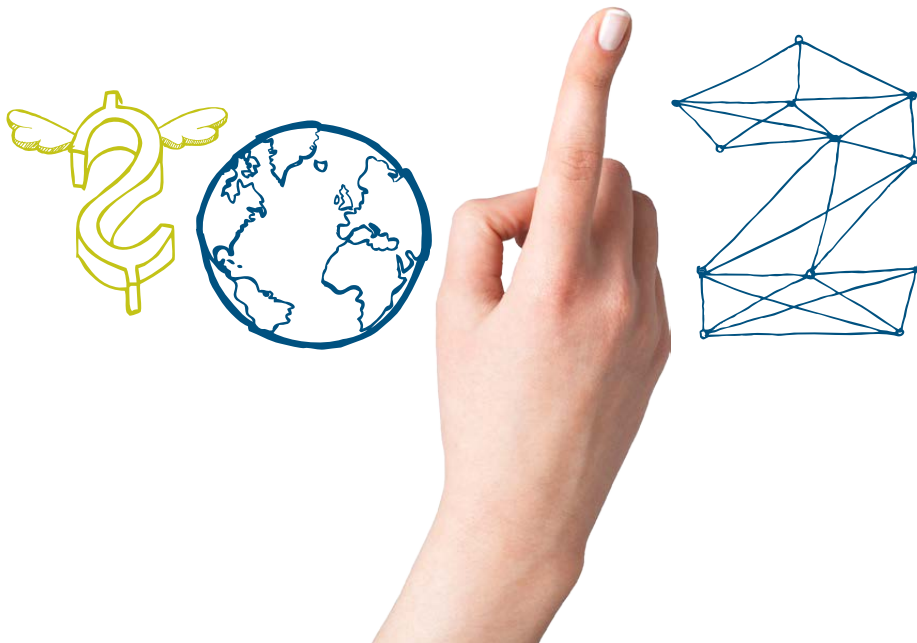


basware

# ANNUAL REPORT 2012: ACCELERATING GLOBAL GROWTH





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# BASWARE & THE YEAR 2012 IN BRIEF

## ACCELERATING GLOBAL GROWTH

Basware, the global market leader in Purchase-to-Pay and e-Invoicing solutions, proceeded in implementing the growth strategy and transition from a software company to a service company in several concrete ways in 2012

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### Q1



Alusta, the open standard cloud-based platform for Purchase-to-Pay that was launched at the beginning of the year, was an important milestone in Basware's strategic change and transition to service-oriented business.

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### Q2

Strong growth in Automation Services continued. Growth in services was largely generated in the international market. The transaction volume processed by Automation Services was up 63.4%.

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### Q3

Service business strengthened growth in net sales during the third quarter. The transaction volume processed continued to grow in line with the objectives. An updated strategy until 2015 was published in September, emphasizing the objective of strong global growth.

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### Q4

Basware continued to support organic growth with acquisitions in its key markets. In 2012, Basware became the leading e-invoice operator in Germany with the acquisition of First Businesspost GmbH. The acquisition of Certipost's network and e-invoicing business made Basware the market leader of e-invoicing in the Benelux market in early 2013. Basware is also the market leader in the Nordic countries.

In 2012, Basware's full-year net sales amounted to EUR 113 699 thousand, up 5.5%, and full-year operating profit was EUR 8 308 thousand. The decrease in license sales is partly attributable to the significant migration to SaaS services. The Automation Services business grew by 44.1% during the year as a whole.

We have also connected an increasing number of suppliers and buyers to our open network with new products and delivery methods during the year. In 2012, the transaction volume was 34 million in total, up 63.5%.

Alusta, the unified cloud-based platform for Purchase-to-Pay that was launched at the beginning of the year, was an important milestone in Basware's strategic change and transition to service-oriented business. Alusta has been received well by our customers, and we will focus on migrating existing customers to it.

Basware's transition process was accelerated in the fall by publishing an updated strategy that emphasizes our target of strong global growth. Basware aims to become the world's largest network of e-invoices and other electronic messages for buyers and suppliers by 2015.

The key objectives include accelerated growth in the transaction volume, strengthening our market position in selected key markets, more accurate segmenting of 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.

Basware had 1,423 employees at the end of 2012. The growth in the number of personnel is mainly due to an increase in the number of personnel in the Indian unit and the acquisition of First Businesspost GmbH.

The development of profitability is particularly based on the adoption of a scalable sales and delivery model and launching a global efficient service production network at full steam.

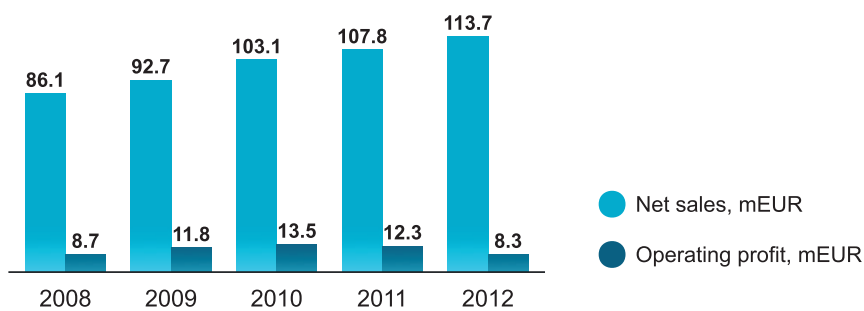
## KEY FIGURES

EUR thousand

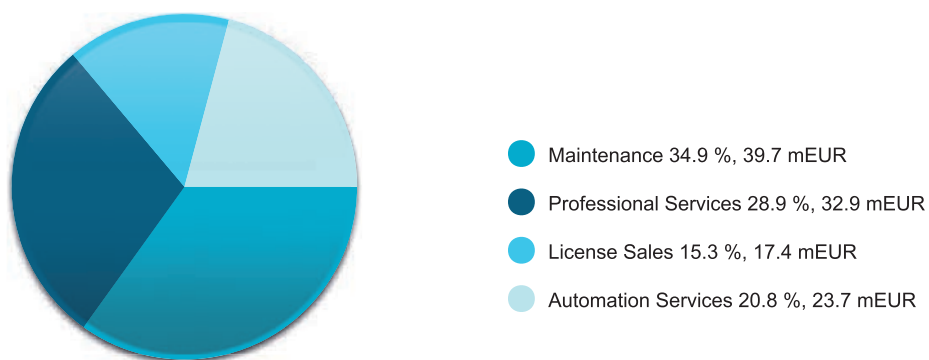
	2012	2011
Net sales	113,699	107,750
EBITDA	14,801	17,284
Operating profit before IFRS3 amortization	10,555	14,290
Operating profit	8,308	12,280
% of net sales	7.3	11.4
Profit before taxes	8,357	12,332
Profit for the period	5,863	9,671
Return on equity, %	5.8	11.6
Return on investment, %	8.2	14.9
Liquid assets*, EUR	34,519	42,977
Gearing, %	-23.8	-42.3
Equity ratio, %	77.6	81.9
Earnings per share, EUR	0.46	0.76
Earnings per share (diluted), EUR	0.46	0.76
Parent company's shareholders' equity per share, EUR	7.84	7.76

\*) includes cash and cash equivalents.

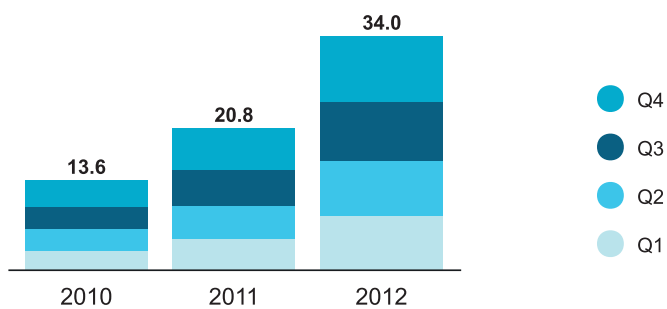
## Net sales and operating profit 2008-2012



## Net sales by business operations 2012

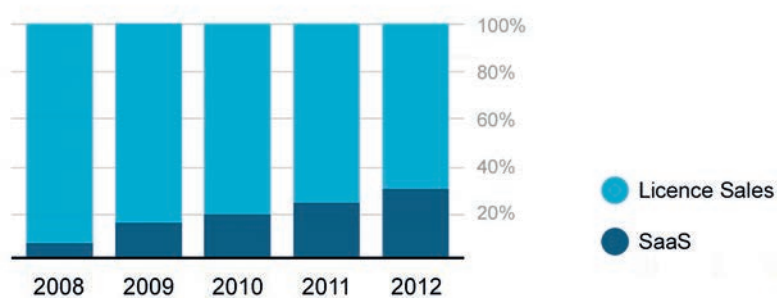


## Transactions in Automation Services by quarters 2010-2012



= millions transactions. The volume of transactions grew by 63.5 percent in 2012.

## Software as a Service (SaaS) - License sales relation 2008-2012



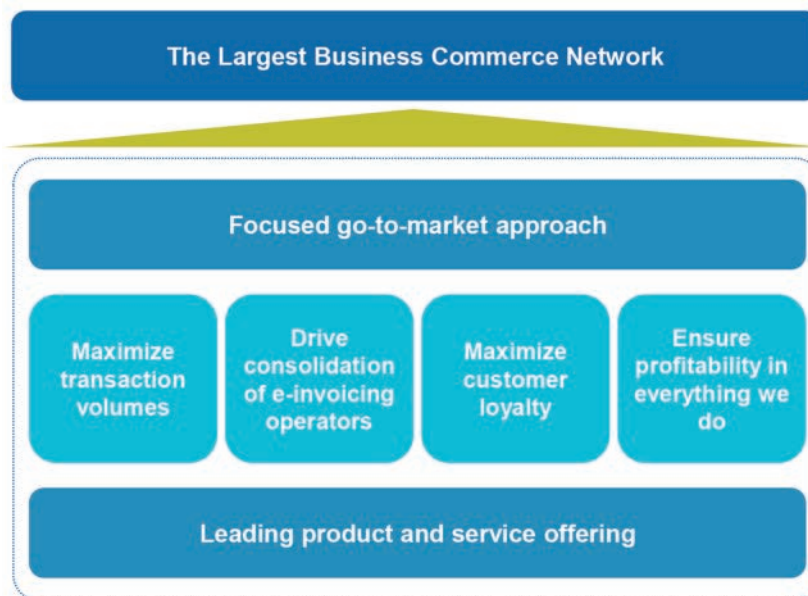
# STRATEGY UNTIL END OF 2015

## AIMS FOR ACCELERATED GLOBAL GROWTH

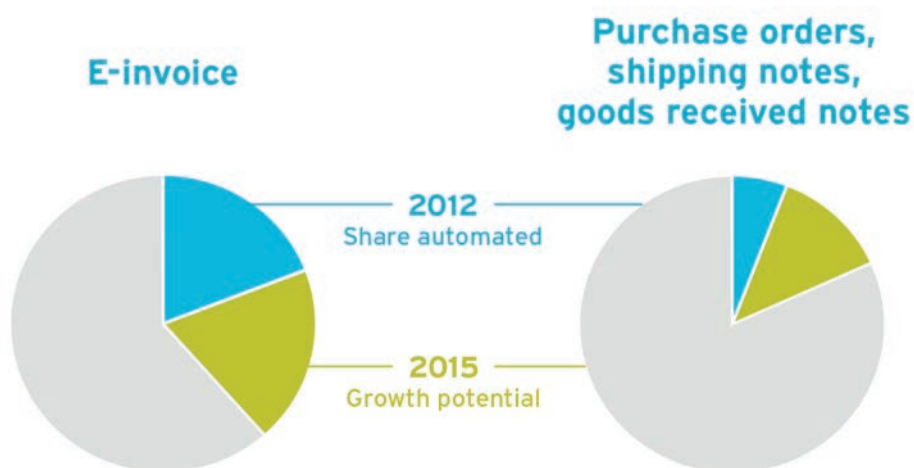


Basware announced the updated strategy in September 2012. The updated strategy for 2013-2015 focuses on accelerated global growth both organically and through acquisitions, which facilitates positive development of operating profit margin.

### Basware's strategy in brief:



The 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.



### 150 million transactions in 2015

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.

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.

### Market leadership of Purchase-to-Pay solutions globally

Today, 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. In the center of product strategy is Alusta, launched in early 2012, that is a cloud-based flexible platform for P2P technology, built on open standard. Alusta is strongly offered as a service and supports Basware's strategic transformation to a services company. The demand for both SaaS services and cloud-based services is expected to increase in the future.

### Renewed sales & marketing model

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 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, thus creating an increasing number of actionable leads for sales operations.

### **Improving profitability during the strategy period**

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.



# CEO'S REVIEW

## TRANSITION TO SERVICE COMPANY MATERIALIZED



During 2012, we proceeded in implementing our growth strategy and transition from a software company to a service company in several concrete ways.

The group's net sales increased by 5.5 percent in 2012 to EUR 113 699 thousand, with our operating profit amounting to EUR 8 308 thousand. Recurring revenue (Maintenance and Automation Services) accounted for an increasing share of net sales during each quarter, accounting for 55.8% of full-year net sales. The increasing share of recurring revenue of net sales improves predictability over the long term. The planned investments required for the company's growth and transition process could be seen in the company's full-year financial performance.

We have developed our service centers in Europe and the United States to be able to serve an increasing number of customers with the same infrastructure. In addition, the customer service models of our current customers have been developed and the service offering has been expanded. Our number of personnel has increased through both acquisitions and recruitment as we have been investing in the development of competence in service production and delivery, sales, and marketing. Approximately one-half of the increase in fixed costs in 2012 was attributable to supporting and building our transition process.

The Automation Services business grew by 44.1% in 2012. Increasing transaction volumes are essential to the continuous development of Automation Services. We have also connected an increasing number of suppliers and buyers to our open network with new products and delivery methods during the year. Our full-year transaction volume was 34.0 million, up 63.5%. The decrease in license sales in 2012 is partly attributable to the significant shift towards Software as a Service (SaaS) services.

In September, we published our updated strategy until 2015, emphasizing our objective 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 connected an increasing number of suppliers and buyers to our open network. The transaction volume increased by 63.5% in 2012."

Alusta, the unified cloud-based platform for Purchase-to-Pay that was launched at the beginning of 2012, was an important milestone in Basware's strategic change and transition to service-oriented business. Alusta has been received well by our customers.

Basware acquired the leading German e-invoice operator First Businesspost GmbH at the beginning of 2012 and announced the acquisition of the network and e-invoice business of Certipost, part of the Belgian bpost group, towards the end of 2012. Following the acquisitions, Basware is the market leader in Germany and Benelux market in addition to the Nordic countries. The company intends to continue to support organic growth in the key markets through acquisitions.

We expect that the company's transition process and related investments will begin to pay themselves back during 2013. We also expect that the need for continuous services will remain good in our customer base regardless of economic cycles and the challenging economic situation. The development of profitability is particularly based on the adoption of a scalable sales and delivery model and launching a global efficient service production network at full steam. The growing and developing e-invoice market offers excellent growth opportunities for Basware, which is already the industry-leading independent player worldwide.

I would like to extend my thanks to Basware's shareholders and customers for their trust and our top-class experts for their committed work during the year."

"The growing and developing e-invoice market offers excellent growth opportunities for Basware, which is already the industry-leading independent player worldwide."

# SOLUTIONS & SERVICES

## E-INVOICING AND PURCHASE-TO-PAY

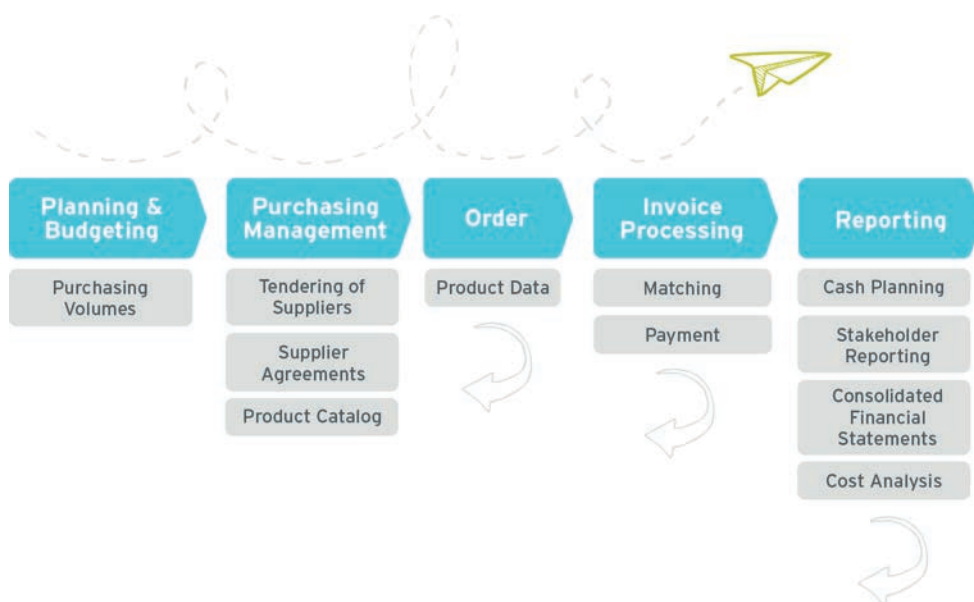
### SOLUTIONS FOR COMPANIES OF ALL SIZES



Basware is the global leader in cloud based e-invoicing and purchase-to-pay solutions. Basware's B2B Cloud solutions and services provide an open, secure and global ecosystem for buyer and supplier collaboration globally.

Basware is the global leader in cloud based e-invoicing and purchase-to-pay solutions with more than 1,000,000 users in over 60 countries. Basware's B2B Cloud solutions and services provide an open, secure and global ecosystem for buyer and supplier collaboration, connecting more than 1.9 million buyers and suppliers globally. The solutions are architected to meet the needs of SMEs and global enterprises and are built upon Basware's deep knowledge and experience of B2B financial processes, coupled with intelligent cloud connectivity and the Open Network. With Basware, organizations benefit from more efficient procurement, accounts payable and accounts receivable processes, sustainable cost savings, better insight to cash flows and improved buyer-supplier relationships. The solutions are available via the cloud, on-premise or through business process outsourcing in Europe, the US, and Asia-Pacific through an extensive network of Basware offices and business partners.

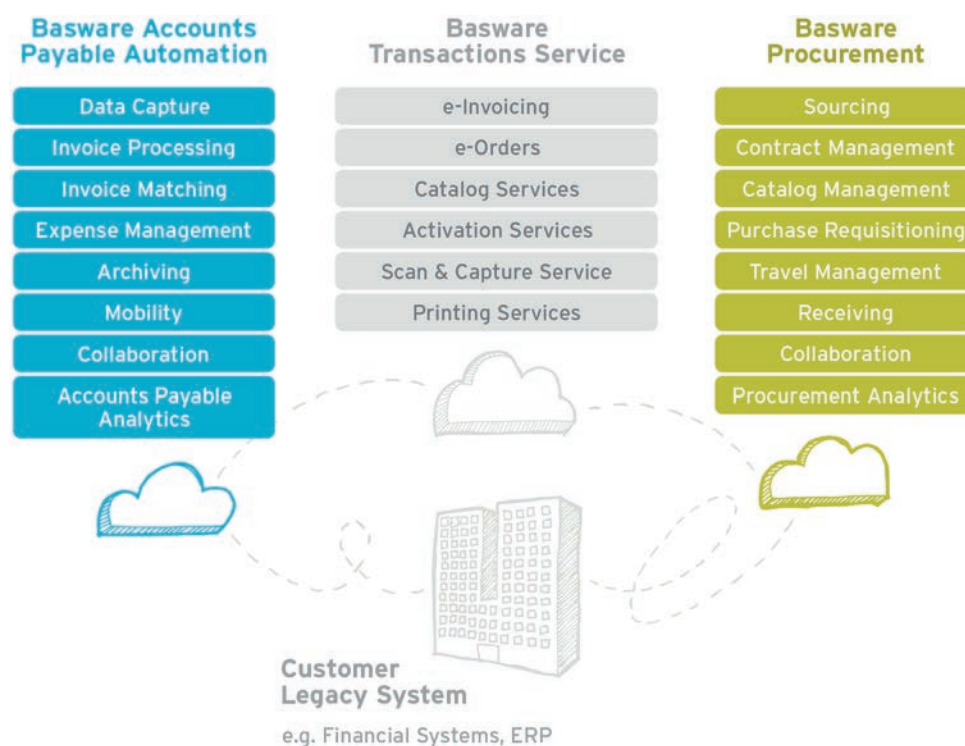
#### Purchase-to-Pay and reporting process:



## Alusta brings together Basware's B2B process knowledge & cloud services

Alusta, the unified cloud-based platform for Purchase-to-Pay was launched at the beginning of 2012. Alusta 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. Basware focused on transitioning the current customers to Alusta.

Alusta is strongly offered as a service. It supports Basware's strategic transformation to a services company. The trend to purchase software as a service strengthens in large companies and at the same time the demand for cloud-based services increases. Basware enables an easy and quick way also for small companies to start to use e-services safely and with small investments.



## Reporting of Basware's business operations

Basware's business operations can be divided into License Sales, Maintenance, Professional Services and Automation Services. License solutions consist of Purchase to Pay (P2P) product family and only in Finland marketed financial management products. Solutions can be delivered as a service or as on-premise licenses. Reported geographical areas are Finland, Scandinavia, rest of Europe and Other.

# BASWARE'S EXPERT COMMUNITY IS BECOMING MORE INTERNATIONAL AND GROWING



The number of Basware personnel increased by 241 during the year, totaling 1 423 at the end of 2012. The number of personnel increased the most in India during the year. New employees also joined Basware in the acquisition of the German e-Invoicing operator First Businesspost GmbH.

The share of personnel working in foreign units increased compared with the previous year. At the end of the period, 64.4 percent of Basware personnel worked outside of Finland and 35.6 percent in Finland. 11.3 percent of the personnel worked in sales and marketing, 57.8 in consulting and services, 24.7 percent in research and development, and 6.2 percent in administration. The average age of employees was 34.0 years. Of the employees, 24.3 percent had a Master's degree and 29.6 percent have a Bachelor's degree. Women accounted for 22.8 percent of employees, men for 77.2 percent.

## Personnel behind the strategy of accelerated growth

Personnel recruitment and competence was refocused to support Basware's transition process from a software company to a service company. This has required focusing on proprietary products, their development to use by companies of all sizes and carefully segmented marketing in all of our market areas while developing the customer service models. The development of the company's profitability is particularly based on the adoption of a scalable sales and delivery model and developing a global efficient service production network. Towards the end of the year, much attention was also paid to communicating the updated strategy of accelerated growth published in the fall and committing the personnel to implement the strategy.

## Incentive scheme covering all employees

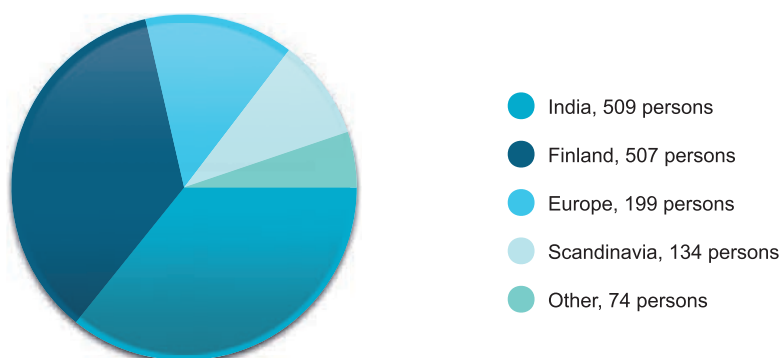
Basware has invested in committing and encouraging its personnel by way of a bonus scheme covering the entire personnel. In addition, a new share-based incentive scheme for the group's key personnel was announced in February. The aim of the plan is to combine the objectives of the shareholders and the key personnel in order to increase the value of the company, commit the key personnel to the company, and offer them a competitive reward plan based on holding the company shares.

## R&D and Alusta

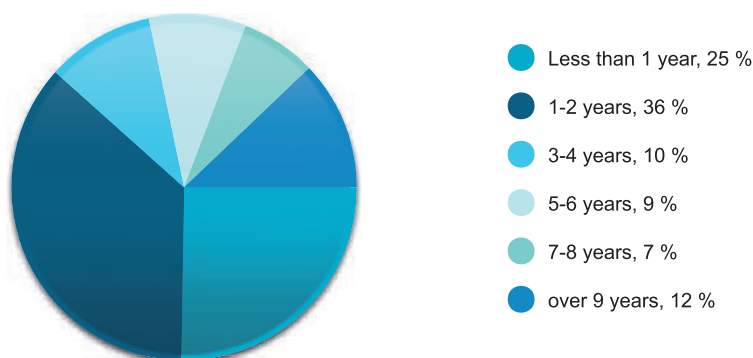
Basware's research and development expenses totaled EUR 17 884 thousand, or 15.7 percent of net sales in 2012. The expenses increased by 8.5 percent compared to the corresponding period the previous year. A total of 351 people worked in R&D at the end of 2012, of whom 162 people in India.

