

# Basware Interim Report Q3/2010 and 1-9/2010

CEO Ilkka Sihvo and CFO Mika Harjuaho

October 14, 2010

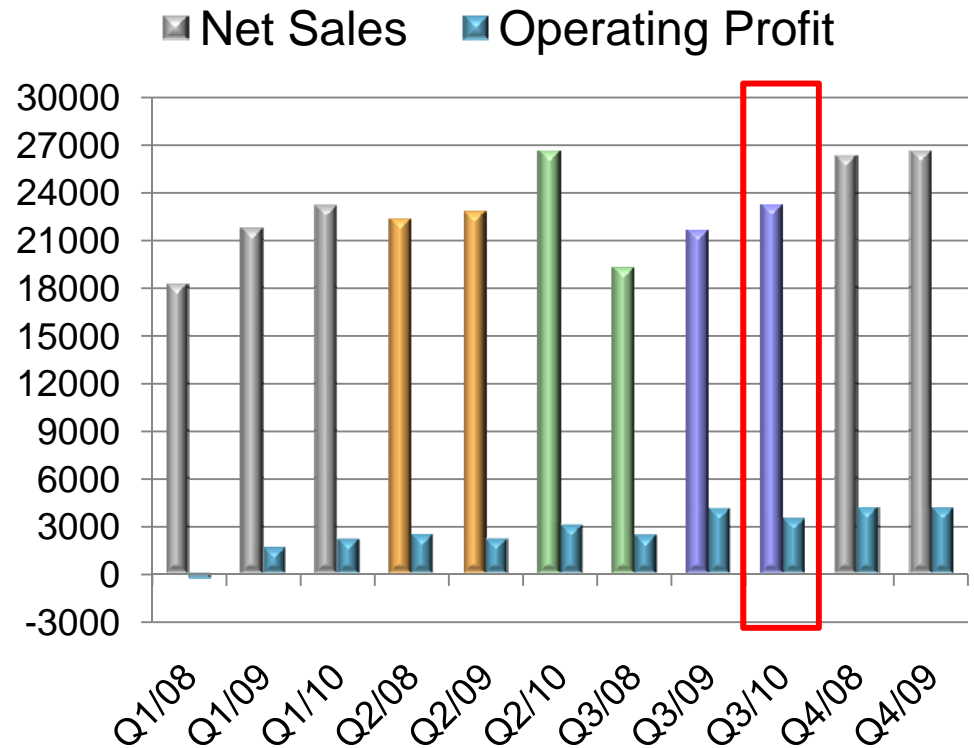
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- Future Outlook



# Solid growth continued in Q3/2010

- Growth of net sales 7.4% to EUR 23 202 thousand
- Operating profit EUR 3 408 M and 14.7 %
- Automation Services grew strongly by 56.7%
- Strong growth in North America and Europe



# Q3/2010 in Brief

EUR Million	Q3/2010	Q3/2009
Net sales	23.2	21.6
Growth of net sales, %	7.4%	12.2%
Operating profit (EBIT)	3.4	4.0
Change of operating profit %	-15.4%	69.2%
% of net sales	14.7%	18.6%
Net profit/loss	2.7	3.0
Earnings per share, euro	0.23	0.27
Change of EPS %	-12.5%	58.8%
Fixed costs	16.9	15.1
Growth of fixed costs, %	12.0%	-2.1%
International operations' share of net sales	55.1%	58.0%
Personnel 30.9.	866	755
Growth of personnel, %	14.7%	10.1%

- **Strong growth and performance continued**
- Operating profit EUR 3 408 M and 14.7 %
- Automation Services grew strongly by 56.7%
- Product sales decreased by 15.3% due to high comparison figure in Q3/09 including one of company's largest deals (EUR 1.9 M) in its history
- Professional Services grew by 8.3%
- Strong growth in North America and in Europe

# 1-9/2010 in Brief

EUR Million	1-9/2010	1-9/2009
Net sales	72.9	66.0
Growth of net sales, %	10.4%	10.5%
Operating profit (EBIT)	8.5	7.8
Change of operating profit %	10.1%	70.4%
% of net sales	11.7%	11.8%
Net profit/loss	6.4	5.1
Earnings per share, euro	0.56	0.45
Growth of EPS %	26.2%	60.7%
Fixed costs	56.1	50.7
Growth of fixed costs, %	10.6%	1.4%
International operations' share of net sales	54.0%	54.3%
Personnel 30.9.	866	755
Growth of personnel, %	14.7%	10.1%

- **High profitability** EUR 8.5 Million at 11.7% of net sales, growth 10.1 %
- Growth of EPS 26.2%
- Growth of net sales 10.4%
- Strong operating cash flow at EUR 11.4 Million
- Automation Services grew by 52.8%
- Product sales grew by 3.8% (own products increased by 10.6 percent)
- International operations' share of net sales continued to grow, growth 9.9%
- The estimated revenue to be recognized for current Automation Services agreements in production in the next twelve months is EUR 12.1 million

# Business Review of Q3/2010

CEO Ilkka Sihvo



# Reporting

## Finland

Finnish, Russian, Asia-Pacific  
(excl. Australia) and  
headquarter operations

## Scandinavia

Denmark, Norway and Sweden

## Europe

France, Germany,  
The Netherlands, UK

## Other

North-America, Australia

## License sales

Enterprise Purchase to Pay and  
Financial Management Software

## Professional Services

## Maintenance

## Automation Services

SaaS  
Connectivity (e-invoicing,  
Scan&Capture)

# IT market forecast for 2010, updated March-Sept 2010 figures

	Global			US		
Year	2009	2010	2011	2009	2010	2011
Software	-5.7	7.5	7.9	-5.0	8.3	9.1
IT Services, total	-4.1	7.2-> <b>5.0</b>	7.5-> <b>7.8</b>	-2.7	6.6 -> <b>3.5</b>	7.0-> <b>7.4</b>
All IT	-6.7->-7.0	7.6 -> <b>7.0</b>	7.6-> <b>5.5</b>	-5.5-> -6.8	7.7	6.9

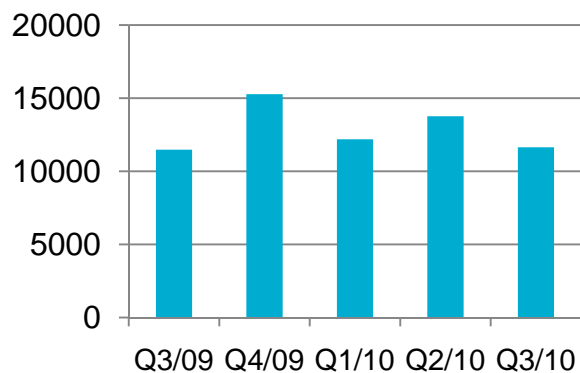
Forecast is based on market reports and estimates from leading independent research companies in March-Sept 2010.

**Note:** Purchase to Pay services business is estimated to grow substantially: 2010 approximately 7% and 2011 over 10%

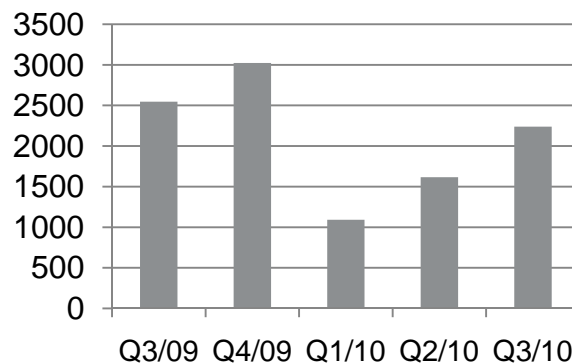
# Segment: Finland Q3/2010

<i>EUR thousand</i>	Q3/09	Q4/09	Q1/10	Q2/10	Q3/10
<b>Net sales</b>	<b>11 478</b>	<b>15 271</b>	<b>12 191</b>	<b>13 763</b>	<b>11 641</b>
Growth of net sales,%	8.2%	-0.4%	7.6%	10.9%	1.4%
Operating profit	2 546	3 024	1 092	1 616	2 238
Number of personnel	458	460	501	526	547

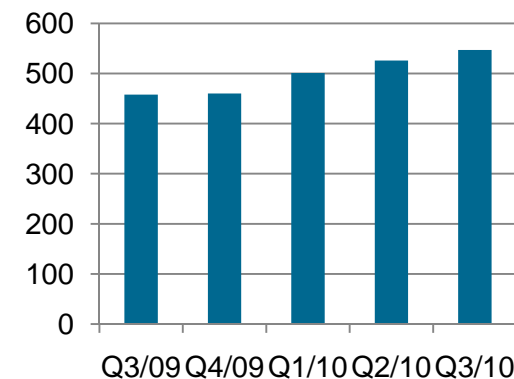
**Net Sales**



**Operating Profit**



**Personnel**



# Segment: Finland Q3/2010

## Profile

Segment consists of Finnish, Russian, Asia-Pacific (excluding Australia) operations and head quarter functions

