



Pointsec sales doubled

– Sales exceeded SEK 100 M in the second quarter

SECOND QUARTER 2006

- Net sales increased by 73% to SEK 117.2 M (67.7)
- Sales of Pointsec solutions doubled to SEK 102.8 M (51.0)
- Profit after financial items amounted to SEK 14.6 M (11.0).
A one-time provision of SEK 9.2 M for doubtful trade receivables relating to sales to partners was charged against earnings for the quarter.
- Profit after tax amounted to SEK 11.7 M (6.3).
- Earnings per share increased by 76% to SEK 0.51 (0.29).

SIX-MONTH PERIOD JANUARY – JUNE 2006

- Net sales increased by 58% to SEK 207.3 M (131.4)
- Profit after financial items amounted to SEK 32.0 M (24.5).
A one-time provision of SEK 9.2 M for doubtful trade receivables relating to sales to partners was charged against earnings for the period.
- Profit after tax amounted to SEK 22.9 M (15.1).
- Earnings per share increased to SEK 1.01 (0.70).

CEO Thomas Bill's comments:

"I am very pleased to note that we doubled sales and exceeded the 100-million mark for sales of Pointsec solutions during the second quarter. Sales of Pointsec solutions amounted to SEK 102.8 M in the second quarter, compared with SEK 51.0 M in the same quarter last year.

"Our assessment is that we continue to take market shares. It is also interesting to note that new customers are making inquiries and want to replace competitors' solutions that do not function satisfactorily. Demand for our solutions has also been strengthened by a number of incidents around the world in which large companies and organizations have lost portable PCs with sensitive personal data. We note that boards of directors and corporate manage-

ment groups are being forced to increase awareness of security, resulting in a substantial increase in the number of inquiries regarding Pointsec solutions.

"The increased focus on solutions for smart phones within the framework of our new business area Pointsec Wireless Solutions has attracted considerable attention among mobile phone manufacturers, operators and systems integrators. We expect to be able to present several attractive partnerships over the coming quarters.

"The US and the Asia Pacific region showed the strongest growth during the quarter. In the US, Pointsec received its first orders at the state level, as well as orders from several universities. In Japan, sales successes continued, and Australia reported its

largest order to date. Growth in Europe amounted to slightly more than 50%.

"Despite continued substantial investment in the marketing and sales organization, the operating margin was 13%, which was in line with the corresponding quarter in the preceding year. However, second-quarter earnings were charged with a provision relating to overdue trade receivables. If this provision is eliminated from second-quarter earnings, the margin amounts to 21%.

"Our assessment is that the market for Pointsec products will continue to grow and that the company will further strengthen its position. Sales and profit for 2006 are expected to increase, compared with 2005."

SIGNIFICANT EVENTS DURING THE SECOND QUARTER 2006

- At the beginning of April, Pointsec Wireless Solutions was established as a new business area with the objective of developing and marketing encryption solutions to operators and mobile phone manufacturers.
- During April, a dividend of SEK 2.50 per share was paid to shareholders, corresponding to a total of SEK 28 M. On April 28, 2006, a split of the company's shares was implemented with the result that each old share was split into two new shares.
- In May, an add-on order was signed with a global accounting firm with a total order value of SEK 26 M, of which SEK 18 M was recognized as revenue during the second quarter.
- An order was also received in May from a public authority in the Asia Pacific area totaling SEK 11 M, of which the major share was recognized as income during the second quarter.
- In May 2006, the IT security company RSA Security awarded Pointsec the coveted RSA Secured certification, meaning that Pointsec's encryption solution for PCs now supports a number of security solutions from RSA based on smart cards and two-stage identification.
- In June, an order was received from a large insurance company in the US with a total license value of SEK 7 M.

