BASWARE INTERIM REPORT JANUARY 1 – JUNE 30, 2013 (IFRS)

SUMMARY

January-June H1/2013: **Strong growth in service business continues**

- Net sales EUR 61 617 thousand (EUR 56 153 thousand) – growth 9.7 percent
- Operating profit/loss EUR -661 thousand (EUR 3 120 thousand)
- Operating profit/loss -1.1 percent of net sales (5.6%)
- Operating profit/loss before non-recurring items EUR -542 thousand (EUR 3 120 thousand)
- Growth in Automation Services (SaaS and e-Invoicing) 41.2 percent
- Recurring revenue (Customer Support and Automation Services) 61.0 percent (56.6%) of net sales
- Cash flow from operating activities EUR 9 268 thousand (EUR 9 946 thousand)
- Earnings per share (diluted) EUR -0.05 (0.19)

April-June Q2/2013:

- Net sales EUR 31 789 thousand (EUR 28 718 thousand) – growth 10.7 percent
- Operating profit EUR 908 thousand (EUR 1 298 thousand) – decrease 30.0 percent
- Operating profit 2.9 percent of net sales (4.5%)
- Operating profit/loss before non-recurring items EUR -158 thousand (EUR 1 298 thousand)
- Growth of Automation Services (SaaS and e-Invoicing) 41.4 percent
- The estimated revenue to be recognized for current Automation Services agreements that are in production as well as for new, signed agreements in the next twelve months is EUR 33.2 million (growth from estimate at the end of the previous quarter 5.9 percent)
- Recurring revenue (Customer Support and Automation Services) 60.2 percent (56.2%) of net sales
- Earnings per share (diluted) EUR 0.03 (0.07) – decrease of 63.0 percent

Basware expects its net sales for 2013 to grow and operating profit (EBIT) for 2013 to be positive.

The interim report is unaudited

GROUP KEY FIGURES

EUR thousand	4–6/ 2013	4–6/ 2012	Change, %	1–6/ 2013	1–6/ 2012	Change, %	1–12/ 2012
Net sales	31 789	28 718	10.7 %	61 617	56 153	9.7 %	113 699
EBITDA	2 663	2 793	-4.7 %	2 895	5 981	-51.6 %	14 801
Operating profit before IFRS3 amortization	1 139	1 847	-38.3 %	-197	4 302		10 555
Operating profit	908	1 298	-30.0 %	-661	3 120		8 308
% of net sales	2.9 %	4.5 %		-1.1 %	5.6 %		7.3 %
Profit before tax	836	1 296	-35.5 %	-689	3 214		8 357
Profit for the period	352	949	-62.9 %	-611	2 425		5 863
Return on equity, %	1.5 %	3.9 %		-1.2 %	4.9 %		5.8 %
Return on investment, %	4.4 %	5.7 %		-0.3 %	6.7 %		8.2 %
Liquid assets *)	22 917	31 630	-27.5 %	22 917	31 630	-27.5 %	34 519
Gearing, %	-13.0 %	-32.0 %		-13.0 %	-32.0 %		-23.8 %
Equity ratio, %	66.9 %	74.4 %		66.9 %	74.4 %		77.6 %

Earnings per share, EUR	0.03	0.07	-63.0 %	-0.05	0.19		0.46
Earnings per share (diluted), EUR	0.03	0.07	-63.0 %	-0.05	0.19		0.46
Parent company's shareholders' equity per share, EUR	7.46	7.56	-1.3 %	7.46	7.56	-1.3 %	7.84

*) Includes cash and cash equivalents

Reporting

Basware Corporation reports one operating segment: Purchase to Pay, P2P.

Basware reports income for products and services as follows: License sales, Professional Services, Customer Support Maintenance, and Automation Services (previously License sales, Professional Services, Maintenance, and Automation Services).

Customer Support includes the previous Maintenance and expanded customer support, which was previously reported under Professional Services. Expanded customer support agreements are continuous service agreements with a term of several years. Customer Support and Automation Services comprise the recurring revenue reported by the company.

License sales consist of Purchase to Pay product family together with financial planning and reporting solutions sold only in Finland. Automation Services include e-Invoicing, scanning services, printing services, catalogue management, purchase message exchange, activation services and Software as a Service (SaaS) services.

Basware also reports the estimated revenue to be recognized for current Automation Services agreements that are in production in the next twelve months. Automation Services agreements typically expand several years or are valid until further notice.

As geographic information Basware reports geographical areas Finland, Scandinavia, rest of Europe and Other. In the geographical information net sales is split by customer's location. Net sales and operating profit are also reported by the location of the assets. In the annual financial statements, the geographical information of non-current assets is reported by the location of the assets.

CEO Esa Tihilä comments in conjunction with the Interim Report:

Net sales for Q2 amounted to EUR 31 789 thousand, growth of 10.7 percent compared to the corresponding period the previous year, and operating profit was EUR 908 thousand (EUR 1 298 thousand in 2012). The operating profit includes a non-recurring capital gain of EUR 1 540 thousand recorded as a result of the divestment of the Cashier Desk business in the second quarter and expenses totaling EUR 474 thousand due to the efficiency drive and termination of employment relationships.

The renewal of the company's product and service portfolio and transition of the business model are still underway. The company issued a full-year profit warning during the second quarter, based primarily on growth in net sales falling short of the objectives. This was partly due to market conditions and partly due to delay in the sales and delivery capability of Alusta software compared to our targets. The company launched an efficiency program to improve profit-making ability. The aim of the efficiency drive is to achieve annual cost-savings of EUR 3 million compared to the current level by the end of 2013.

Growth in the service business has increased our net sales in accordance with our strategy. Automation Services net sales increased by 41.4 percent during the second quarter. We have also connected an increasing number of small and medium-sized suppliers and buyers to our open Basware Commerce Network with new products and delivery methods. The transaction volume developed strongly during this quarter as well, up 66.0 percent. The average price of transactions remained similar to the previous quarters. The decrease in license sales leveled off during the second quarter. At the same time, SaaS net sales increased by 20.6 percent.

The competitiveness of Basware software and services is good. In order to enhance the growth in net sales, we have accelerated the entry of SaaS and e-invoice deals into production through product and project enhancements. Our aim is to strengthen the growth globally and maintain our product leadership in Purchase-to-Pay processes. Therefore, we will continue to develop Alusta software and services strongly also this year.

In the current state of the company's transition process, operating profit depends on the development of license sales and investments in the transition process. The investments required by the company's transition process can be seen in all of the company's functions from marketing to sales, professional services, customer support, production, and administration. The decrease in license sales has been significant for several years, and growth in the SaaS business has not yet fully compensated for the decrease, which is due to the different earning models. The company estimates that the profit-making ability of license sales and the SaaS business will result in an entity where the investments will begin to pay off as increasing net sales and improving profitability in 2014.

Market outlook and operating environment

According to independent research institutions' most recent market estimates, the software market will clearly outgrow the IT market as a whole. The software market's growth estimate is 6.4 percent for 2013 (2012: 4.7%) and 6.6 percent for 2014. The growth forecast for the entire IT market has decreased; growth of 2.0 percent for 2013 (2012: 2.5). The first forecasts concerning the growth of the entire IT market in 2014 amount to 4.1 percent.

The market conditions were more difficult than before in the first quarter. Customers' decision-making was slower than before. The negotiation times of large international deals in particular have been prolonged because the customers' requirements are higher in the service business than in the software business.

