

ANNUAL REPORT  
2000



**BasWare**

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## Information for shareholders

### Financial reports during 2001

Publication of interim reports:	January – March	April 19, 2001
	January – June	August 6, 2001
	January – September	October 16, 2001

All interim reports will be published at 9.30 a.m. (EET). Annual reports, interim reports and stock exchange releases may be obtained from BasWare’s Internet pages at <http://www.basware.com>.

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# BasWare in brief

BasWare Corporation is a profitably growing international software vendor, and its shares are quoted on the Helsinki Exchanges NM list. Founded in 1985 BasWare develops, markets and sells software that supports e-Business and financial control. BasWare's software is used in over a thousand organizations in various business sectors, in both the private and public sector. Of its products, BasWare e-Flow is the market leader in the Nordic countries as is BasWare Target in Finland.

BasWare's headquarters are in Vantaa, Finland. Subsidiaries are located in Sweden, Germany, Great Britain and the Netherlands. The product distribution channel covers the markets of the Nordic countries, the Netherlands, Germany and Great Britain.

BasWare's net sales in 2000 were 7.5 million euro with a total of 101 employees at the end of the year.



# Objectives and strategy

## *BasWare's objectives are to be*

- The market leader in Europe as a supplier of e-Business related purchase invoice processing and e-Procurement software
- The market leader in the Nordic countries as a supplier of budgeting, forecasting and reporting software
- The market leader in Finland as a supplier of group accounting software
- The market leader at least in the Nordic countries with each new product

## *Key points of BasWare's business strategy*

### ■ Growth

The company grows organically and the growth may be supported by company acquisitions compatible with the business strategy. Largest growth numbers come from products supporting e-Business and accumulate increasingly from international markets. The home market will be the Nordic countries.

### ■ Internationalization

The company internationalizes rapidly in Europe. The competitive advantage is exploited by building a market channel based mainly on resellers and thus, enabling rapid start-up of operations in the selected countries. Subsidiaries are established in the largest market areas.

### ■ Products

The company develops new products interrelated to the existing product concept with customer-orientation and utilizing the possibilities of the latest Internet and mobile technologies. Input in product development continues and products are developed in such way that they may be distributed through the international value added reseller network.

### ■ Services

The company offers productized delivery and maintenance service concepts for Finland as well as the value added resellers. Service concepts support rapid and easy implementation and maintenance of the products.

### ■ Customers

The company's customer target group consists of companies with net sales exceeding 100 million euro. Possibilities that ASP distribution provides will be examined.

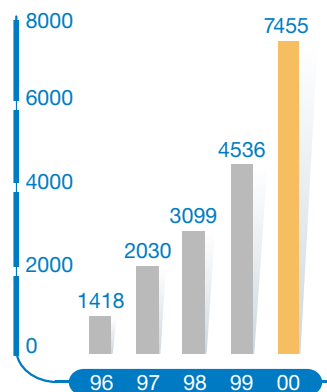
### ■ Personnel

The company's personnel policy aims to increase productivity as the working motivation increases and processes are enhanced. Personnel's international skills are systematically developed.

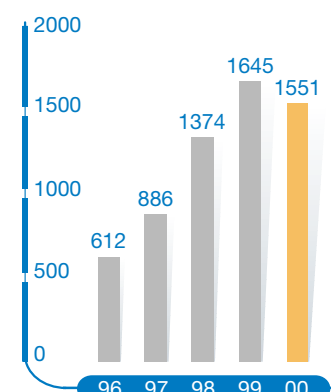
# Key figures

thousand euro	2000	1999	1998	1997	1996
<b>Net sales</b>	<b>7 455</b>	4 536	3 099	2 030	1 418
Growth in net sales, %	64.4	46.4	52.6	43.2	74.1
<b>Operating profit</b>	<b>1 551</b>	1 645	1 374	886	612
% of net sales	20.8	36.3	44.3	43.6	43.2
<b>Return on equity, %</b>	<b>19.5</b>	69.9	83.3	80.3	86.1
<b>Return on investment, %</b>	<b>28.1</b>	92.0	112.4	112.0	119.9
<b>Equity ratio, %</b>	<b>85.9</b>	66.5	68.9	71.8	66.9
<b>Net Gearing</b>	<b>-75.4</b>	-63.4	-72.8	-75.5	-69.8
<b>Balance sheet total</b>	<b>12 036</b>	2 947	2 105	1 301	973
<b>R&amp;D expenses</b>	<b>1 709</b>	893	435	285	218
% of net sales	22.9	19.7	14.0	14.0	15.4
<b>Number of personnel at year-end</b>	<b>101</b>	65	40	29	19
<b>Earnings per share, eur</b>	<b>0.14</b>	0.16	0.14	0.09	0.06
<b>Equity per share, eur</b>	<b>1.21</b>	0.27	0.20	0.13	0.09

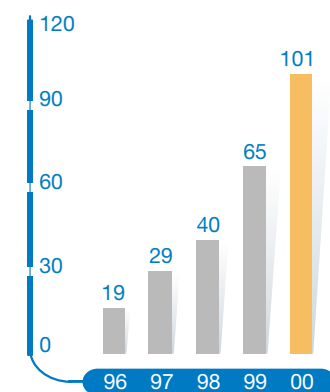
**Net sales**  
thousand euro



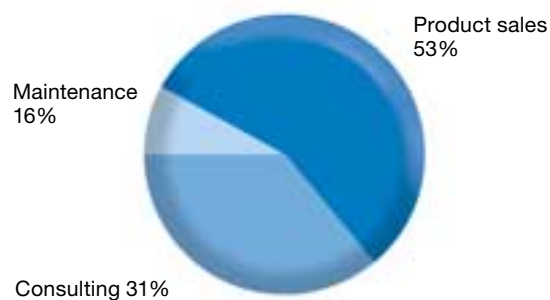
**Operating profit**  
thousand euro



**Personnel**  
at year end 2000



**Net sales in segments**



**Net sales by business areas**



# Address from the management

## Change is constant

Success in e-Business is guaranteed only for organizations that are willing and able to change constantly. This is already the sixth consecutive organic growth year for BasWare with annual growth exceeding 50%. Change has collected a toll but as a result the company is successful and genuinely international today with good future prospects.

During 2000 the company's net sales grew 64.4% to 7.5 million euro. Despite remarkable input in growth and internationalization, business operations continued to run with a good profit level. Also worth mentioning is that the company's employee number passed the turnover mark of 100 professionals in December.

## Conquest of Europe continues

BasWare's challenging goal is to be the market leader in Europe with e-Flow in purchase invoice and purchase order processing. The internationalizing process has progressed well although things remain to be achieved. The international share of gross sales continues to grow and was now 23.4%. Subsidiaries that started operating during the year will also have an effect in the future on growth of the relative international share of the company's business operations.



Our company's products are presently sold in seven countries with a subsidiary in four of them. Subsidiaries support the resellers in primary markets but participate also in direct marketing in their own narrow market segment. The combination aims to increase cash flow especially in the tough and investment heavy launching phase of a new market.

## Intellectual capital

Motivated and skilled employees are essential for all successful companies. According to a feedback study, BasWare's employees value our good working atmosphere with improvement, motivation and comfort as the key words. Investments are directed to professional skills of core competence. Internationalization is now a part

of every employee's training.

BasWare's personnel number grew 54% during the year. It was also pleasing to notice that the nationalities our employees represent increased by four. Therefore, it was easy to make the decision of changing the group's official language into English.

BasWare's rapid growth sets considerable challenges to the company's recruiting process. IT-specialists are a target for competition also in the future and it is clear that the company has to provide an interesting company profile and competitive prospects for all newcomers. So far, we have succeeded well in the tough recruiting situation and turnover of the employees has remained small.

## Stock exchange listing

BasWare's initial public offering in February was a success. Interest in our company was massive and the average over-subscription in both the institutional and retail offerings was over 40 times. In one go, BasWare received over 54.000 shareholders which is approximately one per cent of the Finnish population and simultaneously probably a national record of the kind. Our employees participated enthusiastically in the IPO and nearly all of them subscribed



*BasWare's  
IPO in February  
was a success.*

shares.

