



2012

October – December

interim report

STONESOFT

Ilkka Hiidenheimo, CEO
February 8th, 2013

Stonesoft Corporation

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STONESOFT

saving lives and
businesses in
cyberspace

A person in a dark jacket and jeans stands on a wooden pier, looking out at a calm ocean under a bright, hazy sky. The pier's wooden planks lead towards the horizon, and the person's reflection is visible on the wet surface.

continued growth & turnaround in profitability

Q4 / 2012 Highlights

- Net sales of EUR 13.5 million, +41% compared to the corresponding period in 2011 (9.5).
- Product sales were EUR 9.6 million, +58% compared to the corresponding period in 2011 (6.1).
- Operating profit (EBIT) was EUR 1.4 million (0.3).
- Operational cash flow was EUR -0.0 million, compared to EUR 0.6 million in the corresponding period in 2011.

A person in a dark jacket and trousers stands with their back to the camera on a wooden pier. They are looking out over a calm body of water towards a hazy, distant shoreline. The pier is made of wooden planks and has some debris on it. The overall mood is contemplative and serene.

October - December 2012

- Net sales of EUR 40.1 million, +31% compared to the corresponding period in 2011 (30.6).
- Product sales were EUR 25.6 million, +45% compared to the corresponding period in 2011 (17.7).
- Operating profit (EBIT) was EUR 0.5 million (-1.1).
- Operational cash flow was EUR -0.5 million, compared to EUR -0.3 million in the corresponding period in 2011.

A person in a dark jacket and trousers stands with their back to the camera on a wooden pier. They are looking out over a calm body of water towards a hazy, distant shoreline. The pier is made of wooden planks and has some debris on it. The overall mood is contemplative and serene.

