





Selected Financial Data (in thousands)	2003 - restated -	2004 - restated -	2005 - restated -	2006	2007
<b>Net Revenues</b>	\$ 115,895	\$ 171,190	\$ 281,410	\$ 394,049	\$ 525,667
<b>Gross Profit</b>	\$ 88,920	\$ 131,791	\$ 216,226	\$ 305,896	\$ 407,343
<b>Operating Expenses</b>	\$ 86,562	\$ 106,645	\$ 146,868	\$ 215,758	\$ 307,841
<b>Income from Operations</b>	\$ 2,358	\$ 25,146	\$ 69,358	\$ 90,138	\$ 99,502
<b>Net Income</b>	\$ 2,256	\$ 36,328	\$ 46,902	\$ 66,005	\$ 77,000
<b>Cash, Equivalents &amp; Investments</b>	\$ 79,010	\$ 222,293	\$ 365,015	\$ 492,176	\$ 474,831
<b>Long-Term Debt</b>	\$ 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 16,000 organizations and service providers worldwide trust F5 to keep their applications running. The company is headquartered in Seattle, Washington, with offices worldwide.



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## TO OUR SHAREHOLDERS:

Fiscal 2007 was a year of solid achievement and investment in future growth. Annual revenue grew 33 percent and passed the half-billion-dollar mark. We expanded our technology partnerships and achieved key product milestones. And we increased our headcount by nearly 50 percent through aggressive hiring and a strategic acquisition. As a result, we have further widened our technology lead, broadened our product portfolio, expanded our addressable market, and increased awareness of the F5 brand. Equally important, we have built a sales and marketing organization that is larger and better equipped to deliver F5's industry-leading technology to customers in existing and emerging markets.

Despite our rapid growth, F5 remains one of the Pacific Northwest's top companies to work for. In November, the company took top honors in four categories in NWjobs' annual "People's Picks" awards, including Best Large Company in Seattle and Best High-Tech Company.

## Investing for Growth

At the outset of fiscal 2007, we announced plans to expand our organization to extend our technology leadership in application delivery networking and take advantage of growing market opportunities. During the year, we hired 385 employees worldwide, increasing the size of our existing organization by more than a third. The majority of this increase was in service, product development, and sales and marketing. We have already seen the benefit of this investment in improved customer satisfaction and faster time to market for our new products, and we expect to see a positive impact on our revenue growth and market share as the productivity of our expanded sales organization ramps throughout fiscal 2008. In spite of our stepped-up hiring, we maintained non-GAAP<sup>1</sup> operating margins at 29 percent and achieved non-GAAP net income of \$122.9 million (\$1.44 per diluted share), an increase of 46 percent from fiscal 2006.

Announced on August 6 and completed on September 13, the purchase of Acopia Networks for \$210 million was our largest acquisition to date. Although the logic of this investment and the synergies between Acopia's technology and our own were not immediately apparent to many on Wall Street, industry analysts at Gartner, IDC, Enterprise Strategy Group and others were uniformly positive. Analysts at the Taneja Group, which focuses on the storage industry, concluded that "the next 12-months will make it abundantly clear as to the value of this acquisition!"

The common denominator between BIG-IP® and Acopia's ARX family of products is virtualization. During the past year, the term "virtualization" has gained widespread currency with the success of VMware and other technologies that optimize the use of physical servers by partitioning them into multiple "virtual" servers. By contrast, BIG-IP and ARX enable virtualization that makes many (servers or storage devices) into one.

Sitting in front of multiple physical or virtual servers, BIG-IP frees up server space by offloading common functions, such as encryption and compression, and dynamically manages the flow of traffic to and from the servers, making them look like a single resource to the user. Similarly, ARX file virtualization devices sit in front of storage systems, dynamically managing the transfer of files between users and applications and multiple file-based storage devices, presenting the appearance of a single resource to users and applications.

In addition to expanding our addressable market, the acquisition of Acopia will enable us to enlarge our footprint in the data center by providing solutions that optimize network attached storage as well as servers and applications. Although Acopia already had an impressive and growing number of loyal customers, we believe the combination of ARX's leading-edge technology with the F5 brand will help drive sales and create cross-selling opportunities for our other products. For fiscal 2008, we estimate ARX sales could add \$25 – \$30 million in revenue to our top line.

<sup>1</sup>Excludes stock compensation expense and a one-time \$14 million charge for in-process R&D related to the acquisition of Acopia.

A reconciliation of GAAP to non-GAAP net income is available on our website at <http://www.f5.com/about/investor-relations/financial-reports>.

## Extending Technology Leadership

In January 2007, we introduced BIG-IP 8800, currently the high end of our application delivery controller family. A new version of our TMOS software introduced with the new platform leverages dual core processors, clustered multiprocessing, and other advanced technologies to deliver industry-leading performance that has dramatically widened the performance gap between our products and those of our nearest competitors. In a series of comprehensive tests last spring, we benchmarked BIG-IP 8800 against Cisco's ACE and Citrix's NetScaler 12000. BIG-IP 8800 delivered Layer 7 throughput eight times faster than both competing products and outperformed each by a wide margin in all other categories, including Layer 4 throughput, SSL transactions per second, and HTTP compression.

