

● protect data

INTERIM REPORT FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2001

THIRD QUARTER – RECESSION AND UNCERTAIN WORLD

- Sales during the period amounted to SEK 155.1 M (207.6), which was 25% lower than in the preceding year. The decrease was attributable to Sweden, where the market is currently restrained, as well as to Norway, where the preceding year's figures included a single order of SEK 27 M. In other markets, sales increased or remained unchanged.
- During the third quarter, sales amounted to SEK 45.1 M (75.1). The third quarter is normally the year's weakest but showed exceptionally high sales during the preceding year. The decrease in sales this year was primarily attributable to Sweden and the US.
- A loss after net financial items of SEK 59.8 M (profit: 7.5) was reported for the period, of which the loss during the third quarter amounted to SEK 15.0 M (profit: 4.0). Cost levels were reduced by 20% during the third quarter, compared with the two preceding quarters. About 6% of the reduction was lower costs for salaries as an effect of vacations.
- Liquidity, including unutilized credit facilities, amounted to SEK 152 M (179) at the end of the period. Equity amounted to SEK 160 M (216), resulting in an equity/assets ratio of 70% (78%).

IMPORTANT EVENTS DURING THE THIRD QUARTER

- Pointsec in the US received an order in September from the IRS, the US tax authority, for Pointsec® for PC and Pointsec® for Palm OS security software. The order value amounted to slightly more than SEK 3 M.
- During the period, Protect Data entered a partnership with the US antivirus manufacturer Sybari. Through this partnership, Protect Data will become a distributor of the Antigen virus control system, world-leading in virus control of e-mail databases.
- Pointsec signed a contract during the quarter with Alstom Power Sweden AB for delivery of Pointsec® security software. The order value amounted to about SEK 1 M, of which one third relates to deliveries during 2001.
- In July, Douglas Chalmers was appointed as the new president of Pointsec Mobile Technologies, Inc. in the US.
- In August, Marcus Jensen was appointed as the new president of Protect Data's Finnish subsidiary Oy Protect Data Ab.

EVENTS AFTER THE CLOSING DATE

- In October, Protect Data's subsidiary Pointsec launched its second security software product for handheld computers, Pointsec® for Pocket PC. In so doing, Pointsec became a Microsoft launch partner.
- On October 15, Magnus Söderlind was appointed as the new president of the Swedish subsidiary Protect Data Sverige AB, as well as vice president of the Parent Company with overall responsibility for Protect Data's Solutions business area. Magnus Söderlind worked most recently at Silicon Graphics, where he was president for the Swedish and Finnish subsidiaries.
- In October, Pointsec received an order from WM-data in Denmark. The order, which is for licenses to be used internally, amounted to slightly more than SEK 2 M.

REORGANIZATION TO IMPROVE PROFITABILITY

SALES AND RESULTS

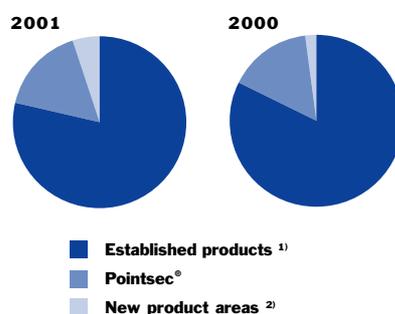
Sales amounted to SEK 45.1 M (75.1) during the quarter and to SEK 155.1 M (207.6) for the period. Sales during the third quarter of the preceding year were exceptionally high, in part due to large deliveries to Internet banks in Sweden and relatively strong sales of Pointsec® in the US. The lower sales for the quarter this year are attributable to these two countries. Sales in Sweden are considered to have been affected by the weak economic conditions and the large structural changes taking place in the banking industry. Sales in the US are considered to have been negatively affected by the terror attacks of September 11. Over the longer term, however, these events are expected to increase demand for security products.

The gross margin for the quarter amounted to 46% (42%). For the entire nine-month period, the gross margin was 47% (47%). As shown in the accompanying chart, the margin was affected by the product mix, as well as the proportion of sales represented by services. Service revenues have increased during 2001 to slightly more than 20% of total sales, compared with 9% in the preceding year.

The loss after net financial items amounted to SEK 15.0 M (profit: 4.0) for the quarter. Costs for research and development amounted to SEK 6.0 M (6.3) during the quarter, of which SEK 2.4 M (0) relating to software development was capitalized. In addition, SEK 1.3 M, representing reserves for uncertain receivables from customers, was charged against earnings.

