

Pointsec – the de facto security standard for mobile devices and PCs



## Pointsec sales hit new record highs

### FIRST QUARTER

- Sales rose to SEK 63.7 M (58.1) for the quarter. Excluding divested operations the sales growth was 20%, SEK 63.7 M compared to 52.9.
- Sales of Pointsec-products rose for the third quarter in row to SEK 49.7 M (40.1).
- Operating result amounted to SEK 13.1 M (13.2).
- Profit after financial items amounted to SEK 13.5 M (15.3).
- Profit after tax amounted to SEK 8.8 M (11.1).
- Profit per share amounted to SEK 0.80 (1.05).

### CEO Thomas Bill's comments:

“Pointsec’s revenue increased for the third consecutive quarter to its highest quarterly value to date, SEK 49.7 M. In total, the Group revenues grew with 20%, taking last year’s divested operations into consideration. This is particularly pleasing to note since the first quarter normally is weak in respect of sales for software companies.

Particularly satisfactory is that the revenue upswing was not caused by any single major order, which was the case the first quarter preceding year when a single order amounted to SEK 18 M of total sales. Instead, this year’s sales was the result of a high volume of orders and a record number of new customers – a clear demonstration of Pointsec’s strength.

Also encouraging is the fact that sales in the US have accelerated. During the quarter, US sales accounted for approximately one-quarter of total sales. Here, the order from the US Army, worth SEK 3.9 M, regarding a security solution for hand-held computers to be used in mobile field medical care, is key.

The strong demand for Pointsec’s solutions in the Japanese market was ongoing. The coming into effect of new Japanese legislation concerning requirements on protection of confidential information was a contributing factor. To fully take advantage of the new business opportunities, a Japanese subsidiary was launched and a Japanese president was appointed for the new subsidiary.

The phase-out of the unprofitable parts of the third-party operations carried out at year-end has, through the resulting increase in focus, given rise to increased sales in the Nordic countries of Pointsec and remaining third-party products.

We also note that first-quarter profit after net financial items, SEK 13.5 M, was achieved despite a planned increase in the cost base, due to increased investments in new offices and product development.

Due to the good start to the year, our expectation that the trend of Pointsec’s sales will continue to be favorable, and that the Group’s earnings will be an improvement over the previous year, remains unchanged.”

## SALES AND PROFIT

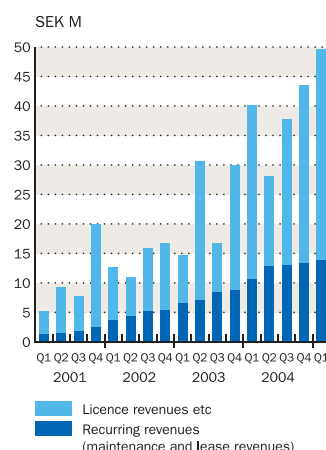
Sales during the quarter amounted to SEK 63.7 M (58.1). Of this figure, SEK 49.7 M (40.1) was attributable to Pointsec sales and SEK 14.0 M (18.0) to third-party sales. When comparing these figures with the figures for the preceding year, it is important to consider that last year's figures contain a single order of SEK 18 M and that sales of divested third-party products amounted to SEK 5.2 M.

The distribution of sales by geographic market is shown in the table below. Of the total sales, SEK 15.7 M (13.6) consisted of recurring revenues in the form of maintenance and rental revenues. Pointsec's share of the recurring revenues amounted to SEK 13.8 M (10.6).

Gross profit for the quarter amounted to SEK 55.1 M (48.0), implying a gross margin of 87% (83).

The operating profit for the quarter amounted to SEK 13.1 M (13.2). Overhead during the quarter amounted to SEK 43.4 M (36.2). The increase compared with the preceding year is primarily attributable to the increase in the number of employees and the higher sales commissions resulting from the increased sales. The average number of employees during the quarter amounted to 107 (98), an increase of 9%.

