

Interim Report January 1st – June 30th, 2002

SUMMARY

- Net sales EUR 9 249 thousand – growth by 68.7%
- Q2 net sales EUR 5 187 thousand – growth by 52.3%
- Operating profit EUR 669 thousand – growth by 1 466.3%
- Q2 operating profit EUR 573 thousand – growth by 17.5%
- Operating profit 7.2% of net sales (0.8%)
- e-Business operations grew by 88.6%
- International business operations grew by 164.7%
- Share of international operations of net sales 29.4% (18.7%)
- Earnings per share EUR 0.05 (EUR 0.01)
- Likely future development: Business operations continue to grow at the same rate as in 2001, operating profit will be of a higher level than in 2001, approx. 10% of net sales

KEY FIGURES

EUR thousand	03-06 2002	03-06 2001	Change %	01-06 2002	01-06 2001	Change %	01-12 2001
Net sales	5 187	3 406	52.3%	9 249	5 481	68.7%	12 399
Operating profit	573	488	17.5%	669	43	1 466.3%	389
% of net sales	11.1%	14.3%		7.2%	0.8%		3.1%
Profit before extraordinary, items, reserves and taxes	583	505	15.4%	723	129	460.3%	611
Profit for the period	375	428	-12.3%	433	52	734.5%	337
Return on equity, %	16.2%	19.3%		9.2%	1.1%		3.4%
Return on investment, %	24.4%	23.4%		15.1%	3.3%		6.1%
Securities, cash and bank balances	3 201	5 885	-45.6%	3 201	5 885	-45.6%	5 293
Net Gearing	-30.8%	-61.2%		-30.8%	-61.2%		-53.3%
Equity ratio, %	74.5%	79.4%		74.5%	79.4%		76.9%
Investments in fixed assets	264	191	38.0%	374	480	-22.2%	1 200
% of net sales	5.1%	5.6%		4.0%	8.8%		9.7%
Research and development expenses	729	556	31.1%	1 480	1 051	40.8%	2 270
% of net sales	14.1%	16.3%		16.0%	19.2%		18.3%
Earnings per share, EUR	0.04	0.05	-12.3%	0.05	0.01	400.0%	0.04
Equity per share, EUR	1.11	1.06	4.7%	1.11	1.06	4.7%	1.09

Numbers are compared with those of the same time period in 2001.

NET SALES

BasWare Group's (later referred to as the Company) net sales grew by 68.7% (84.0%) and were EUR 9 249 thousand (EUR 5 481 thousand) during the financial period. In April – June, net sales grew by 52.3% (88.4%) and were EUR 5 187 thousand (EUR 3 406 thousand). The growth was completely organic.

During the period, 63.5% (69.4%) of net sales consisted of software product sales and 36.5% (30.6%) of services related to the products. In April – June, the corresponding figures were 65.9% (74.9%) and 34.1% (25.1%).

During the period, the International share of the Company's net sales was 29.4% (18.7%). In April – June, the international share of net sales was 32.1% (20.2%).

During the period, the Company's e-Business operations grew by 88.6% (179.0%) to represent 78.7% (70.4%) of net sales. In April – June, the business operations grew by 70.4% (205.4%) to represent 80.0% (71.5%) of net sales.

During the period, the financial management business operations grew by 21.5% (22.5%) and made up 21.3% (29.6%) of net sales. In April – June, the business operations grew by 6.7% (–3.9%) and made up 20.0% (28.5%) of net sales.

OPERATING PROFIT

During the financial period, the Company's operating profit grew by 1 466.3% (–86.7%) and was EUR 669 thousand (EUR 43 thousand). Operating profit was 7.2% of net sales (0.8%). In April – June, operating profit grew by 17.5% (44.5%) and was EUR 573 thousand (EUR 488 thousand). Operating profit in the second quarter represented 11.1% of net sales (14.3%).

