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**BASWARE INTERIM REPORT JANUARY 1 – SEPTEMBER 30, 2012 (IFRS)****SUMMARY**

January-September 2012: **Growth in Q3 net sales through service business**

- Net sales EUR 83 272 thousand (EUR 77 523 thousand) – growth 7.4 percent
- Operating profit EUR 5 381 thousand (EUR 8 826 thousand) – decrease of 39.0 percent
- Operating profit 6.5 percent of net sales (11.4%)
- Growth of Automation Services (SaaS and e-Invoicing) 46.6 percent
- Recurring revenue (including Maintenance and Automation Services) 56.1 percent (49.7%) of net sales
- Cash flow from operating activities EUR 7 334 thousand (EUR 15 941 thousand)
- Earnings per share (diluted) EUR 0.31 (EUR 0.53) – decrease of 42.7 percent

July-September Q3/2012:

- Net sales EUR 27 119 thousand (EUR 24 185 thousand) – growth 12.1 percent
- Operating profit EUR 2 261 thousand (EUR 3 038 thousand) – decrease 25.6 percent
- Operating profit 8.3 percent of net sales (12.6%)
- Growth of Automation Services (SaaS and e-invoicing) 47.6 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 25.2 million
- Recurring revenue (including Maintenance and Automation Services) 58.1 percent (53.5%) of net sales
- Earnings per share (diluted) EUR 0.12 (EUR 0.18) – decrease of 35.0 percent

Basware expects its net sales for 2012 to grow from the previous year, and operating profit (EBIT) is expected to be EUR 8–11 million. The company estimates that its net sales for the last quarter of the year will grow compared to the previous year.

Previously, the company expected its net sales for 2012 to grow from the previous year, and operating profit (EBIT) to be EUR 8–13 million. Previously, the company estimated also that its net sales for the latter half of the year will see a stronger growth than for the first half of the year.

The interim report is unaudited.

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## GROUP KEY FIGURES

| EUR thousand  | 7-9/<br>2012 | 7-9/<br>2011 | Change,<br>% | 1-9/<br>2012 | 1-9/<br>2011 | Change,<br>% | 1-12/<br>2011 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Net sales   | 27 119       | 24 185       | 12.1%        | 83 272       | 77 523       | 7.4%         | 107 750       |
| EBITDA  | 4 070        | 4 308        | -5.5%        | 10 051       | 12 613       | -20.3%       | 17 284        |
| Operating profit before IFRS3<br>amortization           | 2 793        | 3 542        | -21.1%       | 7 095        | 10 333       | -31.3%       | 14 290        |
| Operating profit  | 2 261        | 3 038        | -25.6%       | 5 381        | 8 826        | -39.0%       | 12 280        |
| % of net sales  | 8.3%         | 12.6%        |              | 6.5%         | 11.4%        |              | 11.4%         |
| Profit before tax                                       | 2 300        | 3 024        | -24.0%       | 5 514        | 8 858        | -37.8%       | 12 332        |
| Profit for the period                                   | 1 493        | 2 301        | -35.1%       | 3 918        | 6 731        | -41.8%       | 9 671         |
| Return on equity, %                                     | 6.1%         | 9.7%         |              | 5.3%         | 11.0%        |              | 11.6%         |
| Return on investment, %                                 | 9.6%         | 13.0%        |              | 7.6%         | 14.5%        |              | 14.9%         |
| Liquid assets *)  | 27 739       | 44 988       | -38.3%       | 27 739       | 44 988       | -38.3%       | 42 977        |
| Gearing, %  | -27.5%       | -45.9%       |              | -27.5%       | -45.9%       |              | -42.3%        |
| Equity ratio, %   | 80.2%        | 79.7%        |              | 80.2%        | 79.7%        |              | 81.9%         |
| Earnings per share, EUR                                 | 0.12         | 0.18         | -35.0%       | 0.31         | 0.53         | -42.8%       | 0.76          |
| Earnings per share (diluted),<br>EUR                    | 0.12         | 0.18         | -35.0%       | 0.31         | 0.53         | -42.7%       | 0.76          |
| Parent company's shareholders'<br>equity per share, EUR | 7.71         | 7.52         | 2.6%         | 7.71         | 7.52         | 2.6%         | 7.76          |

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

## Reporting

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

Basware reports income for products and services as follows: License sales, Professional Services, Maintenance, and Automation Services. License sales consist of 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, catalogue management, purchase message exchange, activation services and Software as a Service (SaaS) services.

Basware reports 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. 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 are split by the customer's location. Net sales and operating profit are also reported by the location of the assets. In 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:

"The company's transition process from a software company to a service company has proceeded as planned during the third quarter as well.

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The targeted double-digit growth in net sales was realized in the third quarter: our net sales increased by 12.1% to EUR 27.1 million, with our operating profit amounting to EUR 2.3 million. Since the beginning of the year, we have achieved net sales of EUR 83.3 million, up 7.4%, with our operating profit amounting to EUR 5.4 million.

Strong growth in Automation Services continued, while the decrease in license sales slowed down considerably during the third quarter. The company's operational performance in the third quarter met our expectations as the transition process from license sales-based operations to the service business is still underway and the planned investments required for the company's growth and transition can be seen in the company's financial performance.

Automation Services (SaaS and e-invoicing services) growth amounted to 47.6%, accounting for 21.2% of net sales. Recurring revenue (Maintenance and Automation Services) again accounted for an increasing share of net sales compared to the previous year, totaling 58.1% of net sales. The demand for SaaS services is increasing at the expense of license demand. We have secured new multi-year SaaS and e-invoicing service agreements with a total value of EUR 23.1 million during the year. The growth in services is increasingly generated in our international markets.

The transaction volume has continued to increase in line with our objectives, and we have connected an even higher number of suppliers and buyers in our open network with new products and delivery methods. The transaction volume processed by Automation Services amounted to 8.5 million during the quarter, up 64.3%.

Alusta, the unified cloud-based platform for Purchase-to-Pay that was launched at the beginning of the year, has been received well by our customers. By the end of the third quarter, we have sold the Alusta solution to several new and existing customers.

At the beginning of September, we published our updated strategy until 2015, emphasizing our key strategic aim of accelerated global growth. According to the updated strategy, our key objectives include accelerated growth in the transaction volume, strengthening our market position in selected key markets, more accurate segmenting of our services and products to companies of all sizes, with particular attention on small and medium-sized enterprises, developing customer loyalty, and improving the company's profitability.

We have strongly invested in committing our personnel to implement the updated strategy. In addition, the customer service models for our existing customers have been developed, the service portfolio has been extended, and we have prepared a plan for transition to Alusta and presented it to our customers. The development of profitability is particularly based on the adoption of a replicable sales and delivery model and developing a global efficient service production network.

The company intends to continue to support organic growth in our key markets through acquisitions as well. The most recent example is our agreement signed on October 5, 2012, to acquire the network and e-invoicing business of Certipost, a bpost company and the leading e-Invoice operator in the Benelux. With the acquisition, Basware will become the market leader in e-Invoicing in the Nordic countries, Germany, and the Benelux market.

Our performance during the third quarter gives a strong foundation for reaching the targets of the entire year. We expect the need for recurring services to continue in our customer base regardless of economic cycles and the global challenging economic situation."

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## Market outlook and operating environment

According to the most recent market estimates the software market is expected to grow 6.0 percent globally (previous estimate 6.2%) and 7.4 percent in the U.S. (previous estimate 8.0%). The entire IT services market is expected to grow by 4.7 percent globally (forecast unchanged) and by 7.3 percent in the U.S. (forecast unchanged) in 2012. According to research companies, the software market is expected to grow globally in 2013 at a rate of 7.0 percent, IT services by 5.6% and the IT market as a whole by 6.7 percent.