January - December 2012

The era of strong growth continues

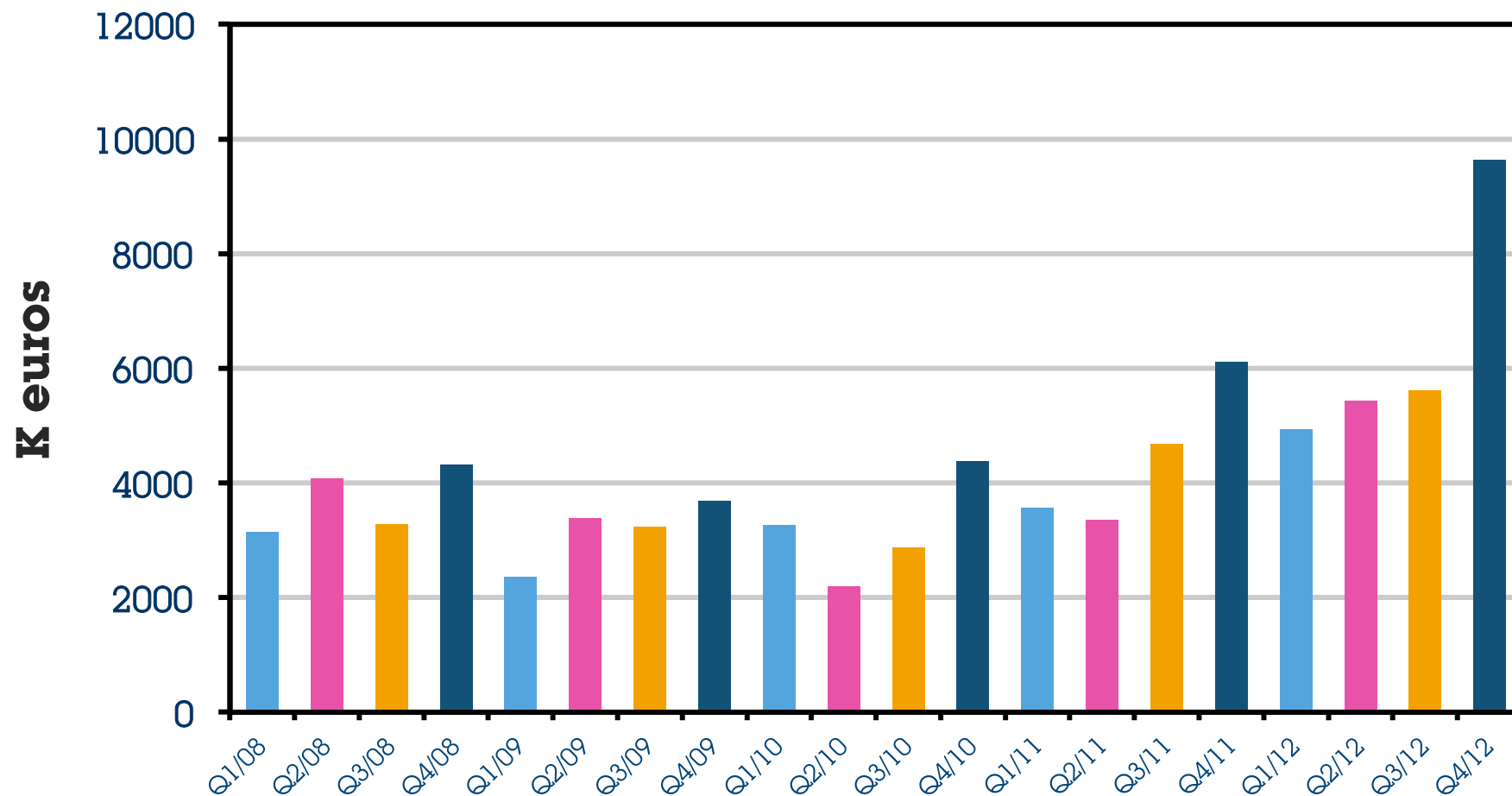


Conclusions

Q4 / 2012

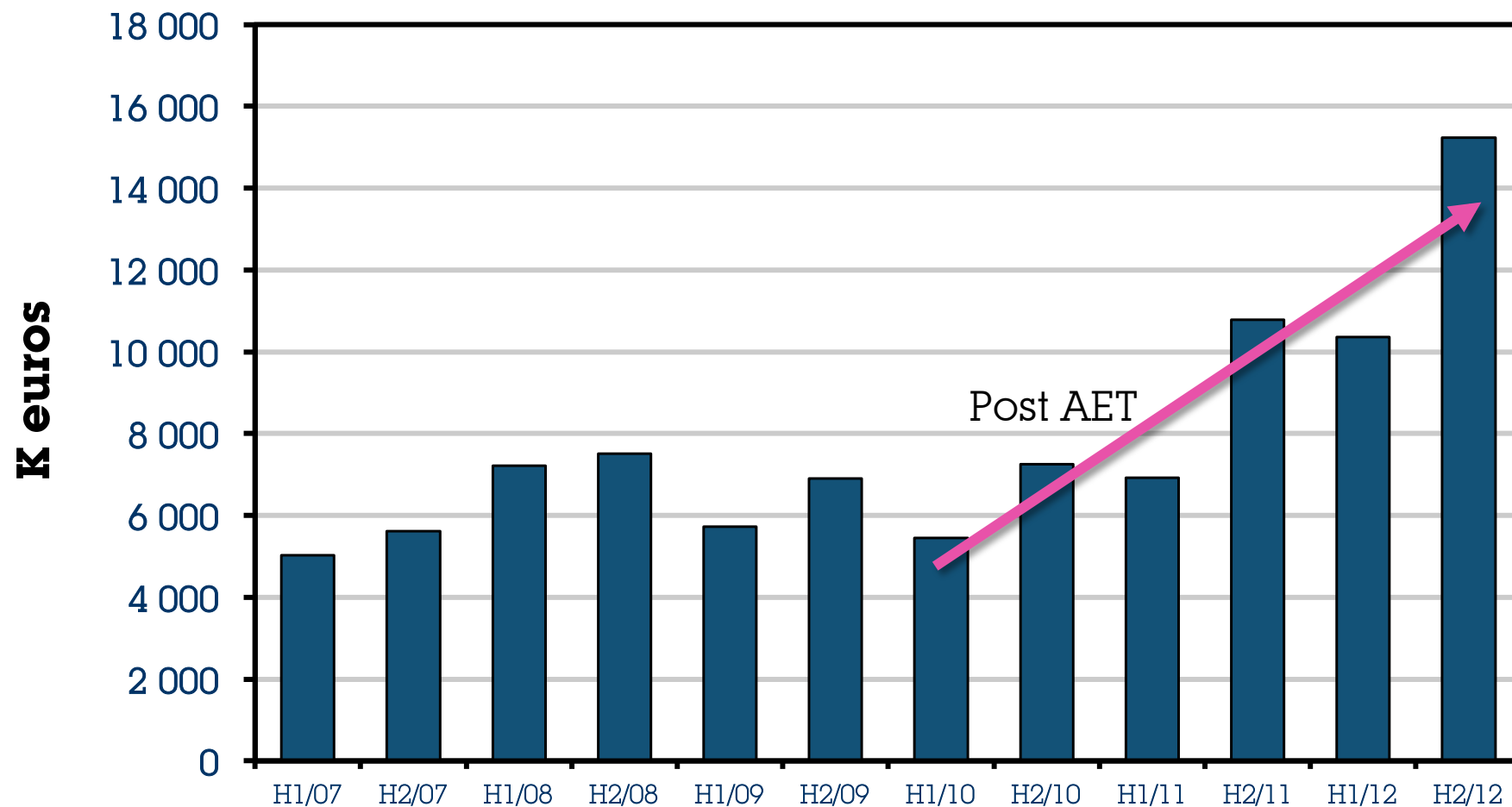
Financials

Product sales by quarter



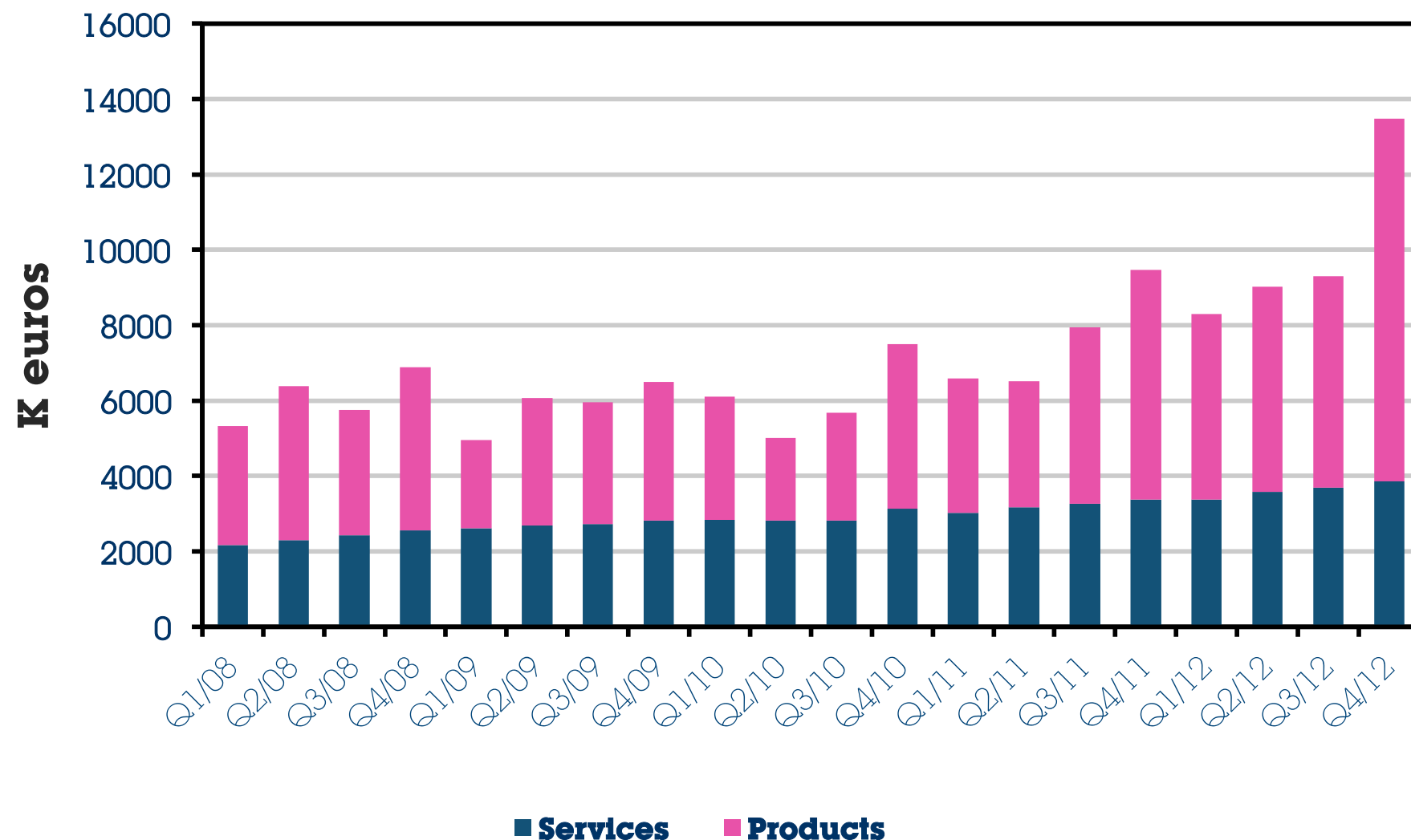
- Strong demand continued
- All areas showed growth
- All-time high product sales

