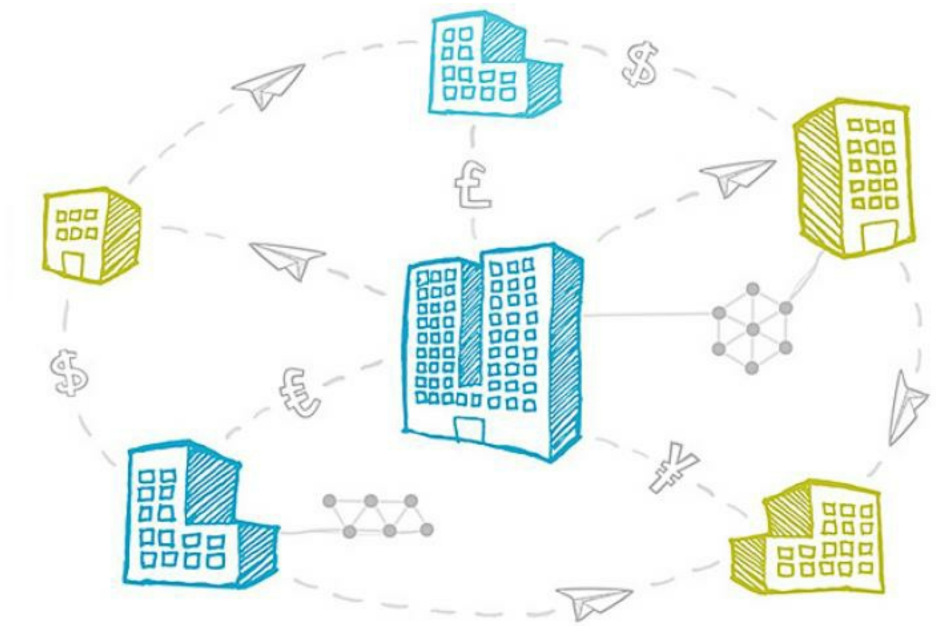
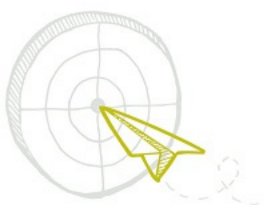
BASWARE'S YEAR 2013
THE YEAR OF E-ENGAGEMENT



At the end of 2013, more than 60 million annual transactions - e-invoices, purchase orders and other electronic documents - were processed via Basware Commerce Network. Determined efforts to make Basware Commerce Network into the world's largest open business commerce network for companies have continued.



Q1

The acquisition of Certipost, the leading e-invoicing operator in Belgium, was closed in January and Basware achieved a significant market position in the Benelux. An increasing number of small and medium-sized suppliers and buyers have also been connected to the network through new products and delivery methods during the year.

Q2

Basware reported record growth: in April over 50 million e-invoices and other electronic documents were sent and received across the Basware Commerce Network. The strong growth of Basware services business continued.

Q3

In September 2013 Basware announced a partnership with MasterCard. The partnership connects MasterCard's network, one of the world's largest payment networks, with the Basware Commerce Network. The cooperation will enable a revolutionary electronic payment solution that ensures suppliers are paid fast upon invoice approval, while extending payment terms for buyers.

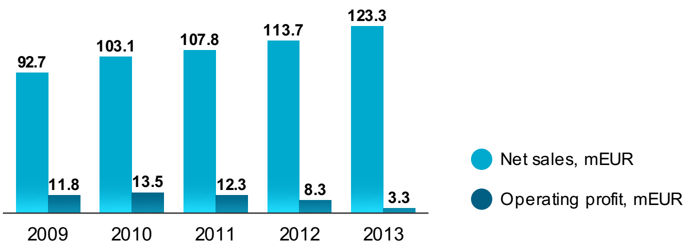
Q4

The first Automotive Supplier Day, Basware's large networking event for automotive industry, was organized in Germany in November. At the end of the year, more than 60 million annual transactions - e-invoices, purchase orders and other electronic documents - were processed via Basware Commerce Network. The net sales grew to 123 million euros.

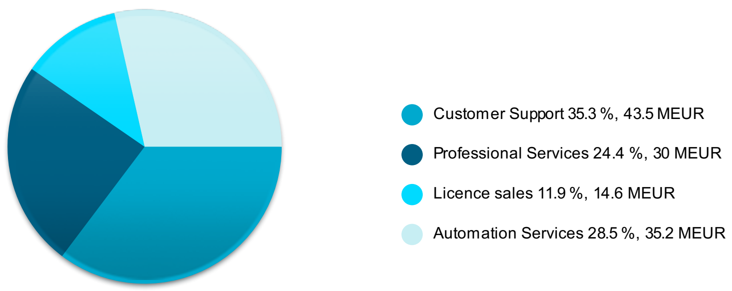
EUR Thousand	2013	2012
Net sales	123 349	113 699
EBITDA	10 383	14 801
Operating profit before IFRS3 amortization	4 256	10 555
Operating profit	3 331	8 308
% of net sales	2,7	7,3
Profit before taxes	3 284	8 357
Profit for the period	2 605	5 863
Return on equity, %	2,6	5,8
Return on investment, %	3,9	8,2
Liquid assets*	13 218	34 519
Gearing, %	-4,7	-23,8
Equity ratio, %	77,1	77,6
Earnings per share		
Undiluted, EUR	0,20	0,46
Diluted, EUR	0,20	0,46
Equity per share, EUR	7,62	7,84

*) includes cash and cash equivalents

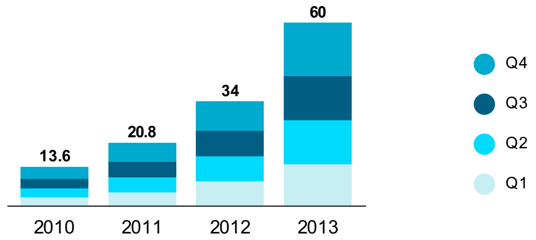
Net sales and operating profit 2009-2013



Net sales by business operations 2013

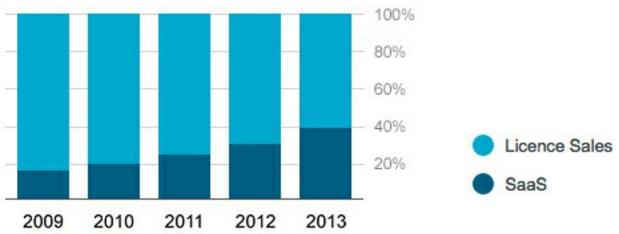


Transactions in Automation Services by quarters 2010-2013



= millions of transactions. The transaction volume grew by 76.5 percent in 2013.

Software as a Service (SaaS) – License sales relation 2009-2013



BASWARE COMMERCE NETWORK

ONE OF THE WORLD'S LARGEST BUSINESS COMMERCE NETWORKS

The Basware Commerce Network is founded on the principles of openness, where all types of organizations can collaborate and trade, making it one of the largest in the world. The network connects millions of buyers and sellers globally.

All businesses benefit from being more connected to their suppliers and customers. Basware Commerce Network brings buyers and sellers together to establish easier, more profitable connected commerce. Basware simplifies purchasing, accounts payable and invoicing processes to strengthen control, efficiency and cash flows.

In 2013, more than 60 million annual transactions – e-invoices, purchase orders and other electronic documents - were processed via Basware Commerce Network. The aim is to reach an annual transaction volume of 150 million by the end of 2015.

Over 10 years of experience and success with automating processes in the automotive industry

Basware Automotive Gateway

Basware has been working with thousands of automotive suppliers and manufacturers, including Audi, BMW, Daimler, MAN and Volkswagen for many years, and the company has a deep knowledge and understanding of this unique industry. Basware recognizes the complexities of e-invoicing in the automotive industry and has adapted its solutions to accommodate these challenges.

The Basware Commerce Network enables the exchange of electronic business documents across the entire value chain. An integral component of the network is the Basware Automotive Gateway, an industry-specific technology platform which provides the solutions and services that make these exchanges possible.

Basware has enjoyed over ten years of success in the automotive industry. More than 12,000 stored format conversion and workflow rules automate and accelerate the exchange of electronic documents between more than 5,000 suppliers and automotive manufacturers.

Basware Automotive Supplier Day 2013

In November 2013 we organized together with Audi, BMW, Daimler, VW and VW Logistics a first Automotive Supplier Day, Basware's large networking event for automotive industry in Germany.

250 automotive suppliers attended this two-day event. The suppliers and the automotive manufacturers had an opportunity to network and exchange ideas regarding e-invoicing.

Watch the video

CEO'S REVIEW

THE YEAR OF E-ENGAGEMENT

In 2013, companies have been focused on improving their cash flow. Effective payment strategies will stay front of mind as organizations look to maximize working capital and ensure the financial stability of their suppliers.

I am pleased that the strong growth in Automation Services continued also in 2013. During the fourth quarter the transaction volume grew strongly, up 84.2 percent. In 2013, more than 60 million transactions were processed via Basware Commerce Network, a growth of 76.5 percent. The share of recurring revenue of net sales increased during each quarter, accounting for 63.8 percent of net sales during the financial period as a whole. The increasing share of recurring revenue of net sales improves predictability over the long term.

Determined efforts to make Basware Commerce Network into the world’s largest open business commerce network for companies have continued. An increasing number of small and medium-sized suppliers and buyers have also been connected to the network through new products and delivery methods during the year. The strategic aim is to reach an annual transaction volume of 150 million by the end of 2015. The good performance in 2013 makes it possible to reach the objective.

The strong growth in Automation Services continued also in 2013 and the share of recurring revenue of net sales increased during each quarter

According to customer feedback received during the year, the competitiveness of Basware software and services is good. During the year, we have migrated a number of existing customers to Alusta and won a significant number of new Alusta customers. The product and service portfolio was strengthened also through strategic partnerships in 2013, such as the partnership with MasterCard announced in September, combining MasterCard’s network, one of the world’s largest payment networks, with the Basware Commerce Network and introducing a new business-to-business payment solution.

During 2013, we have restructured our organization to ensure even faster growth in transaction volumes and expand our service-based business. The Network Services business area is responsible for the e-invoicing business and the Solution Services business area for software business. The Network Services business aims at strong growth, supported by growth investments. The Solution Services business aims at moderate growth and strong profitability. The company will continue to streamline its operations in 2014.

The key goals also for 2014 is to grow the Basware Commerce Network and the Alusta software and services

Finance and procurement departments seek to further use a series of networks to improve financial management and increase responsiveness to internal users, customers and suppliers. These trends will lead to better insight, improved processes and increased collaboration. I expect this trend to continue into 2014.

Our key goal is and will be also during 2014 the growth of Basware Commerce Network and Alusta software and services sales. I expect that the need for recurring services will also remain at a good level among our clientele. I also believe that the rapidly growing and evolving e-invoicing market will offer Basware excellent growth opportunities also in 2014.

I would like to thank our employees for their committed work. Also, I would like to extend my thanks to all Basware's customers and shareholders for their trust now and in the coming years.

SOLUTIONS & SERVICES

THE GLOBAL LEADER IN PROVIDING SOLUTIONS FOR BETTER BUYING, BETTER SELLING AND CONNECTED COMMERCE

Basware provides open, secure, cloud-based solutions to organizations of all sizes. Solutions help organizations to gain greater efficiencies in procurement, accounts payable and accounts receivable processes. Basware is the global leader in providing solutions for better buying, better selling and connected commerce.

The Basware Commerce Network is one of the world's largest business commerce networks, where all types of organizations can collaborate and trade. Today the network connects millions of business users in 900,000 companies across over 100 countries. In 2013, more than 60 million annual transactions – e-invoices, purchase orders and other electronic documents - were processed via Basware Commerce Network.

Streamlined financial processes for companies of all sizes

Alusta technology platform combines the latest cloud, social, mobile and smart analytics technologies. Alusta has been designed to bring together Basware's Business-to-Business process knowledge with its cloud services.

E-payment supports the development of e-invoicing and e-engagement

In September 2013 Basware announced a partnership with MasterCard. The partnership connects MasterCard's network, one of the world's largest payment networks, with the Basware Commerce Network. The cooperation will enable a revolutionary electronic payment solution that ensures suppliers are paid fast upon invoice approval, while extending payment terms for buyers. The cooperation will benefit also MasterCard's unique suite of payments products and will deliver immediate cost and efficiency savings to companies of all sizes. MasterCard's payment network covers over 150 currencies across more than 210 countries and approximately 20,000 financial institutions.


WATCH VIDEO
basware
MasterCard

THE GLOBAL NETWORK
OF BASWARE PEOPLE

Basware continued to improve its global human resource services and helped to establish an effective matrix working culture in 2013. One of the key elements was the implementation of The Basware Career Framework for supporting personal and career development in the entire Basware community. The company was strengthened throughout the year to support growth.

Living in a Matrix

Basware´s business targets require efficient and streamlined cooperation between different units. Leaders at all levels have to work both vertically and horizontally, which requires changes in the mode of operation.

In 2013, Basware launched a leadership program “Optimize your Matrix” to develop a new mindset and skills to deal with these new realities and challenges – and to help others to succeed too. The training program was organized three times in 2013 and over 60 Basware leaders and managers have now attended the training.

In January 2013, the Basware Career Framework was implemented to cover the entire organization. The purpose of the Framework is to support personal and career development. It defines the Basware organization by the function, grade and role, providing a global standardization for all roles, role titles and grades for each function. It is a tool to enable key HR processes e.g. recruitment, performance and reward management and set guidelines on Basware’s approach to career management.

The Career Framework provides a clear indication of what is expected in each role, in terms of accountabilities, competencies, knowledge and experience. According to the annual Employee Satisfaction Survey, Basware employees are well aware of what is expected from them at work and the awareness has increased from the previous year. This indicates that the implementation of the Career Framework has had a positive impact in the organization.

Alistair Gilbert, Operations Manager, UK:

"I coordinate the development of the B2B services within our SaaS environment. This involves working with the global team in order to ensure the smooth delivery of the services. It is about stability, performance and scalability and keeping the service up and running 24/7. It has always been a pleasure to work with our working culture with collaboration and co-operation."

Watch the interview

Strengthening the organization to support growth

During 2013, the Company completed the Certipost acquisition. Accordingly, the organization was aligned to better support growth. After the Certipost acquisition, 53 employees joined the Basware organization and Basware Belgium was established.

At the beginning of 2013, Basware appointed Mr. Ilari Nurmi as the Senior Vice President for Product Management to lead the product and service portfolio management and its go-to-market model. The Sales organization was strengthened and aligned to focus more on different customer segments. The organization was divided into three focus areas: buyers, suppliers and partners and Mr. Kari Aarvala was appointed as the Senior Vice President for Global Sales.

During the second half of the year, Basware restructured its organization to ensure faster growth in transaction volumes and to expand the service-based business, according to its strategy. The company created a new Products & Services organization to lead Basware's product offering, covering both product definitions and development. A Solution Services unit was created to focus on delivering and supporting Basware software solutions and Network Services to deliver and support Basware´s transaction services.

Julia Sonnhalter, Marketing Manager, Germany:

“One highlight of 2013 was the Basware Automotive Supplier Day with big German car manufacturers. This day was a huge success, as well as fun. I am proud to be a member of a team which makes things happen.“

Watch the interview

Basware personnel in numbers

At the end of 2013, there were 1472 employees in Basware (+3.4%). 65 percent of Basware personnel worked outside of Finland and 35 percent in Finland.12.0 percent of the personnel work in sales and marketing, 58.4 percent in consulting and services, 23.7 percent in products, and 5.8 percent in administration.