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 continues active analyzing of acquisition targets especially in European e-Invoicing market according to Basware's strategy.

The launch of Basware's next generation Alusta software suite during the first quarter of 2012 has improved the competitiveness of Basware's solutions and services further. Through the acquisition of German e-Invoicing operator in January 2012 we gained innovative technology, which will improve the competitiveness of the company. Also 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.

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, which creates a solid foundation for the future growth of Basware Automation Services.

Offshoring operations hold a significant role 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 has developed its offshoring operations in order to improve profitability also with regard to new service business operations and internal support functions.

## NET SALES

Basware Group's net sales for the period increased by 7.4 percent to EUR 83 272 thousand (EUR 77 523 thousand). The growth in comparable currencies was 5.1 percent.

During the second quarter, net sales increased by 12.1 percent to EUR 27 119 (EUR 24 185 thousand). The growth in comparable currencies was 8.4 percent.

### Information of products and services:

| Net sales (EUR thousand) | 7-9/<br>2012  | 7-9/<br>2011  | Change,<br>% | 1-9/<br>2012  | 1-9/<br>2011  | Change,<br>% | 1-12/<br>2011  |
|--------------------------|---------------|---------------|--------------|---------------|---------------|--------------|----------------|
| License Sales            | 3 715         | 3 780         | -1.7         | 12 259        | 14 068        | -12.9        | 20 874         |
| Maintenance              | 10 009        | 9 048         | 10.6         | 29 635        | 26 869        | 10.3         | 36 247         |
| Professional Services    | 7 644         | 7 460         | 2.5          | 24 317        | 24 943        | -2.5         | 34 179         |
| Automation Services      | 5 751         | 3 897         | 47.6         | 17 062        | 11 642        | 46.6         | 16 449         |
| <b>Group total</b>       | <b>27 119</b> | <b>24 185</b> | <b>12.1</b>  | <b>83 272</b> | <b>77 523</b> | <b>7.4</b>   | <b>107 750</b> |

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The company's license sales decreased by 12.9 percent during the period, accounting for 14.7 percent (18.1%) of net sales. Purchase-to-Pay (P2P) license sales decreased by 4.3%. SaaS sales, reported in Automation Services, grew by 23.4 percent. Maintenance revenue increased by 10.3 percent and accounted for 35.6 percent (34.7%) of net sales. Professional Services revenue decreased by 2.5 percent and accounted for 29.2 percent (32.2%) of net sales.

During the period, Automation Services increased by 46.6 percent and accounted for 20.5 percent (15.0%) of net sales. The transaction volume processed by the Automation Services business continued to increase and was 24.5 million during the reporting period (growth of 67.8 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 25.2 million.

The international share of Basware's net sales was 57.6 percent (54.1%) in the period. International operations grew by 14.4 percent (6.3%).

## FINANCIAL PERFORMANCE

Basware's operating profit for the period decreased by 39.0 percent to EUR 5 381 thousand (EUR 8 826 thousand). Operating profit represented 6.5 percent (11.4%) of net sales.

Operating profit for the second quarter decreased by 25.6 percent to EUR 2 261 thousand (EUR 3 038 thousand). Operating profit represented 8.3 percent (12.6%) of net sales.

Basware recognized a provision of EUR 1 203 thousand related to the restructuring of operations in the fourth quarter of 2011. Negotiations on the restructuring are now complete. The purpose of the arrangement was to allow possibilities for additional investments needed for strategic growth markets.

The company's fixed costs were EUR 67 062 thousand (EUR 59 428 thousand) in the period, up 12.8 percent on the corresponding period the previous year. Personnel costs made up 72.7 percent (74.1%) or EUR 48 770 thousand (EUR 44 036 thousand) of the fixed costs. Bad debt and change in bad debt provision are included in fixed costs. Bad debt provision at the end of the third quarter amounted to EUR 1 411 thousand (EUR 1 080 thousand) on the balance sheet.

The research and development expenses amounted to EUR 12 848 thousand (EUR 12 008 thousand), or 15.4 percent (15.5%) of net sales. The expenses grew by 7.0 percent compared with the corresponding period in previous year. Research and development expenses capitalized during the period amounted to EUR 3 583 thousand (EUR 2 774 thousand). Basware's research and development costs for the period totaled EUR 9 264 thousand (EUR 9 234 thousand), or 11.1 percent (11.9%) of net sales.

The company's finance income and finance expenses were EUR 133 thousand (EUR 32 thousand). Profit before tax was EUR 5 514 thousand (EUR 8 858 thousand) and profit for the period was EUR 3 918 thousand (EUR 6 731 thousand) or 4.7 percent (8.7%) of net sales. Taxes for the period amounted to EUR 1 596 thousand (EUR 2 127 thousand). Undiluted earnings per share were EUR 0.31 (EUR 0.53).

Basware's German subsidiary was subjected to a tax audit in 2011 which was concluded during 2012. Because of this, taxes for the period include EUR 648 thousand of taxes recognized by the subsidiary, of which EUR 462 thousand was recognized in the third quarter. Basware is applying for a mutual

agreement procedure, in which the competent German and Finnish authorities will agree on the elimination of double taxation. The process is estimated to take 3-4 years.

## FINANCE AND INVESTMENTS

Basware Group's total assets on the balance sheet at the end of the period were EUR 123 281 thousand (EUR 121 167 thousand). The company's cash and liquid assets were EUR 27 739 thousand (EUR 44 988 thousand), of which cash and cash equivalents were EUR 27 739 thousand (EUR 29 972 thousand).

Equity ratio was 80.2 percent (79.7%) and gearing was -27.5 percent (-45.9%). The company's interest-bearing liabilities totaled EUR 564 thousand (EUR 678 thousand), of which current liabilities accounted for EUR 219 thousand (EUR 114 thousand). Return on investment was 7.6 percent (14.5%) and return on equity 5.3 percent (11.0%).

Cash flows from operating activities were EUR 7 334 thousand (EUR 15 941 thousand). Cash flows from investments were EUR -16 567 thousand (EUR -3 687 thousand).

The company's capital expenditure, resulting from regular additional and replacement investments required for growth, was EUR 990 thousand (EUR 1 639 thousand) in the period. Gross investments which include - in addition to those mentioned above - the acquisition as well as capitalized research and development expenses totaled EUR 17 419 thousand (EUR 4 411 thousand).

Amortization of intangible assets totaled EUR 4 129 thousand (EUR 3 329 thousand). There are no indications of impairments of assets.

On January 17, 2012 Basware acquired the entire share capital of e-Invoicing operator First Businesspost GmbH. The acquisition price was paid in cash in connection with the closing of the acquisition so that 20 percent of the debt free price was paid to an escrow account. The escrow agreement is in place until the end of January 2013. Basware consolidated First Businesspost's figures into its net sales and profit as of January 1, 2012. The acquisition price to be allocated amounts to approximately EUR 12.5 million. EUR 2.6 million associated with customer relationships and associated with acquired technology has been allocated to intangible assets, taking deferred tax liabilities into consideration. The value associated with customer relationships is amortized in seven years and value associated with technology in five years, starting in the first quarter of 2012. The purchase price includes approximately EUR 9.1 million of goodwill. The allocation of the purchase price also takes into account the deferred tax assets of EUR 0.8 million related to the utilization of retained losses. The allocation of the acquisition purchase price is preliminary.

The Annual General Meeting decided to authorize the Board of Directors to decide on repurchase of company's own shares in accordance with the proposal of the Board of Directors on February 16, 2012. 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 shall be valid until June 30, 2013. The company has repurchased 49 114 own shares by September 30, 2012, and the total amount of own shares held by the company on September 30, 2012, is 106 875.