## Pointsec revenues split on new sales and recurring revenues



The operating profit during the quarter was favorably affected by SEK 1.4 M (1.4) in unrealized translation effects.

Net financial items for the quarter amounted to SEK 0.4 M (2.1). Warrants distributed free of charge amounted to a charge of SEK 0.3 M (charge: 0.1) on net financial items, in accordance with IFRS 2. Unrealized surplus values on financial investments were booked directly under equity in accordance with IFRS 39 and therefore did not affect net financial items.

On the closing date, unrealized surplus values amounted to SEK 2.1 M (1.0).

Profit after net financial items during the first quarter amounted to SEK 13.5 M (15.3).

Earnings per share during the quarter amounted to SEK 0.80 (1.05).

## LIQUIDITY AND POSITION

The Group's financial position continues to be very strong.

On the closing date, liquidity (liquid funds and current investments), including unutilized credit facilities of SEK 50 M (37) and unrealized surplus values in fund investments of SEK 2.1 M (1.0), amounted to SEK 203 M (161). Expressed as current assets as a percentage of current liabilities, liquidity amounted to 285% (275).

Equity amounted to SEK 188 M (147) on the closing date, corresponding to an equity/assets ratio of 68% (67), while equity per share amounted to SEK 17.15 (13.91).

Goodwill amounted to SEK 5.9 M (7.9). Capitalized expenses for software development and acquired intangible assets amounted to a total of SEK 26.1 M (25.8).

## Summary per segment January–March, SEK M

	EMEA <sup>1)</sup>		APAC <sup>2)</sup>		USA		Parent companies and group items <sup>3)</sup>		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
External sales	36.6	27.5	11.8	6.9	14.6	20.8	0.7	2.9	63.7	58.1
Gross profit	19.1	11.3	11.6	6.9	10.2	10.4	14.2	19.4	55.1	48.0
Operating costs	15.1	14.9	1.5	-	6.7	7.8	18.7	12.1	42.0	34.8
Operating result	4.0	-3.6	10.1	6.9	3.5	2.6	-4.5	7.3	13.1	13.2
Assets	109.8	88.9	2.9	-	21.2	28.1	144.0	103.4	277.9	220.4
Liabilities	91.9	92.2	3.6	-	19.9	28.0	-25.7	-46.9	89.7	73.3
Investments	0.1	0.3	-	-	0.1	-	0.4	0.2	0.6	0.5
Depreciations	0.3	0.4	-	-	-	0.3	4.2	2.8	4.5	3.5

<sup>1)</sup> Europe, Middle East, Africa

<sup>2)</sup> Asia, Pacific area countries

<sup>3)</sup> Refers to elimination of intra-group sales and amortization of consolidated goodwill

## OPERATIONS

Sales in software companies are normally weak during the first quarter. Thus, it is especially pleasing to note that Pointsec sales rose for the third consecutive quarter, achieving their highest quarterly figure to date, SEK 49.7 M. The increase was caused by a large number of new customers, which bodes well for the future.

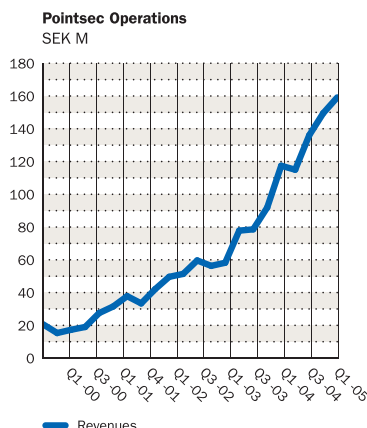
Sales during the quarter were dominated by sales in the US and in Japan, but sales have also begun to gain pace in Australia and the Middle East. The new legislation on the protection of confidential information that came into effect in Japan on April 1 contributed to the continuing strong growth in this market. To make optimally capitalize on the potential in the Japanese market, during the quarter Pointsec launched a local subsidiary and appointed a Japanese president to manage the company.

