

Interim Report

Helsingborg 24 October 2005

ReadSoft Interim Report January – September 2005

- The turnover for the first nine months increased by 14 percent to 275,1 (241,3) MSEK
- Results after tax for the first nine months was 22,3 (8,7) MSEK
- Results per share after tax for the first nine months was 0,71 (0,29) kr
- Cash-flow for the first nine months was 11,2 (8,9) MSEK
- The turnover for the third quarter increased by 14 percent to 93,5 (82,1) MSEK
- Results after tax for the third quarter increased by 36 percent and was 6,1 (4,5) MSEK
- Results per share after tax for the third quarter was 0,19 (0,15) kr

IMPORTANT EVENTS DURING THE THIRD QUARTER OF 2005

In the period ReadSoft accelerated the roll-out of ReadSoft DOCUMENTS for Invoices to one of the world's largest pharmaceutical companies. The agreement involves installations in over 100 countries. The value of the agreement exceeds SEK 30 million and extends over a period of years, making it one of ReadSoft's largest agreements to date.

One of the biggest banks in Germany, Commerzbank, installed Document Automation from ReadSoft to process half a million invoices per year.

Sales of ReadSoft DOCUMENTS for Forms progressed well in the period. On the U.S. market, ReadSoft closed a break through contract worth 1 MUSD contract with a governmental division. ReadSoft was also chosen to deliver capture software to Laos that will be used to process statistics concerning the country's six million inhabitants.

Six months after ReadSoft acquired 50% of the Danish company Consit Development, the joint solution InvoiceIT was certified by Oracle. The successful integration strengthens ReadSoft's and Consit's positions on the global market for electronic invoice solutions.

TURNOVER AND RESULTS DURING THE FIRST NINE MONTHS OF 2005

During the first nine months, the revenue increased with 14 percent and amounted to 275,1 (241,3) MSEK. Results after interest income for the period was 24,4 (10,4) MSEK. The operating margin for the period was 8,9 (4,3) percent. Results after tax was 22,3 (8,7) MSEK.

In Scandinavia the sales totaled 73,3 (60,7) MSEK. The company's sales in the remaining part of Europe amounted to 143,9 (139,1) MSEK. In the U.S. and the rest of the world the sales amounted to 57,9 (41,5) MSEK.

The license revenue, consisting of one-time payments for the right to use our software, amounted to 112,3 (90,3) MSEK during the first nine months, which is 41 (37) percent of the total revenue. Out of the total license revenue for the period, ReadSoft DOCUMENTS for Invoices 55,6 (49,0) MSEK, ReadSoft DOCUMENTS for Forms represented 32,5 (30,0) MSEK and External licenses 24,2 (11,3) MSEK. Service fees amounted to 75,0 (64,7) MSEK. In addition, revenues for training and customer-specific development were 62,0 (52,1) MSEK. Hardware sales (scanners) amounted to 21,1 (28,7) MSEK. Other revenues 4,7 (5,5) MSEK.

TURNOVER AND RESULTS DURING THE THIRD QUARTER OF 2005

During the third quarter, the revenue increased with 14 percent and amounted to 93,5 (82,1) MSEK. Results after interest income for the period increased with 53 percent and was 6,9 (4,5) MSEK. The operating margin for the quarter was 7,4 (5,5) percent. Results after tax was 6,1 (4,5) MSEK.

In Scandinavia the sales totaled 23,6 (18,5) MSEK. The company's sales in the remaining part of Europe amounted to 49,8 (45,8) MSEK. In the U.S. and the rest of the world the sales amounted to 20,1 (17,8) MSEK.

