

Pointsec – the security standard for mobile devices and PCs



Pointsec sales increased by 87% in the fourth quarter

- Doubling of dividend proposed

FOURTH QUARTER 2005

- Sales for the quarter increased by 56% to SEK 96.2 M (61.8). Adjusted for divested units, sales increased by 66% from SEK 57.9 M.
- Revenues from Pointsec sales increased by 87% to SEK 81.4 M (43.5), which corresponded to 85% of total revenues (70%) and was the highest-ever quarterly result.
- Income after net financial items amounted to SEK 31.6 M (0.9).
- Profit after tax amounted to SEK 22.5 M (11.3).
- Profit per share amounted to SEK 2.01 (1.06).

JANUARY – DECEMBER 2005

- Sales increased by 33% to SEK 288.9 M (217.4). Adjusted for divested operations, sales increased by 44%.
- Total revenues from Pointsec sales increased by 56% to SEK 233.5 M (149.5).
- Income after net financial items amounted to SEK 66.0 M (20.5).
- Profit after tax amounted to SEK 44.5 M (24.2) and shareholders' equity to SEK 222.6 M (177.9).
- Profit per share amounted to SEK 4.02 (2.28).

DIVIDEND

- The Board of Directors proposes that the dividend be doubled to SEK 2.50 per shares (1.25), corresponding to a total of SEK 28.0 M (13.7).

CEO Thomas Bill's comments:

"Demand for our Pointsec software is substantial, and we continue to take market shares. This resulted in a strong fourth quarter, with a sales record noted for the sixth consecutive quarter. Profit during the fourth quarter was as high as total profit during the first three quarters of the year.

It was gratifying that the trend of a large number of orders continued during the

fourth quarter and that there was also a substantial geographic spread. Increased efforts in the important markets in the US and Japan produced favorable results, and we anticipate continued strong growth in these markets. Sales also developed well in the Middle East, India and the Nordic countries. In Europe, sales did not develop as expected, and the market organization was therefore strengthened

in this region.

Protect Data is well prepared to take advantage of the strong market growth. During 2006, we will focus on further strengthening our market position and therefore expect continued growth in sales and profit. We will take advantage of the substantial growth opportunities and take additional market shares."

SALES AND PROFIT

Protect Data's fourth quarter once again showed strong sales growth. Sales increased by 66% after adjustment for divested units and amounted to SEK 96.2 M (57.9) for the quarter.

Sales for the full-year 2005 increased by 33% to SEK 288.9 M (217.4).

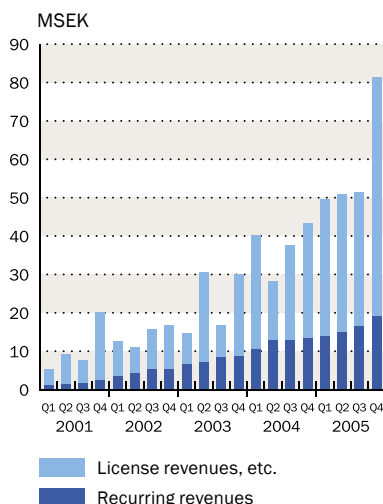
Protect Data's Pointsec software accounted for an increasing proportion of sales, 85% during the fourth quarter and 81% for the full year. Remaining operations consist of sales in the Nordic region of third-party data security products. In pace with the growth in Pointsec sales, these operations are expected to continue to be of increasingly dominant importance for the company.

Sales of new licenses during the fourth quarter corresponded to 77% of total Pointsec sales, while 23% consisted of recurring revenues in the form of maintenance and leasing. (See the accompanying diagram.)

With respect to geographic distribution, the previous trend continued during the fourth quarter. The US and Asian markets, particularly Japan, accounted for an increasing share of sales.

Gross income increased sharply dur-

Pointsec revenues distributed by new sales and recurring revenues



ing the fourth quarter and amounted to SEK 88.6 M, which was 70% higher than during the same quarter in 2004. Gross income rose by 44% to SEK 256.7 M (178.4).

Realized and unrealized translation differences had a positive effect of SEK 1.1 M (neg. 2.0) on earnings during the fourth quarter and SEK 5.5 M (neg. 1.6) for the full-year 2005.

