

Interim Report

Helsingborg 8 August 2002

ReadSoft's Interim Report January-June 2002

- The turnover for the first six months was 137,6 (144,9) MSEK
- Results after interest income for the first six months was -17,2 (-39,0) MSEK
- The turnover for the second quarter was 74,8 (85,5) MSEK
- Results after interest income for the second quarter was -6,9 (-17,3) MSEK
- Liquidity was 51,4 (62,5) MSEK including unused committed credit line
- Licenses were sold to e.g. Porsche, Monoprix, Computer Sciences Corporation and Unycop

IMPORTANT EVENTS DURING THE SECOND QUARTER OF 2002

During the second quarter ReadSoft won a number of deals with prestigious clients, involving both FORMS and INVOICES. Among the more well-known customers was the German sports car manufacturer Porsche, who decided to integrate INVOICES with their ERP system from SAP. This will automate the time-consuming work of processing of hundreds of thousands of supplier invoices annually in Porsche's head office in Stuttgart. The order value is 150,000 USD.

During the same period, ReadSoft France closed its largest single INVOICES deal to date when Monoprix, the leading retailer with a chain of department stores, chose ReadSoft's technology to process more than a million invoices per year. The order value is 420,000 USD. ReadSoft's list of INVOICES customers now also includes American Computer Sciences Corporation and Spain's largest pharmaceutical distribution group, Unycop.

A number of substantial FORMS deals were also closed during the quarter. One of the new users is the German Motor Transport Authority, KBA, who will use FORMS to process statistical reports. This order, worth 200,000 USD, is further testimony to FORMS' market potential.

After winning several census projects recently, ReadSoft was also selected to facilitate the census in Bangladesh. Together with local partner Graphics Information Systems in Dhaka, ReadSoft is supplying software for compiling statistics on the nation's approximately 131 million inhabitants.

A new member of the board, Gundor Rentsch, was elected at the ReadSoft's shareholders' meeting in April, after Henrik Westfeldt retired from the board.

TURNOVER AND RESULTS DURING THE SECOND QUARTER OF 2002

During the quarter, the revenue amounted to 74,8 (85,5) MSEK. Results after interest income for the period was -6,9 (-17,3) MSEK. The operating margin for the quarter was -9,3 (-20,2) percent. The half-year result has been negatively affected due to exchange rate losses amounting to -2,6 (0) Mkr.

In Scandinavia the sales totaled 21,0 (19,1) MSEK, an increase with 10 percent compared to the same period year 2001. The company's sales in the remaining part of Europe amounted to 37,1(44,4) MSEK and in the U.S. and the rest of the world the sales amounted to 16,7 (22,0) MSEK.

The license revenue, consisting of one-time payments for the right to use our software, amounted to 30,5 (40,4) MSEK during the second quarter, which is 41 (47) percent of the total revenue. Out of the total license revenue for the second quarter, FORMS represented 61 (74) percent and INVOICES 39 (26) percent.

Service fees (annual proceeds from service agreements) amounted to 17,9 (16,0) MSEK. In addition, revenues for training and customer-specific development were 14,6 (9,0) MSEK. Hardware sales (mainly scanners) amounted to 8,0 (16,9) MSEK. Other revenues totaled 3,8 (3,2) MSEK.

TURNOVER AND RESULTS HALF YEAR 2002

During the first six months of year 2002, the revenue amounted to 137,6 (144,9) MSEK. Results after interest income for the period was -17,2 (-39,0) MSEK. The operating margin was -12,5 (-26,9) percent. The half-year result has been negatively affected due to exchange rate losses amounting to -2,5 (0,8) MSEK.

In Scandinavia the sales totaled 39,6 (35,0) MSEK, an increase with 13 percent compared to the same period year 2001. The company's sales in the remaining part of Europe amounted to 66,5(74,8) MSEK and in the U.S. and the rest of the world the sales amounted to 31,5 (35,1) MSEK.

The license revenue, consisting of one-time payments for the right to use our software, amounted to 55,8 (66,8) MSEK during the first six months of year 2002, which is 41(46) percent of the total revenue. Out of the total license revenue, FORMS represented 65 (77) percent and INVOICES 35 (23) percent.

Service fees (annual proceeds from service agreements) amounted to 34,9 (30,0) MSEK. In addition, revenues for training and customer-specific development were 22,8 (17,9) MSEK. Hardware sales (mainly scanners) amounted to 18,8 (22,8) MSEK. Other revenues totaled 5,3 (7,4) MSEK.

STAFF

As of June 30, 2002, the ReadSoft staff amounted to 284 (319), a decrease by 20 percent compared to the situation before the cost savings program.

INVESTMENTS

Investments during the first six months amounted to 1,5 (8,6) MSEK and consisted of the acquisition of computer-, office- and event related equipment. Investments during the second quarter amounted to 0,8(6,0)MSEK. Of the research and development costs during the first six months, 5.5 (0) MSEK was capitalized in accordance with *Redovisningsrådet's* recommendation no. 15. Of that amount, 2.9 (0) MSEK was capitalized in the second quarter.

FINANCIAL POSITION

The liquidity as of June 30 was 51,4 (62,5) MSEK including 35,2 (21,0) in committed credit line. The solidity was 47,5 (51,8) percent as of June 30. At the beginning of the year, the solidity was 47,3 percent. Cash-flow from the current business has improved and was -7,2 (-41,6) MSEK.