The average age was 34.6 years (34.0 years) and years in Basware service was 3.9. Female employees accounted for 23.3 percent (22.8) and men 76.7 (77.2) percent.

Salaries, fees and social costs paid were 61.6 million euros in 2013 (57.1 million euros).

Nina Koivikko, Vice President, Presales,
Headquarters in Espoo:

“Basware is a great company to work for: for its innovative and unique solution offering and great people. Personally, the company has been able to provide me with opportunities for growth through the years. This is why I have been in the company since 2001.”

Watch the interview

Key focus areas in 2014

In 2014, Basware will focus on capability development with robust development programs. The Company will continue to train its managers and leaders to work in a matrix organization and further develop The Basware Academy programs to provide new sales and consulting personnel with required knowledge of Basware products and services.

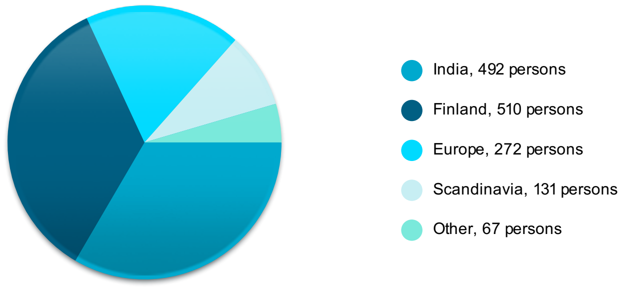
Basware will also provide sales personnel with sales technique training for solution selling and improve the Company´s e-learning capabilities to better support continuous learning and development globally.

Ryan Cutright, Sales Manager, USA:

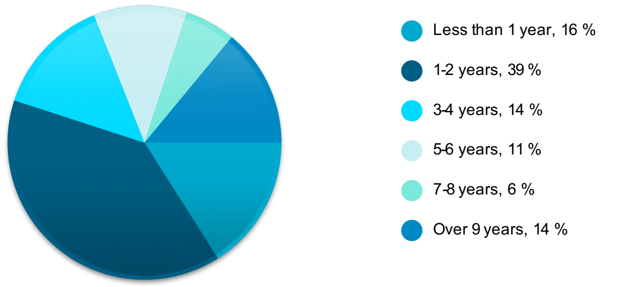
"I work with customers across three continents and you have to understand the culture of doing business in each location. Basware Commerce Network helps customers to transact within secure online service to send and receive invoices and documents. It has been rewarding experience to work with different individuals in order to succeed at the end of the day."

Watch the interview

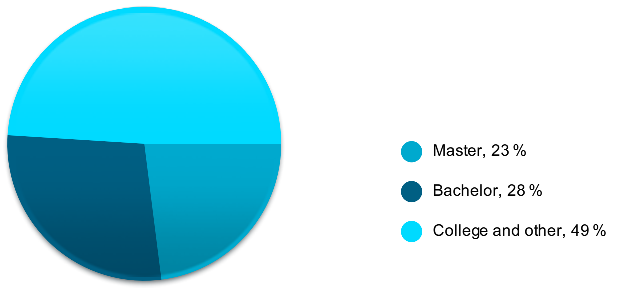
Geographical division of personnel



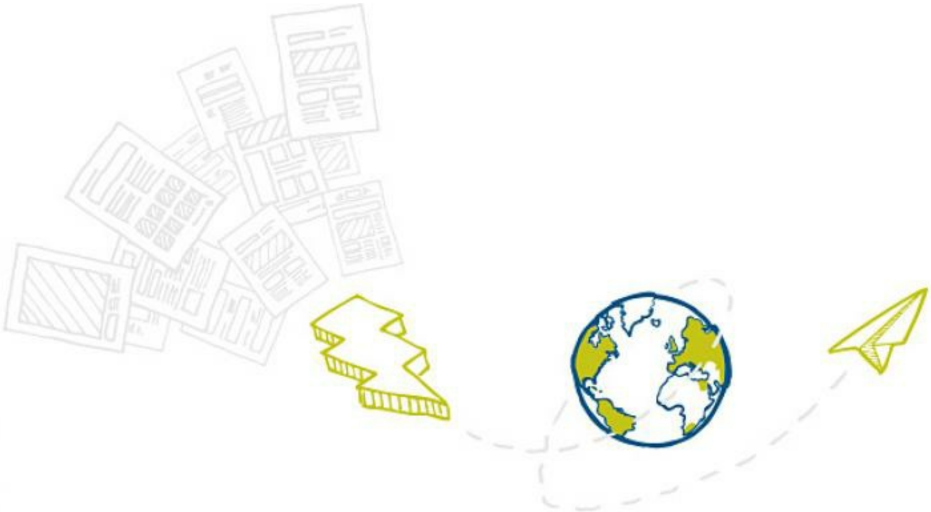
Employment duration, %



Educational background, %



BASWARE CORPORATE RESPONSIBILITY
GLOBAL ENGAGEMENT



Basware is a forerunner in e-engagement and connected economy, through its cloud-based purchase-to-pay and e-invoicing solutions. The company has millions of business users in its global Basware Commerce Network, founded on the principle of openness. Basware corporate responsibility is integrated in its business operations and the corporate values are the tools for everyday sustainable work within the Group. The company is committed to responsible operations in all of its economic, social and environmental activities.

Basware´s key strategy aim is to be the largest business commerce network in the world by 2015. The Basware Commerce Network is a global, secure and open network for organizations of all sizes. Currently it connects 900,000 companies globally, providing the most efficient way to connect and collaborate with buyers and suppliers, as well as process e-invoices, purchase orders and other electronic documents.

As a listed company on the OMX Helsinki Stock Exchange, Basware, with 321.8 million euros market capital, is committed to follow the rules and regulations set by the authorities and follow the law and regulations in each country the company operates. A great emphasis is placed on the company brand and reputation, open and transparent communications to different stakeholders, as well as internal company values.

The Basware Commerce Network is a tool for sustainable finance and commerce

When joining and collaborating with other companies through the Basware Commerce Network, organizations all around the world can improve their financial performance, transparency and mitigate their carbon footprint. It is a tool for sustainable finance and commerce.

Basware Commerce Network enables global, open collaboration and facilitates business operations. The Network is a tool for companies to deliver invoices between companies and countries with the inclusion of integrated VAT and other legislation. All companies within the network are able to achieve greater effectiveness in cash management and governance.

According to researchers, it is estimated that an e-invoice minimizes the carbon footprint by approximately 60 percent, compared to a paper invoice. The largest CO2 reductions will occur when companies can minimize the manual work involved in creating invoices. Reducing paper usage, transportation needs and waste also have a significant impact on lowering the carbon footprint.

When the data is structured on a true e-invoice, the cost savings and CO2 reductions are greater due to a higher level of automation in the business processes. Invoices in PDF or Word format are not true e-invoices, as the data is unstructured. With e-invoicing, companies no longer need to print, post, or process paper invoices manually.

At the end of the year, there were over 60 million annual transactions in the Basware Commerce Network, which represents a 76.5% growth in 2013

The data centers used by Basware are being verified by their commitment to energy efficiency in their operations, such as cooling, heating and using smart technology solutions. Basware is committed to having partners that represent the very best knowhow, expertise and commitment to environmental issues.

The company has the Environmental Management System ISO 14 001 in place in Finland and the same operations are used globally in all Basware offices. This EMS has been audited by Bureau Veritas.

Digital, connected economy and paperless offices help Basware and its customers, partners and personnel to achieve more energy efficient business outcome.

Energy efficiency in the Basware global work community

The Basware global work community is committed to energy savings in all their daily operations. The carbon footprint reduction includes the avoidance of unnecessary business travelling and taking full advantage of such online office tools as video conferencing.

Engagement with customers

The Basware Experience user forum events bring together customers, Basware specialists and industry luminaries from across the globe for highly focused, highly engaging knowledge-sharing sessions that examine strategies that have been proven to accelerate business results.

Basware Experience event is one of the key elements in our Customer Communications program and supports a company ´s strategic goal to maximize their customer loyalty. This event is a great channel for sharing the latest innovations and future plans. Customers have a unique opportunity to network and share insights with each other.

In 2013, Basware events brought together over 2 000 customers from 11 countries

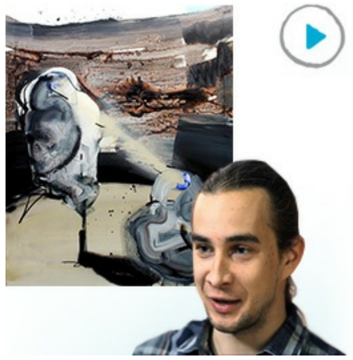
Basware has been organizing the customer events for over 15 years. The events have been highly successful, receiving great feedback from our customers and cooperation partners and this has further strengthened the work in the network and its service offerings.

The latest addition to Basware's events, Automotive Supplier Day, was arranged in November 2013, in Germany. The event was targeted at suppliers who are still sending paper invoices to their customers in the automotive industry.

By bringing all the large automotive manufacturers together, Basware was able to connect them with their suppliers and facilitate discussions concerning e-invoicing. The event celebrated the cooperation and shared ways of working between the suppliers and the automotive manufacturers. This two-day event in Offenbach received very positive feedback from the 250 participants.

Knowledge sharing, engagement and efficiency have been the key focus areas in the development of the Basware Commerce Network.

Engagement with Society - “The Art of Basware”



Already arranged for the 15th time, The Art of Basware is an annual international art competition for artists under 30 years of age. The Art of Basware is one example of Basware’s social responsibility towards society.

Last year, nearly 200 artists with over 400 pieces of art attended this leading initiative that supports social development and engagement with the theme “Network”. The 2013 winner was Viljami Heinonen, with his “Scarecrows” work. Basware buys a selection of artwork after every competion and the Basware’s art collection now consists of 85 pieces of art.

Basware also supports young artists, because the company shares the spirit, innovation, creativity, skills, passion, determination and feeling – these are all skills needed in pioneering new ways of doing business around the world.

During 2014, Basware is also expanding its art competition to all of its countries of operations. The theme of The Art of Basware 2014 is Growth.

In 2013, Basware paid salaries of 61.6 million euros,taxes 3.7 million euros and dividends 2.9 million euros.

Awards and recognition for Basware

In February 2013, Global Finance named Basware the Best Electronic Invoice Presentment and Payment Services Provider for the fourth year. Basware was awarded this recognition because of its innovative leadership in invoice automation, procurement and global commerce connectivity solutions that improve supplier and buyer relationships and promote the exchange of electronic documents around the world, through the world’s largest open network for e-invoice and purchase message transactions.

In March 2013, Basware appeared on the FinTech 50 list, which highlights Europe’s most disruptive financial technology companies. The list recognizes both new and existing European firms that are “re-defining the future of finance” through innovative technologies.

In November 2013, Basware received a Green Supply Chain award from the Supply & Demand Chain Executive magazine for the fourth consecutive year. The award recognizes Basware’s industry leadership in helping companies reduce paper through e-invoicing and electronic processes. In addition to enabling sustainability, Basware’s solutions and services help companies gain critical visibility and control over finances, reduce costs and improve productivity.

BOARD OF DIRECTORS

Hannu Vaajoensuu
Member of the Board since 1990, Chairman of the Board since 2005
Born 1961
MSc (Econ)

Pentti Heikkinen
Member of the Board since 2009
Born 1960
MSc (Econ), Stanford Graduate School of Business (Stanford Executive Program 2001)

Ilkka Sihvo
Vice Chairman of the Board since 2012
Born1962
MSc (Econ), MSc (Tech)

Tuija Soanjärvi
Member of the Board since 2013
Born 1955
MSc (Econ)

Anssi Vanjoki
Member of the Board since 2012
Born 1956
MSc (Econ)

EXECUTIVE TEAM

Esa Tihilä
CEO
Born 1964
eMBA

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

Kari Aarvala
SVP, Global Sales
Born 1965
MSc (Econ)

At Basware since 2013, member of the Executive Team since 2013

Mika Harjuaho
CFO
Born 1966
MSc (Econ)

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

Mari Heusala
SVP, HR & Development
Born 1966
MSc (Econ)

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

Steve Muddiman
Chief Marketing Officer
Born 1961
Southampton Solent University (Communications)

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

Ilari Nurmi
SVP, Products & Services
Born 1975
MSc (Tech)

At Basware since 2013, member of the Executive Team since 2013

Riku Roos
SVP, Network Services
Born 1960
MSc (Tech)

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

Matti Rusi
SVP, Solution Services
Born 1963
MBA

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

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 13 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 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.

Securities Market Association is a cooperation organ established by the Confederation of Finnish Industries EK , NASDAQ OMX Helsinki Ltd and Finland Chamber of Commerce. The Code is publicly available at www.cgfinland.fi/en/

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.

Annual 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 Annual General Meeting is held in the company's registered office Espoo, Helsinki or Vantaa. A notice to convene the Meeting of shareholders needs to be published 3 months at the earliest and 3 weeks at the latest on the company's website. Accordingly, if the Board of Directors so decides, the company may publish the information on the time and location of the Meeting, including the company's website in one, selected newspaper.

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 2013, Basware's Board of Directors had five members: Hannu Vaajoensuu (Chair), Pentti Heikkinen, Ilkka Sihvo (Vice Chair), Tuija Soanjärvi, and Anssi Vanjoki. The Board of Directors convened 12 times (since the Annual General Meeting held on February 14, 2013) and the attendance rate was 98.3 %.

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; Tihilä is introduced in the Annual Report 2013, section Board of Directors and Executive Team.

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.

As of October 10, 2013, members of the Basware Executive Team are Esa Tihilä, CEO; Mika Harjuaho, CFO; Kari Aarvala, Senior Vice President, Global Sales; Mari Heusala, Senior Vice President, HR & Development; Steve Muddiman, Senior Vice President, Chief Marketing Officer; Ilari Nurmi, Senior Vice President, Products & Services; Riku Roos; Senior Vice President, Network Services; and Matti Rusi, Senior Vice President, Solution Services.

Jorma Kemppainen, Senior Vice President, and Henrik Hasselbalch, Senior Vice President, resigned from the company in October 2013.

Kari Aarvala, Senior Vice President, Global Sales, was appointed as a new member of the Executive Team as of April 8, 2013. He represents sales in the Executive Team with the former Executive Team members Pekka Lindfors, Senior Vice

President, and Jukka Virkkunen, Senior Vice President, reporting to him.

Matti Copeland, Senior Vice President, took up a position as the company’s advisor in matters related to mergers and acquisitions as of the beginning of April, and in August 2013 the company agreed with him about concluding these ongoing projects.

The members of the Basware Executive Team are introduced in the Annual Report 2013, section Board of Directors and Executive Team.

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 2013, 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 2013 that have come to the Board's knowledge are associated with ensuring company's possibilities to invest on the growth of network and e-invoicing business, maintaining the company's competitiveness and the product leadership of Alusta, ensuring the quality of production, improving new customer acquisition and increasing the transaction volume of the e-invoicing business, 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 2013 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 2013 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.

Remuneration of 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 14, 2013, 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 Ltd. 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.

Remuneration of 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 (TyEL)

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.

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.

