

Stonesoft Corporation Stock Exchange Release 18 February 2010 at 9:15 A.M.

STONESOFT CORPORATION'S FINANCIAL STATEMENT RELEASE FOR JANUARY-DECEMBER 2009

POSITIVE RESULT IN THE FOURTH QUARTER

The operating result of Stonesoft Corporation was EUR 0.1 million positive during the fourth quarter whereas it was EUR -0.2 million negative during the corresponding period in the previous year. The cash flow of the company was EUR 0.7 million positive whereas it was EUR -0.2 million negative during the corresponding period in the previous year. The company expects its net sales to grow from the previous year's level and the result for 2010 to be positive.

SUMMARY

The comparable figures from 2008 and 2007 are in parentheses and refer to the figures for continuing operations.

October - December 2009

- Net sales EUR 6.5 (6.9 and 5.8) million, decrease -6%
- Product sales EUR 3.7 (4.3 and 3.6) million, decrease -15%
- Operating result EUR 0.1 (-0.2 and -1.2) million
- Operating result as percentage of net sales 1 (-3 and -21)%
- Earnings per share EUR 0.00 (-0.00 and -0.02)
- Cash flow EUR 0.7 (-0.2 and -0.9) million
- Liquid assets at the end of the period EUR 6.2 (7.0 and 8.2) million

January - December 2009

- Net sales EUR 23.6 (24.4 and 19.0) million, decrease -3%
- Product sales EUR 12.6 (14.8 and 10.6) million, decrease -15%
- Operating result EUR -1.0 (-2.3 and -6.5) million
- Operating result as percentage of net sales -4 (-9 and -34)%
- Earnings per share EUR -0.02 (-0.04 and -0.11)
- Cash flow EUR -0.8 (-1.9 and -6.2) million
- Liquid assets at the end of the period EUR 6.2 (7.0 and 8.2) million

Reporting is done according to the International Financial Reporting Standards (IFRS). The calculation indicators for the key figures are described in the annexed information of the consolidated Financial Statements.

CEO Ilkka Hiidenheimo

During the last quarter of the year 2009 Stonesoft succeeded in improving its result despite the globally challenging financial situation. The operating result (EBIT) of the last quarter of the year was EUR 0.1 million positive and cash flow EUR 0.7 million positive.

The fiscal year 2009 was, as expected, challenging. Despite this, Stonesoft was able to further strengthen its competitiveness. As an indication of this, the company's products received international recognition. StoneGate Firewall/VPN -solution received the Common Criteria Evaluation Assurance EAL 4+ information security classification, which is the highest available certificate for commercial products. The company's StoneGate IPS was for the first time positioned in Gartner's Network Intrusion Prevention System Appliances Magic Quadrant report. In the test report published by the US-based NSS Labs Inc. testing and certification company in December, StoneGate IPS products outperformed the competitors' products with their usability and cost-efficiency.

We continued to make strong investments in our product development to strengthen our competitiveness. Tekes decided to finance our research and product development project "The protection of fast networks of critical infrastructure". In April 2009 we launched the new StoneGate Management Center 5.0 and StoneGate Firewall/VPN 5.0 that meet

especially the needs of distributed network environments and Managed Security Service Providers. These products solve many fundamental problems related to outsourcing network security, encrypting network traffic and understanding the situation awareness of the whole network.

The capacity of the StoneGate FW-5105 and IPS-6105 launched in July exceeds the needs of most large enterprises and meets the high capacity demands of telecom operators. Stonesoft's products protect large and critical network environments, where proactive and comprehensive security is required. Large network environments are under constant pressure to change, which sets exceptional demands to security and the systems managing it. Many traditional network security companies and products are not able to adapt to these changes fast enough. Stonesoft has always stood out from its competition through its flexibility and ability to meet its customers' rapidly changing needs. Thanks to our persistent and systematic product development, we have an extremely competitive product offering we are continuously investing in. In January 2010 we established a new product development unit in Cracow, Poland, the purpose of which is to help us further extend our lead in this area.

During the year 2009 we have managed to strengthen our product offering, competitiveness and customer base despite the globally challenging market situation. The company's result turned positive during the second half of the year and I believe we have all the prerequisites to make a positive result for the full year 2010.

FOURTH QUARTER 1.10. - 31.12.2009

Net sales

The Group's net sales totaled EUR 6.5 (6.9 and 5.8) million. Decrease compared to the corresponding period in the previous year was EUR -0.4 million or -6%. The operating result (EBIT) was positive, EUR 0.1 (-0.2 and -1.2) million.

Product sales did not quite reach the level of the previous year and was EUR 3.7 (4.3 and 3.6) million. Decrease from the previous year was -15%.

The net sales were distributed geographically as follows: Europe 68 (60 and 70) %, Emerging markets (Russia, North Africa and Middle East) 9 (18 and 8) %, Americas (North and South America) 20 (18 and 18) % and APAC (Asia-Pacific) 3 (4 and 4) %.