In the US, new sales during the quarter were strong. A key order was received from the US Army for a security solution for hand-held computers to be used by field medical personnel. The value of the order amounted to SEK 3.9 M, of which SEK 3.3 M was taken up as revenue during the quarter. The order for this quarter was a partial order for the total project, which involves 11,000 users.

Pointsec has also entered the attractive Indian market by signing a dealership contract with Trident Infotech Services. Trident, a rapidly growing company with broad-based operations in network security and data storage, is expected to be a strong partner for Pointsec.

Revenues relating to remaining third-party products also increased compared with the preceding year, to SEK 14.0 M (12.4), which is partly due to the stronger focus. One interesting transaction involved the delivery of Entrust Identity Guard to a public authority. Entrust Identity Guard, an innovative new solution for user identification, will be used to facilitate user iden-

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Group revenues from Pointsec operation, latest four quarters currently

tification of employees within the government sector. The government sector in general shows great interest in this solution.

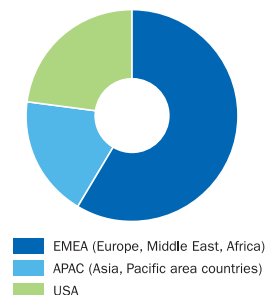
During the quarter Pointsec signed a cooperation agreement with i-mate™, a leading brand in hand computers and smartphones based on the Microsoft Windows Mobile platform. The cooperation will give i-mate™ users access to Pointsec's world-leading security solutions.

Pointsec's market organization was strengthened through the appointment of Bob Egner as Vice President of Global Marketing, to be based at the Pointsec office in Chicago. Bob Egner has many years of experience in global software companies and his appointment is part of the increased focus on marketing efforts.

## PARENT COMPANY

During the quarter, the Parent Company's sales amounted to SEK 4.3 M (4.6), of which SEK 4.2 M (4.5) pertained to sales to Group companies. The Parent Company's cash flow during the quarter was positive in an amount of SEK 20.6 M (42.5).

## Group sales by geographic market



Total Group revenues, first quarter 2005

## INVESTMENTS

The Group's investments in equipment during the quarter amounted to SEK 0.6 M (0.5), of which the Parent Company's investments amounted to SEK 0.1 M (0.1).

Investment in capitalized expenses for development of commercial software amounted to SEK 3.8 M (2.8) during the period.

## OUTLOOK

Given the good results for the quarter, our opinion regarding the future outlook that was expressed in the preceding report remains unchanged. Pointsec's sales are expected to continue their favorable trend and Group earnings are expected to improve over the preceding year.

## ACCOUNTING PRINCIPLES

This interim report was prepared in accordance with IAS 34, Interim financial reporting, which is in compliance with the Swedish Financial Accounting Standards Council's recommendation RR 31, Consolidated interim reports. 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 will be translated in accordance with the new principles. For Protect Data, there have been no exceptions to the above. All changes have been recalculated with respect to 2004. The effects on equity for the comparison periods of the recalculation

to comply with the new principles are specified in the interim report in the table "Specification of change in equity". The effects on profit after tax for the comparison periods are specified in the table "Condensed consolidated income statements".

## ANNUAL GENERAL MEETING

The Annual General Meeting was held on Tuesday, April 5, 2005. The meeting decided to distribute a dividend of SEK 1.25 per share, totaling SEK 13.7 M. April 8 was set as the record date and the dividend was paid on April 13.

The Annual General Meeting also decided to issue two new warrants programs aimed at the Company's employees. One of them, which involves 250,000 warrants,

extends until May 15, 2008, and involves a redemption price of SEK 124 per share. The other, which involves 150,000 warrants, extends until May 13, 2011, and involves a redemption price of SEK 91 per share. The second program is aimed at employees in the US and the warrants will be transferred in accordance with American procedures.

Martin Bjäringer, Jonas Fredriksson, Ulrika Hagdahl, Harald Nilsson and Carl Rosvall were re-elected to the Board of Directors and Henrik Ekelund was newly elected as a member. The subsequent statutory meeting of the Board of Directors reelected Martin Bjäringer as Chairman and Carl Rosvall as Vice Chairman.