The salary of CEO Esa Tihilä's for the period January 1-December 31, 2013, including benefits, was EUR 343.797,76. Salary in money was EUR 287.891,46 and fringe benefits totaled EUR 12.108,54. No incentives were paid.

In December 2013, Esa Tihilä was granted 1,725 shares on the basis of the incentive scheme for the vesting period 2011; of which 862 shares were conveyed to Esa Tihilä (the value of which is approximately EUR 21 898,88 based on the average share price EUR 25.39 of the payment day on December 27, 2013) and EUR 21 898,88 was paid in cash to cover the withholding tax.

Remuneration of 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.

In December 2013, the members of Executive Team, excluding CEO, were paid EUR 1.814.004,66 in salaries and fringe benefits totaled to EUR 134.909,35. No incentives were paid.

In December 2013, the members of Executive Team were granted a total of 6,863 shares on the basis of the incentive plan for the vesting period 2011, of which 3.430 shares (in total value of EUR 87.125,79 based on the average price of the share EUR 25,39 on the payment day on December 27, 2013) were transferred to the key personnel included in the plan and EUR 87.125,79 was paid in cash to cover the withholding tax.

Incentive schemes

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, the bonus for the vesting period 2010 in December 2012, and the bonus for the vesting period 2011 was 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.

Basware informed about a new share-based incentive plan for the Basware Group key personnel for 2012-2014 on February 17, 2012. The Board of Directors informed about updating the share-based incentive plan for the key personnel to continue until the end of 2015 on February 15, 2013. The terms of the incentive plan remained the same with the exception of adding one earning period to the plan:

The aim of the plan is to combine the objectives of the shareholders and the key personnel in order to increase the value of the company, commit the key personnel to the company, and offer them a competitive reward plan based on shareholding in the company. Accordingly, 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 four earning periods, calendar years 2012, 2013, 2014, and 2015. The system comprises annual earning periods 2012, 2013, 2014, and 2015 and fixed earning period 2013-2015. Members of the Executive Team may be allocated additional shares without consideration against shareholding during the earning period 2012-2015.

The Board of Directors decides on the earnings criteria and related targets separately for each annual earning period at the beginning of the earning period. There are employment-related conditions for eligibility for reward payment. The reward for the fixed earning period 2013-2015 is based on Basware Corporation's earnings per share (EPS). The target group of the fixed earning period 2013-2015 includes the members of the Basware Executive Team.

The shares to be allocated at the target level will continue to correspond at the current share price to the approximate amount of 95,000 Basware Corporation shares (including also the proportion to be paid in cash) and totalling 142,000 at the maximum. The possible shares to be allocated will consist of own shares held by the company or acquired in public trading through NASDAQ OMX Helsinki Ltd.

The terms of the incentive scheme includes work and employment related conditions.

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.

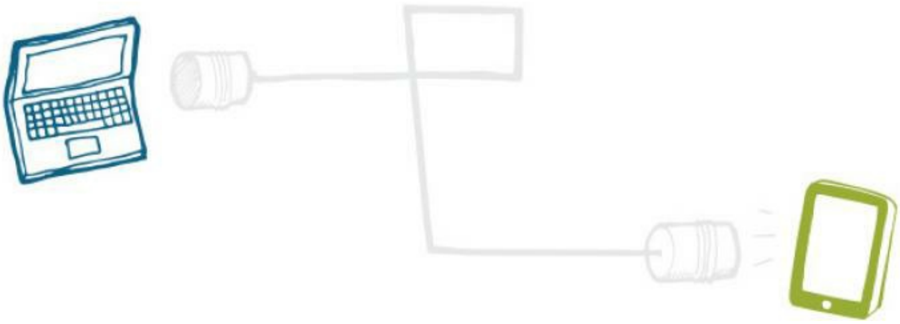
According to the share register maintained by Euroclear Finland Ltd, CEO Esa Tihilä held 12,212 Basware Corporation shares, Mika Harjuaho 7,902, Mari Heusala 1,000, Steve Muddiman 8,893, Ilari Nurmi 899, Matti Rusi 2,783, and Riku Roos 150 shares on December 31,2013. Other members of the Executive Team did not hold shares in Basware Corporation.

According to the share register maintained by Euroclear Finland Ltd, Hannu Vaajoensuu held 674,276, Pentti Heikkinen 3,135, Ilkka Sihvo 885,300, Tuija Soanjärvi 526, and Anssi Vanjoki 5,000 shares in Basware Corporation on December 31, 2013.

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



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BOARD OF DIRECTORS' REPORT
JANUARY 1 - DECEMBER 31, 2013

SUMMARY OF THE FINANCIAL YEAR

Financial year 2013

- Net sales EUR 123 349 thousand (EUR 113 699 thousand) – growth 8.5 percent
- Operating profit EUR 3 331 thousand (EUR 8 308 thousand) – decrease 59.9 percent
- Operating profit 2.7 percent of net sales (7.3%)
- Growth of Automation Services (SaaS and e-invoicing) 48.3 percent
- Recurring revenue (Customer Support and Automation Services) 63.8 percent (57.8%) of net sales
- Cash flow from operating activities EUR 3 578 thousand (EUR 6 441 thousand)
- Earnings per share (diluted) EUR 0.20 (0.46) – decrease of 55.6 percent
- Dividend proposal for 2013: EUR 0.23 per share (2012: EUR 0.23)

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

Business operations

Basware is the global leader in providing solutions for better buying, better selling and connected commerce. Basware provides open, secure, cloud-based purchase-to-pay and e-invoicing solutions to organizations of all sizes, resulting in greater efficiencies in procurement, accounts payable and accounts receivable, payment and financial processes. Companies across all industries, from small businesses to corporate giants use Basware solutions to drive sustainable cost savings, proactive insight to cash flows and improved buyer–supplier relationships. Basware Commerce Network is founded on the principles of openness, where all types of organizations can collaborate and trade, making it the largest in the world. Today the network connect millions of business users in 900 000 companies across over 100 countries.

Reporting

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

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

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

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

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

As geographic information Basware reports geographical areas Finland, Scandinavia, rest of Europe, and Other. Net sales are reported by the customer’s location, and 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 2013.

FINANCIAL PERIOD

Net sales

Basware Group's net sales increased by 8.5 percent during the review period (January–December) and were EUR 123 349 thousand (EUR 113 699 thousand). In local currency terms, net sales increased by 10.0 percent.

Net sales by business	10-12/2013	10-12/2012	Change, %	1-12/2013	1-12/2012	Change, %
Licence Sales	4 237	5 179	-18.2	14 617	17 437	-16.2
Customer Support	11 009	10 865	1.3	43 512	42 011	3.6
Consulting	7 869	7 746	1.6	30 069	30 552	-1.6
Automation services	9 934	6 637	49.7	35 151	23 699	48.3
Group Total	**33 049**	**30 427**	**8.6**	**123 349**	**113 699**	**8.5**

The company's license sales decreased by 16.2 percent during the reporting period to 11.9 percent (15.3%) of net sales. SaaS sales, reported in Automation Services, grew by 17.8 percent. Customer Support revenue increased by 3.6 percent and accounted for 35.3 percent (36.9%) of net sales. Professional Services revenue decreased by 1.6 percent and accounted for 24.4 percent (26.9%) of net sales.

During the period, Automation Services grew by 48.3 percent and accounted for 28.5 percent (20.8%) of net sales. The transaction volume processed by the Automation Services business continued its favorable development and was 60.0 million (growth of 76.5 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 EUR 36.1 million, growth of 7.6 percent compared to the previous quarter.

The international share of Basware’s net sales was 60.0 percent (57.3%) in the financial period. International operations grew by 13.7 percent.

Financial performance

Basware's operating profit for the period decreased by 59.9 percent to EUR 3 331 thousand (EUR 8 308 thousand). Operating profit represented 2.7 percent (7.3%) of net sales.

The company’s fixed costs were EUR 103 119 thousand (EUR 90 081 thousand) in the period, up 14.5 percent on the corresponding period the previous year. Personnel costs made up 74.6 percent (72.8%) or EUR 76 919 thousand (EUR 65 590 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 1 714 thousand (EUR 1 055 thousand).

Amortization of intangible assets totaled EUR 6 085 thousand (EUR 5 724 thousand).

The company’s finance income and finance expenses were EUR -47 thousand (EUR 50 thousand). Profit before tax was EUR 3 284 thousand (EUR 8 357 thousand). Taxes for the period totaled EUR -678 thousand (EUR -2 494 thousand). Profit for the period was 2.1 percent (5.2%) of net sales, or EUR 2 605 thousand (EUR 5 863 thousand). Undiluted earnings per share were EUR 0.20 (EUR 0.46).

Additional information on the company's key figures can be found from the financial statement's section Key Figures.

Finance and investments

Basware Group’s total assets on the balance sheet at the end of the period were EUR 127 043 thousand (EUR 129 758 thousand). The company’s liquid assets were EUR 13 218 thousand (EUR 34 519 thousand), which comprises of cash and cash equivalents in full. Net cash flows from operating activities were EUR 3 578 thousand (EUR 6 441 thousand). Net cash flows from investments were EUR -19 538 thousand (EUR -18 799 thousand) and the net cash flow from financing activities were EUR -4 861 thousand (EUR 3 584 thousand).

Equity ratio was 77.1 percent (77.6%) and gearing was -4.7 percent (-23.8%). The company's interest-bearing liabilities totaled EUR 8 632 thousand (EUR 10 524 thousand), of which current liabilities accounted for EUR 3 618 thousand (EUR 1 906 thousand). Return on investment was 3.9 percent (8.2%) and return on equity 2.6 percent (5.8%).

The company’s capital expenditure, resulting from regular additional and replacement investments required for growth, was EUR 1 470 thousand (EUR 1 431 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 20 733 thousand (EUR 19 606 thousand).

Additional information on the Corporation's key figures can be found from the financial statement's section Key Figures.

Research and development

Basware's research and development expenses totaled EUR 18 148 thousand (EUR 17 884 thousand), or 14.7 percent (15.7%) of net sales during the review period. The expenses increased by 1.5 percent compared to the corresponding period the previous year. Research and development expenses capitalized during the period amounted to EUR 3 607 thousand (EUR 5 330 thousand). The research and development costs included in the profit for the review period totaled EUR 14 541 thousand (EUR 12 555 thousand), or 11.8 percent (11.0%) of net sales.

A total of 370 (351) people worked in R&D of whom 160 people in India at the end of 2013.

Personnel

Basware employed 1 485 (1 330) people on average during the period and 1 472 (1 423) at the end of the period. The number of personnel increased by 49 persons and by 3.4 percent compared with the same period the previous year. The increase in the number of personnel was mainly due to the personnel joining Basware through the acquisition of a Belgian e-invoicing operator.

Personnel (employed, on average)	10-12/2013	10-12/2012	Change, %	1-12/2013	1-12/2012	Change, %
Finland	510	507	0.5	510	486	4.9
Scandinavia	131	133	-1.3	131	129	1.7
Rest of Europe	272	196	38.8	265	179	47.9
India	498	507	-1.8	506	467	8.4
Other	67	71	-5.6	73	69	5.3
Personnel Total	**1 478**	**1 414**	**4.5**	**1 485**	**1 330**	**11.6**

The share of personnel working in foreign units has increased compared with the previous year. At the end of the period, 65.5 percent (64.4%) of Basware personnel worked outside of Finland and 34.5 percent (35.6%) in Finland. 12.0 percent of the personnel work in sales and marketing, 58.4 percent in consulting and services, 23.7 percent in products, and 5.8 percent in administration.

The average age of employees is 34.6 (34.0) years. Of the employees, 22.8 percent have a Master's degree and 28.1 percent have a Bachelor's degree. Women account for 23.3 percent of employees, men for 76.7 percent. For incentive purposes, the Company has a bonus program that covers all employees.

The company's personnel costs were EUR 76 919 (EUR 65 590), an increase of 17.3 percent compared to the previous year.

OTHER EVENTS OF THE PERIOD

The strong growth in Automation Services continued throughout 2013 and amounted to 48 percent. An increasing number of small and medium-sized suppliers and buyers have also been connected to the network through new products and delivery methods during the year. At the end of 2013, more than 60 million transactions were processed via Basware Commerce Network, a growth of 76.5 percent.

The key strategic objective is to grow the Basware Commerce Network to become the world's largest, open business commerce network and reach an annual volume of 150 million transactions processed by the end of 2015.

The share of recurring revenue (Customer Support and Automation Services) of net sales increased during each quarter, accounting for 63.8 percent of net sales during the financial period as a whole. The increasing share of recurring revenue of net sales improves predictability over the long term.

The product and service portfolio was strengthened through strategic partnerships in 2013. In September the company announced a partnership with MasterCard that connects MasterCard's network, one of the world's largest payment networks, with Basware Commerce Network and introduces a new business-to-business payment solution. In September the company also announced a partnership with the leading independent supply management and spend analysis provider BravoSolutions to create a comprehensive source-to-pay (S2P) solution.

During the latter half of 2013, the company restructured its organization to ensure even faster growth in transaction volumes and expand the service-based business. The operations will be managed as two units in 2014: the Network Services business area is responsible for the e-invoicing business and the Solution Services business area for software business. The Network Services business aims at strong growth. The Solution Services business aims at moderate growth and strong profitability.

SHARE AND SHAREHOLDERS

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

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

Shareholders

Basware had 14 349 (14 443) shareholders on December 31 including nominee-registered holdings (11). Nominee-registered holdings accounted for 11.7 percent (11.2%) of the total number of shares.

The company holds 75 815 Basware Corporation shares, corresponding to approximately 0.6% of all shares in the company.

Additional information on shareholdings of the Executive Team and Board of Directors and major shareholders is available on the company’s investor site at www.basware.com/investors.

Share price and trading

During 2013, the highest price of the share was EUR 25.60 (EUR 24.00), the lowest was EUR 16.75 (EUR 16.70) and the closing price was EUR 25.03 (EUR 20.25). The average price of the share was EUR 20.35 (EUR 20.84) during the period.

A total of 1 723 866 (1 514 703) shares were traded during the period, equivalent to 13.4 percent (11.8%) of the average number of shares. Market capitalization with the period’s closing price on December 31, 2013, was EUR 321 771 012 (EUR 260 182 550).

GOVERNANCE

Esa Tihilä has acted as the CEO of the company from 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 14, 2013 decided the number of members of the Board of Directors to be five. Hannu Vaajoensuu, Pentti Heikkinen, Ilkka Sihvo, Tuija Soanjärvi and Anssi Vanjoki were elected as members of the Board of Directors. In its meeting held after the Annual General Meeting, the Board of Directors elected Hannu Vaajoensuu as the Chairman and Ilkka Sihvo as the Vice Chairman of the Board.

In the same meeting, Ernst & Young Oy, Authorized Public Accountants organisation, was elected as the company's auditor and Heikki Ilkka, Authorized Public Accountant, as the principally responsible auditor of the company.

Authorizations

The Annual General Meeting decided to authorize the Board of Directors to decide on repurchase of company's own shares in accordance with the proposal of the Board of Directors. By virtue of the authorization, the Board of Directors is entitled to decide on repurchasing a maximum of 1,290,000 company's own shares. The company's own shares shall be repurchased otherwise than in proportion to the holdings of the shareholders by using the non-restricted equity through trading on regulated market organized by 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 2014.

The Annual General Meeting decided also 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 1,372,708 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 2014.

