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## **Soapstone Networks Reports First Quarter 2008 Results**

**Billerica, MA, April 17, 2008** -- Soapstone Networks Inc. (NASDAQ: SOAP), today reported results for its first quarter ended March 31, 2008. The Company recently changed its name from Avici Systems to Soapstone Networks and completed the transition from a core routing vendor to a developer of resource and service control software at the end of December 2007.

Revenue for the first quarter ended March 31, 2008 was \$2.6 million compared to \$20.5 million for the three-month period ended March 31, 2007. The prior years' first quarter included \$18.4 million in router product revenue. The Company shipped its last router products in December 2007 and has exited the manufacturing and sale of router products.

"This quarter we are continuing our aggressive development of the PNC (Provider Network Controller) product to deliver a complete solution for automating the entire service lifecycle for carriers and large enterprises," said Bill Leighton, Chief Executive Officer, Soapstone Networks. "We are also actively working on bringing aboard additional distribution partners."

GAAP net loss for the first quarter ended March 31, 2008 was \$3.7 million, or \$0.25 per share, compared to a GAAP net income of \$6.0 million, or \$0.42 per share, in the prior year's first quarter. GAAP net income in the 2008 period includes \$0.5 million of non-cash equity based charges associated with Financial Accounting Standards Board Statement No. 123R ("SFAS 123R"). GAAP net income in the 2007 period includes \$0.3 million of special charges associated with the restructuring in the first quarter of 2006, and \$0.4 million of non-cash equity

based charges associated with SFAS 123R, offset by \$0.1 million from the utilization of certain inventory previously written off.

Non-GAAP net loss (GAAP net loss or income excluding charges for restructuring, certain stock based compensation and inventory credits) for the first quarter ended March 31, 2008 was \$3.2 million, or \$0.22 per share compared to non-GAAP net income of \$6.6 million, or \$0.46 per share in the first quarter of 2007.

Cash, cash equivalents and short and long-term marketable securities totaled \$104.5 million at March 31, 2008 compared to \$103.0 million at December 31, 2007.

Soapstone Networks will discuss these quarterly results as well as future business and financial expectations in an investor conference on April 17, 2008 at 8:30 AM eastern daylight savings time. The conference telephone number is (800) 288-8974. A replay of the conference call will be available after 11:15 AM. Replay information will be available at (800) 475-6701 (USA) access code: 918467. Replay of this call is also available on Soapstone's Web site, [www.soapstonenetworks.com](http://www.soapstonenetworks.com), along with a copy of this release.

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**Soapstone is a trademark of Soapstone Networks Inc.**

This release contains information about Soapstone's future expectations, plans, and prospects, including Soapstone's expectations for annual revenue, profitability, product introduction, commercial activities and the growth opportunity for Soapstone Networks that constitute forward-looking statements for purposes of the safe harbor provisions under the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Statements made with regard to interim results are not necessarily indicative of results that may be expected for future interim periods or for the full year. When used in this press release, the word "will", "expected" and other similar expressions are intended to identify such forward looking statements. Such risks and uncertainties include, but are not limited to, Soapstone's ability to manage the transition of its core router business, the early stage of Soapstone Networks, market acceptance of our products, services and enhancements, dependence on our major customer, customer purchasing patterns and commitments, development of the market place, product development and enhancement, intensity of competition of other vendors, technological changes, reliance on technology and distribution partners, and other risks set forth in Soapstone's filings with the Securities and Exchange Commission. Soapstone does not undertake any duty to update forward-looking statements.

#### **About Soapstone Networks**

Soapstone Networks Inc., headquartered in Billerica, Massachusetts is at the forefront of the movement to Carrier Ethernet by delivering resource control systems that help to realize the value of NGN software-provisioned services in the new Carrier Ethernet transport network. Soapstone's common control framework decouples services from underlying network technologies. The Soapstone solution dynamically provisions precise, SLA-quality services, continuously optimizing utilization of network resources to bring orderly, predictable business-driven behavior to service provider networks. Soapstone changed its name from Avici Systems in the first quarter of 2008. Avici has provided purpose-built carrier-class routing solutions for the Internet. Such routing systems provide IP solutions to some of the world's leading service providers. The future of Carrier Ethernet - [www.soapstonenetworks.com](http://www.soapstonenetworks.com)