Product sales by half year



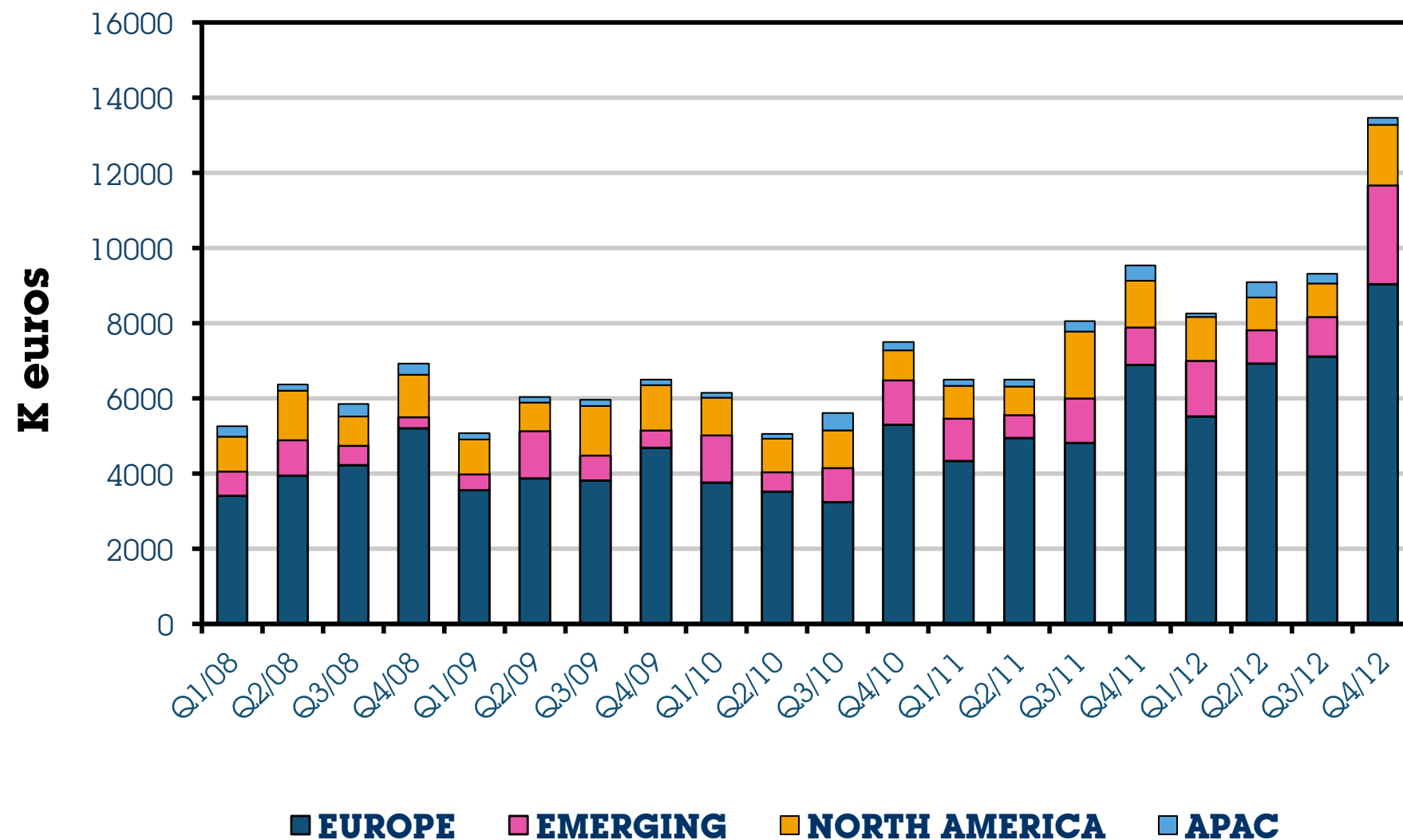
- Visible change in advanced threat landscape: products with AET protection gaining more traction
- Security Engine sales starting to meet expectations

