

STONESOFT CORP. STOCK EXCHANGE RELEASE APRIL 28,2006 AT 9.00 AM

STONESOFT CORP.'S INTERIM REPORT FOR JANUARY-MARCH 2006

The sales of StoneGate™ products increased by 12 % during the first quarter.

SUMMARY

January-March ("reporting period")

- Net sales for the reporting period totalled EUR 5.5 million, which was 1% less than in the previous year's corresponding period.
- Stonesoft's core business, sales of StoneGate™ product family that includes firewall, VPN and Intrusion Protection and Detection System products, increased to EUR 2.1 million, an increase of 12% compared to corresponding period of the previous year.
- The operating loss was EUR 1.3 million. The comparable loss in the previous year's corresponding period was EUR 1.3 million.
- Earnings per share were EUR -0.02, compared with EUR -0.02 for the last year's corresponding period.
- Equity per share was EUR 0.26 (EUR 0.36).
- Liquid assets totalled EUR 16.5 million at the end of the period (EUR 21.6).
- The group's cash flow was EUR -1.6 million. Cash flow in the previous year's corresponding period was EUR -0.6 million.

"Sales of Stonesoft's main product StoneGate™ were favourable compared to the equivalent period last year, in spite of the sales decline in the US. "In order to reach our goals in the US we have hired a new Regional Manager for Americas during the first months of the year with a task to get the US sales into new growth", says Ilkka Hiidenheimo, CEO of the company.

"The sales decline in the US and EMBE's turnover, that was lower than the previous year, left the turnover and result on the same level as last year. We have invested in activities consistent with EMBE's competitiveness and condition of activity in line with its strategy in order to develop EMBE's result in the long run", Hiidenheimo continues.

"The sales strategy based on long term sales work and the customer-focused sales model we have chosen generates significant breakthroughs such as the deals with Finnish Defence Forces and RWTH Aachen, both achieved during the reporting period. Our partner network has developed positively in different countries and we both continue and boost sales work with the partners onwards."

"Long term marketing efforts that support sales have gradually gained results, that are shown, among other things, as acknowledgements in the international media. The recognition of StoneGate™ in the market has increased", Hiidenheimo mentions.

## NET SALES AND RESULT

January-March 2006

Stonesoft group's net sales in January-March were EUR 5.5 million (EUR 5.6 million). Compared with the previous year's corresponding period, there was a decrease of EUR 0.1 million, or -1%. The operating loss for the review period was EUR 1.3 million (EUR 1.3 million).

The net sales were distributed by the geographical segments as follows: EMEA (Europe, Middle East and Africa) 79% (71%), North and South America 13% (22%), and Asia-Pacific 8% (7%).

The group's operating result was on the same level compared to the corresponding period in the previous year. The loss for the reporting period after taxes was EUR 1.2 million. The previous year's loss was EUR 1.3 million.

## Finance and investments

At the end of the quarter, the group's total assets were EUR 24.7 million (EUR 29.7 million). The equity ratio was 77% (83%) and gearing (the ratio of net debt to shareholders' equity) was -1.08 (-1.02). The group's liquid assets at the end of the quarter totalled EUR 16.5 million (EUR 21.6 million). Investments in tangible and intangible assets totalled EUR 0.12 million (EUR 0.06 million).

## DEVELOPMENT OF BUSINESS OPERATIONS

### Markets

Network security markets are expected to grow steadily. The growth of both the firewall/VPN markets and the IDS/IPS markets is expected to continue at an annual rate of about 10% during 2006. (Source: Infonetics)

### Main events during the quarter

- Finnish Defence Forces selected Stonesoft's firewalls to protect its transition network
- StoneGate™ SG-4000 was named "Hot Pick of the month" in February by Information Security Magazine, the leading international network security magazine
- The renowned technical university RWTH Aachen chose Stonesoft's network security products to protect its IT network with the StoneGate security solution
- SC Magazine voted Stonesoft's products as finalists in categories Best Enterprise Solution and Best Enterprise Firewall for the SC Magazine European Excellence Awards 2006
- New Country Manager were nominated for UK and Ireland
- New Regional Manager was hired for Americas
- The company introduced the first internal FW/VPN Solution for IBM Mainframes with fully clustered load-balancing capabilities
- The company introduced a remarkable innovation concerning screening of data packets in a network node

- The Annual General Meeting for Stonesoft Corp. elected a new Board, Pertti Ervi was elected the Chairman of the Board
- The District Prosecutor pressed charges against Stonesoft in a suspected securities market information offence related to the ongoing disclosure requirements for public companies and regarding the alleged delay of Stonesoft's profit warning issued in February 2001. Stonesoft denies all charges and claims made against it.

