

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



Continued strong growth for Pointsec

SECOND QUARTER

- Sales rose to SEK 67.7 M (44.4) for the quarter. Excluding divested operations the sales growth was 71%, SEK 67.7 M compared to 39.6.
- Sales of Pointsec-products rose for the fourth quarter in row to SEK 51.0 M (28.2).
- Operating result amounted to SEK 9.8 M (-0.8).

REPORT PERIOD FROM JANUARY TO JUNE

- Sales amounted to SEK 131.4 M (102.5).
- Profit after tax amounted to SEK 15.1 M (9.5).
- Profit per share amounted to SEK 1:43 (0.90).

CEO Thomas Bill's comments:

"I am very pleased to once again be able to present strong figures for the quarter. Pointsec sales rose to SEK 51 M for the second quarter, an increase of 81%, compared with the corresponding quarter in the preceding year. In terms of sales, this was the best-ever quarter for Pointsec. The gross margin increased by 4 percentage points to 85%, while operating profit rose to SEK 9.8 M from a loss of SEK 0.8 M last year.

Interest for security for mobile devices is great and increasing around the world, not

least in the financial sector in the US and in Japan. Sales were also favorable in the new markets in the Middle East and India. In Europe, a very important order was received during the quarter from an international auditing firm.

Once again, the analysis company Gartner Group ranked Pointsec as the market leader in mobile data protection. This is an achievement of which we are very proud and view as confirmation that we offer customers the strongest and most easily managed security solution for

information on mobile devices.

An important partnership was initiated during the quarter with the US company Extended Systems. Extended Systems develops solutions for professional mobile users that complement Pointsec's solutions, allowing us together to offer mobile security solutions of high quality.

Our opinion remains unchanged that Pointsec sales will continue to show a favorable trend and that Group earnings will improve, compared with the preceding year."

SALES AND PROFIT

Sales during the quarter amounted to SEK 67.7 M (44.4). Of total sales, Pointsec accounted for SEK 51.0 M (28.2), while sales of third-party products totaled SEK 16.7 M. New sales accounted for 75% or total sales, while the remaining 25% consisted of recurring revenues (maintenance and leasing revenues). Pointsec's share of recurring revenues was SEK 15.0 M (12.8).

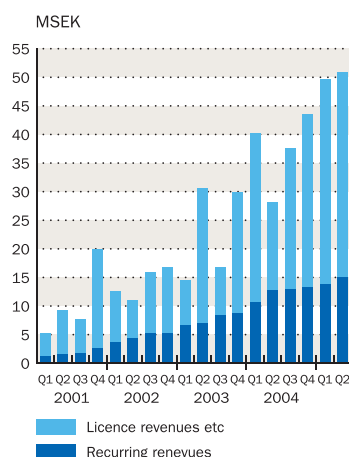
The distribution of sales by geographic market is presented in the table below.

Gross profit for the quarter amounted to SEK 57.3 M (36.0), resulting in a gross margin of 85% (81%).

Operating profit for the second quarter amounted to SEK 9.8 M (loss: 0.8). Overhead costs amounted to SEK 50.8 M (36.6). The increase in overhead costs compared with the preceding year was primarily due to greater sales commissions as a result of higher sales, an increased number of employees and planned investments in marketing. The average number of employees during the quarter amounted to 110 (103), an increase of 7%.

Operating profit for the quarter was positively affected in an amount of SEK

Pointsec revenues split on new sales and recurring revenues



3.3 M (deficit: 0.2) related to realized and unrealized translation differences.

Financial items amounted to net income of SEK 1.2 M (income: 0.2). Costs for warrants allocated free of charge were charged against net financial items in an amount of SEK 0.3 M (0.1) in accordance with IFRS 2 Share Based Payment.

Unrealized surplus values in financial investments were booked directly against equity in accordance with IAS 39 Financial Instruments: Recognition and Measurement and thus did not affect financial items. On the closing date, these unrealized surplus values amounted to SEK 3.2 M (0.5).

The profit margin for the quarter was 16%, which was lower than the margin of 21% for the first quarter. The reasons were primarily lower margins on third-party products due to a different product mix and seasonally higher marketing costs.

