

BASWARE INTERIM REPORT JANUARY 1 – JUNE 30, 2007 (IFRS)

SUMMARY

January–June (H1):

- Net sales EUR 34 814 thousand (EUR 30 083 thousand in H1/2006) – growth 16 percent
- Operating profit EUR 4 182 thousand (EUR 3 776 thousand) – growth 11 percent
- Operating profit 12 percent of net sales (13%)
- Share of international operations 45 percent of net sales (42%) – growth 24 percent
- Earnings per share EUR 0.22 (EUR 0.25)

April–June (Q2):

- Net sales EUR 17 776 thousand (EUR 14 651 thousand in Q2/2006) – growth 21 percent
- Operating profit EUR 2 773 thousand (EUR 1 247 thousand) – growth 122 percent
- Operating profit 16 percent of net sales (9%)
- Share of international operations 45 percent of net sales (44%) – growth 24 percent
- Earnings per share EUR 0.14 (EUR 0.07)

Outlook for 2007: BasWare expects the growth of net sales for the financial year to be from 15 to 20 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 2006 figures have been restated to comply with the adjusted accounting principles regarding license sales recognition. The Financial Statements have been prepared according to International Financial Reporting Standards (IFRS).

GROUP KEY FIGURES

EUR thousand	4–6/2007	4–6/2006	Change, %	1–6/2007	1–6/2006	Change, %	1–12/2006
Net sales	17 776	14 651	21.3%	34 814	30 083	15.7%	59 954
Operating profit	2 773	1 247	122.3%	4 182	3 776	10.7%	8 078
% of net sales	15.6%	8.5%		12.0 %	12.6 %		13.5%
Profit before tax	2 840	1 287	120.6%	4 299	3 894	10.4%	8 287
Profit for the period	1 584	801	97.7%	2 468	2 795	-11.7%	4 986
Return on equity, %	14.2%	7.8%		11.0%	17.8%		15.1%
Return on investment, %	25.2%	12.4%		18.9%	24.3%		24.7%
Cash and cash equivalents *)	14 683	11 312	29.8%	14 683	11 312	29.8%	8 975
Gearing, %	-31.0%	-24.8%		-31.0%	-24.8%		-18.4%
Equity ratio, %	71.6%	71.1%		71.6%	71.1%		77.5%
Earnings per share, EUR	0.14	0.07	97.2%	0.22	0.26	-15.5%	0.45
Earnings per share (diluted), EUR	0.14	0.07	98.8%	0.22	0.25	-14.7%	0.44
Equity per share, EUR	3.97	3.67	8.0%	3.97	3.67	8.0%	3.88

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

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

"As a whole, BasWare succeeded well in the second quarter of 2007. Both net sales and operating profit developed favorably. License sales development was excellent and the growth of international operations strong. Consulting and services revenue growth was however modest at three percent, due to lack of resources."

"In BasWare's international operations, both the company's own operations as well as the reseller operations grew well; the Europe segment growth was 90 percent and that of other areas 79 percent. BasWare signed three partnership agreements in Russia during the quarter and sales and marketing operations were initiated with DICOM Group in Asia. Additionally, we signed five reseller agreements in North America."

REPORTING

BasWare Group adjusted the revenue recognition principles regarding license sales as well as the valuation principles regarding accounts receivables. The company published the restated figures for 2005 and 2006 on February 1, 2007. The audited Financial Statements prepared according to the adjusted accounting principles were published on February 8, 2007. BasWare assesses that the adjusted accounting principles have no effect on the Group's financial performance in the future.

In the first quarter, a formal bad debt reservation of EUR 1.3 million was realized in sales receivables. The formal debt reservation amounts to EUR 880 thousand at the end of the second quarter.

In the future, 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. In the future, the Group will also report the backlog of orders not recognized as income. The Company's SaaS sales are growing and this dilutes license sales growth in short term.

NET SALES

BasWare Group's net sales grew during the financial period by 16 percent and were EUR 34 814 thousand (EUR 30 083 thousand). During the second quarter, net sales grew by 21 percent and were EUR 17 776 thousand (EUR 14 651 thousand).

The Company's product sales grew by 32 percent in the period and were 36 percent (32%) of net sales. Maintenance revenue and support services related to maintenance grew by 10 percent and represented 29 percent (31%) of net sales. Consulting and services revenue grew by 3 percent and represented 33 percent of net sales. In the financial period SaaS sales represented 2 percent of net sales. The backlog of SaaS orders not recognized as income was EUR 943 thousand at the end of the period.

In April–June, 34 percent (29%) of net sales came from own product sales and license sales growth was 42 percent. Maintenance revenue represented 30 percent (32%) of net sales and grew by 14 percent. Consulting and services revenue represented 34 percent (39%) of net sales and grew by 7 percent. SaaS sales represented 2 percent of net sales in the second quarter.

