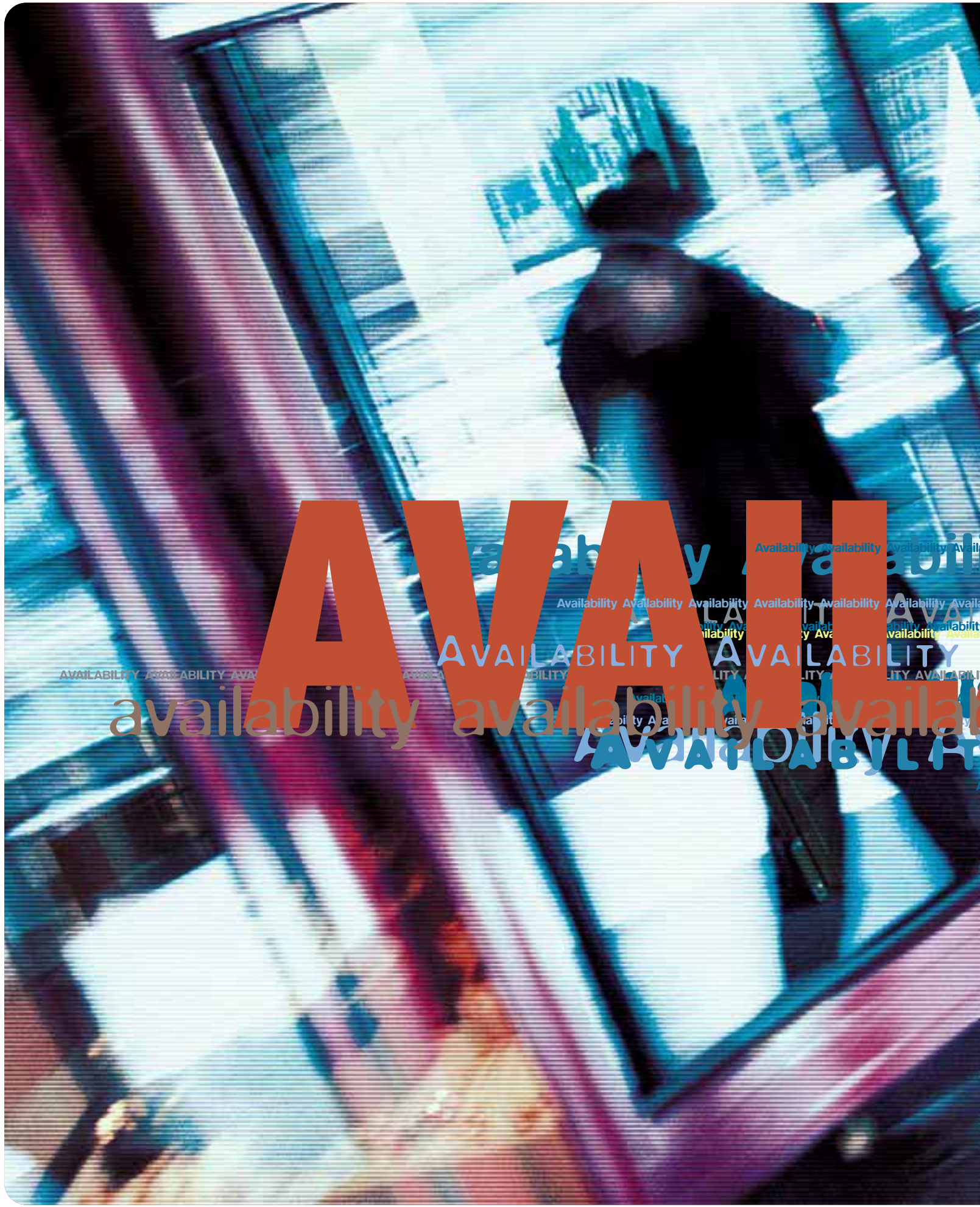




STONESOFT ANNUAL REPORT 2000





AVAILABILITY

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004



Year in brief
Key figures

005



Stonesoft
in brief

006 - 007



Report
by the CEO

AVAILABILITY

AVAILABILITY > AS THE NETWORK REQUIREMENTS FOR BUSINESSES INCREASE, STONESOFT'S VISION IS THAT TRUE HIGH AVAILABILITY MUST BE ADDRESSED FROM A UNIVERSAL CONNECTIVITY PERSPECTIVE - THROUGH MULTIPLE POINT LOAD BALANCING AND CLUSTERING SOLUTIONS - THAT'S THE IDEA DRIVING OUR SECURE HIGHLY AVAILABLE ENTERPRISE STRATEGY. STONESOFT IS UNIQUELY POSITIONED TO DELIVER A COMPLETE OFFERING OF INNOVATIVE HIGH AVAILABILITY PRODUCTS THAT ADDRESS THE LOAD OR LOSS OF ONE OR MORE GATEWAYS OR SERVERS, AS WELL AS THE SERVICES AND KNOWLEDGE THAT OUR CUSTOMERS REQUIRE.

YEAR IN BRIEF

STONESOFT'S GROWTH CONTINUED

- **NET SALES INCREASED** by 115% to FIM 354 million.
- **NUMBER OF PERSONNEL** grew by 69% to 574 at year-end.
- **ON 31 MARCH 2000**, Stonesoft's share was transferred from the I-list to the main list on the Helsinki Stock Exchange.
- **IN MAY**, Stonesoft acquired the entire capital stock of Embe Systems Oy, a company specialising in the provision of wireless solutions, and a majority holding in Athena Group Inc., a company specialising in Internet-related data security, auditing and implementation projects.
- **IN OCTOBER**, Stonesoft acquired from Italy Unirel Sistemi S.r.l. and Architek S.r.l. that specialise in scalable high-availability solutions.
- **IN DECEMBER**, Stonesoft acquired Fence Technologies Oy, a software company specialising in data security in information networks and telecommunications.

STONESOFT FOCUSES ON THE NETWORKS BUSINESS

- **MAJOR INVESTMENTS** were made in marketing and product development in the fast-growing and successful Networks division.
- **IN JANUARY**, Stonesoft released the new high-availability StoneBeat FullCluster products for Networks Associates' Gauntlet and Axent Technologies' Raptor firewall software.
- **WITH TREND MICRO INC.**, Stonesoft released StoneBeat SecurityCluster that supports Trend Micro's InterScan VirusWall system.
- **IN DECEMBER**, the Board of Directors of Stonesoft Corporation decided to close the Opti-wise business, which had been generating a negative cash flow, in order to concentrate on the Networks business.

NEW PARTNERSHIPS

- **STONESOFT AND FUJITSU SIEMENS COMPUTERS** have agreed that StoneBeat products will be integrated into the high-availability data security solutions of Fujitsu Siemens Computers.
- **IN JANUARY 2001**, agreement was reached on integrating the StoneBeat product family with Unisys' e-@action e-business solutions.

SALES NETWORK EXPANDED

- **STONESOFT ESTABLISHED** subsidiaries in Spain, Germany, The Netherlands, and Japan.
- **NEW REGIONAL OFFICES** were set up in Hong Kong, Australia, North America (6), Canada, and Brazil.

	2000		1999	
	KFIM	KEURO	KFIM	KEURO
Net Sales	354 173	59 568	164 595	27 683
Net Sales Change-%	115%	115%	166%	166%
Operating Profit Before Goodwill Depreciations (EBITA)	-8 984	-1 511	18 271	3 073
% of Net Sales	-3%	-3%	11%	11%
Operating Profit After Goodwill Depreciations (EBIT)	-21 540	-3 623	16 044	2 698
% of Net Sales	-6%	-6%	10%	10%
ROE - %	-4%	-4%	20%	20%
ROI - %	-4%	-4%	29%	29%
Equity Ratio-%	87%	87%	73%	73%
Net Gearing	-0,7	-0,7	-0,5	-0,5
Total Asset	555 259	93 388	164 100	27 600
R&D Costs	37 279	6 270	13 441	2 261
% of Net Sales	11%	11%	8%	8%
Number of Employees at the End of the Year	574	574	340	340
Earnings per Share (FIM / EUR)	-0,06	-0,01	0,35	0,06
Equity per Share (FIM / EUR)	7,98	1,34	2,18	0,37

STONESOFT IN BRIEF

STONESOFT CORPORATION is a software house focusing on the high availability and network security of mission-critical telecommunications and information network solutions and wireless technology products. In accordance of its *Secure Highly Available Enterprise business concept*, Stonesoft seeks to improve the availability of the network services of its corporate customers by guaranteeing the 100% uptime and data security of the systems under all circumstances.

THE HIGH AVAILABILITY StoneBeat products from Stonesoft designed for advanced wired and wireless networks respond to the needs for system scalability, dynamic loadbalancing, fault tolerance and maintenance. Stonesoft offers StoneBeat solutions for a wide range of platforms, *such as firewalls, web servers and database applications.*

STONEBEAT PRODUCTS are sold globally in *over 60 countries by about 500 value added resellers.* Stonesoft works in close collaboration with several partners, such as telecom operators and wireless mobile technology players. Additionally, Stonesoft operates as a system integrator and distributor of Internet data security products offering customised packages from leading supplies.

STONESOFT'S POSITION as a leading expert in the field is based on *extensive research and development and partnering with world's top-ranking software houses.* Stonesoft invests heavily in customer service, technical support, customer training and human resources development. Stonesoft Corporation is listed on the Helsinki Stock Exchanges' main list. Stonesoft's head quarter is located in Helsinki, Finland.



OFFICES

- HEADQUARTER
- SALES OFFICE



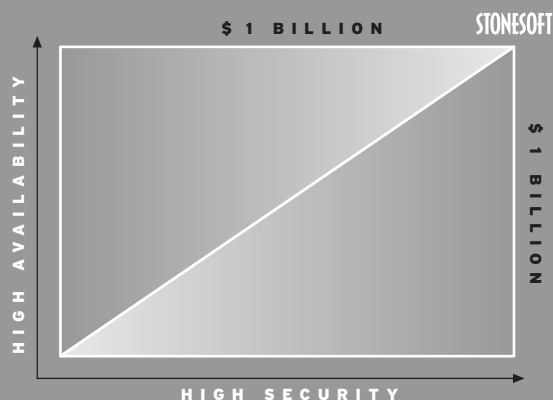
REPORT BY THE CEO

Year 2000 was a year of significant internationalisation and expansion for Stonesoft. Operations were increasingly focused on the successful Networks business, the company experienced growth and introduced new products on the market. This development is a result of the determined vision driving us towards global market leadership in high availability software and network security.

