

Financial Statement

1 January - 31 December, 2008

Board of Directors' Report.....	22
Transition to IFRS	30
Group Income Statement	33
Group Balance Sheet.....	34
Group Cash Flow Statement	35
Group Statement of Changes in Shareholders' Equity	36
Notes to the Group Financial Statements	37
Parent Company Income Statement	47
Parent Company Balance Sheet.....	48
Parent Company Cash Flow Statement	50
Notes to the Parent Company Financial Statements	51
Key Figures and Formulas	59
Auditor's Report	60

Board of Directors' Report

Profit Software Ltd is the leading provider of software solutions for the insurance industry in its market area. In 2008 our market share in life and pension insurance further strengthened. In property and casualty insurance, demand remained at a low level although we did receive new opportunities during the year.

The growth of business was strong despite the fact that the general economy turned sharply downward in the latter half of the year. The problems of the world economy began in the financial sector but this development did not affect Profit Software's business significantly. Increased caution in investment could be seen in the market to some extent, however.

Increase in turnover

Profit Software's year-on-year turnover increased by 15% (2007: 8%, 2006: 57%) in its seventeenth accounting period. Turnover of the parent company was EUR 10.3 million (2007: 9.0, 2006: 8.3). The consolidated turnover of Profit Software Group totalled EUR 10.8 million (2007: 9.0, 2006: 8.4), a 19% increase on the preceding accounting period.

In accordance with the revised corporate strategy, the company invested in markets in the Nordic countries and Poland and also invested strongly in co-operation with partners. Some preparations for entering the insurance markets in Russia were made during the year. In the domestic market the company gained additional market share.

Investments

In 2008 investments in R&D reached more than EUR 1.4 million (2007: 1.8, 2006: 2.4). The company invested particularly in the productisation of new life and pension business offerings. The performance of the software was improved and results were excellent under test by external service providers. The new generation of the Profit Property&Casualty product family was further developed during the year.

Product development expenses incurred by new product planning are being activated as intangible assets until the products are ready for commercial use. The economic life of activated product development

expenses is 5 years, during which they are recorded using straight-line depreciation.

In addition to product development we also invested strongly in process development.

Profitability

Profit for the Group in the accounting period 2008 was EUR 1.4 million (2007: 0.7, 2006: 0.7), which is 13% of turnover. Change on the previous year is +110%. The profit of the parent company in the accounting period was EUR 1.0 million (2007: 0.4, 2006: 1.6), the change on the previous year +180%. The profit from turnover of the parent company was 9.1%. Support from the Finnish Funding Agency for Technology and Innovation (TEKES) and revenues from the sale of the associated company were allocated as Group's operating income. These transactions increased the profit of both parent company and the Group by EUR 0.7 million.

Change in share capital and ownership

The equity of the Group was EUR 3.6 million (2007: 2.3, 2006: 2.2). The equity of the parent company was EUR 3.1 million (2007: 2.2, 2006: 2.2). The return on equity of the Group was 47% (2007: 29%, 2006: 28%) and the equity ratio was 51% (2007: 44%, 2006: 56%).

In April 1-30, 2008 the company had a share issue for its employees. The personnel were offered an opportunity to subscribe company shares at EUR 0.34 per share. The amount of subscribed shares totalled 196 000. Due to the share issue, the share capital of the company increased EUR 3 920 to EUR 138 540. The company entered EUR 61 700 in the invested unrestricted equity fund. All subscribed shares are entitled to a dividend.

The General Meeting, held on November 4, 2008 authorized the board to decide on a share issue up to a maximum of 1 000 000 shares. The arrangement presumes a unanimous decision of the Board. The share issue cannot be directed to board members or to entities under their control. The authorization is valid until June 30, 2009.

On November 18, 2008 the Board decided of a directed share issue to the COO for the period Novem-

ber 20 – December 15, 2008 at the price of EUR 0.34 per share. The subscription comprised total 288 625 shares. In the annual closing 2008 EUR 5 772 was registered on a share issue account and the amount of EUR 92 360 in the invested unrestricted equity fund. These shares are entitled to a dividend.

The rest of the authorization to the Board is valid until June 30, 2009 up to 711 375 new company shares.

The company remains 100% privately owned. The total number of the shares of the company is 7 215 625, of which the company owned 124 000 at the end of accounting period. There is only one series of shares. Relative proportion of the ownership of company's own shares and votes is 1.7%. During the accounting period the company, based on shareholder agreements, acquired 132 000 own shares at the price of EUR 0.33 per share. These shares represent 1.8% of the total amount of company shares and votes. The total number of shares sold to personnel is 36 000, priced EUR 0.30 average per share. This stands at 0.5% of the total of company shares and votes.

During the accounting period the company sold the 30% ownership in Profit Consulting Oy, company that begun its operation in the beginning of 2007.

Personnel

The number of personnel during the year averaged 114 (2007: 103, 2006: 93), the change from the previous year 10.7%. At year's end the number was 116 (2007: 104) for an increase of 11.5%.

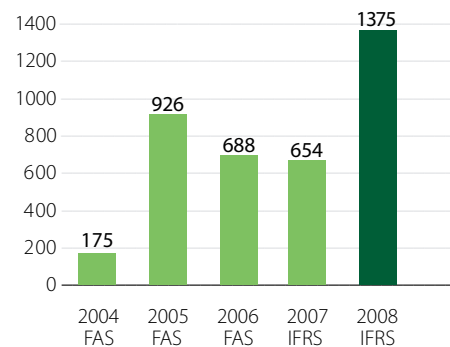
The training of personnel based on company strategy continued during the accounting period. Profit Pro College, a training program meant for persons working in positions of responsibility, was launched at the end of the year and had 26 participants in its first stage. Salaries and incentives were paid totalling EUR 4.6 million altogether (2007: 3.4, 2006: 4.1).

Co-operation with the partners was extended during the year so as to secure the scalability of manufacturing and delivery processes.

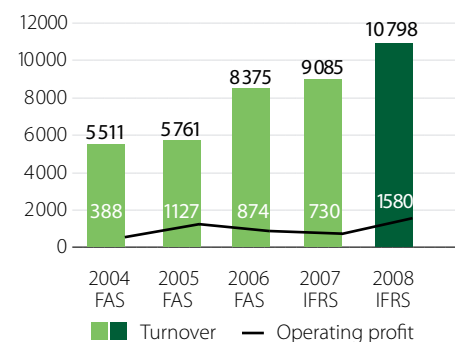
General meeting, government, auditors

The annual general meeting was held on March 6, 2008 and elected the members of the board. Elected were Hannu Vaajoensuu, Jussi Harvela, Risto Salonen, Kari Leino and Harry Nyroos. KPMG Oy was chosen as company auditor and Outi Hieta as the authorized auditor. Harry Nyroos acts as president and CEO and as of October 1, 2008 Matti Rusi as COO.

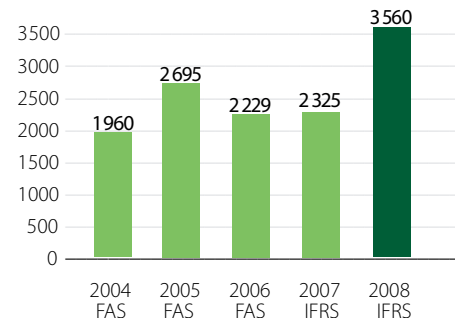
Profit for the fiscal year, 1000 €



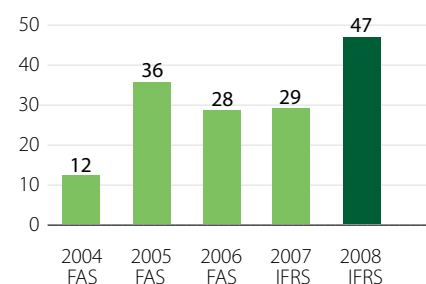
Turnover & Operating profit, 1000 €



Equity, 1000 €



Return on Equity (ROE), %



$$\text{Equity Ratio} = \text{Equity} / (\text{Equity} + \text{Liabilities})$$

Actions after the accounting period

In the beginning of 2009 the company continued recruiting and further strengthened the management of the organisation. The work of the Corporate Management Group was updated and the structure of the organisation was adjusted to secure company goals and in particular internationalisation. A change of focus in the Nordic market led us to close down the sales office in Sweden to increase resources in Norway and also Denmark.

In January 2009 the company was subjected to a tax audit of the accounting periods 2006-2007. According to the audit report the company's financial operation and procedures are in accordance with the applicable laws and regulations.

