

# ReadSoft's goal surpassed

- The turnover increased with 70% to 169,2 (99,3) MSEK
- Results after interest income improved with 26% to -10,2 (-13,8) MSEK
- Partnerships with IBM and UNISYS
- Deal signed with Avon, estimated revenue of 25-35 MSEK over two years
- Large order signed with BUPA for delivery of new product Eyes & Hands INVOICES
- Stockholm stock exchange introduction, O-list
- New issue of shares to ten or so institutional investors

## IMPORTANT EVENTS

As part of acquiring financial resources for the continued expansion, a stock exchange introduction on the O-list and a directed new issue of shares to ten or so institutional investors, have been made during the year. This has meant that the company has been brought 142,6 MSEK. The resources will be used to finance the company's continued market expansion, organically as well as through acquisitions.

The millennium shift has not entailed any software problems for ReadSoft. There have been no reported year 2000 problems with our products and our internal systems have worked well

Partnerships with IBM and UNISYS were signed during the year, which means that our products will be sold on a global market as integrated parts of their range.

A general agreement has been signed with Avon, the world's largest company within direct sales of cosmetics. The agreement involves the delivery of systems to Avon's subsidiaries in at least 40 countries and is estimated to generate revenues of in total 25-35 MSEK during two years.

BUPA, a multinational health and care organization with main offices in the UK, signed the largest single deal during the last quarter. In total, the deal is worth 10 MSEK and delivery will be done during the period 1999-2001. The order concerns the new product Eyes & Hands INVOICES.

## TURNOVER AND PROFITS

The development during the financial year 1999 has been strong with a growth of 70 percent compared to 1998. Turnover was 169,2 (99,3) MSEK and income after financial items - 10,2 (- 13,8) MSEK. The result improved by 26 percent in comparison to 1998. The fourth quarter saw an increase in turnover of 29 percent to 59,2 (45,8) MSEK and income after financial items was 1,3 (8,6) MSEK. The growth in the fourth quarter was 29 percent, with a turnover of 59,2 (45,8) MSEK and income after financial items of 1,3 (8,6) MSEK. The millennium shift has had a dampening effect on the growth of quarter four.

## GOAL OF ACTIVITIES

The goal for the year 2000 is to reach a positive result, and eventually we should reach a profit margin of at least 20 percent. Our organic growth target for 1999 has with good margins been surpassed. Our goal for 2000 and beyond is an organic growth of 40-50 percent per year.

Rapid growth balanced by a gradually increasing profitability is the key to success for ReadSoft. Our aim is to reach this by letting the organization grow organically, with emphasis on our sales organization, while carrying out complementary acquisitions.

## MARKET EXPANSION

The company's sales increased on all markets. The most powerful sales occurred on the major export markets outside Scandinavia. During the year, sales in these markets increased 88 percent, to 114, 0 (60,7) MSEK. In Sweden and the rest of Scandinavia our sales were steady, with a good growth rate of 43 percent during the year, with an increase to 55,2 (38,6) MSEK.

During the second half-year of 1998 two new subsidiaries, Australia and Italy, were established, which has meant higher costs for the financial year 1999 compared to 1998. In addition, substantial expenses have been taken to build up the market and support organization in the US.

License revenues for the period amounted to 83,0 (54,6) MSEK and accounted for 49 percent of the total revenue. The licenses, consisting of one-time payments for the right to use our software, are our largest and most important source of revenue. Service proceeds (annual proceeds from service agreements) amounted to 29,2 (15,3) MSEK. In addition, revenues for training and customer-specific development were 15,2 (8,5) MSEK. Hardware sales (scanners) amounted to 30,7 (14,6) MSEK during the year. Other revenues totaled 11,1 (6,3) MSEK

## PERSONNEL EXPANSION

Extensive recruitment during the second half-year of 1998 has, together with a continued expansion during 1999, led to increased personnel costs. The number of employees as of December 31, 1999, was 181 (139), which is an increase of 30 percent.

## INVESTMENTS

Investments during the period consisted mainly of the acquisition of computer and office equipment for 4,8 (5,1) MSEK.

All expenses for product development during the period have continuously been deducted from the result of the period.

## FINANCIAL POSITION

The liquidity as of December 31, 1999 was 132,9 (15,2) MSEK excluding unused committed credit line. In connection to the company's stock exchange introduction in June, ReadSoft obtained 24,4 MSEK after share costs. In October, a directed new issue of shares was carried through. The issue was directed only towards institutions and meant that the company obtained 118,2 MSEK after share costs. The solidity was as of December 31, 1999, 61,9 percent. Solidity was 6,6 percent at the beginning of the year.

## DIVIDENDS

The board suggests that no dividends be given for the financial year of 1999.



## SHAREHOLDER INFORMATION

The number of shareholders was approximately 2,100 at the end of the year. Of these, 78 percent were Swedish shareholders and 22 percent foreign. Of the total capital, Swedish and foreign institutions owned 48 percent, the company founders 34 percent and other private persons, including personnel, 18 percent.

## PARENT COMPANY

The parent company's net sales, including inter-company posts, amounted to 89,2 (62,6) MSEK for 1999. The income after financial items was - 13,3 (- 14,4) MSEK. Investments in the parent company amounted to 1,5 (3,1) MSEK. At the end of the period, liquidity was 118,5 (5,1) MSEK excluding unused committed credit line. The own capital was 136,6 (0,8) MSEK, which gives a solidity of 74,4 (1,7) percent.

