

BasWare Financial Statements 2004

Annual General Meeting
March 3, 2005

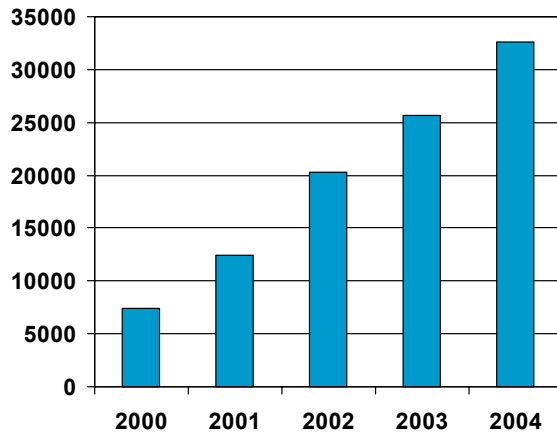
In brief

- ▶ **Software for automating financial processes**
 - BasWare headquarters in Espoo, seven subsidiaries (six in Europe, one in the US)
 - Presence in more than 20 countries, on 3 continents
 - Over 250,000 users globally in more than a thousand organizations
 - Net sales in 2004 approx. EUR 32.6 million
 - 302 employees at the end of 2004

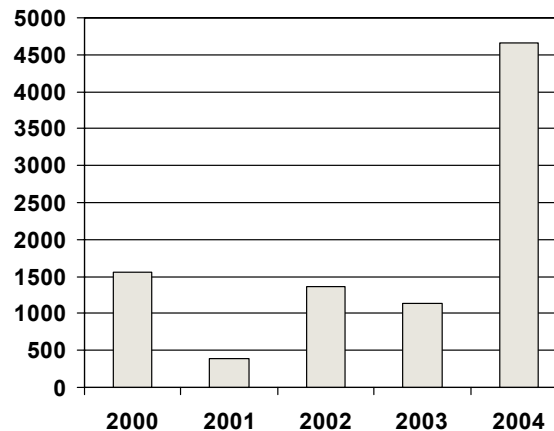
Key Financials 2000–2004

<i>EUR thousand</i>	2000	2001	2002	2003	2004
Net sales	7 455	12 399	20 263	25 597	32 640
Growth of net sales, %	64.4%	66.3%	63.4%	26.3%	27.5%
Operating profit	1 551	389	1 370	1 133	4 663
% of net sales	20.8%	3.1%	6.8%	4.4%	14.3%
Personnel, 31.12.	101	168	244	254	302

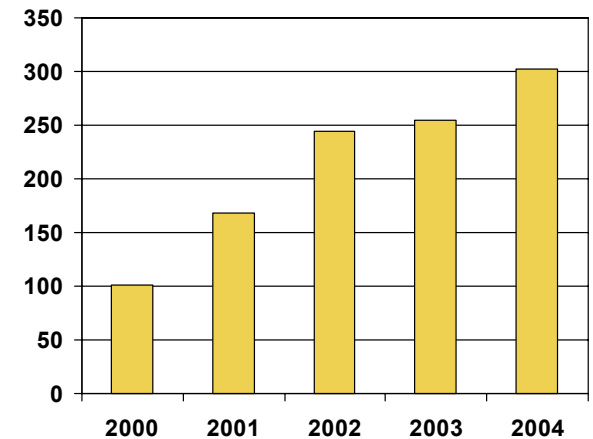
■ Net sales



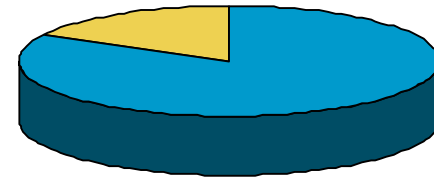
■ Operating profit



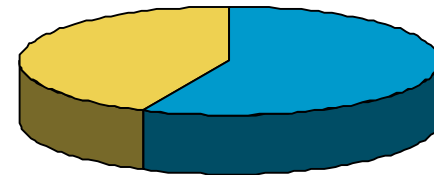
■ Personnel



- Net sales EUR 32 640 thousand (EUR 25 597 thousand)
 - Growth by 27.5 percent (26.3 %)
- Electronic Business grew by 27.7 percent (25.8 %)
- Financial Management grew by 26.7 percent (29.1 %)
- International operations grew by 31.4 percent (63.6 %)
- Domestic operations grew by 24.7 percent (8.4%)
- With the earlier accounting practice, the net sales would have been EUR 33 053 thousand, growth 29.1 percent



