

### Interim Report

Helsingborg 25 October 2002

## ReadSoft's Interim Report July - September 2002

- The turnover for the first nine months was 196,9 (204,7) MSEK
- Results after interest income for the first nine months was -39,1 (-72,1) MSEK
- The turnover for the third quarter was 59,3 (59,8) MSEK
- Results after interest income for the third quarter was -21,9 (-33,1) MSEK
- A cost savings program was decided on to decrease costs by 28-36 MSEK a year
- Liquidity was 35,6 (47,5) MSEK including unused committed credit line
- Licenses were sold to e.g. Ebel Cosmetics, Judicial Systems and DFDS Transport
- ReadSoft signed a partner agreement with IBS

### IMPORTANT EVENTS DURING THE THIRD QUARTER OF 2002

The largest deal so far during 2002 was signed by ReadSoft Chile. Ebel Cosmetics, a Latin American supplier of cosmetics, will use FORMS to automate the processing of large quantities of order forms in eleven Latin American countries. The two-year project is worth approximately 1,5 MUSD to ReadSoft.

Apart from this large deal, ReadSoft won a number of important FORMS contracts. Some were made in collaboration with strategic partners like Judicial Systems Inc. focusing on implementing the software in the American court system. A number of installations have already been carried out in the US and more will follow.

During the quarter ReadSoft signed an agreement with yet another Swedish ERP provider, IBS. IBS is the latest strategic partner to integrate INVOICES with their own offering. IBS will sell INVOICES as a part of their business solution IBS Attest.

The Danish Transportation Company DFDS Transport has used ReadSoft's software FORMS for several years to automate the handling of consignment notes. Now DFDS accelerates their automatic document capture strategy by implementing INVOICES to automatically process their invoices. The order value is 400,000 USD.

A cost savings program was decided on during the quarter. The measures include a staff reduction of 45-50 employees, some 20 of them in Sweden. Lowered personnel costs and other measures will save 7-9 MSEK each quarter, starting next year. The costs for the savings program will amount to approximately 4-6 MSEK, which will burden the fourth quarter of this year.

## **TURNOVER AND RESULTS DURING THE THIRD QUARTER OF 2002**

During the quarter, the revenue amounted to 59,3 (59,8) MSEK. Results after interest income for the period was -21,9 (-33,1) MSEK. The operating margin for the quarter was -36,9 (-55,4) percent. The result has been affected due to exchange rate losses amounting to -2,5 (1,2) MSEK.

In Scandinavia the sales totaled 20,5 (16,8) MSEK, an increase with 22 percent compared to the same period year 2001. The company's sales in the remaining part of Europe amounted to 28,5(28,3) MSEK and in the U.S. and the rest of the world the sales amounted to 10,3 (14,7) MSEK.

The license revenue, consisting of one-time payments for the right to use our software, amounted to 19,0 (20,3) MSEK during the third quarter, which is 32 (34) percent of the total revenue. Out of the total license revenue for the third quarter, FORMS represented 56 (63) percent and INVOICES 44 (37) percent.

Service fees (annual proceeds from service agreements) amounted to 16,4 (14,6) MSEK. In addition, revenues for training and customer-specific development were 10,2 (10,8) MSEK. Hardware sales (mainly scanners) amounted to 11,9 (8,4) MSEK. Other revenues totaled 1,8 (5,7) MSEK.

## **TURNOVER AND RESULTS JANUARY - SEPTEMBER**

During the first nine months of year 2002, the revenue amounted to 196,9(204,7) MSEK. Results after interest income for the period was -39,1 (-72,1) MSEK. The operating margin was -19,9 (-35,2) percent. The nine months result has been affected due to exchange rate losses amounting to -5,0 (2,0) MSEK.

In Scandinavia the sales totaled 60,1 (51,8) MSEK, an increase with 16 percent compared to the same period year 2001. The company's sales in the remaining part of Europe amounted to 95,0(103,1) MSEK and in the U.S. and the rest of the world the sales amounted to 41,8 (49,8) MSEK.