Sales split



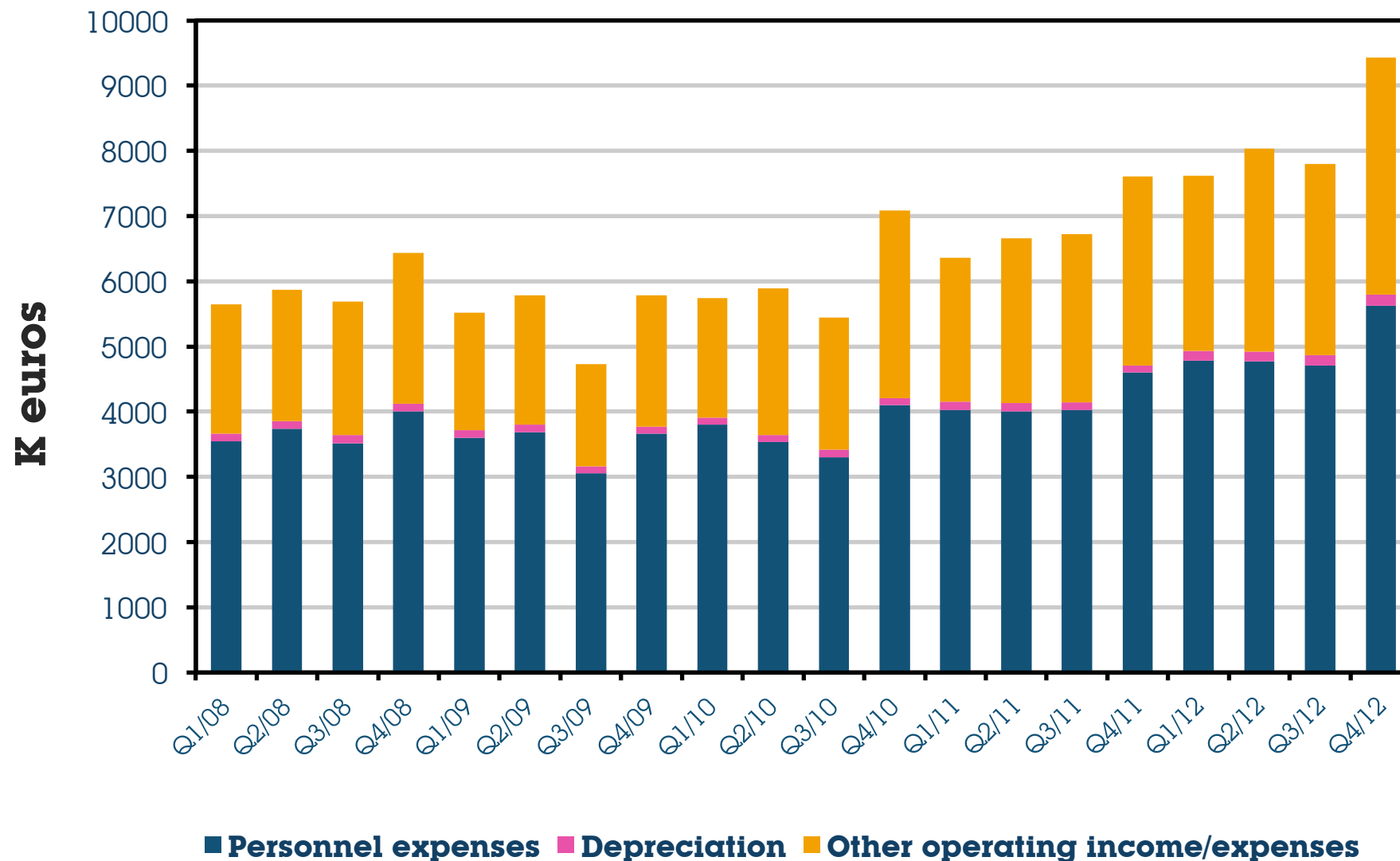
- Even with strong growth we were able to maintain the industry's highest retention rate and keep processes on track.

Net sales by area



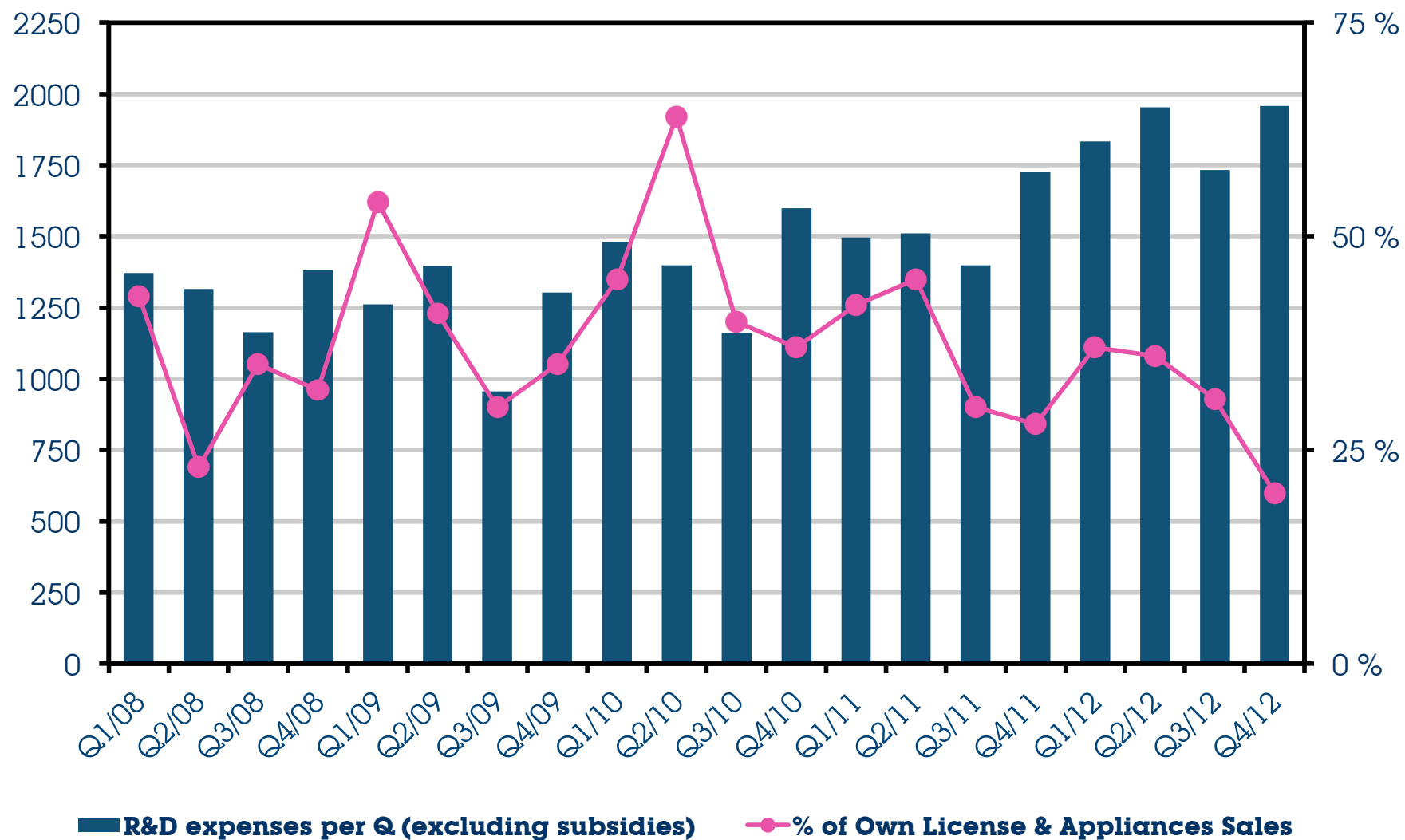
– Even, strong demand across all markets, except Asia