The net sales of Stonesoft Group increased by 115% to FIM 354 million. The profitable Networks Division accounted for FIM 280 million in net sales, an increase of 179%, and the profit before goodwill depreciations was FIM 39 million, i.e. 14% of the Networks net sales. The losses in Optiwise and eSolutions divisions resulted in an overall loss for the entire Stonesoft Group FIM 9 million before goodwill depreciation, i.e. -3% of the net sales.

INTERNATIONAL MANAGEMENT EXPERTISE

In September 2000, I joined Stonesoft Corporation as CEO. My predecessor Hannu Turunen became President and Chairman of the Board of Stonesoft. Stonesoft is becoming a truly global company that focuses on its Networks business and has markets all around the world. The process of strong internationalisation requires new types of management skills. The company's structure, operational models and processes must be of the standard of efficient international enterprises. As CEO, I want to bring my own experience on international operations to Stonesoft, to assist in developing it into a leading company in its field.



VISION

During autumn 2000, Stonesoft made a strategic decision to concentrate all its resources on the high-availability and network security -oriented Networks business. The vision of Stonesoft is to be a globally leading supplier of high-availability and data security software in the fields of both wired and wireless networks.

In the Networks business, we will invest heavily on research and development. The Networks organisation will also be developed to better face the challenges of business growth and globalisation.

COMPLETED DEVELOPMENTS

In line with the strategic decision, we closed the Optiwise business in December, and started preparatory work for selling or spinning off eSolutions.

The Networks business will experience both organic growth and growth through acquisitions. We will be investing heavily on the viability and innovative spirit of R&D. During 2000, we launched several new high availability StoneBeat products for applications including the world's leading data security software as well as Web and

The vision of Stonesoft is to be a globally leading supplier of high availability and network security software in the fields of both wired and wireless networks.



FROM: <HANNU TURUNEN>
SUBJECT: CEO'S POSITION
TO: <ESA KORVENMAA>
DATE: SEPTEMBER 2000

database servers. Besides organic growth, we are constantly looking for opportunities for domestic and foreign acquisitions. The corporate acquisitions carried out during 2000 will strengthen our expertise and international market position on the different areas of data security and high availability.

The extensive international sales network is one of our most important sales channels. The 24/7 customer service and technical support, operating close the resellers and end users, ensure the uninterrupted operation and tight data security of our customers' businesses. During 2000, we developed the coverage of our regional service network by establishing new subsidiaries and regional offices.

A significant channel for enhancing our competitive position and for distributing our Networks products is co-operation with leading global software houses. The partnership agreed with Fujitsu Siemens Computers during the subject year, in addition to Unisys, Compaq and GE Access, is an example of the utilisation of Stonesoft technology in the solutions of leading global technology companies.

FUTURE PROSPECTS

Stonesoft has excellent prospects for strong growth. It is a debt-free company with a healthy balance sheet and clear strategy. I fully expect our international breakthrough in the Networks business to continue and our position to

strengthen as we keep launching new products and implementing our business strategy. In the eSolutions business we will continue improving the organisational efficiency and developing eSolutions business as a separate unit.

One of the key resources of Stonesoft is its skilled and motivated personnel. Our recruitment efforts have been successful, both in Finland and in other countries. It is a pleasure to work with entrepreneur-minded and professional staff.

Stonesoft continues to rely on its technology, the expertise of its personnel as well as on the valuable contribution of its channels and partners. I would like to take this opportunity to thank all our customers and partners for the trust they have placed upon us, as well as the entire Stonesoft staff for their valuable work and the flexibility they have evidenced in a changing situation.

ESA KORVENMAA
CHIEF EXECUTIVE OFFICER



010-011

012-013



Business operations



**R&D
Personnel**

Scalability



BUSINESS OPERATIONS NETWORKS

Stonesoft's success is based on determined long-term efforts to achieve a clearly defined vision: Stonesoft will become the world's leading supplier of high-availability and data security software for wired and wireless networks.



The prospects for realising this vision are excellent. After all, high availability and data security of telecommunications and information networks are part of Stonesoft's core competence. Stonesoft is the only company in the world to produce software solutions where high availability and data security are combined both in fixed and wireless networks. The sharper business focus achieved during 2000 will create the necessary preconditions for full-fledged globalisation and attainment of a leading market position.

NETWORK SECURITY

Stonesoft's solutions are based on long-term and determined product and skills development in the fields of high availability and data security. Since 1994, Stonesoft has been involved in the systems integration business for Internet data security products and distribution of Internet products on behalf of principals in Scandinavia. Stonesoft's partners include leading software houses such as Check Point Software Technologies, RSA Security, Trend Micro, Web Trends, and Cisco.

Systems integration services offer customers fully integrated, comprehensive data security solutions based on the best products available on the market. The solutions

offered by Stonesoft cover all the aspects of data security from content validation and anti-virus protection to firewalls, unauthorised entry detection and prevention, user authorisation and authentication and auditing.

Stonesoft has consistently expanded its data security operations by acquiring companies with related proprietary technology. At the same time, Stonesoft is engaged in intensive product development to introduce its own data security products to the marketplace to be launched during first quarter 2001.

HIGH AVAILABILITY

Stonesoft has been developing high-availability software products since 1995. The first products were launched internationally in early 1997. By the end of 2000, the StoneBeat family of high-availability products had grown to include a total of eight products. Operations have also been expanded through acquisitions in Finland and abroad.

With its StoneBeat technology, Stonesoft has been able to respond to the needs related to dynamic load balancing, scalability, fault tolerance and maintenance in systems. The StoneBeat range offers solutions for various platforms from firewalls to proxy servers, web servers and database applications.



FROM: <STONESOFT>
 SUBJECT: STONEBEAT
 TO: <OPERATORS AND INTEGRATORS>
 DATE: MARCH 2001



“ Ensuring high availability and data security is a necessary prerequisite for the problem-free operation of mission-critical corporate telecommunications and network solutions. For example, the services offered on the Internet, such as online banking and shopping, call for excellent performance and reliability. The StoneBeat product family helps to eliminate causes of communication failures and to guarantee the secure and continued availability of the systems. ”

JARI RAAPPANA, VP CORPORATE DEVELOPMENT

StoneBeat products are sold globally in over 60 countries by 500 value added resellers familiar with the local market.

The products are widely used by the world’s leading financial institutions, telecom companies, media companies, industrial enterprises, service companies and the public sector. Other important customers are service operators offering managed service provision and application services as well as mobile operators and systems integrators working with wired and wireless technology. Stonesoft’s clientele includes Merrill Lynch, British Telecom, Sonera, General Motors, Samsung, Time Warner, Financial Times, Gap Gemini, Lufthansa, the US Government, and NASA.

SECURE HIGHLY AVAILABLE ENTERPRISE

Stonesoft invests heavily in support services for value added resellers and end users. The support service centres in Helsinki, Atlanta, and Singapore offer resellers and customers support services round the clock seven days a week. The objective is to ensure the uninterrupted operation and uncompromising data security of the end-customers’ business operations in accordance with the Secure Highly Available Enterprise vision.

Stonesoft’s technology partners serve as an increasingly important distribution channel for the company’s products. Compaq, Unisys, and Fujitsu Siemens Computers are prime examples of partners that incorporate Stonesoft technology in their own solutions. The network of regional offices, which was largely expanded during 2000, supports the various forms of co-operation with partners. At the same time, Stonesoft’s support services have been brought as close to resellers and customers as possible also geographically.



RESEARCH AND DEVELOPMENT, PERSONNEL

Innovative product development and a qualified and highly motivated personnel are the success factors on which Stonesoft will build its future success as defined in the company's vision.

RESEARCH AND DEVELOPMENT

Innovate product development is one of the most essential success factors to Stonesoft. Product development continually anticipates future developments and responds to customer needs immediately.

Product development at Stonesoft is based on sound technological expertise, an innovative approach to future trends and a flexible response to customer requirements. Continuous training is provided to the R&D personnel to enhance skills. Staff members are encouraged to promote innovative thinking and dynamic problem-solving. Any unresolved customer needs are given priority in product development.

“ Our research and development is steered by a vision of a leading global software house with a high standard of technology, a flexible R&D organisation and creative ideas that ensure the best possible products for the customers. ”

ILKKA HIIDENHEIMO, CTO

Stonesoft's high-end products represent the latest technology and a combination of expertise in both high availability and data security that is unique in this field. StoneBeat technology from Stonesoft is the world's leading software solution for achieving high availability and efficient load balancing. Currently the StoneBeat range includes eight high-availability products for various applications and new products are being developed on an on-going basis.

In 2000, the scope of application of StoneBeat technology was extended to new uses such as SMS and WAP servers used in mobile communications. New StoneBeat products were released globally for the Gauntlet firewall software from Network Associates and the Raptor firewall software from Axent Technologies. Additionally, Stonesoft Corporation released in 2000 the following new StoneBeat-based products for high availability and load balancing: StoneBeat WebCluster for web servers, StoneBeat CacheCluster for proxy serves, StoneBeat DNS



for name servers and StoneBeat SecurityCluster for content scanning.

At the same time, Stonesoft focuses on developing new-technology products. The company follows a consistent policy on inventions and patents designed to ensure a systematic approach to product development and efficient protection of new technology innovations.

In 2000, Stonesoft's product development expenditure totalled FIM 37 million, accounting for 23% of net sales of own software products. Roughly 100 employees are involved with product development. Stonesoft's R&D units are located in Helsinki and Turku, all in Finland, and Sophia Antipolis, France, and Florence, Italy.

PERSONNEL

A qualified and highly motivated staff is one of Stonesoft's most important resources. Stonesoft offers its employees challenging and rewarding tasks, an inspiring workplace and the opportunity for continual personal development.

Efficient recruitment and systematic staff training are designed to ensure that Stonesoft Corporation can draw upon a professionally qualified and highly motivated staff who honour Stonesoft's values and respect the different corporate cultures of individual customers.

Every staff member participates in team discussions the purpose of which is to ensure that the team's strategy and division of duties agree with Stonesoft's overall strate-

REPORT OF THE BOARD OF DIRECTORS

FINANCIAL YEAR 1 JANUARY 2000 - 31 DECEMBER 2000

1. BUSINESS TRENDS IN STONESOFT GROUP DURING THE FINANCIAL YEAR 2000

Stonesoft Group's strong growth continued during year 2000. Operations were expanded and strengthened both regionally and by entering into new partnership agreements. At the same time, a number of important changes that have an impact on the Group's operations were carried out.

The Group filed a request with the Helsinki Stock Exchange for a transfer from List I to the Main List. The change was effected on 31 March 2000.