## REVIEW OF THE SCOPE OF R&D ACTIVITIES

The group's R&D investments in the quarter totalled EUR 1.26 million (EUR 1.14 million).

R&D employed 66 (62) persons at the end of the quarter.

## SHARE CAPITAL AND STOCK OPTION PROGRAMS

### Stock Option Programs

During the quarter no subscriptions were made on the basis of the Stock Option Programs for key personnel of the company.

At the end of the quarter Stonesoft's share capital entered in the Trade Register was EUR 1,146,054.64. The number of shares was 57,302,732 and the counter book value per share was EUR 0.02. No changes took place in the share capital.

The company's valid stock option programs and their subscription prices were at the end of the quarter as follows:

- Stock Option program 2000-2006, subscription price EUR 14.16
- Stock Option program 2001-2006, subscription price EUR 2.43
- Stock Option program 2004-2010, subscription price EUR 0.56

## PERSONNEL

At the end of the quarter, Stonesoft's personnel numbered 248 (236).

## MAJOR EVENTS AFTER THE QUARTER

- Stonesoft launched the new StoneGate™ Platform that provides secured, optimized, and resilient connectivity for converged services, while preventing damage from attacks.
- StoneGate™ Firewall won two awards at SC Magazine Awards 2006 in England. StoneGate™ Firewall was the winner Best Network Security Solution category and it was also elected the best Enterprise Firewall.

## FUTURE OUTLOOK

According to an estimate given by Infonetics, the Firewall/VPN and Intrusion detection and protection market is estimated to achieve an average growth of roughly 10% during 2006.

Stonesoft continues decisive work to increase turnover and to improve financial result. The structural changes, restructuring measures and added sales resources, the new products and the strategic partnerships concluded during the years 2004 and 2005, will create a lasting foundation for a positive development. With these changes turnover, operating result and market position of the company is aimed, on the long run, to be raised to a level equal to the competitiveness of the product offering.

The main goal for 2006 is to achieve faster growth than the market growth in the sales of StoneGate products, by utilizing the past investments. The company believes that as a result of this growth the right balance between the expenses and the sales will be achieved over time. The company will enforce the focus to the selected key markets, develop further the partner community to support sales efforts and to further sharpen the marketing and communications actions to the key interest groups.

Stonesoft anticipates the growth in the sales of StoneGate™ products to continue to be faster than the market growth on an annual level. However, the development of the sales may fluctuate during the fiscal quarters.

Stonesoft Group Income Statement (1000 Euro)			
	1.1-31.3.2006	1.1-31.3.2005	1.1-31.12.2005
Net Sales	5 508	5 573	22 237
Other operating income	190	92	585
Materials and services	-488	-369	-1 937
Personnel expenses	-4 062	-4 131	-16 620
Depreciation	-154	-313	-1 113
Other operating expenses	-2 278	-2 133	-9 410
Operating Profit / Loss	-1 284	-1 280	-6 258
Financial income and expenses	95	87	539
Profit / Loss before taxes	-1 189	-1 193	-5 719
Taxes	-52	-122	-288
Profit / Loss for the accounting period	-1 241	-1 315	-6 008
Basic earnings per share, EUR	-0.02	-0.02	-0.10
Diluted earnings per share, EUR	-0.02	-0.02	-0.10

Stonesoft Group Balance Sheet (1000 Euro)			
	31.3.2006	31.3.2005	31.12.2005

#### ASSETS

## Non-Current Assets

Tangible assets	832	1 145	840
Goodwill	1 507	1 507	1 507
Intangible assets	199	348	228
Other investments	4	9	4
Receivables	20	35	18
Deferred tax assets	2	0	2
Total	2 564	3 045	2 599

