

Pointsec continues to take market share

– Strong sales in the US

THIRD QUARTER 2006

- Net sales increased by 166% to SEK 163.4 M (61.3)
- Sales of Pointsec solutions rose to SEK 149.0 M (51.4)
- Profit after financial items amounted to SEK 56.0 M (10.0)
- Profit after tax amounted to SEK 35.8 M (7.0)
- Earnings per share increased to SEK 1.56 (0.31)

NINE-MONTH PERIOD JANUARY – SEPTEMBER 2006

- Net sales increased by 92% to SEK 370.8 M (192.7)
- Profit after financial items amounted to SEK 88.0 M (34.5).
A one-time reserve of SEK 9.2 M was charged against earnings during the period for doubtful receivables relating to partner sales reported in the second quarter.
- Profit after tax amounted to SEK 58.7 M (22.1)
- Earnings per share increased to SEK 2.59 (1.00)

CEO Peter Larsson's comments:

"The strong demand in the US lifted Pointsec sales to a level that exceeded our expectations. Revenues of SEK 149.0 M were booked during the quarter, which was nearly three times as much as during the corresponding period last year (51.4).

"It is not only the number of contracts signed in the US that increased. Business prospects also remain strong.

"Demand for our solutions is supported by increased awareness of the damage that a lost computer can cause. Boards and company managements do not want to risk nega-

tive publicity in the press because they did not take adequate measures to protect sensitive information.

"A key success factor for Pointsec in an increasingly competitive market is that our solutions are easy to install and cost-effective. We have received several valuable customer references because we were able to install a large number of licenses in a short time. Further confirmation of Pointsec's success in the market is that we are continuing to replace competitors' installations. One of the UK's largest banks recently decided to in-

stall Pointsec licenses after first trying to introduce a competing solution.

"Our assessment is that the market for Pointsec products continues to grow and that the company will further strengthen its market position. With the strong increase in sales in the third quarter, we updated the forecast for the full year 2006. The new forecast is that sales and profit during 2006 are expected to increase significantly, compared with 2005."

SIGNIFICANT EVENTS DURING THE THIRD QUARTER OF 2006

- In August, the analyst firm Gartner, Inc. once again ranked Pointsec as leader in mobile data protection.
- In September, an order was received from one of the world's largest outsourcing companies, which selected Pointsec's solutions for more than 100,000 of its employees and in turn will include Pointsec in its service offering to customers.
- Protect Data was recognized as the IT company of the year in the Golden Mouse Award ("Guldmusen"), which is Sweden's most prestigious prize in the IT sector. The Golden Mouse is awarded by the business weekly Affärsvärlden and the IT newspaper Computer Sweden.
- In late-September, Pointsec received a significant order from a global IT and management consulting company with headquarters in the US.
- Peter Larsson was appointed new CEO after Thomas Bill and began his new position on October 1, 2006. Since 2002, Peter Larsson has been responsible for Pointsec operations and has been acting CEO for Protect Data since 2005. Thomas Bill will be co-opted to the Protect Data Board of Directors proposed for election as a regular member at the 2007 Annual General Meeting.

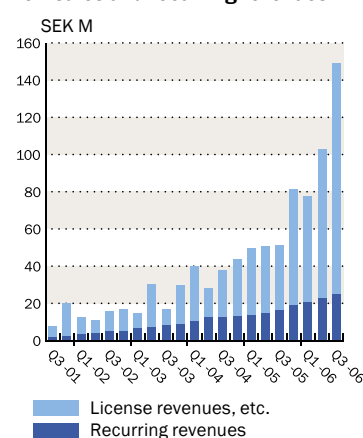
MARKET

Pointsec continued to take market shares and further strengthened its position during the quarter. As the market matures, it is increasingly important to be able to show high-quality references. Pointsec has a strong base with satisfied customers that can confirm that they have installed a large number of licenses in a short time and that maintenance of existing installations is cost-effective.

The annual report from the analyst firm Gartner, Inc. in which Pointsec was once again ranked as the leader in mobile data protection, confirms Pointsec's strong position in the market and that the company works actively to increase its expertise and retain its leading position. Many potential customers apply Gartner's Magic Quadrant as a reference when they choose which suppliers to evaluate, meaning that a high ranking is an important success factor.

