

BasWare in brief	1
Key figures	2
Strategy	3
Events in 1999	4
Address from the management	5
Board of Directors	6
Products and markets	7
From paperless accounting to systems that support e-business	8
More productivity in financial control	9
BasWare in the home market	11
BasWare internationalizes	12
Product development	13
Subsidiary and Associated Companies	14
Personnel	15
Group income statement	17
Group balance sheet	18
Group funds statement	19
Key figures	20

BasWare in brief

Founded in 1985, BasWare Corporation is a software vendor which grows and internationalizes rapidly and profitably. The company develops, markets and sells software that supports e-business and financial control. Each of the main products – BasWare E-Flow for electronic processing of purchase invoices, BasWare Target for budgeting, forecasting and financial reporting, and BasWare Sigma for group accounting – are market leaders in their fields in Finland.

BasWare's head office is in Vantaa, Finland, and the regional office in Amsterdam, the Netherlands. BasWare has Value Added Resellers in Sweden, Norway, Denmark and the Netherlands. The group includes subsidiary NextWare Oy. In addition, BasWare owns 25% of an Internet startup Balrog New Media Oy Ab.



Key figures

FIM 1000	1999	1998	1997	1996	1995
Net sales	26 968	18 423	12 071	8 431	4 842
Change, %	46.4	52.6	43.2	74.1	26.3
Operating profit	9 783	8 169	5 267	3 639	1 566
Share of net sales, %	36.3	44.3	43.6	43.2	32.3
Profit for the period	7 090	5 906	3 787	2 637	1 362
Share of net sales, %	26.3	32.1	31.4	31.3	28.1
Personnel average for the period	51	34	25	17	11
Personnel at the end of period	65	40	29	19	13
Share of product sales					
Share of right-of-use fees and maintenance services of BasWare software products of net sales, %	67.0	63.0	51.0	56.0	48.0

Net sales in segments 1999

Other services 12 %
consists mainly of system development consulting provided by the subsidiary NextWare.

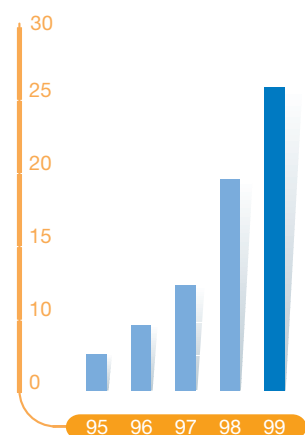
Software product sales 51 %
are formed from the right-of-use fees of BasWare software products.

Software product consulting 21 %
such as services during implementation, is consulting that is directly related to BasWare products.

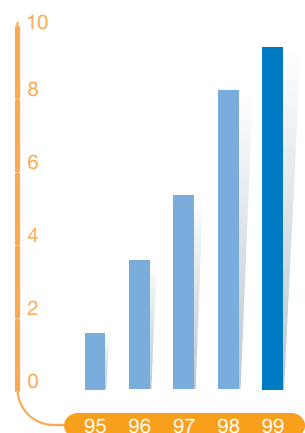


Maintenance 16 %
Almost without exception, a customer orders a continuous, annually charged maintenance service which includes product support, a continuous guarantee and new software versions.

Net sales
1995-99 (FIM Million)



Operating profit
1995-99 (FIM Million)



Strategy

Mission

BasWare develops information technology solutions into products that improve the business processes of its customers

Vision

BasWare aims to be

- The market leader in Europe as a supplier of systems for processing purchase invoices related to e-business, and systems for e-procurement
- The market leader in Finland as a supplier of group accounting, budgeting, forecasting and financial reporting systems
- A significant supplier of budgeting, forecasting and financial reporting systems in selected countries

Strategy

BasWare develops, markets and sells software packages that support the e-business and financial control of companies.

The key points of BasWare's business strategy are:

- Rapid expansion supported by possible company acquisitions that are compatible with BasWare's business strategy
- Rapid international expansion in Europe, primarily through a distribution channel based on Value Added Resellers, in order to exploit a competitive advantage
- The development and market launch of new products that support e-business, with the aim of developing at least one new software package for commercialization each year

- Software is developed to suit international distribution
- Product development is customer oriented and utilizes the latest technology
- The possibilities provided by Internet technology are utilized in all products
- The customer target group consists of companies with a turnover exceeding 100 million Euros

Values

The corner stones of BasWare's activities are **pioneering, partnership, high quality** and **internal entrepreneurship**.

As a pioneer, BasWare invests significantly in continuous product development and innovative application of the latest technology. New product ideas are continually sought after: the best of these are selected for development into software products.

In its activities, BasWare aims to form partnerships with customers and other stakeholders. Product development is customer-oriented, and interaction is advanced by regularly arranging user events and expert seminars.

High quality is one of BasWare's main objectives. The purpose of the World Class quality project is to raise the model of operation, quality control and product quality to a world-class level in all respects.

