

January 25, 2012

**BASWARE FINANCIAL STATEMENTS**

Basware fourth quarter and full year 2011

**SUMMARY** (last year's corresponding period in parentheses, unless otherwise stated)

## Financial year 2011

- Net sales EUR 107 750 thousand (EUR 103 094 thousand) – growth 4.5 percent
- Operating profit EUR 12 280 thousand (EUR 13 487 thousand) – decrease of 8.9 percent
- Operating profit 11.4 percent of net sales (13.1%)
- Operating profit includes a restructuring provision of EUR 1 203 thousand due to streamlining measures
- Growth of Automation services (SaaS and e-Invoicing) 32.3 percent
- Recurring revenue (including Maintenance and Automation Services) 48.9% (44.3%) of net sales
- Cash flows from operating activities were EUR 15 207 thousand (EUR 12 523 thousand)
- Earnings per share EUR 0.76 (0.90) – decrease of 15.0 percent
- Dividend proposal for 2011: EUR 0.41 per share (2010: EUR 0.40)

## October-December Q4

- Net sales EUR 30 227 thousand (EUR 30 149 thousand) – growth 0.3 percent
- Operating profit EUR 3 454 thousand (EUR 4 937 thousand) – decrease of 30.0 percent
- Operating profit 11.4 percent of net sales (16.4%)
- Operating profit includes a restructuring provision of EUR 1 203 thousand due to streamlining measures
- Growth of Automation Services (SaaS and e-invoicing) 17.9 percent
- The estimated revenue to be recognized for current Automation Services agreements in production in the next twelve months is EUR 18.3 million, growth from previous quarter 6.2 percent
- Recurring revenue (including Maintenance and Automation Services) 46.9% (42.5%) of net sales
- Earnings per share EUR 0.23 (0.34) – decrease 32.2 percent

## Basware outlook

- Basware expects its net sales in 2012 to grow from the previous year, and operating profit (EBIT) for 2012 is expected to be EUR 8-18 million

This financial statement release has been prepared in accordance with IAS 34, Interim Financial Reporting.

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, 2012.

**REPORTING**

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

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

January 25, 2012

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

## GROUP KEY FIGURES

EUR thousand	10-12/ 2011	10-12/ 2010	Change, %	1-12/ 2011	1-12/ 2010	Change, %
Net sales	30 227	30 149	0,3	107 750	103 094	4.5
EBITDA	4 671	6 215	-24.8	17 284	18 604	-7.1
Operating profit before IFRS-3 amortization	3 958	5 477	-27.7	14 290	15 691	-8.9
Operating profit	3 454	4 937	-30.0	12 280	13 487	-8.9
% of net sales	11.4	16.4		11.4	13.1	
Profit before tax	3 473	4 839	-28.2	12 332	13 325	-7.5
Profit for the period	2 940	3 913	-24.9	9 671	10 331	-6.4
Return on equity, %	12.0	24.2		11.6	16.7	
Return on investment, %	14.9	29.7		14.9	20.1	
Liquid assets*	42 977	13 822	210.9	42 977	13 822	210.9
Gearing, %	-42.3	-15.3		-42.3	-15.3	
Equity ratio, %	81.9	73.3		81.9	73.3	
Earnings per share, EUR	0.23	0.34	-32,2	0.76	0.90	-15.0
Earnings per share (diluted), EUR	0.23	0.34	-31,9	0.76	0.89	-14.5
Parent company's shareholder's Equity per share, EUR	7.76	5.78	34,6	7.76	5.78	34.6

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

## Basware focuses strongly on service business

Basware's CEO Esa Tihilä about the quarter: "Basware continued the implementation of strategy published in January 2011 and focuses more strongly than previously on services. During the last quarter Automation Services grew 23.3% compared with previous quarter, which reflects continuous growth. Compared with corresponding quarter in 2010 the growth of Automation Services was 17.9 percent. Exceptionally many opening fees of large deals were reported during the corresponding quarter in 2010.

The growth of transaction volume is essential to the growth of Automation Services. Transaction volume grew 51.6 percent compared with corresponding quarter in 2010 and transaction volume was 6.2 million.

Basware's CEO Esa Tihilä about full year 2011: "The company's net sales increased by 4.5 percent to EUR 107 750 thousand. The growth of Automation Services of 32.3 percent had a positive impact on the growth of net sales. Transaction volume in 2011 was 20.8 million and the volume grew by 53.0 percent. Recurring revenue (Automation Services and Maintenance) accounted for 48.9 percent of net sales. The growth of recurring revenue improves the estimates in the long run.

January 25, 2012

Operating profit was EUR 12 280 million and accounted for 11.4 percent of net sales. Operating profit decreased by 8.9 percent. Operating profit includes a restructuring provision of EUR 1 203 thousand due to streamlining measures, during the fourth quarter. By making its operations more efficient, the company increases its focus on the service business. Through streamlining measures Basware seeks possibilities for further investments in growth markets outlined in strategy.

Basware's CEO Esa Tihilä about future outlook: "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. We are targeting completely new customer groups through segmented customer care model as well as through product and services offering.

Our strategic objective is to become the world's leading e-invoice operator. With the acquisition of a German e-Invoice operator in January 2012, we will be able to complement our portfolio with innovative technology to transfer also sales invoices into electronic format, which will also benefit our existing customers worldwide and support our strategy."

### **Market outlook and operating environment**

Market estimates released in January 2012 expect the software market to grow 6.2 percent globally (previous forecast 7.0%) and 8.0 percent in the U.S. in 2011 (forecast unchanged). The entire IT services market is expected to grow by 4.7 percent globally (previous estimate 6.0%) and by 6.8 percent in the U.S. (previous estimate 6.0%) in 2012. According to research companies, the software market is expected to grow at a rate of 7.0 percent globally, IT services by 5.6% and the IT market as a whole by 7.3 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 software still offer a competitive edge, thanks to new added value products and the integrated offering consisting of services and products. The next generation of solutions will improve the company's competitiveness in the long term. Automation Services will have a positive impact on the competitiveness, improving the predictability and transparency of the company's net sales and profitability in the long term.

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

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

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

January 25, 2012

## FOURTH QUARTER OCTOBER 1 – DECEMBER 31, 2011

### NET SALES

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

Net sales (EUR thousand)	10-12/ 2011	10-12/ 2010	Change, %	1-12/ 2011	1-12/ 2010	Change, %
Finland	16 497	16 011	3.0	57 685	53 606	7.6
Scandinavia	7 977	7 708	3.5	25 693	24 188	6.2
Europe	5 237	5 959	-12.1	20 940	21 347	-1.9
Other	3 816	3 898	-2.1	12 737	12 101	5.3
Sales between segments	-3 300	-3 429	-3.8	-9 305	-8 149	14.2
<b>Group total</b>	<b>30 227</b>	<b>30 149</b>	<b>0.3</b>	<b>107 750</b>	<b>103 094</b>	<b>4.5</b>

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

Net sales (EUR thousand)	10-12/ 2011	10-12/ 2010	Change, %	1-12/ 2011	1-12/ 2010	Change, %
Finland	13 042	13 015	0.2	48 660	46 550	4.5
Scandinavia	7 987	7 488	6.7	25 381	23 346	8.7
Europe	5 115	5 385	-5.0	20 187	20 249	-0.3
Other	4 083	4 261	-4.2	13 522	12 949	4.4
<b>Group total</b>	<b>30 227</b>	<b>30 149</b>	<b>0.3</b>	<b>107 750</b>	<b>103 094</b>	<b>4.5</b>

Basware Group's net sales for the period (October–December) increased by 0.3 percent to EUR 30 227 thousand (EUR 30 149 thousand). In local currency terms, net sales decreased by 0.8 percent.