Altogether 8 resellers in the segment

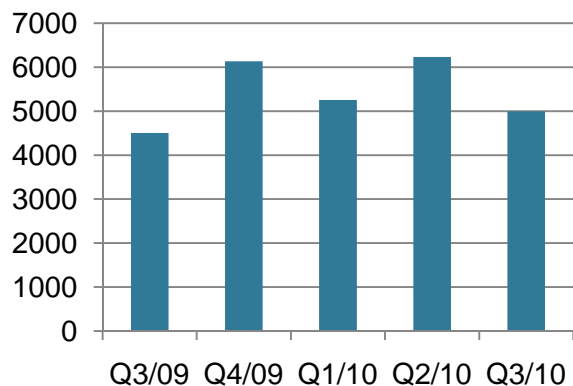
Number of personnel 547 (458)

- Finnish and Russian business operations grew 14.7%
- Basware Purchase Management solution to VVO
- High demand for SEPA installations

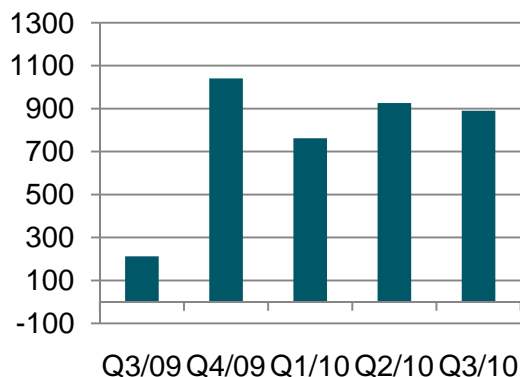
# Segment: Scandinavia Q3/2010

<i>EUR thousand</i>	Q3/09	Q4/09	Q1/10	Q2/10	Q3/10
<b>Net sales</b>	<b>4 505</b>	<b>6 135</b>	<b>5 253</b>	<b>6 232</b>	<b>4 994</b>
Growth of net sales,%	34.4%	-7.4%	-1.2%	-0.7%	10.9%
Operating profit	212	1 041	762	926	890
Number of personnel	135	130	127	123	124

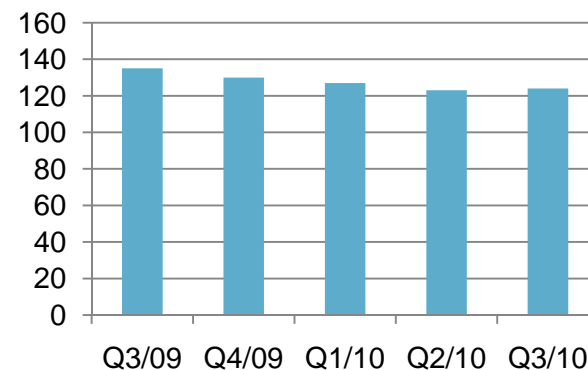
**Net Sales**



**Operating profit**



**Personnel**



# Segment: Scandinavia Q3/2010

## Profile

Centrally managed units in  
Sweden, Norway and Denmark

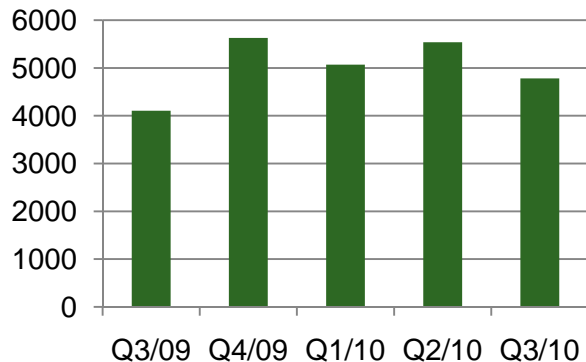
Mainly direct sales  
Number of personnel 124 (135)

- Solid growth continued
- Net sales grew by 10.9%
- Basware ranked top candidate to deliver a purchase-to-pay solution in a public tender in Denmark

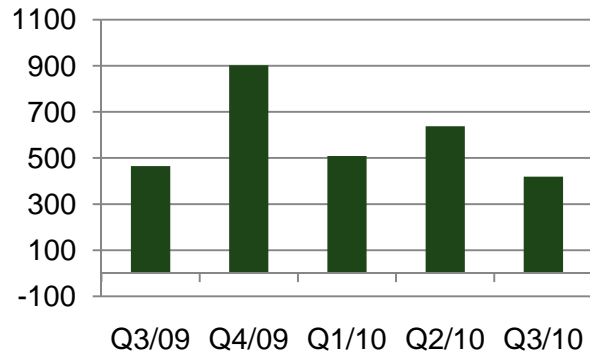
# Segment: Europe Q3/2010

<i>EUR thousand</i>	Q3/09	Q4/09	Q1/10	Q2/10	Q3/10
<b>Net sales</b>	<b>4 104</b>	<b>5 629</b>	<b>5 069</b>	<b>5 538</b>	<b>4 782</b>
Growth of net sales,%	-24.4%	6.9%	8.6%	28.2%	16.5%
Operating profit	465	902	509	683	419
Number of personnel	116	119	122	124	126

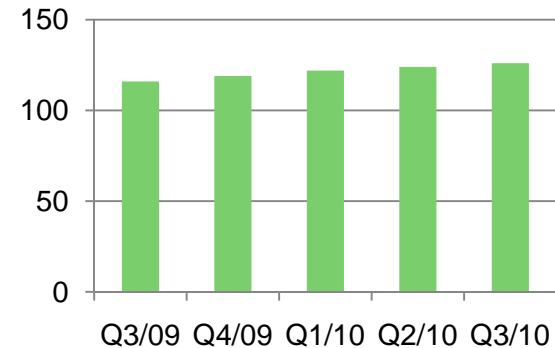
**Net Sales**



**Operating Profit**



**Personnel**



# Segment: Europe Q3/2010

## Profile

Segment consists of units in Germany, France, The Netherlands and UK

Altogether 35 resellers in the segment

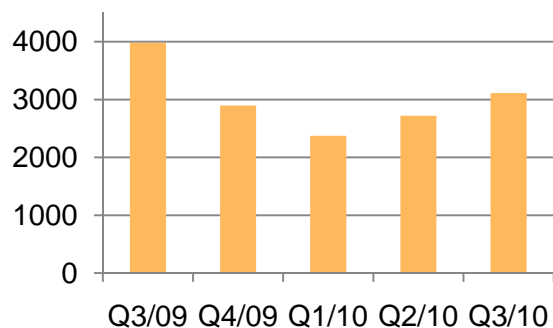
Number of personnel 126 (116)

- Net sales grew 16.5%
- Several deals with large international companies e.g. with Siemens (GER) Connectivity Services including scan and capture
- Invensys (UK) and a large entertainment company SaaS and invoicing deals

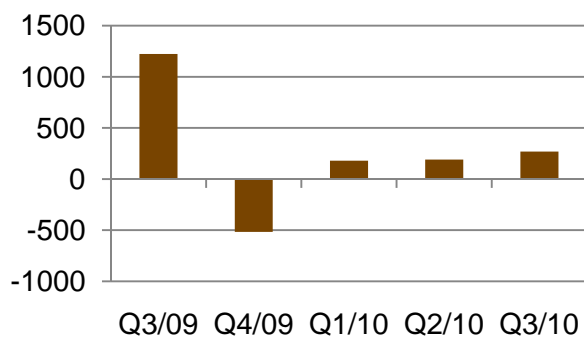
# Segment: Other Q3/2010

<i>EUR thousand</i>	<b>Q3/09</b>	<b>Q4/09</b>	<b>Q1/10</b>	<b>Q2/10</b>	<b>Q3/10</b>
<b>Net sales</b>	<b>3 980</b>	<b>2 897</b>	<b>2 373</b>	<b>2 719</b>	<b>3 111</b>
Growth of net sales,%	154.0%	120.9%	98.6%	141.0%	-21.9%
Operating profit	1 223	-517	179	191	269
Number of personnel	46	48	48	54	57