The company's goal in the stock exchange listing was to broaden the shareholder base and create a new source of financing for the requirements of growth and internationalization. Visibility and international credibility of a listed company was also considered important together with improving the company's recruiting opportunities and personnel's incentive scheme. The entire process was successful and reached all set goals.

### **e-Future**

In the future, BasWare's constant growth continues to come from e-Business where demand keeps growing globally.

Market prognoses promise growth numbers as high as 100% for e-Procurement in the next few years. The e-Business technology also continues to change and especially wireless Internet technology is expected to create many new challenges and possibilities for our company. We will utilize mobile technology in our software already during 2001.

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 building an international distribution channel as well as in marketing and product development will continue. The company forecasts that the operating profit in 2001 will be on a higher level than presently. The first quarter of 2001 is expected to be unprofitable. Operating profit will follow regular seasonal variations in the business and is strongly emphasized during the latter quarters of the financial year.

### **Acknowledgements**

We want to thank our personnel for this busy and successful year. A compliment for your trust and co-operation belongs also to our customers, partners and new shareholders.

***Ilkka Sihvo***

President

***Hannu Vaajoensuu***

CEO



# Events in 2000

## February

- BasWare Corporation's public initial offering began on February 14 and was suspended the following day as strong demand resulted in over-subscription.

## March

- Trading in the shares of BasWare Corporation started on Helsinki Exchanges' NM List.
- BasWare had a remarkable opening in the public sector as it signed an e-Flow PIP agreement of over 168 thousand euro with the City of Helsinki.

## April

- BasWare signed a value added reseller agreement with Dutch Swets Farrington.

## May

- BasWare announced its plan to develop myeflow.com electronic invoicing service in co-operation with Sonera Juxto. Pilot customers for the service are ABB Industry Drives, Fortum FACE, OKO Bank, Sanoma Osakeyhtiö and Varma-Sampo.
- BasWare signed its hitherto largest international deal with Norwegian insurance company Gjensidige Forsikring. The total value of the e-Flow PIP deal including services was 252 thousand euro with 4500 end users.
- BasWare signed a value added reseller agreement with Dutch Canon Nederland.

## June

- BasWare signed a value added reseller agreement with British Accounting House.

## July

- BasWare signed an e-Flow PIP agreement with VR Group. The deal valued at over 168 euro and included 1000 end users.
- BasWare opened the Dutch market with signing an e-Flow PIP agreement with a construction company ERA Bouw.

## August

- BasWare's German subsidiary started its operations.
- BasWare's subsidiary NextWare Oy's operations were integrated with the parent company because NextWare had already turned more toward packaged software.

## September

- BasWare signed a value added reseller agreement with Danish WM-data.
- A decision to change also the Dutch office into a subsidiary was made.

## October

- BasWare established a subsidiary in Sweden by acquiring the e-Flow business unit with employees from its value added reseller Enterprise Service Holding.
- The subsidiary in Great Britain started its operations.

## November

- BasWare signed remarkable e-Flow agreements with forefront Finnish organizations Finnair, Rautakirja and Outokumpu. The value of the deals in the first phase was 504 thousand euro.
- The ASP business operations of the software were organized under a new myeflow.com business unit. The unit's objective is to commercialize myeflow.com electronic invoicing service and to offer e-Flow products with ASP services.

## December

- Swedish Ericsson Shared Services, a service center for Ericsson Group, signed an agreement for e-Flow PIP.
- BasWare opened the Danish market as Sønderborg hospital signed an agreement for e-Flow PIP.



*For Basware,  
2000 was  
a year of strong  
internationalization.*

# BasWare – growing and internationalizing company



BasWare's strong growth continued during the year. In Finland, the product sales grew creditably. In addition, the internationalization process continued rapidly and extensively following the company's strategy. International operations grew by 10.2% compared to the previous year. The building of the distribution network as well as product development received strongest input.

BasWare's internationalizing process continued during the year. Of gross sales, 76.6% was still domestic, but the share of international sales started growing strongly. The international business units accounted for 10.2% of net sales.

## Extensive international distribution channel

During the year, BasWare build an extensive international distribution channel based on fully owned subsidiaries and local value added resellers. Marketing began with BasWare e-Flow products supporting e-Business.

Business activities in the Netherlands, Norway and Denmark progressed as expected with the help of the value added resellers. Rising market and marketing efforts begun at the beginning of the year created a good base for the operations. Remarkable agreements were signed in each market area.

At the end of the year, BasWare's products were sold internationally by eight value added resellers in five different countries. Expanding the value added reseller network in Germany, Great Britain, Switzerland and Austria is under preparation.

## Subsidiaries to concentrate on global customers

BasWare's strategy is to establish subsidiaries to operate in the important market areas. They will launch direct marketing actions concentrating specifically on global customers while value added resellers concentrate on the companies in the local market.

In October, BasWare established a subsidiary to cover the Swedish markets by purchasing the e-Flow business operations from its reseller





Enterprise Service Holding AB. The purchase progressed as planned and operations were profitable from the beginning.

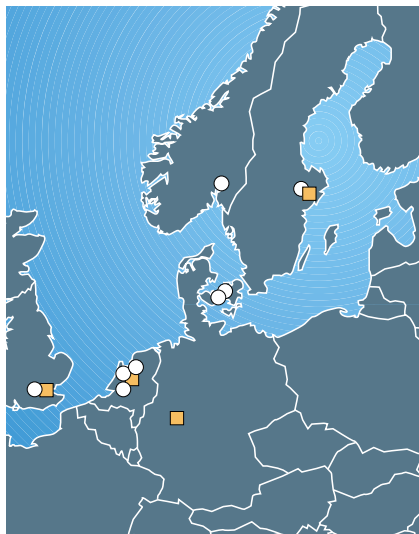
The demand for e-Business products is growing strongly in Sweden and the establishment of a subsidiary was seen necessary to meet the growing demand. Most of the international net sales came from this market.

The German subsidiary, BasWare GmbH, started operations in August and the British subsidiary, BasWare UK Ltd., in October. In September, BasWare decided to change the Dutch office into a subsidiary, as well.

### Organization supports internationalization

In August, BasWare introduced a new organization model that better supports the rapid internationalization process. In the future, the company's home market area will be the Nordic countries.

The new organization aims to create common business models for the entire group based on the good experiences gained in Finland. The renewed channel services organization concentrates on helping the sales and marketing operations of the international units and provides technical support for them, as well.



#### ■ BasWare's subsidiaries:

- BasWare AB (Sweden)
- BasWare GmbH (Germany)
- BasWare B.V. (the Netherlands)
- BasWare UK Ltd. (Great Britain)

#### ○ BasWare's value added resellers:

- Adaptive Systems AB (Sweden)
- Adaptive Systems Norway A/S (Norway)
- A-team A/S (Denmark)
- WM-data A/S (Denmark)
- Canon Nederland N.V. (the Netherlands)
- Momentum B.V. (the Netherlands)
- Swets Farrington B.V. (the Netherlands)
- Accounting House Ltd. (Great Britain)



## Electronic efficiency into the purchase process



### New customers:

- Elcoteq Network Corporation
- Finnair Oyj
- City of Helsinki
- Outokumpu Oyj
- Rautakirja Oyj
- VR Group
- StoraEnso Timber (Finland and Sweden)
- Ericsson Shared Services AB (Sweden)
- Stockholm Vatten AB (Sweden)
- Sveaskog AB (Sweden)
- Gjensidige Forsikring (Norway)
- Oslo Lufthavn A/S (Norway)
- Sønderborg Sygehus (Denmark)
- BEN Nederland B.V. (the Netherlands)
- ERA Bouw B.V. (the Netherlands)

BasWare's position as an e-Business solutions provider for large organizations strengthened during the year. BasWare e-Flow business operations grew by 147.4% and product marketing began extensively in Europe.

BasWare e-Flow Purchase Invoice Processing (PIP) software now has a clear competitive edge in the Nordic countries. The number of installations and success in general competition situations is a clear indication of this.

### Unique comprehensive solution for purchase process

The BasWare e-Flow product family is a functional and comprehensive solution for business-to-business e-Business commencing with purchase initiative and ending with delivery and purchase invoice processing. With the e-Flow software the purchase process becomes simpler and financial management's manual input diminishes or ceases altogether.

