

July 10, 2008

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

### SUMMARY

#### January–June

- Net sales EUR 40 545 thousand (EUR 34 814 thousand) – growth 16.5 percent
- Operating profit EUR 2 177 thousand (EUR 4 182 thousand) – decrease 48.0 percent
- Operating profit 5.4 percent of net sales (12.0%)
- Share of international operations 50.5 percent of net sales (45.0%) – growth 30.5 percent
- Backlog of SaaS orders not recognized as income EUR 11 241 thousand at the end of the period
- Earnings per share EUR 0.11 (EUR 0.22)

#### April–June

- Net sales EUR 22 312 thousand (EUR 17 776 thousand) – growth 25.5 percent
- Operating profit EUR 2 431 thousand (EUR 2 334 thousand, without one-time items) – increase 4.2 percent
- Operating profit 10.9 percent of net sales (13.1% without one-time items)
- Share of international operations 49.3 percent of net sales (44.7%) – growth 38.3 percent
- Earnings per share EUR 0.16 (EUR 0.14)

Outlook for 2008: Basware expects the growth of net sales for the financial year to be from 15 to 25 percent compared with the Group's net sales in the previous year. Operating profit (EBIT) is expected to be from 10 to 15 percent of net sales.

The figures are unaudited.

### GROUP KEY FIGURES

EUR thousand	4–6/ 2008	4–6/ 2007	Change, %	1–6/ 2008	1–6/ 2007	Change, %	1–12/ 2007
Net sales	22 312	17 776	25.5%	40 545	34 814	16.5%	73 270
Operating profit	2 431	2 773	-12.3%	2 177	4 182	-48.0%	7 512
% of net sales	10.9%	15.6%		5.4%	12.0%		10.3%
Profit before tax	2 428	2 840	-14.5%	2 178	4 299	-49.3%	7 704
Profit for the period	1 899	1 584	19.9%	1 350	2 468	-45.3%	4 112
Return on equity, %	16.6%	14.2%		5.7%	11.0%		8.9%
Return on investment, %	20.9%	25.2%		8.9%	18.9%		16.2%
Cash and cash equivalents*)	5 771	14 683	-60.7%	5 771	14 683	-60.7%	7 041
Gearing, %	-7.8%	-31.0%		-7.8%	-31.0%		-5.7%
Equity ratio, %	67.2%	71.6%		67.2%	71.6%		70.0%
Earnings per share, EUR	0.16	0.14	16.8%	0.11	0.22	-47.7%	0.36
Earnings per share (diluted), EUR	0.16	0.14	16.8%	0.11	0.22	-47.7%	0.36
Equity per share, EUR	4.06	3.97	2.5%	4.06	3.97	2.5%	4.12

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

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

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

"The second quarter of the year can be described with growth and profitability. Our net sales grew by over 25 percent compared with the same period last year. Basware grew in all its market areas and international growth was the strongest in North America, Europe and Scandinavia. In operational level, the development continued also well. Consulting operations grew by 41 percent, Software as a Service operations grew by 107 percent and also product sales by 14 percent. New customer agreements were signed in all market areas and larger and larger companies are interested in the Basware solutions.

Basware was evaluated as a global market leader in the Electronic Invoice Presentment and Payment market in the Forrester Wave™: Accounts Payable EIPP, Q2 2008 report, published on June 18, 2008. Of all the companies evaluated, Basware had the largest market share, best functionality and strong vision.

Thanks to the strong international growth, already over 50 percent of our net sales come from areas outside of Finland. According to the goals of 2008, the profitability of international units improved significantly in Scandinavia, Europe and North America. Despite the challenging market situation, the demand for the company's software and consulting services remains steady. On the other hand, the cost development for next two quarters will be modest. Based on these, the development for the remainder of the year looks still promising."

## REPORTING

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

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

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

## NET SALES

Basware Group's net sales grew during the first half of the year by 16.5 percent and were EUR 40 545 thousand (EUR 34 814 thousand). During the second quarter, net sales grew by 25.5 percent and were EUR 22 312 thousand (EUR 17 776 thousand).

The Company's product sales decreased by 14.1 percent in the period and were 26.7 percent (36.3%) of net sales. Due to the adjusted revenue recognition principles for product sales, some of the agreements signed at the end of 2006 were recognized in the first quarter of 2007. The value of these agreements amounts to over EUR 3 million. The growth of product sales without these components would have been 17.5 percent.

Maintenance revenue and support services related to maintenance grew by 17.4 percent and represented 29.3 percent (28.9%) of net sales. Consulting and services revenue grew by 47.3 percent and represented 42.0 percent (33.2%) of net sales. In the financial period SaaS sales grew by 52.4 percent and represented 2.0 percent (1.6%) of net sales. The backlog of SaaS orders not recognized as income was EUR 11 241 thousand at the end of the period.