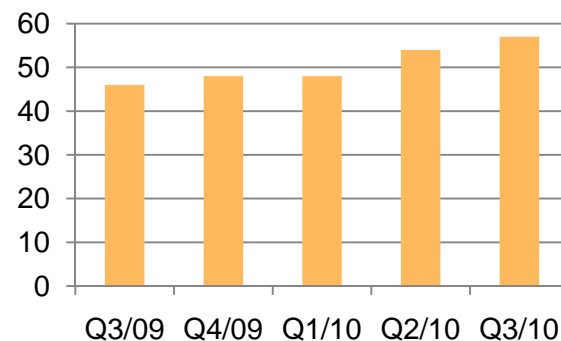
**Net Sales**



**Operating Profit**



**Personnel**



# Segment: Other Q3/2010

## Profile

Segment consists units in North-America and Australia

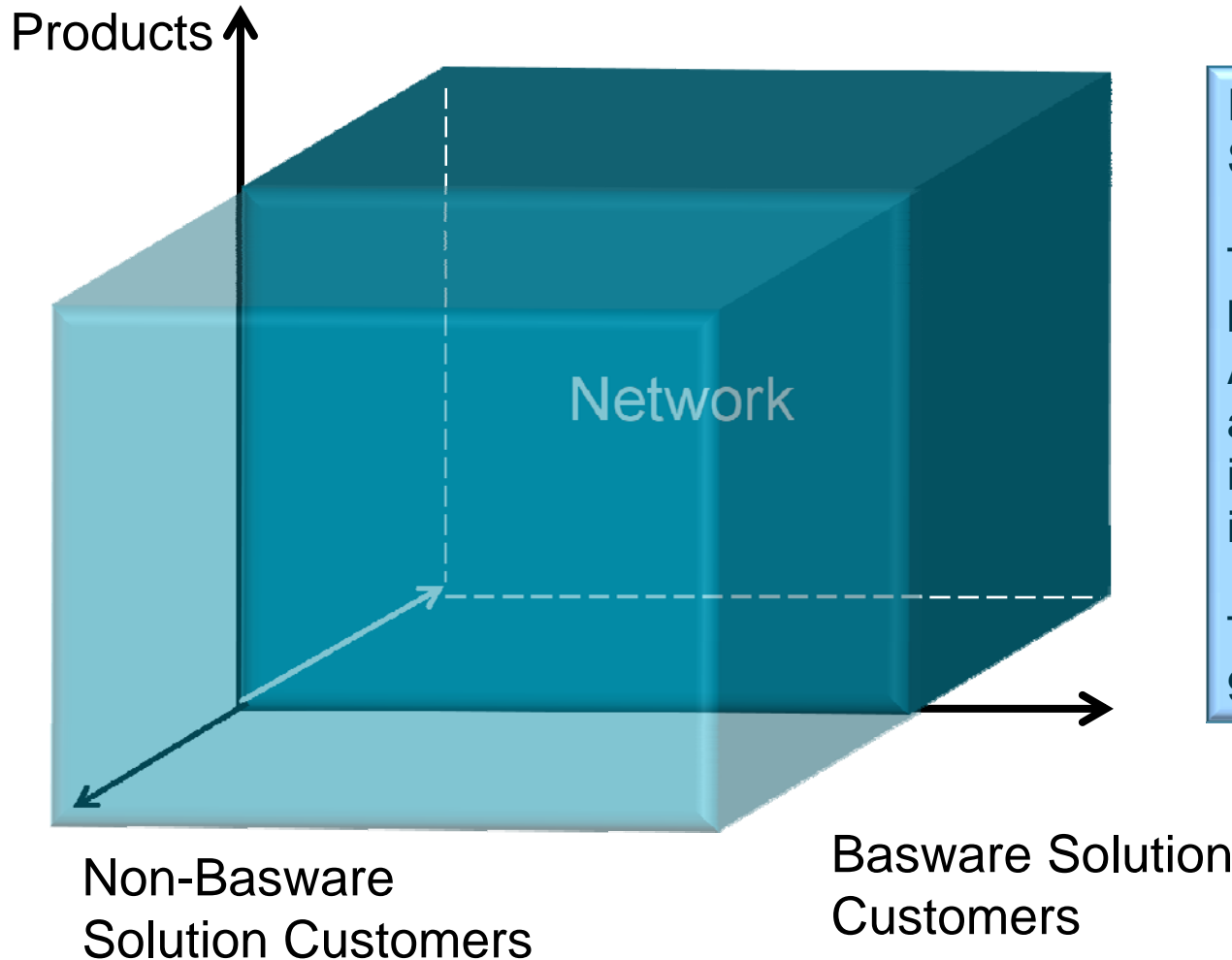
Altogether 10 resellers in the segment

Number of personnel 57 (46)

## North America

- Strong growth continued
- Invoice Automation deal extention to existing customer
- Majority of revenue from new deals

# Basware Automation Services – network effect for revenue generation



In Q3/2010 Automation Services grew by 56.7%

The estimated revenue to be recognized for current Automation Services agreements in production in the next twelve months is EUR 12.1 million

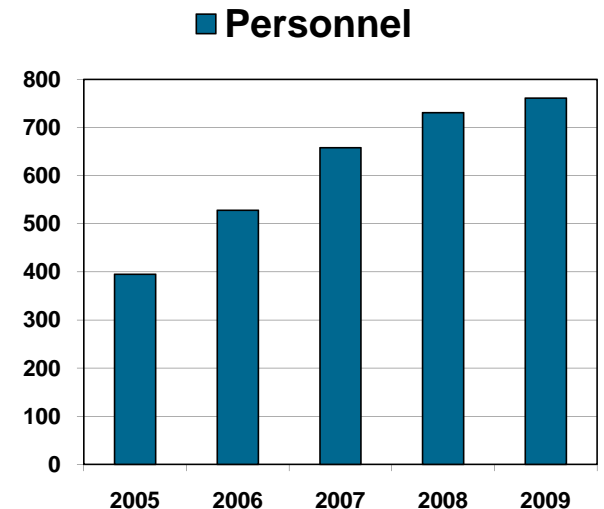
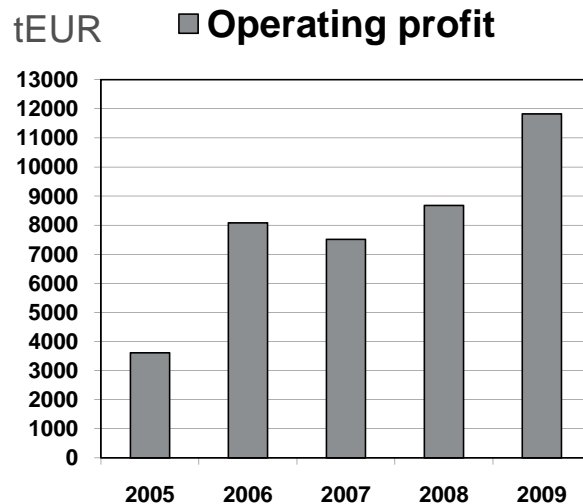
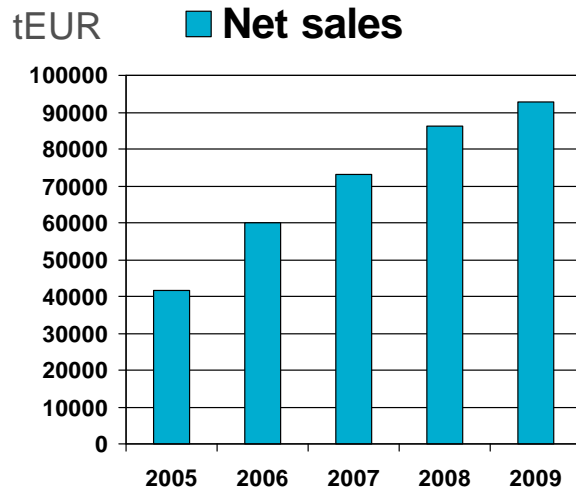
Transaction volume in Q1-9/2010 was 9.3 Million

# Financial Review of Q3/2010 and 1-9/2010

CFO Mika Harjuaho

# Key Financials 2005-2009

<i>EUR thousand</i>	2005	2006	2007	2008	2009
	Restated				
<b>Net sales</b>	41 666	59 954	73 270	86 098	92 654
<b>Growth of net sales, %</b>	29.4%	43.9%	22.2%	17.5%	7.6%
<b>Operating profit</b>	3 611	8 078	7 512	8 679	11 824
<b>% of net sales</b>	8.7%	13.5%	10.3%	10.1%	12.8%
<b>Personnel, 31.12.</b>	395	528	658	731	761