BasWare e-Flow software is applicable to all business branches and there are already tens of thousands of end users in hundreds of companies and organizations. Technically open systems utilize standard software interfaces and do not require customer-based coding. The systems are adjusted by the setting up of parameters and this enables rapid implementation and easy updating.

### Software demand growing in all market areas

In Finland, the demand for e-Business software has grown fast for three years in a row, whereas in Sweden and Norway the market is presently shifting into the fast growth period with purchase invoice processing. In Central Europe, Great Britain and Denmark, the markets are also beginning to open.

BasWare e-Flow PIP is technically advanced and can service large organizations well with its versatility. The demand exists, and there are few packaged applications that can compete with the e-Flow's openness and compatibility with different systems.

In Europe, the market for e-Procurement is only starting to take shape and most competition comes from America.

### Market leadership provides a way for success

Growth prospects of e-Flow—BasWare's primary business area—are very positive throughout Europe. The company has good prerequisites of success in the future.

New products, e-Flow Purchase Order Processing (POP) and myeflow.com, are to be fully commercialized during the first half of 2001 and thereafter internationally distributed.

BasWare's market leadership position together with a strong vision of the product concept and its development creates a good base for the business operations' continual growth in the near future. With the extensive distribution network, BasWare is able to serve the Western EU area and Scandinavia better than its present competitors.

#### e-Flow PIP Purchase Invoice Processing

Processes companies' purchase invoices and invoice workflow electronically.

#### e-Flow POP Purchase Order Processing

For order processing of non-production commodities and services.

#### e-Flow EDA Electronic Document Archiving

An electronic archive tailored for financial management's specific needs

During the year, BasWare introduced a new electronic invoicing service myeflow.com. Launching the service was the company's first step toward Application Service Provider (ASP) business and a separate business unit was created for it. The unit includes the myeflow.com invoicing service and forthcoming ASP operations of present products that will be launched later.

myeflow.com

**Sending and receiving invoices electronically**

**New myeflow.com invoicing service** enables the entire billing process to go through electronically. It manages any company's business-to-business and business-to-customers invoicing.

Internet based myeflow.com is an open solution that can transfer electronic invoices to the customer company's purchase invoice processing system, financial management's basic system, bank or e-mail. If the recipient is unable to process invoices electronically, they can be delivered as e-Letters.

Pilot customers of the new service consisted of ABB Industry Drives, Fortum FACE, OKO Bank, Sanoma Osakeyhtiö and Varma-Sampo.

#### **Strengths: partnerships and a large customer base**

Year 2001 is expected to be the break-through year for electronic invoicing in Finland. Electronic invoicing, based on new technologies, may well replace present paper invoices due to its comparative cost efficiency and flexibility.

BasWare has decided to co-operate with several partners. A specific strength of the company within the opening market is its large customer base that can connect directly to the service to form part of their existing e-Flow software.

#### **Goal: market leadership**

The target market for electronic invoicing is large since in Finland alone approximately 400 million invoices are mailed every year. BasWare's goal is to be the market leader in Finland with myeflow.com electronic invoicing service and distribute the service internationally.

The essential factor in the market competition situation is that the service receives a sufficient number of both senders and receivers of the electronic invoices. BasWare aims to connect its present customers as receivers and senders of the electronic invoices during the first half of 2001. BasWare is marketing the service actively and successfully.





## Efficient financial control participating actively in business operations



### New customers:

- Efore Oyj
- Finnair Oyj
- Finnish Tax Administration
- Fortum Energiatalo Oy
- Helsinki Energy
- Huoneistokeskus
- Keskinäinen Eläkevakuutusyhtiö Ilmarinen
- Rautaruukki Steel
- Tamfelt Oyj Abp
- Turku Telephone Oy

BasWare's financial control business operations continued to grow steadily, 21.2%. The products were organized under one Target brand at the end of the year to make marketing more efficient. The products have held market leader position in Finland for some years.

BasWare's strong know-how in financial control dates from the 1980s. **BasWare Target product family** provides efficient and modern tools for the different areas of financial management.

Because Target can be parameterized, it molds flexibly into a company's unique needs regardless of their business activities. Therefore, Target has hundreds of user companies or organizations in all business sectors from industry to trade and services, as well as public administration.

### Absence of competition

The perspective of financial management has shifted from documenting the past into analyzing the future. There is a growing need for refined information in the business' decision making process. BasWare Target products support the renewed process. Continuous product development and new features, such as mobile solutions, further strengthen the products and their competitive edge.

Target product family's core software for budgeting, forecasting and reporting faces relatively little competition because entering the demanding market is tough. Growth is expected especially in the consulting services. The markets for group consolidation software have matured and the demand has steadied.

### Internationalization as the future

BasWare started to prepare for the internationalization of the Target business operations during the year. The international distribution of the product family will begin in the Nordic countries.

BasWare already has a notable customer base in Sweden and a cost efficient market launch is expected.

#### Target Business Planning

Versatile software for budgeting, forecasting and reporting. It allows the companies to switch from budgeting once a year into continuous estimating.

#### Target Group Consolidation

Software's flexible reporting and consolidation features bring efficiency to any company's external and internal accounting.

#### Target Management Reporting

Reporting features may be expanded with a browser-based product designed for management reporting. Reports may be viewed at any time, as the information from the database is always accurate and up to date.

#### NextHour

#### NextHour—human resources costing and accounting

A browser-based software for real-time collection, follow up and allocation of human resources. It especially suits geographically dispersed organizations.

**BasWare's international expansion is Product Development's greatest challenge. The customers will be geographically further away and products are distributed also through resellers. Even with international expansion, BasWare wants to preserve its customer orientation and innovativeness.**

BasWare invests heavily in Product Development. In 2000, the costs were 1709 thousand euro and equaled 22.9% of the company's net sales. R&D had 32 employees at the end of the year. In the beginning of 2001, BasWare opens a Product Development unit in Tampere, Finland.

### **New knowledge with new products**

During the year, use of Java-based open architecture increased in the products and personnel's Java-training received strong input.

Development and piloting of the electronic invoicing service myeflow.com has clearly added value to the product selection and brought valuable know-how into product development. BasWare participates in the work of the electronic invoice standardizing committee and invests in XML-technology.

The other new product, purchase order processing software e-Flow POP, completed the company's e-Business product concept.

### **Investing in quality and schedules**

While programming resources have grown the quality and testing of products has received more attention, as well. The number of employees in the Productization Team has increased the greatest, concentrating specifically on the finishing processes. They are one more link in ascertaining that only high quality products leave the desks of R&D.

Due to enhanced processes, more time can be spent with system validation in different platforms. Simultaneously, the usability of the products, for example in different operating systems, can be guaranteed. Schedules will be met, as with Road Map, with planning.

Improved process aim at keeping all BasWare's products in a World Class Standard.

### **Ability to react fast in changing market situations**

In changing market situations, BasWare's advantage has always been the ability to react fast. The processes of product development have been streamlined to keep this advantage even in a growing organization.

Another advantage is that BasWare's products can be distributed internationally without further development. Only more language versions have been added and there are seven of them at the moment.

### **Challenges of the near future**

The opening Application Service Provider (ASP) market in Europe has brought a new perspective to BasWare's Product Development, namely, how the products fit the ASP service environment. Offering BasWare's products with ASP service complements the company's product selection and introduces the products to an even greater number of new customers.

The generalization of mobile technology brings another challenge. All products undergo an examination on the features that will be brought into mobile use. Marketing of the first solutions will begin during 2001.

## **Product Development— with customer orientation and innovativeness**



## Personnel— key to BasWare's success

Motivated and skilled employees have a key position in BasWare's operations and they are central to the company's continuous success. Improving skills, recruiting and a good working atmosphere are the top priorities in BasWare's personnel policy.

At the end of the 2000, BasWare had 101 employees, of which 86% worked in Finland. Growth in the number of personnel was 55% compared to the previous year.

32% of the personnel worked in product development, 27% in consulting, 29% in sales or its support functions, and 12% in management and administration.

51% of personnel has or is obtaining a higher level academic degree, 33% a vocational level and 11% a college level degree. At the end of the year, the average age of employees was 31.1 years.

### Investments in improving skills

Developing professional skills and maintaining good motivation are central in personnel policy. Investments are directed to training that supports the company's strategy.