During the financial year 2000, the Group's net sales reached FIM 354 million, representing a year-on-year increase of 115%. Net sales by the parent company over the same period were FIM 238 million. Overall growth fell short of the target because net sales by the Optiwise and eSolution divisions remained lower than expected. Networks accounted for most of the growth achieved.

The loss before goodwill depreciation made by the Group was FIM 9 million, or -3% of net sales. The losses were incurred in the Optiwise and eSolutions businesses whereas Networks showed a profit. During the previous financial year, the profit before goodwill depreciation was FIM 18 million. Total depreciation charges for goodwill during the period under review amounted to FIM 13 million.

Extraordinary items during the period totalled FIM 20 million, consisting of the expenses for the public share offering made in March and the related change of listing, the total costs for which were FIM 13 million, the FIM 8 million costs associated with closing down the Optiwise business, and the FIM 1 million reduction of costs associated with liquidating the obligatory tax reserve.

The Group's loss for the financial year was FIM 29 million, while the corresponding figure for the previous period was a profit of FIM 8 million. The parent company incurred a loss of FIM 20 million.

As a result of acquisitions and intense recruitment activity, the number of personnel increased within the Group. At the end of the period, the total number of employees was 574, up 69% on 1999.

2. MAJOR CHANGES IN BUSINESS ACTIVITIES

During the financial year under review, Stonesoft Corporation was involved in business operations in three areas: Networks, eSolutions, and Optiwise. At the end of the year, the Optiwise business was closed as part of the corporate strategy in order to strengthen the expanding Networks business.

NETWORKS DIVISION

The Networks division focuses on the development of high-availability software products with strong data security features for use in fixed-wire and wireless networks. The flagship product is the high-availability StoneBeat product family based on in-house research and development. The products are sold on the world market. Additionally, the Group is involved, within the Network business area, in data security system integration and wholesaling in Scandinavia. Net sales by the Networks division reached FIM 280 million, up 179% on the previous year. The profit earned by the division before goodwill depreciation was FIM 39 million, which is equivalent to 14% of net sales. At the end of the year, the number of personnel in the Networks division was 312.

During the year under review, Stonesoft expanded the Networks business geographically by founding subsidiaries in Spain, Germany, Japan, and The Netherlands, and regional offices in Hong Kong, Sydney, Australia, as well as New York City, Houston, Dallas, Chicago, Portland, and Washing D.C., U.S.A., and Toronto and Sao Paulo, Brazil. At the same time, preparations were made for establishing subsidiaries in Australia, Canada, and Switzerland. Additional premises were acquired for Stonesoft's American sales office based in Atlanta to accommodate anticipated growth of the global support centre. Similarly, Stonesoft's office in San Mateo in Silicon Valley was strengthened. Stonesoft's position on the U.S. market was further consolidated by acquiring a majority of shares in the Boston-based Athena Group Inc., a company specialising on data security on the Internet as well as auditing and implementation projects.

In May, Stonesoft Corporation bought the entire capital stock of the Finnish Embe Systems Oy for inclusion in the

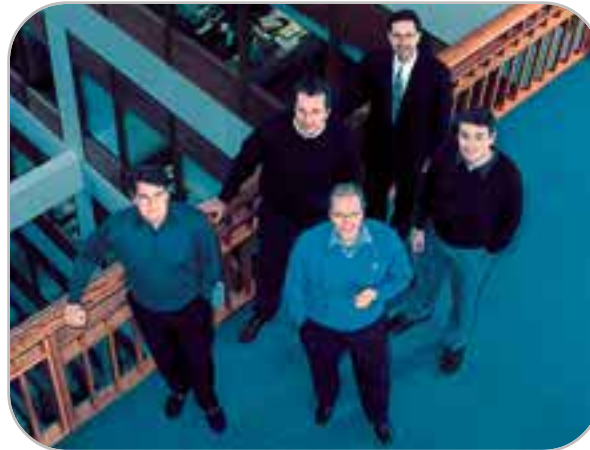
Networks business. Embe Systems Oy is a software house focusing on embedded wireless systems with a business concept that is based on long-term co-operation with the customers' R&D departments. The acquisition strengthened Stonesoft's expertise and resources in the field of wireless networks. In October, the Stonesoft Group acquired the entire capital stock of two Italian companies, Unirel Sistemi S.r.l. and Architek S.r.l. As a result of this deal, the StoneBeat product family was extended to include scalable high-availability software solutions for data warehouse and database applications as well. At the same time, Stonesoft could consolidate its position on the growing Italian software and Internet market. In December, Stonesoft Corporation bought the entire capital stock of Fence Technologies Oy, a Finnish company specialising in data security in information networks and data communications.

Research and development in the Networks division were intensive. In January, Stonesoft Corporation released globally new high-availability StoneBeat FullCluster products for the Gauntlet firewall software from Networks Associates and the Raptor firewall software from Axent Technologies. With the new product, Stonesoft's product offerings now cover majority of the world's firewall products and the three leading firewall producers. Working together with Trend Micro Inc., Stonesoft released the new StoneBeat SecurityCluster that supports the InterScan VirusWall system from Trend Scan. An agreement was made with Fujitsu Siemens Computers to integrate StoneBeat products with the company's high-availability data security solutions.

eSOLUTIONS DIVISION

The eSolutions division offers products and services for data management and transaction processing enabling business development by means of information networks in the increasingly internationalised and networked marketplace. Net sales by eSolutions reached FIM 74 million, up 15% on the previous year. The loss before goodwill depreciation was FIM 7 million in 2000. At the end of the year, the number of personnel was 153.

During the year under review, Stonesoft Corporation placed great emphasis on improving efficiency in the



BOARD OF DIRECTORS

KAI KARTTUNEN
ILKKA HIIDENHEIMO
ESA KORVENMAA
CEO, not member of the
Board of Directors
JOHN C. YATES
HANNU TURUNEN

Not in the picture
ARTO T. KARILA

eSolutions business. Expenditure was reduced by slimming the sales organisation and focusing on key customers. The Group structure was simplified by merging the Group companies Avasta Transactions Oy, Monesta Data Oy, and Monesta Solutions Oy with Stonesoft e-solutions Oy.

As the increase in demand for the software packages offered by eSolutions and the decision-making on the part of the customers were relatively sluggish in 2000, the sales targets were not achieved. However, the demand for consultation services continued good.

As a result of the measures taken to improve efficiency, the financial performance of eSolutions improved during the last quarter.

OPTIWISE DIVISION

Optiwise is a method and software package for specifying and designing products, enabling the various parties within the organisation to communicate with one another as well as to define, model, document and develop products and services. Optiwise generated no sales during the financial year under review. The loss before goodwill depreciation was FIM 41 million. At the end of the year, the number of personnel stood at 52.

At the beginning of 2000, the Optiwise division was separated from the parent company to form a company named Optiwise Oy while Optiwise Inc. was founded in



REPORT OF THE BOARD OF DIRECTORS

FINANCIAL YEAR 1 JANUARY 2000 - 31 DECEMBER 2000

the USA at the same time. In 2000, Optiwise focused on product development, product commercialisation and beefing up the sales and marketing channels in Europe and the USA. In marketing, Optiwise worked in collaboration with the Gartner Group and D.H. Brown, the two leading research and consultation companies in the field.

The sales and marketing targets set for Optiwise were not attained in 2000, and the investments in business development generated a negative cash flow. In December, the board of directors of Stonesoft Corporation decided to cut financing to the Optiwise business, close the operations and focus on the Networks business. For closing down the Optiwise business, extraordinary expenses of FIM 8 million was booked in the 2000 financial statements. However, most of the Optiwise R&D personnel have been offered the opportunity to transfer to similar positions in the Networks division.

All the intangible rights to Optiwise products are still held by the Group. Steps are being taken to look into the possibilities of exploiting these rights on commercial terms.

3. MAJOR EVENTS AFTER 2000

On 9 January 2001, Stonesoft Corporation signed a letter of intent on the sale of Stonesoft e-solutions Oy to SysOpen Oyj with a view to finalising the contract of sale by 12 February 2001. However, the negotiations on the sale of Stonesoft eSolutions Oy failed as no agreement acceptable to both parties could be reached. As a result, the board of directors of Stonesoft e-solutions Oy made the following decisions concerning the eSolutions business. Mr Jori Kanerva was appointed CEO. At the same time, it was decided that steps would be taken to improve efficiency within the organisation, develop the business operations on a broad front, seek new partners, and expand the ownership bases. Moreover, an incentive option plan will be introduced to increase staff motivation.

Stonesoft Corporation signed new partnership agreements with companies such as Unisys Corp. and LPG Innovations Oy. Additionally, agreements on product co-operation were made with Baltimore Plc and F-Secure Corporation.

4. ANTICIPATED FUTURE DEVELOPMENTS

The company believes that the growth of the Networks business will continue strong over the next few years. In 2001, net sales by the Networks division are expected to increase by about 70% and profitability to remain at good level (EBITA). The objective for the eSolutions business is to improve profitability in 2001. The company will continue to invest in developing high-availability and data security software solutions and global marketing. As well as organic growth, Stonesoft will seek to enter new markets by means of strategic acquisitions and partnerships. Group profit before goodwill depreciation is expected to improve compared with the profit earned in 2000.

5. SCOPE OF RESEARCH AND DEVELOPMENT ACTIVITIES

During the year under review, Stonesoft's research and development efforts focused primarily on developing high-availability and data security solutions in the Networks division and application of StoneBeat technology to new operating environments. Total R&D expenditure was FIM 37 million, accounting for 11% of net sales. The cost of R&D was FIM 27 million for Networks and FIM 10 million for Optiwise. In accordance with the accounting policy adopted by the Group, all R&D costs are booked for the year when they are incurred.

6. PROPOSAL OF THE BOARD OF DIRECTORS AS TO THE DISPOSAL OF THE FINANCIAL RESULT

The loss for the financial year incurred by the parent company was FIM 20 million. At the end of the period, the shareholders' equity of neither the Group nor the parent company included any distributable capital. The board of directors proposes to the general meeting of shareholders that no dividend be paid.

7. SHARE PRICE AND VOLUME OF TRADE

On 3 January 2000, the price of Stonesoft's share was 13,50 euros, while the average price in 2000 was 18,09 euros. At the end of the year, the price was 15,37 euros, the highest price during the year being 29,45 euros and lowest 8,80 euros. Over this period, Stonesoft's share was traded for 950 188 554,17 euros. The price of Stonesoft's share increased during the year by 14%. Over the same

period, the HEX index of the Helsinki Stock Exchange fell by 15%. On 31 December 2000, the market capitalisation of the company was 880 201 966,84 euros.