Internal entrepreneurship is supported by many means. The company's organization is flat, and everyone has an opportunity to influence its development. The personnel's job specifications are independent, and genuine responsibility is required in the performance of tasks. Tasks and salary develop in relation to the level of skill and input.



Events in 1999



March

BasWare signed a partnership agreement with the German ERP (Enterprise Resource Planning) manufacturer SAP AG. The agreement enables the integration of BasWare products with SAP/R3 ERP products.

April

BasWare decided to accelerate its international expansion and began to develop an Area Manager network for the support of the local Value Added Resellers in the main target markets.

Resellers in the main target markets.

August

The first local office was opened in the Netherlands for the Benelux market. Area Manager Matti Rusi was appointed head of the office.

September

Hannu Vaajoensuu was appointed CEO of BasWare, and Ilkka Sihvo as President of the Board.

Petri Karlsson was invited to be Managing Director of the subsidiary company NextWare Oy.

BasWare signed a Value Added Reseller Agreement in Oslo with the Norwegian company Adaptive Systems Norway AS.

BasWare's USA office was opened in San Jose, California. Country Manager Aki Aalto was appointed head of the office.

October

Jan Pawli was appointed as BasWare's Area Manager in Scandinavia. Mr Pawli is based in Vantaa.

BasWare acquired 25 per cent of shares in the company Balrog New Media Oy. The company develops products for gathering relevant information from the Internet and other sources with the aid of intelligent agent applications.

November

BasWare made public that it was investigating listing in the Helsinki Exchanges together with Evli Corporate Finance Oy as its advisor.

BasWare participated as an exhibitor in the world's largest event in the IT field, Comdex Fall '99 in Las Vegas.

The Swedish market opened for BasWare when the state alcohol company, Systembolaget, chose BasWare E-Flow for processing their purchase invoices.

BasWare signed a Value Added Reseller Agreement with Dutch Momentum B.V. in Amsterdam.

December

The marketing of BasWare products in Denmark commenced with the signing of a Value Added Reseller Agreement with A team A/S.

The balance for the year 1999 showed a 46 per cent increase in turnover over the previous year and the highest profit for an accounting period in the company's history.

Address from the management

For BasWare, 1999 was a successful year. The company experienced what was clearly the best accounting period in its history, together with strong expansion and profitability. Growth, which was still organic, was achieved in all aspects of BasWare's business operations. The most important change in the company's operations was, however, strong international expansion, which creates a totally new foundation for the company's future growth. The opening of offices in Holland and the United States, and retail agreements in Sweden, Norway, Denmark and Holland are the beginning of rapid expansion in the future, especially in Europe.

BasWare's success was still mainly based on two areas of business. Systems that support e-business, especially software for processing purchase invoices, conquered the market at a remarkably high speed. These products also functioned as the company's spearheads in its international expansion. During the accounting period, the product family expanded to cover e-procurement and the archiving of financial documents. The company's traditional software products for supporting financial control also succeeded excellently. The success of these products was supported by totally renewed technology and a browser-based user interface.

In accordance with its strategy, BasWare also strove to find totally new areas of business. In this, too, the company succeeded well during the year: for example, the time management software NextHour and the financial reporting software Martlet were developed.

The future looks bright for BasWare. The company internationalizes rapidly and has already gained a foretaste of possibilities and success in new markets. In a climate where e-business represents one of the fastest growing sectors in the field of information technology, sufficient growth potential for the company's products is guaran-

teed in the near future. The competitiveness of the company's products has also proven excellent and, from the perspective of market development, the timing for international expansion seems to be highly appropriate.

BasWare expands and internationalizes so rapidly that future operations will require totally new resources. Financing the building of an international distribution channel, credibility beyond the home market, reputation and recruiting are some of the factors behind BasWare's current exploration into the possibilities of listing in the Helsinki Exchanges NM List. The analysis will be completed during 2000.

We wish to thank our customers, partners and personnel for this successful year. Thank you for believing and trusting in BasWare and its products. We hope that our cooperation continues well into the new millennium.

Ilkka Sihvo

President of the Board

Hannu Vaajoensuu

CEO



Board of Directors



President Ilkka Sihvo, MSc (Econ.), MSc (Tech.), b. 1962. Responsible for operations in Finland. Joined BasWare in 1989.

CEO Hannu Vaaajoensuu, MSc (Econ.), b. 1961. Areas of responsibility include business development and international expansion. Joined BasWare in 1987. Chairman of the NextWare Oy Board and member of the Balrog New Media Oy Ab Board.

Vice President, Sales Kirsi Eräkangas, MSc (Econ.), b. 1965. Responsible for sales and corporate communications in Finland. Joined BasWare in 1988.

Vice President, R&D Sakari Perttunen, MSc (Econ.), b. 1957. Areas of responsibility include customer service, personnel and research and development. Joined BasWare in 1987.

Chief Technology Officer Antti Pöllänen, MSc (Econ.), b. 1966. Responsible for the technology solutions and platforms used in the products. Joined BasWare in 1989.

