

interim report january - june 2003

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- Results after interest income for the first six months was 3,9 (-17,2) MSEK
- The turnover for the second quarter was 73,4 (74,8) MSEK
- Results after interest income for the second quarter was 2,6 (-6,9) MSEK
- Cash-flow -7,7 (-7,5) MSEK

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IMPORTANT EVENTS DURING THE SECOND QUARTER OF 2003

Some of the the largest deals during the period were closed in the U.K. and concerned the FORMS software. One customer is the leading British employment agency, Options Employment Group Ltd, who decided to invest in ReadSoft's technology to improve internal information flow and authorization cycles. The installation was carried out in collaboration with Hyland Software and is worth more than 1 MUSD. Furthermore ReadSoft also announced a substantial deal with ING Direct who invested in the FORMS technology to process large volumes of forms and applications in their U.K. activity.

FORMS also proved its position on the Australian market when SSFS decided to use with the software. State Super Financial Services is one of Australia's leading financial planning and fund management organizations. FORMS will help them automate their document processing.

After last years' software deal with DaimlerChrysler in Spain, the French branch of the car-manufacturing group has now decided to implement INVOICES. The technology is to be integrated with DaimlerChrysler's SAP Business System.

United Biscuits, the leading manufacturer of biscuits in the UK and in Spain, has also turned to ReadSoft for the INVOICES solution. The Spanish subsidiary, United Biscuits Iberia, has implemented ReadSoft's INVOICES-solution to automate the processing of 60,000 supplier invoices annually.

During the period, ReadSoft launched a truly wireless solution for automatic data capture for the pharmaceutical industry. ReadSoft, Anoto and Cap Gemini Ernst & Young can now present a digital pen and paper solution to accelerate the execution of clinical trials and other pharmaceutical industry processes. The solution will be delivered by CGE&Y in the US, France, Switzerland, UK, Germany and the Nordic region.

TURNOVER AND RESULTS DURING THE SECOND QUARTER OF 2003

During the quarter, the revenue amounted to 73,4 (74,8) MSEK. Variances of the exchange rate has affected the

revenue negatively with approximately 4 MSEK. Results after interest income for the period was 2,6 (-6,9) MSEK. The operating margin for the quarter was 3,5 (-9,3) percent.

In Scandinavia the sales totaled 23,3 (21,0) MSEK. The company's sales in the remaining part of Europe amounted to 39,1 (37,1) MSEK. In the U.S. and the rest of the world the sales amounted to 11,0 (16,7) MSEK.

The license revenue, consisting of one-time payments for the right to use our software, amounted to 29,5 (30,5) MSEK during the second quarter, which is 40 (41) percent of the total revenue. Out of the total license revenue for the second quarter, FORMS represented 47 (61) percent and INVOICES 53 (39) percent.

Service fees amounted to 18,7 (17,9) MSEK. In addition, revenues for training and customer-specific development were 14,4 (14,6) MSEK. Hardware sales (mainly scanners) amounted to 7,7 (8,0) MSEK. Other revenues totaled 3,1 (3,8) MSEK.

TURNOVER AND RESULTS HALF YEAR 2003

During the first six months of year 2003, the revenue amounted to 143,2 (137,6) MSEK, a four percent increase. Variances of the exchange rate has affected the revenue negatively with approximately 8 MSEK. Results after interest income for the period was 3,9 (-17,2) MSEK. The operating margin was 2,7 (-12,5) percent.

In Scandinavia the sales totaled 41,5 (39,6) MSEK. The company's sales in the remaining part of Europe amounted to 76,3 (66,5) MSEK and in the U.S. and the rest of the world the sales amounted to 25,4 (31,5) MSEK.

The license revenue, consisting of one-time payments for the right to use our software, amounted to 56,0 (55,8) MSEK during the first six months of year 2003, which is 39 (41) percent of the total revenue. Out of the total license revenue, FORMS represented 47 (65) percent and INVOICES 53 (35) percent.