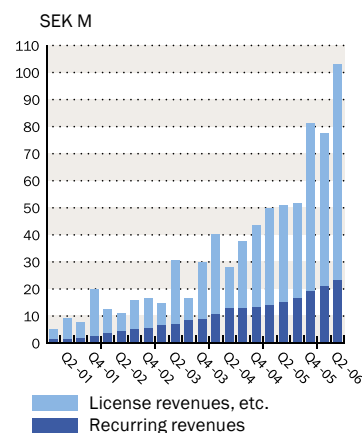
MARKET

Pointsec's success in the market continued during the second quarter, which was reflected in strong sales growth. The relatively new laws and industry regulations for corporate governance in the US continue to drive demand for Pointsec's solutions. A number of incidents in which large companies and organizations lost portable PCs with sensitive information, primarily personal data, received publicity in the media. These events also increased the need for boards of directors and corporate managements to quickly strengthen security levels.

Pointsec also achieved success in a new market segment for the company in the US. During the second quarter, state governments in Florida, California and New York placed the first orders for Pointsec solutions. Pointsec also signed contracts with several American universities.

The strength of Pointsec solutions was also confirmed by the fact that several large customers chose Pointsec to replace compet-

Pointsec revenues distributed by new sales and recurring revenues



itors' installations. Product functionality, the support organization and the ability to quickly install a large number of licenses were success factors for Pointsec in these sales.

The sales organization was further strengthened with a new sales office in the Netherlands. The sales office in Singapore received its first order during the quarter. Several new partnerships were established, primarily in the US market.

During the second quarter, the Group also introduced a number of new versions of the Pointsec solution for different platforms. Functionality was strengthened in the new versions, meaning that customers are offered higher security at a lower administrative cost. In several cases, the Group's strategic partners were offered tighter integration between their products and Pointsec, particularly with respect to mobile wireless handsets.

Microsoft plans to launch the Windows Vista operating system at the end of 2006. As in the current version of Windows, Vista is expected to include an encryption function. As far as we can determine, this function is intended to meet somewhat different needs than Pointsec's solutions. In addition, Vista's encryption function requires completely new hardware in the form of a Trusted Platform Module (TPM). It is therefore very difficult at present to assess the extent to which the launch of Windows Vista will increase competition in the market for encryption solutions. It will not be possible to fully evaluate the effects of the Vista launch until 2008/2009 at the earliest.

NET SALES

Second quarter 2006

Net sales during the second quarter amounted to SEK 117.2 M (67.7), corresponding to growth of 73% (52). Organic growth

amounted to about 70%, while currency effects contributed to about 3% of growth.

In the geographic regions, sales in the US and the Asia Pacific region, where Japan dominates, more than doubled during the quarter. Europe showed growth of slightly more than 50%.

The largest single order during the quarter was an add-on order from a global accounting firm valued at SEK 26.1 M, of which SEK 17.8 M was included in net sales for the second quarter.

Net sales during the second quarter were distributed such that 75% (71) was attributable to new sales of licenses and products, while 21% (25) related to recurring revenues in the form of maintenance and rental fees as shown in the following table.

Net sales, SEK M

	Apr – Jun		Jan – Jun	
	2006	2005	2006	2005
Licenses	76.4	34.6	131.5	69.3
Products	11.5	13.8	21.8	25.7
Recurring revenues	24.8	16.9	47.5	32.6
Other	4.5	2.4	6.5	3.8
Total	117.2	67.7	207.3	131.4

Sales of the proprietary security software Pointsec doubled in comparison with the corresponding period in the preceding year and amounted to SEK 102.8 M (51.0). Pointsec thus accounted for 88% (75) of total sales during the quarter. The proportion of recurring Pointsec sales was 22% (29). Sales of Pointsec via partners amounted to 38% (39), with an increase in indirect sales during the quarter particularly evident in the US and Australia.

The Group's sales of solutions for digital identities accounted for SEK 14.4 M (16.7) or 12% (25).

Six-month period from January to June 2006

During the first six months of the year, net sales amounted to SEK 207.3 M (131.4), which was an increase of 58%. Sales of Pointsec amounted to SEK 180.3 M (100.7) or 87% (77).