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. With the acquisition of a German e-invoice operator in 2012 and the acquisition of the network and e-invoicing business of Certipost in Belgium we secured new customers, competence, and new technology, which improve the company's competitiveness.

Consolidation is expected to continue in the business environment, with the role of services growing in companies' portfolios. Basware continues active analysis of acquisition targets especially in the e-Invoicing market in Europe and in the U.S. according to its strategy.

The competitiveness of Basware software and services is good. The development of Alusta software and services will continue strongly this year as well in order to achieve our objective of accelerated global growth and maintain our product leadership in Purchase to Pay processes.

By the end of 2015, Basware aims to become the largest business commerce network for buyers and suppliers. E-Invoicing and the supporting services are targeted to connect suppliers and buyers also outside of Basware's existing software customer base, leading to a higher potential. The penetration rate of e-Invoicing is low, between 5-30 percent depending on the country, and it has been estimated to grow strongly. E-invoicing is becoming more common and the related processes are becoming standard. This creates a good foundation for the growth of Basware Automation Services.

Offshoring operations hold a significant role in the company's strategy. R&D and Automation Services operations and other support functions at the Indian office have already succeeded in gaining a significant role in the company's operations. The company is also currently expanding the operations of its Romanian office to cover the product development and support functions of Automation Services.

NET SALES

Basware Group's net sales for the period increased by 9.7 percent to EUR 61 617 thousand (EUR 56 153 thousand). The growth in comparable currencies was 9.8 percent.

During the second quarter, net sales increased by 10.7 percent to EUR 31 789 (EUR 28 718 thousand). The growth in comparable currencies was 11.1 percent.

Information on products and services:

Net sales (EUR thousand)	4–6/ 2013	4–6/ 2012	Change, %	1–6/ 2013	1–6/ 2012	Change, %	1–12/ 2012
License Sales	4 148	4 465	-7.1	7 343	8 543	-14.0	17 437
Customer Support	10 826	10 279	5.3	21 612	20 498	5.4	42 011
Professional Services	8 514	8 106	5.0	16 685	15 802	5.6	30 552
Automation Services	8 301	5 869	41.4	15 976	11 311	41.2	23 699
Group total	**31 789**	**28 718**	**10.7**	**61 617**	**56 153**	**9.7**	**113 699**

The Company's license sales decreased by 14.0 percent during the period, accounting for 11.9 percent (15.2%) of net sales. SaaS sales, reported in Automation Services, grew by 19.6%. Customer Support revenue increased by 5.4 percent and accounted for 35.1 percent (36.5%) of net sales. Professional Services revenue increased by 5.6 percent and accounted for 27.1 percent (28.1%) of net sales.

During the period, Automation Services increased by 41.2 percent and accounted for 25.9 percent (20.1%) of net sales. The transaction volume processed by the Automation Services business continued its favorable development and was 26.4 million during the reporting period (growth of 64.5 percent). The estimated revenue to be recognized for current Automation Services agreements that are in production as well as for new, signed agreements in the next twelve months is EUR 33.2 million (growth of 5.9 percent from the estimate made at the end of last quarter).

The international share of Basware's net sales was 60.0 percent (55.8%) in the period. International operations grew by 18.0 percent (9.9%).

FINANCIAL PERFORMANCE

Basware's operating profit/loss for the period amounted to EUR -661 thousand (EUR 3 120 thousand). Operating profit represented -1.1 percent (5.6%) of net sales. Operating profit/loss before non-recurring items was EUR -542 thousand (EUR 3 120 thousand). The non-recurring items include a capital gain of EUR 1.54 million from the divestment of the Cashier Desk business and provisions of a total of EUR 1 659 thousand associated with the efficiency drive and termination of employment relationships.

Operating profit for the second quarter decreased by 30.0 percent to EUR 908 thousand (EUR 1 298 thousand). Operating profit represented 2.9 percent (4.5%) of net sales. Operating profit/loss before non-recurring items was EUR -158 thousand (EUR 1 298 thousand). The non-recurring items include the capital gain of EUR 1.54 million from the divestment of the cashier Desk business and provisions of a total of EUR 474 thousand associated with the efficiency drive and termination of employment relationships.

The Company's fixed costs were EUR 54 874 thousand (EUR 46 270 thousand) in the period, up 18.6 percent on the corresponding period the previous year. Personnel costs made up 75.0 percent (72.1%) or EUR 41 129 thousand (EUR 33 354 thousand) of the fixed costs. Non-recurring restructuring expenses of approximately EUR 1 659 thousand associated with employment relationships were recorded in the period. Bad debt and change in bad debt provision are included in fixed costs. Bad debt provision at the end of the second quarter amounted to EUR 1 566 thousand (EUR 1 423 thousand) on the balance sheet.

The research and development expenses amounted to EUR 9 468 thousand (EUR 8 629 thousand), or 15.4 percent (15.4%) of net sales. The expenses grew by 9.7 percent compared with the corresponding period the previous year. Research and development expenses capitalized during the period amounted to EUR 2 508 thousand (EUR 2 486 thousand). The research and development costs included in the profit for the period totaled EUR 6 960 thousand (EUR 6 144 thousand), or 11.3 percent (10.9%) of net sales.

The Company's finance income and finance expenses were EUR -29 thousand (EUR 95 thousand). Profit before tax was EUR -689 thousand (EUR 3 214 thousand) and profit for the period was EUR -611 thousand (EUR 2 425 thousand) or -1.0 percent (4.3%) of net sales. Taxes for the period amounted to EUR -79 thousand (EUR 789 thousand). Undiluted earnings per share were EUR -0.05 (EUR 0.19).

FINANCE AND INVESTMENTS

Basware Group's total assets on the balance sheet at the end of the period were EUR 143 158 thousand (EUR 130 210 thousand). The company's liquid assets were EUR 22 917 thousand (EUR 31 630 thousand), of which cash and cash equivalents were EUR 22 917 thousand (EUR 31 630 thousand).

Equity ratio was 66.9 percent (74.4%) and gearing was -13.0 percent (-32.0%). Return on investment was -0.3 percent (6.7%) and return on equity -1.2 percent (4.9%).

Net cash flows from operating activities were EUR 9 268 thousand (EUR 9 946 thousand). Cash flows from investments were EUR -17 333 thousand (EUR -15 174 thousand).

The company's capital expenditure, resulting from regular additional and replacement investments required for growth, was EUR 709 thousand (EUR 705 thousand) in the period. Gross investments which include – in addition to those mentioned above – the acquisition as well as capitalized research and development costs totaled EUR 18 507 thousand (EUR 16 037 thousand).

In a transaction completed on January 2, 2013, Basware acquired the e-invoice business of Certipost, the leading e-invoice operator in the Benelux. The acquired business operations' figures were consolidated into Basware's net sales and profit as of January 1, 2013. The initial acquisition price of approximately EUR 18.2 million was paid in cash on the closing date. The final acquisition price was confirmed during the second quarter of 2013 and was approximately EUR 17.3 million based on the audited 2012 annual accounts. The acquired net assets amount to approximately EUR 2.4 million, including the cash reserves of EUR 2.2 million. Approximately EUR 4.5 million associated with customer relationships and acquired technology has been allocated to intangible assets. The value associated with customer relationships will be amortized over seven years, and with technology in five years, starting from the first quarter of 2013. The purchase price includes approximately EUR 10.3 million of goodwill. Even though operating profit for the current year is estimated to fall short of the original estimate, it is unlikely that a change in the key variables used in the test would create a situation where the accounting value of goodwill included in the balance sheet exceeded the recoverable amount of the unit. The calculation concerning the allocation of the purchase price is preliminary.