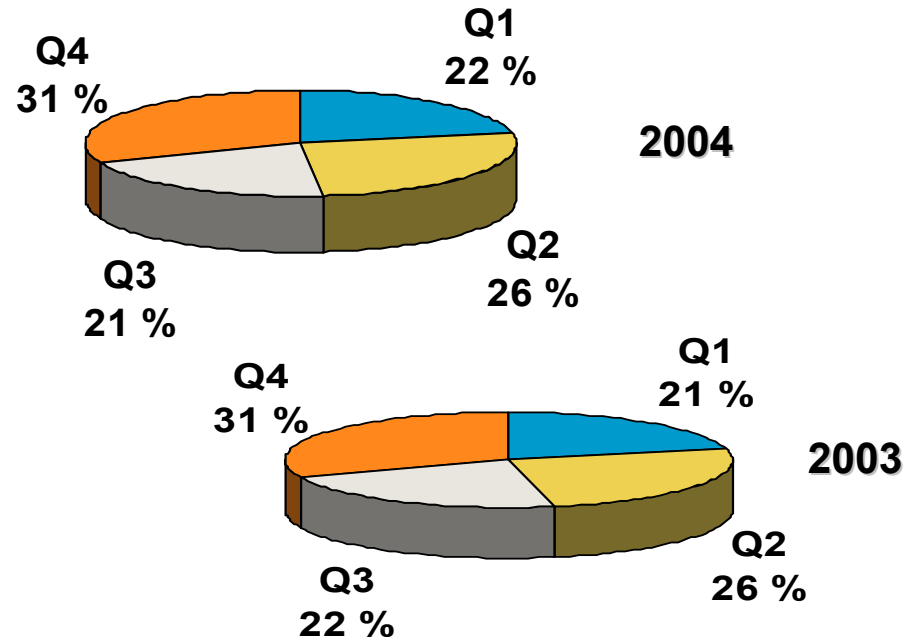
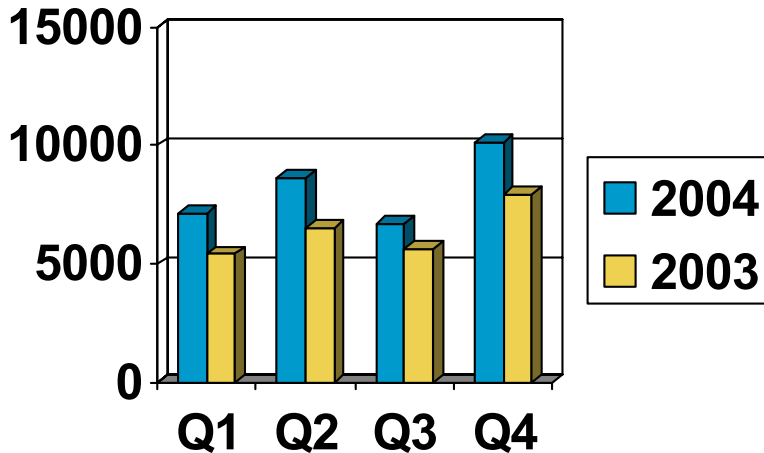
■ **Electronic Business 82.7%**
■ **Financial Management 17.3%**



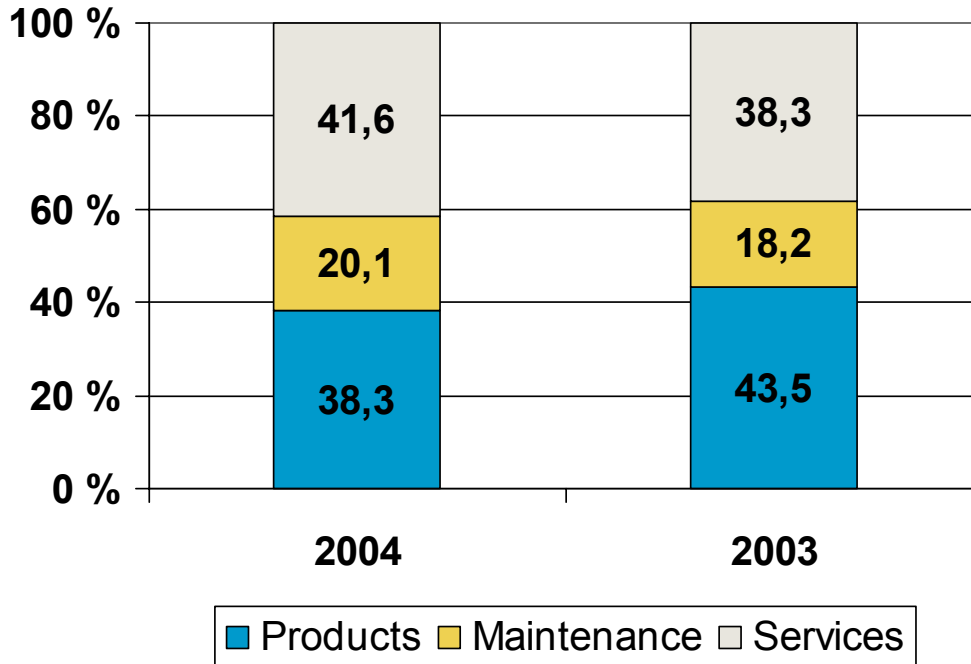
■ **Domestic 56.7%**
■ **International 43.3%**

