

FINANCIAL RESULT 1.1. - 31.12.2001

SUMMARY

- Net sales 12,399 thousand euro – growth by 66.3%
- Operating profit 389 thousand euro (1.551 thousand euro)
- Q4 net sales 3,987 thousand euro – growth by 39.8%
- Q4 operating profit 205 thousand euro (982 thousand euro)
- e-Business operations grew by 119.7%
- International business operations grew by 273.9%
- International share of gross product sales 31.4%
- Personnel at the end of the period 168 – growth by 66.3%

NET SALES

BasWare Group's (later referred to as the company) net sales grew by 66.3% (64.4%) in 2001 and were 12,399 thousand euro. The growth was completely organic. Net sales of the parent company were 10,791 thousand euro with growth by 56.1% (73.6%).

Of net sales, 68.7% (69.0%) consisted of software product sales and 31.3% (31.0%) of services related to the products. Internationalization process continued to advance well during the period. Of gross product sales, 68.6% (86.2%) was domestic and 31.4% (13.8%) international. International sales accounted for 23.0% (10.2%) of net sales.

The company's e-Business area grew by 119.7% (147.4%) and represents 73.6% of net sales. Financial control business area grew by 7.4% (21.2%) and was 24.2% of net sales. Business related to customer specific system development accounted for 2.2% of net sales.

OPERATING PROFIT

BasWare Group's operating profit during the financial period was 389 thousand euro (1.551 thousand euro). Compared to the previous year it declined by 74.9%. Operating profit was 3.1% of net sales (20.8%). Operating profit of the parent company grew by 17.0% and was 2,038 thousand euro.

The company's fixed costs have grown by 99.1% (102.6%) compared to the same time period last year and were 11,046 thousand euro. The growth of costs has mainly been caused by international marketing, expanding the distribution network, initial costs of establishing channel support and strengthening of product development. However, after the level that was acquired by the end of 2001 the growth of costs will clearly slow down. The investments that have been made in international operations will effect the development of profit also during 2002.

The company's profit before extraordinary items was 611 thousand euro (1,785 thousand euro).

The group's profit for the period declined by 69.8% and was 337 thousand euro (1,115 thousand euro). Parent company's profit for the period grew by 19.0% and was 1,565 thousand euro (1,315 thousand euro).

BUSINESS OPERATIONS

Internationalization and distribution channel

In 2001, 68.6% (86.2%) of the company's gross product sales were domestic and 31.4% (13.8%) international. International sales accounted already for 23.0% (10.2%) of net sales.

During the period, the company has strengthened its channels for direct sales thus enabling full-scale sales and marketing activities in Germany, the Netherlands and Great Britain. Country specific investments have been remarkable but the early stage of the markets has delayed the launch of business operations from the planned schedule. Made investments fully effect the company's operating profit for the period and reflect also to profit expectations of 2002. However, constant increase of sales activities and offer base predicts launch of business operations and growth of volume in these markets.

The company specified its indirect distribution model during the year. The partner model change strengthens the role of direct sales in those countries where BasWare has a subsidiary. By the end of the period there were a total of nine value-added resellers in eight different countries that provided full service. In addition, six active partners that support marketing existed in the Netherlands, Great Britain and the German speaking areas.

During the period the company signed new value-added reseller (VAR) agreements with Swedish WM-data eApplications AB, British LANkind Ltd., German inform. Consult GmbH and Australian TAG Services Pty Ltd. In addition the company also signed a sales and marketing collaboration agreement with Icore. Icore B.V. begins offering BasWare's products in the Netherlands and Icore Benelux/Luxembourg in Belgium. Expanding the VAR network in France, Belgium, Switzerland, Austria and Ireland is under preparation.

BasWare's e-Business software was provided as an ASP service through the company's partners Oy Datatie Ab and Proha Plc. First ASP agreements have been signed but broader volumes will not be reached until during year 2002.

To ensure the rapid spreading of the electronic invoicing service the company signed distribution and operator collaboration agreements with Proha Plc, Oy Datatie Ab, EmCe Solution Partner Oy, OpusCapita Plc and Icore Plc. Collaboration agreements have provided auspicious results although their commercial impact was still slight during the period.

e-Business area

BasWare e-Flow product family supporting e-Business continued to be successful in 2001 and business operations grew by 119.7%. 68.7% of operations were domestic and 31.3% international. Domestic business operations grew by 85.0% and the growth of international operations was 273.9%. Net sales from Finland and Sweden accumulated precisely as planned

whereas the Central-European units progressed slightly more modestly than anticipated due to the early stage of the markets.