Training concentrates on improving personnel's international skills and building training programs that support BasWare's core competence.

### Successful recruitment

BasWare's rapid growth requires a clear recruiting process and receives serious attention within the company. Recruiting channels are developed and contacts such as college co-operation are activated. Internally, BasWare developed its recruitment reward scheme.

BasWare's recruiting has been successful. Most of the new employees have been hired for product development, customer services and international operations.

### Good working atmosphere

BasWare's employees value the company's good working atmosphere. Year after year, the results of the annual feedback study show grades of over four points (on a rising scale of 1–5) when asked about quality of co-operation, fellow employees, or independence of the work. Another proof of the good atmosphere is that turnover of the employees is small.

BasWare's headquarters will move to Leppävaara, Espoo in September 2001. Special attention has already been given to ergonomics as the new office space is being designed. Active free-time activities such as clubs and cultural events have an effect on the good atmosphere, as well.

### Competitive compensation

BasWare has a warrant rights program that includes the entire personnel. The reward programs of different groups of personnel are under constant improvement.

BasWare's goal is to offer its personnel competitive compensation that develops as skills improve.



# The board of directors

## **Ilkka Sihvo, MSc (Econ), MSc (Tech), b. 1962**

A full-time president of the board. Has worked for the company since 1989 in consulting and management positions. Responsible for strategy, company acquisitions, investor relations and finance.

## **Hannu Vaajoensuu, MSc (Econ), b. 1961**

CEO. Has worked for the company since 1987, between 1987-89 as a specialist and since 1990 in management positions. Responsible for the company's operative management.

## **Kirsi Eräkangas, MSc (Econ), b. 1965**

Vice President, BasWare Finland. Has worked for the company since 1988 in specialist and management positions. Responsible for Finnish sales and customer services.

## **Sakari Perttunen, MSc (Econ), b. 1957**

Vice President, Development. Has worked for the company in specialist and management positions since 1987. Responsible for product development projects and myeflow product development.

## **Antti Pöllänen, MSc (Econ), b. 1966**

Chief Technology Officer. Has worked for the company since 1989 in different consulting positions. Responsible for technology and new product ideas.

## **Jukka Sonninen, b. 1958**

Managing Director, SAP Finland Oy. Member of BasWare's board of directors since January 2000. Has worked earlier in management positions e.g. for DHL International Oy and Unic Oy.



*The board of directors: in front row Kirsi Eräkangas, Hannu Vaajoensuu and Sakari Perttunen, in back row Ilkka Sihvo, Antti Pöllänen and Jukka Sonninen.*

# Executive Team

**Hannu Vaajoensuu,**  
MSc (Econ), b. 1961  
CEO

**Petri Karlsson,**  
Officer, b. 1956  
Vice President, myeflow.com

**Jan Pawli,**  
MA (PolSc)  
Managing Director,  
BasWare AB

**Ilkka Sihvo,**  
MSc (Econ),  
MSc (Tech), b. 1962  
President

**Kirsi Eräkangas,**  
MSc (Econ), b. 1965  
Vice President,  
BasWare Finland

**Olli Oksanen,**  
MSc, MBA, b. 1957  
Managing Director,  
BasWare GmbH

**Matti Rusi,**  
Dipl. in Business IT, b. 1963  
Vice President,  
Channel Services

**Hannu Välimäki,**  
MSc, b. 1964  
Vice President, R&D

# Board of directors' report 2000

## BUSINESS OPERATIONS

### General

During the financial year 2000, BasWare group was able to grow in accordance with the goals that were set. Group's net sales grew by 64.4%. Regardless of input in internationalization, the growth was achieved profitably. Operating profit remained on the last year's level and was 1.551 thousand euro.

The company's strategic challenge during the financial period continued to be internationalization, which proceeded well. During the year, the company established subsidiaries in Germany, Great Britain and Sweden. The company also decided to change the Dutch office into a subsidiary. The distribution channel was expanded by value added reseller (VAR) agreements in the Netherlands with Swets Farrington B.V. and Canon Nederland N.V. as well as in Great Britain with Accounting House Ltd. and in Denmark with WM-data A/S. The preparations to expand the value added reseller network to Switzerland and Austria began. The preparations for Belgian operations continue during 2001. The company considers further measures concerning US operations as the year advances.

The company listed successfully on Helsinki Exchanges' NM List in March. The company attracted unprecedented 54.000 new shareholders in the initial public offering and gained 8.196 thousand euro to finance the growth of operations and internationalization.

In August, the company introduced a new organization structure that better supports rapidly progressing internationalization. In November, the company formed a separate business unit to develop myeflow and ASP operations. The company's customer services' operations model was improved in August. It aims to fully utilize the demand potential and to develop the services for global distribution channel.

The subsidiary NextWare Oy's business operations were integrated with the parent company in August for synergy purposes. Along the year, the subsidiary had turned toward packaged software business operations similar to the parent's.

The subsidiary established in Sweden in October received business activity through an acquisition of the e-Flow business operations and its employees from a value added reseller Enterprise Service Holding AB. The subsidiary's operations were already profitable during the year-end.

### e-Business area

The software of the e-Business product family BasWare e-Flow succeeded excellently during the financial period. Business operations

grew by 147.4%. Domestic share of the operations was 81.6%. International share of products' gross sales was 1.042 thousand euro (70 thousand euro). Competitive position of the product family was strong in all markets.

During the financial period, BasWare e-Flow product family increased by two new products whose market entry advanced well. First pilot deliveries of the purchase order processing software e-Flow POP commenced in Finland during the latter part of the financial year. The pilot phase of myeflow.com service enabling electronic invoicing began in May with five large companies. The service will be offered in a larger scale during the first half of 2001.

### Financial control business area

The company's financial control business area continued to grow steadily, 21.2%. The company has held its market leader position in Finland for some years.

During the financial period, the company started to prepare the financial control business area for internationalization. International distribution of the product family will begin with the Nordic countries.

In the beginning of the financial period, the subsidiary NextWare Oy launched a new product called NextHour for human resources accounting and reporting. The technically modern product reached markets well.

## DEVELOPMENT OF NET SALES

During the financial period, BasWare group's net sales grew by 64.4% compared to the previous year and were 7.455 thousand euro. Respectively, the parent company had net sales of 6.914 thousand euro with growth by 73.6%.

Of the company's net sales, 69.0% (67.3%) consisted of software product sales and 31.0% (32.7%) of services related to the products. Of gross sales, 76.6% (97.0%) came through the Finland business unit and 23.4% (3.0%) through the international business units. International gross product sales grew by 1390.2% compared to the previous year. International sales accounted for 10.2% (1.5%) of net sales.

e-Business area grew by 147.4% and represents 55.7% of net sales. Financial control business area grew 21.2% as planned and represents 37.4% of net sales. NextWare Oy's business operations represented 6.9% of net sales.

## DEVELOPMENT OF OPERATING PROFIT

BasWare group's operating profit during the financial period was 1.551 thousand euro with a decline of 5.8% compared to the

previous year. Regardless of the fast growth, the company has succeeded in keeping operating profit on a good level. Operating profit was 20.8% of net sales.

The company's strong input in growth continued and thus, the cost structure has clearly changed compared to the previous year. Fixed costs have grown 102.6%. 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. They will not accumulate revenue until 2001.

Monthly costs of the listing at the level of the year-end's shareholder number were 11 thousand euro, total of 116 thousand euro.

The company's profit before extraordinary items was 1.785 thousand euro (1.664 thousand euro.)

The company entered the direct costs of 247 thousand euro resulting from the listing in the balance sheet decreasing share premium account of shareholders' equity. The indirect costs of 116 thousand euro resulting from the listing have been entered in extraordinary items effecting operating profit.

The group's profit for the period declined by 6.5% and was 1.115 thousand euro (1.192 thousand euro). The parent company's profit for the period was 1.315 thousand euro (1.130 thousand euro.)

## *FINANCING AND INVESTMENTS*

The company's financial status continued to strengthen during the financial period. After the initial public offering in February the liquid assets increased by 8.196 thousand euro. Total assets in the balance sheet were 12.036 thousand euro (2.947 thousand euro). Equity ratio was 85.9% (66.5%) and net gearing -75.4 (-63.4). The company's liquid assets were 8.106 thousand euro (1.378 thousand euro.)