During the period, the Company's license sales decreased by 16.3 percent, accounting for 22.5 percent (27.0%) of net sales. SaaS sales grew by 21.9 percent. During the fourth quarter, maintenance revenue accounted for 31.0 percent (29.0%) of net sales, up 7.2 percent. Professional Services generated 30.6 percent (30.5%) of net sales, up 0.5 percent.

As part of license sales, sales of SEPA update-related banking software decreased by 48.5 percent as the majority of customers had already implemented the SEPA update. Sales of third-party scanning software decreased by 8.7 percent as the customers were sold outsourced scanning services in line with the strategy, reported as recurring revenue under Automation Services.

In October–December, Automation Services (SaaS, e-invoicing, Scan and Capture) grew 17.9 percent and accounted for 15.9 percent (13.5%) of net sales. Automation Services transaction revenue and start-up fees for services increased by 15.4 percent during the period. Of this amount, transaction revenue increased by 46.6 percent. The estimated revenue to be recognized for current Automation Services agreements in production in the next twelve months is EUR 18.3 million (growth of 6.2 percent compared to the estimate made at the end of the previous quarter). The transaction volume processed by the Automation Services business was 6.2 million during the reporting period.

The international share of Basware's net sales was 56.9 percent (56.8%) in October–December. International operations grew by 0.4 percent.

January 25, 2012

## FINANCIAL PERFORMANCE OCTOBER–DECEMBER 2011

Basware Group's operating profit decreased by 30.0 percent in October–December to EUR 3 454 thousand (EUR 4 937 thousand). Operating profit amounted to 11.4 percent (16.4%) of net sales. The operating profit includes a restructuring provision of EUR 1 203 thousand due to streamlining measures.

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

Operating profit (EUR thousand)	10-12/ 2011	10-12/ 2010	Change, %	1-12/ 2011	1-12/ 2010	Change, %
Finland	1 647	2 757	-40.3	6 812	7 703	-11.6
Scandinavia	1 349	1 557	-13.4	4 533	4 136	9.6
Europe	400	743	-46.2	1 629	2 354	-30.8
Other	474	284	66.9	963	924	4.3
Operating profit between segments	-416	-405	2.7	-1 657	-1 629	1.7
<b>Group total</b>	<b>3 454</b>	<b>4 937</b>	<b>-30.0</b>	<b>12 280</b>	<b>13 487</b>	<b>-8.9</b>

The company's fixed costs were EUR 23 422 thousand (EUR 22 216 thousand) in the quarter, and have increased by 5.4 percent on the corresponding period the previous year. Personnel costs made up 74.9 percent (74.2%) or EUR 17 539 thousand (EUR 16 491 thousand) of the fixed costs. Bad debt and bad debt reservations are included in fixed costs. Bad debt reservations at the end of the fourth quarter amounted to EUR 1 021 thousand (EUR 996 thousand) on the balance sheet

Research and development expenses totaled EUR 4 481 thousand (EUR 4 087 thousand), or 14.8 percent (13.6%) of net sales. The expenses increased by 9.6 percent compared to the corresponding period the previous year. R&D expenses capitalized during the fourth quarter amount to EUR 1 535 thousand (EUR 658 thousand). The research and development costs included in the profit for the fourth quarter totaled EUR 2 946 thousand (EUR 3 429 thousand), or 9.7 percent (11.4%) of net sales. The development of next-generation software has an effect on the amount of capitalized research and development costs.

The Company's finance income and finance expenses were EUR 19 thousand (EUR -98 thousand). Profit before tax was EUR 3 473 thousand (EUR 4 839 thousand) and profit for the fourth quarter was EUR 2 940 thousand (EUR 3 913 thousand) or 9.7 percent (13.0%) of net sales. Taxes for the period amounted to EUR 533 thousand (EUR 926 thousand). Undiluted earnings per share were EUR 0.23 (EUR 0.34).

## BUSINESS OPERATIONS OCTOBER–DECEMBER 2011

### Finland

The Finland segment includes the business operations in Finland, Russia, Asia-Pacific (excluding Australia) and the head office functions.

The Finland segment's net sales for the fourth quarter increased by 3.0 percent to EUR 16 497 thousand (EUR 16 011 thousand). The growth in net sales was particularly boosted by growth in Automation Services. The profitability of the segment decreased by 40.3 percent and operating profit was EUR 1 647

January 25, 2012

thousand (EUR 2 757 thousand). The decrease in profitability was due to a restructuring provision due to streamlining measures.

During the fourth quarter, net sales of the Finnish and Russian operations increased by 4.0 percent to EUR 13 709 thousand (EUR 13 179 thousand). The growth in the segment's net sales was particularly boosted by growth in Automation Services. The profitability of the segment decreased by 3.3 percent and operating profit was EUR 4 300 thousand (EUR 4 448 thousand).

There were 14 resellers in the Finland segment, and Basware employees averaged 826 (584) in the area during the fourth quarter. The personnel in India are reported in the Finland segment as part of the head office functions.

### **Scandinavia**

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

In the fourth quarter, net sales in Scandinavia increased by 3.5 percent to EUR 7 977 thousand (EUR 7 708 thousand). In local currency terms, net sales in the area increased by 0.4 percent. The increase in net sales was driven mainly by the increase in license sales. The profitability of the operations declined by 13.4 percent and operating profit was EUR 1 349 thousand (EUR 1 557 thousand).

The operations are mainly managed by the in-house organization, and there were 120 (124) employees on average in the area.

### **Europe**

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

In the fourth quarter, net sales in the Europe segment decreased by 12.1 percent to EUR 5 237 thousand (EUR 5 959 thousand). In local currency terms, net sales in the area decreased by 12.2 percent. The main reason for the decrease in the segment's net sales was the decrease in license sales. The profitability of the operations decreased by 46.2 percent and operating profit was EUR 400 thousand (EUR 743 thousand).

There were 35 resellers in Europe, and Basware personnel in the area averaged 136 (131) during the period.

### **Other**

Business operations in North America and Australia are reported in this segment. During the fourth quarter, net sales in the area decreased by 2.1 percent to EUR 3 816 thousand (EUR 3 898 thousand). In local currency terms, the decrease was 3.8 percent. The decrease in the segment's net sales was driven mainly by a decrease in license sales. The profitability of the operations increased by 66.9 percent and operating profit was EUR 474 thousand (EUR 284 thousand).

The Other segment had 10 resellers at the end of the review period, and Basware personnel in the area averaged 67 (61) during the fourth quarter.



January 25, 2012

## FINANCIAL PERIOD JANUARY 1 – DECEMBER 31, 2011

### NET SALES

Basware Group's net sales for the period (January-December) increased by 4.5 percent to EUR 107 750 thousand (EUR 103 094 thousand). The growth in local currency terms was 3.9 percent.

During the period, the Company's license sales decreased by 15.4 percent, accounting for 19.4 percent (23.9%) of net sales. SaaS sales grew by 16.0 percent. Maintenance revenue increased by 8.9 percent and accounted for 33.6 percent (32.3%) of net sales. Professional Services revenue increased by 4.5 percent and accounted for 31.7 percent (31.7%) of net sales.

As part of license sales, sales of SEPA update-related banking software decreased by 55.5 percent as the majority of customers had already implemented the SEPA update. Sales of third-party scanning software decreased by 38.8 percent as the customers were soled outsourced scanning services in line with the strategy, reported as recurring revenue under Automation Services.