Pointsec's growth during the third quarter was largely attributable to successes in the US market. Slightly more than 70 percent of sales during the quarter were in the US. Work to develop the US partner network continued, and the proportion of indirect

Pointsec revenues distributed by new sales and recurring revenues



sales increased to more than 40 percent during the most recent three-month period. Demand from public authorities in the US was especially high during the quarter.

Investments in strengthening the global sales and marketing organization continued. A new president, Marty Leamy, was employed in the US, and sales offices were opened in Italy and Hong Kong as part of efforts to reach new markets. The existing organization was also strengthened with the addition of sales personnel with experience of indirect sales via partners, for example.

Investments in Pointsec Wireless Solutions continued, and the sales and development organizations were further strengthened during the quarter. Christopher Grahm was appointed as the president for the operations.

Work to develop new solutions continued unabated, meaning that the number of employees in the development organization also increased. During the quarter, the Group introduced several new versions of Pointsec solutions for different platforms.

NET SALES

Third quarter of 2006

Net sales during the third quarter amounted to SEK 163.4 M (61.3), corresponding to growth of 166 percent (16). Organic growth amounted to 163 percent, while currency effects contributed about 3 percent to growth.

Sales in the US increased by more than 400 percent, while Europe showed growth of slightly more than 25 percent. The Asia Pacific region noted a certain decline, compared with the corresponding quarter in the preceding year when several large orders had a positive impact on sales.

Net sales in the third quarter were distributed such that 81 percent (66) were attribut-

able to new sales of licenses and products, while 17 percent (30) were repetitive sales of maintenance services and leasing fees as shown in the table below.

Net sales, SEK M

	Jul – Sep		Jan – Sep	
	2006	2005	2006	2005
Pointsec licenses	121.6	33.0	253.0	102.3
Digital Identities	10.3	7.3	32.0	33.0
Recurring revenues	27.6	18.5	75.1	51.1
Other	3.9	2.5	10.7	6.3
Total	163.4	61.3	370.8	192.7

Sales of the Pointsec software developed in-house nearly tripled, compared with the same period in the preceding year and amounted to SEK 149.0 M (51.4). Pointsec thus accounted for 91 percent (84) of total sales in the quarter. The proportion of repetitive Pointsec sales was 17 percent (32). Sales of Pointsec via partners amounted to 39 percent (35). Particularly notable during the most recent quarters was an increase in the share of indirect sales in the US, which now amount to more than 40 percent.

The Group's sales of solutions for digital identities accounted for SEK 14.4 M (9.9) or 9 percent (16) of sales.

Nine-month period January – September 2006

During the first nine months of the year, net sales amounted to SEK 370.8 M (192.7), which was an increase of 92 percent. Sales of Pointsec accounted for SEK 329.2 M (152.1) or 89 percent (79), which was an increase of 116 percent.

All geographic regions contributed to sales growth during the nine-month period. Growth in the US, which tripled during the period, was particularly notable. The Asia Pacific region showed growth of more than 50 percent, while sales in Europe increased by about 40 percent.

12-month period October 2005 – September 2006

Rolling sales figures for the 12-month period from October 1, 2005 to September 30, 2006 amounted to SEK 466.9 M, which was a 28 percent increase over the most recent 12-month period from July 1, 2005 to June 30, 2006 when sales amounted to SEK 364.8 M. Of total net sales for the period, Pointsec solutions accounted for SEK 410.6 M or 88 percent.

PROFIT

Third quarter of 2006

Gross profit increased in pace with sales growth and amounted to SEK 153.9 M (55.7) for the third quarter. An impairment loss of SEK 3.0 M related to license inventory was charged against profit. The gross margin amounted to 94 percent (91), with the margin improvement attributable to the increased share of proprietary Pointsec solutions.

Operating profit amounted to SEK 55.9 M (9.7), corresponding to an operating margin of 34 percent (16).

Continued investments in the sales and marketing organization in both existing and new markets resulted in rising costs. Variable sales commissions increased sales costs.

Development work on Pointsec solutions was further intensified, which was also reflected in the cost structure. The number of employees increased 11 percent from 160 to 177 persons during the quarter.