Corporate Governance Statement

The company published its Corporate Governance Statement for 2013 that was 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.

Basware Corporation's Corporate Governance Statement is available at company's investors website at www.basware.com/investors.

SHORT-TERM RISKS AND UNCERTAINTY FACTORS

Short-term risks are considered to be risks in the current reporting year. Additional information on risks and risk management is available on the company’s investor website: www.basware.com/investors.

The world economy and markets are unstable, which has resulted in a decrease in the demand for license sales and services. The negotiation times of large international deals in particular are long because the customers’ requirements are higher in the service business than in the software business.

The bad debt provision related to sales receivables on the company’s balance sheet has increased due to an increase in the amount of overdue customer payments. However, there are no significant credit loss concentrations associated with the sales receivables; they are primarily comprised of a large number of relatively small receivables.

Work that cannot be invoiced related to the production entry times for Alusta software and SaaS delivery model being longer than planned have effects on the profitability of Professional Services. The production entry times of SaaS deliveries also affect the growth of Automation Services.

As part of HR processes, the company continuously assesses the competence and well-being of the personnel. The company aims to avoid recruitment errors and excessive turnover of personnel, which may lead to a decrease in customer satisfaction, growth, and profitability.

Goodwill was tested for impairment during the last quarter of 2013. According to the testing for asset impairment, goodwill had not been impaired.

ACQUISITIONS AND CHANGES IN GROUP'S STRUCTURE

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

In 2012, the net sales of the acquired business amounted to approximately EUR 7.9 million and operating profit approximately EUR 1.2 million negative. The acquired business operations' figures were consolidated into Basware's net sales and profit as of January 1, 2013. The net sales for 2013 were approximately EUR 8.5 million and operating result approximately EUR -0.1 million. The allocated purchase price is approximately EUR 17.3 million. The acquired net assets amount to approximately EUR 2.4 million, including the cash reserves of EUR 2.2 million. Approximately EUR 4.5 million associated with customer relationships and acquired technology has been allocated to intangible assets. The value associated with customer relationships will be amortized in seven years and value associated with technology in five years, starting from the first quarter of 2013. The purchase price includes approximately EUR 10.3 million of goodwill. Basware established the Basware Belgium N.V. subsidiary in Belgium on November 12, 2012

The company's branch offices Singapore was closed on April 30, 2013

More information on all of the company's branches can be found from the financial statement's Note 28.

RESPONSIBILITY

Basware is a forerunner in e-engagement and connected economy, through its cloud-based purchase-to-pay and e-invoicing solutions. The company has millions of business users in its global Basware Commerce Network, founded on the principle of openness. Basware corporate responsibility is integrated in its business operations and the corporate values are the tools for everyday sustainable work within the Group. The company is committed to responsible operations in all of its economic, social and environmental activities.

As a listed company on the OMX Helsinki Stock Exchange, Basware, with 321.8 million euros market capital, is committed to follow the rules and regulations set by the authorities and follow the law and regulations in each country the company operates. A great emphasis is placed on the company brand and reputation, open and transparent communications to different stakeholders, as well as internal company values.

More information about the company's corporate responsibility is available in the Annual Report 2013 at www.basware.com/annualreport.

STRATEGY

Basware updated its strategy in accordance with its strategy process at the end of 2013. The key strategic objectives remain unchanged: an annual volume of 150 million transactions processed by the end of 2015, annual growth of 15–30 percent in net sales, share of recurring revenue 70 percent of net sales and operating profit margin of 15–20 percent at the end of the strategy period.

Basware's new organizational structure supports the implementation of the strategy. The key aim of the Network Services business is strong growth in net sales, while the Solution Services business aims at strong profitability and moderate growth. Strengthening Basware's position in the key markets and customer loyalty are objectives shared throughout the company.

The strategy focuses on accelerated global growth both organically and through acquisitions. The strategic focus areas for 2014 include strengthening Basware's position in the international key markets, maximizing the transaction volume, global market leadership in Purchase-to-Pay (P2P) solutions, and customer loyalty.

Basware will continue to revise its sales and marketing model with the aim of strengthening its position in the key markets. Direct sales and marketing measures will be increasingly segmented according to carefully selected segments and companies. Investments in obtaining channel partners and business support will continue.

Network Services business focuses on maximizing transaction volumes, including acquiring new virtual operator partners, intensifying and automating supplier activation, developing product and transaction services, and offering added value services related to financing, among others.

Solution Services business will continue the development of Alusta software products and streamlining the associated delivery, production, and support processes. The ease of use and operating logic of Alusta products have met a favorable market reception.

FUTURE OUTLOOK

Operating environment and market outlook

Companies of all sizes globally are under pressure to improve their cash flows, find new innovative payment strategies and automate their financial processes and functions. The company expects the same to continue also in 2014 and the continuous need for services to remain at a favorable level among its customers.

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

By the end of 2015, Basware aims to become the largest business commerce network for buyers and suppliers. The penetration rate of e-Invoicing is still low. It varies between 5-30 percent depending on the country, and it has been estimated to grow strongly. The growing and evolving e-invoicing market will offer Basware excellent growth opportunities.

Outlook 2014

In Basware's new organizational model the operations will be managed as two units: the Network Services business area will be responsible for the e-invoicing business and the Solution Services business area for Basware's software business. The Network Services business aims at strong growth. The Solution Services business aims at moderate growth and strong profitability.

The organizational restructuring has particularly aimed at accelerating the deployment of company's services and products, accelerating the production of SaaS and e-invoicing deals through product and process improvements and to make operations more efficient and improve profit-making ability. The company will continue to streamline its operations in 2014.

Basware expects its net sales and operating profit (EBIT) for 2014 to grow compared to 2013.

BOARD'S DIVIDEND PROPOSAL

Basware 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 2013, the Group parent company's distributable funds are EUR 88 866 295.46.

Basware's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.23 per share (2012: EUR 0.23) be paid for 2013.

Espoo, Finland, January 23, 2014

BASWARE CORPORATION
Board of Directors

Hannu Vaajoensuu, Chairman
Ilkka Sihvo, Vice Chairman
Pentti Heikkinen
Tuija Soanjärvi
Anssi Vanjoki

Esa Tihilä, CEO

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

1.1.-31.12.2013

EUR thousand	Notes	1.1.-31.12.2013	1.1.-31.12.2012	Change, %
NET SALES	2	**123 349**	**113 699**	**8,5**
Other operating income	4	1 915	228	738,4
Materials and services	5	-11 761	-9 045	30,0
Employee benefits expenses	6	-76 919	-65 590	17,3
Depreciation and amortization		-7 052	-6 493	8,6
Other operating expenses	7	-26 200	-24 491	7,0
Operating profit		**3 331**	**8 308**	**-59,9**
Financial income	8	928	372	149,3
Financial expenses	8	-975	-323	202,4
Profit before tax		**3 284**	**8 357**	**-60,7**
Income tax expense	9	-678	-2 494	-72,8
PROFIT FOR THE PERIOD		**2 605**	**5 863**	**-55,6**
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translating foreign operations		-2 638	886	
Income tax relating to components of other comprehensive income	9	281	111	153,8
Other comprehensive income, net of tax		**-2 358**	**996**	
TOTAL COMPREHENSIVE INCOME		**247**	**6 860**	**-96,4**
Profit attributable to:				
Owners of the parent		2 605	5 863	-55,6
		2 605	**5 863**	**-55,6**
Total comprehensive income attributable to:				
Owners of the parent		247	6 860	-96,4
		247	**6 860**	**-96,4**
Earnings per share				
Undiluted, EUR	10	0,20	0,46	-55,6
Diluted, EUR	10	0,20	0,46	-55,6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)
31.12.2013

EUR thousand	Notes	31.12.2013	31.12.2012	Change, %
ASSETS				
Non-current assets				
Intangible assets	11	26 428	23 169	14,1
Goodwill	11	50 996	41 896	21,7
Tangible assets	12	1 431	1 440	-0,6
Available-for-sale investments	13	38	38	0,0
Trade and other receivables	14	947	1 068	-11,3
Deferred tax assets	18	3 680	2 543	44,7
Non-current assets		**83 520**	**70 154**	**19,1**
Current assets				
Inventories	15	240	18	1209,2
Trade and other receivables	16	27 536	24 202	13,8
Income tax receivables		2 529	865	192,2
Cash and short-term deposits	17	13 218	34 519	-61,7
Current assets		**43 522**	**59 604**	**-27,0**
TOTAL ASSETS		**127 043**	**129 758**	**-2,1**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)
31.12.2013

EUR thousand	Notes	31.12.2013	31.12.2012	Change, %
EQUITY AND LIABILITIES				
Shareholder's equity				
Share capital	21	3 528	3 528	0,0
Share premium account	21	1 187	1 187	0,0
Own shares	21	-1 164	-1 215	4,2
Fair value reserve and other reserves	21	62 288	62 339	-0,1
Translation differences		-1 958	-708	-176,4
Retained earnings		34 074	35 594	-4,3
Shareholders' equity		**97 956**	**100 725**	**-2,7**
Non-current liabilities				
Deferred tax liabilities	18	1 863	1 493	24,8
Interest-bearing liabilities	22, 23	5 014	8 618	-41,8
Other non-current financial liabilities		127	245	-48,4
Non-current liabilities		**7 004**	**10 356**	**-32,4**
Current liabilities				
Interest-bearing liabilities	22, 23	3 618	1 906	89,8
Trade payables and other payables	22	17 966	15 992	12,3
Income tax liabilities		499	779	-36
Current liabilities		**22 082**	**18 677**	**18,2**
TOTAL EQUITY AND LIABILITIES		**127 043**	**129 758**	**-2,1**

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)
1.1.-31.12.2013

EUR thousand	1.1.-31.12.2013	1.1.-31.12.2012
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period	**2 605**	**5 863**
Adjustments for profit		
Depreciation and amortization	7 052	6 493
Proceeds from sale of non-current assets	-1 540	0
Finance income and expenses	48	-50
Income taxes	678	2 494
Other non-cash items	-61	-991
Working capital changes		
Change in inventories	-221	128
Change in trade and other receivables	-589	-1 437
Change in trade and other payables	-830	-2 176
Interest paid	-200	-6
Interest received	109	170
Other financial items in operating activities	-425	-173
Income taxes paid	-3 047	-3 874
Net cash from operating activities	**3 578**	**6 441**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of tangible and intangible assets	-5 418	-6 820
Acquisition of subsidiaries and businesses, net of cash acquired	-15 061	-11 979
Proceeds from divestment of business	1 540	0
Loans granted	-600	0
Net cash used in investing activities	**-19 538**	**-18 799**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings	0	10 000
Repayments of borrowings	-1 667	0
Purchase of own shares	0	-963
Payment of finance lease liabilities	-239	-175
Dividends paid	-2 955	-5 278
Net cash used in financing activities	**-4 861**	**3 584**
Net change in cash and cash equivalents	**-20 821**	**-8 774**
Cash and cash equivalents at the beginning of period	34 519	42 977
Net foreign exchange difference	-479	112
Cash and cash equivalents from acquisitions	0	204
Cash and cash equivalents at the end of period	**13 218**	**34 519**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)
1.1.-31.12.2013

	Shareholders' capital	Share premium account	Own shares	Invested non-restricted equity	Other reserves	Translation differences	Retained earnings	Total
SHARE HOLDERS' EQUITY 1.1.2013	3 528	1 187	-1 215	61 799	540	-708	35 594	100 725
Comprehensive income						-2 358	2 605	247
Dividend distribution							-2 955	-2 955
Management incentive plan							-61	-61
Changes in reporting period			51	-51		1 108	-1 108	0
SHARE HOLDERS' EQUITY 31.12.2013	**3 528**	**1 187**	**-1 164**	**61 748**	**540**	**-1 958**	**34 074**	**97 956**

EUR thousand

	Shareholders' capital	Share premium account	Own shares	Invested non-restricted equity	Other reserves	Translation differences	Retained earnings	Total
SHARE HOLDERS' EQUITY 1.1.2012	3 528	1 187	-429	61 976	540	-1 266	34 340	99 877
Comprehensive income						996	5 863	6 860
Dividend distribution							-5 278	-5 278
Acquisition of treasury shares			-963					-963
Management incentive plan							220	220
Changes in reporting period			177	-177		-438	448	10
SHARE HOLDERS' EQUITY 31.12.2012	**3 528**	**1 187**	**-1 215**	**61 799**	**540**	**-708**	**35 594**	**100 725**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

Basware is a leading supplier of e-Invoicing and Purchase-to-pay solutions. 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.

A copy of the Group financial statements is available on the Internet at http://www.basware.com/about-us/investors or the parent company's headquarters, address Linnoitustie 2, Espoo, Finland.

The Board of Directors has approved the financial statements to be published on January 23, 2014. Shareholders may adopt or reject the financial statements at the Annual General Meeting.

1. ACCOUNTING PRINCIPLES

Basis of preparation

Basware Corporation's 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, 2013. The Group Financial Statements are presented in 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, 2013, the Group has applied the following new and revised standards and interpretations:

- Amendment: IAS 1 Presentation of Items of Other Comprehensive Income. The amendment introduced the requirement for classifying items of other comprehensive income according to whether they that may be subsequently reclassified through profit or loss when certain conditions are met. The amendment had an impact on the presentation of the Group's comprehensive income.
- 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 amendment has not had an effect on the Group's financial statements.
- Amendment: IFRS 7 Financial Instruments: Disclosures and IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities. The amendment specified further the guidelines on when financial assets and liabilities can be disclosed on the balance sheet in net terms. The amendment has not had an effect on the Group's financial statements.
- IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements (revised). The standard amended the concept of control and whether a company is consolidated according to the new definition of control. The standard also includes requirements for consolidated financial statements. The standard did not have an effect on the Group's financial statements.
- IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures (revised). The new standard deals with the treatment of joint ventures. The standard did not have an effect on the Group's financial statements.
- IFRS 12 Disclosures of Interests in Other Entities. The new standard includes requirements for notes concerning subsidiaries, joint ventures, associates, and structured entities. The standard did not have an effect on the Group's financial statements.
- Amendment: IFRS 10, 11, and 12 Transition Guidance. The amendments clarify the transitional requirements presented in IFRS 10, especially with regard to when and how the IFRS 10 standard should be applied retroactively. According to the amendment, the existence of control should be assessed at the time of the transition, not at the beginning of the comparison period. Furthermore, the amendment specifies the transition requirements applied in the adoption of IFRS 11 and IFRS 12. The standard did not have an effect on the Group's 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. Furthermore, the standard significantly increases the disclosures on the use of fair values. The standard had an effect on the notes concerning financial instruments.

- 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 standard did not have an effect on the Group's financial statements.

- Amendment: IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* The amendment clarifies the disclosure requirements concerning assets whose recoverable amount is based on fair value less costs of disposal. The standard also removed the requirement for disclosing the recoverable amount if the carrying amount of goodwill of a cash-generating unit is significant in comparison with the group's total carrying amount of goodwill. The standard did not have a significant effect on the notes to the consolidated financial statements.

- Annual Improvements to IFRSs 2009–2011. Minor and less urgent amendments to the standards are collected and implemented once a year through the annual improvements procedure. The amendments included in the project concern a total of five standards. The effects of the amendments vary by standard, but the amendments did not have a significant effect on the consolidated financial statements.

Annual improvements to IFRSs

The Group will adopt in 2014 the following standards and interpretations whose application is not yet compulsory in the financial statements.