Development of Quarterly Net Sales

<i>EUR thousand</i>	Q1/04	Q1/03	Q2/04	Q2/03	Q3/04	Q3/03	Q4/04	Q4/03
Net sales	7 128	5 434	8 646	6 546	6 717	5 668	10 150	7 949
Growth %	31.2	33.8	32.1	26.2	18.5	18.3	27.7	27.8
Other operating income	24	29	38	60	13	70	15	54
Materials and services	589	606	593	492	453	559	756	757
Personnel expenses	3 590	3 629	4 380	3 802	3 139	3 015	5 368	3 877
Depreciation and write-offs	248	248	242	246	237	239	247	236
Other operating expenses	1 724	1 988	2 028	1 748	2 017	1 467	2 457	1 765
Operating profit	1 001	-1 009	1 441	317	885	457	1 336	1 368



Sales by Operation 2004



Products = License sales of own software products

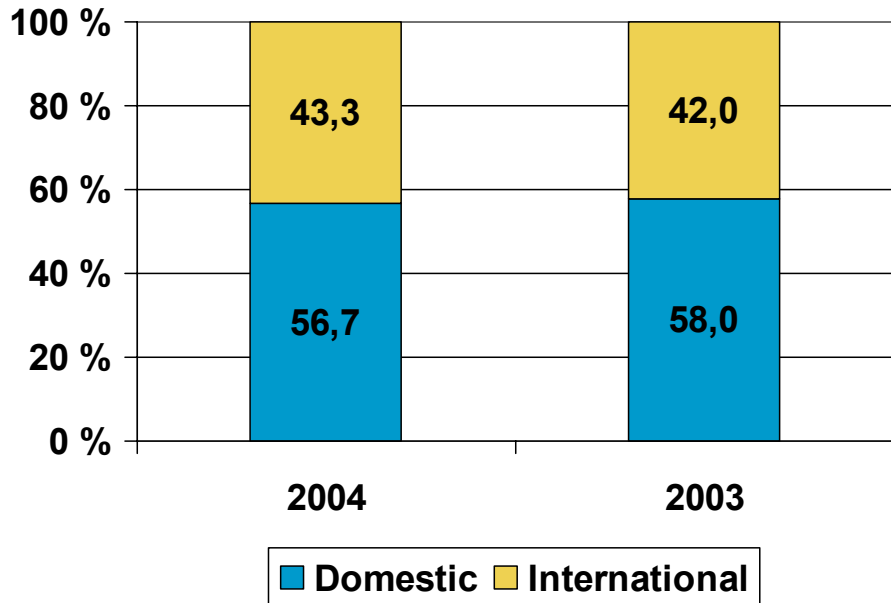
Maintenance = Continuous, annually charged fees (18-20% of license sales)

Services = installation and other consulting services related to products; also Business Transaction service fees

- Growth of product sales 12.1 percent (13.2%)
- Growth of maintenance revenue 40.6 percent (47.3%)
- Growth of service revenue 38.7 percent (35.0%)

