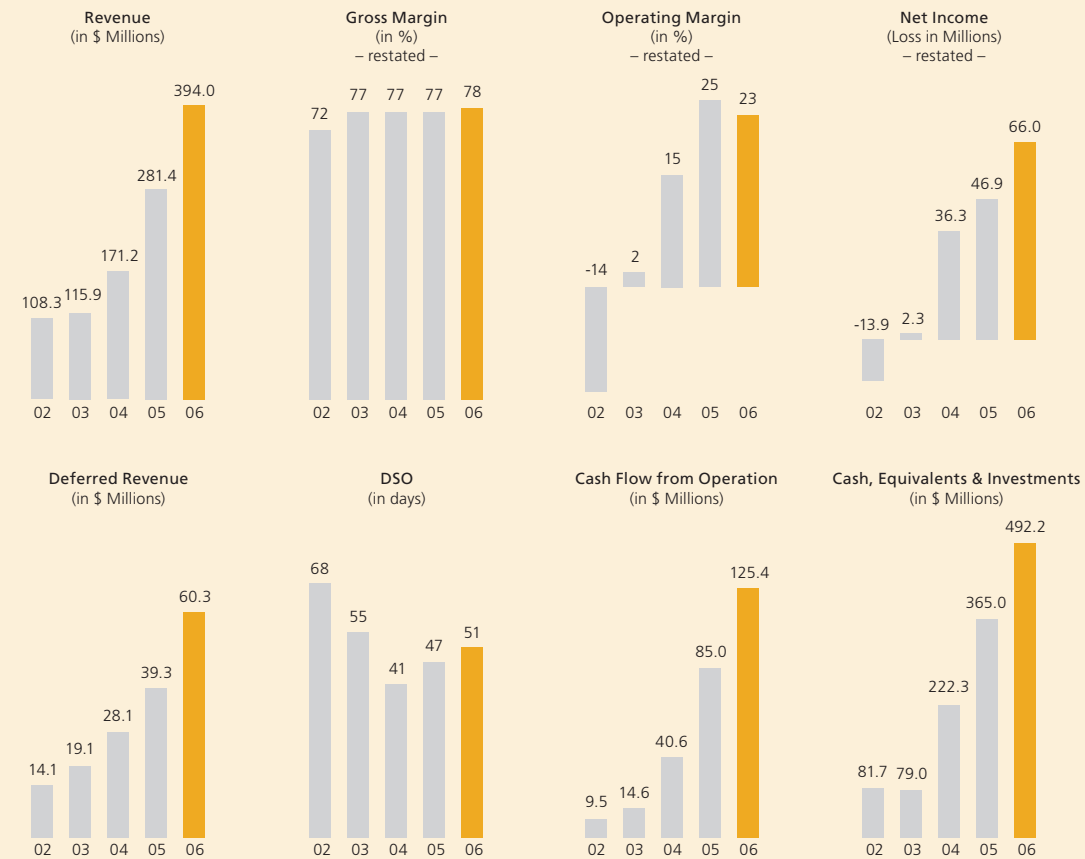




Annual Report 2006

10 Year Anniversary



TO OUR SHAREHOLDERS:

Operationally, fiscal 2006 was another year of strong growth and solid achievement for F5. Net income of \$66 million increased 41 percent and revenue of \$394 million grew 40 percent from fiscal 2005. Unfortunately, the company's financial performance during the second half of the year was overshadowed by an inquiry into past stock option grants that prevented us from reporting our full financial results for the period.

On November 9, we announced that the special board committee conducting the inquiry had completed its work and presented its findings and recommendations to the board. As of this date, all of the financial restatements recommended by the special committee have been completed, and all filings are current.

Now that our full results have been published, the numbers speak for themselves. Instead of reviewing them here, I want to highlight the key factors that drove the company's growth and profitability in fiscal 2006 and briefly describe how we plan to leverage our technology and market position to achieve continuing growth and profitability in fiscal 2007.

Selected Financial Data (in thousands)	2002 - restated -	2003 - restated -	2004 - restated -	2005 - restated -	2006
Net Revenues	\$ 108,266	\$ 115,895	\$ 171,190	\$ 281,410	\$ 394,049
Gross Profit	\$ 77,471	\$ 88,920	\$ 131,791	\$ 216,226	\$ 305,896
Operating Expenses	\$ 92,260	\$ 86,562	\$ 106,645	\$ 146,868	\$ 215,758
Income (Loss) from Operations	\$ (14,789)	\$ 2,358	\$ 25,146	\$ 69,358	\$ 90,138
Net Income (Loss)	\$ (13,858)	\$ 2,256	\$ 36,328	\$ 46,902	\$ 66,005
Cash, Equivalents & Investments	\$ 81,679	\$ 79,010	\$ 222,293	\$ 365,015	\$ 492,176
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, helping organizations get the most out of their investment. By adding intelligence and manageability into the network to offload applications, F5 optimizes applications and allows them to work faster and consume fewer

resources. F5's extensible architecture intelligently integrates application optimization, protects the application and the network, and delivers application reliability – all on one universal platform. Over 10,000 organizations and service providers worldwide trust F5 to keep their applications running. The company is headquartered in Seattle, Washington with offices worldwide.