## Summary of consolidated income statements, SEK M

	Jan-Mar		Apr-Mar	Jan-Dec
	2005	2004	04/05	2004
Net sales	63.7	58.1	223.0	217.4
Cost of goods sold	-8.6	-10.1	-37.4	-39.0
<b>GROSS PROFIT</b>	<b>55.1</b>	<b>48.0</b>	<b>185.6</b>	<b>178.4</b>
Selling expenses	-20.4	-16.8	-76.7	-73.1
Administrative expenses <sup>1)</sup>	-14.5	-12.3	-56.9	-54.8
Research and development costs <sup>2)</sup>	-8.5	-7.1	-32.4	-30.9
Other operating income/expenses	1.4	1.4	-1.6	-1.6
<b>OPERATING RESULT</b>	<b>13.1</b>	<b>13.2</b>	<b>18.0</b>	<b>18.0</b>
Net of financial items	0.4	2.1	0.7	2.5
<b>RESULT AFTER FINANCIAL ITEMS</b>	<b>13.5</b>	<b>15.3</b>	<b>18.7</b>	<b>20.5</b>
Tax <sup>3)</sup>	-4.7	-4.2	3.6	4.1
<b>RESULT AFTER TAX</b>	<b>8.8</b>	<b>11.1</b>	<b>22.3</b>	<b>24.6</b>
<i>Includes depreciation totaling</i>	4.5	3.5	16.6	15.5
<i>of which amortization and write-down of goodwill</i>	-	-	1.2	1.4
<i>of which amortization of capitalized expenses for software development</i>	3.1	1.9	9.6	8.3
<b>DIFFERENCE COMPARED TO NET RESULT ACCORDING TO REPORTED ACCOUNTS</b>		<b>0.2</b>		<b>0.3</b>
- of which amortization of capitalized software		-		-0.1
- of which amortization of goodwill		0.2		1.0
- of which share-based payments		-0.1		-1.0
- of which tax effects of above items		0.1		0.4

<sup>1)</sup> Includes all other expenses not directly attributable to sales operations and product operations. Write-down of goodwill, if any, is included here.

<sup>2)</sup> During the quarter SEK 3.8 M (2.8) was capitalized.

<sup>3)</sup> Taxable loss carry-forwards in the Group amount to SEK 74 M (75) at the beginning of the fiscal year. To the extent that they are considered possible to use, the deferred tax claims regarding these, as well as regarding losses during the present year, are included in the consolidated income statements and balance sheets.

## Share data

	Jan–Mar		Apr–Mar	Jan–Dec
	2005	2004	04/05	2004
<b>BEFORE DILUTION:</b>				
Number of shares, 000s	10,974	10,570	10,974	10,950
Average number of shares, 000s	10,958	10,570	10,718	10,614
Profit per share, SEK <sup>1)</sup>	0.80	1.05	2.08	2.32
Equity per share, SEK	17.15	13.91	17.15	16.16
<b>AFTER DILUTION: <sup>2)</sup></b>				
Number of shares, 000s	11,385	10,946	11,354	11,329
Average number of shares, 000s	11,369	10,946	11,098	10,994
Profit per share, SEK <sup>1)</sup>	0.77	1.01	2.01	2.24
Equity per share, SEK	16.53	13.44	16.58	15.62

<sup>1)</sup> Calculated as profit after tax divided by average number of shares.