The development of Basware's next generation Alusta software in particular had effects on the R&D expenses for 2012. The Alusta technology launched at the beginning of the year brings together Basware's B2B process knowledge with its cloud services optimized to ensure easy connectivity with the Open Network to companies of all sizes. The company's next generation product suite is also strongly offered as a service. The Alusta technology supports Basware's strategic transformation and will improve the company's competitiveness.

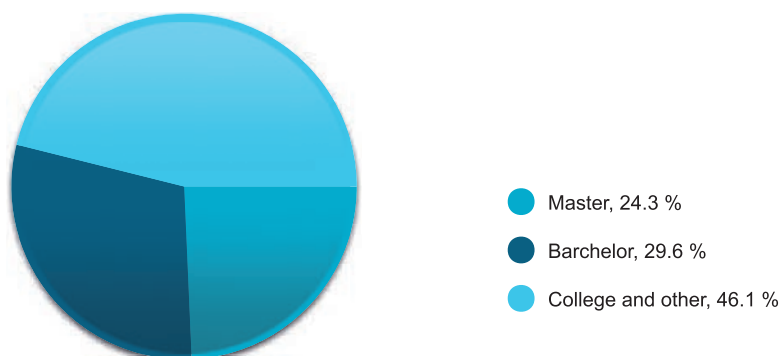
## Geographical division of personnel



## Employment duration, %



## Educational background, %



# BOARD OF DIRECTORS

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**Hannu Vaajoensuu**

**Member of the Board since 1990, Chairman of the Board since 2005**

Born 1961  
M.Sc. (Econ)



**Ilkka Sihvo**

**Vice Chairman of the Board since 2012**

Born 1962  
M.Sc. (Econ), M.Sc. (Tech)



**Pentti Heikkinen**

**Member of the Board since 2009**

Born 1960  
M.Sc. (Econ), Stanford Graduate School of Business (Stanford Executive Program 2001)



**Eeva Sipilä**

**Member of the Board since 2010**

Born 1973  
M.Sc. (Econ)



**Anssi Vanjoki**

**Member of the Board since 2012**

Born 1956  
M.Sc. (Econ)



# BASWARE EXECUTIVE TEAM, BET

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**Esa Tihilä**

**CEO**

Born 1964, College Graduate (Econ), eMBA

At Basware since 2004, member of the Executive Team since 2005.



**Matti Copeland**

**Senior Vice President, Strategy**

Born 1961, M.Sc. (Econ), Stanford Graduate School of Business (Stanford Executive Program 2000)

At Basware since 2011, member of the Executive Team since 2011.



**Mika Harjuaho**

**CFO**

Born 1966, M.Sc. (Econ)

At Basware since 2007, member of the Executive Team since 2007.



**Henrik Hasselbalch**

**Senior Vice President, Professional Services**

Born 1965, BA, Sc. Economics & Informatics, Copenhagen Business School

At Basware since 2012, member of the Executive Team since 2012.



**Mari Heusala**

**Senior Vice President, HR & Development**

Born 1966, M.Sc. (Econ)

At Basware since 2009, member of the Executive Team since 2011.





### **Jorma Kemppainen**

#### **Senior Vice President, Product Development**

Born 1965, M.Sc. (Tech)

At Basware since 2009, member of the Executive Team since 2009.

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### **Pekka Lindfors**

#### **Senior Vice President, Volume Sales**

Born 1961, University Graduate (Communications)

At Basware since 2004, member of the Executive Team since 2011.

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### **Steve Muddiman**

#### **Senior Vice President, Global Marketing**

Born 1961, University Graduate (Communications)

At Basware since 2008, member of the Executive Team since 2008.

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### **Riku Roos**

#### **Senior Vice President, Automation Services**

Senior Vice President, Automation Services

Born 1960, M.Sc. (Tech)

At Basware since 2007, member of the Executive Team since 2012.

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### **Matti Rusi**

#### **Senior Vice President, Support**

Senior Vice President, Support

Born 1963, MBA

At Basware since 2010, also 1997-2008, member of the Executive Team since 2010.

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### **Jukka Virkkunen**

#### **Senior Vice President, Enterprise Sales**

Born 1960, College Graduate (Econ)

At Basware since 2006, member of the Executive Team since 2006.

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# BASWARE CORPORATION CORPORATE GOVERNANCE STATEMENT



This Corporate Governance Statement has been composed in accordance with Recommendation 54 of the new Corporate Governance Code and Chapter 7, Section 7 of the Finnish Securities Market Act. The Corporate Governance Statement is issued separately from the company's annual report.

## General principles

Basware Corporation is a public limited company registered in Finland and its head office is located in Espoo, Finland. Basware Group (Basware) is comprised of the parent company Basware Corporation, its one Finnish subsidiary and 12 foreign subsidiaries.

Decision-making and governance at Basware comply with the company's Articles of Association, the Finnish Companies Act, and other applicable legislation. In addition, the company complies with the recommendations of NASDAQ OMX Helsinki Ltd, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industries EK on corporate governance with the exceptions mentioned in these principles, as well as NASDAQ OMX Helsinki Ltd's Guidelines for Insiders. The subsidiaries comply with local legislation.

Basware complies with the Finnish Corporate Governance Code published by the Securities Market Association with the following exception:

- Basware's Board of Directors does not have separate committees as the extent of the company's operations and the size of the Board of Directors do not require matters to be prepared by a body smaller than the entire Board of Directors.

## Tasks and responsibilities of bodies

The General Meeting of Shareholders, Board of Directors and CEO are in charge of the management of Basware Group, and their tasks are determined as specified by the Finnish Companies Act. The CEO is in charge of Group-level operational activity, assisted by the group's Executive Team.

## General Meeting

The Annual General Meeting is the highest decision-making body of the company. The Annual General Meeting is arranged once a year on the date determined by the Board of Directors within six months of the end of the financial period. Extraordinary General Meetings can be arranged during the year, if necessary. In accordance with the Articles of Association, the General Meeting is held in the company's registered office Espoo, Helsinki or Vantaa. A Summons to a

General Meeting of Shareholders and the matters to be discussed in the meeting is published as a stock exchange release and on the company's website.

The Annual General Meeting each year resolves the following matters:

- approval of the income statement and balance sheet
- measures occasioned by the profit or loss shown in the approved balance sheet
- discharging members of the Board of Directors and the CEO from liability
- number of Board members and their appointment
- election of the auditor
- remuneration of the Board of Directors and auditors
- other matters mentioned in the summons to the meeting

## Board of Directors

The Board of Directors of Basware Corporation is responsible for the Company's management and the appropriate arrangement of its operations. The Board supervises the Company's operations and management and decides on significant matters concerning the Company strategy, organization, financing and investments. The essential duties and responsibilities of the Board are defined primarily by the Articles of Association and the Finnish Companies Act. The Board annually ratifies a working order that specifies the meeting procedure of the Board of Directors and its tasks.

In 2012, Basware's Board of Directors had five members: Hannu Vaajoensuu (Chair), Pentti Heikkinen, Ilkka Sihvo (Vice Chair), Eeva Sipilä, and Anssi Vanjoki. The Board of Directors convened 17 times and the attendance rate was 92.9%.

In accordance with the working order, the tasks of the Board of Directors are to:

1. The appointing and removal of the Chairman of the Board of Directors and the CEO.
2. Confirming the company's strategy and goals and monitoring the implementation thereof and, where appropriate, initiating necessary measures to correct any deviations.
3. Confirming the company's management system as per proposal by the CEO, including the corporate structure, organization and appointment of the executive team.
4. Confirming annually the company's operation plan and the budget, and monitoring their implementations.
5. Addressing and deciding upon the interim reports, the annual accounts and annual reports and their publishing.
6. Decisions regarding profit guidance and possible changes therein, and publishing of such information.
7. Defining the financing and dividend policy, and submitting a proposal to the Annual General meeting about the distribution of dividend.
8. Confirming the company's internal control and risk management practices, and monitoring their implementation.
9. Confirming the company's values and ethical principles and monitoring their implementation.
10. Deciding about selling or transferring company assets, acquisitions and other significant changes in the Company's business.
11. Deciding on major single investments and commitments, and deciding on all leasing agreements of commercial property.
12. Deciding on all agreements and business (including selling, leasing, transferring or pledging of fixed and financial assets or intellectual property rights) with the company's management team or their close associates, including companies that they own or where they have control.
13. Appointing and releasing the company's top management from their duties. The top management includes the CEO, Deputy for the CEO and direct subordinates of the CEO.
14. Deciding on the company's top management's terms of employment, goals and remuneration.

15. CEO's succession planning
16. Confirming the company's incentive system and policy, including the general principles of the annual bonus program and the remuneration frame.
17. Deciding on share options or other long-term incentive systems within the authorization given by the Annual General Meeting.
18. Redemption of company shares, granting of warrants, convertible bonds or warrant bonds as per the authorization given by the Annual General Meeting.
19. Deciding on establishing and closing affiliates, branch offices and representative offices.
20. Developing the company's Corporate Governance procedures.
21. Developing and self-evaluating the activities of the Board of Directors.
22. Evaluating the CEO's work and providing feedback.
23. Convening the Annual General Meeting

In accordance with the Articles of Association, the Basware Board of Directors has a minimum of four and a maximum of eight regular members. The Board members are elected by the Annual General Meeting for one term of office at a time. The term of office begins at the end of the General Meeting that elected the Board and expires at the end of the first Annual General Meeting of Shareholders following the election. The Articles of Association place no restrictions on the power of the General Meeting to elect members for the Board of Directors. The Board of Directors elects a Chair and a Vice Chair from among its members, and the Board of Directors is deemed to have a quorum present when half of its members are present.

In addition to matters to be resolved, the Board of Directors is given real-time information on the operation, financial standing and risks of the group in the meetings. The Board of Directors convenes once monthly according to an agreed schedule, in addition to which the Board of Directors convenes when necessary. Minutes are kept for all meetings, and the secretary of the meetings is the Group's Director, Legal and Administration.

## CEO

The Board of Directors appoints the CEO. The CEO is in charge of the management of the company's business operations and governance in accordance with the Articles of Association, the Finnish Companies Act and the instructions given by the Board. Esa Tihilä has acted as the CEO of the company from October 17, 2011.

## Basware Executive Team, BET

The Group's Executive Team is appointed by Basware's Board of Directors.

The Group's Executive Team assists the CEO in the operative management of the Company, prepares matters handled by the Board and the CEO as well as plans and monitors the operations of the business units. The Executive Team convenes once a month. The CEO acts as chairman of the Executive Team.

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.

Ilari Nurmi, Senior Vice President, Product Management, was appointed as the member of the Executive Team, as of January 7, 2013.

## Internal audit

The Group's internal audit assesses and ensures the sufficiency and effectiveness of the Group's internal control. It also assesses the efficiency of different business processes, sufficiency of risk management and compliance with internal guidelines. Internal audit services are mainly acquired from an external and independent service supplier selected by the Board of Directors of Basware Corporation, supplemented by the company's in-house resources as applicable.

The Group's internal audit is independent of Basware's business units and other units. It reports to the Group's Board of

Directors and, in an administrative sense, to the CEO. The CFO coordinates internal audit activities. The work description, authority and responsibilities of the Group internal audit are specified in the Internal Audit Charter. The Board of Directors approves the Internal Audit Charter and the annual risk-based audit plan.

## External audit

According to the Articles of Association, Basware Corporation has a minimum of one and a maximum of two auditors appointed by the Annual General Meeting, at least one of which is a firm accredited by the Central Chamber of Commerce (Authorized Public Accountants). Additionally, the company has a minimum of one and a maximum of two deputy auditors. The auditors are elected until further notice. The Board's proposal for the auditor is disclosed in the notice of the General Meeting. The primary function of audit is to verify that the Financial Statements give accurate and adequate information about Basware Corporation's result and financial position for the financial period. In addition, the Auditors report to the Board of Directors on the ongoing auditing of administration and operations. In 2012, Basware's auditor was Ernst & Young Oy, Authorized Public Accountants, with Heikki Ilkka, A.P.A., as the auditor in charge. Terhi Mäkinen, A.P.A., was the deputy auditor.

## Internal control and risk management systems associated with financial reporting

The ultimate responsibility for accounting and financial administration lies with Basware Corporation's Board of Directors. The Board is responsible for internal control, and the CEO is responsible for the practical arrangements and monitoring of the control system. The steering and monitoring of business operations is based on the reporting and business planning system covering the entire Group. The CEO and CFO give both Board and Executive Team meetings presentations of the Group's situation and development based on monthly reports.

## Risk management and internal audit system

The Group's risk management is guided by legal requirements, business requirements set by the shareholders as well as the expectations of the customers, personnel and other important stakeholders. The goal of risk management is to systematically and extensively identify and acknowledge the risks involved in the company's operations as well as to make sure that the risks are appropriately managed when making business decisions.

The company's risk management supports the attainment of strategic goals and ensures the continuity of business operations. Basware takes risks that are a natural part of its strategy and objectives. The company is not ready to take risks that might endanger the continuity of operations or that are uncontrollable or that can significantly harm the company's operations.

In accordance with the company'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. Responsibilities of risk management follow the distribution of liability throughout the organization and operations. Each group has a designated person in charge. In the process of risk management, the goal is to identify and evaluate the risks, after which a risk-specific plan is drawn up and concrete action is taken. Such actions may include avoiding the risk, diminishing the risk by different means or transferring the risk by insurance or agreements. The company has created a crisis communication plan as a part of its risk management process.

In accordance with Basware's risk management process, the Board of Directors receives an annual report of the most significant risks discovered during the assessment of risks. The Board analyses the risks from the point of view of shareholder value. According to the reporting conforming to the risk management process, the most significant risks in 2011 that have come to the Board's knowledge are associated with ensuring product leadership and maintaining the company's competitiveness in the changing competitive situation, improving new customer acquisition and increasing the transaction volume of the e-invoicing business, increasingly extensive utilization of the cost benefits offered by offshoring sites in business and support processes to improve profitability, successful preparation and implementation of merger and acquisition projects, strengthening the position of intellectual property rights as well as the measurement of significant balance sheet items and impairment testing.

Internal control is a process performed by the organization's Board of Directors, acting management and other employees to obtain a reasonable certainty of the attainment of goals. The framework of internal control at Basware is based on the international COSO model published by the Committee of Sponsoring Organizations of the Treadway Commission.

## Control environment

The goal of Basware's internal control is to support the implementation of the Group strategy and ensure compliance with

regulations. The system is based on Group-level policies, guidelines and processes and controls of business operations and support processes. Basware's strong ethics, values and operating culture form the basis of the internal control system. The operating culture is being built by the steering and control of the company's operations by the Board of Directors, the management methods of the company's management, the company's organizational structure and management system, effective utilization of global information system as well as the employees' competence and development. The company uses a global HR system.

The Group's centralized financial administration center and group accounting as well as controlling function, operating under the CFO, are responsible for the overall control system of financial reporting. Harmonized methods of financial reporting are applied in all Group companies, utilizing a uniform ERP system and harmonized account scheme, and also software for electronic procurement management, purchase invoices and travel expense reports and financial management. The entire Group applies the International Financial Reporting Standards (IFRS).

## **Risk assessment**

The aim of financial reporting is to ensure that assets and liabilities belong to the company; all rights and liabilities of the company are presented in the financial statements; items in the financial statements have been classified, disclosed and described correctly; assets, liabilities, income and expenditure are entered in the financial statements at the correct amounts; all the transactions during the reporting period are included in the accounts; transactions entered in the accounts are factual transactions; and that the assets have been secured.

The risk management process includes an annual identification and analysis of risks related to financial reporting. In addition, the aim is to analyze and report all new risks immediately after they have been identified. Taking into account the quality and extent of the Group's business operations, the most significant risks associated with the reliability of financial reporting are associated with revenue recognition, processing of bad debt reservation, capitalization of product development expenses, impairment testing of assets (including goodwill, capitalized product development expenses and unfinished projects) and deferred tax assets.

## **Control functions**

The correctness and reliability of financial reporting are ensured through compliance with the Group policies and guidelines. Controls that ensure the correctness of financial reporting include controls related to accounting transactions, controls related to the selection of and compliance with the accounting principles, information system controls and fraud controls.

The Group's net sales are recognized under the supervision of the centralized controlling function. The Group has written internal revenue recognition guidelines. Revenue recognition is based on the existence of obligatory sale and delivery documents. The amount of the Group's bad debt reservation is calculated monthly by the centralized financial administration service center. The calculation is based on the maturity distribution of trade receivables by sales company.

The capitalized amount of the Group's product development expenditure is calculated monthly by the centralized financial administration service center. The calculation is based on project-specific monitoring documentation of R&D activities. The Group has written guidelines on R&D expenditure. Goodwill is tested for impairment during the last quarter of the year. Key variables used in the calculations are the estimated change rates of net sales and costs. In addition, indications of impairment are continuously monitored. In specifying the company-specific deferred assets, the effective tax rate of each country is applied. The subsidiaries have accumulated unutilized tax losses for which deferred tax assets have not been recognized in line with the prudence concept. According to the transfer pricing principle applied since 2008, subsidiaries accumulate taxable income against which confirmed losses can be utilized in the future. We consider it probable that taxable income will be generated in the subsidiaries in the future against which the unutilized tax losses can be utilized. Deferred tax assets were recognized in the financial statements for 2012 for unutilized tax losses accumulated in previous years.

The Group's centralized financial administration service center and controlling function continuously develop global reliable, harmonized, scalable and efficient operating methods. The globally harmonized account scheme, high automation rate of the Group's shared information systems and the systems' integrated control points facilitate a cost-efficient internal control process with an audit trail for financial reporting. Information systems support compliance with the Group's acceptance authorizations for procurement proposals and purchase invoices among others. Basware's financial administration, including cash management and payment, are centralized at the Group's level, which strengthens the functionality of the controls further.



Personnel expenses account for a majority of Basware's expenditure. Actual and forecasted personnel expenses are monitored and the forecasts are updated at a very detailed level regularly. The controlling function is responsible for the calculation of commissions and bonuses globally in accordance with the bonus scheme in effect at any time, approved by the Board annually.

The result of business operations and attainment of annual goals is assessed monthly by Executive Team and Board meetings. Monthly management and Board reporting includes both actual and forecast data compared to the goals and actual results of previous periods. Financial reports generated for use by the business management monitor certain key indicators associated with the development of sales and trade receivables on a weekly and monthly basis.

Basware aims to complement its organic growth with acquisitions in accordance with its strategy. In making acquisitions, the company aims to follow due diligence and utilize its internal and external competence in the planning phase (e.g. due diligence), takeover phase (e.g. immediate adoption of Basware's information systems) as well as when integrating acquired functions with the company's operations (e.g., adoption of Basware's HR policies).

## **Communication and information**

The purpose of the management's reporting is to produce aptly timed and essential information for making decisions. The controlling function provides the guidelines on monthly reporting for the entire organization and is in charge of special reporting instructions associated with budgeting and forecasting. The Group's financial administration internally distributes information on financial reporting-related processes and procedures on a regular basis and the personnel perform their internal control tasks according to such information. When necessary, financial administration also arranges targeted training for the rest of the organization on the procedures associated with financial reporting and changes in them.

The Group's Investor Relations function maintains the guidelines on the disclosure of financial information in cooperation with financial administration and the legal department.

## **Monitoring**

Monitoring refers to the process to assess Basware's internal control system and its performance in the long term. Basware also continuously monitors its operations through various assessments, such as internal audits and external audits as well as supplier audits carried out by customers. Basware's management monitors internal control as part of routine management work. The business management is responsible for ensuring that all operations comply with applicable laws and regulations. The Group's financial and controller functions monitor compliance with the financial reporting processes and control. The financial and controller functions also monitor the correctness of external and internal financial reporting. The Board of Directors assesses and ensures the appropriateness and effectiveness of Basware's internal control and risk management.

Internal audit assists the Board of Directors in assessing and ensuring the appropriateness and effectiveness of Basware's internal control and risk management by performing regular internal audits in the Group's support functions and legally independent units in accordance with its annual plan. Basware's internal control is also assessed by the company's Auditor. The external auditor verifies the correctness of external annual financial reporting. Performed as part of continuous auditing, process auditing targets typical controls that ensure the correctness of financial reporting. The most significant observations and recommendations of the process audit according to the auditing plan are reported to the Board of Directors.

## **Compensation**

### **Management of compensation**

In its first organizational meeting, the Board of Directors decided not to establish separate committees for 2012 as the extent of the company's operations and the size of the Board of Directors do not require matters to be prepared by a body smaller than the entire Board of Directors. Therefore, preparation of the compensation paid to the Board of Directors has not been allocated to a Nomination Committee, and the preparation of the compensation paid to the CEO and other members of the management has not been allocated to a Compensation Committee.

### **Board of Directors**

The General Meeting decides on the remuneration paid to the Board of Directors and auditors. The Board decides on the service terms and conditions of the CEO, specified in writing. The compensation principles of the top management are decided by the Board. The Board annually approves the personnel incentive scheme.

The Annual General Meeting resolved on February 16, 2012, to compensate the members of the Board according to the following:

- members EUR 27,500 per year;
- Vice Chair EUR 32,000 per year and
- Chair EUR 55,000 per year.

However, the remuneration is not paid to those members of the Board who hold a fulltime position at Basware. In addition, all members of the Board are paid a meeting fee of EUR 340 for each meeting. The annual remuneration will be paid in the following manner: 40 percent of the gross annual remuneration of those members of the Board whose shareholding in Basware Corp. is less than 5,000 shares, will be paid in Basware shares, acquired in public trading on NASDAQ OMX Helsinki Oy. The shares will be acquired as soon as possible after the closing of the Annual General Meeting. The ownership of the shares received is associated with a two-year lock-up during Board membership. The lock-up ends with the termination of membership.

## CEO

The Board decides on the service terms and conditions of the CEO, specified in writing.

Currently the CEO has:

- 6 months' period of notice and salary for the period of notice should the Company give notice, in addition to which he is entitled to severance pay equivalent of 12 months' fixed salary,
- 6 months' period of notice and salary for the period of notice should the person resign himself, no additional compensation is paid,
- 12-month prohibition of competition as of the termination of employment on the part of the company
- 24-month prohibition of competition as of the termination of employment on the part of the CEO
- retirement age and pension benefits pursuant to the Employees' Pensions Act (TEL).

The short-term remuneration of the CEO is comprised of salary, fringe benefits and a possible annual bonus based on performance. The CEO's long-term remuneration consists of a share-based incentive scheme. The bonus is determined on the basis of the attainment of goals related 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 at each time.

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 was based on Basware Corporation's earnings per share (EPS). The bonus for the vesting period 2009 was paid in December 2011 and the bonus for the vesting period 2010 in December 2012. The bonus for the vesting period 2011 will be paid in December 2013. The bonuses are paid 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 decided on 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 holding the company shares. 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 targets to be established for them separately for each annual earning period at the beginning of the earning period. There are employment-related conditions for eligibility for reward payment.

The salary of CEO Esa Tihilä's for the period January 1– December 31, 2012, including benefits, was EUR 508,386.07.



Salary in money was EUR 293.609,07 and fringe benefits totaled EUR 12.660,00. In December 2012, Esa Tihilä was granted 7,250 shares on the basis of the incentive scheme; of which 3,625 shares were conveyed to Esa Tihilä (the value of which is approximately EUR 73.515,00 based on the average share price of the payment day) and EUR 73.515,00 was paid in cash to cover the withholding tax.

## Basware Executive Team

Members of Basware's Executive Team as of April 1, 2012 were: 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.

## Remuneration of the Executive Team

The compensation principles of the top management are decided by the Board. The short-term remuneration of the top management consists of salary, fringe benefits and a possible annual bonus based on performance. The top management's long-term remuneration 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 remuneration scheme was in use in 2009–2011.