Operating costs by quarter



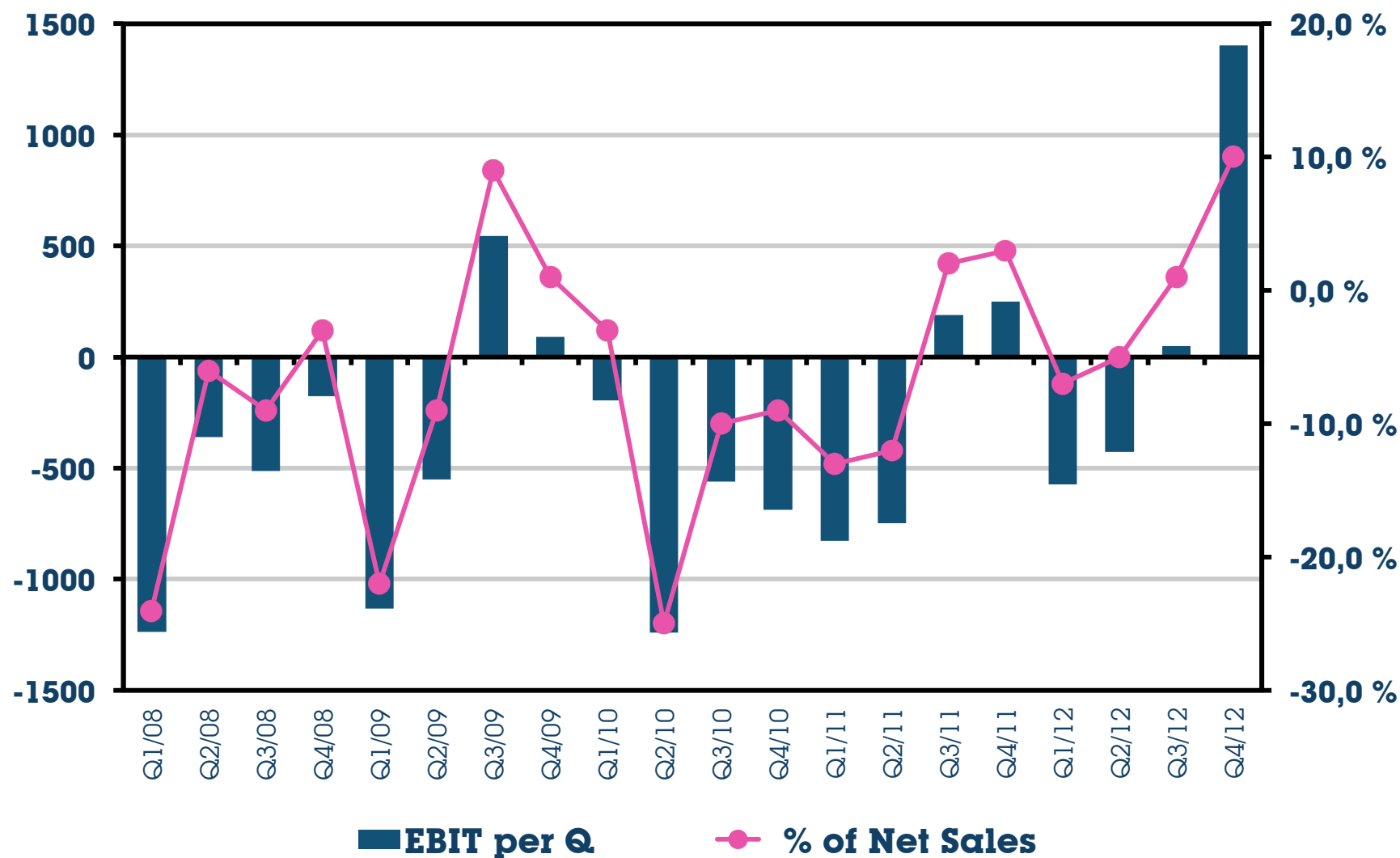
- Sales were globally accelerated by investments in sales and marketing
- New customer requirements targeted through added investments in R&D