Amortization of intangible assets totaled EUR 3 053 thousand (EUR 2 503 thousand). There are no indications of impairments of assets even though operating profit of the acquired operations in Belgium for the current year are estimated to fall short of the original estimate.

The Annual General Meeting decided on February 14, 2013, 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. By virtue of the authorization, the Board of Directors is entitled to decide on repurchasing a maximum of 1 290 000 company's own shares. The repurchase authorization is valid until June 30, 2014. The company had not repurchased additional shares by June 30, 2013, and the company held 82 708 treasury shares on June 30, 2013.

RESEARCH, DEVELOPMENT AND NEW PRODUCTS

Basware’s research and development expenses totaled EUR 9 468 thousand (EUR 8 629 thousand), or 15.4 percent (15.4%) of net sales during the review period. The expenses increased by 9.7 percent compared to the corresponding period the previous year. Research and development expenses capitalized during the review period amounted to EUR 2 508 thousand (EUR 2 486 thousand). The research and development costs included in the profit for the review period totaled EUR 6 960 thousand (EUR 6 144 thousand), or 11.3 percent (10.9%) of net sales.

The development of new P2P functionalities to the Alusta technology and the development of new cloud-based services influence the amount of capitalized R&D expenditure.

Basware launched the Alusta technology in 2012. It brings together Basware’s B2B process knowledge with its cloud services optimized to ensure easy connectivity with the Open Network to companies of all sizes. The company’s next-generation product suite is also strongly offered as a service.

A total of 350 (345) people worked in R&D at the end of June 2013, of whom 151 people in India.

PERSONNEL

Basware employed 1 490 (1 270) people on average during the first quarter and 1 498 (1 323) at the end of the period. The number of personnel increased by 175 persons and by 13.2 percent compared with the same period the previous year. The increase in the number of personnel was mainly due to the increase in the number of employees in the Indian unit and the personnel joining Basware through the acquisition of a Belgian e-Invoicing operator.

Geographical division of personnel:

Personnel (employed, on average)	4–6/ 2013	4–6/ 2012	Change, %	1–6/ 2013	1–6/ 2012	Change, %	1–12/ 2012
Finland	512	474	8.0	510	468	9.0	486
Scandinavia	133	127	5.0	132	127	4.2	129
Rest of the Europe	262	170	53.9	265	170	56.2	179
India	512	459	11.5	508	437	16.2	467
Other	75	69	8.7	75	69	9.0	69
Group total	**1 494**	**1 299**	**15.1**	**1 490**	**1 270**	**17.3**	**1 330**

The share of personnel working in foreign units has increased compared with the previous year. At the end of the period, 65.9 percent (64.0%) of Basware personnel worked outside of Finland and 34.1 percent (36.0%) in Finland. 12.0 percent of the personnel work in sales and marketing, 58.5 percent in consulting and services, 23.4 percent in products, and 6.1 percent in administration.

The average age of employees is 34.3 (33.9) years. Of the employees, 24.0 percent have a Master's degree and 28.6 percent have a Bachelor's degree. Women account for 21.5 percent of employees, men for 78.5 percent. For incentive purposes, the Company has a bonus program that covers all employees.

The company announced on February 17, 2012, a new share-based incentive plan for Basware Group's key personnel in 2012–2014. The company has been in a transition process from a software company to a service company, and achieving the goals of the transition has been slower than forecasted. Therefore, the Board of Directors updated the key personnel incentive plan on February 15, 2013, to run until the end of 2015.

The aim of the plan is to combine the objectives of the shareholders and the key personnel in order to increase the value of the company, commit the key personnel to the company, and offer them a competitive reward plan based on holding the company shares. The Board of Directors also encourages the Basware Executive Team members to hold shares in the company equaling the value of annual gross base salary.

The system includes four earning periods, calendar years 2012, 2013, 2014, and 2015. The system comprises annual earning periods 2012, 2013, 2014, and 2015 and fixed earning period 2013–2015. Members of Basware Executive Team may be allocated additional shares without consideration against shareholding during the earning period 2012–2015.

The Board of Directors decides on the earnings criteria and targets to be established for them separately for each annual earning period at the beginning of the earning period. The reward for the earning period 2013–2015 is based on Basware Corporation's earnings per share (EPS). The target group for the earning period 2013–2015 consists of the members of the Basware Executive Team.

The other terms and conditions of the incentive plan remained unchanged apart from the addition of one earning period.

GEOGRAPHICAL INFORMATION

Geographical division of net sales and operating profit is presented in the tables to the interim report. As geographic information Basware reports geographical areas Finland, Scandinavia, rest of Europe, and Other.

OTHER EVENTS OF THE PERIOD

Divestment of Cashier Desk business

On April 22, 2014 Basware announced the divestment of its Cashier Desk business for Finnish municipal and public sector to Computer Program Unit Oy. The total value of the divested business, including the Cashier Desk business operations, customer accounts and all related technology, is EUR 1.54 million. No employees were transferred in connection with the divestment. Desk business operations generated approximately EUR 650,000 of net sales to Basware in 2012.

Purchase price of Certipost's network and e-Invoicing business was confirmed

The acquisition of Certipost’s network and e-invoicing business by Basware was confirmed on January 2, 2013. In it, Basware acquired the network and e-Invoicing business of Certipost, the leading e-Invoice operator in the Benelux. The initial acquisition price of approximately EUR 18.2 million was paid in cash on the closing date. The final purchase price was confirmed during the second quarter of 2013 and was EUR 17.3 million based on the annual accounts for 2012.

The company estimates the operating profit of the acquired business after non-recurring expenses (approximately EUR 1.5 million) recognized in the first quarter to be approximately EUR 1.6 million negative for 2013, while the original full-year estimate was slightly positive. The consolidation of business functions and technologies will take longer than expected, estimated to be complete at the end of the first half of 2014, and therefore the acquired business is estimated to develop more softly in 2013 than previously estimated.

Basware lowered the 2013 estimates

On June 13, 2013 Basware announced that it lowers the estimates for 2013. Basware has previously estimated its net sales for 2013 to grow by more than 15 percent and operating profit (EBIT) to grow compared to the previous year. According to the current outlook, Basware expects its net sales for 2013 to grow and operating profit (EBIT) for 2013 to be positive.

SHARE AND SHAREHOLDERS

Basware Corporation’s share capital totaled EUR 3 528 368.70 at the end of the period and the number of shares was 12 931 229.

The Annual General Meeting held on February 14, 2013, authorized the Board of Directors to decide on repurchase of the company’s own shares in accordance with the proposal of the Board of Directors. By virtue of the authorization, the Board of Directors is entitled to decide on repurchasing a maximum of 1 290 000 company's own shares. The repurchase authorization is valid until June 30, 2014.

Share price and trade

During the reporting period, the highest price of the share was EUR 21.69 (EUR 24.00), the lowest was EUR 16.75 (EUR 16.70) and the closing price was EUR 17.60 (EUR 22.45). The average price of the share was EUR 19.88 (EUR 20.31) during the period.