BIG-IP 8800 is significant not only as a standalone product and the new high end of our application delivery product family, but as the basic building block for Montreal, our upcoming product release that will incorporate four blades in a single chassis. Currently in beta testing and scheduled for release at the end of calendar 2007, Montreal will deliver more than six times the Layer 7 performance of BIG-IP 8800 in a scalable architecture designed to support the full array of functions available on TMOS, as well as new functionality on our product development roadmap. As Montreal takes its place at the high end of our BIG-IP product line, we believe it will appeal to large enterprises that want to consolidate application delivery functions and open up new opportunities in market segments such as telecommunications where streaming video and other technologies are driving demand for ever-increasing performance.

In October 2007, we also released the TMOS-based version of WANJet®, our symmetric WAN optimization appliance that we acquired from Swan Labs. In addition to Enterprise Manager and the platform features associated with TMOS, WANJet is equipped with disk caching and other features necessary for large, branch office deployments. At the same time, we announced a partnership with EMC to resell WANJet to speed the transfer of files and data between data centers using EMC's Symmetrix Remote Data Facility software. The inclusion of WANJet in EMC's Select Program followed months of rigorous testing and benchmarks against competing products and makes it available to EMC's worldwide sales force and network of channel partners.

Delivering Integrated Solutions

During fiscal 2007 we continued to deliver innovative solutions that exploit the complementary features and functions of our products and the synergies between our products and those of our technology partners.

Available as fully integrated software modules running on TMOS, both WebAccelerator and Application Security Manager were instrumental in driving sales of BIG-IP throughout the year. Currently, we are also developing integrated solutions that combine WANJet and ARX to optimize the storage and delivery of files over wide area networks.

On the partner front, we launched the industry's first Application Ready Network (ARN) for Microsoft® in March 2007. Designed and optimized for Microsoft applications, including Microsoft Office SharePoint Server 2007, Microsoft Exchange Server 2007, and Microsoft Live Communications Server 2005, Microsoft ARN eliminates network bottlenecks and significantly improves performance for end-users. The benefits of deploying BIG-IP and WebAccelerator with Microsoft SharePoint are discussed in a recent HP white paper which documents a "significant increase in user-perceived performance." ARN for SAP was subsequently launched in May, followed by ARN for Oracle in early November.

In conjunction with these developments, we are continuing to emphasize solution selling in training our sales force and channel partners. The goal of this effort is to turn each sales opportunity into a much larger opportunity by educating customers about the way our integrated solutions can address broader needs in their application delivery infrastructure, including the need to move and manage huge volumes of data.

As we move forward into fiscal 2008, we believe the achievements and investments of the past year have positioned us for continued growth on a quarterly and yearly basis. The new employees who joined F5 in fiscal 2007 have already begun to have a positive impact on several fronts. We are very pleased to have them on board, and we expect their contribution to increase throughout fiscal 2008. We are also delighted to have the 130 members of the Acopia team on board, and we are confident the ARX product line will be an important factor in our success during the coming year.

On behalf of the Board, I want to thank all the members of our growing organization for the commitment, creativity and plain hard work that continue to drive our growth and translate into superior products and services for our customers. On behalf of the entire company, I want to thank our customers and partners for making F5 the leader in application delivery networking and the company to watch in the emerging file virtualization market.



John McAdam

President & Chief Executive Officer

November 15, 2007

## Shareholders' Information

Board of Directors		Corporate Officers	
<b>Gary Ames</b>	Retired President and Chief Executive Officer of MediaOne International	<b>John McAdam</b>	President and Chief Executive Officer
<b>Deborah Bevier</b>	Principal, DL Bevier Consulting LLC	<b>Andy Reinland</b>	Senior Vice President and Chief Finance Officer
<b>Keith Grinstein</b>	Partner, Second Avenue Partners	<b>John Rodriguez</b>	Senior Vice President and Chief Accounting Officer
<b>Karl Guelich</b>	Certified Public Accountant	<b>Karl Triebes</b>	Senior Vice President of Product Development and Chief Technical Officer
<b>Alan Higginson</b>	Board Chair Chairman, Hubspan, Inc.	<b>Christopher P. Lynch</b>	Senior Vice President of Data Solutions
<b>Rich Malone</b>	Retired General Principal and Chief Information Officer of Edward Jones Investments	<b>Julian Eames</b>	Senior Vice President of Business Operations and Global Services
<b>John McAdam</b>	President and Chief Executive Officer	<b>Mark Anderson</b>	Senior Vice President of Worldwide Sales
		<b>Dan Matte</b>	Senior Vice President of Marketing
		<b>Jeff Christianson</b>	Senior Vice President and General Counsel
<b>Notice of Annual Meeting</b> Our annual shareholders meeting will be held: <b>F5 Networks Corporate Headquarters</b> March 11, 2008 11:00 AM		<b>Corporate Headquarters</b> 401 Elliott Avenue West Seattle, WA 98119 206.272.5555 <a href="http://www.f5.com">www.f5.com</a>	<b>NASDAQ Listing</b> NASDAQ Symbol – FFIV  <b>Investor Relations</b> 206.272.6677 <a href="mailto:info@f5.com">info@f5.com</a>
			<b>Independent Accountants</b> PricewaterhouseCoopers LLP Seattle, WA  <b>Transfer Agent</b> 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 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. 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 2007 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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