The license revenue amounted to 74,8 (87,0) MSEK during the first nine months of year 2002, which is 38(42) percent of the total revenue. Out of the total license revenue, FORMS represented 62 (73) percent and INVOICES 38 (27) percent.

Service fees (annual proceeds from service agreements) amounted to 51,3 (44,6) MSEK. In addition, revenues for training and customer-specific development were 33,0 (28,0) MSEK. Hardware sales (mainly scanners) amounted to 30,7 (31,2) MSEK. Other revenues totaled 7,1 (13,1) MSEK.

## **STAFF**

As of September 30, 2002, the ReadSoft staff amounted to 294 (348), a decrease by 18 percent compared to the situation before the cost savings program carried out in 2001.

## **INVESTMENTS**

Investments during the first nine months amounted to 2,7 (11,4) MSEK and consisted of the acquisition of computer-, office- and event related equipment. Investments during the third quarter amounted to 1,2(2,8) MSEK.

Of the research and development costs during the first nine months, 8,2 (0) MSEK was capitalized in accordance with *Redovisningsrådet's* recommendation no. 15. Of that amount, 2,7 (0) MSEK was capitalized in the third quarter.

## **FINANCIAL POSITION**

The liquidity as of September 30 was 35,6 (47,5) MSEK including 35,2 (36,0) in committed credit line. The solidity was 38,8 (49,3) percent as of September 30. At the beginning of the year, the solidity was 47,3 percent. Cash-flow from the current business has improved and was -20,7 (-68,8) MSEK.

## **SHAREHOLDER INFORMATION**

At the end of the period, the number of shareholders amounted to 6 890 (7 168). 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 (81) percent and foreign shareholders held 17 (19) 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 61,6 (66,7) MSEK. The result after financial items was -22,4 (-34,4) MSEK. Investments in the parent company amounted to 0,2 (6,4) MSEK. At the end of the period, liquidity was 20,6 (24,3) MSEK including 30,0 (30,0) MSEK in committed credit line. Equity was 81,7 (130,6) MSEK, resulting in a solidity of 71,3 (82,1) percent.

## FUTURE PROSPECTS

Judging from the first three quarters of 2002, the turnover for the full year will be weaker than anticipated. The costs for the year will be lower than planned due to already carried out cost savings. The accumulated result will most likely improve during the remaining part of the year. We estimate that our cash flow will be positive during the first quarter of 2003.

The goal for next year is to become profitable. The interest in our products is substantial, but sales cycles are long and we are unable to predict a market improvement. The company is now fine-tuned to the current market climate and should be able to develop favorably during the coming year.

## COMING INFORMATION OCCASIONS

- Year-end communiqué for 2002 - February 13<sup>th</sup> 2003
- Annual shareholders' general meeting - April 24<sup>th</sup> 2003
- Interim Report January – March 2003 – April 24<sup>th</sup> 2003

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## Group's income statements in summary

Amount in MSEK unless stated otherwise

	July- Sep 2002	July- Sep 2001	Jan- Sep 2002	Jan- Sep 2001	Running 12 months 0110-0209*)	Full year 2001
<b>Net sales</b>	<b>59,3</b>	<b>59,8</b>	<b>196,9</b>	<b>204,7</b>	<b>288,0</b>	<b>295,8</b>
Commodities	-12,3	-11,1	-35,7	-37,1	-52,6	-54,1
Other external costs	-24,4	-27,6	-67,4	-84,2	-86,0	-114,8
Personnel costs	-42,2	-51,9	-126,9	-150,6	-174,0	-208,6
Depreciations on fixed assets	-2,1	-2,3	-6,0	-5,8	-8,7	-8,5
<b>Operating income</b>	<b>-21,7</b>	<b>-33,1</b>	<b>-39,1</b>	<b>-73,0</b>	<b>-33,3</b>	<b>-90,2</b>
<b>Financial income and expenses</b>						
Interest income	-0,2	0	0	0,9	0	0,9
<b>Income after financial items</b>	<b>-21,9</b>	<b>-33,1</b>	<b>-39,1</b>	<b>-72,1</b>	<b>-33,3</b>	<b>-89,3</b>
Tax	0,2	0	-0,1	-0,8	5,9	5,2
<b>Net profit/loss after taxes</b>	<b>-21,7</b>	<b>-33,1</b>	<b>-39,2</b>	<b>-72,9</b>	<b>-27,4</b>	<b>-84,1</b>

