

Interim Report January 1 – September 30, 2001

SUMMARY

- Net sales 8,413 thousand euro - growth by 82.7%
- Q3 net sales 2,931 thousand euro (1,625 thousand euro)
- Operating profit 184 thousand euro (569 thousand euro)
- Q3 operating profit 142 thousand euro (237 thousand euro)
- e-Business operations grew by 176.4%
- International sales grew by 153.3%
- International share of gross product sales 30.0%
- Personnel at the end of the period 147 - growth by 79.3%

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 82.7% and were 8,413 thousand euro. The growth was completely organic. Net sales during the third quarter grew by 80.4% and were 2,931 thousand euro (1,625 thousand euro).

Of net sales, 68.5% (66.4%) consisted of software product sales and 31.5% (33.6%) of services related to the products. Internationalization process continued to advance well during the period. Of gross product sales, 70.0% (78.3%) was domestic and 30.0% (21.7%) international. International sales accounted for 16.6% (6.2%) of net sales.

e-Business area grew by 176.4% and represents 72.0% of net sales. Financial control's business area grew by 10.4% and was 25.7% of net sales. Business related to customer specific system development accounted for 2.3% of net sales.

OPERATING PROFIT

BasWare Group's operating profit during the financial period was 184 thousand euro (569 thousand euro). The company's operating profit is on the planned level. Operating profit was 2.2% of net sales (12.4%). Operating profit during the third quarter was 142 thousand euro (237 thousand euro).

The company's fixed costs have grown by 98.3% 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 371 thousand euro (712 thousand euro) and profit for the period was 215 thousand euro (400 thousand euro.)

FINANCING AND INVESTMENTS

The company's financial status is good. Total assets of the balance sheet were 11,082 thousand euro (10,557 thousand euro). Equity ratio was 83.0 (90.7) and net gearing -53.7 (-79.0). The company's liquid assets were 5,212 thousand euro (7,827 thousand euro).

The company's investments in fixed assets were 729 thousand euro (352 thousand euro) and consisted of regular new and replacement investments resulting from the growth. During the period the company finished the reformation project of the financial administration's basic systems and established a financial service center for the group's companies. The company moved into new premises at the end of the period.

PRODUCT DEVELOPMENT

The company continues to invest strongly in product development and personnel's skills. Product development costs during the period were 1,612 thousand euro (1,253 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 35 (30) persons in product development at the end of the period.

PERSONNEL

The company had 147 (82) employees at the end of the period, growth by 79.3%. 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 176.4%. 76.9% of operations were domestic and 23.1% international. Domestic business operations grew by 150.2% whereas the growth of international operations was 324.0%.

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. Early stage of the markets has delayed the launch of business operations. However, constant increase of sales activities and offer base predicts fast growth of volume of the business operations in the future.

With BasWare e-Flow software the company has a clear competitive edge that has even increased during the period. 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 billing 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. BasWare's market leader position creates a base for extended substantial growth of the business operations.

Purchase invoice processing and e-Procurement

BasWare e-Flow software is 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.

In Finland, full marketing of the purchase order processing software BasWare e-Flow POP has begun and first deals have been made. Marketing in other Scandinavian countries began during the third quarter. Demand is growing and BasWare's product concept seems to be competitive.

Together with Andersen BasWare also 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 BasWare e-Flow POP packaged software, and testing, implementation and maintenance of the application.

New BasWare e-Flow customers during the period included e.g. Sampo Group, Merita Bank, Sisu-Auto Oy, Toyota Motor Finland Oy, Ericsson AB, Tetra Pak AB, Ergo Integration A/S, Expert Eilag A/S and Spenncon A/S.

Distribution channel

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., German inform. Consult GmbH and Australian TAG Services Pty Ltd. Expanding the VAR network into Belgium, Switzerland, Austria and Ireland is under preparation.

