

January-March 2004, Interim Report

April 29, 2004



Stonesoft Corporation

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Results for Q1 (January-March)

- Net sales EUR 5.0 millions, a decrease of 16% compared to Q1/2003.
- StoneGate sales were EUR 1.2 millions, a decrease of 7% compared to Q1/2003.
- StoneBeat sales totaled EUR 0.25 millions, a decrease of 59% compared to Q1/2003.
- Operating loss (EBITA) of EUR 3.0 millions (EUR 4.4 millions in Q1/2003).

Highlights Q1

- The firewall and VPN markets grew by 13% in 2003 and totalled approximately EUR 2.0 billion. (Source: Infonetics)
- The main driving force behind the growth was the 16% increase in firewall and VPN appliance market. (Source: Infonetics)
- StoneGate firewall/VPN sales increased by 24% in 2003, exceeding the average growth of the market.
- The sales of StoneGate Appliances developed positively in Q4/2003 and Q1/2004.

Highlights Q1

- StoneGate for IBM eServer iSeries was announced in January.
- The product development has proceeded according to schedule that was set in January.
- StoneGate for iSeries will be published in Q2/2004.
- Launch date May 3rd.



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Real World Business Security

Highlights Q1

- The development of the StoneGate IPS proceeded according to the plan.
- Extensive beta program since February.
- Demand and interest for the product has clearly increased during Q1.
- StoneGate IPS will be commercially available during Q2.



Highlights Q1

- New Board of Directors:
 - Alex Sozonoff (chairman), Ilkka Hiidenheimo, Pertti Ervi, Jyrki Ritvala
- Organisational adjustments:
 - Additional resources were allocated to support the sales of solutions for IBM platforms, as well as to support sales to service providers and key customers.

Our Growth Markets in Security

1. Appliances annual growth 10-20 % → we have an excellent solution
2. IBM i- and zSeries clients → we have a unique solution
3. Managed security services annual growth 20-40% → we have excellent technology
4. IDS/IPS annual growth 15-20 % → we will have a unique solution

(sources for market growth: IDC, Gartner, Broadview, Ubizen)

Key Measures for Growth in 2004

- StoneGate for IBM i-and zSeries sales
- StoneGate IPS sales
- Government projects (Common criteria, EAL4+)
- Service provider sales
- Keeping the appliance offering competitive
- Successful roll-out of other big projects