Net financial items amounted to in-

come of SEK 3.1 M (0.7) for the fourth quarter and SEK 5.7 M (3.5) for the full year. Unrealized surpluses in financial investments were booked directly against equity in accordance with IAS 39 and thus had no effect on net financial items. On the closing date, unrealized surpluses amounted to SEK 2.5 M (1.2).

Income after net financial items increased to SEK 31.6 M (0.9) during the fourth quarter, compared with the corresponding period in 2004. For the full-year 2005, income after net financial items amounted to SEK 66.0 M (20.5).

The introduction of International Financial Reporting Standards (IFRS) had a negative effect on net income of SEK 0.1 M for the fourth quarter of 2004 and SEK 0.1 M for the full-year 2004.

Summary by segment, January – December 2005, SEK M

	EMEA ¹⁾		APAC ²⁾		USA		Parent Company and Group Items ³⁾		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
External sales	151.0	137.6	56.5	26.0	81.2	53.7	0.2	0.1	288.9	217.4
Internal sales	25.3	24.3	3.5	0.0	12.7	5.2	-41.5	-29.5	0.0	0.0
Gross profit	144.7	123.3	58.2	25.9	69.9	34.7	-16.1	-5.5	256.7	178.4
Operating costs	-141.1	-124.8	-8.3	-1.0	-57.5	-34.2	10.5	-1.4	-196.4	-161.4
Operating income	3.6	-1.5	49.9	24.9	12.4	0.5	-5.6	-6.9	60.3	17.0
Assets	197.6	146.7	2.8	1.1	61.5	32.8	71.6	86.9	333.5	267.5
Liabilities	161.4	107.0	5.2	1.8	35.1	25.5	-90.8	-44.7	110.9	89.6
Investments	17.7	13.1	0.1	0.3	0.5	0.4	3.1	5.4	21.4	19.2
Depreciation	17.2	12.8	0.1	0.0	0.3	1.0	1.2	1.9	18.8	15.7

¹⁾ Europe, Middle East, Africa

²⁾ Asia Pacific Area Countries

³⁾ Refers to elimination of intra-Group sales and amortization of consolidated goodwill.

LIQUIDITY AND FINANCIAL POSITION

The Group's financial position remains very strong.

On the closing date, liquidity (cash and cash equivalents and financial investments available for sale), including unutilized credit facilities of SEK 50 M (50) and unrealized surplus values in fund investments of SEK 2.5 M (1.2), amounted to SEK 210.2 M (182.0).

Equity amounted to SEK 222.6 M (177.9) on the closing date, corresponding to an equity/assets ratio of 67% (67%) and equity per share of SEK 19.90 (16.25).

Goodwill amounted to SEK 6.9 M (6.9) on the closing date. Capitalized expenses for software development plus acquired intangible assets totaled SEK 26.3 M (25.9).

INVESTMENTS

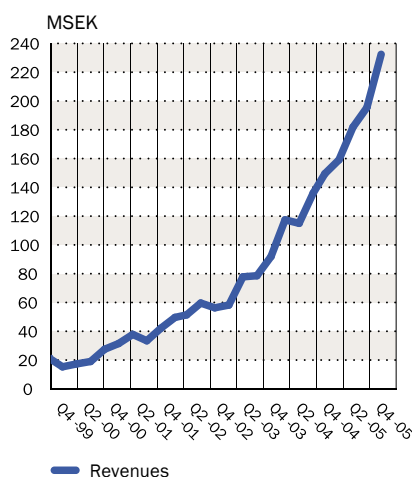
The Group's investments in equipment amounted to SEK 5.5 M (8.4) for the full-year 2005, of which the Parent Company's investments accounted for SEK 3.1 M (5.4). Investments in capitalized expenses for development of commercial software during the year amounted to SEK 15.9 M (10.6).

OPERATIONS

The positive sales growth for Protect Data's Pointsec security software continued during the fourth quarter, and sales increased for the sixth consecutive quarter. The highest-ever sales for Pointsec were thus noted, SEK 81.4 M. New sales accounted for 77%, while recurring revenues (maintenance and leasing) accounted for 23%. Sales were distributed among a large number of orders.

