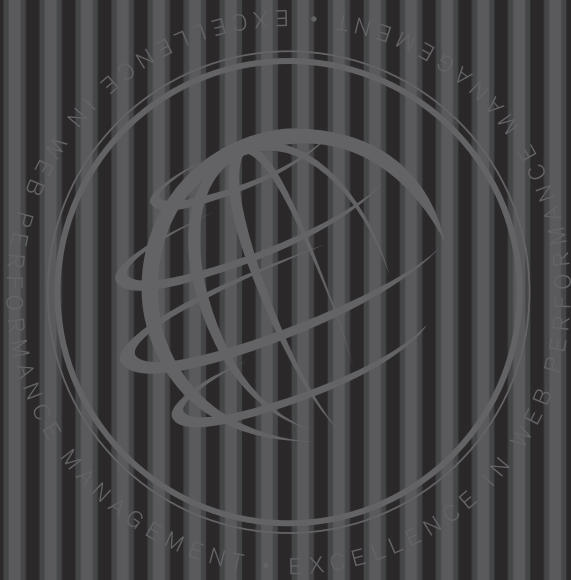




KEYNOTE SYSTEMS

ANNUAL
REPORT

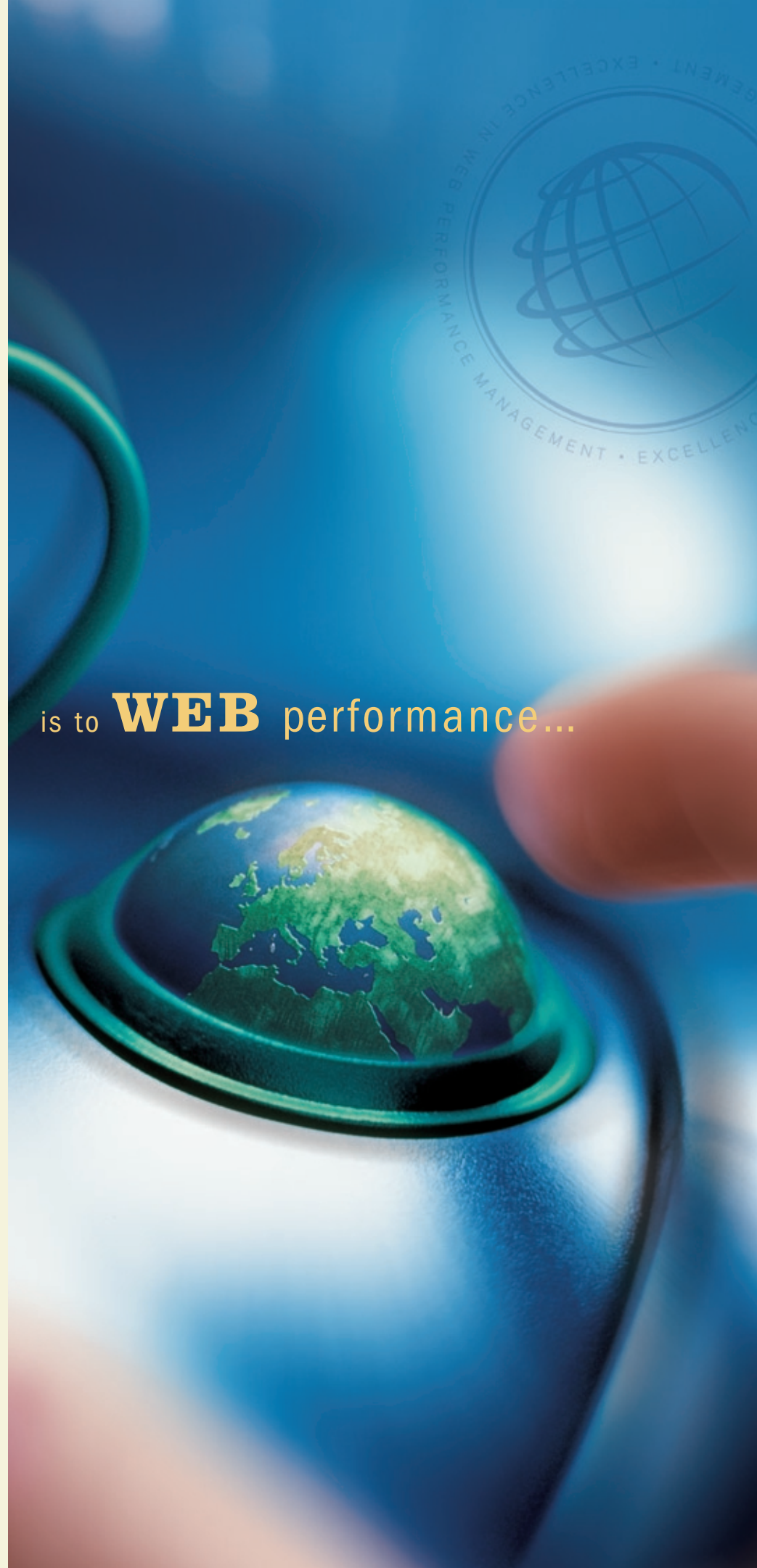
2000



The Internet Performance Authority®

KEYNOTE

is to **WEB** performance...