8. SHAREHOLDERS' EQUITY AND OPTION PLANS

On 3 March 2000, the general annual meeting of shareholders decided, in accordance proposal put forward by the board of directors, to increase the share capital pursuant Chapter 4, Section 1, of the Companies Act, by a rights issue and/or by issuing share options and/or floating a convertible bond. At the same time, the general annual meeting of shareholders cancelled the authorisation issued on 15 June 1999 to increase the share capital to the extent such authorisation had not been exercised.

Under the authorisation given by the general annual meeting of shareholders, the share capital may be increased by a maximum of 210 144,56 euros which may be used to subscribe for a maximum of 10 507 228 shares with a book parity of 0,02 euros. The board of directors has exercised the authorisation by increasing the share capital as follows:

	NEW SHARES (QTY)	INCREASE IN SHARE CAPITAL (EUROS)	CURRENT SHARE CAPITAL (EUROS)
Public offering to institutional investors, the public at large and personnel			
30 March 2000	2 800 000	56 000,00	1 106 722,80
Private offering to holders of Class B shares in Embe Systems Oy			
4 May 2000	416 005	8 320,10	1 115 042,90
Private offering to shareholders in Architek S.r.l:n and Unirel Sistemi S.r.l			
13 Oct. 2000	1 214 362	24 287,24	1 139 330,14
Option plan III to shareholders in Architek S.r.l			
13 Oct. 2000	607 182	no new shares subscribed	
Subscription of shares under 1999 A warrants			
6 Nov. 2000	52 400	1 048	1 140 378,14
Private offering to shareholders in Fence Technologies Oy			
13 Dec. 2000	75 425	1 508,50	1 141 886,64
Subscription of shares under 1999 A warrants			
27 Dec. 2000	173 200	3 464	1 145 350,64

A total 2 500 000 new shares can be subscribed under option plan I. The earliest date when subscriptions can be made is 1 September 2000. Option plan I has not affected the authorisation given to the board of directors to organise share offerings in 2000.

A total 2 500 000 new shares can be subscribed under option plan II. The earliest date when subscriptions can be made is 1 September 2001. Option plan I has not affected the authorisation given to the board of directors to organise share offerings in 2000.

A total 607 182 new shares can be subscribed under option plan III. The earliest date when subscriptions can be made is on or about 14 July 2004.

At the end of the financial year on 31 December 2000, Stonesoft's share capital entered in the Trade Register was 1 145 350,64 euros. The number of shares was 57 267 532 and the book parity 0,02 euros.

9. CORPORATE ORGANISATION, MANAGEMENT AND AUDITORS

Mr Hannu Turunen served as the CEO of the company until 1 September 2000 when he was succeeded by Mr Esa Korvenmaa.

Mr Hannu Turunen has served as CEO and chairman of the board since 1 September 2000. Former chairman Kai Karttunen (CEO of Stratos Ventures Ltd) has since the said date continued as a member of the board. The other members of the board of directors are John C. Yates (partner in the law firm Morris, Manning & Martin LLP), Arto T. Karila (Professor at the Helsinki University of Technology), and Ilkka Hiidenheimo (Technology Director at Stonesoft Corporation).

Serving as the auditor is Tilintarkastajien Oy - Ernst & Young, with CPA Pekka Luoma serving as the auditor in charge.

STONESOFT CORPORATION
BOARD OF DIRECTORS



FINANCIAL STATEMENTS

GROUP INCOME STATEMENT

	1 JAN - 31 DEC 2000		1 JAN - 31 DEC 1999	
	KFIM	KEURO	KFIM	KEURO
Net Sales	354 173	59 568	164 595	27 683
Other operating income	495	83	868	146
Materials and services	-45 621	-7 673	-25 583	-4 303
Personnel costs	-171 467	-28 839	-68 722	-11 558
Depreciations and reduction in value	-23 106	-3 886	-5 116	-860
Other operating expenses	-136 015	-22 876	-49 998	-8 409
Operating Profit (EBIT)	-21 540	-3 623	16 044	2 698
Share of associated companies results	-958	-161	0	0
Financial income and expenses	5 718	962	2 271	382
Profit/loss before extraordinary items	-16 780	-2 822	18 315	3 080
Extraordinary items +/-	-19 512	-3 282	-5 000	-841
Profit before taxes and minority Interest	-36 292	-6 104	13 315	2 239
Direct taxes	6 184	1 040	-4 846	-815
Minority Interest	1 344	226	0	0
PROFIT / LOSS FOR FINANCIAL YEAR	-28 765	-4 838	8 469	1 424

The financial information in the income statement, balance sheet, cash flow statement, key indicators, and the notes to the financial statements has been rounded to the nearest thousands marks / euros. For this reason, calculations based on the rounded figures will not necessarily give the same final results as those given in the annual report, as the figures in the annual report have been rounded or calculated from precise figures.

GROUP CASHFLOW STATEMENT

Business operations				
Operating Profit	-21 540	-3 623	16 044	2 698
Adjustments to operating profit	23 987	4 034	6 584	1 107
Financial income and expenses	5 718	962	2 271	382
Other Operating Income	-29 188	-4 909	-5 209	-876
Extraordinary items	-19 512	-3 282	-5 000	-841
Taxes paid	-1 621	-273	-6 494	-1 092
Total	-42 156	-7 090	8 197	1 379
Investment activities				
Investments to intangible and tangible assets	-38 914	-6 545	-14 054	-2 364
Investments to shares in subsidiaries	-31 981	-5 379	-30 257	-5 089
Investments to shares in associated companies	-3 946	-664	0	0
Investments to other shares	-218	-37	0	0
Total	-75 059	-12 624	-44 311	-7 453
Financing activities				
Change in long-term receivables	277	47	-125	-21
Issue of Shares paid	367 823	61 863	81 322	13 677
Divident paid	0	0	-688	-116
Other	548	92	31	5
Total	368 648	62 002	80 539	13 546
Change in liquid assets	251 434	42 288	44 425	7 472
Liquid assets at the beginning of the financial year	57 701	9 705	13 276	2 233
Liquid assets at the end of the financial year	309 135	51 993	57 701	9 705

PERFORMANCE

GROUP BALANCE SHEET

	31 DEC 2000 KFIM	31 DEC 2000 KEURO	31 DEC 1999 KFIM	31 DEC 1999 KEURO
ASSETS				
Non-Current Assets				
Intangible assets	9 536	1 604	1 746	294
Consolidated goodwill	58 839	9 896	31 725	5 336
Change in net working capital	32 309	5 434	11 734	1 973
Investments	2 278	383	631	106
Non-Current Assets Total	102 961	17 317	45 836	7 709
Current assets				
Inventories	1 498	252	985	166
Short-term receivables	131 236	22 072	56 932	9 575
Deferred tax receivable	10 430	1 754	2 646	445
Investments	286 584	48 200	37 382	6 287
Cash on hand and on deposit	22 551	3 793	20 318	3 417
Current Assets Total	452 298	76 071	118 263	19 890
TOTAL	555 259	93 388	164 100	27 600
LIABILITIES				
Shareholders' equity				
Share capital	6 810	1 145	6 247	1 051
Other restricted share capital	456 509	76 779	85 818	14 434
Profit from previous financial years	22 702	3 818	13 757	2 314
Profit / loss for the financial year	-28 765	-4 838	8 469	1 424
Shareholders' equity total	457 256	76 905	114 292	19 223
Minority Interest	1 429	240	0	0
Other Provisions	2 349	395	1 468	247
Liabilities				
Deferred tax liability	233	39	255	43
Long-term liabilities	339	57	63	11
Short-term liabilities	93 653	15 751	48 023	8 077
Total Liabilities	94 225	15 848	48 340	8 130
TOTAL	555 259	93 388	164 100	27 600

FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

	1 JAN - 31 DEC 2000		1 JAN - 31 DEC 1999	
	KFIM	KEURO	KFIM	KEURO
Net Sales	238 141	40 052	17 629	2 965
Other operating income	112	19	3	1
Materials and services	-26 715	-4 493	-618	-104
Personnel costs	-48 304	-8 124	-19 254	-3 238
Depreciations and reduction in value	-32 190	-5 414	-1 685	-283
Other operating expenses	-119 650	-20 124	-8 971	-1 509
Operating Profit (EBIT)	11 394	1 916	-12 895	-2 169
Financial income and expenses	5 366	903	899	151
Profit/loss before extraordinary items	16 760	2 819	-11 996	-2 018
Extraordinary items +/-	-36 032	-6 060	21 408	3 601
Profit before taxes and minority Interest	-19 273	-3 241	9 412	1 583
Appropriations	12	2	-691	-116
Direct taxes	-447	-75	-501	-84
PROFIT / LOSS FOR FINANCIAL YEAR	-19 708	-3 315	8 220	1 383

The financial information in the income statement, balance sheet, cash flow statement, key indicators, and the notes to the financial statements has been rounded to the nearest thousands marks / euros. For this reason, calculations based on the rounded figures will not necessarily give the same final results as those given in the annual report, as the figures in the annual report have been rounded or calculated from precise figures.

PARENT COMPANY CASHFLOW STATEMENT

Business operations				
Operating Profit	11 394	1 916	-12 895	-2 169
Adjustments to operating profit	10 395	1 748	3 153	530
Financial income and expenses	5 366	903	899	151
Change in working capital	-44 066	-7 411	-3 449	-580
Extraordinary items	-11 632	-1 956	3 520	592
Taxes paid	-447	-75	-501	-84
Total	-28 990	-4 876	-9 274	-1 560
Investment activities				
Investments to intangible and tangible assets	-23 890	-4 018	-9 276	-1 560
Investments to shares in subsidiaries	-38 471	-6 470	-36 137	-6 078
Investments to shares in associated companies	-2 988	-503	0	0
Total	-65 348	-10 991	-45 413	-7 638
Financing activities				
Change in long-term receivables	-63	-11	-125	-21
Issue of Shares paid	367 823	61 863	81 322	13 677
Divident paid	0	0	-688	-116
Group contributions	-24 400	-4 104	18 000	3 027
Total	343 360	57 749	98 508	16 568
Change in liquid assets	249 022	41 882	43 822	7 370
Liquid assets at the beginning of the financial year	44 612	7 503	790	133
Liquid assets at the end of the financial year	293 634	49 386	44 612	7 503