All geographic regions contributed to the growth in sales during the six-month period. Both the US and Japan experienced growth of more than 70%, compared with the corresponding period in the preceding year. In Europe, sales increased by slightly more than 40%.

Period from July 2005 to June 2006

Rolling sales figures for the 12-month period from July 1, 2005 to June 30, 2006 amounted to SEK 364.8 M, an increase of 16%, compared with the immediately preceding 12-month period from April 1, 2005 to March 30, 2006 when sales amounted to SEK 315.3 M. Of total net sales for the 12-month period, Pointsec sales accounted for SEK 313.1 M or 86%.

PROFIT

Second quarter 2006

Gross profit for the second quarter rose in pace with sales growth and amounted to SEK 108.4 M (57.3), corresponding to a margin of 93% (85). The margin improvement was attributable to the increased share for proprietary Pointsec solutions, which only carry insignificant direct purchasing costs.

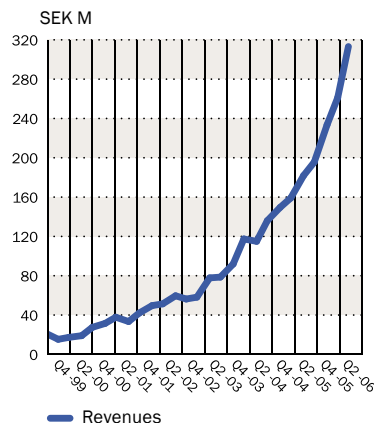
Operating profit amounted to SEK 14.9 M (9.5), corresponding to an operating margin of 13% (14). A non-recurring cost of SEK 9.2 M attributable to a provision for doubtful trade receivables relating to sales to partners in the Middle East and India was charged against earnings. The business culture in these countries differs from the customs in the Group's other markets in Europe, the US and Asia. Payments are overdue, and discussions are in progress with partners regarding sales and payment conditions. The company therefore elected as a precautionary measure to book a one-time cost for possible future losses attributable to these receivables. The provision is reported as a selling expense in the income statement. If this non-recurring cost is eliminated from the quarter's earnings, the operating margin amounts to 21%.

Continued investments in the marketing and sales organization in both existing and new markets resulted in rising costs. Variable sales provisions increased sales costs. Development work on Pointsec solutions was further intensified, which is also reflected in the cost structure. The number of employees increased by 12% during the quarter from 143 to 160 persons, an increase primarily attributable to the sales and development personnel.

During the quarter, development costs of SEK 6.6 M (4.3) were capitalized in the balance sheet, while depreciation for the quarter amounted to SEK 4.5 M (3.1).

Realized and unrealized exchange-rate losses of SEK 3.0 M were charged against earnings, while exchange-rate gains of SEK 3.3 M were noted in the second quarter of 2005.

Continued strong growth for Pointsec sales



The Group's total revenues from Pointsec operations summed on a rolling basis over the past four quarters.

The net of financial items amounted to expense of SEK 0.3 M (income of 1.5). Unrealized surplus values in financial investments were booked directly against equity in accordance with IAS 39 and thus did not affect financial items. On the closing date, unrealized surpluses amounted to SEK 2.7 M (3.4). Profit after financial items increased to SEK 14.6 M (11.0) during the second quarter.

Earnings per share increased to SEK 0.51 (0.29).

Six-month period from January to June 2006

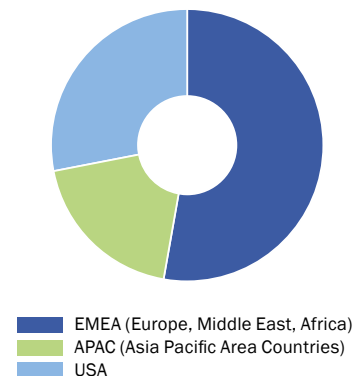
Gross profit for the first six months of 2006 amounted to SEK 191.6 M (112.4). The margin was strengthened to 92% (86), which is a consequence of the fact that sales growth was attributable to Pointsec solutions, which have a high gross margin.

