

Basware Interim Report

Q3/2011 and 1-9/2011

CEO Ilkka Sihvo and CFO Mika Harjuaho

October 13, 2011

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- Business and market review of Q3/2011 and 1-9/2011
- Segment review of Q3/2011 and 1-9/2011
- Financial review of Q3/2011 and 1-9/2011
- Future outlook



Business and market review of Q3/2011 and 1-9/2011

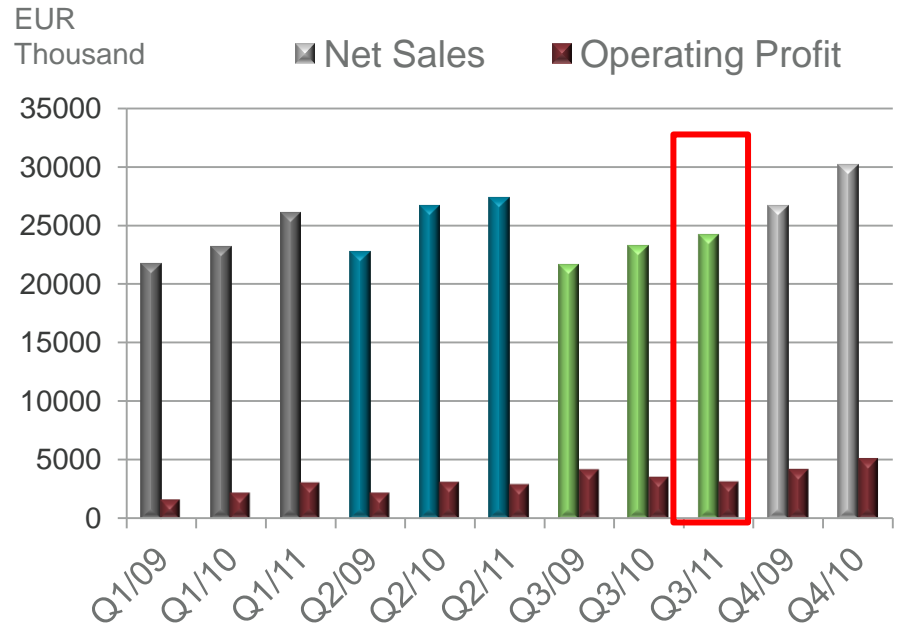
CEO Ilkka Sihvo

Business review of Q3 and 1-9/2011

- **1-9/2011**
 - Share of recurring revenue 49.7 percent
 - The estimated revenue to be recognized for current Automation Services agreements in production in the next twelve months is EUR 17.2 million, growth from previous quarter 7.2 percent
 - Opening fees and revenue from transactions grew 64.4% during the period
- **Q3/2011**
 - Share of recurring revenue 53.5 percent of net sales
 - Automation services grew 32.0 percent
 - License sales decreased compared to Q3/2010
 - SEPA and third party license sales decreased
 - SaaS sales increased
 - Conversion of license sales to SaaS continued at a milder pace
 - Postponed cases in normal rates
 - Market becoming milder

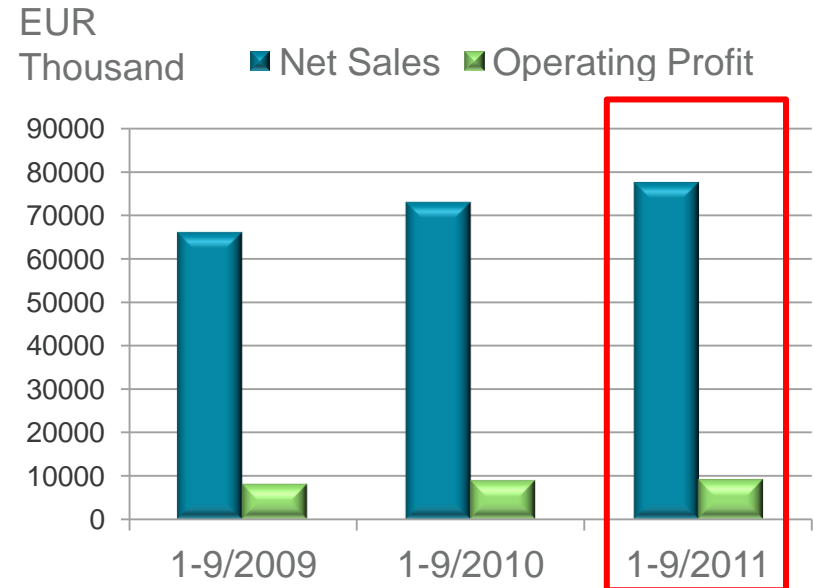
Q3/2011 in Brief

- Growth of net sales 4.2%
- Operating profit 12.6 percent of net sales
- Decrease of operating profit 10.8%
- Growth of Automation services (SaaS and e-invoicing) 32.0%
 - Growth of transactions revenue 62.3%
 - Growth of SaaS revenue 25.0%
- Recurring revenue (Maintenance and Automation services) 53.5% of net sales
- The estimated revenue to be recognized for current Automation Services agreements in production in the next twelve months is EUR 17.2 million, growth of 7.2% from previous quarter.



1-9/2011 in Brief

- Growth of net sales 6.3%
- Growth of operating profit 3.2%
- Operating profit 11.4 percent of net sales
- Growth of Automation services (SaaS and e-invoicing) 39.4%
 - Growth of transaction revenue 66.3%
 - Growth of SaaS revenue 13.8%
- Recurring revenue (Maintenance and Automation services) 49.7% of net sales
- The estimated revenue to be recognized for current Automation Services agreements in production in the next twelve months is EUR 17.2 million, growth of 7.2% from previous quarter.
- R&D costs included in the results amount to EUR 9 234 thousand (EUR 9 759 thousand)



