

October 14, 2008

## BASWARE INTERIM REPORT JANUARY 1 – SEPTEMBER 30, 2008 (IFRS)

### SUMMARY

#### January–September

- Net sales EUR 59 804 thousand (EUR 50 082 thousand) – growth 19.4 percent
- Operating profit EUR 4 557 thousand (EUR 5 588 thousand) – decrease by 18.4 percent
- Operating profit 7.6 percent of net sales (11.2%)
- International operations' share 51.9 percent of net sales (45.9%) – growth 35.1 percent
- Backlog of SaaS orders not recognized as income EUR 11 130 thousand (EUR 11 241 thousand) at the end of the period
- Earnings per share EUR 0.28 (EUR 0.26)

#### July–September Q3

- Net sales EUR 19 259 thousand (EUR 15 268 thousand) – growth 26.1 percent
- Operating profit EUR 2 381 thousand (EUR 1 406 thousand) – growth 69.3%
- Operating profit 12.4 percent of net sales (9.2%)
- International operations' share 55.1 percent of net sales (48.0%) – growth 44.8 percent
- Earnings per share EUR 0.17 (EUR 0.05)

Outlook for 2008: Basware expects the growth of net sales for the financial year to be from 15 to 25 percent compared with the Group's net sales in the previous year. Operating profit (EBIT) is expected to be from 10 to 15 percent of net sales before the one-off items related to the Contempus reorganization. Contempus' financial result is slightly positive before one-off items that total approximately EUR 1 million.

The figures are unaudited.

### GROUP KEY FIGURES

EUR thousand	7-9/ 2008	7-9/ 2007	Change, %	1-9/ 2008	1-9/ 2007	Change, %	1-12/ 2007
Net sales	19 259	15 268	26.1%	59 804	50 082	19.4%	73 270
Operating profit	2 381	1 406	69.3%	4 557	5 588	-18.4%	7 512
% of net sales	12.4	9.2%		7.6%	11.2%		10.3%
Profit before tax	2 370	1 516	56.3%	4 548	5 816	-21.8%	7 704
Profit for the period	1 941	531	265.3%	3 290	2 999	9.7%	4 112
Return on equity, %	16.3%	4.6%		9.2%	8.8%		8.9%
Return on investment, %	17.6%	12.7%		11.0%	16.2%		16.2%
Cash and cash equivalents*)	8 680	9 644	-10.0%	8 680	9 644	-10.0%	7 041
Gearing, %	8.3%	-10.9%		8.3%	-10.9%		-5.7%
Equity ratio, %	60.0%	68.7%		60.0%	68.7%		70.0%
Earnings per share, EUR	0.17	0.05	253.1%	0.28	0.26	6.1%	0.36
Earnings per share (diluted), EUR	0.17	0.05	253.1%	0.28	0.26	6.1%	0.36
Equity per share, EUR	4.19	4.04	3.9%	4.19	4.04	3.9%	4.12

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\*) Includes cash, cash equivalents and financial assets at fair value through profit or loss

Basware's business operations consist of product sales, maintenance and support, consulting and services, Software as a Service (SaaS) sales and other operations. The core of Basware's product sales consists of Basware Enterprise Purchase to Pay product suite and Basware Basware Financial Management suite. The Group's reported market areas are Finland, Scandinavia, Europe and North America.

Basware's CEO **Ilkka Sihvo** comments in conjunction with the Interim Report:

"Strong growth and profitability describe the third quarter of the year. Our net sales grew by over 26 percent and profitability nearly 70 percent compared with the same quarter last year. The company grew in all market areas, with the growth being strongest in North America and Europe. Product sales grew strongly, by 35.4 percent. Consulting revenue grew by 27.7 percent and Software as a Service by 29.9 percent. Basware has succeeded well in acquiring and managing large international accounts, especially in North America and Europe.

The acquisition of Contempus AS strengthens our market position in Norway, Sweden and United Kingdom and enables us to extend our distribution network in the United States and Benelux countries, thanks to the Contempus sales channel. The acquisition supports our internationalization strategy and more than 55 percent of the net sales in the third quarter come from operations outside of Finland.

The company continues to be positioned highly in international research reports and was among five largest eProcurement solution vendors globally.

The general economic uncertainty has increased significantly. The demand for Basware's software has remained steady so far. In previous economic downturns, the demand for the company's products and services has also remained more positive than the general economic climate. This is because the company's software solutions generate cost savings. The rapidly declining global market situation does however create uncertainty.

For the remainder of the year, the prospects for consulting and maintenance look promising but given the current climate, more challenging for license sales. The costs for the latter part of the year will remain on the same level as in the first half of the year, excluding the Contempus acquisition."

## REPORTING

Basware's primary reporting segment is based upon geography as follows: Finland, Scandinavia, Europe and North America.

Basware reports its Software as a Service (SaaS) revenue separately in the second segment. Software as a Service revenue includes license, maintenance and services revenue that are invoiced monthly based on an agreement. Software as a Service agreements typically span several years. The Group also reports the backlog of orders not recognized as income. The Company's SaaS sales are growing and this dilutes net sales growth in short term.

As of January 1, 2008, the capital structure of Basware Oyj's foreign subsidiaries has been changed to the extent that majority of the long-outstanding intercompany trade receivables in the parent company have been converted to a long-term net investment in a foreign operation. Purpose of the loan arrangement is to fund a long-term strategic investment. Foreign currency gains and losses from a net investment in a foreign operation are recorded in a separate component of equity in the consolidated financial statements.

Basware Corp. acquired the entire share capital of Contempus AS from Affecto. Contempus will be combined to the Basware Group as of October 1, 2008. The preliminary balance sheet of Contempus Group is included on the Basware Group balance sheet because the acquisition took place on September 30, 2008.

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## NET SALES

Basware Group's net sales grew by 19.4 percent in January–September and were EUR 59 804 thousand (EUR 50 082 thousand). During the third quarter, net sales grew by 26.1 percent and were EUR 19 259 thousand (EUR 15 268 thousand).

