

## ● protect data

### YEAR-END REPORT FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2000

#### THE YEAR IN BRIEF

- Sales for the full year amounted to SEK 290.2 M, which was an increase of 93% compared with the preceding year (150.3).
- Gross profit amounted to SEK 145.2 M (75.5), resulting in a gross margin of 50% (50).
- Profit after net financial items amounted to SEK 10.1 M (loss: 6.9), corresponding to a profit margin of 3% (neg).
- The number of employees amounted to 153 (85) at year-end, an 80% increase.
- Sales in the PKI product area rose sharply during the year to 16% of total sales, compared with 4% for the preceding year.

#### SIGNIFICANT EVENTS DURING THE FOURTH QUARTER

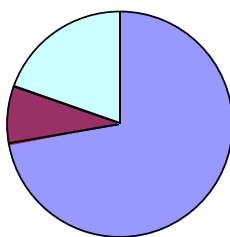
- Protect Data A/S in Denmark signed a contract with Tele Danmark during the period for the deployment of a nationwide digital infrastructure for secure Internet communication. The first major order was received and delivered during December.
- Ericsson placed an add-on order in December to supplement previous purchases of Pointsec licenses. The new license gives Ericsson the right to use Pointsec freely on all PCs throughout its organization.
- Protect Data A/S in Denmark signed a contract during the period with Copenhagen Business School for the delivery of 20,000 digital signatures for secure Internet communications.
- FöreningsSparbanken signed an add-on order during the period valued at SEK 35 M for ActivCard password generators. Deliveries of this order will take place in stages during 2001.
- CAP Gemini ordered 24,000 SafeWord password generators during the period, as a result of its acquisition of Ernst & Young Management Consulting.
- During the year, Protect Data completed a new share issue resulting in an increase in equity of SEK 123 M. The aim was to enable aggressive investments in organizational expansion and product development. Against this background, the Board of Directors proposes, as in the preceding year, that no dividend should be paid for the fiscal year 2000.

## STRONG SALES GROWTH

### SALES AND PROFITS

Sales continued to develop favorably during the fourth quarter, increasing by 112% to SEK 82.6 M (38.9). Total sales for the year increased 93% to SEK 290.2 M (150.3). The sales increase consisted of organic growth, with the single company acquisition during the year having an effect of just 1.2 M on sales. The increase was due in part to the underlying market, which after weak growth early in the year that was considered to be a result of residual effects of the millennium shift, showed strong growth. The sales increase in Protect Data was primarily attributable to the Authentication and Public Key Infrastructure (PKI) product areas. Revenues from the proprietary product Pointsec, including maintenance and consulting services, increased 36% during the year to SEK 27.3 M (20.1), which, however, was lower than expected. Growth for Pointsec was constrained by delays in the launch of the new 4.0 version. Pointsec's share of sales for the year amounted to 9% (13). During the fourth

### DISTRUBUTIONS OF SALES



- Established products<sup>1)</sup>
- Pointsec<sup>TM</sup>
- New product areas<sup>2)</sup>

<sup>1)</sup> Includes the products SafeWord and ActiveCard in Authentication area and Antivirus Systems.

<sup>2)</sup> Includes the PKI, VPN, Content Control and Intrusion Detection.

quarter, Pointsec's sales amounted to SEK 11.1 M, which can be compared with total sales of SEK 16.2 M over the previous nine months. The distribution of sales by product area is shown in the accompanying diagram.

Gross profit amounted to SEK 47.8 M (18.6) for the fourth quarter and SEK 145.2 M (75.5) for the full year. The gross margin amounted to 50% (50) for the full year. That the gross margin could be maintained despite a lower share of Pointsec sales was due in part to previously implemented inventory build-ups at favorable prices and an exchange rate for USD that was lower at the time of acquisition than it was during 2000.

Profit after net financial items amounted to SEK 2.6 M (loss: 4.8) for the fourth quarter and SEK 10.1 M (loss: 6.9) for the full year.

The profit was achieved despite strong expansion during the year with respect to personnel (80% increase) and continued investments in marketing and development of Pointsec. Costs for Pointsec amounted to SEK 21.8 M (7.8) for the fourth quarter and SEK 52.5 M (20.4) for the full year.