Result

Stonesoft's operating result (EBIT) was positive for the second consecutive quarter and was EUR 0.1 (-0.2 and -1.2) million, which was EUR 0.3 million higher compared to the corresponding period in the previous year. The operating result as percentage of net sales was 1 (-3 and -21) %. The operating result after taxes was EUR 0.0 (-0.2 and -1.1) million. The earnings per share were EUR 0.00 (-0.00 and -0.02). The equity per share was EUR 0.05 (0.06 and 0.10).

FISCAL YEAR 1.1. - 31.12.2009

Net sales

The Group's net sales totaled EUR 23.6 (24.4 and 19.0) million. Decrease compared to the corresponding period in the previous year was EUR -0.8 million or -3%. The operating result (EBIT) was EUR -1.0 (-2.3 and -6.5) million.

Product sales were EUR 12.6 (14.8 and 10.6) million. Decrease compared to the previous year was -15%.

The net sales were distributed geographically as follows: Europe 64 (60 and 63) %, Emerging markets (Russia, North Africa and Middle East) 13 (17 and 11) %, Americas (North and South America) 20 (19 and 21) % and APAC (Asia-Pacific) 3 (4 and 5) %.

Result

Stonesoft's operating result (EBIT) was EUR -1.0 (-2.3 and -6.5) million, an increase of EUR 1.2 million compared to the previous year. The operating result as percentage of net sales was -4 (-9 and -34) %. The operating result after taxes was EUR -1.0 (-2.0 and -4.2) million. The earnings per share were EUR -0.02 (-0.04 and -0.11). The equity per share was EUR 0.05 (0.06 and 0.10). The dividend per share was EUR 0 (0 and 0).

Finance and investments

At the end of the fiscal year, Stonesoft's total assets were EUR 16.0 (16.2 and 17.7) million. The equity ratio was 40 (46 and 52) % and gearing (the ratio of net debt to shareholders' equity) was EUR -2.31 (-1.99 and -1.46).

The comparable cash flow during the fiscal year was EUR -0.8 (-1.9 and -6.2) million. The Group has no interest-bearing debt. The consolidated liquid assets at the end of the fiscal year totaled EUR 6.2 (7.0 and 8.2) million.

At the end of the fiscal year the group had a considerable amount of fiscal losses, for which no deferred tax receivables have been entered into the balance sheet. The total amount of these deferred tax receivables is EUR 21.6 million, of which EUR 20.9 million is accrued in Finland and EUR 0.7 million in the United States. The company activated part of its research and development expenses in the Finnish taxation (as of 1 January 2008), due to which the Finnish calculated tax receivables have decreased from the previous year. The company can deduct the activated research and development expenses in its taxation later.

In order to strengthen the company's capital structure and to ensure the positive development of the company's strategy and growth plan also in the future, the main shareholders of the company have announced their willingness to invest at least EUR three (3) million in the company in the form of a convertible bond or directed issuance of shares. The commitment given by the main shareholders is in force until the end of the AGM in 2010. The company has not executed the convertible bond arrangement.

Investments in tangible and intangible assets totaled EUR 0.3 (0.5 and 0.5) million.

Development of business operations and strategy

During the past years Stonesoft has carried out a considerably amount of operational changes as well as intensely extended its product offering. Despite the global financial insecurity the company has demonstrated strong commitment in strengthening its product offering, competitiveness and customer base.

In 2009, the company's operational result (EBIT) improved considerably, turning positive during the last two quarters of the year.

Stonesoft's organization and sales processes are at the level required by the targets set for the year 2010. According to its selected growth strategy, Stonesoft aims to continue its decisive and persistent efforts according to its selected growth strategy to increase its net sales and result.

The main business events in 2009

In April, Stonesoft's StoneGate Firewall/VPN solution was granted a Common Criteria Evaluation Assurance Level EAL 4+ information security classification, which is the highest available certificate for commercial products.

In April, Stonesoft introduced the new StoneGate Management Center 5.0 and StoneGate Firewall 5.0, offering new revenue opportunities and cost savings for MSSPs (Managed Security Service Providers).

In April, the leading industry analyst firm Gartner, Inc. positioned Stonesoft's Network Intrusion Prevention System (IPS) for the first time in its Network Intrusion Prevention System Appliances Magic Quadrant report, which compares network intrusion prevention systems.

In May, Stonesoft announced it strives for improved profitability and specified the savings target for the rest of the year to be around 1.5 million Euros. To reach this target the company commenced, among other actions, co-operation negotiations based on which the company decided to terminate employment contract of six (6) employees and lay off the personnel in Finland with certain exceptions for six weeks in stages during the rest of the year.

In May, Stonesoft announced that Tekes, the Finnish Funding Agency for Technology and Innovation, decided to fund Stonesoft Corporation's research and development project "The protection of fast networks of critical infrastructure" with more than a million Euros.

In May, Stonesoft introduced the new StoneGate FW-1030 appliance with next generation firewall capabilities.