The company's fixed assets were 1.139 thousand euro and consisted of regular new and replacement investments resulting from the growth.

## *SHAREHOLDERS' EQUITY*

BasWare Corporation's board of directors decided on 31.1.2000 to begin preparations for stock exchange listing and to apply for the listing of its shares on Helsinki Exchanges NM list. Listing was preceded by primary and secondary offering 14.-16.2.2000. The primary offering consisted of 1.296.000 shares and the secondary offering of 1.329.000 shares.

BasWare Corporation's shares were entered in the book-entry system on 22.1.2000. The extraordinary general meeting on 24.1.2000 decided to change the company's share capital and the minimum and maximum share capital into euro. In addition, the

company's minimum share capital was set at 180.000 euro and maximum share capital at 720.000 euro. The same meeting decided to rise the company's share capital by a capitalization issue with 14.217 euro to 216.648 euro. In addition, the number of shares was increased by splitting the share 1:6. Thus, the company's share capital of 216.648 euro was divided into 7.221.600 shares. The nominal value of the share was abandoned and the book equivalent was set at 0.03 euro.

The extraordinary general meeting on 17.2.2000 decided to increase the company's share capital in a primary offering by 39.870 euro to 256.518 euro. The increasing of the share capital was carried out based on the subscription commitments of the investors made during the offer period. Changes were registered in the Register of Companies on 25.2.2000.

The same meeting also decided to issue warrant rights for the employees of the company and its subsidiaries. The number of warrants issued shall be 421.000 and they entitle to subscribe, in total, 421.000 shares in BasWare Corporation. The subscription period is scaled and ends for all warrants on 31.10.2005. The share capital can be increased with a maximum of 12.630 euro with the warrant rights and this equals approximately 4.9% of the company's share capital after the initial public offering.

In addition, the board of directors was authorized, for a period of one year from the resolution of the meeting, with a right to deviate from the shareholders' pre-emptive rights, 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. Thus, according to the authorization, a maximum of 1.440.000 new shares can be subscribed. According to the authorization, the share capital can be increased with a maximum of 43.200 euro.

## *RESEARCH AND PRODUCT DEVELOPMENT*

The company continues to invest strongly in product development and personnel's skills in both major business areas. During the period, two completely new products were developed for the BasWare e-Flow product family. Product development costs during 2000 were 1.709 thousand euro (893 thousand euro), which corresponds to 22.9% of net sales. The company enters all costs from product development and education of the personnel as direct costs. At the end of the financial period, product development had 32 (22) employees.

## *PERSONNEL*

The total number of personnel grew strongly. The company had 101 (65) employees at the end of the period. Growth in the number

of personnel was 55.4% compared to the previous year. Personnel average for the period was 80.7 (51.2). Product development, customer services and international operations recruited most of the new employees. Under the circumstances, the company's recruiting has been successful and turnover of employees was normal. The company has a warrant rights program that includes the entire personnel.

### *POST BALANCE SHEET EVENTS*

In January, the company agreed on world wide co-operation with Proha Plc. Proha will offer BasWare e-Flow PIP and Target products as ASP service in the financial management business area. Proha also has a right to sell BasWare e-Flow and Target products in countries, where they are offered as ASP service.

The company and Oy Datatie Ab agreed in January on co-operation. Datatie will offer BasWare e-Flow PIP product as an ASP service. Furthermore, Datatie begins to offer BasWare's myeflow product as a part of Datatie's electronic invoicing service. Datatie's existing EDI customers and ASP solutions will be connected to the service.

The company signed a letter of intent of operator and product development co-operation with locore Plc in January. locore starts operating BasWare's myeflow.com electronic invoice and myeflow.com Internet site. In addition, BasWare and locore begin OEM product development co-operation that aims to integrate BasWare's myeflow and locore's ECGate products and their product development. The agreement includes internationalization of the product and offering it to third parties.

In January, BasWare signed a value added reseller agreement with Austrian InfoDesign GmbH. InfoDesign specializes in web based business operations' consulting and develops and markets internet and intranet based applications and solutions. The company has approximately 50 employees and offices in Graz, Vienna and München. KPMG Consulting AG - the third largest consulting company in German speaking area - owns 51% of the company.

The company has decided to establish a Product Development unit in Tampere in the beginning of year 2001.

### *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 building an international distribution channel as well as in marketing and product development will continue. The company forecasts that the operating profit in 2001 will be on a higher level than presently. The first quarter of 2001 is expected to be unprofitable. Operating profit will follow regular seasonal variations in the business and is strongly emphasized during the latter quarters of the financial year.

### *BOARD'S DIVIDEND PROPOSAL*

The group's distributable funds are 2.041 thousand euro. The parent company's distributable funds are 2.188 thousand euro of which profit for the period is 1.315 thousand euro.

The board of directors proposes to the annual general meeting of shareholders that a dividend of FIM 0.91 (EUR 0.153051) per share be paid to shareholders, total of 1.308.678,00 euro and that the remainder 879.428,11 euro is carried forward to the retained earnings account.

### *SHARE PRICE DEVELOPMENT*

The company had 32.631 shareholders at the end of the financial period. The share capital is 256.518 euro and the number of shares 8.550.600. The subscription price of the company's share in February was 5.70 euro in the retail offering and 7.00 euro in the institutional offering. The highest traded price of the share in December was 6.45 euro and lowest 4.30 euro. The closing price on the last trading day of the year was 4.55 euro and the company's market capitalization then was 38.905 euro. The average daily trading in December was 114 thousand euro.

### *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 president has been Mr. Ilkka Sihvo and members of the board have been Ms. Kirsi Eräkangas, Mr. Antti Pöllänen, Mr. Sakari Perttunen, 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.

# Income statements

thousand EUR	Group		1.1.-31.12.1999		Parent company		1.1.-31.12.1999	
	1.1.-31.12.2000	%		%	1.1.-31.12.2000	%		%
<b>Net sales</b>	<b>7 455</b>	<b>100.0</b>	<b>4 536</b>	<b>100.0</b>	<b>6 914</b>	<b>100.0</b>	<b>3 984</b>	<b>100.0</b>
Other operating income	170		112		210		179	
Materials and services	244		116		266		116	
Personnel expenses	3 447		1 819		3 005		1 503	
Depreciation and write-offs	282		147		262		123	
Other operating expenses	2 102		920		1 848		868	
<b>Operating profit</b>	<b>1 551</b>	<b>20.8</b>	<b>1 645</b>	<b>36.3</b>	<b>1 743</b>	<b>25.2</b>	<b>1 553</b>	<b>39.0</b>
Financial income and expenses	234		18		231		18	
<b>Profit before extraordinary items</b>	<b>1 785</b>	<b>23.9</b>	<b>1 664</b>	<b>36.7</b>	<b>1 974</b>	<b>28.5</b>	<b>1 572</b>	<b>39.5</b>
Extraordinary items	-116		1		-116		1	
<b>Profit before taxes</b>	<b>1 669</b>	<b>22.4</b>	<b>1 665</b>	<b>36.7</b>	<b>1 858</b>	<b>26.9</b>	<b>1 573</b>	<b>39.5</b>
Direct taxes	554		472		543		442	
<b>Profit for the period</b>	<b>1 115</b>	<b>15.0</b>	<b>1 192</b>	<b>26.3</b>	<b>1 315</b>	<b>19.0</b>	<b>1 130</b>	<b>28.4</b>