A total of 420 244 (994 328) shares were traded during the period, equivalent to 3.8 percent (7.7%) of the average number of shares. Market capitalization with the period’s closing price on June 30, 2013, was EUR 226 133 970 (EUR 287 906 747).

Shareholders

Basware had 14 097 (14 732) shareholders on June 30 including nominee-registered holdings (11). Nominee-registered holdings accounted for 11.8 percent (12.5%) of the total number of shares.

The company holds 82 708 Basware Corporation shares, corresponding to approximately 0.6% of all shares in the company.

Share holdings of the Executive Team and Board of Directors members

According to the share register maintained by Euroclear Finland Ltd, CEO Esa Tihilä held 10 850 Basware Corporation shares, Mika Harjuaho 8 000, Mari Heusala 250, Jorma Kemppainen 111, Steve Muddiman 8 087, Ilari Nurmi 469 and Matti Rusi 3 021 shares on June 30,2013. Other members of the Executive Team did not hold shares in Basware Corporation.

According to the share register maintained by Euroclear Finland Ltd, Hannu Vaajoensuu held 674 276, Pentti Heikkinen 3 135, Ilkka Sihvo 885 300, Tuija Soanjärvi 526, and Anssi Vanjoki 5 000 shares in Basware Corporation on June 30, 2013.

GOVERNANCE

The Annual General Meeting of Shareholders on February 14, 2013, confirmed the number of Board members as five. Mr. Hannu Vaajoensuu, Mr. Pentti Heikkinen, Mr. Ilkka Sihvo, Ms. Tuija Soanjärvi and Mr. Anssi Vanjoki were elected as members of the Board of Directors. In its first meeting held after the Annual General Meeting, the Board of Directors elected Hannu Vaajoensuu as chairman and Ilkka Sihvo as vice chairman of the Board.

Ernst & Young Oy, Authorized Public Accountants, was elected as the company's auditor. Ernst & Young Oy has advised that it will appoint Mr. Heikki Ilkka, Authorized Public Accountant, as the principally responsible auditor of the company.

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. By virtue of the authorization, the Board of Directors is entitled to decide on repurchasing a maximum of 1 290 000 company's own shares. The company's own shares will be repurchased otherwise than in proportion to the holdings of the shareholders by using the non-restricted equity through public trading on a regulated market organized NASDAQ OMX Helsinki Ltd at the market price prevailing at the time of acquisition. The shares will be repurchased and paid for in accordance with the rules of NASDAQ OMX Helsinki Ltd and Euroclear Finland Ltd. The shares will be repurchased for use as consideration in possible acquisitions or other arrangements related to the company's business, as financing for investments or as part of the company's incentive program or to be held by the company, to be conveyed by other means or to be cancelled. The Board of Directors will decide on other terms and conditions related to the repurchase of the company's own shares. The repurchase authorization is valid until June 30, 2014.

Authorizing the Board of Directors to decide on share issue as well as on the issuance of options and other special rights entitling to shares

The Annual General Meeting decided to authorize 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 entitling to shares pursuant to Chapter 10, Section 1 of the Finnish Companies Act in accordance with the proposal of the Board of Directors.

The Board of Directors shall decide on all other related to the authorization. The authorizations are valid until June 30, 2014.

The company issued a Corporate Governance Statement for 2012, composed in accordance with Recommendation 54 of the new Corporate Governance Code and Chapter 7, Section 7 of the Finnish

Securities Market Act. The Corporate Governance Statement was issued separately from the company's annual report.

Basware's full governance principles can be read on the company's investor pages: http://www.basware.com/investors.

Basware Executive Team between January 7 and April 7, 2013: Esa Tihilä, CEO; Matti Copeland, Senior Vice President (SVP), Strategy; Mika Harjuaho, CFO; Henrik Hasselbalch, SVP, Professional Services; Mari Heusala, SVP, HR&Development; Jorma Kemppainen, SVP, Products; Pekka Lindfors, SVP, Volume Sales; Steve Muddiman, SVP, Global Marketing; Riku Roos, SVP, Automation Services; Matti Rusi, SVP, Support; and Jukka Virkkunen, SVP, Enterprise Sales.

Changes in the Executive Team of Basware Group and appointment of Kari Aarvala as Senior Vice President, Global Sales and new member of the Executive Team as of April 8, 2013, were announced on January 28, 2013.

Basware Executive Team as of April 8, 2013: Esa Tihilä, CEO; Kari Aarvala, SVP, Global Sales; Mika Harjuaho, CFO; Henrik Hasselbalch, SVP, Professional Services; Mari Heusala, SVP, HR & Development; Jorma Kemppainen, SVP, Products; Steve Muddiman, SVP, Global Marketing; Ilari Nurmi, SVP, Product Management; Riku Roos; SVP, Automation Services; Matti Rusi, SVP, Customer Support.

SHORT-TERM RISKS AND UNCERTAINTY FACTORS

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.

The world economy and markets are unstable, which may result in a decrease in the demand for license sales and services. Furthermore, the conversion of license sales to SaaS solutions will reduce net sales growth over the short term. The shift of demand for license sales towards the SaaS solution will support the long-term growth target of the Automation Services business.

Competitiveness in bringing new customers is essential to the growth pursued by the company. Next generation Alusta software solutions aim to ensure Basware's product leadership in Purchase-to-Pay software and services as well as increase the number of new customers. Alusta has not yet impacted to the company's net sales as aimed, due to not reaching the full sales and implementation capability of Alusta as fast than planned.

Professional Services is transforming from hourly rates into fixed-price deliveries, which are still under development and thereby have effects on the productivity and profitability of Professional Services. Non-billable work related to go-live speed of Alusta and SaaS have effects on hourly charged Professional Services. The go-live speed of SaaS deliveries also affect growth in Automation Services, as new customers enter production and are included in the sphere of continuous invoicing at a slower rate than targeted. The go-live speed and billing rates for Alusta and SaaS are expected to improve as the number of customers in production increases.

Securing the maintenance and service revenue generated by existing software customer accounts is the foundation for the company's profitable growth. Therefore, the aim is to ensure the controlled migration of existing customers to next generation software and services during the next financial periods.

The long-term target in Automation Services is annual growth of more than 50 percent. SaaS and e-Invoicing are scalable business models with a high business potential. Achieving the targeted growth requires continuous strong growth in the number of customers and transaction volumes and ensuring the production quality and continuity of the growing service business. The material production environment risks related to the achievement of the financial objectives of the service business are associated with breaches of service level agreements and financial losses caused by production interruptions.

Basware has complemented its organic growth with acquisitions in accordance with its strategy. Ensuring the success of acquisitions is fundamental to the company's profitable growth. Integration risks include that synergy benefits fall short of targets or are delayed from original schedule. In implementing acquisition projects, the aim is to follow due diligence and utilize the company's internal and external expertise in the planning phase, take over phase and when integrating the acquired functions into the company's operations.

Managing the increasing costs through the cost benefits offered by offshoring sites is an essential part of the continuous improvement of the company's profitability. R&D and Automation Services operations and other support functions at the Indian office have already succeeded in gaining a significant role in the company's operations. The company is also currently expanding the operations of its Romanian office to cover the product development and support functions of Automation Services.

The bad debt risk associated with sales receivables is part of the risk related to business operations. Business management regularly monitors the payment of sales receivables as part of the management of customer accounts.