PERFORMANCE

PARENT COMPANY BALANCE SHEET

	31 DEC 2000 KFIM	31 DEC 2000 KEURO	31 DEC 1999 KFIM	31 DEC 1999 KEURO
ASSETS				
Non-Current Assets				
Intangible assets	8 957	1 507	1 160	195
Tangible assets	17 427	2 931	7 697	1 295
Investments	86 830	14 604	47 514	7 991
Non-Current Assets Total	113 215	19 041	56 371	9 481
Current assets				
Inventories	425	71	713	120
Short-term receivables	100 552	16 912	46 620	7 841
Investments	286 584	48 200	37 382	6 287
Cash on hand and on deposit	7 050	1 186	7 230	1 216
Current Assets Total	394 610	66 369	91 945	15 464
TOTAL	507 825	85 410	148 316	24 945
LIABILITIES				
Shareholders' equity				
Share capital	6 810	1 145	6 247	1 051
Other restricted share capital	456 436	76 767	85 818	14 434
Profit from previous financial years	16 612	2 794	8 392	1 411
Profit / loss for the financial year	-19 708	-3 315	8 220	1 383
Shareholders' equity total	460 150	77 392	108 677	18 278
Accumulation of appropriations	791	133	803	135
Other Provisions	0	0	1 468	247
Liabilities				
Long-term liabilities	0	0	63	11
Short-term liabilities	46 884	7 885	37 306	6 274
Total Liabilities	46 884	7 885	37 368	6 285
TOTAL	507 825	85 410	148 316	24 945

NOTES TO THE ACCOUNTS

ACCOUNTING PRINCIPLES

SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The figures for the Stonesoft Group have been consolidated from the figures of Stonesoft Oyj, Stonesoft e-solutions Oy, Stonegate Oy (new), Optiwise Oy, Stonesoft Inc. (USA), Stonesoft AB (Sweden), Avasta Transactions Oy (merged on 1.7.2000 with Stonesoft e-solutions Oy), Monesta Data Oy (merged on 1.7.2000 with Stonesoft e-solutions Oy), Monesta Solutions Oy (merged on 1.7.2000 with Stonesoft e-solutions Oy), Avantcomp Oy, Stonesoft France S.A.S, Stonesoft Networks (UK) Ltd, Embe Systems Oy (1.4.2000), Optiwise Inc (1.4.2000), Stonesoft Espana S.A. (1.4.2000), Stonesoft Germany GmbH (1.6.2000), Embe Systems Inc (1.4.2000), Athena Group Inc 60,8% (1.7.2000), Unirel Sistemi S.r.l. (1.10.2000), Architek S.r.l. (1.10.2000), Stonesoft Japan K.K. (1.12.2000), Fence Technologies Oy (7.12.2000) and associated company Apc Attorarsek Oy 42% (1.7.2000) for the period 1.1.2000 - 31.12.2000.

The consolidated figures of 1999 for the equivalent period have been used as comparison data. The comparison figures include the following companies: Stonesoft Oyj, Stonegate Oy (merged on 31.12.1999 with Stonesoft Oyj), Stone Object Solutions Oy (now Optiwise Oy), CMD Team Oy (now Stonesoft e-solutions Oy), Sales Net Oy (merged on 1.11.1999 with Stonesoft e-solutions Oy), CMD Soft Oy (merged on 1.11.1999 with Stonesoft e-solutions Oy), Stonesoft Inc. (USA), Stonesoft AB (Sweden), Avasta Transactions Oy, Monesta Data Oy, Monesta Solutions Oy and Stonesoft Networks (UK) Ltd.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements were prepared using the acquisition cost method. The difference between the acquisition cost of subsidiaries and the amount of shareholders' equity proportionate to the acquired shareholding has been entered as goodwill. The consolidated goodwill is depreciated over five years.

Minority shareholdings have been separated from the consolidated shareholders' equity and shown as a separate item.

Transactions within the Group as well as internal receivables and debts have been eliminated.

The profit and loss accounts of foreign subsidiaries have been converted using the average exchange rate for the period, and the balance sheets have been converted into FIM using the exchange rate of the day of issuing the financial accounts. Conversion differences as well as the conversion differences regarding shareholders' equity have been divided as restricted and free shareholders' equity.

GROUP NET SALES

When calculating the net sales, indirect taxes of sales and adjustment items are deducted from total sales revenues. Revenues and costs for maintenance of software products are divided for the respective contract periods.

COMPARABILITY OF DATA FROM THE PREVIOUS FINANCIAL PERIOD

When comparing the Group data for the financial period with that of the previous period, attention must be paid to the fact that the Networks business was in 1999 mainly carried out within Stonegate Oy which was merged with the Parent Company on 31.12.1999.

ITEMS IN FOREIGN CURRENCY

The financial statements have been prepared in Finnish markkas. Receivables and debts in foreign currency in the balance sheet at year-end are converted into FIM at the average rates of the day of closing the books. Exchange rate differences in accounts receivable have been entered as sales adjustment items and purchases are similarly translated into purchases exchange rate differences.

PENSION EXPENSES

The company's pension arrangements have been made in compliance with local legislation. Pension costs are recorded on accrual basis as expenses for the financial period. The statutory pension liability has been fully covered by annual pension insurance payments.

RESEARCH AND DEVELOPMENT

The R&D expenses have been recorded as annual expenditure for the year they were incurred.

RENTS

Rental expenses are recorded as expenditure for the financial period during which they were incurred.

The rents for the outstanding rental contract terms have been taken into account as rental liabilities.

VALUATION PRINCIPLES

Valuation of capital assets

Capital assets have been entered in the balance sheet at acquisition price less scheduled depreciation.

The scheduled depreciation has been calculated in even portions on the basis of the economical lifespan of the capital asset items.

	GROUP 2000	GROUP 1999	STONESOFT OYJ 2000	STONESOFT OYJ 1999
DEPRECIATION PERIOD FOR CAPITAL ASSETS				
Machinery	3	3	3	3
Equipment	5	5	5	5
Other tangible assets	5	5	5	5
Other long-term expense items	5	5	5	5
Consolidated goodwill	5	5		

SECURITIES INCLUDED IN FINANCIAL ASSETS

The securities included in financial assets have been valued at the acquisition price or the market price, whichever is lower.

PERFORMANCE

NOTES TO THE INCOME STATEMENT

	GROUP		GROUP		STONESOFT CORP.		STONESOFT CORP.	
	1 JAN - 31 DEC 2000		1 JAN - 31 DEC 1999		1 JAN - 31 DEC 2000		1 JAN - 31 DEC 1999	
	KFIM	KEURO	KFIM	KEURO	KFIM	KEURO	KFIM	KEURO
Net sales by market area								
Emea	233 114	39 207	120 133	20 205	122 185	20 550	17 629	2 965
Americas	93 630	15 747	35 114	5 906	88 527	14 889	0	0
Asia Pacific	27 429	4 613	9 347	1 572	27 429	4 613	0	0
Total	354 173	59 568	164 595	27 683	238 141	40 052	17 629	2 965
Net sales by division								
Networks	279 576	47 021	100 089	16 834	238 141	40 052	0	0
eSolutions	74 206	12 481	64 506	10 849	0	0	17 629	2 965
Optiwise	392	66	0	0	0	0	0	0
Total	354 173	59 568	164 595	27 683	238 141	40 052	17 629	2 965
Other income from business operations								
Marketing support	0	0	783	132	0	0	0	0
Capital gains	92	16	84	14	28	5	3	1
Rental income	225	38	0	0	0	0	0	0
Others	177	30	0	0	85	14	0	0
Total	495	83	868	146	112	19	3	1
Materials and services								
Materials and accessories (goods)								
Purchases during the financial period	43 884	7 381	24 242	4 077	26 162	4 400	1	0
Changes in stock levels	-547	-92	-435	-73	489	82	0	0
External services	43 337	7 289	23 806	4 004	26 651	4 482	1	0
Purchases during the financial period	2 284	384	1 776	299	64	11	616	104
Total	45 621	7 673	25 583	4 303	26 715	4 493	618	104
Wages, salaries and indirect employee expenses								
Wages, salaries and emoluments	138 391	23 276	55 726	9 372	37 352	6 282	15 507	2 608
Pension expenses	15 164	2 550	7 555	1 271	5 644	949	2 584	435
Other indirect employee expenses	17 911	3 012	5 440	915	5 308	893	1 163	196
Total	171 467	28 839	68 722	11 558	48 304	8 124	19 254	3 238
Salaries and emoluments paid To the Board of Directors and CEO	2 162	364	3 017	507	881	148	569	96
Number of personnel weighted average	450	450	168	168	139	139	50	50
Depreciation								
Goodwill	12 556	2 112	2 227	375	0	0	0	0
Tangible assets	9 274	1 560	2 424	408	5 297	891	1 343	226
Intangible assets	1 276	215	465	78	1 065	179	343	58
Extraordinary depreciation of investments and assets	0	0	0	0	25 828	4 344	0	0
Total	23 106	3 886	5 116	860	32 190	5 414	1 685	283

NOTES TO THE ACCOUNTS

NOTES TO THE INCOME STATEMENT

	GROUP		GROUP		STONESOFT CORP.		STONESOFT CORP.	
	1 JAN - 31 DEC 2000 KFIM	1 JAN - 31 DEC 2000 KEURO	1 JAN - 31 DEC 1999 KFIM	1 JAN - 31 DEC 1999 KEURO	1 JAN - 31 DEC 2000 KFIM	1 JAN - 31 DEC 2000 KEURO	1 JAN - 31 DEC 1999 KFIM	1 JAN - 31 DEC 1999 KEURO
Financial income								
Interest and other financial income								
From others	11 315	1 903	3 578	602	11 064	1 861	2 015	339
Interest and other financial income, total	11 315	1 903	3 578	602	11 064	1 861	2 015	339
Interest expenses and other financial expenses								
From others	5 597	941	1 307	220	5 698	958	1 116	188
Interest and other financial expenses, total	5 597	941	1 307	220	5 698	958	1 116	188
Financial income and expenses, total	5 718	962	2 271	382	5 366	903	899	151
The item interest and other financial income includes exchange rate gains/losses (net)	253	43	223	37	86	14	37	6
Extraordinary items								
Extraordinary income								
Profit on merger	0	0	0	0	0	0	6 939	1 167
Group subsidy	0	0	0	0	0	0	18 000	3 027
Extraordinary income, total	0	0	0	0	0	0	24 939	4 194
Extraordinary expenses								
Group subsidy	0	0	0	0	-24 400	-4 104	0	0
Liquidation of obligatory reserve	1 468	247	-1 468	-247	1 468	247	0	0
Public listing expenses	-13 100	-2 203	-3 530	-594	-13 100	-2 203	-3 530	-594
Closing down the Optiwise business	-7 739	-1 302	0	0	0	0	0	0
Others	-140	-24	0	0	0	0	0	0
Extraordinary expenses, total	-19 512	-3 282	-4 999	-841	-36 032	-6 060	-3 530	-594
Extraordinary items, total	-19 512	-3 282	-4 999	-841	-36 032	-6 060	21 408	3 601
Appropriations								
Difference between scheduled depreciation and depreciation in taxation	0	0	0	0	12	2	-691	-116
Direct taxes								
Income taxes on extraordinary items	5 658	952	1 400	235	10 449	1 757	-4 051	-681
Income taxes on actual business	-7 280	-1 224	-7 894	-1 328	-10 896	-1 833	3 550	597
Change in deferred tax liabilities	7 805	1 313	1 648	277	0	0	0	0
Direct taxes, total	6 184	1 040	-4 846	-815	-447	-75	-501	-84