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## Members of the Executive Team in 2012

### Esa Tihilä

CEO

Born 1964, College Graduate (Econ), eMBA

At Basware since 2004, member of the Executive Team since 2005

Key working experience:

Basware Corporation:

CEO 10/2011–

Senior Vice President Automation Services 2009–2011, Senior Vice President Europe and Asia-Pacific 2009–2010, General Manager Europe and Americas 2006–2008, Senior Vice President Global Operations 2005; Meridea Financial Software: CEO 2001–2004, iCL PLC: Group Executive Director 2001, Global Director e-Business 1999–2001; iCL Data Oy: Director e-Business 1997–1998, Business Development Director 1995–1996

Commissions of trust:

European E-invoicing Service Providers Association (EESPA): Chair 2011–

Futurice Oy: Board member 2011–

Finnish Orienteering Federation: Board member 2008–

**Matti Copeland**

Senior Vice President, Strategy

Born 1961, M.Sc. (Econ), Stanford Graduate School of Business (Stanford Executive Program 2000)

At Basware since 2011

Key working experience:

Basware Corporation: Member of the Board 2008–2011; August&Bob: Managing Partner 2007–2009; Deloitte: Partner, M&A Advisory 2005–2007; CapMan Capital Management: Investment Director Buyout Business Unit 2002–2005; Aura Capital: Managing Director 2001–2002; Jippii Group: Managing Director 2001–2001; Leonia/Sampo: Executive Vice President Large Corporate Clients 1998–2001; KANSALLIS-OSAKE-PANKKI/Merita/Merita-Nordbanken: Head of Debt Capital Markets 1988–1998; Citibank New York: Manager 1986–1988.

Current commissions of trust:

Alekstra Oy: Member of the Board 2009–

Vergo Oy: Chairman of the Board 2011–

**Mika Harjuaho**

CFO

Born 1966, M.Sc. (Econ)

At Basware since 2007, member of the Executive Team since 2007

Key working experience:

Basware Corporation: CFO 2007–; Suunto Oy: CFO 2001–2007; Ericsson AB: Regional Controller 2000–2001, Oy LM Ericsson AB: Profit Center Controller 1997–2000, Unilever Finland Ltd Van den Bergh Foods: Controller 1996–1997, Unilever Nederland B.V.: Internal Auditor 1995–1996; Unilever Finland Ltd: Cost Accountant 1994–1995

**Henrik Hasselbalch**

Senior Vice President, Professional Services

Born 1965, BA Sc. Economics & Informatics, Copenhagen Business School

At Basware since 2012, member of the Executive Team since 2012

Key working experience:

SAP: Senior Vice President, Services EMEA 2008–2011, Director for field services 2004–2008, Consulting Director 2002–2004;

Oracle: Sales Director 2000–2002, Practice Manager 1997–2000;

Price Waterhouse: 1996–1997 Manager, Client Engagements, Consultant and Senior Consultant 1992–1996

**Mari Heusala**

Senior Vice President, HR&Dev

Born 1966, M.Sc. (Econ)

At Basware since 2009, member of the Executive Team since 2011

Key working experience:

Basware Corporation: Senior Vice President HR&Dev 2012–, Vice President HR&Dev 2009–2011;

Nokia Corporation: Various executive and managerial HR positions 1997–2009;

Northrop Grumman International Aircraft Inc: Project Coordinator 1993–1996

**Jorma Kemppainen**

Senior Vice President, Product Development

Born 1965, M.Sc. (Tech)

At Basware since 2009, member of the Executive Team since 2009

Key working experience:

Inno-rd Oy: Managing Director and executive level consultant 2009; Suunto Oy: Director R&D 2005–2009; SSH Communications Corporation Oyj: Vice President R&D and Customer Services 2003–2005; F-Secure Oyj: Vice President R&D 2000–2003; Tellabs Oy: Customer Training Manager 1996–2000, various R&D positions 1993–1996; ICL Oy: Various R&D positions 1987–1993

**Pekka Lindfors**

Senior Vice President, Volume Sales

Born 1966, Helsinki School of Economics, student

At Basware since 2004, member of the Executive Team since 2011

Key working experience:

Basware Corporation: Senior Vice President Northeast 2011-, Sales Director 2008-2010, Director Global Marketing 2007-2008, Marketing Director 2006-2007, Business Unit Manager 2004-2006; Novo Group Oyj: Marketing Director 1998-2004, various positions in sales and financials 1993-1998

**Steve Muddiman**

Senior Vice President, Global Marketing

Born 1961, Southampton Solent University, communications

At Basware since 2008, member of the Executive Team since 2008

Key working experience:

VMware Inc.: Director of Field and Corporate Marketing Europe, Middle East & Africa 2006-2008;

Ariba Inc.: Vice President Marketing and Strategy Europe, Middle East & Africa 2001-2005;

Hewlett-Packard Inc: Various General Management and Marketing Management positions 1989-2000

**Riku Roos**

Senior Vice President, Automation Services

Born 1960, M.Sc. (Tech)

At Basware since 2007, member of the Executive Team since 2012

Key working experience:

Basware Corporation: SVP, Automation Services 2012-, VP EPP Automation Services 2009-2011,

Basware Inc: VP and Country Manager 2007-2009; Meridea Financial Software (Finland, Singapore): EVP 2000-2007;

Nokia Corporation: Global Head of Services Hosting 1999-2000; Cap Gemini Oy: Director 4/1999-12/1999; Deutsche

Bank, Head Office (Germany, Frankfurt): Global Relationship Manager for Private Banking 1998-1999, Regional Head of IT Infrastructure 1997-1998; Microsoft AB (Sweden): Various managerial positions 1993-1997

**Matti Rusi**

Senior Vice President, Customer Support

Born 1963, MBA,

At Basware since 2010 and 1997-2008, member of the Executive Team since 2010

Key working experience:

Profit Software Oy: COO 2008-2009; Valimo Wireless Oy: CEO 2008;

Basware Corporation: Senior Vice President Finland 2005-2008, President & Country Manager of Basware, Inc.

2003-2004, Senior Vice President e-Flow Business Unit 2000-2002, Area Manager Benelux Countries 1999-2000,

Project Manager 1997-1999

**Jukka Virkkunen**

Senior Vice President, Enterprise Sales

Born 1960, College Graduate (Econ)

At Basware since 2006, member of the Executive Team since 2006

Key working experience:

Basware Corporation; Senior Vice President, Enterprise Sales 2012-, Senior Vice President Scandinavia 2010-2011,

Senior Vice President Northeast 2006-2010; Capgemini Finland Oy Technology Services: Unit Manager 2004-2006;

Ementor Oy: Sales Manager 2002-2003;

Fujitsu Services Oy: Marketing Manager for the Nordic Countries 2000-2002;

iCL Data Oy e-Business: Sales Director 2000-1997, Account Manager 1997-1996

Commissions of trust:

Helsinki Region Chamber of Commerce: Member of Committee, Member of ICT Committee 2006-

## Insider Administration

Basware's insider guidelines comply with the NASDAQ OMX Helsinki Guidelines for Insiders. The insider guidelines forbid insiders, including persons under their guardianship and companies where they exercise control, to trade in shares or option rights issued of the company for a period of four weeks prior to the publication of an interim report or a financial statements bulletin (the so-called closed window).

By law, the Company public insiders include members of the Board, CEO, auditors and the auditor in charge of the company of public accountants as well as Executive Team members responsible for the key business areas. In addition, the Company has a company-specific insider register that includes those who regularly receive insider information in their work. Persons who are involved in acquisitions or other projects that have an effect on the valuation of the company's shares, are considered project-specific insiders and are subject to a temporary trading suspension.

The Company lawyer is in charge of the guidance and supervision of insider issues and also maintains the project-specific insider registers if necessary. The Communications Manager takes care of the permanent insider register. The insider register of Basware Corporation is maintained by Euroclear Finland Ltd. The up-to-date shareholdings of the insiders can be seen in Euroclear Finland Ltd's customer service point in Helsinki, Finland, address Urho Kekkosen katu 5 C. The company also maintains a list of insiders on its website.

According to the share register maintained by Euroclear Finland Ltd, CEO Esa Tihilä held 9 850 Basware Corporation shares, Matti Copeland 2 771, Mika Harjuaho 8 000, Mari Heusala 250, Jorma Kemppainen 3 021, Steve Muddiman 8 087, Matti Rusi 3 021, and Jukka Virkkunen 4 750 shares on December 31, 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 673 800, Pentti Heikkinen 2 609, Ilkka Sihvo 885 300, Eeva Sipilä 1 593, and Anssi Vanjoki 5 000 shares in Basware Corporation on December 31, 2012.

## Disclosure policy

In its communications, Basware complies with Finnish and EU legislations, the rules of NASDAQ OMX Helsinki Ltd, the guidelines issued by the Financial Supervision Authority, and the company's Corporate Governance Statement. Basware has a separate disclosure policy, ratified by Basware's Board of Directors on January 20, 2011.

# CONTACTS

## HEADQUARTER, FINLAND

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## PORI

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Tel. **09 879 171**

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## GLOBAL LOCATIONS

### AUSTRALIA

### BELGIUM

### DENMARK

**FRANCE** [www.basware.fr](http://www.basware.fr)

**GERMANY** [www.basware.de](http://www.basware.de)

### INDIA

**NETHERLANDS** [www.basware.nl](http://www.basware.nl)

### NEW ZEALAND

**NORWAY** [www.basware.no](http://www.basware.no)

### RUSSIA

### SINGAPORE

**SWEDEN** [www.basware.se](http://www.basware.se)

**UNITED KINGDOM** [www.basware.co.uk](http://www.basware.co.uk)

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

# FINANCIAL STATEMENTS

## BOARD OF DIRECTORS' REPORT JANUARY 1 - DECEMBER 31, 2012

### SUMMARY OF THE FINANCIAL YEAR

#### Financial year 2012

- Net sales EUR 113 699 thousand (EUR 107 750 thousand) – growth 5.5 percent
- Operating profit EUR 8 308 thousand (EUR 12 280 thousand) – decrease of 32.3 percent
- Operating profit 7.3 percent of net sales (11.4%)
- Growth of Automation Services (SaaS and e-Invoicing) 44.1%
- Recurring revenue (Maintenance and Automation Services) 55.8 percent (48.9%) of net sales
- Net cash flows from operating activities EUR 6 441 thousand (EUR 15 207 thousand)
- Earnings per share (diluted) EUR 0.46 (EUR 0.76) – decrease of 40.1 percent
- Dividend proposal for 2012: EUR 0.23 per share (2011: EUR 0.41)

The Financial Statements have been prepared according to Internal Financial Reporting Standards (IFRS).

#### 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 also 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. 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.

The accounting principles and calculation of key indicators have remained unchanged, and are presented in the Financial Statements 2012.

### FINANCIAL PERIOD

#### Net Sales

Basware Group's net sales increased by 5.5 percent during the review period (January–December) and were EUR 113 699 thousand (EUR 107 750 thousand). In local currency terms, net sales increased by 3.3 percent.

## Information on products and services

EUR thousand

	10-12/ 2012	10-12/ 2011	Change, %	1-12 /2012	1-12/ 2011	Change, %
<b>Net sales</b>						
License sales	5,179	6,806	-23.9	17,437	20,874	-16.5
Maintenance	10,052	9,378	7.2	39,686	36,247	9.5
Professional Services	8,560	9,236	-7.3	32,877	34,179	-3.8
Automation Services	6,637	4,807	38.1	23,699	16,449	44.1
<b>Group total</b>	<b>30,427</b>	<b>30,227</b>	<b>0.7</b>	<b>113,699</b>	<b>107,750</b>	<b>5.5</b>

The company's license sales decreased by 16.5 percent during the reporting period to 15.3 percent (19.4%) of net sales. Purchase-to-Pay (P2P) license sales, reported in License Sales, decreased by 10.2 percent, with an increasing share of agreements signed implemented as SaaS solutions. 40 (4) new SaaS-based P2P agreements and 78 (92) new license-based P2P agreements were concluded in 2012. SaaS sales, reported in Automation Services, grew by 22.2 percent. Maintenance revenue increased by 9.5 percent and accounted for 34.9 percent (33.6%) of net sales. Professional Services revenue decreased by 3.8 percent and accounted for 28.9 percent (31.7%) of net sales. Non-billable work required for the first installations of the Alusta product family and the first SaaS production installations of the new service center in North America contributed to the decrease in Professional Services revenue.

During the period, Automation Services grew by 44.1 percent and accounted for 20.8 percent (15.3%) of net sales. The transaction volume processed by the Automation Services business continued to increase favorably and was 34.0 million (growth of 63.5 percent). The estimated revenue to be recognized for current Automation Services agreements that are in production as well as for new, signed agreements in the next twelve months increased to an estimated EUR 27.8 million, growth of 10.3 percent compared to the previous quarter.

The international share of Basware's net sales was 57.3 percent (54.8%) in the financial period. International operations grew by 10.2 percent

## FINANCIAL PERFORMANCE

Basware's operating profit for the period decreased by 32.3 percent to EUR 8 308 thousand (EUR 12 280 thousand). Operating profit represented 7.3 percent (11.4%) of net sales.

The company's fixed costs were EUR 90 081 thousand (EUR 82 850 thousand) in the period, up 8.7 percent on the corresponding period the previous year. Personnel costs made up 72.8 percent (74.3%) or EUR 65 590 thousand (EUR 61 575 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 fourth quarter amounted to EUR 1 055 thousand (EUR 1 021 thousand).

Basware's research and development expenses totaled EUR 17 884 thousand (EUR 16 489 thousand), or 15.7 percent (15.3%) of net sales during the review period. The expenses increased by 8.5 percent compared to the corresponding period the previous year. R&D expenses capitalized during the review period amounted to EUR 5 330 thousand (EUR 4 309 thousand). The research and development costs included in the profit for the review period totaled EUR 12 555 thousand (EUR 12 180 thousand), or 11.0 percent (11.3%) of net sales.

The company's finance income and finance expenses were EUR 50 thousand (EUR 52 thousand). The company's profit before tax was EUR 8 357 thousand (EUR 12 332 thousand). Taxes for the financial period totaled EUR 2 494 thousand (EUR 2 661 thousand). Profit for the period was 5.2 percent (9.0%) of net sales, or EUR 5 863 thousand (EUR 9 671 thousand). Undiluted earnings per share were EUR 0.46 (EUR 0.76).

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 702 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 129 758 thousand (EUR 121 966 thousand). The company's liquid assets were EUR 34 519 thousand (EUR 42 977 thousand), which comprises of cash and cash equivalents in full. A loan of EUR 10.0 million was withdrawn in December 2012 to partly finance the acquisition of Certipost's e-invoicing operations on January 2, 2013.

Equity ratio was 77.6 percent (81.9%) and gearing was -23.8 percent (-42.3%). The Company's interest-bearing liabilities totaled EUR 10 524 thousand (EUR 682 thousand), of which current liabilities accounted for EUR 1 906 thousand (EUR 158 thousand). Return on investment was 8.2 percent (14.9%) and return on equity 5.8 percent (11.6%).

Net cash flows from operating activities were EUR 6 441 thousand (EUR 15 207 thousand). Net cash flows from investments were EUR -18 799 thousand (EUR -5 631 thousand).

The company's capital expenditure, resulting from regular additional and replacement investments required for growth, was EUR 1 431 thousand (EUR 2 014 thousand) in the period. Gross investments which include – in addition to those mentioned above – the acquisition as well as capitalized research and development costs totaled EUR 19 606 thousand (EUR 6 331 thousand).

Amortization of intangible assets totaled EUR 5 724 thousand (EUR 4 390 thousand). There are no indications of impairments of assets.

On January 17, 2012, Basware Corporation 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% 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 allocated purchase price is approximately EUR 12.5 million. Approximately EUR 2.6 million associated with customer relationships and acquired technology has been allocated to intangible assets, taking deferred tax liabilities into consideration. The value associated with customer relationships will be 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 Annual General Meeting authorized the Board of Directors to decide on repurchase of the company's own shares in accordance with the proposal of the Board of Directors 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 is valid until June 30, 2013. The company has repurchased 49 114 own shares by December 31, 2012. The total amount of own shares held by the company on December 31, 2012, is 82 708 shares, representing approximately 0.6% of all of outstanding shares.

## RESEARCH, DEVELOPMENT AND NEW PRODUCTS

Basware's research and development expenses totaled EUR 17 884 thousand (EUR 16 489 thousand), or 15.7 percent (15.3%) of net sales during the review period. The expenses increased by 8.5 percent compared to the corresponding period the previous year. Research and development expenses capitalized during the review period amounted to EUR 5 330 thousand (EUR 4 309 thousand). The research and development costs included in the profit for the review period totaled EUR 12 555 thousand (EUR 12 180 thousand), or 11.0 percent (11.3%) 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 brings together Basware's B2B process knowledge with its cloud services optimized to ensure easy connectivity with the Open Network to companies of all sizes. 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 the company.

A total of 351 (311) people worked in R&D of whom 162 people in India at the end of 2012.

## PERSONNEL

Basware employed 1 330 (1 058) people on average during the period and 1 423 (1 182) at the end of the period. The number of personnel increased by 241 persons and by 20.4 percent compared with the same period the previous year. The increase in the number of personnel was mainly due to the increase in the number of employees in the Indian unit and the personnel joining Basware through the acquisition of a German e-Invoicing operator.



## Geographical division of personnel

	10-12 /2012	10-12/ 2011	Change, %	1-12/ 2012	1-12/ 2011	Change, %
<b>Personnel (employed, on average):</b>						
Finland	507	467	8.6	486	454	7.0
Scandinavia	133	120	11.1	129	119	8.6
Rest of Europe	196	136	44.5	179	137	30.3
India	507	359	41.2	467	284	64.4
Other	71	67	5.0	69	64	7.4
<b>Group total</b>	<b>1,414</b>	<b>1,149</b>	<b>23.1</b>	<b>1,330</b>	<b>1,058</b>	<b>25.6</b>

The share of personnel working in foreign units has increased compared with the previous year. At the end of the period, 64.4 percent (61.2%) of Basware personnel worked outside of Finland and 35.6 percent (38.8%) in Finland. 11.3 percent of the personnel work in sales and marketing, 57.8 percent in consulting and services, 24.7 percent in Products, and 6.2 percent in administration.

The average age of employees is 34.0 (34.2) years. Of the employees, 24.3 percent have a Master's degree and 29.6 percent have a Bachelor's degree. Women account for 22.8 percent of employees, men for 77.2 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 Executive Team members' bonus based on performance is no more than 50 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 was based on Basware Corporation's earnings per share (EPS). The bonus for the vesting period 2009 was paid in December 2011 and the bonus for the vesting period 2010 in December 2012. The bonus for the vesting period 2011 will be paid in December 2013. The bonuses are paid 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 decided on 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 holding the company shares. 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 targets to be established for them 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

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 agreements made as SaaS services and the demand for license sales shifting towards service solutions. New, multi-year SaaS and e-invoicing service agreements have been concluded in all geographical areas during the year. The strong growth

in Automation Services continued also during the fourth quarter. Growth in services was largely generated in the international market.

## OTHER EVENTS OF THE FINANCIAL PERIOD

Basware's Board of Directors and management updated the company's strategy and objectives for the next three years in September 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. The key objectives of the updated strategy 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.

In 2012, Basware has increasingly shifted from license sales-based operations to the service business. The company announced two partnership agreements and 28 significant customer agreements, of which 24 included services, during the year. Alusta, the unified cloud-based platform for Purchase-to-Pay that was launched at the beginning of the year, was an important milestone in Basware's strategic change and transition to service-oriented business.

Basware acquired the leading German e-invoice operator First Businesspost GmbH in the beginning of 2012 and announced the acquisition of the network and e-invoice business of Certipost, part of the Belgian bpost group, in the end of 2012. The acquisition of Certipost's network and e-Invoicing business was closed on January 2, 2013. Following the acquisitions, Basware is the market leader in Germany and Benelux market in addition to the Nordic countries.

Basware revised its guidance in the interim reports during the year. In the first interim report of 2012, the company announced that it expects its net sales for 2012 to grow from the previous year, and operating profit (EBIT) to be EUR 8–18 million. The guidance was revised in the first year-half's report to EUR 8–13 million, and in the third quarter report to EUR 8–11 million. The company revised its guidance primarily because of the Alusta software suite's lower impact on the license sales as well the weaker performance of Professional Services business than expected.

The Board of Directors decided on a new share-based incentive scheme for the group's key personnel in February 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 holding the company shares. For incentive purposes, the company has a bonus program that covers all employees.

## 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 authorized the Board of Directors to decide on repurchase of the company's own shares in accordance with the proposal of the Board of Directors 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 is valid until June 30, 2013. The company has repurchased 49 114 own shares by December 31, 2012. The total amount of own shares held by the company on December 31, 2012, is 82 708 shares, representing approximately 0.6% of all of outstanding shares.

In 2012, company's own shares were purchased with EUR 963 038.78 in total.

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 14.95) and the closing price was EUR 20.25 (EUR 16.45). The average price of the share was EUR 20.84 (EUR 21.58) during the period.

A total of 1 514 703 (5 079 523) shares were traded during the period, equivalent to 11.8 percent (40.1%) of the average number of shares. Market capitalization with the period's closing price on December 31, 2012 was EUR 260 182 550 (EUR 211 737 063).

## Shareholders

Basware had 14 443 (15 017) shareholders on December 31 including nominee-registered holdings (12). Nominee-registered holdings accounted for 11.2 percent (12.4%) of the total number of shares.

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

Basware announced one notification of change in ownership during the financial period when on August 24, 2012 the total number of shares held by OP-Rahastoyhtiö Oy represented over 5% of Basware Corporation's share capital and voting rights.

The distribution of share ownership is presented in the financial statements 2012.

## Shareholders of the Executive Team and Board of Directors

According to the share register maintained by Euroclear Finland Ltd, CEO Esa Tihilä held 9 850 Basware Corporation shares, Matti Copeland 2 771, Mika Harjuaho 8 000, Mari Heusala 250, Jorma Kemppainen 3 021, Steve Muddiman 8 087, Matti Rusi 3 021, and Jukka Virkkunen 4 750 shares on December 31, 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 673 800, Pentti Heikkinen 2 609, Ilkka Sihvo 885 300, Eeva Sipilä 1 593, and Anssi Vanjoki 5 000 shares in Basware Corporation on December 31, 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 Pentti Heikkinen, Eeva Sipilä, Ilkka Sihvo, 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.

## Authorizations

The Annual General Meeting decided to authorize the Board of Directors to decide on repurchase of the company's own shares in accordance with the proposal of the Board of Directors. By virtue of the authorization, the Board of Directors is entitled to decide on repurchasing a maximum of 1 290 000 company's own shares. The 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 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.

The Annual General Meeting decided to authorize the Board of Directors to decide on issuing new shares and/or conveying the company's own shares held by the company and/or granting special rights entitling to shares pursuant to Chapter 10, Section 1 of the Finnish Companies Act in accordance with the proposal of the Board of Directors.

The Board of Directors shall decide on all other related to the authorization. The authorization is valid until June 30, 2013.

The company issues a Corporate Governance Statement for 2012, composed in accordance with Recommendation 54 of the new Corporate Governance Code and Chapter 7, Section 7 of the Finnish Securities Market Act. The Corporate Governance Statement was issued separately from the company's annual report.

Basware's full governance principles can be read on the company website's Investors pages:  
<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 world economy and markets are unstable, which may result in a decrease in the demand for license sales and services. Furthermore, the conversion of license sales to SaaS solutions will reduce net sales growth over the short term. The shift of demand for license sales towards the SaaS solution will support the long-term growth target of the Automation Services business.

Competitiveness in bringing new customers is essential to the growth pursued by the company. Next generation Alusta software solutions aim to ensure Basware's product leadership in Purchase-to-Pay software and services as well as increase the number of new customers.

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

The long-term target in Automation Services is annual growth of more than 50 percent. SaaS and e-invoicing are scalable business models with a high business potential. Achieving the targeted growth requires continuous strong growth in the number of customers and transaction volumes and ensuring the production quality and continuity of the growing service business. The significant production related risks, in order to achieve financial objectives, include for example the service level agreement breaches as well as service outages which might lead to financial losses.

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

The bad debt risk associated with sales receivables is part of the risk related to business operations. The company has intensified the management of sales receivables and collection process during the latter half of 2012. Business management regularly monitors the payment of sales receivables as part of the management of customer accounts.

Goodwill was tested for impairment during the last quarter of 2012. According to the testing for asset impairment, goodwill has not been impaired, and there are no indications of impairment.

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

## ACQUISITIONS AND CHANGES IN GROUP'S STRUCTURE

The company has branch offices in India, Singapore and Russia.

On January 17, 2012, Basware Corporation acquired the entire share capital of German e-Invoicing operator First Businesspost GmbH. The allocated purchase price is approximately EUR 12.5 million. Approximately EUR 2.6 million associated with customer relationships and acquired technology has been allocated to intangible assets, taking deferred tax liabilities into consideration. The value associated with customer relationships will be 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.

In Germany, First Businesspost GmbH merged with Basware GmbH on June 19, 2012. The merger did not change the organization structure of Basware GmbH.

Basware established the Basware India Private Limited subsidiary in India on July 10, 2012.

Basware established the Basware Belgium N.V. subsidiary in Belgium on November 12, 2012.

## ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

High business ethics, corporate values, and the surrounding legislation guide Basware's social responsibility. The company is committed to financial, social, and environmental responsibility in all of its operations.

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 charity foundation since 2002, and the company sponsors the protection of the Baltic Sea via the WWF.