- Amendments: IFRS 10, IFRS 12, IAS 27, and IAS 28 regarding the consolidation of Investment entities. A special provision on consolidation regarding entities engaged in investment activities was added to the standard. 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. The standard is not estimated to have an effect on the Group's financial statements.
- Amendment: IAS 39 Novation of Derivatives and Continuation of Hedge Accounting: According to the amendment, hedge accounting need not be discontinued if a novation to the counterparty to the hedging instrument happens as a consequence of laws or regulations and the other terms and conditions of the instrument remain unchanged in other respects. The standard is not estimated to have an effect on the Group's financial statements.

The group will adopt the following interpretation provided that it is approved by the EU. The group estimates that the interpretation will not have a significant effect on the group's future financial statements.

- IFRIC 21 Levies. According to the interpretation, outflows imposed in accordance with laws are recognized when the event that obligates the entity to pay the levy occurs as prescribed by law. According to the interpretation, for example, in situations where the entity is liable to pay a levy after reaching a specified minimum level of net sales, the obligating event is considered to be the reaching of the minimum level of net sales, and the entity should not recognize the liability before the minimum level has been achieved.

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.

- Annual Improvements to IFRSs 2010–2012 and Annual Improvements to IFRSs 2011–2013 Minor and less urgent amendments to the standards are collected and implemented once a year through the annual improvements procedure. The project resulted in 11 amendments to 9 standards. The effects of the amendments vary by standard, but the amendments have not had a significant effect on the consolidated financial statements. The amendments are presented below:
  - IFRS 1 First-time Adoption of IFRSs
  - IFRS 2 Share-based Payments
  - IFRS 3 Business Combinations
  - IFRS 8 Operating Segments
  - IFRS 13 Fair Value Measurement
  - IAS 16 Property, Plant and Equipment
  - IAS 24 Related Party Disclosures
  - IAS 38 Intangible Assets
  - IAS 40 Investment Properties

- Amendment: Defined Benefit Plans – Employee Contributions. The amendment concerns employee or third-party contributions to defined benefit plans. The amendment is not estimated to have an effect on the Group’s financial statements.
- IFRS 9 Financial Instruments. IFRS 9 will completely replace the existing IAS 39 Financial Instruments: Recognition and Measurement. All financial instruments are measured at fair value at initial recognition. Financial assets that are debt instruments and to which the fair value option is not applied are subsequently measured either at amortized cost or fair value, depending on the company’s business model to hold the assets to collect contractual cash flows. 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.

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.

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 Automation Services, Customer Support, Professional Services, and License Sales. When net sales are calculated, sales revenue is adjusted for exchange rate differences of foreign currency sales.

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 project 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 different 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. 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. Maintenance revenue is allocated over the contract period.

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.

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 1%. 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 depreciation.

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 depreciation 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 depreciation 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 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. Public subsidies related to research and development are recognized through profit or loss in the periods during which the corresponding costs are recognized as expenses.

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 as financial liabilities, divided into 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 as follows:

- 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 the 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.

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.

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.

Impairment of financial assets

Based on a risk assessment, an 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.

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. Derivative contracts are not included in hedge accounting.

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. Group companies have no defined benefit plans.

Share-based payments

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.

Income taxes

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 at the tax rates confirmed at the closing date. Deferred tax is not recognized for non-tax deductible goodwill. 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, and adjustments for fair values in connection with acquisitions.

Treasury 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 Group's business operations are comprised of a single business area, the Purchase-to-Pay (P2P) business. Basware provides Purchase-to-Pay products and services to all potential customers. Basware's P2P products and services are suitable for all industries and companies of all sizes.

The Group reports revenue from products and services as follows: License Sales, Customer Support, Professional Services, and Automation Services. License sales consist of the Purchase to Pay product family together with financial planning and reporting solutions sold only in Finland. Customer Support is comprised of the previous Maintenance and Extended customer support previously reported under Professional Services. Extended customer support agreements are continuous service agreements with a term of several years. Customer Support and Automation Services together form the recurring revenue reported by the company. 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 reported by the customer's location, and geographical information of non-current assets is reported by the location of the assets.

Net sales by business

EUR thousand

	1.1.-31.12.2013	1.1.-31.12.2012
Licence sales	14 617	17 437
Customer Support	43 512	42 011
Professional Services	30 069	30 552
Automation Services	35 151	23 699
Total	**123 349**	**113 699**

Net Sales by Customer Location

EUR thousand

	1.1.-31.12.2013	1.1.-31.12.2012
Finland	49 324	48 567
Scandinavia	25 928	25 809
Rest of Europe	34 453	25 194
Other	13 643	14 129
Total	**123 349**	**113 699**

Non-current assets based on the locations of the assets

EUR thousand

	31.12.2013	31.12.2012
Finland	39 680	39 402
Scandinavia	8 607	10 069
Rest of Europe	29 463	15 644
Other	2 091	2 497
Total	**79 840**	**67 611**

3. ACQUIRED BUSINESS OPERATIONS

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

In 2012, the net sales of the acquired business amounted to approximately EUR 7.9 million and operating profit approximately EUR 1.2 million negative. The acquired business operations' figures were consolidated into Basware's net sales and profit as of January 1, 2013. The net sales for 2013 were approximately EUR 8.5 million and operating result approximately EUR -0.1 million. The allocated purchase price is approximately EUR 17.3 million. The acquired net assets amount to approximately EUR 2.4 million, including the cash reserves of EUR 2.2 million. Approximately EUR 4.5 million associated with customer relationships and acquired technology has been allocated to intangible assets. The value associated with customer relationships will be amortized in seven years and value associated with technology in five years, starting from the first quarter of 2013. The purchase price includes approximately EUR 10.3 million of goodwill. The depreciations of goodwill are tax deductible.

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

EUR thousand

	Notes	Fair value
Intangible assets	11	4 651
Tangible assets	12	324
Trade and other receivables		2 721
Cash and short-term deposits		2 200
Total assets		**9 895**
Trade and other payables		2 955
Total liabilities		**2 955**
Net assets		**6 940**
Goodwill		10 316
Purchase price		**17 256**

4. OTHER OPERATING INCOME

EUR thousand

	1.1.-31.12.2013	1.1.-31.12.2012
Income from sale of businesses	1,540	0
Other operating income	375	228
Other operating income	**1,915**	**228**

Cashier Desk business was divested for Finnish municipal and public sector to Computer Program Unit Oy including the Cashier Desk business operations, customer accounts and all related technology. No employees were transferred in connection with the divestment.

5. MATERIALS AND SERVICES

EUR thousand

	1.1.-31.12.2013	1.1.-31.12.2012
Purchases during the period	-9,855	-7,430
Increase / decrease in inventories	221	-23
External services	-2,127	-1,593
Materials and services	**-11,761**	**-9,045**

6. PERSONNEL AND EMPLOYEE BENEFITS EXPENSE

	1.1.-31.12.2013	1.1.-31.12.2012
Finland	510	486
Scandinavia	131	129
Rest of Europe	265	179
India	506	467
Other	73	69
Personnel total	**1,485**	**1,330**

Employee benefits expenses

EUR thousand

	1.1.-31.12.2013	1.1.-31.12.2012
Salaries and fees	-62 204	-53 994
Pension expenses, defined benefit plans	-7 134	-5 881
Share-based incentive plans	0	-576
Other employee benefits	-7 581	-5 138
Employee benefits expenses	**-76 919**	**-65 590**

Management and Board salaries, fees and benefits

EUR thousand

	1.1.-31.12.2013	1.1.-31.12.2012
CEO of parent company		
Esa Tihilä	-344	-508
Compensation of the members of the Board of Directors		
Hannu Vaajoensuu	-60	-62
Pentti Heikkinen	-32	-34
Sakari Perttunen (until 16 February 2012)	0	-6
Ilkka Sihvo (since 16 February 2012)	-36	-32
Eeva Sipilä (until 14 February 2013)	-4	-33
Tuija Soanjärvi	-27	0
Ilkka Toivola (until 16 February 2012)	0	-6
Anssi Vanjoki (since 16 February 2012)	-32	-28
Total	**-535**	**-709**

The salary of CEO Esa Tihilä, including benefits, totaled EUR 288 thousand for the period January 1 – December 31, 2013. Salary in money was EUR 310 thousand and fringe benefits totaled EUR 12 thousand. Esa Tihilä was granted 1 725 shares on the basis of the incentive scheme in December 2013, of which 862 shares were conveyed to Esa Tihilä (with a value of EUR 22 thousand at the average price of EUR 25.39 on the payment date, December 27, 2013) and EUR 22 thousand was paid in cash to cover the withholding tax. The accrued pension costs of Esa Tihilä amounted to EUR 56 thousand. The CEO's pension plan is pursuant to the 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.

Key management compensation

EUR thousand

	1.1.-31.12.2013	1.1.-31.12.2012
Salaries and other short-term employee benefits	-2 244	-3 019
Post-employment benefits	-450	-450
Share-based payments	-201	-576
Management compensation	**-2 895**	**-4 045**

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

Share-based payments

Incentive schemes

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, the bonus for the vesting period 2010 in December 2012, and the bonus for the vesting period 2011 was 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.

Basware informed about a new share-based incentive plan for the Basware Group key personnel for 2012-2014 on February 17, 2012. The Board of Directors informed about updating the share-based incentive plan for the key personnel to continue until the end of 2015 on February 15, 2013. The terms of the incentive plan remained the same with the exception of adding one earning period to the plan:

The aim of the plan is to combine the objectives of the shareholders and the key personnel in order to increase the value of the company, commit the key personnel to the company, and offer them a competitive reward plan based on shareholding in the company. Accordingly, 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 four earning periods, calendar years 2012, 2013, 2014, and 2015. The system comprises annual earning periods 2012, 2013, 2014, and 2015 and fixed earning period 2013-2015. Members of the Executive Team may be allocated additional shares without consideration against shareholding during the earning period 2012-2015.

The Board of Directors decides on the earnings criteria and related targets separately for each annual earning period at the beginning of the earning period. There are employment-related conditions for eligibility for reward payment. The reward for the fixed earning period 2013-2015 is based on Basware Corporation's earnings per share (EPS). The target group of the fixed earning period 2013-2015 includes the members of the Basware Executive Team.

The shares to be allocated at the target level will continue to correspond at the current share price to the approximate amount of 95,000 Basware Corporation shares (including also the proportion to be paid in cash) and totalling 142,000 at the maximum. The possible shares to be allocated will consist of own shares held by the company or acquired in public trading through NASDAQ OMX Helsinki Ltd.

The terms of the incentive scheme includes work and employment related conditions.

Share-based incentive plan

EUR thousand

	2010	2011
Basic values		
Maximum number of shares	36 000	47 175
Maximum amount of cash	36 000	47 175
Date of issue	18.2.2010	14.3.2011
Beginning of earning period	18.2.2010	14.3.2011
End of earning period	31.12.2012	31.12.2013
Vesting conditions	Working commitment	Working commitment
Criterions	EPS	EPS
Form of the reward	Shares and cash	Shares and cash
Number of persons, date of issue	8	12
Share price, date of issue	17,70	24,25
The annual expected dividends, fair value	0,74	0,82
Closing share price 31.12.2009		
Closing share price 31.12.2010	24,75	
Closing share price 31.12.2011	16,45	16,45
Closing share price 31.12.2012		20,25
Closing share price 31.12.2013		25,03
Fair value 31.12.2009		
Fair value 31.12.2010	875 910	
Fair value 31.12.2011	908 380	1 082 773
Fair value 31.12.2012		420 569
Fair value 31.12.2013		0
Recognized liability, cash portion		29 516

Share-based incentive plan

EUR thousand

	2012 Annual vesting*	2013 Annual vesting*
Basic values		
Maximum number of shares year 2012	35 533	
Maximum amount of cash year 2012	35 533	
Maximum number of shares year 2013	37 553	33 417
Maximum amount of cash year 2013	37 553	33 417
Date of issue	16.2.2012	14.2.2013
Beginning of earning period	16.2.2012	14.2.2013
End of earning period	31.12.2014	31.12.2015
Vesting conditions	Working commitment	Working commitment
Criterions	Net Sales	EPS
Form of the reward	Shares and cash	Shares and cash
Number of persons, date of issue	11	25
Share price, date of issue	18,53	20,30
The annual expected dividends, fair value	1,37	1,37
Closing share price 31.12.2012	20,25	
Closing share price 31.12.2013	25,03	25,03
Fair value 31.12.2012	230 578	
Fair value 31.12.2013	223 866	61 013
Recognized liability, cash portion	86 600	10 587

Share-based incentive plan

EUR thousand

	2012 Fixed vesting *	2013 Fixed vesting *	2012 Matching of shares*/**
Basic values			
Maximum number of shares year 2012	97 145	0	2 697
Maximum amount of cash year 2012	97 145	0	0
Maximum number of shares year 2013		83 127	4 869
Maximum amount of cash year 2013		83 127	0
Date of issue	16.2.2012	14.2.2013	16.2.2012
Beginning of earning period	16.2.2012	14.2.2013	16.2.2012
End of earning period	31.12.2014	31.12.2015	31.12.2015
Vesting conditions	Working commitment	Working commitment	Working commitment
Criterions	EPS	EPS	Number of deposited shares
Form of the reward	Shares and cash	Shares and cash	Shares
Number of persons, date of issue	11	10	11
Share price, date of issue	18,53	20,30	18,53
The annual expected dividends, fair value	1,37	1,37	1,37
Closing share price 31.12.2012	20,25		20,25
Closing share price 31.12.2013	25,03	25,03	25,03
Fair value 31.12.2012	545 126		41 652
Fair value 31.12.2013	0	0	75 197
Recognized liability, cash portion	0	0	

*The Board of Directors decided on February 14, 2013, to extend the incentive schemes by one year until 2015
**

The system includes four vesting periods, calendar years 2012, 2013, 2014, and 2015. The system comprises annual vesting periods 2012, 2013, 2014, and 2015, and fixed vesting period 2013–2015.

Members of Basware Executive Team may be allocated additional shares without consideration against shareholding during the vesting period 2012–2015.

The increases in the fair values of the schemes did not change substantially as the result of the amendments.

7. OTHER OPERATING EXPENSES

EUR thousand

	1.1.-31.12.2013	1.1.-31.12.2012
Other operating expenses		
Rents	-4,110	-3,856
Non-statutory employee benefits	-1,270	-1,195
Travel	-4,373	-5,023
Marketing	-4,310	-4,237
IT and telephone	-2,184	-2,092
Auditor fees	-428	-328
Other expenses	-9,525	-7,760
Other operating expenses total	**-26,200**	**-24,491**
Auditor fees		
Audit fees	-245	-199
Tax advices	-120	-103
Other fees and services	-64	-26
Audit fees total	**-428**	**-328**
Research and development expenses		
Research and development in income statement	-14,541	-12,555
Increases in capitalized research and development expenses	-3,607	-5,330
Research and development expenses total	**-18,148**	**-17,884**

8. FINANCIAL INCOME AND EXPENSES

EUR thousand

	1.1.-31.12.2013	1.1.-31.12.2012
Finance income		
Changes in value of financial assets at fair value through profit or loss		
Interest income	90	170
Other financial income	837	202
Total	**928**	**372**
Finance expenses		
Interest rate derivatives, no hedge accounting	-14	0
Interest expenses	-200	-7
Other finance expenses	-761	-316
Total	**-975**	**-323**
Finance income and expenses total	**-47**	**50**

Other finance income is comprised of exchange gains.