In June, Stonesoft introduced the new StoneGate IPS-1030 appliance, which is capable of inspecting and stopping also attacks hidden in encrypted Web traffic. The new appliance provides efficient protection for both corporate network users and public Web services against attacks hidden inside the encrypted Web connection.

In June, Stonesoft introduced the new StoneGate FW-1060 firewall and IPS-1060 intrusion prevention system appliances, which enable efficient proactive defense.

In June, Stonesoft announced it has received orders from Algerian Telecom at the value of 1.2 million Euros. The orders were related to the strategic partnership with the leading national telecommunications company Algeria Telecom, which was entered in 2008 and was now renewed by a contract that is in force for one year at the time, for a maximum period of three years, unless terminated.

In July, Stonesoft introduced the new StoneGate FW-5105 firewall/VPN and StoneGate IPS-6105 intrusion prevention system appliances designed for most demanding high capacity environments.

In August, Stonesoft introduced the new StoneGate SSL-1030 appliance that has been designed to meet the needs of small and medium-sized organizations. The solution is also a valuable tool for MSSPs (Managed Security Service Providers), offering them a straightforward, simple way to fulfill the security and mobility requirements of their customers.

In September, the US based Info Security Products Guide, industry's leading publication on security-related products and technologies named Stonesoft a winner of the 2009 Best Deployment Scenario Awards in the Firewall Solution category.

In September, Stonesoft announced that its StoneGate VPN Client passed the "Compatible with Windows 7" testing requirements for compatibility.

In November, Stonesoft announced Mr. Juha Kivikoski has been appointed Stonesoft Corporation's Chief Operating Officer (COO) as of 1 December 2009.

In November, Stonesoft announced that it has joined the RSA Secured® Partner Program and received the SecurID® interoperability certification for its StoneGate 5.0 solutions.

In December, Stonesoft announced it will accelerate its research and development and establish a new R&D unit in Cracow, Poland in January 2010.

The above-mentioned events and business activities have strengthened the company's sales, optimized the company's cost structure and reinforced the competitiveness of Stonesoft's product offering during the fiscal period.

Main business events after the fiscal period

In January Stonesoft announced the StoneGate Firewall/VPN 5.1 and StoneGate Management Center 5.1 versions.

In January Stonesoft announced that its IPS (intrusion prevention system) had performed well in the tests of the US-based NSS Labs Inc. testing and certification company.

Resales channel

The sales of the StoneGate product family as Stonesoft's core business are mainly conducted through an international resales channel.

Review of major research and development activities

The company's R&D operations are located in Finland and France. At the end of 2009, R&D employed altogether 63 (66 and 69) persons. The company's R&D investments during the fiscal period for continuing operations totaled EUR 4.9 (5.2 and 5.3) million.

R&D costs represented 22 (21 and 22) % of all expenses for continuing operations.

During the fiscal period Stonesoft's StoneGate firewall solution was granted a Common Criteria Evaluation Assurance Level EAL 4+ information security classification. The leading industry analyst firm Gartner, Inc. positioned Stonesoft's Network Intrusion Prevention System (IPS) for the first time in its Network Intrusion Prevention System Appliances Magic Quadrant report. The US based Info Security Products Guide, industry's leading publication on security-related products and technologies named Stonesoft a winner of the 2009 Best Deployment Scenario Awards in the Firewall Solution category, and Stonesoft's StoneGate VPN Client passed the "Compatible with Windows 7" testing requirements for compatibility. Stonesoft joined the RSA Secured® Partner Program and received the SecurID® interoperability certification for its StoneGate 5.0 solutions.

Further during the fiscal period Stonesoft introduced the new StoneGate Management Center 5.0 and StoneGate Firewall 5.0, offering new revenue opportunities and cost savings for MSSPs (Managed Security Service Providers). The new StoneGate FW-1030 appliance was introduced and offers next generation firewall capabilities. Stonesoft introduced also the new StoneGate IPS-1030 appliance, which is capable of inspecting and stopping also attacks hidden in encrypted Web traffic, and the StoneGate FW-1060 firewall and IPS-1060 intrusion prevention system appliances, which enable efficient proactive defense. The StoneGate FW-5105 firewall/VPN and StoneGate IPS-6105 intrusion prevention system appliances are designed for most demanding high capacity environment, whereas the introduced StoneGate SSL-1030 appliance meets the needs of small and medium-sized organizations.

In December, Stonesoft announced it will accelerate its research and development and establish a new R&D unit in Cracow, Poland in January 2010.

Tekes, the Finnish Funding Agency for Technology and Innovation, decided to fund Stonesoft Corporation's research and development project "The protection of fast networks of critical infrastructure" with more than a million Euros.

Stonesoft was granted three patents during the year. The patents were related to VPN performance measurement, personalized firewall and optimizing the rule base traversal of a security appliance.

We believe that the above-mentioned incidents will improve the competitiveness of the company in the markets.

