



Improving Online Business Performance and Communications Technologies

February 2006

**Umang Gupta, Chairman & CEO
Drew Hamer, Chief Financial Officer**

Forward-Looking Statements

- Statements in Keynote's presentation that are not historical facts, including those that refer to Keynote's plans, expectations, beliefs, and intentions, are forward-looking statements that are subject to risks and uncertainties, and actual results could differ materially from Keynote's current expectations. These forward-looking statements, including those regarding anticipated revenue, acquisition opportunities and Keynote's growth opportunities, are based on information available to Keynote today, and Keynote assumes no obligation to update these statements as circumstances change.
- The risks and uncertainties that could cause Keynote's actual results to differ materially from the forward-looking statements include Keynote's ability to successfully identify acquisition candidates and consummate acquisitions on reasonable terms, integrate the business of acquired companies, maintain customer relationships of acquired businesses, manage costs in connection with the integration of acquired companies, develop and introduce new services in a timely manner and customer acceptance of new services, the extent to which demand for Keynote's performance measurement services fluctuates and the extent to which revenue from other service lines, including performance management services and those from acquired businesses, can continue to increase, the extent to which existing customers renew their subscriptions and purchase additional services, particularly enterprise customers, pricing pressure with respect to Keynote's services, competition in Keynote's markets, integration of acquired technologies and costs associated with any future acquisitions, Keynote's ability to keep pace with changes in the Internet infrastructure as well as other technological changes, and the success of Keynote's international operations. You should also refer to the risk factors that are described in the documents that Keynote files with the Securities and Exchange Commission, including its Form 10-K for the year ended September 30, 2004,

Financial Results

| In Thousands, except per share amounts | Quarter Ended 12/31/05 | Quarter Ended 9/30/05 | Quarter Ended 12/31/04 | Year Ended 9/30/05 |
|--|---------------------------|--------------------------|---------------------------|-----------------------|
| Total Revenue | \$ 13,716 | \$ 13,474 | \$ 13,588 | \$ 53,692 |
| Expenses (excl. amortization) | 12,312 | 12,165 | 12,781 | 49,530 |
| EBITA ¹ | 1,404 | 1,309 | 807 | 4,162 |
| EBITA % | 10% | 10% | 6% | 8% |
| Net Income ² | <u>\$ 587</u> | <u>\$ 1,679</u> | <u>\$ 791</u> | <u>\$ 4,702</u> |
| Net Income Per Share ² | \$ 0.03 | \$ 0.08 | \$ 0.04 | \$ 0.23 |
| Diluted Weighted Average Common Shares Outstanding | 19.6M | 20.3M | 21.4M | 20.9M |

1. EBITA = Earnings Before Interest, Taxes and Amortization (see page 4 for GAAP reconciliation)

2. Quarter and year ended 9/30/05 exclude tax benefit for partial recognition of net deferred tax assets of \$2.7M.

EBITA Reconciliation

| In Thousands | Quarter Ended 12/31/05 | Quarter Ended 9/30/05 | Quarter Ended 12/31/04 | Year Ended 9/30/05 |
|---|---------------------------|--------------------------|---------------------------|-----------------------|
| Net Income | \$ 587 | \$ 4,342 | \$ 791 | \$ 4,702 |
| Provision for income taxes ¹ | 732 | (2,526) | 55 | 354 |
| Interest income and other, net | (1,108) | (1,010) | (703) | (3,329) |
| Stock based compensation | 796 | 0 | 0 | 0 |
| Amortization of intangible assets | 397 | 503 | 664 | 2,435 |
| EBITA | \$ 1,404 | \$ 1,309 | \$ 807 | \$ 4,162 |
| EBITA as a % of revenue | 10% | 8% | 10% | 8% |

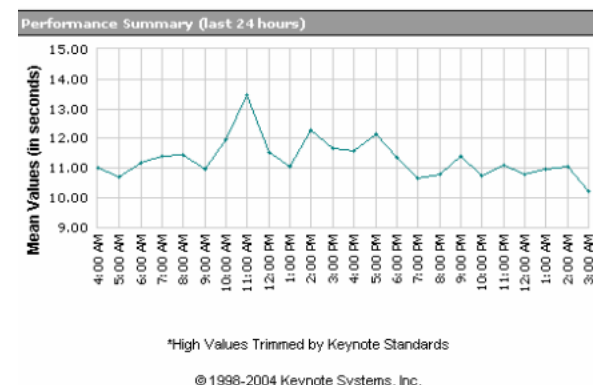
1. Quarter and year ended 9/30/05 exclude tax benefit for partial recognition of net deferred tax assets of \$2.7M.