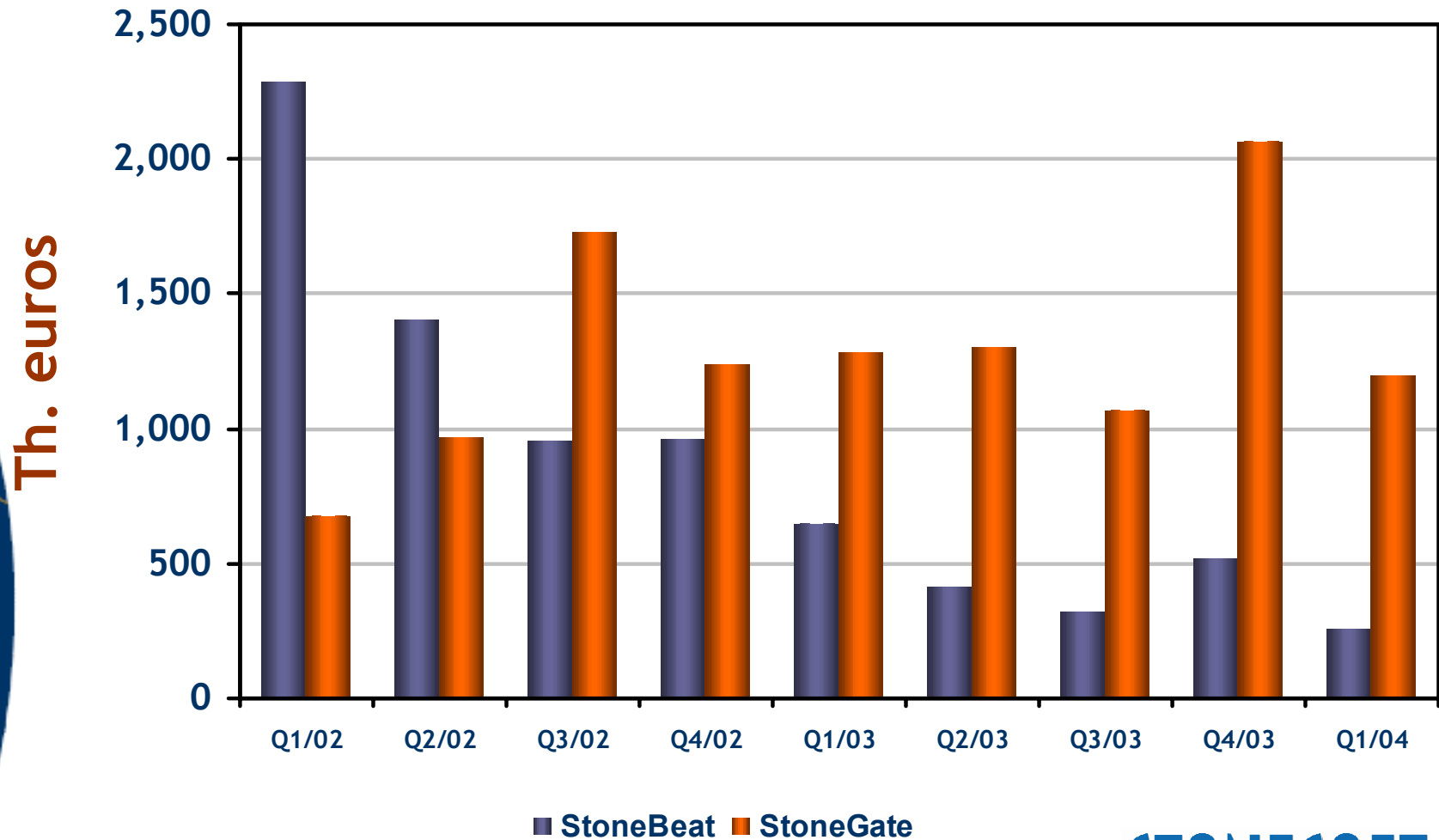
Conclusion

Despite of the result of the first quarter, the company believes that, due to the improving prospects for StoneGate sales and better focus in critical success factors, the quarterly operating results before amortization of goodwill (EBITA) will continue to improve during 2004.

