



2014
ANNUAL REPORT



TO OUR SHAREHOLDERS, CUSTOMERS, AND PARTNERS:

Fiscal 2014 was a very good year for F5.

In 1999 we ended our first year as a public company with 187 employees, \$27.8 million in revenue, \$24.8 million in cash from our IPO, and the first profitable quarter in the company's history. On September 30, we exited fiscal 2014 with 3,835 employees, \$1.73 billion in revenue, earnings of \$4.09 per share, and deferred revenue of \$637 million. During the year, we generated \$549 million in cash from operations and, after repurchasing more than \$650 million of our common stock, ended the year with no debt and \$1.13 billion in cash and investments.

On a year-over-year basis, revenue in the fourth quarter of 2014 grew nearly 18 percent, driven by product revenue growth of more than 20 percent. As a result, both product revenue and total revenue for fiscal 2014 were up 17 percent from fiscal year 2013. Several factors contributed to strong product sales during the year.

We entered fiscal 2014 with a broad array of new hardware and software products we rolled out during the prior twelve months:

- Major upgrades to TMOS, our core operating system, with advanced security and scalability enhancements.
- A complete refresh of our BIG-IP appliance family, including major improvements in performance and functionality.
- New and enhanced security software, including BIG-IP Advanced Firewall Manager (AFM), our network firewall, and upgraded versions of our web application firewall, BIG-IP Application Security Manager (ASM), and BIG-IP Access Policy Manager (APM).
- New software modules for service providers, including BIG-IP Carrier-Grade Network Address Translation (CGNAT) and BIG-IP Policy Enforcement Manager (PEM).
- Upgraded versions of all virtual editions of our software products with industry-leading functionality and performance.
- Our BIG-IQ management platform that enables customers to manage and orchestrate our products from a single console.

As the year progressed we saw strong and growing demand for these and other new products introduced early in fiscal 2014, including a new two-blade VIPRION chassis and new high-performance blades for our mid-range and high-end VIPRION chassis.

In November 2013, we also launched F5 Synthesis, a new architectural vision, consisting of three integrated components designed to address the needs of customers in today's rapidly evolving technology landscape.

The first component is our suite of Software-Defined Application Services (SDAS), which can be deployed as modules on our purpose-built hardware, as software only, or in combination, both on premises in a customer's own data center and in the cloud. The second is our BIG-IQ management software, which allows customers to provision, manage, and orchestrate those services within data centers, across multiple data centers, and out into the cloud. The third component is a menu of simplified pricing options that make it easier for customers to purchase multiple services either as modules or as standalone software. These options include utility pricing for our virtual edition products and our Good-Better-Best (GBB) bundles, which allow customers to purchase certain application services, including our most popular security modules, at a discount to the price they would pay if they purchased each service separately.

During the last three quarters of fiscal 2014, F5 Synthesis became increasingly instrumental in driving product sales in new and existing accounts and contributed to sequentially larger deal sizes. As the growing volume and intensity of security threats continued to spur demand for our security products, GBB made it easier for our sales teams and partners to introduce security into their discussions with customers. As a result, approximately 36 percent of product sales in fiscal 2014 included one or more security products, compared to 30 percent in the prior year. Introduced in late fiscal 2013, BIG-IP AFM became a significant contributor to our security sales both as a component of our Better and Best offerings and as a standalone network firewall.

In fiscal 2015, security will continue to be a major focus for the company. Earlier this month, we launched two new security offerings as subscription services. Versafe, which we acquired in September 2013, provides real-time protection against malware, phishing, and other cyber threats that target mobile devices and web applications. Defense.Net, acquired last May, is a cloud-based service that provides highly scalable protection against distributed denial-of-service (DDoS) attacks and complements our existing on-premises DDoS protection capabilities. Later this year, we plan to launch a cloud-based version of BIG-IP ASM, our popular web application firewall, which will also be available on a subscription basis. Defense.Net, BIG-IP ASM, and Secure Web Gateway, a malware protection service, will be available as part of F5 Silverline, our new cloud-based services delivery platform that leverages BIG-IP hardware.

Along with BIG-IP PEM and BIG-IP CGNAT, BIG-IP AFM has enabled F5 to expand our footprint in Tier 1 service providers as a replacement for traditional data center firewalls and as a massively scalable, high-performance alternative to Gi firewalls that sit at the interface between their networks and the Internet. During fiscal 2014 we won several large projects in which we replaced existing firewall solutions. In addition, we continued to expand our Traffix[®] Diameter switching and routing business with large project wins in Tier 1 providers, where we currently have more than 40 projects in production and several more nearing completion.

During the past year, we also made significant progress in positioning F5 to leverage the major technology trends reshaping the broader IT landscape. Since announcing our partnerships with Cisco, Hewlett-Packard, Microsoft, VMware, and other major providers of software-defined networking (SDN), we have continued to strengthen those relationships by further integrating our products and developing joint sales and marketing programs to deliver complete solutions that include our Software-Defined Application Services. As more organizations have begun to deploy cloud-based applications, we have expanded our suite of virtual edition products to include our full array of application services designed to run on any standard hypervisor. These software-only products provide both the broadest array of application services and the highest performance in the industry, and can be rented or purchased directly from F5. Amazon Web Services customers can also purchase our products from Amazon, and we are working to create similar programs with other cloud providers.

Looking out to the year ahead, I believe F5 has never been stronger or better positioned in terms of our strategy, business model, technology, partnerships, and market opportunity. I am proud of the accomplishments of our growing team of talented employees, and I am personally excited about our prospects for continued growth and profitability in fiscal 2015.

On behalf of the company and our Board of Directors, thank you for your continuing support.



