

SafeNet Reports First Quarter Financial Results

Submitted by: Strategic Public Relations Ltd

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Company Announces Record Revenues

SafeNet (NASDAQ: SFNT), setting the standard for information security, today announced results for the first quarter ended March 31, 2004.

Revenues for the three-month period ending March 31, 2004, were \$24.0 million, compared to \$13.6 million for the same period in 2003, an increase of 77%. On a sequential basis, revenues increased by 28% from the fourth quarter of 2003, or approximately \$5.3 million. With the closing of the merger with Rainbow Technologies, Inc. on March 15, 2004, SafeNet's financial results for the first quarter of 2004 include two weeks of combined operations.

The net loss calculated on a GAAP (Generally Accepted Accounting Principles) basis for the quarter ended March 31, 2004, was approximately \$500,000, or \$0.03 per diluted share, which compares to a net loss of \$9.7 million, or \$1.07 per diluted share, for the same period of 2003.

Adjusted net income for the 2004 first quarter was \$2.9 million, or \$0.18 per diluted share, compared to \$1.5 million, or \$0.15 per diluted share, for the quarter ended March 31, 2003. The quarterly adjusted net income and per share information excludes acquisition-related expenses, restructuring charges, and assumes a 35% income tax rate. These adjustments increased net income by \$3.3 million, or \$0.21 per diluted share, for the quarter ended March 31, 2004, compared to a net income increase of \$11.2 million, or \$1.16 per diluted share, for the quarter ended March 31, 2003.

Anthony Caputo, Chairman, and CEO of SafeNet, stated, "With the merger of Rainbow and SafeNet now officially completed, we're even more confident in the potential of our combined product offerings and the opportunities we can capture. After a recent review of the progress of each of our operations teams, I can say that the integration with Rainbow is proceeding on target, and we anticipate achieving our operating synergies and growth goals as projected at the time of the merger close. The Rainbow side of the business is performing as well or even better than initially forecasted, especially in regards to the secure communications and the authentication token businesses."

He continued, "The Sentinel Business is both high-margin and high-potential; we are really excited about the tremendous opportunities for software protection and digital rights. Given its importance, both in terms of our current business and where we think it will take us in the future, we have solidified our commitment to investing in this business with the creation of the Sentinel Business Unit. The new unit, a key part of our Embedded Division, combines sales, marketing, engineering, and customer support functions to focus on and extend Sentinel's leadership position as the vendor of choice for anti-piracy software."

Caputo concluded, "SafeNet has emerged as a dominant information security provider. Starting next week, we'll be introducing the newly combined company and its capabilities to our customers, partners, industry analysts, and investors. The SafeNet Security Tour 2004 will include a bus tour, meetings with customers and the press, trade show events, and an investor lunch in New York City."

Business Updates

Since the beginning of the first quarter of 2004, SafeNet has announced:

- The completion of the merger with Rainbow Technologies. The new company now boasts a combined client base of over 5,000 worldwide customers with distribution channels extending across more than 100 countries.
- The selection of SafeNet's SafeEnterpriseT Security System by the Indonesia Government to secure taxpayer information, adding a high assurance level of security against unauthorised access to tax records.
- The establishment of the new Sentinel Business Unit and the appointment of Prakash Panjwani to lead the unit. The new unit reflects the importance of the Sentinel business and the conviction that its Sentinel brand of Software Protection and License Management products, which originated from Rainbow Technologies, will continue to contribute to SafeNet's growth.
- The appointment of L. Thomas Van Huben as Vice President, Human Resources, reflecting the Company's priority to recruit and retain top people throughout the world.
- The selection of SafeNet's SafeXcelT-1141 VPN chip by Allied Telesyn, a global leader in Ethernet networking solutions for the access edge. Allied Telesyn is using the SafeXcel-1141 for its AR450S Security Router, an enterprise-class security appliance.
- The selection of SafeNet's CGX Mobile Library by NEC Electronics for its wireless chip sets. Built upon the successes of SafeNet's CGX Cryptographic Library, the CGX Mobile Library provides developers with cryptographic security designed for small footprint environments such as mobile phones and PDAs.
- The plans to enable powerful trust services for wireless developers with the SafeZoneT Trusted Mobile Computing Toolkit and SafeZone Trusted Mobile Computing IP products. The SafeZone products will enable wireless phone and consumer electronics platform manufacturers to protect copyrighted content, provide digital rights management services, reduce fraud, and support a range of revenue-driving services including multimedia content and games.
- The availability of SafeNet's SafeXcelT IP, license-ready intellectual property, in the newly introduced Au1550T security network processor from Advanced Micro Devices, Inc. (AMD). AMD is a global supplier of integrated circuits for the computing, communications, and consumer electronics markets. AMD is also using SafeNet's CGX Mobile Library in order to easily port security functionality to the processor.
- Participation in the Symbian Platinum Program to support the growing market for smartphones based on Symbian OST. As a Platinum Partner, SafeNet will make the recently announced SafeZoneT Trusted Mobile Computing Products available for Symbian OS. Symbian Software Limited develops and licenses Symbian OS, the global industry standard operating system for smartphones, to the world's leading handset manufacturers, which account for over 80% of annual mobile phone sales worldwide.