Other finance expenses are mainly comprised of exchange losses.

Exchange differences recognized on income statement

EUR thousand

	1.1.-31.12.2013	1.1.-31.12.2012
Exchange differences included in net sales	30	-74
Exchange differences included in purchases and expenses	219	-51
Foreign exchange gains	837	202
Foreign exchange losses	-761	-285
Exchange differences recognized on income statement	**325**	**-208**

9. INCOME TAXES

EUR thousand

	1.1.-31.12.2013	1.1.-31.12.2012
Income tax on operations	-911	-2 714
Tax for previous accounting periods	-455	-533
Change in deferred tas liabilities and tax assets	688	753
Income tax	**-678**	**-2 494**

Tax rate reconciliation

EUR thousand

	1.1.-31.12.2013	1.1.-31.12.2012
Profit before taxes	3 284	8 357
Tax calculated at domestic tax rate	-804	-2 048
Tax for previous years	-455	-533
Effect of different tax rates of foreign subsidiaries	135	-339
Effect of change in tax rate	-161	0
Non-deductible expenses	86	200
Other	346	251
Income not subject to tax	0	-130
Unrecognized deferred tax assets from tax losses	-196	0
Reassessment of deferred tax assets	371	105
Income taxes	**-678**	**-2 494**

For more information on deferred tax assets and liabilities, refer to Note 18.

Taxes relating to other comprehensive income

EUR thousand

	1.1.-31.12.2013	1.1.-31.12.2012
Taxes on foreign exchange gains from net investments	281	111

10. EARNINGS PER SHARE

EUR thousand

	1.1.-31.12.2013	1.1.-31.12.2012
Profit for the period	2,605	5,863
Average sharenumber, 1,000 pieces		
undiluted	12,849	12,837
diluted	12,849	12,837
Earnings per share		
Undiluted, EUR	0.2	0.46
Diluted, EUR	0.2	0.46

11. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

EUR thousand

	2013	2012
Acquisition cost 1.1.	41,896	32,210
Translation difference	-1,216	610
Additions	10,316	9,076
Acquisition cost 31.12.	**50,996**	**41,896**
Book value 31.12.	**50,996**	**41,896**

Goodwill comprises of the following arrangements:

EUR thousand

	Goodwill
Momentum Doc, AB (2002)	1,105
Iocore AS / Basware AS (2005)	2,896
Trivet Oy (2005)	669
Analyste Oyj (2006)	13,869
Digital Vision Technologies Ltd. (2007)/ Basware UK	7,462
Contempus AS (2008)	5,119
Itella Information AS/Basware AS (2009)	484
First Businesspost GmbH (2012)	9,076
Certipost (2013)	10,316
Total	**50,996**

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

Cash generating unit

EUR thousand

	Goodwill
Basware Oyj	21,077
Basware AB	552
Basware AS	7,051
Basware UK	7,462
Basware GmbH	4,538
Basware NV	10,316
Total	**50,996**

Goodwill has been tested for impairment in the last quarter of 2013, and the discount rate used in the impairment testing is 7.30 percent (Basware Corporation), 7.10 percent (Basware AB), 7.61 percent (Basware AS), 7.18 percent (Basware UK), 8.11 percent (Basware GmbH), and 8.21 percent (Basware NV). The recoverable amount evaluated in the impairment test is based on the 2014 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. In the zero-growth scenario, growth in net sales is zero throughout the evaluated period. The costs of the zero-growth scenario acknowledge a five-percent decrease after the two years following the budget year 2014, after which the costs are at the previous year's level.

Intangible assets 2013

EUR thousand

	Development costs	Intangible rights	Intangible assets, finance lease	Other long-term investments	Assets, unfinished projects	Total
Acquisition cost 1.1	22,100	23,242	745	538	2,969	49,595
Translation difference (+/-)	-127	-836	0	-5		-968
Additions	361	801		32	3,607	4,800
Acquisitions through business combinations	0	4,651	0			4,651
Reclassifications between items	732	0	0		-732	0
Acquisition cost 31.12	**23,066**	**27,858**	**745**	**565**	**5,844**	**58,078**
Cumulative amortization 1.1	-10,845	-14,942	-389	-250		-26,426
Translation difference (+/-)	124	736	0	1		861
Amortization	-3,331	-2,535	-178	-41		-6,085
Cumulative amortization 31.12	**-14,052**	**-16,740**	**-567**	**-291**		**-31,650**
Book value 31.12.2013	**9,014**	**11,117**	**178**	**274**	**5,844**	**26,428**

Intangible assets 2012

EUR thousand

	Development costs	Intangible rights	Intangible assets, finance lease	Other long-term investments	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
Acquisition cost 31.12	**22,100**	**23,242**	**745**	**538**	**2,969**	**49,595**
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
Cumulative amortization 31.12	**-10,845**	**-14,942**	**-389**	**-250**		**-26,426**
Book value 31.12.2012	**11,255**	**8,301**	**356**	**287**	**2,969**	**23,169**

12. TANGIBLE ASSETS

Tangible assets 2013

EUR thousand

	Machinery and equipment	Machinery and equipment, finance lease	Other tangible assets	Total
Acquisition cost 1.1	8 130	140	99	8 369
Translation difference (+/-)	50	-6		43
Additions	631		7	637
Acquisitions through business combinations	329			329
Decreases	-2			-2
Acquisition cost 31.12	**9 137**	**134**	**106**	**9 377**
Cumulative amortization 1.1	-6 789	-140		-6 929
Translation difference (+/-)	-58	6		-52
Decreases	2			2
Amortization	-966			-966
Cumulative amortization 31.12	**-7 812**	**-134**	**0**	**-7 946**
Book value 31.12.2013	**1 325**	**0**	**106**	**1 431**

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
Acquisition cost 31.12	**8 130**	**140**	**99**	**8 369**
Cumulative amortization 1.1	-5 982	-137		-6 119
Translation difference (+/-)	-47	-3		-50
Decreases	9			9
Amortization	-769			-769
Cumulative amortization 31.12	**-6 789**	**-140**		**-6 929**
Book value 31.12.2012	**1 341**	**0**	**99**	**1 440**

13. AVAILABLE-FOR-SALE INVESTMENTS

EUR thousand

	31.12.2013	31.12.2012
Acquisition cost 1.1.	38	38
Acquisition cost 31.12	**38**	**38**

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

14. NON-CURRENT TRADE AND OTHER RECEIVABLES

EUR thousand

	31.12.2013	31.12.2012
Other non-current receivables	947	1,068
Non-current trade and other receivables total	**947**	**1,068**

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

15. INVENTORIES

EUR thousand

	31.12.2013	31.12.2012
Raw materials and consumables	240	18
Inventories total	**240**	**18**

FiFo principle has been applied in the measurement of inventories.

16. CURRENT TRADE AND OTHER RECEIVABLES

EUR thousand

	31.12.2013	31.12.2012
Trade receivables	24,415	21,292
Other receivables	188	1,416
Prepaid expenses and accrued income	2,333	1,494
Loan receivables	600	0
Trade and other receivables	**27,536**	**24,202**

No significant concentrations of credit risk are associated with the receivables. The balance sheet values correspond the best to the maximum amount of the credit risk. Credit risk management principles are presented in Note 19.

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

The ageing analysis of trade receivables and impairment

EUR thousand

	2013	Impaired	Net 2013	2012	Impaired	Net 2012
Non-overdue sales receivables	13,966		13,966	12,503		12,503
Overdue sales receivables						
1-180 days	9,667		9,667	8,000		8,000
181- 360 days	1,564	-782	782	1,061	-612	448
Over 360 days	932	-932	0	784	-443	341
Total	**26,129**	**-1,714**	**24,415**	**22,347**	**-1,055**	**21,292**

17. CASH AND SHORT-TERM DEPOSITS

EUR thousand

	31.12.2013	31.12.2012
Cash and cash equivalents	13,218	34,519
Cash and short-term deposits	**13,218**	**34,519**

18. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets 2013

EUR thousand

	1.1.2013	In income statement	In comprehensive income	Companies acquired / sold	31.12.2013
Confirmed losses	2,265	1,257			3,522
Other items	278	-120			158
Total	**2,543**	**1,137**			**3,680**

Deferred tax liabilities 2013

EUR thousand

	1.1.2013	In income statement	Exchange rate differences	Companies acquired / sold	31.12.2013
Allocation of fair value on purchases	1 493	378	-8		1 863
Total	**1 493**	**378**	**-8**		**1 863**

Deferred tax assets 2012

EUR thousand

	1.1.2012	In income statement	In comprehensive income	Companies acquired / sold	31.12.2012
Confirmed losses	2,156	-651	3	757	2,265
Other items	524	-246			278
Total	**2,680**	**-897**	**3**	**757**	**2,543**

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
Total	**2,079**	**-1,651**	**31**	**1,034**	**1,493**

The Group has a total of EUR 3 522 thousand (EUR 2 265 thousand) of deferred tax assets for unutilized tax losses of subsidiaries, of which EUR 681 thousand will expire during 2025–2029, while the rest have no expiry period. According to the transfer pricing principle, subsidiaries accumulate taxable income against which confirmed losses can be utilized in the future. Deferred tax assets totaling EUR 371 thousand (EUR 105 thousand) net were additionally recognized during the financial period for unutilized tax losses accumulated in previous years. Deferred tax assets have not been recognized in full to the extent that the utilization of the losses is considered uncertain.

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 10.0% (3.3%) in local currency terms during 2013.

The Group's main currency is Euro, accounting for approximately 64 percent of net sales in 2013 (approximately 61% in 2012). In addition to the euro area, Basware operates in various areas, the most significant of them being Norway, Sweden, the United Kingdom, the United States and Australia in 2013. The company is exposed to exchange rate risks in these countries through intra-company 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 +/- +0.7 million (EUR 0.8 million) on the profit before tax at the closing date on December 31, 2013, 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 1.1 million (EUR 1.2 million) on shareholders' equity on December 31, 2013.

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 2013

EUR thousand

	USD	AUD	GBP	SEK	DKK	NOK	RON
Non-current assets	52	151	393	1,157	63	1,583	42
Current assets							
Other financial assets	1,132	206	184	508	155	1,806	19
Trade and other receivables	2,173	1,264	2,705	1,633	1,041	1,553	150
Current liabilities							
Non-interest bearing liabilities	441	325	838	1,204	586	1,262	77

Nominal values 2012

EUR thousand

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

Interest rate risk

The company had a total of EUR 8.3 million of variable-rate bank loans 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 2013 was 1.43 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, 31.12.13, the effect on variable rate interest-bearing liabilities on profit before taxes would have been +/- EUR 76 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 and payments, and overdraft facilities.The Group’s liquidity remained good during the financial year. 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.

Maturity distribution of financial liabilities 2013

EUR thousand

	Balance sheet value	Cash flow	0-6 months	6 months - 1 year	1-5 year
Bank Loans	8 333	8 470	1 719	1 707	5 044
Finance lease	284	284	125	159	0
Trade and other payables	18 093	18 093	17 966	0	127
Total	**26 710**	**26 847**	**19 810**	**1 866**	**5 171**

Maturity distribution of financial liabilities 2012

EUR thousand

	Balance sheet value	Cash flow	0-6 months	6 months - 1 year	1-5 year
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
Total	**26,761**	**25,241**	**14,230**	**1,862**	**9,149**

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 Group has not used surety bonds to secure sales receivables.

Impairment losses recognized during the financial period and the age distribution of sales receivables are presented in Note 16.

20. CAPITAL 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 the value of shareholder’s investment.

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

The Annual General Meeting decided on February 14, 2013, to authorize the Board of Directors to decide on the repurchase of the company’s own shares in accordance with the proposal of the Board of Directors. By virtue of the authorization, the Board of Directors is entitled to decide on repurchasing a maximum of 1 290 000 company's own shares. The company's own shares will be repurchased otherwise than in proportion to the holdings of the shareholders by using the non-restricted equity through public trading on a regulated market organized NASDAQ OMX Helsinki Ltd at the market price prevailing at the time of acquisition. The shares will be repurchased and paid for in accordance with the rules of NASDAQ OMX Helsinki Ltd and Euroclear Finland Ltd. The shares will be repurchased for use as consideration in possible acquisitions or other arrangements related to the company's business, as financing for investments or as part of the company's incentive program or to be held by the company, to be conveyed by other means or to be cancelled. The Board of Directors will decide on other terms and conditions related to the repurchase of the company's own shares. The repurchase authorization is valid until June 30, 2014.

The Annual General Meeting also resolved 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 1 372 708 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.

During 2013, 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 2013 was 77.1% (2012: 77.6%). The gearing ratio in 2013 was -4.7% (-23.8%). Basware’s parent company’s Dun & Bradsheet credit rating was AAA in 2013 (AAA).

21. SHAREHOLDERS' EQUITY

Changes in the number of shares and corresponding changes in shareholders' equity are presented below.

Shareholders' Equity 2013

EUR thousand

	Share number	Shareholders' equity	Share premium account	Invested non-restricted equity	Other reserves	Own share	Total
31.12.2012	12,931,229	3,528	1,187	61,799	540	-1,215	65,839
Decrease of treasury shares				-51		51	0
31.12.2013	**12,931,229**	**3,528**	**1,187**	**61,748**	**540**	**-1,164**	**65,839**

Shareholders' Equity 2012

EUR thousand

	Share number	Shareholders' 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
Decrease of treasury shares				-177		177	0
31.12.2012	**12,931,229**	**3,528**	**1,187**	**61,799**	**540**	**-1,215**	**65,839**

Basware Corporation has one series of shares. Shares do not have a nominal value.

Other reserves

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.

Dividends

After the balance sheet date, the Board of Directors has proposed that a divided of EUR 0.23 per share be paid. A dividend of EUR 0.23 per share was paid for 2012.

22. LIABILITIES

EUR thousand

	31.12.2013	31.12.2012
Long-term financial liabilities at fair value through profit and loss		
Interest rate derivatives - non-hedge accounting	14	0
Total	**14**	**0**
Long-term financial liabilities valued at amortized acquisition cost:		
Interest bearing liabilities from financial institutions	5,000	8,333
Finance lease obligations, interest bearing	0	284
Total	**5,000**	**8,617**
Short-term financial liabilities valued at amortized acquisition cost:		
Interest bearing liabilities from financial institutions	3,333	1,667
Interest bearing finance lease obligations	284	239
Trade liabilities	1,770	1,769
Accrued expenses and deferred income	12,143	9,432
Other liabilities	4,053	4,791
Total	**21,583**	**17,898**

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

23. FINANCE LEASE LIABILITIES

EUR thousand

	31.12.2013	31.12.2012
Long-term finance leases, interest-bearing	0	284
Short-term finance leases, interest-bearing	284	239
Finance lease liabilities	**284**	**524**
Finance lease liabilities - minimum rentals		
Within a year	281	229
More than one year but no more than 5 years	0	281
Minimum rentals	281	510
Future financing costs related to leasing agreements	3	14
Current value of finance lease liabilities	**284**	**524**
Present value of minimum rentals		
Within a year	284	239
More than one year but no more than 5 years	0	284
Future minimum lease payments at present value	**284**	**524**

24. PROVISIONS

EUR thousand

	2013	2012
Provisions 1.1.	0	1,203
Utilized	0	-1,203
Provisions 31.12.	**0**	**0**

25. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

EUR thousand

	Note	2013 Book value	2013 Fair value	2012 Book value	2012 Fair value
Financial assets					
Available-for-sale financial assets	13	38	38	38	38
Non-current trade and other receivables	13	947	947	1,068	1,068
Current trade and other receivables	16	27,536	27,536	24,202	24,202
Cash and cash equivalents	17	13,218	13,218	34,519	34,519
Financial liabilities					
Financial liabilities at fair value through profit or loss					
Interest rate derivatives - non-hedge accounting (level 2)	22	14	14	0	0
Financial liabilities - financial liabilities valued at amortized acquisition cost					
Non-current					
Loans from financial institutions, interest-bearing	22	5,000	5,000	8,333	8,333
Financial lease liabilities, interest-bearing	22	0	0	284	284
Current					
Loans from financial institutions, interest-bearing	22	3,333	3,333	1,667	1,667
Financial lease liabilities, interest-bearing	22	284	284	239	239
Trade and other payables	22	17,966	17,966	15,992	15,992

In measuring the fair values of the financial assets and liabilities, 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.

