

Annual Report 2008

basware

About Basware

Basware is an international software company that develops solutions for automating business-critical financial processes and making procurement more efficient.

Basware's software solutions automate purchase and traveling expense account handling and processing in addition to intensifying the efficiency of purchase management. Basware's financial control solutions embrace various fields of business operations from planning to reporting. Easy to use solutions deliver cost savings through efficient processes and improve transparency and compliance. Software development is always done in close cooperation with customers.

Basware's goal is to be the leading software company in with its Enterprise Purchase to Pay software solution suite in all of its key markets by 2010.

Founded in 1985, Basware Corporation is a public company listed on the NASDAQ OMX Helsinki Ltd. Headquartered in Finland, it has a total of 20 offices in Europe, United States and in Asia Pacific. www.basware.com

From an international
breakthrough
to Global Leader in 2008.

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Basware in 2008

In 2008 Basware reached record-high profitability in challenging market conditions. The company strengthened its position as the leading supplier of Purchase to Pay solutions in all its strategic market areas. Products that streamline customers' processes and the company's solid financial situation established a firm foundation for accelerating international growth.

Basware's net sales for 2008 amounted to EUR 86,098, increasing by 17.5 percent on the previous year. The company's record-high operating profit was EUR 8,679 thousand and earnings per share EUR 0.56. The company reached the results in very challenging market conditions and grew in all market areas. The growth was strongest in the United States.

GROWING AND PROFITABLE IN ALL MARKETS

Basware's products have a total of 650,000 end users in more than 50 countries and six continents. In 2008, the majority of net sales, 51.8 percent, was generated outside Finland.

During the year, Basware grew and increased its profitability across all strategic market areas: Scandinavia, Central Europe, North America and Asia-Pacific. In particular, Basware's growth and profitability improved in the North American market, where Basware entered into several significant customer agreements during the financial period.

In September 2008, Basware acquired the Norwegian company Contempus AS, a specialist in procurement, purchase invoice and document management software. With the acquisition, Basware strengthened its market position in Norway, Sweden and the UK, and expanded its distribution network in the US and Benelux countries.

The product development unit in India expanded, and the purpose is for all future recruitments in product development activities to take place in India.

AHEAD OF THE COMPETITION AS PROVEN IN SURVEYS

Basware's aim to be the leading software supplier of Purchase to Pay solutions received considerable recognition in summer 2008 when the independent market research company Forrester Research (Forrester Wave™: AP-EIPP, Q2/2008, June 18, 2008) named it as a market leader in electronic invoice automation solutions. Basware received the highest scores in all three sectors of the evaluation: strategy, current offerings and market presence. According to the report, Basware has a strong vision, excellent functionality and the largest market presence.

In Fall 2008, Forrester Research's (Forrester Research: Holistic View: The ePurchasing Software Market, September 9, 2008) interviewed more than 100 companies in the industry and found that Basware was among the five largest sellers of software solutions in the ePurchasing market. According to the same report, the ePurchasing market is growing, and there is demand for electronic solutions that cover the entire procurement process and for closer new supplier integration in large-scale enterprises.

PARTNER OF GLOBAL GIANTS

Basware's goal is to enter into agreements with at least five major global customers every year. Several large global customers were secured in 2008

as well. The pervasive language offering of Basware software and the extensiveness of its product portfolio have made it a software supplier of several transnational large-scale enterprises.

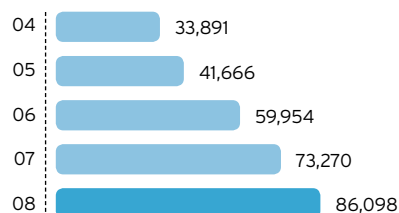
Basware's expertise was also recognized on governmental level when the company was invited as an expert in electronic procurement software technology in a large-scale European Union information society project. The project aims at building an electronic procurement infrastructure covering the EU public sector.

Key Figures

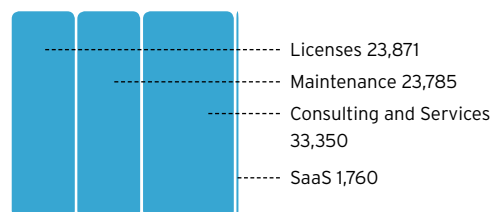
EUR Thousand	2008	2007
Net sales	86,098	73,270
Growth of net sales, %	17.5%	22.2%
Operating profit	8,679	7,512
Growth in operating profit, %	15.5%	-7.0%
% of net sales	10.1%	10.3%
Profit before taxes	8,410	7,704
% of net sales	9.8%	10.5%
Profit for the period	6,585	4,112
% of net sales	7.6%	5.6%
International share of net sales	51.8%	48.2%
Return on equity, %	13.7%	8.9%
Return on investment, %	16.6%	16.2%
Cash and liquid assets	8,777	7,041
Equity ratio, %	59.5%	70.0%
R&D costs	15,518	13,172
% of net sales	18.0%	18.0%
R&D personnel	171	152
Personnel, 31 Dec	731	658
Earnings per share, EUR	0.56	0.36
Equity per share, EUR	4.23	4.12

Record-high results in challenging market conditions.

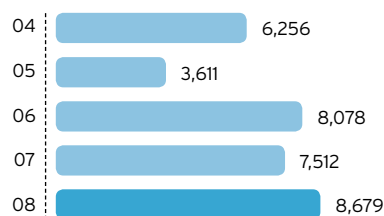
Net sales (EUR Thousand)



Net sales by Business Operations (EUR Thousand)



Operating profit (EUR Thousand)



EFFICIENCY AND TRANSPARENCY FOR CUSTOMERS

Basware's Purchase to Pay solutions and Financial Management Software streamline customers' processes and improve their transparency and regulatory compliance. As the uncertainty about business conditions increases, Basware's ability to offer its customers savings will become an even more significant competitive advantage.

In 2008, Basware reinforced its Purchase to Pay product family, launching products for competitive bidding processes and contract lifecycle management. In addition, Basware supplemented the e-invoice service with a functionality that makes it possible to also transmit procurement messages, such as orders and order confirmations, between purchasers and suppliers via the same service.

A trailblazer with a solid financial situation is better equipped to meet future challenges in an increasingly uncertain global economic situation. Products that have been proven excellent in surveys and that provide efficiency, transparency and regulatory compliance lay the foundations for Basware's profitable growth in 2009.

During 2008, Basware actively monitored trends in the demand for the Software as a Service (SaaS) delivery model. Sales of SaaS-delivered Basware software went up 41.5 percent in 2008. In the SaaS model, the customer does not purchase the software in a single transaction but as a monthly invoiced service. The model shifts the responsibility for software maintenance and development from the customer to the software supplier.

STOCK EXCHANGE RELEASES 2008

26 Nov 2008: Basware to deliver Invoice Automation solution to a global IT and business services company

18 Nov 2008: Basware Corporation Financial Calendar 2009

14 Oct 2008: Basware Interim Report January 1 - September 30, 2008 (IFRS)

14 Oct 2008: Basware Corporation starts share repurchases

29 Sep 2008: Basware's acquisition of Contempus AS endorsed

23 Sep 2008: Basware wins a large Invoice Automation deal in the United States

05 Sep 2008: Basware to acquire Contempus AS from Affecto

26 Aug 2008: Basware wins a deal of over EUR 1 Million in the EMEA Region

10 Jul 2008: Basware Interim Report January 1 - June 30, 2008 (IFRS)

25 Jun 2008: Basware to deliver Enterprise Purchase to Pay solution to a US media company

16 Apr 2008: Basware and Novartis extend cooperation to global level

15 Apr 2008: Basware Interim Report January 1 - March 31, 2008 (IFRS)

14 Feb 2008: Resolutions of Basware Annual General Meeting

06 Feb 2008: Additional matter to be addressed at the Annual General Shareholders' Meeting

28 Jan 2008: Notice of Basware Annual General Meeting

24 Jan 2008: Basware Financial Statements 2007

04 Jan 2008: Basware to provide Data Conversion Service to portfolio management company James Hay

Read all the releases from www.basware.com

CEO's Review

Basware succeeded excellently in 2008. We grew profitably as defined in our strategy and our net sales for 2008 amounted to EUR 86,098 thousand, increasing by 17.5 percent on the previous year. The company's record-high operating profit was EUR 8,679 thousand and 10.1 percent of net sales. The company reached the results in very challenging market conditions and grew in all market areas.

Basware became an even more significant international player during the year, and the majority of our net sales, 51.8 percent, was generated outside Finland. Net sales and profitability developed favorably in all units. The US operations increasing their net sales by 44.6 percent and reaching profitability were particular key successes during the year. In 2008, Basware operated successfully in all its customer groups and also continued securing major global customer accounts with great success. Signed agreements and extensive international software implementations realized during the year showed that Basware is very competitive compared to our major competitors.

BECOMING A GLOBAL MARKET LEADER

Basware took global market leadership in electronic invoice automation solutions in 2008. A survey by an independent market research company ranked us number one in terms of strategy, current offerings and market presence. The survey showed that Basware had gained distance over its competitors in the invoice automation software market.

Basware also strengthened its position in electronic procurement solutions. According to an independent market research company, Basware was among the five largest sellers of software solutions in the ePurchasing market.

EXCELLENT PRODUCTS ARE OUR COMPETITIVE EDGE

Basware's success is based on three elements: the best product portfolio in the market, premium sales and delivery ability, and high customer satisfaction. The best possible products lay the foundation for international competitiveness and growth. Basware's unique Purchase to Pay product family offers an integrated solution for all phases of the value chain. The success of the products is supported by an extensive and well-functioning distribution network with 70 resellers globally, in addition to the direct channel. We are also able to offer comprehensive international customer support.

The comprehensiveness of Basware's operations and high customer satisfaction have contributed to awareness of the company and facilitated new customer acquisition and additional sales among present customers.

During 2008, Basware reinforced its Purchase to Pay product family by launching products for competitive bidding processes and contract lifecycle management. These products further differentiate and reinforce the company's portfolio. We expect these solutions to generate additional sales in mature markets and strengthen our competitiveness in securing new customer accounts. Our products support Unicode, which is why Basware products

support a total of 18 languages, including Chinese and Russian.

Our product development unit grew rapidly during the year. In order to maintain the cost-efficiency of product development, future recruitment for Basware product development will mainly take place in our Indian product development unit.

RECESSION IS ALSO AN OPPORTUNITY FOR BASWARE

At the end of 2008, the market atmosphere became more challenging with increasing general uncertainty in the world economy. In these market conditions, Basware reaching its goals can be considered a good result.

For Basware, a downturn in the economy is also an opportunity. Even in poor market conditions, companies invest in software that provide savings with a short payback time, streamline processes and offer transparency to costs. Basware's solid products and finances provide the company with opportunities to gain a lead over its competitors.

READY FOR THE FUTURE

Our perseverance towards market leadership in Purchase to Pay solutions has begun to pay off. Our strategy projects that take us towards the goal

**DURING
THE LAST QUARTER
PROFITABILITY GREW
114.2%**

Reaching the goals in 2008 has been an excellent achievement for Basware.

proceeded as planned during the year. Our operations have been streamlined into a great shape for the future, and our product portfolio gives us excellent opportunities for seeking growth and profitability during the coming years as well.

We are traveling toward our goals with small, controlled changes. Preparing for the Software as a Service delivery model has an effect on both long-term product development strategies and the organization's ways of working and ability to deliver.

Success in the international market and in an extensive customer base requires sensitivity to listen to the customers, partners and markets. Based on this, we will be able to develop the company's operations while preserving the ability and humility to change our direction as necessary. Our objective is to continue as a profitable and increasingly global company.

We managed to "swim against the current" in challenging market conditions at the end of the year to grow also in 2009. Reaching the goals in 2008 has been an excellent achievement for Basware.

We would like to thank our customers, partners, shareholders and above all our personnel for the success we enjoyed last year.

Ilkka Sihvo

Chief Executive Officer



Strategy

Basware's vision is to be the leading provider of Purchase to Pay solutions in all its key market areas by 2010. The road to the vision is one of profitable growth: Basware's strategic goal is an annual 20-40 percent increase in net sales and a 10-20 percent profit margin. In 2008, Basware reached its strategic goals clearly.

In 2008, Basware operated successfully in all its customer groups and also continued winning major global customer accounts across a variety of industries, with great success. Independence of customer industries gives Basware freedom of action in fluctuating market conditions, but it also challenges the company's knowledge of its customers.

Differentiation and strong products that meet customers' changing needs are at the core of Basware's strategy. The company's three business models are based on an in-depth understanding of the needs of global corporations, mature markets and new customers, and aptly timed decisions. During 2008, all three of Basware's business models operated with success. The company increased the number of major global customers as expected, obtained additional sales in the home market and grew strongly in new market areas.

TOWARDS THE GOAL BY STRATEGY PROJECTS

At the end of 2007, Basware announced five strategic projects with which to pursue its vision. During 2008, all the projects proceeded according to the objectives.

Must-Have Brand and Thought Leadership

During 2008, Basware reached a strong foothold in comparisons made by IT market research institutes. In summer 2008, an independent research company

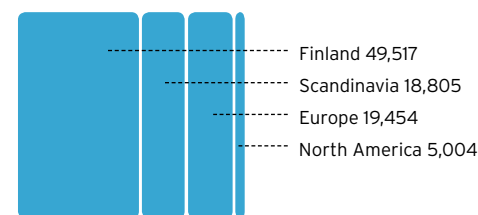
ranked Basware as a market leader of accounts payable electronic invoice presentment and payment vendors and gave it the top score in all three sectors of the survey: strategy, current offerings and market presence. According to the research report, Basware holds a 46 percent global market share as a provider of invoice automation solutions (The ePurchasing Software Market - Trends, Leaders, and Promising Newcomers", teleconference, Nov. 12, 2008). In another survey, an independent research company acknowledged Basware as one of the five largest sellers of software solutions in the ePurchasing market. Success in these rankings increased awareness of and market interest in Basware.

Five Global Giants per Year

In accordance with its goals, Basware secured five agreements with globally operating customers. One of these is Novartis Pharma, user of the Basware Enterprise Purchase to Pay (EPP) solution in several European countries since 2006. During 2008, the agreement was expanded to cover the international level. In addition, Basware supplied one of the world's largest pharmaceutical companies with a Purchase to Pay solution that will be installed in the company's branches in EMEA, in approximately 20 countries with 15 different languages.

Several global large-scale enterprises have recently streamlined their operations by moving from parallel country-specific software and distributed

Net Sales by Primary Segment 31 Dec 2008 (EUR Thousand)



decision-making, towards more centralized solutions. In order to serve these big businesses even better, Basware further strengthened the operations of its global Enterprise Sales team.

Joint Forces

At the end of 2008, Basware had more than 70 resellers worldwide. Resale operations have steadily increased their share of net sales during recent years.

Dominating the US

During 2008, Basware's growth and profitability improved considerably in the US market. Basware's net sales in the United States went up 44.6 percent on the previous year despite the unstable economic situation.

Conquer the Base

In addition to its global customer accounts, Basware focused particularly on its present customers. The company appointed Account Managers whose task is to ensure growth also in mature markets and among present customers. Products with varying lifecycles provide more profitable additional sales than new customers and support the maturing of the customer organization. Growth in the home

“Differentiation and strong products that meet customers’ changing needs are at the core of Basware’s strategy.”

market is generated by electronic procurement systems with which several customers are complementing their tried and proven electronic financial administration systems.

LISTENING TO MARKET SIGNALS

Success across a broad customer base requires sensitivity to information about the market, competitors and one’s own operations, and the willingness and ability to adapt operations as necessary. Continuity, activity and sensitivity are key areas in

Basware’s strategy, making it possible for the company to reach its goals in rapidly changing market situations without significant changes of course.

Due to the changed market situation, Basware updated its strategy projects for 2009 by replacing two projects with new strategy projects better suited to the current situation. The Dominating the US and Joint Forces projects will advance as a part of daily business operations. Instead of them, Basware will outlay on world-class product development and even tighter networking with customers in 2009.

Updated strategy projects:

Must-Have Brand and Thought Leadership

Basware will invest considerably in strengthening its awareness and brand in its strategic market areas.

Five Global Giants per Year

Basware will pursue rapid and profitable growth in cooperation with internationally-operating corporations.

Conquer the Base

Basware will continue growth in mature markets, improving customer satisfaction with the help of a comprehensive service concept.

World-Class Product Development

Basware wants to be a global trailblazer, continuously responding to its customers’ changing needs with first-class products. Product development takes place in cooperation with Basware’s customers and partners, taking the comments of industry analysts into consideration. The company’s product development is able to respond and quickly adapt to changing product development requirements. The functioning and quality of product development will be developed further.

Mastering Extended EPP Automation

Basware will tighten its cooperation with customers by developing various distribution and network models for increasingly efficient distribution, support and updating of products. The company will pay particular attention to making the service perspective an established part of tight-knit product development cooperation.

STRATEGY PROJECTS





Solutions from Purchase to Payment

World-class products that bring transparency, control and regulatory compliance from purchase to payment are at the core of Basware's international competitiveness. Basware's unique product family streamlines financial management and procurement processes with the help of intelligent automation and the solutions' built-in best practices.

Basware has become a global trailblazer in making financial administration and procurement processes more efficient by developing customer-oriented solutions for areas that are not within its competitors' core expertise. Basware specializes in automating the purchase to payment process. The products are easy and quick to adopt modularly as needed.

Basware's leadership was confirmed in the reports by Forrester Research published in 2008 (Forrester Research: Holistic View: The ePurchasing Software Market, September 9, 2008 and Forrester Wave™: AP-EIPP, Q2/2008, June 18, 2008). According to them, Basware is a global market leader in the accounts payable electronic invoice presentment and payment space and among the five largest sellers of software solutions in the ePurchasing market.

In 2008, Basware strengthened its procurement product family with new solutions. Basware also launched a simple solution that promotes the adoption of SEPA, the Single European Payment Area.

TRANSPARENCY AND BEST PRACTICES

With Basware's solutions, companies are able to automate their routines and focus on their core business. The transparency of cost structure helps customers in finding the right saving opportunities. During a downward trend, correctly targeted savings may provide an opportunity of outperforming the competition, even in recession.

Reproducibility is an essential feature of Basware's products. The products are not tailored for each customer; instead, best practices are collected into the solution so as to give the customer a chance to review its own process, streamlining it even further.

INDEPENDENT OF FIELD OF BUSINESS AND ERP SYSTEMS

The adoption of Basware software does not require the customer to change their Enterprise Resource Planning (ERP) systems. The software are compatible and can be integrated with more than 200 ERP systems.

Basware's solutions are also suitable for companies operating in a variety of industries. Diversified customer companies may retain the systems best suitable for their each field of business while still achieving synergy benefits and cost-savings. Basware's solutions also make it possible to rapidly adopt a centralized operating model, e.g. following a business acquisition.

Basware's customers represent both public and private sectors and a broad spectrum of industries. All customer target groups have been taken into consideration in the design of the solutions.

SOLUTIONS FOR ALL PHASES OF THE VALUE CHAIN

Basware's Purchase to Pay product family includes solutions for purchase management, invoice and

World-class products that bring transparency, control and regulatory compliance from purchase to pay are at the core of Basware's international competitiveness.

payment automation, planning and reporting as well as e-invoicing. In addition, the product family includes the RFX Management sourcing solution and CLM solution for contract lifecycle management. Instead of making manual and error-prone processes electronic in the traditional manner, Basware offers true and integrated automation throughout the value chain.

Procurement management automates time-consuming and error-prone manual purchasing processes and offers full transparency and management of all the company's purchases and purchase processes. The RFX Management sourcing solution makes the company's competitive bidding process

electronic and faster. The CLM solution makes the entire lifecycle of a company's contract lifecycle easy to control.

Invoice Automation makes the processing and matching of purchase invoices as well as travel management more efficient. The payment automation solution, on the other hand, facilitates effective payment and treasury planning processes. The Planning and Reporting product family automates financial management routines and enables strategic monitoring of financial indicators. Electronic invoicing solutions enable significant cost-savings and reduce the number of errors.

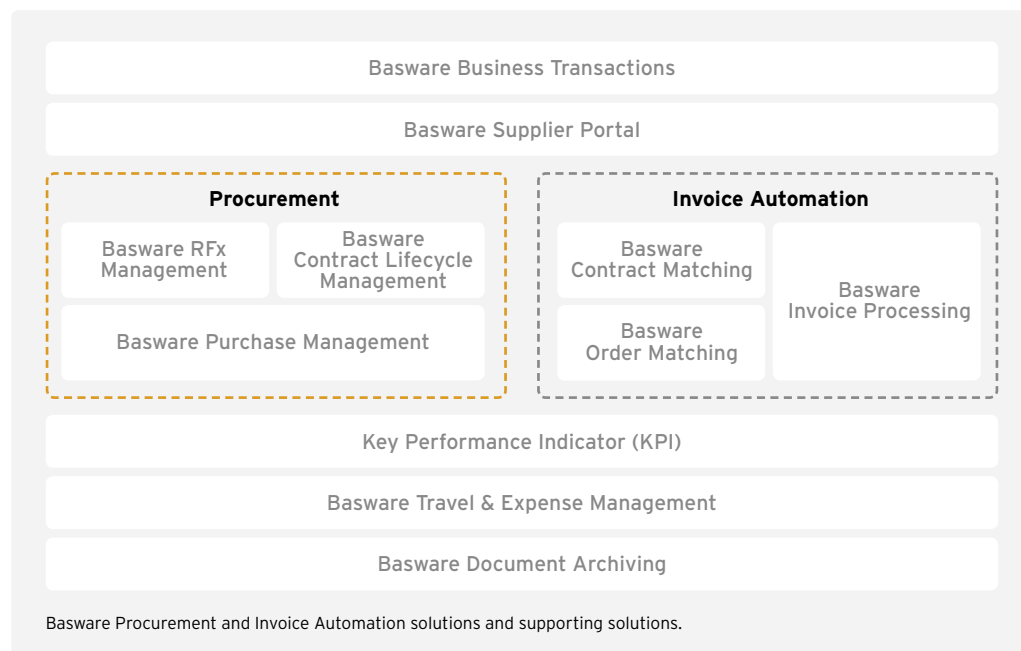
ADDITIONAL SALES MODULE BY MODULE

Modularity is the most significant feature of Basware's Purchase to Pay solutions. This means that the customer can expand the system a part at a time. The light, modular operating method differs considerably from the competitors' time-consuming, huge system projects.

The modular way of working supports the growth of the processes of customer companies. A company may gradually adopt new modules. Customers are able to decide themselves where to seek reduced costs.

Modularity is a particularly significant competitive factor in a recession, with few customers investing in expensive and risky ERP reform projects. Yet many companies are willing to obtain a solution that makes operation more efficient in the long term but with a short payback period.

BASWARE ENTERPRISE PURCHASE TO PAY SOLUTIONS



NEW PRODUCTS THAT MAKE THE PROCUREMENT PROCESS MORE EFFICIENT

In 2008, Basware considerably expanded its offering of procurement solutions. The Basware RFX Management solution, piloted in 2007, was launched in order to support competitive bidding processes. The solution makes the competitive bidding process more efficient, making it possible to perform the entire competitive bidding process electronically.

Another new product is the Basware Contract Lifecycle Management (CLM) application that streamlines the management of contracts throughout their lifecycles, utilizing the possibilities provided by automation. CLM facilitates the coordination, reporting and supervision of customer, partner and supplier contracts. CLM can be seamlessly integrated with other procurement products if necessary.

The City of Helsinki adopted financial administration as a service

The annual purchasing volume of the City of Helsinki amounts to approximately EUR 2 billion. On an annual level, the City has roughly 12,500 suppliers, 200,000 orders and 560,000 purchase invoices. Due to its massive purchase and invoice volumes, the City decided to adopt the Basware Purchase Management and Basware Invoice Processing solutions as Software as a Service (SaaS).

Basware is in charge of system maintenance, administration, management of users and catalogs and activation of suppliers. Jorma Lamminmäki, Procurement Director, City of Helsinki, considers the solution flexible as the City commits little resources to the project, being able to concentrate on its own core competence. At the same time, the transparency and more efficient monitoring offered by the systems have developed understanding of the process and improved the systematic nature of competitive bidding processes in the procurement center.

"Our next development target is to integrate contract management into the purchase to pay process and to match purchase orders with contracts," states Kari Gröndahl, Development Director, City of Helsinki.