Profit after financial items amounted to SEK 11.0 M (loss: 0.6) for the quarter.

Earnings per share for the quarter amounted to SEK 0.57 (loss: 0.15).

LIQUIDITY AND FINANCIAL POSITION

The Group's financial position remains very strong.

On the closing date, liquidity (liquid funds and current investments), including unutilized credit facilities of SEK 50 M (50) and unrealized surplus values in fund investments of SEK 3.2 M (0.5), amounted to SEK 215 M (181). Expressed as current assets as a percentage of current liabilities,

Summary per segment January–June, SEK M

	EMEA ¹⁾		APAC ²⁾		USA		Parent companies and group items ³⁾		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
External sales	71.7	60.1	26.1	10.6	33.4	31.6	0.2	0.2	131.4	102.5
Gross profit	37.5	27.5	18.3	10.6	23.5	15.8	33.1	30.1	112.4	84.0
Operating costs	30.2	31.7	4.4	-	16.7	14.7	38.2	25.3	89.5	71.7
Operating result	7.3	-4.2	13.9	10.6	6.8	1.1	-5.1	4.8	22.9	12.3
Assets	84.2	86.0	9.6	1.4	26.1	15.2	170.2	108.7	290.1	211.3
Liabilities	72.0	93.0	4.7	-	21.1	16.7	3.6	-41.1	101.4	68.6
Investments	0.2	0.7	0.1	-	0.1	0.1	8.8	6.8	9.2	7.6
Depreciations	0.6	0.9	0	-	0.1	0.6	8.3	5.8	9.0	7.3

¹⁾ Europe, Middle East, Africa

²⁾ Asia, Pacific area countries

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

liquidity amounted to 272% (293%).

Equity amounted to SEK 189 M (143) on the closing date, corresponding to an equity/assets ratio of 65% (68%) and equity per share of SEK 17.01 (13.48).

Goodwill amounted to SEK 5.9 M (7.4) on the closing date. Capitalized expenses for software development plus acquired intangible assets totaled SEK 26.8 M (26.5).

INVESTMENTS

The Group's investments in equipment during the six-month period amounted to SEK 1.1 (1.9), of which the Parent Company's investments accounted for SEK 0.2 M (0.4).

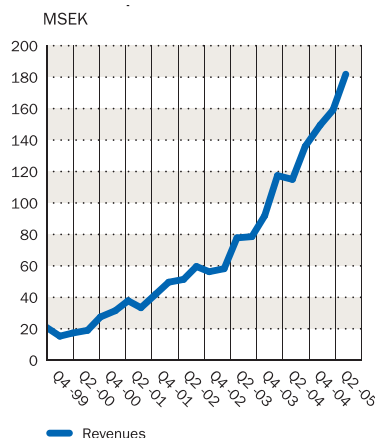
Investments in capitalized expenses for development of commercial software during the period amounted to SEK 8.1 M (5.7).

OPERATIONS

Pointsec sales increased during the second quarter for the fourth consecutive quarter and achieved the highest-ever quarterly level of SEK 51.0 M. New sales accounted for SEK 36 M, of which slightly more than 40% were in the US. Other major markets were the Nordic countries and Japan, where a Japanese partner ordered additional licenses valued at SEK 5.5 M. Sales in the new Pointsec markets the Middle East and India developed rapidly and showed favorable sales figures. In February, Pointsec initiated a partnership with a reseller in India, which already during the second quarter resulted in several deliveries to end customers. An important Pointsec sale was concluded in Europe in which a delivery took place to a large international accounting firm.

The focus on a limited selection of third-party products has thus far proven to be successful. Interest for the third-party product Entrust Identity Guard, a new and innovative solution for user identification, proved to be substantial,

Pointsec growth continues



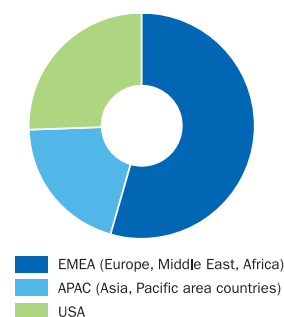
Group revenues from Pointsec operation, latest four quarters currently

and sales of this solution were favorable for the third consecutive quarter. Sales of identification solutions for Internet banks remained favorable in the Nordic market.

