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BASWARE INTERIM REPORT JANUARY 1 – MARCH 31, 2011 (IFRS)

SUMMARY

January-March Q1: **Strong start to 2011**

- Net sales EUR 26 058 thousand (EUR 23 132 thousand) – growth 12.7 percent
- Operating profit EUR 2 957 thousand (EUR 2 136 thousand) – growth 38.4 percent
- Operating profit 11.3 percent of net sales (9.2%)
- Growth of Automation Services (SaaS and e-invoicing) 48.6 percent
- The estimated revenue to be recognized for current Automation Services agreements in production in the next twelve months is EUR 15.8 million, growth from previous quarter 8.0 percent
- Recurring revenue (including Maintenance and Automation Services) 48.3% (45.9%) of net sales
- Cash flow from operating activities EUR 14 623 thousand (EUR 11 115 thousand)
- Earnings per share (diluted) EUR 0.19 (0.14) – growth 34.9 percent

Basware expects, as earlier estimated, its net sales for 2011 to grow over 10 percent from the previous year. Operating profit (EBIT) for 2011 is expected to be over 13 percent of net sales

The interim report is unaudited.

GROUP KEY FIGURES

EUR thousand	1–3/ 2011	1–3/ 2010	Change, %	1–12/ 2010
Net sales	26 058	23 132	12.7	103 094
EBITDA	4 169	3 373	23.6	18 604
Operating profit before IFRS3 amortization	3 458	2 692	28.4	15 691
Operating profit	2 957	2 136	38.4	13 487
% of net sales	11.3%	9.2%		13.1
Profit before tax	2 930	2 142	36.8	13 325
Profit for the period	2 268	1 582	43.3	10 331
Return on equity, %	11.4%	11.2%		16.7
Return on investment, %	14.7%	14.1%		20.1
Liquid assets *)	48 295	16 351	195.4	13 822
Gearing, %	-50.7%	-19.4%		-15.3
Equity ratio, %	71.0%	59.1%		73.3
Earnings per share, EUR	0.19	0.14	33.9	0.90
Earnings per share (diluted), EUR	0.19	0.14	34.9	0.89
Equity per share, EUR	7.11	4.92	44.4	5.78

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

REPORTING

Basware's reporting segment is based upon geography as follows: Finland, Scandinavia, Europe and Other. The Finland segment includes the Finnish, Russian, Asia-Pacific (excluding Australia) business operations and corporate services. The Other segment includes North America and Australia.

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In addition, the company reports revenue from products and services as follows: License Sales, Professional Services, Maintenance and Automation Services. License Sales consist of the Purchase to Pay (P2P) product suite and financial management and payment automation solutions that are only marketed in Finland. Automation Services include paper invoice scanning services, exchange of purchase catalogues and purchase messages, e-invoicing, activation service, and Software as a Service (SaaS) services.

The company also reports an estimate of revenue to be recognized for current Automation Services agreements in the next twelve months. Automation Services agreements are typically in force for a fixed period of several years or until further notice.

Basware's CEO **Ilkka Sihvo** comments in conjunction with the Interim Report:

"The first quarter of the year succeeded according to our expectations. Net sales grew by 12.7 percent and operating profit by as much as 38.4 percent to EUR 2 957 thousand. Automation Services grew by 48.6 percent and Professional Services showed a solid growth of 9.9 percent during the first quarter, compared to the soft growth in early 2010. All geographical areas showed stable growth. Recurring revenues (includes Maintenance and Automation Services) accounted for over 48 percent of total net sales. Strong growth of recurring revenue and number of personnel growing mainly in India contributed to the improved profitability. The performance in the first quarter provides a good starting point for the rest of the year.

Basware ranked second in The Forrester Wave TM: eProcurement Solution Q1 2011 study published in March in all sectors: strategy, portfolio and regional coverage. This is a significant acknowledgement to Basware in an international comparison, proving the competitiveness of our product and service offering in the international market."

Market outlook and operating environment

Market forecasts updated at the end of 2010 and at the beginning of 2011 expect software purchases to increase by 7.1 percent globally and 8.4 percent in the U.S. in 2011. The entire IT services market is expected to grow by 7.3 percent globally and by 7.4 percent in the U.S. in 2011.

The number of acquisitions and partnerships has increased in the market. Companies active in the market are trying to strengthen their supplier networks and expand geographically. Consolidation is expected to continue in the business environment, with the role of services growing in companies' portfolios.

Basware software still offer a competitive edge, thanks to the integrated offering consisting of new added value products, services and products. The next generation of solutions will improve the company's competitiveness in the long term. Automation Services will have a positive impact on the competitiveness, improving the predictability and transparency of the company's net sales and profitability in the long term.

Basware aims to become a leading company in e-invoicing worldwide. E-invoicing and the supporting Connectivity Services are targeted to connect suppliers and buyers also outside of Basware's existing software customer base, leading into a higher potential. The penetration rate of e-invoicing is low, which creates a solid foundation for the future growth of Basware Automation Services.

In order to consolidate international growth further, Basware is increasing the focus on acquisitions in its strategy and organization. The company has been active in mergers and acquisitions and is now further strengthening the activity by establishing a new executive team-level M&A function.

The role of offshoring operations will continue to grow in the company's strategy. R&D and Automation Services operations at Basware's Indian office have already succeeded in gaining a significant role. The company is surveying the development of offshoring in order to improve profitability also with regard to new service business operations and internal support functions. The company is also investigating the possibility of new geographical regions in expanding offshoring.

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NET SALES

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

Net sales (EUR thousand)	1–3/2011	1–3/2010	Change, %	1–12/2010
Finland	13 656	12 191	12.0	53 606
Scandinavia	6 096	5 253	16.0	24 188
Europe	5 518	5 069	8.9	21 347
Other	2 611	2 373	10.1	12 101
Sales between segments	-1 823	-1 754	3.9	-8 149
Group total	26 058	23 132	12.7	103 094

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

Net sales (EUR thousand)	1–3/2011	1–3/2010	Change, %	1–12/2010
Finland	11 856	10 695	10.9	46 550
Scandinavia	6 083	4 995	21.8	23 346
Europe	5 256	4 915	6.9	20 249
Other	2 863	2 527	13.3	12 949
Group total	26 058	23 132	12.7	103 094

Basware Group's net sales for the period increased by 12.7 percent to EUR 26 058 thousand (EUR 23 132 thousand). The growth in comparable currencies was 10.6 percent.