The company is audited by **Juha Väisänen**, Chartered Accountant and Registered Auditor, from SVH PricewaterhouseCoopers Oy.

Shares and shareholders

Share capital

At the end of 1999, BasWare's share capital totalled FIM 1 203 600. According to the statutes of association, the company's minimum share capital is FIM 500 000 and the maximum FIM 2 million. The share capital can be raised or lowered within these limits without changing the statutes.

The nominal value of one share is one Finnish mark and each share warrants one vote. In the 1999 accounting year, all shares were entitled to dividend.

Shares owned by the Board and Management

On 31 December 1999, BasWare Corporation's Board Members and CEO owned 768.000 shares which is 64% of the share capital and voting rights.

Shareholders on 31 December 1999

Eräkangas Kirsi with family	240.000
Perttunen Sakari with family	240.000
Pöllänen Antti with family	240.000
Rusi, Matti	2.400
Sihvo, Ilkka	240.000
Tuomala, Vesa	1.200
Vaaajoensuu Hannu with family, and through an investment company	240.000
Total	1.203.600

Products and markets

BasWare's business idea is to transform information technology solutions into software applications that deliver added value to customers by making business processes more efficient. Software products developed by the company itself for the support of e-business and financial control are the company's core area of activity.

BasWare software products facilitate notable cost savings in large organizations by automating operations, accelerating workflow and enhancing the control of processes. BasWare software also improves the quality of information used in decision-making.

In addition to software packages, BasWare offers services for implementation and user support. The software can be parameterized to a great degree, enabling a short period – 3 to 8 weeks – for its implementation and application in

different platforms. Because they can be parameterized, the software packages are also suitable for global distribution and can be utilized regardless of the line of industry. Customer-specific changes are not needed in the software products. A fast product development cycle enables the introduction of new, general-use functions to the software at a pace that is sufficient from the perspective of the customer.

BasWare software is directed mainly at large organizations. Typically, a system has dozens, often hundreds of users. The software supports multilingual, multicurrency and multicompany use. When the software is used in several different locations, the Internet can be utilized for data transfer. Thus far, the company's products have primarily supported operations related to financial control, but by means of new products the user group is expanding.

At frequent intervals, BasWare has managed to launch new products that have achieved a leading market position. Despite changes in the environment, all products have been kept technically up to date, which has won loyalty from the users.



From paperless accounting to systems that support e-business



E-business – the E-Flow product family

New customers in 1999 include:

- Fortum Group
- L'Oreal Finland Oy
- The OKOBANK Group
- Polar Electro Oy
- Systembolaget AB (Sweden)

A system for the processing of purchase invoices

- Scanning of purchase invoices or reading of electronic invoices
- Approval procedure via E-mail
- Standardized interfaces utilizing, for example, SAP
- A dramatic decrease in processing costs
- Better control
- Invoices are easy to locate in the electronic file

Procurement management

- Management of non-productive purchases from the beginning
- Registering orders and mediating them to the supplier
- Wider distribution will commence in spring 2000
- Easier direction of purchases to regular suppliers
- Time is saved in acceptance routines
- Better coordination of purchases

Archiving

- The archiving of financial control material
- Documents are read directly from the systems or through scanning
- Fills accounting legislation criteria
- Frees shelf space
- Developed for the special needs of financial control
- Eases subsequent searching and browsing of documents

BasWare has succeeded in creating a successful business concept in the area of paperless accounting. Expanding the product family into the area of e-business strengthens the company's market position and builds a foundation for the internationalization of operations.

In 1997, BasWare began the development of a system for processing purchase invoices based on paperlessness – BasWare E-Flow. The product was launched in Finland in the beginning of 1998 at the same time as new accounting legislation came into effect that permitted accounting material to be electronically filed. The customers' strong dedication to the transfer to paperless accounting, combined with the successful development and launch of the product, added momentum to rapid growth in business.

The rapidly increasing use of the Internet, and a desire to fully exploit the possibilities it offers, gave impetus to a reconsideration of product strategy. In the beginning of 1999, the decision was made to expand E-Flow into software that supports electronic business, particularly from the perspective of procurement. Based on this policy the company started to develop a new e-procurement product, which will be launched during spring 2000. Together with its partners and key customers, BasWare is also developing a general-use Web Invoice concept for b-to-b electronic invoicing via the Internet. The total concept will be further completed with new archiving software directed primarily at the needs of financial control.

Now that the processing of purchase invoices in electronic form has been generally accepted in Finland, new systems are being implemented at

an accelerating pace. In most cases, E-Flow has been found to be the best solution available on the market. Due to product expansion, E-Flow's position continues to strengthen.

The demand for paperless accounting solutions in Scandinavia and the Netherlands seems to follow behind Finland with a delay of one to two years and even longer elsewhere in Europe. There are no reliable forecasts for the market potential of these areas but, based on the Finnish market, it can be estimated that within a few years there will be a market potential of hundreds of millions.

