

NETWORK ENGINES INC. (NASDAQ: NENG)

Canton, MA

Company Website: www.networkengines.com

Market Data (as of August 11, 2005)

Recent price:	\$1.52
52-week range:	\$1.26 - \$3.26
Common shares outstanding:	37.5 million
Market capitalization:	\$56.93 million
Public float:	N/A
Fiscal year-end:	09/30
Average trading volume (3-month):	198,143
Headcount:	150
Listed on the Russell Microcap Index	

Business Overview

Network Engines is a leading developer, manufacturer and distributor of storage and security appliances. The company works with its partners to develop storage and security networking appliances for mission-critical applications. The business is comprised of two segments, OEM and Distribution.

The OEM business develops and manufactures server appliances for our independent software vendor and network equipment provider partners. Revenue from EMC made up 83% of total net revenue for the three months ended June 30th, 2005.

The Distribution business develops, manufactures and distributes Network Engine's own branded NS Series of Security Appliances, powered by Microsoft's ISA Server 2004, which provides application level security for mission critical Microsoft business applications.

Investment Highlights

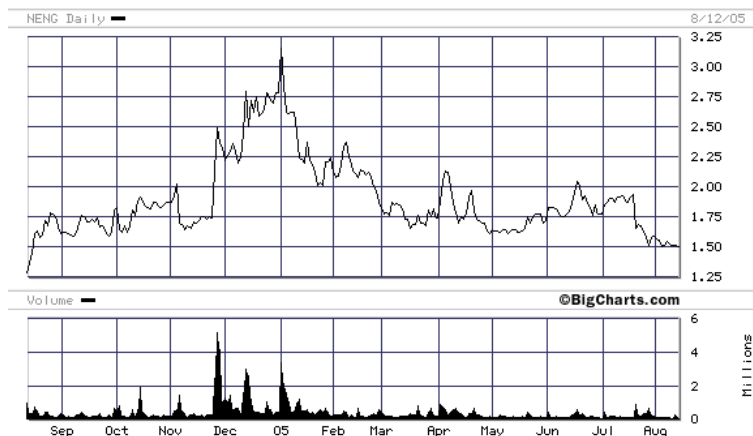
- Strong fundamentals
 - § Solid balance sheet with \$40.3 million in cash as of June 30, 2005, no long-term debt
- Proven track record as the appliance company of choice for demanding partners including EMC, CA and Microsoft
- NS Series Security Appliance opportunity
 - § Pan-European distribution relationship with InTechnology / Allasso
 - § Plug-in capabilities – SurfControl and Websense
- Strong foundation of intellectual property
- Experienced management team

Key OEM Appliance Partners

- EMC
- Nortel Networks
- Network Intelligence
- Computer Associates
- SurfControl

Strategy for Growth

- Pursue new and expand existing OEM appliance relationships
- Continue to develop market for NS Series Appliances
- Expand ISA Plug-in initiative – increased flexibility while ensuring appliance level security
- Further develop intellectual property and brand equity to become the industry wide appliance partner of choice



Significant Recent Events

- On **July 5, 2005** Network Engines entered an agreement to seamlessly embed award-winning Websense Enterprise® and Websense® Web Security Suites® software onto the Network Engines NS Series Security Appliances.
- On **June 22, 2005** Network Engines announced the addition of three new partners aimed at further expanding Network Engines' geographical reach in the United States and meeting the growing demand for its NS Series™ of security appliances powered by Microsoft ISA Server 2004. The new partners are Oakwood Systems Group, St. Louis, Missouri; Nortec Communications Inc., Falls Church, Virginia; and TechHouse, Sarasota, Florida.
- On **June 6, 2005** Network Engines announced the integration of SurfControl Web Filter for ISA Server 2004 within Network Engines NS6400 Series security appliance. The combination of SurfControl Web Filter and Microsoft ISA Server integrated with Network Engines NS6400 security appliance delivers layered threat protection that stops blended attacks, including phishing, spyware, spam and viruses.
- On **May 4, 2005** Network Engines announced its ISA Plug-in Cooperative Enforcement (NICE) Program. The purpose of the NICE Program is to make it easier for customers to deploy and maintain NS Series™ security appliances by formalizing technology and business relationships with a select group of security technology partners.
- On **March 21, 2005** Network Engines, InTechnology and Microsoft announced a pan-European security appliance partnership. Network Engines signed an exclusive one-year pan-European agreement with InTechnology, to distribute the Network Engines NS Series of Security Appliances.

Recent Financial Results

	<u>6/30/05</u>	<u>3/31/05</u>
Total Revenue	\$24.3m	\$23.7m
Net loss	\$(1,800)	\$(1,112)
Net loss per share diluted	\$(0.05)	\$(0.03)

For Further Information

Financial Dynamics

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