



## Interim Report January 1 – March 31, 2001

### SUMMARY

- Net sales 2.075 thousand euro - growth 77.2%
- Operating profit -445 thousand euro (-15 thousand euro)
- e-Business operations grew 143.2%
- International sales grew 207%
- International share of gross product sales was 26.2%
- Personnel at the end of the period 117 - growth 67.1%

Numbers are compared to those of the same time period in 2000.

### NET SALES

BasWare Group's (later referred to as the company) net sales grew by 77.2% and were 2.075 thousand euro. The growth was completely organic.

Of net sales, 60.5% (58.8%) consisted of software product sales and 39.5% (41.2%) of services related to the products. Internationalization process advanced well during the period. Of gross product sales, 73.8% (80.9%) was domestic and 26.2% (19.1%) international. International sales accounted for 16.2% (3.7%) of net sales.

BasWare e-Flow business area grew by 143.2% and represents 68.7% of net sales. Financial control's Target business area grew by 44.2% and was 28.0% of net sales. Business related to customer specific system development accounted for 3.3% of net sales.

### OPERATING PROFIT

BasWare Group's operating profit during the financial period was -445 thousand euro (-15 thousand euro). The company's operating profit is on the planned level. Operating profit was -21.4% of net sales (-1.3%).

The company's fixed costs have grown by 98.2% compared to the same time period last year. The cost structure has changed substantially due to input in growth. The company invests most strongly in building the distribution channel, customer service organization and product development.

The company's profit before extraordinary items was -376 thousand euro (2 thousand euro) and profit for the period was -376 thousand euro (-91 thousand euro.)

## **FINANCING AND INVESTMENTS**

The company's financial status is good. Total assets of the balance sheet were 10.230 thousand euro (10.262 thousand euro). Equity ratio was 84.4 (88.5) and net gearing – 66.3 (-89.5). The company's liquid assets were 6.042 thousand euro (8.309 thousand euro).

The company's investments in fixed assets were 289 thousand euro and consisted of regular new and replacement investments resulting from the growth. During the period the company initiated a reformation project of the financial administration's basic systems and established a financial service center for the group's companies.

## **PRODUCT DEVELOPMENT**

The company continues to invest strongly in product development and personnel's skills. Product development costs during the period were 495 thousand euro (394 thousand euro), 23.9% of net sales. The company enters all costs from product development and education of the personnel as direct costs. The company employed 34 (19) persons in product development at the end of the period.

The company established a separate product development unit in Tampere, Finland on March 1, 2001.

## **PERSONNEL**

The company had 117 (70) employees at the end of the period, growth 67.1%. Product development, customer services and international operations recruited most of the new employees. The company's recruiting has been active and turnover of employees was normal.

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

## **E-BUSINESS AREA**

BasWare e-Flow product family supporting e-Business was successful during the period and business operations grew by 143.2%. 76.4% of operations were domestic and 23.6% international. Domestic business operations grew by 101.4% whereas the growth of international operations was 642.8%.

The company has maintained a competitive edge with BasWare e-Flow software. The business operations during the period were still mainly based on license and service sales of e-Flow Purchase Invoice Processing software. New products for e-Procurement and electronic invoicing in addition to ASP based services further strengthen the product family's competitive position on the markets.

There does not seem to be comparable product portfolios among BasWare's competitors. The market demand continues to be strong. BasWare's market leader position creates a base for extended substantial growth of the business operations.

### **International distribution network**

During the period, BasWare has strengthened its channels for direct sales thus enabling full-scale sales and marketing activities in Germany, the Netherlands and Great Britain. BasWare has also specified the indirect distribution model by separating partners in two categories.

By the end of the period, there were a total of four value added resellers in Scandinavia and the Netherlands that provided full service. In addition, six active partners that support marketing existed in the Netherlands, Great Britain and the German speaking areas. The partner model change strengthens the role of direct sales in those countries where BasWare has a subsidiary.

The company signed a value added reseller agreement in February with Swedish WM-data eApplications AB. BasWare e-Flow Purchase Invoice Processing (PIP) software has rapidly become a market leader in Scandinavia and WM-data's VAR agreement further strengthens BasWare's position on the market. The co-operation also provides an extensive sales network for BasWare e-Flow PIP in entire Sweden.

Intensive marketing began in Germany and Great Britain during the period. First customer installations in these countries started in the end of March. In the Netherlands the marketing efforts from the partners have been insufficient and more responsibility has been given to BasWare's local subsidiary. Expanding the value added reseller network into Belgium, Switzerland and Austria is under preparation.

### **ASP distribution of products**

During the period, e-Flow software's application service provision (ASP) began with several co-operation partners. The domestic distribution network was enhanced also by signing reseller agreements whose intention is to offer the products for an even broader target group.

