



Interim Report January 1 – June 30, 2001

SUMMARY

- Net sales 5,481 thousand euro - growth by 84.0%
- Q2 net sales 3,406 thousand euro (1,808 thousand euro)
- Operating profit 43 thousand euro (332 thousand euro)
- Q2 operating profit 487 thousand euro (347 thousand euro)
- e-Business operations grew by 179.0%
- International sales grew by 127.9%
- International share of gross product sales was 26.3%
- Personnel at the end of the period 136 - growth by 72.2%

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 84.0% and were 5,481 thousand euro. The growth was completely organic. Net sales during the second quarter were 3,406 thousand euro (1,808 thousand euro).

Of net sales, 69.4% (65.3%) consisted of software product sales and 30.6% (34.7%) of services related to the products. Internationalization process continued to advance well during the period. Of gross product sales, 73.7% (78.6%) was domestic and 26.3% (21.4%) international. International sales accounted for 18.7% (5.8%) of net sales.

e-Business area grew by 179.0% and represents 70.5% of net sales. Financial control's business area grew by 22.5% and was 28.0% of net sales. Business related to customer specific system development accounted for 1.5% of net sales.

OPERATING PROFIT

BasWare Group's operating profit during the financial period was 43 thousand euro (332 thousand euro). The company's operating profit is on the planned level. Operating profit was 0.8% of net sales (11.1%). Operating profit during the second quarter was 487 thousand euro. Growth compared to the same time period last year was by 40.5%.

The company's fixed costs have grown by 99.0% compared to the same time period last year. The cost structure has changed substantially due to input in growth. Input in international marketing, distribution channel and product development continued but after the acquired level the growth in costs slows down and is directed more toward operations related to direct customer interface.

The company's profit before extraordinary items was 129 thousand euro (406 thousand euro) and profit for the period was 52 thousand euro (202 thousand euro.)

FINANCING AND INVESTMENTS

The company's financial status is good. Total assets of the balance sheet were 11,450 thousand euro (10,448 thousand euro). Equity ratio was 79.4 (89.8) and net gearing - 61.2 (-77.1). The company's liquid assets were 5,885 thousand euro (7,439 thousand euro).

The company's investments in fixed assets were 480 thousand euro (211 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 1,051 thousand euro (789 thousand euro), 19.2% of net sales. The company enters all costs from product development and education of the personnel as direct costs. The company employed 37 (27) 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 136 (79) employees at the end of the period, growth by 72.2%. Customer services, international operations, product development and sales 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 continued to be successful during the period and business operations grew by 179.0%. 73.4% of operations were domestic and 26.6% international. Domestic business operations grew by 143.0% whereas the growth of international operations was 373.5%.

With BasWare e-Flow software the company has a clear competitive edge that has even increased during the period. The business operations during the period were mainly based on license and service sales of e-Flow Purchase Invoice Processing (PIP) 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.

DISTRIBUTION CHANNEL

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. First customer installations in Germany and Great Britain 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.

BasWare has specified the indirect distribution model by separating partners in two categories. 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. The partner model change strengthens the role of direct sales in those countries where BasWare has a subsidiary.

During the period, the company signed new value-added reseller (VAR) agreements with Swedish WM-data eApplications AB, British LANkind Ltd. and German inform. Consult GmbH. In addition, the company signed a VAR agreement with Australian TAG Services Pty Ltd. With TAG Services the company is able to serve customers that operate in the Australian market region. Expanding the VAR 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.

Sales and marketing of myeflow.com service enabling electronic invoicing continued to progress as expected. At the end of the period the service had over 50 agreement customers. Customers are presently being connected to the service and thus, the invoicing volumes still remained low during the period. 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 products

In Finland, full marketing of the purchase order processing software e-Flow POP has begun and first deals have been made. Marketing in other Scandinavian countries begins during the third quarter.

In Finland, the market has been waiting for a cost-efficient concept that would include both the reorganization of the procurement process and easy-to use software. Arthur Andersen Business Consulting and BasWare launched an inexpensive concept for

electronic procurement in June. Andersen is responsible for the analysis and planning of the operational model for purchases, and for change management. BasWare contributes to the concept with its easy-to-use e-Flow POP packaged software, and testing, implementation and maintenance of the application.

Customers

In June, the company signed an agreement with financial group Sampo on delivering an e-Flow PIP purchase order processing software for the group. The agreement includes all the Sampo Group companies in Finland and its total value is over 300 thousand euro.

In addition to Sampo Group new e-Flow PIP customers during the first half included e.g. Vapo Oy, ISS Suomi Oy, TS-yhtymä Oy, Tecnomen Oyj, Tieliikelaitos, JM-Bygg AB, Tetra Pak AB, Fortum UK, Vattenfall Oy, Raisio Group, Engel Group, Orion Group, Pricewaterhouse Coopers A/S, Color Line A/S and Elisa Communications Corporation.

During the period the company signed a remarkable user agreement with Sonera. Sonera starts to offer electronic invoicing services to its business customers and the invoices will be transferred through BasWare's myeflow.com service. In the first phase Sonera's mobile invoices will be transferred to the companies' purchase invoice processing systems.

Electronic invoicing service myeflow.com has e.g. the following new agreement customers: Altia Group Oy, Helsingin Energia, Metso Oyj, Sonera Mobile Operators, ABB, OP Group, SanomaWSOY Oyj, Engel Group Oy, Veikkaus Oy, Vantaan Energia, ISS Suomi Oy and Tieturi Oy.