The Company's license sales grew by 3.6 percent during the period, accounting for 18.5 percent (20.1%) of net sales. Maintenance revenue increased by 9.4 percent and accounted for 34.1 percent (35.1%) of net sales. Professional Services revenue increased by 9.9 percent and accounted for 33.2 percent (34.0%) of net sales.

During the period, Automation Services increased by 48.6 percent and accounted for 14.3 percent (10.8%) of net sales. The transaction volume processed by the Automation Services business was 4.4 million during the reporting period (growth of 51.7 percent). The estimated revenue to be recognized for current Automation Services agreements in the next twelve months is EUR 15.8 million (growth of 8.0 percent from the estimate made at the end of last quarter).

The international share of Basware's net sales was 54.5 percent (53.8 %) in the period. International operations grew by 14.2 percent.

FINANCIAL PERFORMANCE

Basware's operating profit for the period increased by 38.4 percent to EUR 2 957 thousand (EUR 2 136 thousand). Operating profit represented 11.3 percent (9.2%) of net sales.

The geographical division of operating profit by the location of assets:

Operating profit (EUR thousand)	1–3/2011	1–3/2010	Change, %	1–12/2010
Finland	1 782	1 092	63.1	7 703
Scandinavia	1 122	762	47.1	4 136
Europe	520	509	2.3	2 354
Other	-54	179	-130.2	924
Operating profit between segments	-413	-406	1.7	-1 629

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Group total	2 957	2 136	38.4	13 487
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The Company's fixed costs were EUR 19 957 thousand (EUR 18 520 thousand) in the period, up 7.8 percent on the corresponding period the previous year. Personnel costs made up 73.8 percent (74.0%) or EUR 14 738 thousand (EUR 13 703 thousand) of the fixed costs. Bad debt and bad debt reservations are included in fixed costs. Bad debt reservations at the end of the first quarter amounted to EUR 984 thousand (EUR 657 thousand) on the balance sheet.

The research and development expenses amounted to EUR 3 450 thousand (EUR 3 748 thousand), or 13.2 percent (16.2%) of net sales. Research and development expenses decreased by 7.9 percent compared with the same period last year. Research and development expenses capitalized during the period amounted to EUR 809 thousand (EUR 324 thousand). Basware's research and development costs for the period totaled EUR 2 642 thousand (EUR 3 424 thousand), or 10.1 percent (14.8%) of net sales.

The Company's finance income and finance expenses were EUR -26 thousand (EUR 5 thousand). Profit before tax was EUR 2 930 thousand (EUR 2 142 thousand) and profit for the period was EUR 2 268 thousand (EUR 1 582 thousand) or 8.7 percent (6.8%) of net sales. Taxes for the period amounted to EUR 662 thousand (EUR 560 thousand). Undiluted earnings per share were EUR 0.19 (EUR 0.14).

FINANCE AND INVESTMENTS

Basware Group's total assets on the balance sheet at the end of the period were EUR 129 048 thousand (EUR 95 606 thousand). The Company's cash and liquid assets were EUR 48 295 thousand (EUR 16 351 thousand), of which cash and cash equivalents were EUR 33 251 thousand (EUR 16 318 thousand) and financial assets at fair value through profit or loss were EUR 15 043 thousand (EUR 34 thousand).

Equity ratio was 71.0 percent (59.1%) and gearing was -50.7 percent (-19.4%). The Company's interest-bearing liabilities totaled EUR 1 789 thousand (EUR 5 388 thousand), of which current liabilities accounted for EUR 1 789 thousand (EUR 3 551 thousand). Return on investment was 14.7 percent (14.1%) and return on equity 11.4 percent (11.2%).

Cash flows from operating activities were EUR 14 623 thousand (EUR 11 115 thousand). Cash flows from investments were EUR -1 224 thousand (EUR -1 438 thousand).

The Company's capital expenditure, resulting from regular additional and replacement investments required for growth, was EUR 411 thousand (EUR 263 thousand) in the period. Gross investments which include - in addition to those mentioned above - capitalized research and development expenses totaled EUR 1 219 thousand (EUR 845 thousand).

Amortization of intangible assets totaled EUR 1 086 thousand (EUR 1 093 thousand). There are no indications of impairments of assets.

Invested non-restricted equity increased by EUR 27.4 million as the result of a share issue of 1 170 000 new shares to select Finnish and international institutional investors. The 1 170 000 new shares were registered with the Finnish Trade Register on February 16, 2011. Following the registration the number of issued and outstanding shares of the Company is 12 890 829. Public trading in the shares on NASDAQ OMX Helsinki Ltd. commenced on February 17, 2011 together with existing shares.

RESEARCH, DEVELOPMENT AND NEW PRODUCTS

The research and development expenses amounted to EUR 3 450 thousand (EUR 3 748 thousand), or 13.2 percent (16.2%) of net sales. Research and development expenses decreased by 7.9 percent compared with the same period last year. Research and development expenses capitalized during the period amounted to EUR 809 thousand (EUR 324 thousand). Basware's research and development costs for the period totaled EUR 2 642 thousand (EUR 3 424 thousand), or 10.1 percent (14.8%) of net sales.

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The development of the next generation of software had an effect on the amount of capitalized research and development costs.

A total of 270 (192) people worked in Products at the end of March 2011. The Products unit is expanding at the fastest rate in India.

PERSONNEL

Basware employed 959 (797) people on average during the first quarter and 981 (808) at the end of the period. The number of personnel increased by 173 persons and by 21.4 percent compared with the same period the previous year. The increase in the number of personnel is mainly due to an increase in the number of employees in the Indian unit.