R&D expenses



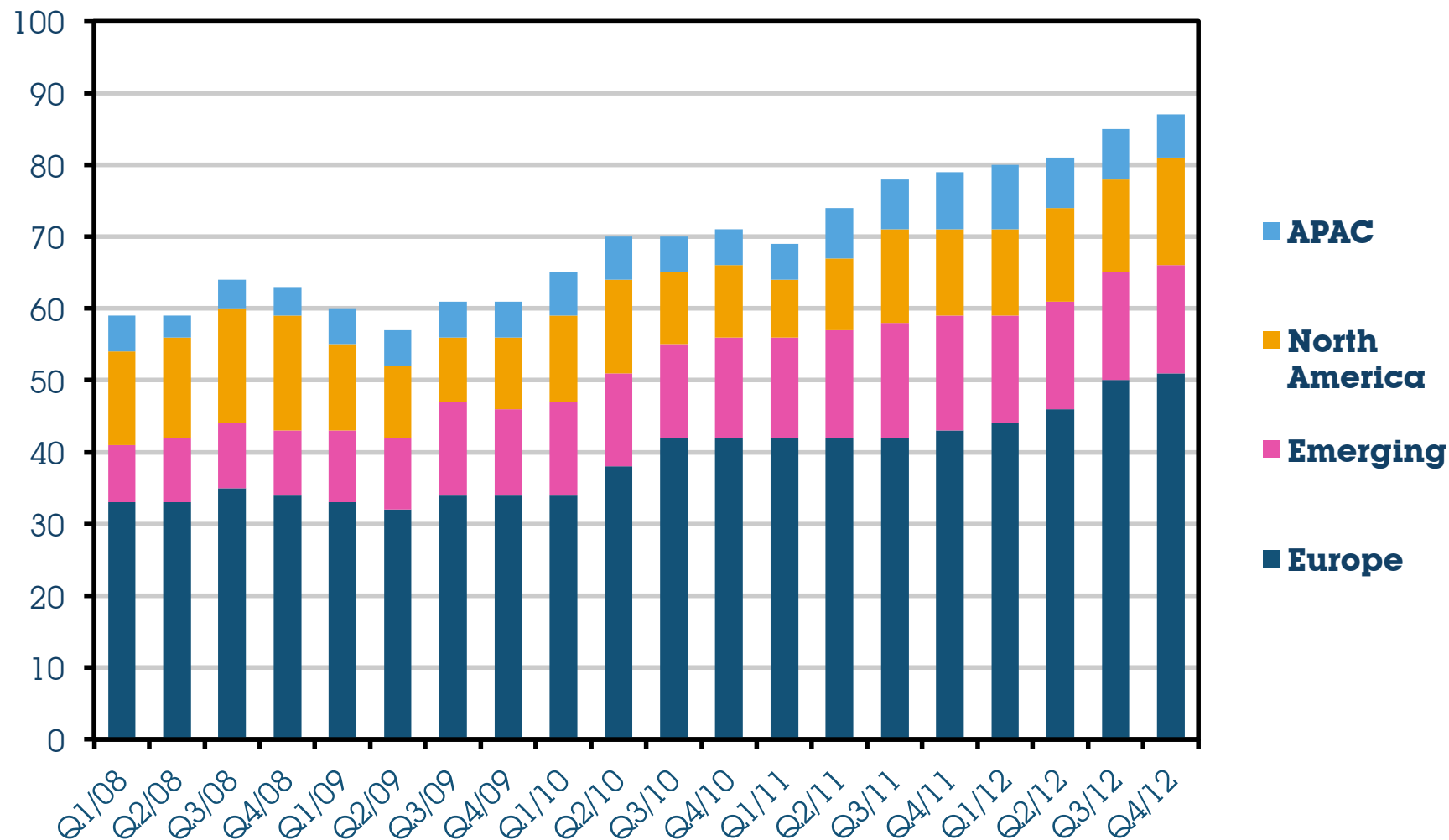
- Virtual FW development aimed at MSSPs, cloud service providers and large demanding organizations.
- User experience development to build on the key benefits of security management efficiency and effectiveness.
- Enhanced POC capabilities to facilitate sales process and enhanced demonstration of product benefits.