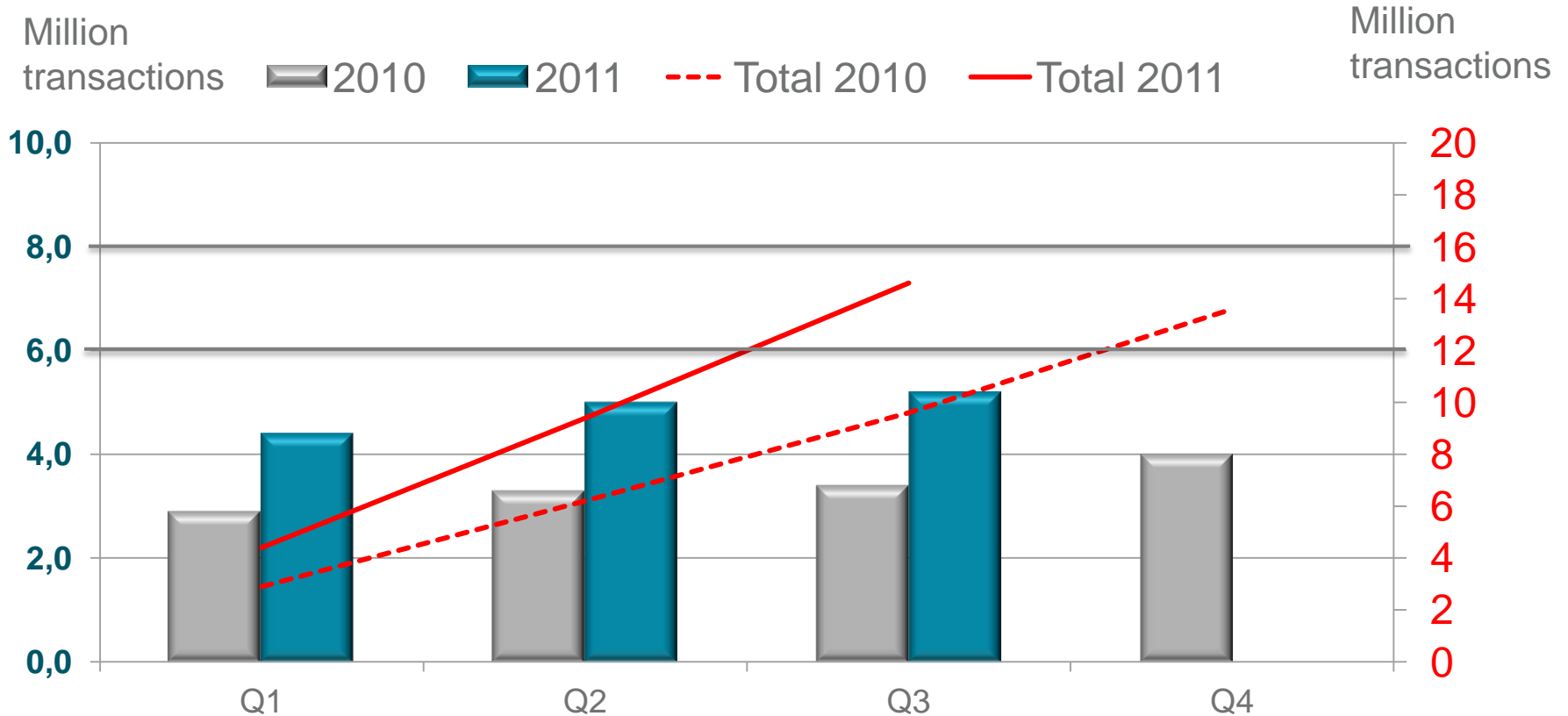
IT market forecast, Oct 2011

	Global		US	
Year	2011	2012	2011	2012
Software	9.0	8.8->7.0	8.6->6.0	10->8.0
IT Services, total	7.3	7.0->6.0	7.4	7.5->6.0
All IT	8.2->7.80	8.3->5.50	6.7	8.9->6.40

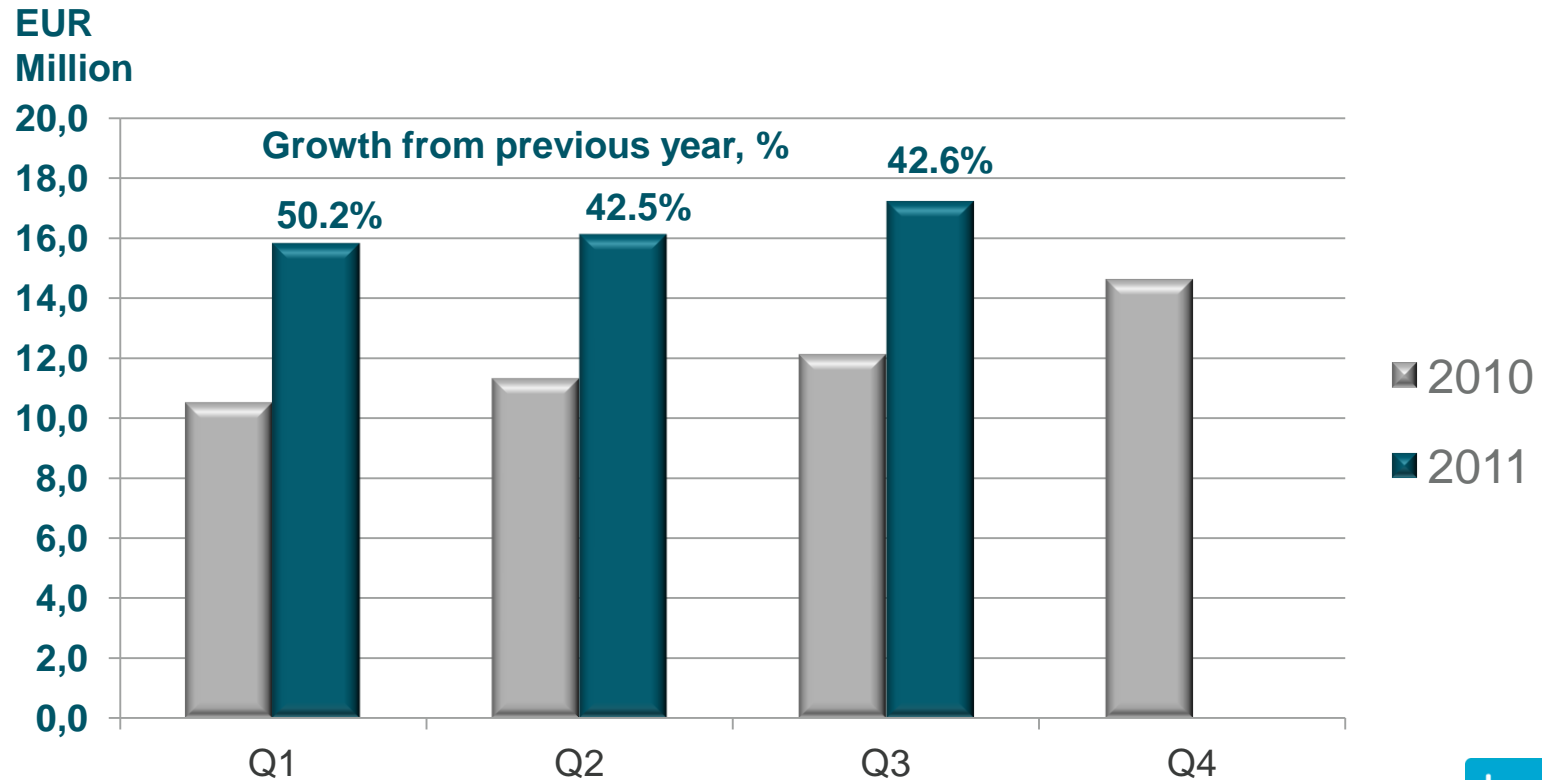
Forecast is based on market reports and estimates from leading independent research companies in between Sept 2010 and Sept 2011.