Cost levels during the third quarter were reduced by 20%, compared with the average cost levels during the two preceding quarters. After considering

Distribution of sales, third quarter



¹⁾ Includes the User Identification, Antivirus System and Firewall product areas.
²⁾ Includes the PKI, VPN, Content Security and Intrusion Detection product areas.

that the costs for salaries normally are lower during the third quarter, due to vacations, the cost reduction amounted to approximately 14%.

During the second and third quarters, action programs were implemented to increase efficiency in the company. The program contains cost saving measures amounting to more than SEK 25 M on a yearly basis, as well as more aggressive measures, particularly with regard to strengthening management and the sales organization. The overall effect of the implemented actions has improved the opportunities for higher profitability for the Group.

Sales of Pointsec in the Group amounted to SEK 7.7 M (12.1) during the quarter, while costs amounted to SEK 15.1 M

(12.1). Over the entire nine-month period, sales amounted to SEK 22.1 M (16.2).

The effect of Pointsec on the Group's loss was thus a deficit of SEK 7.4 M (deficit: 0.2) for the quarter. Of costs, SEK 6.4 M (4.2) represented sales costs, while SEK 3.2 M (7.6) was attributable to costs for research and development. In addition, SEK 2.4 M (0), representing expenses for new software development, was capitalized during the period.

The loss per share amounted to SEK 5.66 (profit: 0.58) for the period.

Equity amounted to SEK 160 M (216) at the end of the period, resulting in an equity/assets ratio of 70% (78%), while equity per share amounted to SEK 15.15 (20.58).

Goodwill and capitalized expenses for development totaled SEK 16.8 M (17.1).

At the end of the period, liquidity, including an unutilized credit facility of SEK 38 M (20), amounted to SEK 152 M (179). Expressed as current assets as a percentage of current liabilities, liquidity amounted to 288% (418%). Surplus liquidity is invested in short-term interest-bearing securities, as well as in the Nektar fund. During the second quarter, Nektar showed a negative return, resulting in a write-down of SEK 4 M.

SALES BY GEOGRAPHIC MARKET, SEK M

	Third quarter		Jan. – September	
	2001	2000	2001	2000
Sweden	22,2	54,5	87,0	137,7
Finland	1,6	0,5	5,1	4,0
Norway	11,3	5,5	23,6	43,9
Denmark	3,6	3,1	22,5	7,2
Slovakia and Czech Republic	1,5	0,3	3,9	1,9
US	4,7	10,9	11,8	12,6
Other countries	0,2	0,3	1,2	0,3
Total	45,1	75,1	155,1	207,6

During the third quarter, the return was high, meaning that it was possible to reverse the write-down.

According to the Group's financial policy, at most one third of surplus liquidity may be placed in a single investment.

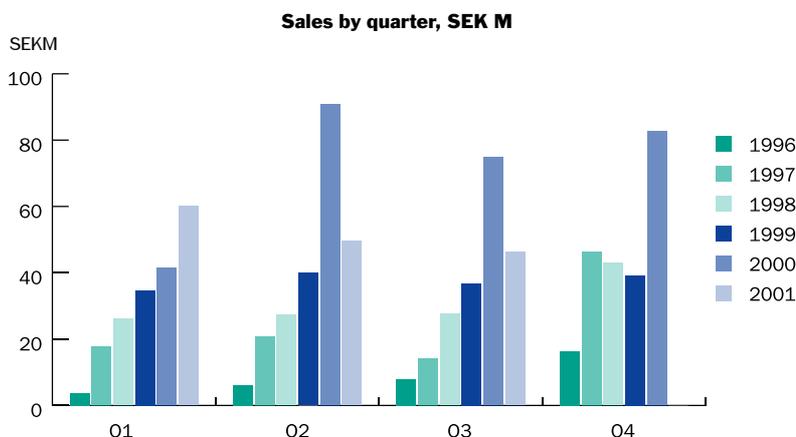
GENERAL

The third quarter is normally the year's weakest, since the vacation period occurs during this time. In addition, Protect Data's operations in the US are considered to have been negatively affected over the short term by the terror attacks in September. Over the long term, however, these events are expected to strengthen demand for security products, mainly from the governmental and public sectors.

In Sweden, economic conditions remained strained with a negative effect on operations. Structural transactions within the banking industry also restrained sales.

In other countries, sales were higher during the quarter, compared with the preceding year. Sales variations between quarters, however, are strongly affected by large individual orders. In Norway, sales to Internet banks were favorable during the quarter.