Goodwill was tested for impairment during the last quarter of 2012. According to the testing for asset impairment, goodwill has not been impaired, and there are no indications of impairment. Even though operating profit of the acquired operations in Belgium for the current year is estimated to fall short of the original estimate, it is unlikely that a change in the key variables used in the test would create a situation where the accounting value of goodwill included in the balance sheet exceeded the recoverable amount of the unit.

In other respects, no significant changes have taken place in Basware's short-term risks and uncertainties.

Strategy

Basware's Board of Directors and management updated the company's strategy and objectives for the next 3-year period. The updated strategy was announced in fall 2012. The updated strategy for 2013–2015 emphasizes accelerated global growth both organically and through acquisitions, which will enable the positive development of the operating profit margin.

By the end of 2015, Basware aims to become the largest business commerce network for buyers and suppliers. Basware's objective is to reach 150 million transactions in 2015, compared with 34 million transactions in 2012.

Basware's long-term growth objectives for net sales and operating profit remain unchanged. The long-term objective is to grow 15–30 percent in net sales annually boosted by over 50 percent growth in Automation Services. The company's long-term objective for operating profit margin is 15–20 percent of net sales, improving towards the end of the period. The share of recurring revenue is aimed to grow to 70 percent of net sales, with Software as a Service (SaaS) and e-invoicing contributing the most to the growth, thus improving the profitability.

Basware is the global market leader in Purchase to Pay (P2P) solutions with close to 2 000 software and SaaS customers in Invoice Automation and Procurement. In addition, Basware has approximately 800

000 active customer companies using the Basware supplier and buyer network for invoices and purchase messages. Basware's focus markets - the P2P software and e-invoicing markets - are expected to grow substantially over the next few years, especially in the geographical areas where Basware is already well-positioned.

Basware's business is based on automating procurement and accounts payable and receivable processes within and between organizations. Basware offers all products and services through a global cloud. The services are hosted in a few key locations, which meet the highest service level requirements of private and public organizations.

Basware is the global product category leader in P2P. The company's product and services strategy is geared around category leadership. Alusta, launched in early 2012, is a cloud-based flexible platform for P2P technology that is built on open standards. Alusta is designed to bring together Basware's Business-to-Business process knowledge with its cloud services, ensuring easy connectivity with the Open Network to companies of all sizes. Alusta is primarily offered as a service and it thereby supports Basware's strategic transformation to a services company. The company will also invest in migrating the current customers to Alusta. Contributing to the growth of cloud service business in the future, value added services such as Supply Chain Financing and Dynamic Discounting will offer new revenue streams.

Basware will intensify its go-to-market activities in order to reach higher growth by segmenting customers by size and by buyers' and suppliers' organizations. Special attention will be placed on small and medium-sized organizations. The company's go-to-market activities are expanded with channel and online sales on top of direct sales. Basware is looking for partners that are providing outsourcing services for financial processes for global organizations. The company is looking for service providers and accounting firms as partners for small and medium-sized organizations. Such partners act as Virtual Operators or Sales Agents. Additionally, the company will support organic growth through acquisitions.

Basware's offering and solutions and services are available globally. The company aims to increase its global presence by increasing its service provisioning and delivery activities for supplier customers while putting additional emphasis on sales on selected key markets for getting a higher share in P2P software and services business. These markets offer significant upside potential for the company in terms of market share and transaction volume, organically and in the form of potential acquisitions.

In the strategy period, Basware aims to significantly increase the number of new customers for its products and services. Basware will support new customer acquisition by centralizing and automating the marketing lead generation process.

Realizing the strategy will improve the profitability of the company in several ways over the strategy period. The benefits of the new strategic profitability drivers are partially offset by investments required for the growth.

- SaaS and electronic invoicing offer the benefits of a scalable business model where technical platforms can take up new customers without having to invest into infrastructure in the same proportion that the revenue grows.

- Partner and online channel will contribute positively to the profitability in the long run. Strong investments in Basware's online channel will be carried out during the strategy period.

- Delivering standardized products and services enables optimum resource utilization and scalable processes across the company.

- Basware will continue expanding the use of lower cost base sourcing of resources in its operations globally for the needs of the growing business. In addition to the current R&D and transaction services production, use of offshoring will continue in customer support, project delivery and internal support functions.

FUTURE OUTLOOK

Operating environment and market outlook

The world economy and market conditions are unstable, which has affected the demand for license sales and services. Customers' decision-making was slower than before. The negotiation times of large international deals in particular have been prolonged because the customers' requirements are higher in the service business than in the software business. Furthermore, the conversion of license sales to SaaS solutions will reduce net sales growth over the short term.

The next-generation Alusta software has not yet contributed to the growth of the company's net sales as targeted, which is due to slower sales and delivery ability than planned. The development of Alusta software and services will continue strongly this year as well. The maturity of the product is continuously improving with new features and updates. Alusta upgrades to present customers will start towards the end of the year providing a remarkable growth potential to SaaS and Professional Services businesses. The improved maturity of Alusta and new products are expected to enable the leveling off of the decrease in license sales during the rest of the year. The emphasis of R&D expenses will shift gradually from Alusta product development towards the product development of Automation Services as of 2014.

Professional Services is transforming from hourly rates into fixed-price deliveries, which are still under development and thereby have effects on the productivity and profitability of Professional Services. Non-billable work related to go-live speed of Alusta and SaaS have effects on hourly charged Professional Services. The go-live speed of SaaS deliveries also affect growth in Automation Services, as new customers enter production and are included in the sphere of continuous invoicing at a slower rate than targeted. The go-live speed and billing rates for Alusta and SaaS are expected to improve as the number of customers in production increases. The improvement of delivery ability and shorter production lead times contribute to accelerating growth in net sales.

In the current state of the company's transition process, operating profit depends on the development of license sales and investments in the transition process. The investments required by the company's transition process can be seen in all of the company's functions from marketing to sales, professional services, customer support, production, and administration.

In June, the company announced an efficiency program to improve profit-making ability. The aim of the efficiency drive is to achieve annual cost-savings of EUR 3 million compared to the current level by the end of 2013. Even though the company's fixed expenses will decrease during the second half of the year, the growth in net sales falling short of the objectives will affect the development of profitability in 2013.

The decrease in license sales has been significant for several years, and growth in the SaaS business has not yet fully compensated for the decrease, which is due to the different earning models. The company estimates that the profit-making ability of license sales and the SaaS business will result in an entity where the investments will begin to pay off as increasing net sales and improving profitability in 2014.

Outlook 2013

Basware expects its net sales for 2013 to grow and operating profit (EBIT) for 2013 to be positive.