TMOS: THE FOUNDATION

Since it was introduced in September 2004, our TMOS operating system has continued to validate our three-year investment in its development. The unique full-proxy architecture of TMOS distinguishes our products from other application delivery networking solutions by its ability to examine the complete contents of transmissions passing between users and applications and modify them as needed. This ability allows F5 to add more value to applications flowing over the network than any other vendor in our market.

In addition to features such as integrated SSL encryption and decryption (which enable our products to manage encrypted traffic more efficiently than competing products), TMOS has a built-in programming language called iRules that allows users to customize our products to meet their specific application requirements. Uses of iRules range from stripping sensitive data such as credit card or social security numbers from outgoing transmissions to

detecting and disarming security threats or directing traffic to the most appropriate server. The ability to customize our products with iRules has strong appeal for our distribution partners, as well as end-users, because it allows them to add significant value on top of the products themselves.

During the past year the use of iRules has increased dramatically, as reflected by the growing number of registered members at DevCentral, our online user forum, and the number and variety of iRules posted there by our customers and partners. In conjunction with iControl, our programming interface that lets application developers customize their applications to control our products, iRules give customers broad flexibility in managing their applications for maximum performance, security and availability. That makes it less likely that customers who use iRules and deploy iControl-enabled applications will switch to competing products.

Our iControl partnerships with software vendors such as Microsoft and Oracle also continue to drive our sales momentum. During fiscal 2006, more than 50 percent of our revenue was from sales influenced by our iControl partners.

MODULAR SOLUTIONS

In addition to developing a fast, flexible, full-proxy architecture, one of our key design goals for TMOS was to create a software platform that would allow us to incorporate new features and functions as software modules. Our aim was twofold: to deliver multiple features and functions integrated on a single platform; and to streamline the process of adding new features and functions. When we introduced BIG-IP V.9 with TMOS in September 2004, it included modules for compression, rate shaping, SSL acceleration and other features that customers can purchase and activate as needed. Since then, we have added a caching feature and four new product modules.

In January 2006 we introduced Global Traffic Manager (GTM) and Link Controller as software modules. The following month, we announced the availability of Application Security Manager (ASM) as a standalone appliance running TMOS and as a software module on BIG-IP. In July we introduced a TMOS-based version of WebAccelerator, also available as both a standalone product and a software module. GTM, formerly called 3DNS, and Link Controller, which manages traffic among multiple ISPs, were existing F5 products. ASM, formerly called TrafficShield, was acquired with MagniFire, and WebAccelerator was one of two products acquired with Swan Labs. WebAccelerator addresses an important segment of the promising WAN Optimization market that few of our competitors are equipped to compete in, and we believe its availability on TMOS adds significant value to its core functions. A TMOS-based version of WANJet, which we also acquired with Swan Labs is

currently being developed and is targeted for release at the end of this fiscal year. Concurrently, we are developing a TMOS-based version of FirePass, our SSL VPN product, which we plan to release around the same time. Initially, WANJet and FirePass will be available only as standalone products, but their availability on TMOS will allow customers to take advantage of tight integration with our other products as well as the built-in features of the operating system itself.