Outlook for the year 2009 and risk management

In the area of risk management, the elements we have to follow the most closely are customer, personnel and project risks. Key customer projects will be controlled at the weekly level at the minimum. All major accounts will have targeted account plans for tracking and reporting and for mapping the development of the account. This will provide us with better forecasting in each customer project.

Project risk will be managed in the most important projects via strict follow-up of project developments in comparison to the project database and the project's schedule and results targets. This follow-up will be screened by the company's project management system. Project risk will be further minimised by employing the quality assurance program that was developed during the past year.

Personnel risks will be managed by our innovative personnel policy and our leadership training program, and by offering opportunities for personal professional development.

At the beginning of the year 2009, economic instability and worldwide recession have caused a significant increase in uncertainty in the market. In spite of this the company has several concrete customer projects, and this is quite clearly an extremely positive development. The general economic situation has not yet significantly affected the business of the company but the growth in uncertainty underlines the importance of proactive risk management.

We have already achieved excellent results in development of projects and processes. The core development issue for 2009 is the improvement of effectiveness in production and of overall quality in order to ensure our ability to serve increasingly large organisations. We have implemented a project to comprehensively update our methods in product development and in software production, and we fully intend to continue our activities in these areas.

The Profit Software product family – Profit Insurance Suite – facilitates quick, cost-efficient business development for the customer. Especially relevant in the present economic situation is the opportunity to better control of costs and achieve new cost savings. In spite of the challenging economic situation – or perhaps because of it – the company is placing a new emphasis on the development of its sales and marketing activities.

The company believes that in 2009 we will gain extensive and solid experience in operating the service model of Software-as-a-Service in cooperation with our partners. SaaS brings a new cost structure and opportunities to realise business benefits rapidly. For its part the current challenging market situation supports this development, and several analysts expect it to cause a distinct increase in the interest of customers in this service concept.

According to the strategy and the company growth, Profit Software will be strongly focusing in the internalisation. The current market situation emphasizes the need to avoid too large risks and instead to ensure business development and sustain profitable growth.

Presentation of the Board on the distribution of profits

The board will propose to the General Annual Meeting that a dividend of EUR 0.02 per share for 2008 be distributed, a total EUR 144 312.50, and the remainder of the distributable equity to be carried over as retained earnings.

The Board of Directors

Reporting Entity and Accounting Policies

Profit Software Group develops and provides software solutions to the financial market, especially to insurance business.

The Group's parent company Profit Software Ltd is a Finnish limited liability company domiciled in Helsinki, Finland. The address of the company's registered office is Meritullinkatu 11 C, 00170 Helsinki, Finland. A copy of the consolidated financial statements can be obtained from the Group head office.

The financial statements were approved by the Board of Directors on February 26, 2009.

ACCOUNTING POLICIES

Basis of preparation

These are the first financial statements of Profit Software Group prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed in the EU complying with the standards and interpretations effective on 31 December 2008. The Group's financial statements are presented in euro and are based on cost, unless mentioned otherwise. The notes to the consolidated financial statements also conform to the Finnish accounting and company legislation.

The Group's date of transition to IFRS was 1 January 2007 and the Group has applied IFRS 1 First-time Adoption of International Financial Reporting Standards in its financial statements. Comparable information (2007) has been amended to comply with IFRS.

The preparation of financial statements in conformity with IFRS requires management to make judgments and assumptions that affect the application of accounting policies. This is discussed more thoroughly in the end of the accounting policies.

Basis of consolidation

The consolidated financial statements include the financial statements of the parent company Profit

Software Ltd and the subsidiary Profit Software AS, which is controlled by the parent. The control is based on the ownership of all shares. Profit Software AS owns 34% of shares of the company Gefex Soft Oü, which has no operation.

The subsidiary Profit Software AS is accounted for by using the purchase method. All intercompany transactions, receivables, liabilities and intercompany distribution have been eliminated in the consolidated financial statements. As Profit Software Ltd has no minority interests, all profit is attributable to equity holders of the parent company.

Foreign currency

The functional and presentation currency of the Group's parent company is euro. Receivables and liabilities denominated in foreign currencies are translated into euros by using the exchange rates at the balance sheet date. Exchange rate gains and losses are included in the income statement. Exchange rate gains and losses relating to operating activities are included in the relating items above the operating profit. Other exchange rate gains and losses are included in the financial items.

The income statement of foreign group company is translated into euros by using the weighted average exchange rate for the period and the balance sheet by using the exchange rate at the balance sheet date. The translation of the profit or loss using different exchange rates in the income statement and balance sheet results in a translation difference, which is recognised as a separate component of equity. Translation differences that have arisen before 1 January 2007, that is, before transition to IFRS, have been recognised in retained earnings in accordance with the exemption in IFRS 1. Such translation differences will not in the future, at disposal of the subsidiary, be recognised into the profit or loss.

Revenue recognition

Service revenue based on working hours is recognized monthly in accordance with progress. Maintenance fees are allocated over the agreement period.

Construction contracts with a fixed price are recognised on the basis of the percentage of completion method once the outcome of the project can be reliably estimated. The percentage of completion is determined as the proportion of costs arising from work performed for the project up to date of review in the total estimated costs of the project. If the estimates of the project change, the recognised sales and margin are amended in the period during which the change becomes known and can be estimated for the first time. If the outcome of the project cannot be reliably estimated, the project costs incurred are expensed and revenue is recognised only to the extent of project costs incurred that probably will be recoverable. Expected losses are expensed immediately when it is probable.

Licensing income is recognised in accordance with the substance of the agreement.

Other operating income

Grants that compensate the Group for expenses incurred are recognised in profit or loss in the same periods in which the expenses are recognised. These grants are presented in other operating income.

Operating profit

IAS 1 Presentation of Financial Statements does not define the concept of operating profit. Profit Software Group has defined it as follows: The operating profit is the total amount of turnover and other operating income less materials and services, employee benefit expenses, depreciations, amortisations, impairment losses and other operating expenses. All other items are presented below operating profit. Foreign exchange differences relating to operating items are included in operating profit.

Intangible assets

Intangible assets comprise software and capitalised development costs. Intangible assets are initially measured at cost, when the costs can be measured reliably and future economic benefits are probable.

Subsequently intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are 5-10 years. Expected useful lives and residual values of intangible assets are reassessed at each balance sheet date and amortisation periods are changed in accordance with the changes in expected future economic benefits.

Research and development

Expenditure on research activities is recognised in profit or loss when incurred. Development costs arising from developing new or substantially improved products are capitalised as intangible assets when the product is technically and commercially feasible and future economic benefits are probable. The expenditure capitalised includes the cost of material, direct labour and testing costs that are directly attributable to preparing the asset for its intended use.

Amortisation is recognised in profit or loss over the estimated useful life of development costs. At the balance sheet date the estimated useful life of capitalised development costs is 5 years. Aging of technology and typical life cycle for these kinds of products have been taken into account in assessing the useful life.

Amortisations commence when new version of a product is published and available for sale. Expenditure relating to maintenance and minor improvements to old products is recognised to profit or loss as incurred.

Tangible assets

Tangible assets comprise IT machinery and equipment. Tangible assets are carried at cost less accumulated depreciation and impairment loss. The estimated useful life for machinery and equipment is 4-5 years. Depreciation on tangible assets is recognised in profit or loss on a straight-line basis over the estimated useful life.

Expected useful lives and residual values of tangible assets are reassessed at each balance sheet date and depreciation periods are changed in accordance with the changes in expected future economic benefits.

Gains and losses on sales and disposals are included in other operating income and in operating expenses, respectively.

Impairment

The carrying amounts of the Group's tangible and intangible assets are reviewed at each balance sheet date to determine whether there is any indication for impairment. In any such indication exists then the asset's recoverable amount is estimated. In addition, the recoverable amount of unaccomplished product development projects is estimated annually irrespective whether there is any indication for impairment or not. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

Leases

Leases of tangible assets where substantially all the risks and rewards incidental to ownership have been transferred to the Group are classified as finance leases. Assets under finance lease are capitalised at the inception of the lease at an amount equal to the lower of their fair value and the present value of the minimum lease payments. They are depreciated over the shorter of the useful lives for tangible assets or the lease term. Assessment of impairment is applied to assets under finance lease similarly as explained above.

The associated lease liabilities are included in short-term and long-term interest bearing liabilities. Lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability.

Payments made under lease contracts, that do not transfer substantially all the risks and rewards incidental to ownership to the lessor but they remain with the lessor, are expensed on a straight-line basis over the lease term. These operating leases include leases of buildings and cars.