Espoo, Finland, July 10, 2013

BASWARE CORPORATION
Board of Directors

For more information, please contact
CEO Esa Tihilä, Basware Corporation
Tel. +358 40 480 7098

Interim Report briefing & conference call

Basware arranges a briefing on the Interim Report for the press and analysts on July 10, 2013 at 11:00 a.m. in Hotel Kämp (Kluuvikatu 2, 2nd floor), Helsinki, Finland. During this briefing CEO Esa Tihilä and CFO Mika Harjuaho will comment on the events and financial performance of the quarter. More information and registration: Jaana Sirkiä, tel. +358 (0)400 303 069, jaana.sirkia (@) basware.com

A conference call for analysts who are not able to attend the briefing will take place on July 10, 2013 at 3 p.m. EET. More details on **http://www.basware.com/about-us/investors/ir-calendar**

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SUMMARY OF FINANCIAL STATEMENTS AND NOTES JANUARY 1 – JUNE 30, 2013

Accounting principles:
This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. As from the beginning of the financial period, the company has adopted certain new or amended IFRS standards and IFRIC interpretations as described in the Financial Statements for 2012. However, the adoption of these new and amended norms have not yet had an effect on the reported figures in practice. In other respects, the same accounting policies have been followed as in the previous Financial Statements. Key indicator calculations remain unchanged and have been presented in the 2012 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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	1.4.– 30.6.2013	1.4.– 30.6.2012	Change, %	1.1.– 30.6.2013	1.1.– 30.6.2012	Change, %	1.1.– 31.12.2012
NET SALES	**31 789**	**28 718**	**10.7**	**61 617**	**56 153**	**9.7**	**113 699**
Other operating income	1 623	58	2 677.0	1 681	116	1 348.5	228
Materials and services	-2 987	-1 957	52.6	-5 529	-4 018	37.6	-9 045
Employee benefits expense	-20 611	-17 282	19.3	-41 129	-33 354	23.3	-65 590
Depreciation and amortization	-1 755	-1 495	17.3	-3 556	-2 861	24.3	-6 493
Other operating expenses	-7 152	-6 745	6.0	-13 746	-12 916	6.4	-24 491
Operating profit	**908**	**1 298**	**-30.0**	**-661**	**3 120**		**8 308**
Finance income	252	75	237.3	479	221	117.1	372
Finance expenses	-324	-76	324.7	-507	-126	302.6	-323
Profit before tax	**836**	**1 296**	**-35.5**	**-689**	**3 214**		**8 357**
Tax on income from operations	-485	-347	39.7	79	-789		-2 494
PROFIT FOR THE PERIOD	**352**	**949**	**-62.9**	**-611**	**2 425**		**5 863**
Other comprehensive income							
Other comprehensive income to be reclassified to profit or loss in subsequent periods:							
Exchange differences on translating foreign operations	-873	503		-1 158	501		886
Income tax relating to components of other comprehensive income	-151	207		-177	199		111
Other comprehensive income, net of tax	-1 024	710		-1 336	700		996
TOTAL COMPREHENSIVE INCOME	**-672**	**1 659**		**-1 946**	**3 125**		**6 860**

EUR thousand	1.4.–30.6.2013	1.4.–30.6.2012	Change, %	1.1.–30.6.2013	1.1.–30.6.2012	Change, %	1.1.–31.12.2012
Profit attributable to:							
Equity holders of the parent company	352	949	-62.9	-611	2 425		5 863
	352	**949**	**-62.9**	**-611**	**2 425**		**5 863**
Total comprehensive income attributable to:							
Equity holders of the parent company	-672	1 659		-1 946	3 125		6 860
	-672	**1 659**		**-1 946**	**3 125**		**6 860**
Earnings per share (undiluted), EUR	0.03	0.07	-63.0	-0.05	0.19		0.46
Earnings per share (diluted), EUR	0.03	0.07	-63.0	-0.05	0.19		0.46

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	30.6.2013	30.6.2012	Change, %	31.12.2012
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	27 545	23 144	19.0	23 169
Goodwill	51 506	41 638	23.7	41 896
Tangible assets	1 631	1 488	9.6	1 440
Available-for-sale investments	38	38		38
Trade and other receivables	941	1		1 068
Deferred tax assets	3 709	2 648	40.1	2 543
Non-current assets	**85 370**	**68 958**	**23.8**	**70 154**
CURRENT ASSETS				
Inventories	214	130	64.0	18
Trade and other receivables	32 019	28 327	13.0	24 202
Income tax receivables	2 638	1 164	126.7	865
Cash and short-term deposits	22 917	31 630	-27.5	34 519
Current assets	**57 789**	**61 252**	**-5.7**	**59 604**
ASSETS	**143 158**	**130 210**	**9.9**	**129 758**

EUR thousand	30.6.2013	30.6.2012	Change, %	31.12.2012
EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	3 528	3 528		3 528
Share premium account	1 187	1 187		1 187
Own shares	-1 215	-1 379	11.9	-1 215
Fair value reserve and other reserves	62 339	62 503	-0.3	62 339
Translation differences	-1 456	-389	-274.5	-708
Retained earnings	31 448	31 442	0.0	35 594
Shareholders' equity	**95 832**	**96 893**	**-1.1**	**100 725**
NON-CURRENT LIABILITIES				
Deferred tax liability	1 681	1 790	-6.1	1 493
Other non-current financial liabilities	6 820	405	1 583.7	8 618
Other liabilities	201	754	-73.4	245
Non-current liabilities	**8 702**	**2 948**	**195.2**	**10 356**
CURRENT LIABILITIES				
Other current financial liabilities	3 595	199	1 710.0	1 906
Trade payables and other liabilities	33 553	29 170	15.0	15 992
Income tax liabilities	674	693	-2.7	779
Provisions	803	308	161.1	0
Current liabilities	**38 625**	**30 369**	**27.2**	**18 677**
EQUITY AND LIABILITIES	**143 158**	**130 210**	**9.9**	**129 758**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR thousand	Share-holder capital	Share premium account	Own shares	Inv.non-restricted equity	Other reserves	Translation differences	Retained earnings	Total
SHAREHOLDERS' EQUITY 1.1.2012	3 528	1 187	-429	61 976	540	-1 266	34 340	99 877
Compr. income						877	2 247	3 125
Dividend distribution							-5 278	-5 278
Changes in rep. period			-950	-13			133	-830
SHAREHOLDERS' EQUITY 30.6.2012	**3 528**	**1 187**	**-1 379**	**61 963**	**540**	**-389**	**31 442**	**96 893**

EUR thousand	Share-holder capital	Share premium account	Own shares	Inv.non-restricted equity	Other reserves	Translation differences	Retained earnings	Total
SHAREHOLDERS' EQUITY 1.1.2013	3 528	1 187	-1 215	61 799	540	-708	35 594	100 725
Compr. income						-1 336	-611	-1 946
Dividend distribution							-2 955	-2 955
Share-based payments							8	8
Changes in rep. period						588	-588	0
SHAREHOLDERS' EQUITY 30.6.2013	**3 528**	**1 187**	**-1 215**	**61 799**	**540**	**-1 456**	**31 448**	**95 832**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	1.1.–30.6.2013	1.1.–30.6.2012	1.1.–31.12.2012
Cash flows from operating activities			
Profit for the period	-611	2 425	5 863
Adjustments for profit	1 974	3 707	9 158
Working capital changes	10 823	6 157	-4 697
Interest paid	-115	-5	-6
Interest received	47	101	170
Other financial items in operating activities	-240	-28	-173
Income taxes paid	-2 610	-2 412	-3 874
Net cash flows from operating activities	**9 268**	**9 946**	**6 441**
Cash flows used in investing activities			
Purchase of tangible and intangible assets	-3 217	-3 195	-6 820
Acquisition of subsidiaries and businesses, net of cash acquired	-15 056	-11 978	-11 979
Proceeds from divestment of business	1 540	0	0
Loans granted	-600	0	0
Net cash flows used in investing activities	**-17 333**	**-15 174**	**-18 799**
Cash flows from financing activities			
Proceeds from borrowings	0	0	10 000
Purchase of own shares	0	-963	-963
Payment of financial lease liabilities	-125	-88	-175
Dividends paid	-2 955	-5 278	-5 278
Net cash flows from financing activities	**-3 080**	**-6 329**	**3 584**
Net change in cash and cash equivalents	**-11 146**	**-11 556**	**-8 774**
Cash and cash equivalents at the beginning of period	34 519	42 977	42 977
Net foreign exchange difference	-455	209	112
Cash and cash equivalents acquired in intra-Group re-organizations	0	0	204
Cash and cash equivalents at the end of period	22 917	31 630	34 519