## Audit of environmental management system

Bureau Veritas Certification has audited Basware Corporation's Espoo, Pori, and Tampere offices and awarded them the ISO 14001:2004 certificate on June 20-21, 2012.

## STRATEGY

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.

By the end of 2015, Basware aims to become the largest business commerce network for buyers and suppliers in the world. Basware's objective is to reach 150 million transactions in 2015, compared with 21 million transactions in 2011.

Basware's long-term growth objectives for net sales and operating profit remain unchanged. The long-term objective is to grow 15-30 percent in net sales annually boosted by over 50 percent growth in Automation Services. The company's long-term objective for operating profit margin is 15-20 percent of net sales, improving towards the end of the period. The share of recurring revenue is aimed to grow to 70 percent of net sales, with Software as a Service (SaaS) and 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. The company's go-to-market activities are expanded with channel and online sales on top of direct sales. Basware is looking for partners that are providing outsourcing services for financial processes for global organizations. The company is looking for service providers and accounting firms as partners for small and medium-sized organizations. Such partners act as Virtual Operators or Sales Agents. Additionally, the company will support organic growth through acquisitions.



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

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

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

- SaaS and electronic invoicing offer the benefits of a scalable business model where technical platforms can take up new customers without having to invest into infrastructure in the same proportion that the revenue grows.
- Partner and online channel will contribute positively to the profitability in the long run. Strong investments in Basware's online channel will be carried out during the strategy period.
- Delivering standardized products and services enables optimum resource utilization and scalable processes across the company.
- Basware will continue expanding the use of lower cost base sourcing of resources in its operations globally for the needs of the growing business. In addition to the current R&D and transaction services production, use of offshoring will continue in customer support, project delivery and internal support functions.

## MANAGEMENT AND AUDITORS

Esa Tihilä has acted as the CEO of the company as of October 17, 2011. The CEO is in charge of the management of the company's business operations and governance in accordance with the Articles of Association, the Finnish Companies Act and the instructions given by the Board. The Annual General Meeting on February 16, 2012, decided that the Basware Board of Directors has five regular members. Hannu Vaajoensuu, Pentti Heikkinen, Ilkka Sihvo, Eeva Sipilä and Anssi Vanjoki were elected as members of the Board of Directors. At its meeting following the Annual General Meeting, the Board of Directors elected Hannu Vaajoensuu as chairman of the Board and Ilkka Sihvo as vice chairman of the Board.

In 2012, Basware's auditor was Ernst & Young Oy, Authorized Public Accountants, with APA Heikki Ilkka as the auditor in charge. APA Terhi Mäkinen was the deputy auditor.

## EVENTS AFTER THE REPORTING PERIOD

### Acquisition of Certipost's network and e-Invoicing business closed

The company announced on January 2, 2013 on the closing of the acquisition of Certipost's network and e-Invoicing business. In it, Basware acquires the network and e-Invoicing business of Certipost, the leading e-Invoice operator in the Benelux. The initial acquisition price of approximately EUR 18.2 million was paid in cash on the closing date.

The final acquisition price will be based on the audited 2012 annual accounts. In 2012, the net sales of the acquired business are expected to amount to approximately EUR 8.4 million and operating profit to amount to approximately EUR 0.8 million negative.

Basware will consolidate the acquired business into its net sales and profit starting from January 1, 2013. Synergy benefits are to be explored through the combination of business operations and technologies as well as joint infrastructure and support functions. The annual potential for cost-savings is expected to be approximately EUR 3.0 million once all of the predicted streamlining measures are complete. Non-recurring restructuring and acquisition costs are estimated to amount to approximately EUR 3.0 million. The operating profit of the acquired business is expected to be slightly positive in 2013.

The purchase price to be allocated is approximately EUR 18.2 million. The acquired net assets amount to approximately EUR 1.4 million, including the cash reserves of EUR 2.2 million. Approximately EUR 4.5 million associated with customer relationships and acquired technology has been allocated to intangible assets, taking deferred tax liabilities into consideration. The value associated with customer relationships will be amortized completely over seven years, and the value associated with technology over five years, starting from the first quarter of 2013. The purchase price includes approximately EUR 12.3 million of goodwill. The calculation concerning the allocation of the purchase price is preliminary.

The acquisition will make Basware the market leader in e-Invoicing in the Benelux market. Certipost's extensive expertise in electronic data interchange (EDI) also played a key role in the conclusion of the agreement.

The company announced the agreement to acquire the network and e-Invoicing business of Certipost, a bpost company, on October 5, 2012. The acquisition of Certipost's network and e-Invoicing business was Basware's second announced acquisition in 2012. In early 2012, Basware became the leading e-Invoicing operator in Germany with the acquisition of First Businesspost GmbH.

## Changes in Basware's Executive Team

The company announced on January 3, 2012 a change in the group's Executive Team: Ilari Nurmi, M.Sc.(Eng.), was appointed as the product manager of Basware Group with the title Senior Vice President, Product Management, and member of the Executive Team as of January 7, 2013.

## FUTURE OUTLOOK

According to independent research institutions' most recent market estimates the software market is expected to grow by 6.4 percent globally in 2013 (2012: 6.2%). The entire IT services market is expected to grow by 5.2 percent globally (2012: 4.7%).

The company's transition process is expected to reach a point where the investments will begin to pay themselves back in the form of increasing net sales and improved profitability during the latter half of the year. The share of R&D expenses of net sales is expected to decrease during 2013 compared to the level in 2012. The emphasis of the overall R&D expenses will move from Alusta product development towards the service development of Automation Services.

The need for continuous services is expected to remain good in our customer base regardless of economic cycles and the challenging economic situation. The predicted development of profitability is particularly based on the adoption of a scalable sales and delivery model and launching a global efficient service production network at full steam. The growing and developing e-invoice market offers good growth opportunities for Basware, which is already the industry-leading independent player worldwide.

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

Basware expects its net sales for 2013 to grow by more than 15% and operating profit (EBIT) to grow compared to the previous year. The operating profit includes estimated one-off restructuring costs of approximately EUR 2.3 million related to an acquisition that was completed in January.

The operating profit (EBIT) for the first quarter of 2013 is expected to be negative due to one-off restructuring costs.

## 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 2012, the Group parent company's distributable funds are EUR 93 857 156.92.

Basware's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.23 per share (2011: EUR 0.41) be paid for 2012.

*Espoo, Finland, January 23, 2013*

BASWARE CORPORATION  
Board of Directors

*Hannu Vaajoensuu, Chairman  
Ilkka Sihvo  
Pentti Heikkinen  
Eeva Sipilä  
Anssi Vanjoki*

*CEO Esa Tihlilä, Basware Corporation*

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

## 1.1.-31.12.2012

EUR thousand

	Notes	1.1.-31.12.2012	1.1.-31.12.2011	Change, %
<b>NET SALES</b>	2	<b>113,699</b>	<b>107,750</b>	<b>5.5</b>
Other operating income	4	228	172	32.7
Materials and services	5	-9,045	-7,788	16.2
Employee benefits expenses	6	-65,590	-61,575	6.5
Depreciation and amortization		-6,493	-5,004	29.8
Other operating expenses	7	-24,491	-21,275	15.1
<b>Operating profit</b>		<b>8,308</b>	<b>12,280</b>	<b>-32.3</b>
Finance income	8	372	510	-27.0
Finance expenses	8	-323	-458	-29.5
<b>Profit before tax</b>		<b>8,357</b>	<b>12,332</b>	<b>-32.2</b>
Income tax expense	9	-2,494	-2,661	-6.3
<b>PROFIT FOR THE PERIOD</b>		<b>5,863</b>	<b>9,671</b>	<b>-39.4</b>
Other comprehensive income				
Exchange differences on translating foreign operations		886	368	141.2
Income tax relating to components of other comprehensive income	9	111	54	103.7
Other comprehensive income, net of tax		996	422	136.3
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>6,860</b>	<b>10,093</b>	<b>-32.0</b>
Profit attributable to:				
Owners of the parent		5,863	9,671	-39.4
		<b>5,863</b>	<b>9,671</b>	<b>-39.4</b>
Total comprehensive income attributable to:				
Owners of the parent		6,860	10,093	-32.0
		<b>6,860</b>	<b>10,093</b>	<b>-32.0</b>
Earnings per share (undiluted), EUR	10	0.46	0.76	-40.1
Earnings per share (diluted), EUR	10	0.46	0.76	-40.1



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

## 31.12.2012

EUR thousand

	Notes	31.12.2012	31.12.2011	Change, %
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	11	23,169	19,208	20.6
Goodwill	11	41,896	32,210	30.1
Tangible assets	12	1,440	1,244	15.8
Available-for-sale investments	13	38	38	0.0
Trade and other receivables	14	1,068	0	0.0
Deferred tax assets	18	2,543	2,680	-5.1
<b>Non-current assets</b>		<b>70,154</b>	<b>55,379</b>	<b>26.7</b>
<b>Current assets</b>				
Inventories	15	18	143	-87.2
Trade and other receivables	16	24,202	23,091	4.8
Income tax receivables	16	865	374	131.1
Cash and short-term deposits	17	34,519	42,977	-19.7
<b>Current assets</b>		<b>59,604</b>	<b>66,586</b>	<b>-10.5</b>
<b>TOTAL ASSETS</b>		<b>129,758</b>	<b>121,966</b>	<b>6.4</b>

EUR thousand

	Notes	31.12.2012	31.12.2011	Change, %
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholder's equity</b>				
Share capital	21	3,528	3,528	0.0
Share premium account	21	1,187	1,187	0.0
Own shares	21	-1,215	-429	-183.4
Fair value reserve and other reserves	21	62,339	62,516	-0.3
Translation differences		-708	-1,266	44.1
Retained earnings		35,594	34,340	3.6
Parent company's shareholders' equity		100,725	99,877	0.8
<b>Shareholders' equity</b>		<b>100,725</b>	<b>99,877</b>	<b>0.8</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	18	1,493	2,079	-28.2
Other non-current financial liabilities	22.23	8,618	524	1,545.0
Other liabilities	22	245	486	-49.5
<b>Non-current liabilities</b>		<b>10,356</b>	<b>3,090</b>	<b>235.2</b>
<b>Current liabilities</b>				
Other current financial liabilities	22.23	1,906	158	1,102.9
Trade payables and other liabilities	22	15,992	16,765	-4.6
Income tax liabilities	22	779	873	-10.7
Provisions	24	0	1,203	-100.0
<b>Current liabilities</b>		<b>18,677</b>	<b>19,000</b>	<b>-1.7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>129,758</b>	<b>121,966</b>	<b>6.4</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

## 1.1.-31.12.2012

EUR thousand

	1.1.-31.12.2012	1.1.-31.12.2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	5,863	9,671
Adjustments for profit		
Depreciation and amortization	6,493	5,004
Finance income and expenses	-16	123
Unrealized profits and losses	-34	-175
Income taxes	2,494	2,661
Other non-cash items	220	0
<b>Total adjustments for profit</b>	<b>9,158</b>	<b>7,613</b>
Working capital changes		
Change in inventories	128	-87
Change in trade and other receivables	-1,437	1,067
Change in trade and other payables	-2,176	273
Change in provisions	-1,211	1,203
<b>Total working capital changes</b>	<b>-4,697</b>	<b>2,456</b>
Interest paid	-6	-285
Interest received	170	483
Other financial items in operating activities	-173	-285
Income taxes paid	-3,874	-4,446
<b>Net cash flows from operating activities</b>	<b>6,441</b>	<b>15,207</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Purchases of tangible and intangible assets	-6,820	-5,631
Acquisition of subsidiaries, net of cash acquired	-11,979	0
<b>Net cash flows used in investing activities</b>	<b>-18,799</b>	<b>-5,631</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Share issue	0	28,063
Proceeds from borrowings	10,000	0
Repayments of borrowings	0	-3,550
Purchase of own shares	-963	0
Payment of finance lease liabilities	-175	0
Dividends paid	-5,278	-5,120
<b>Net cash flows from financing activities</b>	<b>3,584</b>	<b>19,393</b>
<b>Net change in cash and cash equivalents</b>	<b>-8,774</b>	<b>28,969</b>
Cash and cash equivalents at the beginning of period	42,977	13,822
Net foreign exchange difference	112	187
Cash and cash equivalents acquired in acquisition of subsidiaries	204	0
<b>Cash and cash equivalents at the end of period</b>	<b>34,519</b>	<b>42,977</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

## 1.1.-31.12.2012

EUR thousand

	Share-holders' capital	Share issue	Share premium account	Own shares	Invested non-restricted equity	Other reserves	Translation differences	Retained earnings	Total
SHAREHOLDERS' EQUITY 1.1.2011	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>

EUR thousand

	Share-holders' capital	Share issue	Share premium account	Own shares	Invested non-restricted equity	Other reserves	Translation differences	Retained earnings	Total
SHAREHOLDERS' EQUITY 1.1.2012	3,528	0	1,187	-429	61,976	540	-1,266	34,340	99,877
Comprehensive income							996	5,974	6,860
Dividend distribution								-5,278	-5,278
Acquisition of treasury shares				-963					-963
Share-based payments								220	220
Changes in reporting period				177	-177		-438	338	10
<b>SHAREHOLDERS' EQUITY 31.12.2012</b>	<b>3,528</b>	<b>0</b>	<b>1,187</b>	<b>-1,215</b>	<b>61,799</b>	<b>540</b>	<b>-708</b>	<b>35,594</b>	<b>100,725</b>

Dividend per share was EUR 0.41 in year 2011 and EUR 0.40 in year 2010.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

Basware Corporation is a public Finnish company founded under Finnish law. The company's domicile is Espoo, Finland. The shares of the parent company Basware Corporation have been listed on NASDAQ OMX Helsinki Ltd. since 2000. Basware develops software for Enterprise Purchase to Pay and Financial Management solutions.

A copy of the Group financial statements is available on the Internet at [www.basware.fi](http://www.basware.fi) or the parent company's headquarters, address Linnoitustie 2, Espoo.

The Board of Directors has approved the financial statements to be published on January 24, 2013. The financial statements may also be revised in the Annual General Meeting.

## 1. ACCOUNTING PRINCIPLES

### Accounting principles

Basware Corporations' financial statements have been prepared according to the International Financial Reporting Standards (IFRS), approved for use in EU countries, in accordance with the IAS and IFRS standards and IFRIC interpretations valid on December 31, 2012. The Group's Financial Statements are presented in thousands of euro, which is the primary and reporting currency of the Group's parent company, and they are based on acquisition costs unless otherwise stated in the accounting principles. The amounts presented in the financial statements are rounded, so the sum of individual figures may differ from the sum reported.

As of January 1, 2012, the Group has applied the following new and revised standards and interpretations:

- Amendment: IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets. The amendment improves the transparency of notes with regard to transfers and derecognition of financial assets. The amendments help users of financial statements to understand the effects of transfer and derecognition of financial assets and identify any risks associated with continuing involvement in derecognized assets. The group estimates that the amendments have not had a significant effect on the group's financial statements.
- Annual improvements to IFRSs (amendments to several standards)
- The IFRIC interpretation (International Financial Reporting Interpretations Committee) 20 Stripping Costs in Production Phase of a Surface Mine have not had an effect on the group's financial statements.
- The Group will adopt in 2013 the following standards and interpretations whose application is not yet compulsory in the financial statements.
- Amendment: IFRS 1 First-time Adoption of IFRSs – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters. The amendment to the standard defines a new deemed cost-related exception for an entity that is publishing its first IFRS financial statements in a situation where its functional currency is or has been hyperinflationary. The group estimates that the amendment will not have an effect on the group's future financial statements.
- Amendment: IAS 12 Income Taxes: Recovery of Underlying Assets. Deferred tax liabilities and assets associated with investment properties measured at fair value and property, plant and equipment measured with the revaluation model are measured on the basis of the assumption that the carrying amount of the underlying asset will be recovered entirely by sale. The group estimates that the amendment will not have an effect on the group's future financial statements.
- Amendment: IFRS 1 Government Loan. Based on the amendment, first-time adopters need not apply IAS 39 Financial Instruments: Recognition and Measurement retroactively to government loans whose interest rate is below market interest rates. The group estimates that the amendments will not have a significant effect on the group's future financial statements.
- Amendment: IFRS 7 Financial Instruments: Disclosures and IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities. The aim is to improve disclosures in the financial statements on the effects of the offsetting of receivables and liabilities on the company's balance sheet, rights, and liabilities. The group estimates that the amendments will not have a significant effect on the group's future financial statements.
- IFRS 10 Consolidated financial statements and IAS 27 Separate Financial Statements (revised). The new IFRS 10

standard on consolidated financial statements will replace the consolidated financial statements-related sections of IAS 27 Consolidated and Separate Financial Statements and the SIC-12: Consolidation – Special Purpose Entities interpretation. IFRS 10 has no effect on how a company is consolidated but whether the company is consolidated according to the new definition of control. The standard amends the concept of control and may amend whether companies and structured entities are consolidated in the financial statements or not. The group estimates that the amendments will not have a significant effect on the group's future financial statements.

- IFRS 11 Joint Arrangements and IAS 28 Associates and Joint Ventures (revised). The new standard will replace the IAS 31 Interests In Joint Ventures standard and the SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers interpretation. According to the new standard, more attention must be paid to the actual nature than the legal form of the arrangement in identifying joint ventures. A significant amendment to the previous treatment of joint ventures is that in the future, joint ventures in which the parties have the right to the net assets related to the venture (joint venture) can no longer be consolidated proportionately but only with the equity method. The group estimates that the amendments will not have a significant effect on the group's future financial statements.
- IFRS 12 Disclosures of Interests in Other Entities. The new standard compiles all of the requirements for notes to consolidated financial statements in a single standard and includes the requirements for notes concerning subsidiaries, joint ventures, associates, and structured entities. The group estimates that the amendments will not have a significant effect on the group's future financial statements.
- IFRS 13 Fair Value Measurement. The standard sets out a single definition of fair value applicable to all IFRS standards and a single approach to measuring fair value. It does not amend the regulations regarding when the reporting entity should measure an asset or liability at fair value. Furthermore, the standard significantly increases the notes to be disclosed on the use of fair values. The group estimates that the amendments will not have a significant effect on the group's future financial statements.
- Amendment: IAS 1 Presentation of Items of Other Comprehensive Income. Items of other comprehensive income will be classified to those that will be subsequently reclassified through profit or loss and those that will never be reclassified through profit or loss. The amendment has no impact on which items are recognized in comprehensive income or when the items are reclassified through profit or loss and when not. The group estimates that the amendments will not have a significant effect on the group's future financial statements.
- Revised: IAS 19 Employee benefits. The revised standard includes several amendments to harmonize the recognition of defined benefit pension plans and to improve comparability. In addition, the amendments to presentation will improve the comparability of financial statements and provide a clearer view of the financial commitments related to defined benefit plans. The group estimates that the amendments will not have a significant effect on the group's future financial statements.

## Annual improvements to IFRSs

The group will adopt the following standards provided that they are approved by the EU. The group estimates that the amendments will not have a significant effect on the group's future financial statements.

- IFRS 1 First-time Adoption of IFRSs. The amendment specifies how IFRS 1 is applied in a situation where the entity has previously applied IFRSs, then discontinued the application of IFRSs, and begins to apply IFRSs again. In addition, the amendment specifies the treatment of borrowing costs capitalized based on the previous financial statements standards when adopting IFRSs.
- IAS 1 Presentation of Financial Statements. The amendment clarifies certain requirements for the presentation of comparison data.
- IAS 16 Property, Plant and Equipment. The amendment clarifies that significant spare parts and maintenance tools that meet the definition of property, plant and equipment, i.e. the entity expects to use them during more than one financial periods, are not inventories.
- IAS 32 Financial Instruments: Presentation. The amendment omits the income tax-related regulations of IAS 32 and requires that entities apply the regulations of IAS 12 Income Taxes.
- IAS 34 Interim Financial Reporting. The amendment clarifies the requirements for information on assets and liabilities to be presented for operating segments in connection with interim reports so that the requirements are consistent with IFRS 8 Operating Segments.

## Amendments that will enter into force at a later time

The group will adopt the following standards during subsequent financial periods, provided that they are approved by the EU. The group estimates that the amendments will not have a significant effect on the group's future financial statements.

- IFRS 9 Financial Instruments. IFRS 9 will completely replace the existing IAS 39 Financial Instruments: Recognition and Measurement. The initial measurement of financial instruments is made at fair value for all financial assets. Financial assets that are debt instruments and to which the fair value option is not applied are measured following initial recognition either at amortized cost or fair value, depending on the company's business model for the management of financial assets and contractual cash flows of the financial assets. As a rule, all equity instruments are measured at fair value following the initial measurement, either through profit or loss or through other comprehensive income. With regard to financial liabilities, the main amendment is that when applying the fair value option, the effect of changes in the entity's own credit risk on the fair value of the financial liability will be recognized through other comprehensive income. The group estimates that the amendments will not have a significant effect on the group's future financial statements.
- Amendments: IFRS 10, IFRS 12, IAS 27, and IAS 28 regarding the consolidation of Investment entities. The IASB published an amendment to IFRS 10 Consolidated Financial Statements in October 2012. A special provision on consolidation regarding entities engaged in investment activities was added to the standard. The amendment includes the criteria which an entity must meet in order to be an investment entity and eligible for applying the special provision. Units that meet the criteria will not consolidate their subsidiaries in the financial statements; they will be treated according to IFRS Financial Instruments or IAS Financial Instruments: Recognition and Measurement at fair value through profit or loss.

## Principles of consolidation

Basware's Group financial statements include the parent company Basware Corporation and the subsidiaries controlled by it. With regard to subsidiaries, the parent company's control is based on full ownership of the share capital or a majority holding. The Company does not own shares in joint enterprises or affiliates. The subsidiaries have been included in the Group financial statements as of the acquisition date. Intra-group holding is eliminated using the acquisition cost method. Acquired companies are accounted for using the purchase method according to which the assets and liabilities of the acquired company are measured at their fair value when it has been possible to determine the value reliably. Deferred taxes of the acquisition cost adjustments are recognized according to the valid tax rate and the remainder is recognized as goodwill on the balance sheet. Intra-group business transactions, internal liabilities and receivables, and internal profit distribution are eliminated in the Group financial statements.

## Transactions in foreign currencies

Transactions in foreign currencies are recorded in the operating currency at the approximate exchange rates prevailing at the transaction dates. Monetary items in foreign currencies have been translated into the operating currency using the exchange rates at the end of the reporting period. Non-monetary items denominated in foreign currencies are carried at the exchange rate at the date of the transaction. Foreign exchange gains and losses related to normal business operations are entered in the appropriate income statement account before operating profit.

In the Group financial statements, the income statements of foreign subsidiaries are translated into euros at the average rate for the financial period and balance sheets at the exchange rate of the balance sheet date. Average rate difference due to different exchange rates on the statement of comprehensive income and balance sheet are entered in other comprehensive income. Translation differences arising from the elimination of foreign subsidiaries and translation of equity items accumulated after the acquisition are entered in other comprehensive income. Foreign currency gains and losses from monetary items part of the net investment in a foreign unit are recognized in other comprehensive income and entered on the statement of comprehensive income when the net investment is abandoned.

## Revenue recognition

The group's net sales are generated by license sales, service sales, maintenance, and automation services.

Revenue recognition of product sales requires that there is a binding agreement of the sale, the product has been delivered, proceeds from the transaction can be reliably specified, the financial gain will benefit the company with sufficient probability, and significant benefits and risks related to ownership or rights of use of the product have been transferred to the buyer. License agreements with a right of return or conditions related to the product's functionality or implementation project are recognized as revenue once the right of return has expired or the above-mentioned conditions have been fulfilled.

Service revenue is recognized at the time of delivery. Revenue and costs of fixed-price business transactions are recognized as revenue and expenditure on the basis of the percentage of completion when the outcome of the business

transaction can be reliably estimated. The degree of completion of business transactions is specified as the proportion of hours worked of the estimated total number of hours. If the resulting costs and recognized profits exceed the amount invoiced for the transaction, the difference is presented in "Trade and other receivables" on the balance sheet. If the resulting costs and recognized profits are lower the invoicing for the transaction, the difference is presented in "Trade payables and other liabilities" on the balance sheet. When it is likely that the total costs required for completing the business transaction exceed the total revenue from the transaction, the expected loss is recognized as an expense immediately.

Maintenance revenue is allocated over the contract period.

Automation Services revenue is mainly comprised of start-up, transaction, and use fees. Start-up fees are recognized as revenue when the work related to the start-up procedure has been completed and the customer has been connected to the service environment. Transaction revenue is recognized on the basis of actual transaction volumes and use charges on a monthly basis on the basis of the existence of an agreement.

When net sales are calculated, sales revenue is adjusted for exchange rate differences of foreign currency sales.

## Other operating income

Other operating income includes proceeds from the sale of property, plant and equipment and possible rental income, recognized on a straight-line basis over the rental period.