During the financial period, Automation Services (SaaS, e-invoicing, Scan and Capture) grew by 32.3 percent and accounted for 15.3 percent (12.1%) of net sales. The transaction volume processed by the Automation Services business was 20.8 million during the reporting period (growth of 53.0%). Favorable development in start-up fees for services and transaction revenue continued, increasing by a total of 46.0 percent during the period. Of this, transaction net sales increased by 59.9%. The estimated revenue to be recognized for current Automation Services agreements in production in the next twelve months is EUR 18.3 million (growth of 6.2 percent compared to the estimate made at the end of the previous quarter).

The international share of Basware's net sales was 54.8 percent (54.8%) in January–December. International operations grew by 4.5 percent.

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

Net sales (EUR thousand)	10-12/ 2011	10-12/ 2010	Change, %	1-12/ 2011	1-12/ 2010	Change, %
Finland	16 497	16 011	3.0	57 685	53 606	7.6
Scandinavia	7 977	7 708	3.5	25 693	24 188	6.2
Europe	5 237	5 959	-12.1	20 940	21 347	-1.9
Other	3 816	3 898	-2.1	12 737	12 101	5.3
Sales between segments	-3 300	-3 429	-3.8	-9 305	-8 149	14.2
<b>Group total</b>	<b>30 227</b>	<b>30 149</b>	<b>0.3</b>	<b>107 750</b>	<b>103 094</b>	<b>4.5</b>

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

Net sales (EUR thousand)	10-12/ 2011	10-12/ 2010	Change, %	1-12/ 2011	1-12/ 2010	Change, %
Finland	13 042	13 015	0.2	48 660	46 550	4.5
Scandinavia	7 987	7 488	6.7	25 381	23 346	8.7
Europe	5 115	5 385	-5.0	20 187	20 249	-0.3
Other	4 083	4 261	-4.2	13 522	12 949	4.4
<b>Group total</b>	<b>30 227</b>	<b>30 149</b>	<b>0.3</b>	<b>107 750</b>	<b>103 094</b>	<b>4.5</b>

January 25, 2012

## FINANCIAL PERFORMANCE

Basware's operating profit for the period decreased by 8.9 percent to 12 280 thousand (EUR 13 487 thousand). Operating profit represented 11.4 percent (13.1%) of net sales. The operating profit includes a restructuring provision of EUR 1 203 thousand due to streamlining measures.

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

Operating profit (EUR thousand)	10-12/ 2011	10-12/ 2010	Change, %	1-12/ 2011	1-12/ 2010	Change, %
Finland	1 647	2 757	-40.3	6 812	7 703	-11.6
Scandinavia	1 349	1 557	-13.4	4 533	4 136	9.6
Europe	400	743	-46.2	1 629	2 354	-30.8
Other	474	284	66.9	963	924	4.3
Operating profit between segments	-416	-405	2.7	-1 657	-1 629	1.7
<b>Group total</b>	<b>3 454</b>	<b>4 937</b>	<b>-30.0</b>	<b>12 280</b>	<b>13 487</b>	<b>-8.9</b>

The company's fixed costs were EUR 82 850 thousand (EUR 78 285 thousand) in the period, up 5.8 percent on the corresponding period the previous year. Personnel costs made up 74.3 percent (73.2%) or EUR 61 575 thousand (EUR 57 337 thousand) of the fixed costs. Bad debt and movement in bad debt accruals are included in fixed costs. Bad debt reservations at the end of the period amounted to EUR 1 021 thousand (EUR 996 thousand).

The research and development expenses in the period amounted to EUR 16 489 thousand (EUR 14 883 thousand), or 15.3 percent (14.4%) of net sales. The expenses increased by 10.8 percent compared with the same period last year. Research and development costs capitalized during the period amounted to EUR 4 309 thousand (EUR 1 696 thousand). Basware's research and development costs for the period totaled EUR 12 180 thousand (EUR 13 187 thousand), or 11.3 percent (12.8%) of net sales. The development of next-generation software has an effect on the amount of capitalized research and development costs.

The Company's finance income and finance expenses were 52 thousand (EUR -162 thousand). Profit before tax was EUR 12 332 thousand (EUR 13 325 thousand). Taxes for the period amounted to EUR 2 661 thousand (EUR 2 994 thousand). Profit for the period was EUR 9 671 thousand (EUR 10 331 thousand) or 9.0 percent (10.0%) of net sales. Undiluted earnings per share were EUR 0.76 (EUR 0.90).

## FINANCE AND INVESTMENTS

Basware Group's total assets on the balance sheet at the end of the period were EUR 121 966 thousand (EUR 91 470 thousand). The Company's cash and liquid assets were EUR 42 977 thousand (EUR 13 882 thousand), of which cash and cash equivalents were EUR 42 977 thousand (EUR 13 787 thousand) and financial assets at fair value through profit or loss were EUR 0 (EUR 35 thousand). Excess cash assets have been invested in fixed-term deposits in the short term.

Equity ratio was 81.9 percent (73.3%) and gearing was -42.3 percent (-15.3%). The Company's interest-bearing liabilities totaled EUR 682 thousand (EUR 3 582 thousand), of which current liabilities accounted for EUR 158 thousand (EUR 3 550 thousand). Return on investment was 14.9 percent (20.1%) and return on equity 11.6 percent (16.7%).



January 25, 2012

Cash flows from operating activities were EUR 15 207 thousand (EUR 12 523 thousand). Cash flows from investments were EUR -5 631 thousand (EUR -4 454 thousand).

The Company's capital expenditure, resulting from regular additional and replacement investments required for growth, was EUR 2 014 thousand (970 thousand) in the period. Gross investments which include - in addition to those mentioned above - capitalized research and development expenses totaled EUR 6 331 thousand (EUR 4 567 thousand).

There are no indications of impairment of assets. Amortization of intangible assets totaled EUR 4 390 thousand (EUR 4 579 thousand), of which amortization related to mergers and acquisitions were EUR 2 010 thousand (EUR 2 233 thousand).

The amount of invested non-restricted equity increased by EUR 27.3 million as the result of a share issue when Basware issued 1 170 000 new shares in the company to select Finnish and international institutional investors. The new 1 170 000 shares were registered with the Finnish Trade Register on February 16, 2011. Following the registration the number of issued and outstanding shares of the Company is 12 890 829. Public trading in the shares on NASDAQ OMX Helsinki Ltd. commenced on February 17, 2011 together with existing shares.

## RESEARCH, DEVELOPMENT AND NEW PRODUCTS

The research and development expenses amounted to EUR 16 489 thousand (EUR 14 883 thousand), or 15.3 percent (14.4%) of net sales. Research and development expenses increased by 10.8 percent compared with the same period last year. Research and development expenses capitalized during the period amounted to EUR 4 309 thousand (EUR 1 696 thousand). Basware's research and development costs for the period totaled EUR 12 180 thousand (EUR 13 187 thousand), or 11.3 percent (12.8%) of net sales. The development of next-generation software has an effect on the amount of capitalized research and development costs.

Basware launched a new e-Invoice service for consumer invoices in the Finnish market, allowing organizations to send their sales invoices as e-invoices to consumer customers. The service has been developed in cooperation with Nordea Bank.

Basware introduced an accounts payable ledger outsourcing service called InvoiceOut™. With the service, companies can outsource the day-to-day routines of invoice processing, minimize the costs of processing invoices and also improve the efficiency and quality of the process of handling invoices.

Basware launched new Catalogue Services in the market. The packaged solution offers companies comprehensive product catalogue services through Basware's open network, boosting the cooperation between customers and suppliers.

Basware is launching its next generation of software during the first quarter of 2012. The company's next-generation portfolio will also be strongly offered as a service. The next-generation solutions will improve the company's competitiveness in the long term.