In addition to the two new product launches, Basware piloted the Supplier Portal in 2008, complementing its procurement offering and supporting the Software as a Service (SaaS) delivery model. The Supplier Portal relays the customer's and supplier's order and delivery transactions. With the user-friendly and secure browser interface of the Supplier Portal, suppliers are able to manage the flow of information connected with catalogs, orders and invoices. Basware's product development always takes place in collaboration with the customer.

Basware's electronic invoice expertise is centered in Basware EInvoices unit, which develops software for electronic invoicing. Basware EInvoices cooperates with several electronic invoice operators and has expanded outside the Nordic countries to other parts of Europe during 2008.

The Basware Group Consolidation and Basware Business Planning solutions are included in the Basware Financial Management product family. The Basware Group Consolidation software also include an FAS/IFRS package that has been sold particularly to countries adopting IFRS, such as Russia.

The Basware Transparent Reporting value-added solution generates detailed data on items in financial reports, and graphs can be produced with the Basware Analyzer tool.

THE ERA OF SEPA IS COMING

By the end of 2010, the Single European Payment Area, SEPA, will be created in Europe. This will have effects on the bank data produced e.g. by a company's payment traffic, accounts payable ledger, payroll computation, expense report solution, treasury system and invoicing. Due to its far-reaching effect, the challenge of SEPA is noteworthy.

Basware offers its customers an easy solution for ensuring SEPA compliance. The SEPA converter and SEPA version of payment traffic complement each other, being seamlessly compatible with Basware's financial administration software.

SEPA has been claimed to be a more massive change than the adoption of the euro, but few customers have prepared for it. According to a survey carried out by Basware, only one out of ten Finnish companies had a SEPA plan in October 2008. As a result, Basware is expecting significant opportunities for SEPA solution sales in 2009.

**SOFTWARE
AS A SERVICE
BUSINESS GREW BY
41.5%**

Our next development target is to integrate contract management into the purchase to pay process and to match purchase orders with contracts.

Basware is given the top score in all three dimensions: Strategy, Current Offering and Market Presence

Forrester Wave™: Accounts Payable EIPP, Q2 2008 report used 78 criteria to evaluate top vendors in the accounts payable electronic invoice presentment and payment space. The report stated “Basware stays just ahead of a strong pack”. Forrester recognized Basware’s strategy and market presence, giving the company the highest scores in strategy. Basware was stated to have “the largest market presence, excellent functionality, and a strong vision”. The report further notes that Basware is “continuing to enhance its EIPP product innovation while expanding into new areas”.

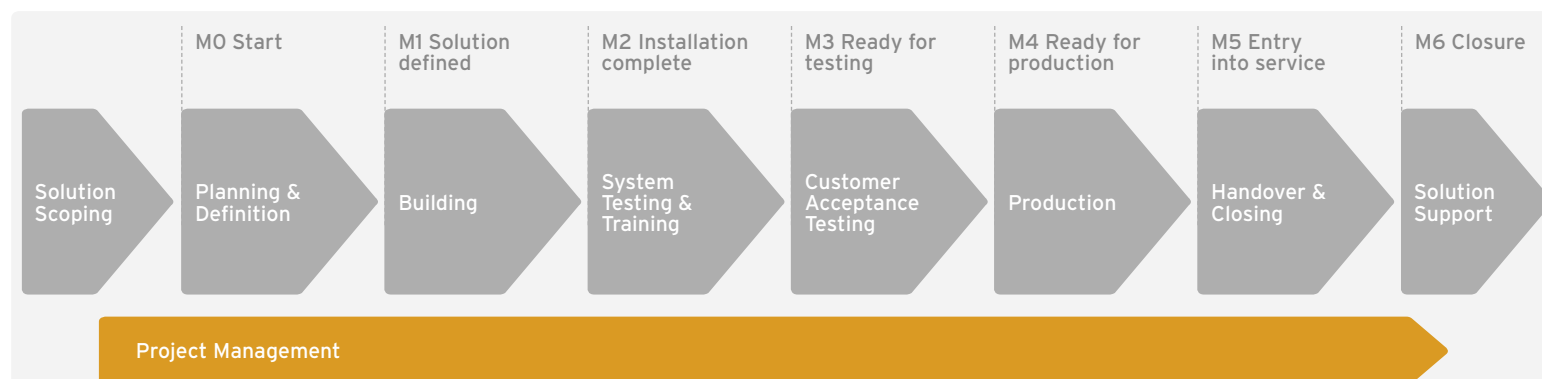
Among the top in ePurchasing vendors

According to a Forrester Research report Company Basware was quoted as being among the five largest sellers of software solutions in the ePurchasing market.

Independent market forecasts state that overall ePurchasing markets are estimated to grow moderately around 6-8% faster than total IT purchases (3-5%).

The Forrester report states that “while products like eProcurement and eSourcing are widely adopted and have slower growth, other products like contract life-cycle management and electronic invoice presentment and payment (EIPP) have more limited adoption and great growth potential”. (Forrester Research: Holistic View: The ePurchasing Software Market, September 9, 2008)

THE BASE-M PROCESS FLOW



Basware's standard Enterprise Purchase to Pay installation model BASE-M starts with the initial solution scoping and ends with the successful handover to the customer staff and the Basware support team.

Operating Environment

Basware's strategy is based on differentiation. By developing aptly timed solutions for the needs of its customers, Basware has created a product portfolio that competitors will find difficult to match. In 2008, independent market surveys ranked Basware a global market leader in electronic invoice automation solutions and among the top five sellers of software solutions in the ePurchasing market. As a trailblazer, Basware expects growth to continue in 2009.

The market for both invoice automation solutions and electronic procurement solutions grew in 2008. According to latest market estimates from January 2009 the general IT market is expected to decrease in 2009 (-3%) and software market to remain unchanged (0%). However, growth in the Invoice Automation and Enterprise Purchase to Pay solution market has been predicted to moderately beat (6-8%) the general IT market (3-5%).

Basware's net sales increased by 17.5 percent in 2008. Profitable growth beating the market lifted Basware to a strong position in the electronic financial management and procurement software markets.

Basware's main market areas are the Nordic countries, Russia, Central Europe, North America and Asia-Pacific. In Europe, Basware's focus areas are the United Kingdom, Germany and France. In Asia-Pacific, Basware operations primarily focus on Australia, China, Malaysia and Singapore. In 2008, Basware increased its net sales and improved its profitability across all strategic market areas.

MARKET LEADER IN ELECTRONIC INVOICE AUTOMATION SOLUTIONS

Basware holds a strong position in the market. According to a report published by an independent market research company, Basware is by far the

market leader in electronic invoice automation solutions. In the survey of all the significant actors in the industry, Basware achieved first place in all sectors: strategy, current offerings and market presence. Compared to the previous survey carried out in 2005, Basware had clearly succeeded in gaining distance over its competitors.

In Fall 2008, an independent market research company published a report of the position of more than a hundred companies in the electronic procurement solution market. Basware was ranked among the five most significant actors. The company's strategy and products were considered top class in particular.

Basware has grown more rapidly than any of its key competitors. Rapid and profitable growth has enabled Basware to invest more than the competitors, and this is how the company has managed to gain lead over its competitors even further.

BASWARE'S SEAMLESS SOLUTION SUITE

Basware's core expertise is in an area that competitors are not specialized in. Basware has competitors in individual solutions, but the integrated product and service offering that covers the entire Purchase to Pay value chain gives Basware indisputable competitive edge. With the seamless solution suite, Basware is able to offer its customers true and

integrated automation instead of merely making individual processes electronic.

Some of Basware's direct competitors are smaller than Basware and primarily operate locally. Developers of document management, scanning and recycling systems compete with Basware's purchase invoice management solutions. In addition, custom solutions built into Enterprise Resource Planning (ERP) systems can be considered competitors.

IN COOPERATION WITH CUSTOMERS

Basware's products have more than 650,000 end users in more than 50 countries and six continents. The customers represent private as well as public sectors and operate in a variety of fields from financial services to manufacturing industry, education, health care and pharmaceutical industry, high tech, publishing activity, airlines and telecom, services and retail. The broad spectrum of industries makes it possible for Basware to steer its operations based on the market conditions.

The customers range from global giants to medium-sized and small companies. During 2008, Basware moved towards increasingly major customer accounts, securing five globally operating customers in accordance with its strategic objective, including Novartis and a large international pharmaceutical company.

The success of Basware's products is based on recognizing the customers' needs and offering aptly timed, high-quality solutions that support business operations. Partnership in product development as well as development of the customer's financial processes is an integral part of Basware's operations.

As a result of close collaboration with customers, Basware has managed to adopt the best practices of more than a thousand customer companies in its software. Basware products offer customers

According to the Forrester Wave™ report published in summer 2008, Basware “leads the pack” of accounts payable electronic invoice presentment and payment vendors.

Forrester Wave™: AP-EIPP, Q2/2008, June 18, 2008

the opportunity to critically review the functioning of the entire process. The product family that promotes transparency, efficiency and regulatory compliance from purchase to payment makes it possible for customers to achieve cost savings and streamline their operations.

CHANGING MARKETS

General economic uncertainty and a downturn in economy marked the latter half of 2008. Many software suppliers' ability to invest suffered, and companies cut their R&D expenditure. The growth of small companies in particular slowed down and is likely to slow down further in the future. Basware expects the

competition field to consolidate further, resulting in a decreased number of acquisitions and competitors.

The Software as a Service (SaaS) model will become more commonplace in the coming years and it will have an impact on the operating model of the invoice automation and Enterprise Purchase to Pay market in the future. The service concept will change the interface to the customer, and the customer will face a more extensive business process offered by the company.

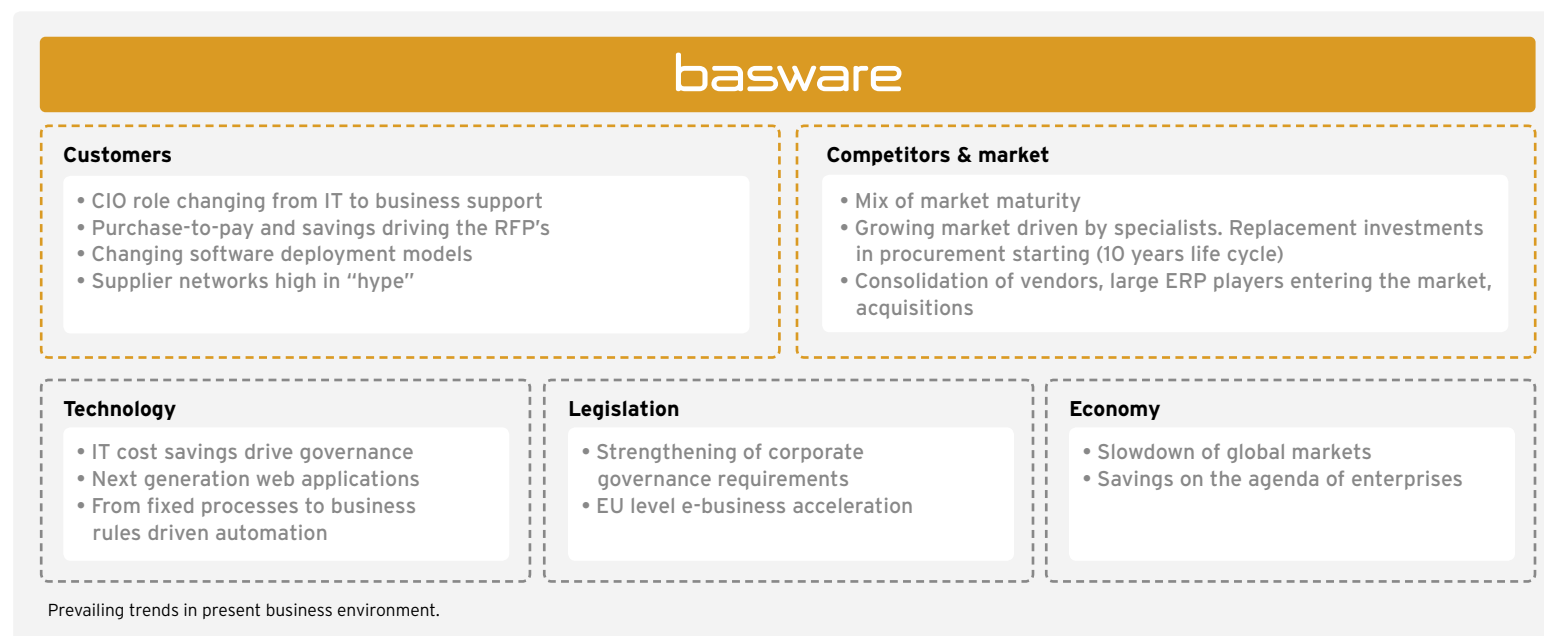
AIMING AT GROWTH IN 2009 AS WELL

Basware is not immune to economic fluctuations, but its ability to offer customers efficiency and cost

savings provides the company's products with opportunities in all economic conditions. Forrester Research states that the best AP-EIPP products deliver operational savings, error reduction, and higher early-payment discounts (Forrester Research: Holistic View: The ePurchasing Software Market, September 9, 2008). The impact of a recession is not likely to be as significant on such investments with a short payback time as in the software industry on average.

Basware's lead over other actors in the industry is indisputable, and the company is going to maintain its leading position in the future. Basware's objective is to continue profitable growth and internationalization in 2009.

BUSINESS ENVIRONMENT TRENDS



Toward World-Class Product Development

Customers play a key role in Basware's product development. The starting point in product development is aptly timed understanding of the customer's needs, and new products are always created in cooperation with the customer. Therefore, Basware has been able to launch tried and tested global trailblazer solutions that solve real problems.

In 2008, Basware spent 18.0 percent of its net sales on product development. At the end of the year, 171 Basware employees worked in the Software Production unit, of them 136 in Finland, 26 in India and 8 in Norway.

Basware's differentiation-based strategy requires product development to be continuously sensitive to market messages and able to react to them. Aptly timed solutions that quickly generate cash flow are launched into the market.

In 2008, Basware strengthened its international position, securing several global major corporations as its customers. Success in the heavyweights of software suppliers requires top-notch product development. Basware turned world-class product development into a new strategic project in 2008. As a part of the strategy project, Basware harmonized its product development practices across the entire product development process.

Basware's product development saw an increase of 19 people during 2008. Future recruitment in Basware's product development activities will mainly take place in the Indian product development unit established in 2007. Product management, product innovations and software platform design will remain in Finland.

TOWARD MORE CUSTOMER-DRIVEN PRODUCT DEVELOPMENT

Basware's product development always takes place in cooperation with the customer. Customer-driven,

however, does not mean customer-specific products: world-class efficiency and cost savings are achieved with flexible solutions that require the minimum amount of customization. With Basware products, customer companies can streamline their operations by adopting the best practices in the industry.

In 2008, Basware tightened its customer cooperation in product development even further by changing product development work with customers from projects to a continuous operating model. Therefore, the customer is central throughout the product development process from beginning to end.

PRODUCT LAUNCHES THAT COMPLEMENT AND INTEGRATE THE OFFERING

In 2008, Basware's product development introduced two significant new products: Basware RFX Management sourcing solution and Basware Contract Lifecycle Management solution, both piloted in 2007.

In the future, Basware's product development will utilize the data already in the systems even more effectively. In 2009, Basware will launch a real-time solution for the management of corporate expenditure. The solution will transform cost control from a cyclic, repeated process into a continuous one.

In addition, product development will make the integration of Basware's product portfolio even more effective through new technology. Integration

THE SHARE
OF PRODUCT
DEVELOPMENT WAS

18%
OF NET SALES

” Success in the heavyweights of software suppliers requires top-notch product development.

is already quite comprehensive, but it will be developed further during 2009.

PRODUCT DEVELOPMENT IS READY FOR CHANGES IN THE INDUSTRY

The software business faces constant change. Of the short-term changes, the adoption of the Single Euro Payments Area, SEPA, by the end of 2010 is the most important as far as Basware is concerned. SEPA started in January 2008 with the adoption of the SEPA bank transfer. SEPA will revolutionize Eu-

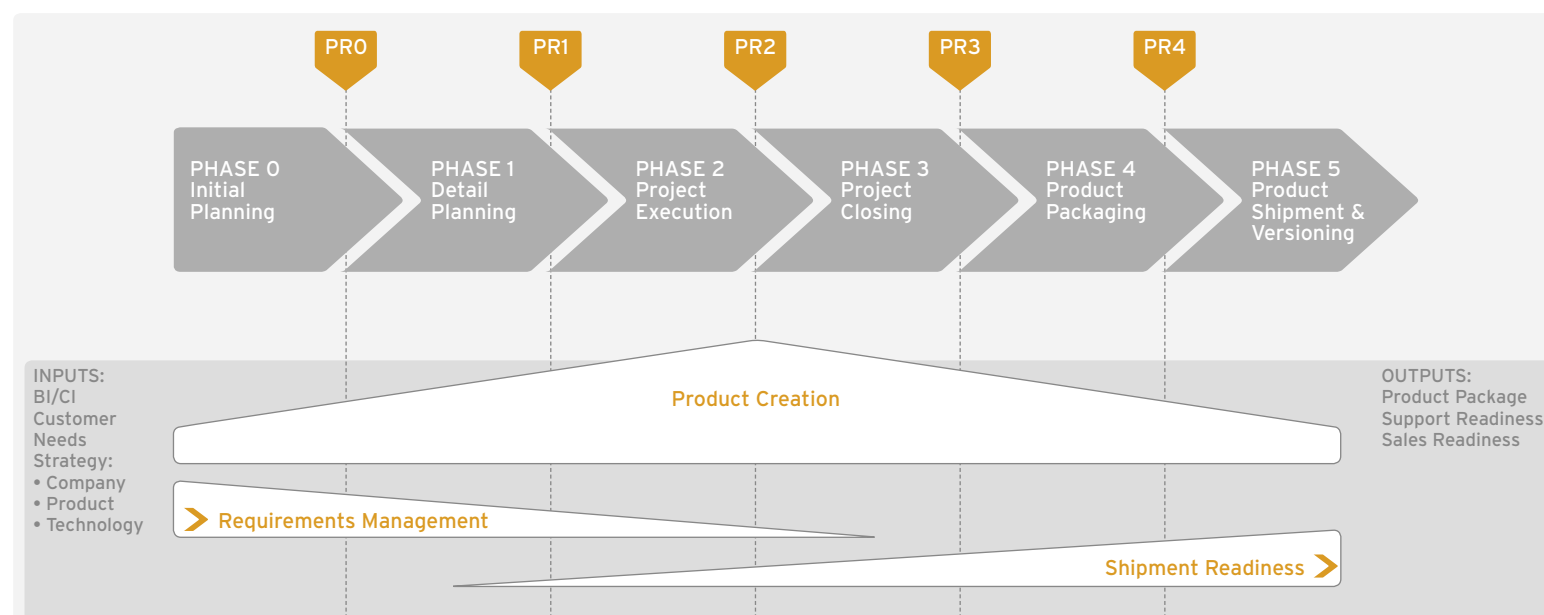
ropean payment traffic and it is a significant change for companies; yet according to a Basware survey, only one in ten Finnish companies had a SEPA plan in October 2008.

As it is difficult for an individual company to verify the SEPA compatibility of its financial administration systems, in fall 2008 Basware launched a SEPA converter and SEPA version that ensure compatibility in an easy and proven way. Basware expects the products to become financially significant in 2009 in particular in Finland, when companies

must acknowledge the impact of SEPA on their financial administration systems at the latest.

In the long term, changes in the industry that will have an effect on Basware's product development include the increasing popularity of the Software as a Service model. Software as a Service (SaaS) model increases the probability of successful software acquisitions by centralizing technological competence in a single place, and it highlights the idea of selling best practices instead of mere software; something that Basware already cherishes.

PRODUCT LIFE CYCLE



Aptly timed understanding of the customers' needs and sensitivity to listen to the market are in a key role in Basware's product development.



Organization of Internationally-Minded Professionals

Profitable growth is impossible without highly competent personnel. Active development of personnel competence and encouraging a working environment that emphasizes courage and a positive attitude are an investment in the employees.

Basware strives to be an alluring employer whose employees are committed, goal-oriented and highly proficient in an international business environment. A favorable internal and external employer image, high-quality recruitment and systematic development of employees' competence are keys to reaching this objective. In 2008, the number of Basware employees continued its steady growth: the number of employees increased by 11 percent on the previous year to 731 at the end of 2008.

ALLURING EMPLOYER IN THE EYES OF PRESENT AND FUTURE PERSONNEL ALIKE

Basware's four values - aim for achievement, be professional, build on respect and act with courage - originate in the company's personnel. The spirit crystallized in these values is alive in Basware, regardless of geographical location. The Basware spirit is one of daring and pioneership where the meaningfulness of work is upheld by matching employees' tasks with their competence, personal development targets and wishes. Two things that promote wellbeing at work emerge every year in job satisfaction surveys: Basware's people and atmosphere.

In Finland, a trustworthy Finnish company on its way to the international market has been seen as an alluring employer, and high-quality recruitment has been an easy task. As business conditions are getting more uncertain, trustworthiness and financial stability become even more significant to employer image. Building the employer image abroad

where awareness of Basware is not yet as high as in Finland, will become increasingly important in the future. The international employer image develops hand in hand with the company's international growth and development of awareness of its products.

FOCUS ON THE DEVELOPMENT OF STRATEGIC COMPETENCE

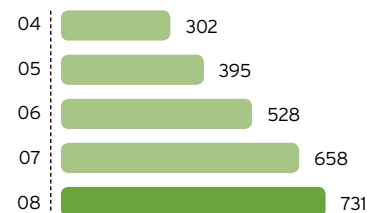
Basware offers its employees an opportunity for continuous competence development. Basware's own academies are an important form of training. The Sales and Project Academies, which have received a favorable reception from the employees, were supplemented by two new ones in 2008: Consulting and Leadership Academies. The Academies convene employees of the company from all over the world, offering an excellent opportunity for networking and sharing know-how. The employees have appreciated the opportunity for participating in the Academies, which have been felt to be of great use.

Those who pass the Academy are given a certificate of training. Certification promotes uniform quality and implementation of shared operating models in a company that operates in an extensive geographical area.

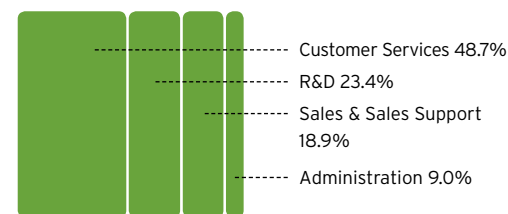
PERSONAL TARGETS ARE PART OF COMPREHENSIVE COMPENSATION

Basware rewards achievements. Every employee has personal, objectively measured targets, and

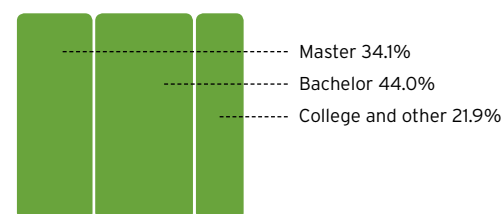
Number of Personnel



Personnel Groups



Educational Background of Personnel



“The employees are aware of how their work is connected with the big picture and see the significance of their own work.”

WHAT KIND OF BEHAVIOR DO WE ENCOURAGE?



an incentive is paid for achieving them. Financial remuneration is not, however, the only incentive in the mindset of comprehensive compensation. Basware invests in its employees' wellbeing at work by sponsoring employees' clubs and arranging various communal events, for instance.

The year starts with regional kick-offs, which were particularly massive in 2008 due to announcing the new corporate image. The renewed strategy was implemented in the events, and each employee recorded his or her personal objectives for implementing the strategy in his or her own work.

Employees of the year - ones who have put the Basware values into practice in their work in an exceptional way - selected from five different personnel groups were also announced in the event. Basware's Executive Team selects the employees of the year based on proposals made by the personnel.

Rewarding also encompasses the possibility to develop oneself and training, which young employees in particular value highly.

JOB SATISFACTION IS HIGH

Basware's annual job satisfaction survey was arranged for the 12th time in 2008. The response rate was good: 73 percent of the company's employees responded to the survey. Overall satisfaction remained almost unchanged from the previous year: on a scale of 1 to 5, it amounted to 3.7.

