

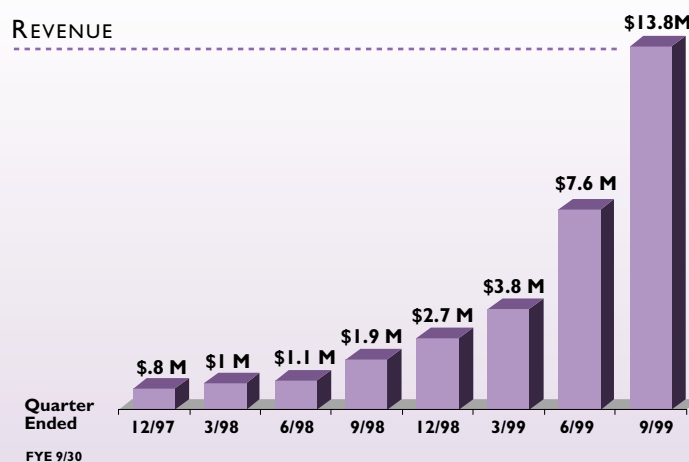
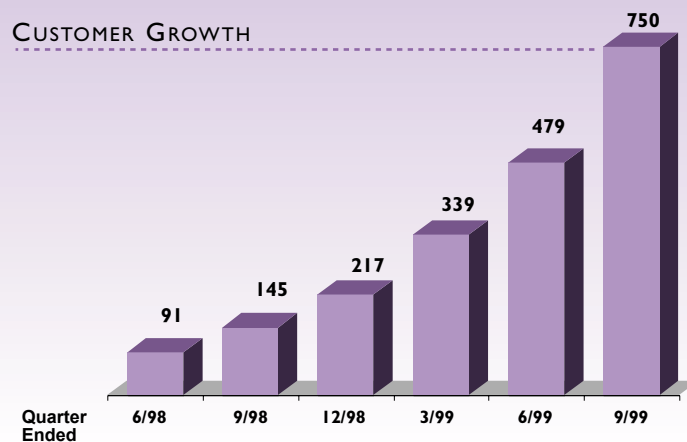


NETWORKS

1999 ANNUAL REPORT

f5 NETWORKS

## 1999 FINANCIAL HIGHLIGHT



### SELECTED FINANCIAL DATA

	1999	1998	1997
Net revenues	\$ 27,825	\$ 4,889	\$ 229
Loss from operations	(4,878)	(3,668)	(1,428)
Net loss	(4,344)	(3,672)	(1,456)
Net loss per share – basic and diluted	( 0.42)	( 0.60)	( 0.24)
Weighted average shares – basic and diluted	10,238	6,086	6,000
Cash and cash equivalents	\$ 24,797	6,206	143
Total employees at year end	187	80	20

## TO OUR SHAREHOLDERS

Dear Shareholders:

This has been a remarkable year for F5. During the past fiscal year we completed two successful public offerings, raising over \$56,000,000. We increased our net revenue by 469% over the prior year and reported a profit in the fourth quarter. We also tripled the size of our staff to 187 employees, developed a strong presence in key international markets, particularly Europe and Asia Pacific, and introduced two major new products into the marketplace.

During the past fiscal year our customer base grew to over 750 customers, including leading companies in a variety of industries that rely on the internet as a fundamental component of their business. We also developed important strategic partnerships with major resellers and original equipment manufacturers to help leverage our market reach and increase sales worldwide.

Nearly four years ago, when the internet was still in its infancy, F5 embarked on its mission to enhance the reliability and scalability of networked servers. Since that time, there has been dramatic growth of internet-based commerce and communications, and more organizations are recognizing the value of F5's products and services in helping to optimize the reliability, scalability and manageability of their mission-critical Internet infrastructure.

We are proud of our achievements to date, and believe the best is yet to come. To meet our customers' rapidly evolving requirements we continue to develop our product portfolio. We continually strive to enhance the performance, management and security functionality of our products through internal development and by leveraging the complementary products of our strategic partners. We are also increasing our direct sales and marketing presence world-wide, and enhancing our sales and marketing channels by developing new relationships with strategic partners in Internet traffic and content management.