Trade and other receivables

Trade receivables are related to sales of products, software licenses and services. They are classified as loans and receivables and carried at cost. Trade receivables are included in current assets in the balance sheet, expect when they fall due after 12 months.

Impairment is recognised, if there is any objective evidence that any trade receivable cannot be fully recovered. If the amount of impairment loss reduces subsequently, then the recognised impairment loss is reversed in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash, bank deposits on demand and other short-term investments. Overdraft facilities are included in short-term loans in short-term liabilities.

Financial liabilities

Financial liabilities are initially measured at fair value which is based on the consideration received. Transaction costs associated with the financial liabilities are included in the initial measurement. Subsequent to initial recognition, financial liabilities are measured at amortized cost calculated by using the effective interest rate method.

Financial liabilities are classified as long-term and short-term liabilities on the basis of their maturity.

Employee benefits

The statutory pension liability of the personnel of Profit Software Ltd has been arranged through the insurance companies. In foreign units the pension liability has been arranged according to local legislation and social security regulations. In these arrangements the Group has no further liability to additional payments i.e. the arrangements are contribution benefit plans. The payments in relation to those are recognized in the income statement in those periods they relate to.

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimation of the amount of the obligation can be made. A provision for onerous contracts is recognised when the unavoidable cost of meeting its obligations under the contract are higher than the expected benefits to be derived by the Group from a contract. A provision for warranties is recognised when the underlying products or services are sold and the amount of possible warranty costs can be reliably estimated.

Shares, dividends and treasury shares

Dividends are deducted from equity when they have been approved at the Annual General Meeting. Own shares acquired by the Group (treasury shares), including directly attributable costs, are deducted from equity.

Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in

equity. Current tax is recognised using enacted tax rates of the domiciles of each Group company.

Deferred tax is recognised on temporary differences between carrying amounts of assets and liabilities and the amounts used for taxation purposes.

Accounting policies requiring management's judgement, future estimates and key sources of estimation uncertainty

Accounting policies requiring consideration by management and crucial factors of uncertainty associated with estimates

The preparation of financial statements requires management to make assumptions and estimates that might differ from actual outcomes. In addition, judgements relating to the application of accounting policies have to be made. Assumptions and estimates are based on management's current best knowledge at the balance sheet date. Revisions to estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The most significant estimations and assumptions in the financial statements relate to valuation of assets, measurement of trade receivables and capitalization of development costs.

New standards and interpretations not yet adopted**NEW AND AMENDED STANDARDS AND INTERPRETATIONS TO BE APPLIED IN 2009**

Revised IAS 23 *Borrowing Costs* (2007) (effective for annual periods beginning on or after 1 January 2009). Revised standard requires, that an entity capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised standard is still subject to endorsement by the EU.

Revised IAS 1 *Presentation of Financial Statements* (2007) (effective for annual periods beginning on or after 1 January 2009). The revised standard changes the presentation format of income statement and statement of changes in equity. The revised standard is still subject to endorsement by the EU.

THE FOLLOWING NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ARE NOT EXPECTED TO AFFECT THE GROUP'S FINANCIAL STATEMENTS:

IFRS 8 *Operating Segments* (effective for annual periods beginning on or after 1 January 2009)

IFRIC 13 *Customer Loyalty Programmes* (effective for annual periods beginning on or after 1 July 2008). The interpretation is still subject to endorsement by the EU.

Amendments to IFRS 2 *Share Based Payment – Vesting Conditions and Cancellations* (effective for annual periods beginning on or after 1 January 2009). The amendments are still subject to endorsement by the EU.

Amendments to IAS 1 *Presentation of Financial Statements* and IAS 32 *Financial Instruments: Presentation – Puttable Financial Instruments and Obligations Arising on Liquidation* (effective for annual periods beginning on or after 1 January 2009). The amendments are still subject to endorsement by the EU.

Improvements to IFRSs (Annual Improvements 2007) (effective generally for annual periods beginning on or after 1 January 2009). The Annual Improvements process deals yearly with non-urgent but necessary amendments to IFRSs as a whole. The amendments are still subject to endorsement by the EU.

IFRIC 15 *Agreements for the Construction of Real Estate* (effective for annual periods beginning on or after 1 January 2009). The interpretation is still subject to endorsement by the EU.

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* (effective for annual periods beginning on or after 1 October 2008). The interpretation is still subject to endorsement by the EU.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS TO BE APPLIED IN 2010

Revised IFRS 3 *Business Combinations* (2008) and amended IAS 27 *Consolidated and Separate Financial Statements* (effective for annual periods beginning on or after 1 July 2009). The revised and amended standards are still subject to endorsement by the EU.

Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* (effective for annual periods beginning on or after 1 July 2009). The amended standard is still subject to endorsement by the EU.

IFRIC 17 *Distributions of Non-cash Assets to owners* (effective for annual periods beginning on or after 1 July 2009). The amended standard is still subject to endorsement by the EU.

Transition to IFRS

Profit Software Ltd changed its financial reporting to the International Financial Reporting Standards as of January 1, 2007. Before this change the Group reported according to the Finnish Accounting Standards (FAS). Comparative figures for 2007 have been changed to comply with IFRS.

Below Profit Software Group presents its IFRS (International Financial Reporting Standards) comparative data for the first financial year 2007 and the key effects of the shift from Finnish Accounting Standards (FAS) to IFRS.

The company prepared the comparative data in compliance with the most recent IFRS standards. The reference column below refers to additional information presented in this bulletin after the tables, and ends with a summary of the key IFRS –compliant accounting principles affecting Profit Software Ltd.

FAS-compliant income statement and balance sheet figures have been re-classified to correspond to IFRS.

Summary of IFRS effects on shareholders' equity and other balance sheet items 1.1.2007 and 31.12.2007

	Note	FAS	IFRS	IFRS	FAS	IFRS	IFRS
		01.01.2007	change	01.01.2007	31.12.2007	change	31.12.2007
ASSETS							
Non-current assets							
Intangible assets	c	40 144	-20 430	19 715	1 960 550	-534 066	1 406 054
Tangible assets	b, c	261 481	170 719	432 200	245 601	694 751	1 111 070
Investments in associates		13 335	0	13 335	218 142		218 142
Long-term receivables		0	0	0	0		0
Deferred tax assets		0	0	0	0	1 466	1 466
Total non-current assets		314 961	150 289	465 250	2 424 292	162 151	2 736 732
Inventory		82 497	0	82 497			
Current assets							
Trade and other receivables	b, d	1 387 186	-213 912	1 173 274	2 060 973	0	1 847 061
Cash and cash equivalents		2 424 480	0	2 424 480	890 106	0	890 106
Total current assets		3 811 666	-213 912	3 597 754	2 951 079	0	2 737 167
TOTAL ASSETS		4 209 125	-63 623	4 145 502	5 375 371	162 151	5 473 899

EQUITY AND LIABILITIES**Equity attributable to equity holders of the parent company**

	Note	FAS	IFRS	IFRS	FAS	IFRS	IFRS
Share capital		134 620	0	134 620	134 620		134 620
Share premium		294 152	0	294 152	294 152		294 152
Treasury shares	a	0	-1 200	-1 200	0	-4 500	-5 700
Retained earnings	a, b, d, e	1 800 179	-214 583	1 585 596	2 104 903	13 134	1 902 495
Total equity attributable to equity holders of the company		2 228 951	-215 783	2 013 168	2 533 674	8 634	2 325 567
Minority interest		0	0	0	0	0	0
Total equity		2 228 951	-215 783	2 013 168	2 533 674	8 634	2 325 567
Corporate reserve	e	958	-958	0	0	0	0
Non-current liabilities							
Interest-bearing non-current liabilities	b	528 926	133 732	662 658	611 151	78 988	823 871
Total non-current liabilities		528 926	133 732	662 658	611 151	78 988	823 871
Current liabilities							
Interest-bearing current liabilities							0
Trade and other payables	b	266 675	19 386	286 061	1 153 041	74 529	1 246 956
Current tax payables		477 544	0	477 544	0		0
Provisions		0	0	0	0	0	0
Accrued liabilities		706 071	0	706 071	1 077 505	0	1 077 505
Total current liabilities		1 450 290	19 386	1 469 676	2 230 546	74 529	2 324 461
TOTAL EQUITY AND LIABILITIES		4 209 125	-62 665	4 145 502	5 375 371	162 151	5 473 899