## Operating profit

The IAS 1 Presentation of Financial Statements standard does not define the concept of operating profit. The Group uses the following definition of operating profit: operating profit is the net sum of operating income added to net sales, less the cost of purchase for finished goods which is adjusted with inventory changes, less the costs resulting from employee benefits, depreciation and possible impairment loss as well as other operating expenses. All other items of the income statement are presented after operating profit. Exchange differences and fair value changes of derivatives are included in operating profit, provided that they result from items related to business operations; otherwise they are recognized under financing items.

## Impairment of tangible and intangible assets

The Group performs an annual impairment test of goodwill, those intangible assets that have unlimited useful lives, and unfinished development projects. Additionally indications of impairment are evaluated regularly. In case of such indications, the recoverable amount of the cash-generating unit or asset is evaluated.

The need for impairment is evaluated at the level of the cash-generating units, or the lowest nit level mainly independent of other units and whose cash flows can be differentiated and are highly independent of the cash flows of other corresponding units.

The book value of the cash generating unit and assets allocated to the unit are compared to the unit's recoverable amount (value in use). Value in use refers to the estimated future net cash flows from the asset or cash-generating unit in question discounted to the current value.

The current value of future cash flows is based on the so-called perpetuity assumption (time period is infinite). The forecast cash flows are estimated for a period of five years and the value of the so-called residual part of use value after the forecast period is determined using the Gordon model. Value in use is based on cash flows according to business plans for the first year (annual budget) and according to long-term predictions (Planning Frame) for the two subsequent years. The cash flows for the following two years are estimated by extrapolating the cash flow of the third year with the zero-growth assumption. The terminal period growth rate is 2%. The discount rates employed are the weighted average of capital costs and its starting point is determining the risk in accordance with CAPM. The discount rate includes a risk-free interest rate that takes the time value of money into consideration and a risk premium.

If the value in use is lower than the carrying amount of the asset, the impairment is entered as an expense on the income statement and allocated primarily to goodwill and thereafter against other assets on a pro rata basis.

If there is a positive change in the estimated recoverable amount of money, depreciation loss related to tangible fixed assets and other intangible assets, excluding goodwill, is nullified. However, an impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized. Goodwill impairment loss is not reversed in any situation. Additionally, the impairment loss of equity instruments that are recognized as available-for-sale financial assets is not reversed through profit and loss.



## Goodwill

Goodwill is measured as the excess of the cost of the acquisition over the Group's share of the fair values of the acquiree's net assets at the time of the acquisition. Goodwill is recognized at the original acquisition cost less accumulated amortization.

## Other intangible assets

Other intangible assets include software, capitalized product development costs, other long-term expenses, and customer relationships. Intangible assets are recognized at the original acquisition cost less accumulated amortization according to plan and possible impairment. Public subsidies related to the acquisition of an intangible asset are deducted from the acquisition cost of the asset and recognized as income by reducing the amortization charge of the asset they are related to. The expected useful lives of intangible assets are 3-10 years.

## Research and development costs

Research expenses are booked as an expense as they are incurred. Development costs of new products and new product versions with significant enhancements are capitalized and recognized and amortized over the useful life of 3–5 years. In determining the useful life, the obsolescence of technology and the typical life cycle of products in the industry are taken into consideration. Amortization starts once the product version is ready for use. Maintenance of existing products and minor enhancements are recognized as they are incurred. Unfinished development projects are tested for impairment at the balance sheet date.

## Tangible assets

Tangible assets include machinery and equipment. Tangible assets are recognized on the balance sheet at the original acquisition cost less accumulated depreciation according to plan and possible impairment. The useful lives of tangible assets are 3–10 years.

The useful life of an asset is reviewed at least at the end of each financial year and, if necessary, any change in expectations for financial benefit is accounted for.

Sales gains and losses on disposal or transfer of tangible assets are recognized through profit or loss.

Maintenance costs are recognized through profit or loss as they are incurred.

The company recognizes borrowing costs as an expense in the period during which they are incurred. If the borrowing costs are due to an asset whose completion for the intended purpose or sale necessarily requires a considerably long time, the borrowing costs are capitalized as part of the acquisition cost of the asset.

## Leases

Leases on property, plant and equipment are classified as finance leases if they transfer a substantial portion of the risks and rewards incident to ownership. Finance leases are recognized on the balance sheet at the beginning of the lease as assets and liabilities at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Commodities acquired using finance leases are amortized according to plan and possible impairment losses are recognized. Finance lease liabilities are recognized under interest-bearing in short and long term liabilities.

If the risks and benefits typical of ownership remain with the lessor, the contract is handled as another rental agreement and the payments executed based on the agreement are recognized as an expense in fixed installments over the lease period.

## Financial assets

The Group's financial assets are categorized to the following categories:

- Financial assets at fair value through profit or loss
- Held-to-maturity investment
- Loans and other receivables
- Available-for-sale financial assets

The categorization is based on the purpose of the acquisition of the financial assets, and it is performed in connection with the original acquisition. Transaction costs are included in the original book value of the financial assets, when the item in question is not recognized at fair value through profit or loss. All purchases and sales of financial assets are

recognized at the transaction date, which is the date on which the Group commits to purchase or sell the financial instruments. Derecognition of a financial assets is done when the Group has lost its contractual right to money flow or when it has, for a significant extent, transferred risks and profits to outside the group.

### **Financial assets at fair value through profit or loss**

A financial asset is grouped into Financial assets at fair value through profit or loss category if it is acquired as held for trading, or it is designated as at fair value through profit or loss upon initial recognition. Held-for-trading financial assets are mainly acquired in order to obtain gains from changes in short-term market prices. The assets are valued at the fair market price at the balance sheet date, and the change in value is recognized under finance income on the income statement. There were no such financing items on the balance sheet at the closing date.

Derivatives that are not eligible for hedge accounting are classified as held for trading. Derivatives held for trading are included in long-term assets if they mature in more than 12 months; otherwise they are categorized in short-term assets, as are financial assets that mature in 12 months. There were no such derivatives on the balance sheet at the closing date.

### **Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity.

They are valued at amortized cost and are included in non-current assets. There were no such financing items on the balance sheet at the closing date.

### **Loans and other receivables**

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held by the Group with the intent to sell. Loans and other receivables are valued at amortized cost using the effective rate method. They are included in current or non-current trade receivables and other receivables category on the balance sheet in accordance with their nature. If the receivable matures in more than 12 months, it is categorized in long-term receivables.

### **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets specifically designated to this group or not categorized otherwise. They are included in long-term assets unless they are intended to be held for less than 12 months as of the closing date, in which case they are included in short-term assets. Available-for-sale financial assets are measured at fair value. When the fair value cannot be reliably determined, they are measured at acquisition cost.

Changes in the fair value of available-for-sale financial assets are entered in other comprehensive income and presented in the fair value reserve, taking into account the tax effect. Changes in fair value are transferred from equity to the income statement as adjustments when the instrument is sold or its value has decreased so that an impairment loss has to be recognized for the instrument.

### **Cash and cash equivalents**

Cash and cash equivalents consist of cash, bank deposits that can be withdrawn on demand and other current highly liquid investments that can be exchanged to an amount of cash assets that is known in advance, and with a low risk of changes in value. Items classified as cash and cash equivalents have a maximum maturity of three months from acquisition.

### **Financial liabilities**

Financial liabilities are initially recognized at fair value. Transaction costs have been included in the original carrying amount of financial liabilities measured at amortized cost. Subsequently, all financial liabilities, excluding derivative liabilities, are valued at amortized cost using the effective interest rate method. Financial liabilities are divided into current and non-current liabilities and they can either be interest-bearing or non-interest-bearing.

### **Derivative contracts**

Derivative contracts are recognized initially at fair value at the date on which the Group enters into the agreement, and subsequently they are still measured at fair value. Gains and losses resulting from fair value measurement are treated in accounting as specified by the purpose of the derivative contract. There were no such derivative contracts on the balance sheet at the closing date.

## Impairment of financial assets

Based on a risk assessment, impairment is made for uncertain sales receivables. Significant financial problems of a debtor, likelihood of bankruptcy, default of payments or a delay of more than 180 days of a payment are indications of the impairment of sales receivables. If the amount of the impairment loss is decreased during a subsequent period and the decrease can be objectively considered to be associated with an event after the impairment was recognized, the recognized loss is reversed through profit or loss.

Additionally, an assessment is conducted at each closing date to determine if there is objective evidence of impairment of an item or a category included in the financial assets.

## Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the obligation will have to be settled, and the amount of the obligation can be reliably estimated. Provisions are measured at the present value required in order to cover the obligation. The present value factor used in the calculation of the present value is selected so that it represents the market insight into the time value of money and liability-related risks at the time of the assessment.

## Pensions

The statutory pension coverage of Basware Corporation employees is provided through insurance policies taken out with a pension institution. Pension coverage for personnel employed by units outside Finland is arranged in line with the requirements of local legislation and social security provisions. Payments related to defined contribution pension plans are recognized on the income statement in the year they are incurred. There are no defined benefit plans.

## Share-based payment costs

The Group has incentive schemes in which the payments are made as either equity instruments or in cash. The benefits granted in the schemes are measured at fair value at the grant date and recognized as an expense evenly during the earnings period. In schemes where the payments are made in cash, the liability recognized and change in its fair value is correspondingly allocated as expenses. The result impact of the schemes is presented under employee benefits expenses.

## Taxation

The tax expenses on the income statement comprise of tax based on the taxable income for the financial year and deferred taxes. Tax expenses are recognized in the income statement except for the expenses entered directly to shareholders' equity when they are entered on the balance sheet as part of shareholders' equity. Taxes based on the results of the Group companies are recorded according to the local tax rules of each country.

Deferred taxes are calculated from all temporary differences between the carrying amount and taxable value. Deferred tax is not recognized for non-tax deductible goodwill and deferred tax is not recognized for non-distributed profits of subsidiaries in so far as the difference is not likely to be discharged in the foreseeable future.

At the closing date, a company-specific assessment of the amount of deferred tax assets included on the balance sheet is conducted and it is reduced to the extent that likely cannot be utilized in the taxation of the company in question. Deferred tax liabilities are wholly included on the balance sheet.

The most significant temporary differences arise from depreciation of property, plant and equipment, unused tax losses, adjustments for fair values in connection with acquisitions, and restructuring provisions.

## Own shares

Share repurchase and conveyance of shares and related costs are presented under shareholders' equity.

## Accounting principles requiring management's consideration and key uncertainties relating to the estimates

When preparing the financial statements, estimates and supposition regarding the future have to be made. Realization may, however, differ from these estimates. Additionally, discretion must be used when applying the accounting principles. The estimates are based on the best views of the management at the time of the closing of the books. Possible changes in the estimates and suppositions are recorded in accounting in the period when the estimate or supposition is adjusted and in all the following financial periods.

The management believes that the estimates and suppositions are accurate enough to be used as basis for fair value assessment.

Additionally, the Group reviews the possible indications of depreciation regarding both tangible and intangible assets at each closing date, at the latest.

The most significant estimates included in the financial statements are related to measurement of assets, current sales receivables (Note 16), utilization of deferred tax assets (Note 18) and capitalization of product development expenses (Note 11).

The Group performs an annual impairment test of goodwill, those intangible assets that have unlimited useful lives, and unfinished development projects and evaluates indications of impairment as presented above. Recoverable amounts of cash-generating units have been determined by calculations based on value in use. More information on the measurement of intangible assets in company mergers can be found in note 3. Product development costs are capitalized in intangible assets regarding new products as well as product versions with significant upgrades and amortized during the useful life after the product has been completed.

## 2. Operating segments

Basware Corporation reports one operating segment: Purchase to Pay, P2P. Basware provides products and services to all potential customers. Basware's products and services are suitable for all industries and companies of all sizes.

In addition, the company reports revenue from 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. Work related to customer projects, such as software installation, business consulting and project management are included in Professional Services. Maintenance is comprised of annual maintenance fees paid for the products and work by support unit personnel to customers. Automation Services include e-invoicing, scan & capture services, printing services, purchase catalogue management, purchase message exchange, activation services and SaaS services.

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

According to the transfer pricing regulations of the Group, transactions between Group companies are conducted on so called Arm's Length terms. As of January 1, 2008, the so-called Transactional Net Margin method compliant with the principles of OECD's Transfer Pricing Guidelines is applied to transfer pricing between Basware Corporation and its subsidiaries ("Revenue Generating Units"). The "Cost Plus method" is applied to "offshoring" services offered by the Non-Revenue Generating Units.

### Information on products and services

EUR thousand

	1.1.-31.12.2012	1.1.-31.12.2011
Licence Sales	17,437	20,874
Maintenance	39,686	36,247
Professional Services	32,877	34,179
Automation Services	23,699	16,449
<b>Group total</b>	<b>113,699</b>	<b>107,750</b>

### Geographic information

#### Net Sales by Customer Location

EUR thousand

	1.1.-31.12.2012	1.1.-31.12.2011
Finland	48,567	48,660
Scandinavia	25,809	25,381
Rest of Europe	25,194	20,187
Others	14,129	13,522
<b>Net sales</b>	<b>113,699</b>	<b>107,750</b>

### Non-current assets based on the locations of the assets

EUR thousand

	31.12.2012	31.12.2011
Finland	39,402	31,090
Scandinavia	10,069	10,534
Rest of Europe	15,644	8,436
Others	2,497	2,640
<b>Non-current assets</b>	<b>67,611</b>	<b>52,700</b>

### 3. ACQUIRED BUSINESS OPERATIONS

Basware Corporation acquired the entire share capital of the e-invoice operator First Businesspost GmbH on January 17, 2012. The purchase price was approximately EUR 12.2 million. The debt-free purchase price was approximately EUR 9.0 million, in addition to which Basware takes over approximately EUR 3.2 million of parent company loans in First Businesspost. The acquisition price was paid wholly in cash in connection with the closing of the acquisition so that 20% of the debt free price was paid to an escrow account. The escrow agreement is in place until the end of January 2013.

The synergy benefits of the new business combination are primarily derived from accelerated growth potential as Basware will be incorporating First Businesspost technology into its offering internationally.

Basware consolidated First Businesspost's figures into its net sales and profit as of January 1, 2012. The allocated purchase price is approximately EUR 12.5 million. Approximately EUR 2.6 million associated with customer relationships and acquired technology has been allocated to intangible assets, taking deferred tax liabilities into consideration. The value associated with customer relationships will be 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.

#### Acquisitions after the end of the financial period

The company announced on January 2, 2013 on the closing of the acquisition of Certipost's network and e-Invoicing business. In it, Basware acquires the network and e-Invoicing business of Certipost, the leading e-Invoice operator in the Benelux. The initial acquisition price of approximately EUR 18.2 million was paid in cash on the closing date.

The final acquisition price will be based on the audited 2012 annual accounts. In 2012, the net sales of the acquired business are expected to amount to approximately EUR 8.4 million and operating profit to amount to approximately EUR 0.8 million negative.

The acquisition will make Basware the market leader in e-Invoicing in the Benelux market. Certipost's extensive expertise in electronic data interchange (EDI) also played a key role in the conclusion of the agreement.

Basware will consolidate the acquired business into its net sales and profit starting from January 1, 2013. Synergy benefits are to be explored through the combination of business operations and technologies as well as joint infrastructure and support functions. The annual potential for cost-savings is expected to be approximately EUR 3.0 million once all of the predicted streamlining measures are complete. Non-recurring restructuring and acquisition costs are estimated to amount to approximately EUR 3.0 million. The operating profit of the acquired business is expected to be slightly positive in 2013.

The purchase price to be allocated is approximately EUR 18.2 million. The acquired net assets amount to approximately EUR 1.4 million, including the cash reserves of EUR 2.2 million. Approximately EUR 4.5 million associated with customer relationships and acquired technology has been allocated to intangible assets, taking deferred tax liabilities into consideration. The value associated with customer relationships and technology will be amortized completely over seven years, starting from the first quarter of 2013. The purchase price includes approximately EUR 12.3 million of goodwill. The calculation concerning the allocation of the purchase price is preliminary.

The accounting of the Certipost business acquisition is incomplete due to the time of the acquisition, January 2, 2013. Basware will consolidate Certipost business in its net sales and result as of January 1, 2013. Therefore, preliminary figures on business combination regarding the acquired assets, liabilities and equity shares have not been determined, and the preliminary purchase price allocation is incomplete.

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

EUR thousand

	Notes	Fair value
Intangible assets	11	3,673
Tangible assets	12	105
Trade and other receivables		428
Deferred tax assets	18	757
Cash and short-term deposits		168
<b>Total assets</b>		<b>5,130</b>
Deferred tax liabilities	18	1,034
Other financial liabilities		2,971
Trade and other payables		990
<b>Total liabilities</b>		<b>4,994</b>
<b>Net assets</b>		<b>136</b>

The fair value of trade and other receivables, 426 thousand euros, was 4 thousand euros lower than the gross value based on agreements at the time of the acquisition. The difference is expected to realize as bad debts after the time of acquisition.

#### 4. OTHER OPERATING INCOME

EUR thousand

	1.1.-31.12.2012	1.1.-31.12.2011
Other operating income	228	172
<b>Other operating income</b>	<b>228</b>	<b>172</b>

#### 5. MATERIALS AND SERVICES

EUR thousand

	1.1.-31.12.2012	1.1.-31.12.2011
Purchases during the period	-7,430	-7,409
Increase / decrease in inventories	-23	-4
External services	-1,593	-375
<b>Materials and services</b>	<b>-9,045</b>	<b>-7,788</b>



## 6. PERSONNEL AND RELATED PARTIES

Employed, on average

	1.1.-31.12.2012	1.1.-31.12.2011
Finland	486	454
Scandinavia	129	119
Rest of Europe	179	137
India	467	284
Others	69	64
<b>Personnel Total</b>	<b>1,330</b>	<b>1,058</b>

### Employee benefits expenses

EUR thousand

	1.1.-31.12.2012	1.1.-31.12.2011
Salaries and fees	-53,994	-50,523
Pension expenses, defined benefit plans	-5,881	-5,421
Granted warrants and share-based incentive plans	-576	-732
Other employee benefits	-5,138	-4,899
Other employee benefits total	-5,714	-5,631
<b>Employee benefits expenses</b>	<b>-65,590</b>	<b>-61,575</b>

### Management and Board salaries, fees and benefits

EUR thousand

	1.1.-31.12.2012	1.1.-31.12.2011
<b>CEO of parent company</b>		
Ilkka Sihvo	0	-651
Esa Tihilä	-508	-203
<b>Compensation of the members of the Board of Directors</b>		
Hannu Vaajoensuu	-62	-62
Matti Copeland (until 17 February 2011)	0	-4
Pentti Heikkinen	-34	-33
Sakari Perttunen (until 16 February 2012)	-6	-39
Ilkka Sihvo (since 16 February 2012)	-32	0
Eeva Sipilä	-33	-34
Ilkka Toivola (until 16 February 2012)	-6	-34
Anssi Vanjoki (since 16 February 2012)	-28	0
<b>Total</b>	<b>-709</b>	<b>-1,060</b>

In addition to the remuneration paid for his Board duties, Ilkka Sihvo was granted 7,250 shares on the basis of the incentive scheme in December 2012, of which 3,625 shares were conveyed to Ilkka Sihvo (with a value of EUR 74 thousand at the average price of EUR 20.28 on the payment date, December 28, 2012) and EUR 74 thousand was paid in cash to cover the withholding tax. The payment is based on the agreement made on the termination of Ilkka Sihvo's employment.

The salary of CEO Esa Tihilä, including benefits, totaled EUR 508 thousand for the period January 1, 2012 – December 31, 2012. Salary in money was EUR 294 thousand and fringe benefits totaled EUR 13 thousand. A performance bonus of EUR 55 thousand was paid. Esa Tihilä was granted 7,250 shares on the basis of the incentive scheme in December 2012, of which 3,625 shares were conveyed to Esa Tihilä Sihvo (with a value of EUR 74 thousand at the average price of EUR 20.28 on the payment date, December 28, 2012) and EUR 74 thousand was paid in cash to cover the withholding tax.

## Key management compensation

EUR thousand

	1.1.-31.12.2012	1.1.-31.12.2011
Short-term employee benefits	-3,019	-3,171
Post-employment benefits	-450	-450
Equity-related benefits	-576	-732
<b>Management compensation</b>	<b>-4,045</b>	<b>-4,353</b>

Compensation of the members of the Executive Team has been taken into notice in management compensation.

Pension benefits of the members of the Board and the CEO are pursuant to employment pension legislation.

The CEO has 6 months' period of notice and salary for the period of notice should the Company give notice, in addition to which he is entitled to severance pay equivalent of 12 months' fixed salary.

## Share-based payments

The subscription period for warrants ended on March 31, 2011. The company did not have any warrant programs in force in 2012. The valuation model used is Black–Scholes, and the estimated personnel reductions have been taken into account in the calculations. The expected volatility is based on the volatility of the year preceding the date of issue of warrants.

## Warrants

	2006C	2007E
Date of issue	31.1.2009	13.5.2007
Issued number	80,005	78,100
Subscription price	8.27	8.27
Volume-weighted price on the date of issue	7.35	12.00
Volume-weighted fair value on the date of issue	2.02	2.40
Expected volatility	25%	25%
Risk free interest	4.00%	4.00%
Expected dividends	2.00%	2.00%
End of subscription period	31.3.2011	31.3.2011

A share-based incentive scheme was in use in 2009–2011. The Board of Directors of Basware Corporation decided on a new share-based incentive plan for key personnel in 2012-2014 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 holding the company shares.

## Share-based incentive plan

	2009	2010	2011	2012 Annual vesting	2012 Fixed vesting	2012 Matching of shares
Basic values						
Maximum number of shares	42,000	36,000	47,175	35,533	97,145	2,697
Maximum number of shares	42,000	36,000	47,175	35,533	97,145	0
Date of issue	11.3.2009	18.2.2010	14.3.2011	16.2.2012	16.2.2012	16.2.2012
Beginning of earning period	11.3.2009	18.2.2010	14.3.2011	16.2.2012	16.2.2012	16.2.2012
End of earning period	31.12.2011	31.12.2012	31.12.2013	31.12.2014	31.12.2014	31.12.2014
Vesting conditions	Working Commitment	Working Commitment	Working Commitment	Working Commitment	Working Commitment	Working Commitment
Criterion	EPS	EPS	EPS	Net Sales	EPS	Number of deposited shares
Form of the reward	Shares and cash	Shares and cash	Shares and cash	Shares and cash	Shares and cash	Shares
Number of persons, date of issue	8	8	12	11	11	11
Share price, date of issue	7.50	17.70	24.25	18.53	18.53	18.53
The annual expected dividends, fair value	0.49	0.74	0.82	1.37	1.37	1.37
Closing share price December 31, 2009	14.01					
Closing share price December 31, 2010	24.75	24.75				
Closing share price December 31, 2011		16.45	16.45			
Closing share price December 31, 2012			20.25	20.25	20.25	20.25
Fair value December 31, 2009	589,120					
Fair value December 31, 2010	972,650	875,910				
Fair value December 31, 2011		908,380	1,082,773			
Fair value December 31, 2012			420,569	230,578	545,126	41,652
Recognized liability, cash portion			125,409	37,955	89,732	

## 7. OTHER OPERATING EXPENSES

EUR thousand

	1.1.-31.12.2012	1.1.-31.12.2011
Rents	-3,856	-3,360
Non-statutory employee benefits	-1,195	-1,026
Audit fees	-199	-228
Tax advices	-103	-10
Other fees and services	-26	-46
<b>Audit fees total</b>	<b>-328</b>	<b>-284</b>
Travel	-5,023	-4,160
Marketing	-4,237	-4,092
IT and telephone	-2,092	-1,920
Other expenses	-7,760	-6,433
<b>Total</b>	<b>-19,112</b>	<b>-16,605</b>
<b>Other operating expenses total</b>	<b>-24,491</b>	<b>-21,275</b>
<b>Research and development expenses</b>		
Research and development in income statement	-12,555	-12,180
Increases in capitalized research and development expenses	-5,330	-4,309
<b>Total</b>	<b>-17,884</b>	<b>-16,489</b>

## 8. FINANCIAL INCOME AND EXPENSES

EUR thousand

	1.1.-31.12.2012	1.1.-31.12.2011
<b>Finance income</b>		
Changes in value of financial assets at fair value through profit or loss		
Interest rate derivatives, no hedge accounting	0	-8
Interest income	170	483
Other finance income	202	35
<b>Total</b>	<b>372</b>	<b>510</b>
<b>Finance expenses</b>		
Interest expenses	-7	-32
Interest rate derivatives, no hedge accounting	0	9
Interest fund	0	-249
Other finance expenses	-316	-186
<b>Total</b>	<b>-323</b>	<b>-458</b>
<b>Finance income and expenses total</b>	<b>50</b>	<b>52</b>

Other finance income is comprised of realized exchange gains.