Cash Highlights

| | Three months Ended 12/31/05 | Three months Ended 9/30/05 | FY 2005 Ended 09/30/05 |
|---|--------------------------------------|-------------------------------------|------------------------------|
| Cash and Investments | \$134.7M | \$133.8M | \$133.8M |
| Cash flow from Operations | \$3,717K | \$3,562K | \$10,961K |
| Cash Used for Property, Plant & Equipment | <u>(549K)</u> | <u>(1,179K)</u> | <u>(3,634K)</u> |
| Free Cash Flow | \$3,168K | \$2,383K | \$7,327K |
| Cash used for stock repurchase | \$1.5M | \$11.2M | \$23.3M |
| DSO's | 48 | 43 | 43 |

Keynote Systems: A Brief Retrospective

- Started in 1997 with single page Web performance monitoring
- Rapid growth as the Web became more integral followed by dot-com bust
- Broadened our product offerings and deepened our enterprise-level customer relationships
- Our mission remained constant...



The Keynote Mission

**To improve online business
performance and communications
technologies**

Keynote Today



Successful
“Technology
as Services”
Company

- Founded 1995 – went public in 1999 (NASDAQ: KEYN)
 - 2,300 corporate customers and 13,000 individual subscribers
 - Portfolio of 40+ services that improve online business performance and communications technologies
-



Unique
Solutions

- **Service Level Management (SLM)**
 - Improve application and infrastructure health
 - **Customer Experience Management (CEM)**
 - Improve site business success
-



Unique
Capabilities

- **Service Level Management (SLM)**
 - 1,400 measurement computers and devices in over 60 cities worldwide
- **Customer Experience Management (CEM)**
 - 160K Keynote panelists and private panels

Keynote Helps 2,100 Companies Become the “Best of the Best”

Automotive



Business-to-Business



Financial Services



Pharmaceutical



Portals/Media



Retail



Technology & Telecom



Travel



Keynote Provides the Full Picture of Online Business Experience from the Customer Perspective

The Internet Performance Authority™

SERVICE LEVEL MANAGEMENT (SLM)

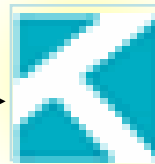


CUSTOMER EXPERIENCE MANAGEMENT (CEM)



Measurement Computers

Real Time
Operational Metrics



Attitude and
Behavioral Metrics



Panelists

Keynote Metrics Deliver Value to: CEOs, CIOs, CMOs and CFOs



Service Level Management Solutions

Provide IT with Key Metrics



**E-Business
Readiness
Assessment**
Load Testing &
Tuning



**Defining
Performance
Standards**
Indices, Audits
& Advice



**Competitive
Intelligence**
SL Rankings
& Benchmarking



**Measurement
& Diagnostics**
Web Site,
Transaction &
Application
Perspective



**Web Site
Content and
Compliance**
WebIntegrity &
NetMechanic



**Mobile & IP
Services**
Wireless, VoIP &
Streaming
Perspective

Ensuring Service Delivery Quality

CUSTOMER: Major Wireless Carrier

OBJECTIVE: Major wireless carrier rolled out nationwide 2.5G data network and needed to ensure network quality and customer satisfaction

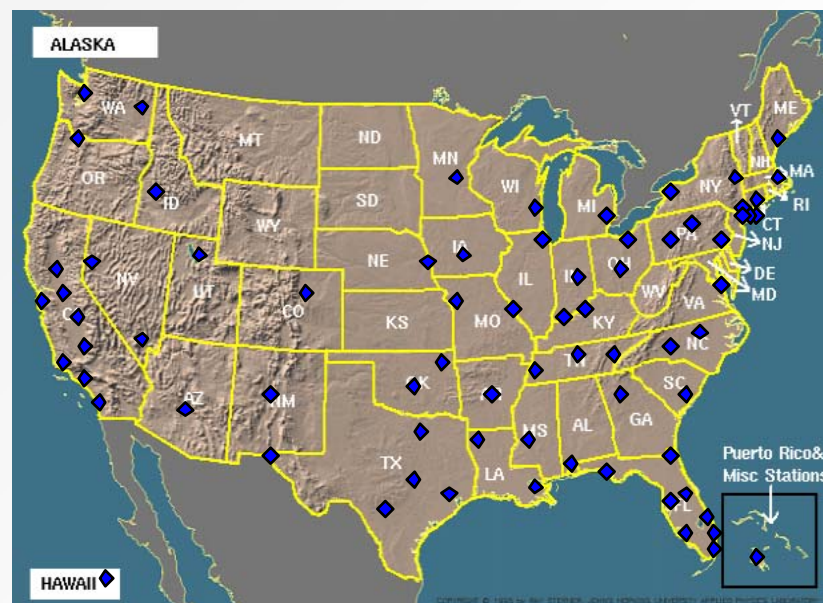
PROBLEM:

No way to measure the end user perspective from multiple geographic areas

RESULTS:

- Aggregate network throughput has improved
- Problems in local markets are quickly detected
- Detailed diagnostic data enables quick root cause identification
- Customer experience for all services has improved

How do you assure quality of service and customer satisfaction for wireless data?



Ensuring Operational Responsiveness

CUSTOMER: Web-service serving 15M queries daily.

OBJECTIVE:

- Deliver on the 99.9% availability SLA to enterprise customers
- Minimize SLA charge-backs
- Stay ahead of performance roadblocks

SOLUTION: Keynote Service Level Delivery

- Performance Scoreboard to track web service performance from global locations
- Auto prioritization of SLA violations affecting end-users
- Quick detection, rapid diagnosis and instant validation minimizing downtime

Scoreboard: From: To: Metric: Period:

All Services East MapPoint Find APIs Availability (%) Last 4 Weeks

| | MapPoint Find APIs | MapPoint Render APIs | MapPoint Render2 APIs | MapPoint Route APIs | Mobile AWS | Mobile MWM | MSN_Maps Directions | MSN_Maps LineDrive | MSN_Maps US Address | MSN_Maps US Places | MSN_Maps World Map | DASH Full Page |
|----------|--------------------|----------------------|-----------------------|---------------------|------------|------------|---------------------|--------------------|---------------------|--------------------|--------------------|----------------|
| East | 99.95 | 99.85 | 99.83 | 99.89 | 98.16 | 99.67 | 99.42 | 99.66 | 99.62 | 99.68 | 99.42 | 99.95 |
| MidWest | 99.92 | 99.83 | 99.85 | 99.85 | 98.40 | 99.62 | 99.47 | 99.57 | 99.64 | 99.66 | 99.51 | 99.97 |
| South | 99.90 | 99.83 | 99.85 | 99.85 | 98.89 | 99.55 | 99.38 | 99.64 | 99.64 | 99.62 | 99.57 | 99.96 |
| West | 99.94 | 99.90 | 99.85 | 99.98 | 97.97 | 99.74 | 99.40 | 99.57 | 99.76 | 99.51 | 99.64 | 99.98 |
| Internet | 99.94 | 99.85 | 99.84 | 99.89 | 98.32 | 99.65 | 99.42 | 99.62 | 99.66 | 99.63 | 99.51 | 99.96 |
| Westin | 99.92 | 99.81 | 99.85 | 99.84 | 0.09 | 99.28 | 98.31 | 98.84 | 98.95 | 98.76 | 98.53 | |
| AT&T | 99.96 | 99.96 | 99.89 | 99.81 | 97.33 | 99.66 | 99.55 | 99.74 | 99.62 | 99.62 | 99.25 | 99.98 |
| Level3 | 99.94 | 99.85 | 99.87 | 99.86 | 99.10 | 99.61 | 99.44 | 99.57 | 99.68 | 99.77 | 99.55 | 99.98 |
| Qwest | 99.90 | 99.83 | 99.77 | 99.96 | 97.92 | 99.76 | 99.38 | 99.58 | 99.64 | 99.64 | 99.64 | 99.81 |
| Sprint | 99.96 | 99.85 | 99.88 | 100 | 98.62 | 99.70 | 99.25 | 99.66 | 99.77 | 99.40 | 99.66 | 99.98 |
| UUNet | 99.93 | 99.84 | 99.84 | 99.87 | 98.29 | 99.60 | 99.44 | 99.62 | 99.63 | 99.61 | 99.46 | 99.96 |

RESULTS:

- 99.95% or better availability over the last year
- Streamlined operational processes
- Increasing customer base while minimizing charge-backs

Customer Experience Management Solutions

Provide Marketing with Actionable Insights



**Web Site
Assessment**
Site Essentials



**Branding &
Value
Proposition**
Brand Impact



**Competitive
Intelligence**
Customer
Experience
Rankings



**Customer
Acquisition**
Open Web
Research



**Web Site
Design**
Usability
Studies



**Continuous
Benchmarking**
Longitudinal
Studies

Web Site Assessment

CUSTOMER: Leading retailer

OBJECTIVE: Identify and minimize top barriers to conversion

FINDINGS:

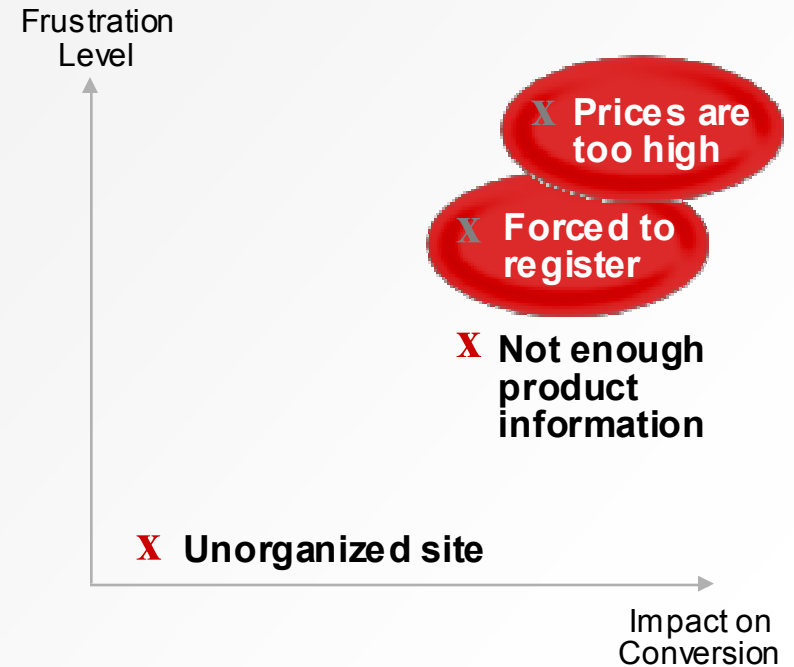
- Pricing, registration, and product information correlated strongly with conversion rates
- 42% visitors complained of high prices
- 31% complained about registration
- 26% felt they received inadequate product information

RESULTS:

- Recommendation to attack price perception and registration issues first
- Company used data to prioritize their development efforts

Is your site driving key outcomes, such as revenue and lead generation?

What site flaws have the greatest impact on your business ?



Competitive Intelligence

CUSTOMER: Online travel firm

OBJECTIVE: Identify how to
sell against a new competitor

FINDINGS:

- **42%** of users preferred the prices on the new competitor site
- **44%** of users thought the new competitor site was easier to use
- Keynote recommended strategic responses, including leveraging assets such as reputation and functionality

RESULTS:

- Firm *improved* its price perception and ease of use, *beating* competitor in later tests
- Company is implementing strategies to capture industry opportunities

How much does your competitor's site threaten your business?

STRENGTHS

- Reputation
- Site functionality

WEAKNESSES

- Price perception
- Ease of use

OPPORTUNITIES

- Packages
- Multi-service itineraries

THREATS

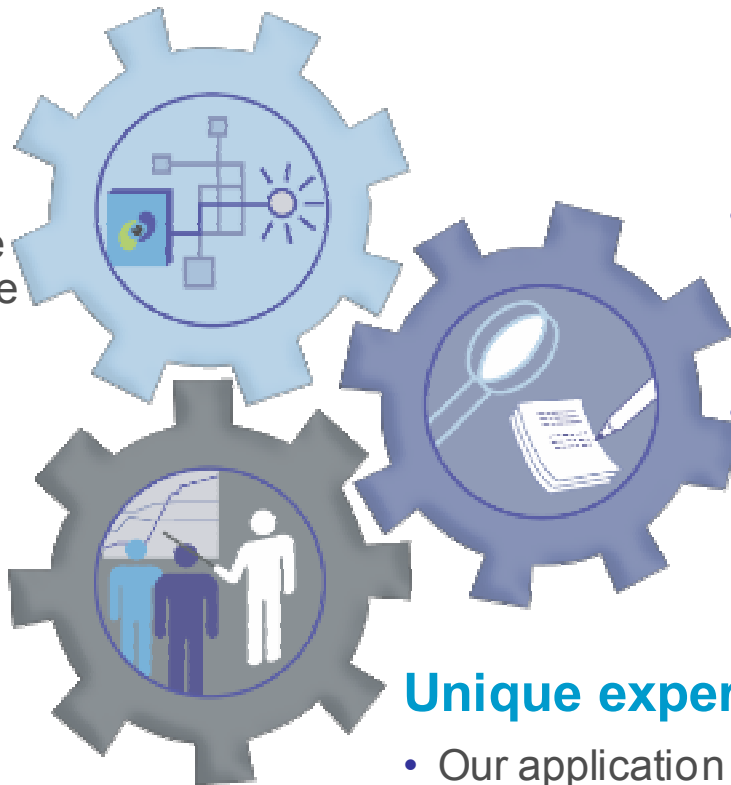
- Weakening of customer loyalty
- Customer frustrations