Trade and other receivables

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

Financial liabilities

Financial liabilities at fair value through profit or loss have been derived indirectly from market prices.

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 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.

The maturity distribution of financial liabilities is presented in Note 19.

26. COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand

	31.12.2013	**31.12.2012**
Own guarantees		
Business mortgage of own debt	1,200	1,200
Commitments on behalf of subsidiaries		
Guarantees	31	244
Other own contingent liabilities		
Lease liabilities		
Current lease liabilities	1,012	944
Lease liabilities maturing in 1-5 years	820	737
Total	**1,831**	**1,681**
Rental liabilities		
Current rental liabilities	4,001	4,369
Rental liabilities maturing in 1-5 years	3,738	3,820
Total	**7,739**	**8,189**
Other own contingent liabilities total	**9,570**	**9,870**
Commitments and Contingent Liabilities total	**10,801**	**11,314**

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

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.

27. RELATED PARTY TRANSACTIONS

The Group's related parties include the Board of Directors and management team members, including the CEO.

EUR thousand

	31.12.2013	31.12.2012
Services purchased	**82**	**0**

Basware Corporation and Softaforce Oy have an agreement related to outsourcing of procurement. The agreement is market-based.

Compensation of the key employees included in the management is presented in Note 6.

Basware Corporation's subsidiaries are presented in Note 28.

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	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

Foreign branches

The parent company has branches in India, Chandigarh (reg. no F03347) and in Russia, Moscow (reg. no 16926.1).

29. EVENTS AFTER THE REPORTING PERIOD

After the balance sheet date, no significant events have taken place within the Group.

PARENT COMPANY INCOME STATEMENT (FAS)
1.1.-31.12.2013

EUR thousand	Note	1.1-31.12.2013	1.1-31.12.2012	Change, %
NET SALES	2	**64 570**	61 870	4,4
Other operating income	3	1 654	0	
Materials and services	4	-8 622	-7 010	23,0
Employee benefits expenses	5	-38 774	-33 752	14,9
Depreciation and amortization	6	-6 419	-5 408	18,7
Other operating expenses	7	-14 237	-11 633	22,4
Operating profit / loss		**-1 829**	4 067	-145,0
Financial income	8	2 200	2 399	-8,3
Financial expenses	8	-1 935	-546	254,4
Result before appropriation and taxes		**-1 564**	5 919	-126,4
Income tax expense	9	-421	-1 739	-75,8
RESULT FOR THE PERIOD		**-1 985**	4 181	-147,5

PARENT COMPANY BALANCE SHEET (FAS)
31.12.2013

EUR thousand	Note	31.12.2013	31.12.2012	Change, %
ASSETS				
Non-current assets				
Intangible assets	10	22 979	24 078	-4,6
Tangible assets	11	892	1 066	-16,4
Investments	12	77 301	78 375	-1,4
Long-term trade and other receivables	14	457	435	5,2
Non-current assets		**101 629**	**103 954**	**-2,2**
Current assets				
Inventories	13	240	18	1 209,2
Short-term trade and other receivables	15	19 641	14 473	35,7
Cash and cash equivalents		4 622	6 164	-25,0
Current assets		**24 503**	**20 655**	**18,6**
TOTAL ASSETS		**126 133**	**124 609**	**1,2**

EUR thousand	Note	31.12.2013	31.12.2012	Change, %
EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital		3 528	3 528	0,0
Share premium account		1 118	1 118	0,0
Other reserves		62 132	62 183	-0,1
Retained earnings		28 770	27 494	4,6
Result for the period		-1 985	4 181	-147,5
Shareholders' equity	**16**	**93 564**	**98 504**	**-5,0**
Liabilities				
Long-term liabilities	17	5 191	8 510	-39,0
Short-term liabilities	18	27 377	17 595	55,6
Total liabilities		**32 569**	**26 106**	**24,8**
TOTAL EQUITY AND LIABILITIES		**126 133**	**124 609**	**1,2**

PARENT COMPANY CASH FLOW STATEMENT (FAS)
1.1.-31.12.2013

	1.1-31.12.2013	1.1-31.12.2012
Cash flow from operating activities		
Profit for the period	**-1 985**	**4 181**
Adjustments for profit		
Depreciations	6 419	5 408
Proceeds from sale of non-current assets	-1 540	0
Unrealized exchange gains and losses	1 100	-548
Finance income and expenses	-1 365	-1 304
Income taxes	421	1 739
Working capital changes	**3 012**	**-6 497**
Interest paid	-275	-1
Interest received	1 458	1 322
Other financial items in operating activities	-270	-142
Income taxes paid	-1 882	-2 285
Net cash from operating activities	**5 095**	**1 873**
Cash flow from investing activities		
Purchase of tangible and intangible assets	-5 120	-10 090
Acquired subsidiaries	-31	-9 275
Granted loans	-3 976	-18 233
Proceeds from sale of business	1 540	0
Net cash used in investing activities	**-7 587**	**-37 598**
Cash flow before financing activities	**-2 492**	**-35 724**
Cash flow from investing activities		
Purchase of own shares	0	-963
Proceeds from borrowings	5 572	15 980
Repayments of borrowings	-1 667	0
Dividends paid	-2 955	-5 278
Net cash used in financing activities	**950**	**9 739**
Net change in cash and cash equivalents	**-1 542**	**-25 986**
Cash and cash equivalents at the beginning of period	6 164	32 150
Cash and cash equivalents at the end of period	4 622	6 164

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS (FAS)

1. ACCOUNTING PRINCIPLES

Basware Corporation’s financial statements have been prepared in accordance with the Finnish Accounting Act.

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

Basware Corporation’s net sales are generated by Automation Services, Customer Support, Professional Services, and License Sales. When net sales are calculated, sales revenue is adjusted for exchange rate differences of foreign currency sales.

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 project 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 different 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. 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.

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.

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.

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. Government grants 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, and other long-term expenses. 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 3–10 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 3–5 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 and bank balances

Derivatives

Derivatives are valued at fair value and unrealized losses are recognized in the income statement in accordance with prudence principle. Company has not applied hedge accounting.

Income taxes

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

NOTES TO THE INCOME STATEMENT

2. NET SALES

EUR thousand

	2013	2012
Net sales by business branches		
Licence sales	8 442	9 482
Customer Support	25 291	24 976
Professional Services	12 596	12 608
Automation Services	18 241	14 803
Total	**64 570**	**61 870**
Net sales by business areas		
Finland	48 982	48 350
Export	15 588	13 520
Total	**64 570**	**61 870**

Basware reports income for products and services as follows: License sales, Professional Services, Customer Support, and Automation Services (previously License Sales, Professional Services, Maintenance, and Automation Services). Customer Support is comprised of the previous Maintenance and Extended customer support previously reported under Professional Services.

3. OTHER OPERATING INCOME

EUR thousand

	2013	2012
Income from sale of businesses	1 540	0
Other operating income	114	228
Total	**1 654**	**228**

4. MATERIALS AND SERVICES

EUR thousand

	2013	2012
Purchases during the financial period	-7 389	-6 223
Change in inventories	221	-23
Services purchased	-1 454	-764
Total	**-8 622**	**-7 010**

5. NOTES TO PERSONNEL AND CORPORATE GOVERNANCE

EUR thousand

	2013	2012
Personnel expenses		
Salaries paid to CEO and the Board of Directors	-535	-856
Salaries paid to other personnel	-30 814	-27 219
Pension expenses	-5 259	-4 318
Other personnel expenses	-2 166	-1 360
Total	**-38 774**	**-33 752**

Salaries and fees paid to each member of the management are detailed in Note 6 to the consolidated financial statements.

Number of personnel

	2013	2012
Personnel average for the period	1 016	953
Personnel at the end of the period	1 002	1 018

6. DEPRECIATION AND WRITE-OFFS

EUR thousand

	2013	2012
Intangible assets	-5 868	-4 872
Tangible assets	-552	-536
Total	**-6 419**	**-5 408**

7. OTHER OPERATING EXPENSES

EUR thousand

	2013	2012
Other operating expenses		
Rents	-2 126	-2 024
Non-statutory employee benefits	-591	-637
Travelling	-2 909	-1 768
Marketing	-2 474	-2 446
IT and telephone	-1 310	-1 312
Auditor fees	-328	-254
Other expenses	-4 499	-3 192
Total	**-14 237**	**-11 633**
Audit fees	-209	-167
Tax advices	-72	-78
Other fees and services	-47	-9
Audit fees total	**-328**	**-254**

8. FINANCIAL INCOME AND EXPENSES

EUR thousand

	2013	2012
Other interest and financial income		
From group companies	2 204	2 337
From others	-4	62
Financial income total	**2 200**	**2 399**
Interest and financial expenses		
To group companies	-1 569	-385
From others	-366	-161
Financial expenses total	**-1 935**	**-546**
Total	**265**	**1 853**

9. DIRECT TAXES

EUR thousand

	2013	2012
Income taxes on the financial period		
Income taxes on actual business	-133	-1 679
Income taxes from previous financial periods	-288	-60
Total	**-421**	**-1 739**

NOTES TO THE BALANCE SHEET

10. INTANGIBLE ASSETS

EUR thousand

	2013	2012
Development costs		
Book value 1.1.	20 435	10 437
Additions	361	2 283
Disposals	0	-21
Reclassifications	732	7 737
Book value 31.12.	**21 528**	**20 435**
Accumulated amortization 1.1.	-9 702	-7 418
Cumulative amortization on disposals	0	21
Amortization for the financial period	-3 138	-2 306
Accumulated amortization 31.12.	**-12 840**	**-9 702**
Balance sheet value 31.12.	**8 688**	**10 733**
Intangible rights		
Book value 1.1.	6 831	2 788
Additions	726	3 699
Disposals	0	-10
Reclassifications	0	355
Book value 31.12.	**7 557**	**6 831**
Accumulated amortization 1.1.	-3 044	-2 393
Accumulated amortization on decreases	0	10
Amortization for the financial period	-854	-661
Accumulated amortization 31.12.	**-3 898**	**-3 044**
Balance sheet value 31.12.	**3 659**	**3 787**

EUR thousand

	2013	2012
Goodwill/merger loss		
Book value 1.1.	17 625	17 625
Book value 31.12.	**17 625**	**17 625**
Accumulated amortization 1.1.	-11 433	-9 590
Amortization for the financial period	-1 843	-1 843
Accumulated amortization 31.12.	**-13 276**	**-11 433**
Balance sheet value 31.12.	**4 349**	**6 192**
Other long-term expenses		
Book value 1.1.	509	481
Additions	0	28
Book value 31.12.	**509**	**509**
Accumulated amortization 1.1.	-247	-184
Amortization for the financial period	-33	-63
Accumulated amortization 31.12.	**-280**	**-247**
Balance sheet value 31.12.	**228**	**262**
Other assets under construction		
Book value 1.1	135	106
Additions	75	384
Reclassifications	0	-355
Book value 31.12	**210**	**135**
Balance sheet value 31.12.	**210**	**135**
Assets, unfinished projects		
Book value 1.1.	2 969	7 737
Additions	3 607	2 969
Reclassifications	-732	-7 737
Book value 31.12.	**5 844**	**2 969**
Balance sheet value 31.12.	**5 844**	**2 969**
Intangible assets total	**22 979**	**24 078**

11. TANGIBLE ASSETS

EUR thousand

	2013	2012
Machinery and equipment		
Book value 1.1.	5 526	4 863
Additions	370	667
Disposals	0	-4
Book value 31.12.	**5 896**	**5 526**
Accumulated depreciation 1.1.	-4 559	-4 027
Accumulated depreciation on disposals	0	4
Amortization for the period	-552	-536
Accumulated amortization 31.12.	**-5 111**	**-4 559**
Balance sheet value 31.12.	**785**	**967**
Other tangible assets		
Book value 1.1.	99	92
Increase	7	7
Book value 31.12.	**106**	**99**
Balance sheet value 31.12.	**106**	**99**
Tangible assets total	**891**	**1 066**
Total fixed assets	**23 870**	**25 144**

12. INVESTMENTS

EUR thousand

	2013	2012
Shares in group companies		
Book value 1.1.	26 315	17 040
Increase	3 677	9 275
Book value 31.12.	**29 992**	**26 315**
Balance sheet value 31.12	**29 992**	**26 315**
Other shares		
Book value 1.1.	38	38
Book value 31.12.	**38**	**38**
Receivables from group companies		
Loan receivables from group companies	47 271	52 022
Investments total	**77 301**	**78 375**

Shares in subsidiaries

	Domicile	Country	Parent company holding, %
Basware International Oy	Espoo	Finland	100
Basware GmbH	Düsseldorf	Germany	100
Basware UK Ltd.	Staffordshire	United Kingdom	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 India Private Limited	Chandigarh	India	99
Basware Belgium NV	Aalst	Belgium	99

Foreign branches

The parent company has branches in India, Chandigarh (reg. no F03347) and in Russia, Moscow (reg. no 16926.1)

13. INVENTORIES

EUR thousand

	2013	2012
Raw materials and consumables	240	18
Total	**240**	**18**

14. NON-CURRENT RECEIVABLES

EUR thousand

	2013	2012
Rent deposits	457	435
Total	**457**	**435**

15. CURRENT RECEIVABLES

EUR thousand

	2013	2012
Accounts receivables	**6 797**	**6 304**
Receivables from group companies		
Accounts receivables	1 575	3 936
Interest receivables	1 860	1 406
Loan receivables	3 376	0
Other receivables	1 749	0
Total	**8 560**	**5 342**
Prepaid expenses and accrued income	3 586	1 601
Loan receivables	600	0
Other receivables	99	1 226
Total	**4 285**	**2 827**
Current receivables total	**19 641**	**14 473**
Prepaid expenses and accrued income		
Tax receivables	2 244	781
Accrued employee expenses	810	382
Other prepaid expenses and accrued income	532	438
Total	**3 586**	**1 601**

