

# BASWARE'S YEAR 2014

## LETTING THE COMMERCE FLOW

At the end of 2014, more than 78 million annual transactions - e-invoices, purchase orders and other electronic documents - were processed via Basware Commerce Network, resulting to 30 per cent growth compared to 2013. Basware Commerce Network, the largest open business network in the world, connects over one million companies across 100 countries and enables easy collaboration between buyers and suppliers of all sizes. The share of recurring revenue grew throughout the year and especially international business operations developed positively.



### Q1

During the first quarter, the Basware Commerce Network reached a milestone of connecting one million customers in over 100 countries. Basware focuses on empowering companies to unlock value across their financial operations by simplifying and streamlining key financial processes.



### Q2

In May 2014, Basware was recognised as a leader among procure-to-pay (P2P) automation platforms in the "The Forrester Wave™: eProcurement Q2 2014" report by Forrester Research Inc. Industry research reports highlighted the growth potential in e-invoicing adoption as the benefits of e-invoicing are realised more widely with the support of regulatory standards and a supportive infrastructure.



### Q3

In September 2014 Basware launched a new business in financing services to deliver new and innovative services for companies of all sizes, combining invoice automation with financing services on the Basware Commerce Network. The first solution within the portfolio is Basware Pay, a new type of a global e-payment solution offered in collaboration with MasterCard.

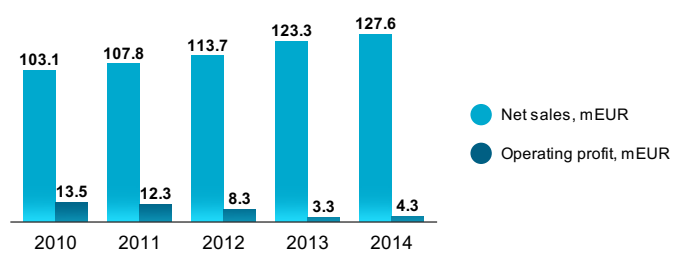


### Q4

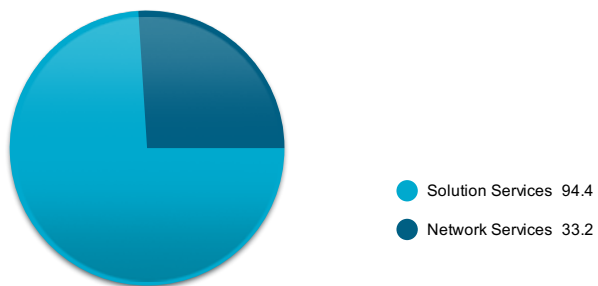
During the fourth quarter, 21.8 million transactions were processed via the Basware Commerce Network, resulting to 25.6 per cent growth year-on-year. The level of organic growth in transactions has been good throughout the year.

EUR Thousand	2014	2013
Net sales	127,674	123,349
EBITDA	11,354	10,383
Operating profit	4,325	3,331
% of net sales	3.4	2.7
Profit before taxes	4,328	3,284
Profit for the period	2,959	2,605
Return on equity, %	2.5	2.6
Return on investment, %	4.4	3.9
Cash and cash equivalents	28,954	13,218
Gearing, %	-38.6	-4.7
Equity ratio, %	82.7	77.1
<b>Earnings per share</b>		
Undiluted, EUR	0.22	0.20
Diluted, EUR	0.22	0.20
Equity per share, EUR	9.88	7.62

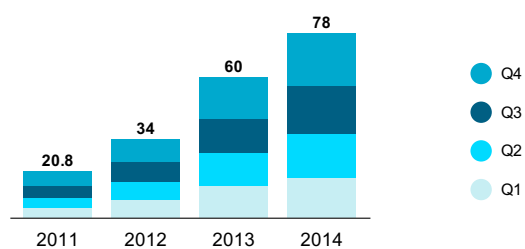
#### Net sales and operating profit 2010-2014



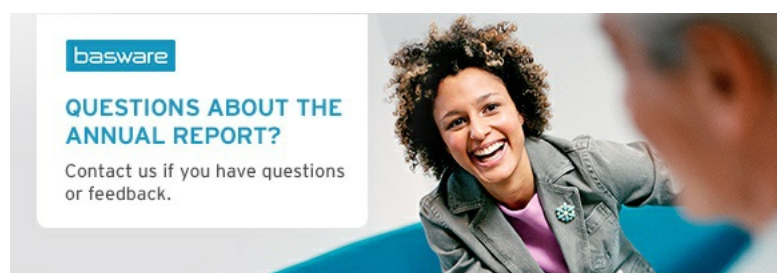
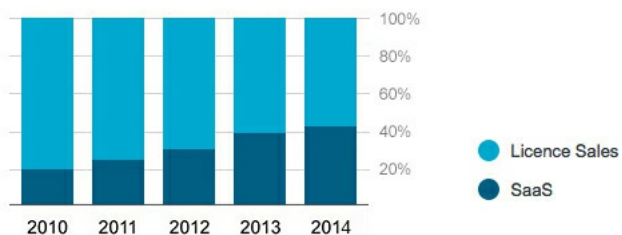
## Net sales by business operations 2014



## Transactions in Basware Commerce Network 2011-2014, millions



## Software as a Service (SaaS) – License sales relation 2010-2014



# **BASWARE COMMERCE NETWORK**

## **UNLOCKING VALUE IN A CONNECTED BUSINESS WORLD**

When businesses and people are free to connect, new opportunities emerge and value is created for all. Basware brings together forward-thinking communities focused on sharing best practices and supports them in seizing new opportunities on the world's most open commerce network.

The Basware Commerce Network, the largest open business network in the world, connects over one million companies across 100 countries and enables easy collaboration between buyers and suppliers of all sizes. Through the network, leading companies around the world achieve new levels of spend control, efficiency and closer relations with their suppliers. In 2014, more than 78 million annual transactions – e-invoices, purchase orders and other electronic documents - were processed via the Basware Commerce Network.

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The Basware Commerce Network connects over one million companies across 100 countries

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By creating closer partnerships on the Basware Commerce Network, companies can break down boundaries and discover how commerce can flow. The open network enables organizations and their customers, suppliers and partners to fully benefit from the opportunities of connected commerce.

Through instant collaboration, smart tools and leading product innovations, the Basware Commerce Network enables global reach through a single connection: organizations can share information instantly with their trading partners and ensure the easy onboarding of their suppliers to the network.

### **Basware unlocking new opportunities for all**

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In 2014, more than 78 million annual transactions were processed via the Basware Commerce Network

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### **New Financing Services for optimizing cash and working capital**

In September 2014, Basware launched a new business - Financing Services. Basware's Financing Services are designed for digitally connected organizations and their suppliers to optimize cash and working capital, and improve B2B relationships through participation in the Basware Commerce Network. Basware's Financing Services deliver new and innovative services for companies of all sizes, combining invoice automation with financing services on the Basware Commerce Network. The first solution within the portfolio is [Basware Pay](#), a new type of a global e-payment solution offered in collaboration with MasterCard.

# CEO'S REVIEW

## HOW WE LET THE COMMERCE FLOW

E-invoicing has become more common and the volume of e-invoices has increased significantly in Europe as well as globally during the year. The adoption of e-invoicing and other new solutions for automating financial operations are accelerated by companies' efforts to improve their cash flow. This is supported also by the regulatory standards aiming to establish a uniform infrastructure for e-commerce.

Basware is already the leader in the e-invoicing and purchase-to-pay solutions, and Financing Services provide new growth opportunities. There is a high level of interest in online, real-time payment solutions among our existing and new customers. Our new and innovative financing solutions make B-to-B commerce more agile and enable faster payments.

Basware's renewed customer promise "Unlocking value in a connected business world" reflects the company's internationalization and transformation to be the global leader in e-invoicing and purchase-to-pay solutions. We empower companies to unlock value across their financial operations in the world of connected commerce. Our Basware Commerce Network enables easy collaboration and trading already for over one million companies across over 100 countries. With Basware solutions, our customers simplify and streamline key financial and purchasing processes. The solutions enable them to benefit from significant cost savings while they strengthen control, optimize cash flows and gain proactive insights into their financial performance.

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Our new and innovative financing solutions make B-to-B commerce more agile and enable faster payments

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Network Services business grew well and software sales developed favorably in 2014. Net sales for the review period amounted to EUR 127 674 thousand, growth of 3.5 percent, and operating profit to EUR 4 325 thousand. The share of recurring revenue of net sales continued to grow, accounting for 67.0 percent. The share of international operations grew and accounted for 61.6% of net sales.

The growth in Network Services continued throughout 2014 and amounted to 19.4 percent. Over 78 million transactions were processed via Basware Commerce Network during 2014, up 30 percent compared to the previous year, between over a million buyers and suppliers in over a hundred countries. Organic growth in transactions was at a good level during every quarter of the year.

Decrease in software sales came to a halt during the latter half of the year. The net sales of the Solution Services business, which accounts for over 70 percent of the company's total net sales, amounted to EUR 25 489 thousand for the fourth quarter, a decrease of 0.6 percent year-on-year.

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The share of international operations grew and accounted for 61.6% of net sales

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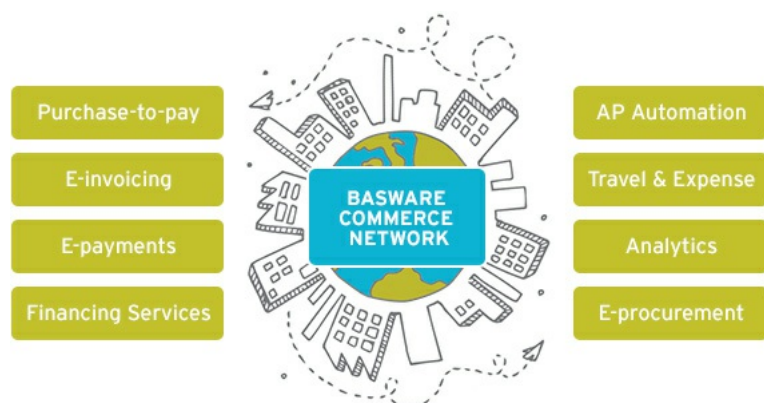
Achieving strong growth in the Basware Commerce Network continues to be our main objective. In accordance with our strategy, we are pursuing growth in the network both organically and through mergers and acquisitions. We will also invest in growth in the sales of Alusta software and services, as well as other sales. Development of the Financing Services business and financing services and solutions commenced in 2014 and will continue actively this year.

**Basware - Let Commerce Flow**

# SOLUTIONS & SERVICES

## A LEADING PORTFOLIO OF NETWORKED PURCHASE-TO-PAY SOLUTIONS SPANNING E-INVOICING TO INNOVATIVE NEW FINANCING SERVICES

As the global leader in providing purchase-to-pay and e-invoicing solutions in the world of commerce, Basware empowers companies to unlock value across their financial operations.



With Basware, small businesses to corporate giants across all industries can simplify and streamline key financial processes to strengthen control, reduce costs, gain proactive insights into cash flows and improve buyer-supplier relationships.

Basware has a leading portfolio of networked purchase-to-pay solutions spanning e-invoicing to innovative new financing services. The users of Basware solutions and services and the Basware Commerce Network are able to optimize their working capital through efficient payment and financing methods as well as strengthen their business relationships. Today, the Basware Commerce Network connects over one million companies across 100 countries and enables easy collaboration between buyers and suppliers of all sizes.

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### Basware Pay

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Basware's solutions for:

#### [Purchase-to-pay](#)

Implement purchase-to-pay so that finance and procurement can work hand in hand.

#### [Analytics for purchase-to-pay](#)

Gain immediate, vivid and actionable insight into your financial data.

#### [Accounts Payable Automation](#)

Remove paper and automate your invoice handling and payment processes.

#### [Receiving e-invoices](#)

Start receiving 100% e-invoices from your suppliers.

#### [Sending e-invoices](#)

Start sending 100% e-invoices to your customers.

#### [e-Procurement](#)

Manage your spend with people-friendly procurement solutions.

#### [Travel and Expense](#)

Control your travel & employee expense processes.

## Financing Services

Optimize working capital and improve B2B relationships.

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**Unlocking new opportunities for all**

# **BASWAREANS**

## **GLOBAL NETWORK OF PROFESSIONALS**

In 2014, Basware established a team to focus on the company's new business, Financing Services. Basware also improved its e-learning capabilities, continued to develop training programs and expanded its global network of professionals. A new personnel survey was launched to evaluate Basware's capabilities and strengths both as a company and a work community.

### **Financing Services team**

Basware announced the launch of Financing Services in September 2014. In November, Ad van der Poel was appointed Senior Vice President, Financing Services, and a member of the Executive Team. Van der Poel and his team are building and leading the new Financing Services business and the financing services portfolio.

### **Continuous learning and development**

In 2014, Basware continued the leadership program 'Optimize your Matrix' that was launched in 2013. The program aims to develop a new mindset and skills to deal with the realities and challenges related to working in a matrix organization. In 2014, the training was extended to a wider group of managers (working in Matrix) due to the excellent feedback it received. The program was organized three times in 2014 and to date over 140 Basware leaders and managers have attended the training.