# Balance sheets

thousand EUR	Group		31.12.1999		Parent company		31.12.1999	
	31.12.2000	%		%	31.12.2000	%		%
<b>Assets</b>								
<b>Fixed assets</b>								
Intangible assets								
Other long-term costs	50		35		59		48	
Business value	414				26			
Tangible assets	851		498		802		427	
Investments	3		3		250		53	
	<b>1 319</b>	<b>11.0</b>	<b>536</b>	<b>18.2</b>	<b>1 137</b>	<b>9.5</b>	<b>529</b>	<b>19.1</b>
<b>Current assets</b>								
Inventories			11				11	
Long-term receivables	27		2		804		2	
Short-term receivables	2 585		1 020		2 205		926	
Securities included in financial assets	6 801		970		6 637		970	
Cash and bank accounts	1 306		408		1 139		325	
	<b>10 718</b>	<b>89.0</b>	<b>2 410</b>	<b>81.8</b>	<b>10 786</b>	<b>90.5</b>	<b>2 234</b>	<b>80.9</b>
<b>Total assets</b>	<b>12 036</b>	<b>100.0</b>	<b>2 947</b>	<b>100.0</b>	<b>11 922</b>	<b>100.0</b>	<b>2 763</b>	<b>100.0</b>
<b>Liabilities and shareholders' equity</b>								
<b>Shareholders' equity</b>								
Share capital	257		202		257		202	
Share premium account	8 021				8 021			
Profit from previous financial periods	949		563		873		526	
Profit for financial period	1 115		1 192		1 315		1 130	
	<b>10 342</b>	<b>85.9</b>	<b>1 958</b>	<b>66.5</b>	<b>10 465</b>	<b>87.8</b>	<b>1 859</b>	<b>67.3</b>
<b>Liabilities</b>								
Long-term liabilities	295		136		295		136	
Short-term liabilities	1 400		852		1 162		768	
	<b>1 695</b>	<b>14.1</b>	<b>988</b>	<b>33.5</b>	<b>1 457</b>	<b>12.2</b>	<b>904</b>	<b>32.7</b>
<b>Total liabilities and shareholders' equity</b>	<b>12 036</b>	<b>100.0</b>	<b>2 947</b>	<b>100.0</b>	<b>11 922</b>	<b>100.0</b>	<b>2 763</b>	<b>100.0</b>

# Cash flow statements

thousand EUR	Group		Parent company	
	2000	1999	2000	1999
<b>Cash flow from operations:</b>				
Profit before extraordinary items	1 785	1 664	1 974	1 572
Adjustments:				
Depreciations according to plan	282	147	262	123
Financial income and expenses	-234	-18	-231	-18
Other adjustments	-6	-2	-6	-2
<b>Cash flow before changes in working capital</b>	<b>1 826</b>	<b>1 790</b>	<b>1 998</b>	<b>1 674</b>
<b>Changes in working capital:</b>				
Short-term receivables, increase (-) / decrease (+)	-1 565	-399	-1 279	-367
Inventories, increase (-) / decrease (+)	11	9	11	9
Non-interest bearing short-term loans, increase (+) / decrease (-)	592	147	450	154
<b>Cash flow before financial items and taxes</b>	<b>864</b>	<b>1 547</b>	<b>1 180</b>	<b>1 469</b>
Interest expenses and payments related to other financing of operations	-4	-2	-3	-2
Dividends received from operations	0	3	0	3
Interests received from operations	13	18	9	18
Paid direct taxes	-526	-389	-526	-374
<b>Cash flow before extraordinary items</b>	<b>346</b>	<b>1 177</b>	<b>660</b>	<b>1 113</b>
Cash flow from extraordinary items	0	-45	0	-45
<b>Cash flow from operations (A)</b>	<b>346</b>	<b>1 131</b>	<b>660</b>	<b>1 068</b>
<b>Cash flow from investments:</b>				
Investments in tangible and intangible assets	-1 182	-390	-711	-348
Capital gains from tangible and intangible assets	81	34	24	34
Capital expenditures in other investments	0	-3	-197	-3
Capital gains from other investments	0	86	0	86
Loan receivables, decrease (+) / increase (-)	-24	12	-802	12
<b>Cash flow from investments (B)</b>	<b>-1 125</b>	<b>-261</b>	<b>-1 686</b>	<b>-219</b>
<b>Cash flow from financing:</b>				
Share issue	8 236	0	8 236	0
Interests received from financial items	225	0	8 236	0
Cash flow from extraordinary items	-363	0	-363	0
Long-term loans taken	178	59	178	59
Paid dividend and other profit distribution	-769	-684	-769	-684
<b>Cash flow from financing (C)</b>	<b>7 507</b>	<b>-625</b>	<b>7 507</b>	<b>-625</b>
<b>Change in liquid assets (A+B+C) increase (+) / decrease (-)</b>	<b>6 728</b>	<b>246</b>	<b>6 481</b>	<b>224</b>
Liquid assets Jan. 1	1 378	1 133	1 295	1 071
Liquid assets Dec. 31	8 106	1 378	7 776	1 295

# Accounting principles

## Principles of consolidation

Stock, cash and bank accounts are valued at the acquisition cost or at the market value, whichever is lower. Research and development expenses are booked as an annual expense in the year they rise.

## Group financial statement

Group financial statement includes subsidiaries NextWare Oy, BasWare AB, BasWare GmbH and BasWare UK Ltd. Financial statements of foreign subsidiaries have been translated to correspond the group's accounting principles. The group financial statement was produced by acquisition accounting. Transactions, receivables and debts within the group have been eliminated. The income statements of foreign group companies have been converted into Finnish marks at the average exchange rate for the financial year and the balance sheets at the average exchange rate confirmed by the Finnish Bank of the financial statement's date. Financial statement has been converted to euro with the official translation formula. Differences arising from the translation of foreign subsidiaries' shareholders' equity eliminations are given as adjustment items of the group's profit from previous financial periods. Deferred tax expenses or receivables have not been booked due to their slight impact. The affiliated company Balrog New Media Ab Oy has not been included in the group financial statement due to its slight impact on earnings.

## Fixed assets

Non-current assets are entered in the balance sheet at the acquisition cost less depreciation according to plan. Depreciation is calculated in straight-line instalments over the economic life of the non-current assets in question. A change in depreciation difference is not booked since depreciation according to plan and depreciation on taxes were equal and their scale is within the maximum depreciation limits allowed by the law on trade taxation.

Depreciation periods are:  
 Other long-term expenses 3 years  
 Machinery and equipment 3 – 5 years

## Notes to income statement

### 1 Net sales

thousand EUR	Group		Parent company	
	2000	1999	2000	1999
Net sales by business branches				
Product sales and maintenance	5 126	3 053	4 929	2 994
Consulting	2 330	1 483	1 985	990
<b>Total</b>	<b>7 455</b>	<b>4 536</b>	<b>6 914</b>	<b>3 984</b>
Net sales by business areas				
e-Business	4 156	1 680	4 019	1 680
Financial control	2 789	2 301	2 742	2 304
NextWare	511	555	153	
<b>Total</b>	<b>7 455</b>	<b>4 536</b>	<b>6 914</b>	<b>3 984</b>
Net sales by market areas				
Domestic	6 692	4 471		
Foreign	763	64		
<b>Total</b>	<b>7 455</b>	<b>4 536</b>		

### 2 Materials and services

	Group		Parent company	
	2000	1999	2000	1999
RAW MATERIALS AND CONSUMABLES				
Purchases during the financial period	2	3	1	3
Variation in stock	11	9	11	9
Services purchased from outside	232	104	254	104
<b>Total</b>	<b>244</b>	<b>116</b>	<b>266</b>	<b>116</b>

### 3 Notes to personnel and corporate governance

	Group		Parent company	
	2000	1999	2000	1999
PERSONNEL COSTS				
Salaries paid to CEO and the board of directors	324	182	261	136
Salaries paid to other personnel	2 429	1 274	2 149	1 065
Remuneration	0	1	0	1
Pension expenses	463	330	424	270
Other personnel expenses	232	33	172	31
<b>Total</b>	<b>3 447</b>	<b>1 819</b>	<b>3 005</b>	<b>1 503</b>
Number of personnel				
Personnel average for the period	80.7	51.2	70.9	41.7
Personnel at the end of period	101	65	87	54

The pension arrangements of CEO and the board of directors comply with the Finnish Pension Act. In addition, one member has a voluntary pension insurance that defines the retirement age for 58 years.