Sales by Geographic Area 2004

All business operations



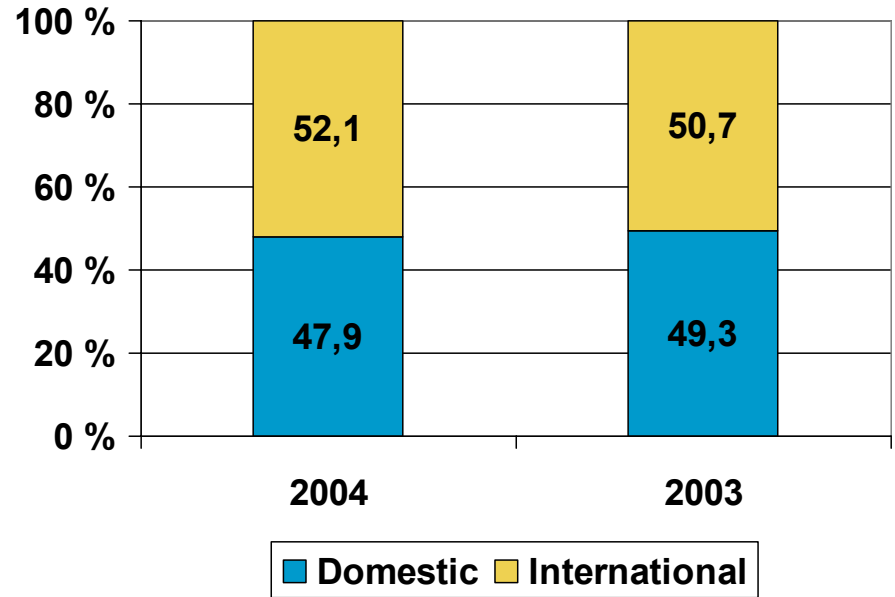
Domestic net sales

- Growth by 24.7 percent (8.4%)

International net sales

- Growth by 31.4 percent (63.6%)

Electronic Business operations



Domestic net sales

- Growth by 23.9 percent (1.9%)

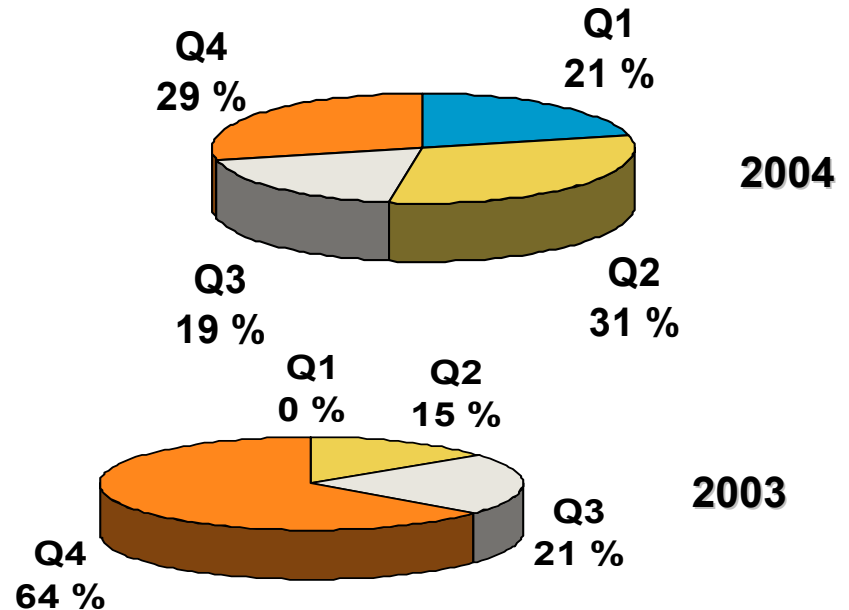
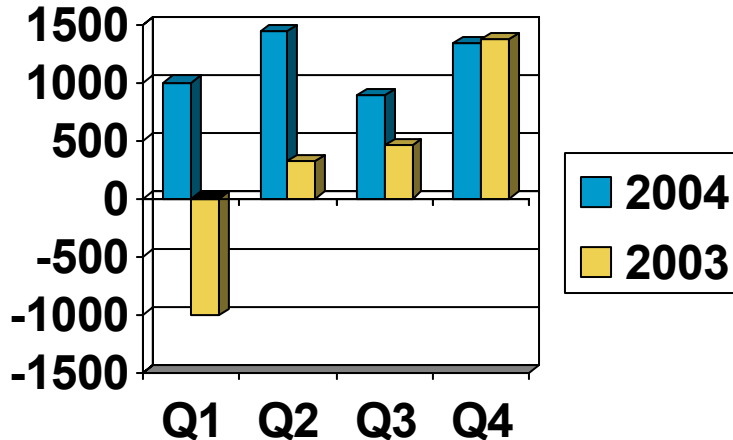
International net sales

- Growth by 31.4 percent (63.0%)