According to the estimates of leading market research institutes, the market for management systems for b-to-b procurements (e-procurement) will expand explosively. The demand is strongest in the USA. Europe, on the other hand, is now only awakening to the use of the Internet as a means of increasing the efficiency of procurement in large organizations. However, there are indications in the market that several software companies are developing new solutions in this field.

BasWare's chances for conquering global markets are based on pioneering and specialization. BasWare's key customers have a clear need for an e-procurement management system and a strong will to participate in its development. This has spurred BasWare in its development work. This leads to a well-timed, rapid launch of a software product with which the company can achieve an advantage over competitors who set forth later. In addition, BasWare's strength includes specialization, which is particularly evident in the company's concentration on procurement outside production operations in large organizations.

More productivity in financial control

BasWare continued to hold its position as the market leader in its traditional area of solutions for financial control. Year after year, success is made possible by active, customer-oriented product development.

Financial control has been BasWare's area of expertise since the 1980s. Each of the company's software packages developed in the 1990s are market leaders in Finland. Year after year, success is made possible by active, customer-oriented product development. Last year, due to browser-operated software versions, BasWare's customers gained, for example, an opportunity to use the Internet for gathering and reporting financial control data.

In recent times, the customer base has expanded due to the development of accountancy in general, from a processor of events to an expert organization that actively supports decision-making. FastClose thinking has compressed the data-gathering schedule, and Balanced Scorecard has increased the sectors of activities to be reported. Annual budgeting has been replaced by dynamic, rolling budgeting and forecasting. Tools that support these functions and ease



Financial control

New customers in 1999 include:

- YIT Yhtymä Oyj
- The Rautakirja Group
- Finnvera
- The Talentum Group

BasWare Target

- A multidimensional budgeting, forecasting and reporting system
- Adapts flexibly to a company's changing needs
- Easy implementation due to its browser-based user interface
- Can be used over distances
- Enables transfer from annual budgeting to continuous estimation
- Easy to manage and maintain

BasWare Sigma

- Complete procedures for group statutory consolidation and group reporting
- Applications for Financial and Management Accounting
- Versatile input and reporting functions
- Brings flexibility and efficiency
- Can be expanded as a company's needs change
- Easy to produce versatile standardized and user-specific reports

NextHour

- For the reporting and planning of personnel time management
- Clear and cost-efficient browser-based user interface
- Flexible possibilities for data transfer
- Eases the filing of hours worked and the control of resources
- Convenient data input due to calendar-like features
- Illustrative reports

routines have thus become necessary, and they have made possible a more intense planning and monitoring cycle.

In large organizations, budgeting and planning information systems have previously been implemented in the form of tailored, more limited spreadsheet solutions. BasWare was the first company in Finland to launch a comprehensive software package in this field. Today, all customers are making a strong shift to the use of package software, increasing BasWare's market potential. Because the budgeting and planning needs of companies are so diverse, developing software packages in this field requires years' of work in customer projects. Accordingly, market entry is extremely difficult and the number of competitors remains low. In addition, there is a significant international market potential in this field. BasWare will begin to tap this potential at the end of 2000 when its products have been developed to be more suitable for channel distribution.

In group reporting, tighter schedules have forced companies to change their processes and develop information technology solutions. The Internet-based functions developed by BasWare have eliminated entire work phases from the gathering of information in geographically dispersed groups. BasWare Martlet software offers the possibility to utilize the Internet in reporting. As the sales of group accounting software moderately increase, the role of value added products and services in this field will become more significant.

As the value of immaterial resources has risen, the need for personnel reporting has increased, and traditional, production-based accounting reporting has been considered insufficient. The expanded use of management tools, such as Balanced Scorecard and Statement of Human Resources, has increased the need for collecting data on personnel.

NextHour, launched by BasWare's subsidiary NextWare Oy in late 1999, is software for planning and monitoring personnel time management. In addition to planning, the product enables data to be collected for the support of resource allocation and management, for forming the basis of invoicing the work of personnel, and for various personnel and project reporting. The software contains a versatile reporting tool that can be further tailored to the needs of the customer. The usability of the data is enhanced through interfaces to various systems, such as invoicing and salary calculations. The browser-based software is founded directly on Internet technology. It can be used over the Internet or made part of an organization's intranet or extranet – data can be fed in and reported regardless of time and place.

NextHour immediately proved its suitability for a variety of needs, and sales began quickly. Several delivery agreements had been signed by the end of 1999.



BasWare Finland Business Unit

BasWare in the home market



The business activities of BasWare Finland during 1999 consisted of the sales and marketing of software that supports e-business and financial control, and supply and support services. The unit's operations exceeded all set targets. The products in both product families continued as clear market leaders in their respective fields and the unit's sales grew commendably.