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In April–June, 30.1 percent (33.2%) of net sales came from own product sales, with product sales increasing by 13.9 percent. SaaS sales represented 2.7 percent (1.6%) of net sales and grew by 106.7 percent. In the second quarter, maintenance revenue represented 27.3 percent (28.9%) of net sales and grew by 18.3 percent. Consulting and service revenue represented 39.9 percent (36.3%) of net sales and grew by 38.2 percent.

Value added resellers provided a net share of 16.7 percent (15.2%) or EUR 1 814 thousand of product sales in January–June. In April–June value added resellers provided a net share of 13.0 percent (13.5%) or EUR 873 thousand of product sales which is 7.9 percent (10.0%) of international operations' total net sales.

The international share of Basware's net sales was 50.5 percent (45.0%) in the period. International operations grew by 30.5 percent.

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

<b>Net sales (EUR thousand)</b>	<b>4–6/ 2008</b>	<b>4–6/ 2007</b>	<b>Change, %</b>	<b>1–6/ 2008</b>	<b>1–6/ 2007</b>	<b>Change, %</b>	<b>1–12/ 2007</b>
Finland	13 091	12 276	6.6	23 584	24 333	-3.1	48 849
Scandinavia	4 628	3 859	19.9	8 827	7 889	11.9	16 797
Europe	4 469	3 153	41.7	8 762	5 952	47.2	15 081
North America	1 446	921	57.0	2 125	1 673	27.1	3 460
Sales between segments	-1 322	-2 432	45.6	-2 752	-5 033	45.3	-10 917
<b>Group total</b>	<b>22 312</b>	<b>17 776</b>	<b>25.5</b>	<b>40 545</b>	<b>34 814</b>	<b>16.5</b>	<b>73 270</b>

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

<b>Net sales (EUR thousand)</b>	<b>4–6/ 2008</b>	<b>4–6/ 2007</b>	<b>Change, %</b>	<b>1–6/ 2008</b>	<b>1–6/ 2007</b>	<b>Change, %</b>	<b>1–12/ 2007</b>
Finland	11 320	9 819	15.3	20 100	19 179	4.8	37 969
Scandinavia	4 508	3 614	24.7	8 635	7 543	14.5	15 911
Europe	4 401	3 161	39.2	8 749	5 992	46.0	14 785
Other	2 082	1 182	76.2	3 061	2 100	45.8	4 604
<b>Group total</b>	<b>22 312</b>	<b>17 776</b>	<b>25.5</b>	<b>40 545</b>	<b>34 814</b>	<b>16.5</b>	<b>73 270</b>

## FINANCIAL PERFORMANCE

Basware's operating profit decreased by 48.0 percent in the period and totaled EUR 2 177 thousand (EUR 4 182 thousand). Operating profit represented 5.4 percent (12.0%) of net sales.

In the second quarter, Basware's operating profit totaled EUR 2 431 thousand (EUR 2 773 thousand and without one-time items EUR 2 334 thousand). In the second quarter, operating profit represented 10.9 percent of net sales. Without one-time items, the growth of operating profit was 4.2 percent. Including the one-time items, the decrease of operating profit was 12.3 percent in the second quarter.

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

<b>Operating profit (EUR thousand)</b>	<b>4-6/ 2008</b>	<b>4-6/ 2007</b>	<b>Change, %</b>	<b>1-6/ 2008</b>	<b>1-6/ 2007</b>	<b>Change, %</b>	<b>1-12/ 2007</b>
Finland	1 926	3 837	-49.8	1 834	7 152	-74.4	12 706
Scandinavia	489	-207	336.8	810	-436	285.9	333
Europe	-123	-347	64.5	-401	-1 526	73.7	-3 662
North America	185	-495	137.4	27	-978	102.8	-1 751
Operating profit between segments	-47	-15	-203.2	-94	-31	-204.1	-114
<b>Group total</b>	<b>2 431</b>	<b>2 773</b>	<b>-12.3</b>	<b>2 177</b>	<b>4 182</b>	<b>-48.0</b>	<b>7 512</b>

The Company's fixed costs were EUR 34 539 thousand (EUR 28 750 thousand) in the quarter and have grown by 20.1 percent compared with the same period last year. Personnel costs made up 70.6 percent (66.8%) or EUR 24 373 thousand (EUR 19 203 thousand) of the fixed costs. In the second quarter, fixed costs totaled EUR 17 865 thousand (EUR 14 496 thousand).

Research and development costs totaled EUR 8 133 thousand (EUR 6 344 thousand) of which EUR 1 342 thousand (EUR 1 281 thousand) or 16.5 percent (20.2%) were capitalized during the period. Amortization of capitalized research and development costs totaled EUR 569 thousand (EUR 453 thousand).