The license revenue, consisting of one-time payments for the right to use our software, increased with 32 percent and amounted to 38,2 (28,9) MSEK during the third quarter, which is 41 (35) percent of the total revenue. Out of the total license revenue for the third quarter, ReadSoft DOCUMENTS for Invoices 15,3 (17,4) MSEK, ReadSoft DOCUMENTS for Forms represented 13,5 (9,6) MSEK and External licenses 9,4 (1,9) MSEK. Service fees amounted to 25,9 (22,8) MSEK. In addition, revenues for training and customer-specific development were 21,7 (18,6) MSEK. Hardware sales (scanners) amounted to 6,2 (10,0) MSEK. Other revenues 1,5 (1,8) MSEK.

STAFF

As of September 30, 2005, the ReadSoft staff amounted to 295 (274).

INVESTMENTS

Investments during the first nine months amounted to 4,5 (2,6) MSEK and consisted of the acquisition of computer-, office- and event related equipment. Investments during the third quarter amounted to 1,0 (0,8) MSEK. Depreciations of tangible assets amounts to 2,9 (3,1) MSEK during the first nine months and with 0,9 (1,0) MSEK for the third quarter. Of the research and development costs during the first nine months 18,1 (16,2) MSEK was capitalized in accordance with *Redovisningsrådet's* recommendation no. 15. During the third quarter 5,3 (6,0) MSEK was capitalized. Depreciations of product development expenses carried forward amounts to 4,8 (4,5) MSEK for the first nine months and with 2,0 (1,6) MSEK for the third quarter.

ISSUE OF SHARES

As a part of the payment in connection with the acquisition of Consit Development ApS 367,171 ReadSoft B-Shares, corresponding to 6,8 MSEK was issued in Q1. The share issue increased the share capital with 36 717 sek.

FINANCIAL POSITION

The cash and bank balances for the group as of September 30 was 43,1 (32,7) MSEK. Bank overdraft facilities granted was 43,3 (42,4) MSEK, and used was 16,2 (16,9) MSEK. Cash-flow for the first nine months was 11,2 (8,9) MSEK. For the third quarter cash-flow was 5,9 (5,4) MSEK. The solidity was 45,3 (37,4) percent as of September 30. At the start of the year solidity was 41,2 percent.

SHAREHOLDER INFORMATION

At the end of the period, the number of shareholders amounted to 7,670 (7,526). Out of the company's total capital, 38 (31) percent were owned by Swedish and foreign institutions, 26 (29) percent by the company's founders, and 36 (40) percent by private persons, including staff. At the end of the period, Swedish shareholders held 88 (88) percent and foreign shareholders held 12 (12) percent of the total share value.

THE PARENT COMPANY

The parent company's net sales for the first nine months, including inter-company posts, amounted to 96,1 (70,9) MSEK. The result after financial items was 2,4 (-7,6) MSEK. Investments in the parent company amounted to 2,7 (0,9). The parent company's cash and bank balances as of September 30 was 0,3 (0,5) MSEK. Bank overdraft facilities granted was 35,0 (35,0) MSEK, and used was 16,2 (16,9) MSEK. Equity was 71,4 (50,0) MSEK, resulting in a solidity of 52,4 (52,9) percent.

ACCOUNTING POLICY AND TRANSITION TO IFRS

This year-end communiqué was created according to Swedish Redovisningsrådet's recommendations "RR 20 Interim Reporting." The accounting techniques applied are the same as for last year's annual reporting. Starting in 2005, ReadSoft fully complies with IFRS, International Financial Reporting Standards. ReadSoft has identified two areas of importance to the company: Product development expenses and pensions. The transition to IFRS had no impact on the group's Opening Balance. ReadSoft writes off costs for development over three years, which means that capitalizations done before 2002, when RR 15 applied, do not have a booked value at the start of 2005. With regard to Redovisningsrådet's recommendation RR 29 concerning reimbursements to employees, ReadSoft has pension obligations which in part are benefit-governed pension plans that involve several employers. At the time of writing, there is not enough information available from the other pension providers, so the plan cannot be presented as benefit-governed. Instead it is presented as a fee-determined plan, in accordance with a statement from FAR. The company estimates that presenting the insurance plan as a benefit-determined plan would not have greatly affected the balance sheet of the group or the parent company.