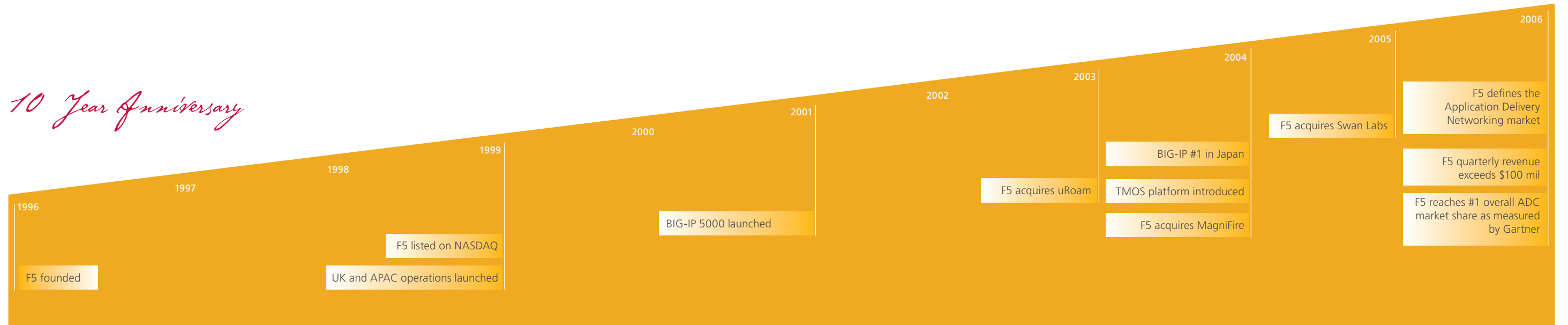
LEADING-EDGE PERFORMANCE

Along with the broad range of integrated functions enabled by TMOS, the performance of our products has become increasingly important with the growing number and variety of IP-based applications and the demands they place on the network. In January 2006, we introduced the BIG-IP 8400, which delivered industry-leading performance at the time and

continues to outperform all other competing application delivery products. Currently, we are beta-testing the BIG-IP 8800, which is 50 percent faster than the BIG-IP 8400 for Layer 7 throughput and twice as fast for SSL and compression. We plan to release the BIG-IP 8800 for general availability shortly after the first of the year.

The BIG-IP 8800 is designed to exploit the power of dual-core processors and clustered multiprocessing and to be a building block for Montreal, our chassis-based product that will utilize up to four blades, integrated on a single backplane. Initially, we had planned to introduce Montreal in the first half of calendar 2007. However, with the performance lead we will have with the BIG-IP 8800, we decided to push the launch of Montreal back to the end of the year and focus our near-term development efforts on making all of our products available on TMOS.

10 Year Anniversary

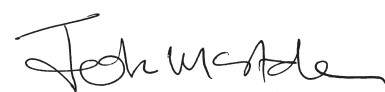


EXTENDING MARKET LEADERSHIP

In its latest report on the Application Delivery Controller market, Gartner Group shows F5 leading the overall market with 33 percent share and the Advanced Platform segment of the market with 60 percent. We believe our leadership position in these markets is a direct outcome of the unique capabilities of TMOS, the broad array of integrated functions it supports, and the superior performance we deliver in our purpose-built systems. As we began fiscal 2007 we announced an aggressive investment strategy to extend our leadership in the Application Delivery Controller market and to become a significant player in the adjacent WAN Optimization Controller market.

In addition to investments in technology, we plan to expand our marketing, sales, and service organizations across all geographies. During fiscal 2006, we added 280 employees and we plan to increase our headcount significantly in the current year. While these investments will likely reduce our operating margins slightly over the next several quarters, we believe they will enable us to accelerate our revenue growth, penetrate new markets and continue to take market share from our traditional competitors. In pursuing these objectives, we are grateful for your support and for your confidence in our ability to achieve them.

As we push ahead into fiscal 2007, I want to thank the entire F5 team for their dedication in delivering another year of exceptional growth and profitability. On behalf of the Board, I'm proud of the company's accomplishments, and I look forward to the prospect of continuing growth and profitability in the year ahead.



John McAdam

President & Chief Executive Officer

December 15, 2006

Shareholders' Information

Board of Directors		Corporate Officers	
Gary Ames	Retired President and Chief Executive Officer of MediaOne International	John McAdam	President and Chief Executive Officer
Deborah Bevier	Principal, DL Bevier Consulting LLC	Andy Reinland	Senior Vice President and Chief Finance Officer
Keith Grinstein	Partner, Second Avenue Partners	John Rodriguez	Senior Vice President and Chief Accounting Officer
Karl Guelich	Certified Public Accountant	Tom Hull	Senior Vice President of Worldwide Sales
Alan Higginson	Board Chair, President and CEO, Hubspan, Inc.	Julian Eames	Senior Vice President of Business Operations and Global Services
Rich Malone	Retired General Principal and Chief Information Officer of Edward Jones	Dan Matte	Senior Vice President of Marketing
John McAdam	President and Chief Executive Officer	Karl Triebes	Senior Vice President of Product Development and Chief Technical Officer
		Jeff Christianson	Senior Vice President and General Counsel

Notice of Annual Meeting
Our annual shareholders meeting will be held:
F5 Networks Corporate Headquarters
March 22, 2007, 10:00 AM

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Transfer Agent
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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 integration of new features and functions with TMOS and BIG-IP, our growth and profitability in our core market and the adjacent markets into which we are expanding, and our plans, objectives, expectations, strategies and intentions. These statements are generally identified by the words "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "target," 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 10-K for fiscal 2006 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.

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