The increased marketing efforts and the increased local presence in the US market continued to yield results. Sales to the banking and finance sector in the US received further support when Pointsec's encryption solution was tested and approved by BITS, a consortium of the largest financial companies in the US. No competing solution can claim that it is BITS

Pointsec sales set new records



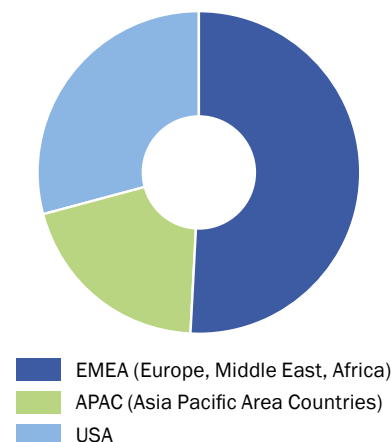
The Group's total revenues from Pointsec operations summed on a rolling basis over the past four quarters.

Tested.

The Asian market continued to develop positively during the fourth quarter, particularly Japan. Under management of the newly appointed regional manager, the marketing efforts in the Middle East, India and Southeast Asia increased. In December, Pointsec initiated a partnership with the IT security company Select Technologies in India. Select Technologies has an extensive reseller network, and the distribution agreement will allow Pointsec to further strengthen its position in India. Pointsec also signed a partnership agreement with Paramount Computer Systems, an IT security company with a broad presence in the Middle East. A partnership was also formed with Australia's ADI Limited, a leading technology and systems supplier focused on the defense and industry sectors.

The Nordic region continued to develop according to plan, while sales in the rest of Europe were weaker than expected during 2005. During the fourth quarter, additional emphasis was placed on sales in this region, and Nigel Doust, previously Vice President for World Wide Mobility with Extended Systems, was appointed regional manager.

Sales distributed by geographic market



Total Group revenues, Jan. - Dec. 2005

During the fourth quarter, Protect Data appointed a new Chief Financial Officer.

PARENT COMPANY

The Parent Company's sales amounted to SEK 18.9 M (19.7) for the full-year 2005, of which SEK 18.6 M (19.5) derived from sales to Group companies.

OUTLOOK

The market for Pointsec products continues to grow, and the company will further strengthen its market position. Sales and profit are expected to continue to increase.

ACCOUNTING PRINCIPLES

This interim report was prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU, IAS 34 Interim Financial Reporting, and the Swedish Financial Accounting Standards Council's recommendation RR 31 Consolidated interim reports and RR 32 Reporting of legal entities. The accounting principles applied in this interim report are those described in the consolidated accounts for 2004, Note 1. As explained there, International Financial Reporting Standards (IFRS) are applied as of 2005 and comparison figures

referring to 2004 were recalculated in accordance with the new principles. For Protect Data, there have been no exceptions to the above. All changes were recalculated with respect to 2004. For the comparison periods, the effects on equity of the recalculation to comply with the new principles are specified in the interim report in the table "Specification of changes in equity". The effects on profit after tax for the comparison periods are specified in the table "Summary of income statements".

DIVIDEND

The Board of Directors proposes that the dividend be doubled to SEK 2.50 per

share (1.25), corresponding to SEK 28.0 M (13.7) for the 2005 fiscal year.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Thursday, April 6, 2006 at 5:00 p.m. in the company's offices at Humlegårdsgatan 14 in Stockholm

ELECTION COMMITTEE

The Election Committee, which has replaced the Nomination Committee, consists of the Chairman Magnus Bakke (representing Robur Funds), Carl Rosvall (Monterro Holding Ltd.) and Fredrik Nilert (AFA Försäkring). These persons represent slightly more than one third of

the company's capital and voting rights.

Board member Harald Nilsson has declined re-election.

The Election Committee proposes re-election of other Board members and new election of Hans Otterling, founder and Vice Chairman of StreamServe Inc.

