

January 25, 2011

Basware Corporation Q4 and full year financial results 2010

SUMMARY OF FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

This financial statement release 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 2009. 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 Financial Statements for 2009. Key indicator calculations remain unchanged and have been presented in the 2009 Financial Statements.

The amounts presented in the summary of financial statements and notes to the financial statements are based on the company's audited financial statements. The Auditor's Report was issued on January 24, 2011.

GROUP INCOME STATEMENT

EUR thousand	1.10.- 31.12. 2010	1.10.- 31.12. 2009	Change , %	1.1.- 31.12. 2010	1.1.- 31.12. 2009	Change , %
NET SALES	30 149	26 600	13.3	103 094	92 654	11.3
Other operating income	42	34	25.8	189	162	16.6
Materials and services	-1 760	-1 636	7.6	-6 395	-6 193	3.3
Employee benefit expenses	-16 491	-14 841	11.1	-57 337	-52 294	9.6
Depreciation and amortization	-1 278	-1 280	-0.1	-5 117	-4 456	14.8
Other operating expenses	-5 725	-4 819	18.8	-20 947	-18 048	16.1
Operating profit	4 937	4 058	21.7	13 487	11 824	14.1
Finance income	141	-15	1 031.0	202	172	17.8
Finance expenses	-239	-5	4 747.6	-365	-406	-10.2
Profit before tax	4 839	4 038	19.8	13 325	11 590	15.0
Income tax expense	-926	-30	2 943.5	-2 994	-2 517	19.0
PROFIT FOR THE PERIOD	3 913	4 007	-2.4	10 331	9 074	13.9
Other comprehensive income						
Exchange differences on translating foreign operations	1 330	-691	292,4	1 981	1 326	49,4
Income tax relating						

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to components of other comprehensive income	-779	-594	31,1	-454	-549	-17,3
Other comprehensive income, net of tax	551	-1 285	142.9	1 527	777	96.4
TOTAL COMPREHENSIVE INCOME	4 463	2 722	64.0	11 857	9 850	20.4
Profit attributable to: Owners of the parent	3 913	4 007	-2.4	10 331	9 074	13.9
	3 913	4 007	-2.4	10 331	9 074	13.9
Total comprehensive income attributable to: Owners of the parent	4 463	2 722	64.0	11 857	9 850	20.4
	4 463	2 722	64.0	11 857	9 850	20.4
Earnings per share (undiluted), EUR	0.34	0.35	-4.2	0.90	0.80	12.6
Earnings per share (diluted), EUR	0.34	0.35	-4.6	0.89	0.80	11.9

GROUP BALANCE SHEET

	31.12.2010	31.12.2009	Change, %
EUR thousand			
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	18 085	20 291	-10.9
Goodwill	32 184	31 119	3.4
Tangible assets	1 079	823	31.2
Available-for-sale investments	38	38	
Long-term trade and other receivables	23	124	-81.8
Deferred tax assets	2 074	2 199	-5.7
Non-current assets	53 483	54 593	-2.0
CURRENT ASSETS			
Inventories	56	33	70.5
Trade and other receivables	24 066	19 684	22.3
Income tax receivables	43	767	-94.4
Financial assets at fair value through profit or loss	35	34	2.0
Cash and cash equivalents	13 787	12 176	13.2

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Current assets	37 987	32 694	16.2
TOTAL ASSETS	91 470	87 287	4.8
EQUITY AND LIABILITIES			
Share capital	3 507	3440	1.9
Issue of shares	255	140	81.7
Share premium account	1 187	69	1 623.1
Own shares	-629	-629	
Fair value reserve and other reserves	34 803	33 598	3.6
Translation differences	-1 688	-3 214	47.5
Retained earnings	29 644	23 176	27.9
Shareholders' equity	67 079	56 580	18.6
NON-CURRENT LIABILITIES			
Deferred tax liability	2 751	3 997	-31.2
Interest-bearing liabilities	32	3 674	-99.1
Non-interest-bearing liabilities	631	110	474.6
Non-current liabilities	3 414	7 782	-56.1
CURRENT LIABILITIES			
Interest-bearing liabilities	3 550	5 555	-36.1
Trade payables and other liabilities	16 201	17 039	-4.9
Tax liability from income tax	1 226	331	270.3
Current liabilities	20 977	22 926	-8.5
TOTAL EQUITY AND LIABILITIES	91 470	87 287	4.8