Value added resellers provided a net share of 15 percent (16%) or EUR 1 913 thousand of product sales in January–June. In April–June value added resellers provided a net share of 13 percent (7%) or EUR 799 thousand of product sales which is 10 percent (5%) of international operations' total net sales.

The international share of BasWare's net sales was 45 percent (42%) in the period. International operations grew by 24 percent.

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

Net sales (EUR thousand)	4-6/2007	4-6/2006	Change, %	1-6/2007	1-6/2006	Change, %	1-12/2006
Finland	12 276	9 732	26.1	24 333	20 734	17.4	41 028
Scandinavia	3 859	4 393	-12.2	7 889	7 672	2.8	14 698
Europe	3 153	1 656	90.3	5 952	3 940	51.1	8 985
Other	921	515	79.0	1 673	1 087	53.8	3 512
Sales between segments	-2 432	-1 645		-5 033	-3 351		-8 269
Group total	17 776	14 651	21.3	34 814	30 083	15.7	59 954

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

Net sales (EUR thousand)	4-6/2007	4-6/2006	Change, %	1-6/2007	1-6/2006	Change, %	1-12/2006
Finland	9 827	8 211	19.7	19 187	17 386	10.4	32 557
Scandinavia	3 614	3 910	-7.6	7 543	7 111	6.1	14 129
Europe	3 161	2 105	50.2	5 992	4 666	28.4	9 421
Other	1 174	425	176.5	2 092	920	127.3	3 848
Group total	17 776	14 651	21.3	34 814	30 083	15.7	59 954

FINANCIAL PERFORMANCE

BasWare's operating profit grew by 11 percent in the financial period and totaled EUR 4 182 thousand (EUR 3 776 thousand). Operating profit represented 12 percent (13%). In the second quarter, BasWare's operating profit grew by 122 percent and was EUR 2 773 thousand (EUR 1 247 thousand). Operating profit represented 16 percent (9%) of net sales.

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

Operating profit (EUR thousand)	4-6/2007	4-6/2006	Change, %	1-6/2007	1-6/2006	Change, %	1-12/2006
Finland	3 837	2 071	85.3	7 152	5 557	28.7	12 314
Scandinavia	-207	305	-167.7	-436	146	-399.0	-45
Europe	-347	-848	59.0	-1 526	-1 342	-13.8	-2 831
Other areas	-495	-265	-87.1	-978	-554	-76.5	-1 297
Operating profit between segments	-15	-16		-31	-31		-62
Group total	2 773	1 247	122.3	4 182	3 776	10.7	8 078

The Company's fixed costs were EUR 28 750 thousand (EUR 24 001 thousand) in the period and have grown by 20 percent compared with the same period last year. Fixed costs include the bad debt reservation of EUR 880 thousand realized in sales receivables. Personnel costs made up 67 percent or EUR 19 203 thousand (EUR 16 969 thousand) of the fixed costs. In the second quarter, fixed costs totaled EUR 14 496 thousand (EUR 12 288 thousand).

Research and development costs totaled EUR 6 344 thousand (EUR 5 445 thousand) of which EUR 1 013 thousand (EUR 1 117 thousand) or 16 percent (21%) were capitalized during the period. Amortization of capitalized research and development costs totaled EUR 453 thousand (EUR 161 thousand). In the second quarter, research and development costs totaled EUR 3 252 thousand (EUR 2 806 thousand).

The Company's finance income and finance expenses were EUR 117 thousand. The Company's profit before tax was EUR 4 299 thousand (EUR 3 894 thousand) and profit for the period was EUR 2 468 thousand (EUR 2 795 thousand). Undiluted earnings per share were EUR 0.22 (EUR 0.26).

In the second quarter, profit before tax was EUR 2 840 thousand (EUR 1 287 thousand) and profit for the period was EUR 1 584 thousand (EUR 801 thousand). Earnings per share were EUR 0.14 (EUR 0.07).

The sales of business premises have a EUR 439 thousand one off improvement on the quarterly result of BasWare Group.

FINANCE AND INVESTMENTS

BasWare Group's total assets on the balance sheet at the end of the financial period were EUR 63 593 thousand (EUR 58 655 thousand). The Company's cash and liquid assets were EUR 14 683 thousand (EUR 11 312 thousand), of which cash and cash equivalents were EUR 7 805 thousand (EUR 5 439 thousand) and financial assets at fair value through profit or loss were EUR 6 878 thousand (EUR 5 873 thousand).

Equity ratio was 71.6 percent (71.1%) and gearing was -31.0% (-24.8%). The Company had a total of EUR 552 thousand (EUR 990 thousand) interest-bearing liabilities, of which current liabilities accounted for EUR 422 thousand (EUR 445 thousand). Return on investment was 18.9 percent and return on equity 11.0 percent.

Cash flows from operating activities were EUR 6 090 thousand (EUR 6 568 thousand). Cash flows from investments were EUR 1 409 thousand (EUR -4 766 thousand).

