

Risk management secures business opportunities

Uncertainty concerning future events is something that all business operations face. Future events can either have a positive effect on a company's business operations, offering opportunities to generate increased value, or a negative impact, resulting in a risk of the company being unable to meet its targets, thereby limiting the company's capacity to generate value for its shareholders and other stakeholders.

Accordingly, the ability to handle risks is a key part of the management and control of ReadSoft's operations.

ReadSoft is affected by general economic trends, currency fluctuations and other company-specific factors in our business environment.

ReadSoft strives to identify and manage these risks in the most cost-efficient and balanced manner possible to enable the company to achieve its financial and operational goals through carefully considered risk assumptions within established frameworks.

Operational risks

Market-related risks

Economy

A weak economy increases the risk of prolonged business processes, which affects the customers' decision making and propensity to buy.

Market consolidation

A restructuring and consolidation of the market for automatic document management is currently under way.

Risk management

Software and solutions for document automation are not generally considered to be particularly sensitive to economic fluctuations since this type of investment is usually made to reduce costs and increase efficiency.

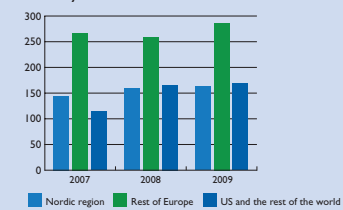
The risks that may nevertheless arise as a result of a weak economy are offset by global sales to countries with differing economic cycles.

To be able to respond rapidly to deviations, ReadSoft also continuously monitors average lead times for the sales cycle of each individual market and of the Group.

ReadSoft has chosen to conduct an active acquisition strategy.

Exposure

Sales by market area, SEK million



In 2006, ReadSoft acquired the wholly owned subsidiaries ReadSoft Ebydos AG, which develops products within the SAP area, and ReadSoft Conisat AS, which develops products within the ORACLE area. In September of 2009, ReadSoft acquired all of the intellectual assets in the technology companies Spear Solutions AB and Spear Imaging Inc.

Competition-related risks

Refined technology

ReadSoft's products do well against the existing competition, both technically and in terms of price. However, there is always a risk that a new or existing player will develop further refined technology in the future.

Access to expertise

To maintain and strengthen its position in the forefront of technical development, ReadSoft needs skilled employees in the IT field. ReadSoft competes with a large number of companies for these professional groups, which are of a limited size.

Shifts in technology

ReadSoft conducts operations in the IT sector, which is a dynamic market, characterized by rapid shifts in technology.

Dependence on customers

ReadSoft supplies its products both directly to end customers and as third-party products in the system installations of partners. In both cases, the customer/partner is naturally able to choose competing alternatives.

To ensure that its customers are offered an attractive and competitive range of products, ReadSoft continuously invests in the development of new and existing products to strengthen its position as an innovator and market leader.

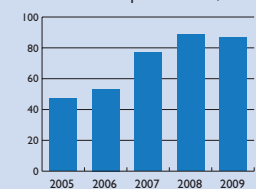
ReadSoft also has well-defined processes for how a concept can most efficiently be developed into a finished commercial product.

ReadSoft devotes considerable efforts to attracting employees and stimulating and developing its employees and work environment through opportunities for international assignments and other measures. In addition to competitive salaries, ReadSoft also has various kinds of incentive programs and regularly conducts activities to promote job satisfaction.

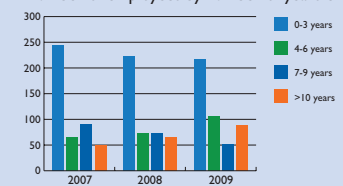
ReadSoft works with all types of documents, both paper-based and electronic. Its solutions are also compatible with the major, market-leading business systems. Through close cooperation with major customers and research operations, ReadSoft gains access to early information about technical and market trends.

ReadSoft does not normally have any individual customers that represent more than 1–2 percent of its total sales over a 12-month period. Sales are also well distributed across different industries. This means that the risk of being dependent on a single customer or industry is currently very limited.