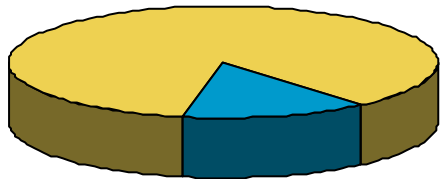
- Operating profit EUR 4 663 thousand (EUR 1 133 thousand)
 - Increase by 311.4 percent (-17.3 %)
 - 14.3 percent (4.4%) of net sales
- Fixed costs EUR 24 703 thousand (EUR 21 291 thousand)
 - Growth by 16.0 percent (23.4 %)
 - EUR 1 062 thousand of R&D costs capitalized
- Profit before extraordinary items and taxes
EUR 4 526 thousand (EUR 1 031 thousand)
- Profit for the period EUR 2 801 thousand (EUR 564 thousand)
 - Increase by 397.1 percent (-36.4%)

Development of Quarterly Profit

<i>EUR thousand</i>	Q1/04	Q1/03	Q2/04	Q2/03	Q3/04	Q3/03	Q4/04	Q4/03
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- Total assets on the balance sheet EUR 20 779 thousand (EUR 16 003 thousand)
 - Capital lease contracts booked in fixed assets, an increase by EUR 77 thousand in total assets
- Liquid assets EUR 5 789 thousand (EUR 3 633 thousand)
- Cash flows from operating activities EUR 5 015 thousand (EUR -108 thousand)
- Equity ratio 58.6% (63.0%)
- Gearing -34.0% (-15.4%)
- Capital expenditure EUR 626 thousand (EUR 489 thousand)
 - Regular new and replacement investments



Costs 14.1% of net sales



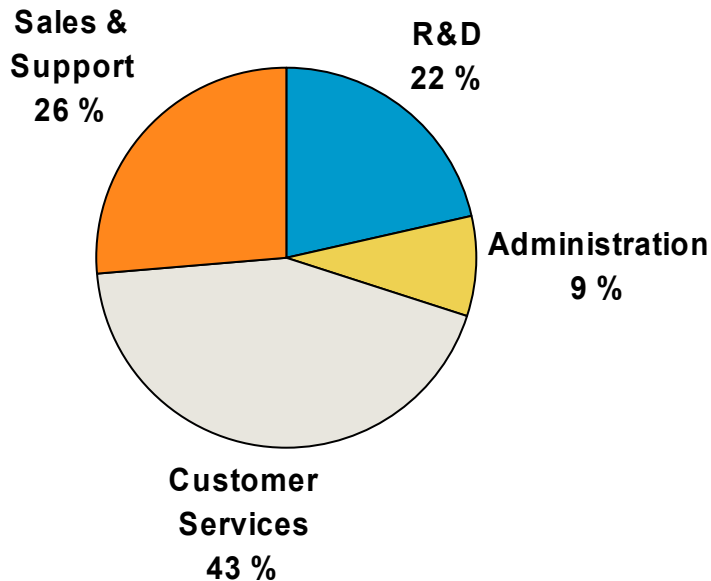
21.5% of total personnel

- Product development costs
 - EUR 4 604 thousand (EUR 4 113 thousand)
 - Growth by 11.9 percent (16.4%)
 - Of net sales 14.1 percent (16.1%)
 - EUR 1 062 thousand of costs capitalized
- R&D personnel 65 (59)
 - Of total personnel 21.5 percent
 - R&D centralized into Finland
- Tekes financed BasWare's product development with a grant of EUR 48 thousand

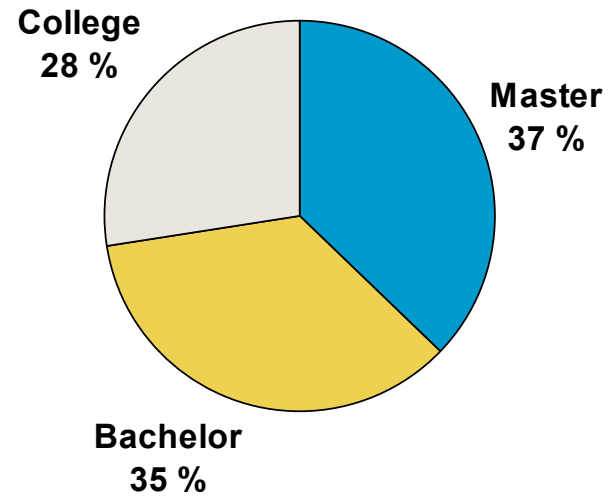
Facts

- Employees, total year-end 302 (254)
- Growth by 18.9 percent (4.1%)
- Sales personnel grown most of the personnel groups
- In Finland 68.5 percent, abroad 31.5 percent of total personnel
- Average age 33.9 years
- Departure turnover 10.6 percent

