

Endace Limited

Press Announcement



FOR IMMEDIATE RELEASE

15 October 2007

ENDACE LIMITED

ACQUISITION OF APPLIED WATCH TECHNOLOGIES LLC FOR US\$5.0M

Auckland, NZ, October 15, 2007 Endace Limited (“Endace” or “the Company”; LSE/AIM: EDA), a world leader in network monitoring, latency measurement and application acceleration solutions, has acquired Applied Watch Technologies LLC (“Applied Watch”) for a maximum consideration of US\$5.0 million in cash.

Based in Crystal Lake, Illinois, USA, Applied Watch is a recognised developer of centralised management tools for open source software, and a provider of managed security services. Through a powerful, graphical user interface and an agent-server framework, Applied Watch’s products are designed to ease the deployment and management of open source security applications such as SNORT™ IDS* (intrusion detection systems), ClamAV™ (anti-virus) and Nessus™ (vulnerability scanning). Since April 2003, Applied Watch’s Command Center software has been installed in numerous networks including those of Fortune 500 companies, Internet service providers, US federal and military installations, stock markets and higher education establishments.

The acquisition of Applied Watch is consistent with Endace’s expressed strategy of delivering complete security and monitoring solutions to key vertical markets that include telcos, governments and financial services organisations. Applied Watch’s software and services are a perfect complement to Endace’s high performance traffic monitoring technology; a combination that now delivers complete security solutions with significant scalability and control. The acquisition will provide a high margin software revenue stream, enhanced cross-selling opportunities for the Company’s DAG card and Ninja platforms to existing Applied Watch customers and a 24/7 operations centre in Chicago that provides managed security services and customer support. It is intended that Applied Watch’s activities will become fully integrated into the Company, bringing an additional team of experienced IT security professionals to the Endace organisation.

In the year to 31 December 2006, Applied Watch incurred a loss of US\$112,000 on revenues of US\$1.5 million. Management accounts show that at 30 September 2007 the net liabilities were US\$376,000.

As part of the transaction, the Company has already provided Applied Watch with a secured convertible loan of US\$500,000 for working capital. An initial cash consideration of US\$3.9 million has been paid on completion. A further cash payment of US\$600,000 will be paid on or before 31 March 2008, subject to warranty or indemnity claims. The acquisition is being funded from the Company’s existing resources. The acquisition is expected to be earnings neutral in the current financial year ending 31 March 2008.

Mike Riley, Endace’s Chief Executive Officer commented:

“The acquisition of Applied Watch represents a significant step in Endace’s growth strategy. It brings together Applied Watch’s award winning technology and team of seasoned security specialists with proven successes in the deployment, management and tuning of open source security software with Endace’s expertise in the field of application acceleration and traffic monitoring solutions. This acquisition delivers a critical component in positioning Endace as a major force in the network security and monitoring marketplace.”

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* Snort[®] is an open source network intrusion prevention and detection system utilising a rule-driven language, which combines the benefits of signature, protocol and anomaly based inspection methods. Snort is the most widely deployed intrusion detection and prevention technology worldwide and has become the de facto standard for the industry.

Snort[®] is a registered trademark of Sourcefire, Inc. Product and company names used are used for identification purposes only and such use does not imply any agreement between Endace and any named company, or any sponsorship or endorsement by any named company.

About Endace

For organisations that rely on their IP networks to do business, Endace provides network monitoring, latency measurement and application acceleration solutions that capture, inspect and report on every single data packet. We enable our customers to be confident in their service performance, information security, and regulatory compliance. Based in Auckland, New Zealand, Endace also has offices in the UK and USA. Quoted on AIM, the stock code is LSE: EDA. For further information: <http://www.endace.com>