



STONESOFT CORPORATION STOCK EXCHANGE RELEASE 29.4.2002 AT 09:00 AM

STONESOFT CORPORATION'S INTERIM REPORT FOR THE PERIOD OF JANUARY – MARCH 2002

SUMMARY

- Net sales EUR 9.8 million, down 42 % from previous year
- The operating loss before goodwill depreciation (EBITA) was EUR –8.1 million, including one-time charges of EUR 2.0 million due to restructuring of operations
- Capital gains totalling EUR 10.2 million from sales of eSolutions business to Novo Group Oyj was entered in as extraordinary item;
- the profit for the period was EUR 0.7 million
- Number of personnel at the end of the period was 423, having been 588 on the previous year
- Worldwide agreement with Compaq signed
- The company's liquid assets increased to EUR 54.7 million, and the equity ratio was 88% at the end of the period

The decrease in net sales during the period compared with the previous year was due to a weak market situation, the sale of the eSolutions business to Novo Group Oyj and a reduction in net sales due to discontinued businesses.

In April, the company initiated actions to adjust the level of expenditure in organisation to better match the present level of business, with the objective of speeding up the process of achieving profitability. It is estimated that the actions taken will accrue cost savings totalling about EUR 2.5 million per quarter. The estimated cost savings are expected to materialise in full by the last quarter of the year.

RESULT FOR THE FIRST QUARTER OF 2002

Summary

Stonesoft Corporation (Euro 1000)	1-3/2002	1-3	4-6	7-9	10-12	2001
Net sales	9 797	16 937	15 553	11 810	13 403	57 703
Net sales change-%	-42 %	59 %	6 %	-22 %	-30 %	-3 %
Operating profit (EBITA)	-8 133	-1 699	-1 490	-4 166	-3 062	-10 417
% of net sales	-83 %	-10 %	-10 %	-35 %	-23 %	-18 %

Number of employees
at the end
of the period

423	588	590	572	571	571
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Consolidated net sales of the Stonesoft Corporation (hereinafter Group) for January-March were EUR 9.8 million (EUR 16.9 million). The decrease in net sales was due to the sale of the eSolutions business (EUR 1 million) to Novo Group Oyj, and the discontinued operations during 2001, the network security distribution business in the Nordic countries and the data security consultancy business in the USA (EUR 1.7 million). The net sales from the continuing businesses were down 31 % compared with the first quarter of the prior year.

Operating loss for the Group during the period before goodwill depreciation (EBITA) was EUR 8.1 million (operating loss of EUR 1.7 million), including one-time charges of EUR 2.0 million due to restructuring of operations.

During the period, the Group made a one-time goodwill depreciation entry totalling EUR 1.1 million. The goodwill depreciation of the Group in future periods will be approximately EUR 0.3 million per

quarter. Capital gains totalling EUR 10.2 million for the sale of eSolutions Oy to Novo Group Oyj was included as an extraordinary item.

The loss of the Group before extraordinary items was EUR 9.5 million (a loss of EUR 2.7 million), and the profit for the period EUR 0.7 million (a loss of EUR 2.2 million).

NETWORKS BUSINESS DURING THE FIRST QUARTER

Summary

Networks (Euro 1000)	1-3/2002	1-3	4-6	7-9	10-12	2001
Net sales	7 702	14 143	12 522	8 785	10 362	45 812
Net sales change-%	-46 %	96 %	11 %	-31 %	-35 %	-3 %
Division net sales of total net sales	79 %	84 %	81 %	74 %	77 %	79 %
Operating profit (EBITA) before restructuring costs	-6 393	-1 863	-3 349	-4 724	-3 480	-13 415
% of net sales	-83 %	-13 %	-27 %	-54 %	-34 %	-29 %
Operating profit (EBITA)	-8 393	-1 863	-3 349	-4 724	-3 480	-13 415
% of net sales	-109 %	-13 %	-27 %	-54 %	-34 %	-29 %

Number of employees
at the end
of the period

423	435	445	431	417	417
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The net sales of the Networks business was EUR 7.7 million (EUR 14.1 million). The sales of our products decreased by 24% compared to the previous quarter. The operating loss of the Networks business before goodwill depreciation (EBITA) and before the one-time charges due to restructuring of operations was EUR 6.4 million.