**SOAPSTONE NETWORKS INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)**  
**(Unaudited)**

	<b>Three Months Ended</b>	
	<b><u>March 31</u></b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>
Revenue:		
Product	\$ --	\$ 18,424
Service	<u>2,629</u>	<u>2,088</u>
Total revenue	<u>2,629</u>	<u>20,512</u>
Cost of revenue - Product (1)	--	5,321
Cost of revenue - Service (2)	<u>945</u>	<u>457</u>
Total cost of revenue	<u>945</u>	<u>5,778</u>
Gross margin	<u>1,684</u>	<u>14,734</u>
Operating expenses:		
Research and development (2)	3,437	7,091
Sales and marketing (2)	1,142	586
General and administrative (2)	1,370	1,267
Stock-based compensation	480	445
Restructuring expenses	<u>--</u>	<u>100</u>
Total operating expenses	<u>6,429</u>	<u>9,489</u>
(Loss) income from operations	(4,745)	5,245
Interest income, net	941	886
Other Income	87	--
Provision for income tax	<u>--</u>	<u>(130)</u>
Net (loss) income	<u>\$ (3,717)</u>	<u>\$ 6,001</u>
Net (loss) earnings per diluted share	<u>\$ (0.25)</u>	<u>\$ 0.42</u>
Weighted average common shares used in computing diluted net (loss) income per share	<u>14,792,089</u>	<u>14,278,826</u>
(1) Includes inventory charge and (credits), as follows:		
Inventory and inventory related charge	<u>\$ --</u>	<u>\$ 175</u>
Credits from utilization of inventory previously written off in 2006 and 2001	<u>\$ --</u>	<u>\$ (145)</u>
(2) Excludes certain non-cash, stock-based compensation, as follows:		
Cost of revenue - Service	\$ 23	\$ --
Research and development	205	231
Sales and marketing	114	83
General and administration	<u>161</u>	<u>131</u>
	<u>\$ 503</u>	<u>\$ 445</u>

**SOAPSTONE NETWORKS INC.**  
**NON-GAAP CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)**  
**(Unaudited)**  
**Note 1**

	<b>Three Months Ended</b>	
	<b><u>March 31,</u></b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>
Revenue:		
Product	\$ --	\$ 18,424
Service	<u>2,629</u>	<u>2,088</u>
Total revenue	2,629	20,512
Cost of revenue - Product	--	5,291
Cost of revenue - Service	<u>922</u>	<u>457</u>
Total cost of revenue	<u>922</u>	<u>5,748</u>
Gross margin	<u>1,707</u>	<u>14,764</u>
Operating expenses:		
Research and development	3,437	7,091
Sales and marketing	1,142	586
General and administrative	<u>1,370</u>	<u>1,267</u>
Total operating expenses	<u>5,949</u>	<u>8,944</u>
(Loss) income from operations	(4,242)	5,820
Interest income, net	941	886
Other Income	87	
Provision for income tax	<u>--</u>	<u>(130)</u>
Non-GAAP net (loss) income	<u>\$ (3,214)</u>	<u>\$ 6,576</u>
Non-GAAP (loss) earnings per diluted share	<u>\$ (0.22)</u>	<u>\$ 0.46</u>
Weighted average common shares used in computing diluted net (loss) income per share	<u>14,792,089</u>	<u>14,278,826</u>

Note 1 - The above non-GAAP consolidated statements of operations for the three months ended March 31, 2008 and 2007 are not presented in accordance with generally accepted accounting principles (GAAP) and are presented for informational purposes only. These statements exclude the impact of restructuring expenses, non-cash charges related to certain stock based compensation as well as charges and credits related to inventory and related items as presented in the following reconciliation for the applicable periods. The Company believes that this presentation of non-GAAP results provides helpful information to both management and investors in assessing our core operating performance. Such information should not be considered superior to, in isolation from, or as a substitute for results presented in accordance with generally accepted accounting principles.

	<b>Three Months Ended</b>	
	<b><u>March 31</u></b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>
Non-GAAP net (loss) income	\$ (3,214)	\$ 6,576
Restructuring expenses	--	(100)
Certain non-cash stock based compensation	(503)	(445)
Inventory and inventory related charge	--	(175)
Utilization of inventory previously written-off	<u>--</u>	<u>145</u>
GAAP net (loss) income	<u>\$ (3,717)</u>	<u>\$ 6,001</u>

**SOAPSTONE NETWORKS INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(IN THOUSANDS)**  
**(Unaudited)**

	<u>March 31,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
<b>Assets</b>		
Cash, Cash equivalents and marketable securities	\$ 104,532	\$ 99,988
Trade accounts receivable, net	2,762	11,769
Other current assets	<u>586</u>	<u>790</u>
Total current assets	107,880	112,547
Long-term marketable securities	--	3,000
Property and equipment, net	<u>3,214</u>	<u>3,306</u>
Total assets	<u>\$ 111,094</u>	<u>\$ 118,853</u>
<b>Liabilities and Stockholders' Equity</b>		
Accounts payable and accrued expenses	\$ 4,019	\$ 9,002
Deferred revenue	2,599	2,343
Stockholders' equity	<u>104,476</u>	<u>107,508</u>
Total liabilities and stockholders' equity	<u>\$ 111,094</u>	<u>\$ 118,853</u>

December 31, 2007 amounts are derived from audited financial statements.

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