The Company's capital expenditure, resulting from regular, additional and replacement, investments resulting from growth, was EUR 368 thousand (EUR 450 thousand) in the period. Gross investments which include, in addition to the previously mentioned, the capitalized research and development costs totaled EUR 1 649 thousand (EUR 23 501 thousand, includes the acquisition of Analyste).

Amortizations of intangible assets were EUR 921 thousand (EUR 670 thousand). There are no indications of impairments of assets.

RESEARCH, DEVELOPMENT AND NEW PRODUCTS

BasWare's research and development costs were EUR 6 344 thousand (EUR 5 445 thousand) in the period and made up 18 percent (18 %) of net sales. Research and development costs grew by 17 percent (76%) compared with the same period last year.

Research and development is centralized in the Software Production business unit. Altogether 140 people (136) worked in the unit at the end of June 2007.

Strong development of the BasWare product suite continued according to plan in the second quarter. New versions of the value-added modules, *BasWare Order Matching* and *BasWare Contract Matching* were launched during the quarter as well as new version of the *BasWare KPI Reporting Tool* solution.

New versions of *BasWare Purchase Management* and *BasWare Travel & Expense Management* were also launched during the period.

During the quarter, *BasWare RFX Management*, a sourcing solution to be launched in the second half of the year, was delivered to a pilot customer. The first deliveries of *BasWare Mobile Client* and *BasWare Portal* were realized during the quarter.

The first versions of *BasWare Invoice Processing* and *BasWare Purchase Management* including the Unicode support for the Asia Pacific market were launched during the quarter.

Of the Financial Management product suite, a new international version of the value-added module IFRS Package, complementing the *BasWare Group Consolidation* software, was launched. The demand for the new version has been the strongest in Russia, where the solution is sold under the name of *BasWare IFRS Consolidation*.

PERSONNEL

BasWare employed 550 (506) people in average and 559 (507) people at the end of the period. The number of personnel grew by 10 percent compared with the same period last year and grew by almost 5 percent compared with the previous quarter.

The share of personnel working in foreign units has slightly increased compared with the same period last year. At the end of the period, 35 percent (33%) of the BasWare personnel worked outside of Finland and 65 percent (67%) in Finland.

The average age of the employees is 35.5 (35.4) years. Of them 35 percent hold a Master's degree and 42 percent a Bachelor's degree. 29 percent of the personnel are women and 71 percent men.

For incentive purposes, the Company has a bonus program that covers the whole personnel. During the financial period, the Company also had two on-going warrant programs for the Group's key personnel as well as a share-based incentive program directed to the top management.

Geographical distribution of personnel:

Personnel (employed, in average)	4-6/ 2007	4-6/ 2006	Change, %	1-6/ 2007	1-6/ 2006	Change, %	1-12/ 2006
Finland	361	343	5.3	357	348	2.6	346
Scandinavia	97	87	10.7	95	87	8.8	89
Europe	69	61	14.3	67	59	14.5	62
Other areas	23	15	47.8	22	15	54.0	17
Group total	550	506	8.6	541	509	6.3	513

BUSINESS OPERATIONS

General economic situation in the main market areas of BasWare remains relatively good. Research institutions predict that the annual growth of the IT market will be approximately 5–7 percent in the Nordic countries, Western Europe and United States. The competitiveness of the BasWare software is estimated to have slightly improved. BasWare is named strong newcomer in the international eProcurement solutions market in a report by the independent research firm Forrester Research, Inc. and ranked among five leading vendors globally. According to Forrester, BasWare is a leading electronic invoice and presentment and payment (EIPP) vendor with the most revenues and largest installed base.

BasWare Enterprise Purchase to Pay operations grew by 15 percent in the financial period and represents 87 percent (88%) of total net sales. In the second quarter the growth was 21 percent. The Company estimates that the demand for procurement solutions continues to increase. The demand for automated invoice processing solutions and travel and expense management solutions has remained steady.

In Enterprise Purchase to Pay units, new customers include The City of Espoo, Raskone Oy, Suomen Terveystalo Oyj and Tapiola Bank in Finland, DW Beton GmbH and Keramag – Keramische Werke Aktiengesellschaft in Germany, Martinair in the Netherlands, Rolls-Royce Marine AS in Norway and Gannett Co in the United States. Additionally, BasWare further extended its cooperation with Neste Oil by entering in to a significant agreement of the delivery of a solution to the company's Shared Service Center.

The Financial Management operations grew by 22 percent in the period and represented 13 percent (12%) of net sales. In the second quarter the growth was 23 percent. BasWare announced on June 6, 2007 that it incorporates its Financial Management unit. The demand for Financial Management software has been moderate especially for the planning and analyzing solutions. The unit's new customers include Suomen Terveystalo Oyj and The City of Espoo in Finland. The Financial Management unit also made a market opening to Russia in the second quarter. The first customer for the Financial Management solutions in Russia is the St. Petersburg-based LSR Group.