Service fees (annual proceeds from service agreements) amounted to 38,1 (34,9) MSEK. In addition, revenues for training and customer-specific development were 29,0 (22,8) MSEK. Hardware sales (mainly scanners) amounted to 13,7 (18,8) MSEK. Other revenues totaled 6,4 (5,3) MSEK.

STAFF

As of June 30, 2003, the ReadSoft staff amounted to 264 (284).

INVESTMENTS

Investments during the first six months of 2003 amounted to 0,9 (1,5) MSEK and consisted of the acquisition of computer-, office- and event related equipment. During the second quarter investments amounted to 0,7 (0,8) MSEK.

Of the research and development costs during the first six months of the year 9,9 (5,5) MSEK was capitalized in accordance with *Redovisningsrådet's* recommendation no. 15. During the second quarter the sum amounted to 4,8 (2,9) MSEK.

FINANCIAL POSITION

The liquidity as of June 30 was 35,0 (51,4) MSEK including 34,9 (35,2) in committed credit line. The solidity was 38,5 (47,5) percent as of June 30. At the beginning of the year, the solidity was 36,0 percent.

SHAREHOLDER INFORMATION

At the end of the period, the number of shareholders amounted to 7,019 (6,961). Out of the company's total capital, 38 (46) percent were owned by Swedish and foreign institutions, 29 (29) percent by the company's founders, and 33 (25) percent by private persons, including staff. At the end of the period, Swedish shareholders held 86 (83) percent and foreign shareholders held 14 (17) percent of the total share value.

THE PARENT COMPANY

The parent company's net sales for the first six months, including inter-company posts, amounted to 49,2 (44,9) MSEK. The result after financial items was -3,0 (-9,7) MSEK. Investments in the parent company amounted to 0,3 (0,2) MSEK. At the end of the period, liquidity was 11,3 (24,7) MSEK including 27,0 (22,5) MSEK in committed credit line. Equity was 66,2 (94,4) MSEK, resulting in a solidity of 73,2 (79,3) percent.

ACCOUNTING POLICY

In accordance with FAR's guidelines, if an annual report in a stock corporation has product development expenses set up as assets, these are reported as an income item in the profit and loss statement. However, this item is not included in the net turnover and therefore does not affect key figures related to turnover.

Figures for geographical segments are reported according to The Swedish Financial Accounting Standards Council's recommendation RR25, *Reporting for segments – business segments and geographic areas*. Included are income, expenses, assets and liabilities that directly pertain to the continuous operation of the segment. Also included are central income and expenses that pertain to sales to external customers and can reasonably and reliably be allocated to the segment.

FUTURE PROSPECTS

In spite of a slow market, business has developed well during the first six months of 2003. The INVOICES sales continue to grow as a part of the full business as well as the international market for electronic invoice processing.

The third quarter is usually weak with revenues substantially lower than during the second quarter. On the other hand, the final quarter of the year is usually the strongest. Unless the market declines, chances are favourable for reaching a positive result for the full year.

COMING INFORMATION OCCASIONS

- Interim Report January – September, presented October 23, 2003
- The year end communiqué for 2003 will be presented in February 2004

This Interim Report has not been audited.

The Board of Directors ReadSoft AB

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Group's income statements in summary

Amount in MSEK

	April-June 2003	April-June 2002	Jan-June 2003	Jan-June 2002	Running 12 months 0207- 0306	Full year 2002
Net sales	73,4	74,8	143,2	137,6	288,5	282,9
Capitalization of R&D expenditure	<u>4,8</u>	<u>2,9</u>	<u>9,9</u>	<u>5,5</u>	<u>16,9</u>	<u>12,5</u>
	78,2	77,7	153,8	143,1	305,4	295,4
Commodities	-11,3	-12,1	-21,7	-23,4	-46,8	-48,5
Other external costs	-21,2	-25,2	-40,7	-44,7	-94,0	-98,0
Personnel costs	-40,7	-45,5	-82,2	-88,5	-170,4	-176,8
Depreciations on fixed assets	-2,4	-2,0	-4,5	-3,9	-9,3	-8,7
Operating income	2,6	-7,1	4,1	-17,4	-15,1	-36,6
Financial income and expenses						
Interest income	0	0,2	-0,2	0,2	-0,3	0,1
Income after financial items	2,6	-6,9	3,9	-17,2	-15,4	-36,5
Tax	0	-0,3	-0,2	-0,3	-4,2	-4,3
Net profit/loss after taxes	2,6	-7,2	3,7	-17,5	-19,6	-40,8