Why Keynote: Unique Technology, Methodology and Expertise

Unique technology

- Distributed service level measurements provide true end user perspective on site readiness, reliability and responsiveness
- Customer experience data from real world panelists to answer the critical WHY behind customer behavior



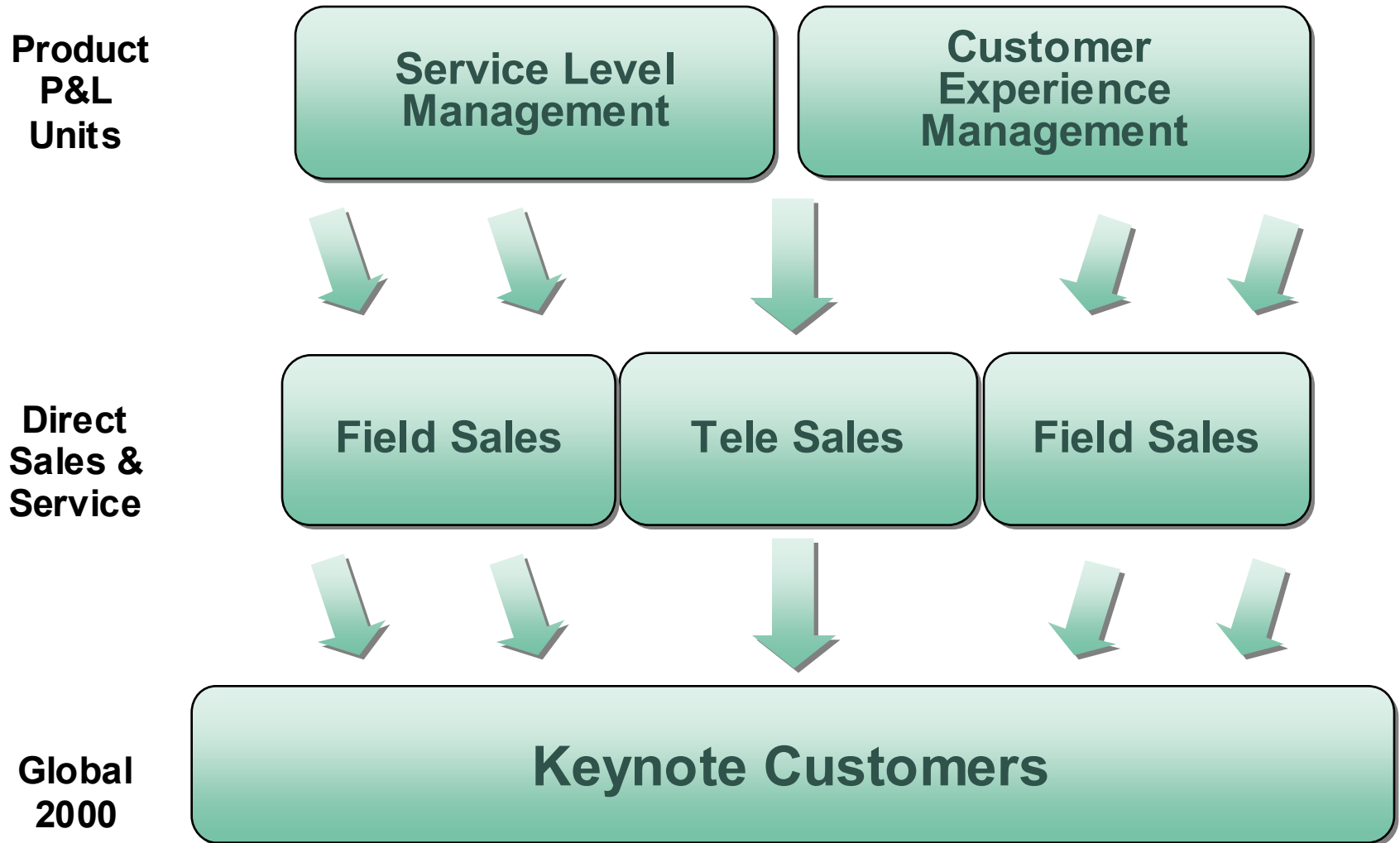
Unique methodology

- Service level insights are based upon geographically distributed operational metrics in addition to data centers
- Customer experience insights are based upon the point of business interaction in addition to expert analyses