## PRODUCTS

During the year, the products have been further developed at a fast pace. Version 5 of both Eyes & Hands FORMS and Eyes & Hands INVOICES will be released during the first quarter of 2000. The new generation of systems contains a great number of new and improved functions. The most important ones are support to handle data capture over the Internet and handling color form images.

ReadSoft's product concept offers a complete solution for the automatic data capture from paper, fax or via Internet. The data capture in companies and authorities the world over is primarily still done manually and information is transported on paper to a large extent. As the information society develops, more and more information will be transported over the Internet and volumes will grow. New possibilities are opened up with Internet, along with the simplified transportation of information and integration of different information systems. To be able to take advantage of this, the systems must be able to compile information from different information sources and handle the different communication standards available on the market. Our products are very well positioned for this development.

## FUTURE PROSPECTS

The growth during 1999 was better than we had estimated and we improved our operating margins. With the success of 1999 behind us, we are ready to take yet another step forward during 2000. Our development this year is expected to be well in line with our goal of 40-50 percent organic growth with a positive result for the entire year. Our result is expected to follow the normal season variation, with a negative result the first three quarters, and the sales-wise very strong fourth quarter will bring a positive result for the entire year. We are actively looking for companies to acquire and eventual acquisitions may influence the development during the year.

Our goal is to establish subsidiaries in at least two new markets during the year. Establishments in Asia are probable, but can eventually be postponed if a need for re-prioritizing between markets arises. Sales on closer-by or fast-growing markets, which at the moment are handled by resellers, can become important to prioritize.



With version 5 of Eyes & Hands we are launching a new product concept called “e-capture”. This concept indicates the direction towards e-commerce that our products will have in the future, and we believe it will have great importance to the future of the company. E-capture will be presented for the first time at the company event Read the Future in Malta, on March 21-22. Microsoft, Kodak and Fujitsu will participate as main sponsors for the conference, where we gather the most important actors in the business to create a forum to discuss future issues with partners and customers. Within the scope of e-capture, ReadSoft will start developing one or two entirely new products in 2000.

There is reason to be optimistic about the future. ReadSoft is well positioned to take advantage of the growing information flow around the world. Our products can hold an indispensable position and cost-efficiently establish a document-driven integration between companies’ business systems, so that they can exchange the information that is needed for electronic commerce. For certain, many will create this type of systems for electronic documents in the future, but ReadSoft’s products will be able to handle all flows automatically- whether they arrive by fax, paper or via the Internet. That makes our position unique.

#### NEXT INFORMATION OCCASION

- Annual report for 1999 is sent to shareholders in the middle of April
- Interim report January-March, April 26, 2000
- General Meeting in Helsingborg, April 26, 2000
- Interim report January-June, August 24, 2000
- Interim report January-September, October 26, 2000

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### Group's income statement in summary

Amount in MSEK if no other mention is made	1999	1998		
<b>Net sales</b>	<b>169,2</b>	<b>99,3</b>		
Commodities	-30,1	-16,1		
Other external costs	-55,7	-36,3		
Personnel costs	-90,4	-58,1		
Depreciation on fixed assets	-3,9	-2,8		
<b>Operating income</b>	<b>-10,9</b>	<b>-14,0</b>		
<b>Financial income and expense</b>				
Interest income	0,7	0,2		
<b>Income after financial items</b>	<b>-10,2</b>	<b>-13,8</b>		
Income in group companies attributable to period before acquisition	0	1,5		
Minority interests	-0,2	-0,1		
<b>Profit/loss before taxes</b>	<b>-10,4</b>	<b>-12,4</b>		
Tax	-1,3	-0,6		
<b>Net profit/loss after taxes</b>	<b>-11,7</b>	<b>-13,0</b>		

### Group's balance sheet in summary



Amount in MSEK if no other mention is made	99-12-31	98-12-31	
<b>Assets</b>			
Fixed assets	9,2	8,0	
Current assets	217,4	66,3	
<b>Total assets</b>	<b>226,6</b>	<b>74,3</b>	
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	140,2	4,9	
Tax provision	0,4	0,4	
Minority interests in shareholders' equity	0,4	0,3	
Long-term liabilities	28,8	32,8	
Short-term liabilities	56,8	35,9	
<b>Total shareholders' equity and liabilities</b>	<b>226,6</b>	<b>74,3</b>	

### Cashflow statements in summary

Amount in MSEK if no other mention is made	1999	1998	
Cashflow before changes in working capital	-7,9	-10,1	
Changes in working capital	-12,6	-9,4	
Cashflow from the current business	<b>-20,5</b>	<b>-19,5</b>	
Cashflow from investment activities	-5,0	-7,4	
Cashflow from financial activities	143,2	34,1	
<b>Change in liquid assets</b>	<b>117,7</b>	<b>7,2</b>	

### Key data, group

Amount in MSEK if no	1999	1998	
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other mention is made			
Turnover growth %	70	46	
Revenue	169,2	99,3	
Operating income	-10,9	-14,0	
Income after financial items	-10,2	-13,8	
Operating margin %	-6,5	-14,1	
Profit margin %	-6,0	-13,9	
Equity/assets ratio %	61,9	6,6	
Capital employed	169,4	33,2	
Net/debt/equity ratio (multiple)	21,2	2,7	
Net interest-bearing liabilities	-104,2	13,1	
No. of employees at close of period	181	139	
No. of shares at close of period (thousands)	9,354	6,418	
Shareholders' equity per share (SEK)	14,99	0,76	
Earnings per share after tax (SEK)	-1,26	-2,02	
Market value at close of period	154	Not listed	