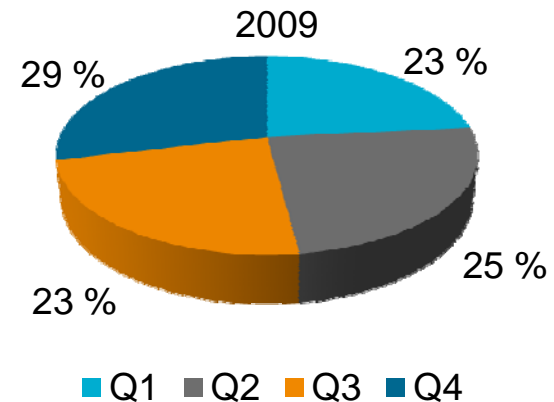
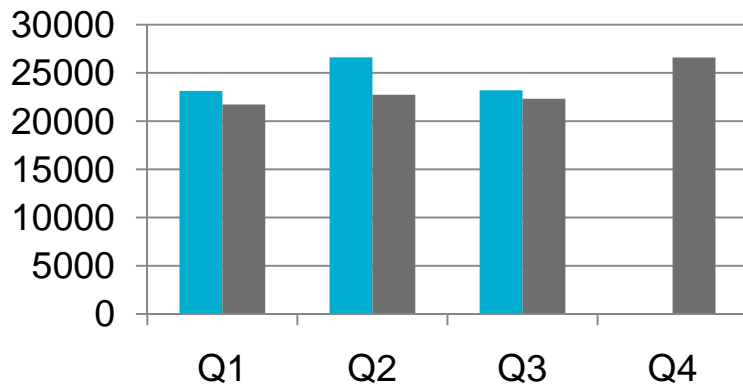
## Q3/2010 and 1-9/2010 in Brief

EUR Thousand	Q3/10	Q3/09	1-9/10	1-9/09
Net sales	23 202	21 609	72 946	66 054
Growth of net sales, %	7.4%	12.2%	10.4%	10.5%
Operating profit	3 408	4 028	8 550	7 767
Change of operating profit, %	-15.4%	69.2%	10.1%	70.4%
% of net sales	14.7%	18.6%	11.7%	11.8%
Net profit/loss	2 694	3 005	6 418	5 066
Earnings per share, EUR	0.23	0.27	0.56	0.45
Fixed costs	16 950	15 127	56 068	50 683
International operations' share of net sales, %	55.1%	58.0%	54.0%	54.3%

# Development of Quarterly Net Sales

<i>EUR thousand</i>	Q1/10	Q1/09	Q2/10	Q2/09	Q3/10	Q3/09	Q4/10	Q4/09
<b>Net sales</b>	<b>23 132</b>	<b>21 717</b>	<b>26 612</b>	<b>22 729</b>	<b>23 202</b>	<b>21 609</b>		<b>26 600</b>
Growth %	6.5%	19.1%	17.1%	1.9%	7.4%	12.2%		1.2%
Other operating income	50	30	55	52	43	47		34
Materials and services	1 288	1 552	1 754	1 611	1 593	1 395		1 636
Personnel expenses	13 703	12 896	15 184	13 444	11 959	11 113		14 841
Depreciation and write-offs	1 236	1 004	1 309	1 067	1 294	1 106		1 280
Other operating expenses	4 818	4 703	5 414	4 513	4 991	4 014		4 819
<b>Operating profit</b>	<b>2 136</b>	<b>1 592</b>	<b>3 006</b>	<b>2 146</b>	<b>3 408</b>	<b>4 028</b>		<b>4 058</b>

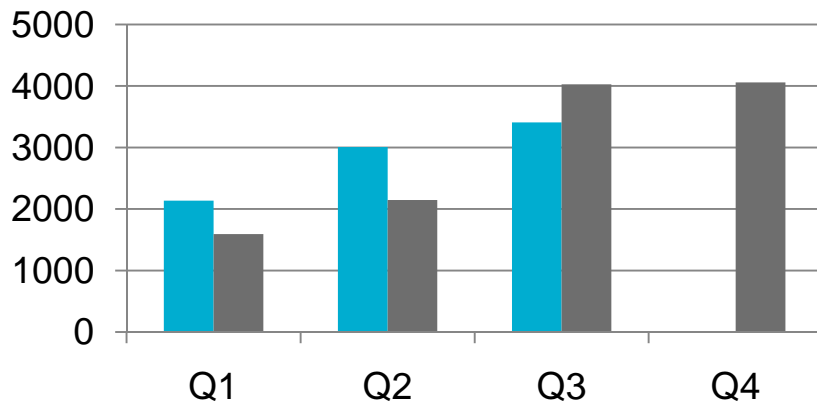
■ 2010 ■ 2009



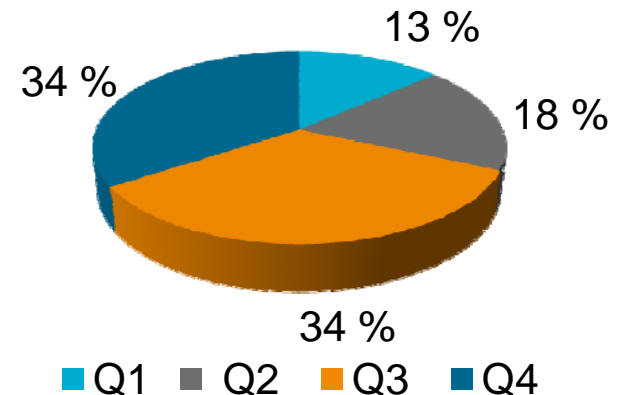
# Development of Quarterly profit

<i>EUR thousand</i>	Q1/10	Q1/09	Q2/10	Q2/09	Q3/10	Q3/09	Q4/10	Q4/09
<b>Net sales</b>	<b>23 132</b>	<b>21 717</b>	<b>26 612</b>	<b>22 729</b>	<b>23 202</b>	<b>21 609</b>		<b>26 600</b>
Growth %	6.5%	19.1%	17.1%	1.9%	7.4%	12.2%		1.2%
Other operating income	50	30	55	52	43	47		34
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■ 2010 ■ 2009