In early 2014, Basware started planning the implementation of the Learning Management System (LMS) to support the company in managing training and educational records. The aim is to improve online and blended learning capabilities as well as to enable better documentation, tracking, reporting as well as delivering training programs with features for online collaboration.

The implementation began with a pilot project for the Sales unit, which was completed successfully during the second half of the year. The sales personnel now have a greater variety of online training courses enabling learning on the move. They also now have set training targets that are followed on the Basware Knowledge Network, Basware's LMS.

The Network Services unit also started using the Basware Knowledge Network during the second half of the year. The system will be launched for the entire organization in early 2015. The network will provide a centralized location for all of Basware's training and materials.

A training program that aims at developing communication and presentation skills began in 2014 with the Presales team; more teams will be trained in 2015. The target group is Basware globally, in particular customer-facing teams.

Basware Academy programs continued to provide new sales and consulting personnel with the required knowledge of Basware solutions and services. The content is developed in line with product updates and to meet customer expectations. In 2014, Basware carried out three Sales Academy and four Consulting Academy programs.

### **'Gear up for the Future' – the new personnel survey**

In October, the company launched a new personnel survey focusing on Basware's capabilities and strengths as a company and a work community. The survey aims to help Basware to identify areas for development in the organization's way of working that have a direct link to business performance and strategic goals. The survey replaced the Employee Satisfaction Survey in 2014.

The survey results will be analyzed and presented to the personnel in early 2015. Action plans for improving selected areas will be created together with Basware's personnel.

### **Call for technical talent**

During the second half of the year, Basware launched a global social media-driven recruitment campaign targeted at technical experts. The aim is to find new ways of reaching talent and fill various open technical positions at the company. As part of the campaign, Basware attended Slush, a major startup and technical event, as a partner focusing on employer branding and recruiting.

### **Basware personnel in numbers**

At the end of 2014, there were 1,493 employees in Basware (+1.4%), of whom 68 per cent worked outside of Finland and 32 per cent in Finland. Approximately 11.7 per cent of the personnel work in sales and marketing; 59.7 per cent in consulting and services; 22.2 per cent in product development; and 6.4 per cent in administration.

The average age was 34.9 years (34.6 years) and the average years in Basware service was four. Female employees



accounted for 24.8 per cent (23.3) and male 75.2 per cent (76.7).

The largest growth in personnel was in Romania where Basware strengthened its Network Services organization. The number of personnel grew from 42 to 91 during the year.

Salaries accounted for EUR 59.6 million in 2014 (EUR 61.6 million).

#### **Key focus areas in 2015**

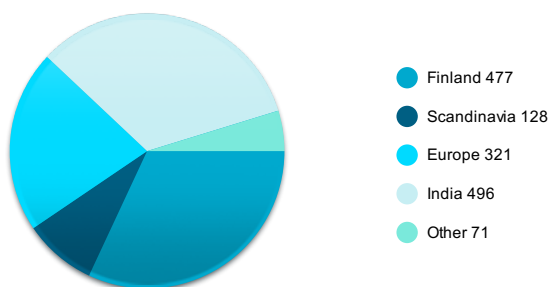
In 2015, Basware will develop recruitment processes globally with a special focus on recruiting talent in its key markets. Social media will be utilized more effectively to strengthen the employer image and extend the talent network.

The 'Gear up for the Future' survey results will be available in early 2015, and will provide a framework for developing the organization's way of working. Basware personnel will be involved in analyzing the results and planning actions. Basware's values and ethics will also be discussed in connection with the results.

With the Basware Knowledge Network, the company will further improve its e-learning capabilities to better support continuous learning and development in all its units globally.

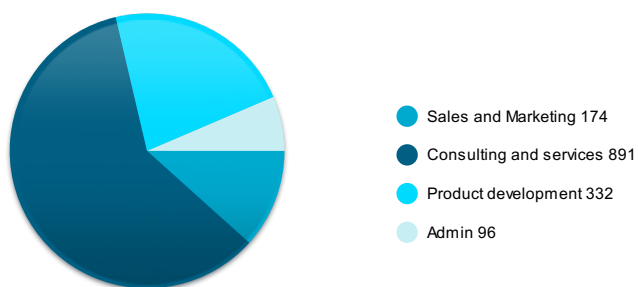
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### Geographical division of personnel



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### Division by job functions



# BASWARE CORPORATE RESPONSIBILITY

## SUSTAINABLE B2B COMMERCE

Basware is the global leader in providing purchase-to-pay, e-invoicing and financing solutions in the world of commerce. We empower companies to unlock value across their financial operations by simplifying and streamlining key financial processes. Our Basware Commerce Network, the largest open business network in the world, connects one million companies across 100 countries and enables easy collaboration between buyers and suppliers of all sizes. Through this network, leading companies around the world achieve new levels of spend control and efficiency as well as closer relations with their suppliers.

Basware corporate responsibility is integrated into its business operations while its corporate values are the tools for everyday sustainable work within the company. Basware is committed to responsible operations in all of its economic, social and environmental activities.

As a listed company on the Nasdaq Helsinki, Basware, with over EUR 0.5 billion market capital, is committed to following the rules and regulations set by the authorities as well as the laws and regulations in each country where it operates. Great emphasis is placed on the company's brand and image, open and transparent communications to different stakeholders, and internal company values.

### Enabling sustainable B2B commerce

B2B commerce generates a huge amount of paper - many mid- to large-sized companies, for example, receive hundreds of thousands of invoices with related documentation annually. A growing number of companies are concerned about corporate compliance with green initiatives, and at the same time are looking to streamline processes and gain business benefits. Basware is committed to helping these companies eliminate paper by offering automated purchase-to-pay, e-invoicing and financing solutions that will help them significantly reduce their carbon footprint.

Basware solutions significantly reduce the amount of paper-based invoices exchanged with trading partners; they also allow buyers to easily transact collaboratively by sending e-invoices, orders and sharing catalogs with millions of suppliers across the globe through the Basware Commerce Network. By implementing e-invoicing, companies no longer need to print, post, process, manually key-in, store and dispose of paper invoices, thus helping them achieve green targets. With Basware services, companies can also encourage environmentally friendly practices among their trading partners.

In 2014, Basware introduced its new business Financing Services. Basware is developing new solutions to tackle the existing culture of late payments and their impact on the economy: both large and small companies suffer from late payments which can cause huge problems for economies everywhere. Basware and MasterCard's 2014 research into '[Creating Payment Energy](#)' identified a late payment culture, poor cash flow, weak processes and payment bottlenecks as major factors in preventing businesses from both paying and getting paid in the most efficient way. Basware's e-payment solution speeds up slow invoice processing and invoice payment tasks, ensures that suppliers get paid quickly and extends terms for buyers. This helps keep money moving in the economy and mitigates a repeat of previous financial crises.

Basware strives for continual improvement. Using analytics to measure key metrics in companies' green initiatives provides insights into ways they can elevate processes to work smarter, achieve greater green benefits and take performance to new levels.

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At the end of the year, there were over 78 million annual transactions in the Basware Commerce Network, which represents a 30% growth in 2014.

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### **Energy efficiency within the Basware community**

The Basware global work community is committed to energy savings in all their daily operations. Measures to reduce the carbon footprint include avoiding unnecessary business travel and taking full advantage of online office tools such as telephone and video conferencing. Online communication tools enable Basware's global teams to work virtually across time and geographical boundaries.

The data centers used by Basware are monitored to verify their commitment to energy efficiency in terms of cooling, heating and use of smart technology solutions. Basware is committed to doing business with partners who 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 standard is applied globally in all Basware offices. This EMS has been audited by Bureau Veritas.

A digital, connected economy and paperless offices help Basware and its customers, partners and personnel to achieve more energy efficient business outcomes.

### **Building relationships with customers**

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

The Basware Experience event, one of the key elements in the company's customer communications program, supports the company's strategic goal to create customers for life. This event is an excellent forum for sharing the latest innovations and future plans as well as presenting its customers with a unique opportunity to network and exchange insights with each other.

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**In 2014, Basware events brought together some 1,000 customers from 11 countries.**

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

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### **The Art of Basware – building a global network of young artists**

The Art of Basware is an annual international art competition for artists under 30 years of age. In 2014, the competition celebrated its 15th anniversary and became global. The Art of Basware was born from our will to support the career and development of young artists. We believe there is a deep connection between innovation, determination, creativity and commerce.

### **The Art of Basware - 15 years of celebrating innovation & creativity**

As Basware has grown into a truly global organization the company wanted to grow this competition to give a bigger pool of talent the chance to show the world their potential. This is why the theme 'Growth' was selected for 2014.

Last year, nearly 200 artists with over 450 pieces of art attended this leading initiative that supports social development and engagement. The 2014 winner was Toni R. Toivonen, with his piece "Jonkin on hajottava – something must break". Basware buys the winning art piece and a selection of other entries after every competition and the Basware's art collection now consists of over 90 pieces of art.

### **Interview with Toni R. Toivonen, the winner of 2014**

To celebrate the competition's 15th anniversary, Basware also cooperated with ArtHelsinki at the Habitare exhibition in September, where The Art of Basware jubilee exhibition was displayed.

During 2015, Basware continues to grow the competition globally. The theme for The Art of Basware 2015 is 'Achievement'.

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In 2014, Basware paid salaries of 59.6 million euros, taxes 0.9 million euros and dividends 3.0 million euros.

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### **Awards and recognition for Basware**

In February 2014, Global Finance named Basware the best provider of Treasury Management Systems & Services for Accounts Payable Services. This marks the fifth year that Basware received an exclusive treasury management award from the magazine. Basware received this recognition for its innovative leadership in cloud-based accounts payable solutions and services, which enable companies to achieve greater visibility and control of cash, spend and working capital as well as significant efficiencies and cost savings.

In May 2014, Basware was recognized as a leader in the "The Forrester Wave™: eProcurement Q2 2014" report by Forrester Research Inc., as result of a comprehensive evaluation of procure-to-pay (P2P) automation platforms. Basware was recognized for excelling in invoice automation and its capabilities for capturing, validating and processing all types of invoices. As other strengths, the analysts cited Basware's innovative analytics and a large active supplier community – both directly on its Basware Commerce Network and via interoperability with over 170 other networks, making it one of the largest business networks in terms of transaction volume and value passing through it.

In November 2014, Basware received a Green Supply Chain award from the Supply & Demand Chain Executive magazine for the fifth consecutive year. Basware received the award for helping companies significantly reduce volumes of paper invoices through e-invoicing, automating financial processes and conducting business over the Basware Commerce Network, the largest open B2B commerce network. In addition to enabling sustainability, Basware's solutions and services help companies gain critical visibility and control over finances, reduce costs and improve their working capital.

In November 2014, Basware was included in the Truffle 100, being ranked 57th among Europe's top 100 software companies. Basware's ranking improved two spots from 2013.

# 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**

Born 1962  
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



**Niclas Rosenlew**

**CFO, started 8  
Dec, 2014**

Born 1972  
MSc (Finance)

At Basware since  
2014, member of the  
Executive Team since  
2014



**Kari Aarvala**

**SVP, Global Sales**

Born 1965  
MSc (Econ)

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



**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

**Ad van der Poel****SVP, Financial Services**

Born 1971  
MBA

At Basware since 2014, member of the Executive Team since 2014

**Mika Harjuaho****CFO, until 10 Nov, 2014**

Born 1966  
MSc (Econ)

Member of the Executive Team 2007-2014



# BASWARE CORPORATION

## CORPORATE GOVERNANCE STATEMENT

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

### General principles

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

Decision-making and governance at Basware comply with the company's Articles of Association, the Finnish Companies Act, and other applicable legislation. In addition, the company complies with the recommendations of NASDAQ OMX Helsinki Ltd 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/](http://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, and at least 9 days before the record date of Annual General Meeting. 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 2014, 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 15 times (since the Annual General Meeting held on February 14, 2014) and the attendance rate was 97.4 %.

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.

### **Board members**

The members of the Board of Directors Hannu Vaajoensuu (Chairman), Pentti Heikkinen, Ilkka Sihvo (Vice Chairman), Tuija Soanjärvi and Anssi Vanjoki are introduced in the section: Board of Directors and Executive Team.

The Board of Directors assesses the independence of the board members and reports who are independent of the company and who are independent of its significant shareholders. Ilkka Sihvo and Hannu Vaajoensuu are dependent of the company's significant shareholders. Other members of the Board of Directors are independent of the company.

### **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 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 December 8, 2014, members of the Basware Executive Team are Esa Tihilä, CEO; Niclas Rosenlew, CFO; Kari Aarvala, Senior Vice President, Global Sales; Mari Heusala, Senior Vice President, HR & Development; Steve Muddiman, CMO; Ilari Nurmi, Senior Vice President, Product Management; Riku Roos, Senior Vice President, Network Services; Matti Rusi, Senior Vice President, Solution Services; and Ad van der Poel, Senior Vice President, Financing Services.

Member of the Basware Executive Team, Chief Financial Officer Mika Harjuaho resigned from Basware and worked for Basware until November 10, 2014.

Niclas Rosenlew joined Basware as the new CFO and member of the Executive Team on December 8, 2014.

Ad van der Poel joined Basware as Senior Vice President, Financing Services and member of the Executive Team on November 24, 2014.