EBIT by quarter



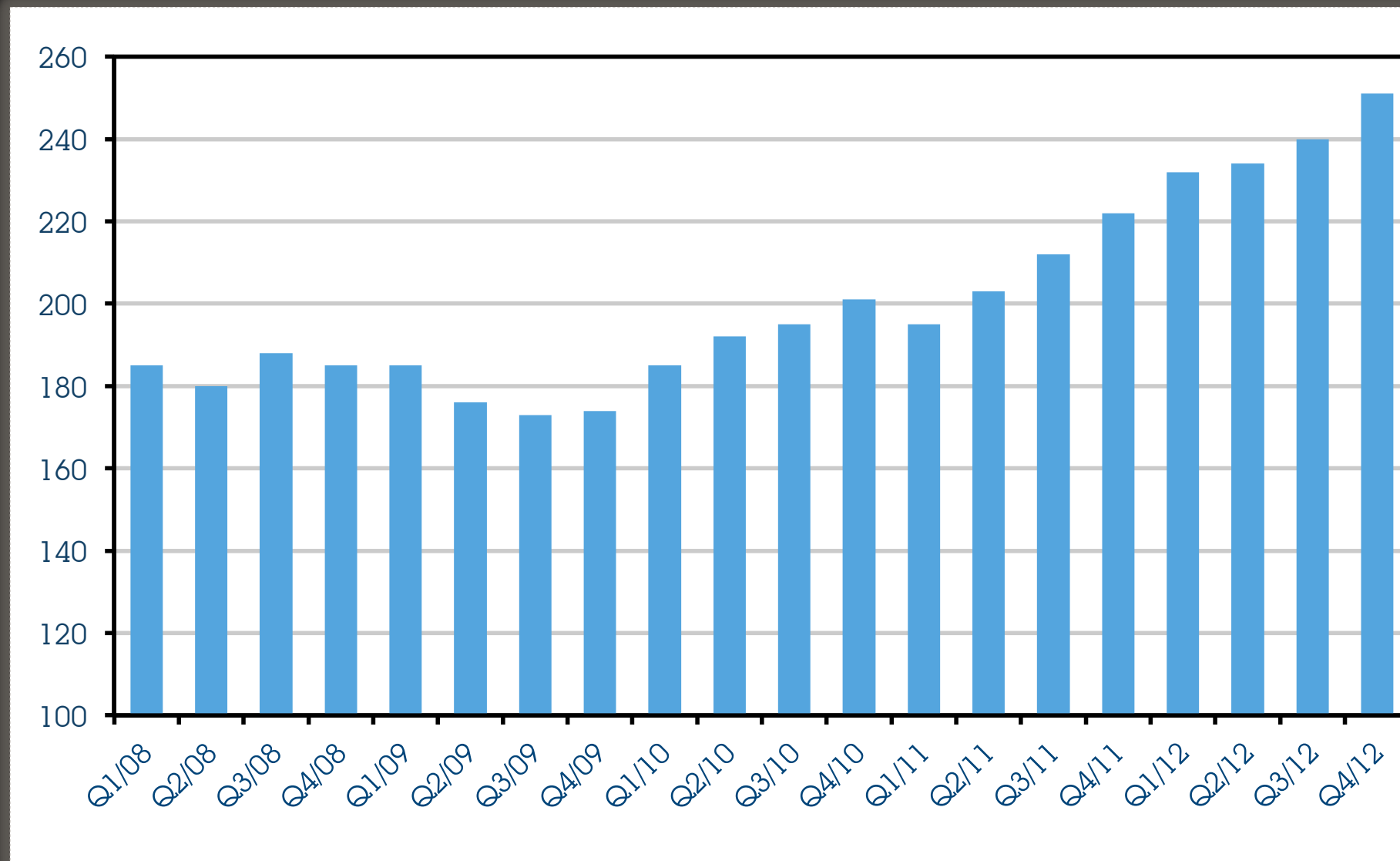
- Growing EBIT % of net sales indicates that investments are boosting both sales and profitability.

Sales personnel at the end of quarter



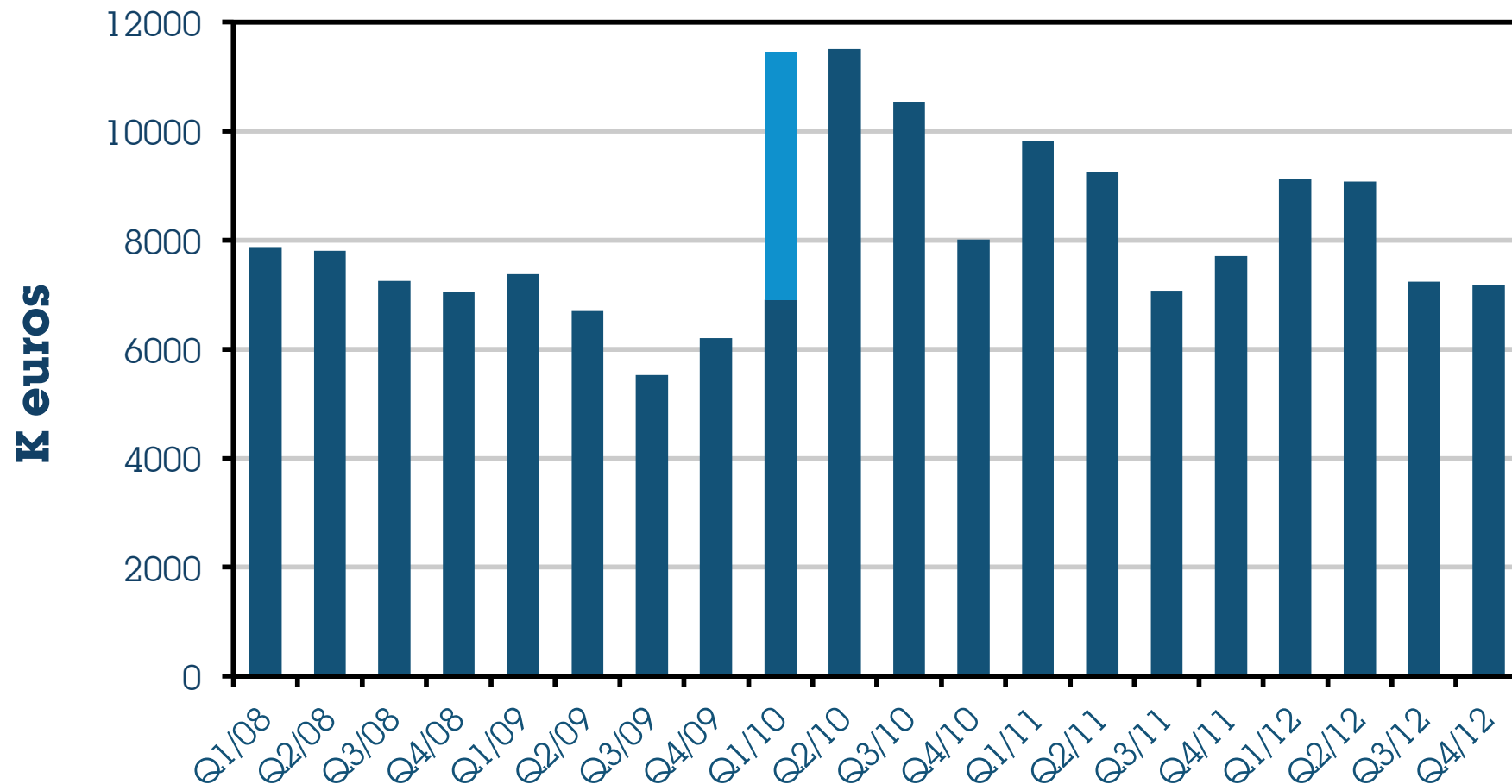
- Investments into hiring new sales personnel continued in Europe, emerging markets and the US
- APAC planning in progress

Personnel at the end of quarter



– Steady growth
in personnel
numbers

Liquid funds



- Liquid funds have been neutral during previous years.
- Good capability to finance growth with current cash flow.