The share of personnel working in foreign units has increased compared with the previous year. At the end of the period, 56.1 percent (45.5%) of Basware personnel worked outside of Finland and 43.9 percent (50.4%) in Finland. 13.8 percent of the personnel work in sales and marketing, 50.7 percent in consulting and services, 27.5 percent in Products, and 8.1 percent in administration.

The average age of employees is 35.4 (36.1) years. Of the employees, 33.2 percent have a Master's degree and 34.5 percent have a Bachelor's degree. Women account for 33.6 percent of employees, men for 66.4 percent. For incentive purposes, the company has a bonus program that covers all employees.

The short-term remuneration of the top management consists of salary, fringe benefits and a possible annual bonus based on performance. Long-term remuneration of the top management consists of warrants and a share-based incentive scheme. The bonus based on performance is no more than 50 percent of annual basic salary. The bonus is determined on the basis of the attainment of goals supporting to the company's growth and profitability according to its strategy, and personal objectives. The Board of Directors monitors the fulfillment of the performance and result criteria of the incentive scheme twice a year and approves the bonus to be paid.

A long-term incentive scheme was in use in 2006–2008, based on which warrants could be granted to the members of the top management, country managers of the business units and key personnel. After this, the share-based incentive scheme effective in 2009–2011 mentioned above was introduced.

The possible reward of the share-based incentive scheme for the vesting period 2009–2011 is based on Basware Corporation's earnings per share (EPS). The bonus of the share-based incentive scheme is paid two years after the end of the vesting period, and therefore no other restrictions are associated with the ownership of the shares received.

Geographical distribution of personnel:

Personnel (employed, on average)	1–3/2011	1–3/ 2010	Change, %	1–12/ 2010
Finland	639	501	27.7	539
Scandinavia	120	127	-5.3	124
Europe	136	122	11.4	126
Other	63	48	32.2	55
Group total	959	797	20.2	845

BUSINESS OPERATIONS

Finland

The Finland segment includes the business operations in Finland, Russia, Asia-Pacific (excluding Australia) and the head office functions. Net sales for the first quarter increased by 12.0 percent to EUR 13 656 thousand (EUR

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12 191 thousand). The profitability of the segment increased by 63.1 percent and operating profit was EUR 1 782 thousand (EUR 1 092 thousand). A decrease in the amount of research and development costs included in the result for the period contributed to the improvement of profitability. The development of the next generation of software had an effect on the amount of capitalized research and development costs.

Net sales of the Finnish and Russian operations increased by 12.0 percent during the first quarter to EUR 12 151 thousand (EUR 10 853 thousand). In particular, the growth of net sales was boosted by growth in both Professional Services and Automation Services.

The number of personnel averaged 639 (501) during the first quarter.

Scandinavia

Basware's Nordic organization consists of a centrally directed Scandinavian (Sweden, Denmark and Norway) unit.

Net sales in Scandinavia increased by 16.0 percent to EUR 6 096 thousand (EUR 5 253 thousand). In local currency terms, net sales in the area increased by 10.4 percent. The profitability of the operations has improved by 47.1 percent and operating profit was EUR 1 122 thousand (EUR 762 thousand). Maintenance and Professional Services grew at the fastest rate during the first quarter.

There were 120 (127) employees on average in the area.

Europe

Basware's European business operations consist of the units in Germany, France, the Netherlands and the United Kingdom. Additionally, the reseller network covers the eastern part of Central Europe.

Net sales in the Europe segment increased by 8.9 percent to EUR 5 518 thousand (EUR 5 069 thousand). In local currency terms, net sales in the area increased by 7.5 percent. The profitability of the operations improved by 2.3 percent and operating profit was EUR 520 thousand (EUR 509 thousand). Growth of license sales and Automation Services had a strong impact on the growth of net sales in the Europe segment.

Basware personnel averaged 136 (122) during the period.

Other

Business operations in North America and Australia are reported in this segment.

Net sales of the area increased by 10.1 percent to EUR 2 611 thousand (EUR 2 373 thousand). Growth in comparable currencies was 5.5 percent. The profitability of the operations has decreased by 130.2 percent and operating profit was EUR -54 thousand (EUR 179 thousand). The growth of Maintenance and Automation Services had an impact on the growth of net sales in the area.

On average, there were 63 (48) employees in the area.

OTHER EVENTS OF THE PERIOD

Strategy

Basware's Board of Directors and company management have adjusted the company's strategy and goals for the next 4-year period and the company focuses on strong international growth. In order to support international growth, Basware organized a directed share issue to institutional investors during the first quarter of the year. In order to consolidate international growth further, Basware is increasing the focus on acquisitions in its strategy and

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organization. The company has been active in mergers and acquisitions and is now further strengthening the activity by establishing a new executive team-level M&A function.

The company aims to be the leading e-invoice company worldwide. Acquisitions will support the growth of the e-invoicing service. Its annual volume in 2010 amounted to 13.6 million transactions. The e-invoicing market is growing strongly, and Basware aims to reach the 100 million invoice mark by 2014.

In order to support international growth, Basware is developing its organizational structure into stronger geographical regions. The country-specific organizations will be merged into regional structures. According to Basware's view, the significance of the service concept will continue its solid growth in the future as well, which is the reason for marketing the company's next-generation product concept strongly also as services. Basware has adjusted its pricing model to be very flexible according to customer needs. From now on, software solutions will be available to customers with one-time license fee, monthly subscription, and according to the SaaS model.

The role of offshoring operations will continue to grow in the company's strategy. R&D and Automation Services operations at Basware's Indian office have already succeeded in gaining a significant role. The company is surveying the development of offshoring in order to improve profitability also with regard to new service business operations and internal support functions. The company is also investigating the possibility of new geographical regions in expanding offshoring.

Basware's long-term objectives were specified further. The new strategic guidelines facilitate strong international growth and positive development of operating profit margin. The long-term target is to grow annually 15-30 percent in net sales and more than 50 percent in Automation Services. The company's long-term target for operating profit margin is 15-20 percent, improving towards the end of the period.

