Investor Presentation
Micromuse (NASDAQ: MUSE)
February 2005

MICROMUSE™
NETCOOL® SOLUTIONS

Safe Harbor Provision and Pro Forma Reconciliation Statement

- Statements made in this presentation that are not purely historical are forward-looking statements describing potential future events.

- Forward-looking statements reflect the good-faith judgment of our management, based on facts and factors we currently know about, and are inherently subject to risks and uncertainties. Actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements.

- Factors that could cause or contribute to such differences in results and outcomes include, but are not limited to, those discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in the Company's Form 10-K and subsequent Form 10-Qs.

- You are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise at a later date.

Realtime, End to End Management of Complex IT and Communications Infrastructures

🖥 Market Leader in Business and Service Assurance

Business Assurance:

Ensuring availability of mission-critical, networked applications in today's global enterprises and government and military agencies

Data / IP Switches, Routers, LANS and WANS	Telco Switches, PBX, and Optical Networks	Wireless Networks and Services	Cable and Broadband Services	Enterprise Servers, Mainframes, and Applications

Service Assurance:
Helping the world's largest service providers manage networks, services, and customers real-time

Managing World's Leading Service Provider Networks

🖥 The world's 20 largest carriers all use the Netcool® suite*

AMERICAS

- 🖥 AT&T
- 🖥 Sprint
- 🖥 SBC
- 🖥 Verizon
- 🖥 Qwest
- 🖥 BellSouth
- 🖥 MCI
- 🖥 Bell Canada
- 🖥 Telmex
- 🖥 Nextel
- 🖥 Triton PCS
- 🖥 AOL
- 🖥 UUNET
- 🖥 Digex
- 🖥 Verio
- 🖥 Earthlink
- 🖥 Comcast
- 🖥 Cablevision
- 🖥 Cox Comm.

EMEA

- 🖥 British Telecom
- 🖥 Deutsche Telekom
- 🖥 Telecom Italia
- 🖥 France Telecom
- 🖥 Belgacom
- 🖥 Telefonica
- 🖥 Cable & Wireless
- 🖥 Telekom Austria
- 🖥 Telkom South Africa
- 🖥 BT Cellnet
- 🖥 T-Mobile
- 🖥 KPN
- 🖥 NTL
- 🖥 Telia
- 🖥 Telenor
- 🖥 Vodafone

ASIA PACIFIC

- 🖥 China Telecom
- 🖥 China Mobile
- 🖥 China Unicom
- 🖥 China Rail
- 🖥 Shanghai Cable
- 🖥 NTT
- 🖥 China Netcom
- 🖥 Japan Telecom
- 🖥 Philippine LDT
- 🖥 Smarttone
- 🖥 Telstra
- 🖥 Singtel
- 🖥 ISTT Singapore
- 🖥 CSL
- 🖥 Ericsson

*Based on CY2003 revenues (Source: Fortune Global 500)

Bringing Carrier-Class Solutions to the Global 2000 Enterprise

💻 14 of the top 20 Fortune 500 companies use the Netcool® suite*
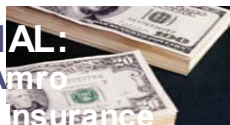
FINANCIAL:
> ABN Amro
> Aetna Insurance
> AIG Insurance
> BancAmerica
> Bear Stearns
> Barclays Capital
> Charles Schwab
> Czech Ministry of Finance
> Depository Trust Corp.
> Deutsche Bank / DMG
> e*Trade
> Erie Insurance
> First Union
> ING Barings
> Instinet/ Reuters
> JP Morgan Chase
> KeyBank
> Liberty Mutual Insurance
> Merrill Lynch
> Morgan Stanley
> Providian Financial
> Salomon Smith Barney
> USBancorp
> Wells Fargo Bank
> Wells Real Estate Fund

GOVERNMENT:
> Brazilian Postal Service
> Dist. Of Columbia Govt.
> European Commission
> French Postal Service
> Federal Deposit Insurance Corp
> Int'l. Monetary Fund
> LA Dept. of Water & Power
> NASA
> Nat'l. Institutes of Health
> NY / NJ Port Authority
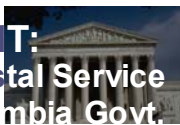> RATP (Paris Transport)
> SEC
> Shanghai Government
> SRA International
> State of Michigan
> State of Utah
> US Dept. of Corrections
> US Dept. of State
> US Dept. of Treasury
> US Navy / Marine Corps