The Company's finance income and finance expenses were EUR 1 thousand (EUR 117 thousand). The Company's profit before tax was EUR 2 178 thousand (EUR 4 299 thousand) and profit for the period was EUR 1 350 thousand (EUR 2 468 thousand). Undiluted earnings per share were EUR 0.11 (EUR 0.22).

## FINANCE AND INVESTMENTS

Basware Group's total assets on the balance sheet at the end of the financial period were EUR 69 627 thousand (EUR 63 593 thousand). The Company's cash and liquid assets were EUR 5 771 thousand (EUR 14 683 thousand), of which cash and cash equivalents were EUR 5 739 thousand (EUR 7 805 thousand) and financial assets at fair value through profit or loss were EUR 32 thousand (EUR 6 878 thousand). The change in liquid assets results from their use to fund the Digital Vision acquisition in September 2007. A total of EUR 5.2 million in cash assets was used and the short-term loan of EUR 4 million taken to fund the acquisition was paid in February 2008.

Equity ratio was 67.2 percent (71.6%) and gearing was -7.8% (-31.0%). The Company had a total of EUR 2 130 thousand (EUR 552 thousand) interest-bearing liabilities, of which current liabilities accounted for EUR 2 111 thousand (EUR 422 thousand). Return on investment was 8.9 percent and return on equity 5.7 percent.

Cash flows from operating activities were EUR 4 579 thousand (EUR 6 090 thousand). Cash flows from investments were EUR -1 838 thousand (EUR 1 409 thousand).

The Company's capital expenditure, resulting from regular, additional and replacement, investments resulting from growth, was EUR 481 thousand (EUR 368 thousand) in the period. Gross investments which include, in addition to the previously mentioned, the capitalized research and development costs totaled EUR 1 823 thousand (EUR 1 649 thousand).

Amortizations of intangible assets were EUR 1 070 thousand (EUR 921 thousand). There are no indications of impairments of assets.

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## RESEARCH, DEVELOPMENT AND NEW PRODUCTS

Basware's research and development costs were EUR 8 133 thousand (EUR 6 344 thousand) in the period and made up 20.1 percent (18.2%) of net sales. Research and development costs grew by 28.2 percent (16.5%) compared with the same period last year. Of the research and development costs, EUR 1 342 thousand (EUR 1 281 thousand) or 16.5 percent (20.2%) were capitalized during the period. Amortization of capitalized research and development costs totaled EUR 569 thousand (EUR 453 thousand).

Altogether 161 people (140) worked in Software Production at the end of June 2008. The Software Production unit expands to India where there are currently 18 employees.

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

## PERSONNEL

Basware employed 672 (541) people in average in the second quarter and 686 (559) people at the end of the period. The number of personnel grew by 127 persons and by 22.7 percent compared with the same period last year.

The share of personnel working in foreign units has increased compared with the same period last year. At the end of the period, 41.8 percent (34.5%) of the Basware personnel worked outside of Finland and 58.2 percent (65.5%) in Finland. 19.7 percent of the personnel work in sales and marketing, 47.6 in consulting and services, 23.5 percent in Software Production, and 9.2 percent in administration.

The average age of the employees is 35,7 (35,5) years. 32.8 percent of them hold a Master's degree and 44.3 percent a Bachelor's degree. 28.4 percent of the personnel are women and 71.6 percent men.

Geographical distribution of personnel (primary segment):

Personnel (employed, in average)	4-6/ 2008	4-6/ 2007	Change, %	1-6/ 2008	1-6/ 2007	Change, %	1-12/ 2007
Finland	421	361	16.5	418	357	17.2	367
Scandinavia	101	97	4.5	100	95	5.8	96
Europe	130	69	87.5	129	67	91.6	93
North America	26	23	13.2	25	22	10.4	25
<b>Group total</b>	<b>678</b>	<b>550</b>	<b>23.2</b>	<b>672</b>	<b>541</b>	<b>24.1</b>	<b>580</b>

## BUSINESS OPERATIONS

### Finland

The Finland segment includes the business operations of Finland, Russia, Asia and Australia as well as the Financial Management business unit. Net sales increased by 6.6 percent in the second quarter and totaled EUR 13 091 thousand (EUR 12 276 thousand).

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Net sales of the Finnish Enterprise Purchase to Pay unit grew by 13.5 percent in the second quarter. Net sales of the Financial Management operations (Basware FIMA Oy) increased by 19.2 percent and represented 12.2 percent (12.8%) of the Basware Group's business operations.

In January–June, a total of 4.1 million invoices and in April–June 2.1 million invoices were transmitted through the eInvoicing service of *Basware Einvoices Oy*. The invoice volume grew by 24.7 percent (38.9%) during the second quarter compared with the same quarter last year. The company internationalizes through Basware' other subsidiaries.