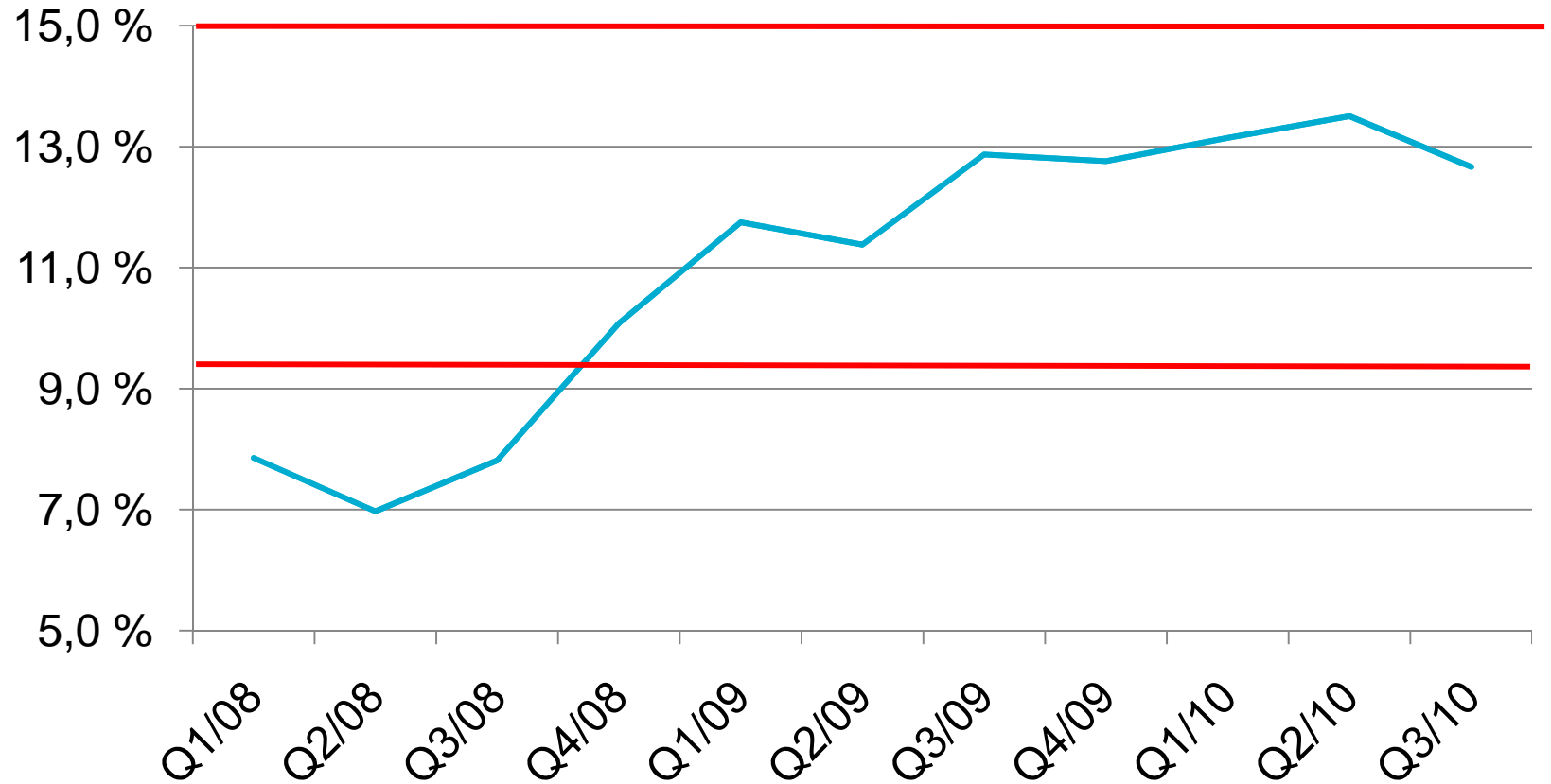
2009



# Development of Profit Q3/2010 and 1-9/2010

<b>EUR Thousand</b>	<b>Q3/10</b>	<b>Q3/09</b>	<b>1-9/10</b>	<b>1-9/09</b>
Operating profit	3 408	4 028	8 550	7 767
Change of operating profit, %	-15.4%	69.2%	10.1%	70.4%
% of net sales	14.7%	18.6%	11.7%	11.8%
Profit before tax	3 391	3 946	8 486	7 553
Net profit/loss	2 694	3 005	6 418	5 066
Earnings per share, EUR	0.23	0.27	0.56	0.45
Fixed costs	16 950	15 127	56 068	50 683
Personnel costs	11 959	11 113	40 846	37 453
R&D expenses	2 960	3 405	10 797	10 934

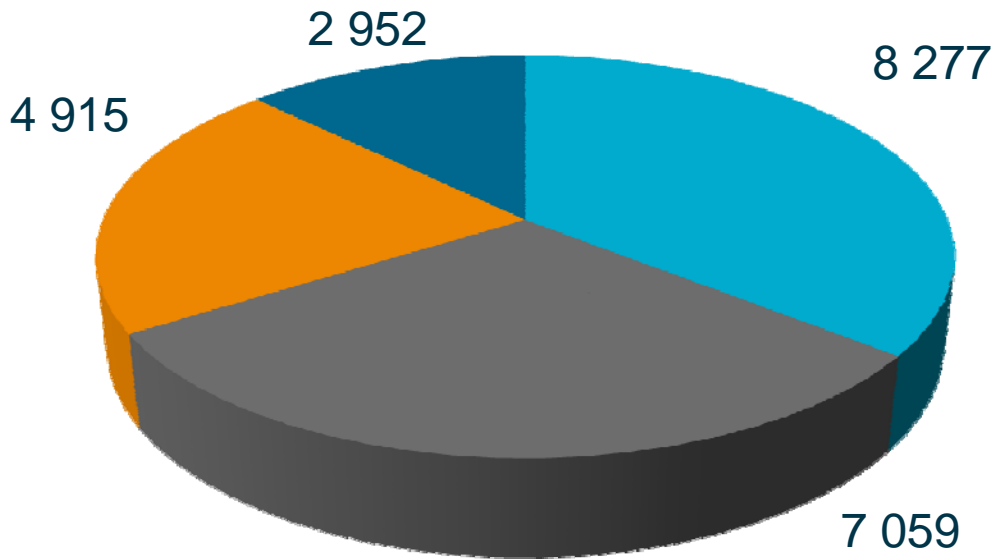
# Operating Profit % (EBIT %) Trend Rolling 12 Month Quarterly Average



Operating profit (EBIT) for **2010** is expected to be from 10 to 15 percent of net sales.

# Net Sales by Operation Q3/2010

EUR Thousand



■ Maintenance

■ Professional Services

■ Licenses

■ Automation Services

**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, invoicing, scan and capture

Automation Services, growth of 56.7%

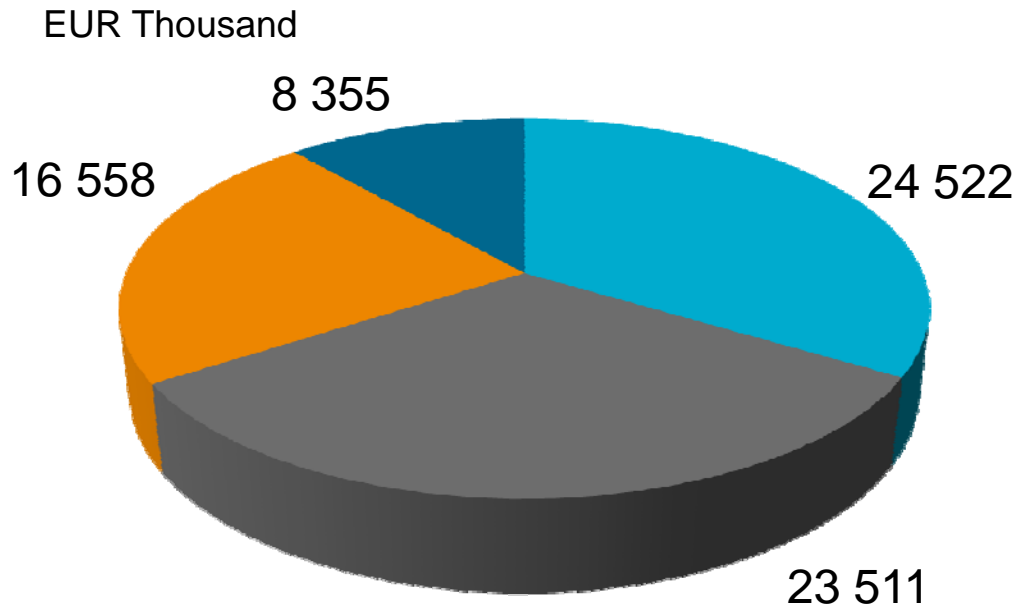
Maintenance, growth of 11.8%

Product sales, decrease of 15.3%

Professional Services, growth of 8.3%

License sales of Basware's own products decreased by 5.9%, and sales of third-party scanning software decreased considerably while sales of outsourced scan and capture services grew.

# Net Sales by Operation 1-9/2010



■ Maintenance

■ Professional Services

■ Licenses

■ Automation Services

**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)

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Automation Services, growth of 52.8%

Maintenance, growth of 12.3%

License sales, growth of 3.8%

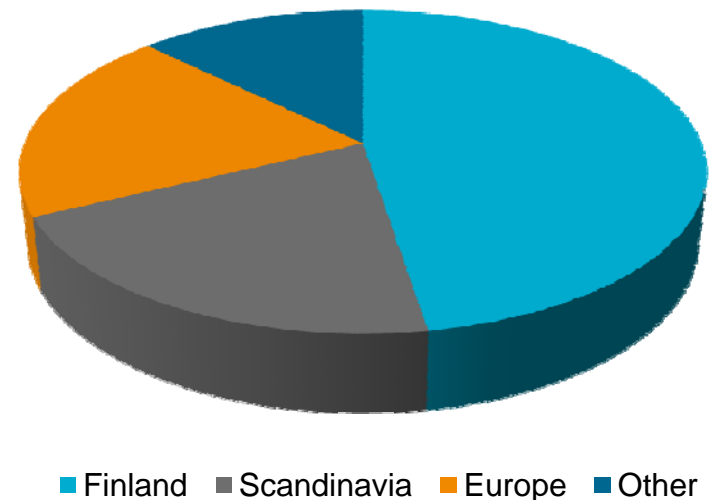
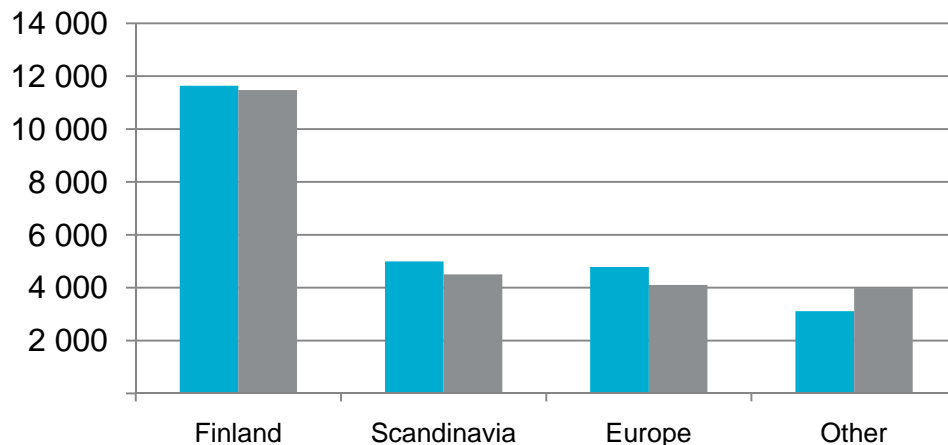
Professional Services, growth of 3.2%

License sales of Basware's own products increased by 10.6%, and sales of third-party scanning software decreased while sales of outsourced scan and capture services grew.