TRANSPORT:
> Bay Area Rapid Transit
> Lufthansa
> Munich Airport

EDUCATION:
> Atlanta Public Schools
> SW Texas State Univ.
> University of Arizona
> University of Arkansas
> University of Maryland
> Syracuse University
> Texas A&M
> UNC Charlotte
> Wichita Public Schools
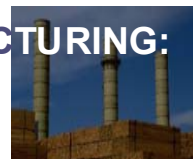
MANUFACTURING:
> Alcatel
> Boeing
> Cadence Design Systems
> Graybar Electric
> Ericsson
> GE Appliances
> Lockheed Martin
> LSI Logic
> Motorola
> Renault
> TRW

ENERGY:
> British Gas
> Devon Energy
> Dynegy Corp.
> Pemex
> Schlumberger

RETAIL:
> 1-800 Flowers
> Amazon.com
> Circuit City
> DirecTV
> The Gap
> Home Depot
> JC Penney
> Kohl's

HEALTH CARE:
> Celera Genomics
> Kaiser Permanente
> Medtronic
> NW Memorial Hospital
> Partners Healthcare
> William Beaumont

*Based on CY2003 revenues (Source: Fortune 500)

Global Infrastructure Software Company (NASDAQ: MUSE)
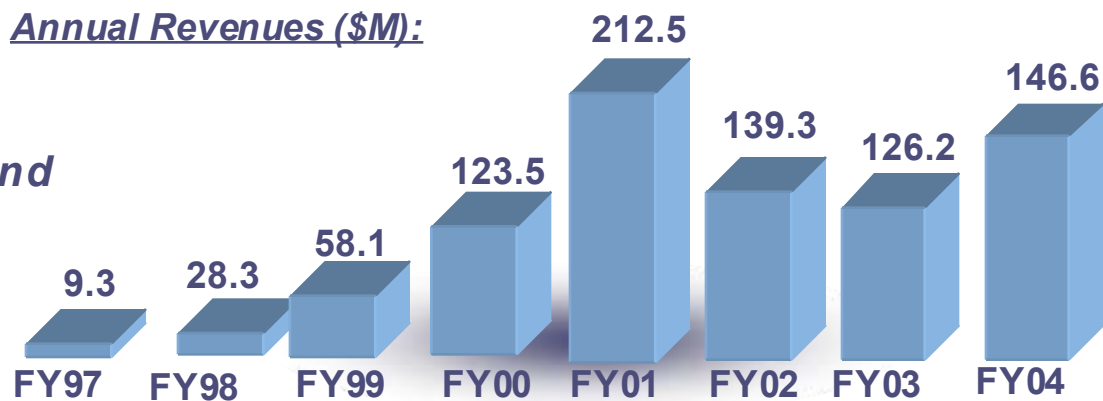
- **NASDAQ: MUSE**

- **$146.6M revenues in FY04** *(year-end is Sep. 30)*

  - **52% License**

  - **52% Americas**

  - **46% Indirect**

  - **64% Service Providers**

- **Over 1700 customers sold**

- **45+ countries sold**

Annual Revenues ($M):

FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04
9.3	28.3	58.1	123.5	212.5	139.3	126.2	146.6

 # Customers Sold:

Q1 FY03	Q2 FY03	Q3 FY03	Q4 FY03	Q1 FY04	Q2 FY04	Q3 FY04	Q4 FY04	Q1 FY05
1,520	1,561	1,606	1,649	1,690	1,723	1,746	1,780	1,807
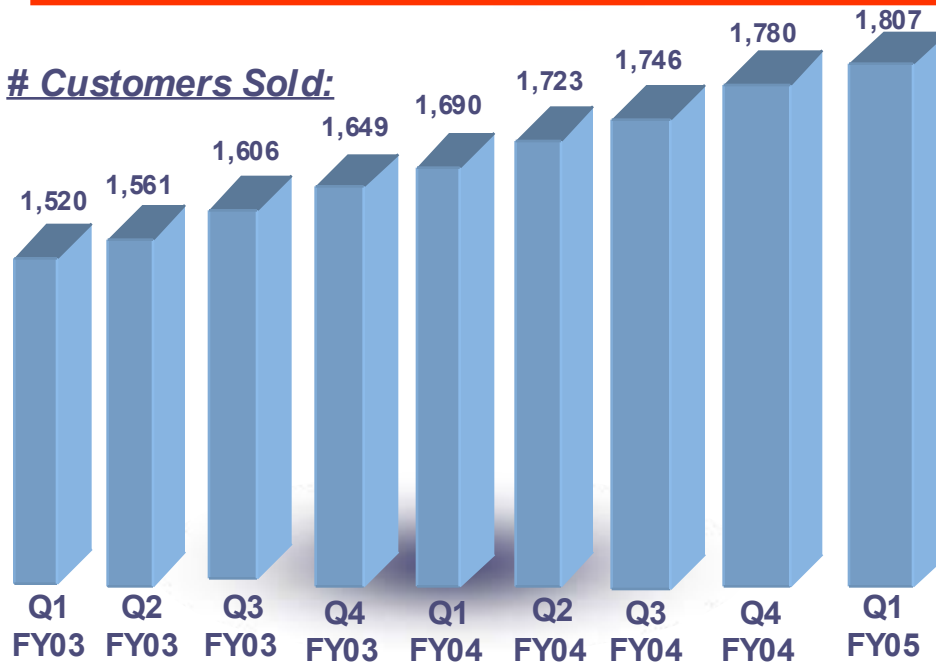
Q1 FY 2005 Business Performance