With the e-Business software the company has a clear competitive edge that has even increased. Business operations during the period were still mainly based on license and service sales of the Purchase Invoice Processing (PIP) software. New products for e-Procurement and electronic invoicing further strengthen the product family's competitive position on the markets. There does not seem to be comparable product portfolios among any of BasWare's competitors. The market demand continues to be strong and BasWare's market leader position creates a base for extended substantial growth of the business operations.

In Finland, full marketing of the e-Procurement software for electronic purchase management begun during the period and first deals have been made. Collaboration partner Andersen Oy is responsible for the analysis and planning of the operational model for purchases, and for change management. BasWare contributes to the concept with its electronic purchase management software, and testing, implementation and maintenance of the application. Marketing in other Scandinavian countries began during the third quarter of the period. Demand in the area is clearly growing and BasWare's product concept seems to be competitive.

Sales and marketing of BasWare's electronic invoicing service continued to progress as expected. At the end of the period the service had over 60 agreement customers. Profit still mainly consisted of implementation services and connection fees but the profit focus has begun to shift into volume based invoicing during the latter half of the financial year.

The company signed electronic invoicing related collaboration agreements with TietoEnator Corporation and Finland Post Corporation. The agreements enable the transfer of customers' electronic invoices between these operators.

Financial control business area

Financial control business area comprising software for budgeting, forecasting and reporting as well as group consolidation grew steadily by 7.4% during the period and represented 24.2% of the company's net sales. The growth was based on positive development of the service yield.

With the new concept for financial control that was launched during the period the company wants to offer comprehensive and practical approach to building guidance systems as well as packaged models of operation and broad control of future events.

The objective of the financial control business area is to create a steady and profitable growth of the business by enhancing sales activities, by increasing service volumes and with expansion to new market areas. The development of the business area during the period concentrated especially on building structured business models that will distinguish BasWare from its competitors.

First implementations of the new business models take special notice of the requirements of the International Accounting Standards (IAS). The financial control business area supports customers' IAS transfer projects by providing IAS workshops, transition surveys of group control, project support as well as comprehensive solutions for financial control.

FINANCING AND INVESTMENTS

The company's financial status is good. Total assets of the balance sheet were 12,143 thousand euro (12,036 thousand euro). Equity ratio was 76,9% (85.9%) and net gearing -53.3% (-75.3%). The company's liquid assets were 5,293 thousand euro (8,106 thousand euro).

The company's investments in fixed assets were 1,200 thousand euro (1.139 thousand euro) and consisted of regular new and replacement investments resulting from the growth. During the period the company moved into new premises in Espoo. In addition the company's financial administration's basic systems were renewed to correspond to the fast growth.

RESEARCH AND DEVELOPMENT

The company continues to invest strongly in product development and personnel's skills. Product development costs during the period were 2,270 thousand euro (1,709 thousand euro), 18.3% (22.9%) of net sales. The company enters all costs from product development and education of the personnel as direct costs. The company employed 40 (32) persons in product development at the end of the period.

PERSONNEL

The total number of the company's personnel grew by 67 persons and was 168 (82) at the end of the period with growth by 66.3%. Most of the new employees were recruited to customer services and international operations. The company's recruiting has been successful and turnover of employees was normal. The company has an extensive warrant rights program for the personnel and the subscription period for the first series began in 2001.

SHAREHOLDERS' EQUITY

The company's share capital on 31.12.2001 was 256,518.00 euro and the number of shares 8,550,600.

On 16.2.2001 the AGN authorized the Board of Directors for a period of one year from the resolution of the meeting to increase the share capital once or several times by new issues and/or by taking one or more convertible loans and/or by granting warrant rights in such a way that the new issues or convertible loans or warrant rights authorize to subscribe a maximum of 1,710,120 new shares. According to the authorization, the share capital can be increased with a maximum of EUR 51,303.60. The authorization was not used during the period.

SHARE PRICE DEVELOPMENT

The company had 29,876 (32,631) shareholders at the end of the period. The share capital on 31.12.2001 was 256,518.00 euro and the number of shares 8,550,600. During the period, the highest rate of the share was 8.20 euro, the lowest 4.30 euro and the closing rate was 4.86 euro. Average rate of the share during the period was 5.85 euro. Number of shares traded

during the period was 1,263,696 which corresponds to 14.8% of share capital. Market capitalization with the yearend closing rate was 41,556 thousand euro.

EVENTS TAKING PLACE AFTER DECEMBER 31, 2001

Finland's ABB chose BasWare to provide purchase invoice processing software for all of its divisions. ABB was previously using also software from other vendors, but the move to a more client friendly business plan called for standardization. BasWare's software has been in use in some of the divisions and now the use will gradually increase to cover 3,500 end-users.