To ensure rapid spreading of the ASP distribution and myeflow.com electronic invoicing service the company signed distribution and operator co-operation agreements with Proha Plc, Oy Datatie Ab, EmCe Solution Partner Oy, OpusCapita Plc and Iocore Plc. The agreement with Iocore includes also technological co-operation. Co-operation agreements have provided auspicious results although their commercial impact was still slight during the period.

### **New products**

Launching of new products belonging to the BasWare e-Flow product family has been slightly postponed. Extensive marketing of the e-Procurement product e-Flow POP for Purchase Order Processing will begin in Finland during the second quarter and in Scandinavia during the third quarter.

Sales and marketing of myeflow.com service enabling electronic invoicing progressed as expected. At the end of the period the service had 20 agreement customers. Customers are presently being connected to the service and thus, the invoicing volumes still remained low during the period. The service is expected to be fully operative during the second quarter and profit consists mainly of implementation services and connection fees. Profit focus shifts into volume based invoicing during the latter half of the financial year.

New customers in the e-Business area during the first quarter were e.g. Vattenfall Oy, Raisio Group, Engel Group, Orion Group, Pricewaterhouse Coopers A/S, Color Line A/S and Elisa Communications Corporation.

## **FINANCIAL CONTROL BUSINESS AREA**

The company's financial control business area grew by 44.2%. The growth was largely based on a positive development of service yield.

Customer base for the budgeting, forecasting and reporting as well as group consolidation software grows steadily and the existing customers diversify their software use. The development of the business area will concentrate especially on building structured business models that will distinguish BasWare from its competitors. In addition, a new department will be created inside the business unit that will offer financial management's process consulting and consulting based on the new business models.

During the financial period the company began to prepare the financial control business area for internationalization. International distribution of the products will begin in Sweden once the business models are ready for distribution.

## **OTHER EVENTS OF THE FINANCIAL PERIOD**

The company's annual general meeting (AGN) held on February 16, 2001 adopted the financial statements for 2000 and resolved to distribute a dividend of 0.91 Finnish marks (0.153051 euro) per share, total 1,308,678.00 euro in accordance with the proposal of the Board of Directors. The AGN resolved to carry forward to the retained earnings account 879,428.11 euro. The AGN adopted the income statements and balance sheets in accordance with the auditor's report and discharged the members of the Board of Directors and the CEO from liability for financial year 2000.

The following persons were re-elected to the Board of Directors: Ilkka Sihvo, Kirsi Eräkangas, Sakari Perttunen, Antti Pöllänen, Jukka Sonninen, and Hannu Vaajoensuu. A new person elected was Kim Ignatius.

## **SHAREHOLDERS' EQUITY AND SHARE PRICE DEVELOPMENT**

The company had 31,428 shareholders at the end of the period. The share capital is 256,518 euro and the number of shares 8,550,600. During the period, the highest rate of

the share was 6.35 euro, the lowest 5.15 euro and the closing rate at March 30 was 5.70 euro. Average rate of the share during the period was 6.18 euro. Number of shares traded during the period was 574,042.

## **EVENTS TAKING PLACE AFTER MARCH 30, 2001**

The UK market opened in April as Fortum O&M Ltd. chose BasWare e-Flow PIP software for their purchase invoice processing. BasWare UK Ltd's intention is to expand its operations rapidly in the UK and Ireland. This first deal provides the company with a good platform to achieve the goal.

The company made a significant deal in April when the Finnish Road Enterprise acquired BasWare e-Flow PIP and EDA software after a public competition. Software will have approximately 1,000 end-users and the system will process 200,000 invoices annually.

The company and Oy Datatie Ab will deliver BasWare e-Flow PIP Purchase Invoice Processing software for Elisa Communications Corporation, Kolumbus Oy and Direktia Oy as an ASP service. The delivery agreement is a significant opening for BasWare on the ASP market and it is believed to accumulate substantial return in a few years.

## **FORECAST OF LIKELY FUTURE DEVELOPMENT**

The company has confidence in continuous strong growth of business operations. During 2001, growth of e-Business area is expected to continue with a rate of over 100%. The operations of the financial control business area are estimated to continue at the present rate. The company forecasts that the growth of net sales will be over 75% during 2001.

Input in international marketing and product development still continues. Growth in operations will turn more toward operations related to direct customer interface. One-time investments relating to launching of subsidiaries such as in the beginning of the year will not occur anymore during this financial period since the expansion of the distribution network e.g. to France and United States will not take place until toward the year-end at the earliest.

The company forecasts that the operating profit in 2001 will be on a higher level than it was in 2000. The second quarter is estimated to be clearly positive and this will result in a positive operating profit for the first half.