In the survey, particularly high scores were achieved in questions measuring knowledge of the objectives of one's own department and the company - averaging more than 4.1. At Basware, strategy is truly implemented at the individual level. The employees are aware of how their work is connected with the big picture and see the significance of their own work. The employees were also very satisfied with leadership: management was rated at 3.9.

Basware employees' commitment to the company is also a sign of job satisfaction. Of the employees, 25 percent have been employed by the company for 6 to 10 years, and 39 percent have been at the company's employ for 2 to 5 years. For a growth company, these figures are an excellent achievement.

NUMBER OF PERSONNEL INCREASING OUTSIDE FINLAND

Basware's rapid international growth combined with larger and increasingly global customers require more and more competence from its employees. The personnel are well set for responding to the challenge: more than 30 percent of employees have at least a Master's degree and more than 75 percent at least a Bachelor's degree. Basware is a youthful company: the average age of Basware employees was 36 years at the end of 2008.

In 2008, an increasing share of Basware employees worked outside Finland. While 41 percent of Basware employees worked outside Finland at the end of 2007, the corresponding figure at the end of 2008 amounted to 46 percent.

As a result of the acquisition of Contempus AS in September 2008, a total of 41 new employees in Norway, Sweden and the UK joined Basware. Synergy benefits were pursued by unifying personnel processes and integrating Contempus employees to Basware's local subsidiaries.

Growth in Basware's personnel will take place mainly outside Finland in the future as well. In particular, the Indian product development unit and the subsidiaries in the US and Central Europe are expected to grow in terms of personnel. Basware estimates its total number of personnel to increase by approximately 10 percent in 2009.

Respect for People and Environment

High business ethics are the cornerstone of Basware operations. The company's four values – aim for achievement, be professional, build on respect and act with courage – underlie a corporate culture that respects people and the environment.

A company with customers in six continents and more than 50 countries must be able to think in a global and multicultural way. As an international player, Basware wants to be responsible with regard to its investors, customers, employees as well as the communities surrounding its business operations.

Basware's values arise from the company's personnel. Compatibility of the company's values with its employees' values has become increasingly significant in terms of employer image and wellbeing at work.

FINANCIAL RESPONSIBILITY IS OUR FOUNDATION

A solid financial situation, good profitability and strong growth make deeds that build today's and tomorrow's welfare possible. Profitability and financial stability are an integral part of Basware's responsibility. Stability and trustworthiness yield added value to all stakeholders.

A trustworthy company looks after its personnel, offering a variety of opportunities of self-development and recreation.

ACTING FOR A BETTER TOMORROW

Basware's electronic financial management software solutions have more than 650,000 end users. The software reduce paper consumption in thousands of offices all over the world, guiding customer companies towards the paperless office. Paperlessness saves the environment and money. An invoice sent on paper, for instance, burdens the environment approximately 20 times as much as an electronic invoice and costs five times as much to its sender.

Environmental issues have been taken into consideration in Basware's own premises, too. Basware's head office in Espoo has held a Green Office certificate issued by the World Wildlife Fund since 2003. The prerequisites for being issued the certificate include a standing environmental program, waste sorting and recycling, reduction of carbon dioxide emissions and endeavors to constantly improve environmental issues. The realization of select indicators is monitored every year.

Cooperation with the Plan Finland charity foundation has continued since 2002. Basware has 14 sponsored children in developing countries, and the company wants to build a better future for their communities. In addition to child sponsorship, in 2008 Basware also supported the facilities of families, communities and authorities for preventing child abuse and abandonment in Togo and Sudan and promote the realization of the rights of children in need of special protection through Plan's social responsibility program.

LEARNING FROM YOUNG ARTISTS

The Art of Basware is an annual contest for young visual artists, intended to support and encourage them to develop their skills. The contest has grown in popularity year on year, and 243 artists under the age of 30 took part in the ninth contest in 2008 with a total of 612 works. The winning work and five others were bought for Basware's art collection. Displayed everywhere around Basware's Espoo premises, modern art reminds of the company's values and opens windows to a daring and novel way of thinking.

Basware's cooperation with Plan

Vietnam, birth registration support

Birth registration is very significant to a child. The U.N. Convention on the Rights of the Child states that a child should be registered immediately after birth and that the child has rights to a name and a nationality. Registration is an official identification testimonial and supports the other human rights.

Plan's project aims at registering the birth of a child in order to support the other rights of the children. The project is active especially in remote areas and among ethnical minorities.



Jouna Karsi participated in Art of Basware in 2007.

Basware wants to be responsible with regard to its investors, customers, employees as well as the communities surrounding its business operations.

Sudan, preventing female genital cutting

Female genital cutting is reality for 90 percent of married women between 15 and 49 years in Northern, Eastern and Western part of Sudan.

Plan project aims at reducing the number of harmful traditions abusing female rights by creating safe environments for girls and women to grow safely to become equal and responsible members of the society and also participate in developing their societies.

Togo, preventing child prostitution and abuse in rural areas

Child prostitution, trafficking and abuse are severe problems in Togo. Togo is a poor country and estimates state over 313,000 children between 5 and 15 years of age are separated from their families due to work in cities or neighboring countries.

Plan project aims at reducing prostitution in selected 20 project communities by raising awareness of prostitution, reasons behind it and its harmful consequences. Target groups are families, communities and the whole society.



Promoting better living conditions

Basware has sponsored children in developing countries since 2002. Cooperation with Plan began when each Basware unit was assigned a sponsor child. The company currently has 14 sponsored children in Africa, Asia and Latin America. Donations are used to promote children's wellbeing and to offer them better educational opportunities.

"Basware personnel and clients value our Plan cooperation highly and it has strengthened Basware's image as a responsible employer. During our Plan cooperation we have also encouraged our stakeholders to support Plan. In addition we further encourage other Finnish companies to support children in developing countries," says Hannu Vaajoensuu, Chairman, Basware Board of Directors.

In addition to sponsoring individual children, Basware has also taken part in other projects and participated in Cameroon Little Lions project which aimed at improving children's living conditions in Cameroonian villages. Between 2005 and 2007, Basware took part in the Plan Investor program and supported projects in Sri Lanka, the Dominican Republic and Sierra Leone. In 2008 Basware also participated in Plan's social responsibility program in Togo and Sudan. The purpose of the program is to support families, communities and authorities to prevent child abuse and abandonment as well as to protect the rights of children needing special protection.

Togo, supporting girls' education in rural areas

Togo is one of the poorest countries in the world. The educational system suffers from severe financial problems and cannot respond to the educational needs of the fast growing population. Inequality is prevailing especially in girls' educational possibilities in rural areas.

The purpose of the project is to guarantee more equal educational possibilities in 15 school districts. This means that all girls living in the districts have the possibility to go to school and better chances of finishing comprehensive school.



Board of Directors

Hannu Vaajoensuu, born 1961, MSc (Econ)

Member of the Board since 1990, Chairman of the Board since 2005

Key working experience: Basware Corp.: CEO 1999-2004, Executive Director 1991-1999, consulting positions in the company 1987-1991

Current positions of trust: Biocomputing Platforms Ltd Oyj: Member of the Board, Comptel Oyj: Deputy Chairman of the Board, Efecte Oy: Chairman of the Board, Festum eServices: Chairman of the Board, Profit Software Oy: Chairman of the Board

Matti Copeland, born 1961, MSc (Econ), Stanford Graduate School of Business (Stanford Executive Program 2000), Member of the Board since 2008

Key working experience: A&B: Managing Partner 2007-, Deloitte: Partner, M&A Advisory 2005-2007, CapMan Capital Management: Investment Director Buyout Business Unit 2002-2005, Aura Capital: Managing Director 2001-2002, Jippii Group: Managing Director 2001-2001, Leonia/Sampo: Executive Vice president, Large Corporate Clients 1998-2001, KANSALLIS-OSAKE-PANKKI/Merita/Merita-Nordbanken: Head of Debt Capital Markets 1988-1998, Citibank New York: Manager 1986-1988

Current positions of trust: Member of the Board in several growth companies. The Finnish Association of Professional Board Members: Board member since 2005-

Sakari Perttunen, born 1957, MSc (Econ)

Member of the Board 1993-2004, since 2008

Key working experience: Basware Corporation: CFO 2004-2007, Vice President IT 2001-2003, Vice President Development 1999-2000, specialist and management positions at Basware 1987-1998

Current position of trust: Movenium Oy: Chairman of the Board.

Ossi Pohjola, born 1957, BSc

Management Consultant, Business Integration Group BIG, Member of the Board since 2004

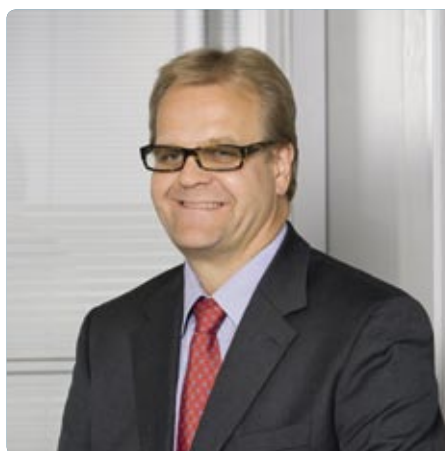
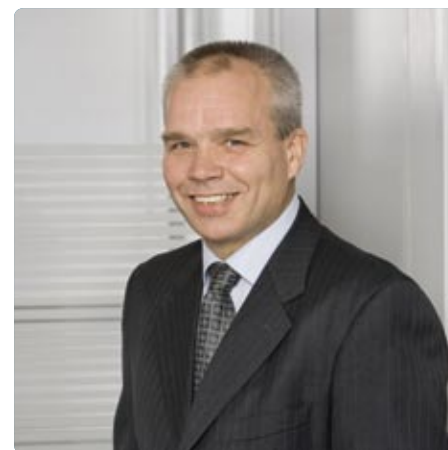
Key working experience: Oracle EMEA: Senior Vice President 1999-2002, Oracle Northern, Central and Eastern Europe: Vice President 1993-1999, Andersen Consulting Oy: CEO 1988-1993

Current positions of trust: Sininen Meteoriitti Oy: Chairman of the Board of Directors, Idean Enterprises Oy, Insta Group Oy, Suur-Seudun Osuuskappaa SSO, Forte Netservices Oy, Asan Security Technologies Oy, Sievo Oy and DynaRoad Oy: member of the Board of Directors.

Ilkka Toivola, born 1963, MSc (Tech)

Nokia Siemens Networks: Head of Global Sales, Business Support Systems
Member of the Board since 2008

Key working experience: Nokia Networks: Vice President, Quality and Customer Satisfaction, Member of Nokia Networks Board 2005-2007, Vice President, Mobile Software Integration 2004-2005, General Manager, Mobile Software Integration 2002-2003, Director, Mobile Charging Solutions Business 2000-2002, Hewlett-Packard Company: Global Client Executive 1999-2000, Professional Services Country Manager in Finland and Managing Consultant 1995-1999, Business Development Manager, European Marketing Center, Germany 1993-1995, Account and Senior Account Manager 1989-1993



Members of the Board of Directors:
Hannu Vaajoensuu, Matti Copeland,
Sakari Perttunen, Ossi Pohjola and
Ilkka Toivola.

Executive Team

Ilkka Sihvo, CEO, MSc (Econ), MSc (Tech), born 1962, at Basware since 1989

Key working experience: Basware Corporation: Member of the Board 1990-, CEO 2005-, CFO 2000-2004, management positions in the company 1989-1999

Mika Harjuaho, CFO, MSc (Econ), born 1966, at Basware since 2007

Key working experience: Suunto Oy: Financial Director 2001-2007, Ericsson AB: Area Business Controller 2000-2001, Oy LM Ericsson AB: Business Controller 1997-2000, Suomen Unilever Oy Van den Bergh Foods: Controller 1996-1997, Unilever Nederland B.V.: Internal Auditor 1995-1996, Suomen Unilever Oy Lever: Marketing Accountant 1994-1995

Olli Hyppänen, Senior Vice President, Strategy and Development as of 1 Jan 2008, Senior Vice President, Software Production until 31 Aug 2008, MSc (Tech), born 1966, at Basware since 2003

Key working experience: Tellabs International: Director, Supply Chain Engineering 2002-2003, Tellabs Corp.: Senior Manager 2000-2001, Department Manager 1999, Program Manager 1998, Tecnomen Corp.: Project Manager 1996-1998

Positions of trust: Lacquer: Chairman of the Board 2005-, ManPro: Chairman of the Board 2006-

Ulla Martola, Senior Vice President, Human Resources & Development, MSc (Econ), born 1962, at Basware since 2003

Key working experience: Talent Partners: Senior Executive Consultant 2002-2003, KPMG Wideri: Chief Knowledge Officer 1999-2002, KPMG Consulting: Senior Manager 1995-1999, Principal Consultant 1991-1994

Steve Muddiman, Senior Vice President, Global Marketing, University Graduate (Comms), born 1961, at Basware since 2008

Key working experience: VMware Inc.: Director of Field and Corporate Marketing Europe, Middle East & Africa 2006-2008, Ariba Inc.: VP Marketing and Strategy, Europe, Middle East & Africa 2001-2005, Hewlett-Packard Inc.: Various General Management and Marketing Management positions 1989-2000

Pekka Rehn, Senior Vice President, Products as of 1 Sep 2008, Vice President, Product Development until 31 Aug 2008, MSc (Econ), Certified Information Systems Auditor (CISA), born 1966, at Basware since 2005 (also in 1995-1996)

Key working experience: Basware Corporation: Vice President, Product Development, Procurement products 2005-2008, Meridea Financial Software Oy: including positions such as Senior Vice President Operations, Offering Manager and Program Manager 2001-2005, Sampo Group: Various positions such as Business CIO and Vice President Web Banking Systems, IS Auditor, 1997-2001, Basware Oy: Consultant 1995-1996

Esa Tihilä, General Manager, Europe until 30 Sep 2008, SVP, Global Operations as of October 1, 2008, College Graduate (Econ), eMBA, born 1964, at Basware since 2004

Key working experience: Meridea Financial Software: CEO 2001-2004, ICL PLC: Group Executive Director 2001, Global Director, e-Business 1999-2001, ICL Data: Director, e-Business 1997-1998, Business Development Director 1995-1996

Positions of trust: Basware e-Invoices Oy: Member of the Board 2008-, Sonera Corporation: Member of the Board 2001-2003, ICL Invia: Member of the Board 2000-2001, Nice Business Solutions Finland: Chairman of the Board 1999-2001

Odd Roar Trapnes, Senior Vice President, Basware Scandinavia, MSc (IT), BSc (Econ), born 1957, at Basware since 2005 (worked as a partner for Basware since 1999)

Key working experience: Adaptive Systems / I-core: Managing Director 1997-2005, Texas Instruments Norway, Managing Director 1993-1997, McDonnell Douglas Information Systems Norway: Managing Director & Sales Manager Nordic region 1988-1993

Jukka Virkkunen, Senior Vice President, Country Manager Finland, College Graduate (Econ), born 1960, at Basware since 2006

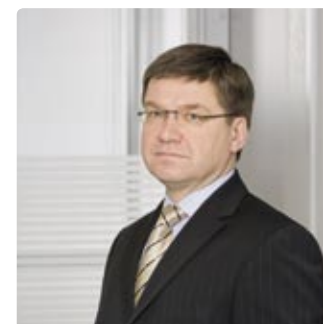
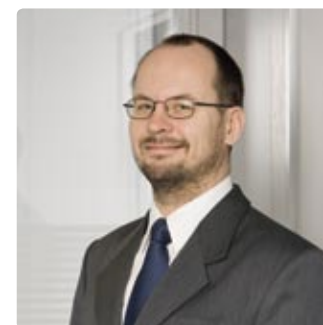
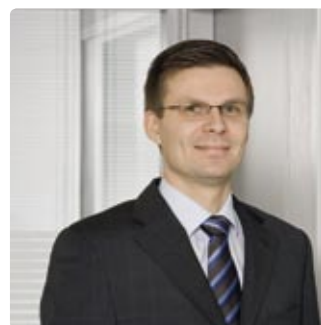
Key working experience: Capgemini Finland Oy Technology Services: Unit Manager 2004-2006, Ementor Oy: Sales Director 2002-2003, Fujitsu Services Oyj: Marketing Director, Nordic 2000-2002, ICL Data Oy e-Business: Sales Director 1997-2000, Account Manager 1996-1997

Positions of trust: Helsinki region Chamber of Commerce: member of committee, member of ICT committee since 2006

Other members in 2008

Matti Rusi, Senior Vice President, Global Operations, MBA, born 1963, at Basware 1997 - 29 Feb 2008

Jari Tavi, CTO, BSc in Electronics Engineering, born 1963, at Basware 2002 - 31 Dec 2008



Members of the Executive Team: Ilkka Sihvo, Mika Harjuaho, Olli Hyppänen, Ulla Martola, Steve Muddiman, Pekka Rehn, Esa Tihilä, Odd Roar Trapnes, and Jukka Virkkunen.

Corporate Governance

Basware Corporation is a public limited company publicly listed on NASDAQ OMX Helsinki Ltd. Basware Group is comprised of the Finnish parent company as well as Finnish and foreign subsidiaries. Highest decision-making power is held by the General Meeting of Shareholders, Board of Directors and CEO. The following is a summary of the company's Corporate Governance Statement. The full statement can be found on the company's public web site at www.basware.com/corporategovernance.

GENERAL MEETING

The General Meeting is the highest decision-making body of Basware Corporation. The Annual General Meeting is summoned once a year and extraordinary General Meetings are arranged, if necessary, during the year. The Annual General Meeting decides on the approval of the Income Statement and the Balance Sheet, measures occasioned by the profit or loss shown in the approved Balance Sheet, on discharging the members of the Board and the CEO from liability and on the election of the members of the Board of Directors. The Annual General Meeting also elects the auditors and decides on the remuneration of the Board of Directors and auditors and covers other matters mentioned in the invitation to the General Meeting. The 2009 Annual General Meeting will take place on February 12, 2009 in Helsinki.

BOARD OF DIRECTORS

The Board of Directors of Basware Corporation is responsible for the Company's management and the appropriate arrangement of its operations. The Board supervises the Company's operations and management and decides on significant matters concerning the Company strategy, organization, financing and investments. The essential duties and responsibilities of the Board are defined primarily

by the Articles of Association and the Finnish Companies Act. In accordance with the Articles of Association, the Basware Board of Directors has a minimum of four and a maximum of eight regular members. The Board members are elected by the Annual General Meeting for one term of office at a time.

The Board has a quorum when more than half of the members are present.

COMPOSITION OF THE BOARD IN 2008

The Annual General Meeting on February 14, 2008 elected five members to the Board of Directors. Matti Copeland, Sakari Perttunen, Ossi Pohjola, Ilkka Toivola and Hannu Vaajoensuu were elected to the Board. Matti Copeland, Sakari Perttunen and Ilkka Toivola were new members.

In its first meeting on February 14, 2008, the Board elected Hannu Vaajoensuu as Chairman of the Board and Sakari Perttunen as Vice Chairman. One Board member (Vaajoensuu) held a position in the Company in 2008. Vaajoensuu owns more than 8 percent and Perttunen more than 7 percent of all the shares of the Company when the ownership of persons under guardianship and of controlled companies is taken into account. Three of the members (Copeland, Pohjola and Toivola) are independent of the Company and its significant shareholders. The members of the Board are presented on page 28. The Board convened 94 times in 2008 and the average attendance rate of the directors at the Board meetings was 94 percent.

REMUNERATION OF THE BOARD MEMBERS

The Annual General Meeting decides on the remuneration paid to the members of the Board of Directors. In 2008, the Board members were paid an annual fee of EUR 22,000, Vice Chairman of the Board EUR 26,000 and Chairman of the Board EUR

44,000 for the whole term. However, Board members with a full-time position in the Basware Group (Vaajoensuu) are not entitled to this fee. In addition, all members of the Board are paid a meeting fee of EUR 275 for each meeting.

The Chairman of the Board, Hannu Vaajoensuu, holds a position in the Company. He is responsible for the Company's strategic projects such as acquisitions. The service terms and conditions have been specified in writing, stating that the Chairman of the Board has:

- 6 months' period of notice and salary for the period of notice should the Company give notice, in addition to which he is entitled to severance pay equivalent of 12 months' fixed salary,
- 6 months' period of notice and salary for the period of notice should the person resign himself, no additional compensation is paid,
- 12-month prohibition of competition as of the termination of the employment,
- retirement age and pension benefits pursuant to the Employees' Pensions Act (TEL).

The salary of the Chairman of the Board, including benefits, totaled EUR 99,078.57 in 2007. Salary in money was EUR 86,327.07 and fringe benefits totaled EUR 12,751.50. The Chairman of Board is not included in the bonus program of the Company.

CEO AND MANAGEMENT

The Board appoints the CEO of Basware Corporation and supervises his performance. The CEO is in charge of the day-to-day management of the Company in accordance with the instructions and orders given by the Board, as well as by the Companies Act. In 2008, Ilkka Sihvo acted as the CEO of the Company.

CEO

The Board decides on the service terms and conditions of the CEO, specified in writing. Currently the CEO has:

- 6 months' period of notice and salary for the period of notice should the Company give notice, in addition to which he is entitled to severance pay equivalent of 12 months' fixed salary,
- 6 months' period of notice and salary for the period of notice should the person resign himself, no additional compensation is paid,
- 12-month prohibition of competition as of the termination of the employment,
- bonus based on performance is no more than 50 percent of basic salary,
- retirement age and pension benefits pursuant to the Employees' Pensions Act (TEL).

The CEO's remuneration consists of salary in money, fringe benefits, a possible annual bonus based on performance and of warrants. The CEO's total salary, including benefits and bonuses, totaled EUR 162,687.09 in 2008. Salary in money was EUR 147,574.79 and fringe benefits totaled EUR 151,121.30. The CEO was paid performance bonus for 2007. In addition, the CEO was given 16,000 Series C warrants of the Basware 2007 warrant program during 2008.

EXECUTIVE TEAM 2008

The Group's Executive Team assists the CEO in the operative management of the Company, prepares matters handled by the Board and the CEO as well as plans and monitors the operations of the business units. The Executive Team convenes once a month. The CEO acts as chairman of the Executive Team.

Members of the Executive Team in 2008 were Ilkka Sihvo (CEO, Chairman), Mika Harjua-ho (CFO), Olli Hyppänen (strategy and develop-

ment), Ulla Martola (HR&Dev), Steve Muddiman (global marketing), Matti Rusi (global sales), Jari Tavi (technology), Esa Tihilä (Europe), Odd Roar Trapnes (Scandinavia) and Jukka Virkkunen (Finland). Steve Muddiman joined Basware on September 1, 2008. Matti Rusi resigned on February 2, 2008 and Jari Tavi on October 30, 2008.

The Executive Team's remuneration consists of salary in money, fringe benefits, a possible annual bonus based on performance and of warrants. The compensation principles of the Executive Team members are decided by the Board. A long-term incentive program for the top management was introduced in 2005. Based on the program, warrants can be granted to the members of the top management. In addition to the members of the Executive Team, some of the country managers of Basware's business units are included in the program.

The members of the Executive Team, excluding the CEO, were paid a total of EUR 1,209,241.21 in salaries, EUR 109,369.87 in fringe benefits and EUR 188,555.19 in bonuses based on performance in 2007.

Risk management

Risk management at Basware is guided by legal requirements, business requirements set by the owners of the company as well as the expectations of the customers, personnel and other important stakeholders. The goal of risk management is to systematically and extensively identify and acknowledge the risks involved in the operations as well as to make sure that the risks are appropriately managed when making business decisions. The company's risk management supports the attainment of strategic goals and ensures the continuity of business operations. Basware takes risks that are a natural part of its strategy and objectives. The company is not ready to take risks that might en-

danger the continuity of operations or that are uncontrollable or that would significantly harm the company's operations.

In accordance with its strategy, Basware aims to supplement its organic growth with acquisitions. In realizing such projects, the company aims to follow due diligence and utilize its internal and external competence in the planning and implementation phases as well as when integrating acquired functions with the company's operations. Acquisitions may involve normal acquisition responsibilities and risks, and also other responsibilities and risks connected with their nature and value.