During the quarter, development costs totaling SEK 6.9 M (2.5) were capitalized on the balance sheet, while depreciation amounted to SEK 4.9 M (3.8).

Costs totaling SEK 0.9 M (0.6) for employee stock options allocated free of charge were charged against operating profit.

Realized and unrealized exchange rate losses amounting to SEK 0.7 M (0.2) were charged against operating profit.

Net financial items amounted to income of SEK 0.1 M (0.3). Unrealized surplus values in financial investments were booked directly against equity and thus did not affect net financial items. On the closing date, unrealized surplus values amounted to SEK 1.9 M (4.7). Profit after financial items increased to SEK 56.0 M (10.0) during the third quarter.

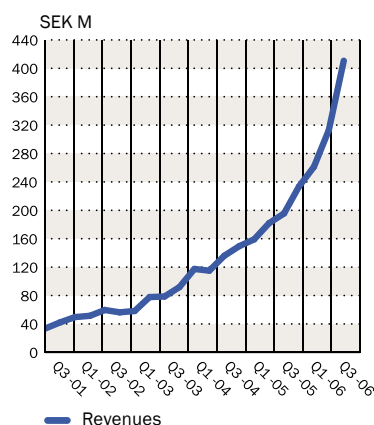
Earnings per share increased by more than fivefold to SEK 1.56 (0.31).

Nine-month period January – September 2006

Gross profit for the first nine months of 2006 amounted to SEK 345.5 M (168.1). The margin was strengthened to 93 percent (86), as a result of sales growth attributable to Pointsec solutions which carry a high margin.

Operating profit amounted to SEK 87.5 M (31.9), corresponding to an operating margin of 24 percent (17). Non-recurring costs totaling SEK 9.2 M attributable to a reserve for doubtful receivables from sales to partners in the Middle East and India were charged against operating profit. If this reserve is eliminated from operating profit for the nine-month period, the operating margin amounts

Continued strong growth for Pointsec sales



Revenues from Pointsec operations summed on a rolling basis over the past four quarters.

to 26 percent.

During the first nine months of 2006, development costs of SEK 19.4 M (10.6) were capitalized in the balance sheet, while depreciation for the period amounted to SEK 12.2 M (10.0).

Costs totaling SEK 2.6 M (1.2) for employee stock options allocated without charge were charged against operating profit.

Realized and unrealized exchange rate losses totaling SEK 6.1 M were charged against operating profit, while the first nine months of 2005 resulted in corresponding exchange rate gains of SEK 4.9 M.

LIQUIDITY AND FINANCIAL POSITION

The Group's financial position remains very strong, with positive cash flow from operations of SEK 74.1 M (61.2) during the first nine months. During the second quarter, a dividend of SEK 28.0 M was paid to the shareholders. SEK 24.7 M was placed in short-term investments with maturity periods exceeding 90 days, which are reported under Investing activities.

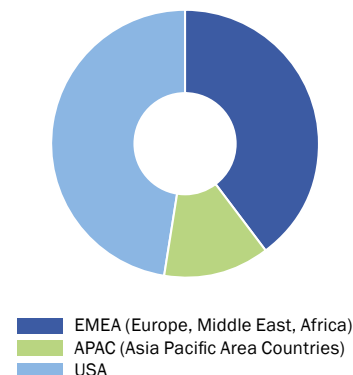
Liquidity, cash and cash equivalents, together with unutilized credit facilities of SEK 50 M (50), amounted to SEK 244 M (211) on the closing date. At the beginning of October 2006, available credit facilities were increased to SEK 100 M.

EQUITY AND WARRANTS PROGRAM

Shareholders' equity amounted to SEK 266.7 M (199.8) on the closing date, corresponding to an equity/assets ratio of 59 percent (69) and equity per share of SEK 11.64 (8.94).

On April 28, 2006, a split of the company's shares was implemented meaning that one old share was split into two new shares. The key ratios and data on the number of

Net sales distributed by geographic market



Total Group revenues, Jan-Sep 2006

shares that are presented in this report were restated to reflect the split and to increase comparability.