John McAdam
President & Chief Executive Officer
November 30, 2014

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SHAREHOLDERS' INFORMATION

Annual Shareholders Meeting

March 12, 2015

11:00 a.m.

Location: 351 Elliott Ave West

Seattle, WA 98119

Parking: Corporate Headquarters

Corporate Headquarters

401 Elliott Ave West

Seattle, WA 98119

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NASDAQ Listing

NASDAQ Symbol – FFIV

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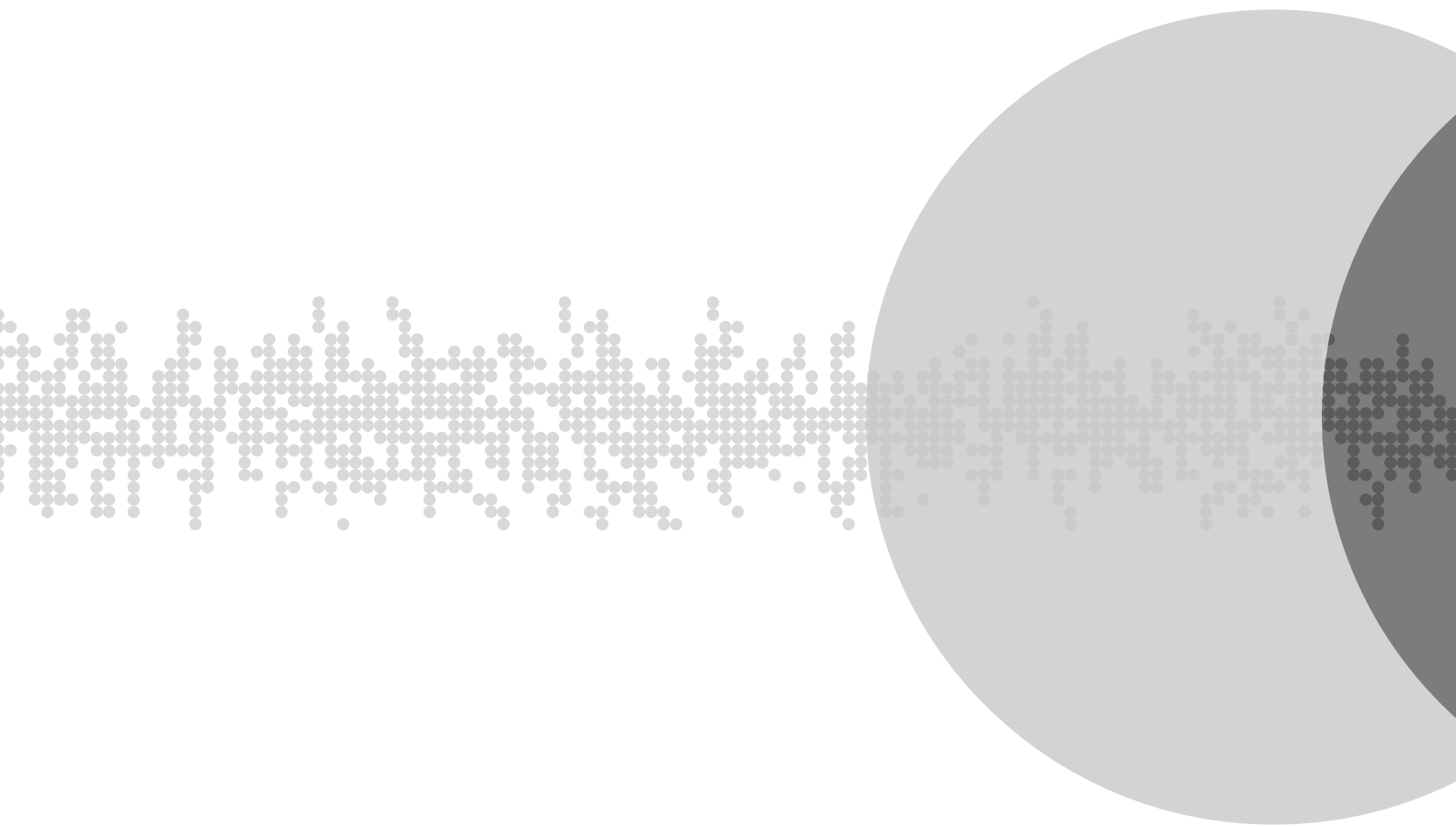
American Stock Transfer

800.937.5449

ABOUT F5 NETWORKS

F5 (NASDAQ: FFIV) provides solutions for an application world. F5 helps organizations seamlessly scale cloud, data center, and software defined networking (SDN) deployments to successfully deliver applications to anyone, anywhere, at any time. F5 solutions broaden the reach of IT through an open, extensible framework and a rich partner ecosystem of leading technology and data center orchestration vendors. This approach lets customers pursue the infrastructure model that best fits their needs over time. The world's largest businesses, service providers, government entities, and consumer brands rely on F5 to stay ahead of cloud, security, and mobility trends. For more information, go to f5.com.

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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,” 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 and adversely from those expressed or implied by these forward-looking statements. These forward-looking statements are subject to the safe harbor provisions created by the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from those projected in the forward- looking statements as a result of certain risk factors described more fully in our documents filed with or furnished to the Securities and Exchange Commission, including our most recent reports on Form 10-K and Form 10-Q and current reports on Form 8-K that we may file from time to time, which could cause actual results to vary from expectations. The financial information contained in this report should be read in conjunction with the consolidated financial statements and notes thereto included in F5’s most recent reports on Forms 10-Q and 10-K as each may be amended from time to time. All forward-looking statements in this report are based on information available as of the date hereof and qualified in their entirety by this cautionary statement. We assume no obligation to revise or update these forward- looking statements.

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