

ABOUT BSQUARE (Nasdaq: BSQR)

BSQUARE is a solutions provider to the global embedded device industry, including smart phones, PDAs and other electronics. Committed to delivering quality, lowering project risk and time to market, BSQUARE's teams collaborate with smart device makers at any stage in their device development. BSQUARE's solution portfolio includes software and hardware development, systems integration services, reference designs, board support packages, middleware, and applications. As a full service provider, device makers can also license best-in-class software products and operating systems. Since 1994, BSQUARE has completed hundreds of successful projects and has become a trusted partner to smart device makers worldwide.



Trading Symbol: (Nasdaq: BSQR)
Stock Price (8/18/08): \$3.47
52-Week Range: \$3.30 - 7.48
Average Volume (3-month): 32,506
Total Shares Out: 10.0M
Market Cap: \$34.7M
Revenue (YTD): \$20.7M
Cash Per Share: \$0.893
Total Debt: \$0.0
Price/Sales (ttm): 0.57

HIGHLIGHTS

- Total revenue for the quarter was \$15.4 million, up 2% from \$15.1 million in the prior year.
- Net income for the quarter was \$310,000, or \$0.03 per diluted share, compared to \$542,000, or \$0.05 per diluted share, in the prior year. Net income in the year-ago quarter included a \$287,000 gain of approximately \$0.03 per share, on the sale of an equity investment previously written-off.
- Gross profit was \$3.8 million for the quarter, or 25% of total revenue, as compared to \$3.5 million, or 23% of revenue, in the prior year
- Reported its 11th consecutive quarter of year-over-year revenue growth, seventh straight profitable quarter and seventh consecutive quarterly increase in cash and marketable securities.
- The Company's cash, cash equivalents and investments increased to \$16.4 million at June 30, 2008 as compared to \$16.0 million at March 31, 2008 (\$900,000 of the June 30 balance is restricted).
- Total revenue for the first half of 2008 was \$32.5 million, up 8% from \$30.2 million in 2007. Net income was \$1.4 million, or \$0.13 per diluted share, compared to net income of \$1.2 million, or \$0.12 per diluted share, in the year-ago period.
- BSQUARE announced availability of its Device Validation TestSuite™, the first QA testing tool available for OEMs developing Windows CE 6-based devices using the TI OMAP3 Evaluation Module (EVM).
- BSQR has renewed its OEM distribution agreement with Microsoft. The new agreement is effective July 1, 2008 through June 30, 2009.

August 2008

DIVERSIFIED BLUE CHIP CUSTOMER BASE

- Advanced Micro Devices
- Bally
- Freescale Semiconductor
- Fujitsu
- Hewlett Packard
- Microsoft
- Mitsubishi Electric
- Motorola
- NEC
- Sharp
- Siemens
- Sierra Wireless
- Symbol
- Texas Instruments



OPERATING SEGMENTS

Professional Services:

- Leading integrator for Windows CE, XPE and Windows Mobile operating systems
- Over 300 engagements completed
- Offshore capability through Taiwan
- Backlog entering each quarter – BSQR monitors and manages pipeline closely

BSQUARE Software:

- SDIO Now! Device Middleware Solution
- Power Handheld Reference Stack
- Board Support Packages
- Gross margin at or near 100%

Third Party Software:

- One of Microsoft's largest embedded operating systems distributors worldwide and currently one of three companies licensed to sell Microsoft Embedded operating systems
- Key partnerships with Real, Stellent, Sygate and others
- Access to thousands of OEM's

RECENT STOCK PERFORMANCE



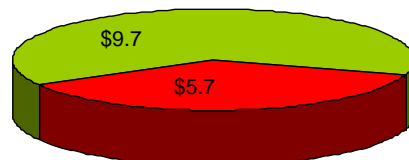
FINANCIALS

Financial Performance
(In \$ Millions)

	30-Jun-08	30-Jun-07	12-mos 31-Dec-07
Revenue:			
Software	\$ 9.70	\$ 10.20	\$ 38.40
Service	\$ 5.70	\$ 4.90	\$ 21.00
Total Revenue	\$ 15.40	\$ 15.10	\$ 59.40
Gross Profit	\$ 3.80	\$ 3.50	\$ 15.90
Net Income (Loss)	\$ 0.03	\$ 0.06	\$ 0.28
Cash and Equivalents Current Assets	\$ 16.40	\$ 16.00	\$ 4.38
Current Liabilities	\$ 18.70	\$ 21.20	\$ 22.60
Shareholders' Equity	\$ 8.20	\$ 8.70	\$ 7.92
	\$ 18.80	\$ 14.10	\$ 16.52

Revenue Segmentation June 30, 2008 (in \$ Millions)

■ Software ■ Services



EXECUTIVE MANAGEMENT TEAM

Brian Crowley - President and Chief Executive Officer, Director

Scott Mahan - Vice President, Finance and Chief Financial Officer

CORPORATE INFORMATION

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