The Company's fixed costs have grown by 60.7% (99.0%) compared with the same time period last year. Compared with the previous quarter, fixed costs grew by 15.6%.

The Company's profit before extraordinary items and taxes was EUR 723 thousand (EUR 129 thousand) and profit for the period was EUR 433 thousand (EUR 52 thousand).

FINANCING AND INVESTMENTS

The Company's financial status is good. Total assets on the balance sheet were EUR 12 713 thousand (EUR 11 450 thousand). Equity ratio was 74.5% (79.4%) and net gearing –30.8% (–61.2%). The Company's liquid assets were EUR 3 201 thousand (EUR 5 885 thousand).

The Company's investments in fixed assets were EUR 374 thousand (EUR 480 thousand) and consisted of regular new and replacement investments resulting from the growth.

In May, the Company acquired the business operations of Momentum Doc AB in Sweden with EUR 1.75 million. Currently, 50% of that amount has been paid in cash.

RESEARCH AND DEVELOPMENT

The Company continues to invest strongly in product development and personnel's skills. During the period, research and development expenses grew by 40.8% (33.2%) and were EUR 1 480 thousand (EUR 1 051 thousand). The expenses made up 16.0% of net sales (19.2%). In April – June, research and development expenses grew by 31.1% (40.8%) and were EUR 729 thousand (EUR 556 thousand). In the second quarter, the expenses represented 14.1% of net sales (16.3%).

The Company enters all expenses related to RD and training of personnel as direct costs. The company employed 51 (37) persons in RD at the end of the period.

PERSONNEL

The Company had 200 (136) employees at the end of the period. The number of the personnel grew by 47.1% compared with the last year and 11.7% compared with the previous quarter. In the second quarter, personnel were mostly recruited to positions related to the direct customer interface as well as to the RD. The company's recruiting continued to be active and turnover of employees remained normal.

The company has an extensive warrant rights program for its personnel. The subscription periods are scaled to begin in 1.10.2001, 1.10.2002, 1.10.2003, and 1.10.2004.

BUSINESS OPERATIONS

Internationalization and distribution network

In the second quarter, the international share of the Company's net sales was 32.1% (20.2%) with growth by 141.9% (1 321.7%). By the end of June, the Company had customers in 13 different countries. During the second quarter, markets were opened in Australia, Iceland, Germany, and Belgium.

By the end of June, the Company had subsidiaries in Sweden, Denmark, Germany, the Netherlands, and UK. The Danish subsidiary BasWare A/S, which started operating in the beginning of April, had a good start and signed three new deals. In May, the Company acquired the business operations of its major Swedish competitor Momentum Doc AB with EUR 1.75 million. After the acquisition, the Company gained a dominant market position in Sweden.

In the second quarter, the Company started preparations for opening the market in France. The Company will construct a value added reseller network in the area and launch also its own marketing activities. The Company's own activities will particularly focus on the existing global customers who have operations in France.

By the end of June, the Company had a total of seven value-added resellers providing full service in six different countries. In the second quarter, the value added reseller network was expanded in Belgium. In addition, the Company has sales and marketing, implementation as well as technology partners in various countries.

e-Business operations

In the second quarter, the Company's e-Business operations grew by 70.4% (205.4%). In April – June, 59.8% (71.7%) of operations were domestic and 40.2% (28.3%) international. In the second quarter, domestic business operations grew by 42.2% (289.0%) and the growth of international operations was 141.9% (1 321.7%).

In the second quarter, the market demand for *BasWare Invoice Processing* software continued to be strong and the business operations were still mainly based on license and service sales of the system. In April – June, the Company signed 35 new agreements in nine different countries with e.g. Metso Oyj, Perlos Oyj, Thorsman AB, ISS Deutschland, Kongsberg Defense and Aerospace AS, ArboNed N.V., APN Newspapers Pty. Ltd., and Icelandair.