Summary of IFRS effects on corporate income statement 31.12.2007

	Note	FAS 31.12.2007	IFRS change	IFRS 31.12.2007
Turnover		9 085 352		9 085 352
Other operating income		21 536		21 536
Materials and services		-2 443 111		-2 443 111
Employee benefit expenses		-3 420 389		-3 420 389
Depreciations, amortisations and impairment losses	b,c	-475 622	-66 558	-542 179
Other operating expenses	b	-2 057 163	86 101	-1 971 062
Operating profit		710 603	19 543	730 146
Finance income		84 363		84 363
Finance expenses	b	-18 180	-12 376	-30 555
Net finance expense		66 183	-12 376	53 808
Share of profit of associated companies		0		0
Profit before income tax		776 786	7 168	783 954
Income tax expense	b	-131 263	1 466	-129 797
Profit for the period		645 523	8 634	654 157
Attributable to:				
Equity holders of the company		645 523		654 157
Minority interest		0		0
Earnings per share				

- a. IAS 32 Treasury shares are deducted from shareholders' equity.
b. IAS 17 Finance leases as required.
c. IAS 16 Office renovation costs are transferred from intangible assets to tangible assets.
d. IAS 18 Revenue recognition as required
e. IFRS 1 First-time Adoption of IFRS

Summary of IFRS effects on corporate retained earnings 31.12.2007

	1.1.2007	31.12.2007
Retained earnings according to FAS	1 800 179	2 104 903
IAS 18 Revenue recognition	-214 648	-214 648
IAS 32 Treasury shares	1 200	5 700
IAS 17 Finance leases	-2 093	-7 110
IFRS 1 First-time Adoption of IFRS	958	0
IAS 16 Property, plant and equipment		13 651
Retained earnings according to IFRS	1 585 596	1 902 495

Group Income Statement

IFRS

€	Note	1 Jan - 31 Dec 2008	1 Jan - 31 Dec 2007
Turnover	1	10 797 606	9 085 352
Other operating income	2	689 917	21 536
Materials and services		-2 016 704	-2 443 111
Employee benefit expenses	3	-4 554 760	-3 420 389
Depreciations, amortisations and impairment losses	4	-649 927	-542 179
Other operating expenses	5,6	-2 685 936	-1 971 062
Operating profit		1 580 097	730 146
Finance income	7	38 336	84 363
Finance expenses	7	-65 380	-30 555
Net finance expense		-27 044	53 808
Profit before income tax		1 553 053	783 954
Income tax expense	9	-177 605	-129 797
Profit for the period		1 375 449	654 157
Attributable to:			
Equity holders of the company		1 375 449	654 157
Minority interest		0	0
Earnings per share	10	0,20	0,10

Group Balance Sheet

IFRS

€	Note	31 Dec 2008	31 Dec 2007
ASSETS			
Non-current assets			
Intangible assets	11	2 136 634	1 406 054
Tangible assets	12	1 191 101	1 111 070
Investments in associates	13	2 560	218 142
Long-term receivables	14	0	366 000
Deferred tax assets	15	3 718	2 202
Accrual of income tax expenses	15	41 382	0
Total non-current assets		3 375 395	3 103 468
Current assets			
Trade and other receivables	16	2 130 274	1 480 325
Prepayments		32 721	0
Cash and cash equivalents	17	1 683 851	890 106
Total current assets		3 846 846	2 370 431
TOTAL ASSETS		7 222 242	5 473 899
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company			
Share capital		138 540	134 620
Share issue		5 773	0
Share premium		294 152	294 152
Treasury shares		-41 740	-6 408
Investment on restricted equity fund		154 060	0
Retained earnings		3 009 412	1 903 203
Total equity attributable to equity holders of the company		3 560 196	2 325 567
Minority interest		0	0
Total equity		3 560 196	2 325 567
Non-current liabilities			
Interest-bearing non-current liabilities	19	1 011 096	823 871
Total non-current liabilities		1 011 096	823 871
Current liabilities			
Interest-bearing current liabilities	20	565 460	417 317
Trade and other payables	21	1 193 879	829 639
Current tax payables		62	0
Provisions		0	0
Accrued liabilities		891 548	1 077 505
Total current liabilities		2 650 950	2 324 461
TOTAL EQUITY AND LIABILITIES		7 222 242	5 473 899

Group Cash Flow Statement

€	1 Jan - 31 Dec 2008	1 Jan - 31 Dec 2007
Cash flows from operating activities		
Profit for the period	1 375 449	654 157
Adjustments for:		
Depreciations	649 927	542 179
Interest expenses and other finance expenses	65 380	30 555
Interest income	-38 336	-13 153
Changes in working capital:		
Change in inventories	0	82 497
Change in short-term receivables	294 139	-669 287
Change in short-term non-interest-bearing liabilities	-577 859	780 256
Interest received	15 370	13 153
Interest paid	-64 448	-30 555
Taxes paid	-351 634	-104 308
Net cash from operating activities	1 545 593	1 285 484
Cash flows from investing activities		
Investments in property, plant and equipment	-1 460 537	-2 523 144
Sale of an associated company	675 000	0
Purchase of an associated company	-29 357	0
Dividends received	20 078	0
Net cash used in investing activities	-794 816	-2 523 144
Net cash flow before financing activities	750 777	-1 237 660
Repayment of finance lease liabilities	-162 358	-37 889
Increase of long term borrowings	507 899	617 053
Repayment of long-term borrowings	-323 402	-534 828
Dividends paid	269 240	336 550
Share issue income	163 753	0
Sale of treasury shares	10 920	8 400
Purchase of treasury shares	-46 960	-12 900
Net cash used in financing activities	42 970	-296 714
Net cash flow after financing activities	793 746	-1 534 374
Net change in cash and cash equivalents according to balance sheet		
Cash and cash equivalents at beginning of period	890 106	2 424 480
Cash and cash equivalents at beginning of period	1 683 851	890 106
Net change in cash and cash equivalents	793 745	-1 534 374

Group Statement of Changes in Shareholders' Equity

€	Share capital	Share issue	Share premium	Treasury Shares	Retained earnings	Invested unrestricted equity fund	Total
EQUITY 1 January 2007	134 620	0	294 152	-1 200	1 585 596	0	2 013 168
Change in translation adjustment							0
Other changes							0
Total net income and expense for the year recognised directly in equity							
Profit for the period					654 157		654 157
Total income and expense for the year							
Own shares acquired				-12 900			-12 900
Own shares sold				8 400			8 400
Dividends to equity holders					-336 550		-336 550
Rights issue							0
Transaction costs for equity							0
EQUITY 31 December 2007	134 620	0	294 152	-5 700	1 903 203	0	2 326 275

€	Share capital	Share issue	Share premium	Treasury Shares	Retained earnings	Invested unrestricted equity fund	Total
EQUITY 1 January 2008	134 620		294 152	-5 700	1 903 203	0	2 325 567
Change in translation adjustment							
Other changes							
Total net income and expense for the year recognised directly in equity							
Profit for the period					1 375 449		1 375 449
Total income and expense for the year					3 278 652		3 278 652
Purchase of treasury shares				-46 960			-46 960
Sale of treasury shares				10 920			10 920
Dividends to equity holders					-269 240		-269 240
Rights issue	3 920	5 773				154 060	163 753
EQUITY 31 December 2008	138 540	0	294 152	-41 740	3 009 412	154 060	3 560 195

Dividend per share was EUR 0,04 for the period 2008 and EUR 0,05 for the period 2007

Notes to the Group Financial Statements (IFRS)

1. Construction contracts

The Group's turnover includes EUR 2 015 thousand of income from construction contracts in 2008 (2007: 1 692). Turnover recognised from the construction contracts in progress is EUR 1 484 thousand in 2008. EUR 192 thousand of prepayments from construction contracts in progress have been recognised in the balance sheet.

	2008	2007
Turnover		
Other turnover	8 997 583	7 393 002
Construction contracts	2 014 671	1 692 350
Turnover	10 797 606	9 085 352

2. Other operating income

	2008	2007
Gain on sale of tangible assets	430 061	0
Grants	250 999	21 536
Other income	8 757	0
Other operating income	689 817	21 536

3. Personnel and related parties

Average number of personnel during the period	2008	2007
Helsinki	60	53
Tallinn	55	50
Total personnel	116	103

Employee benefit expenses	2008	2007
Salaries	3 551 136	2 630 740
Pension costs, defined contribution plans	443 456	360 826
Other employee benefit expenses	560 168	428 823
Total employee benefit expenses	4 554 760	3 420 389

Related parties

Related parties of Profit Software Group include the parent company and subsidiaries. Group's related parties comprise also the members of the Board of Directors and the management group.