The Company's product sales decreased by 2.3 percent in the period and were 27.1 percent (33.1%) of net sales. Due to the adjusted revenue recognition principles for product sales, some of the agreements signed at the end of 2006 were recognized in the first quarter of 2007. The value of these agreements amounts to over EUR 3 million. The growth of product sales without these components would have been 22.8 percent.

Maintenance revenue and support services related to maintenance grew by 17.5 percent in the period and represented 30.2 percent (30.7%) of net sales. Consulting and services revenue grew by 40.8 percent and represented 40.6 percent (34.4%) of net sales. SaaS sales grew by 43.7 percent in the period and represented 2.1 percent (1.8%) of net sales. The backlog of SaaS orders not recognized as income was EUR 11 130 thousand (EUR 11 241 thousand) thousand at the end of the period.

In July–September, 27.8 percent (25.9%) of net sales came from own product sales, with product sales increasing by 35.4 percent. SaaS sales represented 2.3 percent (2.2%) of net sales in the third quarter and grew by 29.9 percent. In the third quarter, maintenance revenue represented 32.3 percent (34.7%) of net sales and grew by 17.4 percent. Consulting and service revenue represented 37.6 percent (37.2%) of net sales and grew by 27.7 percent.

Value added resellers provided a net share of 16.8 percent (15.3%) or EUR 2 721 thousand of product sales in January–September. In July–September, value added resellers provided a net share of 17.0 percent (15.7%) or EUR 907 thousand of product sales which represents 8.5 percent (8.5%) of international operations' total net sales.

The international share of Basware's net sales was 51.9 percent (45.9%) in the period. International operations grew by 35.1 percent. The international share of Basware's net sales was 55.1 percent (48.0%) in the third quarter and it grew by 44.8 percent.

The geographical division of net sales by the location of assets (primary segment):

Net sales (EUR thousand)	7-9/ 2008	7-9/ 2007	Change, %	1-9/ 2008	1-9/ 2007	Change, %	1-12/ 2007
Finland	10 604	10 238	3.6	34 188	34 571	-1.1	48 849
Scandinavia	3 352	3 126	7.2	12 179	11 015	10.6	16 797
Europe	5 428	3 477	56.1	14 189	9 429	50.5	15 081
North America	1 567	757	107.1	3 692	2 429	52.0	3 460
Sales between segments	-1 692	-2 329	27.4	-4 444	-7 362	39.6	-10 917
<b>Group total</b>	<b>19 259</b>	<b>15 268</b>	<b>26.1</b>	<b>59 804</b>	<b>50 082</b>	<b>19.4</b>	<b>73 270</b>

The geographical division of net sales by the location of customers:

Net sales (EUR thousand)	7-9/ 2008	7-9/ 2007	Change, %	1-9/ 2008	1-9/ 2007	Change, %	1-12/ 2007
Finland	8 645	7 939	8.9	28 745	27 118	6.0	37 969
Scandinavia	3 262	2 819	15.7	11 898	10 362	14.8	15 911
Europe	5 299	3 371	57.2	14 048	9 364	50.0	14 785
Other	2 052	1 139	80.2	5 113	3 239	57.9	4 604
<b>Group total</b>	<b>19 259</b>	<b>15 268</b>	<b>26.1</b>	<b>59 804</b>	<b>50 082</b>	<b>19.4</b>	<b>73 270</b>

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## FINANCIAL PERFORMANCE

Basware's operating profit decreased by 18.4 percent in the period and totaled EUR 4 557 thousand (EUR 5 588 thousand). Operating profit represented 7.6 percent (11.2%) of net sales. Operating profit grew by 69.3% in the third quarter and totaled EUR 2 381 thousand (EUR 1 406 thousand).

In the third quarter, Basware's operating profit totaled EUR 2 381 thousand (EUR 1 406 thousand). In the third quarter, operating profit represented 12.4 percent of net sales.

The division of operating profit geographically by the location of assets (primary segment):

Operating profit (EUR thousand)	7-9/ 2008	7-9/ 2007	Change, %	1-9/ 2008	1-9/ 2007	Change, %	1-12/2007
Finland	1 679	3 219	-47.8	3 513	10 371	-66.1	12 706
Scandinavia	229	-104	319.8	1 038	-540	292.4	333
Europe	375	-1 058	135.5	-26	-2 584	99.0	-3 662
North America	144	-614	123.5	171	-1 591	110.8	-1 751
Operating profit between segments	-47	-37	-27.5	-140	-67	-108.2	-114
<b>Group total</b>	<b>2 381</b>	<b>1 406</b>	<b>69.3</b>	<b>4 557</b>	<b>5 588</b>	<b>-18.4</b>	<b>7 512</b>

The Company's fixed costs were EUR 49 988 thousand (EUR 40 996 thousand) in the period and have grown by 21.9 percent compared with the same period last year. Personnel costs made up 70.6 percent (65.9%) or EUR 35 306 thousand (EUR 27 031 thousand) of the fixed costs. In the third quarter, fixed costs totaled EUR 15 449 thousand (EUR 12 247 thousand).

Research and development costs totaled EUR 11 134 thousand (EUR 8 640 thousand), of which EUR 1 892 thousand (EUR 1 843 thousand) or 17.0 percent (21.3%) were capitalized during the period. Amortization of capitalized research and development costs totaled EUR 871 thousand (EUR 719 thousand).

The Company's finance income and finance expenses were EUR -9 thousand (EUR 227 thousand). The Company's profit before tax was EUR 4 548 thousand (EUR 5 816 thousand) and profit for the period was EUR 3 290 thousand (EUR 2 999 thousand). Undiluted earnings per share were EUR 0.28 (EUR 0.26).

## FINANCE AND INVESTMENTS

Basware Group's total assets on the balance sheet at the end of the financial period were EUR 80 537 thousand (EUR 67 555 thousand). The Company's cash and liquid assets were EUR 8 680 thousand (EUR 9 644 thousand), of which cash and cash equivalents were EUR 8 648 thousand (EUR 9 217 thousand) and financial assets at fair value through profit or loss were EUR 32 thousand (EUR 427 thousand).

During the period under review, the Company withdrew a 3-year loan of EUR 10.65 million to finance the acquisition of Contempus AS. The loan is hedged by a 2-year interest cap agreement, setting a cap of 5.4% for the base rate of interest.