## RESEARCH, DEVELOPMENT AND NEW PRODUCTS

The research and development expenses amounted to EUR 12 848 thousand (EUR 12 008 thousand), or 15.4 percent (15.5%) of net sales. The expenses grew by 7.0 compared with the corresponding period



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in previous year. Research and development expenses capitalized during the period amounted to EUR 3 583 thousand (EUR 2 774 thousand). Basware's research and development costs for the period totaled EUR 9 264 thousand (EUR 9 234 thousand), or 11.1 percent (11.9%) of net sales.

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

Alusta, the unified cloud-based platform for Purchase-to-Pay, was launched in the first quarter of 2012. Alusta is a flexible, new technology that is designed to bring together Basware's B2B process knowledge with its cloud services optimized to ensure easy connectivity with the Open Network to companies of all sizes. Alusta is also strongly offered as a service and supports Basware's strategic transformation to a services company. It will also have a positive impact on the competitiveness of Basware in the long run.

A total of 362 (304) people worked in R&D of whom 172 people in India at the end of September 2012.

## PERSONNEL

Basware employed 1 301 (1 028) people on average during the period and 1 388 (1 079) at the end of the period. The number of personnel increased by 309 persons and by 28.6 percent compared with the same period the previous year. The increase in the number of personnel is mainly due to the increase in the number of employees in the Indian unit and the personnel joining Basware through the acquisition of a German e-Invoice operator.

Geographical division of personnel:

| <b>Personnel<br/>(employed, on average)</b> | <b>7-9/<br/>2012</b> | <b>7-9/<br/>2011</b> | <b>Change,<br/>%</b> | <b>1-9/<br/>2012</b> | <b>1-9/<br/>2011</b> | <b>Change,<br/>%</b> | <b>1-12/<br/>2011</b> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Finland                                     | 499                  | 463                  | 7.7                  | 478                  | 450                  | 6.2                  | 454                   |
| Scandinavia                                 | 129                  | 116                  | 10.9                 | 127                  | 118                  | 7.7                  | 119                   |
| Rest of Europe                              | 179                  | 135                  | 33.2                 | 173                  | 138                  | 25.7                 | 137                   |
| India                                       | 489                  | 297                  | 64.8                 | 454                  | 259                  | 75.4                 | 284                   |
| Other                                       | 68                   | 64                   | 5.7                  | 69                   | 63                   | 8.2                  | 64                    |
| <b>Group total</b>                          | <b>1 364</b>         | <b>1 075</b>         | <b>26.9</b>          | <b>1 301</b>         | <b>1 028</b>         | <b>26.6</b>          | <b>1 058</b>          |

Basware recognized a provision of EUR 1 203 thousand related to the restructuring of operations in the fourth quarter of 2011. Negotiations on the restructuring are now complete. The purpose of the arrangement was to allow possibilities for additional investments needed for strategic growth markets.

The share of personnel working in foreign units has increased compared with the previous year. At the end of the period, 63.8 percent (57.2%) of Basware personnel worked outside of Finland and 36.2 percent (42.8%) in Finland. 11.2 percent of the personnel work in sales and marketing, 56.4 percent in consulting and services, 26.1 percent in Products, and 6.3 percent in administration.

The average age of employees is 34.1 (34.8) years. Of the employees, 24.2 percent have a Master's degree and 30.2 percent have a Bachelor's degree. Women account for 23.4 percent of employees, men for 76.6 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

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percent of annual basic salary. The bonus based performance percentage is not limited in the CEO's contract of employment. 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 share-based incentive scheme was in use in 2009–2011. 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 for the vesting period 2009 was paid in December 2011, the bonus for the vesting period 2010 will be paid in December 2012, and the bonus for the vesting period 2011 in December 2013, partially as shares in the company and partially in cash. 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.

The Board of Directors of Basware Corporation has approved a new share-based incentive plan for the Basware Group key personnel on February 17, 2012. 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 shareholding in the company. The Board of Directors encourages the Basware Executive Team members to hold shares in the company equaling the value of annual gross base salary.

The system includes three earning periods, calendar years 2012, 2013 and 2014. The system comprises annual earning periods 2012, 2013, and 2014 and fixed earning period 2012–2014.

Members of Basware Executive Team may be allocated additional shares without consideration against shareholding during the earning period 2012–2014.

The Board of Directors decides on the earnings criteria and related targets separately for each annual earning period at the beginning of the earning period. There are employment-related conditions for eligibility for reward payment.

## **GEOGRAPHICAL INFORMATION**

Geographical division of net sales and operating profit is presented in the summary of financial statements and notes. As geographic information Basware reports geographical areas Finland, Scandinavia, rest of Europe and Other.

Sales of Software as a Service solutions are increasing at a steady rate, with an increasing number of deals being made as SaaS services and the demand for license sales shifting towards service solutions. Since the beginning of the year, new multi-year SaaS and e-invoicing service agreements have been concluded in all geographical areas. The strong growth in Automation Services continued during the third quarter. Growth in services was largely generated in the international market.

## **OTHER EVENTS OF THE PERIOD**

### **Updated strategy until end of 2015**

Basware's Board of Directors and management updated the company's strategy and objectives for the next three years. The updated strategy was announced on September 4, 2012. The updated strategy for 2013-2015 focuses on accelerated global growth both organically and through acquisitions, which facilitates positive development of operating profit margin.



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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 21 million transactions in 2011.

Basware's long-term 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 electronic invoicing contributing 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 and approximately 800,000 active organizations transacting through 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 and designed to bring together Basware's Business-to-Business process knowledge with its cloud services. It is optimized to ensure easy connectivity with the Open Network to companies of all sizes. Alusta is strongly offered as a service and supports Basware's strategic transformation to a services company. The company will focus on transitioning 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. 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.

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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.

### **Capital Markets Day on September 4, 2012**

Basware arranged a Capital Markets Day for investors and analysts in London on September 4, 2012. The updated Basware's strategy and operations were presented in the event. The program consisted of management presentations, given by the CEO Esa Tihilä and other representatives of the company's top management.

### **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 of February 16, 2012, authorized the Board of Directors of Basware Corporation to decide on the repurchase of shares. Under the authorization, the Board of Directors may decide on the repurchase of a maximum of 1,290,000 shares in the company. The authorization to repurchase shares is valid until June 30, 2013. The company had repurchased 49 114 of its shares by September 30, 2012, after which the company held 106 875 treasury shares on September 30, 2012. The repurchased shares will mainly be used as a part of Basware Corporation's incentive program.

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 NASDAQ OMX Helsinki Ltd at the market price prevailing at the time of acquisition. The shares shall be repurchased and paid for in accordance with the rules of NASDAQ OMX Helsinki Ltd and Euroclear Finland Ltd.

### **Share price and trade**

During the reporting period, the highest price of the share was EUR 24.00 (EUR 28.10), the lowest was EUR 16.70 (EUR 17.00) and the closing price was EUR 22.50 (EUR 17.70). The average price of the share was EUR 20.68 (EUR 24.55) during the period.

A total of 1 242 210 (3 944 905) shares were traded during the period, equivalent to 9.7 percent (31.3%) of the average number of shares. Market capitalization with the period's closing price on September 30, 2012, was EUR 288 547 965 (EUR 227 284 443).

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## Shareholders

Basware had 14 586 (15 123) shareholders on September 30, 2012 including nominee-registered holdings (11). Nominee-registered holdings accounted for 12.5 percent (12.0%) of the total number of shares.