A total of 311 (239) people worked in Products at the end of December 2011, 150 of them in India. The number of R&D personnel is expected to grow at a moderate rate.

## PERSONNEL

January 25, 2012

Basware employed 1 058 (845) people on average during the period and 1 182 (913) at the end of the period. The number of personnel increased by 269 persons and by 29.5 percent compared with the same period the previous year. The increase in the number of personnel is mainly due to an increase in the number of employees in the Indian unit. The staff in India are included in the reporting for the Finland segment as part of the head office functions.

The share of personnel working in foreign units has increased compared with the previous year. At the end of the period, 61.2 percent (54.9%) of Basware personnel worked outside of Finland and 38.8 percent (45.1%) in Finland. 11.3 percent of the personnel work in sales and marketing, 55.7 percent in consulting and services, 26.3 percent in Products, and 6.8 percent in administration.

The average age of employees is 34.2 (35.7) years. Of the employees, 27.8 percent have a Master's degree and 32.7 percent have a Bachelor's degree. Women account for 24.5 percent of employees, men for 75.5 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 a share-based incentive scheme. The bonus based on performance is no more than 50 percent of annual basic salary. The bonus is determined on the basis of the attainment of goals supporting to the company's growth and profitability according to its strategy, and personal objectives. The Board of Directors monitors the fulfillment of the performance and result criteria of the incentive scheme twice a year and approves the bonus to be paid.

A 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.

Geographical distribution of personnel:

Personnel (employed, on average)	10-12/ 2011	10-12/ 2010	Change, %	1-12/ 2011	1-12/ 2010	Change, %
Finland	826	584	41,5	738	539	36,8
Scandinavia	120	124	-3,5	119	124	-4,6
Europe	136	131	3,6	137	126	8,9
Other	67	61	10,4	64	55	17,1
<b>Group total</b>	<b>1 149</b>	<b>900</b>	<b>27,6</b>	<b>1 058</b>	<b>845</b>	<b>25,3</b>

## BUSINESS OPERATIONS

### Finland

The Finland segment includes the business operations in Finland, Russia, Asia-Pacific (excluding Australia) and the head office functions.

January 25, 2012

Net sales in the period increased by 7.6 percent to EUR 57 685 thousand (EUR 53 606 thousand). The growth in net sales was particularly boosted by growth in Automation Services. The profitability of the segment decreased by 11.6 percent and operating profit was EUR 6 812 thousand (EUR 7 703 thousand). The decrease in profitability was driven by a restructuring provision due to streamlining measures.

Net sales of the Finnish and Russian operations increased by 6.2 percent to EUR 49 936 thousand (EUR 47 013 thousand). The main driver behind the segment's growth was the growth of Automation Services. The profitability of operations decreased by 1.2 percent, and operating profit amounted to EUR 16 437 thousand (EUR 16 641 thousand).

There are 14 resellers in the Finland segment and Basware employees averaged 738 (539) in the area during the period. The staff in India are included in the reporting for the Finland segment as part of the head office function

### **Scandinavia**

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

During the period, net sales in Scandinavia increased by 6.2 percent to EUR 25 693 thousand (EUR 24 188 thousand). In local currency terms, net sales in the area increased by 3.1 percent. The main driver behind the segment's growth was the growth of Automation Services. The profitability of the operations improved by 9.6 percent and operating profit was EUR 4 533 thousand (EUR 4 136 thousand).

The operations are mainly managed by the in-house organization, and Basware employees averaged 119 (124).

### **Europe**

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

During the period, net sales in the Europe segment decreased by 1.9 percent to EUR 20 940 thousand (EUR 21 347 thousand). In local currency terms, net sales in the area decreased by 1.6 percent. The main reason for the decrease in the segment's net sales was the decrease in license sales. The profitability of the operations decreased by 30.8 percent and operating profit was EUR 1 629 thousand (EUR 2 354 thousand).

There were 35 resellers in Europe, and Basware personnel in the area averaged 137 (126) during the period.

### **Other**

Business operations in North America and Australia are reported in this segment. During the period, net sales in the area increased by 5.3 percent to EUR 12 737 thousand (EUR 12 101 thousand). In local currency terms, the growth in net sales was 5.9 percent. The main driver behind the growth of the segment's net sales was growth in Professional Services. The profitability of the operations increased by 4.3 percent and operating profit was EUR 963 thousand (EUR 924 thousand).

January 25, 2012

The Other segment had 10 resellers at the end of the financial period, and Basware personnel in the area averaged 64 (55) during the period.

## **OTHER EVENTS OF THE FINANCIAL PERIOD**

Basware's Board of Directors and company management have adjusted the company's strategy and goals for the next 4-year period. A separate stock exchange release was issued on January 25, 2011.

Basware issued 1 170 000 new shares in the company to select Finnish and international institutional investors. In addition, certain major Basware shareholder individuals sold a total of 800 000 existing shares in the company in conjunction with the share issue. The new 1 170 000 shares were registered with the Finnish Trade Register on February 16, 2011. Following the registration, the number of issued and outstanding shares of the Company is 12 890 829. Public trading in the shares on NASDAQ OMX Helsinki Ltd. commenced on February 17, 2011 together with existing shares. Separate stock exchange releases on the share issue were issued on February 14, 2011, and February 16, 2011.

Basware issued a profit warning on September 8, 2011, when the company had previously estimated that the net sales in 2011 would grow over 10 percent and that the operating profit (EBIT) for 2011 was expected to be over 13 percent of net sales. According to the outlook, Basware estimated that its net sales would grow 5–9 percent and operating profit (EBIT) would be 11.5–14.5 percent of net sales. The adjustment of the net sales and operating profit guidance for 2011 was based on general financial market instability and lower than expected software market growth, which had resulted in the sales of Basware licenses and related professional services developing slower than expected. A separate stock exchange release on the profit warning was issued on September 8, 2011.

Basware issued a profit warning on December 7, 2011, estimating that the growth in its net sales will be positive but below the previous estimate, according to which the company's net sales for 2011 would grow 5-9 percent. The company's operating profit (EBIT) for 2011 was expected to be over 10 percent of net sales instead of the previous estimate of 11.5-14.5 percent. The change in net sales and operating profit guidance was based on significantly lower than expected license sales in the fourth quarter. A separate stock exchange release on the profit warning was issued on December 7, 2011.

## **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.

### **Share price and trade**

During the reporting period, the highest price of the share was EUR 28.10 (EUR 24.80), the lowest was EUR 14.95 (EUR 15.00) and the closing price was EUR 16.45 (EUR 24.75). The average price of the share was EUR 21.58 (EUR 19.27) during the period.

A total of 5 079 523 (2 131 071) shares were traded during the financial period which is the equivalent of 40.1 percent (18.5%) of the average number of shares. Market capitalization with the period's closing price on December 31, 2011 was EUR 211 737 063 (EUR 287 093 169).

### **Shareholders**

Basware had 15 017 (15 752) shareholders on December 31, 2011, including nominee-registered holdings (11). Nominee-registered holdings accounted for 12,4 percent of the total number of shares.

January 25, 2012

The company holds 59 675 Basware Corporation shares, corresponding to 0.5 percent of all shares in the company.