16. SHAREHOLDERS' EQUITY

EUR thousand

	2013	2012
Share capital 1.1.	3 528	3 528
Share capital 31.12.	**3 528**	**3 528**
Share premium account 1.1.	1 118	1 118
Share premium account 31.12.	**1 118**	**1 118**
Equity 31.12.	**4 647**	**4 647**
Invested non-restricted equity 1.1.	62 183	62 360
Decrease of treasury shares	-51	-177
Invested non-restricted equity 31.12.	**62 132**	**62 183**
Retained earnings 1.1.	31 674	33 558
Dividend payment	-2 955	-5 278
Acquisition of treasury shares	0	-963
Decrease of treasury shares	51	177
Profit for the period	-1 985	4 181
Retained earnings 31.12.	**26 785**	**31 674**
Non-restricted equity 31.12.	**88 917**	**93 857**
Shareholders' equity 31.12.	**93 564**	**98 504**
Distributable funds		
Profit for the period	-1 985	4 181
Retained earnings	28 719	27 494
Other distributable funds	62 132	62 183
Distributable funds	**88 866**	**93 857**

17. NON-CURRENT LIABILITIES

EUR thousand

	2013	2012
Loans from financial institutions	5 000	8 333
Debts to group companies	177	177
Accrued expenses and deferred income	14	0
Total	**5 191**	**8 510**

18. CURRENT LIABILITIES

EUR thousand

	2013	2012
Accounts payable	**1 014**	**1 243**
Liabilities to group companies		
Accounts payable	337	391
Other debts	14 560	6 549
Accrued expenses and deferred income	0	1
Total	**14 897**	**6 941**
Loans from financial institutions	3 333	1 667
Other debts	2 300	2 496
Accrued expenses and deferred income	5 832	5 249
Total	**11 465**	**9 412**
Current liabilities total	**27 377**	**17 595**
Accrued expenses and deferred income		
Accrued exployee expenses	4 933	4 286
Other accrued expenes	900	963
Total	**5 832**	**5 249**

19. COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand

	2013	2012
Own guarantees		
Business mortgages of own debt	1 200	1 200
Commitments on behalf of subsidiaries		
Guarantees	31	244
Other own contingent liabilities		
Leasing liabilities		
Current lease liabilities	110	177
Lease liabilities maturing in 1-5 years	79	98
Total	**189**	**275**
Rental liabilities		
Current rental liabilities	2 724	2 958
Rental liabilities maturing in 1-5 years	3 107	3 156
Total	**5 831**	**6 114**
Other own contingent liabilities total	6 020	6 389
Commitments and Contingent Liabilities total	**7 251**	**7 833**

Value added tax is only included in vehicle leasing liabilities. The other liabilities are exclusive of value added tax. 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 2013, the Group parent company’s distributable funds are EUR 88 866 295.46.

Basware’s Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.23 per share (2012: EUR 0.23) be paid for 2013. 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, 2014. 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, 2014.

In Espoo, Finland, January 23, 2014

Hannu Vaajoensuu, Chairman of the Board

Ilkka Sihvo, Vice Chairman of the Board

Pentti Heikkinen

Anssi Vanjoki

Tuija Soanjärvi

Esa Tihilä, CEO

Auditor's Note

Our Auditor's report has been issued today.

In Helsinki, Finland, January 23, 2014

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 1.1-31.12.2013. 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, 2014

Ernst & Young Oy
Authorized Public Accountant Firm

Heikki Ilkka
Authorized Public Accountan

GROUP QUARTERLY INCOME STATEMENT

EUR thousand

	1-3/2013	1-3/2012	4-6/2013	4-6/2012	7-9/2013	7-9/2012	10-12/2013	10-12/2012
NET SALES	**29 828**	**27 435**	**31 789**	**28 718**	**28 682**	**27 119**	**33 049**	**30 427**
Other operating income	58	58	1 623	58	61	55	173	57
Materials and services	-2 542	-2 061	-2 987	-1 957	-2 967	-2 313	-3 265	-2 715
Employee benefits expenses	-20 518	-16 072	-20 611	-17 282	-16 464	-15 415	-19 327	-16 820
Depreciation and amortization	-1 801	-1 366	-1 755	-1 495	-1 748	-1 809	-1 748	-1 823
Other operating expenses	-6 594	-6 171	-7 152	-6 745	-5 703	-5 376	-6 751	-6 199
Operating profit / loss	**-1 569**	**1 822**	**908**	**1 298**	**1 861**	**2 261**	**2 131**	**2 927**
%	-5,3 %	6,6 %	2,9 %	4,5 %	6,5 %	8,3 %	6,4 %	9,6 %
Financial income	227	146	252	75	178	91	271	61
Financial expenses	-184	-50	-324	-76	-220	-52	-248	-145
Result before tax	**-1 526**	**1 918**	**836**	**1 296**	**1 819**	**2 300**	**2 153**	**2 843**
%	-5,1 %	7,0 %	2,6 %	4,5 %	6,3 %	8,5 %	6,5 %	9,3 %
Income tax expense	563	-442	-485	-347	-859	-807	102	-898
RESULT FOR THE PERIOD	**-962**	**1 476**	**352**	**949**	**960**	**1 493**	**2 255**	**1 945**
%	-3,2 %	5,4 %	1,1 %	3,3 %	3,3 %	5,5 %	6,8 %	6,4 %

KEY FIGURES (IFRS)

Group Key Financial Performance Indicators

EUR thousand

	2013	2012	2011	2010	2009
Net sales	123 349	113 699	107 750	103 094	92 654
Growth of net sales, %	8,5 %	5,5 %	4,5 %	11,3 %	7,6 %
EBITDA	10 383	14 801	17 284	18 604	16 280
% of net sales	8,4 %	13,0 %	16,0 %	18,0 %	17,6 %
Operating profit before IFRS3 amortization	4 256	10 555	14 290	15 691	13 788
% of net sales	3,5 %	9,3 %	13,3 %	15,2 %	14,9 %
Operating profit	3 331	8 308	12 280	13 487	11 824
Growth of operating profit, %	-59,9 %	-32,3 %	-8,9 %	14,1 %	36,2 %
% of net sales	2,7 %	7,3 %	11,4 %	13,1 %	12,8 %
Profit before tax	3 284	8 357	12 332	13 325	11 590
% of net sales	2,7 %	7,4 %	11,4 %	12,9 %	12,5 %
Profit for the period	2 605	5 863	9 671	10 331	9 074
% of net sales	2,1 %	5,2 %	9,0 %	10,0 %	9,8 %
Return on equity, %	2,6 %	5,8 %	11,6 %	16,7 %	17,2 %
Return on investment, %	3,9 %	8,2 %	14,9 %	20,1 %	18,8 %
Interest bearing liabilities	8 632	10 524	682	3 582	9 230
Cash and liquid assets*	13 218	34 519	42 977	13 822	12 210
Gearing, %	-4,7 %	-23,8 %	-42,3 %	-15,3 %	-5,3 %
Equity ratio, %	77,1 %	77,6 %	81,9 %	73,3 %	64,8 %
Total assets	127 043	129 758	121 966	91 470	87 287
Gross investments **	20 733	19 606	6 331	4 567	7 448
% of net sales	16,8 %	17,2 %	5,9 %	4,4 %	8,0 %
Capital expenditure	1 470	1 431	2 014	970	2 047
% of net sales	1,2 %	1.3 %	1,9 %	0,9 %	2,2 %
Research and development costs	18 184	17 884	16 489	14 883	14 781
% of net sales	14,7 %	15,7 %	15,3 %	14,4 %	16,0 %
R&D personnel at end of period	370	351	311	239	195
Personnel average for period	1 485	1 330	1 058	845	747
Personnel at end of period	1 472	1 423	1 182	913	761
Growth of personnel, %	3,4 %	20,4 %	29,5 %	20,0 %	4,1 %

*) Includes cash and cash equivalents

**) Includes acquisitions and capitalized R&D costs

Group Share Indicators

	2013	2012	2011	2010	2009
Earnings per share, undiluted	0,20	0,46	0,76	0,90	0,80
Earnings per share, diluted	0,20	0,46	0,76	0,89	0,80
Equity per share	7,62	7,84	7,76	5,78	4,97
Dividend per share	0,23*	0,23	0,41	0,40	0,36
Dividend per profit, %	113,4 %	50,4 %	53,8 %	44,6 %	45,2 %
Effective dividends, %	0,9 %	1,1 %	2,5 %	1,6 %	2,5 %
Price/Earnings ratio (P/E)	123,45	44,34	21,57	27,58	18,21
Share price performance, share issue adjusted					
lowest share price	16,75	16,70	14,95	15,00	6,60
highest share price	25,60	24,00	28,10	24,80	14,66
average share price	20,35	20,84	21,58	19,27	10,79
closing share price	25,03	20,25	16,45	24,75	14,52
Share issue adjusted average share number Dec 31	12 931 229	12 931 229	12 931 229	11 690 024	11 468 124
Market value of shares at end of period	321 771 012	260 182 550	211 737 063	287 093 169	165 206 004
Share issue adjusted number of traded shares	1 723 866	1 514 703	5 079 523	2 131 071	2 038 565
% of average share number	13,4 %	11,8 %	40,1 %	18,5 %	17,9 %
Average share number**					
- undiluted	12 848 540	12 836 966	12 679 281	11 513 690	11 381 905
- diluted	12 848 540	12 836 966	12 686 792	11 585 155	11 381 905

*) Boards proposal to the Annual General Meeting of Shareholders

**) Excluding treasury shares

CALCULATION OF KEY INDICATORS

Return on equity (ROE), %

(Profit or loss before taxes - taxes) x 100

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

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

Gearing, %

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

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

Balance sheet total - advances received

Earnings per share

Profit for the period

Adjusted average number of shares during the period

Equity per share

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

Adjusted number of shares at the end of the financial period

Dividend per share

Total dividend

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

Dividend/profit, %

Dividend per share x 100

Earnings per share

Effective dividend yield, %

Dividend per share x 100

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

Earnings per share

SHARE AND SHAREHOLDERS

Share

The Basware share has been listed on the Helsinki Stock Exchange (NASDAQ OMX Helsinki Ltd.) 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 2013, 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

At the end of 2013, Basware Corporation's share capital was EUR 3 528 368.70.

Share price performance and trading

During 2013, the highest price of the share was EUR 25.60 (EUR 24.00), the lowest was EUR 16.75 (EUR 16.70) and the closing price was EUR 25.03 (EUR 20.25). The average price of the share was EUR 20.35 (EUR 20.84) during the period.

A total of 1 723 866 (1 514 703) shares were traded during the period, equivalent to 13.4 percent (11.8%) of the average number of shares. Market capitalization with the period’s closing price on December 31, 2013, was EUR 321 771 012 (EUR 260 182 550).

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

The total amount of own shares held by the company on December 31, 2013, is 75 815 shares, representing approximately 0.6% of all of outstanding shares. No shares were repurchased during 2013.

Incentive schemes

Basware did not have any warrant programs in force in 2013.

Additional information on the share-based incentive schemes is available on the company’s investor site at http://www.basware.com/investors.

SHAREHOLDERS

Basware had 14 349 (14 443) shareholders on December 31, including nominee-registered holdings (11). Nominee-registered holdings accounted for 11.7 percent (11.2%) of the total number of shares.

Distribution of holdings by number of shares, December 31, 2013

	Number of holders	Shares, pcs	Votes, %
1-100	11 629	273 205	2.1
101-1,000	2 450	709 242	5.5
1,001-10,000	216	510 624	3.9
10,001-100,000	27	1 226 476	9.5
100,001+	27	10 211 682	79.0
Total	**14 349**	**12 931 229**	**100.0**

Distribution by sector, December 31, 2013

	Number of holders	Shares, pcs	Votes, %
Private companies	524	836 764	6.5
Financial and insurance institutions	33	3 323 317	25.7
Public sector organizations	6	2 108 097	16.3
Non-profit organizations	47	259 410	2.0
Households	13 686	4 874 602	37.7
Foreign	42	19 606	0.2
	14 338	**11 421 796**	**88.3**
Nominee-registered	11	1 509 433	11.7
Total	**14 349**	**12 931 229**	**100.0**

Major shareholders

	Shares, pcs	Votes, %
1.Ilmarinen Mutual Pension Insurance Company	1 461 658	11,3
2.Sihvo, Ilkka	885 300	6,8
3.Eräkangas, Kirsi	807 300	6,2
Eräkangas, Kirsi	563 900	4,4
Eräkangas, Lotta	243 400	1,9
4.Vaajoensuu, Hannu	590 000	5,2
Havacment Oy	266 500	2,1
Vaajoensuu, Hannu	323 500	2,5
5.Perttunen, Sakari	665 900	5,1
6.Fondita Nordic Micro Cap Placeringsf	461 000	3,6
7.OP-Finland Small Firms Fund	435 371	3,4
8.Nordea Nordic Small Cap Fund	395 935	3,1
9.Veritas Pension Insurance Company	379 509	2,9
10.OP-Focus Fund	306 384	2,4
11.OP-Delta Mutual Fund	300 358	2,3
12.Pöllänen, Antti	293 029	2,3
13.Investment Fund Aktia Capital	273 313	2,1
14.The State Pension Fund	256 000	2,0
15.Mutual Life Insurance Company Suomi	250 000	1,9
16.Sijoitusrahasto Danske Invest Suomen Pienyhtiöt	227 423	1,8
17.Carnegie Share Fund	191 627	1,5
18.Perttunen, Meimi	175 400	1,4
19.Ahonen, Asko	168 736	1,3
20.Mutual Fund FIM Fenno	162 554	1,3
20 largest shareholders total	**8 686 797**	**67,2**
Nominee registered shares	1 509 433	11,7
Others	2 734 999	21,2
Total	**12 931 229**	**100,0**

FOR SHAREHOLDERS

Basware share

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

Trading code	**BAS1V**
ISIN code	**FI0009008403**
Book-counter value	**EUR 0.30**
Listing price on February 29, 2000	**EUR 5.70**
Closing price on December 31, 2013	**EUR 25.03**

Annual General Meeting

Basware Corporation’s Annual General Meeting will take place on Friday, February 14, 2014, at 10 a.m. at Tapahtumatalo Bank (Unioninkatu 22) in Helsinki, Finland.

Shareholders who have been registered at the latest by February 4, 2014, in the shareholders' register kept by Euroclear Finland Ltd. are entitled to participate in the Annual General Meeting. Shareholders who wish to participate in the meeting should inform the company by 4:00 p.m. on February 11, 2014, either:

- at Basware’s investor web site at www.basware.com/annual-general-meeting; or
- by telephone at +358 879 171 on weekdays between 9:00 AM and 4:00 PM; or
- by regular mail to Basware Corporation, Annual General Meeting 2014, 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 is published as a stock exchange release and on Basware’s investor web site at www.basware.com/annual-general-meeting.

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 2013. If the Board’s proposal is accepted, the dividend will be paid to those shareholders who are entered in the shareholders’ register maintained by Euroclear Finland Oy on the dividend record date February 19, 2014. The actual payment of dividends will take place at the earliest on February 26, 2014.

Financial Reporting in 2014

Release dates for Basware Corporation’s interim reports:

- Interim Report January-March 2014 (Q1) on Thursday, April 10, 2014
- Interim Report January-June 2014 (Q2) on Thursday, July 10, 2014
- Interim Report January-September 2014 (Q3) on Friday, October 10, 2014

The financial statement release and interim reports will be published at approximately 9:00 a.m. on these days in Finnish and English.

Interim reports are prepared according to the IAS 34, Interim Financial Reporting standard.

All interim reports and stock exchange releases are available on Basware’s investor web site at 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.