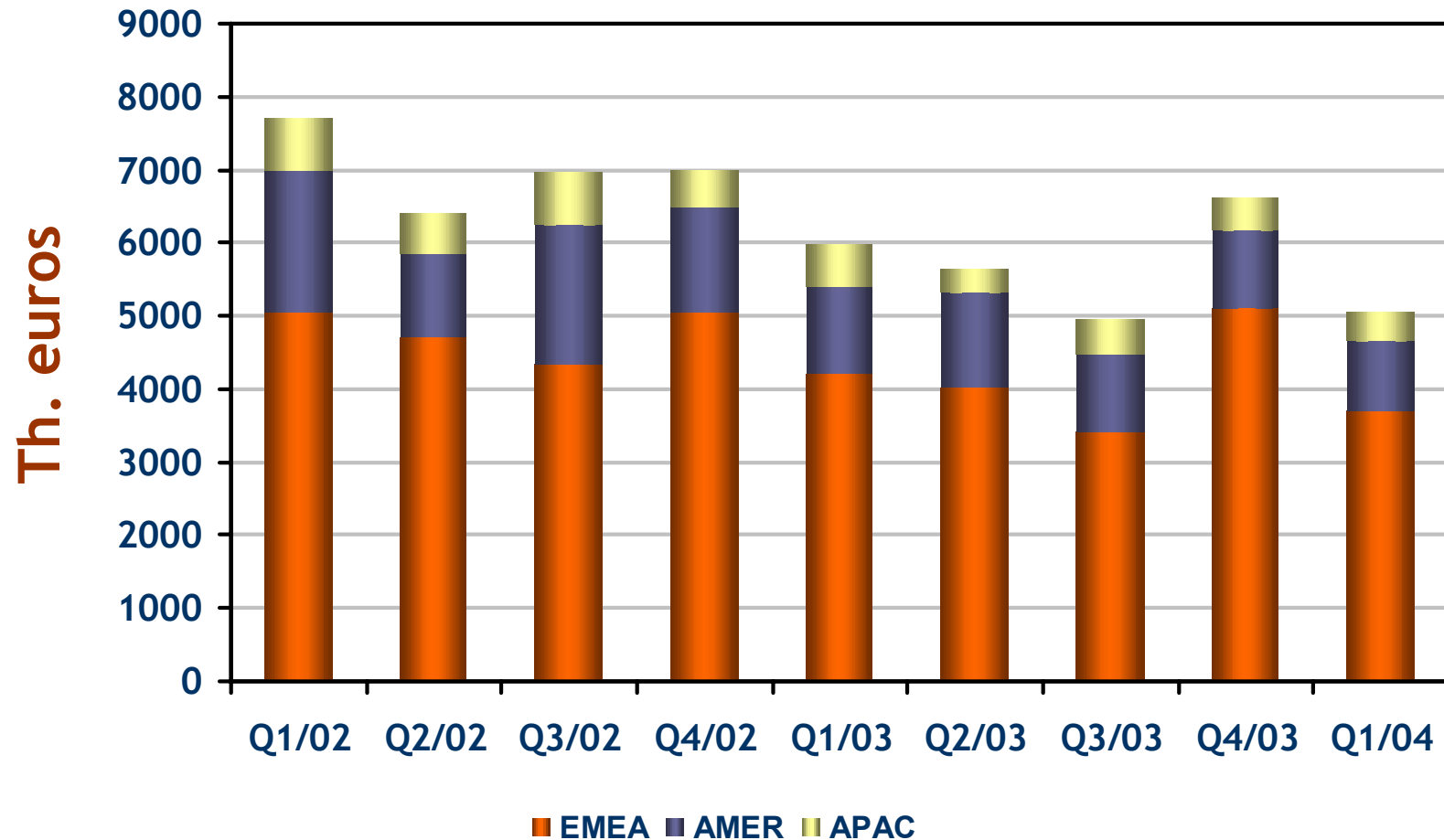
Q1 / 2004 Financials

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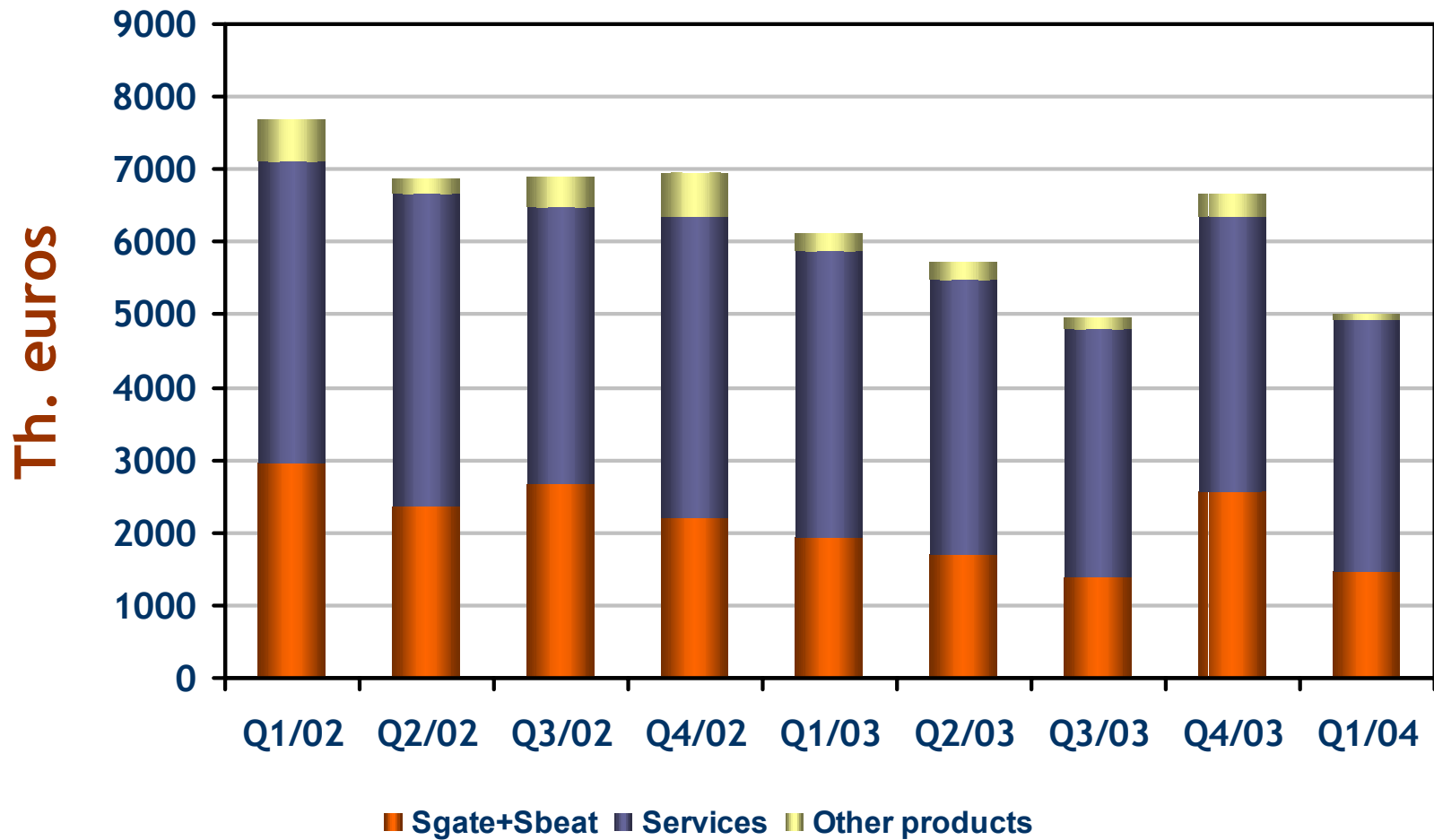
StoneGate and StoneBeat Sales by Quarter