Cash flows from operating activities were EUR 6 205 thousand (EUR 5 918 thousand). Cash flows from investments were EUR -11 039 thousand (EUR -7 373 thousand).

Equity ratio was 60.0 percent (68.7%) and gearing was 8.3 percent (-10.9%). The Company had a total of EUR 12 679 thousand (EUR 4 597 thousand) interest-bearing liabilities, of which current liabilities accounted for EUR 5 561 thousand (EUR 4 418 thousand). Return on investment was 11.0 percent and return on equity 9.2 percent.

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The acquisition price of Contempus AS was NOK 83.6 million (approximately EUR 10.1 million). In the financial statements for the third quarter, the difference between purchase price and book value of acquiree's assets has been allocated fully to intangible assets. This allocation of the acquisition price is preliminary.

The Company's capital expenditure, resulting from regular, additional and replacement, investments resulting from growth, was EUR 684 thousand (EUR 581 thousand) in the period. Gross investments which include, in addition to the previously mentioned, the capitalized research and development costs and acquisitions (Contempus 2008 and Digital Vision 2007) totaled EUR 11 262 thousand (EUR 11 109 thousand).

Amortizations of intangible assets were EUR 1 621 thousand (EUR 1 448 thousand). There are no indications of impairments of assets.

## RESEARCH, DEVELOPMENT AND NEW PRODUCTS

Basware's research and development costs were EUR 11 134 thousand (EUR 8 640 thousand) in the period and made up 18.6 percent (17.3%) of net sales. Research and development costs grew by 28.9 percent (13.1%) compared with the same period last year. Of the research and development costs, EUR 1 892 thousand (EUR 1 843 thousand) or 17.0 percent (21.3%) were capitalized during the period. Amortization of capitalized research and development costs totaled EUR 871 thousand (EUR 719 thousand).

Altogether 162 (144) people worked in Software Production at the end of September 2008. The Software Production unit expands to India where there are currently 21 employees.

Basware's product portfolio was developed according to plan in the third quarter. New versions of Basware Contract Lifecycle Management and Basware RFX Management applications were launched during the second quarter. With Basware Contract Lifecycle Management, users can maintain and leverage all business agreements. With the Basware RFX Management sourcing solution, tenders can be managed and prepared electronically. A new version of Basware Travel & Expense Management was also launched during the quarter.

## PERSONNEL

The figures do not include the Contempus AS personnel which totaled 55 people on September 30, 2008.

Basware employed 675 (557) people in average in the third quarter and 686 (630) people at the end of the period. The number of personnel grew by 56 persons and by 8.9 percent compared with the same period last year.

The share of personnel working in foreign units has increased compared with the same period last year. At the end of the period, 42.6 percent (41.0%) of the Basware personnel worked outside of Finland and 57.4 percent (59.0%) in Finland. 19.4 percent of the personnel work in sales and marketing, 48.1 in consulting and services, 23.6 percent in Software Production, and 8.9 percent in administration.

The average age of the employees is 35.9 (35.8) years. 32.4 percent of them hold a Master's degree and 45.8 percent a Bachelor's degree. 27.6 percent of the personnel are women and 72.4 percent men.

Geographical distribution of personnel (primary segment):

Personnel (employed, in average)	7-9/ 2008	7-9/ 2007	Change, %	1-9/ 2008	1-9/ 2007	Change, %	1-12/ 2007
Finland	422	369	14.5	420	361	16.3	367
Scandinavia	103	98	5.5	101	96	5.7	96
Europe	130	94	37.9	129	76	69.5	93
North America	28	28	0.0	26	24	6.5	25
<b>Group total</b>	<b>682</b>	<b>588</b>	<b>16.0</b>	<b>675</b>	<b>557</b>	<b>21.3</b>	<b>580</b>

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## BUSINESS OPERATIONS

### Finland

The Finland segment includes the business operations of Finland, Russia, Asia and Australia as well as the Financial Management business unit. Net sales increased by 3.6 percent EUR 10 604 in the third quarter and totaled EUR 10 604 thousand (EUR 10 238 thousand).

Net sales of the Finnish Enterprise Purchase to Pay unit grew by 5.9 percent in third quarter. Net sales of the Financial Management operations (Basware FIMA Oy) increased by 14.1 percent and represented 10.0 percent (11.1%) of Basware Group's business operations.

In July–September, a total of 2 million invoices were transmitted through the eInvoicing service of *Basware Einvoices Oy*. The invoice volume grew by approximately 20 percent during the third quarter compared with the same quarter last year. A total of 34 new customer agreements were signed during the period. Of the agreements, 30 were international agreements. The e-invoicing service was extended to Germany. A total of 10 new partner agreements were signed during the period. During the quarter, Basware Einvoices Oy launched new functionality to the e-invoicing service, enabling the transmission of purchase messages, such as orders and order confirmations, between buyers and suppliers.

The Enterprise Purchase to Pay and Financial Management solutions are sold in Russia. Currently there are five resellers in the area.

There are six resellers in the Asia Pacific region. New customers in the quarter include Flinders University and BGC Contracting Pty Ltd.

In the Finland segment, new customers include Hollming Oy, Huhtamäki Oyj, Icecapital Pankkiiriliike Oy, Tiimari, Mawell, Ateriamestarit and Masinotrading.

There are currently 15 resellers in the area and the number of personnel was 422 (369) on average in the period.

### Scandinavia

Basware's Nordic organization consists of centrally directed Scandinavian (Sweden, Denmark and Norway) unit. All the Basware Enterprise Purchase to Pay and Financial Management products are sold in the Nordic countries, apart from the payment solutions which are currently sold only in Finland.

Net sales of the area grew by 7.2 percent in the third quarter and totaled EUR 3 352 thousand (EUR 3 126 thousand). The profitability of the operations has improved by 319.8 percent and operating profit was EUR 229 thousand (EUR -104 thousand).

New customers include SKTF, HSB Umeå, Villa Organic, GS-Hydro Norge AS, Terra Gruppen AS and Apokjeden AS.

Business operations are mainly handled by the own organization and there were 103 (98) employees on average in the area.