Development of share prices and turnover

Stonesoft's share value at the beginning of the fiscal year on January 2, 2009 was EUR 0.32 (0.29 and 0.47). At the end of the fiscal year on December 31, 2009, the share price was EUR 0.70 (0.32 and 0.29). The highest share price was EUR 0.78 (0.50 and 0.56), and the lowest EUR 0.31 (0.24 and 0.22). During the year, the total turnover of Stonesoft shares amounted to EUR 5.8 (5.2 and 8.4) million and 11.1 (14.9 and 20.0) million shares, which is 19.4 (26.0 and 34.9) % of the total amount of the shares. Based on the share price on December 31, 2009, Stonesoft's market capitalization was EUR 40.1 (18.3 and 16.6) million.

Share capital development and stock option programs

At the end of the fiscal year on December 31, 2009, Stonesoft's share capital recorded in the Trade Register totaled EUR 1,146,054. The number of shares at the end of the fiscal year corrected by share issue was 57 727 732 (57 309 875 and 57 302 732). The weighted average value of the numbers of shares corrected by share issue was 57 723 942 (57 307 748 and 57 302 732). The share capital remained unchanged. There is one class of shares and every share has one vote. The shares have no limitations on voting rights. The shares have no nominal value and no bookkeeping equivalent value. There are no redemption or approval clauses related to the shares, or securities entitling to the shares, and no other limitations of transfer. Furthermore, the shares and securities entitling to the shares have no special rights related to the decision making of the company.

The shares of the company have been connected to the book-entry securities system maintained by Euroclear Finland Ltd (former Finnish Central Securities Depository Ltd), which maintains the official shareholder register of the company. The shares of the company are rated on the small company list under the information technology classification with the trade identification SFT1V in the NASDAQ OMX Helsinki Ltd.

The company has currently two valid stock option programs, Stock Option program 2004-2010 and Stock Option program 2008-2014. Under the Stock Option program 2004-2010, the subscription price is EUR 0.56, and the total number of stock options to be granted based on it is at the maximum 1,500,000. The subscription period of the shares is graded and will end for all stock options on December 31, 2010. At the end of the year 2009 in total 1,076,250 stock options had been granted under this program. Under the Stock Option program 2008-2014, the subscription price of which is EUR 0.30 and the total number of stock options to be granted based on this program is at the maximum of 3,000,000. The subscription period of the shares is graded and will end for all stock options on December 31, 2014. At the end of the year 2009 in total 1,175,000 stock options had been granted under this program. At the end of the fiscal year in total 1,076,250 shares could be subscribed based on these programs, which represents 1.88% of the present number of shares and votes in the company. During the fiscal year, no subscriptions were made on the basis of the stock option programs targeted for key persons in the company.

Shareholders

At the end of 2009, the company had 5,862 (5,877 and 6,034) shareholders. Nominee-registered holdings represented 6.7% of the share capital in 2009.

The company gave no notices of change of ownership during the fiscal year.

Shareholdings of the Board of Directors and the CEO

On December 31, 2009, the members of the Board of Directors, the CEO and the entities under their control held a total of 21,895,524 shares of the company, which represented 38.2% of the shares and the voting rights. The stock option rights held by the members of the Board of Directors on December 31, 2009 entitled them to a subscription of 150,000 shares.

Proposal by the Board of Directors for distribution of profit

The operating result of the parent company was EUR -0.6 million. At the end of the fiscal year the parent company had no distributable equity in its shareholders' equity. The Board of Directors proposes that the company pay no dividend and that the loss be debited to the Profit/Loss account.

Authorizations of the Board of Directors

The Annual General Meeting of Shareholders (AGM) held on March 26, 2009, decided to grant the Board of Directors a new authorization.

According to the new authorization, the Board of Directors is authorized to issue new shares and to grant stock option rights and other special rights, in one or several tranches, to the extent that the total number of new shares may be 11,450,000 at the maximum.

According to the authorization, the Board of Directors may decide to offer new shares to be issued in a new issue and/or the stock option or special rights for subscription either according to the shareholders' pre-emptive subscription rights, or in deviation from the shareholders' pre-emptive subscription right in case the deviation is justified by a weighty financial reason for the company, such as financing of an acquisition, enabling of a joint venture transaction, providing of additional financial alternatives, and/or an arrangement for incentive program directed to the company's personnel.

The issue may be directed partly or in full to the company's main shareholders, Ilkka Hiidenheimo and Hannu Turunen, who have confirmed to be ready to invest at least three (3) million Euros in the company in form of a convertible bond in order to strengthen the company's capital structure with an additional cash reserve and to ensure the continuance of the positive development in the future in line with the company's strategy and growth plan. The commitment given by the main shareholders is in force until the end of the AGM in 2010.

The Board of Directors was authorized to decide other terms and conditions related to the share issues and to the issuance of stock option or other special rights. The authorization is in force until the end of the AGM in 2010.

The company does not own its shares and the Board of Directors do not have an authorization to acquire its own shares.