FUTURE PROSPECTS

ReadSoft is currently expanding internationally and is continuously extending its customer base in important markets, such as Germany, France, the U.K., and the U.S. Many of our clients are multinational corporations seeking to rationalize their global operations by using ReadSoft solutions. This creates a firm base of long-term relations, which will help ReadSoft develop favorably in the future.

This quarter's progress strengthens our chances to increase our annual profits compared to last year, as well as to achieve respectable growth.

COMING INFORMATION OCCASIONS

- Year End Communiqué for 2005 will be presented February 13, 2006
- Annual shareholders' general meeting on April 25th 2006
- Interim Report January – March 2006 on April 25th 2006

This Interim Report has not been audited.

The Board of Directors ReadSoft AB

For more information contact President/CEO Jan Andersson +46-42-490 21 00, mobile +46-708-37 66 00 or Vice President PR & Communication Olof Engvall at +46-708-37 66 70. Please visit www.readsoft.com

Group's income statements in summary

Amount in MSEK

	July-Sep 2005	July-Sep 2004	Jan-Sep 2005	Jan-Sep 2004	Running 12 months 0410-0509	Full Year 2004
Net sales	93,5	82,1	275,1	241,3	392,6	358,7
Capitalization of R&D expenditure	<u>5,3</u>	<u>6,0</u>	<u>18,1</u>	<u>16,2</u>	<u>25,1</u>	<u>23,2</u>
	98,8	88,1	293,2	257,5	417,7	381,9
Commodities	-19,9	-17,1	-56,2	-48,4	-81,5	-73,7
Other external costs	-16,1	-17,0	-48,5	-56,7	-71,7	-79,8
Personnel costs	-53,1	-46,8	-156,5	-134,2	-206,3	-184,1
Depreciations on fixed assets	-0,9	-1,0	-2,9	-3,1	-4,0	-4,2
Depreciations on product dev expenses carried forward	-2,0	-1,6	-4,8	-4,5	-7,1	-6,8
Operating income	6,8	4,6	24,3	10,6	47,1	33,3
Financial income and expenses						
Interest income	0,1	-0,1	0,1	-0,2	0	-0,2
Income after financial items	6,9	4,5	24,4	10,4	47,1	33,1
Share of profits in associated companies	-0,9	-	-0,9	-	-0,9	-
Net profit/loss before taxes	6,0	4,5	23,5	10,4	46,2	33,1
Tax	0,1	0	-1,2	-1,7	-4,6	-5,1
Net profit/loss after taxes	6,1	4,5	22,3	8,7	41,6	28,0

Group's balance sheet in summary

	2005-09-30	2004-09-30	2004-12-31
Assets			
Fixed assets	86,5	48,4	58,7
Current assets	225,4	183,9	213,9
Total assets	311,9	232,3	272,6
Equity and liabilities			
Equity			
Long-term liabilities	141,3	86,9	112,3
Short-term liabilities	0,8	0,8	0,8
Total equity and liabilities	169,8	144,6	159,5
Assets	311,9	232,3	272,6

Change in equity

	Jan-Sep 2005	Jan-Sep 2004	Full Year 2004
Opening balance	112,3	77,9	77,9
New issue of shares	6,8	-	5,0
Translation difference	-0,1	0,3	1,4
Result for the period	22,3	8,7	28,0
Closing balance	141,3	86,9	112,3

Cash-flow statements in summary

	Jan-Sep 2005	Jan-Sep 2004	Full Year 2004
Cash-flow before changes in working capital	24,5	16,6	45,3
Changes in working capital	8,2	10,8	-7,9
Cash-flow from the current business	32,7	27,4	37,4
Cash-flow from investment activities	-28,7	-18,6	-26,6
Cash-flow from financial activities	7,2	0,1	-2,7
Cash-flow	11,2	8,9	8,1