### Europe

Basware's European business operations consist of the units in Germany, France, The Netherlands, United Kingdom and Southern Europe. Additionally, the reseller network covers the eastern part of Central Europe. All Enterprise Purchase to Pay solutions are sold in Europe, apart from the payment and travel & expense management solutions.



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Net sales of the Europe segment grew by 56.1 percent in the third quarter and totaled EUR 5 428 thousand (EUR 3 477 thousand). The profitability of the operations has improved by 135.5 percent and operating profit was EUR 375 thousand (EUR -1 058 thousand).

The UK data capture operations developed according to plan and were profitable.

New customers include Hertel, ENCI, ERAM, Prinovis Liverpool Ltd, Barmenia, Autoliv, Friesland Hungaria zRt., Contitrade Ireland and CHEP.

At the end of the second quarter, there were 27 resellers and 130 (94) employees on average in Europe.

### **North America**

Basware's North American unit sells the Enterprise Purchase to Pay solutions in the United States and Canada.

Net sales of the area increased 107.1 percent in third quarter and totaled EUR 1 567 thousand (EUR 757 thousand). The profitability of the operations has improved by 123.5 percent and operating profit was EUR 144 thousand (EUR -614 thousand).

Basware delivers an extensive invoice automation solution to a US-based engineering, construction and technical services organization. The value of the agreement exceeds EUR 500 thousand and the solution is planned to be implemented by the end of 2008. Other new customers in the area include Allied Tube & Conduit Corporation, Howard Hughes Medical Institute and Protection One Alarm Monitoring Inc.

At the end of the third quarter, there were 10 resellers and 28 (28) employees on average in North America.

### **OTHER EVENTS OF THE FINANCIAL PERIOD**

Basware Corp. acquired the entire share capital of Contempus AS from Affecto. The acquisition price was NOK 83.6 million (approximately EUR 10.1 million, exchange rate EUR/NOK 8.27). Contempus was part of Affecto's operations in Norway and produces software solutions for procurement, invoice and document management.

The acquisition strengthens Basware's market position in Norway, Sweden and the UK as well as brings valuable expertise to Basware to improve competitiveness. In addition Basware can extend its distribution channel through existing Contempus' sales channel in the United States and Benelux countries. Synergy benefits can be reached by unifying the businesses as well as by transferring to common infrastructure and common offices in Oslo, Stockholm and Manchester.

Cost savings will be realized starting from the beginning of 2009 and they will be approximately EUR 3 million by the end of 2009. One-off-items are approximately EUR 1 million and they will all be realized in the fiscal year of 2008. The financial figures of Contempus will be integrated into Basware as of October 1, 2008 and the profit of Contempus will be positive before one-off-items.

The Basware Executive Team has extended as a result of organizational changes in the Software Production unit. Pekka Rehn has been nominated to lead the new Products unit. Olli Hyppänen who used to lead the Software Production unit has been nominated Senior Vice President, Strategy and Development, to lead the new Strategy and Development unit that was founded on October 1. Additionally, Steve Muddiman has been nominated as Senior Vice President, Global Marketing. Ari Salonen started as the General Manager, North America for Basware's North American operations on September 1, 2008.

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## SHARE AND SHAREHOLDERS

Basware Corporation's share capital totaled EUR 3 440 437.20 at the end of the period and the number of shares was 11 468 124.

### Share price and trade

In the third quarter, the highest price of the share was EUR 10.45 (EUR 14.00), lowest price was EUR 6.14 (EUR 10.11) and closing price was EUR 7.00 (EUR 12.95). The average price of the share was EUR 7.70 (EUR 12.13).

A total of 1 808 869 (2 216 534) shares were traded during the financial period which is the equivalent of 15.8 percent (19.3%) of the average number of shares. Market capitalization with the period's closing price on September 30, 2008 was EUR 80 276 868 (EUR 148 512 206).

### Shareholders

Basware had 17 301 (18 459) shareholders on September 30, 2008 including nominee-registered holdings (9). Nominee-registered holdings accounted for 11.41 percent of the total number of shares.

The Company did not receive any notice of change in ownership during the financial period.

## GOVERNANCE

At the Annual General Meeting of Shareholders on February 14, 2008, the number of Board members was confirmed to be five. The Annual General Meeting resolved to agree on the proposal and elected Matti Copeland, Sakari Perttunen, Ossi Pohjola, Ilkka Toivola and Hannu Vaajoensuu to the Board of Directors.

The Annual General Meeting further resolved to elect Ernst & Young Oy, Authorized Public Accountants as the auditor, with APA Heikki Ilkka in charge and APA Terhi Mäkinen as the deputy auditor.

The Board was authorized to resolve on share issue and on a free issue to the Company itself.

A separate stock exchange release has been issued February 14, 2008 on the Board authorizations and other resolutions of the Annual General Meeting of Shareholders.

### Decision on the Decrease of Share Premium

The AGM authorized the company share premium to be decreased by EUR 33 057 787.45 for the purpose of transferring the decreased amount to the company's distributable equity. According to the resolution of the National Board of Patents and Registration of Finland on June 24, 2008, the decrease has been done.

## THE COMPANY'S NEAR FUTURE RISKS AND BUSINESS UNCERTAINTIES

According to the Company's risk management model, the risks are divided into six categories: risks related to business operations, products, personnel as well as legal, financial and data security risks. Basware takes risks that are a natural part of the strategy and objectives. These risks are managed and diminished in various ways. Short risks are considered to be risks in current reporting year.

As part of Basware's risks and business uncertainties in the near future, Software as a Service (SaaS) based services instead of license agreements may affect the Company's short term net sales growth.

The general economic uncertainty has increased significantly. The demand for Basware's software has remained steady so far. In previous economic downturns, the demand for the company's products and services has also remained more positive than the general economic climate. This is because the company's software solutions generate cost savings. The rapidly declining global market situation does however create uncertainty.



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The company operates in several areas outside the Euro zone, the most significant of which being Sweden, Norway, United Kingdom and United States. The company is exposed to exchange rate risks in these countries through intra-company trade, exports and imports as well as through funding of foreign units and currency denominated equities.