The company holds 106 875 Basware Corporation shares, corresponding to approximately 0.8% 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 6 225 shares in Basware Corporation, Matti Copeland 2 771 shares, Mika Harjuaho 4 375 shares, Mari Heusala 250 shares, Steve Muddiman 4 462 shares, and Jukka Virkkunen 1 575 shares on September 30, 2012. 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 323 500, Pentti Heikkinen 2 609, Ilkka Sihvo 881 675, Eeva Sipilä 1 593 and Anssi Vanjoki 5 000 shares in Basware Corporation on September 30, 2012.

## GOVERNANCE

The Annual General Meeting of Shareholders on February 16, 2012, confirmed the number of Board members as five. The Annual General Meeting resolved to agree on the proposal to elect Ilkka Sihvo, Pentti Heikkinen, Eeva Sipilä, Hannu Vaajoensuu and Anssi Vanjoki 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.

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.

## Repurchase of the company's own shares

The Annual General Meeting decided to authorize the Board of Directors to decide on repurchase of 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 shall be repurchased otherwise than in proportion to the holdings of the shareholders by using the non-restricted equity through public trading on 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 shall 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 shall decide on other terms and conditions related to the repurchase of the company's own shares. The Repurchase Authorization shall be valid until June 30, 2013.

## 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

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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 shall be valid until June 30, 2013.

The company issues a Corporate Governance Statement for 2011, composed 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 is issued separately from the company's annual report.

The Corporate Governance Statement can be read at: <http://www.basware.com/about-us/investors/corporate-governance>.

Basware Executive Team as of April 1, 2012:

Esa Tihilä, CEO; Matti Copeland, Senior Vice President, Strategy; Mika Harjuaho, CFO; Henrik Hasselbalch, Senior Vice President, Professional Services; Mari Heusala, Senior Vice President, HR&Dev; Jorma Kemppainen, Senior Vice President, Products; Pekka Lindfors, Senior Vice President, Volume Sales; Steve Muddiman, Senior Vice President, Global Marketing; Riku Roos, Senior Vice President, Automation Services; Matti Rusi, Senior Vice President, Support; and Jukka Virkkunen, Senior Vice President, Enterprise Sales.

## 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 bad debt risk associated with sales receivables is part of the risk related to business operations. Due to the global economic uncertainty, the company has intensified the management of sales receivables and collection process during the third quarter of 2012. Business management regularly monitors the payment of sales receivables as part of the management of customer accounts.

During 2012, the company will be undergoing a strong transformation from a software company into a service company, which will change our operating methods, solutions, and services, and require additional investments.

The global economy and markets are unstable, which may result in a decrease in the demand for license sales and services. In addition, the conversion of license sales to SaaS solutions may have an increasingly negative effect on the growth in net sales, especially with the company's next-generation software family, Alusta which was launched during the first quarter of 2012. The shift in demand from license sales towards SaaS solutions will support the long-term growth targets of the Automation Services business in the future.

Competitiveness in acquiring new customers is fundamental to the growth pursued by the company.. The next-generation software family Alusta aims to ensure Basware's product leadership in Purchase to Pay (P2P) software and services as well as increase the number of new customers.

Securing the annual maintenance and service revenue generated by the existing software customers is

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the foundation of the company's profitable growth. Therefore, the company aims to ensure that existing customers migrate to next-generation software and services in future financial periods in a controlled way.

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. We restructured our organization during the last quarter of 2011 and adopted a globally directed function-based organization as of January 1, 2012. The change of the business model allows Basware to better utilize the growth opportunities offered by the market.

Basware has complemented its organic growth through acquisitions in line with its strategy. Ensuring the success of acquisitions is fundamental to the company's profitable growth. 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.

Goodwill was tested for impairment during the last quarter in 2011. According to the testing for asset impairment, goodwill has not been impaired, and there are no indications of impairment.

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

## **EVENTS AFTER THE REPORTING PERIOD**

### **Agreement about the acquisition of network and e-Invoicing business of Certipost**

Basware announced on October 5, 2012 that the company had signed an agreement to acquire the network and e-Invoicing business of Certipost, a bpost company and the leading e-Invoice operator in the Benelux. Basware will establish a fully owned subsidiary in Belgium and the acquired assets and liabilities will be transferred to this entity. Certipost employs currently 84 people, of whom 76 employees work in the network and e-Invoicing business.

The closing of the acquisition will take place after the mandatory formalities under the Belgian legislation have been completed. Basware will consolidate the acquired business into its net sales and profit starting from the closing date. In 2012, the net sales of the acquired business are expected to amount to approximately EUR 8.5 million. The initial acquisition price of approximately EUR 18.2 million will be paid in cash on the closing date. The final acquisition price will be based on the audited 2012 annual accounts. Basware will announce more information about the synergy benefits as well as financial guidance related to the acquisition on the closing date.

With the acquisition, Basware will achieve a significant market position in the Benelux. Certipost's extensive expertise in electronic data interchange (EDI) was also crucial in the establishment of an agreement.

The acquisition of Certipost's network and e-Invoicing business is Basware's second announced acquisition in 2012. In early 2012, Basware became the leading e-Invoice operator in Germany with the acquisition of First Businesspost GmbH.



## FUTURE OUTLOOK

### Operating environment and market outlook

According to the most recent market estimates the software market is expected to grow 6.0 percent globally (previous estimate 6.2%) and 7.4 percent in the U.S. (previous estimate 8.0%). The entire IT services market is expected to grow by 4.7 percent globally (forecast unchanged) and by 7.3 percent in the U.S. (forecast unchanged) in 2012. According to research companies, the software market is expected to grow globally in 2013 at a rate of 7.0 percent, IT services by 5.6% and the IT market as a whole by 6.7 percent.

Basware strategic goal is to grow more than 50% in Automation Services. During 2012, the company will be undergoing a strong transformation from a software company into a service company, which will change our operating methods, solutions, and services, and require additional investments.

The world economy and markets are unstable, which may result in a decrease in license sales and demand for services. In addition, the conversion of license sales to SaaS solutions may have an increasingly negative effect on the growth in net sales, particularly with the next-generation Alusta software suite launched during the first quarter of 2012. The shift in demand from license sales towards SaaS solutions will support the long-term growth targets of the Automation Services business in the future.

### Outlook for 2012

The company's performance during the period under review gives a good starting point to reach the growth targets of Automation Services during the rest of the year. Demand for recurring services (Maintenance and Automation Services) is expected to continue strong. The Alusta software family is expected to flatten the decrease in license sales also in the last quarter. Accordingly, the resourcing, utilization rate and net sales of Professional Services are expected to develop positively during the last quarter of the year.

Additional investments needed for transformation and growth of Automation Services will be realized further in the end of the year according to plans, as defined in Basware strategy.

Basware expects its net sales for 2012 to grow from the previous year, and operating profit (EBIT) is expected to be EUR 8–11 million. The company estimates that its net sales for the last quarter of the year will grow compared to the previous year.

Previously, the company expected its net sales for 2012 to grow from the previous year, and operating profit (EBIT) to be EUR 8–13 million. Previously, the company estimated also that its net sales for the latter half of the year will see a stronger growth than for the first half of the year.

Espoo, Finland, October 10, 2012

BASWARE CORPORATION  
Board of Directors

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



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**Interim Report briefing & conference call**

Basware arranges a briefing on the Interim Report for the press and analysts on October 10, 2012 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: Sirje Ahvenlampi, Manager, Investor Relations, tel. +358 (0)50 557 3822, [sirje.ahvenlampi \(at\) basware.com](mailto:sirje.ahvenlampi@basware.com).

A conference call for analysts who are not able to attend the briefing will take place on October 10, 2012 at 3 p.m. EET. More information about the preregistration and details how to join is available at the company's Investor pages: <http://www.basware.com/about-us/investors>.