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

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

Basware announced five notifications of change in ownership: on February 22, 2011 the total number of shares held by Nordea Rahastoyhtiö Suomi Oy represented more than 5% of Basware Corporation's share capital and voting rights; on February 15, 2011 the total number of shares held by Kirsi Eräkangas was below 5% of Basware Corporation's share capital and voting rights; on February 2, 2011 the total number of shares held by Nordea Rahastoyhtiö Suomi Oy represented less than 5% of Basware Corporation's share capital and voting rights. Basware announced a notification of change in ownership when Nordea Rahastoyhtiö Suomi Oy reported on April 11, 2011 that the total number of shares held by it represented less than 5% of Basware Corporation's share capital and voting rights on March 24, 2011. Basware announced a notification of change in ownership on June 7, 2011 when Ilmarinen Mutual Pension Insurance Company reported that its holding in Basware Corporation exceeded the 10% threshold on June 7, 2011.

### **Shareholding of Management and Board**

According to the shareholder register managed by Euroclear Finland Oy, on December 31, 2011 CEO Esa Tihilä holds 4 875 Basware shares, Matti Copeland 2 771 shares, Olli Hyppänen 8 490 shares, Steve Muddiman 4 375 shares, and Jukka Virkkunen 4 375 shares. Other members of the Basware Executive Team do not hold Basware shares.

According to the shareholder register managed by Euroclear Finland Oy, on December 31, 2011 Hannu Vaajoensuu holds 757 976 Basware shares, Pentti Heikkinen 2 049 shares, Ilkka Toivola 2 790 shares, Sakari Perttunen 841 300 shares, and Eeva Sipilä 1 033 shares.

### **GOVERNANCE**

The Annual General Meeting of Shareholders on February 17, 2011, confirmed the number of Board members as five. The Annual General Meeting resolved to agree on the proposal and elected Sakari Perttunen, Pentti Heikkinen, Eeva Sipilä, Ilkka Toivola, and Hannu Vaajoensuu members of the Board of Directors.

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.

#### **Authorizations**

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. Based on the



January 25, 2012

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

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

A separate stock exchange release on the authorizations granted to the Board of Directors and the other resolutions of the Annual General Meeting was issued on February 17, 2011.

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.

Basware's Corporate Governance principles are available in full on the company's website at [http://www.basware.com/Investors/corporate\\_governance/Pages/default.aspx](http://www.basware.com/Investors/corporate_governance/Pages/default.aspx)

Basware Corporation's Board of Directors appointed Executive Team member, Senior Vice President Esa Tihilä (born 1964), as the company's new CEO from October 17, 2011. A separate stock exchange release on the appointment was issued on October 13, 2011.

The company announced its new organization structure on October 31, 2011 and will adopt a globally directed function-based organization as of January 1, 2012. By revising its business model, Basware will be able to implement its strategy more effectively, clarify its functions and utilize the growth opportunities in the market. A separate stock exchange release on the revised organization structure was issued on October 31, 2011.

During 2011, the composition of the Basware Executive Team was as follows: Ilkka Sihvo CEO January 1, 2011 – October 16, 2011; Esa Tihilä, CEO October 17, 2011 – December 31, 2011, Senior Vice President, Automation Services January 1, 2011 – October 16, 2011; Mika Harjuaho, CFO; Mari Heusala, Vice President, HR&Dev; Olli Hyppänen, Senior Vice President, Strategy and Global Operations; Jorma Kemppainen, Senior Vice President, Products; Pekka Lindfors, Senior Vice President, NorthEast; Steve Muddiman, Senior Vice President, Global Marketing; Matti Rusi, Senior Vice President, Europe; Ari Salonen, Senior Vice President, North America; and Jukka Virkkunen, Senior Vice President, Scandinavia. As of January 25, 2011, the Executive Team also included Matti Copeland, Senior Vice President, M&A, IR. Matti Copeland resigned from the Basware Board of Directors on January 24, 2011.



January 25, 2012

## SHORT-TERM RISKS AND RISK MANAGEMENT

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 mitigated in various ways. Short-term risks are considered to be risks in the current reporting year.

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.

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. 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. Basware will publish a next-generation software suite during the first quarter of 2012. The next-generation software family aims to ensure Basware's product leadership in Purchase to Pay 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 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. 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. Our Indian branch has grown at a rapid rate during 2011, and we are surveying the possibilities of new business service functions and internal support functions to operate from India. We are also investigating new geographical areas.

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

## ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

Basware's corporate responsibility is driven by strong business ethics, corporate values, and legislation. The company is committed to economic, social and environmental responsibility in all operations.

January 25, 2012

Basware's software products reduce paper consumption in thousands of offices around the world, leading the customer companies toward the paperless office, which saves both the environment and money. Profitability and financial stability are an integral part of Basware's responsibility. Stability and trustworthiness yield added value to all stakeholders.

Basware has cooperated with the Plan Finland charity foundation since 2002, and the company has 15 sponsored children around the world. The company also supports the World Wildlife Fund's Save the Baltic Sea project.

#### Audit of the environmental system

Bureau Veritas Certification has audited Basware Corporation's offices in Espoo, Oulu, Pori, and Tampere, and given them ISO 14001:2004 certification on August 8, 2011.

## STRATEGY

Basware's Board of Directors and company management adjusted the company's strategy and goals for the next 4-year period in January 2011. The company will focus strongly on international growth and therefore arranged a directed issue of shares to select institutional investors in the first quarter. In order to strengthen its international growth, Basware increased the significance of mergers and acquisitions in its strategy and organization. The company has been active in mergers and acquisitions and strengthened the activity further by establishing a new executive team-level M&A function.

The company aims to be a leading e-invoice company worldwide. Acquisitions will support the growth of the e-invoicing service. Its annual volume in 2011 amounted to 20.8 million transactions. The e-invoicing market is growing strongly, and Basware aims to reach the 100 million invoice mark by 2014. With the acquisition of a German e-invoice operator in January 2012, the company will be able to complement its portfolio with innovative technology also to make sales invoices electronic, which will increase growth opportunities and also benefit existing customers worldwide.

We restructured our organization during the fourth quarter of 2011 and adopted a globally managed function-based organization as of January 1, 2012. The change in the operating model allows Basware to implement its strategy more efficiently, clarify the functions and utilize the growth opportunities offered by the market. We will seek entirely new customer groups with segment-based customer account management and product and service portfolio. According to Basware's view, the significance of the service concept will continue its solid growth in the future as well, which is the reason for marketing the company's next-generation product concept strongly also as services. Basware has adjusted its pricing model to be very flexible according to customer needs. From now on, software solutions will be available to customers with one-time license fee, monthly subscription, and according to the SaaS model.

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

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

January 25, 2012

A separate stock exchange release on the strategy update was issued on January 25, 2011 and on the organization reform on November 31, 2011.

## MANAGEMENT AND AUDITORS

Ilkka Sihvo acted as the CEO of the company during January 1, 2010 – October 16, 2011 and Esa Tihilä October 17, 2011 – December 31, 2011. The CEO is in charge of the day-to-day management of the company in accordance with the instructions and orders given by the Board. The Annual General Meeting of Shareholders on February 17, 2011, confirmed the number of Board members as five. Pentti Heikkinen, Sakari Perttunen, Eeva Sipilä, Ilkka Toivola and Hannu Vaajoensuu were elected to the Board. In its first meeting, the Board elected Hannu Vaajoensuu as Chairman of the Board and Sakari Perttunen as Vice Chairman.

The Annual General Meeting 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.

## EVENTS AFTER THE FINANCIAL PERIOD

Basware Executive Team 1.1.2012:

Esa Tihilä, CEO; Matti Copeland, Senior Vice President, Strategy; Mika Harjuaho, CFO; 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.

On January 17, 2012 Basware acquired the entire share capital of e-Invoicing operator First Businesspost GmbH. The acquisition price amounts to approximately EUR 12.2 million. The debt free price is approximately EUR 9.0 million in addition to which Basware takes over approximately EUR 3.2 million of parent company loans in the company. The acquisition price will be paid in cash in connection with the closing of the acquisition so that 20 percent of the debt free price will be paid to an escrow account. The escrow agreement is in place until the end of January 2013. Basware consolidates First Businesspost's figures into its net sales and profit as of January 1, 2012.