Other finance expenses are comprised of realized exchange losses and finance lease interest paid.

## Exchange differences recognized on income statement

EUR thousand

	1.1.-31.12.2012	1.1.-31.12.2011
Exchange differences included in net sales	-74	-36
Exchange differences included in purchases and expenses	-51	258
Foreign exchange gains	202	39
Foreign exchange losses	-285	-170
<b>Exchange differences recognized on income statement</b>	<b>-208</b>	<b>91</b>

## 9. INCOME TAXES

### Taxes relating to other comprehensive income

EUR thousand

	1.1.-31.12.2012	1.1.-31.12.2011
Taxes on foreign exchange gains from net investments	111	54

### Direct tax

EUR thousand

	1.1.-31.12.2012	1.1.-31.12.2011
Income tax on operations	-2,714	-3,665
Tax for previous accounting periods	-533	-245
Change in deferred tax liabilities and assets	753	1,249
<b>Income tax</b>	<b>-2,494</b>	<b>-2,661</b>

### Tax base reconciliation

EUR thousand

	1.1.-31.12.2012	1.1.-31.12.2011
Profit before taxes	8,357	12,332
Tax calculated at domestic tax rate *)	-2,048	-3,206
Effect on different tax rates applied to foreign subsidiaries	-339	-97
Non-deductible expenses	200	-77
Other	254	143
Tax for previous accounting periods	-533	-245
Non-taxable income	-130	0
Change in parent company tax rate	0	4
Untapped tax on result for the period	-3	256
Taxes recognized from confirmed tax loss	105	562
<b>Tax recognized in income statement</b>	<b>-2,494</b>	<b>-2,661</b>

\*) Domestic (Finland) tax rate was 24,5 percent in 2012 and 26 percent in 2011.

## 10. EARNINGS PER SHARE

	1.1.-31.12.2012	1.1.-31.12.2011
Profit for the period, EUR thousand	5,863	9,671
<b>Average number of shares, 1,000 pieces</b>		
undiluted	12,837	12,679
diluted	12,837	12,687
EPS (undiluted), EUR	0.46	0.76
EPS (diluted), EUR	0.46	0.76

### Dividend per share

The Board of Directors proposes to the Annual General Meeting of shareholders on February 14, 2013 that a dividend of EUR 0.23 per share be paid, total of proposed dividend is EUR 2 955 159.83.

## 11. GOODWILL AND OTHER INTANGIBLE ASSETS

### Goodwill

EUR thousand

	2012	2011
Acquisition cost 1.1.	32,210	32,184
Translation difference	610	26
Additions	9,076	0
<b>Acquisition cost 31.12.</b>	<b>41,896</b>	<b>32,210</b>
<b>Book value 31.12.</b>	<b>41,896</b>	<b>32,210</b>

### Goodwill comprises of the following arrangements:

	Goodwill
Momentum Doc, AB (2002)	1,140
Iocore AS / Basware AS (2005)	3,296
Itella Information AS / Basware AS (2009)	551
Trivet Oy (2005)	669
Analyste Oyj (2006)	13,869
Digital Vision Technologies Ltd. (2007) / Basware UK	7,469
Contempus AS (2008)	5,826
First Businesspost GmbH (2012)	9,076
<b>Total</b>	<b>41,896</b>

Goodwill has been allocated to cash-generating units according to the synergy benefits expected to result from unifying the operations:

### Cash generating unit

	Goodwill
Basware Oyj	21,294
Basware AB	570
Basware AS	8,025
Basware UK	7,469
Basware GmbH	4,538
<b>Total</b>	<b>41,896</b>



Goodwill was tested for impairment during the last quarter of 2012. The discount rate before taxes applied in testing for impairment on the basis of the prudence concept is the same as the interest rate applied in the preliminary allocation calculation of purchase costs in 2012 where applicable. The higher discount rate applied in the preliminary allocation calculations of purchase costs compared to the previous years illustrates the increased risk level in the markets in 2012.

The discount rates applied in testing for impairment is 17.56 percent (Basware Corporation), 17.99 percent (Basware AB), 18.42 percent (Basware AS), 18.23 percent (Basware UK), and 19.79 percent (Basware GmbH). The recoverable amount evaluated in the impairment test is based on the 2013 budget and on subsequent development assessed on the basis of the budget. Key variables used in the calculations are the change rates of net sales and costs. The growth of net sales has been determined by taking into account the company's actual performance, market position and growth potential in the market in question.

On grounds of sensitivity analyses based on the zero-growth scenario the management of the Company estimates that it is unlikely that a change in the key variables used in the test would create a situation where the accounting value of goodwill included in the balance sheet exceeded the recoverable amount of the unit.

The zero-growth scenario and WACC illustrating a higher level of risk than the calculations for the previous years applied in testing for impairment in 2012 led to a lower value in use for Basware UK than the book value of the assets tested in the unit (EUR 3.9 million vs. EUR 7.5 million). Should the assumptions of the zero-growth scenario materialize in Basware UK, this would constitute a situation with indications of impairment. If the value in use according to testing for impairment of goodwill performed at this time was lower than the accounting value of the unit's assets tested, the impairment would be recognized as a cost in the income statement and would be primarily allocated to goodwill on the balance sheet.

## Intangible assets 2012

EUR thousand

	Develop- ment costs	Imma- terial rights	Intangible assets, finance lease	Other long-term invest- ments	Assets, unfinished projects	Total
Acquisition cost 1.1.	11,423	19,193	745	481	7,737	39,579
Translation difference (+/-)	60	416				476
Additions	2,360	3,644		57	2,969	9,030
Acquisitions through business combinations	541					541
Decreases	-21	-11				-32
Reclassifications between items	7,737				-7,737	0
<b>Acquisition cost 31.12.</b>	<b>22,100</b>	<b>23,242</b>	<b>745</b>	<b>538</b>	<b>2,969</b>	<b>49,595</b>
Cumulative amortization 1.1.	-8,302	-11,675	-211	-184		-20,372
Translation difference (+/-)	-55	-284				-339
Decreases and transfers	21	11				32
Amortization	-2,510	-2,994	-178	-66		-5,748
<b>Cumulative amortization 31.12.</b>	<b>-10,845</b>	<b>-14,942</b>	<b>-389</b>	<b>-250</b>		<b>-26,426</b>
<b>Book value 31.12.2012</b>	<b>11,255</b>	<b>8,301</b>	<b>356</b>	<b>287</b>	<b>2,969</b>	<b>23,169</b>

## Intangible assets 2011

EUR thousand

	Develo- pment costs	Imma- terial rights	Intangible assets, finance lease	Other long-term invest- ments	Assets, unfinished projects	Total
Acquisition cost 1.1.	10,927	18,986	77	308	3,914	34,212
Translation difference (+/-)	2	14				16
Additions	250	388	668	173	4,067	5,546
Decreases		-195				-195
Reclassifications between items	244				-244	0
<b>Acquisition cost 31.12.</b>	<b>11,423</b>	<b>19,193</b>	<b>745</b>	<b>481</b>	<b>7,737</b>	<b>39,579</b>
Cumulative amortization 1.1.	-6,516	-9,430	-77	-103		-16,127
Translation difference (+/-)	-1	-8				-9
Decreases and transfers		155				155
Amortization	-1,784	-2,391	-134	-81		-4,390
<b>Cumulative amortization 31.12.</b>	<b>-8,302</b>	<b>-11,675</b>	<b>-211</b>	<b>-184</b>		<b>-20,372</b>
<b>Book value 31.12.2011</b>	<b>3,121</b>	<b>7,518</b>	<b>534</b>	<b>296</b>	<b>7,737</b>	<b>19,208</b>

## 12. TANGIBLE ASSETS

### Tangible assets 2012

EUR thousand

	Machinery and equipment	Machinery and equipment, finance lease	Other tangible assets	Total
Acquisition cost 1.1.	7,133	137	92	7,363
Translation difference (+/-)	54	3		57
Additions	855		7	862
Acquisitions through business combinations	97			97
Decreases	-9			-9
<b>Acquisition cost 31.12.</b>	<b>8,130</b>	<b>140</b>	<b>99</b>	<b>8,369</b>
Cumulative depreciation 1.1.	-5,982	-137		-6,119
Translation difference (+/-)	-47	-3		-50
Decreases	9			9
Depreciation	-769			-769
<b>Cumulative depreciation 31.12.</b>	<b>-6,789</b>	<b>-140</b>		<b>-6,929</b>
<b>Book value 31.12.2012</b>	<b>1,341</b>	<b>0</b>	<b>99</b>	<b>1,440</b>

## Tangible assets 2011

EUR thousand

	Machinery and equipment	Machinery and equipment, finance lease	Other tangible assets	Total
Acquisition cost 1.1.	6,346	137	86	6,568
Translation difference (+/-)	15			15
Additions	779		7	785
Decreases	-5			-5
<b>Acquisition cost 31.12.</b>	<b>7,133</b>	<b>137</b>	<b>92</b>	<b>7,363</b>
Cumulative depreciation 1.1.	-5,352	-137		-5,489
Translation difference (+/-)	-16			-16
Depreciation	-614			-614
<b>Cumulative depreciation 31.12.</b>	<b>-5,982</b>	<b>-137</b>		<b>-6,119</b>
<b>Book value 31.12.2011</b>	<b>1,152</b>	<b>0</b>	<b>92</b>	<b>1,244</b>

## 13. AVAILABLE-FOR-SALE INVESTMENTS

EUR thousand

	31.12.2012	31.12.2011
Acquisition cost 1.1.	38	38
<b>Acquisition cost 31.12.</b>	<b>38</b>	<b>38</b>

Available-for-sale Investments including shares of unlisted companies.

## 14. NON-CURRENT TRADE AND OTHER RECEIVABLES

EUR thousand

	31.12.2012	31.12.2011
Other non-current receivables	1,068	0
<b>Non-current trade and other receivables total</b>	<b>1,068</b>	<b>0</b>

Other non-current receivables consists mainly of lease deposits. No significant concentrations of credit risk are associated with the receivables. The balance sheet values equal the best to the maximum amount of the credit risk.

## 15. INVENTORIES

EUR thousand

	31.12.2012	31.12.2011
Raw materials and consumables	18	143
<b>Inventories total</b>	<b>18</b>	<b>143</b>

FiFo principle has been applied in the measurement of inventories.

## 16. CURRENT TRADE AND OTHER RECEIVABLES

EUR thousand

	31.12.2012	31.12.2011
Trade receivables	21,292	20,438
Other receivables	1,416	945
Prepaid expenses and accrued income	1,494	1,709
<b>Trade and other receivables</b>	<b>24,202</b>	<b>23,091</b>
Income tax receivables	865	374

Prepaid expenses and accrued incomes include prepaid advances of pension contributions and employer contributions of EUR 382 thousand.

The fair values of financial assets and liabilities are presented in Note 25.

No significant concentrations of credit risk are associated with the receivables. The balance sheet values equal the best to the maximum amount of the credit risk. The Group's operating methods do not include obtaining collateral for trade and other receivables.

### The ageing analysis of trade receivables and bad debts

	2012	Bad debt	Net 2012	2011	Bad debt	Net 2011
Non-overdue sales receivables	12,503		12,503	12,868		12,868
Overdue sales receivables						
1-180 days	8,000		8,000	7,162		7,162
181-360 days	1,061	-612	448	804	-414	391
Over 360 days	784	-443	341	625	-607	17
<b>Total</b>	<b>22,347</b>	<b>-1,055</b>	<b>21,292</b>	<b>21,459</b>	<b>-1,021</b>	<b>20,438</b>

## 17. CASH AND SHORT-TERM DEPOSITS

EUR thousand

	31.12.2012	31.12.2011
Cash and cash equivalents	34,519	42,977
<b>Cash and short-term deposits</b>	<b>34,519</b>	<b>42,977</b>

## 18. DEFERRED TAX ASSETS AND LIABILITIES

### Deferred tax assets 2012

EUR thousand

	1.1.2012	In income statement	In comprehensive income	Companies acquired / sold	31.12.2012
Losses	2,156	-651	3	757	2,265
Other items	524	-246			278
<b>Total</b>	<b>2,680</b>	<b>-897</b>	<b>3</b>	<b>757</b>	<b>2,543</b>

### Deferred tax liabilities 2012

EUR thousand

	1.1.2012	In income statement	Exchange rate differences	Companies acquired / sold	31.12.2012
Allocation of fair value on purchases	2,079	-1,651	31	1,034	1,493
<b>Total</b>	<b>2,079</b>	<b>-1,651</b>	<b>31</b>	<b>1,034</b>	<b>1,493</b>

### Deferred tax assets 2011

EUR thousand

	1.1.2011	In income statement	In comprehensive income	Companies acquired / sold	31.12.2011
Losses	1,723	464		-31	2,156
Other items	352	147	18	7	524
<b>Total</b>	<b>2,074</b>	<b>611</b>	<b>18</b>	<b>-24</b>	<b>2,680</b>

### Deferred tax liabilities 2011

EUR thousand

	1.1.2011	In income statement	Exchange rate differences	Companies acquired / sold	31.12.2011
Allocation of fair value on purchases	2,751	-620	-52	0	2,079
<b>Total</b>	<b>2,751</b>	<b>-620</b>	<b>-52</b>	<b>0</b>	<b>2,079</b>

In specifying the company-specific deferred assets, the effective tax rate of each country is applied. The subsidiaries have accumulated unutilized tax losses of a total of EUR 1 747 thousand by the end of the financial period, for which deferred tax assets have not been recognized in line with the prudence concept. According to the transfer pricing principle applied since 2008, subsidiaries accumulate taxable income against which confirmed losses can be utilized in the future. We consider it probable that taxable income will be generated in the subsidiaries in the future against which the unutilized tax losses can be utilized. Deferred tax assets totaling EUR 105 thousand net were additionally recognized in the financial statements for 2012 for unutilized tax losses accumulated in previous years.

## 19. MANAGEMENT OF FINANCIAL RISKS

Basware Group's international operations involve customary financing risks. The purpose of financial risk management is to ensure the availability of sufficient financing cost-efficiently and monitor and, if necessary, limit the emerging risks by taking appropriate measures. Risk management is centralized in the Group's finance department. In accordance with the risk management policy, the department reports to the Company's Board of Directors at least once a year.

### Currency risk

Basware's net sales increased by 3.3% (3.9%) in local currency terms during 2012.

The Group's main currency is Euro, accounting for approximately 61 percent of net sales in 2012 (approximately 59% in 2011). In addition to the euro area, Basware operates in various areas, the most significant of them being Norway, the United Kingdom, the United States and Sweden in 2012. The company is exposed to exchange rate risks in these countries through intracompany trade, exports and imports as well as through the equity and funding of foreign subsidiaries. The Company did not realize hedging for exchange rate fluctuations during the financial year as the foreign exchange-denominated cash flow in the subsidiaries according to the company's hedging policy did not exceed the annual currency-specific limit for hedging measures.

As of January 1, 2008, the capital structure of Basware Corporation's foreign subsidiaries has been changed to the extent that the majority of the long-outstanding intercompany trade receivables in the parent company have been converted to a long-term net investment in a foreign operation. The purpose of the loan arrangement is to fund a long-term strategic investment. Foreign currency gains and losses from a net investment in a foreign operation are recorded in a separate component of equity in the consolidated financial statements.

A sensitivity analysis of currency risk calculated as required by IFRS 7 would have had an impact of EUR +/- 0.8 million on the profit before tax at the closing date on December 31, 2012, assuming a rate change of +/- 5% of the local currencies (AUD, SEK, NOK, DKK, GBP, USD, RON, INR) against the euro. Other variables are assumed to remain unchanged. The calculation includes the foreign currency trade payables and accounts receivable in the balance sheet and net investments and subordinated loans in the subsidiaries. A sensitivity analysis of currency risk in foreign exchange-denominated net investments would have had an impact of +/- EUR 1.2 million on shareholders' equity on December 31, 2012.

The parent company's operating currency is euro. Foreign currency-denominated assets and liabilities translated into the euro at the exchange rates of the closing date are as follows.

### Nominal values 2012

EUR thousand

	USD	AUD	GBP	SEK	DKK	NOK	RON	INR
Non-current assets	68	197	378	1,186	75	2,063	6	0
Current assets								
Other financial assets	658	680	1,149	950	504	2,859	22	1
Trade and other receivables	2,953	1,087	1,588	2,158	984	1,757	14	0
Current liabilities								
Non-interest bearing liabilities	112	421	823	1,224	519	1,649	12	0

## Nominal values 2011

EUR thousand

	USD	AUD	GBP	SEK	DKK	NOK	RON	INR
Non-current assets	33	33	361	1,147	34	1,826	0	0
Current assets								
Other financial assets	220	535	1,787	1,561	101	5,180	0	0
Trade and other receivables	3,023	1,600	2,287	2,602	1,245	2,505	0	0
Current liabilities								
Non-interest bearing liabilities	441	318	838	1,703	594	1,898	0	0

## Interest rate risk

The company had a total of EUR 10.0 million of variable-rate unhedged bank loan at the closing date. A three-year loan amounting to EUR 10.0 million was raised on December 27, 2012, to partly fund the acquisition of Certipost's network and e-Invoicing business on January 2, 2013. The loan will be paid off in equal half-yearly installments.

The company is exposed to cash flow interest rate risk through its loan portfolio. The goal of the company's risk management with regard to interest rate risk is to minimize the negative impacts of changes in interest rates on the company's financial performance. The company applies diverse interest rate hedging instruments to manage interest rate risks. The company's average interest rate when the loans were raised in 2012 was 1.41 percent.

The average balances of the variable rate loans realized during the period have been used in calculating the sensitivity analysis required by IFRS 7. At the closing date, December 31, 2012, the effect on variable rate interest-bearing liabilities on profit before taxes would have been +/- EUR 1 thousand had the interest rate increased or decreased by 1 percentage point.

## Liquidity risk

The company maintains sufficient liquidity reserves through centralized Group-level cash management, payment traffic, and revolving credit facilities.

The Group's liquidity remained good in 2012. The Group's management has not identified significant concentrations of liquidity risks in the financial assets or sources of finance. The table below describes a maturity analysis based on agreements. The finance lease liabilities are discounted; the other figures have not been discounted and they include loan rates and repayments of capital.

EUR thousand

	Balance sheet value	Cash flow	0-6 months	6 months - 1 year	1-5 year
Maturity distribution of financial liabilities					
Bank Loans	10,000	10,423	71	1,737	8,616
Finance lease	524	538	125	125	288
Trade and other payables	16,237	14,279	14,034	0	245
<b>Total</b>	<b>26,761</b>	<b>25,241</b>	<b>14,230</b>	<b>1,862</b>	<b>9,149</b>

## Credit risks

The company's sales receivables are spread to a vast clientele and do not include significant credit risks. Credit decisions are followed and monitored centrally by the Group management. The company has not used credit insurances on its trade receivables.



The company has not used credit insurance to its trade receivables.

The company has not used surety bonds to secure sales receivables. The impairment loss and the age distribution of sales receivables are presented in Note 16.

## 20. CAPITAL RISK MANAGEMENT

Shareholders' equity reported in the Group balance sheet is managed as capital. The company's capital management aims to ensure the continuity of the company's operations (going concern) and increase shareholder value.

The capital structure can be adjusted by decisions on, e.g., distribution of dividend, share repurchase and share issues.

The total number of shares held by the company amounted to 82 708, representing approximately 0.64% of all Basware shares. A total of 26 081 shares were conveyed on the basis of the incentive scheme during the financial period. The average price of the purchased shares during the share repurchase program on October 23, 2008 - March 31, 2009 was EUR 6.95. The decision by the Company's Board of Directors to commence the program was based on the authorization granted by the Annual General Meeting on February 14, 2008. The average price of the purchased shares during the share repurchase program from February 27 to May 31, 2012, was EUR 19.57. The decision by the Company's Board of Directors to commence the program was based on the authorization granted by the Annual General Meeting on February 16, 2012.

A separate stock exchange release has been issued on the Board authorizations and other resolutions of the Annual General Meeting of Shareholders on February 16, 2012.

The Annual General Meeting authorized the Board of Directors to decide on repurchase of the company's own shares in accordance with the proposal of the Board of Directors 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 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. 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 30 June 2013.

The Annual General Meeting decided to authorize the Board of Directors to decide on issuing new shares and/or conveying the company's own shares held by the company and/or granting special rights entitling to shares pursuant to Chapter 10, Section 1 of the Finnish Companies Act in accordance with the proposal of the Board of Directors. New shares may be issued and the company's own shares may be conveyed to the company's shareholders in proportion to their current shareholdings in the company or by waiving the shareholder's pre-emption right, through a directed share issue if the company has a weighty financial reason to do so, such as using the shares 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. The new shares may also be issued in a free share issue to the company itself. New shares may be issued and the company's own shares held by the company may be conveyed either against payment or for free. A directed share issue may be free only if there is an especially weighty financial reason both for the company and with regard to the interests of all shareholders in the company. Based on the authorization, the Board of Directors may decide to issue a maximum of 2 580 000 new shares and convey a maximum of 1 349 675 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 by the company on basis of the repurchase authorization shall be at the maximum of 1 290 000 shares.

The Board of Directors may grant special rights referred to in Chapter 10, Section 1 of the Finnish Companies Act, which carry the right to receive, against payment, new shares of the company or the company's own shares held by the company. The right may also be granted to the company's creditor in such a manner that the right is granted on a condition that the creditor's receivable is used to set off the subscription price (convertible bond). The maximum number of new shares that may be subscribed by virtue of the special rights granted by the company is in total 1 000 000 shares which number shall be included in the maximum number of new shares stated above. The subscription price of the new shares and the consideration payable for the company's own shares shall be recorded under the invested non-restricted equity fund. The Board of Directors shall decide on all other terms and conditions related to the authorizations. The authorizations shall be valid until 30 June 2013.

Equity ratio and gearing ratio are indicators of the capital structure.

During 2012, the Group's objective was to maintain a strong equity ratio, a moderate gearing ratio and the AAA credit rating of Basware's parent company. The equity ratio in 2012 was 77.6% (2011: 81.9%). The gearing ratio in 2011 was -23.8% (-42.3%). Basware's parent company's Dun & Bradstreet credit rating was AAA in 2012 (AAA).

The change in the gearing ratio in 2012 is due both to changes in cash and cash equivalents and increase in the amount of interest-bearing liabilities.

## 21. SHAREHOLDERS' EQUITY

EUR thousand

	Number of shares	Share-holders' equity	Share premium account	Invested non-restricted equity	Other reserves	Own share	Total
31.12.2011	12,931,229	3,528	1,187	61,976	540	-429	66,802
Purchase of own shares						-963	-963
Other changes in reporting period				-177		177	0
<b>31.12.2012</b>	<b>12,931,229</b>	<b>3,528</b>	<b>1,187</b>	<b>61,799</b>	<b>540</b>	<b>-1,215</b>	<b>65,839</b>

Shares do not have a nominal value.

## Other funds

Other funds include the fair value reserve, which includes the increase in the value of the Analyste deal shares between the publication and realization of the deal in 2006.

## Treasury shares

The treasury shares reserve includes the acquisition cost of own shares held by the Group.

## 22. LIABILITIES

EUR thousand

	31.12.2012	31.12.2011
<b>Long-term financial liabilities valued at amortized acquisition cost</b>		
Interest bearing liabilities from financial institutions	8,333	0
Finance lease obligations, interest bearing	284	524
Deferred tax liabilities	1,493	2,079
Employee benefits, non-interest bearing	245	486
<b>Total</b>	<b>10,356</b>	<b>3,090</b>
<b>Short-term financial liabilities valued at amortized acquisition cost</b>		
Interest bearing liabilities from financial institutions	1,667	0
Interest bearing finance lease obligations	239	158
Trade liabilities	1,769	1,799
Accrued expenses and deferred income	9,432	10,372
Other liabilities	4,791	4,594
Tax liabilities from income	779	873
<b>Current liabilities</b>	<b>18,677</b>	<b>17,797</b>
<b>Total liabilities</b>	<b>29,033</b>	<b>22,090</b>

The most significant items in the accrued liabilities are the provisions for vacation pay EUR 5 866 thousand and bonuses EUR 1 034. The fair values of financial assets and liabilities are presented in Note 25.

