

a few important  
**words**  
ABOUT OUR BUSINESS...

## The Internet *performance* Authority

**Keynote Systems, The Internet Performance Authority,**® is the worldwide leader in Internet performance services that improve the quality of e-business. The company's services enable corporate enterprises to benchmark, test and manage their e-business applications—both inside and outside the firewall—in ways that help them reduce costs, improve operational efficiency, increase revenues and gain a competitive advantage. Over 2,600 corporate IT departments, Web hosting companies, Internet service providers and content delivery providers around the world have implemented Keynote's easy-to-use and cost-effective services.

Founded in 1995 and headquartered in San Mateo, California, Keynote Systems employed 260 people at the end of fiscal year 2001. The company's stock is traded on the Nasdaq National Market under the symbol **KEYN**.

m e a s u r i n g  
performance

E-business has extended the business of all companies, serving as a window through which enterprises everywhere communicate with the world. And that window must always be open for an enterprise to succeed. That's because poor e-business infrastructure translates directly into missed revenue opportunities, dissatisfied customers, lower productivity and a host of other issues that are detrimental to business.

According to Zona Research, poor e-business infrastructure performance—whether it be a function of speed, quality of service, fulfillment, navigability or other such criteria—added up to a missed opportunity of more than \$25 billion in revenues in 2001. Given these numbers, it's easy to see why e-business performance must be measured, analyzed and benchmarked—all the time, all over the world.

Keynote Systems was founded to address these needs, and in the years since we've become the world's acknowledged **Internet Performance Authority**®. Based on company estimates, today we handle more than 80% of the world's Web site performance benchmarking—it's the core **foundation** upon which our business is built.

But as the world changes, Keynote is changing with it. It's about more than the core. It's about building on our expertise to take advantage of today's transformation in the market—and the exciting world of new opportunities it has created.

**Benchmarking Web Performance**

*The Internet has opened up e-business opportunities for enterprises everywhere. Today, Keynote's core business services measure and benchmark Web site performance for two-thirds of Fortune 100 companies. As the Internet Performance Authority, we handle more than 15 million Internet performance measurements every day.*



# converging forces

In the "old" days, enterprises built private networks that were sealed off from the outside world by what is commonly known as a **firewall**. But then the Internet came along. And because the Internet has become fundamental to doing business, companies need to find better, more secure and more efficient ways of **sharing information** from within their firewall with all the customers, partners, suppliers and other constituents that now comprise their **extended enterprise**.