### 4 Depreciation and write-offs

	Group		Parent company	
	2000	1999	2000	1999
Intangible assets	29	7	25	8
Machinery and equipment	253	140	237	115
<b>Total</b>	<b>282</b>	<b>147</b>	<b>262</b>	<b>123</b>

### 5 Other operating income

	Group		Parent company	
	2000	1999	2000	1999
Profit from selling non-current assets	6	2	6	2
Grants	163	109	163	109
Administrative fees from subsidiaries	0	0	41	67
Other	1	0	0	0
<b>Total</b>	<b>169</b>	<b>112</b>	<b>210</b>	<b>179</b>

## 6 Financial income and expenses

	Group		Parent company	
	2000	1999	2000	1999
Income from other fixed assets investments				
From others	0	3	0	3
Other interest and financial income				
From others	238	18	234	18
<b>Total</b>	<b>238</b>	<b>21</b>	<b>234</b>	<b>21</b>
Interest and other financial expenses	4	2	3	2
<b>Total financial income and expenses</b>	<b>234</b>	<b>18</b>	<b>231</b>	<b>18</b>

## 7 Extraordinary items

	Group		Parent company	
	2000	1999	2000	1999
Extraordinary income				
From non-current asset stock	0	46	0	46
Extraordinary expenses				
Public listing expenses	-116	-45	-116	-45
<b>Total</b>	<b>-116</b>	<b>1</b>	<b>-116</b>	<b>1</b>

## 8 Direct taxes

	Group		Parent company	
	2000	1999	2000	1999
Income taxes on the financial period				
Income taxes on extraordinary items	-34	0	-34	0
Income taxes on actual business	588	472	576	442
Income taxes from previous financial periods	0	0	0	0
<b>Total</b>	<b>554</b>	<b>472</b>	<b>543</b>	<b>442</b>

Tax share of EUR 71.653.94 of listing expenses totalling EUR 247.080.95 and entered in share premium account. is also entered in share premium account.

## 9 Fixed assets

	Group		Parent company	
	31.12.2000	31.12.1999	31.12.2000	31.12.1999
Intangible assets				
Other long-effecting expenses				
Acquisition cost 1.1.	47	10	61	10
Increase for financial period	32	38	32	51
Reduction for financial period	0	0	0	0
Acquisition cost 31.12.	79	47	93	61

	Group		Parent company	
	31.12.2000	31.12.1999	31.12.2000	31.12.1999
Accumulated depreciation 1.1.	12	5	12	5
Depreciation for financial period	17	7	21	8
Accumulated depreciation 31.12.	29	12	34	12
Balance sheet value 31.12.	50	35	59	48
Business value				
Acquisition cost 1.1.				
Increase for financial period	426		29	
Reduction for financial period				
Acquisition cost 31.12.	426		29	
Accumulated depreciation 1.1.				
Depreciation for financial period	12		3	
Accumulated depreciation 31.12.	12		3	
Balance sheet value 31.12.	414		26	
Tangible assets				
Machinery and equipment				
Acquisition cost 1.1.	754	390	656	350
Increase for financial period	681	395	630	337
Reduction for financial period	75	31	18	31
Acquisition cost 31.12.	1 361	754	1 268	656
Accumulated depreciation 1.1.	256	117	229	114
Depreciation for financial period	253	140	237	115
Accumulated depreciation 31.12.	509	256	466	229
Balance sheet value 31.12.	851	498	802	427
Total non-current assets	1 316	533	886	475

## 10 Investments

	Group	Group	Parent company	Parent company
	31.12.2000	31.12.1999	31.12.2000	31.12.1999
OTHER STOCKS AND SHARES				
Acquisition cost 1.1.	3	0	3	0
Increase for financial period		3		3
Reduction for financial period				
Acquisition cost 31.12.	3	3	3	3

## 11 Stock and shares in subsidiaries

	Group holding%	Parent company holding%
NextWare Oy, Vantaa	100.0	100.0
BasWare GmbH, Düsseldorf	100.0	100.0
BasWare UK Ltd., Guildford	100.0	100.0
BasWare AB, Stockholm	100.0	100.0

## 12 Stock and shares in affiliated companies

	Group holding%	Parent company holding%
Balrog New Media Ab Oy, Turku	20,0	20,0

## 13 Inventories

	Group 31.12.2000	Group 31.12.1999	Parent company 31.12.2000	Parent company 31.12.1999
Raw materials and consumables	0	11	0	11
Total	0	11	0	11

## 14 Long-term receivables

	Group 2000	1999	Parent company 2000	1999
Loan receivables	27	2	804	2
Total	27	2	804	2

### Long-term receivables from companies in same group

	Parent company 2000	1999
Loan receivables	778	0
Total	778	0

## 15 Short-term receivables

	Group 2000	1999	Parent company 2000	1999
Accounts receivable	2 423	933	2 099	842
Accrued assets	159	87	107	85
Loan receivables	2	0	0	0
Total	2 585	1 020	2 205	926

### Short-term receivables from companies in same group

	Parent company 2000	1999
Accounts receivable	87	0
Total	87	0

## 16 Liquid assets securities

	Group 2000	1999	Parent company 2000	1999
Replacement cost	6 801	970	6 637	970
Book value	6 801	970	6 637	970
Difference	0	0	0	0

## 17 Shareholders' equity

	2000 shares	2000 EUR	1999 shares	1999 EUR
	8 550 600	257	1 203 600	202
	Group 2000	1999	Parent company 2000	1999
Share capital 1.1.	202	51	202	51
Capitalization issue 31.1.00	14		14	
Nullification of A shares		-1		-1
Capitalization issue 21.12.1999		152		152
Share issue 25.2.00	40		40	
Share capital 31.12.	257	202	257	202
Share premium account 1.1.				
Share issue 25.2.00	8 196		8 196	
Listing expenses of share premium account	-247		-247	
Tax share of listing expenses	72		72	
Share premium account 31.12.	7 949		7 949	
Profit from previous financial periods 1.1.	1 756	1 398	1 656	1 361
Dividend payment	-769	-684	-769	-684
Transfer in capitalization issue	-14	-151	-14	-151
Translation adjustment	-23			
Profit from previous financial periods 31.12.	949	563	873	526
Profit for the period	1 115	1 192	1 315	1 130
Shareholders' equity 31.12.	10 270	1 756	10 394	1 656

### Calculation of distributable funds

Profit for the period	1 115	1 192	1 315	1 130
Other available shareholders' equity	926	563	873	526
	2 041	1 756	2 188	1 656

## 18 Long-term liabilities

	Group 2000	1999	Parent company 2000	1999
Other long-term debts	295	136	295	136
Total	295	136	295	136

## 19 Liabilities maturing later than in five years

	Group		Parent company	
	2000	1999	2000	1999
Other long-term debts	0	0	0	0
Total	0	0	0	0

## 20 Short-term liabilities

	Group		Parent company	
	2000	1999	2000	1999
Accounts payable	241	113	120	121
Other debts	938	546	859	474
Installments on long-term loans	19		19	
Deferred liabilities	201	193	164	172
Total	1 400	852	1 162	768

### Debts to companies in same group

	Parent company	
	2000	1999
Accounts payable	0	16
Total	0	16

## 21 Provided pledges, contractual liabilities and other liabilities

	Group		Parent company	
	2000	1999	2000	1999
<b>For group companies</b>				
Provided guarantees			8	0
<b>Other equity liabilities</b>			8	0
Leasing liabilities				
Paid during the financial period	38	34	38	32
Paid during following financial periods	38	59	38	47
Total	76	93	76	78

The group does not have pledges, mortgages or guarantees for external parties

# Information on shareholders

## Distribution of holdings

### Number of shares 31.12.2000

	Shareholders number	Shares and voting rights %	number
1 – 100	28 713	7.02	599 923
101 – 1 000	3 669	11.49	982 840
1 001 – 10 000	203	5.14	439 393
10 001 – 100 000	20	5.14	439 444
100 001 +	13	71.21	6 089 000
	32 618	100.00	8 550 600

### Distribution of ownership by sector 31.12.2000

	Holdings number	Shares and voting rights %	number
Private companies	1 362	7.66	654 775
Public companies	5	2.28	194 915
Financial and insurance institutions	36	2.72	232 754
Public-sector organizations	6	0.88	75 115
Non-profit organizations	55	0.41	35 085
Households	31 081	85.91	7 346 101
Foreigners	68	0.14	11 855

### Financial year's share issues

	Registered	Change in share number	Change in share capital	New share number	New share capital
At start of financial period	1.1.2000			1203600	202431
Split 1:6	27.1.2000	6018000	0	7221600	202431
Capitalization issue	27.1.2000	0	14217	7221600	216648
Share issue	17.2.2000	1329000	39870	8550600	256518