During the third quarter, work continued on reviewing operations and the internal organization. All measures were taken



from the perspective of increasing the focus on sales and achieving greater efficiency. The implemented measures are considered to have established a solid foundation for the coming quarters, but are also judged to have had some negative effects on the operations during the past year.

SOLUTIONS

The general economic conditions in combination with the major structural transactions occurring in the banking industry are contributing factors to the decrease in sales within Protect Data's Solutions business area. During 2000, the organization was strengthened in preparation for planned expansion. When this expansion did not take place during 2001, the result was that Solutions, which historically has always generated a profit, reported a loss for

the year to date.

Market trends have forced a comprehensive review of operations. This analysis revealed that the company's product portfolio is competitive enough, that there is demand for its offering, and that the company possesses high technical expertise and enjoys a good reputation in the market. On the other hand, management and the sales organization were weak in terms of both resources and competence.

Work is in progress to change the organization in the desired direction. During the quarter, Marcus Jensen was appointed as the new president of the Finnish subsidiary. The sales forces in Norway and Finland were strengthened. In October, Magnus Söderlind was appointed as president of the Swedish company and as vice president in the Parent Company with responsibility for Solutions. Magnus Söderlind worked most recently at Silicon Graphics, where he was president of the Swedish and Finnish subsidiaries.

In conjunction with Magnus Söderlind's appointment as manager for Solutions, a reorganization will take place. This reorganization is intended to significantly strengthen the focus on sales and to improve the efficiency of resource utilization, which will be achieved in part by coordinating functions for the Nordic companies.

THE SOLUTIONS¹⁾ AND POINTSEC BUSINESS AREAS, JANUARY – SEPTEMBER, SEK M

	Solutions		Pointsec	
	2001	2000	2001	2000
Sales	132,0	190,4	22,1	16,2
Gross profit	49,6	81,0	22,1	16,0
Overhead costs	66,9	48,1	52,1	28,6
Operating profit/loss	-17,3	32,9	-30,0	-12,6

1) Pointsec is also sold via companies in the Solutions business area. In the table above, Pointsec sales are reported in their entirety under the Pointsec business area.

The product portfolio within Solutions was further strengthened following the signing of a partnership agreement with the US antivirus manufacturer Sybari. Among other benefits, this partnership will mean that Protect Data will become a distributor for the world-leading Antigen virus control system. Antigen is one of the few systems that is able to effectively control viruses in e-mail databases such as Microsoft Exchange and Lotus Notes.

POINTSEC

The Pointsec business area continued to develop according to plan during the third quarter. The number of business negotiations in progress is increasing steadily. During the quarter, contracts were signed with such customers as the US tax authority IRS regarding Pointsec® security software for the PC and for Palm OS. The IRS will protect both its portable computers and Palm handhelds with Pointsec®. The order value amounts to slightly more than SEK 3 M.

During the quarter, a contract was also signed with Cisco Systems. This was an add-on order and an extension of the contract signed one year ago.

Operations in the US, however, are expected to be negatively affected over the short term by the terror attacks on September 11. Over the longer term, these events are expected to increase demand for security products and may thus affect Pointsec positively.

In Sweden, an order for Pointsec® was signed during the quarter with Alstom Power Sweden AB. This company will use the software to protect vital information on its portable computers. The order is valued at about SEK 1 M, of which one third will be delivered during 2001.

After the end of the period, the first major Pointsec order was received in the Danish market. This order, which is valued at slightly more than SEK 2 M, relates to deliveries to WM-data in Denmark. WM-data will use Pointsec

internally within its organization. In conjunction with this order, a partnership agreement was also signed through which WM-data will sell the software to its customers.

On October 4, Pointsec, in collaboration with Microsoft, launched its second security application for handheld computers, Pointsec® for Pocket PC. This product offers a comprehensive, automated and centrally administered security solution for handheld computers based on the Windows CE platform.

Since his appointment in February, Thomas Bill has had overall responsibility for the Pointsec business area. After the end of the period, Thomas Bill was also appointed as vice president in the Parent Company with continued responsibility for Pointsec.