**Distribution:**

NASDAQ OMX Helsinki Ltd

Key media

[www.basware.com](http://www.basware.com)

## SUMMARY OF FINANCIAL STATEMENTS AND NOTES JANUARY 1 – SEPTEMBER 30, 2012

### 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 2011. 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 2011. Key indicator calculations remain unchanged and have been presented in the 2011 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  | 1.7.–<br>30.9.2012 | 1.7.–<br>30.9.2011 | Change,<br>% | 1.1.–<br>30.9.2012 | 1.1.–<br>30.9.2011 | Change,<br>% | 1.1.–<br>31.12.2011 |
|---|--------------------|--------------------|--------------|--------------------|--------------------|--------------|---------------------|
| <b>NET SALES</b>  | <b>27 119</b>      | <b>24 185</b>      | <b>12.1</b>  | <b>83 272</b>      | <b>77 523</b>      | <b>7.4</b>   | <b>107 750</b>      |
| Other operating income  | 55                 | 43                 | 28.0         | 171                | 127                | 35.3         | 172                 |
| Materials and services  | -2 313             | -1 933             | 19.7         | -6 331             | -5 609             | 12.9         | -7 788              |
| Employee benefits expense                                       | -15 415            | -13 293            | 16.0         | -48 770            | -44 036            | 10.8         | -61 575             |
| Depreciation and amortization                                   | -1 809             | -1 270             | 42.5         | -4 670             | -3 787             | 23.3         | -5 004              |
| Other operating expenses  | -5 376             | -4 694             | 14.5         | -18 292            | -15 392            | 18.8         | -21 275             |
| <b>Operating profit</b>   | <b>2 261</b>       | <b>3 038</b>       | <b>-25.6</b> | <b>5 381</b>       | <b>8 826</b>       | <b>-39.0</b> | <b>12 280</b>       |
| Finance income  | 91                 | 102                | -11.0        | 311                | 277                | 12.3         | 510                 |
| Finance expenses  | -52                | -115               | -55.1        | -178               | -245               | -27.4        | -458                |
| <b>Profit before tax</b>  | <b>2 300</b>       | <b>3 024</b>       | <b>-24.0</b> | <b>5 514</b>       | <b>8 858</b>       | <b>-37.8</b> | <b>12 332</b>       |
| Tax on income from operations                                   | -807               | -723               | 11.5         | -1 596             | -2 127             | -25.0        | -2 661              |
| <b>PROFIT FOR THE PERIOD</b>                                    | <b>1 493</b>       | <b>2 301</b>       | <b>-35.1</b> | <b>3 918</b>       | <b>6 731</b>       | <b>-41.8</b> | <b>9 671</b>        |
| <b>Other comprehensive income:</b>                              |                    |                    |              |                    |                    |              |                     |
| Exchange differences on translating foreign operations          | 399                | 207                | 92.8         | 900                | -75                | -1 300.0     | 368                 |
| Income tax relating to components of other comprehensive income | -2                 | -102               | -98.0        | 197                | 102                | 93.1         | 54                  |
| Other comprehensive income, net of tax                          | 397                | 105                | 278.1        | 1 097              | 27                 | 3 963.0      | 422                 |
| <b>TOTAL COMPREHENSIVE INCOME</b>                               | <b>1 891</b>       | <b>2 406</b>       | <b>-21.4</b> | <b>5 015</b>       | <b>6 758</b>       | <b>-25.8</b> | <b>10 093</b>       |

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| EUR thousand                                | 1.7.–<br>30.9.2012 | 1.7.–<br>30.9.2011 | Change,<br>% | 1.1.–<br>30.9.2012 | 1.1.–<br>30.9.2011 | Change,<br>% | 1.1.–<br>31.12.2011 |
|---|--------------------|--------------------|--------------|--------------------|--------------------|--------------|---------------------|
| Profit attributable to:                     |                    |                    |              |                    |                    |              |                     |
| Equity holders of the parent company        | 1 493              | 2 301              | -35.1        | 3 918              | 6 731              | -41.8        | 9 671               |
|   | 1 493              | 2 301              | -35.1        | 3 918              | 6 731              | -41.8        | 9 671               |
| Total comprehensive income attributable to: |                    |                    |              |                    |                    |              |                     |
| Equity holders of the parent company        | 1 891              | 2 406              | -21.4        | 5 015              | 6 758              | -25.8        | 10 093              |
|   | 1 891              | 2 406              | -21.4        | 5 015              | 6 758              | -25.8        | 10 093              |
| Earnings per share (undiluted), EUR         | 0.12               | 0.18               | -35.0        | 0.31               | 0.53               | -42.8        | 0.76                |
| Earnings per share (diluted), EUR           | 0.12               | 0.18               | -35.0        | 0.31               | 0.53               | -42.7        | 0.76                |

## GROUP BALANCE SHEET

| EUR thousand  | 30.9.2012      | 30.9.2011      | Change,<br>% | 31.12.2011     |
|---|----------------|----------------|--------------|----------------|
| <b>ASSETS</b>   |                |                |              |                |
| <b>NON-CURRENT ASSETS</b>                             |                |                |              |                |
| Intangible assets                                     | 22 795         | 18 600         | 22.6         | 19 208         |
| Goodwill  | 41 894         | 32 146         | 30.3         | 32 210         |
| Tangible assets                                       | 1 448          | 1 142          | 26.8         | 1 244          |
| Available-for-sale investments                        | 38             | 38             | 0.0          | 38             |
| Long-term trade and other receivables                 | 1              | 0              | 0.0          | 0              |
| Deferred tax assets                                   | 2 817          | 1 891          | 49.0         | 2 680          |
| <b>Non-current assets</b>                             | <b>68 992</b>  | <b>53 818</b>  | <b>28.2</b>  | <b>55 379</b>  |
| <b>CURRENT ASSETS</b>                                 |                |                |              |                |
| Inventories   | 129            | 111            | 16.3         | 143            |
| Trade and other receivables                           | 25 141         | 21 946         | 14.6         | 23 091         |
| Income tax receivables                                | 1 280          | 304            | 320.8        | 374            |
| Financial assets at fair value through profit or loss | 0              | 15 016         | -100.0       | 0              |
| Cash and cash equivalents                             | 27 739         | 29 972         | -7.5         | 42 977         |
| <b>Current assets</b>                                 | <b>54 289</b>  | <b>67 349</b>  | <b>-19.4</b> | <b>66 586</b>  |
| <b>TOTAL ASSETS</b>                                   | <b>123 281</b> | <b>121 167</b> | <b>1.7</b>   | <b>121 966</b> |

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| EUR thousand                          | 30.9.2012      | 30.9.2011      | Change,<br>% | 31.12.2011     |
|---------------------------------------|----------------|----------------|--------------|----------------|
| <b>EQUITY AND LIABILITIES</b>         |                |                |              |                |
| <b>SHAREHOLDERS' EQUITY</b>           |                |                |              |                |
| Share capital                         | 3 528          | 3 528          | 0.0          | 3 528          |
| Share premium account                 | 1 187          | 1 187          | 0.0          | 1 187          |
| Own shares                            | -1 379         | -629           | -119.3       | -429           |
| Fair value reserve and other reserves | 62 503         | 62 716         | -0.3         | 62 516         |
| Translation differences               | -383           | -1 661         | 76.9         | -1 266         |
| Retained earnings                     | 33 437         | 31 386         | 6.5          | 34 340         |
| <b>Shareholders' equity</b>           | <b>98 893</b>  | <b>96 527</b>  | <b>2.5</b>   | <b>99 877</b>  |
| <b>NON-CURRENT LIABILITIES</b>        |                |                |              |                |
| Deferred tax liability                | 1 646          | 2 920          | -43.6        | 2 079          |
| Interest-bearing liabilities          | 345            | 564            | -38.8        | 524            |
| Non-interest-bearing liabilities      | 888            | 871            | 2.0          | 486            |
| <b>Non-current liabilities</b>        | <b>2 879</b>   | <b>4 355</b>   | <b>-33.9</b> | <b>3 090</b>   |
| <b>CURRENT LIABILITIES</b>            |                |                |              |                |
| Interest-bearing liabilities          | 219            | 114            | 92.7         | 158            |
| Trade payables and other liabilities  | 20 309         | 20 171         | 0.7          | 16 765         |
| Tax liability from income tax         | 894            | 0              | 0.0          | 873            |
| Provisions                            | 88             | 0              | 0.0          | 1 203          |
| <b>Current liabilities</b>            | <b>21 509</b>  | <b>20 285</b>  | <b>6.0</b>   | <b>19 000</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>   | <b>123 281</b> | <b>121 167</b> | <b>1.7</b>   | <b>121 966</b> |

## GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| EUR thousand                          | Share-<br>holder<br>capital | Share<br>issue | Share<br>premium<br>account | Own<br>shares | Inv.non-<br>restricted<br>equity | Other<br>reserves | Translation<br>differences | Retained<br>earnings | Total         |
|---------------------------------------|-----------------------------|----------------|-----------------------------|---------------|----------------------------------|-------------------|----------------------------|----------------------|---------------|
| <b>SHAREHOLDERS' EQUITY 1.1.2011</b>  |                             |                |                             |               |                                  |                   |                            |                      |               |
|                                       | 3 507                       | 255            | 1 187                       | -629          | 34 263                           | 540               | -1 688                     | 29 644               | 67 079        |
| Compr. income                         |                             |                |                             |               |                                  |                   | 27                         | 6 731                | 6 758         |
| Dividend distribution                 |                             |                |                             |               |                                  |                   |                            | -5 120               | -5 120        |
| Share issue                           |                             |                |                             |               | 27 345                           |                   |                            |                      | 27 345        |
| Granted warrants                      |                             |                |                             |               |                                  |                   |                            | 351                  | 351           |
| Changes in rep. period                | 21                          | -255           |                             |               | 568                              |                   |                            | -220                 | 114           |
| <b>SHAREHOLDERS' EQUITY 30.9.2011</b> | <b>3 528</b>                | <b>0</b>       | <b>1 187</b>                | <b>-629</b>   | <b>62 176</b>                    | <b>540</b>        | <b>-1 661</b>              | <b>31 386</b>        | <b>96 527</b> |
| <b>SHAREHOLDERS' EQUITY 1.1.2012</b>  |                             |                |                             |               |                                  |                   |                            |                      |               |
|                                       | 3 528                       | 0              | 1 187                       | -429          | 61 976                           | 540               | -1 266                     | 34 340               | 99 877        |
| Compr. income                         |                             |                |                             |               |                                  |                   | 883                        | 4 132                | 5 015         |
| Dividend distribution                 |                             |                |                             |               |                                  |                   |                            | -5 278               | -5 278        |
| Changes in rep. period                |                             |                |                             | -950          | -13                              |                   |                            | 243                  | -720          |
| <b>SHAREHOLDERS' EQUITY 30.9.2012</b> | <b>3 528</b>                | <b>0</b>       | <b>1 187</b>                | <b>-1 379</b> | <b>61 963</b>                    | <b>540</b>        | <b>-383</b>                | <b>33 437</b>        | <b>98 893</b> |

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## GROUP CASH FLOW STATEMENT

| EUR thousand  | 1.1.–<br>30.9.2012 | 1.1.–<br>30.9.2011 | 1.1.–<br>31.12.2011 |
|---|--------------------|--------------------|---------------------|
| <b>Cash flows from operating activities</b>                                     |                    |                    |                     |
| Profit for the period   | 3 918              | 6 731              | 9 671               |
| Adjustments for profit  | 6 394              | 5 922              | 7 613               |
| Working capital changes   | 418                | 6 431              | 2 456               |
| Interest paid   | -6                 | -123               | -285                |
| Interest received   | 109                | 262                | 483                 |
| Other financial items in operating activities                                   | -67                | -93                | -285                |
| Income taxes paid   | -3 433             | -3 191             | -4 446              |
| <b>Net cash from operating activities</b>                                       | <b>7 334</b>       | <b>15 941</b>      | <b>15 207</b>       |
| <b>Cash flows from investing activities</b>                                     |                    |                    |                     |
| Purchase of tangible and intangible assets                                      | -4 589             | -3 687             | -5 631              |
| Acquired subsidiaries   | -11 979            | 0                  | 0                   |
| <b>Net cash used in investing activities</b>                                    | <b>-16 567</b>     | <b>-3 687</b>      | <b>-5 631</b>       |
| <b>Cash flows from financing activities</b>                                     |                    |                    |                     |
| Share issue   | 0                  | 27 679             | 28 063              |
| Purchase of own shares  | -963               | 0                  | 0                   |
| Repayments of short-term loans  | -131               | 0                  | 0                   |
| Repayments of long-term borrowings  | 0                  | -3 550             | -3 550              |
| Dividends paid  | -5 278             | -5 120             | -5 120              |
| <b>Net cash used in financing activities</b>                                    | <b>-6 372</b>      | <b>19 009</b>      | <b>19 393</b>       |
| <b>Net change in cash and cash equivalents according to cash flow statement</b> |                    |                    |                     |
|   | <b>-15 606</b>     | <b>31 263</b>      | <b>28 969</b>       |
| Cash and cash equivalents at beginning of period                                | 42 977             | 13 822             | 13 822              |
| Effects of exchange rate changes on cash and cash equivalents                   | 368                | -97                | 187                 |
| Cash and cash equivalents at end of period                                      | 27 739             | 44 988             | 42 977              |

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## GROUP QUARTERLY INCOME STATEMENT

| EUR thousand                  | 1-3/<br>2012  | 1-3/<br>2011  | 4-6/<br>2012  | 4-6/<br>2011  | 7-9/<br>2012  | 7-9/<br>2011  | 10-12/<br>2011 |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| <b>NET SALES</b>              | <b>27 435</b> | <b>26 058</b> | <b>28 718</b> | <b>27 280</b> | <b>27 119</b> | <b>24 185</b> | <b>30 227</b>  |
| Other operating income        | 58            | 42            | 58            | 41            | 55            | 43            | 46             |
| Materials and services        | -2 061        | -1 948        | -1 957        | -1 727        | -2 313        | -1 933        | -2 179         |
| Employee benefit expenses     | -16 072       | -14 738       | -17 282       | -16 004       | -15 415       | -13 293       | -17 539        |
| Depreciation and amortization | -1 366        | -1 237        | -1 495        | -1 279        | -1 809        | -1 270        | -1 218         |
| Other operating expenses      | -6 171        | -5 219        | -6 745        | -5 478        | -5 376        | -4 694        | -5 883         |
| <b>Operating profit</b>       | <b>1 822</b>  | <b>2 957</b>  | <b>1 298</b>  | <b>2 832</b>  | <b>2 261</b>  | <b>3 038</b>  | <b>3 454</b>   |
| %                             | 6.6%          | 11.3%         | 4.5%          | 10.4%         | 8.3%          | 12.6%         | 11.4%          |
| Finance income                | 146           | 51            | 75            | 125           | 91            | 102           | 232            |
| Finance expenses              | -50           | -77           | -76           | -53           | -52           | -115          | -213           |
| <b>Profit before tax</b>      | <b>1 918</b>  | <b>2 930</b>  | <b>1 296</b>  | <b>2 904</b>  | <b>2 300</b>  | <b>3 024</b>  | <b>3 473</b>   |
| %                             | 7.0%          | 11.2%         | 4.5%          | 10.6%         | 8.5%          | 12.5%         | 11.5%          |
| Income tax expense            | -442          | -662          | -347          | -742          | -807          | -723          | -533           |
| <b>PROFIT FOR THE PERIOD</b>  | <b>1 476</b>  | <b>2 268</b>  | <b>949</b>    | <b>2 162</b>  | <b>1 493</b>  | <b>2 301</b>  | <b>2 940</b>   |
| %                             | 5.4%          | 8.7%          | 3.3%          | 7.9%          | 5.5%          | 9.5%          | 9.7%           |