The members of the Basware Executive Team are introduced in the 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 2014, Basware's auditor was Ernst & Young Oy, Authorized Public Accountants, with Heikki Ilkka, A.P.A., as the auditor in charge.

### **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 2014 that have come to the Board's knowledge are associated with the company's ability to invest in the growth of its e-invoicing business as well as launching of the new financing services, maintaining the company's competitiveness and ensuring the product leadership of Alusta-based solutions, ensuring the production quality, continuity, and compliance of the growing service business, improving new customer acquisition and increasing the transaction volume of the e-invoicing business, developing products and services that support scalable business and distribution methods and related support processes, information systems and organization, successful preparation and implementation of merger and acquisition projects, strengthening the intellectual property right position as well as the measurement and impairment testing of significant balance sheet items.

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 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, appreciation of goodwill and intangible assets, 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 high automation rate of the Group's shared information systems and the systems' integrated control points facilitate an efficient internal control process with an audit trail for financial reporting. The Group's centralized financial administration service center and controlling function continuously develop global reliable, harmonized, scalable and efficient operating methods.

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, takeover phase as well as when integrating acquired functions with the company's operations.

### **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 2014 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 Annual 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, 2014, 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.

The salary of CEO Esa Tihilä's for the period January 1-December 31, 2014, including benefits, was EUR 300.020,00. Salary in money was EUR 286.280,00 and fringe benefits total EUR 13.740,00. No bonuses were paid at 2014. The incentives, based on the share-based incentive scheme and its earning period 2012, will be paid in early 2015.

### **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 2014, the members of Executive Team, excluding CEO, were paid in salaries and fringe benefits totaled to EUR 1.340.023,74. Salary in money was EUR 1.214.657,45 and fringe benefits totaled EUR 62.995,86. As bonus was paid EUR 62.370,43. The incentives, based on the share-based incentive scheme and its earning period 2012, will be paid in early 2015.

### **Incentive schemes**

Basware informed about a new share-based incentive plan for Basware Group key personnel for 2012-2014 on February 17, 2012. On February 15, 2013, the Board of Directors updated this plan to continue until the end of 2015. 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 key personnel to the company and offer them a competitive reward plan. Accordingly, the Board of Directors encourages Basware Executive Team members to hold shares in the company equalling the value of their annual gross basic salary.

The system includes four earning periods – calendar years 2012, 2013, 2014 and 2015. It comprises annual earning periods 2012, 2013, 2014, and 2015 and a fixed earning period 2013-2015. Members of Basware's 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 275,000 Basware Corporation shares (including also the proportion to be paid in cash) and totalling 412,500 at the maximum. The possible shares to be allocated will consist of 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.

The incentives, based on the share-based incentive scheme and its earning period 2012, will be paid in early 2015.

### **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 5,212 Basware Corporation shares, Mari Heusala 2,000, Steve Muddiman 8,998, Ilari Nurmi 899, Matti Rusi 253 on December 31, 2014. 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 580,000, Pentti Heikkinen 3,482, Ilkka Sihvo 885,300, Tuija Soanjärvi 873, and Anssi Vanjoki 2,000 shares in Basware Corporation on December 31, 2014.

#### **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 DIRECTOR'S REPORT

## 1.1.2014-31.12.2014

### SUMMARY OF THE FINANCIAL YEAR

#### Financial year 2014

- Net sales EUR 127 674 thousand (EUR 123 349 thousand) – growth 3.5 percent
- Operating profit EUR 4 325 thousand (EUR 3 331 thousand) – growth 29.8 percent
- Operating profit 3.4 percent of net sales (2.7%)
- Growth of Network Services net sales 19.4 percent
- Recurring revenue 67.0 percent (63.8%) of net sales
- Net cash flows from operating activities EUR 14 912 thousand (EUR 3 578 thousand)
- Earnings per share (diluted) EUR 0.22 (0.20)
- Dividend proposal for 2014: EUR 0.10 per share (2013: 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 purchase-to-pay and e-invoicing solutions in the world of commerce. Basware empowers companies to unlock value across their financial operations by simplifying and streamlining key financial processes. Basware helps its customers to succeed and create added value to their business through better financial management. Basware Commerce Network, the largest open business network in the world, connects 1 million companies across 100 countries and enables easy collaboration between buyers and suppliers of all sizes. Through this network, leading companies around the world achieve improved spend control, efficiency, and closer relations with their suppliers. With Basware, businesses can introduce completely new ways of buying and selling to achieve significant cost savings and boost their cash flow.

#### Reporting

Basware reports one operating segment: Purchase to Pay, P2P. The segment is divided into the Network Services and Solution Services businesses that support each other.

As of the beginning of 2014, the company reports revenue from products and services as follows: Network Services (e-invoicing solutions and services) and Solution Services (software solutions and services). In addition to this, the company reports revenue from products and services in tabulated format according to the breakdown of the previous reporting practice: License sales, Professional Services, Customer Support, and Automation Services. Customer Support and Automation Services together form the recurring revenue reported by the company.

Network services revenue is comprised of e-invoicing, paper invoice scanning services, printing service, catalog exchange, purchase message exchange, activation services, and alliance fees of e-invoicing services and financing-related added value services. Solution Services revenue is comprised of software revenue (SaaS revenue and license sales), software maintenance and extended customer support services (customer support), Professional Services, and start-up fees of 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 net sales and operating result are also reported by the location of the assets. In addition, the geographical information of non-current assets is reported by the location of the assets in the annual financial statements.

### FINANCIAL PERIOD

#### Net sales

Basware Group's net sales for the review period amounted to EUR 127 674 thousand (EUR 123 349 thousand), growth of 3.5 percent. The growth of net sales in comparable currencies was 4.5 percent.

Network Services business grew well and software sales developed favorably in 2014. The share of recurring revenue of net sales continued to grow, accounting for 67.0 percent (63.8 %) during the financial period. The share of international operations grew and accounted for 61.6% (60.0%) of net sales.

## Information of products and services\*

EUR thousand

	1-12/2014	1-12/2013	Change
Network Services	33,237	27,829	19.4
Solution Services	94,437	95,520	-1.1
<b>Group total</b>	<b>127,674</b>	<b>123,349</b>	<b>3.5</b>
of which Licence sales	14,173	14,617	-3.0
Customer Support	44,493	43,512	2.3
Professional Services	27,930	30,069	-7.1
Automation Services	41,078	35,151	16.9

\* The breakdown of the net sales of the businesses has been adjusted with regard to previously reported comparison periods due to changes in the organization structure.

The net sales of Network Services amounted to EUR 33 237 thousand (EUR 27 829 thousand) during the review period, growth of 19.4 percent including the alliance fees of financing-related added value services. The growth of the Network Services transactions remained strong, up 30 per cent and over 78 million transactions were processed via Basware Commerce Network.

The growth in Network Services continued throughout 2014 and amounted to 19.4 percent. between over a million buyers and suppliers in over a hundred countries. Organic growth in transactions was at a good level during every quarter of the year. The net sales of the Solution Services business amounted to EUR 94 437 thousand (EUR 95 520 thousand), a decrease of 1.1 per cent. The utilization rate for billable consulting work was lower than expected which impacted the development of net sales. During 2014, we have migrated a number of existing customers to Alusta and secured a significant number of new Alusta customers. The demand for SaaS services has been good.

## Financial performance

Basware's operating profit for the period amounted to EUR 4 325 thousand (EUR 3 331 thousand). Operating profit represented 3.4 percent (2.7%) of net sales. The operating profit for the review period of the previous year included a non-recurring capital gain of EUR 1 540 thousand recorded as a result of the divestment of the Cashier Desk business and expenses totaling EUR 1 659 thousand due to the efficiency drive and termination of employment relationships.

The company's fixed costs were EUR 103 784 thousand (EUR 103 119 thousand) in the period, and have increased by 0.6 percent from the corresponding period the previous year. Personnel costs made up 74.9 percent (74.6%) or EUR 77 779 thousand (EUR 76 919 thousand) of the fixed costs. Bad debts and change in bad debt provision are included in fixed costs. Bad debt provision at the end of the period amounted to EUR 1 171 thousand (EUR 1 714 thousand).

The company's finance income and finance expenses were EUR 3 thousand (EUR -47 thousand) for the period. Result before tax was EUR 4 328 thousand (EUR 3 284 thousand) and result for the period was EUR 2 959 thousand (EUR 2 605 thousand) or 2.3 percent (2.1%) of net sales. Taxes for the period totaled EUR -1 368 thousand (EUR -678 thousand).

Undiluted earnings per share were EUR 0.22(EUR 0.20).

## Finance and investments

Basware Group's total assets on the balance sheet at the end of the period were EUR 168 898 thousand (EUR 127 043 thousand). The company's cash and cash equivalents were EUR 28 954 thousand (EUR 13 218 thousand). The improvement of the net cash flow from operations, EUR 14 912 thousand (EUR 3 578 thousand), resulted to a significant extent from a decrease in working capital. Net cash flows from investments were EUR -35 917 thousand (EUR -19 538 thousand) including a EUR 30 000 thousand short-term deposit. Net cash flows from financing activities were EUR 36 640 thousand (EUR -4 861 thousand) which was influenced in particular by the directed share issue that was carried out during the period.

Equity ratio was 82.7 percent (77.1%) and gearing was -38.6 percent (-4.7%). The company's interest-bearing liabilities totaled EUR 5 000 thousand (EUR 8 632 thousand), of which current liabilities accounted for EUR 3 333 thousand (EUR 3 618 thousand). Return on investment was 4.4 percent (3.9%) and return on equity 2.5 percent (2.6%).

Capital expenditure, resulting from regular additional and replacement investments required by the growth, was EUR 816 thousand (EUR 1 470 thousand) during the period. Gross investments including the capitalized research and development

costs totaled EUR 5 821 thousand (EUR 20 733 thousand). The investments during the corresponding period the previous year included one acquisition.

### **Research and development**

Basware's research and development expenses totaled EUR 17 680 thousand (EUR 18 148 thousand), or 13.8 percent (14.7%) of net sales during the review period. The expenses decreased by 2.6 percent compared to the corresponding period the previous year. Research and development expenses capitalized during the period amounted to EUR 4 274 thousand (EUR 3 607 thousand). The research and development costs included in the profit for the review period totaled EUR 13 406 thousand (EUR 14 541 thousand), or 10.5 percent (11.8%) of net sales. A total of 332 (370) people worked in R&D at the end of the period.

Basware's Financing Services will combine invoice automation with financing services for companies of all sizes via the Basware Commerce Network. In September Basware launched Basware Pay, a new type of a global e-payment solution offered in collaboration with MasterCard, as the first solution within Basware's Financing Services portfolio.

Additional information on the development of the Corporation's research and development expenses can be found from the financial statement's section Key Figures.

### **Personnel**

Basware employed 1 466 (1 485) people on average during the period. The share of personnel working in foreign units has increased compared with the previous year.

## Geographical division of personnel

	1-12/2014	1-12/2013	Change, %
Finland	482	510	-5.5 %
Scandinavia	134	131	2.3 %
Rest of Europe	291	265	9.8 %
India	492	506	-2.8 %
Other areas	67	73	-8.2 %
<b>Personnel Total</b>	<b>1,466</b>	<b>1,485</b>	<b>-1.3 %</b>

At the end of the period, 68.1 percent (65.5%) of Basware personnel worked outside of Finland and 31.9 percent (34.5%) in Finland. 11.7 percent (12.0%) of the personnel work in sales and marketing, 59.7 percent (58.4%) in consulting and services, 22.2 percent (23.7%) in products, and 6.4 percent (5.8%) in administration.

Statutory co-operation negotiations took place during the first quarter. The aim of the co-operation negotiations was to adjust the company's cost structure in declining business sectors, and to aim to better support company's business model as well as to improve company's competitiveness and profitability. As an outcome of the negotiations, permanent reductions were issued to 28 employees in total within Basware Corporation or its subsidiaries by the end of March 2014. Of this, 22 employees were affected within Finland.

The average age of employees is 34.9 (34.6) years. Of the employees, 21.6 percent (22.8%) have a Master's degree and 26.5 percent (28.1%) have a Bachelor's degree. Women account for 24.8 percent (23.3%) of employees, men for 75.2 percent (76.7%).

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

## 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 14 221 2290 (12 931 229).

The company's Annual General Meeting of February 14, 2014, authorized the Board of Directors of Basware to decide on the issue of new shares deviating from the shareholders' pre-emptive subscription rights. The company carried out a share issue of up to 1 290 000 new Basware shares to a limited number of international institutional investors in an accelerated book-built offering deviating from shareholders' pre-emptive subscription rights on September 4, 2014. The offered shares corresponded with approximately 9.98% of all Basware shares and votes before the share issue. The subscription price was set at EUR 33.50 per share, amounting to total proceeds of approximately EUR 43.2 million before commissions and expenses. The 1 290 000 shares issued were registered with the Finnish Trade Register on September 11, 2014.

### Shareholders

Basware had 13 675 (14 349) shareholders at the end of the period, including 12 nominee-registered holdings (11). Nominee-registered holdings accounted for 25.4 percent (11.7%) of the total number of shares. Basware Corporation holds 74 803 (75 815) of its own shares, corresponding to approximately 0.5 percent (0.6%) of the total number of shares.

