

Helsingborg 25 April 2001

ReadSoft continues to grow

Interim report January-March 2001

- The turnover increased by 15 percent to 59,4 (51,4) MSEK
- Results after interest income -21,7 (-6,5) MSEK
- A deal was closed with the UK based gaming company Littlewoods Leisure, worth 9 MSEK
- ReadSoft closed an agreement with American software supplier Bluebird Systems
- Eyes & Hands FORMS was chosen for Uganda Election, order value 4 MSEK
- One of ReadSoft's so far largest orders in Australia was signed to automate transactions at the Stock Exchange in Sydney
- Version 5-2 of Eyes & Hands FORMS and INVOICES was launched at the Read the Future convention in Spain

IMPORTANT EVENTS

During the period, ReadSoft closed a number of important deals. One was the 9 MSEK agreement with the UK based gaming company Littlewoods Leisure. Eyes & Hands FORMS will speed up the handling and verification of 30 million game coupons annually. Furthermore ReadSoft closed an agreement with Bluebird Systems, an American developer of management software. Bluebird Systems is a US based global alliance partner to PeopleSoft that provides total solutions for electronic document management. ReadSoft's products for automatic data capture, Eyes & Hands FORMS and INVOICES will be integrated in Bluebird System's products line.

An order to facilitate the Ugandan electoral count manifests ReadSoft's position as a leading provider of systems for census and statistical projects. In a short time span FORMS will scan and interpret 22 million electoral forms in the upcoming election.

During the period ReadSoft also closed a prestigious order with the Australian Stock Exchange and its partner The Perpetual Trustees. The deal is one of ReadSoft's largest to date in Australia and Eyes & Hands FORMS will automate the handling of, for instance, share transactions. The order is worth more than 2 MSEK.

Version 5-2 of ReadSoft's products for e-capture were launched at the future conference Read the Future in Malaga. The new versions bring along great improvements for both Eyes & Hands FORMS and INVOICES. The ability to read and interpret information from e-mails has been improved. The Read the Future conference was well attended and attracted 280 participants who discussed the future of e-capture and document handling. Kodak, Fujitsu and BancTec were main sponsors of the event. The feedback from the participants has been very positive and Read the Future gives ReadSoft valuable goodwill and PR.

TURNOVER AND PROFITS

The first quarter of the year 2001 brought along a 15 percent revenue growth compared to the same period last year. The turnover was 59,4 (51,4) MSEK and income after financial items was -21,7 (-6,5). The operating margin for the period was -36,5 (-14,0) percent. During the last rolling 12 months the operating margin has increased and is now -1,5 (-6,6) percent.

GOAL OF ACTIVITIES

ReadSoft's organic growth target for the year 2001 and beyond is set for 40-50 percent per year. As for profitability, the long-term goal is to reach a profit margin of at least 20 percent. In the first quarter the growth was lower than the growth target. However, during the last rolling 12 months our growth has been

59 percent. In conformity with earlier years we do not estimate to be profitable during the first three quarters due to the seasonal spread of income.

EXPANSION

The company's sales on the major export markets outside of Scandinavia, during the first quarter, increased by 5 percent to 43,5 (41,4) MSEK. In Scandinavia our sales increased by 59 percent and totaled 15,9 (10,0) MSEK.

License revenues for the period amounted to 26,4 (22,0) MSEK and accounted for 44 percent of the total revenues. The licenses, consisting of one-time payments for the right to use our software, are our largest and most important source of revenue. Out of the total license revenue for the period, FORMS accumulated 81 (91) percent and INVOICES 19 (9) percent. Service (annual proceeds from service agreements) amounted to 14,0 (8,9) MSEK. In addition, revenues for training and customer-specific development were 8,9 (6,8) MSEK. Hardware sales (mainly scanners) amounted to 5,9 (9,5) MSEK. Other revenues totaled 4,1 (4,2) MSEK.

STAFF

As of March 31, 2001, our staff amounted to 307 (199), an increase by 54 percent compared to the same period last year.

INVESTMENTS

Investments during the period amounted to 2,6 (2,5) MSEK and consisted of the acquisition of computer, office and event equipment.

All costs for product development have continually burdened the results for the period.

FINANCIAL POSITION

The liquidity as of March 31 was 75,1 (121,3) MSEK excluding unused committed credit line. The solidity was 60,5 (59,5) percent as of March 31. At the beginning of the year, the solidity was 60,1 percent.

SHAREHOLDER INFORMATION

At the end of the period, the number of shareholders amounted to 6 339 (3 798). Out of the company's total capital, 48 (46) percent were owned by Swedish and foreign institutions, 30 (34) percent by the company's founders, and 22 (20) percent by private persons, including staff. At the end of the period Swedish share holders held 78 (77) and foreign share-holders held 22 (23) percent of the total share value.

THE PARENT COMPANY

The parent company's net sales, including inter-company posts, amounted to 19,7 (18,7) MSEK for the period. The income after financial items was -11,0 (-4,2) MSEK. Investments in the parent company amounted to 1,4 (1,8) MSEK. At the end of the period, liquidity was 41,1 (105,5) MSEK excluding unused committed credit line. Equity was 153,7 (133,4) MSEK, resulting in a solidity of 86,2 (75,6) percent.