CONSULTING OPERATIONS

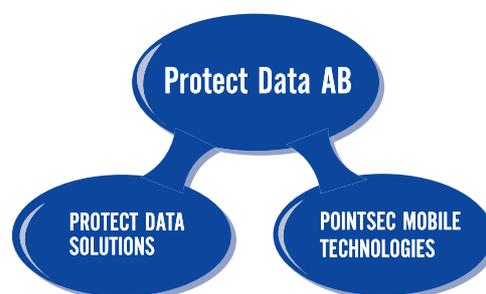
Consulting operations continued to develop favorably, although the trend is still too slow and at too low a level in terms of volume.

During the quarter, an assignment was received from FMV relating to a security study and security training.

In conjunction with the reorganization, consulting operations within the Solutions business area will be incorporated in this organization. Consulting operations throughout the entire business area will thus be coordinated to achieve an increased focus on the sale of services.

INVESTMENTS

The Group's investments in equipment amounted to SEK 11.6 M (13.6) during the period, of which SEK 11.6 M (9.4) related to equipment and SEK 0 M (4.2) to goodwill deriving from investments in subsidiaries. The Parent Company's investments amounted to



SEK 0.9 M (6.1), of which SEK 0 M (4.2) pertained to investments in shares in subsidiaries. Expenses for software development for commercial software amounted to SEK 21.1 M (15.3) during the period, of which SEK 5.9 M was capitalized in accordance with the Swedish Financial Accounting Standards Council's new recommendation RR15. During previous periods, all development costs were charged against income in their entirety.

ACCOUNTING PRINCIPLES

This interim report was prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20 on Interim Reports, as well as the Council's other recommendations which took effect on January 1, 2001, including RR9 on Income Tax. As of January 2002, a number of other recommendations will take effect, including RR1:00 on Consolidated Accounting, RR on Intangible Assets and RR17 on Write-downs. Protect Data has elected to apply all of these recommendations as of January 2001. Beside these recommendations, the same accounting principles and calculation methods were applied as in the most recent annual report.

SUMMARY OF CONSOLIDATED INCOME STATEMENTS, SEK M

	Q 3		Jan. – Sept.		Q4-00– Q3-01	Full year 2000
	2001	2000	2001	2000		
Net sales	45,1	75,1	155,1	207,6	237,7	290,2
Cost of goods sold	-24,5	-43,9	-82,4	-110,2	-117,3	-145,0
Gross profit	20,6	31,2	72,7	97,4	120,4	145,2
Selling expenses	-22,2	-10,2	-72,8	-39,4	-104,6	-71,2
Administrative expenses ¹⁾	-12,8	-15,5	-52,1	-40,8	-63,3	-52,1
Research and development costs ²⁾	-3,6	-6,3	-15,2	-15,3	-22,1	-22,2
Other operating income/expenses	-1,3	3,9	0,2	3,1	-0,4	2,4
Operating profit/loss	-19,3	3,1	-67,3	5,0	-70,0	2,1
Net of financial items	4,3	0,9	7,5	2,5	12,9	8,0
Profit/loss after financial items	-15,0	4,0	-59,8	7,5	-57,1	10,1
Tax ³⁾	0	-1,1	0	-1,6	-3,6	-5,2
Minority share	0	0	0,1	0,1	0,1	0
Profit/loss after tax	-15,0	2,9	-59,7	6,0	-60,6	4,9
<i>Includes depreciation totaling</i>	<i>3,3</i>	<i>2,3</i>	<i>11,4</i>	<i>6,1</i>	<i>14,2</i>	<i>8,9</i>
<i>of which goodwill:</i>	<i>0,4</i>	<i>0,7</i>	<i>3,5</i>	<i>1,9</i>	<i>4,3</i>	<i>2,7</i>

¹⁾ Includes all other expenses not directly attributable to sales operations and software development. Goodwill is included here.

²⁾ As of 2001, costs are capitalized in accordance with RR15. During the first nine months of 2001, SEK 5.9 M was capitalized, of which SEK 2.4 M during the third quarter.

³⁾ There are loss carry-forwards in foreign subsidiaries amounting to SEK 16 M. The tax receivable thus arising, and losses generated during 2001, will not be considered in the income statement for the full year, and are not included in the consolidated income statements or balance sheets in this report.

SHARE DATA

	Jan. – Sept.		Q4-00– Q3-01	Full year 2000
	2001	2000		
Before dilution:				
Number of shares ¹⁾ , 000s	10 570	10 501	10 570	10 508
Average no. of shares ¹⁾ , 000s	10 542	10 336	10 533	10 378
Profit/loss per share ²⁾ , SEK	-5:66	0:58	-5:75	0:47
Equity per share, SEK	15:15	20:58	15:15	20:73
After dilution:				
Number of shares ¹⁾ , 000s	10 668	10 726	10 702	10 738
Average no. of shares ¹⁾ , 000s	10 640	10 562	10 665	10 608
Profit/loss per share ²⁾ , SEK	-5:61	0:56	-5:68	0:46
Equity per share, SEK	15:01	20:15	14:96	20:30

¹⁾ Adjusted for bonus issue and split.