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GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share holder capital	Share issue	Share premium account	Own Shares	Inv. non-restr. equity res.	Other res.	Transl. diff.	Retained earnings	Minority interest	Total
EUR thousand										
SHARE-HOLDERS' EQUITY 1.1.09	3 440	0	69	-271	33 058	540	-3 991	15 648	224	48 717
Comprehensive income							777	9 074		9 850
Dividend distribution								-2 623		-2 623
Granted warrants								515		515
Changes in reporting period		140		-358				561	-224	119
SHARE-HOLDERS' EQUITY 31.12.09	3 440	140	69	-629	33 058	540	-3 214	23 176	0	56 580
EUR thousand										
SHARE-HOLDERS' EQUITY 1.1.10	3 440	140	69	-629	33 058	540	-3 214	23 176	0	56 580
Comprehensive income							1 527	10 331		11 857
Dividend distribution								-4 100		-4 100
Granted warrants								235		235
Changes in reporting period	67	115	1 118		1 205			2		2 506
SHARE-HOLDERS' EQUITY 31.12.10	3 507	255	1 187	-629	34 263	540	-1 688	29 644	0	67 079

GROUP CASH FLOW STATEMENT

	1.1-31.12.2010	1.1-31.12.2009
EUR thousand		
Net cash from operating activities		
Profit for the period	10 331	9 074
Adjustments for profit	8 508	7 832
Working capital changes	-3 158	-136
Interest paid	-43	-192
Interest received	66	104
Other financial items in operating activities	-98	-30

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Income taxes paid	-3 084	-1 920
Net cash from operating activities	12 523	14 732

Cash flows from investing activities

Purchase of tangible and intangible assets	-2 722	-3 135
Proceeds from sale of tangible and intangible assets	0	1
Acquired subsidiaries	-1 732	-1 875
Net cash used in investing activities	-4 454	-5 009

Cash flows from financing activities

Minority's capital investment	2 505	140
Repayments of short-term borrowings	-2 001	-3 558
Repayments of long-term borrowings	-3 550	0
Purchase of own shares	0	-358
Dividends paid	-4 100	-2 623
Net cash used in financing activities	-7 147	-6 398

Net change in cash and cash equivalents according to the cash flow statement	922	3 324
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Cash and cash equivalents at beginning of period	12 210	8 777
Effects of exchange rate changes on cash and cash equivalents	690	109
Cash and cash equivalents at end of period	13 822	12 210

The acquired subsidiaries presented under cash flows from investing activities include the remaining purchase price for the minority acquisition made in 2009, EUR 293 thousand, which was paid in 2010.

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GROUP QUARTERLY INCOME STATEMENT

EUR thousand	1-3/ 2010	1-3/ 2009	4-6/ 2010	4-6/ 2009	7-9/ 2010	7-9/ 2009	10-12/ 2010	10-12/ 2009
NET SALES	23 132	21 717	26 612	22 729	23 202	21 609	30 149	26 600
Other operating income	50	30	55	52	43	47	42	34
Materials and services	-1 288	-1 552	-1 754	-1 611	-1 593	-1 395	-1 760	-1 636
Employee benefit expenses	-13	-12	-15	-13	-11		-16	-14
Depreciation and amortization	703	896	184	444	959	-11 113	491	841
Other operating expenses	-1 236	-1 004	-1 309	-1 067	-1 294	-1 106	-1 278	-1 280
Operating profit	-4 818	-4 703	-5 414	-4 513	-4 991	-4 014	-5 725	-4 819
%	9.2 %	7.3%	11.3 %	9.4%	14.7 %	18.6%	16.4 %	15.3%
Finance income	116	124	4	30	-59	32	141	-15
Finance expenses	-111	232	-58	-54	42	-115	-239	-5
Profit before tax	2 142	1 484	2 953	2 122	3 391	3 946	4 839	4 038
%	9.3 %	6.8%	11.1 %	9.3%	14.6 %	18.3%	16.1 %	15.2%
Income tax expense	-560	-818	-811	-727	-697	-941	-926	-30
PROFIT FOR THE PERIOD	1 582	666	2 142	1 396	2 694	3 005	3 913	4 007
%	6.8 %	3.1%	8.0 %	6.1%	11.6 %	13.9%	13.0 %	15.1%

Consolidation of new acquisitions

Basware increased its shareholding in Basware Invoices Oy to 100 percent on January 30, 2009, by acquiring 12.55% of the company's shares and control from the company's management. The purchase price paid on the date of the transaction was approximately EUR 720 thousand and the additional purchase price to be paid based on the business volume for 2009 in February 2010 was EUR 293 thousand. Basware Invoices Oy was merged into the parent company in 2009.