Personnel Groups



Education



Business Operations Financial Year 2004

- International share of net sales 43.3% (42.0 %); growth by 31.4% (63.6%)
- Seven subsidiaries
 - A new subsidiary in France established in January 2004
- Customer installations in 21 different countries
 - Market openings in Canada, Estonia, Russia
- International operations currently based on Electronic Business operations
 - Financial Management operations will be expanded to other Nordic countries starting in 2005

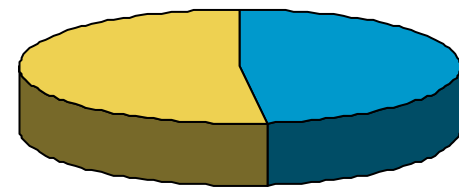


- New Value Added Resellers in 2004: Canon in Australia and New Zealand, Perfect Extensions in the Netherlands
- Iocore AS to sell Financial Management products in Norway as of the beginning of 2005
- In total 11 Value Added Resellers operating in 16 countries
- Goal to find several strong partners in every market area



Software for enterprise purchase-to-pay process, “From Need to Payment”

- *Invoice automation (BasWare Invoice Processing + value-added products)*
 - *BasWare Purchase Management*
 - *BasWare Business Transactions, electronic invoicing service*
-
- Domestic operations grew by 23.9 percent (1.9%); international by 31.4 percent (63.0%)
 - Product sales growth by 13.4 percent; services sales growth by 35.9 percent
-
- Finland: exceeded net sales target
 - Scandinavia: did not fully reach the target
 - Europe: did not fully reach the target
 - Others (US, Australia): reached the target
 - New country managers in Denmark and Germany in the fall due to weak performance of the units



■ Domestic 47.9% (49.4%)

■ International 52.1% (50.6%)

- 120 new Invoice Processing and Purchase Management agreements
 - Strong demand for invoice automation solutions, especially among financial SSC customers, e.g. Stora Enso, Metso, Elisa, the S Group
 - The integrated solution for purchase to pay process “From Need to Payment” generating interest, new customers e.g. Panasonic UK, Sita Netherlands, IF in the Nordic countries
- Almost 1.4 million electronic invoices through the BasWare Business Transactions service in 2004
 - Growth by 160.6 percent
 - 50 new service agreements in Finland
 - First customers acquired outside of Finland

Software for enterprise financial management, “From Planning to Reporting”:

- *BasWare Business Planning*
- *BasWare Group Consolidation*
 - + *value-added products BasWare IFRS Models, BasWare Cash Flow*
- Growth of net sales by 26.7 percent (29.1%)
 - Product sales growth by 5.2 percent
 - Services sales growth by 53.2 percent
- 43 new agreements
 - Good competitive position due to solution offering combining software with strong IFRS knowledge
 - Interest in IFRS products expanded to private, non-listed companies e.g. Setec Oy, Oy Karl Fazer AB, Suomen Posti Oyj
- Domestic operations, internationalization to be started in 2005