Summary of income statements, SEK M

	Group				Parent Company	
	Oct-Dec		Jan-Dec		Jan-Dec	Jan-Dec
	2005	2004	2005	2004	2005	2004
Net sales	96.2	61.8	288.9	217.4	18.9	19.7
Cost of goods sold	-7.6	-9.6	-32.2	-39.0	-	-
GROSS PROFIT	88.6	52.2	256.7	178.4	18.9	19.7
Selling expenses	-34.4	-23.2	-103.3	-74.2	-	-3.9
Administrative expenses ¹⁾	-13.8	-16.6	-60.3	-54.7	-27.4	-20.2
Research and development costs ²⁾	-13.0	-10.2	-40.0	-30.9	-	-
Other operating income/expenses	1.1	-2.0	7.2	-1.6	-	-
OPERATING INCOME	28.5	0.2	60.3	17.0	-8.5	-4.4
Net of financial items ³⁾	3.1	0.7	5.7	3.5	7.1	-15.0
INCOME AFTER FINANCIAL ITEMS	31.6	0.9	66.0	20.5	-1.4	-19.4
Provisions	-	-	-	-	-4.2	-5.2
Tax ⁴⁾	-9.1	10.4	-21.5	3.7	2.1	3.5
PROFIT AFTER TAX	22.5	11.3	44.5	24.2	-3.5	-21.1
Includes depreciation totaling	4.8	5.1	18.8	15.7	1.3	0.5
of which goodwill	-	0.8	-	1.4	-	-
of which capitalized expenses for software development	3.4	2.8	13.4	8.3	-	-
of which other assets	1.4	1.5	5.4	6.0	1.3	0.5
EFFECTS OF IFRS ON REPORTED ACCOUNTS		-0.1		-0.1		
- of which amortization of goodwill		0.2		1.0		
- of which amortization of capitalized expenses for software development		-0.1		-0.1		
- of which share-based payments		-0.3		-1.0		
- of which tax effects of above		0.0		0.0		

¹⁾ Includes all other expenses not directly attributable to sales operations and product operations. Impairment of goodwill, if any, is included here.

²⁾ During the quarter SEK 5.3 M (2.3) was capitalized. During the full-year, SEK 15.9 M (10.6) was capitalized.

³⁾ Net financial items in the Parent Company were negatively affected in an amount of SEK 18.7 M attributable to capital contributions granted to subsidiaries.

⁴⁾ Tax loss carry-forwards in the Group amounted to SEK 78 M (74) at December 31, 2005. Deferred tax assets relating to these carry-forwards are reported in the consolidated income statement and balance sheet to the extent that it is deemed possible to use them.

Share data

	Oct-Dec		Jan-Dec	
	2005	2004	2005	2004
BEFORE DILUTION:				
Number of shares,000s	11 188	10 950	11 188	10 950
Average number of shares,000s	11 175	10 701	11 070	10 614
Profit per share,SEK ¹⁾	2:01	1:06	4:02	2:28
AFTER DILUTION:²⁾				
Average number of shares,000s	11 554	11 117	11 385	10 994
Profit per share,SEK ¹⁾	1:94	1:02	3:91	2:20

¹⁾ Calculated as profit after tax divided by average number of shares.

²⁾ Only warrants with a discounted exercise price that was less than the share 's average market price during the period are included.

Summary of balance sheets, SEK M

	Group		Parent Company	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004
ASSETS				
Goodwill/shares in subsidiaries	6.9	6.9	0.9	2.1
Capitalized expenses for software development	24.8	22.4	-	-
Other intangible assets	1.5	3.5	-	-
Deferred tax claim	15.7	15.9	0.2	0.2
Other fixed assets	8.9	9.7	5.4	6.1
Other current assets	115.4	77.1	70.4	42.3
Financial investments available for sale	46.7	74.4	44.3	73.3
Cash and cash equivalents	113.6	57.6	51.1	39.9
TOTAL ASSETS	333.5	267.5	172.3	163.9
EQUITY AND LIABILITIES				
Equity	222.6	177.9	151.7	144.5
Untaxed reserves	-	-	9.3	5.2
Provisions for taxes	12.4	8.1	-	-
Long-term liabilities	0.2	0.2	-	-
Current liabilities	98.3	81.3	11.3	14.2
TOTAL EQUITY AND LIABILITIES	333.5	267.5	172.3	163.9
<i>Pledged assets</i>	-	-	-	-
<i>Contingent liabilities</i>	-	1.3	-	7.6