Profit per share amounted to SEK 0.47 (loss: 0.81).

Equity amounted to SEK 218 M (81), corresponding to an equity/assets ratio of 76% (64%) and equity per share of SEK 20.74 (8.48).

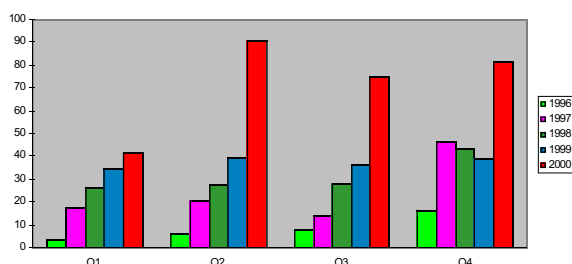
Liquidity was strengthened in February through a new share issue of SEK 123 M, which was primarily subscribed by foreign institutional investors. Including unutilized overdraft facilities of 21 M (7), liquidity on the closing date amounted to SEK 190 M (47). Expressed as a percentage of current assets in relation to current liabilities, liquidity amounted to 383% (294%).

Surplus liquidity was invested during the year in short-term interest-bearing securities. Despite the resulting low risk profile, average return on surplus liquidity amounted to slightly more than 7%. There was a surplus value in financial investments of SEK 1.5 M on the closing date.

### OPERATIONS

In general, the year 2000 can be considered a strong year with favorable growth in demand for IT security products. Demand was weak at the beginning of the year, however, which is considered to be a result of residual effects of the millennium shift. Protect Data's

### SALES PER QUARTER



total sales grew by 93%, which can be compared with annual growth of 21% and 25%, respectively, for the two preceding years. Protect Data's sales growth is depicted in the accompanying diagram.

During the year, the Authentication product area, which includes products from the US supplier Secure Computing and the French supplier ActivCard, continued to show strong development. Customers are primarily large companies and banks. CAP Gemini placed an order during the fourth quarter for 24,000 SafeWord password generators as a result of the acquisition of Ernst & Young Management Consulting. With this order, some 57,000 CAP Gemini employees around the world are protected by Protect Data's security system.

At the end of the year, FöreningsSparbanken signed an add-on order for ActivCard password generators amounting to SEK 35 M for delivery in stages during 2001.

The Public Key Infrastructure (PKI) product area developed favorably during the year. In June, Protect Data signed a contract with Norwegian telecom operator Telenor, which resulted in an order from Telenor valued at about SEK 27 M. Using PKI technology, Telenor will deploy services for secure electronic transactions. These services will be offered to Norwegian companies and organizations. Currently there are plans, for example, to allow Norwegians to submit tax returns over the Internet.

PKI noted further success during the fourth quarter when a similar agreement was signed

between Protect Data A/S in Denmark and Tele Danmark. The first major delivery took place in December. In December, Protect Data A/S also signed a contract with Copenhagen Business School for delivery of a PKI system with digital signatures. The contract will provide 20,000 users at Copenhagen Business School with secure Internet communications. Copenhagen Business School is thus the first education institution in the world to provide all students, researchers and employees with digital signatures.

Sales in the PKI product area rose sharply during the year to account for 16% of total sales, compared with 4% during the preceding year.

Products in the Antivirus and Content Control product areas are primarily marketed and sold through partners. Sales during the year 2000 were not satisfactory. Joint marketing and training of partners will be intensified during 2001 to enable greater market penetration.

#### POINTSEC™

Revenues for the proprietary product Pointsec amounted to SEK 27.3 M (20.1) for the full year, including maintenance and consulting revenues. Although this was a 36% increase over the preceding year, growth was lower than expected. Sales were held back because the launch of the new 4.0 version was delayed until November. A number of important orders were received during the year, however. Pointsec Mobile Technologies in the US sold licenses earlier in the year to such companies as Cisco Systems, Marconi Corporation and Fluor Corporation. Work on installation of these licenses dominated

operations in the US subsidiary during the fourth quarter and generated some consulting revenues.