Group's balance sheet in summary

	2003-06-30	2002-06-30	2002-12-31
Assets			
Fixed assets	31,9	21,8	25,7
Current assets	142,7	153,6	152,4
Total assets	174,6	175,4	178,1
Equity and liabilities			
Equity	67,2	83,3	64,1
Long-term liabilities	0,8	1,7	0,8
Short-term liabilities	106,6	90,4	113,2
Total equity and liabilities	174,6	175,4	178,1

Change in equity

	Jan-June 2003	Jan-June 2002	Full year 2002
Opening balance	64,1	101,9	101,9
Additional costs for issue	-	-	-0,1
Translation difference	-0,6	-1,1	3,1
Result for the period	3,7	-17,5	-40,8
Closing balance	67,2	83,3	64,1

Cash-flow statements in summary

	Jan-June 2003	Jan-June 2002	Full year 2002
Cash-flow before changes in working capital	7,6	-20,2	-24,4
Changes in working capital	-4,7	13,0	23,8
Cash-flow from the current business	3,0	-7,2	-0,6
Cash-flow from investment activities	-10,7	-0,3	-15,2
Cash-flow from financial activities	0	0	0
Change in liquid assets	-7,7	-7,5	-15,8

Key data, group

	Jan-June 2003	Jan-June 2002	Full year 2002
Revenue	143,2	137,6	282,9
Revenue growth %	4,1	-5,0	-4,4
Operating income	4,1	-17,4	-36,6
Income after financial items	3,9	-17,2	-36,5
Operating margin %	2,9	-12,6	-12,9
Profit margin %	2,7	-12,5	-12,9
Solidity %	38,5	47,5	36,0
Capital employed	68,0	84,1	64,9
Net dept/equity ratio	0,01	-0,18	-0,11
Net interest bearing liabilities	0,7	-15,4	-7,0
Number of employees at end of period	264	284	261
Number of shares at close of period, thousands	30467	30467	30467
Equity per share, (SEK)	2,20	2,73	2,10
Earnings after financial items per share (SEK)	0,13	-0,56	-1,20
Earnings after tax per share (SEK)	0,12	-0,57	-1,34
Share price at close of period (SEK)	7,15	9,00	5,15

Statement of accounts in geographical areas

Scandinavia

	Jan-June 2003	Jan-June 2002
Revenue	41,5	39,6
Result before financial items	12,7	8,3
Profit margin %	30,7	21,0
Assets	35,0	32,3
Liabilities	24,2	24,5
Investments	0,0	0,5
Depreciation	0,5	0,5

The rest of Europe

	Jan-June 2003	Jan-June 2002
Revenue	76,4	66,5
Result before financial items	17,7	8,7
Profit margin %	23,2	13,0
Assets	97,4	85,8
Liabilities	51,2	38,3
Investments	0,2	0,5
Depreciation	0,8	0,8

U.S. and the rest of the world

	Jan-June 2003	Jan-June 2002
Revenue	25,4	31,5
Result before financial items	0,6	1,1
Profit margin %	2,2	3,4
Assets	28,5	50,6
Liabilities	11,6	15,0
Investments	0,4	0,3
Depreciation	0,5	0,5

About ReadSoft

ReadSoft, is the world's leading supplier of software for document automation and associated information processing. The company develops and markets a broad range of products based on our own products FORMS, INVOICES and EZ-OUT, and supplementary systems developed for them. Since its founding in 1991, ReadSoft has developed into a global group with 11 subsidiaries in Europe, North and South America and Australia, and a large number of local and global partners. ReadSoft is headquartered in Helsingborg, Sweden, and its primary R&D facility is in Stockholm. ReadSoft has been listed on the Stockholm stock exchange, since 1999.