A separate stock exchange release about the strategy update has been issued on January 25, 2011.

Share issue

Basware issued 1 170 000 new shares in the company to selected Finnish and international institutional investors. The new 1 170 000 shares were registered with the Finnish Trade Register on 16 February 2011. Following the registration the number of issued and outstanding shares of the Company is 12 890 829. Public trading in the shares on NASDAQ OMX Helsinki Ltd. commenced on 17 February 2011 together with existing shares.

Separate stock exchange releases about the share issue have been sent on February 14, 2011 and February 16, 2011.

SHARE AND SHAREHOLDERS

Basware Corporation's share capital totaled EUR 3 516 248.70 at the end of the period and the number of shares was 12 890 829.

A separate stock exchange release has been issued on the Board authorizations and other resolutions of the Annual General Meeting of Shareholders on February 17, 2011.

Share price and trade

During the reporting period, the highest price of the share was EUR 27.00 (EUR 18.58), the lowest was EUR 23.02 (EUR 15.00) and the closing price was EUR 26.40 (EUR 16.86). The average price of the share was EUR 25.26 (EUR 16.99) during the period.

A total of 2 625 376 (400 317) shares were traded during the period, equivalent to 21.5 percent (3.5%) of the average number of shares. Market capitalization with the period's closing price on March 31, 2011 was EUR 337 933 966 (EUR 192 024 003).

Shareholders

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Basware had 15 518 (16 416) shareholders on March 31, 2011 including nominee-registered holdings (9). Nominee-registered holdings accounted for 11.1 (8.7) percent of the total number of shares.

The company holds 90 300 Basware Corporation shares, corresponding to approximately 0.70% of all shares in the company.

During the period, Basware announced three notifications of change in ownership when the total number of shares held by Nordea Rahastoyhtiö Suomi Oy exceeded 5% of Basware Corporation's shares on February 22, 2011, when the total number of shares held by Kirsi Eräkangas fell below of 5% of Basware Corporation's shares on February 15, 2011 and when the total number of shares held by Nordea Rahastoyhtiö Suomi Oy fell below 5% of Basware Corporation's share capital on February 2, 2011.

Share holdings of the Executive Team and Board of Directors members

According to the share register maintained by Euroclear Finland Ltd, CEO Ilkka Sihvo held 877 300 shares in Basware Corporation, Matti Copeland 2 771 shares, Esa Tihilä 500 shares and Olli Hyppänen 500 shares on March 31, 2011. Other members of the Executive Team did not hold shares in Basware Corporation.

According to the share register maintained by Euroclear Finland Ltd, Hannu Vaaajoensuu held 673 800, Pentti Heikkinen 2 049, Ilkka Toivola 2 790, Sakari Perttunen 665 900 and Eeva Sipilä 1 033 shares in Basware Corporation on March 31, 2011.

GOVERNANCE

The Annual General Meeting of Shareholders on February 17, 2011, confirmed the number of Board members as five. The Annual General Meeting resolved to agree on the proposal to elect Sakari Perttunen, Pentti Heikkinen, Eeva Sipilä, Ilkka Toivola, and Hannu Vaaajoensuu members of the Board of Directors. In its first meeting held after the Annual General Meeting, the Board of Directors elected Hannu Vaaajoensuu as chairman and Sakari Perttunen as vice chairman of the Board.

The Annual General Meeting further resolved to elect Ernst & Young Oy, Authorized Public Accountants as the auditor, with APA Heikki Ilkka in charge and APA Terhi Mäkinen as the deputy auditor.

Authorizing the Board of Directors to decide on the repurchase of the company's own shares

The Annual General Meeting decided to authorize the Board of Directors to decide on the repurchase of the company's own shares in accordance with the proposal of the Board of Directors. Based on the authorization, the Board of Directors may repurchase a maximum of 1 160 000 of the company's own shares otherwise than in proportion to the holdings of the shareholders using the non-restricted equity at the market price of the shares on the NASDAQ OMX Helsinki Ltd at the time of the acquisition. The shares shall be repurchased to be used as consideration in possible acquisitions or in other arrangements that are part of the company's business, to finance investments, as part of the company's incentive program, or to be retained, otherwise conveyed or cancelled. The authorization to repurchase the company's own shares is valid until March 31, 2012.

The Annual General Meeting authorized the Board of Directors to decide on issuing new shares and/or conveying the company's own shares held by the company and/or granting special rights referred to in Chapter 10, Section 1 of the Finnish Companies Act in accordance with the proposal of the Board of Directors. Based on the authorization, the Board of Directors may decide to issue a maximum of 2 320 000 new shares and convey a maximum of 1 250 300 of the company's own shares held by the company. The number of shares to be issued to the company itself together with the shares repurchased to the company on basis of the repurchase authorization shall not exceed 1 160 000 shares. The maximum number of new shares that may be subscribed by virtue of the special rights granted by the company is 1 000 000 shares in total which number shall be included in the abovementioned maximum number of new shares. The authorization is valid until March 31, 2012.

A separate stock exchange release has been issued on the Board authorizations and other resolutions of the Annual General Meeting of Shareholders on February 17, 2011.

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Basware issued Corporate Governance Statement in accordance with Recommendation 51 of the new Corporate Governance Code and Chapter 2, Section 6 of the Finnish Securities Market Act. The Corporate Governance Statement was issued separately from the company's annual report.

The Corporate Governance Statement can be read at:

http://www.basware.com/Investors/corporate_governance/Pages/default.aspx

Basware Board of Directors approved in its meeting on January 20, 2011 the subscription of a total of 30 805 shares under Basware Warrant Programs. The share subscriptions were based on the Warrant Program 2006 series C and on the Warrant Program 2007 series E.