During the fourth quarter, Ericsson placed an add-on order to supplement a previously purchased corporate license. The new corporate license gives Ericsson the right to install Pointsec on all PCs throughout the entire organization. In December, Protect Data A/S in Denmark received an order from Tele Danmark for 300 licenses for internal use within the customer's organization.

Internally, work during the year, and particularly during the fourth quarter, was focused on development work for the next generation of security systems, which will provide comprehensive protection for PDAs, PCs and Smart Phones. Pointsec for Palm 1.0 is expected to be launched during the first quarter 2001.

In summary, demand for security systems such as Pointsec is expected to increase in the future. Protect Data's investments in this area will thus continue. To be able to take advantage of the business opportunities that are considered to exist in this area, management resources must be strengthened. Thomas Bill was therefore employed as president of Pointsec Mobile Technologies AB with responsibility for Pointsec operations throughout the Group. Thomas Bill has extensive experience in launching software. From 1995 until assuming his position at Pointsec Technologies, he was a member of the management of Front Capital Systems, a company that develops and markets software and trading systems for the capital markets. The previous president Fredrik Löfstedt

has returned to his position as vice president of Protect Data AB and chairman of Pointsec Mobile Technologies AB with a continued focus on Pointsec business development. Further strengthening of management resources is planned during 2001.

As a part of continued investments in European markets, a sales office was opened in UK in early 2001.

#### SUBSIDIARIES

Protect Data Sweden had an excellent year during which sales increased 71%. Personnel increased by 31% to 42 employees at year-end. Recruitment continues, and several new employees will join the company during the first quarter of 2001.

Development of the Norwegian and Danish subsidiaries was favorable during the year. These companies strengthened their organizations, which currently consist of 32 employees, compared with 15 at year-end 1999. Both companies reported strong sales increases for the year, particularly as a result of important PKI orders.

The Finnish subsidiary received an important order during the year in the Content Control product area (the MIMesweeper product)

from a major Finnish telecom company. The company's sales increased, compared with the preceding year, but are still too low. The US subsidiary had 16 employees at year-end. In addition to the office in San Francisco, there are now offices in Chicago and Hartford, Connecticut outside New York.

Protect Data Konsult AB, which was started in 1999, expanded its personnel to include eight consultants with specialist competence in the area of IT security. Sales growth, however, still did not meet expectations. Göran Egnell was recruited as the new president and will assume his duties during the first quarter of 2001. Göran Egnell has many years of experience from consulting operations and was most recently president of Rote Teknik AB.

#### PROSPECTS FOR 2001

The market for IT security products and services is expected to continue to grow during 2001. Sales growth during 2000 in the PKI product area shows that Protect Data's investments in this area have been fruitful. Similarly, several positive signs have also been noted with respect to investments in Pointsec. Interest for the coming generation of

Pointsec is great among both customers and business partners. Pointsec version 4.0, which was launched in November 2000, is expected to further contribute to business opportunities during 2001. Together, these signs indicate a positive trend for the coming year.

#### INVESTMENTS

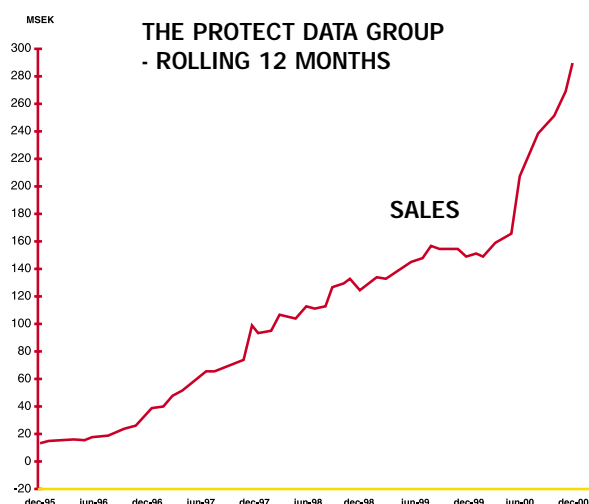
Group investments amounted to SEK 16.3 M (15.0) during the year, of which goodwill accounted for SEK 4.2 M (9.0). The Parent Company's investments amounted to SEK 7.0 M (12.7), of which investments in shares in subsidiaries accounted for SEK 4.5 M (10.4).