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

There are five resellers in the Asia Pacific region. New customers in the quarter include UnitingCare Health, Challenger Group Services, Bureau VERITAS and Datacom.

In the Finland segment, new customers include 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 and Thermo Fisher.

There are currently 14 resellers in the area and the number of personnel was 421 (361) on average in the period.

## Scandinavia

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

Net sales of the area grew by 19.9 percent in the second quarter and totaled EUR 4 628 thousand (EUR 3 859 thousand). The profitability of the operations has improved by 336.8 percent and operating profit was EUR 489 thousand (EUR -207 thousand).

New customers include 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 101 (97) 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 of the Europe segment grew by 41.7 percent and totaled EUR 4 469 thousand (EUR 3 153 thousand). The profitability of the operations has improved by 64.5 percent and operating profit was EUR -123 thousand (EUR -347 thousand).

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

New customers include Europe Arab Bank, Transavia.com, AkzoNobel Functional Chemicals and Ballast Nedam 4th environmen Axapta.

At the end of the second quarter, there were 27 resellers and 130 (69) employees on average in Europe.



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## North America

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

Net sales of the area increased 57.0 percent in second quarter and totaled EUR 1 446 thousand. The profitability of the operations has improved by 137.4 percent and operating profit was EUR 185 thousand (EUR -495 thousand).

New customers in North America include American Cancer Society and Allied Building Products. Additionally, an agreement was signed with one of the largest publishing houses in America. The customer extends its existing Basware Invoice Automation solution to an end-to-end Enterprise Purchase to Pay solution.

At the end of the third quarter, there were 10 resellers and 26 (23) employees on average in North America.

## OTHER EVENTS OF THE FINANCIAL PERIOD

Basware Corporation was among the select companies that Forrester invited to participate in its June 18, 2008 Forrester Wave™: Accounts Payable EIPP, Q2 2008 report. Basware is evaluated number 1 in all three of the report's dimensions: Strategy, Current Offering and Market Presence. Basware was stated to have "the largest market presence, excellent functionality, and a strong vision" The findings of the Forrester Wave report reflect our success in combining a strong strategic vision with top-of-the-line product development – this is made possible by our clear focus on the Purchase to Pay business area.

## Strategy

In its meeting on October 4, 2007, the Board of Directors of Basware Corp. discussed the Company's growth strategy and approved five strategic projects that facilitate reaching the set targets. The projects, to be realized in the strategy period from 2007 to 2010, are: Dominating the US, Conquer the base, Must-have brand and thought leadership, Five global giants per year and Joint forces.

There has been no change to the Company's vision, mission and financial targets, published on September 12, 2006.

## SHARE AND SHAREHOLDERS

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

## Share price and trade

In the third quarter, the highest price of the share was EUR 10.45 (EUR 14.00), lowest price was EUR 6.14 (EUR 10.48) and closing price was EUR 7.00 (EUR 12.25). The average price of the share was EUR 8.03 (EUR 12.19).

A total of 1 039 454 (1 597 569) shares were traded during the financial period which is the equivalent of 9.1 percent (13.9%) of the average number of shares. Market capitalization with the period's closing price on June 30, 2008 was EUR 80 276 868 thousand (EUR 140 484 519 thousand).

## Shareholders

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

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

## **GOVERNANCE**

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

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

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

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

### **Decision on the Decrease of Share Premium**

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

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

### **Risk Management**

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

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

General economic uncertainty has increased. According to research institutions, the global enterprise software market continues to grow. The market growth in Asia Pacific and Europe is estimated to compensate the decline of the US market. The economic decline in the United States has not yet had a substantial impact on Basware's North American operations.

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

### **EVENTS AFTER THE FINANCIAL PERIOD**

There were no significant events after the financial period.



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## FUTURE OUTLOOK

General economic uncertainty has increased. However, according to research institutions, the global enterprise software market continues to grow. The market growth in Asia Pacific and Europe is estimated to compensate the decline of the US market. Basware operates in the electronic procurement and purchase invoice area, which is expected to grow more rapidly than the average for enterprise software. Basware solutions generate cost savings and therefore the demand is not heavily dependent on the economic situation.

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

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

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

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

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

As a result of the acquisition of Digital Vision, the Company gained a foothold in the Indian market. The Company extends its research and development unit to India which in the future results in a decrease of the research and development costs' share of the Company's net sales.

Of the Company's EUR 11 241 thousand backlog of SaaS orders, approximately EUR 400 thousand will be recognized as income in 2008.

Basware has complemented its organic growth with acquisitions. The Company continues to review possible acquisition targets especially in the United States and Europe during 2008. With the acquisitions, the Company can extend the sales channel in international markets.