## Current assets

Inventories	448	263	519
Trade and other receivables	4 987	4 836	4 697
Prepayments	191	0	106
Marketable securities	15 610	20 808	17 378
Cash and cash equivalents	891	773	729
Total	22 127	26 680	23 428
Total assets	24 691	29 725	26 027

## EQUITY AND LIABILITIES

### Equity attributable to equity holders of the parent company

Share capital	1 146	1 146	1 146
Share premium account	76 848	76 825	76 845
Conversion differences	-853	-865	-849
Retained earnings	-62 202	-56 327	-60 961
Total	14 939	20 779	16 181

### Long-term liabilities

Deferred tax liability	0	86	0
Provisions	116	0	124
Interest bearing liabilities	135	258	152
Other long-term liabilities	952	770	789
Total	1 203	1 114	1 065

### Short-term liabilities

Trade and other payables	8 242	7 558	8 504
Tax liability	102	44	55
Provisions	38	23	38
Short-term interest bearing liabilities	169	207	184
Total	8 550	7 832	8 780

Total liabilities 9 753 8 946 9 846

Total equity and liabilities 24 691 29 725 26 027

## Stonesoft Group

### Statement of changes in equity (1000 Euro)

	Share capital	Share premium	Conversion difference	Retained earnings account	Total
Shareholders' equity at 01.01.2005	1 146	76 821	-892	-55 012	22 063
Conversion differences			27		27
Net income recognized directly in equity			27		27
Profit/loss for the period				-1 315	-1 315
Total recognized income and expense for the period			27	-1 315	-1 288
Stock options exercised		4			4
Shareholders' equity at 31.3.2005	1 146	76 825	-865	-56 327	20 779

	Share capital	Share premium	Conversion difference	Retained earnings account	Total
Shareholders' equity at 01.01.2006	1 146	76 845	-849	-60 961	16 181
Conversion differences			-5		-5
Net income recognized directly in equity			-5		-5
Profit/loss for the period				-1 241	-1 241
Total recognized income and expense for the period			-5	-1 241	-1 246
Stock options exercised		3			3
Shareholders' equity At 31.3.2006	1 146	76 848	-853	-62 202	14 939

Stonesoft Group

Cash flow statement 1.1.-31.3.2006 1.1.-31.3.2005 1.1.-31.12.2005  
(1000 Euro)

Cash flow from operating  
activities

Operating Profit / Loss	-1 284	-1 280	-6 258
Adjustments	198	344	1 810
Change in net working capital	-400	400	1 180
Taxes paid	-52	-95	-290
Total cash flow from operating activities	-1 539	-632	-3 558

Cash flow from investing  
activities

Investments in tangible assets	-52	-5	-185
Investments in intangible assets	-10	-2	-22
Investments in affiliated company	0	-45	48
Investments in other shares	0	0	5
Total cash flow investing activities	-63	-51	-154

Cash flow from financing  
activities

Payments of financial leasing liabilities	-54	-56	-230
Total cash flow from financing activities			

Change in cash and cash  
equivalents

Cash and cash equivalents at beginning of period	18 107	22 187	22 187
Conversion differences	-5	27	44
Changes in the market value of investments	54	106	-183

Total cash and cash equivalents at end of period	16 501	21 581	18 107
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Stonesoft Group

Geographical segments 1.1.-31.3.2006 1.1.-31.3.2005 1.1.-31.12.2005  
(1000 Euro)

Net Sales

EMEA	4 366	3 965	16 072
AMER	716	1 220	4 325
APAC	426	388	1 839
Total net sales	5 508	5 573	22 237

Operating profit			
EMEA	-795	-777	-3 605
AMER	-378	-443	-2 115
APAC	-111	-60	-538
Total operating profit	-1 284	-1 280	-6 258

Stonesoft Group  
Contingent liabilities 1.1.-31.3.2006 1.1.-31.3.2005 1.1.-31.12.2005  
(1000 Euro)