As in previous years, all costs for the development of proprietary products were expensed in their entirety.

#### FINANCING

Liquidity was improved during the year through a new share issue of SEK 123 M. During the year, the approved overdraft facility was increased to SEK 21 M (16) for the Group, of which SEK 0 M (0) for the Parent Company. A non-cash share issue of SEK 4.2 M (9.6) was implemented in conjunction with company acquisitions.

DISTRIBUTION BY GEOGRAPHIC MARKET	SALES SEK M	
	2000	1999
Sweden	188.6	108.6
Finland	5.2	3.1
Norway	56.4	16.6
Denmark	20.0	9.5
Slovakia	3.5	2.9
USA	15.4	4.7
Other countries	1.1	4.9
<b>Total</b>	<b>290.2</b>	<b>150.3</b>



## SUMMARY OF INCOME STATEMENTS, SEK M

	Group				Parent Company	
	Q4 2000	Q4 1999	Full year 2000	Full year 1999	Full year 2000	Full year 1999
Net sales	82.6	38.9	290.2	150.3	33.7	15.8
Cost of goods sold	-34.8	-20.3	-145.0	-74.8	-13.3	-0.5
Gross profit	47.8	18.6	145.2	75.5	20.4	15.3
Selling expenses	-31.8	-13.3	-71.2	-43.3	-13.1	-12.1
Administrative expenses <sup>1)</sup>	-11.3	-7.0	-52.1	-32.3	-20.5	-12.6
Development costs	-6.9	-2.8	-22.2	-8.4	-	-5.0
Other operating income/expenses	-0.7	-0.2	2.4	0	3.1	0.4
Operating profit/loss <sup>2)</sup>	-2.9	-4.7	2.1	-8.5	-10.1	-14.0
Net of financial items	5.5	-0.1	8.0	1.6	-6.5 <sup>2)</sup>	1.6
<b>Profit/loss after financial items</b>	<b>2.6</b>	<b>-4.8</b>	<b>10.1</b>	<b>-6.9</b>	<b>-16.6</b>	<b>-12.4</b>
Appropriations	-	-	-	-	-3.0	-0.6
Tax	-3.6	1.3	-5.2	-0.7	1.9	3.6
Minority share	-0.1	-0.1	0	0	-	-
<b>Profit/loss after tax</b>	<b>-1.1</b>	<b>-3.6</b>	<b>4.9</b>	<b>-7.6</b>	<b>-17.7</b>	<b>-9.4</b>
<sup>2)</sup> Depreciations are included with thereof goodwill	2.8 0.8	1.2 0.4	8.9 2.7	4.6 1.6	1.1 -	0.2 -

<sup>1)</sup> Includes all other expenses which do not pertain directly to sales operations and software development.

<sup>2)</sup> There was a negative impact of SEK 14,7 M (0.1) on net financial items as a result of shareholder contributions to subsidiaries.

## SUMMARY OF BALANCE SHEETS, SEK M

	Group		Parent Company	
	Dec. 31, 2000	Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 1999
<b>Assets</b>				
Goodwill/Shares in subsidiaries	16.3	14.8	26.1	21.6
Other fixed assets	20.1	10.0	8.9	2.3
Other current assets	81.7	62.1	66.3	41.4
Liquid funds	168.9	40.1	130.7	35.1
<b>Total assets</b>	<b>287.0</b>	<b>127.0</b>	<b>232.0</b>	<b>100.4</b>
<b>Equity and liabilities</b>				
Equity	217.9	80.8	213.1	86.1
Untaxed reserves	-	-	11.5	8.4
Minority share	0	0	-	-
Provisions	3.4	2.4	-	-
Long-term liabilities <sup>1)</sup>	0.1	9.0	-	-
Current liabilities <sup>2)</sup>	65.6	34.8	7.4	5.9
<b>Total equity and liabilities</b>	<b>287.0</b>	<b>127.0</b>	<b>232.0</b>	<b>100.4</b>

<sup>1)</sup> All long-term liabilities are interest-bearing

<sup>2)</sup> Of which SEK 0 M, 0.1 M, 0 M, and 0 M, respectively, are interest-bearing