as the **DOW JONES**

is to **WALL STREET...**

“Keynote provides Ameritrade with the information necessary to benchmark the speed and performance of our home page. Our position atop the Consumer 40 Index for more than eight consecutive months gives us tangible proof that our technology sets the standard for speed, reliability and outstanding online customer experiences.”

AMERITRADE

Jim Ditmore, Chief Information Officer, Ameritrade Holding Corporation



as **J. D. POWER**

is to **PRODUCT QUALITY...**

“Keynote’s real-time measurement data regarding the performance of GE Web sites world-wide helps us to measure the customer experience so that we can continue to meet and exceed our customer expectations online.”

GENERAL ELECTRIC



as the **GALLUP POLL**

is to **PUBLIC OPINION...**

"We chose Keynote because of its global scope and presence. Keynote is an out-of-the-box service that didn't require us to make any changes or do any re-engineering whatsoever. That's the kind of flexibility Oracle needed. Keynote allowed us to break down and understand the different elements of performance, and exactly where we should make improvements. Their depth of information was a revelation. We dug deeply into Keynote's benchmark data and, using their diagnostic services, actively pursued changes that dramatically improved the speed of Oracle's Web site."

ORACLE

Rene Bonvanie, Vice President of eMarketing, Oracle Corporation



as the **NIELSEN RATING**

is to **BROADCASTING...**

“Just as reliable delivery of packages is a critical factor for satisfying UPS’s customers, it’s equally important when delivering them information over the Internet. Whether it’s a multi-billion dollar manufacturer tracking its global supply chain, a three-employee garment shop reviewing UPS’s international services, or a residential consumer downloading maps to nearby UPS drop-off locations, Keynote helps UPS continually monitor how well it’s meeting the needs of shippers around the world through ups.com.”

UPS



as the **EKG**

is to a **BEATING HEART...**

"As the world's leading provider of online banking services, Wells Fargo must provide top quality of service for millions of online customers 24 hours a day, seven days a week, or—simply stated—we lose business. We use Keynote's mission-critical e-commerce benchmarking and Web performance management solutions to keep our customers happy around the clock and continue to grow our many online businesses. Without Keynote's detailed site performance metrics, we would literally be in the dark in terms of managing and improving our customers' online experience."

WELLS FARGO

George Cheng, Senior Vice President, Wells Fargo Internet Services



Keynote Systems...

The Internet Performance Authority®

Letter to Shareholders

Keynote Systems, The Internet Performance Authority®, is the worldwide leader in e-commerce benchmarking and Web performance management services that improve the quality of e-business. The company's low-cost and easy-to-use performance measurement solutions have been implemented by more than 2,900 corporate IT departments, Web hosting companies, and Internet service and content delivery providers around the world.

Founded in 1995 and headquartered in San Mateo, California, Keynote employed approximately 250 people at the end of fiscal year 2000. The company's stock is traded on the Nasdaq National Market under the symbol KEYN.

to our Stockholders, Customers, Partners and Employees:

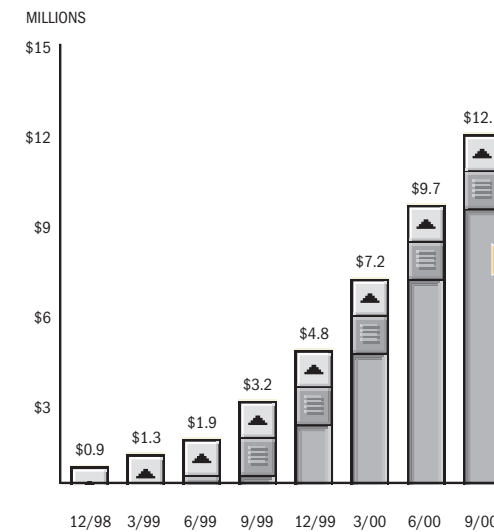
As the pages leading up to this letter point out, comparisons are an inevitable part of life upon which we depend to measure—and ultimately, improve—the performance of things that matter. And one thing that really matters for any e-business is Web site performance. Simply put, the performance of a company's Web site has become a mission-critical requirement at the heart of all businesses in the Age of the Internet. And that's why Keynote—The Internet Performance Authority®—has quickly become a company that matters.