The company manages liquid assets through centralized cash management and payment. The main cooperation bank globally is Nordea.

## **EVENTS AFTER THE FINANCIAL PERIOD**

### **Basware Corporation starts share repurchases**

Basware Corporation's Board of Directors has resolved to start repurchases of the company's own shares. A maximum of 400 000 shares will be acquired which represents approximately 3.49% of all Basware shares. The decision is based on the authorization granted by the Annual General Meeting on February 14, 2008 to purchase a maximum of 1 146 812 shares. The purchases will start on October 23, 2008 at the earliest, and they will end by March 31, 2009.

The shares may be repurchased in order to finance or carry out acquisitions or other business transactions, in order to develop the Company's capital structure, to improve the liquidity of the Company's shares, to be disposed for other purposes, or to be cancelled. Basware will use its free liquid to purchase the shares, which will decrease the amount of distributable funds.

The repurchases will be carried out through public trading on the Nasdaq OMX Helsinki, whereby the shares will be purchased in accordance with the rules and regulations of the Nasdaq OMX Helsinki and the Finnish Central Securities Depository.

## **FUTURE OUTLOOK**

General economic uncertainty has significantly increased. Basware solutions generate cost savings and therefore the demand is not heavily dependent on the economic situation.

Western Europe and the United States represent approximately three quarters of overall demand for enterprise software. Invoice processing and procurement software remain at the beginning of their lifecycles in these regions. The purchase management and invoice processing software markets are relatively heterogeneous with regards to the competitive situation. However, strong growth may attract more competitors to the market. The industry is consolidating rapidly and this development is expected to continue in the future. Basware is a medium sized software company on a global scale, in terms of sales and number of personnel.

Basware's direct competitors are mainly smaller companies that operate locally. In North America, the company has also bigger competitors, especially in procurement. Document management, scanning and workflow solution developers compete with Basware especially in invoice processing. Competing solutions also include tailored software solutions that complement Enterprise Resource Planning (ERP) systems and require extensive client-specific project work.

The competitiveness of the software is still good due to new value added products and the integrated concept that the products form.

The Company's international growth is based on the Company's own sales and marketing efforts as well as on reseller operations. The development of the indirect channel continues especially in Europe and North America and in Russia and Asia. In Scandinavia, the focus is on profitability, supported by the extending product portfolio. In Finland, the focus is on profitability and the moderate growth comes mainly from the procurement area and services.

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The profitability of the regions outside the Nordic countries continues to be improved in all of the Group's country units which decreases the Group's tax rate in the long term.

Of the Company's EUR 11 130 thousand backlog of SaaS orders, approximately EUR 200 thousand will be recognized as income in 2008.

Basware has complemented its organic growth with acquisitions. The Company continues to review possible acquisition targets during 2009. With the acquisitions, the Company can extend the sales channel in international markets.

Fixed costs in the second half of the year are estimated to be at the same level as the fixed costs in the first half of the year without the effect of the Contempus acquisition.

In 2008, Basware expects the growth of net sales for the financial year to be from 15 to 25 percent compared with the Group's net sales in the previous year. Operating profit (EBIT) is expected to be from 10 to 15 percent of net sales before the one-off items related to the Contempus reorganization. Contempus' financial result is slightly positive before one-off items that total approximately EUR 1 million.

In Espoo, Finland, October 14, 2008

BASWARE CORPORATION  
Board of Directors

**For more information, please contact**

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**Analyst and Press Briefing**

Basware arranges today, October 14, 2008 a briefing on the Interim Report for the press and analysts at 11:00 in Hotel Kämp, Pohjoisesplanadi 29, Helsinki, Finland. During this briefing CEO Ilkka Sihvo will comment the operations and financial performance of the quarter. Welcome.

**Distribution**

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## SUMMARY OF FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

The Interim Report has been prepared according to the International Financial Reporting Standards (IFRS). Same Accounting Principles have been applied as in the 2007 Financial Statements. Key indicator calculations remain unchanged and have been presented in the 2007 Financial Statements.

### GROUP INCOME STATEMENT

EUR thousand	1.7.- 30.9. 2008	1.7.- 30.9. 2007	Change, %	1.1.- 30.9. 2008	1.1.- 30.9. 2007	Change, %	1.1.- 31.12. 2007
<b>NET SALES</b>	<b>19 259</b>	<b>15 268</b>	<b>26.1</b>	<b>59 804</b>	<b>50 082</b>	<b>19.4</b>	<b>73 270</b>
Other operating income	58	23	152.1	189	790	-76.1	834
Materials and services	-797	-981	-18.7	-3 394	-2 463	37.8	-4 459
Employee benefits expenses	-10 933	-7 827	39.7	-35 306	-27 031	30.6	-40 600
Depreciation and amortization	-690	-657	4.9	-2 053	-1 825	12.5	-2 590
Other operating expenses	-4 516	-4 419	2.2	-14 682	-13 966	5.1	-18 943
<b>Operating profit</b>	<b>2 381</b>	<b>1 406</b>	<b>69.3</b>	<b>4 557</b>	<b>5 588</b>	<b>-18.4</b>	<b>7 512</b>
Finance Income	39	130	-69.9	96	270	-64.3	344
Finance Expenses	-50	-20	146.9	-106	-43	146.1	-152
<b>Profit before tax</b>	<b>2 370</b>	<b>1 516</b>	<b>56.3</b>	<b>4 548</b>	<b>5 816</b>	<b>-21.8</b>	<b>7 704</b>
Income tax expense	-430	-985	-56.4	-1 258	-2 816	-55.3	-3 591
<b>PROFIT FOR THE PERIOD</b>	<b>1 941</b>	<b>531</b>	<b>265.3</b>	<b>3 290</b>	<b>2 999</b>	<b>9.7</b>	<b>4 112</b>
EPS (undiluted), EUR							
EPS (diluted), EUR	0.17	0.05	253.1	0.28	0.26	6.1	0.36
Average share number	0.17	0.05	253.1	0.28	0.26	6.1	0.36