At the Annual General Meeting on April 6, 2006, two new warrants programs were approved. Together, the warrants programs include 450,000 warrants, and after the split, each warrant entitles the holder to subscribe for two new shares. One program comprises subscription share warrants targeted to employees in Sweden and extends until 2009. At September 30, 2006, 29,500 of a total of 150,000 warrants had been subscribed. The other program, which applies to employees in the rest of the world, is an employee stock options program that extends until 2012. The total number of approved warrants is 300,000, of which 205,056 have been allocated to date. The subscription price amounted to SEK 177 per share for the subscription warrants program and SEK 150 per share for the employee warrants program.

INVESTMENTS

The Group's investments in equipment amounted to SEK 4.5 M (1.6) for the first nine months, while investments in capitalized expenses for software development amounted to SEK 19.4 M (10.6).

PARENT COMPANY

The Parent Company's sales amounted to SEK 6.5 M (13.9) for the nine-month period, of which SEK 6.3 M (13.7) consisted of sales to Group companies. The Parent Company's cash flow was negative in an amount of SEK 23.2 M (positive: 3.2) as a result of cash and cash equivalents being placed in short-term investments that are reported as financial assets available for sale, and the dividend of SEK 28.0 M that was

paid to the shareholders.

The Parent Company's investments in equipment amounted to SEK 0.8 M (0.3) during the first three quarters of 2006.

OUTLOOK

The market for Pointsec products continues to grow, and the company will further strengthen its market position. The strong increase in sales in the third quarter resulted in an updated forecast for the full-year 2006. Sales and profit are expected to increase significantly, compared with 2005. The previous forecast was that sales and profit are expected to increase during 2006, compared with 2005.

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 annual report for 2005. As noted there, International Financial Reporting Standards (IFRS) are applied as of the 2005 fiscal year.

NOMINATIONS COMMITTEE

The Nominations Committee, which will submit proposals for members of the Board of Directors to the 2007 Annual General Meeting, consists of chairman Jan Andersson, Robur, Carl Rosvall, Monterro Holding Ltd. and Ulf Strömsten, Catella Funds. The Nominations Committee represents about 30 percent of the company's capital and voting rights.

Shareholders wishing to submit proposals to the Nominations Committee may send an e-mail to valberedningen@protectdata.com.

Summary of income statements, SEK M

	Jul – Sep		Jan – Sep		Oct – Sep	Full Year
	2006	2005	2006	2005	05/06	2005
Net sales	163.4	61.3	370.8	192.7	466.9	288.9
Cost of products and services sold	-9.5	-5.6	-25.3	-24.6	-32.8	-32.2
GROSS PROFIT	153.9	55.7	345.5	168.1	434.1	256.7
Selling expenses ¹⁾	-69.6	-26.0	-169.3	-75.1	-208.8	-111.3
Administrative expenses ²⁾	-14.3	-12.5	-45.1	-40.2	-53.9	-52.3
Research and development costs ³⁾	-13.4	-8.8	-37.4	-27.0	-50.4	-40.0
Other operating income/expenses	-0.7	1.3	-6.2	6.1	-5.0	7.2
OPERATING PROFIT	55.9	9.7	87.5	31.9	116.0	60.3
Net of financial items	0.1	0.3	0.5	2.6	3.6	5.7
PROFIT AFTER FINANCIAL ITEMS	56.0	10.0	88.0	34.5	119.6	66.0
Tax ⁴⁾	-20.2	-3.0	-29.3	-12.4	-38.5	-21.5
PROFIT FOR THE PERIOD	35.8	7.0	58.7	22.1	81.1	44.5
<i>Includes depreciation totaling</i>	6.4	5.0	16.5	14.0	21.3	18.8
<i>of which capitalized expenses for software development</i>	4.9	3.8	12.2	10.0	15.6	13.4
<i>of which other assets</i>	1.5	1.2	4.3	4.0	5.7	5.4

¹⁾ Sales costs for the period January – September 2006 include a one-time reserve for doubtful receivables relating to sales to partners in an amount of SEK 9.2 M.

²⁾ Includes all other costs not directly attributable to sales and development activities.

³⁾ During the quarter, SEK 6.9 M (2.5) was capitalized on the balance sheet for software development.

⁴⁾ On January 1, there were loss carryforwards for tax purposes totaling SEK 78 M (74) in the Group. Deferred tax assets relating to these and with respect to losses during the current year were reported in the consolidated income statement and consolidated balance sheet to the extent it is deemed possible to utilize them.