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

## Summary of consolidated balance sheets, SEK M

	31.03.2005	31.03.2004	31.12.2004
<b>ASSETS</b>			
Goodwill	5.9	7.9	5.9
Capitalized expenses for software development	23.1	21.0	22.4
Other intangible assets	3.0	4.8	3.5
Deferred tax claim	15.7	3.2	15.9
Other fixed assets	9.4	4.9	9.7
Other current assets	68.3	54.6	77.1
Short-term investments	55.9	34.3	57.6
Liquid funds	96.6	89.7	74.4
<b>TOTAL ASSETS</b>	<b>277.9</b>	<b>220.4</b>	<b>266.5</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	188.2	147.1	176.9
Provisions for taxes	11.9	9.1	8.1
Long-term liabilities	0.2	-	0.2
Current liabilities	77.6	64.2	81.3
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>277.9</b>	<b>220.4</b>	<b>266.5</b>
<i>Pledged assets</i>	-	-	-
<i>Contingent liabilities</i>	-	-	1.3

## Specification of changes in equity, SEK M

	Jan–Mar		Jan–Dec
	2005	2004	2004
<b>On opening date</b>	<b>176.9</b>	<b>137.4</b>	<b>137.4</b>
Sales of warrants	-	0.3	0.3
New issues due to exercise of warrants	0.5	-	18.6
Paid dividend	-	-	-2.6
Valuation fund short-term investments	0.7	-1.3	-1.2
Reversal of items reported only in the P&L	0.1	-0.2	-0.5
Translation differences	1.2	-0.2	0.3
Profit/loss for the period	8.8	11.1	24.6
<b>On closing date according to IFRS</b>	<b>188.2</b>	<b>147.1</b>	<b>176.9</b>
<b>Difference compared to reported accounts</b>		<b>2.0</b>	<b>1.9</b>
– of which market valuation of short-term investments		1.0	1.2
– of which capitalized software expenses		1.7	1.5
– of which tax effect of above items		-0.7	-0.8

## Consolidated statements of financial position, SEK M

	Jan-Mar		Apr-Mar	Jan-Dec
	2005	2004	04/05	2004
Cash flow from ongoing operations				
before changes in operating capital	17.1	18.7	34.8	36.5
Changes in operating capital	24.2	21.6	-26.0	-28.6
<b>CASH FLOW FROM ONGOING OPERATIONS</b>	<b>41.3</b>	<b>40.3</b>	<b>8.8</b>	<b>7.9</b>
Cash flow from investment operations	-4.2	-3.3	-20.5	-19.6
Cash flow from financial operations	0.5	0.3	16.4	16.2
<b>CASH FLOW FOR THE PERIOD</b>	<b>37.6</b>	<b>37.3</b>	<b>4.7</b>	<b>4.5</b>
Liquid funds on the opening date	57.6	54.5	89.8	54.5
Valuation changes and translation differences in liquid funds	1.4	-2.1	2.1	-1.4
<b>LIQUID FUNDS ON THE CLOSING DATE <sup>1)</sup></b>	<b>96.6</b>	<b>89.7</b>	<b>96.6</b>	<b>57.6</b>

<sup>1)</sup> Short-term investments running over more than 90 days are not included in liquid funds. The Group had on the closing date such funds amounting to a book value of 55.9 MSEK (34.3), whereof SEK 2.1 M (1.0) was unrealized surplus value.

## Key ratios, Group

	Jan-Mar		Apr-Mar	Jan-Dec
	2005	2004	04/05	2004
Sales growth rate	10%	69%	14%	29%
Gross margin	87%	83%	83%	82%
Profit margin after net financial items	21%	26%	8%	9%
Return on equity <sup>1)</sup>	5%	8%	13%	16%
Return on capital employed <sup>1)</sup>	7%	11%	11%	13%
Equity/assets ratio	68%	67%	68%	66%
Number of employees, on closing date	111	101	111	101
Number of employees, average	107	98	107	105
Sales per employee, SEK 000s	597	594	2,080	2,071

<sup>1)</sup> The return ratios for the report period January to March are calculated for three months only, and are thus not adjusted to reflect full year level.

## INFORMATION DATES 2005

**August 18** Interim report January-June  
**October 27** Interim report January-September

STOCKHOLM, APRIL 28, 2005

Protect Data AB (publ)  
The Board of Directors

This interim report has not been subject to review by the company's auditor.

**Questions regarding this report will be answered by CEO Thomas Bill,  
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