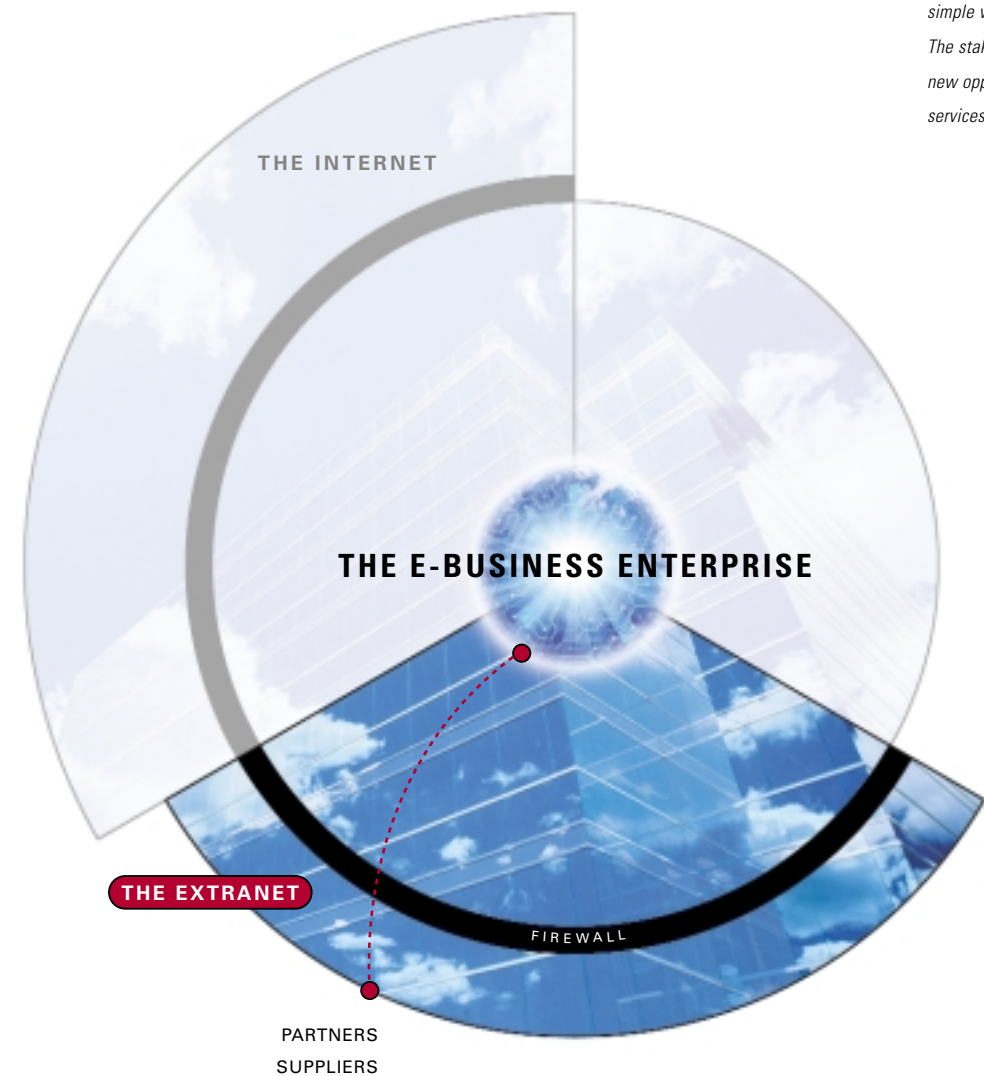
Keynote's core Web site performance measurement business has always been focused predominantly outside the firewall. In the past year, however, we've taken advantage of the transformation in the world of networking to transform ourselves—remaining true to Keynote's core, but extending it beyond our benchmarking leadership by adding a host of e-business **Web testing** and enterprise **application performance management** services to our product portfolio.

Simply put, as enterprises extend themselves outward, we're helping them by moving inward towards the firewall, from the **Internet** to the **enterprise**. Keynote's new services now bring us inside the firewall, tying both sides of the equation—the **intranet** within and the **extranet** without—together for enterprise customers. The enterprise market represents our greatest opportunities for growth moving forward.

Call it convergence, if you will. Or an enterprising strategy. We call it listening to our customers. By any name, it translates into a much wider net that Keynote can now cast into vastly larger market waters.

## Extending the Enterprise

*Thanks to the Internet, companies now have a way to extend their private networks via an extranet that shares important information with the outside world, in ways that go well beyond the simple window provided by a Web site. The stakes have been raised, offering new opportunities for the kinds of services that Keynote provides.*