The invoice volume of *BasWare Einvoices Oy*, operating in the Nordic countries, grew by 42 percent and came mostly from Finland. A total of 1.7 million invoices were transmitted through the invoicing service in the second quarter and the invoice volume grew by 39 percent compared with the same period last year and by 6 percent from the previous quarter. In the second quarter, 62 new customer agreements were signed, of which international operations represented 27 percent. New operator agreements were signed with Handelsbanken, Ålandsbanken and WM-Data A/S for the transmission of electronic invoices. In addition, BasWare Einvoices Oy became a founding member of the Norwegian B2B connect operator forum.

Reseller Channel and Partners

Reseller operations through business partners are an important part of international operations. The main focus of the partner operations in the second quarter was on signing new customer agreements, recruiting new business partners and strengthening partner marketing.

The development of the indirect reseller channel continues also in Russia and Asia. In Russia, the new business partners for the Enterprise Purchase to Pay solutions are Manzana Group and Xerox Russia and Navicon for the Financial Management solutions. In Asia, DICOM Group started as a reseller for the Enterprise Purchase to Pay solutions.

During the second quarter, the organization responsible for partner operations was re-organized. The aim is to strengthen the deployment of global sales and partnership programs in the country units and to focus BasWare's own channel resources to work with the key partners.

Nine new reseller agreements were signed during the quarter, of which Itesoftware in France, RR Donnelley in Switzerland, Manzana Group and XEROX Russia in Russia as well as XEROX USA, XEROX Canada, Velocity Technology Solutions, RPI Consultants and Tallega in North America.

BasWare has entered into a global reseller agreement with DICOM Group, the global market leader of Information Capture & Exchange solutions. Through the partnership, BasWare Enterprise Purchase to Pay suite is completed by the Ascent® Capture and Ascent® Xtrata Pro capture solutions. DICOM

Group also distributed BasWare Enterprise Purchase to Pay solutions. During the quarter, Kofax in the United States and DICOM in Asia initiated the sales of BasWare product.

BasWare had a total of 63 international resellers at the end of the period, operating in 33 countries. Outside the Nordic countries, BasWare has 40 partners in Europe. BasWare also has an extensive reseller network in Finland.

Value added resellers provided a net share of 15 percent (16%) or EUR 1 913 thousand of product sales in January–June. In April–June value added resellers provided a net share of 13 percent (7%) or EUR 799 thousand.

Nordic

BasWare's Nordic organization includes the Enterprise Purchase to Pay and Financial Management units in Finland, as part of the parent company, as well as the 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.

Sales and other business operations are mainly handled by the own organization. There are altogether 28 resellers and 17 application service providers selling payment solutions in Finland. There are two Enterprise Purchase to Pay business partners in Sweden and one Enterprise Purchase to Pay partner in Iceland.

As a whole, BasWare's Nordic operations exceeded its objectives for the second quarter. The units in Finland and Scandinavia exceeded the objective. Also the Financial Management unit exceeded its objective. The growth of net sales in the Finland segment was 26 percent. In the Scandinavia segment, the quarter's net sales decreased by 12 percent but the net sales for the financial period grew by three percent.

Europe

Outside of Scandinavia, BasWare has European subsidiaries in the Netherlands, Germany, the United Kingdom and France. In addition, there are partner operations in 10 other countries. Four new reseller agreements were signed during the quarter. There are altogether 40 resellers in the area.

As a whole, the European business area fell slightly behind the objective for the quarter. The net sales of the area grew by 90 percent in April–June compared with the same quarter last year. The sales consisted mainly of the *BasWare Invoice Processing* solution. The Dutch unit clearly exceeded its objective for the quarter. The units in United Kingdom and France fell behind their objectives. The German unit fell slightly behind the objective.

Other Areas

Other areas segment grew in April–June by 79 percent compared with the same quarter last year.

Outside of Europe, BasWare has a U.S. subsidiary which focuses on the sales of the Enterprise Purchase to Pay solutions in the United States and Canada. Five new resellers started partner operations during the quarter. The operations of BasWare, Inc. fell behind the objective for the quarter.

The sales in other areas outside Europe, mainly in Australia, are handled through value added resellers. Their net sales, that are entered as a part of the Finnish parent company's sales in segment reporting, fell behind the objective for the period.

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. The book counter value of the shares is EUR 0.30 per share.

Board's Authorizations given by the Annual General Meeting of Shareholders on February 26, 2007

Authorization to resolve on share issue

The Annual General Meeting 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 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, 2008.

Authorization to resolve on acquiring the Company's own shares

The Board is authorized to resolve on the acquisition of a maximum of 1 146 812 own shares. The new shares are acquired at the Helsinki Stock Exchange and can either be held by the Company, nullified or conveyed further. The authorization for acquisition is valid until March 31, 2008.