## 23. FINANCE LEASE LIABILITIES

EUR thousand

	31.12.2012	31.12.2011
Long-term finance leases, interest-bearing	284	524
Short-term finance leases, interest-bearing	239	158
<b>Finance lease liabilities</b>	<b>524</b>	<b>682</b>
<b>Finance lease liabilities - minimum rentals</b>		
Within a year	229	142
More than one year but no more than 5 years 5 vuoden kuluttua	281	510
Minimum rentals	510	652
Future financing costs related to leasing agreements leasingsopimuksista	14	30
<b>Finance lease liabilities</b>	<b>524</b>	<b>682</b>
Present value of minimum rentals		
Within a year	239	158
More than one year but no more than 5 years	284	524
<b>Future minimum lease payments at present value</b>	<b>524</b>	<b>682</b>

## 24. PROVISIONS

EUR thousand

	Restructuring provision	Total
Provisions 1.1.2012	1,203	1,203
Utilized	-1,203	-1,203
<b>Provisions 31.12.2012</b>	<b>0</b>	<b>0</b>

The financial statements for 2011 included a provision of EUR 1 203 thousand related to the restructuring of operations in the fourth quarter. The provision was utilized in full during 2012.

## 25. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

EUR thousand

	Note	2012 Book value	Fair value	2011 Book value	Fair value
<b>Financial assets</b>					
Available-for-sale financial assets					
Available-for-sale financial assets	13	38	38	38	38
Financial assets at fair value through profit or loss					
Current					
Cash and cash equivalents	17	34,519	34,519	42,977	42,977
Trade and other receivables	16	24,202	24,202	23,091	23,091
<b>Financial liabilities</b>					
Loans from financial institutions, interest-bearing	22	8,333	8,333	0	0
Financial lease liabilities, interest-bearing	22	284	284	524	524
Current					
Loans from financial institutions, interest-bearing	22	1,667	1,667	0	0
Financial lease liabilities, interest-bearing	22	239	239	158	158
Trade and other payables	22	15,992	15,992	16,765	16,765

### Principles of valuation of the fair value of all financial instruments applied by the Group

In valuating the fair values of the financial assets and liabilities in the table, the following price quotations, assumptions and valuation models have been used.

#### Available-for-sale financial assets

Available-for-sale financial assets consist of unlisted share investments valued at cost less any impairment.

Therefore, the fair value of the investments cannot be specified reliably. Unlisted shares do not have an active market, and the Group does not intend to give up these investments for the time being.

#### Finance lease

The fair value of finance leases is based on discounting future cash flows using an interest rate corresponding to the interest rate of corresponding lease agreements.

#### Trade and other receivables and payables

The original book value of trade and other receivables and trade and other payables corresponds to their fair value as the effect of discounting is not substantial, taking into account the maturity of the item.

#### Loans from financial institutions

The floating interest rates of loans are based on 1-month euribor, depending on the maturity of the loan. Therefore, the fair value of floating rate loans is considered to correspond to their book value.

The company did not have any financial assets and liabilities to be presented in fair value hierarchy.

#### Leases

The Group has leased the office premises it uses. The average durations of the leases are 3–5 years, and normally they include an opportunity for extending the agreement after the original end date. The agreements usually include an index clause.

## 26. COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand

	31.12.2012	31.12.2011
<b>Own guarantees</b>		
Business mortgage of own debt	1,200	1,200
<b>Commitments on behalf of subsidiaries</b>		
Guarantees	244	1,290
<b>Other own contingent liabilities</b>		
Lease liabilities		
Current lease liabilities	944	825
Lease liabilities maturing in 1- 5 years	737	899
<b>Total</b>	<b>1,681</b>	<b>1,723</b>
Rental liabilities		
Current rental liabilities	4,369	4,551
Rental liabilities maturing in 1- 5 years	3,820	7,016
<b>Total</b>	<b>8,189</b>	<b>11,568</b>
<b>Other own contingent liabilities total</b>	<b>9,870</b>	<b>13,291</b>
<b>Commitments and contingent liabilities total</b>	<b>11,314</b>	<b>15,781</b>

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

## 27. RELATED PARTY TRANSACTIONS

The Group's related parties include the parent company and its subsidiaries. Related parties include the Board of Directors and management team members, including the CEO.

The company had no related party transactions during 2012.

## 28. SHARES IN SUBSIDIARIES

	Domicile	Country	Group holding, %
Basware International Oy	Espoo	Finland	100
Basware GmbH	Düsseldorf	Germany	100
Basware UK Ltd.	Staffordshire	Great Britain	100
Basware AB	Stockholm	Sweden	100
Basware B.V.	Amsterdam	The Netherlands	100
Basware A/S	Herlev	Denmark	100
Basware, Inc.	Delaware	United States	100
Basware SAS	Paris	France	100
Basware AS	Oslo	Norway	100
Basware Pty Ltd	Chatswood	Australia	100
Basware SRL	Iasi	Romania	100
Basware India Private Limited	Chandigarh	India	100
Basware Belgium NV	Aalst	Belgium	100

## 29. EVENTS AFTER THE REPORTING PERIOD

### **Acquisition of Certipost's network and e-Invoicing business closed**

The company announced on January 2, 2013 on the closing of the acquisition of Certipost's network and e-Invoicing business. In it, Basware acquires the network and e-Invoicing business of Certipost, the leading e-Invoice operator in the Benelux. The initial acquisition price of approximately EUR 18.2 million was paid in cash on the closing date.

The final acquisition price will be based on the audited 2012 annual accounts. In 2012, the net sales of the acquired business are expected to amount to approximately EUR 8.4 million and operating profit to amount to approximately EUR 0.8 million negative.

Basware will consolidate the acquired business into its net sales and profit starting from January 1, 2013. Synergy benefits are to be explored through the combination of business operations and technologies as well as joint infrastructure and support functions. The annual potential for cost-savings is expected to be approximately EUR 3.0 million once all of the predicted streamlining measures are complete. Non-recurring restructuring and acquisition costs are estimated to amount to approximately EUR 3.0 million. The operating profit of the acquired business is expected to be slightly positive in 2013.

The purchase price to be allocated is approximately EUR 18.2 million. The acquired net assets amount to approximately EUR 1.4 million, including the cash reserves of EUR 2.2 million. Approximately EUR 4.5 million associated with customer relationships and acquired technology has been allocated to intangible assets, taking deferred tax liabilities into consideration. The value associated with customer relationships and technology will be amortized completely over seven years, starting from the first quarter of 2013. The purchase price includes approximately EUR 12.3 million of goodwill. The calculation concerning the allocation of the purchase price is preliminary.

The acquisition will make Basware the market leader in e-Invoicing in the Benelux market. Certipost's extensive expertise in electronic data interchange (EDI) also played a key role in the conclusion of the agreement.

The company announced the agreement to acquire the network and e-Invoicing business of Certipost, a bpost company, on October 5, 2012. The acquisition of Certipost's network and e-Invoicing business was Basware's second announced acquisition in 2012. In early 2012, Basware became the leading e-Invoicing operator in Germany with the acquisition of First Businesspost GmbH.

### **Changes in Basware's Executive Team**

The company announced a change in the group's Executive Team: Ilari Nurmi, M.Sc.(Eng.), was appointed as the product manager of Basware Group with the title Senior Vice President, Product Management, and member of the Executive Team as of January 7, 2013.

# PARENT COMPANY INCOME STATEMENT (FAS)

## 1.1.-31.12.2012

EUR thousand

	Note	1.1.-31.12.2012	1.1.-31.12.2011
<b>NET SALES</b>	2	<b>61,870</b>	<b>57,685</b>
Materials and services	3	-7,010	-4,786
Employee benefits expenses	4	-33,752	-33,470
Depreciation and amortization	5	-5,408	-4,192
Other operating expenses	6	-11,633	-10,058
<b>Operating profit</b>		<b>4,067</b>	<b>5,179</b>
Financial income	7	2,399	2,429
Financial expenses	7	-546	-1,004
<b>Profit before appropriation and taxes</b>		<b>5,919</b>	<b>6,603</b>
Income tax expense	8	-1,739	-2,353
<b>PROFIT FOR THE PERIOD</b>		<b>4,181</b>	<b>4,250</b>



# PARENT COMPANY BALANCE SHEET (FAS)

## 31.12.2012

EUR thousand

	Note	31.12.2012	31.12.2011
<b>ASSETS</b>			
Non-current assets			
Intangible assets	9	24,078	19,587
Tangible assets	10	1,066	929
Investments	11	78,375	50,334
Long-term trade and other receivables	13	435	0
<b>Non-current assets</b>		<b>103,954</b>	<b>70,850</b>
Current assets			
Inventories	12	18	41
Short-term trade and other receivables	14	14,473	9,123
Cash and cash equivalents		6,164	32,150
<b>Current assets</b>		<b>20,655</b>	<b>41,314</b>
<b>TOTAL ASSETS</b>		<b>124,609</b>	<b>112,164</b>

EUR thousand

	Note	31.12.2012	31.12.2011
<b>EQUITY AND LIABILITIES</b>			
Shareholders' equity			
Share capital		3,528	3,528
Share premium account		1,118	1,118
Other reserves		62,183	62,360
Retained earnings		27,494	29,308
Profit for the period		4,181	4,250
<b>Shareholders' equity</b>	15	<b>98,504</b>	<b>100,564</b>
Provisions			
Other Provisions	16	0	850
<b>Liabilities</b>			
Long-term liabilities	17	8,510	177
Short-term liabilities	18	17,595	10,573
<b>Total liabilities</b>		<b>26,106</b>	<b>10,750</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>124,609</b>	<b>112,164</b>

# PARENT COMPANY CASH FLOW STATEMENT (FAS)

## 1.1.-31.12.2012

EUR thousand

	1.1.-31.12.2012	1.1.-31.12.2011
<b>Cash flow from operating activities</b>		
Profit for the period	4,181	4,250
Adjustments		
Planned depreciations	5,408	4,192
Unrealized exchange gains and losses	-548	-145
Other incomes and expenses, not paid	0	-242
Finance income and expenses	-1,304	-1,279
Income taxes	1,739	2,353
Total adjustments	5,294	4,879
Working capital changes	-6,497	4,586
<b>Cash flow from operating activities before financial items and taxes</b>	<b>2,979</b>	<b>13,714</b>
Interest paid	-1	-285
Interest received	1,322	1,605
Other financial items in operating activities	-142	-107
Income taxes paid	-2,285	-2,998
<b>Net cash from operating activities</b>	<b>1,873</b>	<b>11,929</b>
Cash flow from investing activities		
Purchase of tangible and intangible assets	-10,090	-5,447
Acquired subsidiaries	-9,275	0
Granted loans	-18,233	-275
Repayments of loan receivables	0	480
<b>Net cash used in investing activities</b>	<b>-37,598</b>	<b>-5,241</b>
<b>Cash flow before financing activities</b>	<b>-35,724</b>	<b>6,688</b>
Cash flow from investing activities		
Share issue	0	28,063
Purchase of own shares	-963	0
Proceeds from borrowings	15,980	0
Repayments of borrowings	0	-3,550
Dividends paid	-5,278	-5,120
<b>Net cash used in financing activities</b>	<b>9,739</b>	<b>19,393</b>
<b>Net change in cash and cash equivalents</b>	<b>-25,986</b>	<b>26,081</b>
<b>Cash and cash equivalents according to balance sheet</b>		
Cash and cash equivalents at the beginning of period	32,150	6,069
Cash and cash equivalents at the end of period	6,164	32,150

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS (FAS)

## 1. ACCOUNTING PRINCIPLES USED IN PREPARING THE PARENT COMPANY FINANCIAL STATEMENTS

Basware Corporation's financial statements for 2012 have been prepared in accordance with the Finnish Accounting Act. The Group has applied the International Financial Reporting Standards (IFRS) in its reporting as from January 1, 2005.

### Transactions in foreign currencies

Transactions in foreign currencies are recorded at the exchange rates prevailing at the transaction dates. At the end of the accounting period, the unsettled balances on foreign currency receivables and liabilities are valued at the rates of exchange prevailing at the end of the accounting period. Foreign exchange gains and losses related to normal business operations are entered in the appropriate income statement account before operating profit and foreign exchange gains and losses associated with financing are entered as a net amount under financial income and expenses.

### Revenue recognition

Revenue recognition of product sales requires that there is a binding agreement of the sale, the product has been delivered, proceeds from the transaction can be reliably specified, the financial gain will benefit the company with sufficient probability, and significant benefits and risks related to ownership or rights of use of the product have been transferred to the buyer. License agreements with a right of return or conditions related to the product's functionality or implementation project are recognized as revenue once the right of return has expired or the above-mentioned conditions have been fulfilled.

Service revenue is recognized at the time of delivery. Revenue and costs of fixed-price business transactions are recognized as revenue and expenditure on the basis of the percentage of completion when the outcome of the business transaction can be reliably estimated. The degree of completion of business transactions is specified as the proportion of hours worked of the estimated total number of hours. If the resulting costs and recognized profits exceed the amount invoiced for the transaction, the difference is presented in "Trade and other receivables" on the balance sheet. If the resulting costs and recognized profits are lower the invoicing for the transaction, the difference is presented in "Trade payables and other liabilities" on the balance sheet. When it is likely that the total costs required for completing the business transaction exceed the total revenue from the transaction, the expected loss is recognized as an expense immediately.

Maintenance revenue is allocated over the contract period.

Automation Services revenue is mainly comprised of start-up, transaction, and use fees. Start-up fees are recognized as revenue when the work related to the start-up procedure has been completed and the customer has been connected to the service environment. Transaction revenue is recognized on the basis of actual transaction volumes and use charges on a monthly basis on the basis of the existence of an agreement.

When net sales are calculated, sales revenue is adjusted for exchange rate differences of foreign currency sales.

### Research and development costs

Research expenses are recognized as an expense as they are incurred. Product development expenses are recognized so that development costs of new products and product versions with significant enhancements are capitalized and amortized. Maintenance of existing products and minor enhancements are recognized as they are incurred. Public subsidies related to capitalized development expenses are deducted from the acquisition costs.

### Pensions

The statutory pension coverage of Basware Corporation employees is provided through insurance policies taken out with a pension institution. The statutory pension expenses are recognized as expenses in the year they are incurred.

### Intangible assets

Intangible assets include software, goodwill, capitalized product development costs, other long-term expenses, and merger losses. They are recognized in the original acquisition costs less accumulated depreciation. Public subsidies related to the acquisition of intangible assets are deducted from the acquisition cost of the asset and recognized as

income by reducing the depreciation charge of the asset they are related to. The useful lives of intangible assets are 3 to 10 years.

### **Tangible assets**

Tangible assets are recognized in the balance sheet at the original acquisition cost less accumulated depreciation. The useful lives of tangible assets are 3 to 5 years.

### **Leases**

In the parent company financial statements, leasing payments are recognized as annual expenses in accordance with the Finnish Accounting Standards.

### **Liquid assets**

Liquid assets include cash, bank balances and other liquid securities.

### **Taxes**

Income taxes have been recognized in accordance with Finnish tax legislation.

# NOTES TO THE INCOME STATEMENT

## 2. NET SALES

EUR thousand

	2012	2011
<b>Net sales by business branches</b>		
Product sales and maintenance	33,694	32,066
Services	28,177	25,619
<b>Total</b>	<b>61,870</b>	<b>57,685</b>
<b>Net sales by business areas</b>		
Finland	48,350	48,416
Export	13,520	9,269
<b>Total</b>	<b>61,870</b>	<b>57,685</b>

## 3. MATERIALS AND SERVICES

EUR thousand

	2012	2011
Purchases during the financial period	-6,223	-4,217
Change in inventories	-23	-15
Services purchased	-764	-554
<b>Total</b>	<b>-7,010</b>	<b>-4,786</b>

## 4. NOTES TO PERSONNEL AND CORPORATE GOVERNANCE

EUR thousand

	2012	2011
<b>Personnel expenses</b>		
Salaries paid to CEO and the Board of Directors	-856	-1,061
Salaries paid to other personnel	-27,219	-26,739
Pension expenses	-4,318	-4,147
Other personnel expenses	-1,360	-1,523
<b>Total</b>	<b>-33,752</b>	<b>-33,470</b>

### Number of personnel

	2012	2011
Personnel average for the period	953	738
Personnel at the end of the period	1,018	859

The pension arrangements of CEO and the Board of Directors comply with the local rules.

## 5. DEPRECIATION AND WRITE-OFFS

EUR thousand

	2012	2011
Intangible assets	-4,872	-3,785
Tangible assets	-536	-408
<b>Total</b>	<b>-5,408</b>	<b>-4,192</b>

## 6. OTHER OPERATING EXPENSES

EUR thousand

	2012	2011
Rents	-2,024	-1,785
Travelling	-1,768	-1,457
Marketing	-2,446	-2,252
Other operating expenses	-5,141	-4,384
Audit fees	-167	-133
Certificates	0	-4
Tax advices	-78	-3
Other fees and services	-9	-40
<b>Auditing fees total</b>	<b>-254</b>	<b>-180</b>
<b>Total</b>	<b>-11,633</b>	<b>-10,058</b>

## 7. FINANCIAL INCOME AND EXPENSES

EUR thousand

	2012	2011
Other interest and financial income		
From group companies	2,337	2,002
From others	62	427
Other interest and financial income	2,399	2,429
<b>Financial income total</b>	<b>2,399</b>	<b>2,429</b>
Interest and financial expenses		
To group companies	-385	-615
From others	-161	-390
<b>Other interest and financial expenses total</b>	<b>-546</b>	<b>-1,004</b>
<b>Total</b>	<b>1,853</b>	<b>1,425</b>

## 8. DIRECT TAXES

EUR thousand

	2012	2011
Income taxes on the financial period		
Income taxes on actual business	-1,679	-2,375
Change of deferred taxes	0	22
Income taxes from previous financial periods	-60	0
<b>Total</b>	<b>-1,739</b>	<b>-2,353</b>

# NOTES TO THE BALANCE SHEET

## 9. INTANGIBLE ASSETS

EUR Thousand

	2012	2011
<b>Development costs</b>		
Acquisition cost 1.1.	10,437	9,942
Additions	2,283	494
Disposals	-21	0
Reclassifications	7,737	0
<b>Acquisition cost 31.12.</b>	<b>20,435</b>	<b>10,437</b>
Accumulated amortization 1.1.	-7,418	-5,797
Cumulative amortization on disposals	21	0
Amortization for the financial period	-2,306	-1,620
<b>Accumulated amortization 31.12.</b>	<b>-9,702</b>	<b>-7,418</b>
<b>Book value 31.12.</b>	<b>10,733</b>	<b>3,019</b>
<b>Immaterial rights</b>		
Acquisition cost 1.1.	2,788	2,618
Additions	3,699	282
Disposals	-10	-112
Reclassifications	355	0
<b>Acquisition cost 31.12.</b>	<b>6,831</b>	<b>2,788</b>
Accumulated amortization 1.1.	-2,393	-2,225
Accumulated amortization on decreases	10	72
Amortization for the financial period	-661	-241
<b>Accumulated amortization 31.12.</b>	<b>-3,044</b>	<b>-2,393</b>
<b>Book value 31.12.</b>	<b>3,787</b>	<b>394</b>

EUR Thousand

	2012	2011
<b>Goodwill/merger loss</b>		
Acquisition cost 1.1.	17,625	17,625
<b>Acquisition cost 31.12.</b>	<b>17,625</b>	<b>17,625</b>
Accumulated amortization 1.1.	-9,590	-7,748
Amortization for the financial period	-1,843	-1,843
<b>Accumulated amortization 31.12.</b>	<b>-11,433</b>	<b>-9,590</b>
<b>Book value 31.12.</b>	<b>6,192</b>	<b>8,035</b>
<b>Other long-term expenditure</b>		
Acquisition cost 1.1.	481	201
Additions	28	280
<b>Acquisition cost 31.12.</b>	<b>509</b>	<b>481</b>
Accumulated amortization 1.1.	-184	-103
Amortization for the financial period	-63	-81
<b>Accumulated amortization 31.12.</b>	<b>-247</b>	<b>-184</b>
<b>Book value 31.12.</b>	<b>262</b>	<b>297</b>
<b>Other assets under construction</b>		
Acquisition cost 1.1.	106	107
Additions	384	410
Reclassifications	-355	-411
<b>Acquisition cost 31.12</b>	<b>135</b>	<b>106</b>
<b>Book value 31.12.</b>	<b>135</b>	<b>106</b>
<b>Unfinished product development projects</b>		
Acquisition cost 1.1.	7,737	3,914
Additions	2,969	4,067
Reclassifications	-7,737	-244
<b>Acquisition cost 31.12.</b>	<b>2,969</b>	<b>7,737</b>
<b>Book value 31.12.</b>	<b>2,969</b>	<b>7,737</b>
<b>Intangible assets total</b>	<b>24,078</b>	<b>19,587</b>



## 10. TANGIBLE ASSETS

EUR Thousand

	2012	2011
<b>Machinery and equipment</b>		
Acquisition cost 1.1.	4,863	4,286
Additions	667	582
Disposals	-4	-5
<b>Acquisition cost 31.12.</b>	<b>5,526</b>	<b>4,863</b>
Accumulated depreciation 1.1.	-4,027	-3,624
Accumulated depreciation on disposals	4	5
Amortization for the period	-536	-408
<b>Accumulated depreciation 31.12.</b>	<b>-4,559</b>	<b>-4,027</b>
<b>Book value 31.12.</b>	<b>967</b>	<b>836</b>
<b>Other tangible assets</b>		
Acquisition cost 1.1.	92	86
Increase	7	7
<b>Acquisition cost 31.12.</b>	<b>99</b>	<b>92</b>
<b>Book value 31.12.</b>	<b>99</b>	<b>92</b>
<b>Tangible assets total</b>	<b>1,066</b>	<b>929</b>
<b>Total fixed assets</b>	<b>25,144</b>	<b>20,516</b>

## 11. INVESTMENTS

EUR Thousand

	2012	2011
<b>Shares in group companies</b>		
Acquisition cost 1.1.	17,040	17,040
Increase	9,275	0
<b>Acquisition cost 31.12.</b>	<b>26,315</b>	<b>17,040</b>
<b>Book value 31.12</b>	<b>26,315</b>	<b>17,040</b>
<b>Other shares</b>		
Acquisition cost 1.1.	38	38
<b>Acquisition cost 31.12.</b>	<b>38</b>	<b>38</b>
<b>Receivables from group companies</b>		
Loan receivables from group companies	52,022	33,256
<b>Investments total</b>	<b>78,375</b>	<b>50,334</b>

## Shares in subsidiaries

	Domicile	Country	Parent company holding, %
Basware International Oy	Espoo	Suomi	100
Basware GmbH	Düsseldorf	Saksa	100
Basware UK Ltd.	Staffordshire	Iso-Britannia	100
Basware AB	Tukholma	Ruotsi	100
Basware B.V.	Amsterdam	Alankomaat	100
Basware A/S	Herlev	Tanska	100
Basware, Inc.	Delaware	Yhdysvallat	100
Basware SAS	Pariisi	Ranska	100
Basware AS	Oslo	Norja	100
Basware Pty Ltd	Chatswood	Australia	100
Basware India Private Limited	Chandigarh	Intia	99
Basware Belgium NV	Aalst	Belgia	99

## 12. INVENTORIES

EUR Thousand

	2012	2011
Raw materials and consumables	18	41
<b>Total</b>	<b>18</b>	<b>41</b>

## 13. NON-CURRENT RECEIVABLES

EUR Thousand

	2012	2011
Rent deposits	435	0
<b>Non-current receivables total</b>	<b>435</b>	<b>0</b>

## 14. CURRENT RECEIVABLES

EUR Thousand

	2012	2011
Accounts receivables	6,304	5,949
Receivables from group companies		
Accounts receivables	3,936	818
Interest receivables	1,406	1,265
<b>Total</b>	<b>5,342</b>	<b>2,083</b>
Prepaid expenses and accrued income	1,601	753
Other receivables	1,226	338
<b>Current receivables total</b>	<b>14,473</b>	<b>9,123</b>

The largest items in accrued income are estimated Kela occupational health care reimbursement, accrued income tax, accrued pension, and income and expense accruals.

## 15. SHAREHOLDERS' EQUITY

EUR Thousand

	2012	2011
Share capital 1.1.	3,528	3,507
Increase for the financial period	0	21
<b>Share capital 31.12.</b>	<b>3,528</b>	<b>3,528</b>
Issue of shares 1.1.	0	255
Increase for the financial period	0	27,729
Decrease for the financial period	0	-27,984
<b>Issue of shares 31.12.</b>	<b>0</b>	<b>0</b>
Share premium account 1.1.	1,118	1,118
<b>Share premium account 31.12.</b>	<b>1,118</b>	<b>1,118</b>
<b>Restricted equity 31.12.</b>	<b>4,647</b>	<b>4,647</b>
Invested non-restricted equity 1.1.	62,360	34,263
Issue of shares	0	27,729
Warrants used	0	568
Transfers between items	-177	-200
<b>Invested non-restricted equity 31.12.</b>	<b>62,183</b>	<b>62,360</b>
Retained earnings 1.1.	33,558	34,228
Dividend payment	-5,278	-5,120
Acquisition of treasury shares	-963	0
Transfer between items	177	200
Profit for the period	4,181	4,250
<b>Retained earnings 31.12.</b>	<b>31,674</b>	<b>33,558</b>
<b>Non-restricted equity 31.12.</b>	<b>93,857</b>	<b>95,917</b>
<b>Shareholders' equity 31.12.</b>	<b>98,504</b>	<b>100,564</b>
<b>Specification of distributable funds</b>		
Profit for the period	4,181	4,250
Retained earnings	27,494	29,308
Other distributable funds	62,183	62,360
<b>Distributable funds</b>	<b>93,857</b>	<b>95,917</b>

## 16. Provisions

EUR Thousand

	2012	2011
<b>Other provisions</b>		
Restructuring provision	0	850

The financial statements for 2011 included a provision of EUR 850 thousand. The provision was utilized in full during 2012.