Members of the Executive Team as of January 1, 2011 are Ilkka Sihvo (CEO), Mika Harjuaho (CFO), Mari Heusala (Vice President, HR&Dev), Olli Hyppänen (Senior Vice President, Strategy and Global Operations), Jorma Kemppainen (Senior Vice President, Products), Pekka Lindfors, (Senior Vice President, NorthEast), Steve Muddiman (Senior Vice President, Global Marketing), Matti Rusi (Senior Vice President, Europe), Ari Salonen (General Manager, North America), Esa Tihilä (Senior Vice President, Automation Services), and Jukka Virkkunen (Senior Vice President, Scandinavia). In addition, Matti Copeland (Senior Vice President, M&A, IR) has been a member of the Executive Team as of January 25, 2011.

Matti Copeland resigned from the Board of Directors of Basware on January 24, 2011.

SHORT-TERM RISKS AND UNCERTAINTY FACTORS

No significant changes have taken place in Basware's short-term risks and uncertainties during the financial period.

In accordance with Basware's risk management policy, risks are divided 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 its strategy and objectives. These risks are managed and decreased in various ways. Short-term risks are considered to be risks in the current reporting year.

Market forecasts updated at the end of 2010 and early 2011 expect the software market to grow by 7.1 percent globally and 8.4 percent in the U.S. in 2011. The entire IT services market is expected to grow by 7.3 percent globally and by 7.4 percent in the U.S. in 2011. The penetration rate of e-invoicing outside Scandinavia is low, which creates a solid foundation for the future growth of Basware.

Sales receivables are part of operational business risks and accuracy of financial reporting in this respect is managed through reservations for bad debt. Basware Corporation's sales receivable are calculated on a monthly basis in Basware's centralized Financial Shared Service Center. The company will intensify its management and collection of sales receivables. Business management regularly monitors the payment of sales receivables as part of the management of customer accounts.

The Group's main currency is the Euro, accounting for approximately 60 percent of net sales in 2010 (approximately 61% in 2009). The significance of exchange rate fluctuations between the euro and other currencies will increase hand in hand with the share of international operations. In addition to the euro area, Basware operates in various areas, the most significant of them in 2010 being Norway, the United Kingdom, the United States, Sweden, and Australia. The company is exposed to exchange rate risks in these countries through intra-company trade, exports and imports as well as through the equity and funding of foreign subsidiaries. The company did not realize hedging for exchange rate fluctuations during the financial year as the foreign-currency-denominated cash flow in the subsidiaries did not exceed the foreign-currency-specific limit for hedging measures in accordance with the company's hedging policy.

Goodwill has been tested during the last quarter of 2010. In accordance with the testing for impairment of assets, no depreciation of goodwill was made. According to testing for asset impairment, goodwill has not been impaired, and there were no indications of impairment.

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Basware's objective is to become the world's leading company in e-invoicing. Automation Services including e-invoicing and the supporting scan and capture services also target suppliers and buyers outside Basware's existing customer base, which increases the customer potential. The company's long-term objective is annual growth of more than 50 percent in Automation Services. SaaS and e-invoicing are scalable business models with a high business potential. The realization of this growth potential requires a new operating model as well as active and continuous development of competencies because of the strong growth of the number of customers and transaction volumes. These include sales and commissioning as well as customer support and product development.

Basware has complemented its organic growth through acquisitions in accordance with its strategy. Acquisition projects are managed carefully and internal as well as external expertise is utilized in planning phase (e.g. due diligence), take over phase (e.g. immediate implementation of Basware's IT systems) and in integration phase (e.g. implementation of HR processes).

EVENTS AFTER THE REPORTING PERIOD

Basware Board of Directors approved in its meeting on April 12, 2011 the subscription of a total of 40 400 shares subscribed for with Basware Warrant Programs. The share subscriptions were based on the Warrant Program 2006 series C (19 400 shares) and on the Warrant Program 2007 series E (21 000 shares). The last subscription date for Basware Warrant Programs was March 31, 2011.

After the period, Basware announced notification of change in ownership when the total number of shares held by Nordea Rahastoyhtiö Suomi Oy fell below 5% of Basware Corporation's share capital on March 24, 2011. This notification was given to Basware Corporation's information on April 11, 2011.

FUTURE OUTLOOK

Operating environment and market outlook

Market forecasts updated at the end of 2010 and early 2011 expect the software market to grow by 7.1 percent globally and 8.4 percent in the U.S. in 2011. The entire IT services market is expected to grow by 7.3 percent globally and by 7.4 percent in the U.S. in 2011. The penetration rate of e-invoicing outside Scandinavia is low which creates a solid foundation for the future growth of Basware.

The number of acquisitions and partnerships has increased on the markets. Companies active on the markets are trying to strengthen the supplier network and expand geographically through acquisitions and partnerships. Consolidation is expected to continue in the business environment, with the role of services growing in companies' portfolios.

Basware's direct competitors are primarily locally operating and often smaller companies. In North America in particular, the company has also larger competitors, especially in the field of procurement management. Developers of document management, scanning and recycling systems compete with Basware, particularly with regard to purchase invoice management solutions. Competing solutions also include customized solutions integrated into ERP (*Enterprise Resource Planning*) systems.

Basware software still offer a competitive edge, thanks to the integrated offering consisting of new added value products and the products. Next generation solutions will improve the company's competitiveness in the long run. Automation services will bring more predictability and transparency over Basware's revenue stream and profitability development. Recurring revenue (maintenance and Automation services) accounted for close to 50 percent of the company's total net sales in the first quarter of 2011.

Basware aims to become a leading company in e-invoicing worldwide. E-invoicing and the supporting Connectivity Services are targeted to connect suppliers and buyers also outside of Basware's existing software customer base, leading into a higher potential. The penetration rate of e-invoicing is low which creates a solid foundation for the

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future growth of Basware. The company's long-term target is to grow annually more than 50% in Automation Services. SaaS, Connectivity Services and e-invoicing are scalable business models with a high business potential.

The company's international growth is based on efforts of its own sales and marketing activity as well as the reseller channel. In North America, the focus will be on developing the company's own sales channel and strategic partnerships. Development of own sales channel and profitable growth continues in Europe. In Scandinavia, the focus is on profitability, and moderate growth is supported by the company's expanded product portfolio and the development of the service business. In Finland, the focus is on profitability, and moderate growth will primarily be achieved from the fields of procurement management and services.