Highlights

Q3 / 2012

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A person wearing an orange t-shirt is holding a large white circular sign. The sign features the 'NSS Labs' logo in black and blue text. Below the logo is a triangular badge with a blue circle containing a white bar chart icon and the word 'RECOMMEND' written diagonally in black. A small 'STONESOFT' sticker is visible on the left side of the sign. The background is a light blue and white geometric pattern.

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NSS Labs



RECOMMEND

Recommended Cyber Security.

Recommended by the world's leading independent network security research and analysis organization, NSS Labs:

- IPS Group test > *recommended*
- FW Group test > *recommended*
- NGFW Group test > *recommended*
- Stonesoft is one of only two "NSS Labs all recommended" security vendors in the world.
- Stonesoft is the only European "NSS Labs all recommended" security vendor

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**2012
October**

HACK CTK The Lab Xperience

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Hack the Lab

50 international journalists
learned about hacking,
and...

...almost all of them
wrote an article that
drove Stonesoft's
cyber security thought
leadership and
increased brand
visibility in trusted media



Süddeutsche Zeitung



IL MONDO

la Repubblica



Deutschlandradio

2012
October



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Stonesoft's New Strategy

for profitable and faster-than-market growth, as well as growing company value:

"The company's budgeted net sales for 2013 are EUR 60 million and the net sales target set in the strategy for the year 2014 is approximately EUR 90 million. To support this, the company will enter several new markets during 2013 and actively develop partner business."

**2012
November**



Stonesoft and the Algerian Ministry of Post and Information & Communication Technologies

enter a cooperation
agreement to raise
awareness and transfer
knowledge about
cybercrime

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**2012
November**



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**Stonesoft
segregates**
part of its service
business to its
subsidiary

**2012
December**

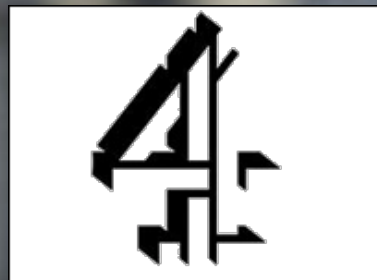


Go-anywhere cyber security

Stonesoft launched the MIL-320, the world's first rugged, go-anywhere NGFW for hostile, and demanding critical infrastructure and military environments.

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**2012
December**



The New York Times

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Cyber security thought leadership

During the 4th quarter Stonesoft gained wide global media visibility and comment opportunities in some of the most respected media in the world.

The Finnish Association of Marketing Communication Agencies awarded Stonesoft for its excellent PR activities on cyber security in Finland.

In 2012, every day there were, on average, 1.5 articles about Stonesoft in Finnish media.

**2012
December**

- **The era of strong organic growth continues**
- **Stonesoft is expecting rapid growth in the future**
- **Our technological and AET capabilities send a unique and strong message that resonates in many sectors of business and answers to market needs related to escalation in the advanced threat landscape**

A person in a dark jacket and pants stands on a wooden pier, looking out at the ocean. The pier is made of wooden planks and has some debris on it. The ocean is calm and the sky is overcast.

Conclusions

A small blue forget-me-not flower with yellow centers is growing out of a crack in dark, cracked, and dry soil. The background is a blurred, dark, textured surface.

Why do we do what we do?

Today's advanced threats are tomorrow's basic threats.

Conventional network security devices cannot protect against today's advanced cyber threats.

Stonesoft's mission is to protect and save lives and businesses in cyberspace.

The background image shows three silhouetted figures wearing hooded sweatshirts, walking away from the camera down a long, brightly lit hallway. The scene is heavily tinted with a blue color, creating a somber and mysterious atmosphere. The figures are positioned in the lower half of the frame, walking towards a bright light source at the end of the hallway. The architecture features high ceilings and large windows on the left side.

“Something’s wrong in the world today...”

Societies are more dependent of digital resources.

Threats are getting more advanced.

The number of attacks is increasing.

Everyone is a potential target.

All conventionally protected networks have been hacked during the last 3 years.

Vendors selling conventional protection are still the market leaders.



Why Cyber Security?

Cyber security will continue to have the greatest impact on our understanding of overall security in coming years.

Increased dependence on digital resources and an increasing number of vulnerabilities related to this.

State-level players and resources.

“Weapon – counter-weapon” arms race, investment in cyber deterrence and offensive capabilities.

Demands for cost-efficiency and ease-of-use.

2013

ACTION PLAN

brand awareness

- RSA conference, Infosec Europe, Black Hat US and C-level targeting events
- Cyber security strategy events globally
- Hack the Lab

higher sales

- Opening new markets
- More sales people in existing offices
- Developing the channel partner portfolio towards better sales efficiency
- Lead generation activities, with attention also to enhanced conversion

product development

- Virtual FW/Security Engine
- POC development

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Stonesoft in the Security Market

The only vendor providing truly *dynamic security solutions* with *AET protection* that meet the challenges of the *dynamic threat environment* and *advanced threats*.

The only vendor providing security solutions based on one unified software code (Security Engine) to enable more efficient security management and better updateability, rapid responsiveness, and resilience when the attack risk is high or realized.

Stonesoft is Europe's leading network security company. To meet the goals of rapid profitable growth, Stonesoft is expanding to new markets to protect and save more lives and businesses in cyberspace.

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Saving lives and businesses in cyberspace