Share data ¹⁾

	Jul-Sep		Jan – Sep		Oct – Sep	Full Year
	2006	2005	2006	2005	05/06	2005
BEFORE DILUTION:						
Number of shares, 000s	22,911	22,330	22,911	22,330	22,911	22,377
Average number of shares, 000s	22,896	22,219	22,644	22,069	22,621	22,140
Earnings per share, SEK ²⁾	1.56	0.31	2.59	1.00	3.59	2.01
AFTER DILUTION: ³⁾						
Average number of shares, 000s	23,304	22,959	23,051	22,717	23,004	22,770
Earnings per share, SEK ²⁾	1.53	0.30	2.55	0.97	3.53	1.96

¹⁾ A 2:1 split of the company's shares was implemented on April 28, 2006. Key ratios and data regarding the number of shares were recalculated to reflect the split and to improve comparability between reporting periods.

²⁾ Calculated as profit after tax divided by the average number of shares.

³⁾ Only includes warrants with a discounted exercise price less than the share's average market price during the period.

Summary by segments, January – September, SEK M

	EMEA ¹⁾		APAC ²⁾		USA		Parent Company and Group items ³⁾		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
External sales	147.7	106.6	47.8	31.6	175.1	54.3	0.2	0.2	370.8	192.7
Internal sales	56.3	17.1	5.0	2.5	14.1	9.2	-75.4	-28.8	-	-
Gross profit	179.6	99.3	49.6	32.9	135.6	47.5	-19.3	-11.6	345.5	168.1
Operating costs	-149.7	-97.9	-19.1	-6.4	-86.5	-36.4	-2.7	4.5	-258.0	-136.2
Operating profit	29.9	1.4	30.5	26.5	49.1	11.1	-22.0	-7.1	87.5	31.9
Assets	203.2	130.5	42.7	31.2	166.3	49.9	43.6	79.6	455.8	291.2
Liabilities	130.0	107.3	14.9	4.8	107.2	26.5	-63.0	-47.2	189.1	91.4
Investments	20.9	11.6	0.2	0.1	2.0	0.2	0.8	0.3	23.9	12.2
Depreciation	14.8	12.8	0.1	0.1	0.6	0.2	1.0	0.9	16.5	14.0

¹⁾ Europe, Middle East and Africa

²⁾ Asia Pacific region

³⁾ Relates to elimination of sales within the Group and other Group items.

Summary of balance sheets, SEK M

	30.09.2006	30.09.2005	31.12.2005
ASSETS			
Goodwill	6.9	6.9	6.9
Capitalized expenses for software development	32.1	23.0	24.8
Other intangible assets	0.1	2.0	1.5
Deferred income tax assets	6.2	15.0	15.7
Other fixed assets	10.6	8.8	8.9
Other current assets	206.0	74.2	115.4
Financial assets available for sale	70.6	60.0	46.7
Cash and cash equivalents	123.3	101.3	113.6
TOTAL ASSETS	455.8	291.2	333.5
EQUITY AND LIABILITIES			
Equity	266.7	199.8	222.6
Deferred income tax liabilities	22.7	18.2	12.4
Long-term liabilities ¹⁾	-	0.2	0.2
Current liabilities	166.4	73.0	98.3
TOTAL EQUITY AND LIABILITIES	455.8	291.2	333.5
<i>Pledged assets</i>	-	-	-
<i>Contingent liabilities</i>	0.2	-	0.5

¹⁾ Debts are interest-bearing.

Specification of changes in equity, SEK M

	Jan – Sep		Full year
	2006	2005	2005
On opening date	222.6	177.9	177.9
Sales of warrants	1.2	1.5	1.5
New issues due to conversion of warrants	13.6	4.9	6.5
Dividend payment	-28.0	-13.7	-13.7
Market valuation of financial assets available for sale	-0.5	2.6	1.0
Share-based payments	2.6	0.8	1.7
Currency translation differences	-3.5	3.7	3.2
Profit for the period	58.7	22.1	44.5
On closing date	266.7	199.8	222.6