Basware believes that the estimates from research companies **for 2011 have been until now too positive.**

Automation services/transaction volumes



Quarterly development of the estimated revenue to be recognized from Automation services agreements for the next 12 months



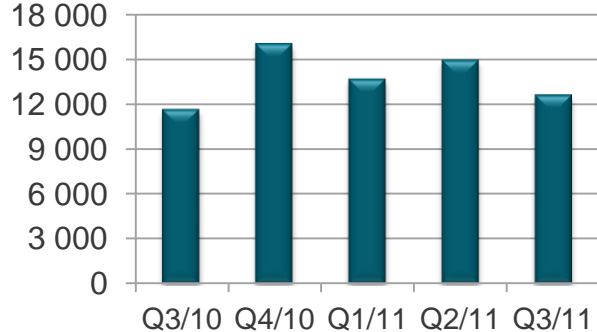
Segment review of Q3/2011

CEO Ilkka Sihvo

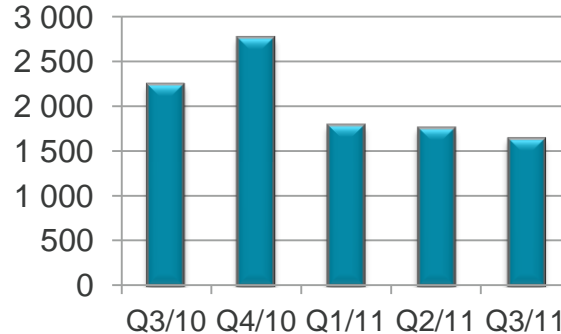
Segment: Finland Q3/2011

<i>EUR thousand</i>	Q3/10	Q4/10	Q1/11	Q2/11	Q3/11
Net sales	11 641	16 011	13 656	14 924	12 608
Growth of net sales, %	1.4%	4.8%	12.0%	8.4%	8.3%
Operating profit	2 238	2 757	1 782	1 752	1 632
Number of personnel	547	584	639	727	760

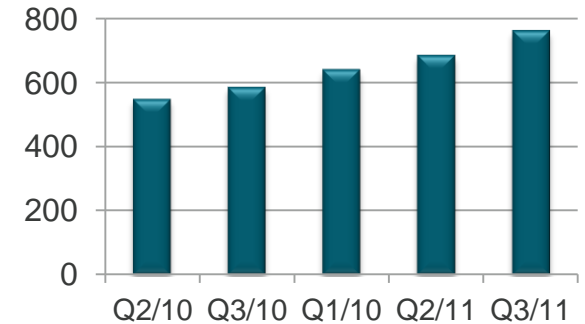
Net Sales



Operating profit



Personnel



Highlights:

Steady growth continued

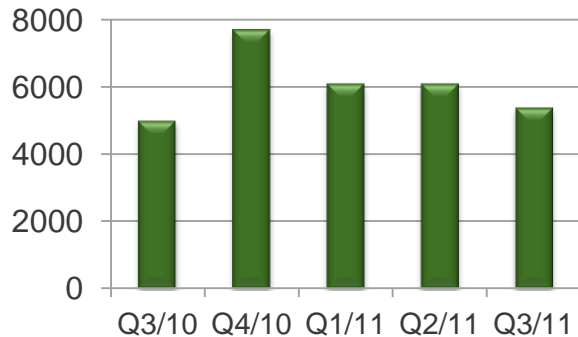
Automation services grew strongly

Quarterly profitability good but impacted by periodization of incentive program

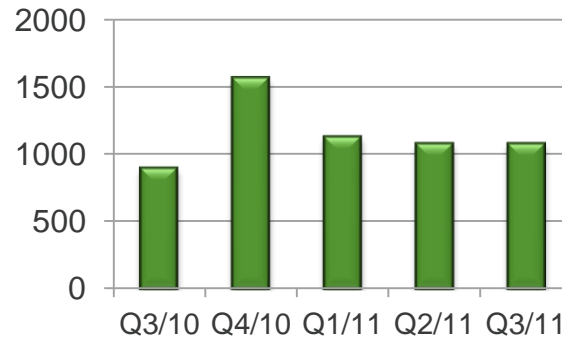
Segment: Scandinavia Q3/2011

<i>EUR thousand</i>	Q3/10	Q4/10	Q1/11	Q2/11	Q3/11
Net sales	4 994	7 708	6 096	6 241	5 379
Growth of net sales, %	10.9%	25.6%	16.0%	0.1%	7.7
Operating profit	890	1 557	1 122	1 073	990
Number of personnel	124	124	120	119	116

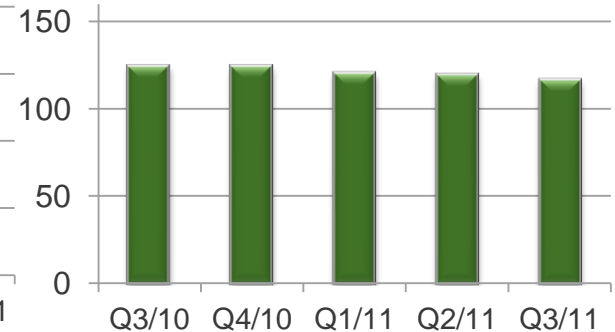
Net Sales



Operating profit



Personnel

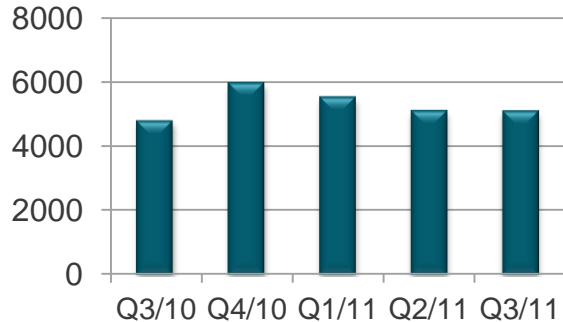


Highlights: License sales showed solid growth in Q3
 Both net sales and profitability improved in Q3 and during the period
 InvoiceReady sales has started in all countries