- ✓ **Revenue up 7% Q-o-Q and 5% Y-o-Y**

- ✓ **Profitable on both a pro forma and GAAP basis**

- ✓ **Deferred revenue increased sequentially**

- ✓ **Cash flow from operations was positive**

- ✓ **Repeat business rate 95%**

- ✓ **Maintenance renewal rate >90%**

- ✓ **Debt free**

Q1-2005 Financial Performance

Total Revenue ($M):

Q1 FY04	Q2 FY04	Q3 FY04	Q4 FY04	Q1 FY05
37.2	38.3	34.8	36.3	38.9

Cash ($M):

Q1 FY04	Q2 FY04	Q3 FY04	Q4 FY04	Q1 FY05
187.5	195.2	191.5	193.6	192.8
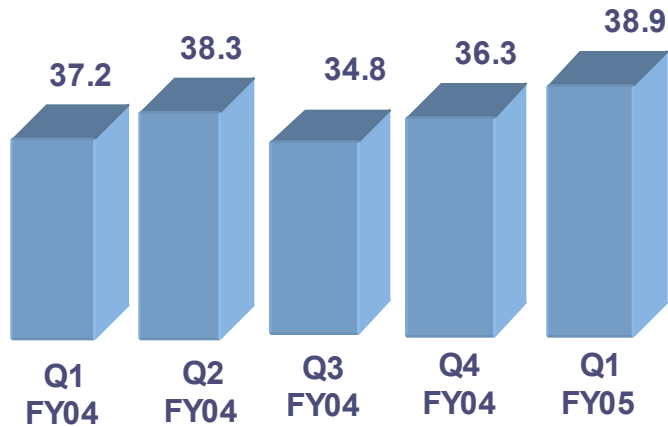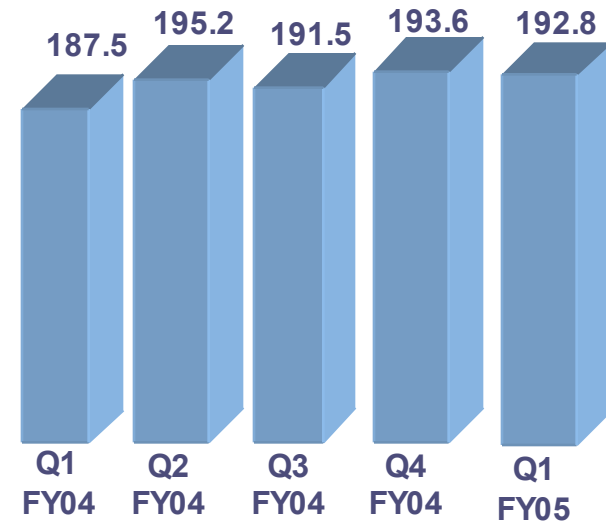
Micromuse remains debt-free

Technology Engine

🖥 New products and solutions released in past six quarters:

🖥Netcool / SSMs 3.0.1, 3.1

🖥Netcool / Reporter 1.0

🖥Netcool/ RAD 2.0

🖥Netcool / CIC 3.5, 3.6

🖥Netcool / ISMs 2.3

🖥Netcool / USMs 1.1

🖥Netcool / Firewall 2.2.1

🖥Netcool/Impact 3.0, 3.1

🖥Netcool / Precision 3.3, 3.5

🖥Netcool for Security Mgmt 1.2, 1.3

🖥Netcool / ASM for IBM WebLogic

🖥Netcool / ASM for Microsoft Active Directory

🖥Netcool / ASM for BEA WebLogic

🖥Netcool / ASM for SAP R/3

🖥Netcool / Portal Premium 2.0

🖥Netcool / Configuration Operations 1.1.1

🖥Netcool/ Virtual Operator 1.1

🖥Netcool/ OMNIbus 3.5, 3.6, 7.0.1

🖥Netcool/ Webtop 1.1, 1.2, 1.3.1

Acquisition Engine

🖥 **Acquisitions completed since June 2002:**

RiverSoft

LUMOS

NETWORK HARMONi

Products:

🖥 **Netcool for Asset Management**

🖥 **Netcool / Precision for IP Networks**

🖥 **Netcool SNMP and ICMP Poller**

🖥 **Netcool Root Cause Analysis (RCA) Engine**

🖥 **Netcool Topology Views**

Products:

🖥 **Netcool / Precision for Transmission Networks**

🖥 **Netcool Backplane Visualization**

🖥 **Netcool TL1 Telco Service Manager**

🖥 **Netcool / TL1 Agent**

Products:

🖥 **Netcool / SSMs for Windows/Linux Servers**

🖥 **Netcool / SSMs for Unix Servers**

🖥 **Netcool / SSMs for Desktops**

🖥 **Netcool / ASMs for Oracle**

🖥 **Netcool / ASMs for Apache**

🖥 **Netcool / ASMs for SQL**

🖥 **Netcool / ASMs for Exchange**

Channel and Alliance Partner Engine

Netcool® suite supported, deployed and integrated by:

Software Alliances

INVOQ SYSTEMS

collation

ORACLE PartnerNetwork MEMBER PARTNER

MetaSolv Software

CRAMER

Amdocs

AIRCOM INTERNATIONAL

InfoVista
Business Oriented Service Level Management

SIEBEL

VITRIA

PeopleSoft

Remedy
a BMC Software company

SYNDESIS

QUALLABY CORPORATION

BROCADE

bladelogic

CHECK POINT
Software Technologies Ltd.

TIBCO
The Power of Now™

PORTAL

Network ASSOCIATES®

VERITAS

netiQ
Work Smarter.

QUEST SOFTWARE

bmcsoftware

SPIRENT Communications

Tivoli ready

Hardware Vendors

CISCO SYSTEMS
EMPOWERING THE INTERNET GENERATION™

NORTEL NETWORKS

ERICSSON

ALCATEL
ARCHITECTS OF AN INTERNET WORLD

SIEMENS

AVAYA

Juniper NETWORKS

Systems Integrators / VARs

IBM® Global Services

accenture

CAP GEMINI ERNST & YOUNG

Windward consulting group

Sun microsystems

+100 VARs worldwide

Industry Recognition and Accolades

- ✓ A "Leader" in Enterprise Event Management (Gartner Magic Quadrant, 2003)

- ✓ A "Challenger" in Security Information Management (Gartner Magic Quadrant, 2003)

- ✓ A top-three "Leader" in IT Security Management ability to execute (Gartner Magic Quadrant, 2004)

- ✓ An "Organic IT Leader" (Forrester, 2003)

- ✓ Awarded ISO 9001:2000 Certification Update (2003)

- ✓ Awarded Well-Connected Finalist Award by Network Computing Magazine (2003)

- ✓ Finalist for 2005 Codie Award for Best Application Solution (Winner to be announced)

"The Netcool suite adds value to even the most comprehensive enterprise management system by pulling together events into logical, service-level views. It lets users more quickly and easily access relevant event information and decide on an appropriate course of action."

Sharon Fisher
Gartner Group Analyst

Aligning Operations and Infrastructure to Your Goals

The path consists of …

Instrumenting your mission-critical domains across the infrastructure

BUSINESS ACCELERATION

Domain-Specific Management

| Apps | Systems | Network | Wireless | VoIP | Security |

The path consists of …

Consolidating and resolving service-affecting events across the infrastructure in *realtime*

BUSINESS ACCELERATION

Consolidated Operations Management

Domain-Specific Management

Apps	Systems	Network	Wireless	VoIP	Security

Aligning Operations and Infrastructure to Your Goals

The path consists of …

Mapping the infrastructure to the business, so that linkages are clearly understood

BUSINESS ACCELERATION

Business Service Management

Consolidated Operations Management

Domain-Specific Management

| Apps	Systems	Network	Wireless	VoIP	Security

Your Requirements = Our Mission

The Netcool® Suite can help you align your organization ...

... no matter where you are in the process today.