Networks' net sales by geographical area for the period were as follows: North and South America 30%, Europe, the Middle East and Africa 57%, and the Asia-Pacific region 13%.

Own products and services account for 93% of the net sales of the Networks business (78%). The sales margin was 89% (84%) during the first quarter.

Personnel expenses during the period were EUR 7.4 million, an increase of 2% on the previous quarter. Other operating expenses increased 7% from the previous quarter.

At the end of the period, the Networks business group employed 423 people, of which 41% were stationed outside Finland.

Licenses from Stonegate, the company's firewall and VPN solution constituted 23% of the total license sales of the company.

During the period Stonesoft Corporation signed an agreement with Compaq Computer Corp. under which Compaq will sell and provide systems integration services for Stonesoft products worldwide. The partnership extends Stonesoft's reach to Compaq's extensive distribution network and expands Compaq Professional Services offerings to include new enterprise options for high availability, load balancing, firewall and VPN solutions.

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A financing agreement was signed with IBM under which IBM Global Financing will provide financing for all IBM xSeries servers and Stonesoft's StoneGate Firewall and VPN software purchased directly from IBM or through related Business Partners in Europe. The 0% interest financing offer applies to purchases between Euro 5,000 - Euro 500,000 and is available for a 24-month term throughout Europe.

ESOLUTIONS BUSINESS DURING THE FIRST QUARTER

Summary

eSolutions (Euro 1000)	1-2/2002	1-3	4-6	7-9	10-12	2001
Net sales	2 095	2 794	3 030	3 026	3 041	11 891
Net sales change-%	-25 %	-18 %	-10 %	20 %	-3 %	-5 %
Division net sales of total net sales	21 %	16 %	19 %	26 %	23 %	21 %
Operating profit (EBITA)	261	164	429	563	418	1 574
% of net sales	12 %	6 %	14 %	19 %	14 %	13 %

Number of employees
at the end
of the period

161	152	145	141	154	154
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The two months' net sales of the eSolutions business was EUR 2.0 million. The operating profit of the eSolutions business before goodwill depreciation (EBITA) was EUR 0.3 million, amounting to 12% of the net sales of the eSolutions business.

Stonesoft and Novo Group Oyj signed on 21 of January 2002 an agreement regarding the acquisition of the whole share capital of Stonesoft e-Solutions Oy. The acquisition was carried out on 28 February 2002 as a share exchange by directing a new issue of 4,111,111 new shares of Novo Group as purchase price to Stonesoft. The new shares held by Stonesoft accounted for 10.48 per cent of Novo Group's outstanding share capital and voting rights.

Stonesoft sold all its shares in Novo Group Oyj during the reporting period.

FINANCING AND INVESTMENTS

The Balance Sheet total was EUR 81.8 million (EUR 89.3 million). The equity ratio was 88% (88%) and net gearing 70.81% (-0.66%). At the end of the period, the Group's liquid assets stood at EUR 54.7 million (EUR 49.2 million).

During the first quarter, the Group's total capital investments were EUR 0.2 million.

RESEARCH AND DEVELOPMENT

During the first quarter, the company's R&D investments totalled EUR 2.1 million (EUR 2.2 million). At the end of March, a total of 120 people were involved in R&D activities.

The 12 person R&D unit in Florence was discontinued in April as part of the restructuring of operations. Stonesoft currently has R&D units in Helsinki, Turku, Oulu, and Sophia Antipolis, France.

R&D expenditure is recorded as expenses when they are incurred, in accordance with the Group's accounting policy.