Summary of cash flow statements, SEK M

	Jul – Sep		Jan – Sep		Oct – Sep	Full year
	2006	2005	2006	2005	05/06	2005
Cash flow from operations						
before changes in operating capital	61.3	14.4	99.5	45.7	129.1	75.1
Changes in operating capital	-6.2	-15.1	-25.4	15.5	-52.9	-28.9
CASH FLOW FROM OPERATING ACTIVITIES	55.1	-0.7	74.1	61.2	76.2	46.2
Cash flow from investing activities	-8.6	-3.0	-48.8	-12.3	-40.0	13.6
Cash flow from financing activities	0.3	2.4	-13.3	-6.5	-12.9	-6.1
CASH FLOW FOR THE PERIOD	46.8	-1.3	12.0	42.4	23.3	53.7
Cash and cash equivalents on the opening date	77.0	106.2	113.6	57.6	101.3	57.6
Translation differences in cash and cash equivalents	-0.5	-3.6	-2.3	1.3	-1.3	2.3
CASH AND CASH EQUIVALENTS ON THE CLOSING DATE¹⁾	123.3	101.3	123.3	101.3	123.3	113.6

¹⁾ Current investments with periods exceeding 90 days are not included in cash and cash equivalents. On the closing date, the company had such assets with a book value of SEK 70.6 M (60.0), of which SEK 1.5 M (4.5) were unrealized surplus values. Cash and cash equivalents include current investments with maturity periods less than 90 days. Unrealized surplus values in these assets amounted to SEK 0.4 M (0.2).

Key data, Group ¹⁾

	Jul-Sep		Jan – Sep		Oct – Sep	Full Year
	2006	2005	2006	2005	05/06	2005
Sales growth	166%	16%	92%	24%	28%	33%
Gross margin	94%	91%	93%	87%	93%	89%
Profit margin after financial items	34%	16%	24%	18%	26%	23%
Return on equity ²⁾	14%	4%	24%	12%	35%	22%
Return on capital employed ²⁾	23%	5%	36%	18%	51%	33%
Equity/assets ratio	59%	69%	59%	69%	59%	67%
Earnings per share, SEK	1.56	0.31	2.59	1.00	3.59	2.01
Equity per share, SEK	11.64	8.94	11.64	8.94	11.64	9.95
Number of employees, on closing date	177	122	177	122	177	126
Number of employees, average	169	116	153	112	144	116
Net sales per employee, SEK 000s	970	530	2,423	1,719	3,241	2,497

¹⁾ A 2:1 split of the company's shares was implemented on April 28, 2006. Key ratios and data regarding the number of shares were recalculated to reflect the split and to improve comparability between reporting periods.

²⁾ Return for the quarter relates only to the three-month period and was not scaled up to a full-year value.

INFORMATION DATES 2007

February 8, 2007 2006 Year-end Report
 March 29, 2007 2007 Annual General Meeting (Note! New date)

AUDITOR'S REVIEW REPORT

We have conducted a review of this interim report for Protect Data AB (publ) for the period from January 1 to September 30, 2006. It is the Board of Directors that is responsible for accurately preparing and presenting this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to state a conclusion on this interim report based on our review.

We have conducted a review in accordance with SÖG 2410 Review interim financial information conducted by the company's elected auditor issued by FAR, the Institute for the Accounting Profession in Sweden. A review consists of interviewing primarily those persons responsible for financial and accounting issues, performing an analytic review and taking general review measures. A review has a different focus and is considerably limited in scope, compared with the focus and scope of an audit in accordance with the Audit Standard in Sweden and generally accepted accounting practices. The review measures that are taken during a review do not allow us to achieve such certainty that we are aware of all important circumstances that would have been identified if an audit had been conducted. The stated conclusion based on a review therefore does not have the same degree of certainty as a stated opinion based on an audit.

Based on our review, no circumstances have emerged to give use reason to believe that this interim report does not provide an accurate presentation in all significant respects in accordance with IAS 34 of the company's financial position at September 30, 2006 and its financial results and cash flow for the nine-month period ending on that date and that it was prepared in accordance with the Annual Accounts Act.

Stockholm, October 26, 2006
 Ernst & Young AB
 Björn Fernström, Authorized Public Accountant

STOCKHOLM, OCTOBER 26, 2006

Protect Data AB (publ), The Board of Directors

Questions regarding this report will be answered by CEO Peter Larsson, tel: +46-8-459 54 00
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