Authorization to resolve on an extraordinary dividend distribution

The Board is authorized to resolve on an extraordinary dividend distribution totaling a maximum of EUR 1 000 000, distributed from the Company's distributable funds.

The authorization is in effect until the start of the following Annual General Meeting.

Warrant Programs

Warrant Program 2006

Based on the Warrant Program 2006, 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 the 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.

Warrant Program 2007

The warrants shall, by deviation from the shareholders' pre-emptive right to subscription, be issued to key personnel identified by the Board of Directors, employed by the group for the present and not part-time, to increase their commitment and work motivation. Part of the warrants shall be issued to the wholly owned subsidiary of BasWare Corporation to be issued later to persons employed by the Group or to persons who are recruited to the Group.

The shareholders' pre-emptive right to subscription is being deviated from, since the warrants are intended to form a part of the Group's incentive program and, thus, from the Company's perspective, there are considerable financial grounds for it.

The warrants are granted free of charge. The Board of Directors shall decide upon the procedure and schedule of the approval of warrants. The warrants will be granted to the Group's personnel and management according to the resolution of the Board.

BasWare Corporation shall issue a maximum of 200 000 warrants, whereof 100 000 shall be marked with the letter D and 100 000 with the letter E. The warrants will be issued in the book-entry system. Each warrant entitles its holder to subscribe one (1) share in BasWare Corporation.

The subscription price of the share will be recorded to EUR 0.30 in the share capital of Company and for the remainder in the fund for invested non-restricted equity. BasWare's share capital can increase by a maximum of 200.000 new shares or EUR 60 000 based on the subscriptions.

The subscription period is

- warrant D April 1, 2009 - March 31, 2010,
- warrant E April 1, 2010 - March 31, 2011

The subscription prices correspond to

- for warrant D, the volume-weighted average share price of the Company in January-March of 2007
- for warrant E, the volume-weighted average share price of the Company in January-March of 2008

The portion of shares subscribed based on the now issued warrants totals a maximum of 1.71% of the Company's shares and votes after the possible increase in share capital.

Share price and trade

In the second quarter, the highest price of the share was EUR 14.00 (EUR 15.25), lowest price was EUR 10.48 (EUR 11.21) and closing price was EUR 12.25 (EUR 13.75). The average price of the share was EUR 12.19 (EUR 13.35).

A total of 1 597 569 (3 628 803) shares were traded during the financial period which is the equivalent of 14 percent (33%) of the average number of shares. Market capitalization with the period's closing price on June 30, 2007 was EUR 140 485 thousand (EUR 156 039 thousand).

Shareholders

BasWare had 18 459 (20 651) shareholders at the end of the financial period, including nominee-registered holdings (10). Nominee-registered holdings accounted for 14.4 percent of the total number of shares.

The Company received no notices of change in ownership during the financial period.

THE COMPANY'S NEAR FUTURE RISKS AND BUSINESS UNCERTAINTIES

A more in-depth account of the Company's operating risks has been published in conjunction with the 2006 Financial Statements. BasWare has divided the risks 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 reduced in various ways.

As part of BasWare's risks and business uncertainties in the near future, the lack of consulting resources may slow down the growth of services operations. In addition, Software as a Service (SaaS) based services instead of license agreements may affect the Company's short term net sales growth.

There have been no other significant changes in BasWare's risks and uncertainties during the financial period.

FUTURE OUTLOOK

According to research institutions, the global enterprise software market will grow by approximately 5–7 percent annually. However, regional growth may outstrip this; for example in Asia Pacific annual growth is estimated at over 12 percent. BasWare operates in the electronic procurement and purchase invoice area, which is expected to grow more rapidly than the average for enterprise software.

Western Europe and the United States represent approximately three quarters of overall demand for enterprise software. Since invoice processing and purchase management software remain at the beginning of their lifecycles in these regions, demand is estimated to be high.

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. A leading research company, Forrester Research, Inc. names the leading provider of invoice automation solutions and in procurement one of the top five vendors in the world.

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, in Russia and in 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 is enabled by the success in the purchase management area.

BasWare has complemented its organic growth with acquisitions. The Company continues to review possible acquisition targets during 2007. With the acquisitions, the Company can extend the sales channel and the product portfolio. They may also strengthen the Company's position in the electronic invoicing market.