Product development costs, SEK million

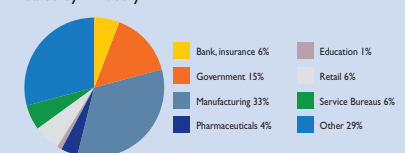


Number of employees by number of years employed



ReadSoft maintains continuous contact with universities and research centers to be able to convert ideas from reports and seminars into commercial products. ReadSoft also has a Group-wide function responsible for monitoring market trends, competitors and other areas.

Sales by industry



Operational risks

Liability and valuation risks

Valuation of intangible assets

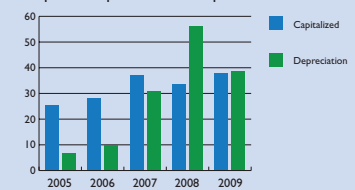
Software development related to the development of new products is capitalized in the balance sheet and then amortized straight-line over the estimated commercial lifetime of the product.

Risk management

All capitalized product development cost is continuously appraised and is tested for impairment at year-end. In connection with the restructuring program implemented in the autumn of 2008, it was decided that the company would concentrate its product-development resources on its most successful product areas. This included a non-recurring impairment charge of SEK 10.8 million for one of our products. The impairment test performed at year-end showed no need for any additional impairment.

Exposure

Capitalized product development, SEK million



Intangible assets

Development-intensive, knowledge-based companies are always at risk of new or existing competitors copying the solutions they have developed.

ReadSoft stores source code for proprietary software in a secure manner and legal protection is sought to the furthest extent possible through patent applications.

The vital part of the technology in ReadSoft for INVOICES is protected by Swedish and European patents.

ReadSoft also has international protection for its brands.

Product liability

Potential faults that can arise in ReadSoft's products could lead to liability claims and damages.

In projects that affect customers' vital processes, extensive testing is conducted before production begins to avoid the risk of disruptions to the customers' production operations as a result of ReadSoft's installed software.

ReadSoft maintains customary insurance protection for product liability which limits its direct risk.

Other disputes

In all commercial operations, disputes can arise as a result of the differing perceptions of the parties involved with regard to liability, contractual interpretation and other matters.

All contracts signed with external parties are carefully reviewed and approved by legal experts.

Neither ReadSoft nor its subsidiaries are currently party to any dispute, legal action or arbitration proceedings. Nor are there any known circumstances that could be expected to lead to a dispute that could damage ReadSoft's financial position to a material degree.

Financial risks

ReadSoft is exposed to financial risks that may affect the company's performance.

Financial risks are managed in accordance with the financial policy established annually by the Board of Directors.

Liquidity and financing risk

Financing risk is the risk that refinancing of maturing loans will become difficult or costly, thereby impeding ReadSoft's ability to fulfill its payment obligations.

To better deal with fluctuations in liquidity, bank overdraft facilities have been arranged, primarily through the Parent Company, but also locally through the subsidiaries.

At year-end, the Group had bank overdraft facilities amounting to SEK 56.8 million (58.8), of which SEK 5.8 million (3.3) were utilized.

Foreign-exchange risk – transaction exposure and translation effects

The Group operates internationally and is exposed to foreign-exchange risks.

These primarily arise through the Parent Company's invoicing of foreign subsidiaries and partners, which is mainly in EUR.

When necessary, ReadSoft uses forward contracts signed with external parties. Decisions on hedging of currency flows are made by the Board on a continuous basis throughout the year.

At year-end, currency hedges had been established in EUR corresponding to about 40–50 percent of the estimated inflow in 2009.

A sensitivity analysis was made of earnings effects caused by currency fluctuations for all currencies used in the Group. This analysis indicates the following significant effects on a change of +/- 1 percent in average exchange rates and rates at the balance-sheet date.

SEK/EUR +/- SEK 1.7 million
 USD/EUR +/- SEK 0.4 million
 GBP/EUR +/- SEK 0.3 million

Credit risk

As a natural part of its business operations, ReadSoft grants credit to its customers. This entails an exposure to potential customer losses upon customer insolvency.

In all of the ReadSoft Group's sales companies, credit checks are continuously carried out on the Group's customers.

Impairment losses on the Group's accounts receivable have not exceeded 0.5 percent of sales in the past two years.