Employee benefits for the CEO and key management personnel have been paid as follows:

	2008	2007
Salaries and other short-term employee benefits	570 572	555 771
Employee benefits for the members of the Board of Directors	100 454	79 145

No transactions relating to sales of goods and services have been done with related parties. The Group has no loans to or from related parties.

4. Depreciations and amortisations

Depreciations by asset classes	2008	2007
Other intangible assets		
Development costs	343 413	343 413
Software	11 983	11 983
Total depreciation by asset classes	355 395	355 395
Property, plant and equipment	2008	2007
Machinery and equipment	73 266	83 902
Office renovation costs	53 916	22 673
Depreciation, finance leases	167 349	80 209
Total property, plant and equipment	294 532	186 784
Total depreciations and amortisations	649 927	542 179

5. Other operating expenses

	2008	2007
Office expenses	406 753	433 237
IT Equipment and software expenses	942 987	484 399
Voluntary personnel expenses	216 299	272 909
External services	345 115	164 571
Other expenses	774 782	615 946
Total other operating expenses	2 685 936	1 971 062

6. Product development costs

Product development costs amounted to EUR 1 424 thousand during 2008 (2007: 1 717). EUR 338 thousand was recognised to profit or loss and EUR 1086 thousand was capitalised to balance sheet. Product development costs are recognised in profit or loss over their useful life in 5 years

7. Finance income and expenses

Finance income	2008	2007
Interest income on financial assets	38 336	84 363
Total finance income	38 336	84 363
Finance expenses		
Interest expense on financial liabilities measured at amortised cost	-41 820	-17 445
Interest expense on trade payables	-852	-627
Interest expense on finance lease liabilities	-18 193	-12 376
Other finance expenses	-4 515	-108
Total finance expenses	-65 380	-30 555
Total finance income and expenses	-27 044	53 808

8. Income tax expense

	2008	2007
Current tax expense	178 902	131 263
Change in deferred tax assets and liabilities due to IFRS	1 298	-1 466
Change in deferred tax assets and liabilities	-2 595	0
Income tax expense	177 605	129 797
Reconciliation of effective tax rate	2008	2007
Profit excluding income tax	1 553 053	783 954
Income tax using the company's domestic tax rate	403 794	203 828
Effect of tax rates in foreign jurisdictions	-93 367	-75 371
Non-deductible expenses	20 082	10 793
Other items	-138 044	-1 466
Income tax expense	177 605	129 797

*) Enacted tax rate of the parent company was 26 % in 2007 and 2008

9. Earnings per share

	2008	2007
Profit attributable to equity holders of parent company	1 375 449	654 157
Weighted average number of ordinary shares during the period	6 897 313	6 714 500
Earnings per share (EUR/ share)	0,20	0,10

*) Profit Software does not have share-based payment arrangements, therefore there is no dilutive effect.

Dividend per share

The Board of Directors proposes to the Annual General Meeting on 12. March 2009 that a EUR 0.02 dividend per share shall be paid for the year 2008.

10. Intangible assets

	Development costs 2008	Other intangible assets 2008	Total 2008	Total 2007
Cost 1 January	1 717 063	83 773	1 800 836	83 773
Capitalised development costs	1 086 184		1 086 184	1 717 063
Additions		28 372	28 372	24 672
Disposals		-28 581	-28 581	0
Cost 31 December	2 803 248	83 564	2 886 811	1 825 507
Accumulated amortisation 1 January	-343 413	-51 369	-394 782	-64 058
Amortisation	-343 413	-11 983	-355 395	-355 395
Accumulated amortisation and impairment losses 31 December	-686 825	-63 352	-750 177	-419 453
Carrying amount 1 January	1 373 650	32 403	1 406 054	19 715
Carrying amount 31 December	2 116 422	20 212	2 136 634	1 406 054

11. Tangible assets

	Machinery and equipment	Machinery and equipment, finance lease	Other tangible assets	Total 2008	Total 2007
Cost 1 January	333 289	399 002	899 157	1 631 448	765 793
Additions	38 603	310 414	25 545	374 562	865 654
Cost 31 December	371 891	709 416	924 702	2 006 009	1 631 447
Accumulated depreciation and impairment losses 1 January	-100 302	-101 679	-318 396	-520 377	-333 593
Depreciation	-73 266	-167 349	-53 916	-294 532	-186 784
Accumulated depreciation and impairment losses 31 December	-173 568	-269 028	-372 312	-814 909	-520 337
Carrying amount 1 January	232 987	297 322	580 761	1 111 070	432 200
Carrying amount 31 December	198 323	440 388	552 389	1 191 101	1 111 070

12. Investments in associates

	2008	2007
At the beginning of the period	218 142	13 335
Additions	29 357	133 596
Disposals	-265 017	0
Share of profit for the period	20 078	71 210
At the end of the period	2 560	218 142

13. Long-term trade and other receivables

	2008	2007
Long-term trade receivables	0	366 000
Long-term trade receivables	0	366 000

14. Deferred tax assets and liabilities

Changes in deferred taxes during 2008	31 Dec 07	Recognised in profit or loss	Recognised in equity	Exchange differences	31 Dec 08
Deferred tax assets:					
Provisions					
Other items	2 202	1 516	0	0	3 718
Total	2 202	1 516	0	0	3 718
Changes in deferred taxes during 2007					
	31 Dec 06	Recognised in profit or loss	Recognised in equity	Exchange differences	31 Dec 07
Deferred tax assets:					
Provisions					
Other items	736	1 466	0	0	2 202
Total	736	1 466	0	0	2 202

15. Short-term trade and other receivables

	2008	2007
Trade receivables	607 365	509 009
Accrued income	1 522 909	971 316
Trade receivables and other receivables from customers	2 130 274	1 480 325
Trade receivables not past due		
Trade receivables past due 1-30 days	267 771	0
Trade receivables past due 31-60 days	18 522	0
Trade receivables past due over 60 days	95 219	366 000
Total	607 365	875 009

No bad debts have been recognised during 2008. The carrying amounts of trade receivables and rent security deposits are a reasonable estimate of their fair value. Their carrying amount represents the maximum credit exposure. Accrued income includes material items of income recognised by reference to stage of completion, periodizing of statutory insurances and other periodized expenses. In 2007 the trade receivables included receivables relating to construction contracts for EUR 366 000. The customer has paid the receivable in question in 2008.

16. Cash and cash equivalents

	2008	2007
Bank balances	1 627 420	839 451
Rent guarantee deposits	56 431	50 655
Total	1 683 851	890 106

17. Equity

	Number of shares	Share capital	Share issue	Share premium	Treasury Shares	Invested unrestricted equity fund	Total
1 Jan 2008	6 731 000	134 620	0	294 152	-5 700	0	422 072
Increase of share capital	484 625	3 920	5 773	0	0		9 693
Share issue						154 060	154 060
Sale and purchase of treasury shares					-36 040		-36 040
31 Dec 2008	7 215 625	138 540	5 773	294 152	-41 740	154 060	550 785

	Number of shares	Share capital		Share premium	Treasury Shares	Total
1 Jan 2007	6 731 000	134 620	0	294 152	-5 700	423 072
Increase of share capital						
31 Dec 2007	6 731 000	134 620	0	294 152	-5 700	423 072

The maximum number of shares is 7 215 000 (2007:6 731 000). All shares have the same rights. The Group's maximum share capital is EUR 138 540 (2007: EUR 134 620). All issued shares have been fully paid. At the balance sheet date 2008 the Group held 124 000 treasury shares. The share premium comprises the amount paid over the nominal amount in share subscription before 1 September 2006. The regulation relating to the nominal value of the share has been removed in 27 June 2008.

18. Interest-bearing liabilities

	Fair values		Carrying amounts	
	2008	2007	2008	2007
Long-term at amortised cost				
Bank loan	95 644	259 501	103 448	310 345
Capital loan	206 054	232 355	231 300	300 806
Finance lease liabilities	276 348	212 720	276 348	212 720
Pension loan	349 028	0	400 000	0
Total	927 074	704 576	1 011 096	823 871

19. Short-term at amortised cost

	Fair values		Carrying amounts	
	2008	2007	2008	2007
Finance lease liabilities	178 344	93 915	178 344	93 915
Short-term part of long-term liabilities	372 227	299 447	387 117	323 402
Total	550 571	393 362	565 460	417 317
Total interest bearing liabilities	1 022 954	1 097 938	1 576 556	1 241 188

The fair values of the loans have been calculated by discounting the loan capitals using a discount rate of 4 %, which has been determined taking into account general risk of the industry.