# Net Sales Q3/2010

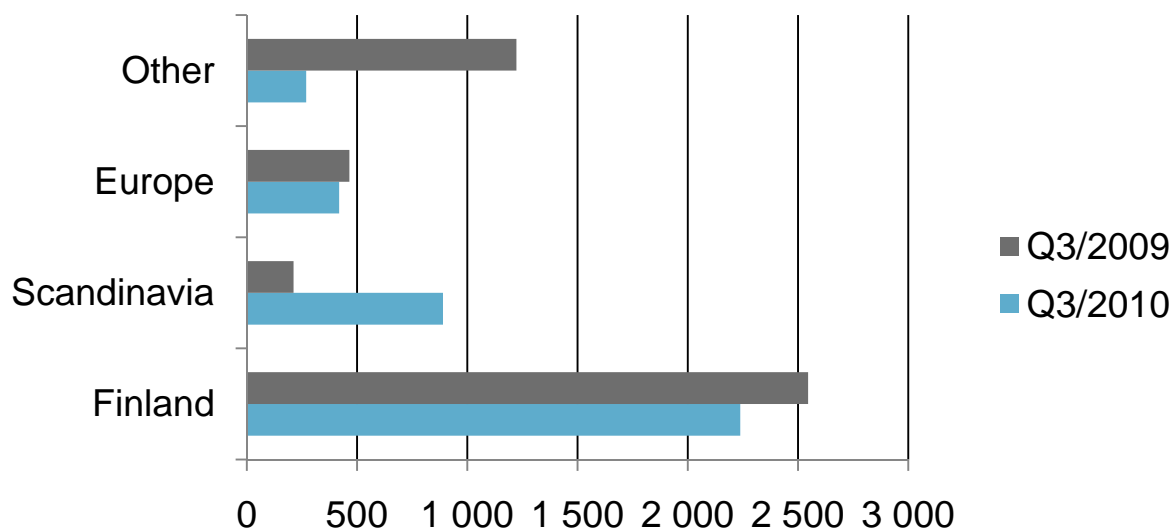
Net sales	7-9/10	7-9/09	Change, %
Finland	11 641	11 478	1.4
Scandinavia	4 994	4 505	10.9
Europe	4 782	4 104	16.5
Other	3 111	5 980	-21.9
Net sales between segments	-1 326	-2 459	46.1
<b>Group total (IFRS)</b>	<b>23 202</b>	<b>21 609</b>	<b>7.4</b>

■ 7-9/2010 ■ 7-9/2009



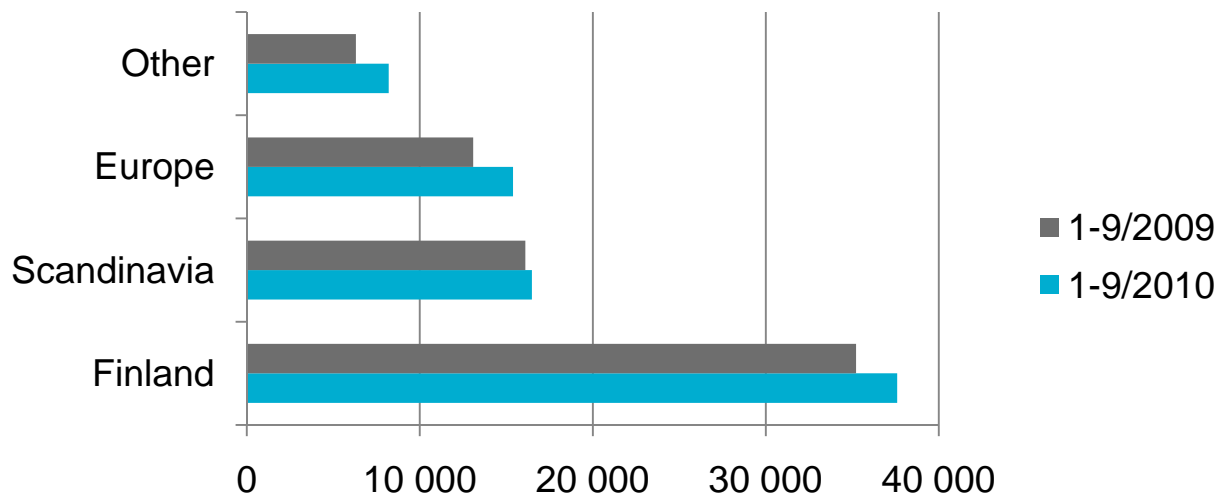
# Operating Profit Q3/2010

Operating profit	Q3/10	Q3/09	Change, %
Finland	2 238	2 546	-12.1
Scandinavia	890	212	319.3
Europe	419	465	-9.9
Other	269	1 223	-78.0
Operating profit between segments	-408	-417	2.2
<b>Group total (IFRS)</b>	<b>3 408</b>	<b>4 028</b>	<b>10.1</b>



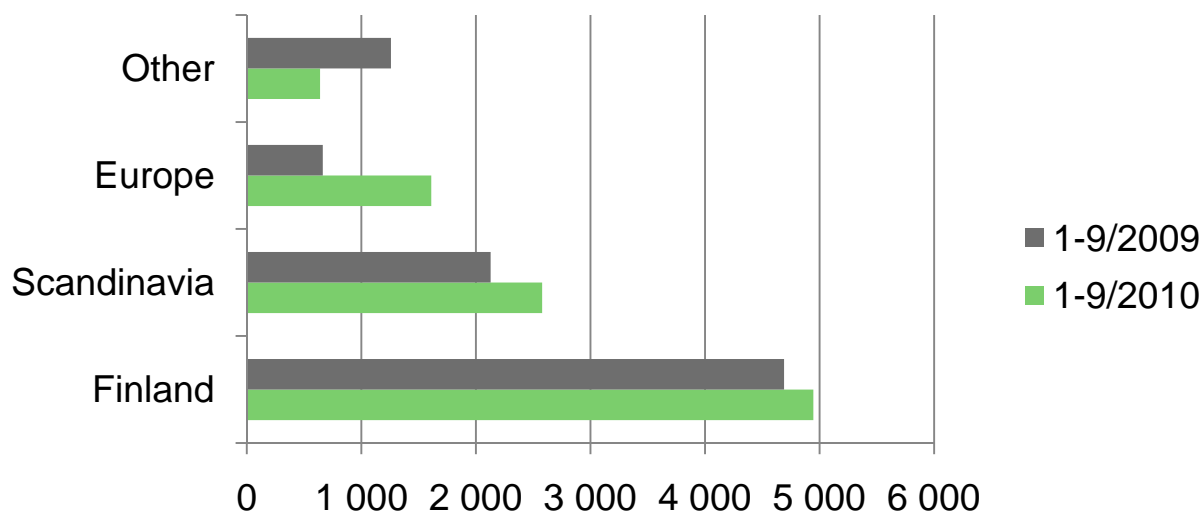
# Net Sales 1-9/2010

Net sales	1-9/2010	1-9/2009	Change, %
Finland	37 595	35 215	6.8
Scandinavia	16 480	16 100	2.4
Europe	15 388	13 087	17.6
Other	8 203	6 303	30.1
Net sales between segments	-4 720	-4 652	-1.5
<b>Group total (IFRS)</b>	<b>72 946</b>	<b>66 054</b>	<b>10.4</b>