A separate stock exchange release on the acquisition was issued on January 18, 2012.

## FUTURE OUTLOOK

Market estimates released in January 2012 expect the software market to grow 6.2 percent globally (previous forecast 7.0%) and 8.0 percent in the U.S. in 2011 (forecast unchanged). The entire IT services market is expected to grow by 4.7 percent globally (previous estimate 6.0%) and by 6.8 percent in the U.S. (previous estimate 6.0%) in 2012. According to research companies, the software market is expected to grow at a rate of 7.0 percent globally, IT services by 5.6% and the IT market as a whole by 7.3 percent.

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, especially with the company's next-generation software family. 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.

January 25, 2012

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. In addition, the uncertainty in the market will continue. Therefore, Basware estimates that its net sales for 2012 will increase on the previous year, while its operating profit (EBIT) is estimated to reach EUR 8–18 million.

## BOARD'S DIVIDEND PROPOSAL

Basware is a growth company that aims at increased market capitalization and moderate dividend yield. When preparing the dividend proposal, the Board considers the company's financial position, profitability and prospects in the near future.

At the end of 2011, the Group parent company's distributable funds are EUR 95 917 650.04.

Basware's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.41 per share (2010: EUR 0.40) be paid for 2011.

Espoo, Finland, January 25, 2012

BASWARE CORPORATION  
Board of Directors

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

## Analyst and Press Briefing

Basware arranges today, January 25, 2012 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 Esa Tihilä will comment the operations and financial performance of the quarter. Welcome. A conference call for analysts will take place on January 25 at 15:30 (GMT+2). Registration: [IR@basware.com](mailto:IR@basware.com)

## FINANCIAL REPORTING IN 2012

Basware's Annual Report 2011, including the audited Financial Statements, will be published on the company's website during the week starting on February 8, 2012. The company will not publish the Annual Report in print.

Release dates for interim reports:

- Interim Report January-March 2012 (Q1) on Thursday, April 16, 2012
- Interim Report January-June 2012 (Q2) on Wednesday, July 11, 2012
- Interim Report January-September 2012 (Q3) on Wednesday, October 10, 2012

Basware Corporation's Annual General Meeting of Shareholders will be held on Thursday, February 16, 2012 starting at 2:00 PM at Helsinki Music House, Mannerheimintie 13a in Helsinki, Finland.

January 25, 2012

**Distribution:**

NASDAQ OMX Helsinki Ltd

Key media

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

January 25, 2012

**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 2010. However, the adoption of these new and amended norms have not yet had an effect on the reported figures in practice. In other respects, the same accounting policies have been followed as in the previous Financial Statements. Key indicator calculations remain unchanged and have been presented in the 2010 Financial Statements.

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

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

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

The amounts presented in this release are based on the company's audited financial statements. The Auditor's Report was issued on January 24, 2012.



January 25, 2012

# GROUP INCOME STATEMENT

EUR thousand	1.10.- 31.12. 2011	1.10.- 31.12. 2010	Change, %	1.1.- 31.12. 2011	1.1.- 31.12. 2010	Change, %
<b>NET SALES</b>	<b>30 227</b>	<b>30 149</b>	<b>0.3</b>	<b>107 750</b>	<b>103 094</b>	<b>4.5</b>
Other operating income	46	42	7.6	172	189	-9.0
Materials and services	-2 179	-1 760	23.8	-7 788	-6 395	21.8
Employee benefit expenses	-17 539	-16 491	6.4	-61 575	-57 337	7.4
Depreciation and amortization	-1 218	-1 278	-4.7	-5 004	-5 117	-2.2
Other operating expenses	-5 883	-5 725	2.8	-21 275	-20 947	1.6
<b>Operating profit</b>	<b>3 454</b>	<b>4 937</b>	<b>-30.0</b>	<b>12 280</b>	<b>13 487</b>	<b>-8.9</b>
Finance income	232	141	64.8	510	202	151.9
Finance expenses	-213	-239	-10.8	-458	-365	25.6
<b>Profit before tax</b>	<b>3 473</b>	<b>4 839</b>	<b>-28.2</b>	<b>12 332</b>	<b>13 325</b>	<b>-7.5</b>
Income tax expense	-533	-926	-42.4	-2 661	-2 994	-11.1
<b>PROFIT FOR THE PERIOD</b>	<b>2 940</b>	<b>3 913</b>	<b>-24.9</b>	<b>9 671</b>	<b>10 331</b>	<b>-6.4</b>
<b>Other comprehensive income</b>						
Exchange differences on translating foreign operations	443	1 330	-66.7	368	1 981	-81.4
Income tax relating to components of other comprehensive income	-48	-779	-93.8	54	-454	119.9
Other comprehensive income, net of tax	395	551	-28.3	422	1 527	-72.4
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>3 335</b>	<b>4 463</b>	<b>-25.2</b>	<b>10 093</b>	<b>11 857</b>	<b>-14.9</b>
Profit attributable to:						
Owners of the parent	2 940	3 913	-24.9	9 671	10 331	-6.4
	<b>2 940</b>	<b>3 913</b>	<b>-24.9</b>	<b>9 671</b>	<b>10 331</b>	<b>-6.4</b>
Total comprehensive income attributable to:						
Owners of the parent	3 335	4 463	-25.2	10 093	11 857	-14.9
	<b>3 335</b>	<b>4 463</b>	<b>-25.2</b>	<b>10 093</b>	<b>11 857</b>	<b>-14.9</b>
Earnings per share (undiluted), EUR	0.23	0.34	-32.2	0.76	0.90	-15.0
Earnings per share (diluted), EUR	0.23	0.34	-31.9	0.76	0.89	-14.5

January 25, 2012

## GROUP BALANCE SHEET

	31.12.2011	31.12.2012	Change, %
<b>EUR thousand</b>			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	19 208	18 085	6.2
Goodwill	32 210	32 184	0.1
Tangible assets	1 244	1 079	15.2
Available-for-sale investments	38	38	0.0
Long-term trade and other receivables	0	23	-100.0
Deferred tax assets	2 680	2 074	29.2
<b>Non-current assets</b>	<b>55 379</b>	<b>53 483</b>	<b>3.5</b>
<b>CURRENT ASSETS</b>			
Inventories	143	56	156.0
Trade and other receivables	23 091	24 066	-4.0
Income tax receivables	374	43	769.5
Financial assets at fair value through profit or loss	0	35	-100.0
Cash and cash equivalents	42 977	13 787	211.7
<b>Current assets</b>	<b>66 586</b>	<b>37 987</b>	<b>75.3</b>
<b>TOTAL ASSETS</b>	<b>121 966</b>	<b>91 470</b>	<b>33.3</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	3 528	3 507	0.6
Issue of shares	0	255	-100.0
Share premium account	1 187	1 187	-0.0
Own shares	-429	-629	31.8
Fair value reserve and other reserves	62 516	34 803	79.6
Translation differences	-1 266	-1 688	25.0
Retained earnings	34 340	29 644	15.8
<b>Shareholders' equity</b>	<b>99 877</b>	<b>67 079</b>	<b>48.9</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liability	2 079	2 751	-24.4
Interest-bearing liabilities	524	32	1536.7
Non-interest-bearing liabilities	486	631	-22.9
<b>Non-current liabilities</b>	<b>3 090</b>	<b>3 414</b>	<b>-9.5</b>
<b>CURRENT LIABILITIES</b>			
Interest-bearing liabilities	158	3 550	-95.5
Trade payables and other and other liabilities	16 765	16 201	3.5
Tax liability from income tax	873	1 226	-28.8
Provisions	1 203	0	
<b>Current liabilities</b>	<b>19 000</b>	<b>20 977</b>	<b>-9.4</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>121 966</b>	<b>91 470</b>	<b>33.3</b>