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## GROUP BALANCE SHEET

EUR thousand	30.9.2008	30.9.2007	Change, %	31.12.2007
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Intangible assets	20 953	11 873	76.5	12 210
Goodwill	25 821	25 816		25 702
Tangible assets	1 148	1 003	14.4	1 009
Available-for-sale investments	38	38		38
Long-term trade and other receivables	12	12		12
Deferred tax assets	2 199	2 752	-20.1	2 489
<b>Non-current assets</b>	<b>50 171</b>	<b>41 495</b>	<b>20.9</b>	<b>41 460</b>
<b>CURRENT ASSETS</b>				
Inventories	57	28	102.2	42
Trade and other receivables	19 579	16 158	21.2	18 704
Income tax receivables	2 051	230	791.3	476
Financial assets at fair value through profit or loss	32	427	-92.5	31
Cash and cash equivalents	8 648	9 217	-6.2	7 010
<b>Current assets</b>	<b>30 367</b>	<b>26 060</b>	<b>16.5</b>	<b>26 263</b>
<b>TOTAL ASSETS</b>	<b>80 537</b>	<b>67 555</b>	<b>19.2</b>	<b>67 722</b>
<b>EQUITY AND LIABILITIES</b>				
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	3 440	3 440		3 440
Share premium account	69	33 127	-99.8	33 127
Fair value reserve and other reserves	33 598	540	6 121.4	540
Translation differences	-237	550	-143.1	392
Retained earnings	11 235	8 629	30.2	9 765
Minority interest	223	98	128.4	148
<b>Shareholders' equity</b>	<b>48 328</b>	<b>46 383</b>	<b>4.2</b>	<b>47 413</b>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liability	1 648	1 649		1 643
Interest-bearing liabilities	7 118	179	3 871.3	20
<b>Non-current liabilities</b>	<b>8 766</b>	<b>1 828</b>	<b>379.4</b>	<b>1 663</b>
<b>CURRENT LIABILITIES</b>				
Interest-bearing liabilities	5 561	4 418	25.9	4 314
Trade payables and other liabilities	17 138	13 774	24.4	14 000
Tax liability from income tax	744	1 152	-35.4	333
<b>Current liabilities</b>	<b>23 444</b>	<b>19 343</b>	<b>21.2</b>	<b>18 647</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>80 537</b>	<b>67 555</b>	<b>19.2</b>	<b>67 722</b>

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# GROUP STATEMENT OF CHANGES IN EQUITY

		Share	Invested	Ot-	Trans-	Ret-	Mino-	
	Share-	pre-	non-	her	lation	ained	urity	Share-
	holders'	mium	re-	re-	dif-	earn-	inte-	holders'
EUR thousand	equity	account	stricted	equity	erves	ference	ings	rest
	equity		equity					equity
<b>SHARE-HOLDERS'</b>	3 440	33 127	0	540	235	7 176	88	44 606
<b>EQUITY 1.1.2007</b>								
Change in translation difference					120			120
Granted warrants						69		69
Other changes						1		1
<b>Net profit/loss</b>								
<b>recognized directly in shareholders' equity</b>					120	71		190
Profit for the period						2 488	-20	2 468
<b>Total profits and losses</b>					120	2 559	-20	2 658
Share premium						-1 720		-1 720
<b>SHARE-HOLDERS'</b>								
<b>EQUITY 30.9.2007</b>	<b>3 440</b>	<b>33 127</b>	<b>0</b>	<b>540</b>	<b>355</b>	<b>8 015</b>	<b>68</b>	<b>45 545</b>

		Share	Invested	Ot-	Trans-	Ret-	Mino-	
	Share-	pre-	non-	her	lation	ained	urity	Share-
	holders'	mium	re-	re-	dif-	earn-	inte-	holders'
EUR thousand	equity	account	stricted	equity	erves	ference	ings	rest
	equity		equity					equity
<b>SHARE-HOLDERS'</b>								
<b>EQUITY 1.1.2008</b>	3 440	33 127	0	540	392	9 765	148	47 413
Change in translation difference					-629	-141		-770
Granted warrants						106		106
Transfers between items		- 33 058	33 058					0
<b>Net profit/loss</b>								
<b>recognized directly in shareholders' equity</b>		-33 058	33 058		-629	-35		-664
Profit for the period						3 215	75	3 290
<b>Total profits and losses</b>					-629	3 180	75	2 626
Dividend distribution						-1 711		-1 711
<b>SHARE-HOLDERS'</b>								
<b>EQUITY 30.9.2008</b>	<b>3 440</b>	<b>69</b>	<b>33 058</b>	<b>540</b>	<b>-237</b>	<b>11 235</b>	<b>223</b>	<b>48 328</b>

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## GROUP CASH FLOW STATEMENT

EUR thousand	1.1.– 30.9.08	1.1.– 30.9.07	1.1.– 31.12.07
<b>Cash flows from operating activities</b>			
Profit for the period	3 290	2 999	4 112
Adjustments for profit	3 294	4 110	5 732
Working capital changes	2 200	739	-1 812
Interest paid	-83	-47	-124
Dividends received	83	55	287
Interest received	-8	35	-7
Other financial items in operating activities	-2 572	-1 975	-3 801
<b>Net cash from operating activities</b>	<b>6 205</b>	<b>5 918</b>	<b>4 387</b>
<b>Cash flows from investing activities</b>			
Purchase of tangible and intangible assets	-2 515	-2 402	-2 869
Proceeds from sale of tangible and intangible assets	36	25	48
Acquired subsidiaries	-8 567	-8 018	-8 180
Proceeds from other investments		3 013	3 013
Repayments of loan receivables	7	8	20
<b>Net cash used in investing activities</b>	<b>-11 039</b>	<b>-7 373</b>	<b>-7 969</b>
<b>Cash flows from financing activities</b>			
Minority's capital investment		40	40
Proceeds from short-term loans	5 550	4 000	4 000
Repayments of short-term borrowings	-4 000		
Withdrawals of non-current loans	7 100		
Repayments of long-term borrowings	-300	-307	-562
Repayments of financial lease liabilities	-5	-12	-10
Dividends paid	-1 711	-1 720	-1 720
<b>Net cash used in financing activities</b>	<b>6 634</b>	<b>2 000</b>	<b>1 749</b>
<b>Net change in cash and cash equivalents according to cash flow statement</b>	<b>1 800</b>	<b>545</b>	<b>-1 833</b>
Cash and cash equivalents at beginning of period	7 041	8 975	8 975
Effects of exchange rate changes on cash and cash equivalents	-161	-39	-101
Effects of fair value implementation		164	
Cash and cash equivalents at end of period	8 680	9 644	7 041