Basware AS purchased the Norwegian invoice automation solution business of Itella Information AS on January 26, 2009. The purchase price was NOK 6.38 million (approximately EUR 0.72 million) and it was paid in cash on the day the acquisition was completed, April 1, 2009. In addition, Basware AS paid an additional purchase price of NOK 4 434 thousand (EUR 559 thousand) in February 2010, determined on the basis of the volume of the purchased operations' service sales in 2009.

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Basware FIMA Oy was merged into the parent company in the second quarter in 2010.

Basware Corporation acquired the entire share capital of TAG Services Pty Ltd in Australia on July 1, 2009. The acquisition price was 2.1 million Australian dollars (approximately EUR 1.2 million) and was paid in cash in two parts in July and August 2009. In addition, an additional acquisition price that was based on the company's net sales of the period from July 1, 2009 to June 30, 2010 was paid in August 2010. The additional acquisition price was 2.0 Australian dollars (EUR 1.4 million).

On October 5, 2010 Basware acquired TNT Post's Connectivity operations, which is a part of TNT Post's electronic invoicing operations in the Netherlands. The purchase price paid in connection with the transaction was EUR 50 thousand, and an estimated additional purchase price of EUR 100 thousand will be paid in January 2011 on the basis of the number of customers that have migrated to the Basware e-invoicing environment. No other assets were transferred. Based upon the preliminary purchase price allocation, the purchase price does not include goodwill. EUR 200 thousand associated with customer relationships has been allocated to intangible assets, taking deferred liabilities into consideration. The acquisition would not have had a material impact on the Group's net sales or operating profit had the consolidation taken place at the beginning of the financial period. The acquisition has not had a material impact on the Group's net sales and operating profit.

COMMITMENTS AND CONTINGENT LIABILITIES

<u>EUR thousand</u>	31.12.2010	31.12.2009
OWN GUARANTEES		
Floating charge	1 200	1 200
GUARANTEES ON BEHALF OF SUBSIDIARIES		
Guarantees	1 123	1 075
OTHER OWN GUARANTEES		
Lease liabilities		
Current lease liabilities	848	970
Lease liabilities maturing in 1–5 years	796	895
Total	1 644	1 865
Other rental liabilities		
Current rental liabilities	4 054	2 333
Rental liabilities maturing in 1–5 years	9 913	2 924
Rental liabilities maturing later	0	1 071
Total	13 967	6 328
Other own contingent liabilities, total	15 611	8 193

Value added tax is only included in vehicle leasing liabilities. The other liabilities are exclusive of value added tax.

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SEGMENT REPORTING
Geographical segments (by the location of assets)

Net sales (EUR thousand)	10-12/ 2010	10-12/ 2009	Change, %	1-12/ 2010	1-12/ 2009	Change, %
Finland	16 011	15 271	4.8	53 606	50 486	6.2
Scandinavia	7 708	6 135	25.6	24 188	22 236	8.8
Europe	5 959	5 629	5.9	21 347	18 717	14.1
Other	3 898	2 897	34.5	12 101	9 201	31.5
Sales between segments	-3 429	-3 333	-2.9	-8 149	-7 985	-2.0
Group total	30 149	26 600	13.3	103 094	92 654	11.3

Operating profit (EUR thousand)	10-12/ 2010	10-12/ 2009	Change, %	1-12/ 2010	1-12/ 2009	Change, %
Finland	2 757	3 024	-8.9	7 703	7 714	-0.1
Scandinavia	1 557	1 041	49.6	4 136	3 169	30.5
Europe	743	902	-17.7	2 354	1 566	50.2
Other	284	-517	155.0	924	741	24.7
Operating profit between segments	-405	-393	-2.8	-1 629	-1 365	-19.3
Group total	4 937	4 058	21.7	13 487	11 824	14.1