In order to consolidate international growth further, Basware is increasing the focus on acquisitions in its strategy and organization. The company has been active in mergers and acquisitions and is now further strengthening the activity by establishing a new executive team-level M&A function. In particular, possible acquisitions will aim at supporting Automation Services and expanding the Company's distribution channel in international markets.

The role of off-shoring operations will continue to grow in the company's strategy. R&D and Automation Services operations at Basware's Indian office have already succeeded in gaining a significant role. The company is surveying the development of off-shoring in order to improve profitability also with regard to new service business operations and internal support functions. The company is also investigating the possibility of new geographical regions in expanding off-shoring.

The Group's number of personnel will increase the most in Automation Services and product development during the year. The number of personnel will increase the most in India, which facilitates growth with a more moderate increase in costs.

Growth related investments will be made during the year according to business plan.

Outlook for 2011

Basware expects, as earlier estimated, its net sales to grow over 10 percent in 2011. Operating profit (EBIT) for 2011 is expected to be over 13 percent of net sales.

Espoo, Finland, April 13, 2011

BASWARE CORPORATION
Board of Directors

For more information, please contact

CEO Ilkka Sihvo, Basware Corp.,
Tel. +358 40 501 8251

Analyst and Press Briefing

Basware arranges today, April 13, 2011 a briefing on the Interim Report for the press and analysts at 11:00 a.m. in Hotel Kämp, Pohjoisesplanadi 29, Helsinki, Finland. During this briefing CEO Ilkka Sihvo and CFO Mika Harjuaho will comment on the events and financial performance of the quarter. Welcome. A conference call for analysts who are not able to attend the briefing will take place on April 13 at 3 p.m. EEST. Please register through IR@basware.com for appropriate information.

Distribution:

NASDAQ OMX Helsinki Ltd
Key media
www.basware.com

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SUMMARY OF FINANCIAL STATEMENTS AND NOTES JANUARY 1 – MARCH 31, 2011

Basis of preparation

The Interim Report has been prepared in accordance with the IAS 34 Interim Reports standard. The company has adopted certain new or revised IFRS standards and IFRIC interpretations at the beginning of the financial period as described in the Financial Statements for 2010. However, the adoption of these new and amended standards has not yet had an effect on the reported figures in practice. In other respects, the same accounting policies have been followed as in the Financial Statements for 2010. Key indicator calculations remain unchanged and have been presented in the 2010 Financial Statements.

Preparation of financial statements in accordance with the IFRS standards requires Basware's management to make estimates and assumptions that have an effect on the amount of assets and liabilities on the balance sheet at the closing date as well as the amounts of income and expenses for the financial period. In addition, the management must exercise its judgment regarding the application of accounting policies. Since the estimates and assumptions are based on the views at the date of the Interim Report, they include risks and uncertainties. The actual results may differ from the estimates and assumptions.

The amounts presented in the income statement and balance sheet are Group figures.

The amounts presented in the release are rounded, so the sum of individual figures may differ from the sum reported. The Interim Report is unaudited.

GROUP INCOME STATEMENT

EUR thousand	1.1.– 31.3.2011	1.1.– 31.3.2010	Change, %	1.1.– 31.12.2010
NET SALES	26 058	23 132	12.7	103 094
Other operating income	42	50	-14.5	189
Materials and services	-1 948	-1 288	51.2	-6 395
Employee benefit expenses	-14 738	-13 703	7.6	-57 337
Depreciation and amortization	-1 237	-1 236	0.1	-5 117
Other operating expenses	-5 219	-4 818	8.3	-20 947
Operating profit	2 957	2 136	38.4	13 487
Finance income	51	116	-56.4	202
Finance expenses	-77	-111	-30.4	-365
Profit before tax	2 930	2 142	36.8	13 325
Income tax expense	-662	-560	18.4	-2 994
PROFIT FOR THE PERIOD	2 268	1 582	43.3	10 331
Other comprehensive income:				
Exchange differences on translating foreign operations	-339	364	-193.2	1 981
Income tax relating to components of other comprehensive income	170	201	-15.6	-454
Other comprehensive income, net of tax	-170	565	-130.0	1 527
TOTAL COMPREHENSIVE INCOME	2 098	2 147	-2.3	11 857
Profit attributable to:				
Owners of the parent	2 268	1 582	43.3	10 331
	2 268	1 582	43.3	10 331

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Total comprehensive income
attributable to:

Owners of the parent	2 098	2 147	-2.3	11 857
	2 098	2 147	-2.3	11 857

Earnings per share (undiluted), EUR	0.19	0.14	33.9	0.90
Earnings per share (diluted), EUR	0.19	0.14	34.9	0,89

GROUP BALANCE SHEET

EUR thousand	31.3.2011	31.3.2010	Change, %	31.12.2010
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	17 954	19 722	-9.0	18 085
Goodwill	32 065	31 705	1.1	32 184
Tangible assets	1 146	910	25.9	1 079
Available-for-sale investments	38	38	0.0	38
Long-term trade and other receivables	0	40	-100.0	23
Deferred tax assets	2 095	2 091	0.2	2 074
Non-current assets	53 298	54 505	-2.2	53 483
CURRENT ASSETS				
Inventories	152	50	201.3	56
Trade and other receivables	27 032	24 066	12.3	24 066
Income tax receivables	271	633	-57.2	43
Financial assets at fair value through profit or loss	15 043	34	44 241.6	35
Cash and cash equivalents	33 251	16 318	103.8	13 787
Current assets	75 750	41 101	84.3	37 987
TOTAL ASSETS	129 048	95 606	35.0	91 470

EQUITY AND LIABILITIES

SHAREHOLDERS' EQUITY

Share capital	3 516	3 444	2.1	3 507
Issue of shares	334	1 573	-78.8	255
Share premium account	1 187	69	1 623.1	1 187
Own shares	-629	-629	0.0	-629
Fair value reserve and other reserves	62 419	33 735	85.0	34 803
Translation differences	-1 857	-2 650	29.9	-1 688
Retained earnings	26 688	20 978	27.2	29 644
Shareholders' equity	91 658	56 519	62.2	67 079