The company's Board of Directors, Executive Management and auditors

According to the Articles of Association of the company, the Board of Directors is comprised of three to seven (3-7) ordinary members. The term of the member of the Board of Directors starts at the end of the Annual General Meeting that elects him/her and continues until the end of the next Annual General Meeting. The Annual General Meeting held on March 26, 2009 elected five members to the Board of Directors. Ilkka Hiidenheimo, Topi Piela, Matti Viljo, Hannu Turunen and Timo Syrjälä were elected to the Board. In its statutory meeting held on March 26, 2009, the Board elected Matti Viljo as Chairman of the Board and Topi Piela as Vice Chairman. Furthermore, the Board decided that there will be no separate Board committees because due to the size of the company's business operations and the size of the Board, there is no need to prepare issues in smaller units than the entire Board.

According to the Articles of Association, the company has a Chief Executive Officer (CEO), who is appointed and discharged by the Board of Directors. In 2009, Ilkka Hiidenheimo was the CEO of the company. The CEO is in charge of the day-to-day management of the company in accordance with the instructions and orders given by the Board of Directors as well as the Companies Act.

The members of the company's Executive Management were Ilkka Hiidenheimo, Juha Kivikoski, Kim Fagerlös, Saara Laine, Mikael Nyberg, Mika Jalava and Klaus Majewski.

In 2009, authorized public accountants Ernst & Young Oy acted as Stonesoft's auditor and authorized public accountant Bengt Nyholm as the main auditor.

The compensation of the CEO

CEO Ilkka Hiidenheimo will not accept any compensation for his duties until the company is profitable. There is no specific retirement age set forth for the CEO, and the CEO's pension is the same as for all the company's employees, as defined in Finland's Employee Pension Act (TYEL). The contract of employment for the CEO provides for notice of six (6) months prior to termination, with compensation being equal to six months' salary and a further optional six (6) months' fixed salary if the company terminates the contract without essential breach of contract by the CEO. Both the pension right and the right to compensation in case of termination of contract are only theoretical as long as the CEO is not receiving any compensation. The same arrangement applies in connection with public take-over bids.

Acquisitions and changes in the structure of the Group

No acquisitions were made during the fiscal year. The Singapore subsidiary was closed in spring 2009. There were no changes in the Group structure.

Foreign branches and representative office

The company has no foreign branches. The company has a representative office in China.

Personnel

The comparable figures from 2008 and 2007 are in parentheses and refer to the figures for continuing operations.

At the end of the fiscal year, the Group's personnel totaled 174 (185 and 181) people, of which 154 (167 and 165) were employees and 20 (18 and 16) had contractual relationships as full-time sales representatives or consultants.

The salaries and other remuneration paid to the employees, including social security payments, were in total EUR 14.0 (14.8 and 14.2) million.

The average number of personnel during the fiscal period was 178 (183 and 181).

The geographical distribution of Stonesoft personnel was Europe 135 (144 and 145), Emerging markets (Russia, North Africa and Middle East) 12 (9 and 8), Americas (North and South America) 22 (28 and 23) and APAC (Asia and Pacific) 5 (4 and 5).

Environment

Due to the nature of the company's business, the direct environmental impacts of its business operations are fairly limited. The activities of the company include internal software development and purchasing of external hardware assembly services and related installation services from a subcontractor. Stonesoft is a member of PYR (The

International Register of Packaging PYR ltd). Stonesoft's products are compliant with RoHS and WEEE directives (directives for restrictions of hazardous substances in electric appliances and recycling of electric appliances).

Corporate Governance

Stonesoft's Board of Directors has reviewed and approved the Corporate Governance Statement on 17.2.2010. The Statement will be issued separately from The Board of Directors' report and published at the company's website as well as in the Annual Report. The Corporate Governance Statement contains the main features of internal control and risk management in relation to the financial reporting systems as well as information about the composition and duties of the Board of Directors and information about the Chief Executive Officer.

The Annual Report for the previous fiscal year is published during week 13 at the corporate website www.stonesoft.com including the Financial Statements, the Board of Directors' Report and the Auditor's report as well as the company's Corporate Governance Statement.

Stonesoft Corporation applies the Corporate Governance Code recommendations for listed companies prepared by the NASDAQ OMX Helsinki Ltd, the Central Chamber of Commerce and the Confederation of Finnish Industries EK and published in October 2008, with the exemption of recommendations concerning the establishment of Board committees. The Board of Directors has decided not to establish any Board committees due to the size of the Board and the size of the company. A more detailed description of the Corporate Governance principles of Stonesoft Corporation is available at the corporate website.

Short-term risks and business uncertainties

During the fiscal year 2010, Stonesoft's main risks and business uncertainties relate to the realization timetable of the sales projects and possible production disruption of our subcontractors and suppliers.

Risk Management, Internal Control and Internal Audit

The Board of Directors of Stonesoft Corporation has primary responsibility for accounting and monitoring of financial administration of the company. The Board of Directors is also ultimately responsible for risk management and internal control of Stonesoft, and the CEO is in charge of arranging the risk management and internal control in practice as well as of monitoring their functioning. Co-ordination of risk management and internal control is the responsibility of the Chief Financial Officer (CFO). The Executive Management of the Group supports the risk management processes by considering the risks and management thereof in its meetings. Risk management and internal control aim at ensuring that (i) the operation of the company is effective and suited to its purpose, (ii) financial information is reliable and (iii) authority regulation and internal policies are complied with.