GROUP QUARTERLY INCOME STATEMENT

EUR thousand	1–3/ 2013	1–3/ 2012	4–6/ 2013	4–6/ 2012	7–9/ 2012	10–12/ 2012
NET SALES	**29 828**	**27 435**	**31 789**	**28 718**	**27 119**	**30 427**
Other operating income	58	58	1 623	58	55	57
Materials and services	-2 542	-2 061	-2 987	-1 957	-2 313	-2 715
Employee benefit expenses	-20 518	-16 072	-20 611	-17 282	-15 415	-16 820
Depreciation and amortization	-1 801	-1 366	-1 755	-1 495	-1 809	-1 823
Other operating expenses	-6 594	-6 171	-7 152	-6 745	-5 376	-6 199
Operating profit	**-1 569**	**1 822**	**908**	**1 298**	**2 261**	**2 927**
%	-5.3 %	6.6 %	2.9 %	4.5 %	8.3 %	9.6 %
Finance income	227	146	252	75	91	61
Finance expenses	-184	-50	-324	-76	-52	-145
Profit before tax	**-1 526**	**1 918**	**836**	**1 296**	**2 300**	**2 843**
%	-5.1 %	7.0 %	2.6 %	4.5 %	8.5 %	9.3 %
Income tax expense	563	-442	-485	-347	-807	-898
PROFIT FOR THE PERIOD	**-962**	**1 476**	**352**	**949**	**1 493**	**1 945**
%	-3.2 %	5.4 %	1.1 %	3.3 %	5.5 %	6.4 %

COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand	30.6.2013	30.6.2012	31.12.2012
Own guarantees			
Business mortgages of own debts	1 200	1 200	1 200
Commitments on behalf of subsidiaries and group companies	244	243	244
Guarantees			
Other own guarantees			
Lease liabilities			
Current lease liabilities	1 154	944	944
Lease liabilities maturing in 1–5 years	891	992	737
Total	**2 045**	**1 936**	**1 681**
Other rental liabilities			
Current rental liabilities	3 737	4 377	4 369
Rental liabilities maturing in 1–5 years	2 336	5 514	3 820
Total	**6 073**	**9 891**	**8 189**
Other own contingent liabilities, total	**8 119**	**11 827**	**9 870**
Total commitments and contingent liabilities	**9 563**	**13 270**	**11 314**

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

EUR thousand	30.06.2013 Book value	Fair value	30.06.2012 Book value	Fair value
Financial assets				
Available-for-sale financial assets				
Available-for-sale financial assets	38	38	38	38
Non-current trade and other receivables	941	941	1	1
Current				
Trade and other receivables	32 019	32 019	28 327	28 327
Cash and cash equivalents	22 917	22 917	31 630	31 630
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Interest rate derivatives - not in hedge accounting (level 2)	10	10	0	0
Financial liabilities – financial liabilities valued at amortized acquisition cost				
Non-current				
Loans from financial institutions, interest-bearing	6 667	6 667	0	0
Finance lease liabilities, interest-bearing	143	143	405	405
Current				
Loans from financial institutions, interest-bearing	3 333	3 333	0	0
Finance lease liabilities, interest-bearing	262	262	199	199
Trade payables and other liabilities	33 553	33 553	29 170	29 170

The acquisitions:

In a transaction completed on January 2, 2013, Basware acquired the e-invoice business of Certipost, the leading e-invoice operator in the Benelux. The initial acquisition price of approximately EUR 18.2 million was paid in cash on the closing date. The final acquisition price was confirmed during the second quarter of 2013 and was approximately EUR 17.3 million based on the audited 2012 annual accounts.

The company estimates the operating profit of the acquired business after non-recurring expenses (approximately EUR 1.5 million) recognized in the first quarter to be approximately EUR 1.6 million negative for 2013, while the original full-year estimate was slightly positive. The consolidation of business functions and technologies will take longer than expected, estimated to be complete at the end of the first half of 2014, and therefore the acquired business is estimated to develop more softly in 2013 than previously estimated.

In 2012, the net sales of the acquired business amounted to approximately EUR 7.9 million and operating profit approximately EUR 1.2 million negative. The acquired business operations' figures were consolidated into

Basware's net sales and profit as of January 1, 2013. The allocated purchase price is approximately EUR 17.3 million. The acquired net assets amount to approximately EUR 2.4 million, including the cash reserves of EUR 2.2 million. Approximately EUR 4.5 million associated with customer relationships and acquired technology has been allocated to intangible assets. The value associated with customer relationships will be amortized over seven years, and with technology in five years, starting from the first quarter of 2013. The purchase price includes approximately EUR 10.3 million of goodwill. Even though operating profit for the current year is estimated to fall short of the original estimate, it is unlikely that a change in the key variables used in the test would create a situation where the accounting value of goodwill included in the balance sheet exceeded the recoverable amount of the unit. The calculation concerning the allocation of the purchase price is preliminary.

The values of acquired assets and liabilities as at the date of acquisition were as follows:

EUR thousand	**Fair value**
Intangible assets	4 651
Tangible assets	324
Trade and other receivables	2 721
Cash and cash equivalents	2 200
Total assets	**9 895**
Trade and other payables	2 955
Total liabilities	**2 955**
Net assets	**6 940**

SEGMENT REPORTING

Basware Corporation reports one operating segment: Purchase to Pay, P2P. The reported operating segment is comprised of the entire Group, and the segment figures are consistent with the Group figures.

GEOGRAPHICAL INFORMATION

As geographic information Basware reports geographical areas Finland, Scandinavia, rest of Europe, and Other. Net sales are split by the customer's location. Net sales and operating profit are also reported by the location of the assets. The Finland geographical area includes the business operations in Finland, Russia, and Asia-Pacific (excluding Australia) and the head office functions. The business operations in North America and Australia are reported in the Other geographical area.

Net sales by the location of customer:

Net sales (EUR thousand)	**4–6/ 2013**	**4–6/ 2012**	**Change, %**	**1–6/ 2013**	**1–6/ 2012**	**Change, %**	**1–12/ 2012**
Finland	13 022	12 776	1.9	24 635	24 816	-0.7	48 567
Scandinavia	6 671	6 257	6.6	12 991	12 473	4.2	25 809
Rest of the Europe	8 413	6 128	37.3	17 046	12 181	39.9	25 194
Other	3 683	3 558	3.5	6 944	6 683	3.9	14 129
Group total	**31 789**	**28 718**	**10.7**	**61 617**	**56 153**	**9.7**	**113 699**

Geographical information by the location of assets

Net sales (EUR thousand)	4–6/ 2013	4–6/ 2012	Change, %	1–6/ 2013	1–6/ 2012	Change, %	1–12/ 2012
Finland	15 095	15 756	-4.2	29 428	30 349	-3.0	61 870
Scandinavia	6 528	6 337	3.0	12 778	12 719	0.5	26 310
Rest of the Europe	8 965	6 209	44.4	17 976	12 319	45.9	26 035
Other	3 326	3 299	0.8	6 176	6 224	-0.8	12 925
Sales between areas	-2 125	-2 882	26.3	-4 739	-5 456	13.1	-13 441
Group total	**31 789**	**28 718**	**10.7**	**61 617**	**56 153**	**9.7**	**113 699**