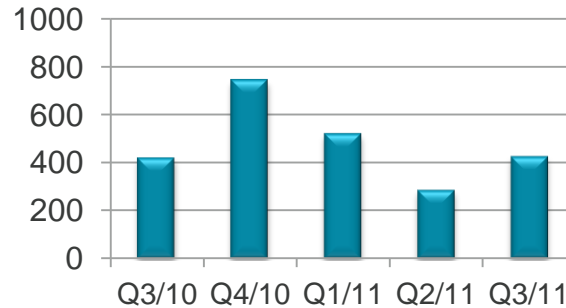
Segment: Europe Q3/2011

<i>EUR thousand</i>	Q3/10	Q4/10	Q1/11	Q2/11	Q3/11
Net sales	4 782	5 959	5 518	5 097	5 088
Growth of net sales,%	16.5%	5.9%	8.9%	-8.0%	6,4%
Operating profit	419	743	520	285	424
Number of personnel	126	131	136	142	135

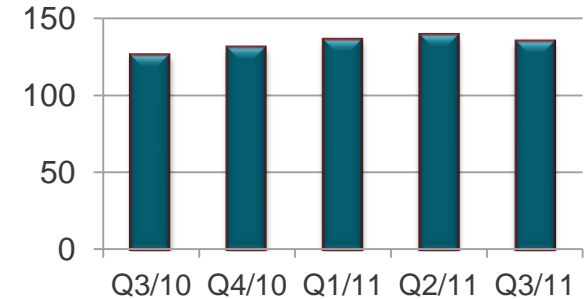
Net Sales



Operating Profit



Personnel

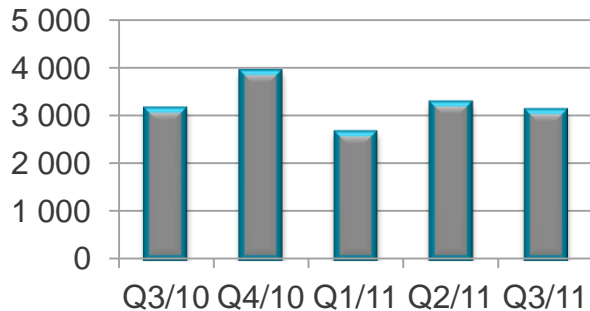


Highlights: Automation services continued solid growth with new customer wins e.g. Cofely in UK
License sales strong in UK

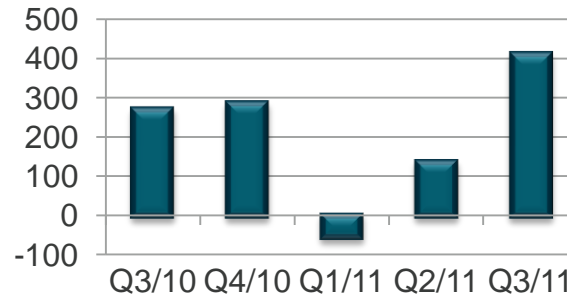
Segment: Other Q3/2011

<i>EUR thousand</i>	Q3/10	Q4/10	Q1/11	Q2/11	Q3/11
Net sales	3 111	3 898	2 611	3 235	3 074
Growth of net sales, %	-21.9%	34.5%	10.1%	19.0%	-1,2%
Operating profit	269	284	-54	136	408
Number of personnel	57	61	63	63	64

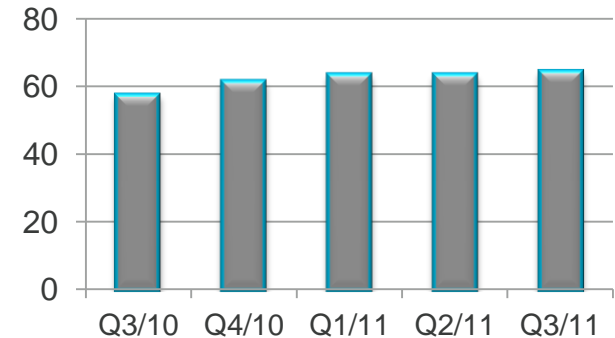
Net Sales



Operating Profit



Personnel



Highlights: Some new customer wins despite vague market trends in North America
 Strong demand in Professional Services in both North America and Asia-Pacific
 Sales funnel improving in North America

Financial review of Q3/2011 and 1-9/2011

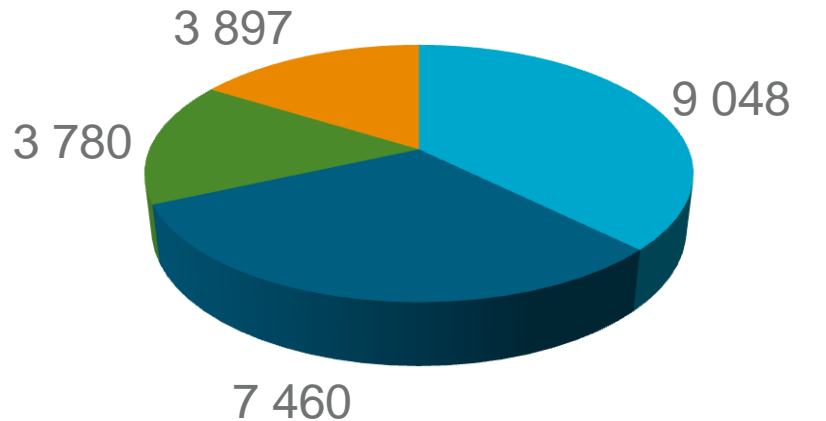
CFO Mika Harjuaho

Q3/2011 and 1-9/2011 in Brief

EUR Million	Q3/11	Q3/10	1-9/11	1-9/10
Net sales	24.2	23.2	77.5	72.9
Growth of net sales, %	4.2%	7.4%	6.3%	10.4%
Operating profit (EBIT)	3.0	3.4	8.8	8.6
Change of operating profit %	-10.8%	-15.4%	3.2%	10.1%
% of net sales	12.6%	14.7%	11.4%	11.7%
Net profit/loss	2.3	2.7	6.7	6.4
Share of recurring revenue, %	53.5%	48.4%	49.7%	45.1%
Earnings per share, euro	0.18	0.23	0.53	0.56
Number of shares	12 931 229	11 688 924	12 931 229	11 688 924
Growth of earnings per share, %	-22.9%	-12.5%	-4.6%	26.2%
Fixed costs	18.0	17.0	59.4	56.1
Growth of fixed costs, %	6.1%	12.0%	6.0%	10.6%
Personnel 31.9.	1 075	854	1 079	866
Personnel costs	13.3	12.0	44.0	40.8
Total R&D expenses	4.0	3.0	12.0	10.8

Net Sales by Operation Q3/2011

EUR Thousand



■ Maintenance

■ Licenses

■ Professional Services

■ Automation Services

License sales, decrease of 23.1%

Maintenance, growth of 9.3%

Professional Services, growth of 5.7%

Automation services, growth of 32.0%

As part of license sales, SEPA sales decreased 59.9% and third party scanning software sales decreased 40.5%
SaaS sales increased 25.0%

