



## Interim Report 1 January – 30 June 2000

### Summary

- Net sales 2.979 thousand euros - growth 63.8%
- Operating profit 332 thousand euros - decline 33.0%
- e-Business operations grew 110.1%
- Internationalization was successful - BasWare e-Flow PIP is now the leading Nordic purchase invoice processing software
- All business areas were profitable
- Personnel at the end of the period 79 - growth 58.0%

During the second quarter, the company established a subsidiary in Germany and signed value added reseller agreements in Great Britain and the Netherlands. e-Business area grew with two new e-Flow products: e-Flow POP for purchase order processing and MyEflow.com electronic invoicing service.

Numbers are compared to those of the same time period during the financial year 1999.

### Net Sales

BasWare Group's (later referred to as the company) net sales grew 63.8% and were 2.979 thousand euros. The growth was completely organic. The growth of the net sales was especially strong during the second quarter of the financial period, 79.2% from the same time period of last year.

Of the net sales, 65.3% (57.7%) consisted of software product sales and 34.7% (42.3%) of services related to the products. Of the gross-sales, 78.6% (100%) came through the Finland business unit and 21.4% (0%) through the International business unit. International sales accounted for 5.8% (0%) of the net sales.

BasWare e-Flow business area grew 110.1% and represents already 46.4% of the net sales. Financial control business area grew 42.1% as planned and was 42.1% of the net sales. Business operations of the subsidiary NextWare Oy grew 23.1% and were 11.5% of the net sales.

Internationalization progressed well during the period and BasWare e-Flow products had net sales as planned in both Sweden and Norway.

## **Operating Profit**

BasWare Group's operating profit during the financial period was 332 thousand euros (495 thousand euros) with a decline of 33.0%. Regardless of the fast growth, the company has succeeded in keeping the operating profit on the planned, good level.

The company's strong input in growth continued and thus, the cost structure has changed compared to the previous year. Fixed costs have grown 96.5%. In accordance with the internationalization strategy, the company invested most strongly in building the distribution channel and in product development. The personnel in the product development were increased also for the two completely new products.

The monthly costs of the listing are now 11 thousand euros, total of 51 thousand euros at the end of the financial period.

The company's profit before extraordinary items was 406 thousand euros (497 euros).

The company entered the direct costs of 247 thousand euros resulting from the listing on the Helsinki Exchanges in February in the balance sheet, decreasing the share premium account of the shareholders' equity. The indirect costs of 116 thousand euros resulting from the listing have been entered in the extraordinary items affecting the operating profit.

The company's profit for the period was 202 thousand euros (358 thousand euros.)

The company's operating profit follows seasonal variations of the sales and is thus emphasized during the latter quarters of the financial year. The company's strongest quarters have typically been the second and the fourth.

## **Financing and Investments**

The company's financial status is strong. Total assets of the balance sheet were 10.448 thousand euros (2.107 thousand euros). Equity ratio was 89.8 (53.3) and net gearing -4.3 (-30.9). The company's liquid assets were 7.439 thousand euros (675 thousand euros).

The company's fixed assets were 211 thousand euros and consisted of regular new and replacement investments resulting from the growth.

## **Product Development**

The company continues to invest strongly in the product development and improvement of the personnel's skills. Product development costs during the period were 789 thousand euros (433 thousand euros), 26.5% of the net

sales. The company enters all costs from the product development and education of the personnel as direct costs. The company employed 27 (18) persons in the product development at the end of the period.

## **Personnel**

The company had 79 employees at the end of the period, growth 58.0%. Product development, customer services and international unit recruited most of the new employees. Recruiting has been successful and turnover of the employees has remained low.

The company has a Warrant Rights Program that includes the entire personnel. The subscription periods begin in 1.10.2001, 1.10.2002, 1.10.2003, and 1.10.2004.

## **BasWare e-Flow Business Area**

BasWare e-Flow product family supporting e-Business succeeded very well during the financial period. Business operations grew 110.1% and 77.2% of the growth was domestic. Net share of the international operations was 217 thousand euros (0 thousand euros).

By the end of the financial period, e-Flow software was sold internationally by eight value added resellers in five different countries. During the period, noteworthy value added reseller agreements were signed in the Netherlands with Canon Nederland N.V. and in Great Britain with Accounting House Consultancy Services Ltd.