CFO, as the coordinator of corporate risk management, creates corporate-level risk management principles, develops risk management tools and is in charge of global insurance policies. Business units must adhere to the corporate level policies and proactively contribute to the development of corporate risk management. Risk management function concentrates on (i) evaluation and management of operational risks, (ii) management of financial risk and (iii) management and safeguard of critical business-related information and assets.

Operational risks: The company sets financial targets annually in connection with the budgeting and the realization of the targets is monitored on a monthly basis. The guidance and supervision of the business operations takes place with the means of a reporting and forecasting system covering the entire group that the company strives to develop on a continuous basis. The product sales and related services sales are made

mainly through global channel partners, using standardized Stonesoft agreements. The sales operations are supported by the company's internal legal unit seeking to reduce the risks related to the global business operations through continuous management and development of contracts. The company also uses insurance to cover property, operational and liability risks.

Financial risks: Stonesoft does not normally provide financing to its customers, other than generally accepted terms of payment. The company invoices mainly in Euros, the US dollar being the other invoicing currency. The company's costs occur mostly in Euros. Exchange rate fluctuations can affect the company's financial results. The company uses matching as a main tool for offsetting the exchange rate risks. The task of Stonesoft's Corporate Treasury is to manage financial risks in accordance with the Treasury Policy approved by Stonesoft's Board of Directors. The main goals of the policy are: (i) to ensure the short-term liquidity of the company, (ii) to guarantee efficient circulation and short-term investments of the operational cash flows and (iii) to follow prudent and transparent investment policy for the cash reserves, aiming at guaranteeing competitive return on a selected risk level. The company's reserves are all invested on interest bearing low risk instruments. The company's operations and related costs are continuously controlled.

Management and safeguard of critical business related information and assets: Stonesoft manages and safeguards its critical business information by stringent internal policies and processes. The company constantly reviews and updates its network infrastructure and takes actively advantage of its own products in order to protect the network infrastructure of the company. The company has back-up systems to ensure business continuity during the unexpected.

Internal audit: Due to the small size of the company and the scope of the business operations Stonesoft does not have a separate organization for the internal audit function or a separate internal audit committee. The regular audits conducted by the audit firm in relation to the interim reports aim also for their part at evaluating the efficiency of and constant developing of risk management, internal audit and administrative processes.

The structure of the group and the financial administration has been set up with the aim to prevent malpractice, among others, through clear internal guidelines and definition of authorizations. In addition, all sales are made in the name of the parent company and local payment transactions of subsidiary companies and sales offices concern generally only local salaries and other minor costs.

Future outlook

According to the research company Gartner, Inc. the enterprise network equipment market that declined by 19% during 2009, is estimated to recover to annual growth of 4.7% during 2010.

Stonesoft's products protect large and critical network environments that require advanced network security. During 2009 the company has launched security solutions that meet the capacity needs of 10 Gbps networks. Large enterprises are currently making a transition to 10 Gbps networks, which will fulfill their needs today and in the near future. Large network environments are under constant change pressures, because companies strive for increasingly efficient operations and at the same time need to adapt to rapidly changing competitive situations. This sets special demands to the flexibility and manageability of security solutions. Many traditional security companies and products are not able to adapt to these changes fast enough. Stonesoft has always stood out as a company and with its product through its flexibility and ability to quickly meet its customers' changing needs.

The strong growth of MSSP (Managed Security Service Provider)-, virtualization, SAAS (Software as a Service) and cloud services has created a need for ensuring network security and business continuity also in new environments. The management features of StoneGate, the scalability of the appliance based product family and the excellent

suitability of the product for virtual environments offer an optimal system for these environments.

As security threats in the public sector increase, a growing number of government organizations have started improving their protection against network attacks and for example cyber espionage. StoneGate products offer a comprehensive, centrally managed protection and are ideally suited for the needs of the public sector. Currently Stonesoft's network security solutions are used by more than 50 government departments at five continents around the world.

The relative importance of the operability and availability of data networks to business is continuously increasing. This has led to the growth of the demands to network security design and to the need to achieve a comprehensive overview of the state of the network and data communications. This strengthens Stonesoft's competitive position. We are specialized in delivering comprehensive network security solutions, which meet also the exceptionally high demands of critical network environments and enable increased efficiency and flexibility.

Stonesoft will continue its decisive and persistent efforts to increase its net sales and operating result. During the year 2010 the company expects its net sales to grow from the previous year's level and the result to be positive.

With regard to the development of the turnover and the operating result, variation is expected between the quarters in comparison to the corresponding quarter during the previous year as well as to the previous quarter as a consequence of, among others, long sales cycles, a relatively big impact of individual deals, and the variation between the quarters in the previous year.