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

### Share price and trading

During 2014, the highest price of the share was EUR 42.21 (EUR 25.60), the lowest was EUR 23.50 (EUR 16.75) and the closing price was EUR 41.05 (EUR 25.03). The average price of the share was EUR 35.65 (EUR 20.35) during the period.

A total of 4 792 273 (1 723 866) shares were traded during the period, equivalent to 36.1 percent (13.4%) of the average number of shares. Market capitalization with the period's closing price on December 31, 2014, was EUR 577 640 (EUR 321 771).

## GOVERNANCE

Esa Tihilä has acted as the CEO of the company from October 17, 2011. The Annual General Meeting on February 14, 2014 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 organization, 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 held on February 14, 2014, authorized the Board of Directors to decide on repurchasing a maximum of 1 290 000 company's own shares. The company's own shares shall be repurchased otherwise than in proportion to the holdings of the shareholders by using the non-restricted equity through public trading on a regulated market organized 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 June 30, 2015, and shall revoke the previous authorizations for repurchasing the company's own shares.

The Annual General Meeting decided to authorize the Board of Directors to decide on issuing new shares and/or conveying the company's own shares held by the company and/or granting special rights 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 1 365 815 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 prices of the new shares and the consideration payable for the company's own shares shall be recorded in full 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 June 30, 2015 and shall revoke the previous authorizations for share issues and granting of stock options and other special rights entitling to shares.

### Corporate Governance Statement

The company published its Corporate Governance Statement for 2014 that was composed in accordance with Recommendation 54 of the 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](http://www.basware.com/investors) and in the Annual Report 2014.

### RISKS AND UNCERTAINTY FACTORS

The world economy and markets are unstable, which has resulted in a decrease in the demand for solutions and services. The negotiation times of large international deals in particular are long because of the nature of service level agreements in

the deals.

Business management regularly monitors the payment of sales receivables as part of the management of customer accounts. There are no significant credit loss concentrations associated with the sales receivables; they are primarily comprised of a large number of relatively small receivables.

The development of Solution Services net sales is influenced by the utilization rate of consulting and delays in the entry of new SaaS services into production compared to the plans. The Alusta software and services are continuously developed in the Solution Services business area. The development work is associated with technical implementation risks that may influence the usability and quality of existing or new products.

Information security is an important and central part of Basware's operations. The market is developing all the time, and the requirement level related to information security changes rapidly, resulting in potential risks.

Basware invests in launching financing services business. This is a new business area for the company, and the associated possible risks include risks related to the functionality of new products, collaboration with business partners, and demand for the products.

The company aims to avoid wrong recruitments and excessive personnel turnover, which can lead to a decrease in customer satisfaction, growth and profitability, and continuously assesses the competence and well-being of the personnel as part of the HR processes.

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

Additional information on risks and risk management is available on the company's investor site [www.basware.com/investors](http://www.basware.com/investors).

## **ACQUISITIONS AND CHANGES IN GROUP'S STRUCTURE**

The group has not carried out any acquisitions and the Basware group's structure has not changed in 2014.

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

## **RESPONSIBILITY**

Basware is a forerunner in e-engagement and connected economy, through its purchase-to-pay and e-invoicing solutions. The company's open and global Basware Commerce Network has millions of business users in over 100 countries around the world.

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 EUR 577 640 thousand (321 771) 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 2014 at [www.basware.com/annualreport](http://www.basware.com/annualreport).

## **STRATEGY 2015–2018**

Basware updated its strategy according to its strategy process at the beginning of 2015. The key strategic objectives are: 250 million processed transactions and increasing the share of recurring revenue to over 80% of net sales during the fiscal year 2018. During the strategy period, the company will also pursue organic annual net sales growth of over 10 percent and an operating profit of over 10 percent from 2016 onwards.

Basware has a leading portfolio of global networked purchase-to-pay solutions spanning e-invoicing to innovative new financing services for organizations of all sizes.

The Network Services business is expected to grow strongly during the strategy period. Solution Services is expected to grow moderately and be strongly profitable, thus creating a strong foundation for the company's growth. Financing Services, launched in 2014, will further expand Basware's service offering. The business is expected to commence during the latter half of 2015.



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 strategy focuses on accelerating the growth of Basware Commerce Network and maximizing the number of transactions, creating new financing-related added value services and making them available through digital channels, as well as maintaining global market leadership in purchase-to-pay (P2P) solutions.

Network Services will focus on measures to maximize the number of transactions, which include new virtual operator partnerships and increasing the efficiency of supplier activation, as well as improving the availability of e-invoicing services through automation and more extensive utilization of digital marketing and sales channels. Basware will also continue to expand its network through acquisitions in line with its strategy.

The P2P offering and its delivery and sales organizations, which are the focus of the Solution Services business, have developed good readiness with Alusta technology. Basware will continue to deliver its P2P offering both as hosted SaaS and as an on-site license, the majority of the new business is expected to come from the SaaS model.

Basware's Financing Services deliver new and innovative services for companies of all sizes, combining invoice automation with financing services on the Basware Commerce Network for buyers and suppliers. Financing services will be provided in collaboration with selected partners. High volume and fast growth of transactions in Basware Commerce Network provide a strong foundation for offering real-time services that are more accessible, easy to use, and cost effective than the currently available alternatives.

Basware will continue to revise its sales and marketing model. Direct sales and marketing measures will be increasingly segmented according to carefully selected segments and companies. Basware will continue to expand the usage of multi-channelled digital services for marketing, selling and servicing its customers. Investments in obtaining channel partners and business support will continue.

The development of the solution and services portfolio is aiming to accelerate the go-live of cloud based solutions and e-invoicing and e-procurement services through product and process improvements, and to make them available online to improve efficiency and profitability.

## **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 2015 and the continuous demand 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. According to industry research, e-invoicing has become more common and the number of e-invoices has grown substantially in Europe and the rest of the world. The global market penetration of e-invoices is estimated to be some 10 percent. The growing e-invoicing market and companies' interest in other payment and financing added value solutions as well will offer excellent growth opportunities in future years.

### **Outlook 2015**

The global market growth in e-invoicing has been estimated to be approximately 20 percent. Achieving strong growth in the Basware Commerce Network continues to be the company's main objective. In accordance with our strategy, the company is pursuing growth in the network both organically and through mergers and acquisitions. The company will also invest in growth in the sales of Alusta software and services, as well as other sales. Development of the Financing Services business and financing services and solutions commenced in 2014 and will continue actively this year.

Basware is pursuing strong growth in Network Services by developing and automating the connection of buyers and suppliers to the e-invoicing service, by utilizing digital marketing and sales channels more extensively, and through acquisitions. In the Solution Services business, sales of Alusta are expected to have a positive effect on software net sales and professional services.

Basware's fixed costs are expected to develop moderately. Basware will invest more extensively in sales and marketing as well as research and development of new solutions and services in particular. The company will continue to improve its profit-making ability in its software business also this year by ensuring the efficient use of resources in Professional Services and improving the billing rate in relation to demand. The company will continue investments in the Network Services business to achieve accelerated growth by primarily developing automated solutions for sending and receiving e-invoices and new ways to achieve accelerated growth in sales.

Basware continues active analysis of acquisition targets especially in the e-invoicing market in Europe and in the U.S. according to its strategy. Decisions on additional investments required for growth will be made during the year as required by the market situation and development of business operations.

Basware expects its net sales and operating profit (EBIT) for 2015 to grow compared to 2014.

#### **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 2014, the Group parent company's distributable funds are 127 600 402.61 euros. Basware's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.10 per share (2013: EUR 0.23) be paid for 2014. There are no significant changes to the company's financial position after the review period. The company's liquidity is good and according to the Board's view, the proposed distribution does not risk the company's solvency.

The Board of Directors decided that the record date is February 17, 2015. The Board of Directors proposes to the Annual General Meeting that the dividend will be paid after the record date February 24, 2015.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

## 1.1.-31.12.2014

EUR thousand

	Notes	1.1.-31.12.2014	1.1.-31.12.2013	Change, %
<b>NET SALES</b>	<b>2</b>	<b>127,674</b>	<b>123,349</b>	<b>3.5</b>
Other operating income	3	260	1,915	-86.4
Materials and services	4	-12,796	-11,761	8.8
Employee benefits expenses	5	-77,779	-76,919	1.1
Depreciation and amortization	10.11	-7,029	-7,052	-0.3
Other operating expenses	6	-26,004	-26,200	-0.7
<b>Operating profit</b>		<b>4,325</b>	<b>3,331</b>	<b>29.8</b>
Financial income	7	1,154	928	24.3
Financial expenses	7	-1,151	-975	18.0
<b>Profit before tax</b>		<b>4,328</b>	<b>3,284</b>	<b>31.8</b>
Income tax expense	8	-1,368	-678	101.8
<b>PROFIT FOR THE PERIOD</b>		<b>2,959</b>	<b>2,605</b>	<b>13.6</b>
<b>Other comprehensive income</b>				
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</b>				
Exchange differences on translating foreign operations		-684	-2,638	-74.1
Income tax relating to components of other comprehensive income	8	-279	281	
<b>Other comprehensive income, net of tax</b>		<b>-963</b>	<b>-2,358</b>	<b>-59.2</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>1,996</b>	<b>247</b>	<b>708.2</b>
Profit attributable to:				
Owners of the parent		2,959	2,605	13.6
		<b>2,959</b>	<b>2,605</b>	<b>13.6</b>
Total comprehensive income attributable to:				
Owners of the parent		1,996	247	708.2
		<b>1,996</b>	<b>247</b>	<b>708.2</b>
Earnings per share				
Undiluted, EUR	9	0.22	0.20	11.4
Diluted, EUR	9	0.22	0.20	11.4

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

## 31.12.2014

### ASSETS

EUR thousand

	Notes	31.12.2014	31.12.2013	Change, %
<b>Non-current assets</b>				
Intangible assets	10	25,231	26,428	-4.5
Goodwill	10	50,317	50,996	-1.3
Tangible assets	11	1,387	1,431	-3.1
Available-for-sale investments	12	38	38	0.0
Trade and other receivables	14	724	947	-23.6
Deferred tax assets	16	4,377	3,680	18.9
<b>Non-current assets</b>		<b>82,074</b>	<b>83,520</b>	<b>-1.7</b>
<b>Current assets</b>				
Inventories	13	42	240	-82.4
Trade receivables	14	22,902	24,415	-6.2
Other receivables	14	33,204	3,121	964.0
Income tax receivables		1,605	2,529	-36.5
Cash and cash equivalents	15	28,954	13,218	119.1
<b>Current assets</b>		<b>86,707</b>	<b>43,522</b>	<b>99.2</b>
<b>TOTAL ASSETS</b>		<b>168,781</b>	<b>127,043</b>	<b>32.9</b>

## EQUITY AND LIABILITIES

EUR thousand

	Notes	31.12.2014	31.12.2013	Change, %
<b>Shareholders' equity</b>				
Share capital	18	3,528	3,528	0.0
Share premium account	18	1,187	1,187	0.0
Own shares	18	-1,156	-1,164	-0.7
Unrestricted equity reserve	18	104,381	61,748	69.0
Other reserves	18	540	540	0.0
Translation differences	18	-2,921	-1,958	49.2
Retained earnings	18	34,184	34,074	0.3
<b>Shareholders' equity</b>		<b>139,745</b>	<b>97,956</b>	<b>42.7</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	16	2,433	1,863	30.6
Interest-bearing liabilities	20.21	1,667	5,014	-66.8
Other non-current financial liabilities	19	315	127	148.1
<b>Non-current liabilities</b>		<b>4,415</b>	<b>7,004</b>	<b>-37.0</b>
<b>Current liabilities</b>				
Interest-bearing liabilities	20.21	3,333	3,618	-7.9
Trade payables and other liabilities	19	20,886	17,966	16.3
Income tax liabilities		403	499	-19.2
<b>Current liabilities</b>		<b>24,622</b>	<b>22,082</b>	<b>11.5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>168,781</b>	<b>127,043</b>	<b>32.9</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

## 1.1.-31.12.2014

EUR thousand

	1.1.-31.12.2014	1.1.-31.12.2013
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Profit for the period</b>	<b>2,959</b>	<b>2,605</b>
<b>Adjustments for profit</b>		
Depreciation and amortization	7,029	7,052
Proceeds from sale of non-current assets	0	-1,540
Unrealised foreign exchange gains and losses	-269	0
Finance income and expenses	223	48
Income taxes	1,368	678
Other non-cash items	108	-61
<b>Working capital changes</b>		
Change in inventories	198	-221
Change in trade and other receivables	1,978	-589
Change in trade and other payables	3,016	-830
Interest paid	-147	-200
Interest received	51	109
Other financial items in operating activities	-842	-425
Income taxes paid	-762	-3,047
<b>Net cash from operating activities</b>	<b>14,912</b>	<b>3,578</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchases of tangible and intangible assets	-6,517	-5,418
Acquisition of subsidiaries and businesses, net of cash acquired	0	-15,061
Proceeds from divestment of business	0	1,540
Short-term deposits	-30,000	0
Loans granted	0	-600
Repayment of loan receivables	600	0
<b>Net cash used in investing activities</b>	<b>-35,917</b>	<b>-19,538</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Share issue	43,215	0
Repayments of borrowings	-3,333	-1,667
Payment of finance lease liabilities	-284	-239
Dividends paid	-2,957	-2,955
<b>Net cash used in financing activities</b>	<b>36,640</b>	<b>-4,861</b>
<b>Net change in cash and cash equivalents</b>	<b>15,635</b>	<b>-20,821</b>
Cash and cash equivalents at the beginning of period	13,218	34,519
Net foreign exchange difference	101	-479
<b>Cash and cash equivalents at the end of period</b>	<b>28,954</b>	<b>13,218</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