Fixed costs in the second half of the year are estimated to be at the same level as the fixed costs in the first half of the year.

In 2008, Basware expects the growth of net sales for the financial year to be from 15 to 25 percent compared with the Group's net sales in the previous year. Operating profit (EBIT) is expected to be from 10 to 15 percent of net sales.

In Espoo, Finland, July 10, 2008.

**BASWARE CORPORATION**  
Board of Directors

July 10, 2008

**For more information, please contact**

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**Analyst and Press Briefing**

Basware arranges today, July 10, 2008 a briefing on the Interim Report for the press and analysts at 11:00 in Hotel Kämp, Pohjoisesplanadi 29, Helsinki, Finland. During this briefing CEO Ilkka Sihvo will comment the operations and financial performance of the quarter. Welcome.

**Distribution**

Helsinki Stock Exchange

Key media

[www.basware.com](http://www.basware.com)

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

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

**GROUP INCOME STATEMENT**

EUR thousand	1.4.- 30.6. 2008	1.4.- 30.6. 2007	Change, %	1.1.- 30.6. 2008	1.1.- 30.6. 2007	Change, %	1.1.- 31.12. 2007
<b>NET SALES</b>	<b>22 312</b>	<b>17 776</b>	<b>25,5</b>	<b>40 545</b>	<b>34 814</b>	<b>16,5</b>	<b>73 270</b>
Other operating income	62	752	-91.8	131	767	-83.0	834
Materials and services	-1 385	-662	109.1	-2 596	-1 482	75.2	-4 459
Employee benefits expenses	-12 608	-9 961	26.6	-24 373	-19 203	26.9	-40 600
Depreciation and amortization	-693	-597	16.0	-1 364	-1 168	16.7	-2 590
Other operating expenses	-5 257	-4 536	15.9	-10 166	-9 546	6.5	-18 943
<b>Operating profit</b>	<b>2 431</b>	<b>2 773</b>	<b>-12.3</b>	<b>2 177</b>	<b>4 182</b>	<b>-48.0</b>	<b>7 512</b>
Finance Income	18	79	-77.7	57	140	-59.2	344
Finance Expenses	-21	-12	78.8	-56	-23	145.5	-152
<b>Profit before tax</b>	<b>2 428</b>	<b>2 840</b>	<b>-14.5</b>	<b>2 178</b>	<b>4 299</b>	<b>-49.3</b>	<b>7 704</b>
Income tax expense	-528	-1 256	-57.9	-828	-1 831	-54.8	-3 591
<b>PROFIT FOR THE PERIOD</b>	<b>1 899</b>	<b>1 584</b>	<b>19.9</b>	<b>1 350</b>	<b>2 468</b>	<b>-45.3</b>	<b>4 112</b>
EPS (undiluted), EUR	0.16	0.14	16.8	0.11	0.22	-47.7	0.36
EPS (diluted), EUR	0.16	0.14	16.8	0.11	0.22	-47.7	0.36
Average share number							
- undiluted	11 468 124	11 468 124		11 468 124	11 468 124		11 468 124
- diluted	11 468 124	11 468 124		11 468 124	11 468 124		11 468 124

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**GROUP BALANCE SHEET**

EUR thousand	30.6.2008	30.6.2007	Change, %	31.12.2007
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Intangible assets	12 589	10 390	21.2	12 210
Goodwill	25 726	18 529	38.8	25 702
Tangible assets	1 081	875	23.6	1 009
Available-for-sale investments	38	38	0.0	38
Long-term trade and other receivables	12	12	0.0	12
Deferred tax assets	2 300	2 854	-19.4	2 489
<b>Non-current assets</b>	<b>41 746</b>	<b>32 698</b>	<b>27.7</b>	<b>41 460</b>
<b>CURRENT ASSETS</b>				
Inventories	37	21	76.2	42
Trade and other receivables	20 654	15 993	29.1	18 704
Income tax receivables	1 420	199	614.3	476
Financial assets at fair value through profit or loss	32	6 878	-99.5	31
Cash and cash equivalents	5 739	7 805	-26.5	7 010
<b>Current assets</b>	<b>27 881</b>	<b>30 895</b>	<b>-9.8</b>	<b>26 263</b>
<b>TOTAL ASSETS</b>	<b>69 627</b>	<b>63 593</b>	<b>9.5</b>	<b>67 722</b>
<b>EQUITY AND LIABILITIES</b>				
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	3 440	3 440	0.0	3 440
Share premium account	69	33 127	-99.8	33 127
Fair value reserve and other reserves	33 598	540	6 121.4	540
Translation differences	229	355	-35.5	392
Retained earnings	9 227	8 015	15.1	9 765
Minority interest	196	68	186.9	148
<b>Shareholders' equity</b>	<b>46 759</b>	<b>45 545</b>	<b>2.7</b>	<b>47 413</b>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liability	1 618	1 328	21.8	1 643
Interest-bearing liabilities	19	130	-85.5	20
<b>Non-current liabilities</b>	<b>1 637</b>	<b>1 458</b>	<b>12.3</b>	<b>1 663</b>
<b>CURRENT LIABILITIES</b>				
Interest-bearing liabilities	2 111	422	400.0	4 314
Trade payables and other liabilities	18 866	15 215	24.0	14 000
Tax liability from income tax	255	952	-73.3	333
<b>Current liabilities</b>	<b>21 231</b>	<b>16 590</b>	<b>28.0</b>	<b>18 647</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>69 627</b>	<b>63 593</b>	<b>9.5</b>	<b>67 722</b>