Stonesoft Group

Income Statement (1000 Euro)	10-12/2009	10-12/2008	1- 12/2009	1- 12/2008
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Continuing operations

Net sales	6 510	6 936	23 597	24 427
Other operating income	276	404	969	1 275
Materials and services	-854	-860	-3 539	-3 547
Personnel expenses	-3 660	-4 000	-14 004	-14 796
Depreciation	-113	-119	-454	-483
Other operating expenses	-2 068	-2 539	-7 616	-9 161
Operating result	90	-177	-1 048	-2 286
Financial income and expenses	36	59	316	276
Result before taxes	126	-118	-731	-2 010
Taxes	-125	-69	-240	-219
Result from continuing operations	1	-187	-971	-2 229
Result from discontinued operations	0	0	0	186
Result for the accounting period	1	-187	-971	-2 043

Other comprehensive income

Exchange differences on translating foreign operations	8	-8	15	-30
Total other comprehensive income	8	-8	15	-30
Total comprehensive income	10	-195	-956	-2 074
Basic earnings per share (EUR), continuing operations	0,00	0,00	-0,02	-0,04
Diluted earnings per share (EUR), continuing operations	0,00	0,00	-0,02	-0,04
Basic earnings per share (EUR), discontinued operations	0,00	0,00	0,00	0,00
Diluted earnings per share (EUR), discontinued operations	0,00	0,00	0,00	0,00

Stonesoft Group
Balance Sheet (1000 Euro)

31.12.2009 31.12.2008

ASSETS

Non-Current Assets

Tangible assets	494	692
Intangible assets	176	104
Other investments	10	10
Deferred tax assets	0	0
Total	680	806

Current assets

Inventories	673	911
Trade and other receivables	8 383	7 371
Prepayments	67	19
Marketable securities	5 240	6 310
Cash and cash equivalents	970	738
Total	15 333	15 348

Total assets 16 013 16 154

EQUITY AND LIABILITIES

Equity attributable to equity holders of the parent company

Share capital	1 146	1 146
Share premium account	76 821	76 821
Conversion differences	-936	-951
Retained earnings	-74 346	-73 473
Total	2 685	3 543

Long-term liabilities

Provisions	0	26
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Other long-term liabilities	(*)	2 606	2 336
Total		2 606	2 363
Short-term liabilities			
Trade and other payables	(*)	10 604	9 991
Tax liability		81	41
Provisions		37	214
Short-term interest bearing liabilities		0	2
Total		10 722	10 248
Total liabilities		13 328	12 611
Total equity and liabilities		16 013	16 154
*) Other liabilities include customers' pre-paid maintenance agreements periodicity			
		9 267	8 372

Stonesoft Group
Statement of changes in equity
(1000 Euro)

	Share capital	Share premium	Conversion differences	Retained earnings	Total
Shareholders' equity at 1.1.2008	1 146	76 821	-927	-71 461	5 579
Comprehensive income			-24	-2 043	-2 068
Stock options		32			32
At the closing on 31.12.2008					
transferred stock option expenses					
accumulated retained earnings		-32		32	0
Shareholders' equity at 31.12.2008	1 146	76 821	-951	-73 473	3 543

	Share capital	Share premium	Conversion differences	Retained earnings	Total
Shareholders' equity at 1.1.2009	1 146	76 821	-951	-73 473	3 543
Comprehensive income			15	-971	-956
Stock options				98	98
Shareholders' equity at 31.12.2009	1 146	76 821	-936	-74 346	2 685

Stonesoft Group

	1.1.- 31.12.2009	1.1.- 31.12.2008
Cash flow statement (1000 Euro)		

Cash flow from operating activities		
Operating Result	-1 048	-2 286
Adjustments		
Non-cash transactions	644	319
Financial expenses	-129	-93
Financial incomes	336	375
Change in net working capital	-226	614

Taxes paid	-210	-218
Total cash flow from operating activities	-632	-1 288
Cash flow from investing activities		
Investments in tangible assets	-202	-422
Investments in intangible assets	-126	-66
Investments in affiliated company	0	0
Investments in other shares	0	-10
Net cash flow investing activities continuing operations	-328	-498
Net cash flow investing activities discontinued operations	0	761
Total cash flow investing activities	-328	263
Cash flow from financing activities		
Payments of financial leasing liabilities	-2	-72
Total cash flow from financing activities	-2	-72
Change in cash and cash equivalents		
Cash and cash equivalents at beginning of period	7 048	8 210
Conversion differences	15	-30
Changes in the market value of investments	109	-34
Total cash and cash equivalents at end of period *)	6 210	7 048
*) Total cash and cash equivalents at end of the period contains pledged securities	452	315

Stonesoft Group
Geographical segments 1.1.-31.12.2009 1.1.-31.12.2008
(1000 Euro)

Net sales		
Europe	15 182	14 740
Emerging Market	3 162	4 123
Americas	4 605	4 495
APAC	648	1 069
Total net sales	23 597	24 427
Operating profit		
Europe	546	-1 061
Emerging Market	-327	338
Americas	-1 180	-1 532
APAC	-87	-31
Total operating profit	-1 048	-2 286