## 1.1.-31.12.2014

EUR thousand

	Shareholders' capital	Share premium account	Own shares	Invested non- restricted equity	Other reserves	Translation differences	Retained earnings	Total
SHARE HOLDERS' EQUITY 1.1.2014	3,528	1,187	-1,164	61,748	540	-1,958	34,074	97,956
Comprehensive income						-963	2,959	1,996
Dividend distribution							-2,957	-2,957
Management incentive plan							108	108
Share issue				42,641				42,641
Changes in reporting period			8	-8				0
<b>SHARE HOLDERS' EQUITY 31.12.2014</b>	<b>3,528</b>	<b>1,187</b>	<b>-1,156</b>	<b>104,381</b>	<b>540</b>	<b>-2,921</b>	<b>34,184</b>	<b>139,745</b>

EUR thousand

	Shareholders' capital	Share premium account	Own shares	Invested non- restricted equity	Other reserves	Translation differences	Retained earnings	Total
SHARE HOLDERS' EQUITY 1.1.2013	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
<b>SHARE HOLDERS' EQUITY 31.12.2013</b>	<b>3,528</b>	<b>1,187</b>	<b>-1,164</b>	<b>61,748</b>	<b>540</b>	<b>-1,958</b>	<b>34,074</b>	<b>97,956</b>

# 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 [www.basware.com/about-us/investors](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, 2015. Shareholders may adopt or reject the financial statements at the Annual General Meeting.

## 1. ACCOUNTING PRINCIPLES

### Accounting principles

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, as well as IAS and IFRIC interpretations valid on December 31, 2014. The Group's 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.

### New and revised standards and interpretations

As of January 1, 2014, the Group has applied the following new and revised standards and interpretations:

- Amendments: IFRS 10, IFRS 12 and IAS 27 Consolidation – Investment entities.
- Amendment: IAS 39 Financial Instruments: Recognition and Measurement. Novation of derivatives and continuation of hedge accounting.
- IFRIC 21 Levies.

### Amendments that will enter into force the following year

The Group will adopt in 2015 the following standards and interpretations whose application is not yet compulsory in the financial statements.

- 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.

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. The amendments are not estimated to have 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

### 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.



- Amendment: IFRS 11 Joint Arrangements. The amendment requires the application of the principles of business combinations accounting when acquiring an interest in a joint operation that constitutes a business..
- IFRS 14 Regulatory Deferral Accounts. The standard allows rate-regulated entities to continue reporting regulatory deferral account balances in connection with the first-time adoption of IFRS. The standard is not estimated to have an effect on the Group's financial statements.
- Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortization. The amendment rebuts the revenue-based method of depreciating tangible assets and allows, to a limited extent, the application of revenue-based method of depreciation for intangible assets. The amendments are not estimated to have an effect on the Group's financial statements.
- Amendments to IAS 16 and IAS 41 Agriculture: IAS 16 Property, Plant and Equipment to be applied to plants meeting the criteria instead of IAS 41 Agriculture. The amendments are not estimated to have an effect on the Group's financial statements
- Amendment to IAS 27 Equity Method in Separate Financial Statements. The amendment allows the equity method as an accounting option for investments in subsidiaries and associates in an entity's separate financial statements. The amendment is not estimated to have an effect on the Group's financial statements
- Amendment to IFRS 10, IFRS 12 and IAS 28 Investment entities: Applying the Consolidation Exception. The amendment is not estimated to have an effect on the Group's financial statements.
- Amendment to IAS 1: Disclosure Initiative. The amendment encourages entities to assess the notes disclosed and their classification. The amendment is not estimated to have a significant effect on the consolidated financial statements.
- Amendment to IFRS 10 and IAS 28 Sale and Contribution of assets between an Investor and its associate or joint venture. The amendment is not estimated to have an effect on the Group's financial statements.
- IFRS 15 Revenue from Contracts with Customers. The standard includes a five-step model for revenue recognition. Revenue is recognised as control of the sold goods or service is passed to the customer. The recognition model includes clearly more detailed instructions than the currently valid IAS 11 Construction Contracts and IAS 18 Revenue. The requirements for notes are also considerably expanded. The Group is evaluating the impact of the standard.
- IFRS 9 Financial Instruments. IFRS 9 will completely replace the existing IAS 39 Financial Instruments: Recognition and Measurement: The initial measurement of financial instruments is made at fair value for all financial assets. Financial assets that are debt instruments and to which the fair value option is not applied are measured following initial recognition either at amortized cost or fair value, depending on the company's business model for the management of financial assets and contractual cash flows of the financial assets. As a rule, all equity instruments are measured at fair value following the initial measurement, either through profit or loss or through other comprehensive income. With regard to financial liabilities, the main amendment is that when applying the fair value option, the effect of changes in the entity's own credit risk on the fair value of the financial liability will be recognized through other comprehensive income. The group estimates that the amendments will not have a significant effect on the group's future financial statements.

Annual Improvements to IFRSs 2012-2014 The amendments are not estimated to have a significant effect on the consolidated financial statements. The amendments are presented below:

- IFRS 5: Non-current Assets Held for Sale: changes in methods of disposal do not change the classification
- IFRS 7: Financial Instruments: Disclosures: Servicing Contracts. A company can continue its involvement in a transferred financial asset if the company provides services related to the transferred financial assets.
- IFRS 7: Financial Instruments: Disclosures. The amendment rebuts the requirement for the disclosure of notes on offsetting in condensed interim financial statements. However, the notes shall be presented if there have been essential changes compared to the previous financial statements.
- IAS 19: Employee Benefits. According to the amendment, the assessment of the market depth of corporate bonds should be based on the currency in which the obligation is denominated, rather than the country where the obligation is located.
- IAS 34: Interim Reports: The IASB has clarified the content of the concept of 'elsewhere in the interim financial report'

### 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 reports revenue from products and services as follows: Network Services (e-Invoicing solutions and services) and Solution Services (software solutions and services). 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. 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. The alliance fees of financing-related added value services are recognised as revenue when the related obligations have been performed.

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. Maintenance revenue is allocated over the contract period.

Revenue and costs of fixed-price consulting projects 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 the project 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 project exceed the total revenue from the transaction, the expected loss is recognized as an expense immediately.

### **Other operating income**

Other operating income includes proceeds from the sale of business operations and property, plant and equipment, rental income, and public subsidies to the extent that they are not related to capitalized R&D projects.

### **Public subsidies**

Public subsidies are presented under other operating income for the financial period during which the corresponding costs are recognized through profit or loss. Subsidies related to capitalized R&D projects are disclosed on the balance sheet as adjustments to acquisition cost, and they are recognized in the form of lower depreciation over the useful life of the intangible right.

## Research and development costs

Research expenses are booked as an expense as they are incurred. Costs related to the adoption of new technology or development of a new generation of projects 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 commercial utilization. Maintenance of existing products and minor enhancements are recognized as they are incurred. 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.

## 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 and those intangible assets that have unlimited useful lives. 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.

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 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.

Customer accounts and technology acquired in business combinations are measured at fair value at the time of acquisition and depreciated over the useful life..

## Tangible assets

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.

## Foreign capital costs

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 financial assets are categorized as follows:

- Financial assets at fair value through profit or loss
- Held-to-maturity investments
- 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. Financial assets are classified as non-current assets if they mature in more than 12 months. If they are to be held for less than 12 months, they are disclosed as current assets. Financial assets measured at fair value through profit or loss are classified as current assets.

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. Derivatives that are not eligible for hedge accounting are classified as held for trading. The assets are valued at fair value at the balance sheet date, and the change in value is recognized under finance income on the income statement. The Group did not have assets measured specifically at fair value at the closing date.

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

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity. They are measured at amortized cost using the effective rate method.

### **Loans and other receivables**

Loan receivables 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. Loan receivables and other receivables are valued at amortized cost using the effective rate method. They are included in current or non-current loan receivables, trade receivables and other receivables category on the balance sheet in accordance with their nature.

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

Available-for-sale financial assets are non-derivative financial assets specifically designated to this group or not categorized otherwise. 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**

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. 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, financial liabilities, excluding derivative liabilities, are valued at amortized cost using the effective interest method. Financial liabilities are classified as non-current liabilities if they mature in more than 12 months. Liabilities maturing in less than 12 months are classified as current.

### **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.

### **Pension benefit liabilities**

The Group has exclusively defined contribution pension arrangements, and the related payments are expensed in the year they are incurred.

### **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**

Income taxes comprise of tax based on the taxable income for the financial year and deferred taxes. Taxes 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 taxable income are recorded according to the local tax rules of each country using the tax rate in force.

Deferred taxes are calculated from all temporary differences between the carrying amount and taxable value at the tax rates confirmed at the closing date. 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. 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. Deferred tax liabilities are wholly included on the balance sheet in other cases. A deferred tax asset is recognized to the extent that it is likely that there will be future taxable income against which it is deductible. The requirements for the recognition of deferred tax assets are reassessed at each closing date.

### **Shareholders' equity**

Costs related to the issue or purchase of equity instruments are recorded as a reduction of shareholders' equity.

Treasury share repurchase and conveyance are presented under shareholders' equity.

### **Accounting principles requiring management's consideration and key uncertainties relating to the estimates t**

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.

The most significant estimates included in the financial statements are related to measurement of goodwill and other intangible assets (Note 10), current sales receivables (Note 14), utilization of deferred tax assets (Note 16) and capitalization of product development expenses (Note 6).

## 2. OPERATING SEGMENTS

Basware'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: Network Services (e-Invoicing solutions and services) and Solution Services (software solutions and services). In addition to this, the company reports revenue from products and services in tabulated format according to the breakdown of the previous reporting practice: License Sales, Customer Support, Professional Services, and Automation Services. In accordance with the previous practice, Customer Support and Automation Services together form the recurring revenue reported by the company.

Network Services revenue is comprised of e-Invoicing, paper invoice scanning services, printing service, catalog exchange, purchase message exchange, activation services, and alliance fees of e-invoicing services and financing-related added value services.

Solution Services revenue is comprised of software revenue (SaaS revenue and license sales), software maintenance and extended customer support services (customer support), Professional Services, and start-up fees of SaaS 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. 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 net sales and operating result are also reported by the location of the assets. In addition, the geographical information of non-current assets is reported by the location of the assets

### Net sales by products and services

EUR thousand

	1.1.-31.12.20134	1.1.-31.12.2013
Network Services	33,237	27,829
Solution Services	94,437	95,520
<b>Group total</b>	<b>127,674</b>	<b>123,349</b>
of which Licence sales	14,173	14,617
Customer Support	44,493	43,512
Professional Services	27,930	30,069
Automation Services	41,078	35,151

### Net sales by customer location

EUR thousand

	1.1.-31.12.2014	1.1.-31.12.2013
Finland	48,978	49,324
Scandinavia	26,216	25,928
Europe	37,020	34,453
Others	15,459	13,643
<b>Total</b>	<b>127,674</b>	<b>123,349</b>

### Net sales by geographical area

EUR thousand

	31.12.2014	31.12.2013
Finland	73,353	64,570
Scandinavia	26,175	25,351
Europe	36,499	36,768
Others	14,425	11,899
Sales between areas	-22,778	-15,239
<b>Total</b>	<b>127,674</b>	<b>123,349</b>

### Operating result by geographical area

EUR thousand

	31.12.2014	31.12.2013
Finland	514	887
Scandinavia	1,583	2,348
Europe	2,890	326
Others	723	362
Operating result between areas	-1,385	-592
<b>Total</b>	<b>4,325</b>	<b>3,331</b>

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

EUR thousand

	31.12.2014	31.12.2013
Finland	39,534	39,680
Scandinavia	7,761	8,607
Europe	28,574	29,463
Others	1,829	2,091
<b>Total</b>	<b>77,697</b>	<b>79,840</b>



### 3. OTHER OPERATING INCOME

EUR thousand

	1.1.-31.12.2014	1.1.-31.12.2013
Income from sale of businesses	0	1,540
Other operating income	260	375
<b>Other operating income</b>	<b>260</b>	<b>1,915</b>

Cashier Desk business divestment is included into comparative information.