### Major shareholders 31.12.2000

	number	%
Sihvo Ilkka	1 180 800	13.81
Eräkangas Kirsi	830 400	9.71
Perttunen Sakari	830 400	9.71
Pöllänen Antti	720 000	8.42
Vaajoensuu Hannu	528 000	6.18
Launimo Essi	460 800	5.39
Perttunen Meimi	350 400	4.10
Eräkangas Lotta	350 400	4.10
Havacment Oy	336 000	3.93
Evli Finland Small Tech	185 000	2.16
Others	2 778 400	32.49
	8 550 600	100.00

### Total of nominee-registered

31.12.2000	69 129	0.81
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### Shares and warrant rights held by the members of the board of directors 31.12.2000

	Share number	Warrant rights
Eräkangas Kirsi	830 400	
Perttunen Sakari	830 400	
Pöllänen Antti	720 000	
Sihvo Ilkka	1 180 800	
Sonninen Jukka		2 270
Vaajoensuu Hannu	528 000	

### **Board's authorization for issue**

Board's authorization for issue is valid until 16.2.2001. The share capital may be increased by a maximum of 43.200 euro and 1.440.000 new shares based on the authorization. 100% of the authorization remains.

### **Warrant rights**

The extraordinary general meeting on 17.2.2000 decided to issue warrant rights to motivate the group's personnel. The number of warrants issued shall be 421.000 and they entitle to subscribe, in total, 421.000 shares in BasWare Corporation. The warrant rights are divided into 105.000 shares of series A,

105.000 shares of series B, 105.000 shares of series C and 106.000 shares of series D. The subscription period is scaled and begins on 1.10.2001, 1.10.2002, 1.10.2003 and 1.10.2004. For warrant A, the subscription price shall be the subscription price of retail offering in the IPO, for warrant B, the weighted average of trading quotations of the company's share on HEX in October 2000, for warrant C, the weighted average of trading quotations of the company's share on HEX in October 2001, for warrant D, the weighted average of trading quotations of the company's share on HEX in October 2002. The subscription period ends for all warrants on 31.10.2005. The share capital can be increased with a maximum of 12.630 euro with the warrant rights and this equals approximately 4.9% of the company's share capital after the initial public offering. The warrant rights were registered in the Register of Companies on 29.9.2000.

# Key indicators

## Key indicators for financial trend

(thousand EUR)	2000	1999	1998	1997	1996
Net sales	7 455.48	4 535.64	3 098.53	2 030.12	1 417.95
Growth in net sales, %	64.38	46.38	52.63	43.17	74.12
Operating profit	1 550.89	1 645.47	1 373.92	885.90	612.00
% of net sales	20.80	36.28	44.34	43.64	43.16
Profit before extraordinary items					
reserves and taxes	1 785.04	1 663.72	1 382.65	887.45	617.73
% of net sales	23.94	36.68	44.62	43.71	43.56
Profit before taxes	1 669.41	1 664.58	1 382.65	887.45	617.73
% of net sales	22.39	36.70	44.62	43.71	43.56
Return on equity, %	19.47	69.93	83.32	80.31	86.10
Return on investment, %	28.06	92.01	112.38	112.01	119.91
Liabilities with interest	314.17	136.23	77.37	0.00	0.00
Stock, cash and bank accounts	8 106.32	1 378.17	1 132.60	705.59	454.52
Net gearing	-75.35	-63.42	-72.80	-75.48	-69.80
Equity ratio, %	85.92	66.46	68.86	71.83	66.90
Gross investments in fixed assets	1 139.07	433.10	267.66	60.56	64.64
% of net sales	15.28	9.55	8.64	2.98	4.56
Research and development expenses	1 708.69	892.71	434.97	285.14	218.45
% of net sales	22.92	19.68	14.04	14.05	15.41
Personnel average for the period	80.7	51.2	34.3	25.1	16.7
Personnel at the end of period	101	65	40	29	19

**Group share indicators**

(EUR)	2000	1999	1998	1997	1996
Earnings per share, EUR (group)	0.14	0.16	0.14	0.09	0.06
Earnings per share, EUR (group), diluted	0.14				
Equity per share, EUR	1.21	0.27	0.20	0.13	0.09
Dividend per share, EUR	0.15	0.11	0.09	0.07	0.05
Dividend per profit, %	106.80	64.56	68.83	75.26	79.63
Effective dividends, %	3.36				
P/E ratio	31.75				
Financial period's share issue adjusted					
lowest share price	4.3				
highest share price	26.9				
average share price	14.66				
final average share price					
weighted with trading volume	4.55				
Market value of shares on 31.12	38 905 230				
Share issue adjusted number of traded shares	3 345 952				
% of average share number	40.05				
Share issue adjusted average share number during financial period	8 353 980	7 221 600	7 221 600	7 221 600	7 221 600
Share issue adjusted share number at the end of financial period	8 550 600	7 221 600	7 221 600	7 221 600	7 221 600

# Calculation of business ratios

## Return on equity (ROE), %:

Result before extraordinary items, reserves and taxes - taxes x 100

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Shareholders' equity + minority interest + voluntary provisions  
and depreciation differential less imputed tax liability (average)

## Return on investment (ROI), %:

Result before extraordinary items, reserves and taxes + interest and other financial  
expenses x 100

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Balance sheet total - interest-free liabilities (average)

## Net gearing:

Liabilities at interest - cash and bank accounts

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Shareholders' equity + minority interest + voluntary provisions  
and depreciation differential less imputed tax liability

## Equity ratio, %:

Shareholders' equity + minority interest + voluntary provisions and  
depreciation differential less imputed (deferred) tax liability x 100

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Balance sheet total - advances received

## Earnings per share:

Result before extraordinary items, reserves and taxes - taxes +/- minority interest

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Share issue adjusted share number at the end of financial period

## Equity per share:

Shareholders' equity including voluntary provisions and depreciation  
differential less imputed tax liability

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Share issue adjusted share number at the end of financial period

## Dividend per share:

Total dividend

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Share issue adjusted share number at the end of financial period

## Dividend / profit, %:

Dividend per share x 100

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Earnings per share

## Effective dividends:

Dividend per share x 100

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Financial period's share issue adjusted final average share price weighted with trading  
volume

## P/E ratio:

Financial period's share issue adjusted final average share price  
weighted with trading volume

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Earnings per share

# Board's dividend proposal

The group's distributable funds according to group balance sheet 31.12.2000 are	<u>2 040 939.50</u>	EUR
The parent company's distributable funds according to financial statements 31.12.2000 are		
From previous financial periods	873 024.18	EUR
Profit for the period	<u>1 315 081.93</u>	EUR
	<u>2 188 106.11</u>	EUR

The board of directors proposes to the annual general meeting of shareholders that a dividend of FIM 0.91 (0.153051 euro) per share be paid to shareholders, total of 1,308,678.00 euro and that the remainder 879,428.11 euro is carried forward to the retained earnings account.

According to the board of director's decision, the balancing date for dividend is 21.2.2000. The board of directors proposes to the annual general meeting of shareholders that a dividend is paid after the balancing time ends on 28.2.2000.

*Kirsi Eräkangas*

*Sakari Perttunen*

*Antti Pöllänen*

*Ilkka Sihvo*  
President

*Jukka Sonninen*

*Hannu Vaajoensuu*  
CEO

## Note to financial statements

The financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. Based on an audit an opin-

ion is expressed on these financial statements and on corporate governance on this date.

In Vantaa, January 29, 2001

*SVH Pricewaterhouse Coopers Oy,*  
Authorized Public Accountants

*Juha Väisänen*  
Authorized Public Accountant

# Auditor's report

## To the shareholders of Basware Oyj

We have audited the accounting, the financial statements and the corporate governance of Basware Oyj for the period 1.1. - 31.12.2000. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation.

The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the Managing Director have legally complied with the rules of the Companies' Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distributable assets is in compliance with the Companies' Act.

In Vantaa, January 29, 2001

*SVH Pricewaterhouse Coopers Oy*  
Authorized Public Accountants

*Juha Väisänen*  
Authorized Public Accountant



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**BasWare**