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**GROUP QUARTERLY INCOME STATEMENT**

EUR thousand	1–3/ 2008	1–3/ 2007	4–6/ 2008	4–6/ 2007	7–9/ 2008	7–9/ 2007	10–12/ 2007
<b>NET SALES</b>	<b>18 233</b>	<b>17 038</b>	<b>22 312</b>	<b>17 776</b>	<b>19 259</b>	<b>15 268</b>	<b>23 187</b>
Other operating income	69	15	62	752	58	23	44
Materials and services	-1 211	-819	-1 385	-662	-797	-981	-1 996
Employee benefits expenses	-11 765	-9 243	-12 608	-9 961	-10 933	-7 827	-13 569
Depreciation and amortization	-671	-571	-693	-597	-690	-657	-765
Other operating expenses	-4 910	-5 010	-5 257	-4 536	-4 516	-4 419	-4 977
<b>Operating profit</b>	<b>-254</b>	<b>1 409</b>	<b>2 431</b>	<b>2 773</b>	<b>2 381</b>	<b>1 406</b>	<b>1 924</b>
%	-1.4%	8.3%	10.9%	15.6%	12.4%	9.2%	8.3%
Finance income	39	61	18	79	39	130	73
Finance expenses	-35	-11	-21	-12	-50	-20	-109
<b>Profit before tax</b>	<b>-250</b>	<b>1 459</b>	<b>2 428</b>	<b>2 840</b>	<b>2 370</b>	<b>1 516</b>	<b>1 888</b>
%	-1.4%	8.6%	10.9%	16.0%	12.3%	9.9%	8.1%
Tax on income from operations	-300	-575	-528	-1 256	-430	-985	-775
<b>PROFIT FOR THE PERIOD</b>	<b>-550</b>	<b>884</b>	<b>1 899</b>	<b>1 584</b>	<b>1 941</b>	<b>531</b>	<b>1 113</b>
%	-3.0%	5.2%	8.5%	8.9%	10.1%	3.5%	4.8%

**Material changes in loans**

During the period under review, the Company withdrew a 3-year loan of EUR 10.65 million to finance the acquisition of Contempus AS. The loan is hedged by a 2-year interest cap agreement, setting a cap of 5.4% for the base rate of interest.

**Accounting for business combination**

The acquisition of Contempus AS was endorsed on September 30, 2008. Provisional fair values are assigned to the assets and liabilities of Contempus in the consolidated financial statements of the Company.

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## COMMITMENTS AND CONTINGENT LIABILITIES

### Significant changes in liabilities

During the period, the Company withdrew a 3-year loan of EUR 10.65 million to finance the acquisition of Contempus AS. The loan is hedged by a 2-year interest cap agreement, setting a cap of 5.4% for the base rate of interest.

### Combining new acquisitions

The acquisition of Contempus AS:n was realized on September 30, 2008. The acquired assets and liabilities have been recognized to the preliminary fair value through profit or loss on the balance sheet.

EUR thousand **30.9.08 30.9.07 31.12.07**

### GUARANTEES ON BEHALF OF SUBSIDIARIES

	1 101	1 097	1 103
<b>Guarantees total</b>	<b>1 101</b>	<b>1 097</b>	<b>1 103</b>

### OTHER OWN CONTINGENT LIABILITIES

Lease liabilities:			
Current lease liabilities	781	553	601
Lease liabilities maturing in 1–5 years	969	598	685
<b>Total</b>	<b>1 750</b>	<b>1 151</b>	<b>1 286</b>
Other rental liabilities:			
Current rental liabilities	2 033	1 675	1 827
Rental liabilities maturing in 1–5 years	4 056	4 152	3 957
Rental liabilities maturing later		246	172
<b>Total</b>	<b>6 183</b>	<b>6 074</b>	<b>5 956</b>
<b>Other own contingent liabilities, total</b>	<b>7 934</b>	<b>7 225</b>	<b>7 242</b>

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## SEGMENT REPORTING

### Geographical segments (primary segment)

Net sales (EUR thousand)	7-9/08	7-9/07	Change, %	1-9/08	1-9/07	Change, %	1-12/07
Finland	10 604	10 238	3.6	34 188	34 571	-1.1	48 849
Scandinavia	3 352	3 126	7.2	12 179	11 015	10.6	16 797
Europe	5 428	3 477	56.1	14 189	9 429	50.5	15 081
North America	1 567	757	107.1	3 692	2 429	52.0	3 460
Sales between segments	-1 692	-2 329	27.4	-4 444	-7 362	39.6	-10 917
<b>Group total</b>	<b>19 259</b>	<b>15 268</b>	<b>26.1</b>	<b>59 804</b>	<b>50 082</b>	<b>19.4</b>	<b>73 270</b>

Operating profit (EUR thousand)	7-9/08	7-9/07	Change, %	1-9/08	1-9/07	Change, %	1-12/07
Finland	1 679	3 219	-47.8	3 513	10 371	-66.1	12 706
Scandinavia	229	-104	319.8	1 038	-540	292.4	333
Europe	375	-1 058	135.5	-26	-2 584	99.0	-3 662
North America	144	-614	123.5	171	-1 591	110.8	-1 751
Operating profit between segments	-47	-37	-27.5	-140	-67	-108.2	-114
<b>Group total</b>	<b>2 381</b>	<b>1 406</b>	<b>69.3</b>	<b>4 557</b>	<b>5 588</b>	<b>-18.4</b>	<b>7 512</b>

Personnel (employed, in average)	7-9/08	7-9/07	Change, %	1-9/08	1-9/07	Change, %	1-12/07
Finland	422	369	14.5	420	361	16.3	367
Scandinavia	103	98	5.5	101	96	5.7	96
Europe	130	94	37.9	129	76	69.5	93
North America	28	28	0.0	26	24	6.5	25
<b>Group total</b>	<b>682</b>	<b>588</b>	<b>16.0</b>	<b>675</b>	<b>557</b>	<b>21.3</b>	<b>580</b>