## SUMMARIZED STATEMENTS OF FINANCIAL POSITION, SEK M

	Group		Parent Company	
	2000	1999	2000	1999
Cash flow from ongoing operations before interest and income tax payments	20.1	-8.5	-34.2	-26.3
Interest paid and received plus income tax paid	6.1	-2.7	7.1	1.4
Cash flow from ongoing operations	26.2	-11.2	-27.1	-24.9
Cash flow from investment operations	-16.0	-6.1	-12.2	-0.5
Cash flow from financial operations	117.9	6.4	134.9	10.9
Decrease/increase in liquid funds	128.0	-10.9	95.6	-14.5
Liquid funds on opening date	40.1	51.4	35.1	49.6
Exchange-rate differences in liquid funds	0.9	-0.4	-	-
<b>Liquid funds on closing date</b>	<b>169.0</b>	<b>40.1</b>	<b>130.7</b>	<b>35.1</b>

**KEY RATIOS**

	2000	Group		
		1999	1998	1997
Sales growth	93%	21%	25%	190%
Gross margin	50%	50%	49%	42%
Profit margin <sup>1)</sup> (Profit margin <sup>2)</sup> )	3.5%	neg	10.2%(9.9%)	11,2%(8.5%)
Return on equity	2%	neg	11%	23%
Return on capital employed	5%	neg	17%	21%
Equity/assets ratio	76%	64%	65%	66%
Number of employees on closing date	153	85	70	40
Average number of employees	127	77	54	30
Sales per employee, SEK 000s	2 285	1 960	2 318	3 280
Per-share data:				
Number of shares <sup>3)</sup> , 000s	10 508	9 522	9 312	9 142
Average number of shares <sup>3)</sup> , 000s	10 378	9 505	9 184	7 653
Profit per share, SEK <sup>4)</sup> (Profit per share, SEK <sup>5)</sup> )	0:47	-0:81	0:89(0:87)	1:02(0:77)
Equity per share, SEK	20:74	8:48	8:76	7:62
Per-share data after dilution <sup>3)</sup> :				
Number of shares <sup>3)</sup> , 000s	10 738	9 688	9 312	9 142
Average number of shares <sup>3)</sup> , 000s	10 608	9 671	9 184	7 653
Profit per share, SEK <sup>4)</sup> (Profit per share, SEK <sup>5)</sup> )	0:46	-0:79	0:89	1:02
Equity per share, SEK	20:30	8:34	8:76	7:62

<sup>1)</sup> Before items affecting comparability, which consist exclusively of listing expenses (SEK 0 M, 0 M, 0.3 M, 2.6 M).

<sup>2)</sup> After items affecting comparability.

<sup>3)</sup> Adjusted for bonus issue and share split.

<sup>4)</sup> Calculated as (net profit +72% x items affecting comparability) / average number of shares.

<sup>5)</sup> In accordance with Recommendation RR:18 issued by the Swedish Financial Accounting Standards Council, only warrants with a net present value of the strike price lower than market price as per December 31st have affected the calculation.

**DIVIDEND**

During the year, Protect Data implemented a new share issue designed to permit continued aggressive investment in product development and reinforcement of the organizational structure. This resulted in the receipt of additional Group equity of SEK 123 M. In view of this, the Board proposes, as in the preceding year, that no dividend be paid for the fiscal year 2000.

**ANNUAL GENERAL MEETING**

The Annual General Meeting will be held on Thursday, March 29, 2001 at 5:00 p.m. in the IVA premises at Grev Turegatan 16 in Stockholm.

**FORTHCOMING REPORTING DATES**

March 2001	The annual report for 2000 will be available at the company's offices and on the company's website as of March 5, 2001, and distribution will commence in the week commencing March 5.
May 10, 2001	Interim report for the period January to March 2001
August 23, 2001	Interim report for the period January to June 2001
November 8, 2001	Interim report for the period January to September 2001

Stockholm, February 2, 2001

Protect Data AB (publ)

**The Board of Directors**

Questions regarding this report will be answered by the company's president, Carl Rosvall, tel: +46-8-459 54 00, e-mail: carl.rosvall@protectdata.com, www.protectdata.com.