The net sales of BasWare's domestic activities exceeded FIM 23 million, an increase of 51 per cent over the previous year. As expected, software that supports e-business revealed the strongest growth: in less than two years its share has reached 37 per cent of the company's turnover. On the part of the system for processing purchase invoices electronically, sales grew by more than 170 per cent over the previous year. It is also noteworthy that the size of the systems grew clearly compared to the previous year. The largest system installed had over 2000 users and the number of purchase invoices processed exceeded 150 000 per annum. It is reasonable to assume that growth will continue to be very strong in e-business. This view is supported by the analyses of all noteworthy research institutes in the field. A foundation for continued significant growth has been built by the expansion of the product family to include e-procurement and the

electronic archiving of financial documents.

On the part of package software that supports financial control, BasWare kept a firm hold on its position as the market leader. Sales and the average size of systems continued to grow, mainly due to the highly successful budgeting, forecasting and reporting software. Most of the systems sold were already browser based. The position of the product family grew stronger toward the end of the year with the launch of new 32-bit versions and the totally new Java-based Martlet reporting software. This means that the future of software for the support of financial control also looks assured for the following year.

In Finland, large organizations remain the common target group for all products. During the year, domestic sales operations were organized into segments and customer-responsibilities in order to better utilize the possibilities offered by the expanded product range. Through customer management, expertise in different lines of business and the needs and circumstances of customers was improved. In the future, too, BasWare's own sales personnel and familiar partners, such as Canon as an equipment supplier and SAP as an ERP systems supplier, will be the foundation upon which domestic sales will be built.

Due to the company's good success, the delivery organization has had to undergo significant expansion during the year. At the same time it has been possible to reduce the consulting resources required for projects, due in particular to standardized interface products. The average delivery time for both product groups has been 4 to 6 weeks. It is also noteworthy that, according to customer feedback, the success rate of projects in 1999 has been especially good.

BasWare International Business Unit

BasWare internationalizes

The establishment of information technology created an international market for software products while the use of Internet accelerated its development. BasWare's most significant growth potential lies in international expansion. The company's products have excellent suitability for worldwide distribution. At the same time, the company wishes to utilize the renowned technological advancement in Finland.

BasWare began preparations for international expansion at the end of 1998. Operating through Value Added Resellers was chosen as the channel strategy, and the E-Flow product family, which supports e-business, was chosen as the spearhead product. The marketing of

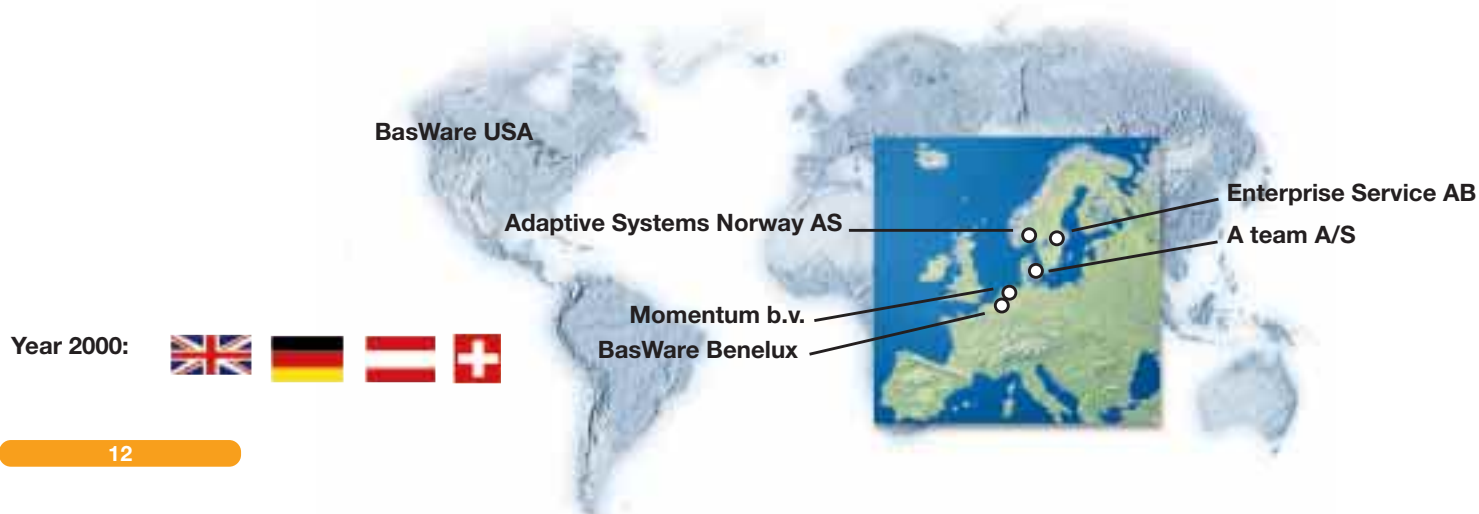
BasWare products began in Sweden in spring 1999. At the end of the accounting period, the company had offices in Holland and the USA and a total of four Value Added Resellers in Sweden, Norway, Denmark and Holland. During the year 2000, BasWare aims to expand the supply network into Belgium, the United Kingdom, Germany, Switzerland and Austria. The task of the California office, in the first stage, is to analyse alternative actions for entering the market in the USA.