Pyramid labels, top to bottom:
- BUSINESS ACCELERATION
- Business Service Management
- Consolidated Operations Management
- Domain-Specific Management
- Apps | Systems | Network | Wireless | VoIP | Security

Strategic Alignment
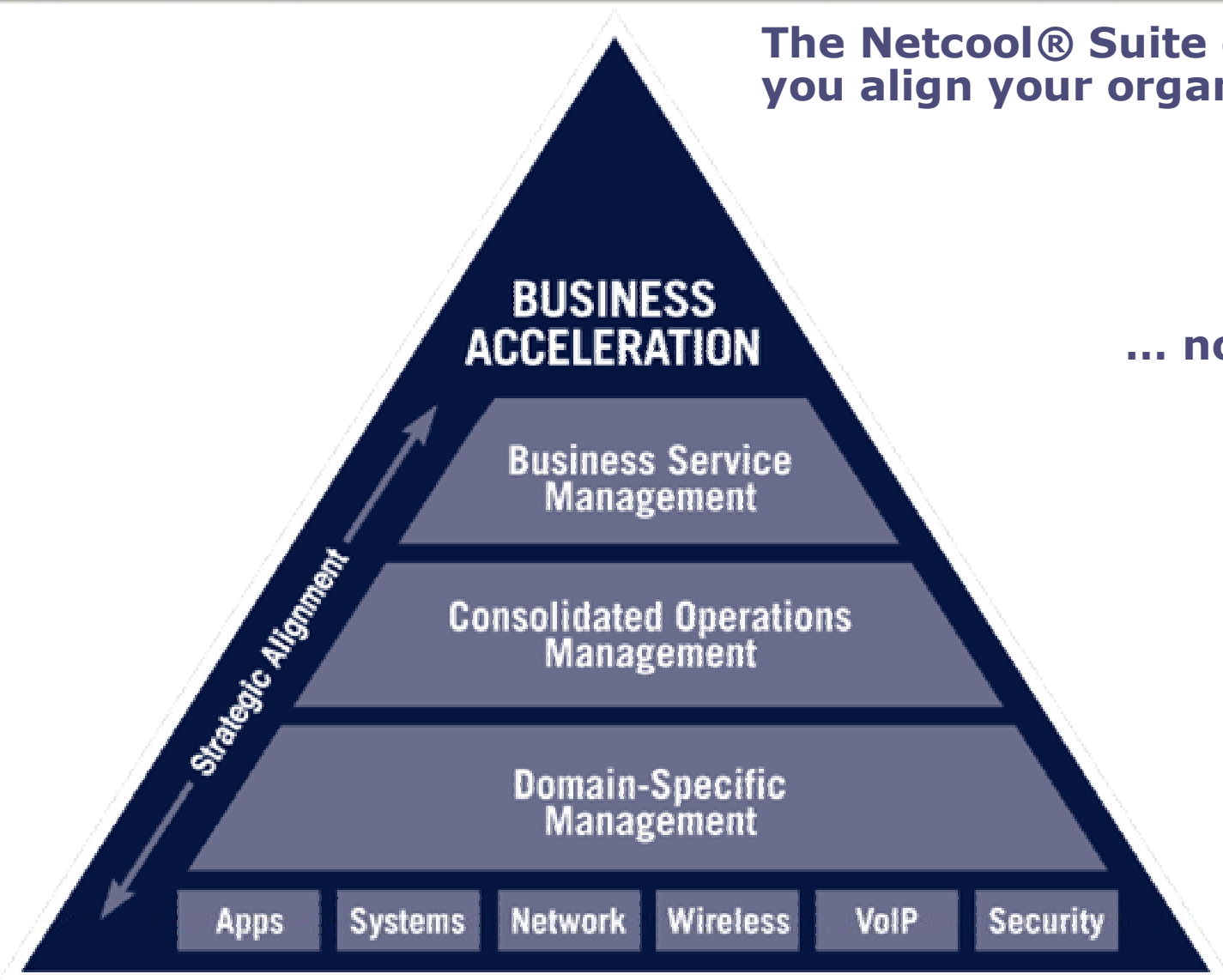
The Road Ahead

⌨ Why we are excited about the business today:

- ✓ **We are preparing for key technology trends**

- ✓ **We are addressing primary demand drivers**

- ✓ **We are targeting growth markets**

- ✓ **We are facing down the competition**

- ✓ **We are investing for future revenue growth**

The Netcool® Opportunity for Investors

Investor Criteria:

Our Credentials:

Financial Strength and Discipline

- ✔ **$192.8M in cash and equivalents**
- ✔ **No debt (after three cash-based acquisitions)**

Market-Leading Position

- ✔ **Blue-chip customer base worldwide**
- ✔ **Unparalleled global channel program**
- ✔ **Recognized leader in service assurance**

Diverse Sources of Revenue Growth

- ✔ **Integrated fault, performance, and security**
- ✔ **Applicable to service providers and enterprises**
- ✔ **Investing continually in technology innovation**