On 18.1.2002 the company's board of directors resolved to establish a subsidiary in Denmark during the second quarter. The new company will continue the business operations BasWare's reseller WM-data A/S launched in the market. BasWare's Danish operations will concentrate on marketing and product sales in a market that is reaching a strong growth phase whereas WM-data will concentrate mainly on implementation consultation related to the products.

FORECAST OF LIKELY FUTURE DEVELOPMENT

The company forecasts that business operations in 2002 will continue to grow at the same rate as they grew in 2001. Structural growth of the company will turn more toward operations related to direct customer interface, i.e. sales, delivery and customer support. In future the growth of costs will clearly slow down.

The company will expand the international distribution channel and establish a subsidiary in Denmark in the second quarter of 2002. French markets will be opened on the basis of collaborative arrangements.

The company forecasts that the operating profit in 2002 will be on a higher level than it was in 2001. It is characteristic for the company to have seasonal variations in the business and the financial period's profits accumulate during the last three quarters of the year with an unprofitable first quarter.

INSIDER REGULATIONS

The company applies the insider regulations approved by the board of directors of the Helsinki Exchanges on 1.3.2000.

ORGANIZATION, MANAGEMENT AND AUDITORS

The company's CEO has been Mr. Hannu Vaajoensuu. The chairman of the board has been President Ilkka Sihvo and members of the board have been Ms. Kirsi Eräkangas, Mr. Kim Ignatius, Mr. Sakari Perttunen, Mr. Antti Pöllänen, Mr. Jukka Sonninen and Mr. Hannu Vaajoensuu.

The company's auditor has been SVH Pricewaterhouse Coopers Oy, Authorized Public Accountants with APA Juha Väisänen as the auditor in charge.

BOARD'S DIVIDEND PROPOSAL

The group's distributable funds according to balance sheet are 1,059 thousand euro and the parent company's distributable funds are 2,444 thousand euro.

BasWare's board of directors proposes to the annual general meeting to be held on February 26th, 2002 that a dividend of 0.035 euro per share, total of 300 thousand euro.

In Espoo, Finland, January 29th, 2002

Board of Directors of BasWare Corporation

Mr. Sihvo, Ilkka, Chairman of the board

Ms. Eräkangas, Kirsi

Mr. Ignatius, Kim

Mr. Perttunen, Sakari

Mr. Pöllänen, Antti

Mr. Sonninen, Jukka

Mr. Vaajoensuu, Hannu, CEO

GROUP INCOME STATEMENT

EUR thousand

	1.1.-31.12.2001	%	1.1.-31.12.2000	%
Net sales	12 399	100.0	7 455	100.0
Other operating income	61		170	
Materials and services	464		244	
Personnel expenses	6 938		3 447	
Depreciation and write-offs	562		282	
Other operating expenses	4 108		2 102	
Operating profit	389	3.1	1 551	20.8
Financial income and expenses	222		234	
Profit before extraordinary items	611	4.9	1 785	23.9
Extraordinary items			-116	
Profit before taxes	611	4.9	1 669	22.4
Direct taxes	274		554	
Profit for the period	<u>337</u>	2.7	<u>1 115</u>	15.0

GROUP BALANCE SHEET

EUR thousand

	31.12.2001	% 31.12.2000	%
Assets			
Fixed assets			
Intangible assets			
Intangible rights	444	50	
Goodwill	325	414	
Tangible assets	1 081	851	
Investments			
Receivables from participating interest undertakings	3	3	
Other receivables		27	
	<u>1 852</u>	<u>15.3</u>	<u>1 345</u>
			11.2
Current assets			
Inventories	4		
Short-term receivables	4 994	2 585	
Other investments	3 508	6 801	
Cash and bank balances	1 785	1 306	
	<u>10 291</u>	<u>84.7</u>	<u>10 691</u>
			88.8
Total assets	<u>12 143</u>	<u>100.0</u>	<u>12 036</u>
			100.0
Liabilities and shareholders' equity			
Shareholders' equity			
Share capital	257	257	
Share premium account	8 021	8 021	
Profit for previous financial periods	723	949	
Profit for the financial period	337	1 115	
	<u>9 337</u>	<u>76.9</u>	<u>10 342</u>
			85.9
Liabilities			
Long-term liabilities	282	295	
Short-term liabilities	2 525	1 400	
	<u>2 807</u>	<u>23.1</u>	<u>1 695</u>
			14.1
Total liabilities and shareholders' equity	<u>12 143</u>	<u>100.0</u>	<u>12 036</u>
			100.0