Net sales (EUR thousand)	4–6/ 2013	4–6/ 2012	Change, %	1–6/ 2013	1–6/ 2012	Change, %	1–12/ 2012
Finland	341	1 095	-68.9	-235	2 313		5 506
Scandinavia	507	-419		954	464	105.5	849
Rest of the Europe	345	485	-28.9	-852	746		1 775
Other	-141	304		-220	17		884
Operating profit between areas	-143	-167	-14.4	-307	-420	-96.6	-707
Group total	**908**	**1 298**	**-30.0**	**-661**	**3 120**		**8 308**

Personnel (employed, on average)	4–6/ 2013	4–6/ 2012	Change, %	1–6/ 2013	1–6/ 2012	Change, %	1–12/ 2012
Finland	512	474	8.0	510	468	9.0	486
Scandinavia	133	127	5.0	132	127	4.2	129
Rest of the Europe	262	170	53.9	265	170	56.2	179
India	512	459	11.5	508	437	16.2	467
Other	75	69	8.7	75	69	9.0	69
Group total	**1 494**	**1 299**	**15.1**	**1 490**	**1 270**	**17.3**	**1 330**

Net sales by business

Basware reports income for products and services as follows: License sales, Professional Services, Customer Support, and Automation Services (previously License Sales, Professional Services, Maintenance, and Automation Services).

Customer Support is comprised of the previous Maintenance and Extended customer support previously reported under Professional Services. Extended customer support agreements are continuous service agreements spanning several years. Customer Support and Automation Services together form the recurring revenue reported by the company.

License Sales consist of the Purchase to Pay product family together with payment, financial planning and reporting solutions sold only in Finland. Automation Services include e-Invoicing, scanning services, printing services, catalog management, purchase message exchange, activation services and Software as a Service (SaaS) services.

Net sales (EUR thousand)	4–6/ 2013	4–6/ 2012	Change, %	1–6/ 2013	1–6/ 2012	Change, %	1–12/ 2012
License Sales	4 148	4 465	-7.1	7 343	8 543	-14.0	17 437
Customer Support	10 826	10 279	5.3	21 612	20 498	5.4	42 011
Professional Services	8 514	8 106	5.0	16 685	15 802	5.6	30 552
Automation Services	8 301	5 869	41.4	15 976	11 311	41.2	23 699
Group total	**31 789**	**28 718**	**10.7**	**61 617**	**56 153**	**9.7**	**113 699**

GROUP KEY INDICATORS

Financial Performance Indicators

EUR thousand	1-6/2013	1-6/2012	1-6/2011	1-12/2012
Net sales	61 617	56 153	53 338	113 699
Growth of net sales, %	9.7%	5.3%	7.2%	5.5%
EBITDA	2 895	5 981	8 305	14 801
% of net sales	4.7%	10.7%	15.6%	13.0%
Operating profit before IFRS3 amortization	-197	4 302	6 791	10 555
% of net sales	-0.3%	7.7 %	12.7%	9.3%
Operating profit	-661	3 120	5 788	8 308
Growth of operating profit, %	-121.2%	-46.1%	12.6%	-32.3%
% of net sales	-1.1%	5.6%	10.9%	7.3%
Profit before tax	-689	3 214	5 834	8 357
% of net sales	-1.1%	5.7%	10.9%	7.4%
Profit for the period	-611	2 425	4 430	5 863
% of net sales	-1.0%	4.3%	8.3%	5.2%
Return on equity, %	-1.2%	4.9%	11.0%	5.8%
Return on investment, %	-0.3%	6.7%	14.3%	8.2%
Interest bearing liabilities	10 415	604	2 462	10 524
Liquid assets	22 917	31 630	47 661	34 519
Gearing, %	-13.0%	-32.0%	-48.1%	-23.8%
Equity ratio, %	66.9%	74.4%	75.1%	77.6%
Total assets	143 158	130 210	125 200	129 758
Gross investments *	18 507	16 037	3 116	19 606
% of net sales	30.0%	28.6%	5.8%	17.2%
Capital expenditure	709	705	1 297	1 431
% of net sales	1.2%	1.3%	2.4%	1.3%
Research and development costs	9 468	8 629	7 970	17 884
% of net sales	15.4%	15.4%	14.9%	15.7%
R&D personnel at end of the period	350	345	292	351
Personnel, average for the period	1 490	1 270	1 005	1 330
Personnel, at end of the period	1 498	1 323	1 064	1 423
Growth of personnel, %	13.2%	24.3%	27.7%	20.4%

*) Includes acquisitions and capitalized R&D costs

Group share indicators

	1-6/2013	1-6/2012	1-6/2011	1-12/2012
Earnings per share (basic), EUR	-0.05	0.19	0.35	0.46
Earnings per share (diluted), EUR	-0.05	0.19	0.35	0.46
Equity per share, EUR	7.41	7.49	7.27	7.79
Parent company's shareholders' equity per share, EUR	7.46	7.56	7.32	7.84
Price per earnings (P/E)	-370.36	118.96	78.66	44.34
Share price performance, share issue adjusted				
lowest price	16.75	16.70	23.02	16.70
highest price	21.69	24.00	27.90	24.00
average price	19.88	20.31	25.76	20.84
closing price	17.60	22.45	27.85	20.25
Market capitalization at end of period	226 133 970	287 906 747	357 619 873	260 182 550
Share issue adjusted number of traded shares	490 244	994 328	3 326 886	1 514 703
% of average number of shares	3.8%	7.7%	26.6%	11.8%
Average number of shares				
- during the period	12 848 521	12 849 448	12 512 529	12 836 966
- at end of the period	12 931 229	12 931 229	12 931 229	12 931 229
- at end of the period, diluted	12 848 521	12 849 448	12 527 550	12 836 966

Major shareholders, June 30, 2013

		Shares	Votes
		Shares	%
1.	Ilmarinen Mutual Pension Insurance Company	1 478 665	11.4
2.	Sihvo, Ilkka	885 300	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	0.6
5.	Perttunen, Sakari	665 900	5.1
6.	Varma Mutual Pension Insurance Company	530 000	4.1
7.	Fondita Nordic Micro Cap Placeringsf	460 000	3.6
8.	OP-Finland Small Firms Fund	442 451	3.4
9.	Nordea Nordic Small Cap Fund	387 585	3.0
10.	Veritas Pension Insurance Company	374 161	2.9
11.	OP-Focus Fund	300 000	2.3
12.	Pöllänen, Antti	299 023	2.3
13.	Investment Fund Aktia Capital	273 313	2.1
14.	OP-Delta Fund	260 000	2.0
15.	The State Pension Fund	256 000	2.0
16.	Sr Danske Invest Suomi Kasvuosake	175 776	1.4
17.	Perttunen, Meimi	175 400	1.4
18.	Ahonen, Asko	168 736	1.3
19.	Fim Fenno Fund	162 554	1.3
20.	Fim Forte Fund	151 952	1.2
	20 largest shareholders total	**8 947 916**	**69.2**
	Nominee registered shares	1 529 572	11.8
	Others	2 453 741	19.0
	Total	**12 931 229**	**100.0**