An annual report is, by its very nature, a perfect vehicle for making comparisons and measuring progress from year to year. And by any measure, fiscal 2000 was a year of expansive growth for Keynote. From revenues to customers to the size of our infrastructure to the increasing breadth and depth of our services, so many important comparisons between this past year and the one that preceded it track upward and to the right. We believe that these accomplishments, combined with our increasing brand equity and the share of mind we've secured in the world of the Internet, place Keynote in an ideal position for continued growth in the future.

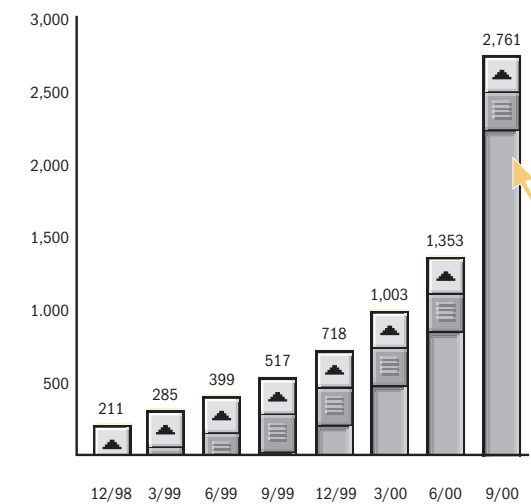
MEASURE FOR MEASURE: NUMBERS THAT MATTER

The first investor benchmark for making comparisons, of course, is Keynote's financial performance. For the fiscal year ended September 30, 2000, the company reported revenues of \$33.8 million, a 364% increase compared to revenues of \$7.3 million in fiscal 1999. Pro forma net income for fiscal 2000 was \$4.1 million, or \$0.15 per fully diluted share, compared to a pro forma net loss of \$6.3 million, or \$0.41 per share, for the previous year.

Keynote's reported net loss for the year was \$2.7 million, or \$0.11 per fully diluted share, compared to a net loss of \$7.1 million, or \$0.47 per share, for fiscal 1999. The company ended the year with strong cash, short-term investments and restricted cash balance of \$345.2 million, up significantly from a balance of \$64.6 million at the close of fiscal 1999. Much of this increase can be attributed to the successful completion of a follow-on public offering that raised \$287 million, net of issuance costs, along with the company's ability to generate positive cash flow from operations.



QUARTERLY REVENUE GROWTH



CUSTOMER GROWTH

Keynote's excellent financial performance during fiscal 2000 was a function of some other important numbers that matter. Along with more than quadrupling our revenues and reporting earnings on a pro forma basis, we generated international revenues for the first time and dramatically increased the size of our global customer base, which by the end of the fiscal year had grown to more than 2,700 companies. Along with Ameritrade, Oracle, GE, UPS and Wells Fargo—all featured in the preceding pages—these include such well-known names as American Express, Cisco Systems, Dell Computer, Digital Island, E-Trade, Fidelity Investments, Microsoft, eBay, Target, Verisign and Yahoo!, to mention just a few.

During fiscal 2000 we also doubled the number of measurement computers deployed throughout our global infrastructure. By the end of the year, more than 1,100 Keynote computers were capturing over 28 million Web performance measurements every day for our customers. The result of all these numbers? Keynote Systems now has a dominant market share in what we consider to be our "core" business, Web site performance benchmarking.

THE INTERNET PERFORMANCE AUTHORITY

In a world where ALL businesses need to establish an e-business presence, it's clear that the Internet and the World Wide Web will play a vital role in the future of commerce and communications. And because a company's Web site is rapidly becoming the predominant interface to customers, partners, suppliers and employees alike, it's clear that Web site performance has become mission-critical to a company's prospects for success. It's crucial that business enterprises have a way to measure the performance of their site, compare it to the performance of other sites, diagnose problems quickly, and improve performance—so that users have access all the time, with a very high quality of service.

This, in essence, is the service that Keynote provides the world, functioning in many respects like the Dow Jones or J.D. Power of the Internet. A number of events in fiscal year 2000 helped cement our acknowledged position as the Internet Performance Authority, beginning in February when we alerted the

world's media to the infamous "Denial of Service" cyber attacks that plagued a number of high-profile Web sites. During this period we received extremely positive share of mind by providing Internet performance data to NBC Nightly News, CNN, *The New York Times*, *USA Today*, and *The Wall Street Journal*, to mention just a few examples.