In 2007, BasWare expects the growth of net sales for the financial year to be from 15 to 20 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 12, 2007

BASWARE CORPORATION
Board of Directors

For more information, please contact

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Analyst and Press Briefing

BasWare arranges today, July 12, 2007 a briefing on the Interim Report for the press and analysts at 10:30 in Hotel Kämp, Paavo Nurmi conference room in 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

GROUP INCOME STATEMENT

EUR thousand	1.4.– 30.6.2007	1.4.– 30.6.2006	Change, %	1.1.– 30.6.2007	1.1.– 30.6.2006	Change, %	1.1.– 31.12.2006
NET SALES	17 776	14 651	21.3	34 814	30 083	15.7	59 954
Other operating income	752	61	1 125.7	767	102	650.4	177
Materials and services	-662	-689	-3.9	-1 482	-1 467	1.0	-2 593
Employee benefits expenses	-9 961	-8 710	14.4	-19 203	-16 969	13.2	-32 953
Depreciation and amortization	-597	-488	22.2	-1 168	-942	24.1	-2 033
Other operating expenses	-4 536	-3 578	26.8	-9 546	-7 032	35.8	-14 474
Operating profit	2 773	1 247	122.3	4 182	3 776	10.7	8 078
Finance Income	79	48	63.8	140	186	-24.8	308
Finance Expenses	-12	-8	37.6	-23	-69	-67.0	-99
Profit before tax	2 840	1 287	120.6	4 299	3 894	10.4	8 287
Income tax expense	-1 256	-486	158.5	-1 831	-1 099	66.7	-3 301
PROFIT FOR THE PERIOD	1 584	801	97.7	2 468	2 795	-11.7	4 986
EPS (undiluted), EUR	0.14	0.07	97.2	0.22	0.26	-15.5	0.45
EPS (diluted), EUR	0.14	0.07	98.8	0.22	0.25	-14.7	0.44
Average share number:							
- undiluted	11 468 124	11 346 607		11 468 124	10 889 344		11 172 612
- diluted	11 468 124	11 442 664		11 468 124	10 986 222		11 221 052

GROUP BALANCE SHEET

EUR thousand	30.6.2007	30.6.2006	Change, %	31.12.2006
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	10 390	9 428	10.2	9 980
Goodwill	18 529	18 350	1.0	18 477
Tangible assets	875	962	-9.1	784
Investments in associates		3	-100.0	
Available-for-sale investments	38	2 612	-98.6	2 612
Trade and other receivables	12	12	-0.5	0
Deferred tax assets	2 854	3 588	-20.4	3 501
Non-current assets	32 698	34 952	6.5	35 354
CURRENT ASSETS				
Inventories	21	14	46.9	20
Trade and other receivables	15 993	12 262	30.4	13 018
Income tax receivables	199	112	78.0	192
Financial assets at fair value through profit or loss	6 878	5 873	17.1	5 963
Cash and cash equivalents	7 805	5 439	43.5	3 012
Current assets	30 895	23 700	30.4	22 204
TOTAL ASSETS	63 593	58 655	8.4	57 558
EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital	3 440	3 404	1.1	3 440
Share premium account	33 127	32 444	2.1	33 127
Fair value reserve and other reserves	540	540	0.0	540
Translation differences	355	381	-7.0	235
Retained earnings	8 015	4 915	63.1	7 176
Minority interest	68			88
Shareholders' equity	45 545	41 685	9.3	44 606
NON-CURRENT LIABILITIES				
Deferred tax liability	1 328	1 457	8.9	1 462
Interest-bearing liabilities	130	545	-76.2	329
Non-current liabilities	1 458	2 001	27.1	1 791
CURRENT LIABILITIES				
Interest-bearing liabilities	422	445	-5.1	428
Trade payables and other liabilities	15 215	13 738	10.8	9 957
Tax liability from income tax	952	786	21.1	775
Current liabilities	16 590	14 969	10.8	11 160
TOTAL EQUITY AND LIABILITIES	63 593	58 655	8.4	57 558

GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR thousand	Shareholders' equity	Share premium account	Other reserves	Translation differences	Retained earnings	Minority interest	Shareholders' equity
SHAREHOLDERS' EQUITY 1.1.2006	2 963	15 010	0	-203	3 527		21 296
Change in translation difference				584	-256		328
Granted warrants					-81		-81
Net profit/loss recognized directly in shareholders' equity				584	-337		247
Profit for the period					2 795		2 795
Total profits and losses				584	2 458		3 042
Dividend distribution					-1 070		-1 070
Rights issue	441		540				981
Warrants used		190					190
Share premium		17 250					17 250
Transaction costs for equity		-6					-6
SHAREHOLDERS' EQUITY 30.6.2006	3 404	32 444	540	381	4 915		41 685

EUR thousand	Shareholders' equity	Share premium account	Other reserves	Translation differences	Retained earnings	Minority interest	Shareholders' equity
SHAREHOLDERS' EQUITY 1.1.2007	3 440	33 127	540	235	7 176	88	44 606
Change in translation difference				120			120
Granted warrants					69		69
Other changes					1		1
Net profit/loss recognized directly in shareholders' equity				120	71		190
Profit for the period					2 488	-20	2 468
Total profits and losses				120	2 559	-20	2 658
Dividend distribution					-1 720		-1 720
SHAREHOLDERS' EQUITY 30.6.2007	3 440	33 127	540	355	8 015	68	45 545