The company's operating profit follows regular seasonal variations in the business and is strongly emphasized during the latter quarters of the financial year. During 2000, net sales and operating profit accumulated as follows:

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Q1/2001</b>
<b>Net sales</b>	1 171	1 808	1 625	2 851	2 075
<b>Operating profit</b>	-15	347	237	982	-445

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.

**In Vantaa, April 19, 2001**

**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**

Thousand euro	1.1.-31.3.2001		% 1.1.-31.3.2000		% 1.1.-31.12.2000		%
<b>Net sales</b>	<b>2 075</b>	<b>100.0</b>	<b>1 171</b>	<b>100.0</b>	<b>7 455</b>	<b>100.0</b>	
Other operating income	10		49		170		
Materials and services	91		63		244		
Personnel expenses	1 554		721		3 447		
Depreciation and write-offs	115		53		282		
Other operating expenses	770		399		2 102		
<b>Operating profit</b>	<b>-445</b>	<b>-21.4</b>	<b>-15</b>	<b>-1.3</b>	<b>1 551</b>	<b>20.8</b>	
Financial income and expenses	68		18		234		
<b>Profit before extraordinary items</b>	<b>-376</b>	<b>-18.1</b>	<b>2</b>	<b>0.2</b>	<b>1 785</b>	<b>23.9</b>	
Extraordinary items	0		-93		-116		
<b>Profit before taxes</b>	<b>-376</b>	<b>-18.1</b>	<b>-91</b>	<b>-7.8</b>	<b>1 669</b>	<b>22.4</b>	
Direct taxes	0		0		554		
<b>Profit for the period</b>	<b>-376</b>	<b>-18.1</b>	<b>-91</b>	<b>-7.8</b>	<b>1 115</b>	<b>15.0</b>	

# BasWare Corp.

## Group balance sheet

Thousand euro	31.3.2001	%	31.3.2000	%	31.12.2000	%
<b>Assets</b>						
<b>Fixed assets</b>						
Intangible assets						
Other long-term costs	80		35		50	
Business value	381				414	
Tangible assets	1 028		585		851	
Investments	33		3		3	
	<u>1 522</u>	14.9	<u>622</u>	6.1	<u>1 319</u>	11.0
<b>Current assets</b>						
Inventories	0		11		0	
Long-term receivables	0		2		27	
Short-term receivables	2 666		1 319		2 585	
Securities included in financial assets	5 474		7 922		6 801	
Cash and bank accounts	568		387		1 306	
	<u>8 708</u>	85.1	<u>9 640</u>	93.9	<u>10 718</u>	89.0
<b>Total assets</b>	<u>10 230</u>	100.0	<u>10 262</u>	100.0	<u>12 036</u>	100.0
<b>Liabilities and shareholders' equity</b>						
<b>Shareholders' equity</b>						
Share capital	257		257		257	
Share premium account	8 021		7 949		8 021	
Profit from previous financial periods	729		972		949	
Profit for financial period	-376		-91		1 115	
	<u>8 630</u>	84.4	<u>9 087</u>	88.5	<u>10 342</u>	85.9
<b>Liabilities</b>						
Long-term liabilities	301		178		295	
Short-term liabilities	1 299		997		1 400	
	<u>1 600</u>	15.6	<u>1 176</u>	11.5	<u>1 695</u>	14.1
<b>Total liabilities and shareholders' equity</b>	<u>10 230</u>	100.0	<u>10 262</u>	100.0	<u>12 036</u>	100.0

# BasWare Corp.

## Key indicators

	31.3.2001	31.3.2000	31.12.2000
Return on shareholders' equity,%	-15.87%	0.16%	19.47%
Return on invested equity, %	-15.17%	0.20%	28.06%
Net Gearing	-66.30%	-89.48%	-75.35%
Equity ratio, %	84.36%	88.54%	85.92%

## Key ratios per share

Earnings per share, euro	-0.04	0.00	0.14
Shareholders' equity per share, euro	1.01	1.17	1.21

## Accumulation by quarters

	Q1 1.1.- 31.3.2000	Q2 1.4.- 30.6.2000	Q3 1.7.- 30.9.2000	Q4 1.10.- 31.12.2000	Q1 1.1.- 31.3.2001
Thousand euro					
<b>Net sales</b>	<b>1 171</b>	<b>1 808</b>	<b>1 625</b>	<b>2 851</b>	<b>2 075</b>
Other operating income	49	50	28	43	10
Materials and services	63	60	73	48	91
Personnel expenses	721	848	754	1 125	1 554
Depreciation and write-offs	53	57	64	108	115
Other operating expenses	399	546	526	631	770
<b>Operating profit</b>	<b>-15</b>	<b>347</b>	<b>237</b>	<b>982</b>	<b>-445</b>
Operating profit %	-1.3%	19.2%	14.6%	34.4%	-21.4%