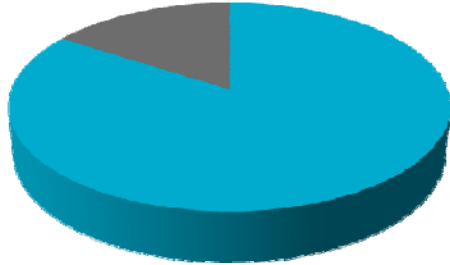


# Operating profit 1-9/2010

Operating profit	1-9/2010	1-9/2009	Change, %
Finland	4 946	4 690	5.5
Scandinavia	2 578	2 128	21.2
Europe	1 611	664	142.5
Other	640	1 258	-49.1
Operating profit between segments	-1 224	-972	-26.0
<b>Group total (IFRS)</b>	<b>8 550</b>	<b>7 767</b>	<b>10.1</b>

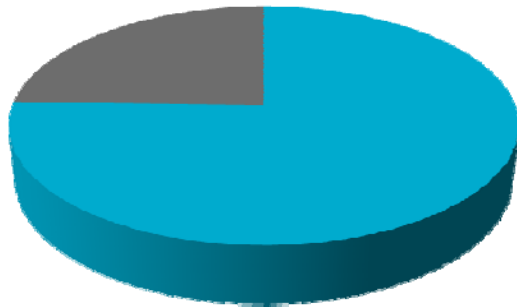


# Products



R&D expenses 14.8%  
of net sales

- R&D expenses EUR 10 797 thousand (EUR 10 934 thousand)
  - Decrease of 1.3 percent
  - 14.8 percent of net sales (16.6%)
  - EUR 1 038 thousand of costs capitalized i.e. 9.6%



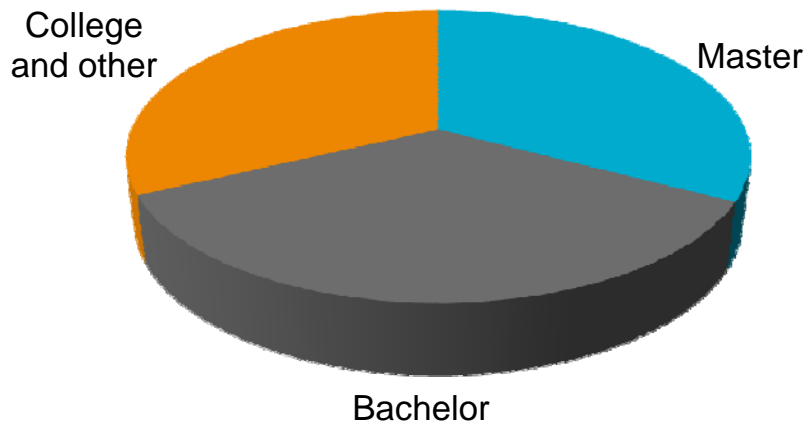
24.6% of personnel

- Products unit personnel 213 (184)
  - Units in Finland and India
  - Future recruitments in India

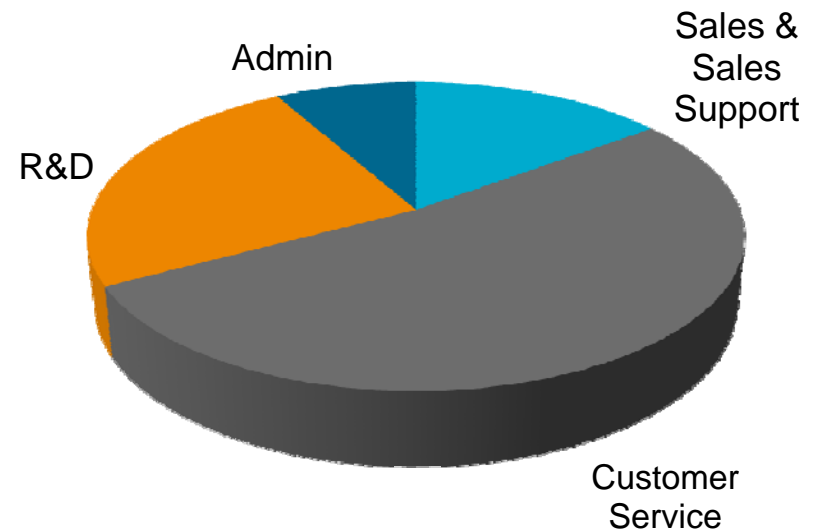
# Personnel

- In total 866 (755) employees at the end of September 2010
- Growth of 14.7 %

- 52.9 percent abroad
- Average age 36.0 years



Education



Personnel groups

# Finance and Investments

- Total assets on the balance sheet EUR 87 132 thousand (EUR 84 942 thousand)
- Cash and cash equivalents EUR 13 719 thousand (EUR 7 567 thousand)
- Cash flow from operations EUR 11 368 thousand (EUR 8 540 thousand)
- Equity ratio 71.6% (61.9%)
- Gearing -16.2% (3.2%)
- Total gross investments EUR 3 426 thousand (EUR 7 084 thousand)
  - Includes capitalized R&D costs and acquisitions

# Share and Shareholders

- Number of shareholders 16 041(16 668) at the end of September 2010
- Share price development during January–September 2010
  - Average price of the share EUR 17.81 (EUR 9.29)
  - Highest EUR 20.10 (EUR 11.49), lowest EUR 15.00 (EUR 6.60)
  - Closing price EUR 19.40 (EUR 10.72)
- Traded shares 1 565 754 (1 297 031)
  - 13.7% (11.4%) of all shares
- Market capitalization EUR 225 013 306 (EUR 121 970 273)

# Future Outlook

CEO Ilkka Sihvo

# Industry and Basware Outlook

- Uncertainty in world economy slowly decreasing
  - Market forecasts released in March-September 2010 expect the software purchases to increase by 7.5 percent globally and 8.3 percent in the US in 2010.
  - The IT services market growth is expected to be slightly lower than Q2 estimate, approximately 5 percent globally and 3.5 percent in the US in 2010, turning to 7 percent growth in 2011. However, services market growth in Purchase to Pay business is estimated to grow substantially, 7 percent in 2010 and over 10 percent in 2011.
- Competitive position strong, Automation Services supporting overall product offering.
- The company's long-term target is to grow annually more than 50% in Automation services. Target is to become one of the leading e-invoicing companies in the world.
- A program to invest in the growth of Basware Automation Services (SaaS, e-invoicing service and Scan and Capture) has been initiated as of the beginning of 2010.