The bank loan for renovation of premises is a floating rate loan and tied to 3 months' EURIBOR plus margin. The covenant of the loan is tied to company's equity ratio. Average interest rate of the loan was 5,626% in 2008. Bearer bonds amounting to EUR 485 000 have been pledged as a collateral for the loan. The loan is repaid monthly. The loan period ends at 1 June 2010. The capital loan is granted by Tekes for product development projects. The loans are fixed rate loans and the interest rate of the loans is 3% below the base rate, but at least 1%. Effective interest rates of financial lease liabilities were 3,75-5% in 2008 and 3,75-4,60% in 2007. Pension loan is a five year fixed rate loan and the interest rate is 3,60%

Interest-bearing liabilities are payable as follows

	2008	2007
2009	565 460	393 361
2010	560 016	402 026
2011	180 220	305 435
2012	170 860	80 220
later	100 000	60 146
Total	1 576 556	1 241 188

The following are the contractual maturities of financial liabilities in 2008 and 2007. The figures are not discounted and they include interest payments and repayments.

	Carrying amount	31 Dec 2008 Contractual			
		cash flows	1 year or less	1-2 years	2-5 years
Bank loan	310 345	338 308	225 539	112 769	0
Capital loans	311 520	359 906	103 656	103 656	152 591
Pension loan	500 000	536 412	118 412	112 600	305 400
Finance lease liabilities	440 388	474 274	185 651	175 080	113 544
Trade and other payables	738 020	738 020	738 020	0	0

	Carrying amount	31 Dec 2007 Contractual			
		cash flows	1 year or less	1-2 years	2-5 years
Bank loan	500 000	533 860	210 319	217 448	106 093
Capital loans	300 806	442 320	140 620	80 922	220 778
Finance lease liabilities	306 635	335 183	103 656	103 656	127 871
Trade and other payables	829 639	829 639	829 639	0	0

Finance lease liabilities

	2008	2007
Finance lease liabilities, future minimum lease payments		
Less than one year	194 864	103 041
Between one and five years	292 623	224 869
More than five years	0	0
Finance lease liabilities, present value of minimum lease payments		
Less than one year	180 911	99 402
Between one and five years	301 992	261 382
More than five years	0	0
Financial expenses accruing in the future	32 796	28 548
Total amount of finance lease liabilities	440 388	306 635

Finance lease liabilities include IT equipment, telephone exchange and video equipment. The length of finance lease contracts is 2-10 years.

20. Non-interest-bearing liabilities

Short-term at amortised cost	2008	2007
Trade payables	738 020	383 926
Other liabilities	455 859	445 713
Total	1 193 880	829 639
Other short-term non-interest-bearing liabilities	2008	2007
Prepayments	251 290	202 383
Accrued liabilities	640 258	728 637
Provisions	74 000	0
Tax liability	62	131 263
Other liabilities	491 460	432 539
Total	1 457 070	1 494 822
Non-interest-bearing liabilities	2 650 950	2 324 461

Carrying amount of short-term non-interest-bearing liabilities is a reasonable estimate of their fair value. The most material items of accrued liabilities consist of periodization of yearly holiday pay.

21. Operating leases

Non-cancellable operating lease rentals are payable as follows:	2008	2007
Less than one year	228 604	228 604
Between one and five years	914 414	914 414
More than five years	371 695	228 604

The Group has leased all production properties. The leases are continuing with a period of cancellation of 3-6 months. The Group has also leased cars under service lease contracts. The length of these contracts is normally three years.

22. Collateral and contingency commitments

Assets pledged	2008	2007
Corporate mortgages pledged	1 385 000	985 000

Corporate mortgages have been pledged for overdraft facility (EUR 400 000), for renovation loan (EUR 485 000) and for Pension loan (EUR 500 000).

Auditing	2008	2007
Audit services	16 611	16 823
Other services	8 888	0
Total	25 499	16 823

23. Shares owned by the Group

Group companies	Domicile	Country of incorporation	Ownership interest	Share of voting rights
Profit Software Ltd.	Helsinki	Finland	Parent company	
Profit Software AS	Tallinn	Estonia	100%	100%
Associates of Profit Software AS				
Gefex Soft OÜ	Tallinn	Estonia	34%	34%

24. Financial risk management

Financing and financial risk management of Profit Software Group have been centralized to financial administration of the parent company. Parent company's financial administration is responsible for liquidity and adequate financing as well as managing financial risks.

Financial risks include interest rate risk, credit risk and funding risk. Objective of Group's financial risk management is to minimize potential adverse effects to Group's financial performance arising from changes in financial markets. General risk management policies are accepted by the Board of Directors. Group's finance administration, together with business groups, is responsible for the implementation in practice.

Interest rate risk

The Group's interest rate risk is mainly related to the long-term bank loan. The interest of the loan is floating and based on 3 months' EURIBOR. Changes in market rates affect directly Group's future interest payments. During the period 2008, interest rate of the long-term bank loan has fluctuated between 5,292% and 5,626%. A change of +/- 1 % in the interest rate of the long-term bank loan would have affected the interest expense by EUR 3 000. The Group does not use interest rate hedging instruments.

Credit risk

Group's customers are well-known and solvent domestic and foreign insurance companies, and therefore the Group has no significant credit risk. Business units are primarily responsible for the credit risks relating to commercial activity. Group's finance administration monitors that general finance policies are applied in terms of payment.

Liquidity risk

The Group continuously strives to estimate and monitor the amount of financing required in order to have a sufficient liquidity position from which to finance its business activities and make loan repayments.

The Company strives to safeguard the availability and flexibility of its financial reserves through credit facility agreements and by using several banks for its financing activities. The amount of undrawn credit facility at 31 December 2008 was EUR 300 000. An analysis of contractual maturities of repayments and interest payments in the 2007 and 2008 financial statements are presented in note 20.

Currency risk

The Group is not significantly exposed to currency risk in its business. During 2008 the foreign currency trade payables were mostly denominated in the Estonian Krona. Also trade receivables were denominated in the Estonian Krona.

25. Capital management

The target of the Group's capital management is to ensure going concern as well as increase in shareholder value by having an optimal capital structure. Optimal capital structure is supported by decisions relating to dividend distribution and share issues.

Key ratios of capital structure are equity ratio and net gearing. The Group's interest-bearing net debt amounted to EUR -73 thousand at 31 Dec 2008 (EUR 351 thousand at 31 Dec 2007). Net gearing is calculated by dividing interest-bearing net debt by equity. Net debt equals interest-bearing debt less cash and cash equivalents

	2008	2007
Interest-bearing debt	1 576 556	1 241 188
Cash and cash equivalents	1 683 851	890 106
Interest-bearing net debt	-107 295	351 082
Total equity	3 560 196	2 325 567
Net gearing, %	-3 %	15%

Parent Company Income Statement

FAS

€	1 Jan - 31 Dec 2008	1 Jan - 31 Dec 2007
Net Sales	10 347 285	9 010 437
Other operating income	765 625	21 536
Materials and services		
Material purchased	-26 494	-20 435
Change in inventory	0	-81 699
Services purchased	-4 703 195	-4 395 596
Material and services	-4 729 689	-4 497 730
Personnel expenses		
Salaries and rewards	-2 289 693	-1 486 275
Pension expenses	-443 456	-360 826
Other personnel expenses	-142 004	-49 121
Personnel expenses	-2 875 152	-1 896 221
Depreciations and write-offs		
Depreciations according to plan	-473 439	-466 905
Depreciations and write-offs	-473 439	-466 905
Other operating expenses	-1 828 799	-1 667 332
Operating profit	1 205 831	503 784
Financial income and expenses		
Finance income	34 374	8 460
Finance expenses	-46 255	-18 180
Net finance expenses	-11 880	-9 720
Profit before income tax	1 193 950	494 065
Income tax expense	-178 902	-131 263
Profit for the period	1 015 048	362 802

Parent Company Balance Sheet

FAS

€	31.12.2008	31.12.2007
ASSETS		
Intangible assets		
Capitalised development costs	2 116 422	1 373 650
Other intangible assets	546 336	586 899
Intangible assets	2 662 758	1 960 550
Tangible assets		
ADP machines	123 818	163 392
Furniture	70 399	56 350
Other tangible assets	12 614	12 614
Tangible assets	206 832	232 357
Investments		
Group shares	286 850	426 624
Investments	286 850	426 624
Total intangible assets	3 156 440	2 619 530
Current assets		
Current assets		
Trade and other receivables	607 196	1 089 657
Accrued income and prepaid expenses	1 574 784	950 099
Current assets	2 181 980	2 039 756
Cash and cash equivalents	1 300 836	723 055
Current assets total	3 482 816	2 762 811
ASSETS	6 639 256	5 382 341