## 17. NON-CURRENT LIABILITIES

EUR Thousand

	2012	2011
Loans from financial institutions	8,333	0
Debts to group companies	177	177
<b>Non-current liabilities total</b>	<b>8,510</b>	<b>177</b>

## 18. CURRENT LIABILITIES

EUR Thousand

	2012	2011
Accounts payable	1,243	890
Liabilities to group companies		
Accounts payable	391	559
Other debts	6,549	78
Accrued expenses and deferred income	1	0
<b>Total</b>	<b>6,941</b>	<b>637</b>
Loans from financial institutions	1,667	0
Other debts	2,496	2,485
Accrued expenses and deferred income	5,249	6,561
<b>Total</b>	<b>9,412</b>	<b>9,046</b>
<b>Current liabilities total</b>	<b>17,595</b>	<b>10,573</b>

The most significant items in the accrued liabilities are the holiday accrual EUR 4 286 thousand and commissions EUR 375 thousand.

## 19. COMMITMENTS AND CONTINGENT LIABILITIES

EUR Thousand

	2012	2011
<b>Own guarantees</b>		
Business mortgages of own debt	1,200	1,200
<b>Commitments on behalf of subsidiaries</b>		
Guarantees	244	1,290
<b>Other own contingent liabilities</b>		
Leasing liabilities		
Current lease liabilities	177	247
Lease liabilities maturing in 1-5 years	98	257
<b>Total</b>	<b>275</b>	<b>504</b>
Rental liabilities		
Current rental liabilities	2,958	3,179
Rental liabilities maturing in 1-5 years	3,156	5,723
<b>Total</b>	<b>6,114</b>	<b>8,902</b>
<b>Commitments and contingent liabilities total</b>	<b>7,833</b>	<b>11,897</b>

The lease agreements are ordinary lease agreements. The finance lease agreements are ordinary finance lease agreements and have no associated leaseback clauses. The group does not have pledges, mortgages or guarantees on behalf of external parties.

# BOARD'S DIVIDEND PROPOSAL

At the end of 2012, the Group parent company's distributable funds are EUR 93 857 156.92.

Basware's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.23 per share (2011: EUR 0.41) be paid for 2012. No substantial changes have taken place in the company's financial position after the end of the financial period. The company's liquidity is good, and the Board's view is that the proposed dividend payout will not endanger the company's liquidity.

According to the Board's decision, the dividend matching date is February 19, 2013. The Board of Directors proposes to the Annual General Meeting that the dividend be paid after the end of the matching period on February 26, 2013.

*In Espoo, Finland, January 23, 2013*

Hannu Vaajoensuu, Chairman of the Board

Ilkka Sihvo

Pentti Heikkinen

Anssi Vanjoki

Eeva Sipilä

Esa Tihilä, CEO

An auditor's report concerning the performed audit has been given to date.

In Helsinki, Finland, January 23, 2013

Ernst & Young, Authorized Public Accountant Firm

Heikki Ilkka

Authorized Public Accountant

# AUDITOR'S REPORT

## To the Annual General Meeting of Basware Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Basware Corporation for the financial period 1.1. - 31.12.2012. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

## The responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

## Auditor's responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

## Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

*In Helsinki on January 23, 2013*

Ernst & Young Oy  
Authorized Public Accountant Firm

Heikki Ilkka  
Authorized Public Accountant

# GROUP QUARTERLY INCOME STATEMENT

EUR thousand

	1-3/ 2012	1-3/ 2011	4-6/ 2012	4-6/ 2011	7-9/ 2012	7-9/ 2011	10-12/ 2012	10-12/2011
NET SALES	27,435	26,058	28,718	27,280	27,119	24,185	30,427	30,227
Other operating income	58	42	58	41	55	43	57	46
Materials and services	-2,061	-1,948	-1,957	-1,727	-2,313	-1,933	-2,715	-2,179
Employee benefits expenses	-16,072	-14,738	-17,282	-16,004	-15,415	-13,293	-16,820	-17,539
Depreciation and amortization	-1,366	-1,237	-1,495	-1,279	-1,809	-1,270	-1,823	-1,218
Other operating expenses	-6,171	-5,219	-6,745	-5,478	-5,376	-4,694	-6,199	-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>2,927</b>	<b>3,454</b>
%	6.6 %	11.3 %	4.5 %	10.4 %	8.3 %	12.6 %	9.6 %	11.4 %
Finance income	146	51	75	125	91	102	61	232
Finance expenses	-50	-77	-76	-53	-52	-115	-145	-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>2,843</b>	<b>3,473</b>
%	7.0 %	11.2 %	4.5 %	10.6 %	8.5 %	12.5 %	9.3 %	11.5 %
Income tax expense	-442	-662	-347	-742	-807	-723	-898	-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>1,945</b>	<b>2,940</b>
%	5.4 %	8.7 %	3.3 %	7.9 %	5.5 %	9.5 %	6.4 %	9.7 %

# KEY FIGURES (IFRS) 2008-2012

## Group Key Financial Performance indicators

EUR thousand

	2012	2011	2010	2009	2008
Net sales	113,699	107,750	103,094	92,654	86,098
Growth of net sales, %	5.5%	4.5%	11.3%	7.6%	17.5%
EBITDA	14,801	17,284	18,604	16,280	11,722
% of net sales	13.0%	16.0%	18.0%	17.6%	13.6%
Operating profit before IFRS3 amortization	10,555	14,290	15,691	13,788	9,730
% of net sales	9.3%	13.3%	15.2%	14.9%	11.3%
Operating profit	8,308	12,280	13,487	11,824	8,679
Growth of operating profit, %	-32.3%	-8.9%	14.1%	36.2%	15.5%
% of net sales	7.3%	11.4%	13.1%	12.8%	10.1%
Profit before tax	8,357	12,332	13,325	11,590	8,410
% of net sales	7.4%	11.4%	12.9%	12.5%	9.8%
Profit for the period	5,863	9,671	10,331	9,074	6,585
% of net sales	5.2%	9.0%	10.0%	9.8%	7.6%
Return on equity, %	5.8%	11.6%	16.7%	17.2%	13.7%
Return on investment, %	8.2%	14.9%	20.1%	18.8%	16.6%
Interest bearing liabilities	10,524	682	3,582	9,230	13,283
Liquid assets	34,519	42,977	13,822	12,210	8,777
Gearing, %	-23.8%	-42.3%	-15.3%	-5.3%	9.3%
Equity ratio, %	77.6%	81.9%	73.3%	64.8%	59.5%
Total assets	129,758	121,966	91,470	87,287	81,909
Gross investments *)	19,606	6,331	4,567	7,448	12,476
% of net sales	17.2%	5.9%	4.4%	8.0%	14.5%
Capital expenditure	1,431	2,014	970	2,047	1,007
% of net sales	1.3%	1.9%	0.9%	2.2%	1.2%
Research and development costs	17,884	16,489	14,883	14,781	15,518
% of net sales	15.7%	15.3%	14.4%	16.0%	18.0%
R&D personnel at end of period	351	311	239	195	171
Personnel average for period	1,330	1,058	845	747	689
Personnel at end of period	1,423	1,182	913	761	731
Growth of personnel, %	20.4%	29.5%	20.0%	4.1%	11.1%

\*) Includes acquisitions and capitalized R&D costs



## Group Share Indicators

	2012	2011	2010	2009	2008
Earnings per share, EUR (undiluted)	0.46	0.76	0.90	0.80	0.56
Earnings per share, EUR (diluted)	0.46	0.76	0.89	0.80	0.56
Equity per share, EUR	7.79	7.72	5.74	4.93	4.24
Parent company's shareholders' equity per share, EUR	7.84	7.76	5.78	4.97	4.24
Dividend per share, EUR	0.23*	0.41	0.40	0.36	0.23
Dividend per profit, %	50.40%	53.80%	44.60%	45.20%	40.80%
Effective dividend yield, %	1.10%	2.50%	1.60%	2.50%	3.50%
P/E ratio	44.34	21.57	27.58	18.21	11.68
Share price performance, share issue adjusted					
lowest share price, EUR	16.70	14.95	15.00	6.60	6.00
highest share price, EUR	24.00	28.10	24.80	14.66	10.45
average share price, EUR	20.84	21.58	19.27	10.79	7.53
closing share price, EUR	20.25	16.45	24.75	14.52	6.59
Share issue adjusted average share number 31.12.	12,931,229	12,931,229	11,690,024	11,468,124	11,468,124
Market value of shares 31.12., EUR	260,182,550	211,737,063	287,093,169	165,206,004	75,301,011
Share issue adjusted number of traded shares	1,514,703	5,079,523	2,131,071	2,038,565	2,298,467
% of average share number	11.80%	40.10%	18.50%	17.90%	20.10%
Average share number:					
during the period	12,836,966	12,679,281	11,513,690	11,381,905	11,463,307
at the end of the period	12,931,229	12,931,229	11,690,024	11,468,124	11,468,124
during the period, diluted	12,836,966	12,686,792	11,585,155	11,381,905	11,463,307

\*) Board's proposal to the Annual General Meeting of Shareholders

# CALCULATION OF KEY INDICATORS

**Return on equity (ROE), %**

(Profit or loss before taxes - taxes) x 100

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Shareholders' equity + minority interest + voluntary provisions and accelerated depreciation reduced by deferred tax liabilities (average)

**Return on investment (ROI), %**

(Profit before taxes + interest and other financial expenses) x 100

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Balance sheet total - non-interest bearing liabilities (average)

**Gearing, %**

(Interest-bearing liabilities - cash and cash equivalents) x 100

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Shareholders' equity + minority interest + voluntary provisions and accelerated depreciation reduced by deferred tax liabilities (average)

**Equity ratio, %**

(Shareholders' equity + minority interest + voluntary provisions and accelerated depreciation reduced by deferred tax liabilities) x 100

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Balance sheet total - advances received

**Earnings per share**

Profit for the period

---

Adjusted average number of shares during the period

**Parent company's shareholders equity per share**

Shareholders' equity including reserves and depreciation difference reduced by deferred tax liability

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Adjusted number of shares at the end of the financial period

**Dividend per share**

Total dividend

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Adjusted number of shares at the end of the financial period - own shares

**Dividend/profit, %**

Dividend per share x 100

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Earnings per share

**Effective dividend yield, %**

Dividend per share x 100

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Adjusted share price at the end of the financial period

**Price-earnings ratio (P/E)**

Adjusted share price at the end of the financial period

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Earnings per share

# SHARE AND SHAREHOLDERS

## Share

The Basware share has been listed on the Helsinki Stock Exchange since February 29, 2000. The listing price of the share was EUR 5.70. Basware transferred to the Main List of the stock exchange on October 19, 2004, and the share is listed in the Information Technology business sector.

Basware shares are currently listed on NASDAQ OMX Helsinki Ltd in the Information Technology sector, Mid-Cap segment. The company has one series of shares, with the trading code BAS1V.

At the end of 2012, the total number of shares issued by Basware was 12 931 229 (12 931 229). The book counter value per share is EUR 0.30. Each share confers one vote in the general meeting of shareholders, and all shares carry an equal right to dividend.

## Share Capital

Basware's share capital totaled EUR 3 528 368.70 at the end of 2012.

## Share price Performance and Trading

During 2012, the highest price of the share was EUR 24.00 (EUR 28.10), the lowest was EUR 16.70 (EUR 14.95) and closing price was EUR 20.25 (EUR 16.45). The average price of the share was EUR 20.84 (EUR 21.58) during the period.

A total of 1 514 703 (5 079 523) shares were traded during the period, equivalent to 11.8 percent (40.1%) of the average number of shares. Market capitalization with the period's closing price on December 31, 2012 was EUR 260 182 550 (EUR 211 737 063).

On February 16, 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 entitling to shares pursuant to Chapter 10, Section 1 of the Finnish Companies Act in accordance with the proposal of the Board of Directors.

By virtue of the authorization, the Board of Directors is entitled to decide on repurchasing a maximum of 1 290 000 company's own shares. The repurchase authorization is valid until June 30, 2013. The company has repurchased 49 114 own shares by December 31, 2012. The total amount of own shares held by the company on December 31, 2012, is 82 708 shares, representing approximately 0.6% of all of outstanding shares.

A total of EUR 963 038.78 was used for repurchasing own shares in 2012.

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.

## WARRANT PROGRAMS

Basware did not have any warrant programs in force in 2012.

## Share-based Incentive Plans

### Earning periods 2012, 2013 and 2014

The Board of Directors of Basware Corporation decided on 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 holding the company shares. 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 targets to be established for them separately for each annual earning period at the beginning of the earning period. The bonus for the earning period 2012 is based on Basware Group's net sales. Any reward for the annual earning period 2012 will be paid in December 2014 partially as shares in the company and partially in cash. The proportion paid in cash covers the taxes and tax-like charges resulting from the bonus. The target group for the earning period 2012 consists of 26 persons, including the members of the Basware Executive Team.

The reward for the earning period 2012–2014 is based on Basware Corporation's earnings per share (EPS). Any reward for the fixed earning period 2012–2014 will be paid during the first quarter of 2015 partially as shares in the company and partially in cash. The proportion paid in cash covers the taxes and tax-like charges resulting from the bonus. The target group for the earning period 2012–2014 consists of the members of the Basware Executive Team.

The total number of Basware Corporation shares to be conveyed on the basis of the incentive plan at the target level amounts to approximately 275 000 (including also the proportion to be paid in cash) and at maximum approximately 412 500. Basware Corporation shares owned by the company or acquired from the stock market will be used as shares to be possibly conveyed under the plan. There are employment-related conditions for eligibility for reward payment.

### Earning periods 2009, 2010 and 2011

The Board of Directors of Basware Corporation approved a share-based incentive plan for the Basware Group key personnel on March 11, 2009. The Plan includes three earning periods, calendar years 2009, 2010 and 2011. The Board of Directors decides on the earnings criteria and targets to be established for them separately for each earning period at the beginning of each earning period.

The reward of the system for the earning period 2009 is based on the group's earnings per share (EPS). The reward for the earning period 2009 was paid in December 2011 partially as shares in the company and partially in cash. The proportion paid in cash covers the taxes and tax-like charges resulting from the bonus. The target group for the earning period 2009 consisted of the members of the Basware Executive Team. The rewards paid on the basis of the earning period 2009 corresponded to a total of 61 250 Basware Corporation shares (including also the proportion to be paid in cash).

The target group for the earning period 2010 consists of the members of the Basware Executive Team. The total rewards paid on the basis of the earning period 2010 corresponded to the value of 51 355 Basware Corporation shares (including also the proportion to be paid in cash).

The target group for the earning period 2011 consists of the members of the Basware Executive Team. The rewards to be paid on the basis of the earning period 2011 will correspond to the approximate value of a maximum total of 94,350 Basware Corporation shares (including also the proportion to be paid in cash). The reward for the earning period 2011 will be paid in December 2013.

## SHAREHOLDERS

Basware had 14,443 (15 017) shareholders on December 31 including nominee-registered holdings (12). Nominee-registered holdings accounted for 11.2 percent (12.4%) of the total number of shares.

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

During the review period, Basware announced one notification of change in ownership when the total number of shares held by OP-Rahastoyhtiö Oy and investment funds managed by it exceeded 5% of Basware Corporation's share capital and voting rights on August 24, 2012.

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### Distribution of holdings by number of shares, December 31, 2012

Number of shares	Number of holders	Shares, pcs	Votes, %
1-100	12,121	282,635	2.2
101-1,000	2,045	613,024	4.7
1,001-10,000	221	562,003	4.3
10,001-100,000	30	1,342,818	10.4
100,001+	26	10,130,749	78.3
<b>Total</b>	<b>14,443</b>	<b>12,931,229</b>	<b>100.0</b>

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### Distribution by sector, December 31, 2012

	Number of holders	Shares, pcs	Votes, %
Private companies	497	832,004	6.4
Financial and insurance institutions	23	2,781,678	21.5
Public sector organizations	7	2,645,949	20.5
Non-profit organizations	36	361,368	2.8
Households	13,826	4,839,274	37.4
Foreign	42	17,225	0.1
	<b>14,431</b>	<b>11,477,498</b>	<b>88.8</b>
Nominee-registered	12	1,453,731	11.2
<b>Total</b>	<b>14,443</b>	<b>12,931,229</b>	<b>100.0</b>

## Major shareholders, December 31, 2012

	Shares, pcs	Votes, %
1. Ilmarinen Mutual Pension Insurance Company	1,471,407	11.4
2. Sihvo, Ilkka	885,300	6.8
3. Eräkangas, Kirsi	827,300	6.4
Eräkangas, Kirsi	576,900	4.5
Eräkangas, Lotta	250,400	1.9
4. Vaajoensuu, Hannu	673,800	5.2
Havacment Oy	266,500	2.1
Vaajoensuu, Hannu	323,500	2.5
Vaajoensuu, Matias	83,800	0.6
5. Perttunen, Sakari	665,900	5.1
6. Varma Mutual Pension Insurance Company	530,000	4.1
7. Fondita Nordic Micro Cap Placeringsf	460,000	3.6
8. Nordea Nordic Small Cap Fund	387,585	3.0
9. Op-Suomi Pienyhtiöt	377,923	2.9
10. Veritas Pension Insurance Company	368,608	2.9
11. Pöllänen, Antti	299,023	2.3
12. OP-Focus Fund	292,887	2.3
13. Investment Fund Aktia Capital	273,313	2.1
14. The State Pension Fund	256,000	2.0
15. OP-Delta Fund	232,952	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 Fund	162,554	1.3
20. Fim Forte Fund	150,000	1.2
<b>20 largest shareholders total</b>	<b>8,834,464</b>	<b>68.3</b>
Nominee registered shares	1,453,731	11.2
Others	2,643,034	20.4
<b>Total</b>	<b>12,931,229</b>	<b>100.0</b>

# FOR SHAREHOLDERS

## Basware share

Basware shares are quoted on the Helsinki Stock Exchange (NASDAQ OMX Helsinki Oy), in the Technology sector, Mid Cap segment. The trading on the Main List started on October 19, 2004. Basware's shares have been traded in the Helsinki Stock Exchange since February 29, 2000.

<b>Trading code</b>	<b>BAS1V</b>
<b>ISIN code</b>	<b>FI0009008403</b>
<b>Book-counter value</b>	<b>EUR 0.30</b>
<b>Listing price on February 29, 2000</b>	<b>EUR 5.70</b>
<b>Closing price on December 31, 2012</b>	<b>EUR 20.25</b>

## Annual General Meeting

The Basware Annual General Meeting will be held on Thursday, February 14, 2013 at 14:00 in Finlandia-Hall, Mannerheimintie 13e, 00100 Helsinki.

In order to take part in the Annual General Meeting, shareholders must be registered by February 4, 2013 in the shareholders' register maintained by the Finnish Central Securities Depository Ltd. Shareholders who wish to participate in the meeting should notify Basware of their intention to participate by 10:00 on Monday February 11, 2013 either:

- at Basware's investor web pages: <http://www.basware.com/annual-general-meeting>;
- by telephone at +358 20 770 6867 on weekdays between 9:00 AM and 4:00 PM; or
- by regular mail to Basware Corporation, Annual General Meeting 2012, P.O. Box 97, 02601 Espoo, Finland.

The matters to be handled in the Annual General Meeting will be disclosed in the Notice of the meeting that was published as a stock exchange release and at Basware's investor web pages: <http://www.basware.com/investors>.

## Dividend

The Board of Directors of Basware proposes to the Annual General Meeting that a dividend of EUR 0.23 per share be paid for 2012. If the Board's proposal is accepted, the dividend will be paid to those shareholders who are entered in the shareholders' register maintained by the Finnish Central Securities Depository Ltd. on the dividend record date February 19, 2013. The actual payment of dividends will take place at the earliest on February 26, 2013.

## Financial Reporting in 2013

Release dates for interim reports:

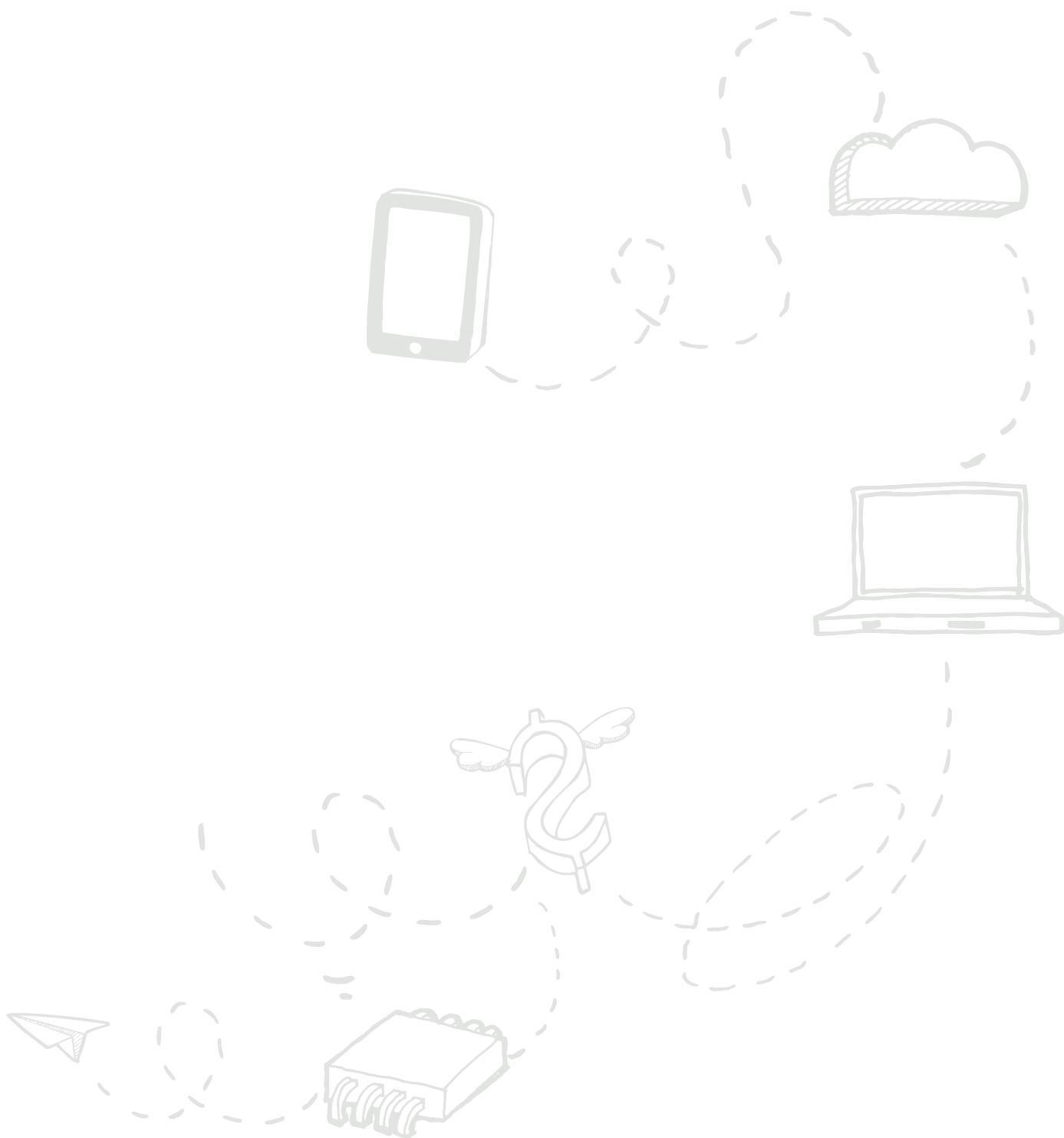
- Interim Report January-March 2013 (Q1) on Friday, April 11, 2013
- Interim Report January-June 2013 (Q2) on Wednesday, July 10, 2013
- Interim Report January-September 2013 (Q3) on Wednesday, October 10, 2013

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

All interim reports and stock exchange releases are available at Basware's investor web pages: <http://www.basware.com/investors>. The Basware e-mail list for the stock exchange releases can be subscribed to through the pages.

## Changes of address

If the address of a shareholder changes, we request sending a written notification of this to the bank where the shareholder's book-entry account is held.



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