GROUP CASH FLOW STATEMENT

EUR thousand	2001	2000
<u>Cash flow from operating activities:</u>		
Profit before extraordinary items	611	1 785
Adjustments:		
Depreciation according to plan	562	282
Financial income and expenses	-222	-234
Other adjustments	-10	-6
Cash flow before changes in working capital	941	1 826
Changes in working capital:		
Short-term receivables, increase (-) / decrease (+)	-2 024	-1 565
Inventories, increase (-) / decrease (+)	-4	11
Non-interest bearing short-term loans, increase (+) / decrease (-)	860	592
Cash flow before financial items and taxes	-228	864
Interest expenses and payments related to other financing of operations	-6	-4
Dividends received from operating activities		
Interests received from operating activities	19	13
Direct taxes paid	-482	-526
Cash flow before extraordinary items	-697	346
Cash flow from extraordinary items		
Cash flow from operating activities (A)	-697	346
<u>Cash flow from investing activities:</u>		
Investments in tangible and intangible assets	-1 138	-1 182
Capital gains from tangible and intangible assets	90	81
Capital expenditures in other investments		
Capital gains from other investments		
Loan receivables, decrease (+) / increase (-)	27	-24
Cash flow from investing activities (B)	-1 022	-1 125
<u>Cash flow from financing activities:</u>		
Share issue		8 236
Interests received from financial items	207	225
Cash flow from extraordinary items		-363
Long-term loans taken	6	178
Paid dividends and other profit distribution	-1 309	-769
Cash flow from financing activities (C)	-1 095	7 507
Change in liquid assets (A+B+C) increase (+) / decrease (-)	-2 814	6 728
Cash and equivalents at the beginning of the financial year	8 106	1 378
Cash and equivalents at the end of the financial year	5 293	8 106

KEY INDICATORS FOR FINANCIAL TREND

EUR thousand	2001	2000	1999	1998	1997
Net sales	12 399	7 455	4 536	3 099	2 030
Growth in net sales, %	66.3%	64.4%	46.4%	52.6%	43.2%
Operating profit	389	1 551	1 645	1 374	886
% of net sales	3.1%	20.8%	36.3%	44.3%	43.6%
Profit before extraordinary items					
reserves and taxes	611	1 785	1 664	1 383	887
% of net sales	4.9%	23.9%	36.7%	44.6%	43.7%
Profit before taxes	611	1 669	1 665	1 383	887
% of net sales	4.9%	22.4%	36.7%	44.6%	43.7%
Return on equity, %	3.4%	19.5%	69.9%	83.3%	80.3%
Return on investment, %	6.1%	28.1%	92.0%	112.4%	112.0%
Liabilities, interest-bearing	321	314	136	77	0
Securities, cash and bank balances	5 293	8 106	1 378	1 133	706
Net gearing, %	-53.3%	-75.3%	-63.4%	-72.8%	-75.5%
Equity ratio, %	76.9%	85.9%	66.5%	68.9%	71.8%
Gross investments in fixed assets	1 200	1 139	433	268	61
% of net sales	9.7%	15.3%	9.5%	8.6%	3.0%
Research and development expenses	2 270	1 709	893	435	285
% of net sales	18.3%	22.9%	19.7%	14.0%	14.0%
Personnel average for the period	136.8	80.7	51.2	34.3	25.1
Personnel at the end of period	168	101	65	40	29

GROUP SHARE INDICATORS

EUR	2001	2000	1999	1998	1997
Earnings per share, EUR (group)	0.04	0.14	0.16	0.14	0.09
Earnings per share, EUR (group), diluted	0.04	0.14			
Equity per share, EUR	1.09	1.21	0.27	0.20	0.13
Dividend per share, EUR	0.04	0.15	0.11	0.09	0.07
Dividend per profit, %	88.9%	106.8%	64.6%	68.8%	75.3%
Effective dividends, %	0.7%	3.4%			
P/E ratio	123.4	31.8			
Financial period's share issue adjusted					
lowest share price	4.30	4.30			
highest share price	8.20	26.90			
average share price	5.85	14.66			
final average share price weighted with trading volume	4.86	4.55			
Market value of shares on 31.12.	41 555 916	38 905 230			
Share issue adjusted number of traded shares	1 263 696	3 345 952			
% of average share number	14.8%	40.1%			
Share issue adjusted average share number during financial period	8 550 600	8 353 980	7 221 600	7 221 600	7 221 600
Share issue adjusted share number at the end of financial period	8 550 600	8 550 600	7 221 600	7 221 600	7 221 600