### 4. MATERIALS AND SERVICES

EUR thousand

	1.1.-31.12.2014	1.1.-31.12.2013
Purchases during the period	-9,900	-9,855
Increase / decrease in inventories	-197	221
External services	-2,699	-2,127
<b>Materials and services</b>	<b>-12,796</b>	<b>-11,761</b>

### 5. PERSONNEL AND EMPLOYEE BENEFITS EXPENSE

	1.1.-31.12.2014	1.1.-31.12.2013
Finland	482	510
Scandinavia	134	131
Rest of Europe	291	265
India	492	506
Other areas	67	73
<b>Personnel Total</b>	<b>1,466</b>	<b>1,485</b>

### Employee benefits expenses

EUR thousand

	1.1.-31.12.2014	1.1.-31.12.2013
Salaries and fees	-63,487	-62,003
Pension expenses, defined benefit plans	-6,629	-7,134
Share-based incentive plans	-296	-201
Other employee benefits	-7,367	-7,581
<b>Employee benefits expenses</b>	<b>-77,779</b>	<b>-76,919</b>

## Key management compensation

EUR thousand

	1.1.-31.12.2014	1.1.-31.12.2013
Salaries and other short-term employee benefits	-1,640	-2,244
Post-employment benefits	0	-450
Share-based payments	-296	-201
<b>Management compensation</b>	<b>-1,936</b>	<b>-2,895</b>

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

## Management and Board salaries, fees and benefits

EUR thousand

	1.1.-31.12.2014	1.1.-31.12.2013
<b>CEO of parent company</b>		
Esa Tihilä	-300	-344
<b>Compensation of the members of the Board of Directors</b>		
Hannu Vaajoensuu	-59	-60
Pentti Heikkinen	-31	-32
Ilkka Sihvo	-36	-36
Eeva Sipilä (until 14 February 2013)	0	-4
Tuija Soanjärvi	-31	-27
Anssi Vanjoki	-31	-32
<b>Total</b>	<b>-488</b>	<b>-535</b>

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The salary of CEO Esa Tihilä, including benefits, totaled EUR 300 thousand (EUR 344 thousand) for the period January 1 - December 31, 2014. Salary in money was EUR 286 thousand (EUR 288 thousand) and fringe benefits totaled EUR 14 thousand (EUR 12 thousand). The accrued pension costs of Esa Tihilä amounted to EUR 58 thousand (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.

## **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 111 742 Basware Corporation shares (including also the proportion to be paid in cash) and totalling 167 614 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 incentives was given to the key personnel 2014 according to The Boad of Directors' decisions.

## Share-based incentive plan

2011

Basic values	
Maximum number of shares	47,175
Maximum amount of cash	47,175
Date of issue	14.3.2011
Beginning of earning period	14.3.2011
End of earning period	31.12.2013
Vesting conditions	Working commitment
Criteria	EPS
Form of the reward	Shares and cash
Number of persons, date of issue	12
Share price, date of issue	24.25
The annual expected dividends, fair value	0.82
Closing share price 31.12.2011	16.45
Closing share price 31.12.2012	20.25
Closing share price 31.12.2013	25.03
Fair value 31.12.2011	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

	2012 Annual vesting *	2013 Annual vesting	2014 Annual vesting
Basic values			
Maximum number of shares	35,533		
Maximum amount of cash	35,533		
Maximum number of shares	37,553	33,417	32,562
Maximum amount of cash	37,553	33,417	32,562
Date of issue	16.2.2012	14.2.2013	24.2.2014
Beginning of earning period	16.2.2012	14.2.2013	1.3.2014
End of earning period	31.12.2014	31.12.2015	31.12.2016
Vesting conditions	Working commitment	Working commitment	Working commitment
Criteria	Net sales	Net sales	Net sales
Form of the reward	Shares and cash	Shares and cash	Shares and cash
Number of persons, date of issue	11	25	25
Share price, date of issue	18.53	20.3	29.91
The annual expected dividends, fair value	1.37	1.37	1.37
Closing share price 31.12.2012	20.25		
Closing share price 31.12.2013	25.03	25.03	
Closing share price 31.12.2014	41.05	41.05	41.05
Fair value 31.12.2012	230,578		
Fair value 31.12.2013	223,866	61,013	
Fair value 31.12.2014	232,233	96,489	543,837
Recognized liability, cash portion	163,772	43,081	98,779

## Share-based incentive plan

	2014 Annual vesting	2014 Annual vesting
<b>Basic values</b>		
Maximum number of shares	2,500	750
Maximum amount of cash	2,500	750
Date of issue	26.11.2014	24.11.2014
Beginning of earning period	26.11.2014	24.11.2014
End of earning period	1.9.2015	1.1.2016
Vesting conditions	Working commitment	Working commitment
Criteria		
Form of the reward	Shares and cash	Shares and cash
Number of persons, date of issue	5	1
Share price, date of issue	40.99	40.85
The annual expected dividends, fair value	1.37	1.37
Closing share price 31.12.2014	41.05	41.05
Fair value 31.12.2014	104,385	31,316
Recognized liability, cash portion	7,724	1,696

## Share-based incentive plan

	2012 Fixed vesting *	2013 Fixed vesting *
<b>Basic values</b>		
Maximum number of shares	97,145	0
Maximum amount of cash	97,145	0
Maximum number of shares		83,127
Maximum amount of cash		83,127
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
Criteria	EPS	EPS
Form of the reward	Shares and cash	Shares and cash
Number of persons, date of issue	11	10
Share price, date of issue	18.53	20.3
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
Closing share price 31.12.2014		41.05
Fair value 31.12.2012	545,126	
Fair value 31.12.2013		
Fair value 31.12.2014		
Recognized liability, cash portion	10,587	

## Share-based incentive plan

### 2012 Matching of shares \*

Basic values	
Maximum number of shares	2,697
Maximum amount of cash	0
Maximum number of shares	4,869
Maximum amount of cash	0
Maximum number of shares	2,562
Maximum amount of cash	0
Date of issue	16.2.2012
Beginning of earning period	16.2.2012
End of earning period	31.12.2015
Vesting conditions	Working commitment
Criteria	Number of deposited shares
Form of the reward	Shares
Number of persons, date of issue	11
Share price, date of issue	18.53
The annual expected dividends, fair value	1.37
Closing share price 31.12.2012	20.25
Closing share price 31.12.2013	25.03
Closing share price 31.12.2014	41.05
Fair value 31.12.2012	41,652
Fair value 31.12.2013	75,197
Fair value 31.12.2014	39,568

\* 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.

## 6. OTHER OPERATING EXPENSE

EUR thousand

	1.1.-31.12.2014	1.1.-31.12.2013
<b>Other operating expenses</b>		
Rents	-3,972	-4,110
Non-statutory employee benefits	-842	-1,270
Travel	-3,737	-4,373
Marketing	-4,432	-4,310
IT and telephone	-2,037	-2,184
Recognition of doubtful trade receivables	15	-563
Auditor fees and other services	-352	-428
Other expenses	-10,647	-8,962
<b>Other operating expenses total</b>	<b>-26,004</b>	<b>-26,200</b>
<b>Auditor fees and other services</b>		
Audit fees	-231	-245
Tax advices	-96	-120
Other fees and services	-25	-64
<b>Audit fees total</b>	<b>-352</b>	<b>-428</b>
<b>Research and Development expenses</b>		
Research and development expenses	-13,406	-14,541
Capitalized development expenses	-4,274	-3,607
<b>Research and development expenses total</b>	<b>-17,680</b>	<b>-18,148</b>

## 7. FINANCIAL INCOME AND EXPENSES

EUR thousand

	1.1.-31.12.2014	1.1.-31.12.2013
<b>Finance income</b>		
Currency derivatives, no hedge accounting	20	0
Interest income	51	90
Other financial income	1,083	837
<b>Total</b>	<b>1,154</b>	<b>928</b>
<b>Finance expenses</b>		
Interest rate derivatives, no hedge accounting	-12	-14
Interest expenses	-134	-200
Other finance expenses	-1,006	-761
<b>Total</b>	<b>-1,151</b>	<b>-975</b>
<b>Finance income and expenses total</b>	<b>3</b>	<b>-47</b>

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.-31.12.2014	1.1.-31.12.2013
Exchange differences included in net sales	34	30
Exchange differences included in purchases and expenses	-93	219
Foreign exchange gains	1,083	837
Foreign exchange losses	-1,100	-761
<b>Exchange differences recognized on income statement</b>	<b>-76</b>	<b>325</b>

### 8. INCOME TAXES

EUR thousand

	1.1.-31.12.2014	1.1.-31.12.2013
Income tax on operations	-1,120	-911
Tax for previous accounting periods	-448	-455
Change in deferred tax liabilities and tax assets	200	688
<b>Income tax</b>	<b>-1,368</b>	<b>-678</b>

### Tax rate reconciliation

EUR thousand

	1.1.-31.12.2014	1.1.-31.12.2013
Profit before taxes	4,328	3,284
Tax calculated at domestic tax rate	-866	-804
Tax for previous years	-448	-455
Effect of different tax rates of foreign subsidiaries	-363	135
Effect of change in tax rate	7	-161
Non-deductible expenses	-229	86
Other	34	346
Income not subject to tax	6	0
Application of loss from previous year	305	-196
Deductible expenses not included in the accounting profit	176	0
Unrecognized deferred tax assets from tax losses	10	0
Reassessment of deferred tax assets		371
<b>Income taxes</b>	<b>-1,368</b>	<b>-678</b>

For more information on deferred tax assets and liabilities, refer to Note 16.

### Taxes relating to other comprehensive income

EUR thousand

	1.1.-31.12.2014	1.1.-31.12.2013
Taxes on foreign exchange gains from net investments	-279	281



## 9.EARNINGS PER SHARE

EUR thousand

	1.1.-31.12.2014	1.1.-31.12.2013
Profit for the period	2,959	2,605
<b>Average sharenumber, 1,000 pieces</b>		
undiluted	13,286	12,849
diluted	13,298	12,849
<b>Earnings per share</b>		
Undiluted, EUR	0.22	0.20
Diluted, EUR	0.22	0.20

## 10. GOODWILL AND OTHER INTANGIBLE ASSETS

### Goodwill

EUR thousand

	2014	2013
Acquisition cost 1.1.	50,996	41,896
Translation difference	-679	-1,216
Additions	0	10,316
<b>Acquisition cost 31.12.</b>	<b>50,317</b>	<b>50,996</b>
<b>Acquisition cost 31.12.</b>	<b>50,317</b>	<b>50,996</b>

### Goodwill comprises of the following arrangements:

EUR thousand

	Goodwill
Momentum Doc, AB (2002)	1,042
locore AS (2005)	2,896
Trivet Oy (2005)	669
Analyste Oyj (2006)	13,869
Digital Vision Technologies Ltd. (2007)	7,484
Contempus AS (2008)	4,517
Itella Information AS (2009)	448
First Businesspost GmbH (2012)	9,076
Certipost (2013)	10,316
<b>Total</b>	<b>50,317</b>

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

## Cash generating unit

EUR thousand

	Goodwill
Basware Oyj	21,045
Basware AB	521
Basware AS	6,413
Basware UK	7,484
Basware GmbH	4,538
Basware NV	10,316
<b>Total</b>	<b>50,317</b>

Goodwill has been tested for impairment in the last quarter of 2014, and the discount rate used in the impairment testing varies between countries from 9.48 to 12.00 percent and is 9.48 percent (Basware Corporation), 9.62 percent (Basware AB), 11.37 percent (Basware AS), 11.24 percent (Basware UK), 9.80 percent (Basware GmbH), and 12.00 percent (Basware NV). The recoverable amount evaluated in the impairment test is based on the 2015 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 2015, after which the costs are at the previous year's level.

If, in addition to the zero-growth scenario, the discount rate was increased by 1.5% for each unit tested, this would leave to Basware UK's value in use being lower than the accounting value of the unit's assets tested (GBP 5.3m vs. GBP 5.8m). Should the assumptions of the zero-growth scenario materialize in Basware UK together with the higher discount rate (+1.5%) used in the sensitivity analysis, this would constitute a situation with indications of impairment. If the value in use according to testing for impairment of goodwill performed at this time was lower than the accounting value of the unit's assets tested, the impairment would be recognized as a cost in the income statement and would be primarily allocated to goodwill on the balance sheet.

## Intangible assets 2014

EUR thousand

	Development costs	Intangible rights **	Other intangible assets	Assets, unfinished projects*	Total
Acquisition cost 1.1	23,066	28,393	565	6,054	58,078
Translation difference (+/-)	-69	-465	1		-533
Additions		411	46	4,548	5,005
Acquisitions through business combinations					
Reclassifications between items	1,146	781		-1,927	0
<b>Acquisition cost 31.12</b>	<b>24,143</b>	<b>29,120</b>	<b>612</b>	<b>8,675</b>	<b>62,550</b>
Cumulative amortization 1.1	-14,052	-17,307	-291		-
Translation difference (+/-)	69	428			496
Amortization	-3,238	-2,878	-49		-6,165
<b>Cumulative amortization 31.12</b>	<b>-17,222</b>	<b>-19,758</b>	<b>-340</b>	<b>0</b>	<b>-</b>
					<b>37,320</b>
<b>Book value 31.12.2014</b>	<b>6,922</b>	<b>9,362</b>	<b>272</b>	<b>8,675</b>	<b>25,231</b>

\* Asset group Unfinished investments has been removed from asset group Intangible rights to asset group Asset, unfinished projects. Comparative information from year 2013 has been changed accordingly.