Contingent off-balance sheet			
Non-cancelable other leases	7 230	7347	7 305
Contingent liabilities for the Company	131	146	131

Stonesoft Group  
Quarterly Development (Euro Millions) Q1 / 2006 Q4 / 2005 Q3 / 2005 Q2 / 2005 Q1 / 2005 2005

Security software and appliances	2.1	2.5	1.7	2.6	1.9	8.7
Services	2.0	1.9	1.9	1.9	1.9	7.6
Other products	0.0	-0.1	0.0	0.1	0.1	0.2
Net sales Networks	4.1	4.4	3.6	4.6	3.9	16.5
Change-% from previous year	4	-1	-7	15	18	6
Net sales EMBE	1.5	1.4	1.1	1.6	1.7	5.8
Change-% from previous year	-12	-25	-24	-12	-5	-16
Net sales total	5.5	5.8	4.7	6.2	5.6	22.2
Change-% from previous year	-1	-9	-11	7	10	-1
Sales Margin	5.0	5.2	4.4	5.5	5.2	20.3
Sales Margin %	91	90	93	89	93	91
Operative expenses	6.5	7.3	6.0	7.1	6.5	27.0
Operating profit (EBITA)	-1.3	-2.0	-1.5	-1.5	-1.3	-6.3
% of net sales	-23	-34	-33	-24	-23	-28
Profit / loss before taxes	-1.2	-1.8	-1.4	-1.3	-1.2	-5.7
% of net sales	-22	-31	-30	-22	-21	-26

Stonesoft Group  
Key Ratios 1.1.-31.3.2006 1.1.-31.3.2005 1.1.-31.12.2005  
(1000 Euro)

Net Sales	5 508	5 573	22 237
Net Sales Change-%	-1	10	-1
Operating profit / loss	-1 284	-1 280	-6 258
% of Net Sales	-23	-23	-28
Operating result before taxes	-1 189	-1 193	-5 719
% of Net Sales	-22	-21	-26
ROE - %, annualized	-32	-25	-31
ROI - %, annualized	-30	-21	-29
Equity Ratio-%	77	83	77
Net Gearing	-1.08	-1.02	-1.10
Total Assets	24 691	29 725	26 027
Capital Investments	117	62	437
% of Net Sales	2	1	2
R&D Costs	1 262	1 142	4 612
% of Net Sales	23	20	21
Number of Employees (Weighted Average)	245	238	247
Number of Employees (end of the period)	248	236	252

Share Specific Ratios

Earnings per Share (EUR)	-0.02	-0.02	-0.10
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Equity per Share (EUR)	0.26	0.36	0.28
Dividend	0.00	0.00	0.00
Dividend per Share (EUR)	0.00	0.00	0.00
Dividend / Profit-%	0	0	0

## FORWARD-LOOKING STATEMENTS

This report contains statements concerning among others Stonesoft's financial condition and results of operations that are forward-looking in nature. Such statements are not historical facts but, rather, represent Stonesoft's future expectations. The company believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions. However, these forward-looking statements involve inherent risks and uncertainties, which could cause actual results or outcomes to differ materially from those anticipated in the statements. These risks and uncertainties may include among others (1) changes in our market position or in the Firewall/VPN and Intrusion detection and protection market in general; (2) the effects of competition; (3) the success, financial condition, and performance of our collaboration partners, suppliers and customers; (4) our ability to source quality components without interruption and at acceptable prices; (5) our ability to recruit, retain and develop appropriately skilled employees; (6) exchange rate fluctuations, including, in particular, fluctuations between the euro, which is our reporting currency, and the US dollar; (7) other factors related to sale of products, economic situation, business, competition or legislation affecting the business of Stonesoft or the industry in general and (8) our ability to control the variety of factors affecting our ability to reach our targets and give accurate forecasts. Forward-looking statements describe the present understanding of the company and Stonesoft does not undertake to update any of the statements or estimates given other than as strictly required by applicable laws.

The figures in this financial statements release are unaudited.

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 Board of Directors

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 CEO



This release and the presentation material related to the Interim Report are also available on Stonesoft's web site at <http://www.stonesoft.com>.