Three-year summary and key data, group

	Jan-Sep 2005	Jan-Sep 2004	Jan-Sep 2003	Full Year 2004
Revenue	275,1	241,3	206,7	358,7
Revenue growth %	14,0	16,7	5,0	21,7
Operating income	24,3	10,6	1,7	33,3
Income after financial items	24,4	10,4	1,3	33,1
Net result after tax	22,3	8,7	0,6	28,0
Operating margin %	8,8	4,4	0,8	9,3
Profit margin financial items %	8,9	4,3	0,6	9,2
Profit margin after tax %	8,1	3,6	0,3	7,8
Solidity %	45,3	37,4	33,9	41,2
Capital employed	158,3	109,7	83,5	122,2
Return on equity, %	20,3	11,6	1,0	29,4
Return on total capital, %	8,9	5,1	0,9	14,0
Net dept/equity ratio	-0,18	-0,17	0,08	-0,20
Net interest bearing liabilities	-26,1	-14,9	5,3	-22,0
Number of employees at end of period	295	274	260	274
Number of shares at close of period, thousands	31259	30467	30467	30892
Equity per share, (SEK)	4,52	2,85	2,08	3,64
Earnings after financial items per share (SEK)	0,78	0,34	0,04	1,07
Earnings after tax per share (SEK)	0,71	0,29	0,02	0,90
Share price at close of period (SEK)	29,00	12,85	8,75	14,25

Statement of accounts in geographical areas

Scandinavia

	Jan-Sep 2005	Jan-Sep 2004	Full Year 2004
Revenue	73,3	60,7	99,8
Result before financial items	23,1	17,3	36,1
Profit margin %	31,5	28,5	36,2
Assets	48,6	34,1	65,8
Liabilities	30,0	24,7	38,5
Investments	0,4	0,6	0,6
Depreciation	0,5	0,5	0,4

The rest of Europe

	Jan-Sep 2005	Jan-Sep 2004	Full Year 2004
Revenue	143,9	139,1	195,1
Result before financial items	31,8	31,1	43,3
Profit margin %	22,1	22,4	22,2
Assets	131,1	111,2	109,3
Liabilities	62,9	65,7	65,8
Investments	0,7	0,6	1,0
Depreciation	0,7	0,7	1,0

U.S. and the rest of the world

	Jan-Sep 2005	Jan-Sep 2004	Full Year 2004
Revenue	57,9	41,5	63,8
Result before financial items	12,5	5,6	8,4
Profit margin %	21,5	13,5	13,1
Assets	50,2	35,0	42,9
Liabilities	20,5	14,0	17,4
Investments	0,7	0,5	0,7
Depreciation	0,5	0,6	0,8

Parent Company incl. Group adjustments

	Jan-Sep 2005	Jan-Sep 2004	Full year 2004
Revenue	-	-	-
Result before financial items	-43,1	-43,4	-55,1
Profit margin %	-	-	-
Assets	82,0	52,0	54,6
Liabilities	57,2	41,0	38,6
Investments	20,8	17,1	24,7
Depreciation	6,0	5,8	8,8

Total

	Jan-Sep 2005	Jan-Sep 2004	Full Year 2004
Revenue	275,1	241,3	358,7
Result before financial items	24,3	10,6	33,3
Profit margin %	8,8	4,4	9,3
Assets	311,9	232,3	272,6
Liabilities	170,6	145,4	160,3
Investments	22,6	18,8	27,0
Depreciation	7,7	7,6	11,0

Learn more about ReadSoft on www.readsoft.com

ReadSoft is the world's leading supplier of software for Document Automation. The company develops and markets a complete software platform for Document Automation named ReadSoft DOCUMENTS. The vision is to free businesses everywhere from manual document handling. 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. ReadSoft AB, Södra Kyrkogatan 4, 252 23 Helsingborg, Sweden. Phone: +46-(0)42 – 490 21 00. Registration number: 556398-1066