\*\* Asset group Intangible rights, finance lease has been joined to asset group Intangible rights. Comparative information from year 2013 has been changed accordingly. There are no financial lease items at the balance sheet date 31.12.2014.

## Intangible assets 2013

EUR thousand

	Development costs	Intangible rights**	Other intangible assets	Assets, unfinished projects*	Total
Acquisition cost 1.1	22,100	23,852	538	3,104	49,595
Translation difference (+/-)	-127	-836	-5		-968
Additions	361	726	32	3,677	4,800
Acquisitions through business combinations		4,651			4,651
Reclassifications between items	732			-732	0
<b>Acquisition cost 31.12</b>	<b>23,066</b>	<b>28,393</b>	<b>565</b>	<b>6,054</b>	<b>58,078</b>
Cumulative amortization 1.1	-10,845	-15,331	-250		-
Translation difference (+/-)	124	736	1		861
Amortization	-3,331	-2,713	-41		-6,085
<b>Cumulative amortization 31.12</b>	<b>-14,052</b>	<b>-17,307</b>	<b>-291</b>		<b>-</b>
					<b>31,650</b>
<b>Book value 31.12.2013</b>	<b>9,014</b>	<b>11,295</b>	<b>274</b>	<b>5,844</b>	<b>26,428</b>

## 11. TANGIBLE ASSETS

### Tangible assets 2014

EUR thousand

	Machinery and equipment	Machinery and equipment, finance lease	Other tangible assets	Total
Acquisition cost 1.1	9,137	134	106	9,377
Translation difference (+/-)	12	-3		9
Additions	808		8	816
Acquisitions through business combinations				
Decreases	-7			-7
<b>Acquisition cost 31.12</b>	<b>9,950</b>	<b>131</b>	<b>114</b>	<b>10,195</b>
Cumulative amortization 1.1	-7,812	-134		-7,946
Translation difference (+/-)	-8	3		-5
Decreases	7			7
Amortization	-864			-864
<b>Cumulative amortization 31.12</b>	<b>-8,677</b>	<b>-131</b>	<b>0</b>	<b>-8,808</b>
<b>Book value 31.12.2014</b>	<b>1,273</b>	<b>0</b>	<b>114</b>	<b>1,387</b>

## 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
<b>Acquisition cost 31.12</b>	<b>9,137</b>	<b>134</b>	<b>106</b>	<b>9,377</b>
Cumulative amortization 1.1	-6,789	-140		-6,929
Translation difference (+/-)	-58	6		-52
Decreases	2			2
Amortization	-966			-966
<b>Cumulative amortization 31.12</b>	<b>-7,812</b>	<b>-134</b>	<b>0</b>	<b>-7,946</b>
<b>Book value 31.12.2013</b>	<b>1,325</b>	<b>0</b>	<b>106</b>	<b>1,431</b>

## 12. AVAILABLE-FOR-SALE ASSETS

EUR thousand

	31.12.2014	31.12.2013
Acquisition cost 1.1.	38	38
<b>Acquisition cost 31.12</b>	<b>38</b>	<b>38</b>

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

## 13. INVENTORIES

EUR thousand

	31.12.2014	31.12.2013
Raw materials and consumables	42	240
<b>Inventories total</b>	<b>42</b>	<b>240</b>

FIFO principle has been applied in the measurement of inventories.

## 14. TRADE AND OTHER RECEIVABLES

EUR thousand

	1.1.-31.12.2014	1.1.-31.12.2013
<b>Non-current receivables</b>		
Other non-current receivables	724	947
<b>Non-current receivables total</b>	<b>724</b>	<b>947</b>
<b>Current receivables</b>		
Trade receivables	22,902	24,415
Short term deposits	29,979	0
Other receivables	141	188
Prepaid expenses and accrued income	3,065	2,333
Loan receivables		600
Derivatives, non-hedge accounting, level 2	20	0
<b>Current receivables total</b>	<b>56,106</b>	<b>27,536</b>

The fair values of financial assets and liabilities are presented in Note 21.

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 18.

## The ageing analysis of trade receivables and impairment

EUR thousand

	2014	Impairment loss	Net 2014	2013	Impairment loss	Net 2013
Non-overdue sales receivables	15,252			13,966		13,966
Overdue sales receivables						
1-180 days	7,159			9,667		9,667
181- 360 days	984	-492	492	1,564	-782	782
Over 360 days	678	-678	0	932	-932	0
<b>Total</b>	<b>24,073</b>	<b>-1,171</b>	<b>22,903</b>	<b>26,129</b>	<b>-1,714</b>	<b>24,415</b>

## 15.CASH AND CASH EQUIVALENTS

EUR thousand

	31.12.2014	31.12.2013
Cash and cash equivalents	28,954	13,218
<b>Cash and cash equivalents</b>	<b>28,954</b>	<b>13,218</b>

## 16. DEFERRED TAX ASSETS AND LIABILITIES

### Deferred tax assets 2014

EUR thousand

	1.1.2014	In income statement	Period change, recorded in equity	31.12.2014
Losses	3,522	349		3,871
Other items	158	205	143	506
<b>Total</b>	<b>3,680</b>	<b>554</b>	<b>143</b>	<b>4,377</b>

### Deferred tax assets 2013

EUR thousand

	1.1.2013	In income statement	Period change, recorded in equity	31.12.2013
Losses	2,265	1,257		3,522
Other items	278	-120		158
<b>Total</b>	<b>2,543</b>	<b>1,137</b>		<b>3,680</b>

### Deferred tax liabilities 2014

EUR thousand

	1.1.2014	In income statement	Exchange rate difference	31.12.2014
Allocation of fair value on purchases	1,863	581	-11	2,433
<b>Total</b>	<b>1,863</b>	<b>581</b>	<b>-11</b>	<b>2,433</b>

### Deferred tax liabilities 2013

EUR thousand

	1.1.2013	In income statement	Exchange rate difference	31.12.2013
Allocation of fair value on purchases	1,493	378	-8	1,863
<b>Total</b>	<b>1,493</b>	<b>378</b>	<b>-8</b>	<b>1,863</b>

The Group has a total of EUR 3 871 thousand (EUR 3 522 thousand) of deferred tax assets for unutilized tax losses of subsidiaries, of which EUR 681 thousand will expire during 2025–2027, 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 349 thousand (EUR 371 thousand) net were additionally recognized during the financial period for unutilized tax losses accumulated in previous years. The Group has total EUR 1059 thousand unutilized tax credit and losses from which deferred tax assets has not been recognised. Total EUR 296 thousand will expire 2019 and rest during 2025-2027.

## 17. MANAGEMENT OF FINANCIAL RISKS

The company's international business involves 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 4.5% (10.0%) in local currency terms during 2014.

The Group's main currency is Euro, accounting for approximately 63 percent of net sales in 2014 (approximately 64% in 2013). In addition to the euro area, Basware operates in various areas, the most significant of them being Norway, Sweden, the United States, the United Kingdom, and Australia in 2014. 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 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, and the company therefore did not hedge these cash flows against exchange rate fluctuations. The company made a short-term DKK-denominated deposit of EUR 29 979 thousand during the financial period and hedged it against exchange rate fluctuations through a currency swap.

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 other comprehensive income.

A sensitivity analysis of currency risk would have had an impact of EUR +/- 0.8 million (EUR 0.7 million) on the profit before tax at the closing date, 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 at the closing date.

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 2014

EUR thousand

	USD	AUD	GBP	SEK	DKK	NOK	RON
Non-current assets	126	186	414	1,085	85	1,401	116
Current assets							
Cash and cash equivalents	2,226	1,629	342	897	342	1,302	259
Trade and other receivables	2,401	1,671	2,090	1,610	30,974	1,600	67
Current liabilities							
Non-interest bearing liabilities	422	448	1,076	1,236	710	1,411	141



## Nominal values 2013

EUR thousand

	USD	AUD	GBP	SEK	DKK	NOK	RON	INR
Non-current assets	52	151	393	1,157	63	1,583	42	0
Current assets								
Cash and cash equivalents	1,132	206	184	508	155	1,806	19	1
Trade and other receivables	2,173	1,264	2,705	1,633	1,041	1,553	150	0
Current liabilities								
Non-interest bearing liabilities	441	325	838	1,204	586	1,262	77	0

## Interest rate risk

The company had a total of EUR 5.0 million (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 at the end of 2012 to partly fund the acquisition of Certipost's network and e-Invoicing business. The loan is 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 average interest rate of loans was 1.4 percent (1.4%).

The average balances of the variable rate loans realized during the period have been used in the sensitivity analysis. At the closing date, the effect of variable rate interest-bearing liabilities on profit before taxes would have been +/- EUR 61 thousand (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, payment traffic, and overdraft facilities. The Group's liquidity remained good during the financial year. The company's financial assets included a short-term deposit of EUR 29 979 thousand (EUR 0 thousand).

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. The company did not have financial lease liabilities at the closing date.

## Maturity distribution of financial liabilities 2014

EUR thousand

	Balance sheet value	Cash flow	0-6 months	6 months - 1 year	1-5 year
Bank Loans	5,000	5,038	1,690	1,679	1,668
Finance lease	0	0	0	0	0
Trade and other payables	21,318	21,318	21,003	0	315
<b>Total</b>	<b>26,318</b>	<b>26,356</b>	<b>22,693</b>	<b>1,679</b>	<b>1,983</b>

### 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
<b>Total</b>	<b>26,710</b>	<b>26,847</b>	<b>19,810</b>	<b>1,866</b>	<b>5,171</b>

### Credit risks

The company's sales receivables are spread to a vast clientele and do not include significant credit risks. Business management regularly monitors the payment of sales receivables as part of the management of customer accounts. 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 14.

### 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 resolutions of the Annual General Meeting and the authorizations of the Board of Directors are presented in the Annual Report. Additional information on the share and share issue is presented under Share and Shareholders.

The company's objective is to maintain a strong equity ratio and a moderate gearing ratio. The company's equity ratio is 82.7% (77.1%) and gearing ratio is -38.6% (-4.7%).

## 18. SHAREHOLDERS' EQUITY

### Shareholders' Equity 2014

EUR thousand

	Shareholders' equity	Share premium account	Invested non-restricted equity	Other reserves	Own shares	Total
31.12.2013	3,528	1,187	61,748	540	-1,164	65,839
Share issue			42,641			42,641
Decrease of treasury shares			-8		8	0
<b>31.12.2014</b>	<b>3,528</b>	<b>1,187</b>	<b>104,381</b>	<b>540</b>	<b>-1,156</b>	<b>108,480</b>

## Shareholders' Equity 2014

EUR thousand

	Shareholders' equity	Share premium account	Invested non-restricted equity	Other reserves	Own shares	Total
31.12.2012	3,528	1,187	61,799	540	-1,215	65,839
Decrease of treasury shares			-51		51	0
<b>31.12.2013</b>	<b>3,528</b>	<b>1,187</b>	<b>61,748</b>	<b>540</b>	<b>-1,164</b>	<b>65,839</b>

## Number of shares

	2014	2013
Number of outstanding shares 1.1.	12,855,414	12,848,521
Share issue (+)	1,290,000	0
Incentive plan (-)	1,012	6,893
Number of outstanding shares 31.12	14,146,426	12,855,414
Treasury shares 1.1.	75,815	82,708
Incentive plan (-)	1,012	6,893
Treasury shares 31.12.	74,803	75,815

## 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 dividend of EUR 0.10 per share be paid. A dividend of EUR 0.23 per share was paid for 2013.

## 19. TRADE AND OTHER LIABILITIES

EUR thousand

	31.12.2014	31.12.2013
<b>Long-term trade and other liabilities</b>		
Other liabilities	314	127
<b>Long-term trade and other liabilities total</b>	<b>314</b>	<b>127</b>
<b>Short-term trade and other liabilities</b>		
Trade liabilities	2,604	1,770
Accrued expenses and deferred income	14,322	12,143
Other liabilities	3,961	4,053
<b>Short-term trade and other liabilities total</b>	<b>20,886</b>	<b>17,966</b>

The fair value of financial assets and liabilities are presented in Note 21.

Accrued expenses includes personnel related expenses EUR 9,798 thousand (EUR 7,163 thousand).