Basware acknowledgements

- Forrester Research: Basware is a market leader in the accounts payable electronic invoice presentment and payment space (Forrester Wave™: AP-EIPP, Q2/2008, June 18, 2008)
- Forrester Research: Basware among the five largest sellers of software solutions in the ePurchasing market (Forrester Research: Holistic View: The ePurchasing Software Market, September 9, 2008)
- Internationalization Award granted by the President of the Republic of Finland in 2004
- The Finnish Information Processing Association (FIPA) recognized the Basware Invoice Processing application and its successful internationalization as the 2007 ICT deed in Finland
- Basware chosen as an expert in Europe-wide procurement infrastructure project (Pan European Public Procurement On-line)

In accordance with the company's risk management policy, risks are divided into six categories: risks related to business operations, products, personnel as well as legal, financial and data security risks. Each group has a designated person in charge. Risk management does not have a separate organization within the Company but its responsibilities follow the distribution of liability throughout the organization and operations.

In the process of risk management, the goal is to identify and evaluate the risks, after which a risk-specific plan is drawn up and concrete action is taken. Such actions may include, for example, avoiding the risk, diminishing the risk by different means or transferring the risk by insurance or agreements. The company has created a crisis communication plan as a part of its risk management process.

In accordance with Basware's risk management process, the Board of Directors receives an annual report of the most significant risks discovered during the assessment of risks. The Board analyses the risks from the point of view of shareholder value.

According to the reporting conforming to the risk management process, the most significant risks in 2008 are associated with the development of new business model, maintaining the company's competitiveness in customer acquisition, ensuring product leadership and strengthening the position of immaterial property rights. Measures to manage these risks are underway.

INTERNAL CONTROL AND INTERNAL AUDIT

The ultimate responsibility for accounting and financial administration lies with the Basware Corporation's Board of Directors. The Board is responsible for internal control, and the CEO is responsible for the practical arrangements and monitoring of the control system. The steering and monitoring of business operations is based on the reporting and

business planning system covering the entire Group. The CEO and CFO give both Board and Executive Team meetings presentations of the Group's situation and development based on monthly reports.

The Company's internal audits have been carried out by the company's own employees, aiming to ensure compliance with the harmonized administration and operating policies in different subsidiaries and business units. As of 2009, internal audit arrangements will be reorganized so that internal audit services will be acquired from an external and independent service supplier selected by the Board of Directors of Basware Corporation. The key principles of internal audit will be described in internal audit guidelines and risk-based action plan for internal audit, approved by the Board.

Insider Administration

Basware's insider guidelines comply with the NASDAQ OMX Helsinki Guidelines for Insiders effective as of January 1, 2006. The guidelines forbid insiders, including persons under their guardianship and companies where they exercise control, to trade in shares or option rights issued of the company for a period of four weeks prior to the publication of an interim report or a financial statements bulletin (the so-called closed window). By law, the Company public insiders include members of the Board, CEO, auditors and the auditor in charge of the company of public accountants as well as Executive Team members responsible for the key business areas. In addition, the Company has a company-specific insider register that includes those who regularly receive insider information in their daily work. If necessary, the company also keeps project-specific insider registers. The Company lawyer is in charge of the guidance and supervision of insider issues, and the Communications Manager takes care of the register. The insider register of Basware Corpora-

tion is maintained by the Finnish Central Securities Depository Ltd. The insiders and their up-to-date shareholdings can also be seen on the company's website.

External audit

The primary function of audit is to verify that the Financial Statements give accurate and adequate information about Basware Corporation's result and financial position for the financial period.

In addition, the Auditors report to the Board of Directors on the ongoing auditing of administration and operations. According to the Articles of Association, Basware Corporation has a minimum of one and a maximum of two auditors appointed by the Annual General Meeting, at least one of which is a firm accredited by the Central Chamber of Commerce (Authorized Public Accountants). Additionally, the company has a minimum of one and a maximum of two deputy auditors. The auditors are elected until further notice. The Board's proposal for the auditor is disclosed in the notice of the General Meeting.

In 2008, Basware's auditor was Ernst & Young Oy, Authorized Public Accountants, with Heikki Ilkka, A.P.A., as the auditor in charge. Terhi Mäkinen, A.P.A., was the deputy auditor. Expenditure on the actual audit amounted to EUR 62 thousand in 2008 and on expert audit services to EUR 76 thousand.

Board of Directors' Report 1.1.2008-31.12.2008

FINANCIAL YEAR 2008:

- » Net sales EUR 86,098 thousand (EUR 73,270 thousand) - growth 17.5 percent
- » Operating profit EUR 8,679 thousand (EUR 7,512 thousand) - growth 15.5 percent
- » Operating profit 10.1 percent of net sales (10.3%)
- » International operations accounted for 51.8 percent of net sales (48.2%) - growth 26.2 percent
- » Backlog of SaaS orders not recognized as income EUR 10,519 thousand (EUR 11,112 thousand) at the end of the period
- » Earnings per share EUR 0.56 (EUR 0.36)
- » Dividend proposal for 2008: EUR 0.23 per share (2007: EUR 0.15)

The Financial Statements have been prepared according to International Financial Reporting Standards (IFRS).

REPORTING

Basware acquired Contempus AS from Affecto Plc on September 30, 2008. Contempus has been included in the consolidated financial statements for October 1-December 31, 2008. The preliminary balance sheet of Contempus Group was included in the Basware's Q3 consolidated balance sheet because the acquisition was confirmed on September 30, 2008. This interim report also presents unaudited pro forma income statement data for net sales and operating profit for 2008 as comparison data. The figures have been calculated to illustrate what the Group's net sales and operating profit for 2008 would have been had the income statement data for Contempus been consolidated for the entire period.

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 invoiced monthly based on an agreement. Software as a Service agreements typically span several years. The Group also reports the backlog of SaaS orders not recognized

as income. The Company's SaaS sales are growing and this dilutes net sales growth in the short term.

As of January 1, 2008, the capital structure of Basware Corporation's foreign subsidiaries has been changed to the extent that the 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. The 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.

NET SALES

Basware Group's net sales increased by 17.5 percent during the period (January-December) and were EUR 86,098 thousand (EUR 73,270 thousand). With comparable currency exchange rates, net sales increased by 20.1 percent in 2008. Pro forma net sales for the financial period would have been EUR 93,300 thousand had the Contempus net sales been consolidated for the entire period.

The Company's product sales decreased by 0.8 percent during the period to 27.7 percent (32.8%) of net sales. Due to an adjustment of 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 15.5 percent.

Maintenance revenue and support services related to maintenance increased by 13.1 percent in the period and accounted for 29.0 percent (30.1%) of net sales. Consulting and services revenue grew by 37.1 percent and accounted for 41.3 percent (35.4%) of net sales. SaaS sales increased by 41.5 percent in the period and accounted for 2.0 percent (1.7%) of net sales. The backlog of SaaS orders not recognized as income was EUR 10,519 thousand (EUR 11,112 thousand) at the end of the period.

Value added resellers provided a net share of 16.3 percent (14.9%) or EUR 3,901 thousand of product sales in the financial period, corresponding

to 8.7 percent (10.1%) of international operations' total net sales.

International operations accounted for 51.8 percent (48.2%) of Basware's net sales for the period, increasing by 26.2 percent.

FINANCIAL PERFORMANCE

Basware's operating profit for the period increased by 15.5 percent to EUR 8,679 thousand (EUR 7,512 thousand). Operating profit represented 10.1 percent (10.3%) of net sales. Excluding one-off items, operating profit for 2008 grew by 25.3 percent and amounted to EUR 9,415 thousand, or 10.9 percent of net sales. Pro forma operating profit for the financial period would have been EUR 8,897 thousand had the Contempus operating profit sales been consolidated for the entire period.

The Company's fixed costs were EUR 69,900 thousand (EUR 59,543 thousand) in the period, up 17.4 percent on the corresponding period the previous year. Personnel costs made up 72.1 percent (68.2%) or EUR 50,399 thousand (EUR 40,600 thousand) of the fixed costs. The increase in personnel costs arising from the Contempus acquisition totaled EUR 1,745 thousand. Bad debt and movement in bad debt accruals are included in fixed costs. Bad debt reservations at the end of the fourth quarter amounted to EUR 845 thousand (EUR 789 thousand).

Basware's consolidated financial statements include one-off costs of EUR 736 thousand associated with the integration of Contempus. They consist of benefits paid in connection with terminating employment relationships (EUR 504 thousand), expert fees (EUR 48 thousand) and costs resulting from the adoption of shared infrastructure and premises (EUR 185 thousand).

Research and development costs totaled EUR 15,518 thousand (EUR 13,172 thousand), of which EUR 2,739 thousand (EUR 3,061 thousand) or 17.6 percent (23.2%) were capitalized during the period. Amortization of capitalized research and development costs totaled EUR 1,183 thousand (EUR 983 thousand). Research and development costs equaled 18.0 percent (18.0%) of net sales. The costs increased 17.8 percent (20.6%) during the financial year.

The Company's finance income and finance expenses were EUR -269 thousand (EUR 191 thousand). The Company's profit before tax was EUR 8,410 thousand (EUR 7,704 thousand). Taxes for the period totaled EUR 1,825 thousand (EUR 3,591 thousand). Profit for the period was 7.6 percent (5.6%) of net sales, or EUR 6,585 thousand (EUR 4,112 thousand). Undiluted earnings per share were EUR 0.56 (EUR 0.36).

FINANCE AND INVESTMENTS

Basware Group's total assets on the balance sheet at the end of the financial period were EUR 81,909 thousand (EUR 67,722 thousand). The Company's cash and liquid assets were EUR 8,777 thousand (EUR 7,041 thousand), of which cash and cash equivalents were EUR 8,745 thousand (EUR 7,010 thousand) and financial assets at fair value through profit or loss were EUR 31 thousand (EUR 31 thousand).

During the period under review, the Company withdrew a 3-year loan of EUR 10.7 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 flow from operating activities was EUR 8,331 thousand (EUR 4,387 thousand). Cash flow from investments was EUR -12,303 thousand (EUR -7,969 thousand).

Equity ratio was 59.5 percent (70.0%) and gearing was 9.3 percent (-5.7%). The Company's interest-bearing liabilities totaled EUR 13,283 thousand (EUR 4,334 thousand), of which current liabilities accounted for EUR 5,555 thousand (EUR 4,314 thousand). Return on investment was 16.6 percent and return on equity 13.7 percent.

The acquisition price of Contempus AS was NOK 83.6 million (approximately EUR 10.1 million at the exchange rate on the date of the acquisition). In the financial statements, EUR 3,758 thousand associated with customer relationships and products has been allocated to intangible assets, taking deferred tax liabilities into consideration. The purchase price includes EUR 4,264 thousand of goodwill. The allocation of the acquisition purchase price is preliminary.

The Company's capital expenditure, resulting from regular additional and replacement invest-

ments required for growth, was EUR 1,007 thousand (EUR 817 thousand) in the period. Gross investments which include, in addition to those mentioned above, the capitalized research and development costs and acquisitions (Contempus) totaled EUR 12,476 thousand (EUR 12,220 thousand).

Impairment tests indicate no impairments of assets. Amortization of intangible assets totaled EUR 2,398 thousand (EUR 2,050 thousand), of which amortization associated with business acquisitions amounted to EUR 993 thousand (EUR 712 thousand).

RESEARCH, DEVELOPMENT AND NEW PRODUCTS

Research and development costs were EUR 15,518 thousand (EUR 13,172 thousand) in the period, corresponding to 18.0 percent (18.0%) of net sales. Research and development costs increased by 17.8 percent (20.6%) compared with the same period last year. Of the research and development costs, EUR 2,739 thousand (EUR 3,061 thousand) or 17.6 percent (23.2%) were capitalized during the period. Amortization of capitalized research and development costs totaled EUR 1,183 thousand (EUR 983 thousand).

A total of 171 (152) people worked in Software Production at the end of 2008. The Software Production unit is expanding in India, where there are currently 26 employees.

In 2008, Basware introduced two significant new products: the RFx Management sourcing solution and Basware Contract Lifecycle Management solution piloted in 2007. In addition, Basware piloted its Supplier Portal, which supplements the procurement offering.

In 2008, Basware tightened its customer cooperation in product development even further by changing product development work with customers from individual projects to a continuous operating model. Therefore, the customer is central throughout the product development process from beginning to end.

In the longer term, changes in the industry that will have an effect on Basware's product develop-

ment include the increasing popularity of the Software as a Service model. Software as a Service (SaaS) increases the probability of successful software acquisitions by centralizing technological competence in a single place, and it highlights the idea of selling the best practices - something that Basware already cherishes.

PERSONNEL

Basware employed 689 (580) people on average and 731 (658) people at the end of the period. The number of personnel increased by 73 persons and by 11.1 percent compared with the same period the previous year. As a result of the Contempus acquisition, the number of personnel increased by 41 people.

The share of personnel working in foreign units has increased compared with the previous year. At the end of the period, 46.1 percent (40.9%) of Basware personnel worked outside of Finland and 53.9 percent (59.1%) in Finland. 18.9 percent of the personnel work in sales and marketing, 48.7 in consulting and services, 23.4 percent in Software Production, and 9.0 percent in administration.

The average age of employees is 35.9 (35.6) years. Of the employees, 34.1 percent have a Master's degree and 44.0 percent have a Bachelor's degree. Women account for 27.5 percent of employees, men for 72.5 percent.

For incentive purposes, the Company has a bonus program that covers all employees. During the financial period, the Company also had two outstanding warrant programs, one for the management and the other for the Group's key personnel.

BUSINESS OPERATIONS

Finland

The Finland segment includes operations in Finland, Russia, Asia, Australia and the Financial Management business. The company has branches in India and Singapore and a representative office in Russia. Net sales for the financial period increased by 1.4 percent to EUR 49,517 thousand (EUR 48,849 thousand).

Net sales of the Finnish Enterprise Purchase to Pay unit increased by 10.6 percent in 2008. Net sales of the Financial Management operations

(Basware FIMA Oy) increased by 3.9 percent and accounted for 10.2 percent (11.5%) of Basware Group's business operations.

A total of approximately 8.3 million invoices were transmitted through the Invoicing service of Basware Einvoices Oy in 2008. The invoice volume increased by approximately 21.1 percent during the year compared with the same previous year. A total of 133 new customer agreements were signed in 2008. Of the agreements, 29.0 percent were international agreements.

The Enterprise Purchase to Pay and Financial Management solutions are sold in Russia. Currently there are 5 resellers in the area.

There are 6 resellers in the Asia Pacific region. New customers in 2008 included ABB in Japan, Malaysian Airlines, UnitingCare Health, Challenger Group Services, Bureau VERITAS, Datacom, Flinders University, BGC Contracting Pty Ltd, Flight Centre Ltd, and Svitzer Australia Pty Ltd.

In the Finland segment, new customers during the reporting period included A-Lehdet Oy, Gasum Oy, Konecranes Plc, Suomen Liikunta ja Urheilu (SLU), Tampereen Messut, Rautaruukki Oyj, Finpro ry, CPS Color Oy, American Express Service Europe, NCC Group, Sesca Group, Thermo Fisher, Skanska Oy, Backman-Trummer Oy Ab, AS Paulig Baltic, Viking Line Abp, Sisu Diesel Oy, Oy HYY-Yhtiöt AB, Toyota Motor Finland Oy, Tampereen seurakuntayhtymä, Tschelkovskiy Vitami and Stockmann ZAO.

There are currently 17 resellers in all in the area and the number of personnel averaged 421 (367).

Scandinavia

Basware's Nordic organization consists of a 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 increased by 12.0 percent in the financial period EUR 18,805 thousand (EUR 16,797 thousand). The profitability of the operations improved by 205.6 percent and operating profit was EUR 1,017 thousand (EUR 333 thousand). One-off

items associated with Contempus acquisition totaled EUR 716 thousand. Operating profit excluding one-off items totaled EUR 1,733 thousand.

New customers include SKTF, HSB Umeå, Villa Organic, GS-Hydro Norge AS, Terra Gruppen AS, Apokjeden AS, G4S Security Systems AS, Tollpost, ODIM AS, Sandefjord Kommune, Storebrand Livsforsikring AS, Tamro AB, NORDUnet A/S, Scandic Hotels AB, and Norstedts Juridik AB.

Business operations are mainly handled by the own organization and there were 112 (96) 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.

Net sales in the Europe segment increased by 29.0 percent to EUR 19,454 thousand (EUR 15,081 thousand). The profitability of the operations improved by 98.0 percent and operating profit was EUR -74 thousand (EUR -3,662 thousand).

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

New customers included NutriXo, Romande Energie, Societe de Figaro in France, PowerPacker in the Netherlands, Pension Regulator, Signet in the UK, Europe Arab Bank, Transavia.com, AkzoNobel Functional Chemicals, Ballast Nedam 4th environment Axapta, Ovako Steel, Rentokil Initial, Norsk Aller AS, Nor-Lines, Sector Alarm, AKVA Group, Hertel, ENCI, ERAM, Prinovis Liverpool Ltd, Barmenia, Autoliv, Friesland Hungaria zRt., Contitrade Ireland, and CHEP.

There are 35 resellers in Europe, and the number of Basware personnel was 129 (93) at year's end.

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 for the financial year increased by 44.6 percent and totaled EUR 5,004 thousand (EUR 3,460 thousand). The profitability of the operations improved by 116.5 percent and operating profit was EUR 289 thousand (EUR -1,751 thousand).

New customers include Allied Tube & Conduit Corporation, Howard Hughes Medical Institute, Protection One Alarm Monitoring Inc., Allied Building Products, ING Direct in Canada, Natixis, and General Growth Properties.

There were 10 resellers in North America at the end of the period. On average, there were 26 (25) employees in the area.

OTHER EVENTS OF THE FINANCIAL PERIOD

Basware established a representative office in Moscow at the beginning of 2008.

Basware Corporation was one of Forrester's choices in the Forrester Wave survey (Forrester Wave™: AP- EIPP, Q2/2008) published on June 18. The survey report consists of three parts: strategy, current product offering and market position. According to the survey, Basware received highest score in all these areas, and according to the report, Basware has the highest market share, best functionality and a solid vision. The results of the survey reflect the company's success in combining solid strategic outlook with a functional product offering.

In fall 2008, Forrester Research's market analysis (Forrester Research: Holistic View: The ePurchasing Software Market, by Andrew Bartels, September 9, 2008) of more than 100 companies in the industry found that Basware was among the five largest suppliers of electronic procurement solutions in the world. According to the same report, the electronic procurement solution market is growing, and there is demand for electronic solutions that cover the entire procurement process and closer new supplier integrations in large companies.

The Basware Executive Team has expanded as a result of organizational changes in the Software Production unit. Pekka Rehn has been appointed as the head of the new Products unit. Olli Hyppänen, former head of the Software Production unit, was appointed as 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 appointed as Senior Vice President, Global Marketing. Ari Salonen took up his post as General Manager, North America for Basware's North American operations on September 1, 2008.

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

During the reporting period, the highest price of the share was EUR 10.45 (EUR 14.00), the lowest was EUR 6.00 (EUR 9.50) and the closing price was EUR 6.59 (EUR 10.00). The average price of the share was EUR 7.53 (EUR 12.03) during the period.

A total of 2,298,467 (2,761,995) shares were traded during the financial period which is the equivalent of 20.1 percent (24.1%) of the average number of shares. Market capitalization with the period's closing price on December 31, 2008 was EUR 75,301,011 (EUR 114,681,240).

Shareholders

Basware had 17,120 (17,301) shareholders on December 31 including nominee-registered holdings (8). Nominee-registered holdings accounted for 9.1 percent of the total number of shares.

The company received one notice of change in ownership during the financial period when Baillie Gifford Overseas Limited's and Baillie Gifford & Co's holding in Basware Corporation decreased to be below 5% on April 3, 2008.

GOVERNANCE

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

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

Share repurchase

The Board of Directors of Basware Corporation decided to start share repurchase during the reporting period. A maximum of 400,000 shares will be purchased, corresponding to approximately 3.49 percent of all shares in the Company. The decision is based on the authorization granted by the Annual General Meeting of Basware Corporation on February 14, 2008, on the repurchase of a maximum of 1,146,812 shares. Share repurchase will end on March 31, 2009 at the latest. Non-restricted equity will be used for acquiring the shares, so the acquisitions will decrease the Company's distributable assets. The shares will be purchased in public trading on NASDAQ OMX Helsinki Ltd in compliance with the rules and guidelines of NASDAQ OMX Helsinki Ltd and Finnish Central Securities Depository Ltd. concerning share repurchases.

At the end of 2008, 41,567 shares had been acquired.

Decrease of Share Premium

The AGM authorized the company's share premium to be decreased by EUR 33,057,787.45 for the purpose of transferring the decreased amount to the company's invested non-restricted equity. The decrease has been carried out in accordance with the resolution of the National Board of Patents and Registration of Finland on June 24, 2008.

SHORT-TERM RISKS AND RISK MANAGEMENT

In accordance with Basware's risk management policy, 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 its strategy and objectives. These risks are managed and decreased in various ways. Short-term risks are considered to be risks in the current reporting year.

The global crisis of the finance market, general economic uncertainty and depression decrease companies' willingness to invest, which might have an unfavorable impact on the development of the company's net sales and profitability. In previous economic downturns, the demand for the Company's products and services has remained more positive than the general economic market as a whole as the company's software solutions generate cost savings. The rapidly weakened global market situation does however cause uncertainty.

The Group's main currency is euro, accounting for approximately 67 percent of net sales in 2008 (approximately 66% in 2007). The Company did not realize hedging for exchange rate fluctuations during the financial year as the impact of currency risks on the Company's net sales and result were not considered significant. The significance of exchange rate fluctuations between the euro and other currencies will increase hand in hand with the share of international operations. The Group's exchange rate hedging principles will be defined during the first quarter of 2009 as a part of the leading principles of finance policy approved by the Board.

Goodwill has been tested during the last quarter of 2008. In accordance with the testing for impairment of assets, no depreciation of goodwill was made. At the end of 2008, Basware UK implemented a rationalization program and reorganization of operations, facilitating profitable growth in the unit. If the unit's profitability does not improve as planned in the medium term despite the streamlining program, it is likely that the goodwill allocated to the unit will need to be impaired.

In other respects, no significant changes have taken place in Basware's short-term risks and uncertainties during the financial period.

ACQUISITIONS AND CHANGES IN GROUP STRUCTURE

Basware 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 business operations as well as by adopting common infrastructure and offices in Oslo, Stockholm and Manchester.

The cost savings will materialize starting from the beginning of 2009 and they will be approximately EUR 3 million by the end of 2009. Basware's consolidated financial statements for 2008 include one-off costs of EUR 736 thousand associated with the integration of Contempus. The financial figures of Contempus have been integrated into Basware for October 1 - December 31, 2008, and the profit of Contempus for the fourth quarter of 2008 is slightly positive before one-off-items.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

Basware's software products reduce paper consumption in thousands of offices around the world, leading the customer companies toward the paperless office, which saves both the environment and money. Profitability and financial stability are an integral part of Basware's responsibility. Stability and trustworthiness yield added value to all stakeholders.

Basware's head office in Espoo has held a Green Office certificate issued by the World Wildlife Fund since 2003. The prerequisites for being issued the certificate include a standing environmental program, waste sorting and recycling, reduction of car-

bon dioxide emissions and endeavors to constantly improve environmental issues.

Cooperation with the Plan Finland charity foundation has continued since 2002. Basware has 14 sponsored children in developing countries, and the company wants to build a better future for their communities. The Art of Basware is an annual competition for young visual artists, intended to support and encourage them to develop their skills.

STRATEGY

Basware adopts updated strategy for the years 2009-2012. The long term net sales growth objective remains in the range of 20-40 percent with operating profit margin of 10-20 percent of net sales.

Basware will launch new EPP (Enterprise Purchase to Pay) Automation Services offering during 2009 to target Software as a Service (SaaS) application space and services market. The SaaS market is predicted to see a remarkably higher growth than the software license market in the business application space.

Due to the changed market situation, Basware updated its strategy projects for 2009 by replacing two projects with new strategy projects better suited to the current situation. The Dominating the US and Joint Forces projects will advance as a part of daily business operations. Instead of them, Basware will outlay on world-class product development and even tighter networking with customers in 2009.

UPDATED STRATEGY PROJECTS:

Must-have brand and thought leadership

Basware will invest considerably in strengthening its awareness and brand in its strategic market areas.

