

interim report january - march 2003

READSOFT®

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- Results after interest improved to 1,3 (-10,3) MSEK
- Positive cash-flow continued and amounted to 3,4 (7,7) MSEK
- ReadSoft obtained European patent for INVOICES in 13 countries

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Helsingborg 24 April 2003

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IMPORTANT EVENTS DURING THE FIRST QUARTER OF 2003

The largest deal during the period was closed in England and involved a large installation at a leading European financial organization. The software FORMS was chosen to automate the processing of vast volumes of bank notes, checks and loan applications. The initial order value exceeded 6 MSEK.

The period also presented a number of INVOICES deals with well-known companies such as Thyssen Krupp, DaimlerChrysler and BASF. ReadSoft's strategy to penetrate the SAP segment is successful and some 50 SAP-related deals have been signed so far. For instance, the German industrial corporation Thyssen Krupp will integrate INVOICES with their SAP R/3 system to process 300,000 invoices every year. The deal with BASF also involves ReadSoft's new technology for automatic invoice interchange, EZ-OUT. This solution diminishes the time-consuming and expensive manual handling of paper supplier invoices, enabling substantial savings as well as increased efficiency in the invoice process.

ReadSoft's INVOICES product is now protected by a European patent in 13 countries. A Swedish patent has previously protected INVOICES for a couple of years. The new EPO patent protects the software's self-learning abilities, which makes it able to find relevant data on new documents. The INVOICES technology reads invoices almost like humans do. When a new, unknown document arrives, INVOICES remembers what it looks like and uses this knowledge the next time a similar document comes in.

TURNOVER AND RESULTS DURING THE FIRST QUARTER OF 2003

During the quarter, the revenue amounted to 69,8 (62,8) MSEK, an increase by 11 percent. Results after interest income for the period was 1,3 (-10,3) MSEK. The operating margin for the quarter was 1,9 (-16,4) percent.

In Scandinavia the sales totaled 18,2 (18,6) MSEK. The company's sales in the remaining part of Europe amounted to 37,2 (29,4) MSEK. In the U.S. and the rest of the world the sales amounted to 14,4 (14,8) MSEK.

The license revenue, consisting of one-time payments for the right to use our software, amounted to 26,5 (25,3) MSEK during the first quarter, which is 38 (41) percent of the total revenue. Out of the total license revenue for the first quarter, FORMS represented 48 (70) percent and INVOICES 52 (30) percent.

Service fees amounted to 19,4 (17,0) MSEK. In addition, revenues for training and customer-specific development were 14,6 (8,2) MSEK. Hardware sales (mainly scanners) amounted to 6,0 (10,8) MSEK. Other revenues totaled 3,3 (1,5) MSEK.

STAFF

As of March 31, 2003, the ReadSoft staff amounted to 263 (288).

INVESTMENTS

Investments during the first quarter amounted to 0,2 (0,7) MSEK and consisted of the acquisition of computer-, office- and event related equipment.

Of the research and development costs during the first quarter of the year 5,1 (2,6) MSEK was capitalized in accordance with *Redovisningsrådet's* recommendation no. 15

FINANCIAL POSITION

The liquidity as of March 31 was 46,1 (66,5) MSEK including 34,9 (35,2) in committed credit line. The solidity was 35,9 (48,6) percent as of March 31. 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 6,618 (7,163). Out of the company's total capital, 42 (45) percent were owned by Swedish and foreign institutions, 29 (29) percent by the company's founders, and 29 (26) percent by private persons, including staff. At the end of the period, Swedish shareholders held 83 (82) percent and foreign shareholders held 17 (18) percent of the total share value.

THE PARENT COMPANY

The parent company's net sales for the first quarter, including inter-company posts, amounted to 24,2 (20,8) MSEK. The result after financial items was -3,2 (-1,6) MSEK. Investments in the parent company amounted to 0 (0,1) MSEK. At the end of the period, liquidity was 14,3 (26,5) MSEK including 27,0 (22,5) MSEK in committed credit line. Equity was 66,0 (99,9) MSEK, resulting in a solidity of 73,7 (84,9) 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.

Effective with this quarterly report, 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

Sales have been better than anticipated during the start of the year. The main reason for this is increased international INVOICES sales.

However, the market is still weak and has not improved. Reluctance to invest and long sales cycles are still predominant and thus, the future remains uncertain. But the positive start of the year has increased our chances of reaching a positive result for the full year.