PRODUCTS

Our product concept *e-capture* offers a complete solution for automatic data capture. *e-capture* is the technology that has the ability to capture, interpret and process information from paper, fax, the web, e-mail and other media and transport it to a customer's target system. The name of ReadSoft's software is Eyes & Hands FORMS and Eyes & Hands INVOICES and they facilitate and improve the data capture at companies and authorities all over the world. They give our customers the possibility to lower their costs and automate their data capture, irrespective of if the information comes from paper or electronic documents. With ReadSoft's solutions, customers do not need to build and maintain parallel systems to handle the different information flows, instead they can build a uniform system with common rules for how the information should be captured and handled.

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FUTURE PROSPECTS

Revenue and results were weaker than planned during the first quarter but this does not change our goal for the full year. The probability of ReadSoft exceeding the goals for year 2001 has decreased substantially. The important revenue from software licenses and services increased by 31 percent during the quarter, which in definite numbers deviate from our goals with 2,8 – 5,9 MSEK.

Revenue from scanner sales decreased to 9 percent our revenue for the period. This is to be compared with last year when the revenue from scanner sales was high and constituted 18 percent of the revenue.

We interpret the weak start of the year partly as a reaction to our very strong closing of last year. In general we see no signs of a falling market climate, the exception is possibly the US where sales have been slower during the first quarter than in other countries. We closely monitor the development on different markets to be ready for swift actions. There are no indications that business should be sensitive to economic fluctuations and our products offers quick return on investment for our clients. However, if the market climate becomes even darker we could be affected. A positive side is that recruitment has become easier. We receive more, and better qualified applicants today compared to last year.

The seasonal variations means that we anticipate a loss for the first three quarters. Just as the previous year, our profit for the full year will be generated in the fourth quarter, which traditionally holds more than a third of the annual revenue. We anticipate to improve our result towards our long-term target of a 20 percent profit margin and also to grow by 40-50 percent during the year 2001. However, the probability of a growth in the upper regions of this interval has decreased due to the outcome of the first quarter.

NEXT INFORMATION OCCASION

- Interim Report January-June, August 27, 2001
- Interim Report January-September, October 25, 2001

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Group's income statements in summary

Amount in MSEK unless stated otherwise	Jan – Mar 2001	Jan – Mar 2000	Rolling 12 mon. 0004 – 0103	Whole Year 2000
Net Sales	59,4	51,4	299,6	291,6
Commodities	-9,3	-10,7	-49,0	-50,4
Other external costs	-25,0	-21,6	-91,6	-88,2
Personnel costs	-45,8	-25,4	-160,5	-140,1
Depreciations on fixed assets	-1,4	-0,9	-6,3	-5,8
Operating income	-22,1	-7,2	-7,8	7,1
Financial income and expense				
Interest income	0,4	0,7	3,2	3,5
Income after financial items	-21,7	-6,5	-4,6	10,6

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Minority interest	-	-0,4	0,5	0,1
Profit/loss before taxes	-21,7	-6,9	-4,1	10,7
Tax	-0,5	-0,2	-5,7	-5,4
Net profit/loss after taxes	-22,2	-7,1	-9,8	5,3

Group's balance sheet in summary

Amount in MSEK unless stated otherwise	01-03-31	00-03-31	00-12-31
Assets			
Fixed assets	15,9	11,0	14,4
Current assets	224,3	214,1	265,5
Total assets	240,2	225,1	279,9
Shareholders' equity and liabilities			
Shareholders' equity	145,3	133,8	168,3
Tax provision	0,7	0,4	0,7
Minority interests in shareholders' equity	-	0,9	-
Long-term liabilities	1,1	27,0	0,8
Short-term liabilities	93,1	63,0	110,1
Total shareholders' equity and liabilities	240,2	225,1	279,9

Cashflow statements in summary

Amount in MSEK unless stated otherwise	Jan – Mar 2001	Jan – Mar 2000	Whole Year 2000
Cashflow before changes in in working capital	-21,6	-6,0	13,4
Changes in working capital	3,1	-2,8	-39,6
Cashflow from the current business	-18,5	-8,8	-26,2
Cashflow from investment activities	-2,9	-2,7	-11,0
Cashflow from financial activities	0,3	-0,1	-3,9
Change in liquid assets	-21,1	-11,6	-41,1

Key data, Group

Amount in MSEK unless stated otherwise	Jan – Mar 2000	Jan – Mar 1999	Whole Year 1999
Revenue	59,4	51,4	291,6
Revenue growth %	15,4	58,2	72,3

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Operating income	-22,1	-7,2	7,1
Income after financial items	-21,7	-6,5	10,6
Operating margin %	-37,2	-14,0	2,4
Profit margin %	-36,5	-13,5	3,6
Equity/assets ratio %	60,5	59,5	60,1
Capital employed	146,2	161,7	170,1
Net/debt/equity ratio (multiple)	-0,51	-0,70	-0,53
Net interest-bearing liabilities	-74,3	-94,3	-90,0
No. of employees at close of period	307	199	282
No. of shares at close of period (thousands)	29063	29063*	29063
Shareholders' equity per share (SEK)	5,00	4,60*	5,79
Shareholders' equity per share (SEK)	-0,75	-0,22*	0,37
Earnings per share after tax (SEK)	-0,76	-0,24*	0,18
Market value at end of period (SEK)	38	62*	53

* Comparative values have been recalculated with regard to the bonus issue during the second quarter 2000.

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