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## COMMITMENTS AND CONTINGENT LIABILITIES

| EUR thousand   | 30.9.2012     | 30.9.2011     | 31.12.2011    |
|--|---------------|---------------|---------------|
| <b>Own guarantees</b>  |               |               |               |
| Business mortgages of own debts                                  | 1 200         | 1 200         | 1 200         |
| <b>Commitments on behalf of subsidiaries and group companies</b> |               |               |               |
| Guarantees   | 241           | 1 251         | 1 290         |
| <b>Other own guarantees</b>                                      |               |               |               |
| Lease liabilities  |               |               |               |
| Current lease liabilities  | 984           | 776           | 825           |
| Lease liabilities maturing in 1–5 years                          | 991           | 853           | 899           |
| <b>Total</b>   | <b>1 976</b>  | <b>1 629</b>  | <b>1 723</b>  |
| Other rental liabilities   |               |               |               |
| Current rental liabilities                                       | 4 342         | 3 544         | 4 551         |
| Rental liabilities maturing in 1–5 years                         | 4 917         | 6 715         | 7 016         |
| <b>Total</b>   | <b>9 259</b>  | <b>10 259</b> | <b>11 568</b> |
| <b>Other own contingent liabilities, total</b>                   | <b>11 234</b> | <b>11 888</b> | <b>13 291</b> |

## SEGMENT REPORTING

Basware Corporation reports one operating segment: Purchase to Pay, P2P. The reportable operating segment consists of the whole group, and the segment information is consistent with the group figures.

## GEOGRAPHICAL INFORMATION

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. Finland's geographical area includes the business operations in Finland, Russia, Asia-Pacific (excluding Australia) and the head office functions. Other geographical area includes the business operations in North America and Australia.

### Net sales by the location of customer:

| Net sales (EUR thousand) | 7–9/<br>2012  | 7–9/<br>2011  | Change,<br>% | 1–9/<br>2012  | 1–9/<br>2011  | Change,<br>% | 1–12/<br>2011  |
|--------------------------|---------------|---------------|--------------|---------------|---------------|--------------|----------------|
| Finland                  | 10 516        | 10 787        | -2.5         | 35 331        | 35 618        | -0.8         | 48 660         |
| Scandinavia              | 6 073         | 5 262         | 15.4         | 18 547        | 17 394        | 6.6          | 25 381         |
| Rest of Europe           | 6 118         | 4 954         | 23.5         | 18 299        | 15 072        | 21.4         | 20 187         |
| Other                    | 4 412         | 3 181         | 38.7         | 11 095        | 9 439         | 17.6         | 13 522         |
| <b>Group total</b>       | <b>27 119</b> | <b>24 185</b> | <b>12.1</b>  | <b>83 272</b> | <b>77 523</b> | <b>7.4</b>   | <b>107 750</b> |

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## Geographical information by the location of assets

| Net sales (EUR thousand) | 7-9/<br>2012  | 7-9/<br>2011  | Change,<br>% | 1-9/<br>2012  | 1-9/<br>2011  | Change,<br>% | 1-12/<br>2011  |
|--------------------------|---------------|---------------|--------------|---------------|---------------|--------------|----------------|
| Finland                  | 14 245        | 12 608        | 13.0         | 44 593        | 41 188        | 8.3          | 57 685         |
| Scandinavia              | 6 148         | 5 379         | 14.3         | 18 866        | 17 716        | 6.5          | 25 693         |
| Rest of Europe           | 6 661         | 5 088         | 30.9         | 18 980        | 15 703        | 20.9         | 20 940         |
| Other                    | 3 824         | 3 074         | 24.4         | 10 048        | 8 921         | 12.6         | 12 737         |
| Sales between areas      | -3 759        | -1 965        | 91.3         | -9 215        | -6 005        | 53.4         | -9 305         |
| <b>Group total</b>       | <b>27 119</b> | <b>24 185</b> | <b>12.1</b>  | <b>83 272</b> | <b>77 523</b> | <b>7.4</b>   | <b>107 750</b> |

| Operating profit (EUR thousand) | 7-9/<br>2012 | 7-9/<br>2011 | Change,<br>% | 1-9/<br>2012 | 1-9/<br>2011 | Change,<br>% | 1-12/<br>2011 |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Finland                         | 1 499        | 1 632        | -8.1         | 3 812        | 5 165        | -26.2        | 6 812         |
| Scandinavia                     | 95           | 990          | -90.4        | 559          | 3 185        | -82.5        | 4 533         |
| Rest of Europe                  | 549          | 424          | 29.5         | 4 316        | 1 230        | 251.0        | 1 629         |
| Other                           | 262          | 408          | -35.8        | 278          | 489          | -43.1        | 963           |
| Operating profit between areas  | -144         | -415         | -65.4        | -3 584       | -1 242       | 188.6        | -1 657        |
| <b>Group total</b>              | <b>2 261</b> | <b>3 038</b> | <b>-25.6</b> | <b>5 381</b> | <b>8 826</b> | <b>-39.0</b> | <b>12 280</b> |

| Personnel (employed, on average) | 7-9/<br>2012 | 7-9/<br>2011 | Change,<br>% | 1-9/<br>2012 | 1-9/<br>2011 | Change,<br>% | 1-12/<br>2011 |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Finland                          | 499          | 463          | 7.7          | 478          | 450          | 6.2          | 454           |
| Scandinavia                      | 129          | 116          | 10.9         | 127          | 118          | 7.7          | 119           |
| Rest of Europe                   | 179          | 135          | 33.2         | 173          | 138          | 25.7         | 137           |
| India                            | 489          | 297          | 64.8         | 454          | 259          | 75.4         | 284           |
| Other                            | 68           | 64           | 5.7          | 69           | 63           | 8.2          | 64            |
| <b>Group total</b>               | <b>1 364</b> | <b>1 075</b> | <b>26.9</b>  | <b>1 301</b> | <b>1 028</b> | <b>26.6</b>  | <b>1 058</b>  |

## Net sales by business

Basware reports income for products and services as follows: License sales, Professional Services, Maintenance and Automation Services. License sales consists of 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, catalogue management, purchase message exchange, activation services and SaaS services.

| Net sales (EUR thousand) | 7-9/<br>2012  | 7-9/<br>2011  | Change,<br>% | 1-9/<br>2012  | 1-9/<br>2011  | Change,<br>% | 1-12/<br>2011  |
|--------------------------|---------------|---------------|--------------|---------------|---------------|--------------|----------------|
| License Sales            | 3 715         | 3 780         | -1.7         | 12 259        | 14 068        | -12.9        | 20 874         |
| Maintenance              | 10 009        | 9 048         | 10.6         | 29 635        | 26 869        | 10.3         | 36 247         |
| Professional Services    | 7 644         | 7 460         | 2.5          | 24 317        | 24 943        | -2.5         | 34 179         |
| Automation Services      | 5 751         | 3 897         | 47.6         | 17 062        | 11 642        | 46.6         | 16 449         |
| <b>Group total</b>       | <b>27 119</b> | <b>24 185</b> | <b>12.1</b>  | <b>83 272</b> | <b>77 523</b> | <b>7.4</b>   | <b>107 750</b> |