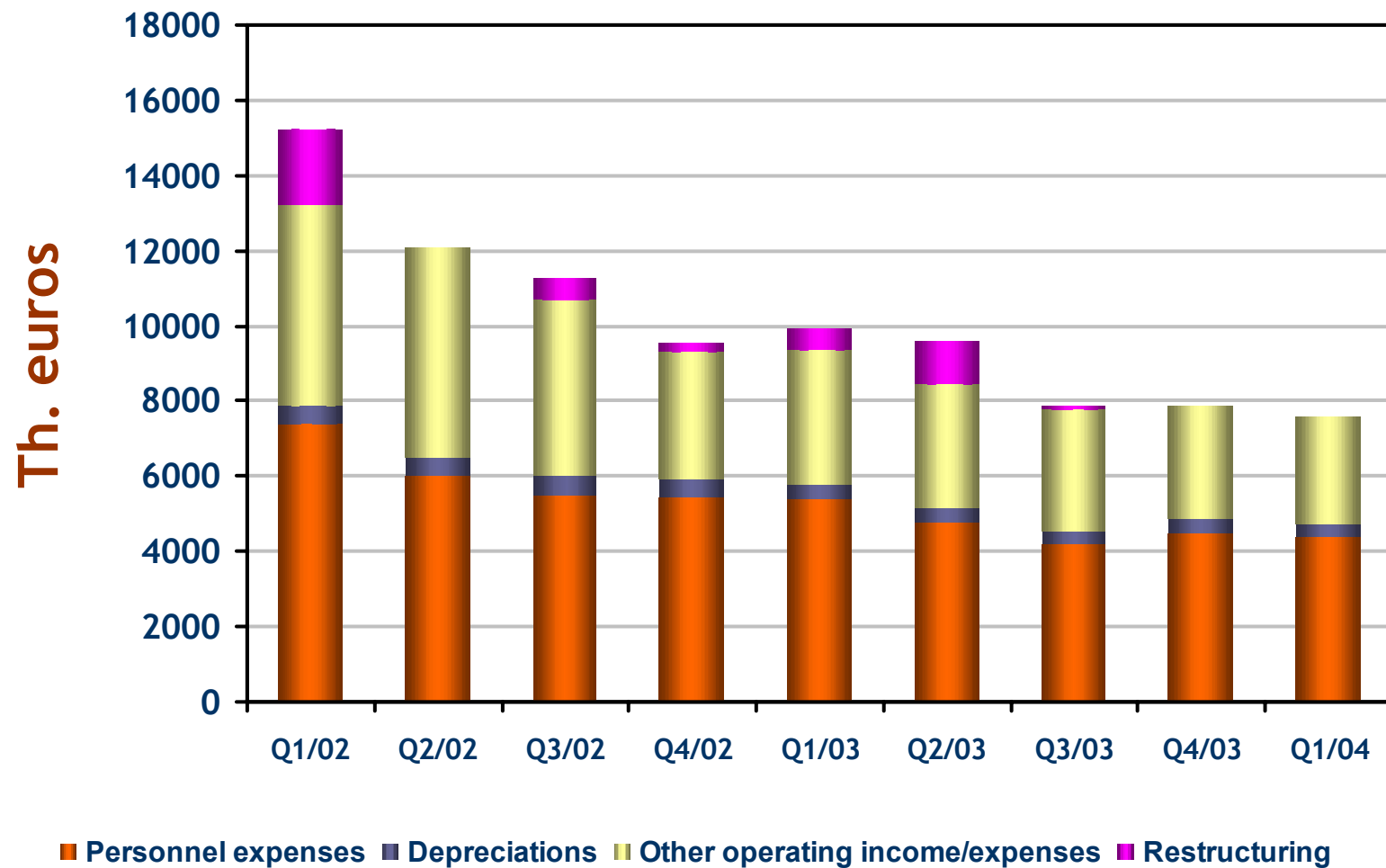
Net Sales by Area



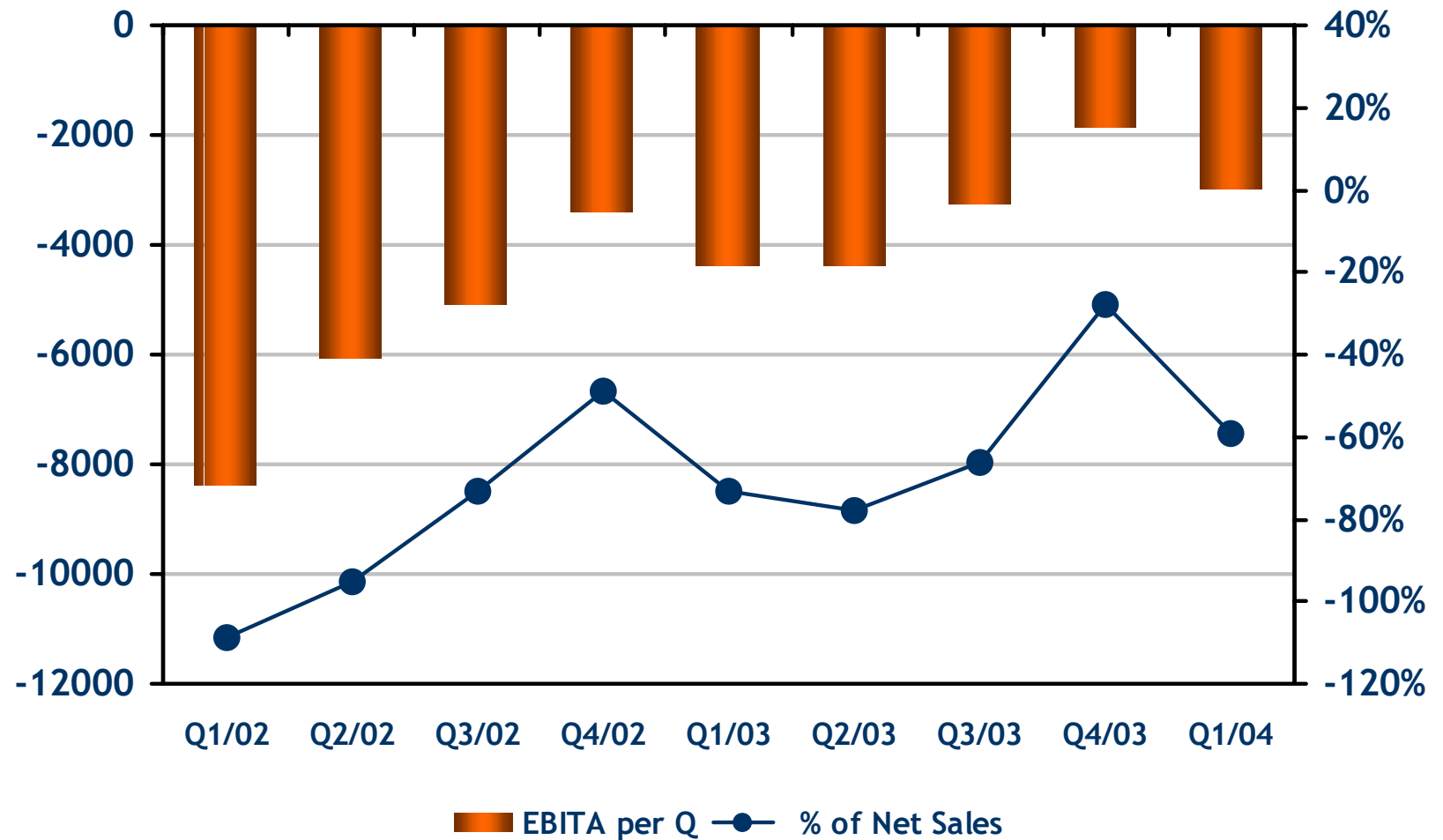