An important partnership was initiated during the quarter with the US company Extended Systems, a software vendor that develops solutions for professional mobile users. Extended Systems' OneBridge makes it possible for organizations to make enterprise applications mobile, administer mobile devices and install software on virtually all types of mobile computers. Pointsec's market-leading data security solutions support all common system platforms. The partnership means that both companies can offer their respective customers an integrated version of each other's solutions, resulting in high-quality, well-tested and secure solutions.

In its annual report, the Gartner Group analysis company once again ranked Pointsec as the market leader in mobile data protection. The report contains an

Group sales by geographic market



Total Group revenues, first quarter 2005

extensive qualitative evaluation of 16 suppliers of data protection for mobile devices, such as portable PCs, handheld computers and smart phones. The evaluation is based on a weighting of current market position and anticipated future prospects.

During the quarter, Pointsec for Linux was launched, meaning that Pointsec is now available on yet another platform and thus for additional customer categories.

After the closing date, a strategic partnership was established with NEC Solutions Asia Pacific relating to marketing of Pointsec in Singapore, Indonesia, Malaysia, Thailand and the Philippines.

PARENT COMPANY

The Parent Company's sales during the six-month period amounted to SEK 9.1 M (9.4), of which SEK 8.9 M (9.3) derived from sales to Group companies. The Parent Company's cash flow for the period amounted to SEK 7.1 M (48.3).

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 changes in equity." The effects on profit after tax for the comparison periods are specified in the table "Condensed consolidated income statements."

Summary of consolidated income statements, SEK M

	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
	2005	2004	2005	2004	04/05	2004
Net sales	67.7	44.4	131.4	102.5	246.3	217.4
Cost of goods sold	-10.4	-8.4	-19.0	-18.5	-39.5	-39.0
GROSS PROFIT	57.3	36.0	112.4	84.0	206.8	178.4
Selling expenses	-23.3	-17.2	-43.7	-34.0	-82.8	-73.1
Administrative expenses ¹⁾	-17.8	-12.9	-32.3	-25.3	-64.3	-54.8
Research and development costs ²⁾	-9.7	-6.5	-18.2	-13.6	-35.4	-30.9
Other operating income/expenses	3.3	-0.2	4.7	1.2	1.9	-1.6
OPERATING RESULT	9.8	-0.8	22.9	12.3	26.2	18.0
Net of financial items	1.2	0.2	1.6	2.3	2.5	2.5
RESULT AFTER FINANCIAL ITEMS	11.0	-0.6	24.5	14.6	28.7	20.5
Tax ³⁾	-4.7	-1.0	-9.4	-5.1	-0.5	4.1
RESULT AFTER TAX	6.3	-1.6	15.1	9.5	28.2	24.6
Includes depreciation totaling	4.5	3.6	9.0	7.3	19.8	15.5
of which amortization and write-down of goodwill	-	-	-	-	1.0	1.4
of which amortization of capitalized expenses for software development	3.1	1.8	6.2	3.7	10.7	8.3
DIFFERENCE COMPARED TO NET RESULT ACCORDING TO REPORTED ACCOUNTS		0.1		0.3		0.3
- of which amortization of capitalized software		-		-		-0.1
- of which amortization of goodwill		0.2		0.4		1.0
- of which share-based payments		-0.2		-0.3		-1.0
- of which tax effects of above items		0.1		0.2		0.4

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

²⁾ During the quarter SEK 4.3 M (2.9) was capitalized. During the period SEK 8.1 M (5.7) was capitalized.