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## GROUP KEY INDICATORS

### Financial Performance Indicators

| EUR thousand                                  | 1-9/2012 | 1-9/2011 | 1-9/2010 | 1-12/2011 |
|---|----------|----------|----------|-----------|
| Net sales                                     | 83 272   | 77 523   | 72 946   | 107 750   |
| Growth of net sales, %                        | 7.4%     | 6.3%     | 10.4%    | 4.5%      |
| EBITDA  | 10 051   | 12 613   | 12 389   | 17 284    |
| % of net sales                                | 12.1%    | 16.3%    | 17.0%    | 16.0%     |
| Operating profit before IFRS3<br>amortization | 7 095    | 10 333   | 10 214   | 14 290    |
| % of net sales                                | 8.5%     | 13.3%    | 14.0%    | 13.3%     |
| Operating profit                              | 5 381    | 8 826    | 8 550    | 12 280    |
| Growth of operating profit, %                 | -39.0%   | 3.2%     | 10.1%    | -8.9%     |
| % of net sales                                | 6.5%     | 11.4%    | 11.7%    | 11.4%     |
| Profit before tax                             | 5 514    | 8 858    | 8 486    | 12 332    |
| % of net sales                                | 6.6%     | 11.4%    | 11.6%    | 11.4%     |
| Profit for the period                         | 3 918    | 6 731    | 6 418    | 9 671     |
| % of net sales                                | 4.7%     | 8.7%     | 8.8%     | 9.0%      |
| Return on equity, %                           | 5.3%     | 11.0%    | 14.4%    | 11.6%     |
| Return on investment, %                       | 7.6%     | 14.5%    | 17.4%    | 14.9%     |
| Interest bearing liabilities                  | 564      | 678      | 3 584    | 682       |
| Liquid assets *                               | 27 739   | 44 988   | 13 719   | 42 977    |
| Gearing, %                                    | -27.5%   | -45.9%   | -16.2%   | -42.3%    |
| Equity ratio, %                               | 80.2%    | 79.7%    | 71.6%    | 81.9%     |
| Total assets                                  | 123 281  | 121 167  | 87 132   | 121 966   |
| Gross investments **                          | 17 419   | 4 411    | 3 426    | 6 331     |
| % of net sales                                | 20.9%    | 5.7%     | 4.7%     | 5.9%      |
| Capital expenditure                           | 990      | 1 639    | 686      | 2 014     |
| % of net sales                                | 1.2%     | 2.1%     | 0.9%     | 1.9%      |
| Research and development costs                | 12 848   | 12 008   | 10 797   | 16 489    |
| % of net sales                                | 15.4%    | 15.5%    | 14.8%    | 15.3%     |
| R&D personnel at end of the period            | 362      | 304      | 213      | 311       |
| Personnel, average for the period             | 1 301    | 1 028    | 826      | 1 058     |
| Personnel, at end of the period               | 1 388    | 1 079    | 866      | 1 182     |
| Growth of personnel, %                        | 28.6%    | 24.6%    | 14.7%    | 29.5%     |

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

\*\*) Includes capitalized R&D costs and acquisitions

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**Group share indicators**

|  | 1-9/2012    | 1-9/2011    | 1-9/2010    | 1-12/2011   |
|--|-------------|-------------|-------------|-------------|
| Earnings per share (basic), EUR                      | 0.31        | 0.53        | 0.56        | 0.76        |
| Earnings per share (diluted), EUR                    | 0.31        | 0.53        | 0.56        | 0.76        |
| Equity per share, EUR                                | 7.65        | 7.46        | 5.34        | 7.72        |
| Parent company's shareholders' equity per share, EUR | 7.71        | 7.52        | 5.38        | 7.76        |
| Price per earnings (P/E)                             | 73.74       | 33.19       | 34.53       | 21.57       |
| Share price performance, share issue adjusted        |             |             |             |             |
| lowest price   | 16.70       | 17.00       | 15.00       | 14.95       |
| highest price  | 24.00       | 28.10       | 20.10       | 28.10       |
| average price  | 20.68       | 24.55       | 17.81       | 21.58       |
| closing price  | 22.50       | 17.70       | 19.40       | 16.45       |
| Market capitalization at end of period               | 288 547 965 | 227 284 443 | 225 013 306 | 211 737 063 |
| Share issue adjusted number of traded shares         | 1 242 210   | 3 944 905   | 1 565 754   | 5 079 523   |
| % of average number of shares                        | 9.7%        | 31.3%       | 13.7%       | 40.1%       |
| Average number of shares                             |             |             |             |             |
| - during the period                                  | 12 841 083  | 12 621 995  | 11 422 987  | 12 679 281  |
| - at end of the period                               | 12 931 229  | 12 931 229  | 11 688 924  | 12 931 229  |
| - at end of the period, diluted                      | 12 841 083  | 12 632 010  | 11 517 522  | 12 686 792  |

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### Major shareholders, September 30, 2012

|     |  | Shares            | Votes %      |
|-----|--|-------------------|--------------|
| 1.  | Ilmarinen Keskinäinen Eläkevakuutusyhtiö | 1 410 000         | 10.9         |
| 2.  | Sihvo, Ilkka                             | 881 675           | 6.8          |
| 3.  | Eräkangas, Kirsi                         | 827 300           | 6.4          |
|     | <i>Eräkangas, Kirsi</i>                  | <i>576 900</i>    | <i>4.5</i>   |
|     | <i>Eräkangas, Lotta</i>                  | <i>250 400</i>    | <i>1.9</i>   |
| 4.  | Vaajoensuu, Hannu                        | 673 800           | 5.2          |
|     | <i>Havacment Oy</i>                      | <i>266 500</i>    | <i>2.1</i>   |
|     | <i>Vaajoensuu, Hannu</i>                 | <i>323 500</i>    | <i>2.5</i>   |
|     | <i>Vaajoensuu, Matias</i>                | <i>83 800</i>     | <i>0.6</i>   |
| 5.  | Perttunen, Sakari                        | 665 900           | 5.1          |
| 6.  | Keskinäinen Työeläkevakuutusyhtiö Varma  | 530 000           | 4.1          |
| 7.  | Fondita Nordic Micro Cap Placeringsf     | 456 000           | 3.5          |
| 8.  | Sijoitusrahasto Nordea Nordic Small Cap  | 387 585           | 3.0          |
| 9.  | Op-Suomi Pienyhtiöt                      | 375 000           | 2.9          |
| 10. | Pensionsförsäkringsaktiebolaget Veritas  | 372 409           | 2.9          |
| 11. | Pöllänen, Antti                          | 299 023           | 2.3          |
|     | <i>Pöllänen, Antti</i>                   | <i>299 023</i>    | <i>2.3</i>   |
| 12. | Sijoitusrahasto Aktia Capital            | 273 313           | 2.1          |
| 13. | Valtion Eläkerahasto                     | 256 000           | 2.0          |
| 14. | Op-Focus –Erikoissijoitusrahasto         | 238 448           | 1.8          |
| 15. | Op-Delta –Sijoitusrahasto                | 232 500           | 1.8          |
| 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 Sijoitusrahasto                | 162 554           | 1.3          |
| 20. | Fim Forte Sijoitusrahasto                | 150 000           | 1.2          |
|     | <b>20 largest shareholders total</b>     | <b>8 711 419</b>  | <b>67.4</b>  |
|     | Nominee registered shares                | <b>1 622 580</b>  | <b>12.5</b>  |
|     | Others                                   | <b>2 597 230</b>  | <b>20.1</b>  |
|     | <b>Total</b>                             | <b>12 931 229</b> | <b>100.0</b> |