Licenses = License sales of software products

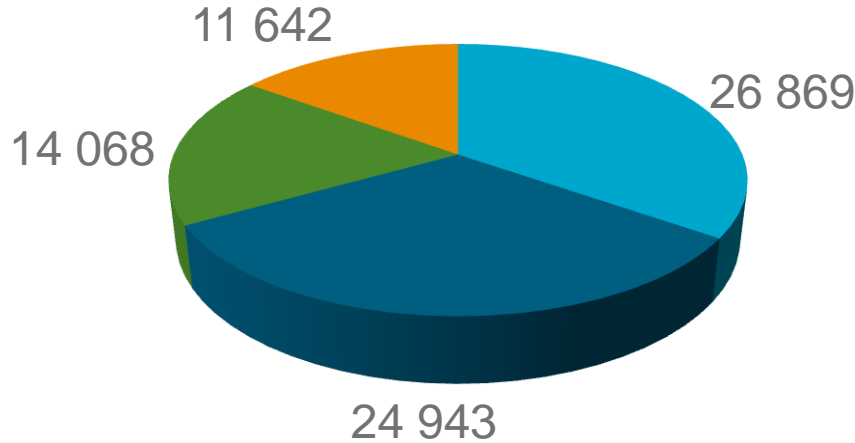
Professional Services = Former consulting, includes also Maintenance and Automation Services related consulting

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

Automation Services = Software as a Service, e-invoicing, scan and capture, activation services

Net Sales by Operation 1-9/2011

EUR Thousand



■ Maintenance
■ Licenses

■ Professional Services
■ Automation Services

License sales, decrease of 15.0%

Maintenance, growth of 9.6%

Professional Services, growth of 6.1%

Automation services, growth of 39.4%

As part of license sales, SEPA sales decreased 58.2% and third party scanning software sales decreased 47.8%
SaaS sales increased 13.8%

Licenses = License sales of software products

Professional Services = Former consulting, includes also Maintenance and Automation Services related consulting

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

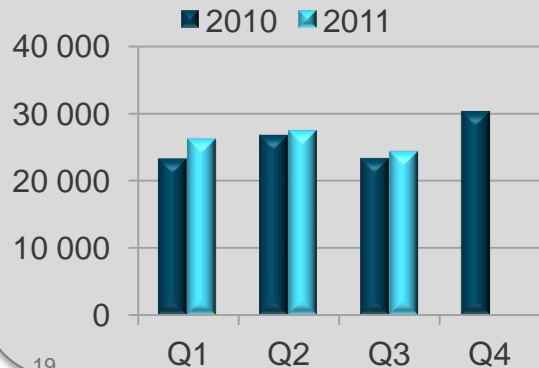
Automation Services = Software as a Service, e-invoicing, scan and capture, activation services

Development of Quarterly Net Sales and Profit

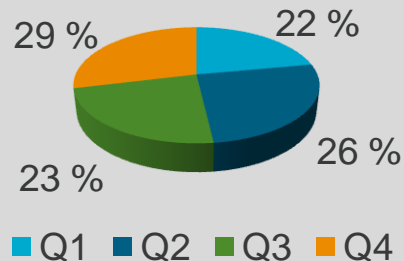
EUR thousand

	Q1/11	Q1/10	Q2/11	Q2/10	Q3/11	Q3/10	Q4/11	Q4/10
Net sales	26 058	23 132	27 280	26 612	24 185	23 202		30 149
Growth %	12.7%	6.5%	2.5%	17.1%	4.2%	7.4%		13.3%
Other operating income	42	50	41	55	43	43		42
Materials and services	1 948	1 288	1 727	1 754	1 933	1 593		1 760
Personnel expenses	14 738	13 703	16 004	15 184	13 293	11 959		16 491
Depreciation and write-offs	1 237	1 236	1 279	1 309	1 270	1 294		1 278
Other operating expenses	5 219	4 818	5 478	5 414	4 694	4 991		5 725
Operating profit	2 957	2 136	2 832	3 006	3 038	3 408		4 937

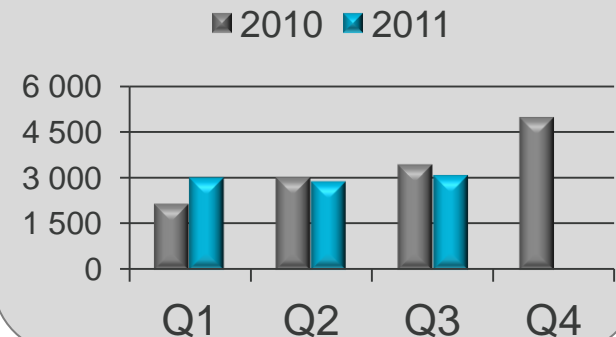
Net Sales



2010

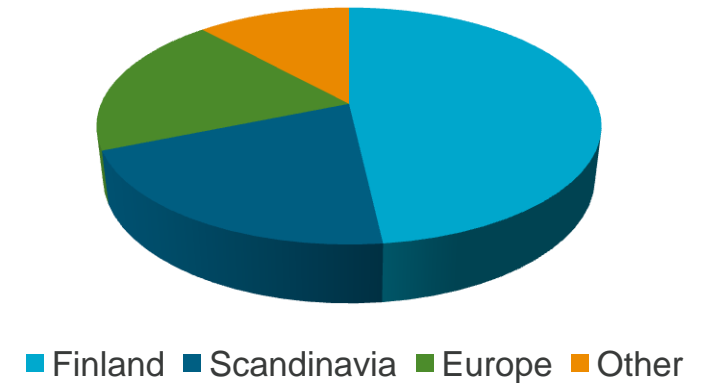
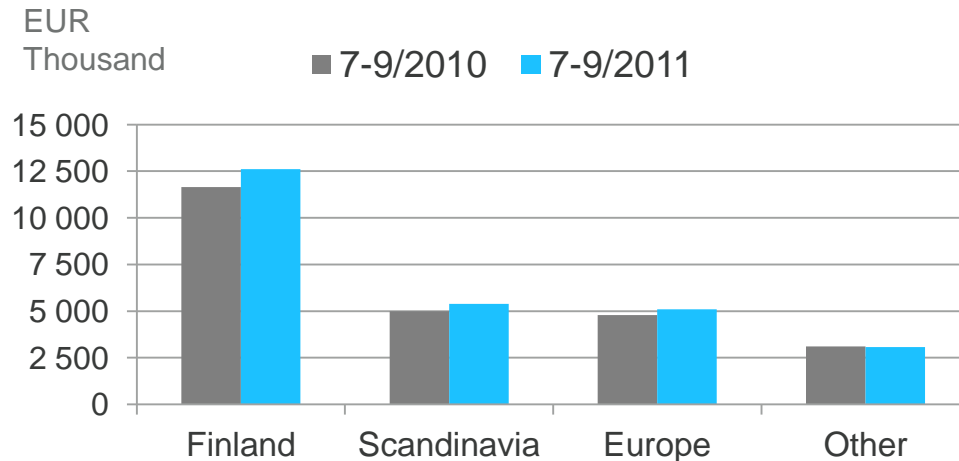