³⁾ 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

	Apr–Jun		Jan–Jun		Jul–Jun	Jan–Dec
	2005	2004	2005	2004	04/05	2004
BEFORE DILUTION:						
Number of shares, 000s	11,095	10,585	11,095	10,585	11,095	10,950
Average number of shares, 000s	10,980	10,576	10,541	10,573	10,811	10,614
Profit per share, SEK ¹⁾	0:57	-0.15	1:43	0.90	2:79	2.32
Equity per share, SEK	17:01	13.48	17:01	13.48	17:01	16.16
AFTER DILUTION: ²⁾						
Number of shares, 000s	11,479	11,064	11,458	11,014	11,416	11,329
Average number of shares, 000s	11,363	11,055	10,904	11,002	11,132	10,994
Profit per share, SEK ¹⁾	0:56	-0.14	1:39	0.87	2:71	2.24
Equity per share, SEK	16:44	12.90	16:47	12.96	16:53	15.62

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 consolidated balance sheets, SEK M

	30.06.2005	30.06.2004	31.12.2004
ASSETS			
Goodwill	5.9	7.4	5.9
Capitalized expenses for software development	24.3	22.1	22.4
Other intangible assets	2.5	4.4	3.5
Deferred tax claim	16.1	3.3	15.9
Other fixed assets	9.1	5.2	9.7
Other current assets	67.5	37.8	77.1
Short-term investments	58.5	33.8	74.4
Liquid funds	106.2	97.3	57.6
TOTAL ASSETS	290.1	211.3	266.5
EQUITY AND LIABILITIES			
Equity	188.7	142.7	176.9
Provisions for taxes	15.7	10.3	8.1
Long-term liabilities	0.2	-	0.2
Current liabilities	85.5	58.3	81.3
TOTAL EQUITY AND LIABILITIES	290.1	211.3	266.5
<i>Pledged assets</i>	-	-	-
<i>Contingent liabilities</i>	-	-	1.3

Specification of changes in equity, SEK M

	Jan–Jun	Jan–Dec
	2005	2004
On opening date	176.9	137.4
Sales of warrants	1.4	0.3
New issues due to exercise of warrants	3.4	0.4
Paid dividend	-13.7	-2.6
Valuation fund short-term investments	1.6	-1.6
Reversal of items reported only in the P&L	0.4	-0.4
Translation differences	3.6	-0.3
Profit/loss for the period	15.1	9.5
On closing date according to IFRS	188.7	142.7
Difference compared to reported accounts		
– of which market valuation of short-term investments		0.5
– of which capitalized software expenses		1.7
– of which tax effect of above items		-0.8

Consolidated statements of financial position, SEK M

	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
	2005	2004	2005	2004	04/05	2004
Cash flow from ongoing operations						
before changes in operating capital	14.3	2.7	31.3	21.4	46.4	36.5
Changes in operating capital	6.3	11.9	30.6	33.5	-31.5	-28.6
CASH FLOW FROM ONGOING OPERATIONS	20.6	14.6	61.9	54.9	14.9	7.9
Cash flow from investment operations	-5.0	-4.3	-9.3	-7.6	-21.3	-19.6
Cash flow from financial operations	-9.4	-2.3	-8.9	-2.0	9.3	16.2
CASH FLOW FOR THE PERIOD	6.2	8.0	43.7	45.3	2.9	4.5
Liquid funds on the opening date	96.6	89.8	57.6	54.5	97.3	54.5
Valuation changes and translation differences	3.4	-0.5	4.9	-2.5	6.0	-1.4
LIQUID FUNDS ON THE CLOSING DATE ¹⁾	106.2	97.3	106.2	97.3	106.2	57.6

¹⁾ 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 58.5 MSEK (33.8), whereof SEK 3.2 M (0.5) was unrealized surplus value.

Key ratios, Group

	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
	2005	2004	2005	2004	04/05	2004
Sales growth rate	52%	-16%	28%	17%	26%	29%
Gross margin	85%	81%	86%	82%	84%	82%
Profit margin after net financial items	16%	-1%	19%	14%	12%	9%
Return on equity ¹⁾	3%	-1%	8%	7%	18%	16%
Return on capital employed ¹⁾	6%	0%	13%	11%	18%	13%
Equity/assets ratio	65%	68%	65%	68%	65%	66%
Number of employees, on closing date	112	102	112	102	112	101
Number of employees, average	110	103	108	99	107	105
Sales per employee, SEK 000s	615	431	1,212	1,034	2,295	2,071

¹⁾ The return ratios for the quarter and the report period are calculated for three and six months only, and are thus not adjusted to reflect full year level.

INFORMATION DATES 2005

October 27 Interim report January–
September

STOCKHOLM, AUGUST 18, 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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