Sales by Product



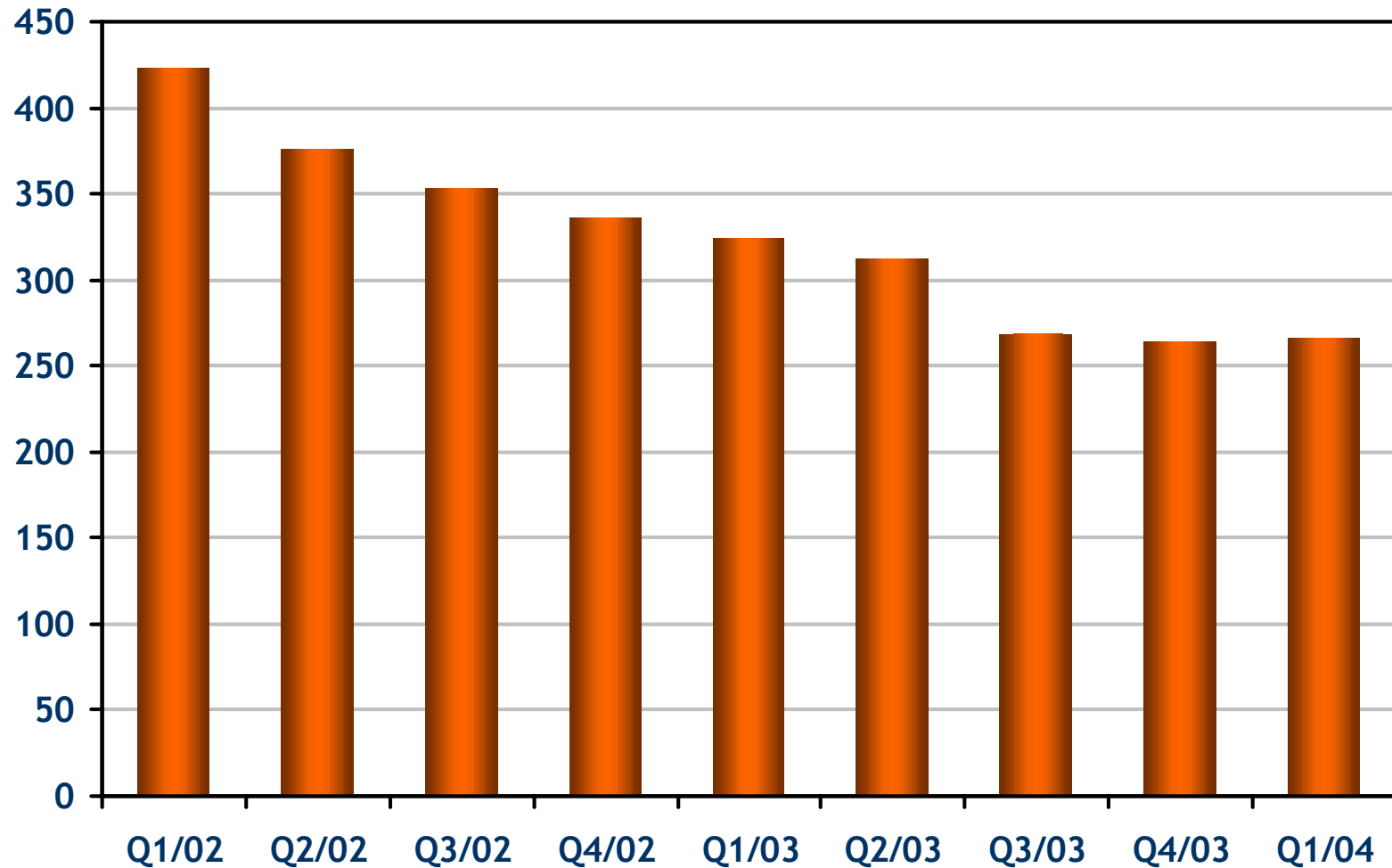
Operating Costs by Quarter