NON-CURRENT LIABILITIES

Deferred tax liability	2 776	3 669	-24.3	2 751
Interest-bearing liabilities	0	1 837	-100.0	32

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Non-interest-bearing liabilities	866	269	222.1	631
Non-current liabilities	3 642	5 775	-36.9	3 414
CURRENT LIABILITIES				
Interest-bearing liabilities	1 789	3 551	-49.6	3 550
Trade payables and other liabilities	31 248	29 348	6.5	16 201
Tax liability from income tax	711	413	72.0	1 226
Current liabilities	33 747	33 312	1.3	20 977
TOTAL EQUITY AND LIABILITIES	129 048	95 606	35.0	91 470

GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share- Holders' capital	Share issue	Share premium account	Own Shares	Inv. non- restr. equity res.	Other res.	Transl. diff	Retained earnings	Total
EUR thousand									
SHARE- HOLDERS' EQUITY									
1.1.10	3 440	140	69	-629	33 058	540	-3 214	23 176	56 580
Compre- hensive income							565	1 582	2 147
Dividend distribution								-4 100	-4 100
Granted warrants								69	69
Changes in reporting period	3	1 432				137		251	1 824
SHARE- HOLDERS' EQUITY									
31.3.10	3 444	1 573	69	-629	33 058	677	-2 650	20 978	56 519
EUR thousand									
SHARE- HOLDERS' EQUITY									
1.1.11	3 507	255	1 187	-629	34 263	540	-1 688	29 644	67 079
Compre- hensive income							-170	2 268	2 098
Dividend distribution								-5 120	-5 120
Share issue					27 370				27 370
Granted warrants								102	102
Changes in reporting period	9	79			246			-205	129
SHARE- HOLDERS' EQUITY									
31.3.11	3 516	334	1 187	-629	61 879	540	-1 857	26 688	91 658

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GROUP CASH FLOW STATEMENT

EUR thousand	1.1.– 31.3.2011	1.1.– 31.3.2010	1.1.– 31.12.2010
Net cash from operating activities			
Profit for the period	2 268	1 582	10 331
Adjustments for profit	1 926	1 791	8 508
Working capital changes	11 661	8 315	-3 158
Interest paid	-17	-22	-43
Interest received	37	18	66
Other financial items in operating activities	-40	48	-98
Income taxes paid	-1 212	-616	-3 084
Net cash from operating activities	14 623	11 115	12 523
Cash flows from investing activities			
Purchase of tangible and intangible assets	-1 224	-586	-2 722
Acquired subsidiaries	0	-852	-1 732
Net cash used in investing activities	-1 224	-1 438	-4 454
Cash flows from financing activities			
Share issue	27 704	1 573	2 505
Repayments of short-term loans	0	-2 000	-2 001
Repayments of long-term borrowings	-1 775	-1 775	-3 550
Dividends paid	-4 708	-3 633	-4 100
Net cash used in financing activities	21 221	-5 835	-7 147
Net change in cash and cash equivalents according to cash flow statement			
	34 619	3 842	922
Cash and cash equivalents at beginning of period	13 822	12 210	12 210
Effects of exchange rate changes on cash and cash equivalents	-124	300	690
Cash and cash equivalents at end of period	48 295	16 351	13 822

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GROUP QUARTERLY INCOME STATEMENT

EUR thousand	1–3/2011	1–3/2010	4–6/2010	7–9/2010	10–12/2010
NET SALES	26 058	23 132	26 612	23 202	30 149
Other operating income	42	50	55	43	42
Materials and services	- 1 948	-1 288	-1 754	-1 593	-1 760
Employee benefit expenses	-14 738	-13 703	-15 184	-11 959	-16 491
Depreciation and amortization	- 1 237	-1 236	-1 309	-1 294	-1 278
Other operating expenses	- 5 219	-4 818	-5 414	-4 991	-5 725
Operating profit	2 957	2 136	3 006	3 408	4 937
%	11.3 %	9.2 %	11.3 %	14.7 %	16.4 %
Finance income	51	116	4	-59	141
Finance expenses	-77	-111	-58	42	-239
Profit before tax	2 930	2 142	2 953	3 391	4 839
%	11.2 %	9.3 %	11.1 %	14.6 %	16.1 %
Income tax expense	-662	-560	-811	-697	-926
PROFIT FOR THE PERIOD	2 268	1 582	2 142	2 694	3 913
%	8.7%	6.8%	8.0%	11.6%	13.0%

COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand	31.3.2011	31.3.2010	31.12.2010
Own guarantees			
Business mortgages of own debts	1 200	1 200	1 200
Commitments on behalf of subsidiaries and group companies			
Guarantees	1 143	1 122	1 123
Other own guarantees			
Lease liabilities			
Current lease liabilities	908	923	848
Lease liabilities maturing in 1–5 years	903	772	796
Total	1 811	1 695	1 644
Other rental liabilities			
Current rental liabilities	3 826	2 146	4 054
Rental liabilities maturing in 1–5 years	7 917	3 152	9 913
Rental liabilities maturing later	0	1 042	0
Total	11 743	6 339	13 967
Other own contingent liabilities, total	13 553	8 035	15 611

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SEGMENT REPORTING

Geographical segments (by the location of assets)

Net sales (EUR thousand)	1–3/2011	1–3/2010	Change, %	1–12/2010
Finland	13 656	12 191	12.0	53 606
Scandinavia	6 096	5 253	16.0	24 188
Europe	5 518	5 069	8.9	21 347
Other	2 611	2 373	10.1	12 101
Sales between segments	-1 823	-1 754	3.9	-8 149
Group total	26 058	23 132	12.7	103 094