BasWare e-Flow PIP Purchase Invoice Processing software has a clear competitive advantage. The market leader position continued to strengthen in Finland and a strong position was reached also in Norway and Sweden. During the financial period, marketing of the products began with one new reseller in Great Britain and two in the Netherlands. A subsidiary was set up to start operations in Germany.

BasWare e-Flow product family grew with two new products during the period. E-procurement product e-Flow POP strengthens the competitive position of the product family by introducing a software for the purchase order requisition preceding the invoice workflow. The pilot phase of MyEflow.com, software enabling electronic invoicing, began with five large companies. Production phase will begin during the fall and the application service provider will be Sonera. The service is open to everyone and makes it possible for either companies or private persons to create, distribute and receive electronic invoices in different forms.

New customers in the business area were e.g. Gjensidige Forsikring (Norway), Sveaskog and Stockholm Vatten (Sweden), City of Helsinki,

Elcoteq Networks, Altia Group, Ensto, Pharmacia&Upjohn, State Real Property Agency and City of Oulu (Finland).

### **Financial Control Business Area**

The company's financial control business area continued to grow steadily, 42.1%. The company has kept its market leader position in Finland for years. The continuous customer orientated product development and browser based interfaces of the budgeting, forecasting and reporting as well as group accounting products, attract new customers steadily.

During the financial period, the company started preparations for internationalizing the financial control business area. International distribution of the products will begin in the Nordic countries.

New customers in the business area were e.g. Finnish Tax Administration, Huoneistokeskus, Helsinki Energy, Turku Telephone, Fortum Energiatalo and Mutual Pension Insurance Company Ilmarinen.

### **Other Events of the Financial Period**

BasWare Corporation's Board of Directors has specified the company's internationalization strategy. At the same time, the company's organization has been adjusted to better serve the rapid international expansion process. A separate unit has been formed to handle company acquisitions that support the distribution channel and product marketing as defined in the strategy.

In the future, the company's home market is the Nordic countries. The product selection in the area will be expanded through the existing distribution channel. Local subsidiaries may be set up to support the product distribution if needed.

Subsidiary NextWare Oy's operations have turned more toward packaged software. Thus, it will be integrated with the parent company later this year. By doing this, the company seeks efficiency profits as the marketing and product development are combined.

During the financial period, the company's share of ownership in Balrog New Media Oy Ab has diminished from 25% to 20% due to external ownership arrangements.

The company had 36.119 shareholders at the end of the financial period. The share capital is 256.518 euros and the number of shares 8.550.600. The value of the share at 30 June was 8.21 euros, which is 44.0% higher than the subscription price of 5.70 euros in the retail offering and 17.3% higher than the subscription price of 7.00 euros in the institutional offering.

During the financial period, the company has begun to apply the insider regulations approved by the Board of Directors of the Helsinki Exchanges on 1 March 2000.

### **Events Taking Place after 30 June 2000**

VR Group has decided to purchase BasWare Corporation's e-Business products. The deal includes e-Flow Purchase Invoice Processing and Electronic Document Archiving software and its value at this stage is over 168 thousand euros. The software will be implemented during this fall and have approximately thousand end users in VR Group's 25 companies.

Opening of the Dutch markets took place as BasWare together with the VAR Swets-Farrington Document Systems B.V. sold e-Flow PIP Purchase Invoice Processing software to a construction company ERA Bouw B.V. The customer is part of a larger construction group TBI and the software should be distributed to the subsidiaries after the pilot phase.

### **Prospects for the Year End**

The company believes that the strong organic growth of the operations continues. Growth prospects of e-Flow - the company's primary business area - are very positive throughout Europe. Operations will continue solidly in Finland, Sweden and Norway. Due to marketing efforts earlier this year, a breakthrough in the Danish and Dutch markets is expected during the year-end. The subsidiary in Germany and the one being set up in Great Britain are expected to begin their operations rapidly. The distribution channel will also be strengthened by new value added resellers in Great Britain, Germany, Denmark and Belgium.

The company's operating profit of the financial year is expected to be in a good level although the relative level of profitability will diminish compared to the previous year because of the inputs directed for the near future. However, the company believes that last year's absolute profit level will be reached.

Preparations to begin US operations will commence later this year. The operations will begin during the first half of 2001 by a company acquisition or through a new local subsidiary and value added resellers.

The effect of the two new e-Flow products will begin to show in the operations by the end of the year. The e-Procurement software e-Flow POP is already in pilot use and customers are expected to be found rapidly among the present e-Flow product users.