FINANCIAL CONTROL BUSINESS AREA

The company's financial control business area grew by 22.5%. The growth was largely based on a positive development of the 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.

The financial control business area was organized under a separate unit beginning on May 1st, 2001. The objective of the new unit is to create a steady and profitable growth of the business by enhancing sales activities, by increasing service volumes and with internationalization that begins during 2002. In addition, a new department was created inside the business unit that will offer financial management's process consulting and consulting based on new business models.

New Target customers during the first half included e.g. Eläke-Fennia, Helsingin kaupungin opetusvirasto, Lohja Rudus Oy Ab, Rautaruukki Metform, Suomen 2G and Tapiola-yhtiöt.

SHAREHOLDERS' EQUITY AND SHARE PRICE DEVELOPMENT

The company had 30,782 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 8.20 euro, the lowest 4.65 euro and the closing rate on June 30 was 5.90 euro. Average rate of the share during the period was 6.21 euro. Number of shares traded during the period was 771,397.

EVENTS TAKING PLACE AFTER JUNE 30, 2001

In the beginning of July the company signed its history's largest agreement so far on delivering e-Flow PIP software for Ericsson Group's companies in Sweden. Ericsson will have approximately 10,000 end-users.

The company signed an agreement with Solotes Finland Oy on July 12th, 2001 about passing BasWare's NextHour Human Resources Management software's product rights and business operations to Solotes.

In the end of July the company signed an electronic invoicing related co-operation agreement with TietoEnator Corporation. The agreement is the first functional co-operation agreement between operators in Finland's electronic invoicing market and it enables the transfer of customers' electronic invoices between these operators.

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 grow moderately. 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. It is characteristic for the company to have seasonal variations in the business and most of the financial period's profits accumulate during the last quarter.

During 2000, net sales and operating profit accumulated as follows:

	Q1	Q2	Q3	Q4
Net sales	1 171	1 808	1 625	2 851
Operating profit	-15	347	237	982

	Q1/2001	Q2/2001
Net sales	2 075	3 406
Operating profit	-445	487

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, August 6, 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.-30.6.2001	%	1.1.-30.6.2000	%	1.1.-31.12.2000	%
Net sales	5 481	100.0	2 979	100.0	7 455	100.0
Other operating income	18		99		170	
Materials and services	214		124		244	
Personnel expenses	3 365		1 569		3 447	
Depreciation and write-offs	242		110		282	
Other operating expenses	1 635		945		2 102	
Operating profit	43	0.8	332	11.1	1 551	20.8
Financial income and expenses	86		75		234	
Profit before extraordinary items	129	2.4	406	13.6	1 785	23.9
Extraordinary items	0		-116		-116	
Profit before taxes	129	2.4	291	9.8	1 669	22.4
Direct taxes	77		88		554	
Profit for the period	52	0.9	202	6.8	1 115	15.0

BasWare Corp.

Group balance sheet

Thousand euro	30.6.2001	%	30.6.2000	%	31.12.2000	%
Assets						
Fixed assets						
Intangible assets						
Other long-term costs	105		31		50	
Business value	363				414	
Tangible assets	1 086		603		851	
Investments	3		3		3	
	<u>1 556</u>	13.6	<u>637</u>	6.1	<u>1 319</u>	11.0
Current assets						
Inventories	0		11		0	
Long-term receivables	52		1		27	
Short-term receivables	3 957		2 360		2 585	
Securities included in financial assets	5 024		6 824		6 801	
Cash and bank accounts	862		615		1 306	
	<u>9 894</u>	86.4	<u>9 811</u>	93.9	<u>10 718</u>	89.0
Total assets	<u>11 450</u>	100.0	<u>10 448</u>	100.0	<u>12 036</u>	100.0
Liabilities and shareholders' equity						
Shareholders' equity						
Share capital	257		257		257	
Share premium account	8 021		7 949		8 021	
Profit from previous financial periods	766		972		949	
Profit for financial period	52		202		1 115	
	<u>9 095</u>	79.4	<u>9 380</u>	89.8	<u>10 342</u>	85.9
Liabilities						
Long-term liabilities	282		209		295	
Short-term liabilities	2 074		860		1 400	
	<u>2 355</u>	20.6	<u>1 068</u>	10.2	<u>1 695</u>	14.1
Total liabilities and shareholders' equity	<u>11 450</u>	100.0	<u>10 448</u>	100.0	<u>12 036</u>	100.0

BasWare Corp.

Key indicators

	30.6.2001	30.6.2000	31.12.2000
Return on shareholders' equity,%	1.07%	10.02%	19.47%
Return on invested equity, %	3.32%	13.97%	28.06%
Net Gearing	-61.18%	-77.08%	-75.35%
Equity ratio, %	79.43%	89.78%	85.92%

Key ratios per share

Earnings per share, euro	0.01	0.04	0.14
Shareholders' equity per share, euro	1.06	1.15	1.21

Accumulation by quarters

Thousand euro	Q1	Q2	Q3	Q4	Q1	Q2
	31.3.2000	30.6.2000	30.9.2000	31.12.2000	31.3.2001	30.6.2001
Net sales	1 171	1 808	1 625	2 851	2 075	3 406
Other operating income	49	50	28	43	10	8
Materials and services	63	60	73	48	91	123
Personnel expenses	721	848	754	1 125	1 554	1 812
Depreciation and write-offs	53	57	64	108	115	127
Other operating expenses	399	546	526	631	770	866
Operating profit	-15	347	237	982	-445	487
Operating profit %	-1.3%	19.2%	14.6%	34.4%	-21.4%	14.3%