Electronic invoicing service

To ensure the rapid spreading of 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. 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 60 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 begins to shift into volume based invoicing during the latter half of the financial year.

The company signed electronic invoicing related co-operation agreements with TietoEnator Corporation and Finland Post Corporation. The agreements are the first functional co-operation agreements between operators in Finland's electronic invoicing market and they enable the transfer of customers' electronic invoices between these operators. Due to the co-operation the use of the services is facilitated for both invoice senders and recipients as the operators transfer the invoices to proper direction.

Electronic invoicing service myeflow.com has e.g. the following new agreement customers: MatkaKaleva Oy, Kohdematkat Oy, Sampo Financing, TNT Finland Oy, Senaatti Kiinteistöt, AEL, Helvar Merca Oy Ab, Lehtikuva Oy, ABB and Nordic Aluminium Oyj. Datatie of the partners has begun invoicing piloting with Elisa Group.

FINANCIAL CONTROL BUSINESS AREA

The company's financial control business area grew by 10.4%. The growth was based on 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.

In September 2001, the company successfully launched a new concept for financial control. With the new concept 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 new concept includes Target product family, installation consultation related to the products and well developed packaged business models.

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.

New Target customers during the first half included e.g. Finnish Road Enterprise, Enermet Oy, Elisa Business Solutions and Rautaruukki Oyj.

OTHER EVENTS OF THE FINANCIAL PERIOD

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

On September 1st, 2001 the company's headquarters moved from Vantaa to Espoo, Leppävaara. New premises are located at Linnoitustie 2 B, building Cello, FIN-02600 Espoo. The mailing address is PL 97, FIN-02601 Espoo.

The company and Merita Bank signed an agreement on BasWare e-Flow Purchase Invoice Processing software for Nordea Group's use in Finland. The system will be installed to approximately 3,600 end-users and co-operation can later be extended to cover also other companies belonging to Nordea Group in Scandinavia.

SHAREHOLDERS' EQUITY AND SHARE PRICE DEVELOPMENT

The company had 30,411 (34,152) 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 4.30 euro and the closing rate on September 28th was 4.40 euro. Average rate of the share during the period was 6.14 euro. Number of shares traded during the period was 912,971.

EVENTS TAKING PLACE AFTER SEPTEMBER 30, 2001

In October, the company signed remarkable deals in Central-Europe. The Swiss market was opened as CIBA Vision decided to acquire BasWare e-Flow Purchase Invoice Processing (PIP) software. The deal was made by BasWare's German subsidiary BasWare GmbH. In the Netherlands YTONG Nederland B.V. signed an agreement on BasWare e-Flow PIP. BasWare's reseller Momentum B.V. will deliver the software.

The company also signed a sales and marketing co-operation agreement with locore that aims at reselling. locore B.V. begins offering BasWare e-Flow products in the Netherlands and locore Benelux/Luxembourg in Belgium. The agreement is BasWare's opening in the Belgian markets.

FORECAST OF LIKELY FUTURE DEVELOPMENT

The company has confidence in continuous strong growth of business operations. Thus far general weakening of the current financial situation has not substantially effected the growth. 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 during the last quarter of 2001 will follow the growth of the earlier months of this year.

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. Expansion of the distribution network e.g. to France and United States will not take place until the second quarter of 2002 at the earliest. The monthly costs of the first quarter of 2002 will not substantially rise from the level of the year-end 2001.