DECISIONS MADE BY THE ANNUAL GENERAL MEETING ON 13 MARCH 2002

Stonesoft Corp.'s Annual General Meeting on 13 March 2002 unanimously adopted the financial statements for the financial year 1 January 2001 – 31 December 2001 and granted release from liability for the Board of Directors and the CEO. The Annual General Meeting approved the proposal of the Board of Directors not to pay any dividend for the financial year 1 January 2001 – 31 December 2001.

The Annual General Meeting re-elected Ilkka Hiidenheimo, Kai Karttunen, Alex Sozonoff, Hannu Turunen and John C. Yates as Board members.

Authorized public accountants Tilintarkastajien Oy – Ernst & Young will continue as the auditor of the Company, with authorized public accountant Pekka Luoma as responsible auditor.

The Annual General Meeting resolved, in accordance with the Board's proposal, to cancel the Board's existing authorisation to decide on an increase of share capital, and to grant the Board a new authorisation. The Company's share capital may be increased in one or more lots in a manner whereby the shares to be issued in the new issue and/or on the basis of option rights and/or in connection with a convertible loan may altogether increase the Company's share capital with the maximum of 229,204.52 euros, so that the aggregate maximum number of shares eligible for subscription on the basis of the aforementioned alternatives is 11,460,226 shares, each with an accounting equivalent value of 0.02 euros. Option rights may solely be given to increase the share capital in connection with mergers and acquisitions. The share capital of the Company may be increased by giving option rights with the total maximum of 30,000 euros.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

The Board of Stonesoft decided in April to authorize CEO Esa Korvenmaa to commence co-operation negotiations with Stonesoft employees concerning the adjustment of its expenses and organisation to better match the current level of business, however without jeopardising the growth opportunities in the future.

The actions taking place include centralizing of research and development and, support and training activities, streamlining of selected field operations, and focusing marketing activities on lead generation. The actions included an 18% headcount reduction, taking place mainly in Finland, Italy, France, USA and Japan. In Finland the legal co-operation negotiations with the personnel have been completed and resulted in a headcount reduction of 23.

The planned actions are designed focus the resources in order to achieve profitability faster and to preserve company's cash position and capability to invest in it's core network security infrastructure business in the future.

The initiated actions are expected to accrue cost savings totalling about EUR 2.5 million per quarter. The cost savings are expected to materialise in full by the last quarter of the year.

The Israeli data security company Check Point Software Technologies Ltd. in April gave an undertaking to the EU Commission with regard to the conduct of Check Point in the distribution channel. The undertaking by Check Point was the result of a complaint that Stonesoft Corp had lodged with the Commission in June 2001, stating that Check Point was abusing its dominant position with the objective of excluding Stonesoft from the market. Following the undertaking by Check Point, Stonesoft agreed to withdraw its complaint.

OUTLOOK FOR THE FUTURE

Esa Korvenmaa, CEO, Stonesoft Corporation:

"The challenging market situation early in 2002 is lasting longer than expected. As a result, we decided to implement the restructuring of operations to reduce our costs, without, however, jeopardising our long-term growth prospects. We shall continue with our chosen strategy by investing resources in growing markets. We



will also be focusing on the vertical markets that we know best, such as government, banks and financial institutions, telecom operators and managed security service providers. Our aim is to increase co-operation with hardware manufacturers, both global partners and strong regional players. Our R&D will concentrate on new generation network security products combining data security with high availability. In the coming months I will be taking an active role in leading our US operations on interim basis and will work to boost our sales in the US market."

The company expects that during 2002 its net sales will at best reach the previous year's level and that operating results before goodwill depreciation (EBITA) will remain negative. However, the company expects that the operating results will show improvements during the fourth quarter, as a result of the cost savings recently implemented by the company.

THE NEXT INTERIM RESULTS

The company will release its results for the second quarter of 2002 on 29.7.2002.

The figures presented in the interim report have not been audited.