The electronic invoicing service MyEflow.com will be in production use later this fall and the Internet application service provider will be Sonera. The service is open to everyone and makes it possible for either companies or private persons to create, distribute and receive electronic invoices in different

forms. The goal of the electronic invoicing service business area is to reach the market leader position in Finland and distribute the business idea internationally through the company's distribution channel later this year.

In accordance with the growth strategy, BasWare continues to negotiate for company acquisitions, which are related to strengthening the company's product distribution channel or supply. The company also clarifies the possibility of a global distribution co-operation.

**In Vantaa 19 July 2000**

**Board of Directors of BasWare Corporation**

Ilkka Sihvo, President  
Kirsi Eräkangas  
Antti Pöllänen  
Sakari Perttunen  
Jukka Sonninen  
Hannu Vaajoensuu, CEO

# BasWare Corp.

## Group Income Statement

thousand euros	1.1.-30.6.2000		% 1.1.-30.6.1999		% 1.1.-31.12.1999		%
<b>Net sales</b>	<b>2 979</b>	<b>100.0</b>	<b>1 819</b>	<b>100.0</b>	<b>4 536</b>	<b>100.0</b>	
Other operating income	99		44		112		
Materials and services	124		23		116		
Personnel expenses	1 569		902		1 819		
Depreciation and write-offs	110		65		147		
Other operating expenses	945		377		920		
<b>Operating profit</b>	<b>332</b>	<b>11.1</b>	<b>495</b>	<b>27.2</b>	<b>1 645</b>	<b>36.3</b>	
Financial income and expenses	75		2		18		
Profit before <b>extraordinary items</b>	<b>406</b>	<b>13.6</b>	<b>497</b>	<b>27.3</b>	<b>1 664</b>	<b>36.7</b>	
Extraordinary items	116				1		
<b>Profit before taxes</b>	<b>291</b>	<b>9.8</b>	<b>497</b>	<b>27.3</b>	<b>1 665</b>	<b>36.7</b>	
Direct taxes	88		139		472		
<b>Profit for the period</b>	<b>202</b>	<b>6.8</b>	<b>358</b>	<b>19.7</b>	<b>1 192</b>	<b>26.3</b>	

# BasWare Corp.

## Group Balance Sheet

thousand euros	30.6.2000	%	30.6.1999	%	31.12.1999	%
<b>Assets</b>						
<b>Fixed assets</b>						
Intangible assets	31		18		35	
Tangible assets	603		411		498	
Investments	3		40		3	
	<u>637</u>	6.1	<u>469</u>	22.3	<u>536</u>	18.2
<b>Current assets</b>						
Inventories	11		19		11	
Long-term receivables	1		13		2	
Short-term receivables	2 360		929		1 020	
Liquid assets securities	6 824		193		970	
Cash and bank accounts	615		482		408	
	<u>9 811</u>	93.9	<u>1 638</u>	77.7	<u>2 410</u>	81.8
<b>Assets, total</b>	<u>10 448</u>	100.0	<u>2 107</u>	100.0	<u>2 947</u>	100.0
<b>Liabilities and shareholders equity</b>						
<b>Shareholders' equity</b>						
Share capital	257		51		202	
Share premium account	7 949					
Profit for previous financial periods	972		715		563	
Profit for the financial period	202		358		1 192	
	<u>9 380</u>	89.8	<u>1 124</u>	53.3	<u>1 958</u>	66.5
<b>Liabilities</b>						
Long-term liabilities	209		135		136	
Short-term liabilities	860		848		852	
	<u>1 068</u>	10.2	<u>983</u>	46.7	<u>988</u>	33.5
<b>Liabilities and shareholders' equity</b>	<u>10 448</u>	100.0	<u>2 107</u>	100.0	<u>2 947</u>	100.0

# BasWare Corp.

## Key figures

	30.6.2000	30.6.1999	31.12.1999
<b>Return on shareholders' equity,%</b>	10.02%	55.59%	69.93%
<b>Return on invested equity, %</b>	13.97%	71.33%	92.01%
<b>Net Gearing</b>	-4.34%	-30.90%	-13.90%
<b>Equity ratio, %</b>	89.78%	53.32%	66.46%
<b>Key ratios per share</b>			
<b>Earnings per share</b>	0.04	0.05	0.16
<b>Shareholders' equity per share</b>	1.15	0.16	0.27