Personnel (employed, on average)	10-12/ 2010	10-12/ 2009	Change, %	1-12/ 2010	1-12/ 2009	Change, %
Finland	584	460	26.8	539	454	18.8
Scandinavia	124	130	-4.1	124	135	-7.8
Europe	131	119	9.8	126	119	5.6
Other	61	48	26.2	55	39	41.4
Group total	900	758	18.8	845	747	13.1

Net sales by business

Net sales (EUR thousand)	10-12/ 2010	10-12/ 2009	Change, %	1-12/ 2010	1-12/ 2009	Change, %
License Sales	8 129	7 800	4.2	24 688	23 755	3.9
Maintenance	8 751	7 913	10.6	33 273	29 757	11.8
Professional Services	9 192	8 388	9.6	32 702	31 174	4.9
Automation Services	4 077	2 498	63.2	12 431	7 967	56.0
Group total	30 149	26 600	13.3	103 094	92 654	11.3

Geographical division of net sales by the location of customer

Net sales (EUR thousand)	10-12/ 2010	10-12/ 2009	Change, %	1-12/ 2010	1-12/ 2009	Change, %
Finland	13 015	12 267	6.1	46 550	42 449	9.7
Scandinavia	7 488	6 003	24.7	23 346	21 719	7.5
Europe	5 385	5 071	6.2	20 249	18 065	12.1

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Other	4 261	3 258	30.8	12 949	10 421	24.3
Group total	30 149	26 600	13.3	103 094	92 654	11.3

GROUP KEY INDICATORS

EUR thousand	1-12/10	1-12/09	1-12/08
Net sales	103 094	92 654	86 098
Growth of net sales, %	11.3 %	7.6%	17.5%
EBITDA	18 604	16 280	11 722
% of net sales	18.0 %	17.6%	13.6%
Operating profit before IFRS amortization	15 691	13 788	9 730
% of net sales	15.2 %	14.9%	11.3%
Operating profit	13 487	11 824	8 679
Growth of operating profit, %	14.1 %	36.2%	15.5%
% of net sales	13.1 %	12.8%	10.1%
Profit before tax	13 325	11 590	8 410
% of net sales	12.9 %	12.5%	9.8%
Profit for the period	10 331	9 074	6 585
% of net sales	10.0 %	9.8%	7.6%
Return on equity, %	16.7 %	17.2%	13.7%
Return on investment, %	20.1 %	18.8%	16.6%
Interest-bearing liabilities	3 582	9 230	13 283
Cash and liquid assets *)	13 822	12 210	8 777
Gearing, %	-15.3 %	-5.3%	9.3%
Equity ratio, %	73.3 %	64.8%	59.5%
Total assets	91 470	87 287	81 909
Gross investments **)	4 567	7 448	12 476
% of net sales	4.4 %	8.0%	14.5%
Capital expenditure	970	2 047	1 007
% of net sales	0.9 %	2.2%	1.2%
Research and development costs	14 883	14 781	15 518
% of net sales	14.4 %	16.0%	18.0%
R&D personnel at end of period	239	195	171
Personnel on average during the period	845	747	689
Personnel at end of period	913	761	731
Increase in personnel, %	20.0 %	4.1%	11.1%
Earnings per share, EUR	0.90	0.80	0.56
Earnings per share (diluted), EUR	0.89	0.80	0.56
Equity per share, EUR	5.78	4.97	4.24
Dividend per share, EUR ***)	0.40	0.36	0.23
Dividend per profit, %	44.6 %	45.2%	40.8%
Effective dividends, %	1.6 %	2.5%	3.5%
P/E ratio (P/E)	27.58	18.21	11.68
Share price performance			
lowest share price	15.00	6.60	6.00
highest share price	24.80	14.66	10.45
average share price	19.27	10.79	7.53

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closing share price	24.75	14.52	6.59
Market capitalization at end of period	287 093 169	165 206 004	75 301 011
Number of traded shares	2 131 071	2 038 565	2 298 467
% of average number of shares	18.5 %	17.9%	20.1%
Average number of shares			
- during the period	11 513 690	11 381 905	11 463 307
- during the period, diluted	11 585 155	11 381 905	11 463 307