Operating profit amounted to SEK 31.6 M (22.2), corresponding to an operating margin of 15% (17). If the one-time impairment of trade receivable amounting to SEK 9.2 M were eliminated from the six-month earnings, the operating margin will amount to 20%.

During the first six months of 2006, development costs of SEK 12.4 M (8.1) were capitalized on the balance sheet, while depreciation for the period amounted to SEK 7.3 M (6.2).

Realized and unrealized exchange-rate losses of SEK 5.4 M were charged against earnings, while earnings for the first half of 2005 included exchange-rate gains of SEK 4.7 M.

Net sales distributed by geographic market



Total Group revenues, Jan–Jun 2006

LIQUIDITY AND FINANCIAL POSITION

The Group's financial position remains very strong, with positive cash flow from operations of SEK 19.0 M (61.9) during the first six months. During the quarter, a dividend of SEK 28.0 M was paid to the shareholders. Investments totaling SEK 24.6 M were made in short-term investments with maturity periods exceeding 90 days and are reported under investing activities. Total cash flow was thus negative in an amount of SEK 34.8 M for the six-month period.

Liquidity, cash and cash equivalents, together with unutilized credit facilities of SEK 50 M (50), amounted to SEK 198 M (215) on the closing date.

EQUITY AND WARRANTS PROGRAM

Shareholders' equity amounted to SEK 230.4 M (189.7) on the closing date, corresponding to an equity/assets ratio of 60% (65) and equity per share of SEK 10.07 (8.50).

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 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 a total of 450,000 warrants, and after the split, each warrant entitles the holder to subscribe for two new shares. One program comprises subscription warrants targeted to employees in Sweden and extends until 2009. At June 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 warrants program that extends until 2012. The total number of approved warrants is 300,000, of which 122,056 have been allocated to date. However, the employees do not earn the warrants until at least six months after the allocation 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 3.2 M (1.1) for the first six months, while investments in capitalized expenses for software development amounted to SEK 12.4 M (8.1).

PARENT COMPANY

The Parent Company's sales amounted to SEK 4.3 M (9.1) for the six-month period, of which SEK 4.2 M (8.9) consisted of sales to Group companies. The Parent Company's cash flow was negative in an amount of SEK 48.7 M (positive 7.1) as a result of cash and cash equivalents being placed in short-term investments that are reported as financial assets available for sale, and also the dividend of SEK 28.0 M paid to the shareholders.

The Parent Company's investments in equipment amounted to SEK 0.5 M (0.2) during the first two quarters of 2006.

OUTLOOK

The market for Pointsec products continues to grow, and the company will further

strengthen its market position. 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.

Summary of income statements, SEK M

	Apr – Jun		Jan – Jun		Jul – Jun	Full year
	2006	2005	2006	2005	05/06	2005
Net sales	117.2	67.7	207.3	131.4	364.8	288.9
Cost of products and services sold	-8.8	-10.4	-15.7	-19.0	-28.9	-32.2
GROSS PROFIT	108.4	57.3	191.6	112.4	335.9	256.7
Selling expenses ¹⁾	-60.5	-26.1	-99.7	-49.3	-161.8	-111.3
Administrative expenses ²⁾	-17.2	-15.3	-30.9	-27.4	-55.6	-52.3
Research and development costs ³⁾	-13.1	-9.7	-24.0	-18.2	-45.8	-40.0
Other operating income/expenses	-2.7	3.3	-5.4	4.7	-3.0	7.2
OPERATING PROFIT	14.9	9.5	31.6	22.2	69.7	60.3
Net of financial items	-0.3	1.5	0.4	2.3	3.8	5.7
PROFIT AFTER FINANCIAL ITEMS	14.6	11.0	32.0	24.5	73.5	66.0
Tax ⁴⁾	-2.9	-4.7	-9.1	-9.4	-21.2	-21.5
PROFIT FOR THE PERIOD	11.7	6.3	22.9	15.1	52.3	44.5
<i>Includes depreciation totaling</i>	5.9	4.5	10.1	9.0	19.9	18.8
<i>of which capitalized expenses for software development</i>	4.5	3.1	7.3	6.2	14.5	13.4
<i>of which other assets</i>	1.4	1.4	2.8	2.8	5.4	5.4

¹⁾ In all periods during 2006, a one-time provision for doubtful trade receivables relating to sales to partners amounting to SEK 9.2 M is included.