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**GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

EUR thousand	Share- holders' equity	Share premium account	Invested non- re- stricted equity	Other reserves	Trans- lation difference	Retained earnings	Minority interest	Share- holders' equity
<b>SHAREHOLDERS' EQUITY 1.1.2007</b>	3 440	33 127	0	540	235	7 176	88	44 606
Change in translation difference					120			120
Granted warrants						69		69
Other changes						1		1
<b>Net profit/loss recognized directly in shareholders' equity</b>					120	71		190
Profit for the period						2 488	-20	2 468
<b>Total profits and losses</b>					120	2 559	-20	2 658
Share premium						-1 720		-1 720
<b>SHAREHOLDERS' EQUITY 30.6.2007</b>	<b>3 440</b>	<b>33 127</b>	<b>0</b>	<b>540</b>	<b>355</b>	<b>8 015</b>	<b>68</b>	<b>45 545</b>
EUR thousand	Share- holders' equity	Share premium account	Invested non- re- stricted equity	Other reserves	Trans- lation difference	Retained earnings	Minority interest	Share- holders' equity
<b>SHAREHOLDERS' EQUITY 1.1.2008</b>	3 440	33 127	0	540	392	9 765	148	47 413
Change in translation difference					-163	-190		-353
Granted warrants						70		70
Siirrot erien välillä		- 33 058	33 058					0
<b>Net profit/loss recognized directly in shareholders' equity</b>		-33 058	33 058		-163	-120		-283
Profit for the period						1 302	48	1 350
<b>Total profits and losses</b>					-163	1 182	48	1 066
Dividend distribution						-1 720		-1 720
<b>SHAREHOLDERS' EQUITY 30.6.2008</b>	<b>3 440</b>	<b>69</b>	<b>33 058</b>	<b>540</b>	<b>229</b>	<b>9 227</b>	<b>196</b>	<b>46 759</b>

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**GROUP CASH FLOW STATEMENT**

EUR thousand	1.1.–30.6.2008	1.1.–30.6.2007	1.1.–31.12.2007
<b>Cash flows from operating activities</b>			
Profit for the period	1 350	2 468	4 112
Adjustments for profit	2 191	2 506	5 732
Working capital changes	2 770	2 286	-1 812
Interest paid	-51	-13	-124
Dividends received	56	25	287
Interest received	-6	-6	-7
Other financial items in operating activities	-1 730	-1 177	-3 801
<b>Net cash from operating activities</b>	<b>4 579</b>	<b>6 090</b>	<b>4 387</b>
<b>Cash flows from investing activities</b>			
Purchase of tangible and intangible assets	-1 842	-1 634	-2 869
Proceeds from sale of tangible and intangible assets		25	48
Acquired subsidiaries	-1		-8 180
Proceeds from other investments		3 013	3 013
Repayments of loan receivables	5	6	20
<b>Net cash used in investing activities</b>	<b>-1 838</b>	<b>1 409</b>	<b>-7 969</b>
<b>Cash flows from financing activities</b>			
Minority's capital investment			40
Proceeds from short-term loans	2 000		4 000
Repayments of short-term borrowings	-4 200		
Repayments of long-term borrowings		-200	-562
Repayments of financial lease liabilities	-4	-6	-10
Dividends paid	-1 720	-1 720	-1 720
<b>Net cash used in financing activities</b>	<b>-3 925</b>	<b>-1 927</b>	<b>1 749</b>
<b>Net change in cash and cash equivalents according to cash flow statement</b>			
	<b>- 1 184</b>	<b>5 573</b>	<b>-1 833</b>
Cash and cash equivalents at beginning of period	7 041	8 975	8 975
Effects of exchange rate changes on cash and cash equivalents	-86	21	-101
Effects of fair value implementation		115	
Cash and cash equivalents at end of period	5 771	14 683	7 041



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**GROUP QUARTERLY INCOME STATEMENT**