€	31.12.2008	31.12.2007
EQUITY AND LIABILITIES		
Share capital	138 540	134 620
Share issue	5 773	0
Share premium	294 152	294 152
Invested unrestricted equity fund	154 060	0
Retained earnings	1 486 215	1 427 793
Profit for the financial year	1 015 048	362 802
Shareholders' equity	3 093 787	2 219 366
LIABILITIES		
Non-current liabilities		
Loans from financial institutes	334 748	611 151
Pension loan	400 000	0
Non-current liabilities	734 748	611 151
Current liabilities		
Short term interest bearing debt	387 117	0
Trade payables	1 236 755	922 809
Other payables	747 047	769 115
Accrued liabilities	439 803	859 900
Total current liabilities	2 810 721	2 551 824
Liabilities	3 545 469	3 162 975
TOTAL EQUITY AND LIABILITIES	6 639 256	5 382 341

Parent Company Cash Flow Statement

FAS

€	1 Jan - 31 Dec 2008	1 Jan - 31 Dec 2007
Cash flow from operating activities		
Profit before income taxes	1 193 950	494 065
Dividends	473 439	466 293
Interest received	-15 370	8 460
Interest paid	46 255	-18 180
Cash flow from operating activities	1 698 274	950 638
Change in inventories	0	-81 698
Change in short-term accounts receivables	479 770	-831 084
Change in non-interest bearing short term debt	-1 171 132	871 740
Change in working capital	-691 362	-41 042
Net cash flow from operating activities	1 006 912	909 596
Cash flow from investing activities		
Purchase of intangible and tangible assets	-1 150 122	-2 292 527
Sale of an associated company	675 000	
Purchase of an associated companyt	-29 357	
Dividends received	20 078	0
Net cash used in investing activities	-484 401	-2 292 527
Cash flow from financing activities	522 512	-1 382 931
Proceeds from loans	507 899	600 000
Repayments of borrowings	-323 402	-273 857
Dividends paid	-269 240	-336 550
Share issue payments received	174 673	0
Sale of treasury shares	9 900	7 200
Purchase of treasury shares	-44 560	-14 100
Net cash used in financing activities	55 270	-17 307
Net change in cash and cash equivalents	577 781	-1 400 238
Net change in cash and cash equivalents according to balance sheet		
Cash and cash equivalents at beginning of period	723 055	2 123 293
Cash and cash equivalents at end of period	1 300 836	723 055
Net change in cash and cash equivalents	577 781	-1 400 238

Notes to the Parent Company Financial Statements

Accounting principles of the parent company financial statements

Profit Software Oy financial statements for 2008 have been prepared according to the Finnish accounting standards. The Group has started reporting according to the International Financial Reporting Standards (IFRS) on January 1, 2007.

Transactions in foreign currency

The foreign currency values in financial statement are translated into euros using an annual average exchange rate valid on 31 December 2008. Parent company does not have any foreign currency long term loans.

Revenue recognition

Work carried out by people is recognised monthly in accordance with progress. Maintenance fees are allocated over the agreement period. Construction contracts with a fixed price are recognised on the basis of the percentage of completion once the outcome of the project can be reliably estimated. The percentage of completion is determined as the proportion of costs arising from work performed for the project up to date of review in the total estimated costs of the project. If estimates of the project will change, the recognised sales and margin are amended in the period during which the change becomes known and can be estimated for the first time.

Other operating income

Other operating income includes proceeds from the sale of fixed assets and public grants related to development expenses.

Development expenses

Product development expenses are booked so that development costs of totally new product features and product versions with significant new features are capitalized and amortized. Maintenance of existing product versions their minor development are booked as an expense as they are incurred. Public subsidies related to capitalized development expenses are deducted from the acquisition cost of the asset. Development costs incurred prior to 2007 have been booked as annual expenses for the accounting period of the occurrence date.

Assets and their depreciation

The purchase costs of intangible and tangible assets will be depreciated according to the plan. Planned depreciations corresponds to the maximum depreciation permitted by the Business Tax Act.

Parent company fixed assets	Estimated lifetime in years	Estimated depreciation percentage and depreciation method
Computer software	5	20 %/straight-line depreciation
Intangible assets	5-10	20 %/straight-line depreciation
Development costs	5	20 %/straight-line depreciation
Machinery and equipment	n. 4-5	25 %/net expenditure

Office renovation costs in intangible assets are depreciated in 10 years. Product development costs in intangible assets are amortized in 5 years.

Leases

In the parent company financial statements leasing payments have been entered as annual costs according to Finnish Accounting Standards.

Taxes

Income taxes have been booked according to the Finnish tax legislation.

Notes to the income statement

1. Construction contracts	2 014 671	1 692 350
Other net sales	8 332 614	7 318 087
Net sales	10 347 285	9 010 437

Group turnover includes 1 484 thousand of income from construction contracts that were in progress in 31 December 2008.

2. Unrecognised value of construction contracts that are recognised according to the completion percentage
31 December 2008 is EUR 720 thousands

3. Other operating income	2008	2007
Gain on sale of tangible assets	505 869	0
Grants	250 999	21 486
Reimbursements	8 757	0
Other income	0	50
Other operating income	765 625	21 536

4. Financial income and expenses	2008	2007
Financial income	34 375	8 460
Financial expenses	-46 255	-18 180
Financial income and expenses	-11 880	-9 720

Notes to the Balance sheet

Assets

1. Intangible assets	31.12.2008	31.12.2007
Acquisition cost 1.Jan	1 717 063	0
Additions	1 086 184	1 717 063
Acquisition cost 31.Dec.	2 803 248	1 717 063
Accumulated dividends 1.Jan	-343 413	0
Dividends	-343 413	-343 413
Accumulated dividends 31. Dec.	-686 825	-343 413
Book value 1.Jan	1 373 650	0
Book value 31.Dec	2 116 422	1 373 650

Other intangible assets

Acquisition cost 1.Jan	658 986	61 987
Additions	24 724	597 000
Acquisition cost 31.Dec.	683 710	658 986
Accumulated dividends 1.Jan	-72 087	-22 454
Dividends	-65 287	-49 633
Accumulated dividends 31. Dec.	-137 375	-72 087
Book value 1.Jan	586 899	39 532
Book value 31.Dec	546 336	586 899
Other intangible assets	2 662 758	1 960 550

2. Tangible assets

Machinery and equipment

Acquisition cost 1.Jan	368 736	302 983
Additions	39 214	65 753
Acquisition cost 31.Dec.	407 950	368 736
Accumulated dividends 1.Jan	-148 993	-75 746
Dividends	-64 739	-73 248
Accumulated dividends 31. Dec.	-213 733	-148 993
Book value 1.Jan	219 743	227 237
Book value 31.Dec	194 218	219 743

Other tangible assets

Acquisition cost 1.Jan	12 614	12 614
Acquisition cost 31.Dec.	12 614	12 614
Accumulated dividends 1.Jan	0	0
Accumulated dividends 31. Dec.	0	0
Book value 1.Jan	12 614	12 614
Book value 31.Dec	12 614	12 614
Tangible assets	206 832	232 357

	31.12.2008	31.12.2007
Long-term investments in Group companies		
Acquisition costs 1 Jan.	286 850	286 850
Increases	0	0
Balance sheet value, 31 Dec.	286 850	286 850
	31.12.2008	31.12.2007
Long-term investments in associated companies		
Acquisition costs 1 Jan.	139 774	2 500
Increases	0	137 274
Decreases	-139 774	0
Balance sheet value, 31 Dec.	0	139 774
Investments	0	426 624
Tangible assets	3 156 440	2 619 530
	31.12.2008	31.12.2007
Current assets		
Accounts receivables	607 196	1 089 657
Receivables from associated companies		
Accounts receivables	0	12 628
Accrued income and prepaid expenses	1 493	1 493
Accrued income and prepaid expenses	1 542 063	950 099
Other receivables	32 721	0
Accrued income and prepaid expenses	1 574 784	950 099
Current assets	2 181 980	2 039 756
Cash and cash equivalents	1 300 836	723 055
Assets	6 639 256	5 382 342