Specification of changes in equity, SEK M

	Group		Parent Company	
	2005	2004	2005	2004
On opening date	177.9	137.4	144.5	132.5
Sales of warrants	0.3	0.3	-	-
New issues due to exercise of warrants	7.6	18.6	7.6	18.6
Dividend	-13.7	-2.6	-13.7	-2.6
Market valuation of financial investments available for sale	1.0	-1.3	-	-
Share-based payment (only reported in income statement)	1.7	1.0	-	-
Net Group contributions including tax effect	-	-	16.8	17.1
Translation differences	3.3	0.3	-	-
Profit for the year	44.5	24.2	-3.5	-21.1
On closing date	222.6	177.9	151.7	144.5
Effects of IFRS on reported accounts		3.0		
- of which goodwill		1.0		
- of which capitalized expenses for software development		1.5		
- of which market valuation of financial investments available for sale		1.2		
- of which tax effect of above items		-0.7		

Summary of cash flow statements, SEK M

	Group				Parent Company	
	Oct-Dec		Jan-Dec		Jan-Dec	
	2005	2004	2005	2004	2005	2004
Cash flow from ongoing operations						
before changes in operating capital	29.4	4.3	75.1	35.0	-0.8	0.8
Changes in operating capital	-44.4	17.0	-28.9	0.2	-31.2	50.4
CASH FLOW FROM ONGOING OPERATIONS	-15.0	21.3	46.2	35.2	-32.0	51.2
Cash flow from investment operations	25.9	-37.8	13.6	-48.6	32.5	-55.3
Cash flow from financial operations	0.4	17.7	-6.1	16.2	10.7	15.9
CASH FLOW FOR THE PERIOD	11.3	1.2	53.7	2.8	11.2	11.8
Liquid funds on the opening date	101.3	53.3	57.6	54.5	39.9	28.1
Valuation changes and translation differences	1.0	3.1	2.3	0.3	-	-
LIQUID FUNDS ON THE CLOSING DATE ¹⁾	113.6	57.6	113.6	57.6	51.1	39.9

¹⁾ Short-term investments with maturity periods exceeding 90 days are not included in cash and cash equivalents. On the closing date, the Group had such investments with a total book value of SEK 46.7 M (74.4), of which SEK 2.3 M (1.2) consisted of unrealized surplus values. Cash and cash equivalents include current investments with a maturity period of less than 90 days. Related unrealized surplus values amounted to SEK 0.2 M (-).

Key data, Group

	okt-dec			jan-dec		
	2005 ¹⁾	2004 ¹⁾	2005 ¹⁾	2004 ¹⁾	2003	2002
Sales growth	56%	32%	33%	29%	-17%	-9%
Gross margin	92%	84%	89%	82%	77%	59%
Profit margin after net financial items	33%	1%	23%	9%	1%	-15%
Return on equity ²⁾	11%	7%	22%	15%	0%	-20%
Return on capital employed ²⁾	15%	1%	33%	13%	2%	-20%
Equity/assets ratio	67%	67%	67%	67%	64%	65%
Profit per share, SEK	2:01	1:06	4:02	2:28	0:06	-2:78
Equity per share, SEK	19:90	16:25	19:90	16:25	12:69	12:59
Number of employees, on closing date	126	101	126	101	92	93
Number of employees, average	124	105	116	105	88	117
Sales per employee, SEK 000s	776	589	2 497	2 071	1 916	1 741

¹⁾ Prepared in accordance with IFRS.

²⁾ Return ratios for the quarters are only for the three-month period and were not calculated on an annual basis.

INFORMATION DATES 2006

March 21 Annual Report for 2005 available at the company's office and on its website as of March 21, 2006 and distributed to those shareholders who so request.

April 6 Annual General Meeting

April 27 Interim report, Jan. – March 2006

August 17 Interim report, Jan. – June 2006

October 26 Interim report, Jan. – September 2006

STOCKHOLM, FEBRUARY 9, 2006

Protect Data AB (publ)
The Board of Directors

AUDITOR'S REVIEW

We have reviewed this interim report in accordance with the recommendation issued by FAR, the Institute for the Accounting Profession in Sweden. A review is considerably limited in scope, compared with an audit. Nothing has come to our attention that causes us to believe that this interim report does not comply with the requirements of the Annual Accounts Act.

Stockholm, February 9, 2006
Ernst&Young AB
Björn Fernström
Authorized Public Accountant

Questions regarding this report will be answered by CEO Thomas Bill, tel: +46-8-459 54 95, cell phone: +46-70 542 62 71

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