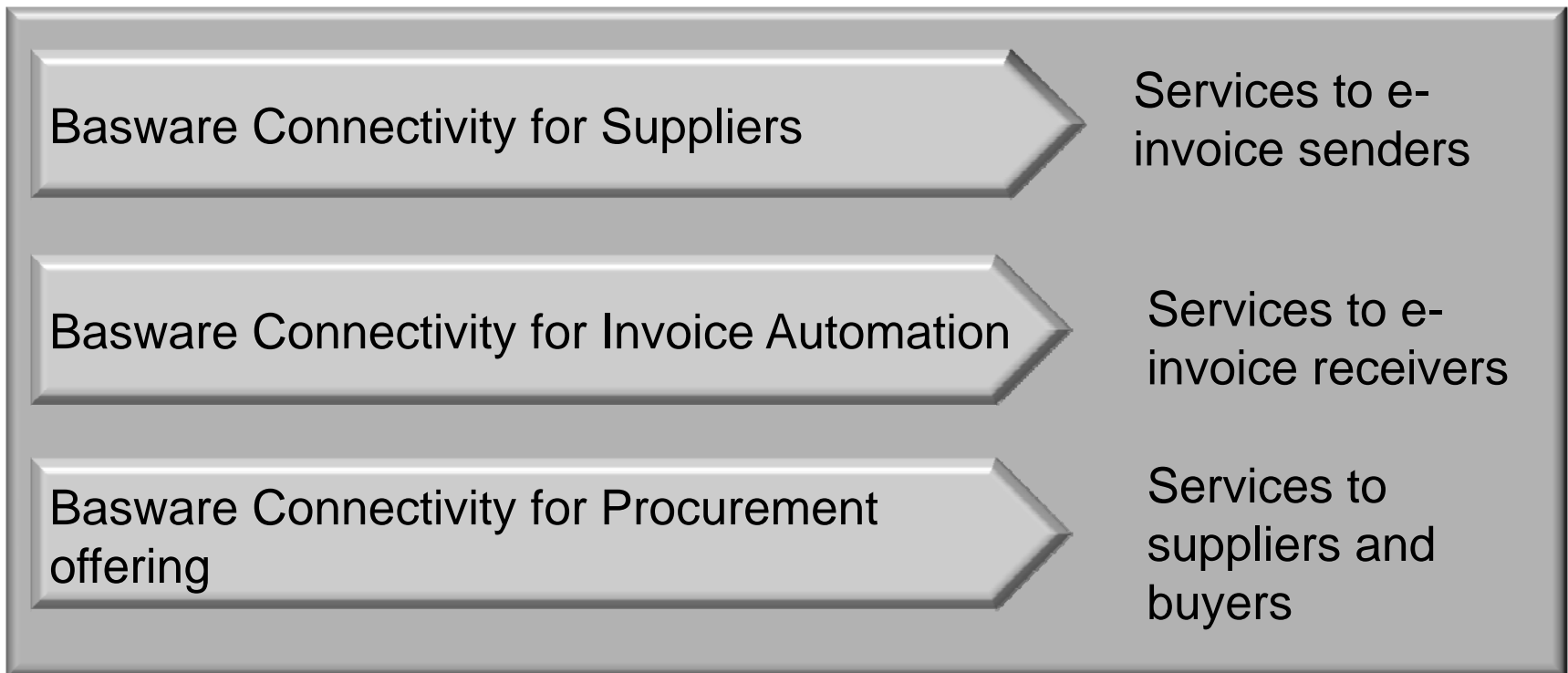
# Industry and Basware Outlook 2010

- In Finland and 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 North America the focus will be on developing direct sales
- Indirect channel development continues in Europe, Russia and Asia
- The number of the Group's personnel will increase mainly in Automation Services and R&D activities during the year. The number of personnel will increase the most in India, which will enable growth with a more moderate increase in costs.
- Based on strong Q1-Q3 results growth investments will be carried out according to plans mostly in Automation Services
- Review of acquisition possibilities continues: Mainly in Automation Services
- Basware expects its net sales to develop positively on the level of 2009.
- Operating profit (EBIT) for 2010 is expected to be from 10 to 15 percent of net sales.

# Additional Slides

# Basware Automation Services – building connectivity

Basware Automation Services is a new set of services which enable suppliers and buyers of all sizes and maturity to transact electronically



# Basware Automation Services: Invoice Automation

<p>Basware Purchase Management enhances process automation by including business partners as part of accounts receivable, accounts payable and procurement functions.</p>	<p><b>Scan and Capture</b>, a completely <b>outsourced scanning service</b>, enables buyers to receive all invoices in electronic format.</p> <p>Basware provides an outsourced supplier activation service.</p>	<p><b>Basware Transactions</b> is a monitored <b>transfer and conversation service</b>. It supports the integrated exchange of invoice and purchase messages.</p> <p>Basware Supplier Portal completes the transactions allowing buyers and suppliers to upload and download purchasing related documents.</p>	<p>Basware Automation Services enable supplier-buyer collaboration:</p> <p>increased accuracy in order-based deliveries and data quality of invoices.</p>
<p>Automated purchase invoice workflow</p>	<p>Receive e-invoices from day one</p>	<p>Reduce costs and increase data integrity</p>	<p>Streamline your procurement process completely</p>

# Basware Automation Services: Procurement

<p>Basware Purchase Management enhances process automation by including business partners as part of accounts receivable, accounts payable and procurement functions.</p>	<p>Increase and update the amount of catalog items in the PM solution: high data quality, reduced time on catalog management, elimination of manual errors and enforced negotiation of contracts.</p> <p>Suppliers can be connected via Basware supplier activation portal.</p>	<p>A full audit trail increases supply chain transparency and support accurate vendor rating. Supplier self-service is enabled.</p> <p>Suppliers can be connected via Basware supplier activation portal.</p>	<p>Suppliers self-service enables 24/7 updates of catalogue content generating significant savings in time and money.</p>
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# Basware Automation Services

Business Transactions: enables delivery of e-invoices and purchase messages between buyers and suppliers

Scan and Capture: converts paper invoices into electronic format

## Basware Automation Services

Basware Supplier Portal: enables suppliers to create invoices and to handle purchase messages and catalogues

Basware Supplier Activation service: enables buyers to convert suppliers' paper invoices into electronic invoices

# EPP Automation Services

■ Licenses and SaaS   ■ Only SaaS

## Basware Connectivity

Business  
Transactions

Supplier  
Portal

Supplier  
Activation

Data Capture

Catalog  
Management

Printing

## EPP SaaS Offering

EPP Application Management

EPP Data management

EPP Solution Support

Invoice Automation

Procurement

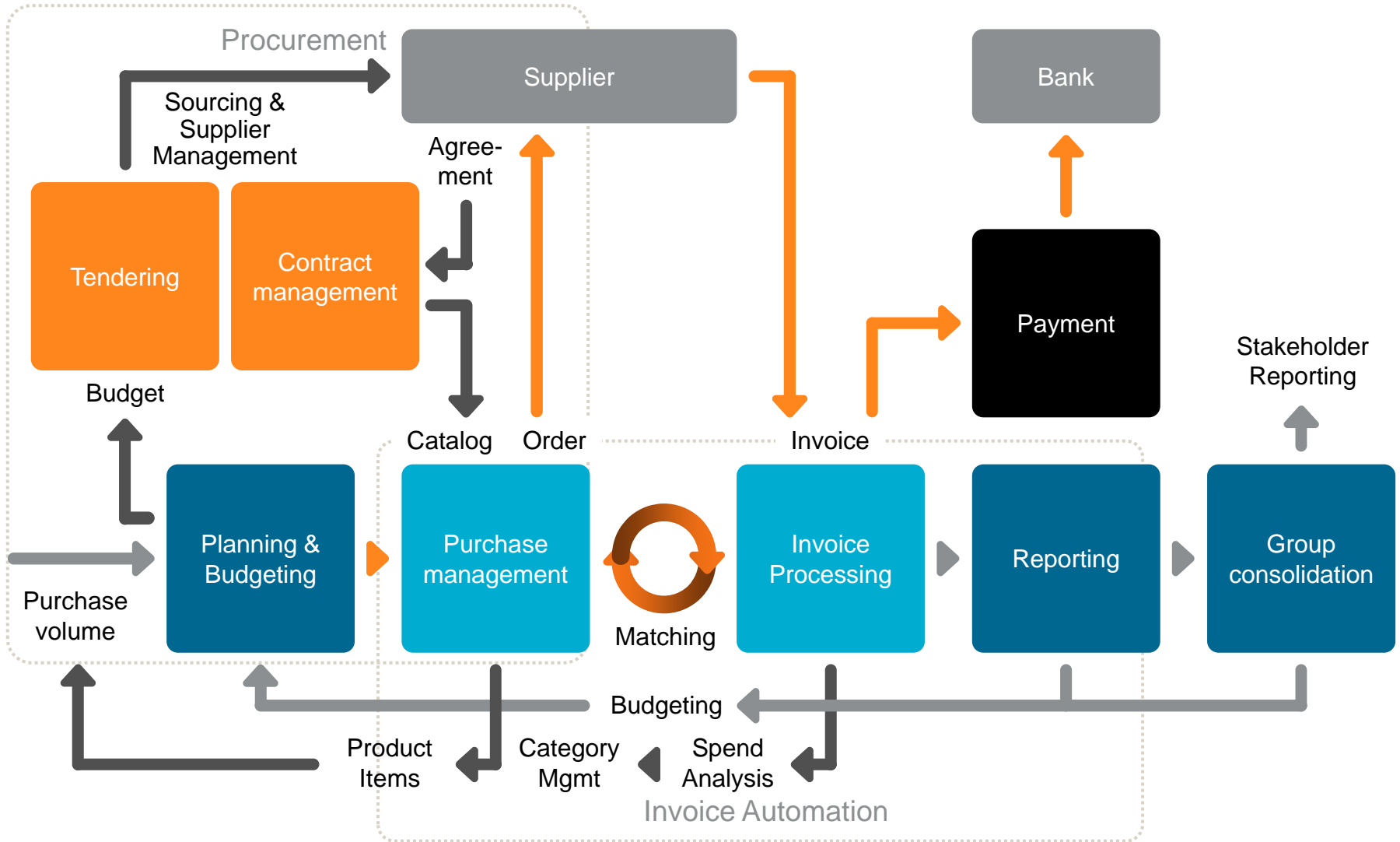
Operation Center Services

# Basware Automation Service

Basware Automation Service is a set of enabling services that allows buyers and suppliers of all sizes and maturity to accelerate automation of the purchase to pay process including:

- The ability to deliver e-invoices and purchase messages with Basware Business Transactions
- Basware's Scan and Capture service to convert all paper invoice to electronic format
- Basware's Supplier Activation service to communicate with the suppliers, assist and activate them to connect to the buyers' purchase to pay process.
- The ability for suppliers to key-in invoices, receive orders electronically, send order confirmations as well as upload and create electronic catalogs via Basware Supplier Portal

# Basware's process tools



# Basware Enterprise Purchase to Pay