# ENTERPRISING Opportunities

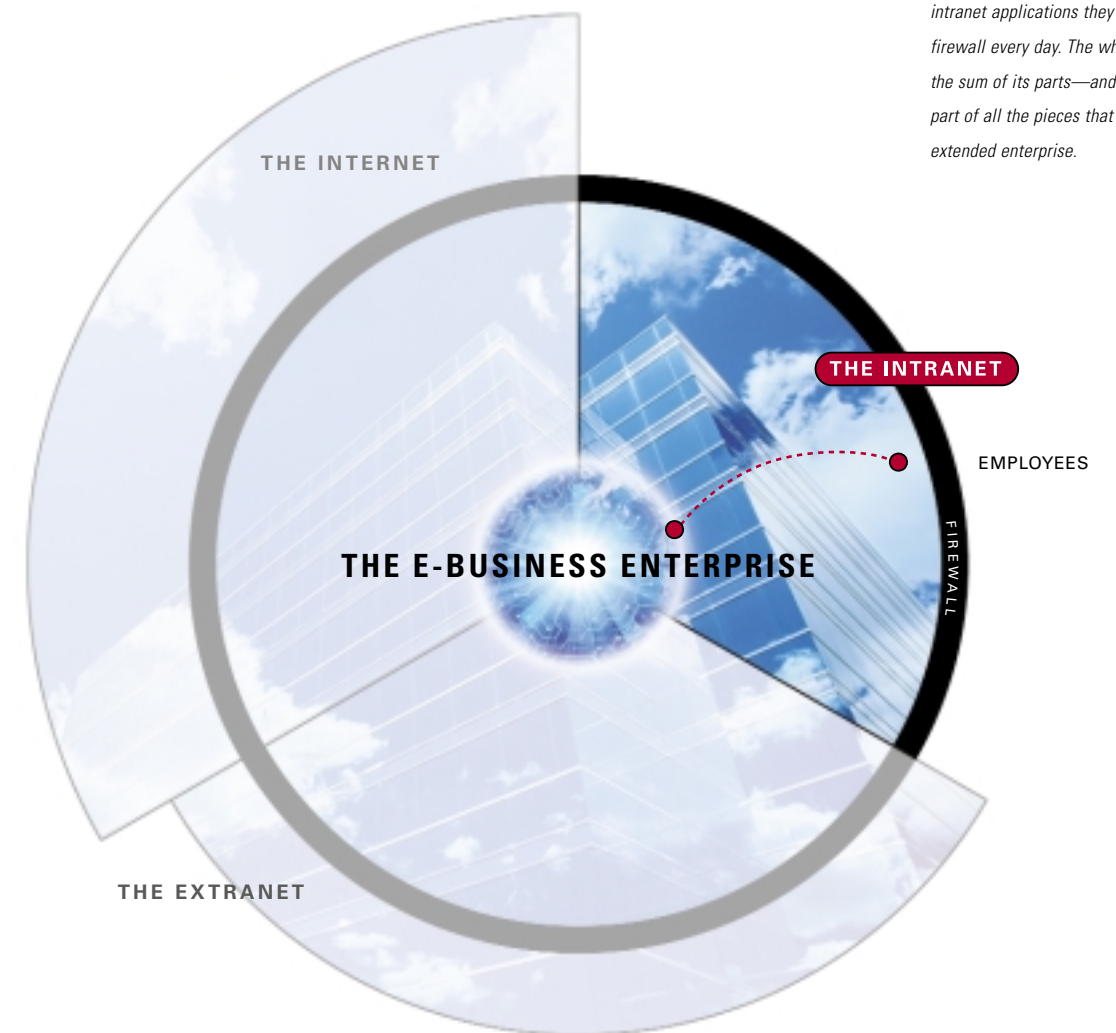
Keynote has been beyond compare in our ability to help customers measure, compare and assure the performance of their Web sites. Now we can help them do much more. Our new suite of e-business performance testing services enables enterprise customers to **plan, test and analyze** their Web performance proactively. And our e-business application performance management services help them **monitor, diagnose and improve** the performance of the wide variety of applications—intranet *and* extranet—upon which their e-businesses increasingly depend.

Put it all together, and Keynote's current array of services deliver real and tangible e-business benefits to the enterprise. When it comes to maintaining and improving performance of their e-business infrastructures, our customers can solve problems faster, deploy resources better and maximize the efficiency of what has become a mission-critical component of their overall business operations. All of the forces converging in the world of e-business are changing the ways companies manage their infrastructures, and we're changing to help them do just that.

As a result, Keynote now touches our customers everywhere, at **every touch point** across the extended enterprise. Such is the nature of *our* transformation, as we help customers transform themselves in ways that promise to open up a world of new and exciting opportunities for enterprises everywhere.

## The View From Within

*Just as companies have discovered they need ways to benchmark, test and manage the performance of their Internet and extranet applications, they need ways to do the same for the hundreds of intranet applications they run inside the firewall every day. The whole is indeed the sum of its parts—and Keynote is now part of all the pieces that comprise the extended enterprise.*



THE INTRANET

EMPLOYEES

THE INTERNET

THE E-BUSINESS ENTERPRISE

THE EXTRANET

FIREWALL

# transformation

Compare Keynote today to a year ago, and it's easy to see that a major transformation has taken place. We've made the transition from a company with a relatively narrow technology and market focus into a **broad-based technology solutions provider** with a much larger market opportunity.

As a result, we're about much more than just benchmarking Internet performance. We're about **benchmarking, testing and managing** the performance of *all* the networked e-business applications that are the lifeblood of the enterprise of the 21st Century. From the Internet to the extranet to the intranet, Keynote's services are becoming more comprehensive, more useful and more mission-critical.