BasWare Purchase Management software began to establish ground in the e-Procurement application area. In May, the company had a major opening when Fortum Corporation decided to implement the software. A new catalogue functionality that is currently under development will be added to the software in the latter half of the financial year, and then the software may be fully launched into the international market. In the second quarter, six new deals were signed e.g. with Alko Oy and Pharmacia Australia Pty. Ltd.

Sales of the *BasWare Electronic Invoicing* service enabling electronic invoicing continued to progress in Finland as expected and market research for launching the service to Sweden has been initiated. The total of new customer agreements during the second quarter was 10 e.g. with Paroc Oy, Helsinki City Transport, HEX Oyj and Securitas Oy.

Financial management business operations

In the second quarter, the Company's financial management business operations comprising software for budgeting, forecasting and reporting as well as group consolidation grew by 6.7% (-3.9%). In April – June, six new agreements were signed e.g. with Oy Teboil Ab, Myllykoski Paper Oy and LEL Pension Fund.

In April, Tekes, the National Technology Agency, resolved to finance the product development of the Company's Target 7 IAS/FAS Group Management Business Model. The aim of the project is to complete a new product, distinguished from the competition, which consists of group accounting software and a well-refined business model installed "above" the platform as well as consulting supporting these two. The development has progressed well and pilot customers have been chosen.

The business model is primarily targeted for public companies in the EU area preparing to adapt IAS accounting principles by the year 2005. As the model also includes FAS accounting principles it is suitable for Finnish non-public groups as well.

OTHER EVENTS OF THE FINANCIAL PERIOD

In April, the Company made the decision to select Microsoft .NET framework to be the new e-Business packaged software developing environment. Accordingly, the Company will gradually

give up older, Visual Basic based, development. The development of the electronic invoicing software will continue in J2EE framework. Thus, in the long run, the Company will have strong competencies in both the major technology frameworks.

BASWARE'S SHARE

The Company had 29 019 (30 782) shareholders at the end of June. The share capital was EUR 256 518 and the number of shares 8 550 600. During the period, the highest rate of the share was EUR 6.10, the lowest EUR 4.87 and the closing rate on June 28th was EUR 5.32. The average rate of the share during the period was EUR 5.40. The number of shares traded during the period was 401 715. Market capitalization with the year end closing rate was EUR 45 489 thousand.

The Company's Board of Directors' authorization for an issue is valid until February 26th, 2003. The share capital may be increased with a maximum of EUR 51 303.60 and 1 710 120 new shares based on the authorization. 100% of the authorization remains.

The Board of Directors does not have an authorization to purchase BasWare's shares.

The Company applies the insider regulations approved by the Board of Directors of the Helsinki Exchanges on March 1st, 2000.

EVENTS TAKING PLACE AFTER THE PERIOD

On July 7th, 2002, the Company reported that it would deliver Invoice Processing software to Ahlstrom Corporation for use in company locations worldwide. The deal includes a delivery to the US, which also marks BasWare's entry into the market. For BasWare, the deal indicates a continuation of an internationalizing process where new markets are cost efficiently opened with the international system rollouts of the global customers.

Currently, the Company is involved in a strategy process that will result in August in renewed strategy, mission, vision, values, and long-term objectives. In connection with this, the Company will arrange a Capital Markets Day on August 22nd where the strategy as well as BasWare's processes and products are explained more thoroughly to the representatives of the financial market. For invitations, please contact IR@basware.com.

FORECAST OF LIKELY FUTURE DEVELOPMENT

The Company forecasts that business operations in 2002 will continue to grow at the same rate as in 2001. The growth of costs will clearly slow down from last year.

The Company forecasts that the operating profit in 2002 will be of a higher level than in 2001 and approximately 10% of net sales. It is characteristic of the Company to have seasonal variations in the business and most of the financial period's profits accumulate during the last quarter.

In accordance with the growth strategy, the Company continues to negotiate for company acquisitions and collaborative arrangements, which are related to strengthening the Company's product distribution channel or supply.