COMING INFORMATION OCCASIONS

- Interim Report January – June, presented August 7, 2003
- Interim Report January – September, presented October 23, 2003

This Interim Report has not been audited.

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Group's income statements in summary

Amount in MSEK

	Jan-March 2003	Jan-March 2002	Running 12 months 0204-0303	Full year 2002
Net sales	69,8	62,8	289,9	282,9
Capitalization of R&D expenditure	<u>5,1</u> 74,9	<u>2,6</u> 65,4	<u>15,0</u> 304,9	<u>12,5</u> 295,4
Commodities	-10,4	-11,3	-47,6	-48,5
Other external costs	-19,5	-19,5	-98,0	-98,0
Personnel costs	-41,5	-43,0	-175,3	-176,8
Depreciations on fixed assets	-2,1	-1,9	-8,9	-8,7
Operating income	1,4	-10,3	-24,9	-36,6
Financial income and expenses				
Interest income	-0,1	0	0	0,1
Income after financial items	1,3	-10,3	-24,9	-36,5
Tax	-0,2	0	-4,5	-4,3
Net profit/loss after taxes	1,1	-10,3	-29,4	-40,8

Group's balance sheet in summary

	2003-03-31	2002-03-31	2002-12-31
Assets			
Fixed assets	28,9	21,5	25,7
Current assets	153,5	166,8	152,4
Total assets	182,4	188,3	178,1
Equity and liabilities			
Equity	65,5	91,5	64,1
Long-term liabilities	0,8	1,6	0,8
Short-term liabilities	116,1	95,2	113,2
Total equity and liabilities	182,4	188,3	178,1

Change in equity

	Jan-March 2003	Jan-March 2002	Full year 2002
Opening balance	64,1	101,9	101,9
Additional costs for issue	-	-	-0,1
Translation difference	0,3	-0,1	3,1
Result for the period	1,1	-10,3	-40,8
Closing balance	65,5	91,5	64,1

Cash-flow statements in summary

	Jan-March 2003	Jan-March 2002	Full year 2002
Cash-flow before changes in working capital	3,4	-11,1	-24,4
Changes in working capital	5,2	19,7	23,8
Cash-flow from the current business	8,6	8,6	-0,6
Cash-flow from investment activities	-5,2	-0,9	-15,2
Cash-flow from financial activities	0	0	0
Change in liquid assets	3,4	7,7	-15,8

Key data, group

	Jan-March 2003	Jan-March 2002	Full year 2002
Revenue	69,8	62,8	282,9
Revenue growth %	11,1	5,7	-4,4
Operating income	1,4	-10,3	-36,6
Income after financial items	1,3	-10,3	-36,5
Operating margin %	2,0	-16,4	-12,9
Profit margin %	1,8	-16,4	-12,9
Solidity %	35,9	48,6	36,0
Capital employed	79,0	94,6	64,9
Net dept/equity ratio	-0,16	-0,34	-0,11
Net interest bearing liabilities	-10,4	-30,5	-7,0
Number of employees at end of period	263	288	261
Number of shares at close of period, thousands	30467	30467	30467
Equity per share, (SEK)	2,15	3,00	2,10
Earnings after financial items per share (SEK)	0,04	-0,34	-1,20
Earnings after tax per share (SEK)	0,04	-0,34	-1,34
Share price at close of period (SEK)	4	14	5

Statement of accounts in geographical areas

• Scandinavia

	Jan-March 2003	Jan-March 2002
Revenue	18,2	18,6
Result before financial items	5,0	4,0
Profit margin %	27,5	21,5
Assets	32,3	36,6
Liabilities	26,8	25,1
Investments	0,0	0,2
Depreciation	0,3	0,2

• The rest of Europe

	Jan-March 2003	Jan-March 2002
Revenue	37,2	29,4
Result before financial items	8,8	1,3
Profit margin %	23,7	4,4
Assets	94,0	78,9
Liabilities	46,4	36,5
Investments	0,0	0,1
Depreciation	0,4	0,4

• U.S. and the rest of the world

	Jan-March 2003	Jan-March 2002
Revenue	14,4	14,8
Result before financial items	2,7	-0,1
Profit margin %	18,8	-0,7
Assets	29,8	50,8
Liabilities	12,3	15,6
Investments	0,2	0,1
Depreciation	0,2	0,3

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. The ReadSoft Group employed 261 people at year-end. ReadSoft has been listed on the Stockholm stock exchange, since 1999.