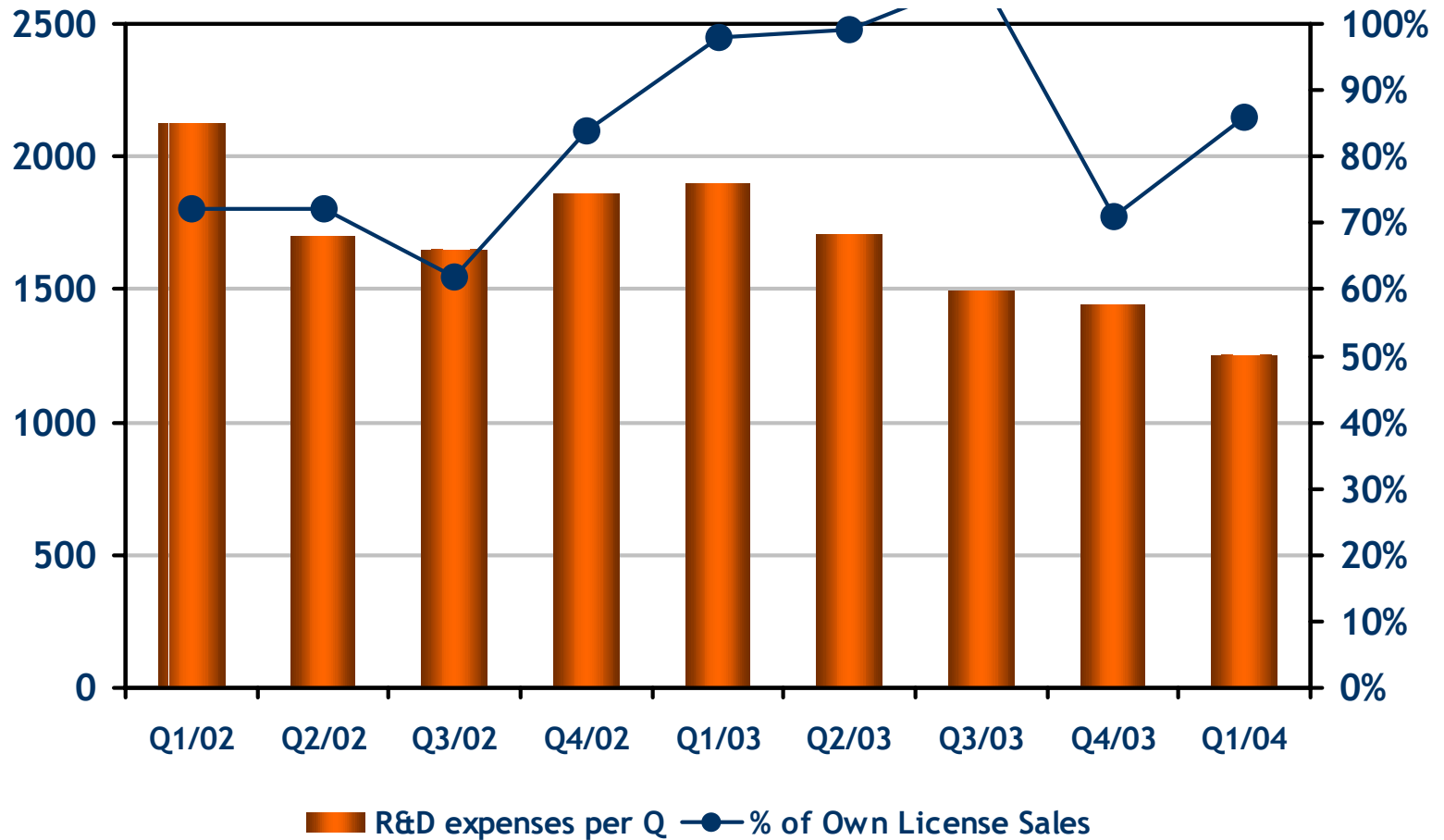
EBITA by Quarter



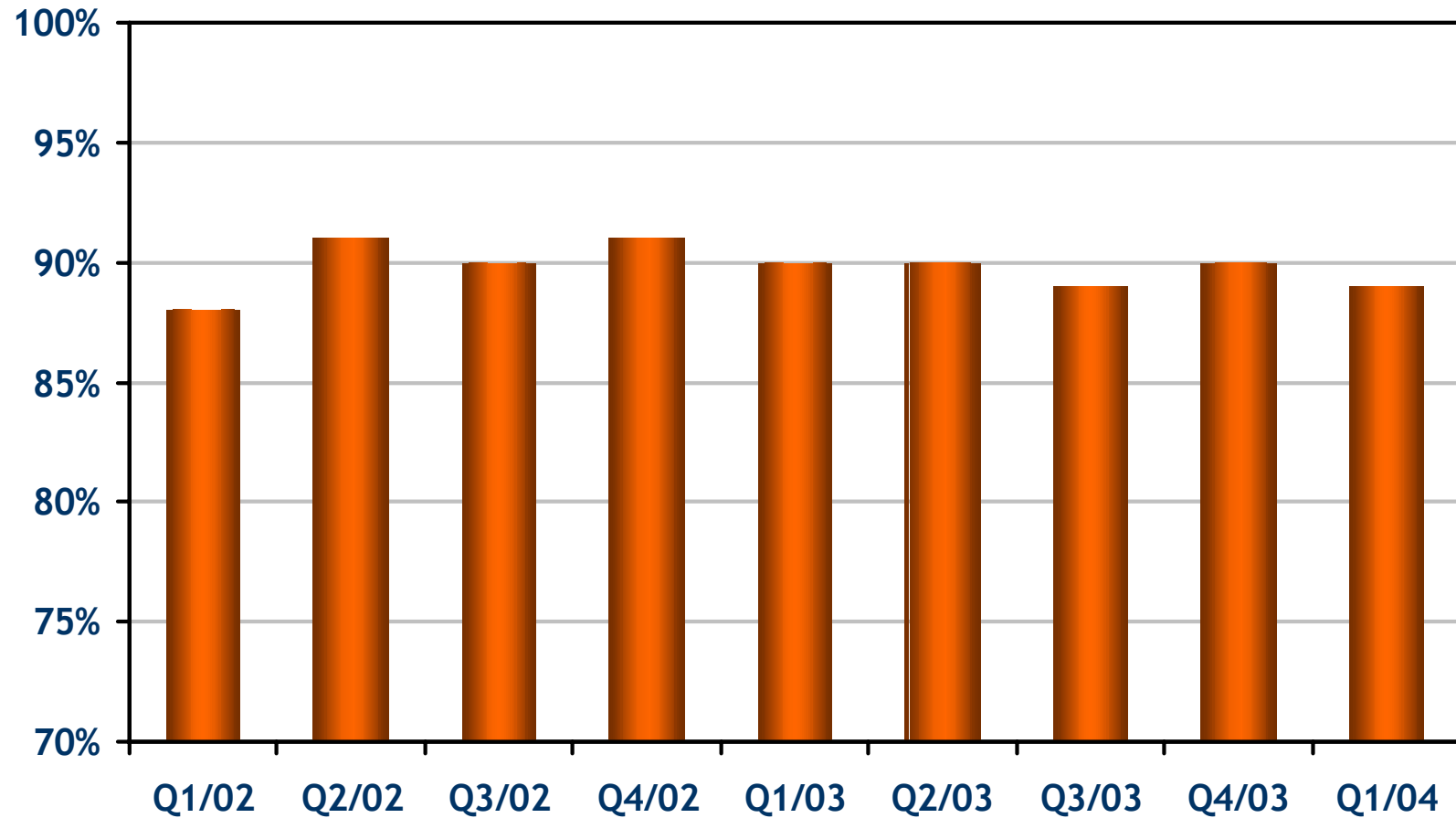