January 25, 2012

# GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR thousand	Share- holder capital	Share issue	Share premium account	Own shares	Inv. non- restricted equity	Other reserves	Translation differences	Retained earnings	Total
<b>SHAREHOLDERS' EQUITY 1.1.2010</b>	3 440	140	69	-629	33 058	540	-3 214	23 176	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
<b>SHAREHOLDERS' EQUITY 31.12.2010</b>	<b>3 507</b>	<b>255</b>	<b>1 187</b>	<b>-629</b>	<b>34 263</b>	<b>540</b>	<b>-1 688</b>	<b>29 644</b>	<b>67 079</b>

EUR thousand	Share- holder capital	Share issue	Share premium account	Own shares	Inv. non- restricted equity	Other reserves	Translation differences	Retained earnings	Total
<b>SHAREHOLDERS' EQUITY 1.1.2011</b>	3 507	255	1 187	-629	34 263	540	-1 688	29 644	67 079
Comprehensive income							422	9 671	10 093
Dividend distribution								-5 120	-5 120
Share issue					27 345				27 345
Granted warrants					568				568
Changes in reporting period	21	-255		200	-200			145	-89
<b>SHAREHOLDERS' EQUITY 31.12.2011</b>	<b>3 528</b>	<b>0</b>	<b>1 187</b>	<b>-429</b>	<b>61 976</b>	<b>540</b>	<b>-1 266</b>	<b>34 340</b>	<b>99 877</b>

January 25, 2012

## GROUP CASH FLOW STATEMENT

	1.1- 31.12.2011	1.1.- 31.12.2010
EUR thousand		
<b>Net cash from operating activities</b>		
Profit for the period	9 671	10 331
Adjustments for profit	7 613	8 508
Working capital changes	2 456	-3 158
Interest paid	-285	-43
Interest received	483	66
Other financial items in operating activities	-285	-98
Income taxes paid	-4 446	-3 084
<b>Net cash from operating activities</b>	<b>15 207</b>	<b>12 523</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible and intangible assets	5 631	-2 722
Acquired subsidiaries	0	-1 732
<b>Net cash used in investing activities</b>	<b>-5 631</b>	<b>-4 454</b>
<b>Cash flows from financing activities</b>		
Share issue	28 063	2 505
Repayments of short-term borrowings	0	-2 001
Repayments of long-term borrowings	-3 550	-3 550
Dividends paid	-5 120	-4 100
<b>Net cash used in financing activities</b>	<b>19 393</b>	<b>-7 147</b>
<b>Net change in cash and cash equivalents according to the cash flow statement</b>	<b>28 969</b>	<b>922</b>
Cash and cash equivalents at beginning of period	13 822	12 210
Effects of exchange rate changes on cash and cash equivalents	187	690
Cash and cash equivalents at end of period	42 977	13 822

January 25, 2012

## GROUP QUARTERLY INCOME STATEMENT

EUR thousand	1-3/ 2011	1-3/ 2010	4-6/ 2011	4-6/ 2010	7-9/ 2011	7-9/ 2010	10-12/ 2011	10-12/ 2010
<b>NET SALES</b>	<b>26 058</b>	<b>23 132</b>	<b>27 280</b>	<b>26 612</b>	<b>24 185</b>	<b>23 202</b>	<b>30 227</b>	<b>30 149</b>
Other operating income	42	50	41	55	43	43	46	42
Materials and services	-1 948	-1 288	-1 727	-1 754	-1 933	-1 593	-2 179	-1 760
Employee benefit expenses	-14 738	-13 703	-16 004	-15 184	-13 293	-11 959	-17 539	-16 491
Depreciation and amortization	-1 237	-1 236	-1 279	-1 309	-1 270	-1 294	-1 218	-1 278
Other operating expenses	-5 219	-4 818	-5 478	-5 414	-4 694	-4 991	-5 883	-5 725
<b>Operating profit</b>	<b>2 957</b>	<b>2 136</b>	<b>2 832</b>	<b>3 006</b>	<b>3 038</b>	<b>3 408</b>	<b>3 454</b>	<b>4 937</b>
%	11.3%	9.2 %	10.4%	11.3 %	12.6%	14.7 %	11.4%	16.4 %
Finance income	51	116	125	4	102	-59	232	141
Finance expenses	-77	-111	-111	-58	-115	42	-213	-239
<b>Profit before tax</b>	<b>2 930</b>	<b>2 142</b>	<b>2 904</b>	<b>2 953</b>	<b>3 024</b>	<b>3 391</b>	<b>3 472</b>	<b>4 839</b>
%	11.2%	9.3 %	10.6%	11.1 %	12.5%	14.6 %	11.5%	16.1 %
Income tax expense	-662	-560	-742	-811	-723	-697	-533	-926
<b>PROFIT FOR THE PERIOD</b>	<b>2 268</b>	<b>1 582</b>	<b>2 161</b>	<b>2 142</b>	<b>2 301</b>	<b>2 694</b>	<b>2 940</b>	<b>3 913</b>
%	8.7%	6.8 %	7.9%	8.0 %	9.5%	11.6 %	9.7%	13.0 %

January 25, 2012

## COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand	31.12.2011	31.12.2010
<b>OWN GUARANTEES</b>		
Floating charge	1 200	1 200
<b>GUARANTEES ON BEHALF OF SUBSIDIARIES</b>		
Guarantees	1 290	1 123
<b>OTHER OWN GUARANTEES</b>		
Lease liabilities		
Current lease liabilities	825	848
Lease liabilities maturing in 1–5 years	899	796
<b>Total</b>	<b>1 723</b>	<b>1 644</b>
Other rental liabilities		
Current rental liabilities	4 551	4 054
Rental liabilities maturing in 1–5 years	7 016	9 913
<b>Total</b>	<b>11 568</b>	<b>13 967</b>
<b>Other own contingent liabilities, total</b>	<b>13 291</b>	<b>15 611</b>

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



January 25, 2012

## SEGMENT REPORTING

### Geographical segments (by the location of assets)

Net sales (EUR thousand)	10-12/ 2011	10-12/ 2010	Change, %	1-12/ 2011	1-12/ 2010	Change, %
Finland	16 497	16 011	3.0	57 685	53 606	7.6
Scandinavia	7 977	7 708	3.5	25 693	24 188	6.2
Europe	5 237	5 959	-12.1	20 940	21 347	-1.9
Other	3 816	3 898	-2.1	12 737	12 101	5.3
Sales between segments	-3 300	-3 429	-3.8	-9 305	-8 149	14.2
<b>Group total</b>	<b>30 227</b>	<b>30 149</b>	<b>0.3</b>	<b>107 750</b>	<b>103 094</b>	<b>4.5</b>

Operating profit (EUR thousand)	10-12/ 2011	10-12/ 2010	Change, %	1-12/ 2011	1-12/ 2010	Change, %
Finland	1 647	2 757	-40.3	6 812	7 703	-11.6
Scandinavia	1 349	1 557	-13.4	4 533	4 136	9.6
Europe	400	743	-46.2	1 629	2 354	-30.8
Other	474	284	66.9	963	924	4.3
Operating profit between segments	-416	-405	2.7	-1 657	-1 629	1.7
<b>Group total</b>	<b>3 454</b>	<b>4 937</b>	<b>-30.0</b>	<b>12 280</b>	<b>13 487</b>	<b>-8.9</b>