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Stonesoft Corp.
Esa Korvenmaa
President and CEO

This release and the material related to the interim report are also available on Stonesoft's Web site at <http://www.stonesoft.com>

Distribution:
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Main Media

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Stonesoft Corporation

Income Statement 1.1-31.3.2002 1.1-31.3.2001 2001
(Euro 1000)

Net Sales	9 797	16 937	57 703
Other operating income	139	22	2 054
Materials and services	910	2 437	5 826
Personnel costs	10 175	9 253	36 537
Depreciations	497	615	2 564
Other operating expenses	6 487	6 351	25 247
Operating Profit/Loss before Goodwill depreciations (EBITA)	-8 133	-1 699	-10 417
Goodwill depreciations	1 566	619	2 449
Operating Profit/Loss (EBIT)	-9 699	-2 318	-12 866
Share of associated companies result	0	-62	-41
Financial income and expenses	193	-289	1 049
Profit/Loss before extraordinary items	-9 505	-2 670	-11 858
Extraordinary income	10 214	0	0
Extraordinary expenses	87	385	1 236
Profit before taxes and minority Interest	622	-3 055	-13 094
Direct taxes	-53	-729	-2 579
Minority Interest	0	105	253
Profit/Loss for the Accounting period	675	-2 221	-10 263

Stonesoft Corporation

Balance Sheet
(Euro 1000) 31.3.2002 31.3.2001 31.12.2001

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Assets

Non-Current Assets

Intangible assets	1 633	1 697	1 821
Consolidated goodwill	3 617	9 279	6 985
Change in net working capital	3 003	5 425	3 379
Investments	37 321	342	
Non-Current Assets Total	8 290	16 722	12 528

Current assets

Inventories	250 243	277	
Long-term receivables	181	196	188
Short-term receivables	18 479	22 989	23 386
Investments	44 949	46 143	37 222
Cash on hand and on deposit	9 661	2 989	8 437
Current Assets Total	73 519	72 560	69 511
Total	81 809	89 282	82 039

Liabilities

Shareholders' Equity	67 324	74 695	66 636
Minority Interest	0	135	0
Other Provisions	0	34	0
Liabilities			
Long-term liabilities	19	49	26
Short-term liabilities	14 466	14 368	15 377
Total Liabilities	14 485	14 418	15 403
Total	81 809	89 282	82 039

Key Ratios	1.1-31.3.2002	1.1.-31.3.2001	2001
EURO 1000			
Net Sales	9 797	16 937	57 703
Net Sales Change-%	-42 %	59 %	-3 %
Operating Profit/Loss before Goodwill			
Depreciations (EBITA)	-8 133	-1 699	-10 417
% of Net Sales	-83 %	-10 %	-18 %
Operating Profit/Loss after Goodwill			
Depreciations (EBIT)	-9 699	-2 318	-12 866
% of Net Sales	-99 %	-14 %	-22 %
Profit/Loss before Extraordinary Items	-9 505	-2 670	-11 858

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% of Net Sales	-97 %	-16 %	-21 %	
Profit/Loss before taxes and minority Interest	622	-3 055	-13 094	
% of Net Sales	6 %	-18 %	-23 %	
ROE - %	-14 %	-3 %	-13 %	
ROI - %	-14 %	-2 %	-15 %	
Equity Ratio-%	88 %	88 %	88 %	
Net Gearing	-0.81	-0.66	-0.68	
Total Asset	81 809	89 282	82 039	
Capital Investments	244	699	727	
% of Net Sales	2 %	4 %	1 %	
R&D Costs	2 123	2 199	9 086	
% of Net Sales	22 %	13 %	16 %	
Number of Employees (Weighted Average)	532	562	581	
Number of Employees at the end of the period	423	588	571	
Share Specific Ratios				
Earnings per Share (EUR)	-0.22	-0.03	-0.15	
Equity per Share (EUR)	1.17	1.30	1.16	
Divident per Share (EUR)	0.00	0.00	0.00	
Dividend/Profit-%	0 %	0 %	0 %	
Weighted Amount of Shares (Option dillution effect included)				
Amount of Shares at the End of period	57 301 132	57 270 132	57 301 132	