Five global giants per year

Basware will pursue rapid and profitable growth in cooperation with internationally-operating corporations.

Conquer the base

Basware will continue growth in mature markets, improving customer satisfaction with the help of a comprehensive service concept.

World-class product development

Basware wants to be a global trailblazer, continuously responding to its customers' changing needs with first-class products. Product development takes place in cooperation with Basware's customers and partners, taking the comments of industry analysts into consideration. The company's product development is able to respond and quickly adapt to changing product development requirements. The functioning and quality of product development will be developed further.

Mastering Extended EPP Automation

Basware will tighten its cooperation with customers by developing various distribution and network models for increasingly efficient distribution, support and updating of products. The company will particularly pay attention to making the service perspective an established part of tight-knit product development cooperation.

MANAGEMENT AND AUDITORS

In 2008, Ilkka Sihvo acted as the CEO of the Company. The CEO is in charge of the day-to-day management of the Company in accordance with the instructions and orders given by the Board. The Annual General Meeting of Shareholders on February 14, 2008, confirmed the number of Board members as five. Matti Copeland, Sakari Perttunen, Ossi Pohjola, Ilkka Toivola and Hannu Vaajoensuu were elected to the Board. In its first meeting, the Board elected Hannu Vaajoensuu as Chairman of the Board and Sakari Perttunen as Vice Chairman.

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.

EVENTS AFTER THE FINANCIAL PERIOD

The Company's organization has been adjusted to match market changes, and a new unit, Enterprise Purchase to Pay (EPP) Automation Services, headed by Riku Roos, has been established. The EPP Automation Services unit includes the subsidiary Basware Einvoices as well as the Software as a Service functions.

The Finnish business unit, Basware's subsidiary FIMA, and the Russian operations have been merged into a business unit called NorthEast, headed by Jukka Virkkunen, currently the head of the Finnish business unit.

As of January 1, 2009, members of the Basware Executive Team are Ilkka Sihvo, CEO; Mika Harjua-ho, CFO; Olli Hyppänen, Senior Vice President, Strategy and Development; Steve Muddiman, Senior Vice President, Global Marketing; Pekka Rehn, Senior Vice President, Products; Esa Tihilä, Senior Vice President, Global Operations; Odd Roar Trapnes, Senior Vice President Scandinavia; and Jukka Virkkunen, Senior Vice President NorthEast.

As of 2009 the duties of Hannu Vaajoensuu, the Chairman of the Board, were redefined. In addition to chairman's standard duties Hannu Vaajoensuu will continue as a member of the M&A Team and have an advisory role in major M&A projects. He will also carry out networking and industry influencer activities.

FUTURE OUTLOOK

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

Market forecasts published in January 2009, expect the entire IT market to decrease in 2009 (-3%), while the software market remains unchanged (+0%). However, the invoice automation and Enterprise Purchase to Pay markets are forecast to grow moderately, beating the overall IT market by approximately 6 to 8 percentage units (3-5%).

Western Europe and the United States combined account for approximately three quarters of the enterprise software market. In these markets, electronic invoice processing and procurement solutions are still in their infancy. The procurement management and electronic invoice processing markets are heterogeneous in terms of the competitive situation. Growth could attract more competitors to the market. The industry is consolidating, and this development could go on in the future as well. Globally speaking, Basware is a medium-sized software com-

pany in terms of net sales as well as number of personnel.

Basware's direct competitors are mainly locally operating and often smaller companies. In North America in particular, the company has also larger competitors, especially in the field of procurement management. Developers of document management, scanning and recycling systems compete with Basware, particularly with regard to purchase invoice management solutions. Competing solutions also include customized solutions integrated into ERP (Enterprise Resource Planning) systems.

The software products still offer a competitive edge, thanks to the integrated offering consisting of new added value products and the products. Automation services, a new concept in the portfolio, will have a positive impact on the competitiveness.

EPP Automation Services will bring more predictability and transparency over Basware's revenue stream and profitability development. In 2008, revenue from continuous services (including maintenance) accounted for approximately a third of the total revenue. Basware predicts that EPP Automation Services revenue will increase significantly in the strategy period. More detailed business targets for EPP Automation Services will be released by the end of 2009.

The Company's international growth is based on efforts of its own sales and marketing activity as well as the reseller channel. Development of the indirect distribution channel continues in Europe, Russia and Asia. In North America, the focus will be on developing the Company's own sales channel for the time being. In Scandinavia, the focus is on profitability, and moderate growth is supported by the Company's expanded product portfolio and the development of the service business. In Finland, the focus is on profitability, and moderate growth will primarily be achieved from the fields of procurement management and services.

Of the Company's EUR 10,519 thousand backlog of SaaS orders, approximately EUR 1 million will be recognized as income in 2009.

Basware has complemented its organic growth with acquisitions. The Company will continue to review possible acquisition targets during 2009. The

aim of the acquisitions is to expand the Company's distribution channel and product portfolio in international markets.

The Group will increase its number of personnel mainly in India during the first quarter. Research and development costs are expected to increase more moderately compared with the level of 2008. Additional investments required by growth will not begin until during the second quarter, provided that net sales for the first quarter have realized in accordance with expectations.

The cost savings resulting from the synergy benefits of the Contempus integration will materialize starting from the beginning of 2009 and they will be approximately EUR 3 million by the end of 2009. The values associated with customer relationships and product -related are amortized over 4.25 years, the straight-line depreciations are about 1 million for year 2009.

Basware expects its net sales to develop positively on the level of 2008. Operating profit (EBIT) for 2009 is expected to be from 10 to 15 percent of net sales.

BOARD'S DIVIDEND PROPOSAL

Basware is a growth company that aims at increased market capitalization and moderate dividend yield. When preparing the dividend proposal, the Board considers the Company's financial position, profitability and prospects in the near future.

At the end of 2008, the Group parent company's distributable funds are EUR 57,375,196.00.

Basware's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.23 per share (2007: EUR 0.15) be paid for 2008.

Espoo, Finland, January 21, 2009

Board of Directors

Hannu Vaajoensuu, Chairman of the Board
Sakari Perttunen
Matti Copeland
Ossi Pohjola
Ilkka Toivola

Ilkka Sihvo, CEO

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

NET SALES (EUR thousand)	10-12/2008	10-12/2007	Change, %	1-12/2008	1-12/2007	Change, %
Finland	15,329	14,278	7.4	49,517	48,849	1.4
Scandinavia	6,627	5,782	14.6	18,805	16,797	12.0
Europe	5,264	5,652	-6.9	19,454	15,081	29.0
North America	1,311	1,030	27.3	5,004	3,460	44.6
Sales between segments	-2,238	-3,554	37.0	-6,682	-10,917	38.8
Group total	26,294	23,187	13.4	86,098	73,270	17.5

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

NET SALES (EUR thousand)	10-12/2008	10-12/2007	Change, %	1-12/2008	1-12/2007	Change, %
Finland	12,769	10,851	17.7	41,514	37,969	9.3
Scandinavia	6,411	5,549	15.5	18,309	15,911	15.1
Europe	5,143	5,422	-5.1	19,191	14,785	29.8
North America	1,971	1,366	44.3	7,083	4,604	53.8
Group total	26,294	23,187	13.4	86,098	73,270	17.5

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

OPERATING PROFIT (EUR thousand)	10-12/2008	10-12/2007	Change, %	1-12/2008	1-12/2007	Change, %
Finland	4,385	2,335	87.8	7,898	12,706	-37.8
Scandinavia	-21	873	-102.4	1,017	333	205.6
Europe	-48	-1,078	95.5	-74	-3,662	98.0
North America	118	-160	174.0	289	-1,751	116.5
Operating profit between segments	-312	-47	-565.8	-452	-114	-295.7
Group total	4,122	1,924	114.2	8,679	7,512	15.5

Geographical distribution of personnel (primary segment):

PERSONNEL (Employed, on average)	10-12/2008	10-12/2007	Change, %	1-12/2008	1-12/2007	Change, %
Finland	426	383	11.2	421	367	14.9
Scandinavia	146	98	49.3	112	96	16.8
Europe	127	142	-10.3	129	93	38.9
North America	29	28	3.6	26	25	5.7
Group total	729	651	11.9	689	580	18.7

Group Income Statement

1.1.-31.12.2008 (IFRS)

EUR thousand	Notes	1.1.-31.12.2008	1.1.-31.12.2007	Change, %
NET SALES	2, 3	86,098	73,270	17.5
Other operating income	5	250	834	-70.0
Materials and services	6	-4,726	-4,459	6.0
Employee benefits expenses	7	-50,399	-40,600	24.1
Depreciation and amortization		-3,043	-2,590	17.5
Other operating expenses	8	-19,500	-18,943	2.9
Operating profit		8,679	7,512	15.5
Finance income	9	734	344	113.6
Finance expenses	9	-1,003	-152	559.2
Profit before tax		8,410	7,704	9.2
Income tax expense	10	-1,825	-3,591	-49.2
PROFIT FOR THE PERIOD		6,585	4,112	60.1
NET PROFIT/LOSS ATTRIBUTABLE				
To equity holders of the parent		6,467	4,092	
To minority interest		118	20	
		6,585	4,112	
Earnings per share (basic), EUR	11	0.56	0.36	58.1
Earnings per share (diluted), EUR	11	0.56	0.36	58.1

Group Balance Sheet

31.12.2008 (IFRS)

EUR thousand	Notes	31.12.2008	31.12.2007	Change, %
ASSETS				
Non-current assets				
Intangible assets	12	17,022	12,210	39.4
Goodwill	12	29,212	25,702	13.7
Tangible assets	13	991	1,009	-1.8
Available-for-sale investments	14	38	38	0
Trade and other receivables	15	536	12	4,305.1
Deferred tax assets	20	2,208	2,489	-11.3
Non-current assets		50,006	41,460	20.6
Current assets				
Inventories	16	48	42	15.1
Trade and other receivables	17	20,737	18,704	10.9
Income tax receivables	17	2,341	476	392.2
Financial assets at fair value through profit or loss	18	31	31	0.7
Cash and cash equivalents	19	8,745	7,010	24.8
Current assets		31,902	26,263	21.5
ASSETS		81,909	67,722	20.9
EQUITY AND LIABILITIES				
Shareholder's equity				
Share capital	23	3,440	3,440	
Share premium account	23	69	33,127	-99.8
Own shares	23	-271	0	100
Fair value fund	23	33,598	540	6,121.4
Translation differences		-3,991	392	-1,118.4
Retained earnings		15,648	9,765	60.2
Parent company's shareholders' equity		48,493	47,265	2.6
Minority interest		224	148	51.6
Shareholder's equity		48,717	47,413	2.8
Non-current liabilities				
Deferred tax liability	20	2,307	1,643	40.4
Interest-bearing liabilities	24, 25	7,729	20	39,047.5
Non-current liabilities		10,036	1,663	503.4
Current liabilities				
Interest-bearing liabilities	24, 25	5,555	4,314	28.8
Trade payables and other liabilities	24	16,683	14,000	19.2
Tax liability from income tax	24	918	333	175.9
Current liabilities		23,156	18,647	24.2
TOTAL EQUITY AND LIABILITIES		81,909	67,722	20.9

Group Cash Flow Statement

1.1.-31.12.2008 (IFRS)

EUR thousand	1.1.-31.12.2008	1.1.-31.12.2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	6,585	4,112
Adjustments for profit		
Employee benefits	142	204
Depreciation and amortization	3,043	2,590
Finance income and expenses	269	-158
Unrealized profits and losses	0	-127
Income taxes	1,825	3,591
Other adjustments	-36	0
Total adjustments for profit	5,243	5,732
Working capital changes		
Increase (-) / decrease (+) in inventories	-6	5
Increase (-) / decrease (+) in short term non-interest bearing receivables	-1,427	-4,316
Increase (+) / decrease (-) in short term non-interest bearing liabilities	1,558	2,499
Total working capital change	125	-1,812
Interest paid	-291	-124
Interest received	154	287
Other financial items in operating activities	-38	-7
Income taxes paid	-3,447	-3,801
Net cash from operating activities	8,331	4,387
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of tangible and intangible assets	-3,631	-2,869
Proceeds from sale of tangible and intangible assets	47	48
Acquisitions of subsidiaries	-8,728	-8,180
Proceeds from other investments	0	3,013
Repayments of loan receivables	9	20
Net cash used in investing activities	-12,303	-7,969
CASH FLOWS FROM FINANCING ACTIVITIES		
Minority's capital investment	0	40
Proceeds from loans	12,650	4,000
Repayments of borrowings	-4,300	-562
Purchase of own shares	-271	0
Repayments of financial lease liabilities	-1	-10
Dividends paid	-1,720	-1,720
Net cash used in financing activities	6,358	1,749
Net change in cash and cash equivalents according to cash flow statement	2,386	-1,833
Cash and cash equivalents at beginning of period	7,041	8,975
Effects of exchange rate changes on cash and cash equivalents	-650	-101
Cash and cash equivalents at end of period	8,777	7,041
Net change in cash and cash equivalents	2,386	-1,833

In the cash flow statement cash and cash equivalents comprise of liquid funds and term deposits as well as financial assets at fair value through profit or loss.

Group Statement of Changes in Shareholders' Equity

1.1.2008-31.12.2008 (IFRS)

EUR thousand	Shareholders' equity	Share premium account	Own shares	Invested non-restricted equity	Fair value	Fund	Translation differences	Retained earnings	Minority interest	Total
SHAREHOLDERS' EQUITY 1.1.2007	3,440	33,127	0	0	540		235	7,176	88	44,606
Change in translation difference							157	13		170
Share-related compensation								204		204
Net profit / loss recognized directly in shareholders' equity							157	217		374
Profit for the period								4,092	20	4,112
Total profits and losses							157	4,310	20	4,486
Dividend distribution								-1,720		-1,720
Rights issue									40	40
SHAREHOLDERS' EQUITY 31.12.2007	3,440	33,127	0	0	540		392	9,765	148	47,413
EUR thousand	Shareholders' equity	Share premium account	Own shares	Invested non-restricted equity	Fair value	Fund	Translation differences	Retained earnings	Minority interest	Total
SHAREHOLDERS' EQUITY 1.1.2008	3,440	33,127	0	0	540		392	9,765	148	47,413
Change in translation difference							-4,383	994		-3,389
Share-related compensation								142		142
Transfers between items		-33,058		33,058				41	-41	0
Other changes								-42		-42
Net profit / loss recognized directly in shareholders' equity							-4,383	1,136	-41	3,288
Profit for the period								6,467	118	6,585
Total profits and losses							-4,383	7,603	118	3,337
Dividend distribution								-1,720		-1,720
Purchase of own shares			-271							-271
SHAREHOLDERS' EQUITY 31.12.2008	3,440	69	-271	33,058	540		-3,991	15,648	224	48,717

Notes To The Group Financial Statements (IFRS)

Basware Corporation is a public Finnish company founded under the Finnish law. The company's domicile is Espoo, Finland. The shares of the parent company Basware Corporation have been listed on the NASDAQ OMX Helsinki Ltd since 2000. Basware develops software for Enterprise Purchase to Pay and Financial Management solutions.

A copy of the Group financial statements is available on the Internet at www.basware.fi or the parent company's headquarters, address Linnoitustie 2, Espoo.

The Board of Directors has approved the financial statements on January 21, 2008. Shareholders have the right to approve or reject the financial statements in the Annual General Meeting. The financial statements may also be revised in the Annual General Meeting.

1. ACCOUNTING PRINCIPLES

Accounting principles

Basware Corporations' financial statements have been prepared according to the International Financial Reporting Standards (IFRS), approved for use in EU countries, in accordance with the standards and interpretations valid on December 31, 2007. New principles applied for the first time in the financial period have not had a significant effect on the Group Financial Statements. The Group's Financial Statements are presented in thousands of euro, which is the primary and reporting currency of the Group's parent company, and they are based on acquisition costs unless otherwise stated in the accounting principles.

As of January 1, 2008, the Group has applied the following new and revised standards and interpretations:

- » IFRIC 11 IFRS 2 - Group and Treasury Share Transactions. The interpretation clarifies the scope of application of those regulations concerning transactions paid in equity instruments (IFRS 2) and requires a re-evaluation of such transactions in subsidiaries. The interpretation has not had an effect on the Group financial statements.
- » IFRIC 12 - Service Concession Arrangements. The Group has not had any agreements according to the interpretation with the public sector during the last or preceding financial periods.
- » IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The Group has no defined benefit plans referred to in the interpretation.
- » The Group will apply the following standards and interpretations as of 2009 or later. These have not yet been applied in the present Financial Statements:
- » IFRS 1 - First-time Adoption of IFRSs and IAS 27 Consolidated and Separate Financial Statements -

amendment. Effective as of the financial period beginning on January 1, 2009.

- » IFRS 2 - Share-based Payment - Vesting Conditions and Cancellations - amendment. Effective as of the financial period beginning on January 1, 2009.
- » IFRS 3 - Business Combinations and IAS 27 Consolidated and Separate Financial Statements - amendment (effective after 2009). Effective as of the financial period beginning on January 1, 2010.
- » IFRS 8 - Operating Segments - new standard. Effective as of the financial period beginning on January 1, 2009.
- » IAS 1 - Presentation of Financial Statements - amendment. Effective as of the financial period beginning on January 1, 2009.
- » IAS 23 - Borrowing Costs - amendment. Effective as of the financial period beginning on January 1, 2009.
- » IAS 32 - Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Financial Puttable Instruments and Obligations Arising on Liquidation. Borrowing Costs - amendment. Effective as of the financial period beginning on January 1, 2009.
- » IAS 39 - Financial Instruments: Recognition and Measurement - Eligible hedged items. Effective as of the financial period beginning on January 1, 2010.
- » IFRIC 13 - Customer Loyalty Programs - new interpretation. Effective as of the financial period beginning on January 1, 2009.
- » IFRIC 15 - Agreements for the Construction of Real Estate - new interpretation. Effective as of the financial period beginning on January 1, 2009.
- » IFRIC 16 - Hedges of a Net Investment in a Foreign Operation - new interpretation. Effective as of the financial period beginning on January 1, 2009.

IAS 1 will have an effect on the presentation of the financial statements and IFRS 8 will have an effect on the notes to the financial statements. Other amendments are not considered to have a significant effect on the Group Financial Statements.

Principles of consolidation

Basware's Group financial statements include the parent company Basware Corporation and the subsidiaries controlled by it. With regard to subsidiaries, the parent company's control is based on full ownership of the share capital or a majority holding. The Company does not own shares in joint enterprises or affiliates.

The subsidiaries have been included in the Group financial statements as of the acquisition date. Intra-group holding is eliminated using the acquisition cost

method. Acquired companies are accounted for using the purchase method according to which the assets and liabilities of the acquired company are measured at their fair value when it has been possible to determine the value reliably. Deferred taxes of the acquisition cost adjustments are recognized according to the valid tax rate and the remainder is recognized as goodwill on the balance sheet.

Intra-group business transactions, internal liabilities and receivables, and internal profit distribution are eliminated in the Group financial statements. Minority interest is separated from the profit and shareholders' equity on the balance sheet and the corresponding figures are reported separately in the Group income statement and in the shareholders' equity on the balance sheet.

Transactions in foreign currencies

Transactions in foreign currencies are recorded at the exchange rates prevailing at the transaction dates. At the end of the accounting period, the unsettled balances on foreign currency receivables and liabilities are valued at the rates of exchange prevailing at the end of the accounting period. Foreign exchange gains and losses related to normal business operations are entered in the appropriate income statement account before operating profit.

In the Group financial statements, the income statements of foreign subsidiaries are translated into euros at the average rate for the financial period and balance sheets at the exchange rate of the balance sheet date. Average rate difference due to different exchange rates on the income statement and balance sheet are entered in translation differences under retained earnings. Translation differences arising from the elimination of foreign subsidiaries and translation of equity items are recognized under shareholders' equity.

Foreign currency gains and losses from monetary items part of the net investment in a foreign unit are recognized in translation difference and entered on the income statement when the net investment is abandoned.

Revenue recognition

Revenue recognition of product sales requires that there is a binding agreement of the sale, the product has been delivered, proceeds from the transaction can be reliably specified, the financial gain will benefit the company with sufficient probability, and significant benefits and risks related to ownership or rights of use of the product have been transferred to the buyer. License agreements with a right of return or conditions related to the product's functionality or implementation project are recognized as revenue once the right of return has

expired or the above-mentioned conditions have been fulfilled.

Service revenue is recognized at the time of delivery. Maintenance revenue is allocated over the contract period.

When net sales are calculated, sales revenue is adjusted for exchange rate differences of foreign currency sales.

Other operating income

Other operating income includes proceeds from the sale of property, plant and equipment and possible rental income.

Operating profit

The IAS 1 Presentation of Financial Statements standard does not define the concept of operating profit. The Group uses the following definition of operating profit: operating profit is the net sum of operating income added to net sales, less the cost of purchase for finished goods which is adjusted with inventory changes, less the costs resulting from employee benefits, depreciation and possible impairment loss as well as other operating expenses. All other items of the income statement are presented after operating profit. Exchange differences and fair value changes of derivatives are included in operating profit, provided that they result from items related to business operations; otherwise they are recognized under financing items.

Impairment

The Group performs an annual impairment test of goodwill, those intangible assets that have unlimited useful lives, and unfinished development projects. Additionally indications of impairment are evaluated regularly. In case of such indications, the recoverable amount of the cash-generating unit or asset is evaluated.

An impairment loss is recognized whenever the carrying amount of an asset exceeds the recoverable amount. If there is a positive change in the estimated recoverable amount of money, depreciation loss related to tangible fixed assets and other intangible assets, excluding goodwill, is nullified. However, an impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized. Goodwill impairment loss is not reversed in any situation. Additionally, the impairment loss of equity instruments that are recognized as available-for-sale financial assets is not reversed through profit and loss.

Goodwill

Goodwill is measured as the excess of the cost of the acquisition over the Group's share of the fair values of

the acquiree's net assets at the time of the acquisition. Goodwill is recognized at the original acquisition cost less accumulated depreciation.

Goodwill is allocated to those cash-generating units that are expected to gain from the synergy benefits resulting from combining business operations. Goodwill is not amortized regularly but instead tested annually for impairment; book value of the cash generating unit and goodwill allocated to the unit are compared to the unit's recoverable amount (value in use). If the value in use is lower than the carrying amount, the amortization is entered as an expense on the income statement and allocated primarily to goodwill on the balance sheet.

The current value of future cash flows is based on the so-called perpetuity assumption (time period is infinite). The forecast cash flows are estimated for a period of three years and the value of the so-called residual part of use value after the forecast period is determined using the Gordon model. Value in use is based on cash flows according to three-year predictions and business plans. The cash flows for the following years are estimated by extrapolating the cash flow of the third year with the zero-growth assumption. The discount rates employed are the weighted average of capital costs and its starting point is determining the risk in accordance with CAPM. The discount rate includes a risk-free interest rate that takes the time value of money into consideration and a risk premium.

Other intangible assets

Other intangible assets include software, capitalized product development costs and customer relationships. Intangible assets are recognized at the original acquisition cost less accumulated depreciation according to plan and possible impairment. Public subsidies related to the acquisition of an intangible asset are deducted from the acquisition cost of the asset and recognized as income by reducing the depreciation charge of the asset they are related to. The expected useful lives of intangible assets are 3 to 5 years.

Research and development costs

Research expenses are booked as an expense as they are incurred. Development costs of new products and new product versions with significant enhancements are capitalized and recognized and amortized over the useful life. In determining the useful life, the obsolescence of technology and the typical life cycle of products in the industry are taken into consideration. Amortization starts once the product version is launched. Maintenance of existing products and minor enhancements are recognized as they are incurred. Product development projects prior to 2004 have not been capitalized as the amount of capitalization cannot be

determined reliably. Unfinished development projects are tested for impairment at the balance sheet date.

Tangible assets

Tangible assets include machinery and equipment. Tangible assets are recognized on the balance sheet at the original acquisition cost less accumulated depreciation according to plan and possible impairment. The useful lives of tangible assets are 3 to 5 years.

Leases

Leases on property, plant and equipment are classified as finance leases if they transfer a substantial portion of the risks and rewards incident to ownership. Finance leases are recognized on the balance sheet at the beginning of the lease as assets and liabilities at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Commodities acquired using finance leases are amortized according to plan and possible impairment losses are recognized. Finance lease liabilities are recognized under interest-bearing in short and long term liabilities.