GROUP CASH FLOW STATEMENT

EUR thousand	1.1.–30.6.2007	1.1.–30.6.2006	1.1.–31.12.2006
Cash flows from operating activities			
Profit for the period	2 468	2 795	4 986
Adjustments for profit	2 506	2 229	5 235
Working capital changes	2 286	3 090	-902
Interest paid	-13	-24	-41
Dividends received			-8
Interest received	25	39	70
Other financial items in operating activities	-6	47	65
Income taxes paid	-1 177	-1 608	-3 750
Net cash from operating activities	6 090	6 568	5 657
Cash flows from investing activities			
Purchase of tangible and intangible assets	-1 634	-1 599	-3 021
Proceeds from sale of tangible and intangible assets	25	32	64
Acquired subsidiaries	0	-3 660	-3 660
Disposal of associated companies			23
Proceeds from other investments	3 013	457	457
Granted loans	0	0	-1
Repayments of loan receivables	6	4	24
Net cash used in investing activities	1 409	-4 766	-6 114
Cash flows from financing activities			
Proceeds from issuance of share capital	0	760	760
Minority's capital investment	0	0	95
Repayments of long-term borrowings	-200	-200	-400
Repayments of financial lease liabilities	-6	-41	-75
Dividends paid	-1 720	-1 070	-1 070
Net cash used in financing activities	-1 927	-551	-689
Net change in cash and cash equivalents according to cash flow statement	5 573	1 251	-1 146
Cash and cash equivalents at beginning of period	8 975	9 987	9 987
Effects of exchange rate changes on cash and cash equivalents	21	12	-19
Effects of fair value implementation	115	62	152
Cash and cash equivalents at end of period	14 683	11 312	8 975

GROUP QUARTERLY INCOME STATEMENT

EUR thousand	1-3/2007	1-3/2006	4-6/2007	4-6/2006	7-9/2006	10-12/2006
NET SALES	17 038	15 432	17 776	14 651	13 363	16 508
Other operating income	15	41	752	61	25	50
Materials and services	-819	-778	-662	-689	-468	-658
Employee benefits expenses	-9 243	-8 259	-9 961	-8 710	-6 942	-9 042
Depreciation and amortization	-571	-453	-597	-488	-520	-572
Other operating expenses	-5 010	-3 454	-4 536	-3 578	-2 963	-4 479
Operating profit	1 409	2 529	2 773	1 247	2 495	1 807
%	8.3%	16.4%	15.6%	8.5%	18.7%	10.9%
Finance income	61	138	79	48	56	66
Finance expenses	-11	-60	-12	-8	12	-43
Profit before tax	1 459	2 606	2 840	1 287	2 563	1 831
%	8.6%	16.9%	16.0%	8.8%	19.2%	11.1%
Tax on income from operations	-575	-613	-1 256	-486	-898	-1 304
PROFIT FOR THE PERIOD	884	1 994	1 584	801	1 665	526
%	5.2%	12.9%	8.9%	5.5%	12.5%	3.2%

COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand	30.6.2007	30.6.2006	31.12.2006
GUARANTEES ON BEHALF OF SUBSIDIARIES			
Guarantees total	1 075	740	986
OWN CONTINGENT LIABILITIES			
Lease liabilities			
Current lease liabilities	586	503	544
Lease liabilities maturing in 1-5 years	460	519	567
Total	1 046	1 021	1 111
Rental liabilities			
Current rental liabilities	1 766	1 271	1 334
Rental liabilities maturing in 1-5 years	4 435	1 376	3 193
Rental liabilities maturing later	321		
Total	6 522	2 646	4 527
Own contingent liabilities, total	7 567	3 668	5 638

SEGMENT REPORTING

Geographical segments (primary segment)

Net sales (EUR thousand)	4-6/2007	4-6/2006	Change, %	1-6/2007	1-6/2006	Change, %	1-12/2006
Finland	12 276	9 732	26.1	24 333	20 734	17.4	41 028
Scandinavia	3 859	4 393	-12.2	7 889	7 672	2.8	14 698
Europe	3 153	1 656	90.3	5 952	3 940	51.1	8 985
Other areas	921	515	79.0	1 673	1 087	53.8	3 512
Sales between segments	-2 432	-1 645		-5 033	-3 351		-8 269
Group total	17 776	14 651	21.3	34 814	30 083	15.7	59 954

Operating profit (EUR thousand)	4-6/2007	4-6/2006	Change, %	1-6/2007	1-6/2006	Change, %	1-12/2006
Finland	3 837	2 071	85.3	7 152	5 557	28.7	12 314
Scandinavia	-207	305	-167.7	-436	146	-399.0	-45
Europe	-347	-848	59.0	-1 526	-1 342	-13.8	-2 831
Other areas	-495	-265	-87.1	-978	-554	-76.5	-1 297
Operating profit between segments	-15	-16		-31	-31		-62
Group total	2 773	1 247	122.3	4 182	3 776	10.7	8 078