Personnel (employed, on average)	10-12/ 2011	10-12/ 2010	Change, %	1-12/ 2011	1-12/ 2010	Change, %
Finland	826	584	41.5	738	539	36.8
Scandinavia	120	124	-3.5	119	124	-4.6
Europe	136	131	3.6	137	126	8.9
Other	67	61	10.4	64	55	17.1
<b>Group total</b>	<b>1 149</b>	<b>900</b>	<b>27.6</b>	<b>1 058</b>	<b>845</b>	<b>25.3</b>

### Net sales by business

Net sales (EUR thousand)	10-12/ 2011	10-12/ 2010	Change, %	1-12/ 2011	1-12/ 2010	Change, %
License Sales	6 806	8 129	-16.3	20 874	24 688	-15.4
Maintenance	9 378	8 751	7.2	36 247	33 273	8.9
Professional Services	9 236	9 192	0.5	34 179	32 702	4.5
Automation Services	4 807	4 077	17.9	16 449	12 431	32.3
<b>Group total</b>	<b>30 227</b>	<b>30 149</b>	<b>0.3</b>	<b>107 750</b>	<b>103 094</b>	<b>4.5</b>

### Geographical division of net sales by the location of customer

Net sales (EUR thousand)	10-12/ 2011	10-12/ 2010	Change, %	1-12/ 2011	1-12/ 2010	Change, %
Finland	13 042	13 015	0.2	48 660	46 550	4.5
Scandinavia	7 987	7 488	6.7	25 381	23 346	8.7
Europe	5 115	5 385	-5.0	20 187	20 249	-0.3
Other	4 083	4 261	-4.2	13 522	12 949	4.4
<b>Group total</b>	<b>30 227</b>	<b>30 149</b>	<b>0.3</b>	<b>107 750</b>	<b>103 094</b>	<b>4.5</b>

January 25, 2012

## GROUP KEY INDICATORS

### Group Key Financial Performance Indicators

	1-12/11	1-12/10	1-12/09
EUR thousand			
Net sales	107 750	103 094	92 654
Growth of net sales, %	4.5%	11.3%	7.6%
EBITDA	17 284	18 604	16 280
% of net sales	16.0%	18.0%	17.6%
Operating profit before IFRS amortization	14 290	15 691	13 788
% of net sales	13.3%	15.2%	14.9%
Operating profit	12 280	13 487	11 824
Growth of operating profit, %	-8.9%	14.1%	36.2%
% of net sales	11.4%	13.1%	12.8%
Profit before tax	12 332	13 325	11 590
% of net sales	11.4%	12.9%	12.5%
Profit for the period	9 671	10 331	9 074
% of net sales	9.0%	10.0%	9.8%
Return on equity, %	11.6%	16.7%	17.2%
Return on investment, %	14.9%	20.1%	18.8%
Interest-bearing liabilities	682	3 582	9 230
Cash and liquid assets *)	42 977	13 822	12 210
Gearing, %	-42.3%	-15.3%	-5.3%
Equity ratio, %	81.9%	73.3%	64.8%
Total assets	121 966	91 470	87 287
Gross investments **)	6 331	4 567	7 448
% of net sales	5.9%	4.4%	8.0%
Capital expenditure	2 014	970	2 047
% of net sales	1.9%	0.9%	2.2%
Research and development costs	16 489	14 883	14 781
% of net sales	15.3%	14.4%	16.0%
R&D personnel at end of period	311	239	195
Personnel on average during the period	1 058	845	747
Personnel at end of period	1 182	913	761
Increase in personnel, %	29.5%	20.0%	4.1%

January 25, 2012

**Group share indicators**

	1-12/11	1-12/10	1-12/09
EUR thousand			
Earnings per share, EUR	0.76	0.90	0.80
Earnings per share (diluted), EUR	0.76	0.89	0.80
Equity per share, EUR	7.72	5.74	4.93
Parent company's shareholder's			
Equity per share, EUR	7.76	5.78	4.97
Dividend per share, EUR **)	0.41	0.40	0.36
Dividend per profit, %	53.8%	44.6%	45.2%
Effective dividends, %	2.5%	1.6%	2.5%
P/E ratio (P/E)	21.57	27.58	18.21
Share price performance			
lowest share price	14.95	15.00	6.60
highest share price	28.10	24.80	14.66
average share price	21.58	19.27	10.79
closing share price	16.45	24.75	14.52
Market capitalization at end of period	211 737 063	287 093 169	165 206 004
Number of traded shares	5 079 523	2 131 071	2 038 565
% of average number of shares	40.1%	18.5%	17.9%
Average number of shares			
- during the period	12 679 281	11 513 690	11 381 905
- during the period, diluted	12 686 792	11 585 155	11 381 905

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

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

\*\*\*) The figure for 2011 is the Board's proposal to the Annual General Meeting

January 25, 2012

**Major shareholders, December 31, 2011**

	Shares, pcs	Votes, %
1. Ilmarinen Mutual Pension Insurance Company	1 590 000	12.3
2. Sihvo, Ilkka	881 675	6.8
3. Eräkangas, Kirsi	827 300	6.4
Eräkangas, Kirsi	576 900	4.5
Eräkangas, Lotta	250 400	1.9
4. Vaajoensuu, Hannu	673 800	5.2
Havacment Oy	266 500	2.1
Vaajoensuu, Hannu	323 500	2.5
Vaajoensuu, Matias	83 800	0.6
5. Perttunen, Sakari	665 900	5.1
6. Varma Mutual Pension Insurance Company	530 000	4.1
7. Nordea Nordic Small Cap Fund	387 585	3.0
8. Veritas Pension Insurance Company	377 782	2.9
9. Fondita Nordic Micro Cap	355 000	2.7
10. Op-Suomi Pienyhtiöt	325 000	2.5
11. Pöllänen, Antti	299 023	2.3
12. The State Pension Fund	256 000	2.0
13. Kaleva Mutual Insurance Company	223 790	1.7
14. Investment Fund Aktia Capital	208 313	1.6
15. OP-Delta Fund	202 500	1.6
16. FIM Fenno Fund	181 243	1.4
17. Perttunen, Meimi	175 400	1.4
18. Ahonen, Asko	168 736	1.3
19. Fim Forte Fund	150 000	1.2
20. Mandatum Life Insurance Company Ltd.	116 371	0.9
<b>20 largest shareholders total</b>	<b>8 595 418</b>	<b>66.5</b>
<b>Nominee registered shares</b>	<b>1 602 961</b>	<b>12.4</b>
<b>Others</b>	<b>2 732 850</b>	<b>21.1</b>
<b>Total</b>	<b>12 931 229</b>	<b>100.0</b>

January 25, 2012

### Distribution by sector

December 31, 2011

	Number of holders	Pcs	Votes, %
Private companies	547	798 881	6,2
Financial and insurance institutions	35	2 397 499	18,5
Public sector organizations	7	2 775 129	21,5
Non-profit organizations	43	381 937	3,0
Households	14 334	4 959 532	38,4
Foreign	40	15 290	0,1
	15 006	11 328 268	87,6
Nominee-registered	11	1 602 961	12,4
Total	15 017	12 931 229	100,0

### Distribution of holdings by number of shares

December 31, 2011

	Number of holders	Shares, Pcs	Votes, %
1-100	12 472	292 753	2,3
101-1 000	2 227	670 307	5,2
1 001-10 000	258	644 498	5,0
10 001 - 100 000	34	1 315 902	10,1
100 001 +	26	10 007 373	77,4
Total	15 017	12 931 229	100,0