Profit



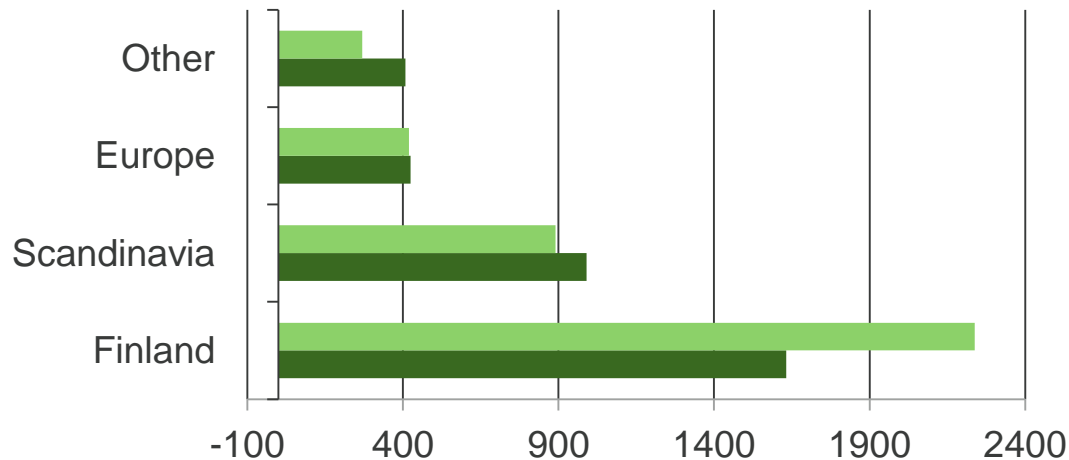
Net Sales Q3/2011

Net sales, EUR thousand	7-9/11	7-9/10	Change, %
Finland	12 608	11 641	8.3%
Scandinavia	5 379	4 994	7.7%
Europe	5 088	4 782	6.4%
Other	3 074	3 111	-1.2%
Net sales between segments	-1 965	-1 326	48.2%
Group total (IFRS)	24 185	23 202	4.2%



Operating Profit Q3/2011

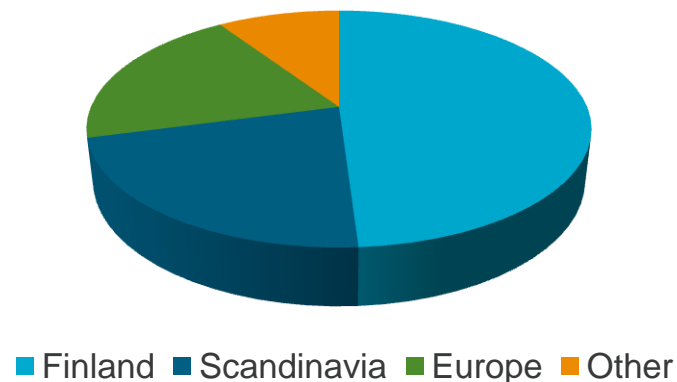
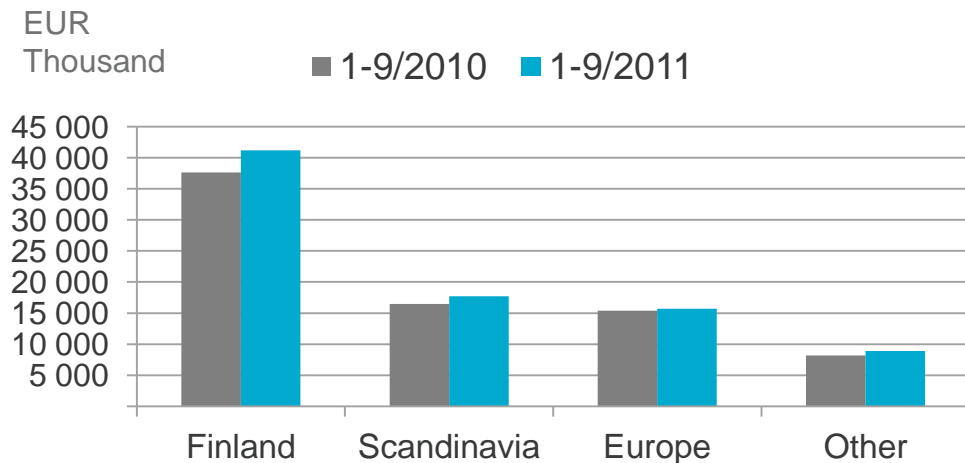
Operating profit	Q3/11	Q3/10	Change,%
Finland	1 632	2 238	-27.1%
Scandinavia	990	890	11.3%
Europe	424	419	1.2%
Other	408	269	51.4%
Operating profit between segments	-415	-408	1.7%
Group total (IFRS)	3 038	3 408	-10.8



Quarterly profitability good but impacted by periodization of incentive program especially in segment Finland

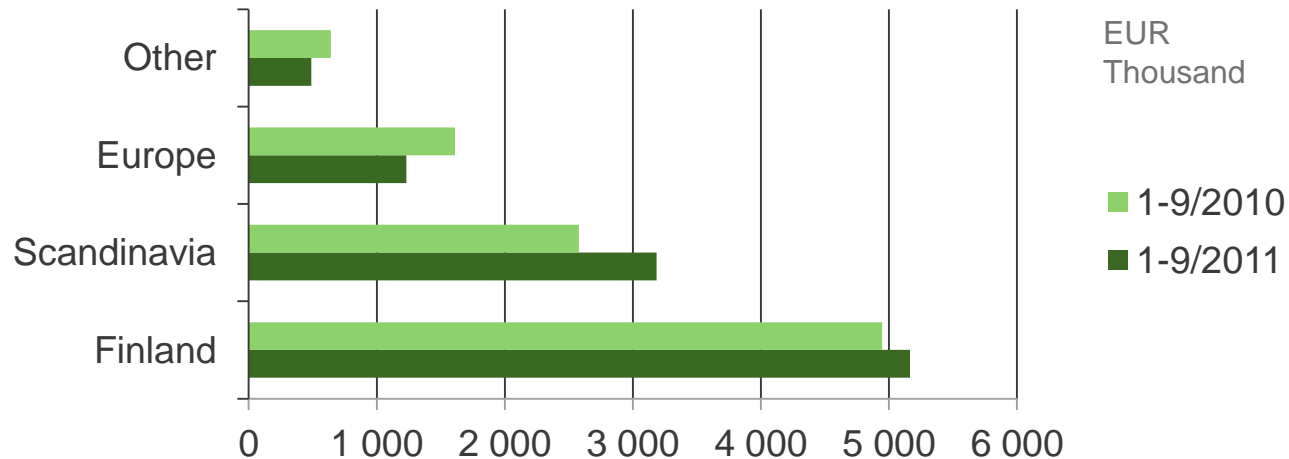
Net Sales 1-9/2011

Net sales	1-9/11	1-9/10	Change, %
Finland	41 188	37 595	9.6%
Scandinavia	17 716	16 480	7.5%
Europe	15 703	15 388	2.0%
Other	8 921	8 203	8.8%
Net sales between segments	-6 005	-4 720	27.2%
Group total (IFRS)	77 523	72 946	6.3%