\*) 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

	2002-09-30	2001-09-30	2001-12-31
<b>Assets</b>			
Fixed assets	24,7	20,2	19,9
Current assets	135,3	175,1	195,5
<b>Total assets</b>	<b>160,0</b>	<b>195,3</b>	<b>215,4</b>
<b>Equity and liabilities</b>			
Equity	62,0	95,5	101,9
Tax provision	-	0,7	-
Long-term liabilities	1,7	0,8	0,8
Short-term liabilities	96,3	98,3	112,7
<b>Total equity and liabilities</b>	<b>160,0</b>	<b>195,3</b>	<b>215,4</b>

**Change in equity**

Amount in MSEK unless stated otherwise	2002-09-30	2001-09-30	2001-12-31
Opening balance	101,9	168,3	168,3
New issue	-	-	18,2
Warrants issued	-	-	0,4
Translation difference	-0,7	0,1	-0,9
Result for the period	-39,2	-72,9	-84,1
<b>Closing balance</b>	<b>62,0</b>	<b>95,5</b>	<b>101,9</b>

**Cash-flow statements in summary**

Amount in MSEK unless stated otherwise	2002-09-30	2001-09-30	2001-12-31
Cash-flow before changes in working capital	-42,1	-67,0	-85,5
Changes in working capital	21,4	-1,8	14,8
<b>Cash-flow from the current business</b>	<b>-20,7</b>	<b>-68,8</b>	<b>-70,7</b>
Cash-flow from investment activities	-2,5	-11,5	-14,0
Cash-flow from financial activities	0	0	16,5
<b>Change in liquid assets</b>	<b>-23,2</b>	<b>-80,3</b>	<b>-68,2</b>

**Key data, group**

Amount in MSEK unless stated otherwise	2002-09-30	2001-09-30	2001-12-31
Revenue	196,9	204,7	295,8
Revenue growth %	-3,8	13,9	1,4
Operating income	-39,1	-73,0	-90,2
Income after financial items	-39,1	-72,1	-89,3
Operating margin %	-19,9	-35,7	-30,5
Profit margin %	-19,9	-35,2	-30,2
Solidity %	38,8	49,3	47,3
Capital employed	62,9	96,3	102,7
Net dept/equity ratio	0,01	-0,11	-0,22
Net interest bearing liabilities	0,4	-10,7	-22,8
Number of employees at end of period	294	348	285
Number of shares at close of period, thousands	30467	29063	30467
Equity per share, (SEK)	2,03	3,29	3,34
Earnings after financial items per share (SEK)	-1,28	-2,48	-2,93
Earnings after tax per share (SEK)	-1,29	-2,51	-2,76
Share price at close of period (SEK)	5	11	16

*ReadSoft business is based on the concept of e-capture, comprising capture, interpretation, verification, validation, and transfer of all types of information from e-mail, web, fax, and paper, with a minimum of operator intervention. Established in 1991, ReadSoft, first with free form technology for invoices and color document processing, has become the global technology leader, with subsidiaries in 12 countries and partners in an additional 70. We are proud to have the largest and most innovative development department in the industry, with professional services to match. For more information please visit [www.readsoft.com](http://www.readsoft.com)*