²⁾ Includes all other expenses not directly attributable to sales operations and product operations.

³⁾ During the quarter costs for software development amounted to SEK 6.6 M (4.3) were capitalized.

⁴⁾ Tax loss carry-forwards in the Group amounted to SEK 78 M (74) at January 1, 2006. Deferred tax assets relating to these carry-forwards are reported in the consolidated income statement and balance sheet to the extent that it is deemed possible to use them.

Share data ¹⁾

	Apr – Jun		Jan – Jun		Jul – Jun	Full year
	2006	2005	2006	2005	05/06	2005
BEFORE DILUTION:						
Number of shares, 000s	22,882	22,190	22,882	22,190	22,882	22,377
Average number of shares, 000s	22,823	21,959	22,629	21,623	22,536	22,140
Earnings per share, SEK ²⁾	0.51	0.29	1.01	0.70	2.32	2.01
AFTER DILUTION: ³⁾						
Average number of shares, 000s	23,271	22,727	23,067	22,265	22,917	22,770
Earnings per share, SEK ²⁾	0.50	0.28	0.99	0.69	2.28	1.96

¹⁾ On April 28, 2006 a split 2:1 of the company's shares was implemented. Key ratios and data on the number of shares are restated to reflect the split and to increase comparability.

²⁾ Calculated as profit for the period divided by average number of shares.

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

Summary by segment, January – June, 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	109.4	76.3	40.4	21.5	57.5	33.4	0.0	0.2	207.3	131.4
Internal sales	20.0	10.7	3.3	1.4	9.5	5.7	-32.8	-17.8	-	-
Gross profit	113.8	68.0	40.8	22.4	49.7	29.2	-12.7	-7.2	191.6	112.4
Operating costs	-100.3	-64.0	-14.6	-4.5	-43.3	-22.4	-1.8	0.7	-160.0	-90.2
Operating profit	13.5	4.0	26.2	17.9	6.4	6.8	-14.5	-6.5	31.6	22.2
Assets	209.7	143.3	39.1	22.5	66.8	41.6	66.0	83.7	381.6	291.1
Liabilities	146.8	116.6	14.7	4.7	37.1	21.1	-47.4	-41.0	151.2	101.4
Investments	13.3	8.8	0.2	0.1	1.6	0.1	0.5	0.2	15.6	9.2
Depreciation	9.1	8.2	0.1	0.0	0.3	0.1	0.6	0.7	10.1	9.0

¹⁾ Europe, Middle East, Africa

²⁾ Asia Pacific Area Countries

³⁾ Refers to elimination of intra-Group sales and other Group items.

Summary of balance sheets, SEK M

	30.06.2006	30.06.2005	31.12.2005
ASSETS			
Goodwill	6.9	6.9	6.9
Capitalized expenses for software development	30.0	24.3	24.8
Other intangible assets	0.6	2.5	1.5
Deferred income tax assets	14.8	16.1	15.7
Other fixed assets	10.1	9.1	8.9
Other current assets	170.9	67.5	115.4
Financial assets available for sale	71.3	58.5	46.7
Cash and cash equivalents	77.0	106.2	113.6
TOTAL ASSETS	381.6	291.1	333.5
EQUITY AND LIABILITIES			
Equity	230.4	189.7	222.6
Deferred income tax liabilities	13.9	15.7	12.4
Long-term liabilities ¹⁾	0.2	0.2	0.2
Current liabilities	137.1	85.5	98.3
TOTAL EQUITY AND LIABILITIES	381.6	291.1	333.5
<i>Pledged assets</i>	-	-	-
<i>Contingent liabilities</i>	0.2	-	0.5