Equity and liabilities**Shareholders' equity**

Restricted equity	31.12.2008	31.12.2007
Share capital 1 Jan.	134 620	134 620
Increase of par value	3 920	0
Share capital 31 Dec.	138 540	134 620
Increase of share issue 1 Jan.	0	0
Change	5 773	0
Increase of share issue 31 Dec.	5 773	0
Issue premium fund 1 Jan.	294 152	294 152
Change	0	0
Issue premium fund 31 Dec.	294 152	294 152
Restricted equity 31 Dec.	438 464	428 772
Unrestricted shareholders' equity		
Invested unrestricted equity fund 1 Jan.	0	0
Change	154 060	0
Invested unrestricted equity fund 31 Dec.	154 060	0
Retained earnings 1 Jan.	1 790 595	1 768 593
Dividends	-269 240	-336 300
Change in treasury shares	-46 060	-12 900
Sale of treasury shares	10 920	8 400
Retained earnings 31 Dec.	1 486 215	1 427 793
Profit for the period	1 015 048	362 802
Unrestricted shareholders' equity 31 Dec.	2 655 322	1 790 595
EQUITY	3 093 787	2 219 366

Liabilities

	31.12.2008	31.12.2007
Long-term interest-bearing liabilities		
Bank loan	103 448	323 541
Capital loan	231 300	287 610
Pension loan	400 000	0
Long-term interest-bearing liabilities	734 748	611 151
The amount of loans with expiring date after 5 years	0	60 146
Short-term liabilities		
Accounts payable		
Accounts payable to group companies	925 248	644 196
Other accounts payable	311 507	278 613
Accounts payable	1 236 755	922 809
Short-term at amortised cost		
Amortization of long-term debts	391 745	346 660
Other short-term liabilities	355 302	422 455
Short-term at amortised cost	747 047	769 115
Other short-term non-interest-bearing liabilities		
Prepayments	191 930	202 383
Accrued liabilities	401 758	322 625
Provisions	0	131 263
Tax liability	100 944	104 141
Other liabilities	132 288	99 488
Other short-term non-interest-bearing liabilities	826 920	859 900
Short-term liabilities	2 810 722	2 551 824
LIABILITIES	3 545 470	3 162 975
EQUITY AND LIABILITIES	6 639 257	5 382 341

COMMITMENTS AND CONTINGENT LIABILITIES

Pledges 31.Dec.	31.12.2008	31.12.2007
Corporate mortgages pledged	1 385 000	985 000
Corporate mortgages have been pledged for overdraft facility (EUR 400 000), renovation loan (EUR 485 000) and TyEL pension loan (500 000 euros).		
	31.12.2008	31.12.2007
Rental liabilities		
Current rental liabilities	306 932	213 314
Rental liabilities maturing in 2-5 years	388 131	334 281
Collateral	56 431	50 655
Auditing	2008	2007
Audit services	14 150	14 650
Other services	8 888	0
	23 037	14 650

Notes, personnel

The average number of personnel in the parent company during 2008 totaled 60 (2007:53).

Shares and holdings by the parent company

Profit Software's subsidiary Profit Softwaren AS, domicile in Tallinn, Estonia.
Location: Turi 9, 11314 Tallinn, Estonia
The ownership of Profit Software Ltd in Profit Software AS is 100%.

Parent company shares in group companies

Company name	Nominal value	Amount of shares	Book value	Parent holding
Profit Software AS; Domicile: Tallinna, Equity Capital EEK 0000	EEK 500,00	928	286 850	928/928

Parent company distributable retained earnings 31 Dec, 2007

Invested unrestricted equity fund	154 060
Retained earnings	1 486 215
Profit for the financial year	1 015 048
Parent company distributable retained earnings 31 Dec, 2008	2 655 322

Major Shareholders 31 December, 2008

	Proportion of all shares, %
New Rose Oy	33,5 %
Object Technologies Oy	29,3 %
Matti Rusi	4,0 %
Kari Leino Oy	3,8 %
Alfa Core Oy	3,7 %
Kaarel Märtin	2,1 %
Profit Software Oy	1,7 %
Alar Raabe	1,7 %
Endemic Oy	1,4 %
Jari Niittuiperä	1,4 %
Pasi Saarikoski	1,4 %
Pasi Salminen	1,4 %
Others	14,6 %
TOTAL	100,0 %

Management ownership

The following is management ownership of company shares as of December 31, 2008.

Name	Position	Company shares
Vaajoensuu Hannu	Chairman of the board	30 000
Leino Kari	Member of the board	274 000
Nyroos Harry	President and CEO, member of the board	2 416 700
Salonen Risto	Member of the board	2 116 700
Harvela Juhani	Member of the board	30 000
Akerman Olavi	Executive vice president	30 000
Rusi Matti	COO	288 625
Saario Ari-Pekka	CTO	5 000
Simola Kristiina	CFO	30 000
Toivoniemi Sami	Executive vice president	30 000
Törmälä Sari	Country manager	30 000

Key Figures

Extent of business	2008 IFRS	2007 IFRS	2006 FAS	2005 FAS	2004 FAS
Turnover	10 797 606	9 085 352	8 375 050	5 761 534	5 511 197
change %	19 %	8 %	45 %	4 %	-7 %
Product development costs	1 423 668	1 717 063	2 211 000		
% of turnover	13 %	19 %	26 %		
Personnel, 31 Dec	116	104	96	85	108
Personnel, average	114	103	93	82	109
Profitability					
Operating profit	1 580 097	730 146	873 815	1 127 414	387 729
% of turnover	15 %	8 %	10 %	20 %	7 %
Profit for the period	1 375 449	654 157	687 902	926 447	175 329
% of turnover	13 %	7 %	8 %	16 %	3 %
Return on equity	47 %	29 %	28 %	36 %	12 %
Return on investment	37 %	26 %	30 %	36 %	14 %
Financing and financial position					
Interest-bearing liabilities	1 576 557	1 241 188	528 926	602 508	567 849
Cash and cash equivalents	1 683 851	890 106	2 424 480	3 094 804	1 702 659
Net gearing	-3 %	15 %	-79 %	-92 %	-44 %
Equity ratio	51 %	44 %	56 %	60 %	64 %
Dividends paid	269 240	336 550	336 550	13 364	
Earnings / share	0,20	0,10	0,10	14,56	2,8
Dividend / share	0	0,05	0,05	0,21	
Dividend / Earnings (%)	0	51 %	50 %		

Formulas

Return on investment (ROI) (%) =

$$\frac{\text{Profit before taxes + interest and other finance expenses} \times 100}{\text{Balance sheet total - non-interest bearing liabilities (average)}}$$

Return on equity (ROE) (%) =

$$\frac{\text{Profit before taxes - taxes} \times 100}{\text{Shareholders' equity + minority interest (average)}}$$

Equity ratio (%) =

$$\frac{\text{Shareholders' equity + minority interest} \times 100}{\text{Balance sheet total - advances received}}$$

Earnings / share =

$$\frac{\text{Profit before taxes - taxes +/- minority interest}}{\text{Issue-adjusted average number of shares}}$$

Dividend / share =

$$\frac{\text{Dividend}}{\text{Issue-adjusted number of shares at the end of the period}}$$

Dividend / earnings (%) =

$$\frac{\text{Dividend/Share} \times 100}{\text{Earnings before interests and taxes - taxes}}$$

Net gearing =

$$\frac{\text{Interest-bearing liabilities - cash, bank receivables and short-term investments}}{\text{Equity}}$$

Profit Software Ltd

The Board of Directors
Helsinki, February 26, 2009

Hannu Vaaioensuu
Chairman of the Board

Kari Leino

Risto Salonen

Harry Nyroos
President and CEO

Juhani Harvela

Auditor's Report

To the Annual General Meeting of Profit Software Oy

I have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Profit Software Oy for the financial period 1 January - 31 December 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

The responsibility of the Board of Directors and the Managing Director

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

Auditor's responsibility

My responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on my audit. Good auditing practice requires that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors and the Managing Director

have complied with the Limited Liability Companies Act.

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

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

Opinion on the consolidated financial statements

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

Opinion on the company's financial statements and the report of the Board of Directors

In my opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki 27th of February 2009

Outi Hieta
APA

Contact information

Finland

Corporate Headquarters

Profit Software Ltd
Meritullinkatu 11 C
00170 Helsinki
Finland
Tel. +358 9 681 731
Fax. +358 9 6817 3399

Estonia

Profit Software AS

Türi 9
11314 Tallinn
Estonia
Tel. +372 671 0200
Fax +372 671 0201

Poland

Profit Software

ul. Mickiewicza 63
01-625 Warsaw
Poland
Tel. +48 693 055 225
Tel/Fax +48 22 560 5880

www.profitsoftware.com

email addresses:

firstname.surname@profitsoftware.com