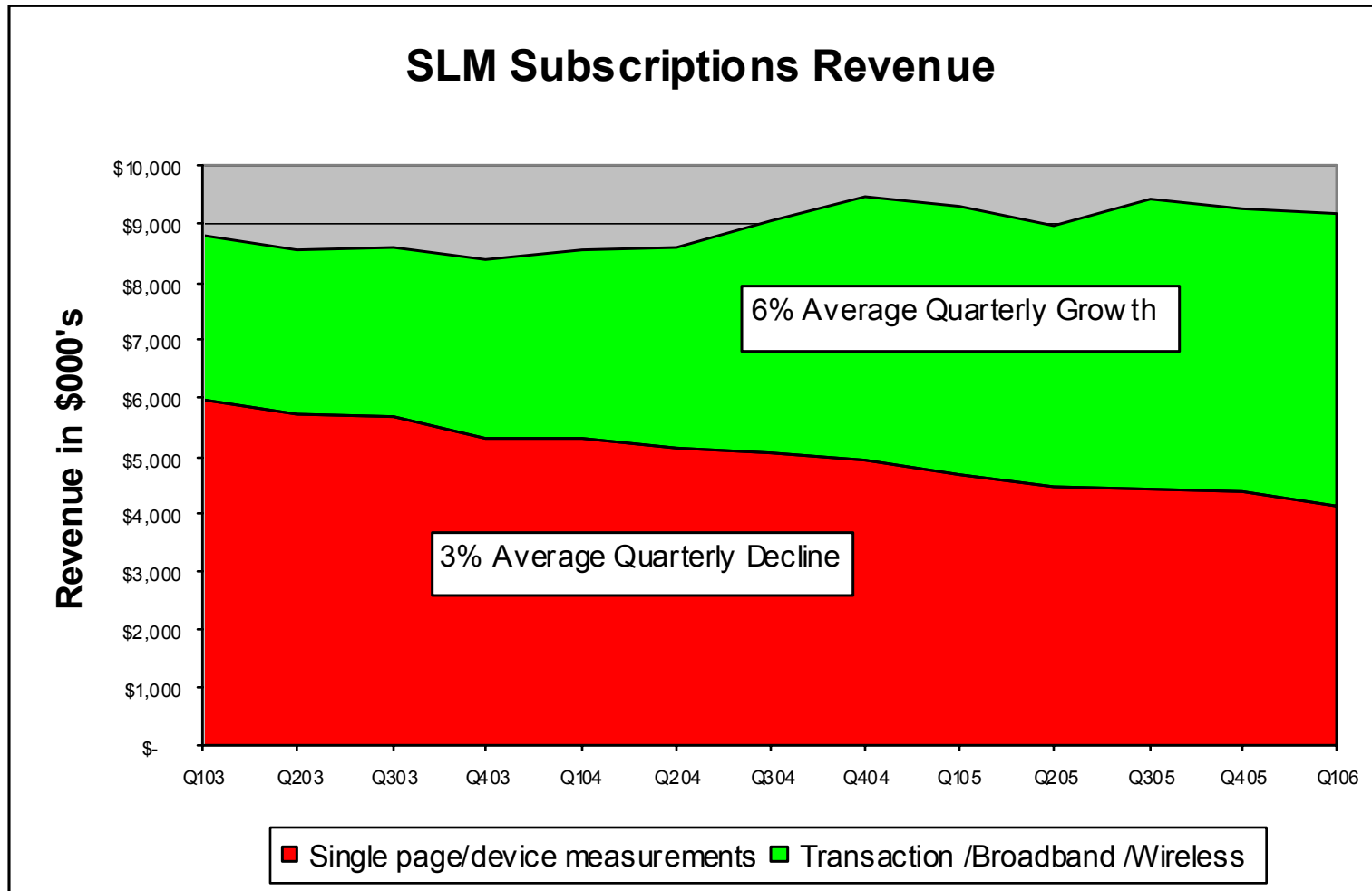
Unique expertise

- Our application and network specialists know which metrics to measure to get a complete view of technical performance
- Our consultants work closely with marketing decision-makers, turning objective data into useful recommendations

