proofpoint™

November 3, 2010

SaaS Security and Compliance Leader Proofpoint, Inc. Reports Q3 2010 Results, Marking 29 Consecutive Quarters of Record Revenue

Increasing Demand for Email Encryption and eDiscovery Solutions, Continuing Federal Agency Traction and Record Renewals Drive Business to Highest Levels

Sunnyvale, Calif. – November 03, 2010 – Proofpoint, Inc. (http://www.proofpoint.com), the leading provider of SaaS email security, data loss prevention, email archiving and eDiscovery solutions, today reported that revenue for the third quarter of 2010 once again reached its highest levels ever, representing Proofpoint's 29th consecutive quarter of record revenue. Increasing demand for Proofpoint's SaaS email encryption and email archiving solutions, continuing traction in the Federal government sector and a record level of renewal business drove Proofpoint's results to record levels during the quarter.

"Proofpoint's cloud-based solutions help our customers radically reduce costs and simplify their IT infrastructure, while providing superior protection against a range of security, compliance and legal risks," said Gary Steele, CEO of Proofpoint. "Throughout 2010, we've seen increasing enterprise interest in SaaS, concerns around compliance and data privacy issues and awareness of the importance of eDiscovery as significant drivers for our business and the third quarter of 2010 was no exception."

Business highlights from the third quarter of 2010 included:

Continuing Federal and Enterprise Adoption of SaaS Email Archiving and eDiscovery
As in the previous quarter, Proofpoint saw continuing demand from the Federal government sector for the company's secure, cloud-based email archiving and eDiscovery solution, Proofpoint Enterprise Archive™. During Q3 2010, a US Federal Government agency selected Proofpoint to archive email for more than 100,000 users. This deployment represents one of the largest Federal government deployments of cloud computing-based technology to date and Proofpoint's largest initial deployment of Proofpoint Enterprise Archive.

Adoption in the private sector also continued to be strong during the quarter. New customers included a leading global management and technology consulting firm, selecting Proofpoint to archive email for more than 10,000 users.

"The market for cloud (software-as-a-service or SaaS) archiving is growing more rapidly than for on-premises," said Sheila Childs, research director for Gartner, Inc.'s storage strategies and technologies group. "End users are increasingly including both cloud and on-premises vendors in their shortlists."

An increasing number of standards and regulations require organizations to consistently archive and rapidly discover electronic content such as email. A recent whitepaper from Proofpoint and Osterman Research summarizes more than 50 domestic and global regulations that mandate some form of content retention (see What are Your Obligations to Retain Email and Other Electronic Content? available from http://www.proofpoint.com/id/email-retention-wp/index.php).

Growing Demand for Privacy and Email Encryption Solutions
Privacy and data protection regulations, which increasingly apply to enterprises in both regulated and non-regulated industries, continued to drive interest in Proofpoint's email encryption and privacy protection solutions. Introduced just one year ago, the Proofpoint SaaS-powered email encryption solution, Proofpoint Encryption™, has been the most successful product launch in the company's history.

During the quarter, Proofpoint Encryption was adopted by both new and existing customers, including one of the largest healthcare systems in the US (deploying Proofpoint Encryption for 125,000 users), a leading global payment card provider (deploying for 8,000 users), a prestigious US medical school (deploying for 2,000 users) and a US regional bank (deploying for more than 1,000 users).

The Proofpoint Enterprise Privacy™ Suite—which combines email compliance and data loss prevention features with the policy-based email encryption capabilities of Proofpoint Encryption—also saw continued strong adoption, especially in regulated industries such as healthcare and financial services.

Record Renewal Business, Strong Competitive Conversions and SaaS Uptake
Proofpoint's customer renewal rate increased during the quarter, leading to record renewal and add-on business in the

quarter. Proofpoint continued to see new customers switching from competing solutions to Proofpoint's email security and compliance suites, particularly in the area of inbound email security. New customers moved to the Proofpoint Enterprise Protection™ suite for superior protection against spam and malware, better enforcement of email policies and the ability to scan outbound email for the presence of spam, viruses and email policy violations.

"Even as inbound security threats have grown increasingly aggressive and complex, Proofpoint has continued to focus on maintaining its best-of-breed anti-spam effectiveness," said Steele. "That played a large part in ensuring extremely high customer satisfaction and record renewal business in Q3, even through one of the most challenging threat environments in recent memory."

An increasing number of customers that have previously deployed Proofpoint's email security and compliance solutions on-premises (as appliances, virtual appliances or software) are moving to Proofpoint's SaaS model, finding the transition both seamless and cost effective. As just one example, a leading storage technology vendor that has used Proofpoint since 2004 was able to migrate its more than 20,000 users from on-premise appliances to SaaS in just 24 hours.

Ongoing Email Security and Compliance Innovation During Q3 2010, the company introduced an updated version of its SaaS email archiving solution, Proofpoint Enterprise Archive, adding full support for Microsoft Exchange 2010 as well as new legal hold, compliance and eDiscovery features.

Proofpoint also released the results of its seventh-annual study on the enterprise risks associated with email, social media and other messaging technologies, Outbound Email and Data Loss Prevention in Today's Enterprise. Based on a survey of 261 email technology decision makers at large US enterprises, Proofpoint's 2010 report summarizes the data loss concerns, priorities, policies and plans of large US companies. In response to the increasing popularity of social media both inside and outside the workplace, this year's survey examined new policy areas, including how many large enterprises explicitly prohibit the use of various social media technologies, what types of inappropriate content are most commonly found in social media communications and how commonly companies train employees on their email, Web and social media policies.

Proofpoint Leads the Way in Email Security and Compliance
Gartner, Inc. positions Proofpoint in the Leaders quadrant of its 2010 Magic Quadrant for Secure E-mail Gateways. To read a complimentary copy of the complete report, please visit:

http://www.proofpoint.com/magicquadrant

About Proofpoint, Inc.
Proofpoint focuses on the art and science of cloud-based email security, eDiscovery and compliance solutions. Organizations around the world depend on Proofpoint's expertise, patented technologies and on-demand delivery system to protect against spam and viruses, safeguard privacy, encrypt sensitive information, and archive messages for easier management and discovery. Proofpoint's enterprise email solutions mitigate the challenges and amplify the benefits of enterprise messaging. Learn more at www.proofpoint.com.

# # #

Proofpoint, Proofpoint Enterprise Archive, Proofpoint Enterprise Protection, Proofpoint Enterprise Privacy and Proofpoint Encryption are trademarks or registered trademarks of Proofpoint, Inc. in the US and other countries. All other trademarks contained herein are the property of their respective owners.