If the risks and benefits typical of ownership remain with the lessor, the contract is handled as another rental agreement and the payments executed based on the agreement are recognized as an expense in fixed installments over the lease period.

Trade receivables

Trade receivables are receivables generated from sales of products, software user rights and services. They are recognized at the original value. Trade receivables are categorized according to their nature to current and non-current trade receivables.

Financial assets

The Group's financial assets are categorized according to the IAS 39 Financial Instruments: Recognition and Measurement standard to the following categories:

- » financial assets at fair value through profit or loss
- » held-to-maturity investment
- » loans and other receivables
- » available-for-sale financial assets

The categorization is based on the purpose of the acquisition of the financial assets, and it is performed in connection with the original acquisition.

Financial assets at fair value through profit or loss

A financial asset is grouped into the Financial assets at fair value through profit or loss category if it is acquired as held for trading, or it is designated as at fair value through profit or loss upon initial recognition. Financial assets at fair value through profit or loss comprise of

cash invested in short-term interest funds. The assets are valued at the fair market price at the balance sheet date, and the change in value is recognized under finance income on the income statement.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity.

They are valued at amortized cost and are included in non-current assets. At the closing date, there were no such financing items on the balance sheet.

Loans and other receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held by the company with the intent to sell. Loans and other receivables are valued at amortized cost. They are included in current or non-current trade receivables and other receivables category on the balance sheet in accordance with their nature. If the receivable matures in more than 12 months, it is categorized in long-term receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets specifically designated to this group or not categorized otherwise. They are included in long-term assets unless they are intended to be held for less than 12 months as of the closing date, in which case they are included in short-term assets. Available-for-sale financial assets are measured at fair value. When the fair value cannot be reliably determined, they are measured at acquisition cost.

Changes in the fair value of available-for-sale financial assets are entered in the fair value reserve in equity, taking into account the tax effect. Changes in fair value are transferred from equity to the income statement when the instrument is sold or its value has decreased so that an impairment loss has to be recognized for the instrument.

Financial liabilities

Financial liabilities are initially recognized at fair value. Transaction costs have been included in the original carrying amount of financial liabilities. Subsequently, all financial liabilities are valued at amortized cost using the effective interest rate method. Financial liabilities are divided into current and non-current liabilities and they can either be interest-bearing or non-interest-bearing.

Impairment of sales receivables and financial assets

Based on a risk assessment, an impairment is made for uncertain sales receivables.

Additionally, an assessment is conducted at each closing date to determine if there is objective evidence of impairment of an item or a category included in the financial assets.

Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the obligation will have to be settled, and the amount of the obligation can be reliably estimated.

Pensions

The statutory pension coverage of Basware Corporation employees is provided through insurance policies taken out with a pension institution. Pension coverage for personnel employed by units outside Finland is arranged in line with the requirements of local legislation and social security provisions. Payments related to defined contribution pension plans are recognized on the income statement in the year they are incurred. There are no defined benefit plans.

Share-based payment costs

The IFRS 2 Share-based payments standard is applied to warrants that have been issued after November 7, 2002 and whose subscription period has not started before January 1, 2005. The fair value is defined using the Black-Scholes warrant pricing model. When warrants are used, settlements received based on share subscriptions are entered in the share capital and share premium account.

Taxation

The tax expenses on the income statement comprise of tax based on the taxable income for the financial year and deferred taxes. Tax expenses are recognized in the income statement except for the expenses entered directly to shareholders' equity when they are entered on the balance sheet as part of shareholders' equity. Taxes based on the results of the Group companies are recorded according to the local tax rules of each country.

Deferred taxes are calculated from all temporary differences between the carrying amount and taxable value. Deferred tax is not recognized for non-tax deductible goodwill and deferred tax is not recognized for non-distributed profits of subsidiaries in so far as the

difference is not likely to be discharged in the foreseeable future.

At the closing date, a company-specific assessment of the amount of deferred tax assets included on the balance sheet is conducted and it is reduced to the extent that likely cannot be utilized in the taxation of the company in question. Deferred tax liabilities are wholly included on the balance sheet.

Own shares

Share repurchase and conveyance of shares and related costs are presented under shareholders' equity.

Accounting principles requiring management's consideration and key uncertainties relating to the estimates

When preparing the financial statements, estimates and supposition regarding the future have to be made. Realization may however differ from these estimates. Additionally, discretion must be used when applying the accounting principles. The estimates are based on the best views of the management at the time of the closing of the books. Possible changes in the estimates and suppositions are recorded in accounting in the period when the estimate or supposition is adjusted and in all the following financial periods.

The management believes that the estimates and suppositions are accurate enough to be used as basis for fair value assessment. Additionally, the Group reviews the possible indications of depreciation regarding both tangible and intangible assets at each closing date, at the latest.

The most significant estimates included in the financial statements are related to measurement of assets, current sales receivables, utilization of deferred tax assets and capitalization of product development expenses.

The Group performs an annual impairment test of goodwill, those intangible assets that have unlimited useful lives, and unfinished development projects and evaluates indications of impairment as presented above. Recoverable amounts of cash-generating units have been determined by calculations based on value in use. More information on the measurement of intangible assets in company mergers can be found in note 4. Product development costs are capitalized in intangible assets regarding new products as well as product versions with significant upgrades and amortized during the useful life after the product has been completed.

2. SEGMENTS

Primary segment

Basware Group's operations are mainly led as geographical entities. The primary segment structure is determined by geographical location: Finland, Scandinavia, Europe and North America.

Revenue, assets and liabilities are allocated to geographical segments according to the location of assets. Therefore the revenues from reseller activities in Asia Pacific as well as in Russia and other areas outside of Europe, are included in the Finnish geographical segment.

According to the transfer pricing regulations of the Group, transactions between Group companies are conducted on so called Arm's Length terms. As of January 1, 2008, the so-called Transactional Net Margin method compliant with the principles of OECD's Transfer Pricing Guidelines is applied to product sales and maintenance services and the so-called Cost Plus method is applied to other services. OECD's Comparable Uncontrolled Price Method was to the transfer pricing of product sales and maintenance services during earlier financial periods.

Secondary segment

The following business segments are defined as secondary segments: product sales, consulting and services, maintenance and support, Software as a Service (SaaS), and other operations.

Product sales include the revenue from the license sales of Basware's own products through group companies as well as resellers. Also, ASP lease-based license sales are entered in product sales.

Work related to customer projects, such as software installation, business consulting and project management are included in the Consulting and services segment. Project work is typically conducted by the consulting units. Transaction-based payments of the Basware Business Transactions (Basware Invoices) as well as the monthly fees of the service are also entered in services.

Yearly maintenance fees as well as the customer work of the personnel in the support units are included in the Maintenance and support segment.

Software as a Service revenue includes product sales, maintenance and services revenue invoiced monthly based on an agreement. Software as a Service agreements typically span several years.

Other operations include profit from the sales and maintenance of third party software and equipment.

Assets and investments are allocated to segments according to the primary function of the cost center. Non-allocated assets include cash and bank receivables, tax assets, furniture entered in fixed assets as well as capitalized research and development costs. There is no non-allocated revenue

2. SEGMENT INFORMATION**Geographical segments (primary segment)**

EUR thousand

1.1.-31.12.2008

Finland Scandinavia Europe North America Eliminations Not allocated Group total

INCOME STATEMENT INFORMATION

External net sales 48,293 16,509 16,435 4,861 86,098

Internal net sales 1,224 2,296 3,019 143 -6,682

Net sales 49,517 18,805 19,454 5,004 -6,682 **86,098**

Operating profit of the segment 7,898 1,017 -74 289 -452 8,679

Operating profit 8,679

Finance income and expenses -269 -269

Income tax expense -1,825 -1,825

Profit for the period 5,008 565 -1,079 -136 2,227 6,585

Profit for the period 6,585**BALANCE SHEET INFORMATION**

Segment's assets 39,262 9,638 7,300 3,018 53,227

Non-allocated assets 28,682 28,682

Total assets 33,271 9,638 7,300 3,018 **81,909**

Segment's liabilities 9,454 5,310 3,581 1,284 -2,027 17,602

Total liabilities 9,454 5,310 3,581 1,284 -2,027 **17,602****OTHER INFORMATION**

Net sales, goods 11,755 4,082 7,460 2,470 25,767

Net sales, services 32,664 13,588 11,691 2,388 60,331

Investments 3,415 8,624 415 21 12,476

Depreciation and amortization -2,597 -126 -247 -13 -60 -3,043

EUR thousand 1.1.-31.12.2007	Finland	Scandinavia	Europe	North America	Eliminations	Not allocated	Group total
INCOME STATEMENT INFORMATION							
External net sales	40,252	15,331	14,496	3,192			73,270
Internal net sales	8,597	1,466	585	268	-10,917		
Net sales	48,849	16,797	15,081	3,460	-10,917		73,270
Operating profit of the segment	12,706	333	-3,662	-1,751	-114		7,512
Operating profit							7,512
Finance income and expenses						192	192
Income tax expense						-3,591	-3,591
Profit for the period	9,446	358	-3,725	-1,904	-63		4,112
Profit for the period							4,112
BALANCE SHEET INFORMATION							
Segment's assets	33,271	7,395	8,766	1,730	-4,575		46,587
Non-allocated assets						21,135	21,135
Total assets	33,271	7,395	8,766	1,730	-4,575		67,722
Segment's liabilities	8,310	4,439	8,986	4,239	-11,974		14,000
Total liabilities	8,310	4,439	8,986	4,239	-11,974		14,000
OTHER INFORMATION							
Net sales, goods	11,899	4,250	6,522	1,228			23,899
Net sales, services	28,353	11,081	7,974	1,964			49,372
Investments	4,841	146	8,854	6			13,847
Depreciation and amortization	-2,120	-137	-254	-17	-62		-2,590
Business segments (secondary segment)							
EUR thousand 1.1.-31.12.2008	Product sales	Consulting and services	Maintenance and support	SaaS	Other operations	Not allocated	Total
Net sales	23,871	33,350	23,785	1,760	3,332		86,098
Assets	15,272	9,171	2,073	57	528	54,808	81,909
Investments	2,739					9,737	12,476
EUR thousand 1.1.-31.12.2007	Product sales	Consulting and services	Maintenance and support	SaaS	Other operations	Not allocated	Total
Net sales	24,117	23,342	22,100	1,250	2,461		73,270
Assets	15,272	7,972	3,360		1,049	40,069	67,722
Investments	1,467	86				12,294	13,847

3. NET SALES BY CUSTOMER LOCATION

EUR thousand	1.1.-31.12.2008	1.1.-31.12.2007
Finland	41,514	37,969
Scandinavia	18,309	15,911
Europe	19,191	14,785
North America	7,083	4,604
Net sales	86,098	73,270

4. ACQUISITIONS

Basware acquired Contempus AS (Contempus) from Affecto Plc on September 30, 2008. Contempus has been included in the consolidated financial statements for October 1 - December 31, 2008. The preliminary balance sheet of Contempus Group was included in the Basware's Q3 consolidated balance sheet because the acquisition was confirmed on September 30, 2008. The purchase price, NOK 83.6 million was paid in cash on the day of the acquisition.

Basware acquired the entire share capital of Contempus AS. The final acquisition cost of the shares was EUR 10,109 thousand. In addition to the purchase price, the final acquisition cost includes expert fees amounting to a total of EUR 39 thousand.

The allocation of the acquisition cost is preliminary. Of the acquisition cost, EUR 3,590 is allocated to customer relationships and EUR 168 thousand to products. The current value of the customer relationships has been defined using the Multi-period Excess Earning method, wherein the net cash flows generated by an asset are calculated as if the assets required to generate the cash flow had been leased from a third party. The value associated with customer relationships is amortized in 4.25 years. The current value of the acquired software products has been determined using the Relief-from-Royalty method. In the method, the current value of net cash flows is calculated as if a third party would have had to be paid a license fee for the sale of the asset. The license policy used in both companies and prevailing in the industry has been used in determining the license fees. Product-related value is amortized over 4.25 years.

The value of net assets including the current value allocations was EUR 5,440 thousand. The purchase price includes EUR 4,264 thousand of goodwill. The goodwill is based on expected synergy benefits, as the acquisition strengthens Basware's market position and increases its competitiveness with competent personnel. Contempus is a Norwegian company that produces software solutions for the management of procurement, invoices and documents. Contempus has developed and supplied electronic information management solutions based on its proprietary technology for more than 17 years. Contempus has service units in Sweden and Norway that distribute, install and maintain solutions sold to customers. In 2008, Contempus established a subsidiary that serves customers and partners in the United Kingdom. In addition, Contempus has partners that take care of the international market in the United States and Benelux countries.

In the stock exchange release on the transaction, the company described the attained synergy benefits as follows: "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 business operations 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."

Net sales of the separate Contempus companies for October-December amounted to EUR 2.1 million and operating profit to EUR -446 thousand. Basware's consolidated financial statements include one-off costs of EUR 736 thousand associated with the integration. They consist of benefits paid in connection with terminating employment relationships (EUR 504 thousand), expert fees (EUR 48 thousand) and costs resulting from the adoption of shared infrastructure and premises (EUR 185 thousand).

Basware Group's pro forma net sales for the financial period would have been EUR 93,300 thousand had the Contempus net sales been consolidated for the entire period. Pro forma operating profit for the financial period would have been EUR 8,897 thousand had the Contempus operating profit sales been consolidated for the entire period.

EUR thousand	Contempus Group Acquisition date:	30.9.2008 Acquiree's carrying amount
	Fair value	
Tangible assets	63	63
Intangible assets:		
customer relationships	3,590	
software products	168	
product development expenses	615	615
Trade and other receivables	2,508	2,508
Cash and cash equivalents	1,380	1,380
Total assets	8,324	4,566
Deferred tax liabilities	0	
Trade and other payables	2,884	2,884
Total liabilities and other items	2,884	2,884
Net assets	5,440	1,682
Goodwill through acquisition	4,264	
Currency exchange difference	-404	
Total acquisition cost	10,108	
Acquired company's financial assets	1,380	
Cash flow effect of entities acquired in the financial period	8,728	

5. OTHER OPERATING INCOME

EUR thousand	1.1.-31.12.2008	1.1.-31.12.2007
Other operating income	218	84
Gain on disposal of non-current assets	32	750
Other operating income	250	834

6. MATERIALS AND SERVICES

EUR thousand	1.1.-31.12.2008	1.1.-31.12.2007
Purchases during the period	-3,034	-2,724
Increase / decrease in inventories	6	22
External services	-1,698	-1,757
Materials and services	-4,726	-4,459

7. PERSONNEL AND RELATED PARTIES

Personnel in average	1.1.-31.12.2008	1.1.-31.12.2007
Finland	421	367
Scandinavia	112	96
Europe	129	93
North America	26	25
Personnel total	689	580

Employee benefits expenses

EUR thousand	1.1.-31.12.2008	1.1.-31.12.2007
Salaries and fees	-41,786	-33,253
Pension expenses, defined benefit plans	-4,297	-3,485
Granted warrants	-142	-204
Other employee benefits	-4,173	-3,658
Other employee benefits total	-4,316	-3,862
Employee benefits expenses	-50,399	-40,600

Management and Board salaries, fees and benefits

EUR thousand	1.1.-31.12.2008	1.1.-31.12.2007
CEO of parent company	-220	-163

Compensation of the members of the Board of Directors

EUR thousand	1.1.-31.12.2008	1.1.-31.12.2007
Hannu Vaajoensuu	-141	-99
Matti Copeland	-27	0
Sakari Perttunen	-31	0
Ilkka Toivola	-27	0
Kirsi Eräkangas	-5	-30
Antti Pöllänen	0	-88
Ossi Pohjola	-27	-27
Tom Bangemann	-5	-17
Asko Ahonen	-5	-27
Total	-488	-451

Key management compensation

EUR thousand	1.1.-31.12.2008	1.1.-31.12.2007
Short-term employee benefits	-1,796	-1,662
Post-employment benefits	-230	-230
Benefits related to termination of employment	0	0
Equity-related benefits	-142	-204
Management compensation	-2,168	-2,096

Compensation of the members of the Board of Directors, the executive team as well as the managing directors of the subsidiaries has been taken into notice in management compensation.

Pension benefits of the members of the Board and the CEO are pursuant to employment pension legislation.

Warrants

Warrants have been granted to the key personnel to increase their commitment and work motivation. The valuation model used is Black-Scholes. It is estimated in the calculations that average personnel changes. The expected volatility is based on the volatility of the year preceding the date of issue of warrants.

Warrants	2006A	2007D	2007E
Date of issue	12.12.2006	13.5.2007	13.5.2007
Issued number	60,300	83,600	83,600
Subscription price	13.35	12.34	12.34
Volume-weighted price on the date of issue	12.45	12.00	12.00
Volume-weighted fair value on the date of issue	1.67	2.05	2.40
Expected volatility	25%	25%	25%
Risk free interest	4.00%	4.00%	4.00%
Expected dividends	2.00%	2.00%	2.00%

There are no other related party transactions.

8. OTHER OPERATING EXPENSES

EUR thousand	1.1.-31.12.2008	1.1.-31.12.2007
Rents	-2,680	-2,043
Non-statutory employee benefits	-714	-686
Loss on disposal of non-current assets	0	-288
Audit fees	-62	-137
Taxadvices	-33	0
Other fees and services	-43	-78
Audit fees total	-138	-215
Travel expenses	-4,554	-3,842
Marketing expenses	-3,195	-2,844
IT and telephone expenses	-1,790	-1,489
Other expenses	-6,429	-7,536
Total	-15,968	-15,711
Other operating expenses total	-19,500	-18,943
Research and development expenses		
Research and development in income statement	-12,779	-10,111
Increases in capitalized research and development expenses	-2,739	-3,061
Research and development expenses total	-15,518	-13,172

9. FINANCE INCOME AND EXPENSES

EUR thousand	1.1.-31.12.2008	1.1.-31.12.2007
Finance income		
Other interest and financial income	210	344
Financial income from derivative financial instruments	524	0
Finance expenses		
Other interest and financial expenses	-385	-152
Financial expense from derivative financial instruments	-618	0
Finance income and expenses total	-269	191

Finance income is formed from the proceeds of fund investments and expenses from the loan interests.

Exchange differences recognized on income statement

EUR thousand	1.1.-31.12.2008	1.1.-31.12.2007
Exchange differences included in net sales	123	30
Exchange differences included in purchases and expenses	-224	-656
Foreign exchange gains	55	57
Foreign exchange losses	-90	-23
Exchange differences recognized on income statement	-136	-593

10. INCOME TAXES

Direct tax		
EUR thousand	1.1.-31.12.2008	1.1.-31.12.2007
Income tax on operations	-2,115	-3,095
Tax for previous accounting periods	-5	215
Change in deferred tax liabilities and tax assets	294	-711
Tax on income from operations	-1,825	-3,591
Tax base reconciliation		
EUR thousand	1.1.-31.12.2008	1.1.-31.12.2007
Profit before taxes	8,410	7,704
Mathematical tax based on parent company's tax rate *)	-2,187	-2,003
Effect on different tax rates applied to foreign subsidiaries	739	-583
Non-deductible expenses	-346	-32
Non-taxable income	254	0
Tax for previous accounting periods	-5	215
Unrecognized tax on loss for the period	-220	-1,188
Calitalize on losses	-60	0
Tax provision on income statement	-1,825	-3,591

*) Parent company's tax rate was 26 percent in 2007 and 2008.

11. EARNINGS PER SHARE

	1.1.-31.12.2008	1.1.-31.12.2007
Profit for the period, EUR thousand	6,585	4,112
Average share number, 1,000 pieces		
- undiluted	11,463	11,468
- diluted	11,463	11,468
EPS (undiluted), EUR	0.56	0.36
EPS (diluted), EUR	0.56	0.36

Dividend per share

The Board of Directors proposes to the Annual General Meeting of shareholders on February 12, 2009 that a dividend of EUR 0.23 per share be paid.

12. GOODWILL AND OTHER INTANGIBLE ASSETS**Goodwill**

EUR thousand	2008
Acquisition cost 1.1.	25,702
Translation difference	-754
Additions	4,264
Acquisition cost 31.12.	29,212
Book value 31.12.2008	29,212

Goodwill

EUR thousand	2007
Acquisition cost 1.1.	18,477
Translation difference	43
Additions	7,199
Alignment	-17
Acquisition cost 31.12.	25,702
Book value 31.12.2007	25,702

Goodwill comprises of the following arrangements:

Corporate restructuring	Goodwill
Momentum Doc, AB (2002)	807
Iocore AS / Basware AS (2005)	2,413
Trivet Oy (2005)	669
Analyste Oyj (2006)	13,874
Digital Vision Technologies Ltd. (2007)/ Basware UK	7,186
Contempus AS (2008)	4,264
Total	29,212

Goodwill has been allocated to cash-generating units according to the synergy benefits expected to result from unifying the operations:

Cash generating unit	Goodwill
Basware Oyj	16,153
Basware AB	403
Basware AS	5,470
Basware UK	7,186
Total	29,212

Goodwill has been tested for impairment in the last quarter of 2008, and the discount rate used in the impairment testing is 8.08 percent (Basware Corporation) or 8.24 percent (Basware AB, Basware AS, Basware UK). The weighted average cost of capital reflects the capital structure at the time of the test. The recoverable amount evaluated in the impairment test is based on the 2009 budget and on subsequent development assessed on the basis of the budget. Key variables used in the calculations are the change rates of net sales and costs. The growth of net sales has been determined by taking into account the company's actual performance, market position and growth potential in the market in question.

On grounds of sensitivity analyses based on the zero-growth scenario, the management of the Company estimates that it is unlikely that a change in the key variables used in the test would create a situation where the accounting value of goodwill included in the balance sheet exceeded the recoverable amount of the unit.

Growth in Basware UK's net sales is expected to follow the target of the company's strategy for the planning period in broad outline, meaning annual growth of 20-40 percent. The tested accounting value of the assets of the company is EUR 7.4 million, of which goodwill allocated to the unit accounts for approximately EUR 7.2 million. The recoverable amount according to the business plans is approximately EUR 14.6 million. If the unit's annual growth during the planning period is between 10 and 15 percent, sensitivity analyses show that the unit's recoverable amount is approximately EUR 7.4 million.

If Basware UK's annual growth in net sales during the planning period remains under 10-15 percent and profitability does not improve according to plans, this would constitute a situation with indications of impairment of goodwill. If the value in use according to testing for impairment of goodwill performed at this time was lower than the accounting value of the unit's assets tested, the impairment would be recognized as a cost in the income statement and would be primarily allocated to goodwill on the balance sheet.