In Espoo, Finland, July 10th, 2002

Board of Directors of BasWare Corporation

Mr. Sihvo, Ilkka, President

Ms. Eräkangas, Kirsi

Mr. Ignatius, Kim

Mr. Pöllänen, Antti

Mr. Perttunen, Sakari

Mr. Sonninen, Jukka

Mr. Vaajoensuu, Hannu, CEO

BasWare Corp.**Group income statement**

EUR thousand	01.01.-30.6.2002	%	01.01.-30.6.2001	%	01.01.-31.12.2001	%
Net sales	9 249	100.0	5 481	100.0	12 399	100.0
Other operating income	116		18		61	
Materials and services	319		214		464	
Personnel expenses	5 088		3 365		6 938	
Depreciation and write-offs	340		242		562	
Other operating expenses	2 949		1 635		4 108	
Operating profit	669	7.2	43	0.8	389	3.1
Financial income and expenses	54		86		222	
Profit before extraordinary items	723	7.8	129	2.4	611	4.9
Extraordinary items						
Profit before taxes	723	7.8	129	2.4	611	4.9
Direct taxes	290		77		274	
Profit for the period	433	4.7	52	0.9	337	2.7

BasWare Corp.**Group balance sheet**

EUR thousand	30.6.2002	%	30.6.2001	%	31.12.2001	%
Assets						
Fixed assets						
Intangible rights	457		105		444	
Goodwill	298		363		325	
Tangible assets	1 116		1 086		1 081	
Investments						
Shares in participating interests	3		3		3	
	<u>1 874</u>	14.7	<u>1 556</u>	13.6	<u>1 852</u>	15.3
Current assets						
Inventories	19				4	
Long-term receivables	0		52		0	
Short-term receivables	7 620		3 957		4 994	
Short-term investments	1 185		5 024		3 508	
Cash and bank balances	2 016		862		1 785	
	<u>10 840</u>	85.3	<u>9 894</u>	86.4	<u>10 291</u>	84.7
Total assets	<u>12 713</u>	100.0	<u>11 450</u>	100.0	<u>12 143</u>	100.0
Equity and liabilities						
Capital and reserves						
Share capital	257		257		257	
Share premium account	8 021		8 021		8 021	
Retained earnings	756		766		723	
Profit for the financial period	433		52		337	
	<u>9 466</u>	74.5	<u>9 095</u>	79.4	<u>9 337</u>	76.9
Liabilities						
Long-term liabilities	183		282		282	
Current liabilities	3 064		2 074		2 525	
	<u>3 247</u>	25.5	<u>2 355</u>	20.6	<u>2 807</u>	23.1
Total equity and liabilities	<u>12 713</u>	100.0	<u>11 450</u>	100.0	<u>12 143</u>	100.0

BasWare Corp.

Key figures

EUR thousand	30.6.2002	30.6.2001	31.12.2001
Net sales	9 249	5 481	12 399
Growth in net sales, %	68.7%	84.0%	66.3%
Operating profit	669	43	389
% of net sales	7.2%	0.8%	3.1%
Profit before extraordinary items, reserves and taxes	723	129	611
% of net sales	7.8%	2.4%	4.9%
Return on equity, %	9.2%	1.1%	3.4%
Return on investment, %	15.1%	3.3%	6.1%
Securities, cash and bank balances	3 201	5 885	5 293
Net Gearing	-30.8%	-61.2%	-53.3%
Equity ratio, %	74.5%	79.4%	76.9%
Total Assets	12 713	11 450	12 143
Gross investments in fixed assets	374	480	1 200
% of net sales	4.0%	8.8%	9.7%
Research and development expenses	1 480	1 051	2 270
% of net sales	16.0%	19.2%	18.3%
Personnel average for the period	185	120	137
Personnel at the end of period	200	136	168
Growth in personnel, %	47.1%	72.2%	66.3%

Group share indicators

Earnings per share, EUR (group)	0.05	0.01	0.04
Equity per share, EUR	1.11	1.06	1.09