¹⁾ The liabilities are interest-bearing

Specification of changes in equity, SEK M

	Jan – Jun		Full year
	2006	2005	2005
On opening date	222.6	177.9	177.9
Sales of warrants	1.2	1.4	1.5
New issues due to conversion of warrants	13.1	3.4	6.5
Dividend payment	-28.0	-13.7	-13.7
Market valuation of financial assets available for sale	0.1	1.6	1.0
Share-based payments	1.7	0.4	1.7
Currency translation differences	-3.2	3.6	3.2
Profit for the period	22.9	15.1	44.5
On closing date	230.4	189.7	222.6

Summary of cash flow statements, SEK M

	Apr – Jun		Jan – Jun		Jul – Jun	Full year
	2006	2005	2006	2005	05/06	2005
Cash flow from operations						
before changes in operating capital	28.3	14.3	38.1	31.3	89.1	75.1
Changes in operating capital	-36.6	6.3	-19.1	30.6	-65.0	-28.9
CASH FLOW FROM OPERATING ACTIVITIES	-8.3	20.6	19.0	61.9	24.1	46.2
Cash flow from investing activities	-7.7	-5.0	-40.2	-9.3	-41.4	13.6
Cash flow from financing activities	-22.0	-9.4	-13.6	-8.9	-10.4	-6.1
CASH FLOW FOR THE PERIOD	-38.0	6.2	-34.8	43.7	-27.7	53.7
Cash and cash equivalents on the opening date	116.2	96.6	113.6	57.6	106.2	57.6
Translation differences in cash and cash equivalents	-1.2	3.4	-1.8	4.9	-1.5	2.3
CASH AND CASH EQUIVALENTS ON THE CLOSING DATE¹⁾	77.0	106.2	77.0	106.2	77.0	113.6

¹⁾ Short-term investments with maturity periods exceeding 90 days are not included in cash and cash equivalents. On the closing date, the Group had such investments with a total book value of SEK 71.3 M (58.5), of which SEK 2.3 M (3.2) consisted of unrealized surplus values. Cash and cash equivalents include current investments with a maturity period of less than 90 days. Related unrealized surplus values amounted to SEK 0.4 M (0.2).

Key data, Group ¹⁾

	Apr – Jun		Jan – Jun		Jul – Jun	Full year
	2006	2005	2006	2005	05/06	2005
Sales growth	73%	52%	58%	28%	16%	33%
Gross margin	93%	85%	92%	86%	92%	89%
Profit margin after financial items	12%	16%	15%	19%	20%	23%
Return on equity ²⁾	5%	3%	10%	8%	25%	22%
Return on capital employed ²⁾	6%	6%	14%	13%	35%	33%
Equity/assets ratio	60%	65%	60%	65%	60%	67%
Earnings per share, SEK	0.51	0.29	1.01	0.70	2.32	2.01
Equity per share, SEK	10.07	8.50	10.07	8.50	10.07	9.95
Number of employees, on closing date	160	112	160	112	160	126
Number of employees, average	155	110	146	108	138	116
Net sales per employee, SEK 000s	756	615	1,425	1,212	2,650	2,497

¹⁾ On April 28, 2006 a split 2:1 of the company's shares was implemented. Key ratios and data on the number of shares are restated to reflect the split and to increase comparability.

²⁾ Return ratios for the quarters are only for the three-month period and were not calculated on an annual basis.

INFORMATION DATES 2006

October 26 Interim report, January–September 2006

STOCKHOLM, AUGUST 17, 2006

Protect Data AB (publ)
The Board of Directors

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

Questions regarding this report will be answered by CEO Thomas Bill, tel: +46-8-459 54 00, cell phone: +46-70 542 62 71
Protect Data AB (publ), org.no. 556315-8541, Box 5376, 102 49 Stockholm, Sweden, tel: +46-8-459 54 00

www.protectdata.com • www.pointsec.com