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

**COMMITMENTS AND CONTINGENT LIABILITIES**

EUR thousand	30.6.2008	30.6.2007	31.12.2007
<b>GUARANTEES ON BEHALF OF SUBSIDIARIES</b>			
	1 075	1 075	1 103
<b>Guarantees total</b>	<b>1 075</b>	<b>1 075</b>	<b>1 103</b>
<b>OTHER OWN CONTINGENT LIABILITIES</b>			
Lease liabilities:			
Current lease liabilities	713	586	601
Lease liabilities maturing in 1-5 years	754	460	685
<b>Total</b>	<b>1 468</b>	<b>1 046</b>	<b>1 286</b>
Other rental liabilities:			
Current rental liabilities	2 000	1 766	1 827
Rental liabilities maturing in 1-5 years	4 471	4 435	3 957
Rental liabilities maturing later	25	321	172
<b>Total</b>	<b>6 496</b>	<b>6 522</b>	<b>5 956</b>
<b>Other own contingent liabilities, total</b>	<b>7 964</b>	<b>7 567</b>	<b>7 242</b>

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**SEGMENT REPORTING**
**Geographical segments (primary segment)**

<b>Net sales (EUR thousand)</b>	<b>4-6/ 2008</b>	<b>4-6/ 2007</b>	<b>Change, %</b>	<b>1-6/ 2008</b>	<b>1-6/ 2007</b>	<b>Change, %</b>	<b>1-12/ 2007</b>
Finland	13 091	12 276	6.6	23 584	24 333	-3.1	48 849
Scandinavia	4 628	3 859	19.9	8 827	7 889	11.9	16 797
Europe	4 469	3 153	41.7	8 762	5 952	47.2	15 081
North America	1 446	921	57.0	2 125	1 673	27.1	3 460
Sales between segments	-1 322	-2 432	45.6	-2 752	-5 033	45.3	-10 917
<b>Group total</b>	<b>22 312</b>	<b>17 776</b>	<b>25.5</b>	<b>40 545</b>	<b>34 814</b>	<b>16.5</b>	<b>73 270</b>

<b>Operating profit (EUR thousand)</b>	<b>4-6/ 2008</b>	<b>4-6/ 2007</b>	<b>Change, %</b>	<b>1-6/ 2008</b>	<b>1-6/ 2007</b>	<b>Change, %</b>	<b>1-12/ 2007</b>
Finland	1 926	3 837	-49.8	1 834	7 152	-74.4	12 706
Scandinavia	489	-207	336.8	810	-436	285.9	333
Europe	-123	-347	64.5	-401	-1 526	73.7	-3 662
North America	185	-495	137.4	27	-978	102.8	-1 751
Operating profit between segments	-47	-15	-203.2	-94	-31	-204.1	-114
<b>Group total</b>	<b>2 431</b>	<b>2 773</b>	<b>-12.3</b>	<b>2 177</b>	<b>4 182</b>	<b>-48.0</b>	<b>7 512</b>

<b>Personnel (employed, in average)</b>	<b>4-6/ 2008</b>	<b>4-6/ 2007</b>	<b>Change, %</b>	<b>1-6/ 2008</b>	<b>1-6/ 2007</b>	<b>Change, %</b>	<b>1-12/ 2007</b>
Finland	421	361	16.5	418	357	17.2	367
Scandinavia	101	97	4.5	100	95	5.8	96
Europe	130	69	87.5	129	67	91.6	93
North America	26	23	13.2	25	22	10.4	25
<b>Group total</b>	<b>678</b>	<b>550</b>	<b>23.2</b>	<b>672</b>	<b>541</b>	<b>24.1</b>	<b>580</b>

**Business segments (secondary segment)**

<b>Net sales (EUR thousand)</b>	<b>4-6/ 2008</b>	<b>4-6/ 2007</b>	<b>Change, %</b>	<b>1-6/ 2008</b>	<b>1-6/ 2007</b>	<b>Change, %</b>	<b>1-12/ 2007</b>
Product sales	6 762	6 152	9.9	10 836	12 618	-14.1	24 117
Maintenance and support	5 507	5 141	7.1	11 257	10 099	11.5	22 100
Consulting and services	8 696	5 515	57.7	15 952	10 536	51.4	23 342
SaaS	600	291	106.7	824	541	52.4	1 250
Other operations	745	678	9.9	1 675	1 021	64.1	2 461
<b>Group total</b>	<b>22 312</b>	<b>17 776</b>	<b>25.5</b>	<b>40 545</b>	<b>34 814</b>	<b>16.5</b>	<b>73 270</b>