At F5, we remain committed to the goal of becoming the definitive standard for Internet traffic and content management products and services.

Thank you for your support.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jeffrey S. Hussey', with a long horizontal flourish extending to the right.

Jeffrey S. Hussey

President, Chief Executive Officer and Chairman

## What We Do

If you think about it, most things in life are predictable. Pick up the phone and you get a dialtone. Flip a switch and the lights turn on. Go to a web site and ... oops ... perhaps not everything is predictable.

Businesses want – and need – control over their web sites. Revenue and profitability depend on being able to control web site availability and performance. But while we've come to expect a certain Quality of Service (QoS) from services such as the telephone and power, no such standard exists for web sites.

Not only is QoS required for networks, but also control over the resources (servers, networks, and content) that ultimately deliver the QoS users expect. Additionally, you need the tools to manage these areas in order to enforce your company's Internet policies. That's where F5 Networks, Inc. comes in. As pioneers in the field of high availability and Internet Quality Control, F5 develops turnkey solutions that increase the availability and performance of Internet Protocol (IP)-based servers and network devices such as firewalls, routers, cache servers, proxy servers, and more.

Our products act like air traffic controllers, routing client requests to the most available server and re-routing requests away from downed servers – or servers that are not responding accurately.

Founded in 1996, F5 has grown to more than 180 employees and boasts an impressive customer list of more than 750 of the top corporations including USA Today, Microsoft and Alaska Airlines.

## Market

Never has a new medium gained acceptance as fast as the Internet. From a virtual standing start in 1994, the net now boasts well over 100 million users. Compare this with television (20 years to reach 100 million users) and the Fax (10 years to reach 100 million users).

The net is straining under this load, and corporations are busy struggling to build high-availability, business-critical applications.

All of this is driving a new market for Internet Traffic Management. According to Internet Research Group, this new market – products that help provide high performance, high-availability, scalable access to servers – is projected to grow in excess of 65% annually through the year 2002.

## What is Internet Quality Control?

Businesses need control over the availability and performance of their web sites. Is the web site available and working properly and can the web server respond to ever-increasing customer demands? The level of control a company has over their web site is called Internet Quality Control.

When F5 first started, we talked with dozens of companies and developed a model showing how different types of companies define Internet Quality Control.

For example, while all web sites care about availability, e-commerce sites have the greatest need. Similarly, multimedia sites and megawebsites have the greatest performance demands.

F5 saw early on that it was not enough to focus on just one attribute – either availability or performance. The majority of companies F5 spoke with said they needed *both*.

Based on this insight, F5 developed the first true high-availability load-balancing product line. Looking at some of the most successful web sites today, it is clear that this vision was correct.

Successful web sites are those that address all elements of Internet Quality Control, including high availability, high performance, intelligent load balancing, fault tolerance, security, manageability, open systems, enforcement of policy management, and global data management.

## Products and Services

Anyone who has ever been stuck in a holding pattern waiting to land understands the needs that drive F5's product line. Just as air traffic controllers manage air traffic, F5 manages IP traffic flow.

F5 has 4 core products: the BIG/ip® Controller, 3DNS® Controller, global/SITE™ Controller and the see/IT™ Network Manager. All four help manage traffic to IP-based servers and devices in a way that maximizes availability and throughput.

F5 products benefit Internet sites through four "points of control". Servers (BIG/ip), the network (3DNS), content (global/SITE) and network management (see/IT).

### **BIG/ip® Controller**

BIG/ip optimizes server availability and performance. BIG/ip sits between the network and server array. It continuously monitors each server for service availability and performance, and routes incoming queries to the most available server. BIG/ip allows network managers to use a variety of sophisticated load-balancing algorithms to fine-tune performance and availability.

### **3DNS® Controller**

What happens when a major airport is closed due to weather? Airlines cannot afford to wait until their aircraft reaches that airport before finding out the airport is closed. That's why every major airline staffs a central operations center that looks at all airports and reroutes planes when airports go down.