PERFORMANCE

NOTES TO THE BALANCE SHEET

	GROUP		GROUP		STONESOFT CORP.		STONESOFT CORP.	
	31 DEC 2000 KFIM	31 DEC 2000 KEURO	31 DEC 1999 KFIM	31 DEC 1999 KEURO	31 DEC 2000 KFIM	31 DEC 2000 KEURO	31 DEC 1999 KFIM	31 DEC 1999 KEURO
Capital assets								
Intangible assets								
Foundation expenditure								
Balance sheet value 31.12.	17	3	0	0	0	0	0	0
Intangible rights								
Acquisition cost I.I.	2 854	480	652	110	2 031	342	818	138
Increases	2 228	375	1 557	262	2 155	362	1 045	176
Increases mergers / acquisitions	258	43	645	109	0	0	167	28
Reductions	-265	-45	0	0	0	0	0	0
Acquisition cost 31.12.	5 076	854	2 854	480	4 185	704	2 031	342
Accumulated depreciation I.I.	-1 108	-186	-325	-55	-870	-146	-494	-83
Accumulated depreciation of merged/acquired companies	-117	-20	-305	-51	0	0	-33	-6
Accumulated depreciation on reductions	151	25	0	0	0	0	0	0
Depreciation for financial period	-837	-141	-478	-80	-629	-106	-343	-58
Accumulated depreciation 31.12.	-1 912	-322	-1 108	-186	-1 499	-252	-870	-146
Balance sheet value 31.12.	3 164	532	1 746	294	2 686	452	1 160	195
Consolidated goodwill								
Acquisition cost I.I.	33 964	5 712	222	37	0	0	0	0
Increases	39 669	6 672	33 742	5 675	0	0	0	0
Acquisition cost 31.12.	73 633	12 384	33 964	5 712	0	0	0	0
Accumulated depreciation I.I.	-2 238	-376	-11	-2	0	0	0	0
Depreciation for financial period	-12 556	-2 112	-2 227	-375	0	0	0	0
Accumulated depreciation 31.12.	-14 795	-2 488	-2 238	-376	0	0	0	0
Balance sheet value 31.12.	58 839	9 896	31 725	5 336	0	0	0	0
Other long-term expense items								
Acquisition cost I.I.	0	0	0	0	0	0	0	0
Increases	6 789	1 142	0	0	6 704	1 127	0	0
Acquisition cost 31.12.	6 789	1 142	0	0	6 704	1 127	0	0
Accumulated depreciation I.I.	0	0	0	0	0	0	0	0
Depreciation for financial period	-438	-74	0	0	-436	-73	0	0
Accumulated depreciation 31.12.	-438	-74	0	0	-436	-73	0	0
Balance sheet value 31.12.	6 350	1 068	0	0	6 267	1 054	0	0
Advance payments for intangible rights								
Balance sheet value 31.12.	4	1	0	0	4	1	0	0
Intangible assets, total	68 374	11 500	33 472	5 630	8 957	1 507	1 160	195
Tangible assets								
Machinery and equipment								
Acquisition cost I.I.	17 464	2 937	4 607	775	11 653	1 960	3 246	546
Increases	27 355	4 601	10 580	1 779	15 120	2 543	7 010	1 179
Increases mergers / acquisitions	3 187	536	2 279	383	0	0	1 398	235
Reductions	-988	-166	-1	0	-92	-16	0	0
Acquisition cost 31.12.	47 019	7 908	17 464	2 937	26 681	4 487	11 653	1 960

NOTES TO THE ACCOUNTS

NOTES TO THE BALANCE SHEET

	GROUP		GROUP		STONESOFT CORP.		STONESOFT CORP.	
	31 DEC 2000 KFIM	31 DEC 2000 KEURO	31 DEC 1999 KFIM	31 DEC 1999 KEURO	31 DEC 2000 KFIM	31 DEC 2000 KEURO	31 DEC 1999 KFIM	31 DEC 1999 KEURO
Accumulated depreciation I.I.	-5 933	-998	-2 652	-446	-3 986	-670	-2 333	-392
Accumulated depreciation of merged/acquired companies	-1 253	-211	-878	-148	0	0	-310	-52
Accumulated depreciation on reductions	290	49	0	0	0	0	0	0
Depreciation for financial period	-9 164	-1 541	-2 403	-404	-5 297	-891	-1 343	-226
Accumulated depreciation 31.12.	-16 060	-2 701	-5 933	-998	-9 283	-1 561	-3 986	-670
Balance sheet value 31.12.	30 959	5 207	11 531	1 939	17 398	2 926	7 668	1 290
Other tangible assets								
Acquisition cost I.I.	211	36	34	6	29	5	29	5
Increases	1 114	187	177	30	0	0	0	0
Increases mergers / acquisitions	194	33	0	0	0	0	0	0
Acquisition cost 31.12.	1 519	256	211	36	29	5	29	5
Accumulated depreciation I.I.	-8	-1	-1	0	0	0	0	0
Accumulated depreciation of merged/acquired companies	-51	-9	0	0	0	0	0	0
Depreciation for financial period	-110	-19	-8	-1	0	0	0	0
Accumulated depreciation 31.12.	-169	-28	-8	-1	0	0	0	0
Balance sheet value 31.12.	1 350	227	203	34	29	5	29	5
Tangible assets, total	32 309	5 434	11 734	1 973	17 427	2 931	7 697	1 295
Investments								
Stocks and shares								
Acquisition cost I.I.	631	106	0	0	47 514	7 991	7 261	1 221
Increases	1 647	277	631	106	46 079	7 750	40 568	6 823
Reductions	0	0	0	0	-1 263	-212	-315	-53
Loss of value	0	0	0	0	-5 500	-925	0	0
Acquisition cost 31.12.	2 278	383	631	106	86 830	14 604	47 514	7 991

GROUP SHAREHOLDING %	PARENT COMPANY SHAREHOLDING %	BOOK VALUE OF SHARES HELD BY THE PARENT COMPANY KFIM	BOOK VALUE OF SHARES HELD BY THE PARENT COMPANY KEURO
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GROUP COMPANIES

Stocks and shares held by the Group and parent company Stonesoft Oyj on 31.12.2000

	GROUP SHAREHOLDING %	PARENT COMPANY SHAREHOLDING %	BOOK VALUE OF SHARES HELD BY THE PARENT COMPANY KFIM	BOOK VALUE OF SHARES HELD BY THE PARENT COMPANY KEURO
Stonesoft e-solutions Oy, former CMD Team Oy, Espoo	100,00	100,00	36 042	6 062
Stonegate Oy, Espoo (former Colias Oy)	100,00	100,00	63	11
Avantcomp Oy, Espoo	100,00	100,00	4 418	743
Embe Systems Oy, Oulu	100,00	100,00	39 325	6 614
Fence Technologies Oy, Espoo	100,00	100,00	162	27
Stonesoft Inc., USA, Atlanta	100,00	100,00	255	43
Stonesoft AB, Sweden, Stockholm	100,00	100,00	67	11
Stonesoft Networks (UK) Ltd, Reading	100,00	100,00	10	2
Stonesoft France S.A.S., France, Sophia Antipolis	100,00	100,00	238	40
Stonesoft Germany GmbH, Ismaning	100,00	100,00	149	25
Stonesoft Espana S.A., Madrid	100,00	100,00	357	60
Stonesoft Japan K.K., Tokyo	100,00	100,00	556	94
Stonesoft Netherlands B.V., Amsterdam	100,00	100,00	119	20
Optiwise Inc, Atlanta	100,00	100,00	100	17
Architek S.r.l, Milano	100,00	99,99	106	18

PERFORMANCE

NOTES TO THE BALANCE SHEET

Unirel Sistemi S.r.l, Florence	100,00	99,99	1 266	213
Athena Group Inc., Boston	60,80	0,00	0	0
Optiwise Oy, Espoo	100,00	0,00	0	0
Total			83 232	13 999

STOCKS AND SHARES HELD BY THE GROUP IN ASSOCIATED COMPANIES 31.12.2000

	GROUP SHAREHOLDING, %	BOOK VALUE	BOOK VALUE	STONESOFT CORP. SHAREHOLDING, %	BOOK VALUE	BOOK VALUE
Apc Attoparsek Oy, Helsinki	42,00	2 051	345	42,00	3 597	605

	GROUP		GROUP		STONESOFT CORP.		STONESOFT CORP.	
	31 DEC 2000 KFIM	31 DEC 2000 KEURO	31 DEC 1999 KFIM	31 DEC 1999 KEURO	31 DEC 2000 KFIM	31 DEC 2000 KEURO	31 DEC 1999 KFIM	31 DEC 1999 KEURO
Financial assets								
Short-term receivables								
Accounts receivable	104 160	17 518	53 141	8 938	69 861	11 750	29 737	5 001
Receivables from companies in the same Group								
Accounts receivable	0	0	0	0	2 079	350	0	0
Other receivables	0	0	0	0	22 083	3 714	12 518	2 105
Accrued assets								
VAT credits	0	0	0	0	1 026	173	0	0
Tax credits	0	0	0	0	3 738	629	0	0
Trade fairs and marketing fees	0	0	0	0	709	119	0	0
Rental deposits	0	0	0	0	323	54	0	0
Receivables carried forward	27 076	4 554	3 651	614	734	123	1 782	300
Deferred tax credits								
Deferred tax credit for matching differences	10 430	1 754	2 646	445	0	0	2 583	434
Other receivables	0	0	141	24	0	0	0	0
Receivables, total	141 666	23 826	59 578	10 020	100 552	16 912	46 620	7 841
Securities included in financial assets								
Investments								
Replacement cost	290 028	48 779	37 192	6 255	290 028	48 779	37 192	6 255
Book value	286 584	48 200	37 382	6 287	286 584	48 200	37 382	6 287
Difference	3 444	579	-191	-32	3 444	579	-191	-32
Shareholders' equity								
Share capital I.I.	6 247	1 051	529	89	6 247	1 051	529	89
Raising of share capital 31.3.1999	0	0	4 507	758	0	0	4 507	758
Initial public offering 8.4.1999	0	0	1 007	169	0	0	1 007	169
Increase in share capital 1.7.1999	0	0	93	16	0	0	93	16
Increase in share capital 30.9.1999	0	0	71	12	0	0	71	12
Increase in share capital 31.12.1999	0	0	39	7	0	0	39	7
Emission 2, 31.3.2000	333	56	0	0	333	56	0	0
Increase in share capital 4.5.2000	49	8	0	0	49	8	0	0
Increase in share capital 13.10.2000	144	24	0	0	144	24	0	0
Option subscription 6.11.2000	6	1	0	0	6	1	0	0
Increase in share capital 13.12.2000	9	2	0	0	9	2	0	0
Option subscription 27.12.2000	21	3	0	0	21	3	0	0
Share capital 31.12.	6 810	1 145	6 247	1 051	6 810	1 145	6 247	1 051