During 1999, BasWare successfully entered the Swedish and Norwegian markets. The most important deliveries were made in late 1999 for Systembolaget AB and Manpower AB in cooperation with the Swedish Value Added Reseller Enterprise Service AB. Retail agreements were signed in Denmark and Holland in December which means that marketing and sales can begin

in early 2000. Due to the nature of the product and the method of operation, entering a new market takes some months after marketing begins.

Even though the company's international expansion is in its early stages, its activities have had a promising start. The competitive position of the E-Flow product family is favourable in the selected fields of operation, and demand is increasing. International marketing efforts carried out during the year have started global marketing projects of a nature that BasWare has not had before. During the accounting period BasWare created its international organization, the core of which are the Area Managers who are responsible for the support and guidance of Value Added Resellers. The support unit at the head office is responsible for coordination, general marketing and technical support.

The aim for the year 2000 is to stabilize BasWare's position in its own segment in Scandinavia and Holland, in addition to carrying out the first deliveries in the UK and Germany. The long-term goal is that the Value Added Resellers network will cover all countries in the European Union by the end of 2002. It is also expected that the international distribution of software packages for financial control can go ahead in full in late 2000.



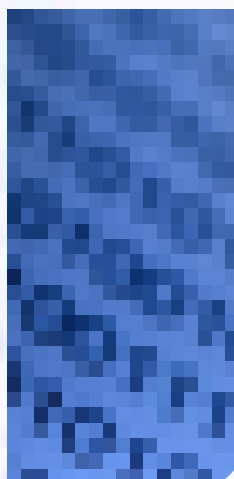
BasWare R&D Business Unit

Product development

BasWare invests strongly in customer-oriented product development, both by developing existing software products and by creating new ones. Product development is carried out by innovatively utilizing the latest generally accepted production-ready technology. The software's functions are designed in cooperation with the end-users.

Approximately one in three BasWare personnel work in product development. The operations are organized into two product-family-specific units and a supporting quality assurance team. The product development units are responsible for the design and programming of products. The quality assurance team was established at the end of 1998, and its activities found their form during 1999. The team's task is to be responsible for product development on the part of software testing and user documentation, and translating software and documents. Also, the quality assurance team systematically gathers customer feedback, takes care of responding to it and ensures that it is taken into consideration in the further development of products.

BasWare's products are based on modern technical environments, application development tools and methods. The company aims to develop its products and expertise in such a way that, at the time of their launch, they efficiently utilize customers' application and equipment architecture. To a great degree, BasWare's products are based on various standards and on technologies



and products that have become standards in themselves.

During 1999, investment in the development of the E-Flow product family was increased, and it was developed into a system that supports b-to-b e-business. With new software, the product family expanded to include electronic

archiving and e-procurement. The products' functions were further increased. Features that were especially developed include interface products for Enterprise Resource Planning and accounting systems, and a possibility to receive invoices from suppliers in electronic form (EDI/XML invoices). For example, interface products were developed for SAP R/3 and Oracle Applications products. At the end of the accounting period, a Windows 2000 software certification project was also underway in cooperation with Microsoft.

New 32-bit versions of the software for supporting financial control – BasWare Target and BasWare Sigma – were completed during the year. A multitude of new functions that improved, for example, the graphic features, were added to the products.

During 1999, the company implemented BasWare Martlet, its first Java-based product. The application completes the analysis and reporting features of the financial control product family. The product has an easy-to-use interface, created with new, open Internet-based technology, for defining, analysing and viewing reports and graphic charts.

Subsidiary and Associated Companies



Petri Karlsson,
NextWare Oy CEO

NextWare Oy

The business activities of NextWare Oy focus primarily on serving the information system needs of the Group's domestic customers. The activities have been divided into two solution areas: customer-specific data storage and reporting solutions, and the package software NextHour for monitoring and reporting working time.

For NextWare Oy, 1999 was the first whole year of independent operation. The company's business idea and strategy were defined and its activities were more clearly focused than before. NextWare's activities were divided into two main areas of business: reporting and monitoring systems based on package application frameworks, and a package software family for monitoring and reporting working time. The first product of this family – NextHour – was launched during October and November.

Project work

During the year, a total of 18 companies received services based on customer-specific solutions. Most implementations were expansions or maintenance of earlier deliveries based on long-term customer relationships. The most distinguished customers were the OKOBANK Group Central Cooperative, Neste Marketing, SLO, Stockmann and Teboil.

The prospects of this segment for the year 2000 are good. The market is expected to become more active, due in part to the passing of the Y2K prob-

lem. New technologies such as OLAP and Win2000 will also increase demand on the solution area.