SHAREHOLDER INFORMATION

At the end of the period, the number of shareholders amounted to 6 961 (7 114). Out of the company's total capital, 46 (47) percent were owned by Swedish and foreign institutions, 29 (30) percent by the company's founders, and 25 (23) percent by private persons, including staff. At the end of the period, Swedish shareholders held 83 (80) percent and foreign shareholders held 17 (20) 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 44,9 (48,1) MSEK. The result after financial items was -9,7 (-19,5) MSEK. Investments in the parent company amounted to 0,2 (5,1) MSEK. At the end of the period, liquidity was 24,7 (26,2) MSEK including 30,0 (15,0) MSEK in committed credit line. Equity was 94,4 (140,5) MSEK, resulting in a solidity of 79,3 (83,5) percent.

PRODUCTS

Our product concept *e-capture* offers a complete solution for automatic data capture. *e-capture* means the ability to capture, interpret and process information from paper, fax, the web, email and other media and transport it to a customer's target system. ReadSoft's software is called FORMS and INVOICES and they facilitate and improve the data capture at companies and authorities all over the world. The products 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.

FUTURE PROSPECTS

The turnover during the first half year was somewhat lower than expected. Expenses and liquidity were in line with our expectations.

The market is still weak. The second half of the year is usually considerably stronger than the first, and we expect to increase our sales substantially, especially in the fourth quarter, when we normally achieve more than one third of our annual turnover.

The goal for 2002, as previously announced, is to earn a profit for the year overall. The expense level that we have established provides the conditions for reaching this goal, but uncertainty remains due to unpredictable market trends.

COMING INFORMATION OCCASIONS

- Interim Report January – September, presented October 25, 2002

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Group's income statements in summary

Amount in MSEK unless stated otherwise

	April- June 2002	April- June 2001	Jan- June 2002	Jan- June 2001	Running 12 months 0107-0206*)	Full year 2001
Net sales	74,8	85,5	137,6	144,9	288,5	295,8
Commodities	-12,1	-16,7	-23,4	-26,0	-51,5	-54,1
Other external costs	-24,3	-31,6	-43,0	-56,6	-90,4	-114,8
Personnel costs	-43,5	-52,9	-84,7	-98,7	-185,5	-208,6
Depreciations on fixed assets	-2,0	-2,1	-3,9	-3,5	-8,9	-8,5
Operating income	-7,1	-17,8	-17,4	-39,9	-47,8	-90,2
Financial income and expenses						
Interest income	0,2	0,5	0,2	0,9	0,2	0,9
Income after financial items	-6,9	-17,3	-17,2	-39,0	-47,6	-89,3
Tax	-0,3	-0,3	-0,3	-0,8	5,7	5,2
Net profit/loss after taxes	-7,2	-17,6	-17,5	-39,8	-41,9	-84,1

*) The income statement running 12 months has been adjusted for one-time costs during 2001.

Group's balance sheet in summary

Amount in MSEK unless stated otherwise	2002-06-30	2001-06-30	2001-12-31
Assets			
Fixed assets	21,8	19,7	19,9
Current assets	153,6	222,8	195,5
Total assets	175,4	242,5	215,4
Equity and liabilities			
Equity	83,3	125,6	101,9
Tax provision	-	0,7	-
Long-term liabilities	1,7	0,8	0,8
Short-term liabilities	90,4	115,4	112,7
Total equity and liabilities	175,4	242,5	215,4

Change in equity

Amount in MSEK unless stated otherwise	2002-06-30	2001-06-30	2001-12-31
Opening balance	101,9	168,3	168,3
New issue	-	-	18,2
Warrants issued	-	-	0,4
Translation difference	-1,1	-2,9	-0,9
Result for the period	-17,5	-39,8	-84,1
Closing balance	83,3	125,6	101,9

Cash-flow statements in summary

Amount in MSEK unless stated otherwise	2002-06-30	2001-06-30	2001-12-31
Cash-flow before changes in working capital	-20,2	-39,2	-85,5
Changes in working capital	13,0	-2,4	14,8
Cash-flow from the current business	-7,2	-41,6	-70,7
Cash-flow from investment activities	-0,3	-8,8	-14,0
Cash-flow from financial activities	0	0	16,5
Change in liquid assets	-7,5	-50,4	-68,2

Key data, group

Amount in MSEK unless stated otherwise	2002-06-30	2001-06-30	2001-12-31
Revenue	137,6	144,9	295,8
Revenue growth %	-5,0	23,3	1,4
Operating income	-17,4	-39,9	-90,2
Income after financial items	-17,2	-39,0	-89,3
Operating margin %	-12,6	-27,5	-30,5
Profit margin %	-12,5	-26,9	-30,2
Solidity %	47,5	51,8	47,3
Capital employed	84,1	127,2	102,7
Net dept/equity ratio	-0,18	-0,32	-0,22
Net interest bearing liabilities	-15,4	-40,6	-22,8
Number of employees at end of period	284	319	285
Number of shares at close of period, thousands	30467	29063	30467
Equity per share, (SEK)	2,73	4,32	3,34
Earnings after financial items per share (SEK)	-0,56	-1,34	-2,93
Earnings after tax per share (SEK)	-0,57	-1,37	-2,76
Share price at close of period (SEK)	9	32	16

ReadSoft is the market leader in the development and sales of software for automatic data capture, which is software that automatically registers and interprets data on forms and invoices in paper or electronic format. Since its establishment in 1991, ReadSoft has evolved into a global corporation with 12 subsidiaries in Sweden, Norway, Denmark, Germany, France, Spain, The UK, The US, Mexico, Chile, Brazil and Australia. In 2001 the turnover was 30 MUSD. 2001 the Swedish business magazine Veckans Affärer awarded ReadSoft the title "IT-Company of the year". www.readsoft.com