Stonesoft Group
Contingent liabilities 1.1.-31.12.2009 1.1.-31.12.2008
(1000 Euro)

Contingent off-balance sheet		
Non-cancelable other leases		
Contingent liabilities for the Company	2 541	3 377

Stonesoft Group

Related party information

(1000 Euro)

1.1.-31.12.2009 1.1.-31.12.2008

Consultation fees paid to the Board of Directors

0

0

Stonesoft Group

Quarterly development

(Euro Millions)

	Q4 /	Q3 /	Q2 /	Q1 /		Q4 /	Q3 /	Q2 /	Q1 /	
	2009	2009	2009	2009	2009	2008	2008	2008	2008	2008
Software	0,6	0,4	0,3	0,4	1,6	1,0	0,5	0,7	0,4	2,6
Security appliances	3,1	2,9	3,1	2,0	11,0	3,4	2,8	3,4	2,8	12,3
Services	2,8	2,7	2,7	2,6	10,9	2,6	2,4	2,3	2,2	9,5
Other products	0,0	0,0	0,0	0,1	0,1	0,0	0,1	0,0	-0,1	0,1
Net sales continuing operations	6,5	6,0	6,0	5,1	23,6	6,9	5,9	6,4	5,3	24,4
Change-% from previous year	-6	2	-5	-3	-3	19	45	32	22	28
Sales margin	5,7	5,1	4,9	4,4	20,1	6,1	5,1	5,4	4,3	20,9
Sales margin %	87	85	81	86	85	88	86	85	82	85
Operative expenses	5,8	4,7	5,8	5,7	22,0	6,6	5,9	6,0	5,8	24,4
Operating profit (EBITA)	0,1	0,5	-0,6	-1,1	-1,0	-0,2	-0,5	-0,4	-1,2	-2,3
% of net sales	1	9	-9	-22	-4	-3	-9	-6	-24	-9
Result before taxes	0,1	0,7	-0,5	-1,0	-0,7	-0,1	-0,4	-0,3	-1,2	-2,0
% of net sales	2	11	-8	-20	-3	-2	-7	-4	-23	-8

Stonesoft Group

Key ratios

(1000 Euro)

1.1.-31.12.2009 1.1.-31.12.2008

Net sales, continuing operations

23 597

24 427

Net sales change-%

-3

28

Operating result, continuing operations

-1 048

-2 286

% of net sales

-4

-9

Operating result before taxes

-731

-2 010

% of net sales

-3

-8

ROE - %, annualized, continuing operations

-31

-49

ROI - %, annualized

-19

-40

Equity ratio-%

40

46

Net gearing

-2,31

-1,99

Total Assets

16 013

16 154

Capital expenditure

328

488

Capital disposals

19

0

R&D costs

4 918

5 230

% of net sales

21

21

Number of employees (weighted average)

178

183

Number of employees (end of the period)

174

185

Share Specific Ratios

Earnings per share, continuing operations	-0,02	-0,04
Earnings per share, discontinued operations	0,00	0,00
Equity per share	0,05	0,06
Dividend	0,00	0,00
Dividend per share (EUR)	0,00	0,00
Dividend / Profit-%	0	0

Calculation of indicators

Return on equity (ROE) % =	$\frac{(\text{Profit before taxes} - \text{income taxes}) \times 100}{\text{Shareholders' equity} + \text{minority interest (average)}}$
Return on invested capital (ROI)% =	$\frac{(\text{Profit before extraordinary items} + \text{interest and other financial expenses}) \times 100}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$
Equity ratio % =	$\frac{(\text{Equity} + \text{minority interest}) \times 100}{\text{Balance sheet total} - \text{advances received}}$
Net gearing =	$\frac{\text{Interest bearing net debt} - \text{cash in hand and on deposit} - \text{marketable securities}}{\text{Equity} + \text{minority interest}}$
Earning per share (EPS) =	$\frac{\text{Profit before taxes} - \text{minority interest} - \text{income taxes}}{\text{Average number of shares adjusted for dilutive effect of options}}$
Equity per share =	$\frac{\text{Equity}}{\text{Number of shares at end of period}}$

ACCOUNTING PRINCIPLES

This Financial Statements Release has been prepared in accordance with IAS 34 standard.

FORWARD-LOOKING STATEMENTS

This report contains statements concerning, among other things, Stonessoft's financial condition and the results of operations that are forward-looking in nature. Such statements are not historical facts, but rather represent Stonessoft'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 other things, (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.

The figures presented in this release are audited.

Press conference

A press conference for investors, journalists and analysts will be held on 18 February 2010 at 10.30 AM at the Stonesoft headquarters, street address Itälahdenkatu 22 A, 00210 Helsinki.

Annual General Meeting

The Annual General of the shareholders of Stonesoft Corporation is held on 22 April 2010 at 3.00 PM at the company headquarters at Itälahdenkatu 22 A, 00210 Helsinki.

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This release and the presentation material related to this report are also available on Stonesoft's website at www.stonesoft.com.

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