NextHour

Launched in late 1999, NextHour is a software package for planning and monitoring working time. In addition to planning, the system enables data to be gathered for the support of resource allocation and management, and for the purposes invoicing the work of personnel, and various personnel and project reporting. The solution is based on Internet utilization and is fully browser-operated. Demand for the product turned out to be higher than expected, which creates a plausible foundation for sales expectations during 2000.

The associated company Balrog New Media Oy Ab

BasWare acquired a 25 per cent shareholding in Balrog New Media Oy Ab. The company was founded in 1998 and it has offices in Helsinki and Turku. The company's operative management owns the rest of the shares.

Balrog develops products for gathering relevant information from the Internet and other sources with the aid of intelligent agent applications. The company's key personnel have developed their expertise in the Institute for Advanced Management Systems Research (IAMSAR) in the Åbo Akademi University since 1997.

Through the cooperation, BasWare has access to additional top-level expertise in Internet technology as well as to contacts within research institutes in the field. BasWare also believes that a new Internet company brings with it a possibility for the company to notably rise in value – as has been witnessed in the US market.

Personnel

Skilled and motivated personnel are BasWare's key resource. In accordance with the company values, continuous learning and the ability to work independently are required of the personnel. By following the principle of internal entrepreneurship, personnel should take personal responsibility for their tasks, and rewards for their work develop according to performance. The company's organization structure is flat and the atmosphere informal, which promotes open communication. Generally, the personnel are happy to be employed by the company and, on average, customer feedback about the work of the personnel has been positive.

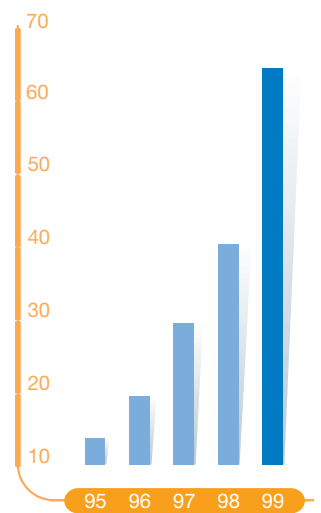
Personnel profile

During 1999, the number of personnel increased from 40 to 65. On average, the company employed 51 persons during the year.

34 per cent of the personnel worked in product development and quality control, 32 per cent in consulting, 25 per cent in sales and marketing tasks in either the international or the domestic unit, and 9 per cent worked in general management and administration.

60 per cent of the personnel have or will have a Master's level degree, 25 per cent a Bachelor's level degree and 15 per cent a college level degree. At the end of the year, the average age of the personnel was 29.8 years

Personnel
At year end 1995-99





(28.8 in 1998). Of the personnel, 29 per cent were women and 71 per cent men.

Salaries

The basis for the salaries is to offer valid compensation that develops according to performance and takes into account, for example, tasks, experience and performance. Some of the key personnel have also committed themselves to the company through ownership. BasWare's possible listing in the Helsinki Exchanges will bring with it more tools for motivating, committing and promoting the internal entrepreneurship of the personnel.

Investment in expertise

Continuous development and learning are absolute prerequisites for an expanding company in the field of information technology. BasWare utilizes several methods for the development of its personnel: learning through work, internal training, private studies and external courses and seminars. In 1999, the cost of training bought from outside the company increased by 67 per cent over the previous year.

Job satisfaction

BasWare studies the job satisfaction of its personnel each year by means of a personnel questionnaire. The results in October 1999 confirmed once more the general view that BasWare's personnel are happy in their work. 85 per cent describe the community spirit in the company as excellent or good. 80 per cent stated that they enjoy their work and are enthusiastic about it.

In all areas – information distribution, the intensity of customer-orientation, cooperation and atmosphere, independent work, superiors, management, development of activities, rewards, personal development – the average answer was 'good' (4 in the scale of 1-5). Compared to the previous year, the greatest improvement was evident in the performance of the nearest superiors.

Recruiting

Generally, recruiting has been successful. BasWare's appeal as an employer increased during the year. Personnel are recruited strongly via the Internet and traditionally through newspaper advertisements. During 1999, the number of personnel increased from 40 to 65.

Leisure-time activities

The job satisfaction, community spirit and the well being of the personnel are advanced by supporting free-time activities. The supported activities favour physical exercise, which is organized by four clubs.