Operating profit (EUR thousand)	1–3/2011	1–3/2010	Change, %	1–12/2010
Finland	1 782	1 092	63.1	7 703
Scandinavia	1 122	762	47.1	4 136
Europe	520	509	2.3	2 354
Other	-54	179	-130.2	924
Operating profit between segments	-413	-406	1.7	-1 629
Group total	2 957	2 136	38.4	13 487

Personnel (employed, on average)	1–3/2011	1–3/2010	Change, %	1–12/2010
Finland	639	501	27.7	539
Scandinavia	120	127	-5.3	124
Europe	136	122	11.4	126
Other	63	48	32.2	55
Group total	959	797	20.2	845

Net sales by business

Net sales (EUR thousand)	1–3/2011	1–3/2010	Change, %	1–12/2010
License Sales	4 814	4 648	3.6	24 688
Maintenance	8 879	8 113	9.4	33 273
Professional Services	8 650	7 871	9.9	32 702
Automation Services	3 715	2 500	48.6	12 431
Group total	26 058	23 132	12.7	103 094

Net sales by the location of customer

Net sales (EUR thousand)	1–3/2011	1–3/2010	Change, %	1–12/2010
Finland	11 856	10 695	10.9	46 550
Scandinavia	6 083	4 995	21.8	23 346
Europe	5 256	4 915	6.9	20 249
Other	2 863	2 527	13.3	12 949
Group total	26 058	23 132	12.7	103 094

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GROUP KEY INDICATORS

EUR thousand	1-3/11	1-3/10	1-3/09	1-12/10
Net sales	26 058	23 132	21 717	103 094
Growth of net sales, %	12.7%	6.5%	19.1%	11.3%
EBITDA	4 169	3 373	2 596	18 604
% of net sales	16.0%	14.6%	12.0%	18.0%
Operating profit before IFRS3 amortization	3 458	2 692	2 033	15 691
% of net sales	13.3%	11.6%	9.4%	15.2%
Operating profit	2 957	2 136	1 592	13 487
Growth of operating profit, %	38.4%	34.2%	725.8%	14.1%
% of net sales	11.3%	9.2%	7.3%	13.1%
Profit before tax	2 930	2 142	1 484	13 325
% of net sales	11.2%	9.3%	6.8%	12.9%
Profit for the period	2 268	1 582	666	10 331
% of net sales	8.7%	6.8%	3.1%	10.0%
Return on equity, %	11.4%	11.2%	5.5%	16.7%
Return on investment, %	14.7%	14.1%	11.3%	20.1%
Interest-bearing liabilities	1 789	5 388	11 114	3 582
Cash and liquid assets *)	48 295	16 351	11 460	13 822
Gearing, %	-50.7%	-19.4%	-0.7%	-15.3%
Equity ratio, %	71.0%	59.1%	55.6%	73.3%
Total assets	129 048	95 606	86 512	91 470
Gross investments **)	1 219	845	619	4 567
% of net sales	4.7%	3.7%	2.9%	4.4%
Capital expenditure	411	263	126	970
% of net sales	1.6%	1.1%	0.6%	0.9%
Research and development costs	3 450	3 748	3 694	14 883
% of net sales	13.2%	16.2%	17.0%	14.4%
R&D personnel at end of period	270	192	176	239
Personnel on average during the period	959	797	731	845
Personnel at end of period	981	808	730	913
Increase in personnel, %	21.4%	10.7%	9.8%	20.0%
Earnings per share, EUR	0.19	0.14	0.06	0.90
Earnings per share (diluted), EUR	0.19	0.14	0.06	0.89
Equity per share, EUR	7.11	4.92	4.18	5.78
P/E ratio	141.94	121.37	133.26	27.58
Share price performance				
lowest share price	23.02	15.00	6.60	15.00
highest share price	27.00	18.58	7.75	24.80
average share price	25.26	16.99	7.37	19.27
closing share price	26.40	16.86	7.50	24.75
Market capitalization at end of period	337 933 966	192 024 003	85 340 355	287 093 169
Number of traded shares	2 625 376	400 317	431 908	2 131 071
% of average number of shares	21.5%	3.5%	3.8%	18.5%
Average number of shares				
- undiluted	12 192 657	11 383 312	11 394 147	11 513 690
- diluted	12 222 700	11 501 810	11 394 147	11 585 155

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

**) Includes capitalized R&D costs and acquisitions

Major Shareholders, March 31, 2011

1. Ilmarinen Mutual Pension Insurance Company	1 264 313	9.8
2. Sihvo, Ilkka	877 300	6.8
3. Eräkangas, Kirsi	827 300	6.4
Eräkangas, Kirsi	576 900	4.5
Eräkangas, Lotta	250 400	1.9
4. Vaajoensuu, Hannu	673 800	5.2
Havacment Oy	266 500	2.1
Vaajoensuu, Hannu	323 500	2.5
Vaajoensuu, Matias	83 800	0.7
5. Perttunen, Sakari	665 900	5.2
6. Mandatum Life Insurance Company Ltd.	592 000	4.6
7. Varma Mutual Pension Insurance Company	530 000	4.1
8. Pöllänen, Antti	399 023	3.1
Launimo, Essi	97 408	0.8
Pöllänen, Antti	301 615	2.3
9. Nordea Nordic Small Cap Fund	383 033	3.0
10. Veritas Pension Insurance Company	363 000	2.8
11. Fondita Nordic Micro Cap Sijoitusrahasto	317 000	2.5
12. Kaleva Mutual Insurance Company	312 690	2.4
13. Investment Fund Aktia Capital	200 863	1.6
14. Perttunen, Meimi	175 400	1.4
15. Ahonen, Asko	168 736	1.3
16. Op-Suomi Pienyhtiöt	165 000	1.3
17. Fim Fenno Fund	149 500	1.2
18. Fim Forte Fund	140 658	1.1
19. Basware Corporation	90 300	0.7
20. Föreningen Konstsamfundet Rf	90 000	0.7
20 largest shareholders	8 385 816	65.1
Nominee registered shares	1 432 166	11.1
Other	3 072 847	23.8
Total	12 890 829	100.0