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

Only warrants with a discounted exercise price that was less than the share's average market price during the period have been included in accordance with RR18.

SUMMARY OF CONSOLIDATED BALANCE SHEETS, SEK M

	Sept. 30, 2001	Sept. 30, 2000	Dec. 31, 2000
<i>Assets</i>			
Goodwill	11,9	17,1	16,3
Capitalized expenses for software development	5,9	-	-
Other fixed assets	23,7	15,2	20,1
Other current assets	73,0	86,6	81,7
Liquid funds	114,3	158,6	168,9
<i>Total assets</i>	228,8	277,5	287,0
<i>Equity and liabilities</i>			
Equity	160,1	216,1	217,9
Minority share	0	0	0
Provisions	3,4	2,4	3,4
Long-term liabilities, interest-bearing	0,4	0,2	0,1
Current liabilities, non-interest bearing	64,9	58,8	65,6
<i>Total equity and liabilities</i>	228,8	277,5	287,0
<i>Specification of changes in equity:</i>			
<i>On opening date</i>	217,9	80,8	80,8
<i>New issues</i>	-	123,4	123,4
<i>New issues due to exercised warrants</i>	3,1	1,9	2,3
<i>Non-cash issue</i>	-0,8	4,2	4,2
<i>Sales of warrants</i>	0,3	1,1	1,5
<i>Exchange-rate difference</i>	-0,7	-1,3	0,8
<i>Deficit/surplus for the period</i>	-59,7	6,0	4,9
<i>On closing date</i>	160,1	216,1	217,9
<i>Pledged assets</i>	13,8	12,3	7,2
<i>Contingent liabilities</i>	-	-	-

CONDENSED CASH FLOW STATEMENTS FOR THE GROUP, SEK M

	Jan. – September		Full year
	2001	2000	2000
Cash flow from ongoing operations before interest and income tax payments	-44,6	12,4	20,1
Interest paid and received plus income tax paid	4,4	-0,6	6,1
Cash flow from ongoing operations	-40,2	11,8	26,2
Cash flow from investment operations	-17,4	-9,1	-16,1
Cash flow from financial operations	3,6	117,2	117,9
<i>of which new issues</i>	3,4	126,3	127,2
Decrease/increase in liquid funds	-54,0	119,9	128,0
Liquid funds on the opening date	168,9	40,1	40,1
Exchange-rate differences in liquid funds	-0,6	-1,4	0,8
Liquid funds on the closing date	114,3	158,6	168,9

KEY RATIOS

	Jan. – Sept.		Q4-00–	Full year
	2001	2000	Q3-01	2000
Sales growth	-25%	86%	-4%	93%
Gross margin	47%	47%	51%	50%
Profit margin	-39%	4%	-24%	3%
Return on equity	-32%	3%	-36%	2%
Return on capital employed	-32%	4%	-30%	5%
Equity/assets ratio	70%	78%	70%	76%
Number of employees on closing date	162	148	162	153
Average number of employees	165	122	160	127
Sales per employee, SEK 000s	940	1 707	1 484	2 285

ISSUANCE OF A NEW INCENTIVES PROGRAM

At an extraordinary general meeting on October 8, 2001, a decision was taken to issue a new warrants program for employees. The intent of the program is to issue warrants for employees in the US and Europe. In total, the warrants carry rights for subscription to 800,000 new shares. The warrants intended for employees in Europe have an exercise price of SEK 52 and extend until November 30, 2004, while the warrants intended for employees in the US will be issued in accordance with US practice under the terms of a Stock Option Plan. These warrants have an exercise price of SEK 26 and extend until February 28, 2006. However, each individual warrant holder will pay a strike price corresponding to the share's market value at the time of allocation and amounting to no less than SEK 26.

FORTHCOMING REPORTING DATES

February 11, 2002	Year-end report for 2001
April 11, 2002	Annual General Meeting

Stockholm, November 8, 2001
 PROTECT DATA AB (PUBL)

The Board of Directors

This interim report has not been subject to an audit by the company's auditors.

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

www.protectdata.com