Group income statement

FIM 1 000

1.1.-31.12.1999

%

1.1.-31.12.1998

%

Net Sales	26 968	100.0	18 423	100.0
Other operating income	664		375	
Materials and services	688		108	
Personnel expenses	10 816		6 952	
Depreciation and write-offs	874		485	
Other operating expenses	5 470		3 084	
Operating profit	9 783	36.3	8 169	44.3
Financial income and expenses	108		52	
Profit before extraordinary items	9 892	36.7	8 221	44.6
Extraordinary items	5		0	
Profit before taxes	9 897	36.7	8 221	44.6
Direct taxes	2 807		2 315	
Profit for the period	7 090	26.3	5 906	32.1

Group balance sheet

FIM 1 000 31.12.1999 % 31.12.1998 %

ASSETS

Fixed assets

Intangible assets	210		30	
Tangible assets	2 961		1 625	
Investments	17		236	
	3 188	18.2	1 891	15.1

Current assets

Inventories	62		116	
Long-term receivables	13		84	
Short-term receivables	6 062		3 691	
Liquid assets securities	5 766		5 150	
Cash and bank accounts	2 428		1 584	
	14 332	81.8	10 625	84.9

Assets, total

	17 519	100.0	12 516	100.0
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LIABILITIES AND SHAREHOLDERS' EQUITY

Shareholders' equity

Share capital	1 204		300	
Share issue			5	
Profit for previous financial periods	3 350		2 408	
Profit for the financial period	7 090		5 906	
	11 643	66.5	8 619	68.9

Liabilities

Long-term liabilities	810		460	
Short-term liabilities	5 066		3 438	
	5 876	33.5	3 898	31.1

Liabilities and shareholders' equity

	17 519	100.0	12 516	100.0
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Group funds statement

FIM 1 000

1999

1998

Cash flow from operations:

Profit before extraordinary items	9 892	8 221
Adjustments:		
Depreciations according to plan	874	485
Financial income and expenses	-109	-52
Other adjustments	-15	
Cash flow before changes in working capital	10 643	8 654

Changes in working capital:

Short-term receivables, increase (-) / decrease (+)	-2 371	-1 031
Inventories, increase (-) / decrease (+)	53	-116
Non-interest-bearing short-term loans, increase (+) / decrease (-)	875	426
Cash flow before financial items and taxes	-1 442	-721

Interest expenses and payments related to other financing of operations	-14	-4
Dividends received from operations	15	7
Interests received from operations	108	48
Paid direct taxes	-2 313	-1 491
Cash flow before extraordinary items	-2 204	-1 439
Cash flow from extraordinary items	-270	
Cash flow from operations (A)	6 727	6 493

Cash flow from investments:

Investments in tangible and intangible assets	-2 317	-1 583
Capital gains from tangible and intangible assets	200	16
Capital expenditures in other investments	-17	
Capital gains from other investments	511	
Loan receivables, decrease (+) / increase (-)	71	-2
Cash flow from investments (B)	-1 551	-1 569

Cash flow from financing:

Share issue		5
Long-term loans taken	350	460
Paid dividend and other profit distribution	-4 065	-2 850
Cash flow from financing (C)	-3 715	-2 386

Change in liquid assets (A+B+C) increase (+) / decrease (-) **1 460** **2 539**

Liquid assets, Jan. 1	6 734	4 195
Liquid assets, Dec. 31	8 194	6 734

Key figures

FIM 1 000	1999	1998	1997	1996	1995
Net sales	26 968	18 423	12 071	8 431	4 842
Change, %	46.4	52.6	43.2	74.1	26.3
Operating profit	9 783	8 169	5 267	3 639	1 566
Share of net sales, %	36.3	44.3	43.6	43.2	32.3
Profit before extraordinary items, reserves and taxes	9 892	8 221	5 277	3 673	1 575
Share of net sales, %	36.7	44.6	43.7	43.6	32.5
Profit before taxes	9 897	8 221	5 277	3 673	1 575
Share of net sales, %	36.7	44.6	43.7	43.6	32.5
Return on shareholders' equity, %	69.9	83.3	80.3	86.1	60.4
Return on invested equity, %	92.0	112.4	112.0	120.0	80.0
Interest-bearing liabilities	810	460	0	0	0
Stock, cash and bank accounts	8 194	6 734	4 195	2 702	1 143
Net gearing	-13.9	-13.0	-34.1	-69.8	-50.7
Equity ratio, %	66.5	68.9	71.8	66.9	76.8
Gross investments in fixed assets	2 575	1 591	360	384	268
Share of net sales, %	9.6	8.6	3.0	4.6	5.5
Research and development expenses	5 308	2 586	1 695	1 299	864
Share of net sales, %	19.7	14.0	14.1	15.4	17.8
Personnel average for the period	51.2	34.3	25.1	16.7	10.7
Personnel at the end of period	65	40	29	19	13

Group key ratios per share

FIM	1999	1998	1997	1996	1995
Earnings per share (group)	5.89	4.91	3.15	2.19	0.93
Shareholders' equity per share	9.67	7.16	4.62	3.22	1.87
Dividend per share	3.80	3.38	2.37	1.74	0.85
Dividend per profit, %	64.5	68.8	75.3	79.6	91.2
Average share count, share-issue adjusted, during financial period	123 430	30	30	30	30
Share count, share issue adjusted, at the end of financial period	1 203 600	30	30	30	30

All key ratios per share are adjusted to correspond with current share count (1 203 600)

BasWare For Better Business Processes



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