NOTES TO THE ACCOUNTS

NOTES TO THE BALANCE SHEET

	GROUP		GROUP		STONESOFT CORP.		STONESOFT CORP.	
	31 DEC 2000 KFIM	31 DEC 2000 KEURO	31 DEC 1999 KFIM	31 DEC 1999 KEURO	31 DEC 2000 KFIM	31 DEC 2000 KEURO	31 DEC 1999 KFIM	31 DEC 1999 KEURO
Other restricted shareholders' equity								
Share premium account I.I.	85 818	14 434	6 099	1 026	85 818	14 434	6 099	1 026
Raising of share capital 31.3.1999	0	0	-4 507	-758	0	0	-4 507	-758
Initial public offering 8.4.1999	0	0	80 314	13 508	0	0	80 314	13 508
Change in share premium account I.7.1999	0	0	2 916	490	0	0	2 916	490
Change in share premium account 30.9.1999	0	0	421	71	0	0	421	71
Change in share premium account 31.12.1999	0	0	574	97	0	0	574	97
Emission 2, 31.3.2000	365 295	61 438	0	0	365 295	61 438	0	0
Increase in share capital 4.5.2000	1 888	318	0	0	1 888	318	0	0
Increase in share capital 13.10.2000	1 228	207	0	0	1 228	207	0	0
Option subscription 6.11.2000	500	84	0	0	500	84	0	0
Increase in share capital 13.12.2000	39	6	0	0	39	6	0	0
Option subscription 27.12.2000	1 653	278	0	0	1 653	278	0	0
Non-subscribed portion of option subscriptions	15	3	0	0	15	3	0	0
Share premium account 31.12.	456 436	76 767	85 818	14 434	456 436	76 767	85 818	14 434
Emission								
Non-registered portion of option subscriptions 31.12.2000	0	0	0	0	0	0	0	0
Translation difference, restricted	73	12	0	0	0	0	0	0
Other restricted shareholders' equity, total	456 509	76 779	85 818	14 434	456 436	76 767	85 818	14 434
Profit/loss from previous financial period								
Profit from previous financial periods I.I.	22 227	3 738	14 415	2 424	16 612	2 794	9 080	1 527
Dividend payment	0	0	-688	-116	0	0	-688	-116
Translation difference, free	475	80	31	5	0	0	0	0
Profit from previous financial periods 31.12.	22 702	3 818	13 757	2 314	16 612	2 794	8 392	1 411
Profit/loss for financial period	-28 765	-4 838	8 469	1 424	-19 708	-3 315	8 220	1 383
Shareholders' equity, total	457 256	76 905	114 292	19 223	460 150	77 392	108 677	18 278
Accumulated appropriations								
Accumulated appropriations are comprised of accumulated depreciation differences								
Obligatory reserve	2 349	395	1 468	247	0	0	1 468	247
Calculation on distributable funds								
Profits from previous financial periods	22 702	3 818	13 757	2 314	16 612	2 794	8 392	1 411
Profit/loss for financial period	-28 765	-4 838	8 469	1 424	-19 708	-3 315	8 220	1 383

PERFORMANCE

NOTES TO THE BALANCE SHEET

	GROUP		GROUP		STONESOFT CORP.		STONESOFT CORP.	
	31 DEC 2000 KFIM	31 DEC 2000 KEURO	31 DEC 1999 KFIM	31 DEC 1999 KEURO	31 DEC 2000 KFIM	31 DEC 2000 KEURO	31 DEC 1999 KFIM	31 DEC 1999 KEURO
Other reserves								
Activated foundation expenditure	-17	-3	0	0	0	0	0	0
Portion of accumulated depreciation differences entered in shareholders' equity	-572	-96	-624	-105	0	0	0	0
Other items	-475	-80	-31	-5	0	0	0	0
Total	-7 127	-1 199	21 572	3 628	-3 096	-521	16 612	2 794
Liabilities								
Long-term liabilities								
Loans from financial institutions	0	0	63	11	0	0	63	11
Hire purchase liability	339	57	0	0	0	0	0	0
Current liabilities								
Loans from financial institutions	332	56	200	34	0	0	125	21
Advances received	43	7	173	29	11	2	65	11
Accounts payable	18 249	3 069	9 523	1 602	6 765	1 138	6 115	1 028
Debts to companies in the same Group								
Other debts	0	0	0	0	3 404	573	9 341	1 571
Substantial items included in deferred liabilities								
Deferred payroll provisions					8 480	1 426		
Matched maintenance costs					25 105	4 222		
Deferred liabilities	60 734	10 215	27 976	4 705	1 705	287	18 673	3 141
Other debts	14 295	2 404	10 151	1 707	1 414	238	2 987	502
Liabilities, total	93 653	15 751	48 023	8 077	46 884	7 885	37 306	6 274
PLEDGES								
Other pledges								
Corporate mortgage	500	84	500	84	500	84	500	84
Guarantee for loan from financial institution	0	0	188	32	0	0	188	32
Pledges issued for companies in the same Group								
Other pledges	238	40	0	0	238	40	0	0
Pledges issued for others								
Other pledges	245	41	56	9	85	14	56	9
Leasing liabilities								
Payable during the next financial period	1 838	309	1 887	317	1 368	230	811	136
Payable later	2 000	336	2 228	375	1 701	286	2 228	375
Total	3 839	646	4 115	692	3 068	516	3 039	511
Rental liabilities and pledges								
Rental liabilities	61 291	10 308	69 836	11 746	61 291	10 308	69 836	11 746
Rental pledges	782	132	74 195	12 479	323	54	71 799	12 076

THREE-YEAR REVIEW

STONESOFT GROUP KEY FIGURES

	2000 KFIM	2000 KEURO	1999 KFIM	1999 KEURO	1998 KFIM	1998 KEURO
Net Sales	354 173	59 568	164 595	27 683	61 971	10 423
Net Sales Change-%	115%	115%	166%	166%	54%	54%
Operating Profit Before Goodwill Depreciations (EBITA)	-8 984	-1 511	18 271	3 073	9 615	1 617
% of Net Sales	-3%	-3%	11%	11%	16%	16%
Operating Profit After Goodwill Depreciations (EBIT)	-21 540	-3 623	16 044	2 698	9 604	1 615
% of Net Sales	-6%	-6%	10%	10%	15%	15%
Profit before Extraordinary Items	-16 780	-2 822	18 315	3 080	9 727	1 636
% of Net Sales	-5%	-5%	11%	11%	16%	16%
Profit before taxes and minority Interest	-36 292	-6 104	13 315	2 239	9 727	1 636
% of Net Sales	-10%	-10%	8%	8%	16%	16%
ROE - %	-4%	-4%	20%	20%	48%	48%
ROI - %	-4%	-4%	29%	29%	64%	64%
Equity Ratio-%	87%	87%	73%	73%	55%	55%
Net Gearing	-0,7	-0,7	-0,5	-0,5	-0,6	-0,6
Total Asset	555 259	93 388	164 100	27 600	41 064	6 906
Capital Investments	35 341	5 944	12 314	2 071	1 992	335
% of Net Sales	10%	10%	7%	7%	3%	3%
R&D Costs	37 279	6 270	13 441	2 261	6 008	1 011
% of Net Sales	11%	11%	8%	8%	10%	10%
Number of Employees (Weighted Average)	450	450	168	168	74	74
Number of Employees at the End of the Year	574	574	340	340	122	122
Share Specific Ratios						
Earnings per Share (FIM / EUR)	-0,06	-0,01	0,35	0,06	0,22	0,04
Equity per Share (FIM / EUR)	7,98	1,34	2,18	0,37	0,65	0,11
Dividend per Share (FIM / EUR)	0,00	0,00	0,00	0,00	0,02	0,00
Dividend / Profit-%	0%	0%	0%	0%	10%	10%
Weighted Amount of Shares (Option dillution effect included)	55 499 114	55 499 114	42 926 752	42 926 752	32 188 240	32 188 240
Amount of Shares at the End of period	57 267 532	57 267 532	52 536 140	52 536 140	42 352 960	42 352 960

AUDIT REPORT

TO THE SHAREHOLDERS OF STONESOFT CORP.

We have audited the books, financial statements and administration of Stonesoftware Corp. for the financial period 1.1.-31.12.2000. The financial statements prepared by the Board of Directors and the CEO include a report by the Board of Directors as well as profit and loss accounts, balance sheets and notes of the accounts for both the Group and the Parent Company. On the basis of our audit, we hereby issue our statement concerning the financial statements and the administration of the company.

The audit has been carried out in accordance with good auditing practices. Bookkeeping, as well as the principles used for preparing the financial statements, their contents and method of presentation have been audited to an extent sufficient to establish that the financial statements contain no substantial errors or omissions. When auditing the company's administration, the Board Members' and the CEO's actions have been investigated with regard to their compliance with law on the basis of the stipulations of the Companies Act.

As our statement, we submit that the financial statements, which for the parent company indicate a loss of

FIM 19 707 759,44 for the financial period, have been prepared in compliance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give, in the manner intended in the Accounting Act, correct and sufficient information on the operational results and financial status of both the Group and the Parent Company. The financial statements with consolidated accounts can be confirmed, and the Board Members and the CEO can be granted a discharge from responsibility for the financial period that we have audited. The proposal by the Board of Directors concerning the treatment of the result is compliant with the Companies Act.