Personnel (employed, in average)	4-6/2007	4-6/2006	Change, %	1-6/2007	1-6/2006	Change, %	1-12/2006
Finland	361	343	5.3	357	348	2.6	346
Scandinavia	97	87	10.7	95	87	8.8	89
Europe	69	61	14.3	67	59	14.5	62
Other areas	23	15	47.8	22	15	54.0	17
Group total	550	506	8.6	541	509	6.3	513

Business segments (secondary segment)

Net sales (EUR thousand)	4-6/2007	4-6/2006	Change, %	1-6/2007	1-6/2006	Change, %	1-12/2006
Product sales	6 152	4 192	46.7	12 618	9 633	31.0	19 374
Maintenance and support	5 141	4 740	8.5	10 099	9 210	9.7	18 776
Consulting and services	5 515	5 098	8.2	10 536	10 280	2.5	20 106
SaaS	291			541			
Other operations	678	620	9.4	1 021	961	6.2	1 698
Group total	17 776	14 651	21.3	34 814	30 083	15.7	59 954

Geographical division of net sales by the location of customer

Net sales (EUR thousand)	4-6/2007	4-6/2006	Change, %	1-6/2007	1-6/2006	Change, %	1-12/2006
Finland	9 827	8 211	19.7	19 187	17 386	10.4	32 557
Scandinavia	3 614	3 910	-7.6	7 543	7 111	6.1	14 129
Europe	3 161	2 105	50.2	5 992	4 666	28.4	9 421
Other areas	1 174	425	176.5	2 092	920	127.3	3 848
Group total	17 776	14 651	21.3	34 814	30 083	15.7	59 954

GROUP KEY INDICATORS

EUR thousand	1-6/2007	1-6/2006	1-12/2006
Net sales	34 814	30 083	59 954
Growth of net sales, %	15.7%	50.3%	43.9%
Operating profit	4 182	3 776	8 078
Growth of operating profit, %	10.7%	168.1%	123.7%
% of net sales	12.0%	12.6%	13.5%
Profit before tax	4 299	3 894	8 287
% of net sales	12.3%	12.9%	13.8%
Profit for the period	2 468	2 795	4 986
% of net sales	7.1%	9.3%	8.3%
Return on equity, %	11.0%	17.8%	15.1%
Return on investment, %	18.9%	24.3%	24.7%
Interest bearing liabilities	552	990	758
Cash and liquid assets *)	14 683	11 312	8 975
Gearing, %	-31.0%	-24.8%	-18.4%
Equity ratio, %	71.6%	71.1%	77.5%
Total assets	63 593	58 655	57 558
Gross investments **)	1 649	23 501	25 315
% of net sales	4.7%	78.1%	42.2%
Capital expenditure	368	450	597
% of net sales	1.1%	1.5%	1.0%
Research and development costs	6 344	5 445	10 925
% of net sales	18.2%	18.1%	18.2%
R&D personnel at end of period	140	136	138
Personnel average for period	541	509	513
Personnel at end of period	559	507	528
Growth of personnel, %	10.3%	38.5%	33.7%
Earnings per share, EUR	0.22	0.26	0.45
Earnings per share, EUR (diluted)	0.22	0.25	0.44
Equity per share, EUR	3.97	3.67	3.88
Average share number:			
- undiluted	11 468 124	10 889 344	11 172 612
- diluted	11 468 124	10 986 222	11 221 052

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

**) Includes capitalized R&D costs and acquisitions

MAJOR SHAREHOLDERS

June 30, 2007		Shares and votes	
		Number	%
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)	800 900	7.0
6.	Nordea Nordic Small Cap Fund	465 997	4.1
7.	Ahonen, Asko	318 822	2.8
8.	Veritas Pension Insurance Company	216 000	1.9
9.	Perttunen, Meimi	215 400	1.9
10.	Royal Skandia Life Assurance	210 000	1.8
11.	Fondita Nordic Small Cap Fund	190 000	1.7
12.	Henki-Sampo Insurance Company	155 000	1.4
13.	Fides Finland Focus Fund	125 182	1.1
14.	OP Finland Small Firm Fund	106 000	0.9
15.	Veritas Life Insurance Company Ltd	100 000	0.9
16.	Sarvala, Vesa	95 241	0.8
17.	Kaleva Mutual Insurance Company	93 800	0.8
18.	Nordea Fennia Plus Fund	86 000	0.7
19.	Luoto, Matti	81 950	0.7
20.	Fondita Nordic Micro Cap Fund	60 000	0.5
20 largest shareholders total		7 294 092	63.6
Nominee-registered shares total		1 655 861	14.4
Others		2 518 171	22.0
Total		11 468 124	100