Keynote Sales Model



SLM Subscriptions Revenue



Keynote Long Term Profitability Model

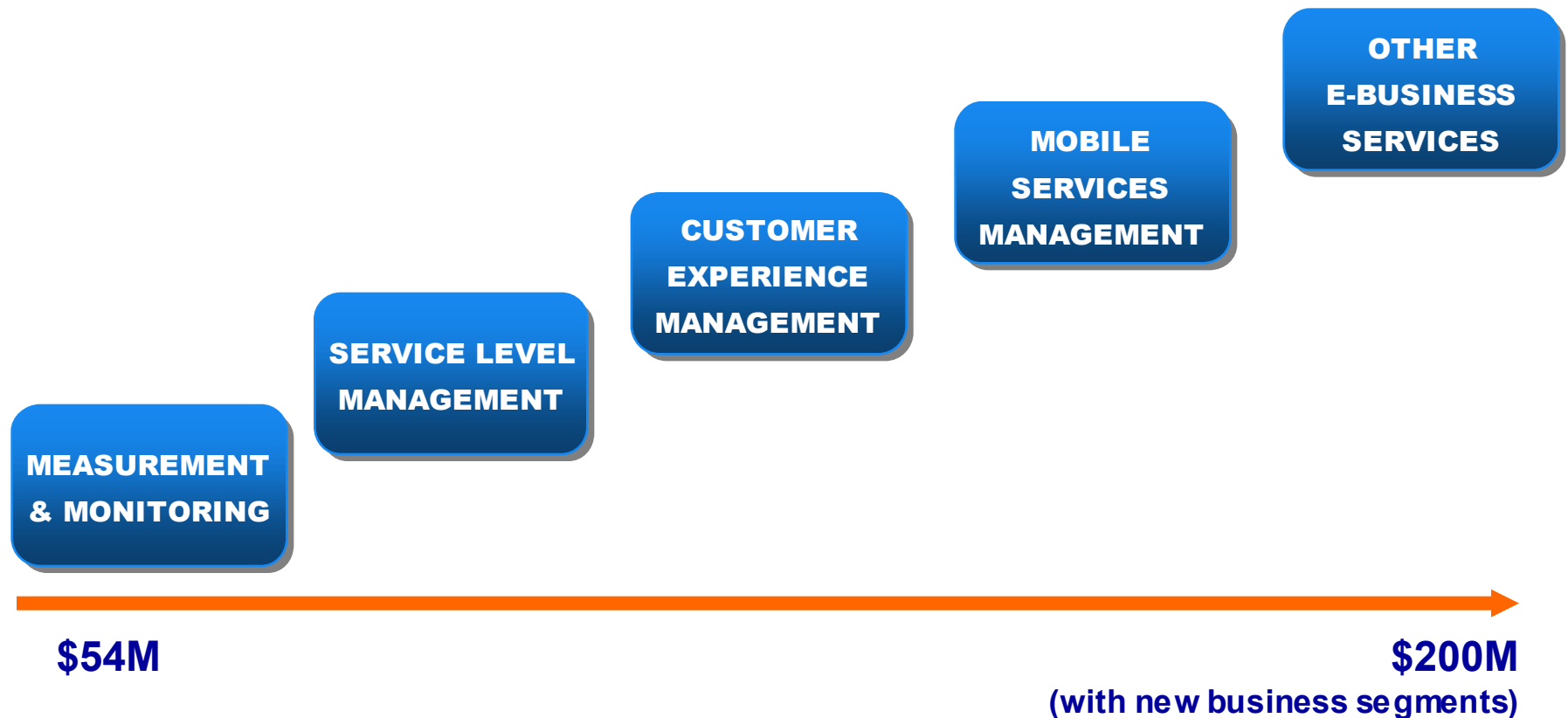
| | Current @ \$54M Revenue | Goal @ \$100M Revenue |
|-----------------------------|----------------------------|--------------------------|
| Revenue | 100% | 100% |
| COGS | 27% | 30% |
| Gross margin | 73% | 70% |
| Operating expenses | 63% | 50% |
| EBITA | 10% | 20% |
| Annual revenue per employee | \$270K | \$325K |