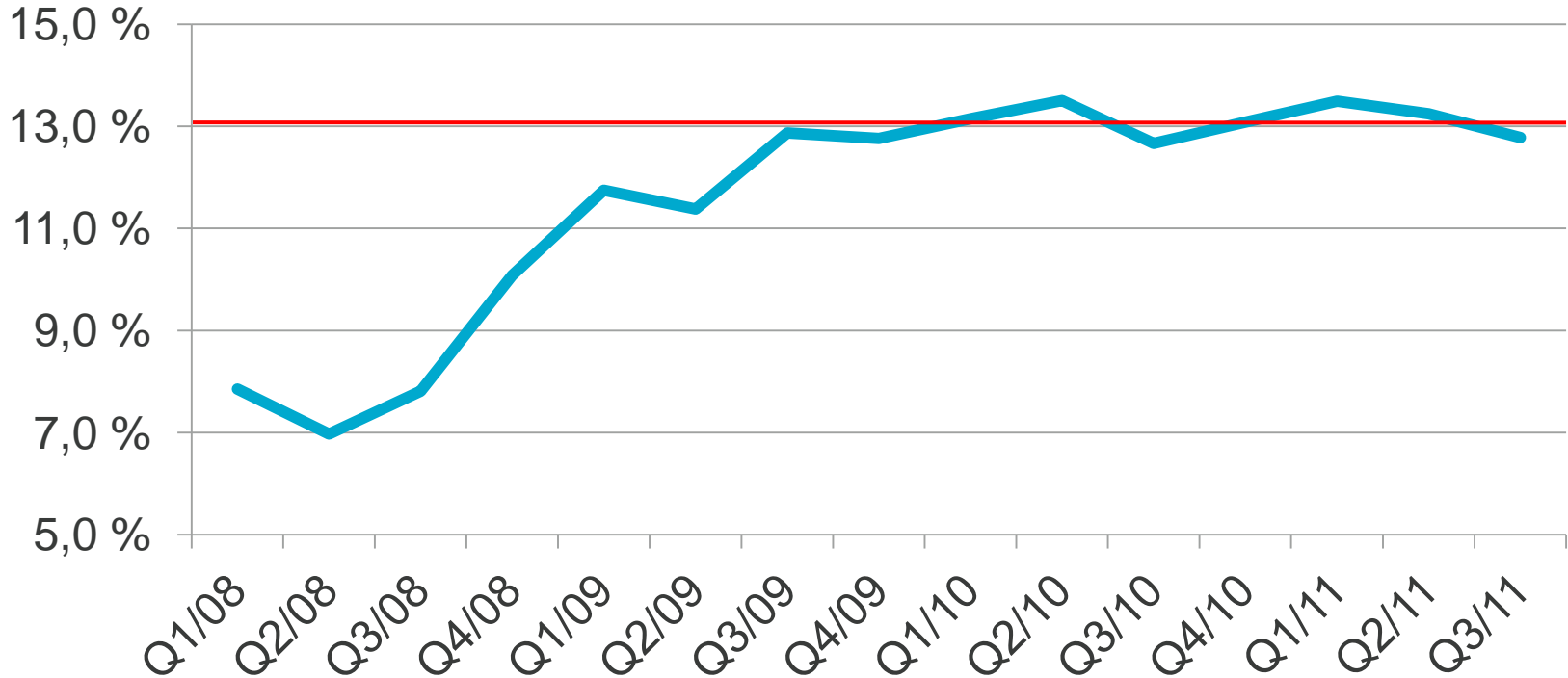


Operating Profit 1-9/2011

Operating profit	1-9/11	1-9/10	Change, %
Finland	5 165	4 946	4.4%
Scandinavia	3 185	2 578	23.5%
Europe	1 230	1 611	-23.6%
Other	489	640	-23.5%
Operating profit between segments	-1 242	-1 224	1.5%
Group total (IFRS)	8 826	8 550	3.2%

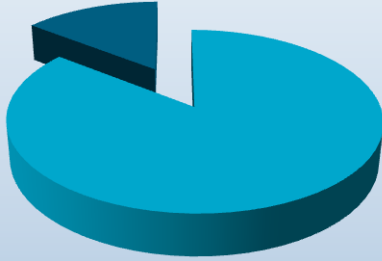


Operating Profit % (EBIT %) Trend Rolling 12 Month Quarterly Average



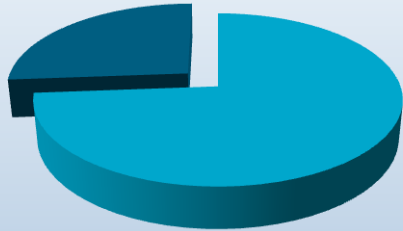
Operating profit (EBIT) for **2011** is expected to be from 11.5 to 14.5 percent.

Products 1-9/2011



Total R&D expenses 15.5% of net sales

- Total R&D expenses EUR12 008 thousand (EUR 10 797 thousand)
 - Increase of 11.2 percent
 - 15.5 percent of net sales (14.8%)
 - EUR 2 774 thousand (EUR1 038 thousand) of expenses capitalized
- R&D costs in P&L EUR 9 234 (EUR 9 759)
 - 11.9 percent of net sales 13.4%)

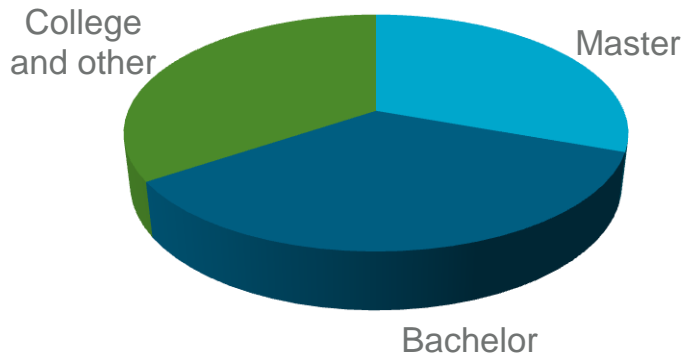


28.2% of personnel

- Products unit personnel 304 (213)
 - Units in Finland and India
 - Number of R&D personnel not expected to grow significantly from current level