During the third quarter of our fiscal year, the *San Francisco Business Times* named Keynote the fastest-growing publicly held company in the Bay Area—a notable achievement in light of the tremendous competition we faced in Silicon Valley. Our common stock was added to the Russell 2000 Index, a leading investment ranking of small-cap stocks. And Keynote was recognized as the de facto Web site performance measurement and benchmarking standard as employed by the Internet industry's most important publications, including *The Industry Standard*, *Internet World*, *Interactive Week*, *Internet Week*, and *Business 2.0*, all of whom feature Keynote data in every issue.

BULLET PROOF: A MATTER OF PERSPECTIVE

Keynote's success in large part can be attributed to the first mover advantage we've enjoyed; in truth, we invented and built the business of Internet performance measurement and benchmarking. Over the past few years we've expanded our infrastructure, built our brand, and established our credibility as a trustworthy and unbiased benchmark standard. And in fiscal 2000, we significantly enhanced and expanded the internally developed services we offer our customers:

Consumer Perspective™ is a measurement service that provides vital information on a user's experience "at home" by collecting detailed performance data over dial-up connections, DSL and cable modems.

MyKeynote™ is a portal-style interface for real-time viewing and diagnosing mission-critical Web site performance information.

Perspective™ Global 50 measures from 50 statistically selected metropolitan areas around the world from which we measure e-commerce quality of service from the user's perspective.

"Because our business is completely dependent upon our customers successfully accessing our online trust services, it is mission critical that we have accurate,

real-time data that measures and assures our Web site's scalability, availability, and overall performance. We're able to substantiate this data with Keynote."

Edward G. Thomas, Vice President, Marketing, Verisign

VERISIGN

Internet Health Report is the first service to measure the performance of the peering connections among the major Internet backbones across the United States.

Desktop Analyzer™ is a statistical analysis and reporting tool that enables customers to quickly identify and repair Web site performance problems.

Diagnostic Perspective™ is the first comprehensive service that enables network engineers and Web managers to quickly diagnose and improve Internet peering, server and content problems.

Streaming Perspective is the world's first comprehensive service for measuring the performance and defining the quality of streaming audio and video on the Internet.

We believe that Streaming Perspective in particular is a very important service, as it anticipates the next wave of Internet traffic—the coming profusion of audio and video information that promises to further revolutionize the way the Internet is used. To accelerate and enable this evolution, during the year Keynote launched our Streaming Partner Program, whose members include Adero, Akamai, Digital Island, Enron, iBeam, Intel, Microsoft, The MTVi Group and Real Networks.

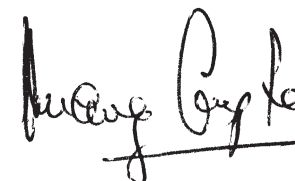
BEYOND COMPARE:

MANAGING ENTERPRISE WEB PERFORMANCE

While Web performance benchmarking is clearly Keynote's core business, a number of the new services outlined above illustrate our strategy to expand our market footprint by providing customers with enterprise-scale Web performance management tools and services. We recognize that once business enterprises have measured their site performance, they need ways to manage it and improve it. Aside from providing added value by giving customers what they want and need, this strategy also opens up much broader market opportunities for Keynote, paving the way for continued growth moving forward.

In addition to the services we developed internally to begin meeting these needs, Keynote also made two key corporate acquisitions to enhance the value proposition we offer customers. First we acquired Velogic, Inc., whose Web site load-testing and site-assurance services—now known as KeyReadiness™—enable e-businesses to determine site performance and service levels before high traffic loads actually arrive. We also acquired Red Alert, a leader in accessibility monitoring and real-time alert systems; along with broadening our service offerings, this latter move brought 900 new customers into the Keynote fold.

Measure for measure, all of these accomplishments in fiscal year 2000 added up to a year of significant growth for Keynote. We enter fiscal 2001 in a stronger position than ever to succeed as we pursue exciting market opportunities that continue to broaden with each year. If you believe, as we do, that the Internet and the World Wide Web will grow in importance moving forward, then you inherently believe in Keynote's future. Speaking on behalf of everyone at the company, we look forward to that future, and we thank our stockholders, customers, and partners for their support.



Umang Gupta

Chairman of the Board and Chief Executive Officer

CORPORATE INFORMATION

MANAGEMENT TEAM

Umang Gupta
Chairman and
Chief Executive Officer

Roger Higgins
Vice President of
Business Development

Kevin Brown
Vice President of U.S. Sales

Don Aoki
Vice President of Engineering

Lloyd Taylor
Vice President of Operations

Marty Salazar
Vice President
of Professional Services

John Flavio
Vice President of Finance
and Chief Financial Officer

Marilyn Kanas
Vice President of Marketing
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Olivier Carron
Vice President of
Keynote Europe

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Chairman and Chief
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Stock Profile
The common stock of the
Company is traded on the
Nasdaq National Market
under the symbol "KEYN".

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should be directed to:

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In addition, see the investor
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