Intangible assets 2008	Develop- ment costs	Intangible rights	Intangible assets, finance lease	Other long-term investments	Assets, unfinished projects	Total
EUR thousand						
Acquisition cost 1.1.	5,211	8,853	77	0	3,004	17,146
Translation difference	-167	-174				-340
Acquisitions through business combinations	686	3,773				4,459
Additions	323	198		94	2,416	3,031
Reclassifications between items	628				-628	0
Acquisition cost 31.12.	6,681	12,650	77	94	4,793	24,295
Cumulative amortization 1.1.	-1,698	-3,161	-77	0		-4,936
Translation difference	161	97				258
Cumulative depreciation on acquisitions	-197					-197
Amortization	-1,183	-1,211		-5		-2,398
Cumulative amortization 31.12.	-2,915	-4,275	-77	-5		-7,272
Book value 31.12.2008	3,765	8,375	0	89	4,793	17,022

Intangible assets 2007 EUR thousand	Development costs	Intangible rights	Intangible assets, finance lease	Assets, unfinished projects	Total
Acquisition cost 1.1.	3,735	7,311	77	1,743	12,865
Translation difference	4	11			15
Acquisitions through business combinations		1,340			1,340
Additions	401	191		2,660	3,252
Disposals				-327	-327
Reclassifications between items	1,072			-1,072	0
Acquisition cost 31.12.	5,211	8,853	77	3,004	17,146
Cumulative amortization 1.1.	-712	-2,100	-74		-2,885
Translation difference	-2	2			0
Amortization	-983	-1,064	-3		-2,050
Cumulative amortization 31.12.	-1,698	-3,161	-77		-4,936
Book value 31.12.2007	3,514	5,692	0	3,004	12,210

13. TANGIBLE ASSETS

Tangible assets 2008 EUR thousand	Machinery and equipment	Machinery and equipment, finance lease	Works of art	Total
Acquisition cost 1.1.	4,514	203	64	4,781
Translation difference	-178	-72		-250
Acquisitions through business combinations	70			70
Additions	686		6	692
Disposals	-119	-5		-124
Acquisition cost 31.12.	4,974	126	70	5,170
Cumulative depreciations 1.1.	-3,586	-186		-3,772
Translation difference	118	70		189
Cumulative depreciation on acquisitions	-136			-136
Accrued depreciation on deductions and transfers	95	3		98
Depreciation	-552	-5		-558
Cumulative depreciation 31.12.	-4,062	-118		-4,180
Book value 31.12.2008	912	9	70	991

Tangible assets 2007 EUR thousand	Machinery and equipment	Machinery and equipment, finance lease	Works of art	Total
Acquisition cost 1.1.	3,863	200	58	4,121
Translation difference	-29	3		-26
Acquisitions through business combinations	132			132
Additions	620		6	627
Disposals	-72			-72
Acquisition cost 31.12.	4,514	203	64	4,781
Cumulative depreciations 1.1.	-3,170	-167		-3,337
Translation difference	24	-3		21
Cumulative depreciation on acquisitions	65	6		71
Depreciation	-505	-22		-528
Cumulative depreciation 31.12.	-3,586	-186		-3,772
Book value 31.12.2007	928	17	64	1,009

14. AVAILABLE-FOR-SALE INVESTMENTS

EUR thousand	31.12.2008	31.12.2007
Acquisition cost 1.1.	38	2,612
Disposals		-2,574
Acquisition cost 31.12	38	38

Available-for-sale investments including non-public shares.

15. LONG-TERM TRADE AND OTHER RECEIVABLES

EUR thousand	31.12.2008	31.12.2007
Other Long-Term receivables	12	12
Derivative financial instruments	524	0
Long-term and Other Receivables total	536	12

16. INVENTORIES

EUR thousand	31.12.2008	31.12.2007
Raw materials and consumables	48	42
Inventories total	48	42

Fifo principle has been applied in the measurement of inventories.

17. TRADE AND OTHER RECEIVABLES

EUR thousand	31.12.2008	31.12.2007
Trade receivables	18,513	16,985
Loan receivables	0	9
Other receivables	794	490
Prepaid expenses and accrued income	1,429	1,221
Trade and other receivables	20,737	18,704
Income tax receivables	2,341	476

The age distribution of sales receivables and impairment loss

	2008	Impairment loss	Net 2008	2007	Impairment loss	Net 2007
Non-overdue sales receivables	12,504		12,504	10,867		10,867
Overdue sales receivables						
1 - 180 days	5,858	-175	5,684	5,480		5,480
181 - 360 days	632	-360	271	715	-271	444
Over 360 days	363	-310	53	712	-518	194
Total	19,357	-845	18,513	17,774	-789	16,985

18. OTHER FINANCIAL ASSETS

EUR thousand	31.12.2008	31.12.2007
Financial assets at fair value through profit or loss	31	31
Other financial assets	31	31

Fund units have been classified as Financial assets at fair value through profit or loss and they have been measured according to the last quotation of the reporting day.

19. CASH AND CASH EQUIVALENTS

EUR thousand	31.12.2008	31.12.2007
Cash and cash equivalents	8,745	7,010
Cash and cash equivalents	8,745	7,010

20. DEFERRED TAX ASSETS AND LIABILITIES**Deferred tax asset 2008**

EUR thousand	1.1.2008	Translation difference	In income statement	In shareholders' equity	Companies acquired/sold	31.12.2008
Losses	2,489	22	-303			2,208
Total	2,489	22	-303			2,208

Confirmation losses for which a deferred tax asset has not been recognized

1,878

Deferred tax liabilities 2008

EUR thousand	1.1.2008	Translation difference	In income statement	In shareholders' equity	Companies acquired/sold	31.12.2008
Allocation of fair value on purchases	1,355	-59	-253		1,052	2,095
Other accrual differences	288		-61		-16	211
Total	1,643	-59	-314		1,036	2,307

Deferred tax asset 2007

EUR thousand	1.1.2007	Translation difference	In income statement	In shareholders' equity	Companies acquired/sold	31.12.2007
Losses	2,618	-119	-10			2,489
IFRS adjustments	20		-20			0
Adjustments of accounting principles	863	11	-874			0
Total	3,501	-108	-904			2,489

Confirmation losses for which a deferred tax asset has not been recognized

1,750

Deferred tax liabilities 2007

EUR thousand	1.1.2007	Translation difference	In income statement	In shareholders' equity	Companies acquired/sold	31.12.2007
Allocation of fair value on purchases	1,183	-28	-132		332	1,355
IFRS adjustments	123					123
Other accrual differences	155		-6		16	165
Total	1,462	-28	-139		348	1,643

In accordance with its strategy, the Company focuses on profitability in the Nordic market, and in Central Europe and the United States on growth in the short term and profitability in the long term. Deferred tax assets have not been recognized for all losses, as it has been estimated that the losses cannot be utilized in the near future. Utilization of tax assets has been begun in 2008. In determining the deferred tax assets, the valid tax rate in each country has been applied. Losses for which no deferred tax assets have been recognized for 2008 amount to EUR 2.0 million (2007: EUR 5.2 million).

21. MANAGEMENT OF FINANCING RISKS

Basware Group's international operations involve customary financing risks. The purpose of financial risk management is to ensure the availability of sufficient financing cost-efficiently and monitor and, if necessary, limit the emerging risks by taking appropriate measures. Risk management is centralized in the Group's finance department. In accordance with the risk management policy, the department reports to the Company's Board of Directors at least once a year.

Currency risk

The Group's main currency is euro, accounting for approximately 67 percent of net sales in 2008 (approximately 66% in 2007). In addition to the euro area, Basware operates in various areas, the most significant of them being Sweden, Norway, the United Kingdom and the United States. The company is exposed to exchange rate risks in these countries through intra-company trade, exports and imports as well as through the equity and funding of foreign subsidiaries. The Company did not realize hedging for exchange rate fluctuations during the financial year as the impact of currency risks on the Company's net sales and result were not considered significant. The significance of exchange rate fluctuations between the euro and other currencies will increase hand in hand with the share of international operations. The Group's exchange rate hedging principles will be defined during the first quarter of 2009 as a part of the leading principles of finance policy approved by the Board.

Change in exchange rates between 2007 and 2008 had a greater impact on Basware's growth than during previous financial periods. Basware's net sales increased by 20.1% in local currency terms during 2008.

As of January 1, 2008, the capital structure of Basware Corporation's foreign subsidiaries has been changed to the extent that the 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. The 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. A sensitivity analysis of currency risk calculated as required by IFRS 7 would have had an impact of EUR +/-0.4 million on the profit before tax at the closing date, assuming a rate change of +/- 5% of the local currencies (SEK, NOK, DKK, GBP, USD) against the euro. Other variables are assumed to remain unchanged. The calculation includes the foreign currency trade payables and accounts receivable in the balance sheet.

Interest rate risk

The company had a total of EUR 13,283 thousand of interest-bearing liabilities at the closing date. During the period under review, the Company withdrew a 3-year loan of EUR 10.7 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. The company had interest rate investments in money market funds.

The average balances of the variable rate loans realized during the period have been used in calculating the sensitivity analysis required by IFRS 7. At the closing date December 31, 2008, the effect on variable rate interest-bearing liabilities on profit before taxes would have been EUR -23 thousand had the interest rate increased by 1 percentage point. Correspondingly, the effect on variable rate interest-bearing liabilities on profit before taxes would have been EUR +41 thousand had the interest rate decreased by 1 percentage point.

Liquidity risk

The company maintains sufficient liquidity reserves through centralized Group-level cash management, payment traffic and overdraft facilities. The company has an account with a million euro overdraft facility secured by mortgage.

Credit risks

The company's sales receivables are spread to a vast clientele and do not include significant credit risks. Credit decisions are followed and monitored centrally by the Group management. The company has not used surety bonds to secure sales receivables.

22. CAPITAL RISK MANAGEMENT

The company's capital management aims to ensure the continuity of the company's operations (going concern) and increase shareholder value.

The capital structure can be adjusted by decisions on, e.g., distribution of dividend, share repurchase and share issues.

During the financial period, the Annual General Meeting resolved to decrease the company's share premium account by EUR 33,057,787.45. The purpose of the decrease is to transfer the decreased amount to the invested non-restricted equity fund. The decrease has been carried out in accordance with the resolution of the National Board of Patents and Registration of Finland on June 24, 2008.

The Board of Directors of Basware Corporation has started share repurchase during the reporting period. A maximum of 400,000 shares will be purchased, cor-

responding to approximately 3.49 percent of all shares in the Company. The decision is based on the authorization granted by the Annual General Meeting of Basware Corporation on February 14, 2008, on the repurchase of a maximum of 1,146,812 shares. Share repurchase will end on March 31, 2009 at the latest. Non-restricted equity will be used for acquiring the shares, so the acquisitions will decrease the Company's distributable assets. The shares will be purchased in public trading on NASDAQ OMX Helsinki Oy in compliance with the rules and guidelines of NASDAQ OMX Helsinki Oy and Finnish Central Securities Depository Ltd. concerning share repurchases. At the end of 2008, 41,567 shares had been acquired.

Equity ratio and gearing ratio are indicators of the capital structure.

During 2008, the group's objective, which was unchanged from 2007, was to maintain a strong equity ratio, a moderate gearing ratio and an AAA credit rating. The equity ratio in 2008 was 59.5% (2007: 70.0%). The gearing ratio in 2008 was 9.3% (-5.7%). The Dun & Bradstreet credit rating was AAA in 2008 (AAA).

The change in the gearing ratio in 2008 was primarily due to the loan arrangement used for financing the acquisition of Contempus AS.

23. EQUITY

EUR thousand	Share number	Shareholders' equity	Share premium account	Invested non-restricted equity	Other reserves	Own shares	Total
31.12.2007	11,468,124	3,440	33,127	0	540	0	37,107
Reclassifications between items			-33,058	33,058			0
Purchase of own shares	-41,567					-271	-271
31.12.2008	11,426,567	3,440	69	33,058	540	-271	36,836

Invested non-restricted equity fund

The invested non-restricted equity fund includes the decrease of the share premium fund by EUR 33,057,787.45. The decrease has been carried out in accordance with the resolution of the National Board of Patents and Registration of Finland on June 24, 2008.

Other funds

Other funds include the fair value reserve, which includes the increase in the value of the Analyste deal shares between the publication and realization of the deal in 2006.

Treasury shares

The treasury shares reserve includes the acquisition cost of own shares held by the Group.

24. LIABILITIES

EUR thousand	31.12.2008	31.12.2007
Non-current liabilities		
Interest bearing liabilities from financial institutions	7,108	16
Interest bearing finance lease obligations	2	4
Derivative financial instruments	618	0
Deferred tax liabilities	2,307	1,643
Non-current liabilities	10,036	1,663
Current liabilities		
Interest bearing liabilities from financial institutions	5,550	4,300
Interest bearing finance lease obligations	5	14
Advances received	0	0
Trade and other liabilities	1,500	1,575
Accrued expenses and deferred income	11,140	8,816
Other liabilities	4,043	3,609
Tax liabilities from income	918	333
Current liabilities	23,156	18,647
Total liabilities	32,847	20,310

The most significant items in the accrued liabilities are the provisions for vacation pay EUR 3,899 thousand and bonuses EUR 3,287 thousand.

Of the loans from financial institutions, EUR 3,566 (4,300) thousand will mature in 2009, EUR 3,550 thousand in 2010 and EUR 3,550 thousand in 2011. The average interest rate of the loans was 4.7 (3.6) percent in 2008.

Finance lease interest rates were 3.43 percent (3.07-3.43) in 2008.

The Company underwent a tax audit concerning 2006 and 2007. No final report on the audit has been received, and no provision has been made in the accounts due to the audit.

25. FINANCE LEASE LIABILITIES

EUR thousand	31.12.2008	31.12.2007
Long-term finance leases, interest-bearing	2	4
Short-term finance leases, interest-bearing	5	14
Finance lease liabilities	7	18
Finance lease liabilities - minimum rentals		
Within a year	5	15
More than one year but no more than 5 years	2	4
Minimum rentals	7	19
Future financing costs related to leasing agreements	0	-0
Finance lease liabilities	7	18
Present value of minimum rentals		
Within a year	5	14
More than one year but no more than 5 years	2	4
Future minimum lease payments at present value	7	18

26. COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand	31.12.2008	31.12.2007
Own guarantees		
Business mortgage of own debt	1,200	1,200
Commitments on behalf of subsidiaries		
Guarantees	1,096	1,103
Other own contingent liabilities		
Lease liabilities		
Current lease liabilities	868	601
Lease liabilities maturing in 1-5 years	838	685
Total	1,706	1,286
Rental liabilities		
Current rental liabilities	2,385	1,827
Rental liabilities maturing in 1-5 years	4,620	3,957
Rental liabilities maturing later	1,196	172
Total	8,201	5,956
Other own contingent liabilities total	9,907	7,242
Commitments and Contingent Liabilities total	12,203	9,545

27. RELATED PARTY TRANSACTIONS

The Group insiders include the parent company and the subsidiaries. In addition, members of the Board of Directors and the Executive Teams, including the President and CEO, are insiders.

28. SHARES IN SUBSIDIARIES

Company	Domicile	Country	Group holding, %
Nextware Oy	Espoo	Finland	100
Basware GmbH	Düsseldorf	Germany	100
Basware UK Ltd.	Guildford	United Kingdom	100
Basware AB	Stockholm	Sweden	100
Basware B.V.	Amsterdam	The Netherlands	100
Basware A/S	Fredensborg	Denmark	100
Basware Inc.	Delaware	United States	100
Basware SAS	Paris	France	100
Basware AS	Oslo	Norway	100
Basware Einvoices Oy	Espoo	Finland	90.3
Basware FIMA Oy	Espoo	Finland	95.96
Digital Vision Technologies Ltd.	Manchester	United Kingdom	100
Contempus AS	Oslo	Norway	100
Contempus AB	Stockholm	Sweden	100

29. EVENTS AFTER THE FINANCIAL PERIOD

The Company's organization has been adjusted to match market changes, and a new unit, Enterprise Purchase to Pay (EPP) Automation Services, headed by Riku Roos, has been established. The EPP Automation Service unit includes the subsidiary Basware Einvoices as well as the Software as a Service functions.

The Finnish business unit, Basware's subsidiary FIMA, and the Russian operations have been merged into a business unit called NorthEast, headed by Jukka Virkkunen, currently the head of the Finnish business unit.

As of January 1, 2009, members of the Basware Executive Team are Ilkka Sihvo, CEO; Mika Harjuaho, CFO; Olli Hyppänen, Senior Vice President, Strategy and Development; Steve Muddiman, Senior Vice President, Global Marketing; Pekka Rehn, Senior Vice President, Products; Esa Tihilä, Senior Vice President, Global Operations; Odd Roar Trapnes, Senior Vice President, Scandinavia; and Jukka Virkkunen, Senior Vice President, NorthEast.

The tasks of the Chairman of the Board, Hannu Vaajoensuu, were redefined as from the beginning of 2009. In addition to the ordinary duties of the Chairman of the Board, Vaajoensuu is a member of the team that prepares business acquisitions and an advisor in merger projects. His duties also include contacts with the key interest groups of the industry.

Parent Company Income Statement

1.1.-31.12.2008 (FAS)

EUR thousand	Notes	1.1.-31.12.2008	1.1.-31.12.2007	Change, %
NET SALES	2	37,540	42,862	-12.4
Other operating income	3	56	1,071	-94.8
Materials and services	4	-2,058	-2,032	1.3
Employee benefits expenses	5	-21,587	-19,463	10.9
Depreciation and amortization	6	-3,227	-3,025	6.7
Other operating expenses		-7,299	-8,421	-13.3
Operating profit		3,425	10,993	-68.8
Finance income	7	2,369	590	301.5
Finance expenses	7	-4,131	-605	583.4
Profit before appropriation and taxes		1,663	10,979	-84.9
Change in depreciation differences		0	0	-100.0
Profit before taxes		1,663	10,979	4.8
Income tax expense	8	-823	-3,331	-75.3
PROFIT FOR THE PERIOD		840	7,649	-89.0

Parent Company Balance Sheet

31.12.2008 (FAS)

EUR thousand	Notes	31.12.2008	31.12.2007	Change, %
ASSETS				
Non-current assets				
Intangible assets	9	7,484	6,268	19.4
Goodwill	9	12,649	14,326	-11.7
Tangible assets	10	540	537	0.6
Investments	11	48,634	35,420	37.3
Non-current assets		69,307	56,551	22.6
Current assets				
Inventories	12	48	42	15.1
Long-term trade and other receivables	13	524	0	100.0
Short-term trade and other receivables	14	13,245	15,481	-14.4
Financial assets at fair value through profit or loss		31	31	0.7
Cash and cash equivalents		1,825	939	94.3
Current assets		15,673	17,200	-5.0
TOTAL ASSETS		84,980	73,044	16.3
EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital		3,440	3,440	
Share premium account		0	33,058	-100.0
Other reserves		33,058	0	100.0
Retained earnings		23,478	17,820	33.3
Profit for the period		840	7,649	-89
Shareholders' equity	15	60,816	61,967	-1.9
Liabilities				
Deferred tax liabilities	16	86	149	-40.7
Long-term interest bearing liabilities	17	7,726	16	48,406.3
Long-term non-interest bearing liabilities	17	2,677	177	1,412.4
Short-term interest bearing liabilities	18	5,550	4,300	29.1
Short-term non-interest bearing liabilities	18	8,123	6,435	26.2
Total liabilities		24,165	11,077	118.2
TOTAL EQUITY AND LIABILITIES		84,980	73,044	16.3

Parent Company Cash Flow Statement

1.1.-31.12.2008 (FAS)

EUR thousand	1.1.-31.12.2008	1.1.-31.12.2007
Cash flows from operating activities		
Profit for the period	840	7,649
Adjustments for profit	5,782	5,790
Working capital changes	-1,890	-4,306
Cash flow from operating activities before financial items and taxes	4,732	9,132
Interest paid	-213	-107
Dividend received	1,016	0
Interest received	194	422
Other financial items in operating activities	-542	-491
Income taxes paid	-2,708	-2,948
Net cash from operating activities	2,480	6,009
Cash flows from investing activities		
Purchase of tangible and intangible assets	-2,797	-3,196
Proceeds from sale of tangible and intangible assets	41	43
Acquired subsidiaries	-1	-10,073
Proceeds from other investments	0	3,013
Granted loans	-5,463	-2,835
Repayments of loan receivables	267	10
Net cash used in investing activities	-7,953	-13,038
Cash flows before financing activities	-5,473	-7,030
Cash flows from financing activities		
Purchase of own shares	-271	0
Proceeds from loans	12,650	4,000
Repayments of borrowings	-4,300	-400
Dividends paid	-1,720	-1,720
Net cash used in financing activities	6,359	1,880
Net change in cash and cash equivalents	886	-5,150
Increase (+) / decrease (-) in cash and cash equivalents	886	-5,150
Net change in cash and cash equivalents according to balance sheet		
Cash and cash equivalents at beginning of period	971	6,121
Cash and cash equivalents at end of period	1,856	971
Net change in cash and cash equivalents	886	-5,150

Notes to the Parent Company Financial Statements

1. ACCOUNTING PRINCIPLES USED IN PREPARING THE PARENT COMPANY FINANCIAL STATEMENTS

Basware Corporation's financial statements for 2008 have been prepared in accordance with the Finnish Accounting Act. The Group has applied the International Financial Reporting Standards (IFRS) in its reporting as from January 1, 2005. The parent company's financial statements and balance sheets for 2008 and 2007 are not comparable due to the incorporation of Basware FIMA Oy in 2007.

Transactions in foreign currencies

Transactions in foreign currencies are recorded at the exchange rates prevailing at the transaction dates. At the end of the accounting period, the unsettled balances on foreign currency receivables and liabilities are valued at the rates of exchange prevailing at the end of the accounting period. Foreign exchange gains and losses related to normal business operations are entered in the appropriate income statement account before operating profit and foreign exchange gains and losses associated with financing are entered as a net amount under financial income and expenses.

Revenue recognition

Revenue recognition of product sales requires that there is a binding agreement of the sale, the product has been delivered, proceeds from the transaction can be reliably specified, the financial gain will benefit the company with sufficient probability, and significant benefits and risks related to ownership or rights of use of the product have been transferred to the buyer. License agreements with a right of return or conditions related to the product's functionality or implementation project are recognized as revenue once the right of return has expired or the above-mentioned conditions have been fulfilled.

Maintenance revenue is allocated over the contract period and service revenue is recognized at the time of delivery.

Other operating income

Other operating income includes proceeds from the sale of property, plant and equipment and rental income.

Research and development costs

Research expenses are recognized as an expense as they are incurred. Product development expenses are recognized so that development costs of new products and product versions with significant enhancements are capitalized and amortized. Maintenance of existing products and minor enhancements are recognized as they are incurred. Public subsidies related to capitalized development expenses are deducted from the acquisition costs. Development costs incurred before 2004 have been booked as annual expenses for the relevant financial period.

Pensions

The statutory pension coverage of Basware Corporation employees is provided through insurance policies taken out with a pension institution. The statutory pension expenses are recognized as expenses in the year they are incurred.

Intangible assets

Intangible assets include software, goodwill and capitalized product development costs. They are recognized in the original acquisition costs less accumulated depreciation. Public subsidies related to the acquisition of intangible assets are deducted from the acquisition cost of the asset and recognized as income by reducing the depreciation charge of the asset they are related to. The useful lives of intangible assets are 3 to 5 years.

Tangible assets

Tangible assets are recognized in the balance sheet at the original acquisition cost less accumulated depreciation. The useful lives of tangible assets are 3 to 5 years.

Leases

In the parent company financial statements, leasing payments are recognized as annual expenses in accordance with the Finnish Accounting Standards.

Liquid assets

Liquid assets include cash, bank balances and other liquid securities.

Taxes

Income taxes have been recognized in accordance with Finnish tax legislation.

Notes to the Income Statement

2. NET SALES

EUR thousand	2008	2007
Net sales by business branches		
Product sales and maintenance	21,846	32,925
Services	10,696	9,937
Total	32,541	42,862
Net sales by business areas		
Enterprise Purchase to Pay	32,550	38,654
Financial Management	-9	4,208
Total	32,541	42,862
Net sales by market areas		
Domestic	30,147	30,596
Foreign	2,394	12,266
Total	32,541	42,862

3. OTHER OPERATING INCOME

EUR thousand	2008	2007
Subscription of research	24	0
Gain on sale of non-current assets	32	1,071
Total	56	1,071

4. MATERIALS AND SERVICES

EUR thousand	2008	2007
Purchases during the financial period	-729	-557
Change in inventories	6	22
Services purchased	-1,336	-1,497
Total	-2,058	-2,031

5. NOTES TO PERSONNEL AND CORPORATE GOVERNANCE

EUR thousand	2008	2007
Personnel expenses		
Salaries paid to CEO and the Board of Directors	-488	-451
Salaries paid to other personnel	-17,410	-15,543
Pension expenses	-2,749	-2,425
Other personnel expenses	-940	-1,045
Total	-21,587	-19,463
Number of personnel		
Personnel average for the period	326	319
Personnel at the end of the period	331	303

The pension arrangements of CEO and the Board of Directors comply with the local rules.