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 and the first half of 2001 net sales and operating profit accumulated as follows:

	Q1/2000	Q2/2000	Q3/2000	Q4/2000
Net sales	1 171	1 808	1 625	2 851
Operating profit	-15	347	237	982
	Q1/2001	Q2/2001	Q3/2001	
Net sales	2 075	3 406	2 931	
Operating profit	-445	487	142	

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 Espoo, Finland, October 16th, 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

GROUP INCOME STATEMENT

EUR thousand	1.1.-30.9.2001	%	1.1.-30.9.2000	%	1.1.-31.12.2000	%
Net sales	8 413	100.0	4 605	100.0	7 455	100.0
Other operating income	40		127		170	
Materials and services	370		197		244	
Personnel expenses	4 754		2 322		3 447	
Depreciation and write-offs	379		174		282	
Other operating expenses	<u>2 766</u>		<u>1 470</u>		<u>2 102</u>	
Operating profit	184	2.2	569	12.4	1 551	20.8
Financial income and expenses	<u>187</u>		<u>143</u>		<u>234</u>	
Profit before extraordinary items	371	4.4	712	15.5	1 785	23.9
Extraordinary items	<u>0</u>		<u>-116</u>		<u>-116</u>	
Profit before taxes	371	4.4	597	13.0	1 669	22.4
Direct taxes	156		197		554	
Profit for the period	<u>215</u>	2.6	<u>400</u>	8.7	<u>1 115</u>	15.0

GROUP BALANCE SHEET

EUR thousand	30.9.2001	%	30.9.2000	%	31.12.2000	%
Assets						
Fixed assets						
Intangible assets						
Other long-term costs	283		34		50	
Business value	322		0		414	
Tangible assets	1 005		677		851	
Investments	3		3		3	
	<u>1 613</u>	14.6	<u>714</u>	6.8	<u>1 319</u>	11.0
Current assets						
Long-term receivables	0		1		27	
Short-term receivables	4 257		2 015		2 585	
Securities included in financial assets	4 222		6 892		6 801	
Cash and bank accounts	990		935		1 306	
	<u>9 469</u>	85.4	<u>9 843</u>	93.2	<u>10 718</u>	89.0
Total assets	<u>11 082</u>	100.0	<u>10 557</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	710		972		949	
Profit for financial period	215		400		1 115	
	<u>9 202</u>	83.0	<u>9 578</u>	90.7	<u>10 342</u>	85.9
Liabilities						
Long-term liabilities	268		256		295	
Short-term liabilities	1 611		723		1 400	
	<u>1 879</u>	17.0	<u>979</u>	9.3	<u>1 695</u>	14.1
Total liabilities and shareholders' equity	<u>11 082</u>	100.0	<u>10 557</u>	100.0	<u>12 036</u>	100.0

GROUP'S KEY INDICATORS

	30.9.2001	30.9.2000	31.12.2000
Return on equity, %	2.94%	11.12%	19.47%
Return on investment, %	4.93%	15.95%	28.06%
Net Gearing	-53.72%	-79.04%	-75.35%
Equity ratio, %	83.04%	90.72%	85.92%

GROUP SHARE INDICATORS

	30.9.2001	30.9.2000	31.12.2000
Earnings per share, EUR	0.03	0.06	0.14
Equity per share, EUR	1.08	1.16	1.21

GROUP INCOME STATEMENT BY QUARTERS 2000 AND 2001

EUR thousand	Q1	Q2	Q3	Q4
	1.1.-31.3.2000	1.4.-30.6.2000	1.7.-30.9.2000	1.10.-31.12.2000
Net sales	1 171	1 808	1 625	2 851
Other operating income	49	50	28	43
Materials and services	63	60	73	48
Personnel expenses	721	848	754	1 125
Depreciation and write-offs	53	57	64	108
Other operating expenses	399	546	526	631
Operating profit	-15	347	237	982
Operating profit %	-1.3%	19.2%	14.6%	34.4%

EUR thousand	Q1	Q2	Q3
	1.1.-31.3.2001	1.4.-30.6.2001	1.7.-30.9.2001
Net sales	2 075	3 406	2 931
Other operating income	10	8	23
Materials and services	91	123	156
Personnel expenses	1 554	1 812	1 388
Depreciation and write-offs	115	127	138
Other operating expenses	770	866	1 130
Operating profit	-445	487	142
Operating profit %	-21.4%	14.3%	4.8%