In Helsinki, the 2nd of March 2001

TILINTARKASTAJIEN OY – ERNST & YOUNG
A company of Authorized Public Accountants

Pekka Luoma
CPA

CALCULATION OF BUSINESS RATIOS

RETURN ON EQUITY, ROE-%

$$\frac{\text{Result before extraordinary items - taxes} \times 100}{\text{Shareholder's equity} + \text{minority interest}}$$

RETURN ON INVESTMENT, ROI-%

$$\frac{\text{Result before extraordinary items} + \text{interest and other financial expenses} \times 100}{\text{Balance sheet total} - \text{interest-free liabilities}}$$

EQUITY RATIO-%

$$\frac{\text{Shareholder's equity} + \text{minority interest} \times 100}{\text{Balance sheet total} - \text{advances received}}$$

NET GEARING

$$\frac{\text{Liabilities at interest} - \text{cash on hand and on deposit}}{\text{Shareholder's equity} + \text{minority interest} + \text{voluntary provisions and depreciation differential less imputed (deferred) tax liability}}$$

EARNINGS PER SHARE (FIM)

$$\frac{\text{Result before extraordinary items - taxes} -/+ \text{minority interest}}{\text{Average accounting-period number of shares adjusted for stock issue}}$$

EQUITY PER SHARE (FIM)

$$\frac{\text{Shareholder's equity}}{\text{Year-end number of shares adjusted for stock issue}}$$

DIVIDEND PER SHARE (FIM)

$$\frac{\text{Total dividend}}{\text{Year-end number of shares adjusted for stock issue}}$$

DIVIDEND / PROFIT-%

$$\frac{\text{Dividend per share} \times 100}{\text{Earnings per share}}$$



BOARD'S PROPOSAL

THE FOLLOWING ISSUES WILL BE HANDLED AT THE ANNUAL GENERAL MEETING OF STONESOFT CORPORATION ON 30 MARCH 2001:

1. Matters to be addressed by the Annual General Meeting of Shareholders according to the Clause 10 of the Articles of Association of the Company

2. The proposal by the Board of Directors for amendments of the Articles of Association

The Board proposes to the Annual General Meeting of Shareholders of Stonesoft Corp. of 30.3.2001 that Clauses 1, 3 and 9 of the Articles of Association of the Company shall be amended as follows:

1. The Company's name and domicile

The Company's name is Stonesoft Oyj and its domicile is Helsinki. The Company's parallel name in English is Stonesoft Corp.

3. Minimum and maximum share capital

The Company's minimum share capital is 840,000 euros and maximum share capital is 3,360,000 euros within which limits the share capital may be increased or decreased without amending the

Articles of Association. The Company has a minimum of 100,000 shares and a maximum of 200,000,000 shares.

9. Invitations to meeting

The invitations to a Meeting of Shareholders shall be delivered to the shareholders not earlier than two months and not later than seventeen (17) days prior to the meeting by publishing them in a newspaper decided by the Board of Directors or by delivering the invitations to each shareholder by registered mail to the address given in the shareholder register or in some other verifiable manner in writing.

In order to attend and vote at the meeting, a shareholder must inform the Company of such participation by the date shown on the notice of the meeting, which date may not be earlier than ten days prior to the meeting.

3. The proposal by the Board of Directors on the authorisation of the Board of Directors to decide upon increasing the share capital

The Board of Directors proposes to the Annual General Meeting of Stonesoft Corp. to be held on 30 March 2001 that the Annual General Meeting would decide to give a new authorisation to the Company's Board of Directors to resolve on the increase of the Company's share capital subject to the provisions mentioned in paragraphs 1.-6. below pursuant to Section 1, Chapter 4 of the Companies Act:

- a) by a new issue; and/or
- b) by granting option rights; and/or
- c) by taking a convertible loan.

The terms and conditions of the authorisation are:

1) The Company's share capital may be increased in one or more lots in a manner where by 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 229.070,12 euros, so that the aggregate maximum number of shares eligible for subscription on the basis of the aforementioned alternatives is 11.453.506 shares, each with an accounting equivalent value of 0.02 euros.

2) The Company's Board of Directors is entitled to decide on who shall have the right to subscribe for new shares in a new share issue, subscribe for option rights or for convertible loan. The new shares and/or option rights and/or convertible loan may, in accordance with Chapter 4 Section 6 of the Companies Act (734/1978, as amended), be subscribed against contribution in kind or otherwise under specific conditions.

3) The new shares to be issued in a new issue and/or the option rights and/or the convertible loan may be offered for subscription in deviation from the shareholders' pre-emptive subscription right pursuant to Chapter 4, Section 2 of the Companies Act (734/1978, as

amended) if the deviation is justified because of a weighty financial reason of the company, such as the financing of an acquisition, the enabling of joint venture transactions and the providing of additional financial alternatives, and/or a part of the incentive program directed to the Company's management and/or personnel.

4) The Company's Board of Directors is entitled, in a share subscription by way of a new issue and/or on the basis of option rights and/or in connection with a convertible loan, to decide on the grounds on the basis of which the subscription price shall be determined and on the subscription price which may not, however, be less than the accounting equivalent value of the shares.

5) The Company's Board of Directors is entitled within the limits as set out in the Companies Act (734/1978) to decide on all other matters and provisions related to a new issue and/or the granting of option rights and/or convertible loans, such as an eventual interest payable on the convertible loan.

6) The authorisation shall be in force one year from the decision of the Annual General Meeting.

HELSINKI, 7 MARCH 2001

BOARD OF DIRECTORS

STONESOFT AS AN INVESTMENT, FINANCING RISKS

STONESOFT AND ITS SHARES AS AN INVESTMENT

Stonesoft Corporation was listed on the Helsinki Stock Exchange on 14 April 1999. The company transferred from the I-list to the main list on 31 March 2000.

To diversify the sources of financing for implementing its strategy for growth and international expansion, and to extend the ownership base and create the necessary prerequisites for listing on the main list of the Helsinki Stock Exchange, Stonesoft Corporation organised a combined sale and issue of shares to Finnish and foreign institutional investors, the public and the company's Finnish personnel by waiving the shareholders' pre-emption rights. The institutional issue was organised 16 March - 22 March 2000 and the public and personnel offering 20 - 21 March 2000.

Approx. 1 400 investors participated in the combined sale and issue of shares. A total of 2 800 000 shares were offered for subscription and 2 750 000 shares for sale. In the institutional issue and sale, a total of 5 122 600 shares were offered, of which 66% were allocated to international investors and about 34% to Finnish investors. A total of 379 300 shares were offered in the public offering and 48 100 shares in the personnel issue. The combined sale and issue of shares was over-subscribed. With the share issue Stonesoft raised 62 million euros.

TREND IN SHARE PRICE IN 2000



FINANCING RISKS

The Stonesoft Group's internal unit of accounting is the Finnish markka, which has a fixed conversion factor to euro. US dollar is used as the billing currency for business in the American and Asian market.

Long-term project-type deliveries are not part of Stonesoft's business. Software packages are supplied by order on a tight schedule and billed according to international standards. There are virtually no currency conversions between trading and payments. In the dollar-denominated business, Stonesoft uses the net value method, deducting purchases in dollars from sales in dollars. The transaction risk is not significant, and when necessary US dollars have been converted to the internal unit of accounting. No risk of devaluation exists in the euro zone.

Responsibility for the Group's financing operations and risk management is assumed by the parent company. A considerable percentage of Stonesoft Corporation's asset management has been outsourced to Sampo-Leonia Asset Management Ltd and Evli Asset Management Ltd. Cash assets are invested in accordance with the guidelines issued by Stonesoft Corporation's Board of Directors. Most of the cash assets are invested in money market instruments and bonds. Cashflow planning is handled by the Group administration. The parent company guarantees the operations of its foreign subsidiaries and covers the costs incurred. Billing is handled by the parent company in Finland while the foreign companies act as service providers. Any loans to the subsidiaries within the Group are granted by the parent company.

Currently the Group has no derivative instruments.

CORPORATE GOVERNANCE INFORMATION FOR SHAREHOLDERS



CORPORATE GOVERNANCE

Stonesoft Corporation's administration is based on the provisions of the Finnish Companies Act and the company's articles of association.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders is the supreme decision-making organ of Stonesoft Corp. Its duties have been defined in the Finnish Companies Act and the company's Articles of Association. The Annual General Meeting of Shareholders decides on the number of Members of the Board of Directors, elects the Board Members and, when required, the Auditor, decides on the remuneration of Board Members as well as on discharging the Board Members and CEO from responsibility. Confirmation of the financial statements and distribution of profits are also decided by the Annual General Meeting of Shareholders.

BOARD OF DIRECTORS

According to the articles of association of Stonesoft Corporation, its Board of Directors shall include three to six regular members. The Board of Directors is elected by the annual general meeting of shareholders. The Board elects one of the members as the Chairman.

All decisions related to the appointment of the Chief Executive Officer and the remuneration payable to the CEO are made by the Board of Directors.

In 2000 the Board of Directors convened 15 times.

The members of the Board of Directors of Stonesoft Corporation are as follows:

HANNU TURUNEN

President, Stonesoft Corporation
Chairman of the Board since 1 September 2000
Member of the Board since 1992

KAI KARITUNEN

CEO, Stratos Ventures Ltd Oy
Chairman of the Board 1999-2000
Member of the Board since 1998

JOHN C. YATES

Attorney-at-law, Morris, Manning & Martin LLP
Member of the Board since 1998

ARTO T. KARILA

Professor, Helsinki University of Technology
Member of the Board since 1999

ILKKA HIIDENHEIMO

Chief Technical Officer, Stonesoft Corporation
Chairman of the Board 1990-1998
Member of the Board since 1990

CEO AND PRESIDENT

The Chief Executive Officer of the company is appointed by the Board of Directors. Mr Hannu Turunen served as the CEO of Stonesoft Corporation until 1 September 2000 when he assumed the position of the President. He was succeeded as the CEO by Mr Esa Korvenmaa on 1 September 2000. CEO Esa Korvenmaa is responsible for the company's operative activities and the Stonesoft Networks division, which is the fastest growing business within the corporation. He reports to the Board of Directors of Stonesoft Corporation. As Chairman of the Board of Directors and President, Hannu Turunen is responsible for the strategic issues of the Group of Companies and new business opportunities.

AUDITORS

Stonesoft Corporation has one regular auditor, an auditing firm approved by the Central Chamber of Commerce. The general annual meeting of shareholders elects the auditor for an indefinite term. Stonesoft Corporation's auditor is Tilintarkastajien Oy – Ernst & Young. The auditor in charge is CPA Pekka Luoma.

INFORMATION FOR SHAREHOLDERS

Stonesoft Corporation is listed on the Helsinki Stock Exchange and its shares are quoted on the main list. The trading code is SFT1V.

Stonesoft Corporation will publish the following economic disclosures in 2000:

- financial statement release for 2000 on 14 February 2001
- interim report for January - March on 4 May 2001
- interim report for January - June on 2 August 2001
- interim report for January - September on 29 October 2001

The annual general meeting of shareholders will be held on 30 March 2000 at 3 pm at Innopoli, Tekniikantie 12, 02150 Espoo, Finland.

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