6. DEPRECIATION AND WRITE-OFFS

EUR thousand	2008	2007
Intangible assets	-1,233	-1,053
Tangible assets	-317	-295
Goodwill	-1,677	-1,677
Total	-3,227	-3,025

7. FINANCIAL INCOME AND EXPENSES

EUR thousand	2008	2007
Interest and other financial income	2,369	589
Interest and other financial expenses	-4,131	-605
Total	-1,763	-15

8. DIRECT TAXES

EUR thousand	2008	2007
Income taxes on the financial period		
Income taxes on actual business	-882	-2,609
Change of deferred taxes	61	-707
Income taxes from previous financial periods	-1	-15
Total	-823	-3,331

9. INTANGIBLE ASSETS

EUR thousand	2008	2007
Intangible rights		
Book value 1.1.	8,710	6,243
Increase	3,082	2,811
Decrease	-628	-344
Book value 31.12.	11,164	8,710
Accumulated depreciation 1.1.	-2,442	-1,403
Disposals	0	13
Amortization for the financial period	-1,238	-1,053
Accumulated amortization 31.12.	-3,680	-2,442
Balance sheet value 31.12.	7,484	6,268
Goodwill		
Book value 1.1.	16,794	16,811
Decrease	0	-17
Book value 31.12.	16,794	16,794
Accumulated amortization 1.1.	-2,468	-791
Amortization for the financial period	-1,677	-1,677
Accumulated amortization 31.12.	-4,145	-2,468
Balance sheet value 31.12.	12,649	14,326

10. TANGIBLE ASSETS

EUR thousand	2008	2007
Book value 1.1.	3,144	2,917
Increase	324	392
Decrease	-104	-166
Book value 31.12.	3,364	3,144
Accumulated amortization 1.1.	-2,607	-2,423
Disposals	95	111
Amortization for the period	-313	-295
Accumulated amortization 31.12.	-2,824	-2,607
Balance sheet value 31.12.	540	537
Total fixed assets	20,673	21,131

11. INVESTMENTS

EUR thousand	2008	2007
Shares in group companies		
Book value 1.1.	16,175	4,330
Increase	1	11,845
Book value 31.12.	16,176	16,175
Other shares		
Book value 1.1.	38	2,290
Decrease	0	-2,252
Book value 31.12.	38	38
Other receivables		
Receivables from group companies	32,420	19,206

Shares in subsidiaries

Company	Dominicle	Country	Parent company holding, %
Nextware Oy	Espoo	Finland	100
Basware GmbH	Düsseldorf	Germany	100
Basware UK Ltd.	Guildford	United Kingdom	100
Basware AB	Stockholm	Sweden	100
Basware B.V.	Amsterdam	The Netherlands	100
Basware A/S	Fredensborg	Denmark	100
Basware Inc.	Delaware	United States	100
Basware SAS	Paris	France	100
Basware AS	Oslo	Norway	100
Basware Einvoices Oy	Espoo	Finland	90.3
Basware FIMA Oy	Espoo	Finland	95.96
Digital Vision Technologies Ltd.	Manchester	United Kingdom	100

12. INVENTORIES

EUR thousand	2008	2007
Raw materials and consumables	48	42
Total	48	42

13. LONG-TERM RECEIVABLES

EUR thousand	2008	2007
Derivative financial instruments	524	0
Long-term receivables total	524	0

14. SHORT-TERM RECEIVABLES

EUR thousand	2008	2007
Accounts receivables	5,347	3,821
Receivables from group companies		
Accounts receivables	1,426	10,065
Loan receivables	2,776	0
Interest receivables	940	524
Total	5,142	10,589
Prepaid expenses and accrued income	2,378	764
Other receivables	378	307
Total	13,245	15,481

15. SHAREHOLDERS' EQUITY

EUR thousand	2008	2007
Share capital 1.1.	3,440	3,440
Increase for the financial period	0	0
Share capital 31.12.	3,440	3,440
Share premium account 1.1.	33,058	33,058
Decrease for the financial period	-33,058	0
Share premium account 31.12.	0	33,058
Equity 31.12.	3,440	36,498
Non-restricted equity 1.1.	0	0
Increase for the financial period	33,058	0
Non-restricted equity 31.12.	33,058	0
Retained earnings 1.1.	25,469	19,540
Purchase of own shares	-271	
Dividend payment	-1,720	-1,720
Profit for the period	840	7,649
Retained earnings 31.12.	24,317	25,469
Non-restricted equity 31.12.	57,375	25,469
Shareholders' equity 31.12.	60,816	61,967
Specification of distributable funds		
Profit for the period	840	7,649
Retained earnings	56,807	17,820
Distributable funds	57,375	25,469

16. DEFERRED TAX LIABILITIES

EUR thousand	2008	2007
Deferred tax liabilities	89	149

17. LONG-TERM LIABILITIES

EUR thousand	2008	2007
Long-term debts	7,108	16
Derivative financial instruments	618	0
Long-term debts to group companies	2,677	177
Total	10,403	192

18. SHORT-TERM LIABILITIES

EUR thousand	2008	2007
Non-interest bearing short-term liabilities		
Accounts payable	321	443
Liabilities to group companies		
Accounts payable	352	632
Accrued interest expenses	43	0
Total	394	632
Other debts	1,406	1,126
Accrued expenses and deferred income	6,000	4,234
Total	7,407	5,361
Non-interest bearing short-term liabilities total	8,122	6,435
Interest bearing short-term liabilities		
Short-term loans from financial institutions	2,000	4,000
Amortization of long-term debts	3,550	300
Interest bearing short-term liabilities total	5,550	4,300

19. COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand	2008	2007
Own guarantees		
Business mortgages of own debt	1,200	1,200
Commitments on behalf of subsidiaries		
Guarantees	1,096	1,103
Other own contingent liabilities		
Leasing liabilities		
Current lease liabilities	310	221
Lease liabilities maturing in 1-5 years	254	189
Total	564	411
Rental liabilities		
Current rental liabilities	1,277	1,249
Rental liabilities maturing in 1-5 years	2,216	3,415
Total	3,493	4,663
Commitments and contingent liabilities total	6,353	7,377

The group does not have pledges, mortgages or guarantees on behalf of external parties.

Board's Dividend Proposal

At the end of 2008, the Group parent company's distributable funds are EUR 57,375,196.00.

Basware's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.23 per share (2007: EUR 0.15) be paid for 2008. When preparing the dividend proposal, the Board considers the Company's financial position, profitability and prospects in the near future.

According to the Board's resolution the record date of dividend distribution is February 17, 2009. The Board proposes to the Annual General Meeting of Shareholders that dividend will be paid after the record period on February 24, 2009.

In Espoo, Finland, January 21, 2009

Basware Corporation

Board of Directors

Hannu Vaajoensuu, Chairman of the Board

Sakari Perttunen

Matti Copeland

Ossi Pohjola

Ilkka Toivola

Ilkka Sihvo, CEO

Auditor's note

An auditor's report concerning the performed audit has been given to date.

In Helsinki, Finland, January 21, 2009

Ernst & Young Oy

Authorized Public Accountant Firm

Heikki Ilkka

Authorized Public Accountant

Auditor's Report

TO THE ANNUAL GENERAL MEETING OF BASWARE OYJ

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Basware Oyj for the year ended on 31 December, 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

THE RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company's financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

AUDITOR'S RESPONSIBILITY

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the re-

port of the Board of Directors are free from material misstatement and whether the members of the Board of Directors and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

OPINION ON THE COMPANY'S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

In our opinion, the financial statements, together with the consolidated financial statements included therein, and the report of the Board of Directors give a true and fair view of the financial performance and financial position of the company in accordance with the laws and regulations govern-

ing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

In Helsinki on January 21, 2009

Ernst & Young Oy

Authorized Public Accountant Firm

Heikki Ilkka

Authorized Public Accountant

Group Quarterly Income Statement, IFRS

EUR thousand	1-3/2008	1-3/2007	4-6/2008	4-6/2007	7-9/2008	7-9/2007	10-12/2008	10-12/2007
NET SALES	18,233	17,038	22,312	17,776	19,259	15,268	26,294	23,187
Other operating income	69	15	62	752	58	23	62	44
Materials and services	-1,211	-819	-1,385	-662	-797	-981	-1,333	-1,996
Employee benefits expenses	-11,765	-9,243	-12,608	-9,961	-10,933	-7,827	-15,093	-13,569
Depreciation and amortization	-671	-571	-693	-597	-690	-657	-990	-765
Other operating expenses	-4,910	-5,010	-5,257	-4,536	-4,516	-4,419	-4,818	-4,977
Operating profit	-254	1,409	2,431	2,773	2,381	1,406	4,122	1,924
%	-1.4%	8.3%	10.9%	15.6%	12.4%	9.2%	15.7%	8.3%
Finance income	39	61	18	79	39	130	637	73
Finance expenses	-35	-11	-21	-12	-50	-20	-897	-109
Profit before tax	-250	1,459	2,428	2,840	2,370	1,516	3,862	1,888
%	-1.4%	8.6%	10.9%	16.0%	12.3%	9.9%	14.7%	8.1%
Tax on income from operations	-300	-575	-528	-1,256	-430	-985	-567	-775
PROFIT FOR THE PERIOD	-550	884	1,899	1,584	1,941	531	3,294	1,113
%	-3.0%	5.2%	8.5%	8.9%	10.1%	3.5%	12.5%	4.8%

Key Figures 2004-2008

Group Key Financial Performance Indicators

EUR thousand	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005 Restated	IFRS 2004
Net sales	86,098	73,270	59,954	41,666	33,891
Growth of net sales, %	17.5%	22.2%	43.9%	29.4%	
Operating profit	8,679	7,512	8,078	3,611	6,256
Growth of operating profit, %	15.5%	-7.0%	123.7%	-20.8%	
% of net sales	10.1%	10.3%	13.5%	8.7%	18.5%
Profit before tax	8,410	7,704	8,287	3,647	6,119
% of net sales	9.8%	10.5%	13.8%	8.8%	18.1%
Profit for the period	6,585	4,112	4,986	2,229	4,018
% of net sales	7.6%	5.6%	8.3%	5.4%	11.9%
Return on equity, %	13.7%	8.9%	15.1%	13.9%	38.3%
Return on investment, %	16.6%	16.2%	24.7%	21.4%	50.8%
Interest bearing liabilities	13,283	4,334	758	1,230	1,645
Cash and liquid assets	8,777	7,041	8,975	9,987	5,789
Gearing, %	9.3%	-5.7%	-18.4%	-41.1%	-34.1%
Equity ratio, %	59.5%	70.0%	77.5%	68.2%	58.8%
Total assets	81,909	67,722	57,558	31,228	20,680
Gross investments ^{*)}	12,476	12,599	25,315	6,925	1,688
% of net sales	14.5%	17.2%	42.2%	16.6%	5.0%
Capital expenditure	1,007	928	597	749	626
% of net sales	1.2%	1.3%	1.0%	1.8%	1.8%
Research and development costs	15,518	13,172	10,925	6,204	4,604
% of net sales	18.0%	18.0%	18.2%	14.9%	13.6%
R&D personnel at end of period	171	152	138	86	65
Personnel average for period	689	580	513	363	280
Personnel at end of period	731	658	528	395	302
Growth of personnel, %	11.1%	24.6%	33.7%	30.8%	18.9%

^{*)} Includes acquisitions and capitalized R&D costs.

Group Share Indicators

	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005 Restated	IFRS 2004
Earnings per share, EUR (undiluted)	0.56	0.36	0.45	0.24	0.47
Earnings per share, EUR (diluted)	0.56	0.36	0.44	0.23	0.47
Parent company's shareholder's					
Equity per share, EUR	4.23	4.12	3.88	2.16	1.41
Dividend per share, EUR	0.23 *	0.15	0.15	0.10	0.12
Dividend per profit, %	40.8%	41.6%	33.6%	42.4%	25.6%
Effective dividends, %	3.5%	1.5%	1.1%	0.8%	1.5%
P/E ratio	11.68	27.89	29.24	53.54	16.58
Share price performance, share issue adjusted					
lowest share price, EUR	6.00	9.50	11.21	7.70	6.10
highest share price, EUR	10.45	14.00	15.25	13.00	10.10
average share price, EUR	7.53	12.03	13.09	9.85	7.83
closing share price, EUR	6.59	10.00	13.05	12.62	7.78
Share issue adjusted average share number 31.12.	11,468,124	11,468,124	11,468,124	9,877,258	8,607,300
Market value of shares 31.12., EUR	75,301,011	114,681,240	149,659,018	124,650,996	66,964,794
Share issue adjusted number of traded shares	2,298,467	2,761,995	5,534,522	3,666,939	1,981,098
% of average share number	20.1%	24.1%	49.5%	38.8%	23.1%
Average share number:					
- undiluted	11,463,307	11,468,124	11,172,612	9,458,460	8,560,697
- diluted	11,463,307	11,468,124	11,221,052	9,582,816	8,634,413

^{*)} Board's proposal to the Annual General Meeting of Shareholders

Calculation of Key Indicators, IFRS

Return on equity (ROE), %
$$\frac{\text{Profit before extraordinary items, reserves and taxes} - \text{taxes} \times 100}{\text{Shareholders' equity (average)}}$$
Return on investment (ROI), %
$$\frac{\text{Profit before extraordinary items, reserves and taxes} + \text{interest and other financial expenses} \times 100}{\text{Balance sheet total} - \text{non-interest bearing liabilities (average)}}$$
Gearing, %
$$\frac{\text{Interest bearing liabilities} - \text{cash and bank balances} \times 100}{\text{Shareholders' equity}}$$
Equity ratio, %
$$\frac{\text{Shareholders' equity} \times 100}{\text{Balance sheet total} - \text{advances received}}$$
Earnings per share
$$\frac{\text{Profit for the period}}{\text{Adjusted number of shares over the financial year (average)}}$$
Equity per share
$$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares at the end of the financial period}}$$
Dividend per share
$$\frac{\text{Total dividend}}{\text{Adjusted number of shares at the end of the financial period}}$$
Dividend/profit, %
$$\frac{\text{Dividend per share} \times 100}{\text{Earnings per share}}$$
Effective dividend yield, %
$$\frac{\text{Dividend per share} \times 100}{\text{Adjusted share price at the end of the financial period}}$$
Price-earnings ratio (P/E)
$$\frac{\text{Adjusted share price at the end of the financial period}}{\text{Earnings per share}}$$

Share and Shareholders

Basware Share

The Basware share has been listed on the NASDAQ OMX Helsinki Ltd since February 29, 2000. The listing price of the share was EUR 5.70. Basware transferred to the Main List of the stock exchange on October 19, 2004, and the share is listed in the Information Technology business sector. The company code on the stock exchange is BAS. Basware has one series of share and the trading code for the share is BASIV.

At the end of 2008, the total number of shares was 11,468,124 (11,468,124). The book counter value per share is EUR 0.30. All the shares carry one vote and an equal right to the dividend.

Share Capital

Basware's share capital at the end of 2008 was EUR 3,440,437.20. According to the Articles of Association, Basware's minimum share capital is EUR 2,000,000 and maximum share capital is EUR 8,000,000. Within these limits, the share capital can be increased or decreased without amending the Articles of Association.

Share Price Performance and Trading

During the reporting period, the highest price of the share was EUR 10.45 (EUR 14.00), the lowest was EUR 6.00 (EUR 9.50) and the closing price was EUR 6.59 (EUR 10.00). The average price of the share was EUR 7.53 (EUR 12.03) during the period.

A total number of 2,298,467 shares were traded during 2008 (2,761,995 in 2007) which is the equivalent of 20 percent (24%) of the average number of shares. Market capitalization with the period's closing price on December 31, 2008 was EUR 75,301,011 (EUR 114,681,240).

THE BOARD OF DIRECTORS' AUTHORIZATIONS

Authorization to resolve on share issue

The Annual General Meeting on February 14, 2008 authorized the Board to resolve on the issuance of a maximum of 2,293,624 shares and on the conveying of a maximum of 1,146,812 shares in possession of the Company in one or more installments, either against pay or free of charge.

The new shares can be issued and the Company's own shares conveyed either against payment or for free to the Company's shareholders in proportion to their holding or by means of a directed issue, deviating from the pre-emptive rights of the shareholders provided that from the Company's perspective there are important financial grounds for it, such as enabling business arrangements and company acquisitions, company's capital management, personnel incentive program or other reasons for developing the Company's business activities.

The authorization also includes the right to grant warrants and other special rights, as specified in the Chapter 10, section 1 of the Companies Act, to receive new shares in the company or Basware shares held by the company against payment such that either the share subscription price will be paid in cash or the subscriber's receivables will be offset against the subscription price.

The authorization also includes the right to resolve on a free issue to the Company itself. The amount of the shares issued to the Company can be a maximum of 1,146,812 shares, including shares acquired based on the authorization or the previously acquired own shares of the Company.

The subscription prices of new shares and the sum paid for the own shares will be recorded in the fund for invested non-restricted equity.

The authorization is valid until March 31, 2009.

Authorization to resolve on acquiring the Company's own shares

The AGM authorized February 14, 2008 the Board to resolve on the acquisition of a maximum of 1,146,812 own shares, pursuant to the Chapter 15, section 5 of the Companies Act. The new shares are acquired with invested non-restricted equity on the market price at the NASDAQ OMX Helsinki Ltd at the time of the acquisition. The shares can either be held by the Company, nullified or conveyed further.

The authorization for acquisition is valid until March 31, 2009.

WARRANT PROGRAMS

Basware has currently two valid warrant programs.

Warrant Program 2006

The Annual General Meeting on February 15, 2006 approved the new warrant program. Based on the program, a maximum of 300,000 warrants can be granted to the key personnel of Basware Group, each warrant entitling to subscribe one Basware share. The warrants of Warrant Program 2006 are divided into three series, each having an own subscription period as follows: April 1, 2008-March 31, 2009, April 1, 2009-March 31, 2010 and April 1, 2010-March 31, 2011. The subscription prices of the shares correspond to the volume-weighted average share price of the Company in January-March of 2006, 2007 and 2008. The terms and conditions of the Warrant Program 2007 were published as a stock exchange release on April 10, 2006.

Warrant Program 2007

The Annual General Meeting on February 26, 2007 approved the new warrant program. Based on the program, a maximum of 200,000 warrants can be granted to the key personnel of Basware Group, each warrant entitling to subscribe one Basware share. The warrants of Warrant Program 2007 are divided into two series, each having an own subscription period as follows: April 1, 2009-March 31,

2010 and April 1, 2010-March 31, 2011. The subscription prices of the shares correspond to the volume-weighted average share price of the Company in January-March of 2007 and 2008. The terms and conditions of the Warrant Program 2007 were published as a stock exchange release on February 26, 2007.

SHAREHOLDERS

Basware had 17,120 (17,301) shareholders on December 31 including nominee-registered holdings (8).

Nominee-registered holdings accounted for 9.1 percent of the total number of shares. The Company received one notice of change in ownership during the financial period. The Company applies the Guidelines for Insiders issued by the Board of Directors of the NASDAQ OMX Helsinki Ltd on January 1, 2006 as well as the Recommendation on Corporate Governance with the exceptions mentioned in the Company's Corporate Governance Statement. The statement can be found in the Investors section of the Company's website.

Distribution of holdings by number of shares, December 31, 2008

Number of shares	Number of holders	Votes, %	Shares, pcs
1-100	14,085	2.8	323,570
101-1,000	2,643	7.4	853,088
1,001-10,000	338	7.8	899,470
10,001-100,000	24	7.6	870,231
100,001 +	22	74.3	8,521,765
Total	17,112	100	11,468,124

Distribution by sector, December 31, 2008

	Number of holders	Votes, %	Shares, pcs
Private companies	639	6.7	762,006
Financial and insurance institutions	26	18.0	2,062,755
Public-sector organizations	5	2.6	296,300
Non-profit organizations	34	0.8	89,178
Households	16,352	60.5	6,922,785
Foreign	48	2.5	288,246
	17,104	90.9	10,421,270
Nominee-registered	8	9.1	1,046,854
Total	17,112	100.0	11,468,124

Major shareholders 31.12.2008		
	Number of shares	Votes %
1. Sihvo, Ilkka	1,065,800	9.3
2. Eräkangas, Kirsi	1,031,800	9.0
Eräkangas, Kirsi	721,400	6.3
Eräkangas, Lotta	310,400	2.7
3. Vaajoensuu, Hannu	962,100	8.3
Havacment Oy	266,500	2.3
Vaajoensuu, Hannu	528,000	4.6
Vaajoensuu, Henri	83,800	0.7
Vaajoensuu, Petra	83,800	0.7
4. Perttunen, Sakari	830,400	7.2
5. Pöllänen, Antti	740,900	6.5
Pöllänen, Antti	580,100	5.1
Launimo, Essi	160,800	1.4
6. Nordea Bank Finland PLC	617,305	5.4
7. Nordea Nordic Small Cap Fund	556,184	4.8
8. Mandatum Life Insurance Company	550,000	4.8
9. Ahonen, Asko	318,822	2.8
10. Royal Skandia Life Assurance Ltd	270,000	2.4
11. VERITAS Pension Insurance Company	266,000	2.3
12. Kaleva Mutual Insurance Company	242,690	2.1
13. Northern Trust Global Services Ltd	228,696	2.0
14. Perttunen, Meimi	215,400	1.9
15. Fondita Nordic Micro Cap Placeringsfond	200,000	1.7
16. Skandinaviska Enskilda Banken	193,155	1.7
17. Carnegie Fond	175,900	1.5
18. Aktia Capital	118,213	1.0
19. Fondita Nordic Small Cap Placeringsfond	106,000	0.9
20. Pavor Oy	75,052	0.7
20 largest shareholders total	8,764,417	76.4
Total of nominee-registered	1,046,854	9.1
Others	1,656,853	14.5
Total	11,468,124	100.0

The shareholder information is based on the shareholders' register maintained by the Finnish Central Securities Depository Ltd.

LIST OF ACCOUNTING BOOKS USED:

Hard copy of journal ledger
Hard copy of general ledger
Hard copy of sales ledger
Hard copy of purchase ledger

For Shareholders

BASWARE SHARE

Basware shares are quoted on the Main List of the NASDAQ OMX Helsinki Ltd, in the Information Technology sector, Small Cap segment. The trading on the Main List started on October 19, 2004. Earlier Basware shares were traded on the NM List of the stock exchange.

Trading code	BASIV
ISIN code	FI0009008403
Size of share trading	100
Book-counter value	EUR 0.30
Listing price on February 29, 2000	EUR 5.70
Closing price on December 31, 2008	EUR 6.59

ANNUAL GENERAL MEETING

The Basware Annual General Meeting will be held at Diana-auditorio, Erottajankatu 5 Helsinki, Finland, on Thursday, February 12, 2009 starting at 13:00.

In order to take part in the Annual General Meeting, shareholders must be registered by Monday, February 2, 2009 in the shareholders' register maintained by the Finnish Central Securities Depository Ltd.

Shareholders who wish to participate in the meeting should notify Basware of their intention to participate by 16:00 on Monday, February 2, 2009 either

- » by mail to the address Basware Corporation, P.O. Box 97, FI-02601 Espoo, Finland
- » by telephone to +358 (0)9 8791 7316/Hanne Grönlund
- » by telefax to +358 (0)9 8791 7297
- » by e-mail to IR@basware.com

When registering by mail, fax or e-mail, notices of participation must be received by the above-mentioned deadline. Any powers-of-attorney should be sent with the notice.

The matters to be handled in the Annual General Meeting will be disclosed in the Notice of the meeting that was published as a stock exchange release and on the Basware investor pages on the Internet at www.basware.com.

DIVIDEND

The Board of Directors of Basware proposes to the Annual General Meeting that a dividend of EUR 0.23 per share be paid for 2008. If the Board's proposal is accepted, the dividend will be paid to those shareholders who are entered in the shareholders' register maintained by the Finnish Central Securities Depository Ltd. on the dividend record date February 17, 2009. The actual payment of dividends will take place on February 24, 2009.

FINANCIAL REPORTING IN 2009

Basware will publish the interim reports as follows:

- » Interim Report January-March on April 16, 2009
- » Interim Report January-June on July 10, 2009
- » Interim Report January-September on October 13, 2009

The reports will be prepared according to the International Financial Reporting Standards (IFRS).

All interim reports and stock exchange releases are available on the Basware investor relations pages on the Internet at www.basware.com. The Basware e-mail list for the stock exchange releases can be subscribed to through the pages.

CHANGES OF ADDRESS

If the address of a shareholder changes, we request sending a written notification of this to the bank where the shareholder's book-entry account is held.

Basware's locations



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Concept, design and layout: Miltton Oy

Printing: Erweko 2009

Photographs: Olli Häkämies (pages 7, 31, 33), Studio Sami Kulju (24),
Jari Kivelä (25), Getty Images (2, 20, 26), Shutterstock (10).

Paper

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Financials: Ultimatt 1.1 115 g

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