3DNS does the same job for multiple sites. It communicates with each server around the world on a regular basis – keeping track of key performance attributes. Then, when a request comes in, 3DNS routes the request to the most available site.

### **see/IT™ Network Manager**

see/IT, is a traffic analysis and trending software tool for BIG/ip and 3DNS. With see/IT, managers can configure key high availability and intelligent load balancing factors. Managers can also analyze traffic flow to better understand how to optimize service. see/IT can even predict future sources of traffic jams.

### **global/SITE™ Controller**

global/SITE began shipping in October, 1999. global/SITE is a network controller that manages the distribution and synchronization of content to geographically distributed IP-servers. Think of global/SITE as a “change appliance” or “content manager”.

Each time the webmaster completes a new version of content, the content set is registered with global/SITE. When ready, the webmaster tells global/SITE to publish the new content. global/SITE is smart enough to compare the new content to the prior version, and only replicate the changes. Furthermore, global/SITE units can work in concert—a central global/SITE will post new content to remote global/SITEs where the content is then published locally. The result is a simple, efficient foolproof way to maintain dynamic content over a large set of servers.



### **Professional Services**

F5's Professional Services team is dedicated to making customers' network applications successful. The team offers full service solutions for technical support, basic to advanced training, auditing/customization services, providing network monitoring and performance analysis reporting for future capacity planning.

F5's full service solutions meet customers' needs for high availability today and tomorrow. Service support plans include 24x7 toll-free technical support, software updates and 24-hour replacement in the unlikely event a unit needs replacement. The F5 Professional Services team is dedicated to the seamless integration of BIG/ip, 3DNS, see/IT, global/SITE and all future F5 products into existing network infrastructures while ensuring the successful use of F5 technology on an ongoing basis.

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*Statements in this report concerning expected increases in our sales, expected increases in the functionality of our products, expected increases in our sales and marketing presence, our development of new relationships with strategic partners, our ability to meet future customers' needs and any other statements concerning future events or performance are forward-looking statements which are subject to a number of known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to differ materially from those expressed or implied by such statements. Relevant risks and uncertainties include those discussed in Item 7 of Part I under the heading "Risk Factors" in the enclosed Annual Report on Form 10-K.*

## F5 NETWORKS MILESTONES



# CORPORATE AND SHAREHOLDER INFORMATION



## DIRECTORS

**Jeffrey S. Hussey**  
*Chairman of the Board*  
*F5 Networks, Inc.*

**Carlton G. Amdahl**  
*Technology Consultant*

**Keith Grinstein**  
*Vice-Chairman*  
*Nextel International, Inc.*

**Karl D. Guelich**  
*Certified Public Accountant*

**Alan J. Higginson**  
*Consultant*

## NOTICE OF ANNUAL MEETING

*Our annual shareholders meeting  
will be held:*

*February 17, 2000, 9:00AM*  
*The Sheraton Hotel & Towers*  
*1400 6th Avenue*  
*Seattle, Washington*

## OFFICERS

**Jeffrey S. Hussey**  
*President and Chief Executive Officer*

**Robert J. Chamberlain**  
*Vice President of Finance - Chief Financial  
Officer and Treasurer*

**Steven Goldman**  
*Senior Vice President Sales,  
Marketing & Services*

**Brett L. Helsel**  
*Vice President of Product Development*  
*Chief Technology Officer*

## CORPORATE HEADQUARTERS

**F5 Networks**  
*200 – 1st Avenue West,*  
*Seattle, WA. 98119*  
*(206) 505-0800*

**NASDAQ LISTING**  
**NASDAQ Symbol – FFIV**

## INVESTOR RELATIONS

**Michael Newman**  
*Street Connect*  
*(206) 320-1231*

## INDEPENDENT AUDITORS

**PricewaterhouseCoopers LLP**  
*Seattle, Washington*

## LEGAL COUNSEL

**Heller Ehrman White & McAuliffe**  
*Seattle, Washington*

## TRANSFER AGENT AND REGISTRAR

**American Stock Transfer**  
*40 Wall Street*  
*New, York, NY 10005*  
*(212) 936-5100*



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[www.f5.com](http://www.f5.com)