### Business segments (secondary segment)

Net sales (EUR thousand)	7-9/08	7-9/07	Change, %	1-9/08	1-9/07	Change, %	1-12/07
Product sales	5 801	4 019	44.4	16 637	16 637	0.0	24 117
Maintenance and support	5 989	5 369	11.5	17 246	15 468	11.5	22 100
Consulting and services	6 334	4 987	27.0	22 287	15 523	43.6	23 342
SaaS	442	340	29.9	1 266	881	43.7	1 250
Other operations	693	553	25.4	2 368	1 573	50.5	2 461
<b>Group total</b>	<b>19 259</b>	<b>15 268</b>	<b>26.1</b>	<b>59 804</b>	<b>50 082</b>	<b>19.4</b>	<b>73 270</b>

### Geographical division of net sales by the location of customer

Net sales (EUR thousand)	7-9/08	7-9/07	Change, %	1-9/08	1-9/07	Change, %	1-12/07
Finland	8 645	7 939	8.9	28 745	27 118	6.0	37 969
Scandinavia	3 262	2 819	15.7	11 898	10 362	14.8	15 911
Europe	5 299	3 371	57.2	14 048	9 364	50.0	14 785
Other	2 052	1 139	80.2	5 113	3 239	57.9	4 604
<b>Group total</b>	<b>19 259</b>	<b>15 268</b>	<b>26.1</b>	<b>59 804</b>	<b>50 082</b>	<b>19.4</b>	<b>73 270</b>

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**GROUP KEY INDICATORS**

EUR thousand	1-9/08	1-9/07	1-9/06	1-12/07
Net sales	59 804	50 082	43 446	73 270
Growth of net sales, %	19.4%	15.3%		22.2%
Operating profit	4 557	5 588	6 271	7 512
Growth of operating profit, %	-18.4%	-10.9%		-7.0%
% of net sales	7.6%	11.2%	14.4%	10.3%
Profit before tax	4 548	5 816	6 457	7 704
% of net sales	7.6%	11.6%	14.9%	10.5%
Profit for the period	3 290	2 999	4 460	4 112
% of net sales	5.5%	6.0%	10.3%	5.6%
Return on equity, %	9.2%	8.8%	27.1%	8.9%
Return on investment, %	11.0%	16.2%	38.8%	16.2%
Interest bearing liabilities	12 679	4 597	870	4 334
Cash and liquid assets *)	8 680	9 644	9 909	7 041
Gearing, %	8.3%	-10.9%	-20.6%	-5.7%
Equity ratio, %	60.0%	68.7%	76.6%	70.0%
Total assets	80 537	67 555	57 293	67 722
Gross investments **)	11 262	11 109	24 492	12 220
% of net sales	18.8%	22.2%	56.4%	16.7%
Capital expenditure	684	581	510	817
% of net sales	1.1%	1.2%	1.2%	1.1%
Research and development costs	11 134	8 640	7 640	13 172
% of net sales	18.6%	17.3%	17.6%	18.0%
R&D personnel at end of period	162	144	138	152
Personnel average for period	675	557	510	580
Personnel at end of period	686	630	517	658
Growth of personnel, %	8.9%	21.8%	34.4%	24.6%
Earnings per share, EUR	0.28	0.26	0.40	0.36
Earnings per share, EUR (diluted)	0.28	0.26	0.40	0.36
Equity per share, EUR	4.19	4.04	3.83	4.12
Dividend per profit, %				42.0%
P/E ratio	24.97	49.02	29.55	28.02
Share price performance				
lowest share price	6.14	10.11	11.21	9.50
highest share price	10.45	14.00	15.25	14.00
average share price	7.70	12.13	13.22	12.03
closing share price	7.00	12.95	11.90	10.00
Market value at end of period	80 276 868	148 512 206	136 470 676	114 681 240
Number of traded shares	1 808 869	2 216 534	4 708 382	2 761 995
% of average share number	15.8%	19.3%	42.5%	24.1%
Average share number:				
- during the period	11 468 124	11 468 124	11 074 109	11 468 124
- during the period, diluted	11 468 124	11 468 124	11 138 694	11 468 124

\*) Includes cash, cash equivalents and financial assets at fair value through profit or loss

\*\*) Includes capitalized R&amp;D costs and acquisitions

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**MAJOR SHAREHOLDERS, SEPTEMBER 30, 2008**

		Shares pcs	Votes %
1.	Sihvo, Ilkka	1 065 800	9.3
2.	Vaajoensuu, Hannu (incl. a controlled company and children under guardianship)	1 045 800	9.1
3.	Eräkangas, Kirsi (incl. children under guardianship)	1 031 800	9.0
4.	Perttunen, Sakari	830 400	7.2
5.	Pöllänen, Antti (incl. children under guardianship)	740 900	6.5
6.	Nordea Nordic Small Cap Fund	555 734	4.8
7.	Henki-Sampo Pension Insurance Company	550 000	4.8
8.	Ahonen, Asko	318 822	2.8
9.	Royal Skandia Life Assurance	270 000	2.4
10.	Veritas Pension Insurance Company	266 000	2.3
11.	Kaleva Mutual Insurance Company	242 690	2.1
12.	Perttunen, Meimi	215 400	1.9
13.	Fondita Nordic Micro Cap Fund	200 000	1.7
14.	Evli Pankki Oyj	120 297	1.0
15.	Aktia Capital Fund	108 213	0.9
16.	Fondita Nordic Small Cap Fund	106 000	0.9
17.	Pavor Oy	75 052	0.7
18.	Sinkonen, Raija	70 000	0.6
19.	Sarvala, Vesa	65 241	0.6
20.	Sr Eq Finland Small companies	61 443	0.5
	20 largest shareholders total	<b>7 939 592</b>	69.2
	Nominee registered shares	<b>1 059 925</b>	9.2
	Others	<b>2 468 607</b>	21.5
	<b>Total</b>	<b>11 468 124</b>	100.0