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

**) Includes capitalized R&D costs and acquisitions

***) The figure for 2010 is the Board's proposal to the Annual General Meeting

Major shareholders, December 31, 2010

1.	Sihvo, Ilkka	1 081 800	9.3
2.	Ilmarinen Mutual Pension Insurance Company	1 048 713	9.0
3.	Vaajoensuu, Hannu	962 100	8.2
	<i>Havacment Oy</i>	<i>266 500</i>	<i>2.3</i>
	<i>Vaajoensuu, Hannu</i>	<i>528 000</i>	<i>4.5</i>
	<i>Vaajoensuu, Matias</i>	<i>83 800</i>	<i>0.7</i>
	<i>Vaajoensuu, Petra</i>	<i>83 800</i>	<i>0.7</i>
4.	Eräkangas, Kirsi	881 800	7.5
	<i>Eräkangas, Kirsi</i>	<i>631 400</i>	<i>5.4</i>
	<i>Eräkangas, Lotta</i>	<i>250 400</i>	<i>2.1</i>
5.	Perttunen, Sakari	830 400	7.1
6.	Nordea Nordic Small Cap Fund	576 033	4.9
7.	Mandatum Life Insurance Company Ltd.	550 000	4.7
8.	Pöllänen, Antti	549 023	4.7
	<i>Launimo, Essi</i>	<i>97 408</i>	<i>0.8</i>
	<i>Pöllänen, Antti</i>	<i>451 615</i>	<i>3.9</i>
9.	Veritas Pension Insurance Company	315 000	2.7
10.	Fondita Nordic Micro Cap Sijoitusrahasto	300 000	2.6
11.	Kaleva Mutual Insurance Company	242 690	2.1
12.	Perttunen, Meimi	215 400	1.8
13.	Investment Fund Aktia Capital	200 863	1.7
14.	Ahonen, Asko	188 736	1.6
15.	Basware Oyj	90 300	0.8

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16.	Vaajoensuu, Sara	83 700	0.7
17.	Pavor Oy	75 052	0.6
18.	Tietoklusteri Oy	74 600	0.6
19.	Sinkonen, Raija	70 000	0.6
20.	Gyllenberg Small Firm Fund	61 968	0.5
	20 largest shareholders total	8 398 178	71.8
	Nominee registered total	1 262 781	10.8
	Others	2 029 065	17.4
	Total	11 690 024	100,0

Distribution by sector, December 31, 2010

	Number of holders	Votes, %	Shares, Pcs
Private companies	568	6.8	793 252
Financial and insurance institutions	19	18.0	2 104 587
Public-sector organizations	5	11.9	1 390 013
Non-profit organizations	32	0.7	87 774
Households	15 080	51.7	6 044 324
Foreign	40	0.1	7 293
	15 744	89.2	10 427 243
Nominee-registered	8	10.8	1 262 781
Total	15 752	100.0	11 690 024

Distribution of holdings by number of shares, December 31, 2010

Number of shares	Number of holders	Votes, %	Shares, pcs
1-100	13 081	2.6	307 492
101-1 000	2 372	6.2	724 888
1 001-10 000	256	5.5	640 640
10 001 - 100 000	24	10.0	1 168 728
100 001 +	19	75.7	8 848 276
Total	15 752	100.0	11 690 024

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Espoo, Finland, January 24, 2011

BASWARE CORPORATION
Board of Directors

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Analyst and Press Briefing

Basware arranges today, January 25, 2010 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 will comment the operations and financial performance of the quarter. Welcome.

FINANCIAL REPORTING IN 2011

Basware's Annual Report 2010, including the audited Financial Statements, will be published on the company's website during the week starting on February 8, 2011. The company will not publish the Annual Report in print.

Release dates for interim reports:

- Interim Report January-March 2011 (Q1) on Wednesday, April 13, 2011
- Interim Report January-June 2011 (Q2) on Friday, July 8, 2011
- Interim Report January-September 2011 (Q3) on Thursday, October 13, 2011

Basware Corporation's Annual General Meeting of Shareholders will be held on Thursday, February 17, 2011 starting at 2:00 PM at Hotel Kämp, Pohjoisesplanadi 29 in Helsinki, Finland.

Distribution:

NASDAQ OMX Helsinki Ltd
Key media
www.basware.com