## KEYNOTE SERVICES

E-BUSINESS  
BENCHMARKING

E-BUSINESS  
TESTING

E-BUSINESS  
APPLICATION  
PERFORMANCE  
MANAGEMENT

### E-Business Benchmarking

**Web Site Perspective™** measures the speed and reliability of Web sites across dial-up, DSL, cable or T-3 connections

**Transaction Perspective™** assures the end-to-end quality of e-business transactions

**Streaming Perspective™** measures the quality of multimedia broadcasts over the Internet

**SLA Perspective™** validates service level agreement decisions to outsource content and applications

**Wireless Perspective™** measures the performance of wireless applications from an end user's perspective

### E-Business Testing

**LoadPro™** dynamically tests e-business applications to facilitate proper provisioning and availability

**Test Perspective™** enables transaction performance, diagnostic and load tests to be run on demand, providing immediate feedback

### E-Business Application Performance Management

**Enterprise Perspective™** integrates Web performance data and Keynote alerts into existing enterprise management software consoles

**Custom Perspective™** diagnoses bottlenecks inside the firewall or in virtual private networks which affect end-user performance

**Red Alert™** tests and monitors devices connected to the Internet and provides real-time alerts when problems arise

**Custom APM Services™** help develop and enforce SLAs, justify expenditures and reduce repair times

**Advanced Technical Services™** provide enhanced technical support tailored for specific customer needs

## To Our Stockholders, Customers, Partners & Employees



In all respects, fiscal year 2001 will be remembered as a time of transformation for Keynote Systems. We made solid progress in our efforts to extend the company's reach beyond our Internet performance benchmarking core business to encompass the much broader opportunity represented by the enterprise performance management marketplace. This progress was evidenced by the significant expansion—achieved through a combination of internal development activities and corporate acquisitions—of the breadth and depth of the services we offer our customers. Equally important, Keynote was able to increase revenues during a year that clearly was marked by difficult economic conditions and political uncertainty in virtually all sectors of the global business arena.

For the fiscal year ended September 30, 2001, Keynote reported revenues of \$45.6 million, a 35% increase compared to revenues of \$33.8 million in fiscal 2000. Pro forma net income—which excludes costs related to acquisitions, excess facility and stock based compensation—for fiscal 2001 was \$3.0 million, or \$0.11 per diluted share, compared to pro forma net income of \$4.1 million, or \$0.15 per share, for the previous year. Keynote reported a net loss for the year of \$56.4 million, or \$2.04 per share, compared to a net loss of \$2.7 million, or \$0.11 per share, for fiscal 2000. The company ended the year with a strong balance sheet with cash and short-term investments amounting to \$336.7 million and no long-term debt.

### **An Enterprising Transformation**

Keynote's financial performance in fiscal 2001 was driven by a number of factors. As could be expected from the difficulties experienced by Internet-related businesses in the past year, revenues from the service provider and dot.com segment of our customer base decreased sharply—down from 44% of our total fiscal year 2000 revenues to 30% of our revenues for the year just completed. This decline was balanced by the outstanding success we had in increasing sales to enterprise and other customers by 68% compared to a year ago. As a result, we were able to significantly increase our overall revenues for the year.

We maintained our dominant position in the Web site performance measurement and benchmarking marketplace that represents our core business. The numbers tell the story: Keynote provides over 15 million Internet performance measurements daily, spanning over 10,000 URLs and encompassing over 2,600 customers. Three-quarters of the Media Metrix Top 50 Web sites and two-thirds of the Fortune 100 use Keynote to help them measure their Web site performance and gain a competitive advantage. And finally, *PC Magazine* recently named Keynote as one of the world's top 100 Internet infrastructure companies and in an *Internet Week* Lab Test Keynote was awarded "Best of Breed" for Web Site Monitoring Tools.

Leadership in our core business is illustrated by the fact that we own approximately 80% of what today, according to our estimates, is a \$50 million market worldwide. As we continued to strengthen this core segment, however, we also extended Keynote's reach by entering two new—but related—markets where we previously did not have a presence: the Web testing and application performance management market segments. According to Credit Suisse First Boston, these new areas of focus comprise a \$4.5 billion market opportunity, providing us with ample room to expand Keynote's reach, our revenues and the services we provide.