Keynote M&A Strategy - extend us into new markets

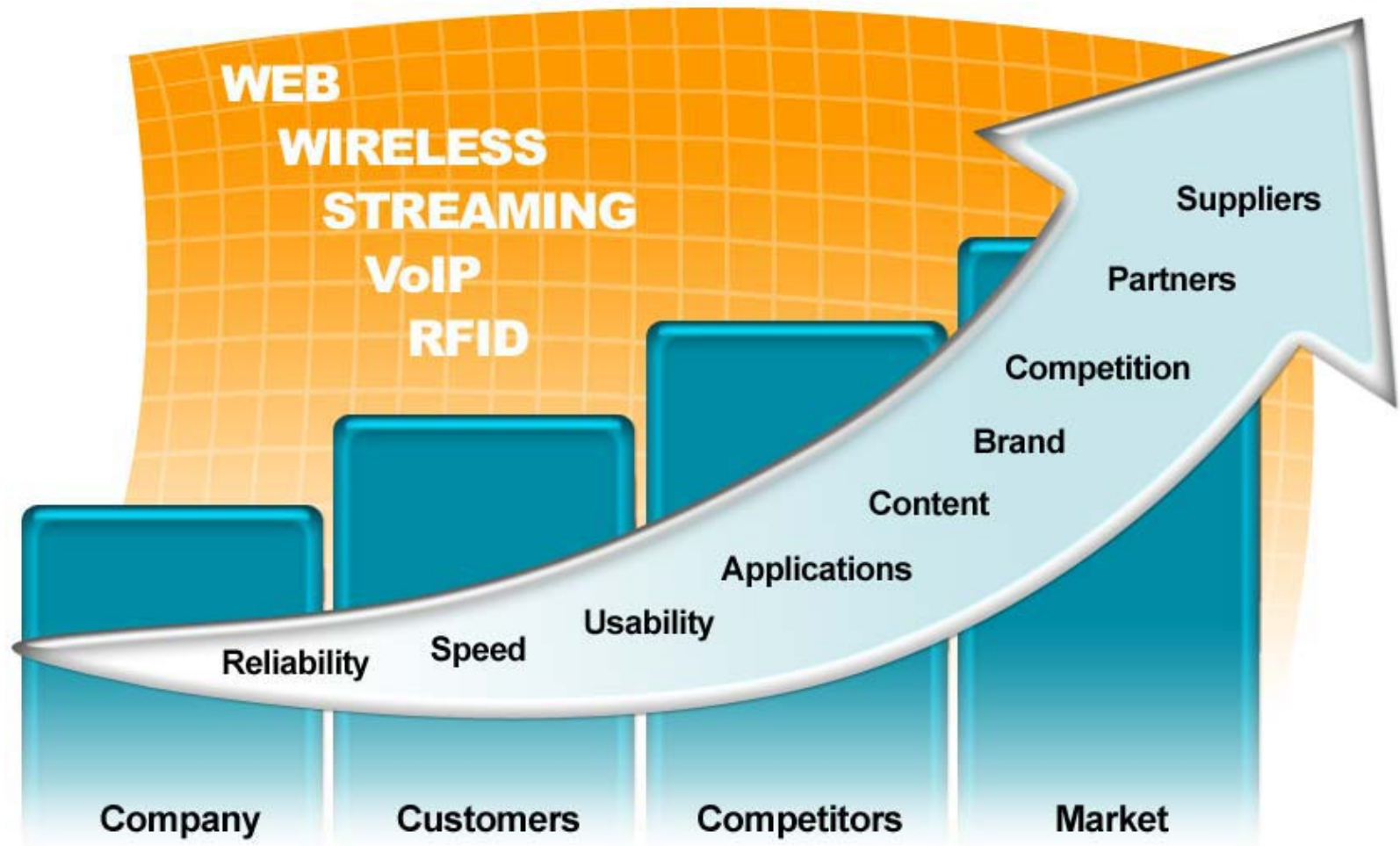
1.  Load Testing – June 2000
2.  Web Site Monitoring – Aug 2000
3.  Load Testing – July 2001
4.  Wireless Performance Management – Oct 2001
5.  Content Testing – May 2002
6.  Customer Experience Management – Oct 2002
7.  Streaming Performance Measurements – July 2003
8.  Network Diagnostics – Dec 2003
9.  Customer Experience Management – Apr 2004
10.  Service Level Management Consulting – July 2004
11.  Customer Experience Management – Sept 2004
12.  Service Level Management Consulting (Europe) – Feb 2005
13.  Competitive Intelligence Services for Online Businesses – Dec 2005

Keynote M&A Roadmap to a \$200M Services Company

Our goal is to assemble a portfolio of services that improve the quality of e-business and can deliver \$200M in annual revenues!



Keynote's Unique Strategy for Industry Leadership





Thank You