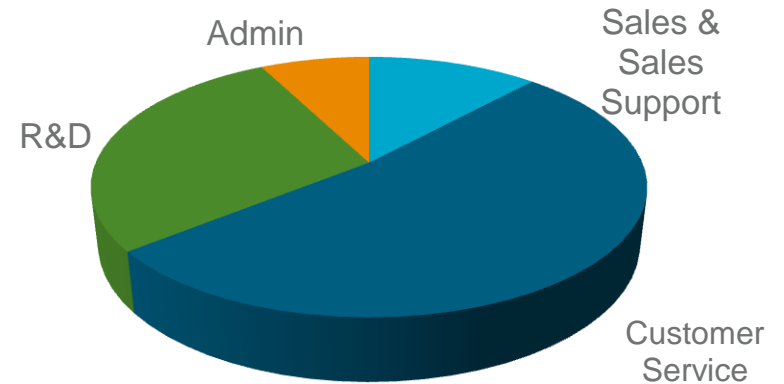
Personnel

- In total 1 079 (866) employees at the end of September 2011
- Growth of 24.6%



Education

- 57.2 (52.9) percent abroad
- Average age 34.8 years



Personnel groups

Finance and Investments

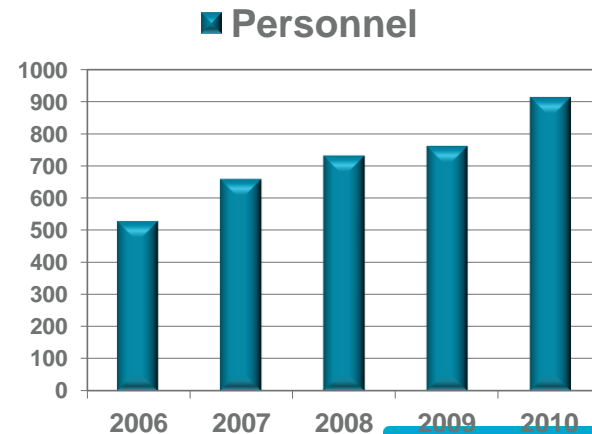
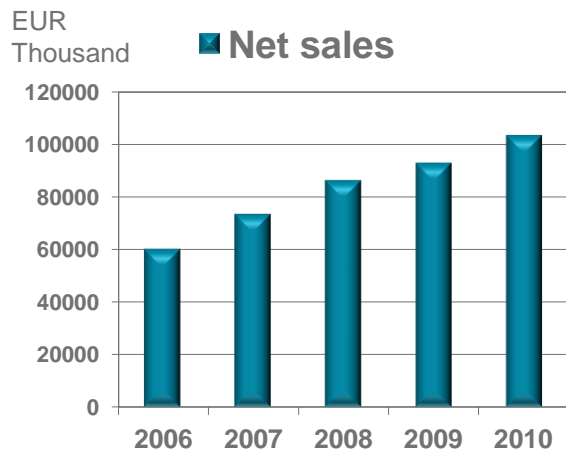
- Total assets on the balance sheet EUR 121 167 thousand (EUR 87 132 thousand)
- Cash and cash equivalents EUR 44 988 thousand (EUR 13 719 thousand)
- Cash flow from operations EUR 15 941 thousand (EUR 11 368 thousand)
- Equity ratio 79.7 % (71.6 %)
- Gearing -45.9% (-16.2%)
- Total gross investments EUR 4 411 thousand (EUR 3 426 thousand)
 - Includes capitalized R&D costs

Share and Shareholders

- Number of shareholders 15 123 (16 041) at the end of September 2011
- Share price development during January–September 2011
 - Average price of the share EUR 24.55 (EUR 17.81)
 - Highest EUR 28.10 (EUR 20.10), lowest EUR 17.00 (EUR 15.00)
 - Closing price EUR 17.70 (EUR 19.40)
- Traded shares 3 994 905 (1 565 754)
 - 31.3 % (13.7%) of average amount of shares
- Market capitalization EUR 227 284 443 (EUR 225 013 306)

Key Financials 2006-2010

<i>EUR thousand</i>	2006	2007	2008	2009	2010
Net sales	59 954	73 270	86 098	92 654	103 094
Growth of net sales, %	43.9%	22.2%	17.5%	7.6%	11.3%
Share of recurring revenue, %	31.3%	31.9%	34.5%	40.7%	44.3%
Operating profit	8 078	7 512	8 679	11 824	13 487
% of net sales	13.5%	10.3%	10.1%	12.8%	13.1%
Personnel, 31.12.	528	658	731	761	913



Future Outlook

CEO Ilkka Sihvo



Industry and Basware Outlook 2011

- According to market estimates released between September 2010 and 2011, the software purchases is expected to grow by 9.0 percent globally and by 6.6 (previously 8.6%) percent in the United States. The IT services market is expected to grow by 7.3 percent globally and 7.4 percent in US in 2011.
- Basware believes that these estimate have been too positive.
- The company aims to become the leading company in e-invoicing globally.
- The company's long-term target is to grow annually more than 50% in SaaS, Connectivity Services and e-invoicing.
- The estimated revenue to be recognized for current Automation Services agreements in production in the next twelve months is EUR 17.2 million (growth from previous quarter 7.2 percent).

Industry and Basware Outlook 2011

- The number of the Group's personnel will increase mainly in Automation Services during the second half of the year. Number of R&D personnel is not expected to grow significantly from current level.
- The number of personnel will increase the most in India, which will enable growth with a more moderate increase in costs.
- Basware has increased the role of acquisitions
- The role of offshoring operations will continue to grow in the company's strategy.
- Basware has started renewal of the sales channel and segmentation in Q3/2011
 - To strongly accelerate the growth of Automation services' transactions through sales of connections
 - To increase license and service sales especially on the Mid-market

Industry and Basware Outlook 2011

- World economy and markets have quickly become more unstable which may impact the demand for license and service sales during the last part of the year.
- In addition, the conversion of license sales into SaaS-delivery model may have a negative impact on net sales during the last part of the year.
- The conversion of license sales into SaaS-delivery model will support the growth target of 50% of Automation services in the long term.
- The company is in the position to reach the growth and profit targets during the current period. Typically, the last quarter of the year generates biggest share of the company's net sales and operating profit.

Change to 2011 estimates on September 8, 2011:

- Net sales is expected to grow 5-9 percent in 2011.
- Operating profit (EBIT) for 2011 is expected to be 11,5 -14,5 percent of net sales.

Thank you!