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

<b>Net sales (EUR thousand)</b>	<b>4-6/ 2008</b>	<b>4-6/ 2007</b>	<b>Change, %</b>	<b>1-6/ 2008</b>	<b>1-6/ 2007</b>	<b>Change, %</b>	<b>1-12/ 2007</b>
Finland	11 320	9 819	15.3	20 100	19 179	4.8	37 969
Scandinavia	4 508	3 614	24.7	8 635	7 543	14.5	15 911
Europe	4 401	3 161	39.2	8 749	5 992	46.0	14 785
North America	2 082	1 182	76.2	3 061	2 100	45.8	4 604
<b>Group total</b>	<b>22 312</b>	<b>17 776</b>	<b>25.5</b>	<b>40 545</b>	<b>34 814</b>	<b>16.5</b>	<b>73 270</b>

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**GROUP KEY INDICATORS**

EUR thousand	1-6/2008	1-6/2007	1-6/2006	1-12/2007
Net sales	40 545	34 814	30 083	73 270
Growth of net sales, %	16.5%	15.7%		22.2%
Operating profit	2 177	4 182	3 776	7 512
Growth of operating profit, %	-48.0%	10.7%		-7.0%
% of net sales	5.4%	12.0%	12.6%	10.3%
Profit before tax	2 178	4 299	3 894	7 704
% of net sales	5.4%	12.3%	12.9%	10.5%
Profit for the period	1 350	2 468	2 795	4 112
% of net sales	3.3%	7.1%	9.3%	5.6%
Return on equity, %	5.7%	11.0%	26.8%	8.9%
Return on investment, %	8.9%	18.9%	37.1%	16.2%
Interest bearing liabilities	2 130	552	990	4 334
Cash and liquid assets *)	5 771	14 683	11 312	7 041
Gearing, %	-7.8%	-31.0%	-24.8%	-5.7%
Equity ratio, %	67.2%	71.6%	71.1%	70.0%
Total assets	69 627	63 593	58 655	67 722
Gross investments **)	1 823	1 649	23 501	12 220
% of net sales	4.5%	4.7%	78.1%	16.7%
Capital expenditure	481	368	368	817
% of net sales	1.2%	1.1%	1.2%	1.1%
Research and development costs	8 133	6 344	5 445	13 172
% of net sales	20.1%	18.2%	18.1%	18.0%
R&D personnel at end of period				
Personnel average for period	672	541	508	580
Personnel at end of period	686	559	507	658
Growth of personnel, %	22.7%	10.3%		24.6%
Earnings per share. EUR	0.11	0.22	0.26	0.36
Earnings per share, EUR (diluted)	0.11	0.22	0.25	0.36
Equity per share, EUR	4.06	3.97	3.67	4.12
Dividend per profit, %				42.0%
P/E ratio	61.67	56.46	53.57	28.02
Share price performance				
lowest share price	6.14	10.48	11.21	9.50
highest share price	10.45	14.00	15.25	14.00
average share price	8.03	12.19	13.35	12.03
closing share price	7.00	12.25	13.75	10.00
Market value at the end of period	80 276 868	140 484 519	156 038 768	114 681 240
Share issue adjusted number				
of traded shares	1 039 454	1 597 569	3 628 803	2 761 995
% of average share number	9.1%	13.9%	33.3 %	24.1%
Average share number:				
- during the period	11 468 124	11 468 124	10 889 344	11 468 124
- during the period, diluted	11 468 124	11 468 124	10 986 222	11 468 124

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

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

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**MAJOR SHAREHOLDERS, June 30, 2008**

	Shares pcs	Votes %
1. Sihvo, Ilkka	1 065 800	9.3
2. Vaajoensuu, Hannu (incl. a controlled company and children under guardianship)	1 045 800	9.1
3. Eräkangas, Kirsi (incl. children under guardianship)	1 031 800	9.0
4. Perttunen, Sakari	830 400	7.2
5. Pöllänen, Antti (incl. children under guardianship)	740 900	6.5
6. Nordea Nordic Small Cap Rahasto	558 084	4.9
7. Ahonen, Asko	318 822	2.8
8. Henki-Sampo Pension Insurance Company	300 000	2.6
9. Royal Skandia Life Assurance	270 000	2.4
10. Veritas Pension Insurance Company	266 000	2.3
11. Fondita Nordic Small Cap Fund	261 000	2.3
12. Perttunen Meimi	215 400	1.9
13. Kaleva Mutual Insurance Company	146 600	1.3
14. Evli Pankki Oy	120 297	1.0
15. Fondita Nordic Micro Cap Placeringsfond	95 000	0.8
16. Sr Eq Technology	94 823	0.8
17. Pavor	75 052	0.7
18. Sinkonen, Raija	70 000	0.6
19. Nordea Fennia Plus Fund	67 390	0.6
20. Sarvala, Vesa	65 241	0.6
20 largest shareholders total	7 639 409	66.6
Nominee registered shares	1 308 306	11.4
Others	2 520 409	22.0
<b>Total</b>	<b>11 468 124</b>	<b>100</b>