Since the beginning of the first quarter of 2004, Rainbow announced:

- The demonstration of Rainbow's Rights Management Services that support Microsoft Windows Rights Management Services (RMS) for Windows Server 2003 at the RSA 2004 Conference.
- The selection of Rainbow's NetSwift iGateT SSL VPN Gateway by Software & Information Industry Association (SIIA). SIIA will use the NetSwift iGate SSL VPN to enable 2004 Codie Awards finalist judges from around the globe to securely vote online.
- The integration of Rainbow's iKeyT USB authentication token with HID's 125 kHz proximity access control technology into a single physical/data security device called the RFiKey. HID is the largest manufacturer of contactless-access control readers and cards for the security industry-HID has shipped

over 150 million credentials to customers worldwide.

Current Outlook for Second Quarter and Full Year 2004

The following statements are based on current expectations. These statements are forward-looking, and actual results may differ materially. These statements do not reflect the potential impact of any mergers, acquisitions or other business combinations that may be completed after the date of this release.

For the quarter ended June 30, 2004, SafeNet currently expects to achieve revenues in the range of \$54.0 to \$56.0 million. The adjusted net income is expected to be in the range of \$0.26 to \$0.31 per diluted. Adjusted guidance excludes integration costs of \$2.9 million, amortisation of acquired intangible assets of \$5.6 million, amortisation of unearned compensation of \$2.2 million, and net tax adjustments of (\$0.5) million, which is approximately (\$0.29) per share. The GAAP net income is expected to be in the range of \$0.01 to \$0.04 per share.

For the year ended December 31, 2004, the Company expects to achieve revenues in the range of \$200 to \$210 million. Adjusted net income guidance for 2004 is between \$1.30 and \$1.40 per diluted share. Adjusted guidance excludes estimated integration costs of \$9.3 million, amortisation of acquired intangibles of \$19.8 million, amortisation of unearned compensation of \$6.5 million, and net tax adjustments of approximately (\$10.4) million, for a total of approximately (\$1.09) per share. The GAAP income per share guidance for 2004 is between \$0.19 and \$0.23 per share.

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About SafeNet, Inc.

SafeNet, Inc. (NASDAQ: SFNT), a leading provider of private and public network security solutions, has set the industry standard for VPN technology and secure business communications and offers the only encryption platform for both WAN and VPN networks. With more than 20 years experience in developing, deploying, and managing network security systems for the most security-conscious government, financial institutions, and large enterprise organisations around the world, SafeNet's proven technology has emerged as the de facto industry standard for VPNs. SafeNet is the single-source vendor for WAN and VPN security solutions teamed with an easy and low-cost migration path to a broad range of VPN products. SafeNet security solutions, based on SecureIP TechnologyT, and part of the CGX Security Platform, have become the products of choice for leading Internet infrastructure manufacturers, service providers, and

security vendors. Securing the infrastructure of today's e-business communications as well as leading the way in government Homeland and classified data security, SafeNet has opened new markets for interoperable, secure, and deployable VPN communications. Commercial customers include Texas Instruments, Microsoft, Samsung, Centillium Communications, ARM, and Cisco Systems. Government, financial, and large enterprise customers include the National Security Agency, Federal Bureau of Investigation, U.S. Postal Service, U.S. Department of Defense, U.S. Internal Revenue Service, Social Security Administration, Bank of America, Eastman Kodak, Hewlett-Packard, and Motorola. For more information, visit www.safenet-inc.com.

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995

Statements contained in this document that are not historical facts could be deemed to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements are based on management's current expectations and beliefs, are not guarantees of future performance and are subject to a number of risks, uncertainties and assumptions that could cause actual results to differ materially from those described in the forward-looking statements, including, among others: the risk that the SafeNet and Rainbow businesses will not be integrated successfully; costs related to the proposed merger; and other economic, business, competitive, and/or regulatory factors affecting SafeNet's business generally, including those set forth in its filings with the Securities and Exchange Commission, including SafeNet's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 and its Current Reports on Form 8-K. If any of these risks or uncertainties materialises or any of these assumptions proves incorrect, SafeNet's results could differ materially from the expectations in these statements. SafeNet assumes no obligation and does not intend to update or alter these forward-looking statements, whether as a result of new information, future events, or otherwise.

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