### **New Services to the Forefront**

To fuel the company's transformation, Keynote introduced many new services in fiscal year 2001. In the Internet performance and benchmarking arena, we upgraded our existing Web Site Perspective and Transaction Perspective services, while adding our new Streaming Perspective and SLA Perspective offerings. And shortly after the close of fiscal year 2001, Keynote announced the introduction of Wireless Perspective—a new service gained with the acquisition of the advanced technology assets of OnDevice. The rapidly expanding target market for this service includes large enterprises, wireless carriers and content providers, offering new avenues for growth.

Our acquisition strategy also played a major role in our entrance into the Web testing services market. Our acquisition of Velogic late in fiscal year 2000 brought the LoadPro service into the Keynote fold. We also acquired the technology assets of Envive Corporation, enabling us to launch our new Test Perspective service—a self-service on-demand Web portal for transaction integrity testing and load testing. And we announced LoadSuite™, which bundles LoadPro and Test Perspective for our enterprise customers. As a measure of our success in this new area, LoadPro won *Network Computing Magazine's* "Editor's Choice" award for best Web load-testing service in a comprehensive review that pitted Keynote against established industry leaders.

We also made great strides in the third area of our market focus, Application Performance Management (APM). We announced Custom Perspective, which allows enterprises to measure the performance of their applications "inside the firewall" that separates private networks from the outside world. Our acquisition of Red Alert led to our Red Alert service for online problem monitoring, identification and notification. And we moved farther behind the firewall with our launch of Enterprise Perspective, which integrates Keynote's Web performance measurements with today's leading enterprise management software packages.

### Partnering for Progress

Keynote's new Enterprise Perspective service is particularly notable in that it was developed as a result of our partnership with Computer Associates (CA), a recognized leader in providing enterprise management software. We're now in the process of integrating Enterprise Perspective with IBM's Tivoli and Hewlett-Packard's OpenView packages. Together, CA, IBM and HP control approximately 80% of the worldwide market for enterprise management software.

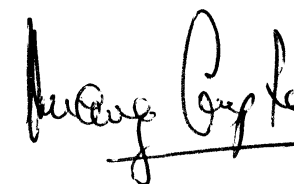
These partnerships are important for Keynote in that—unlike software companies that are trying to supplant the Big Three—our outsourced services enable us to seamlessly supplement, rather than compete with, the offerings of CA, IBM and HP in their established marketplaces. Our KeyPartner™ program continues to grow as we work with industry leaders and innovative smaller companies alike to establish our services and expand our market footprint.

Fiscal year 2001 was also significant in that we continued to strengthen our infrastructure and our organization. By the end of the year, we had over 1,500 measurement computers in place around the world. And as a company transitioning from a relatively narrow technology focus into a broad-based technology solutions provider, we began to evolve from a telesales model to one that includes a mix of telesales, national account sales and resellers.

### More Transformation Ahead

By any measure, fiscal year 2001 was a year of transformation during which we successfully expanded Keynote's value proposition to help our customers maintain the loyalty of *their* customers, build a competitive advantage and increase their revenues. Our goal in the year ahead is to continue to refine and expand our core benchmarking offering while we increase our capabilities and market reach in the high-growth testing and application performance management sectors.

I thank all of Keynote's employees for their outstanding efforts in helping to transform our company, and on their behalf I want to thank our stockholders, customers and partners for their support. The future of Keynote Systems is bright indeed, and I look forward to increasing the value we offer for many years to come to all of the constituencies we serve.



Umang Gupta

*Chairman of the Board and Chief Executive Officer*

MANAGEMENT TEAM

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Chairman and  
Chief Executive Officer

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Senior Vice President of Finance  
and Chief Financial Officer

**Don Aoki**  
Vice President of Engineering

**Olivier Carron**  
Vice President of Keynote Europe

**Marilyn Kanas**  
Vice President of Marketing  
and Public Services

**Peter Maloney**  
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**Richard Rudolph**  
Vice President of Worldwide Sales

**Lloyd Taylor**  
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and Operations

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The common stock of the  
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*In addition, see the investor  
relations section of our Web site  
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