New Agreements Q1/2004



New Agreements Q2/2004

Panasonic

SKF

NKT
Flexibles

Europcar

ICELANDAIR

Huoneistokeskus



Stockholmshem

dynea



CONDÉ NAST
PUBLICATIONS



NTNU

HUURRE
GROUP

LAROX®

Tieliikelaitos

CITEC

connexion
brengt mensen bij elkaar



xella



GUNNEBO
For a safer world

Holiday Club

MetroAuto

SPAR

bam nbm infra

palmia



Helsingin kaupunki



MEHILÄINEN



New Agreements Q3/2004

AMERICAN EAGLE
OUTFITTERS
ae.com

KPMG

Senaatti
KIINTEISTÖT

PORT OF
HELSINKI

TEBOIL



thiemejuelenhoff



Tieliikelaitos

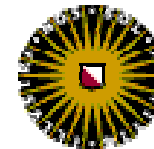


eka

VARMA



britannic group



Universiteit Utrecht

Nammo
NORTH AMERICAN COMPANY

New Agreements Q4/2004



VAN LEEUWEN PIPE AND TUBE GROUP

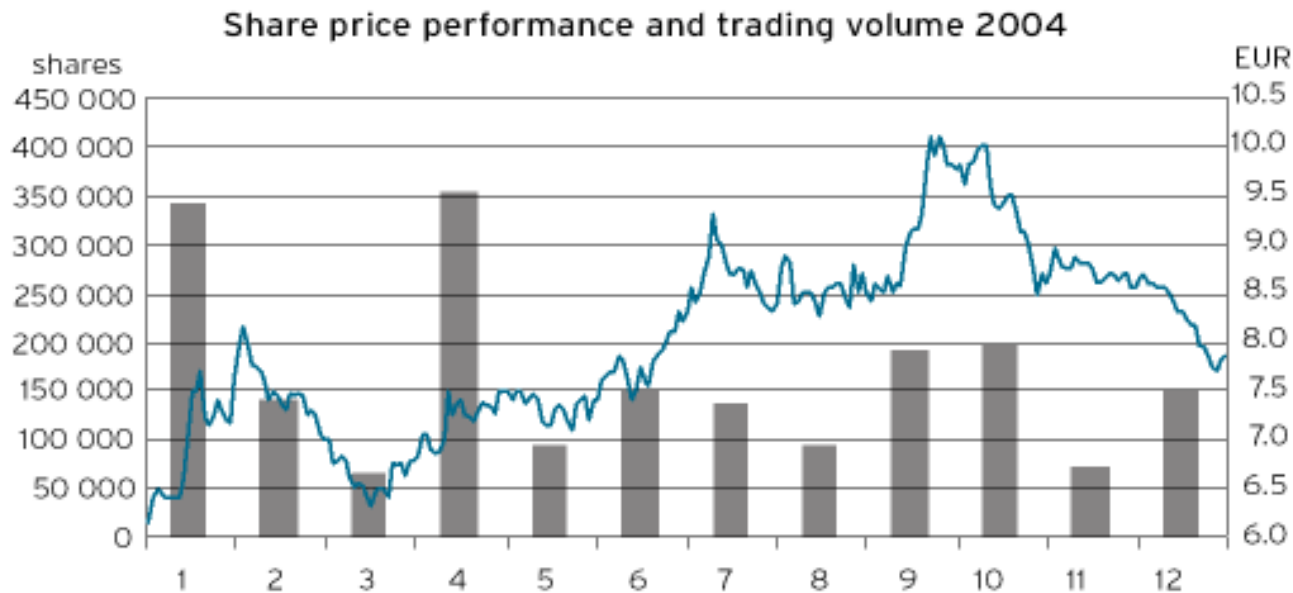
- Internationalization Award of the President of the Republic of Finland in March 2004
- Transfer to the Main List of Helsinki Stock Exchange in October
 - Possibility for a share issue was reviewed but not realized during the fall
- Redefinition of the strategy during summer 2004
 - Strategic objectives by 2007: annual growth of net sales 40 percent, operating profit margin 15 percent
 - More investments to strategic markets (UK, USA, Germany)
 - Expansion of Financial Management and Business Transactions operations outside of Finland
- Ilkka Sihvo started as CEO and Hannu Vaajoensuu as Chairman of the Board on January 1, 2005

At the end of year 2004:

- Share capital EUR 2 582 190
 - Increase by EUR 17 010 in October 2004
due to share subscriptions based on warrants
- Number of shares 8 607 300
- Market capitalization EUR 66 964 794 (EUR 52 158 660)
- Number of shareholders 24 103 (26 358)
- Share holdings of the Board and management team available in the Annual Report (Corporate Governance section)



- Average price of the share EUR 7.83 (EUR 4.83)
- Closing price EUR 7.78 (EUR 6.10)
- Highest price EUR 10.10 (EUR 6.42); lowest price EUR 6.10 (EUR 3.63)
- Traded shares 1 981 098 (658 514); 23.1 percent (7.7%) of total shares



- Interim reports and financial statements in 2005 according to IFRS
- Changes in accounting principles in 2004
 - Capitalized product development costs: + EUR 1 062 thousand
 - Sales revenue recognitions: - EUR 413 thousand
 - Capital lease contracts booked in assets: + EUR 77 thousand
- Changes in accounting principles regarding goodwill in 2005
 - Ceased goodwill amortizations in 2004 according to IFRS
+ EUR 240 thousand

- General economic outlook has had a slightly positive turn in fall 2004
- Competitive status and demand of software has remained good
- International growth in 2005 bases on
 - subsidiary sales activities: size of the sales & marketing organization doubled in the US, Germany, UK
 - indirect channel: further development in Europe, starting in the US
 - new products: Purchase Management and value-added products launched in all markets by the end of 2004
 - expansion of Financial Management operations into other Nordic countries
- Domestic growth in 2005
 - Services and new products strengthening the growth
 - Lower growth level than internationally but higher than the average growth rate in the Finnish software market