Personnel in the End of Quarter



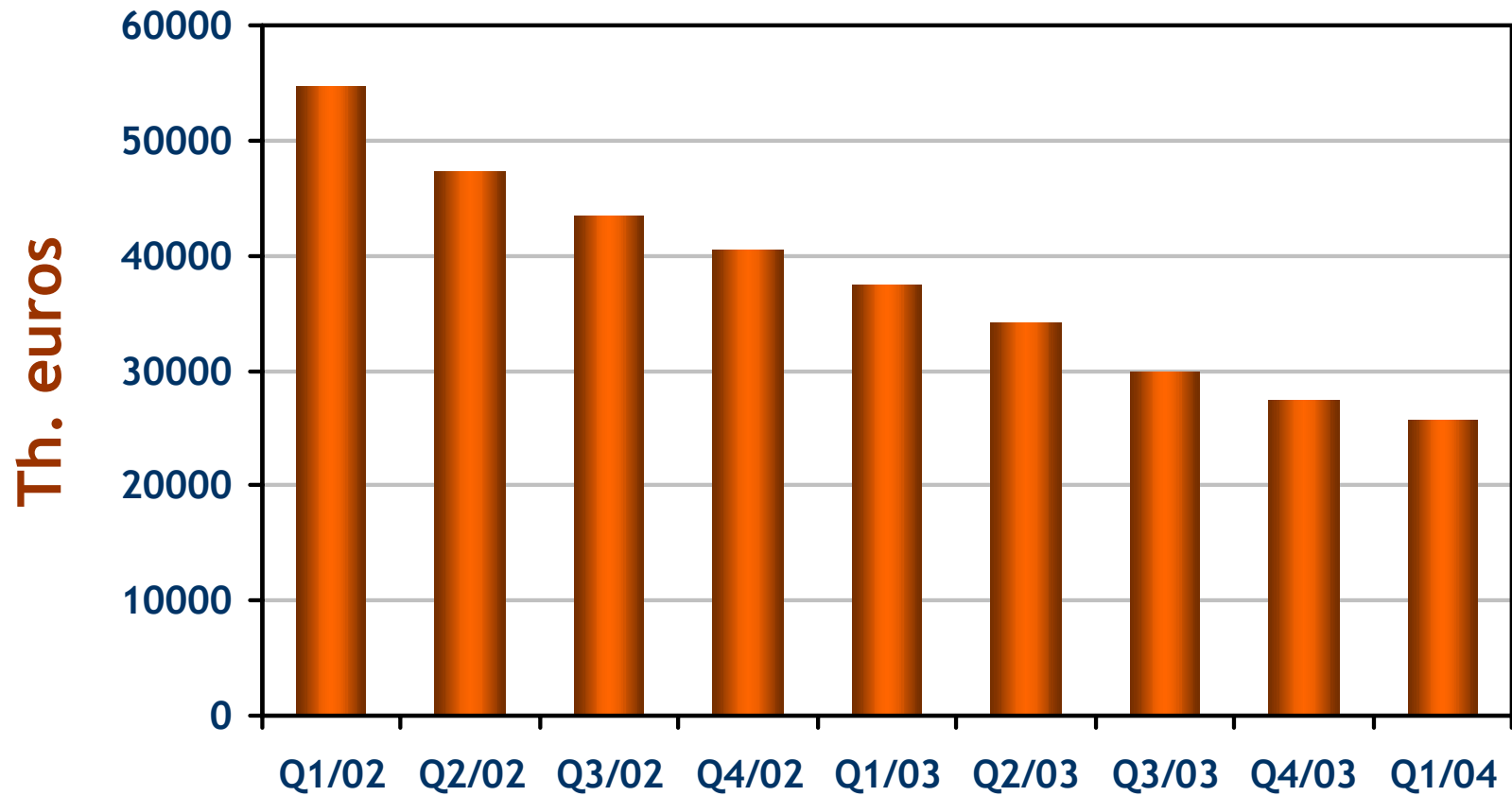
R&D Expenses



Equity Ratio in the End of Quarter



Liquid Funds



Shareholders Equity/Share