- Review of acquisition possibilities to be started in the Nordic countries
 - Possibility to expand the sales channel and product portfolio
 - Possibility to strengthen the position in the Nordic electronic invoicing market
- Growth of organic net sales over 20 percent
- Operating profit more than in 2004
(i.e. EUR 4 663 thousand)
- Operating profit in Q1/2005 less than in Q1/2004
 - Due to investments in sales organization at the end of 2004



▶ ***In Invoice Automation***

- to sustain the global leadership

▶ ***In Purchase Management***

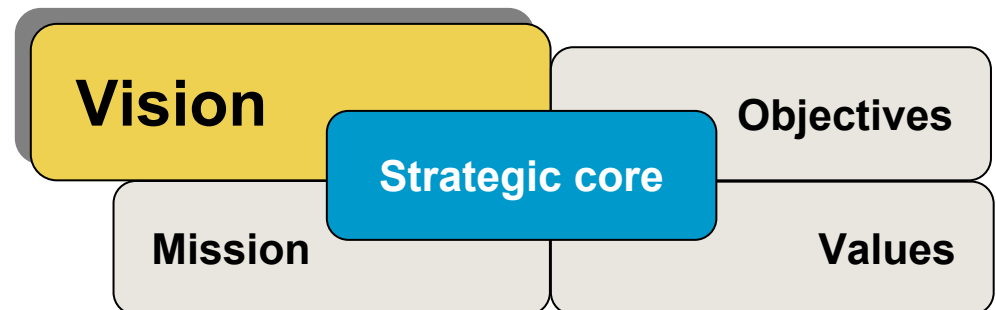
- to become the leading global provider by integrating the offering with Invoice Automation solutions

▶ ***In IFRS* based Financial Management***

- to expand the leadership into European market and become a global forerunner

**IFRS = International Financial Reporting Standards*

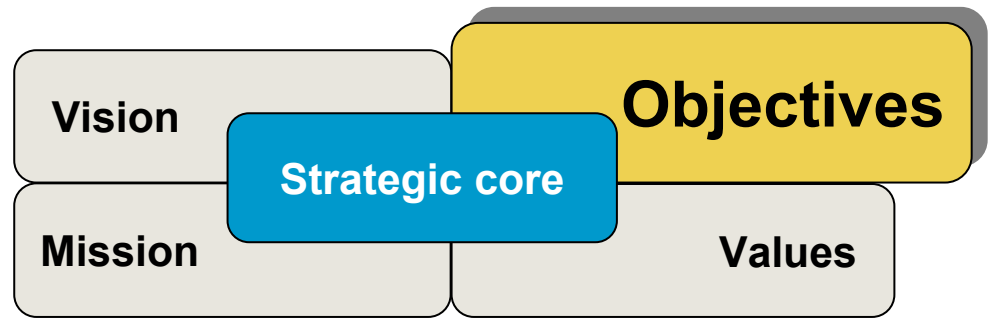
Leading refers in our thinking to market share, product competitiveness and expertise.



What Are Our Objectives?

- ▶ ***Rapid profitable growth***
 - Annual growth of net sales 40%
 - Growth mainly organic
 - Supported by acquisitions extending the global sales channel or product portfolio
 - Operating profit margin of 15%

- ▶ ***Continuous value to our customers, partners, employees and shareholders***



How Do We Expand Globally?

Nordic

- Mainly direct operations
- Whole product range in Nordic distribution
- Pilot market for new products

Europe

- Direct sales as main revenue source in the short term
- Transition from direct to indirect in the mid-term
- Multiple channel partners in each market
- Stronger presence in Italy & Spain
- Continuous follow-up of markets in new EU countries

North America

- Direct sales as main revenue source in the short term
- Channel network and co-marketing efforts with various business partners
- Transition from direct to indirect in the long term

Asia Pacific

- Main focus on Australia in 2005
- Continuous follow up of other markets in APAC
- Investments primarily driven by global roll-outs and secondarily by market pull



- BasWare to acquire Iocore AS in Norway
- Acquisition price EUR 2.94 million + additional earn-out of EUR 0.5 million based on Iocore's financial performance in 2005
- Requires a statement from the Competition Authority in Norway
- Strengthening and harmonizing BasWare's Nordic operations

Facts about Iocore AS

- BasWare's reseller in Norway since 1999
- Net sales approx. EUR 4.9 million in 2004
 - EUR 4.3 million without the commission paid for BasWare for reselling operations
- Own software products for travel expense management and electronic invoicing
 - Complement BasWare's Purchase to Pay product portfolio
- 35 employees; offices in Oslo and Trondheim, Norway





Solutions that pay their way