## 20. FINANCE LEASE LIABILITIES

EUR thousand

	31.12.2014	31.12.2013
Short-term finance leases, interest-bearing	0	284
<b>Finance lease liabilities</b>	<b>0</b>	<b>284</b>
Finance lease liabilities - minimum rentals		
Within a year	0	281
Minimum rentals	0	281
Future financing costs related to leasing agreements	0	3
<b>Finance lease liabilities</b>	<b>0</b>	<b>284</b>
Present value of minimum rentals		
Within a year	0	284
<b>Future minimum lease payments at present value</b>	<b>0</b>	<b>284</b>

## 21. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

EUR thousand

	Note	2014 Book value	2014 Fair value	2013 Book value	2013 Fair value
<b>Financial assets</b>					
Non-current					
Available-for-sale financial assets					
Unlisted shares	12	38	38	38	38
Loan and other receivables					
Non-current trade and other receivables	14	724	724	947	947
Current					
Financial assets at fair value through profit or loss					
Currency derivatives	14	20	20	0	0
Loan and other receivables					
Short-term deposits	14	29,979	29,979	0	0
Trade and other receivables	14	26,107	26,107	27,536	27,536
Cash and cash equivalents	15	28,954	28,954	13,218	13,218
<b>Financial liabilities</b>					
Non-current					
Financial loans measured at amortized cost					
Loans from financial institutions, interest-bearing		1,667	1,667	5,000	5,000
Financial lease liabilities, interest-bearing	20	0	0	0	0
Current					
Financial liabilities at fair value through profit or loss					
Interest rate derivatives		12	12	14	14
Financial liabilities - financial liabilities valued at amortized acquisition cost					
Loans from financial institutions, interest-bearing		3,333	3,333	3,333	3,333
Financial lease liabilities, interest-bearing	20	0	0	214	214
Trade and other payables	19	20,886	20,886	17,966	17,966

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\*non-hedge accounting, level 2

No transfers between the levels took place during the financial period. In determining 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.

#### **Derivatives**

The fair value of derivatives is determined on the basis of available market information.

#### **Financial liabilities**

The floating interest rates of bank 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 17.

The group does not have any held-to-maturity investments.

## 22.COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand

	31.12.2014	31.12.2013
Own guarantees		
Business mortgage of own debt	1,200	1,200
Guarantees	205	0
Commitments on behalf of subsidiaries		
Guarantees	37	31
Lease liabilities		
Current lease liabilities	992	1,012
Lease liabilities maturing in 1- 5 years	1,014	820
<b>Total</b>	<b>2,006</b>	<b>1,831</b>
Rental liabilities		
Current rental liabilities	5,365	4,001
Rental liabilities maturing in 1- 5 years	7,584	3,738
Rental liabilities maturing over 5 years	2,037	0
<b>Total</b>	<b>14,985</b>	<b>7,739</b>
<b>Other own contingent liabilities total</b>	<b>16,991</b>	<b>9,570</b>
<b>Commitments and Contingent Liabilities total</b>	<b>18,433</b>	<b>10,801</b>

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

## 23. RELATED PARTY TRANSACTIONS

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

EUR thousand

	31.12.2014	31.12.2013
<b>Services purchased</b>	<b>132</b>	<b>82</b>

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 5.

Basware Corporation's subsidiaries are presented in Note 24.

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## 24. 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	Tukholma	Sweden	100
Basware B.V.	Amsterdam	The Netherlands	100
Basware A/S	Herlev	Denmark	100
Basware, Inc.	Delaware	United States	100
Basware SAS	Pariisi	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).

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## 25. 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.-31.12.2014

EUR thousand

	Note	1.1.-31.12.2014	1.1.-31.12.2013	Change, %
<b>NET SALES</b>	<b>2</b>	<b>73,353</b>	<b>64,570</b>	<b>13.6</b>
Other operating income	3	196	1,654	-88.2
Materials and services	4	-10,828	-8,622	25.6
Employee benefits expenses	5	-38,141	-38,774	-1.6
Depreciation and amortization	6	-6,455	-6,419	0.6
Other operating expenses	7	-20,129	-14,237	41.4
<b>Operating profit</b>		<b>-2,003</b>	<b>-1,829</b>	<b>9.5</b>
Financial income	8	2,689	2,200	22.2
Financial expenses	8	-2,039	-1,935	5.4
<b>Profit before appropriation and taxes</b>		<b>-1,354</b>	<b>-1,564</b>	<b>-13.4</b>
Income tax expense	9	-221	-421	-47.5
<b>PROFIT FOR THE PERIOD</b>		<b>-1,575</b>	<b>-1,985</b>	<b>-20.6</b>

# PARENT COMPANY BALANCE SHEET (FAS)

## 31.12.2014

EUR thousand

	Note	31.12.2014	31.12.2013	Change, %
<b>ASSETS</b>				
<b>Current assets</b>				
Intangible assets	10	21,937	22,979	-4.5
Tangible assets	11	754	892	-15.5
Investments	12	71,902	77,301	-7.0
Long-term trade and other receivables	14	197	457	-56.9
<b>Current assets</b>		<b>94,790</b>	<b>101,629</b>	<b>-6.7</b>
<b>Current assets</b>				
Inventories	13	42	240	-82.4
Short-term trade and other receivables	15	56,911	19,641	189.8
Cash and cash equivalents		15,136	4,622	227.5
<b>Current assets</b>		<b>72,089</b>	<b>24,503</b>	<b>194.2</b>
<b>TOTAL ASSETS</b>		<b>166,878</b>	<b>126,133</b>	<b>32.3</b>

EUR thousand

	Note	31.12.2014	31.12.2013	Change, %
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Share capital	16	3,528	3,528	0.0
Share premium account	16	1,118	1,118	0.0
Other reserves	16	105,398	62,132	69.6
Retained earnings	16	23,778	28,770	-17.4
Profit for the period	16	-1,575	-1,985	-20.6
<b>Shareholders' equity</b>	<b>16</b>	<b>132,247</b>	<b>93,564</b>	<b>41.3</b>
<b>Total liabilities</b>				
Long-term liabilities	17	1,844	5,191	-64.5
Short-term liabilities	18	32,788	27,377	19.8
<b>Total liabilities</b>		<b>34,632</b>	<b>32,569</b>	<b>6.3</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>166,878</b>	<b>126,133</b>	<b>32.3</b>

# PARENT COMPANY CASH FLOW STATEMENT (FAS)

## 1.1.-31.12.2014

EUR thousand

	1.1-31.12.2014	1.1-31.12.2013
<b>Net cash from operating activities</b>		
<b>Profit for the period</b>	<b>-1,575</b>	<b>-1,985</b>
<b>Adjustments for profit</b>		
Planned depreciations	6,455	6,419
Proceeds from sale of non-current assets	0	-1,540
Unrealized exchange gains and losses	130	1,100
Finance income and expenses	-503	-1,365
Income taxes	221	421
Working capital changes	5,983	3,012
Interest paid	-260	-275
Interest received	1,944	1,458
Other financial items in operating activities	-887	-270
Income taxes paid	671	-1,882
<b>Net cash from operating activities</b>	<b>12,179</b>	<b>5,095</b>
<b>Net cash used in investing activities</b>		
Purchase of tangible and intangible assets	-5,984	-5,120
Acquired subsidiaries	0	-31
Short-term deposits	-30,000	0
Granted loans	3,119	-3,976
Proceeds from sale of business	-4,522	1,540
<b>Net cash used in investing activities</b>	<b>-37,387</b>	<b>-7,587</b>
<b>Cash flow before financing activities</b>	<b>-25,207</b>	<b>-2,492</b>
<b>Net cash used in financing activities</b>		
Share issue	43,215	0
Purchase of own shares	0	0
Proceeds from borrowings	-1,204	5,572
Repayments of borrowings	-3,333	-1,667
Dividends paid	-2,957	-2,955
<b>Net cash used in financing activities</b>	<b>35,721</b>	<b>950</b>
<b>Net change in cash and cash equivalents</b>	<b>10,514</b>	<b>-1,542</b>
Cash and cash equivalents at the beginning of period	4,622	6,164
Cash and cash equivalents at the end of period	15,136	4,622

# 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.

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. 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. The alliance fees of financing-related added value services are recognised as revenue when the related obligations have been performed.

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. Maintenance revenue is allocated over the contract period.

Revenue and costs of fixed-price consulting projects 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 the project 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 project exceed the total revenue from the transaction, the expected loss is recognized as an expense immediately.

### Other operating income

Other operating income includes proceeds from the sale of business operations and property, plant and equipment, rental income, and public subsidies to the extent that they are not related to capitalized R&D projects.

### Research and development costs

Research expenses are booked as an expense as they are incurred. Costs related to the adoption of new technology or development of a new generation of projects 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 commercial utilization. Maintenance of existing products and minor enhancements are recognized as they are incurred. 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

### Pensions.

The statutory pension coverage for 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 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.

#### **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**

Leasing payments are recognized as annual expenses.

#### **Derivates**

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.

## 2. NET SALES

EUR thousand

	2014	2013
<b>Net sales by business branches</b>		
Licence sales	9,249	8,442
Customer Support	29,679	25,291
Professional Services	11,303	12,596
Automation Services	23,122	18,241
<b>Total</b>	<b>73,353</b>	<b>64,570</b>
<b>Net sales by business areas</b>		
Finland	48,783	48,982
Export	24,570	15,588
<b>Total</b>	<b>73,353</b>	<b>64,570</b>

## 3. OTHER OPERATING INCOME

EUR thousand

	2014	2013
Income from sale of businesses	0	1,540
Other operating income	196	114
<b>Other operating income</b>	<b>196</b>	<b>1,654</b>

## 4. MATERIALS AND SERVICES

EUR thousand

	2014	2013
Purchases during the financial period	-8,498	-7,389
Change in inventories	-198	221
Services purchased	-2,132	-1,454
<b>Total</b>	<b>-10,828</b>	<b>-8,622</b>

## 5. NOTES TO PERSONNEL AND CORPORATE GOVERNANCE

EUR thousand

	2014	2013
Personnel expenses		
Salaries paid to CEO and the Board of Directors	-488	-535
Salaries paid to other personnel	-31,055	-30,814
Pension expenses	-4,821	-5,259
Other personnel expenses	-1,776	-2,166
<b>Total</b>	<b>-38,140</b>	<b>-38,774</b>

Salaries and fees paid to each member of the management are detailed in Note 5 to the consolidated financial statement.

## Number of personnel

	2014	2013
Personnel average for the period	976	1,016
Personnel at the end of the period	975	1,002

## 6. DEPRECIATION AND WRITE-OFFS

EUR thousand

	2014	2013
Intangible assets	-5,978	-5,868
Tangible assets	-477	-552
<b>Total</b>	<b>-6,455</b>	<b>-6,419</b>

## 7. OTHER OPERATING EXPENSES

EUR thousand

	2014	2013
<b>Other operating expenses</b>		
Rents	-1,906	-2,126
Non-statutory employee benefits	-395	-591
Travelling	-1,439	-2,909
Marketing	-2,474	-2,474
IT and telephone	-1,321	-1,310
Auditor fees and other services	-279	-328
Other expenses	-12,314	-4,499
<b>Total</b>	<b>-20,129</b>	<b>-14,237</b>
Audit fees and other services	-186	-209
Tax advices	-68	-72
Other fees and services	-25	-47
<b>Audit fees total</b>	<b>-279</b>	<b>-328</b>

## 8. FINANCIAL INCOME AND EXPENSES

EUR thousand

	2014	2013
Other interest and financial income		
From group companies	2,652	2,204
From others	36	-4
<b>Other interest and financial income</b>	<b>2,689</b>	<b>2,200</b>
Interest and financial expenses		
To group companies	-938	-1,569
From others	-1,101	-366
<b>Other interest and financial expenses total</b>	<b>-2,039</b>	<b>-1,935</b>
<b>Total</b>	<b>649</b>	<b>265</b>

## 9. DIRECT TAXES

EUR thousand

	2014	2013
Income taxes on the financial period		
Income taxes on actual business	-257	-133
Income taxes from previous financial periods	36	-288
<b>Total</b>	<b>-221</b>	<b>-421</b>



## 10. INTANGIBLE ASSETS

### Intangible assets 2014

EUR thousand

	Development costs	Intangible rights	Goodwill/merger loss	Other long-term investments	Assets, unfinished projects *	Total
Acquisition cost 1.1	21,528	7,557	17,625	509	6,054	53,273
Additions		400			4,537	4,937
Reclassifications between items	1,146	781			-1,927	0
<b>Acquisition cost 31.12</b>	<b>22,674</b>	<b>8,738</b>	<b>17,625</b>	<b>509</b>	<b>8,664</b>	<b>58,210</b>
Cumulative amortization 1.1	-12,840	-3,898	-13,276	-280	0	-
Amortization	-3,091	-1,098	-1,759	-31		-5,979
<b>Cumulative amortization 31.12</b>	<b>-15,931</b>	<b>-4,996</b>	<b>-15,035</b>	<b>-311</b>	<b>0</b>	<b>-</b>
<b>Book value 31.12.2014</b>	<b>6,743</b>	<b>3,742</b>	<b>2,590</b>	<b>198</b>	<b>8,664</b>	<b>21,937</b>

\* Asset group Other assets under construction has been joined to asset group Asset, unfinished projects. Comparative information from year 2013 has been changed accordingly.

### Intangible assets 2013

EUR thousand

	Development costs	Intangible rights	Goodwill/merger loss	Other long-term investments	Unfinished projects *	Total
Acquisition cost 1.1	20,435	6,831	17,625	509	3,104	48,504
Additions	361	726			3,682	4,769
Reclassifications between items	732	0			-732	0
<b>Acquisition cost 31.12</b>	<b>21,528</b>	<b>7,557</b>	<b>17,625</b>	<b>509</b>	<b>6,054</b>	<b>53,273</b>
Cumulative amortization 1.1	-9,702	-3,044	-11,433	-247		-
Amortization	-3,138	-854	-1,843	-33		-5,868
<b>Cumulative amortization 31.12</b>	<b>-12,840</b>	<b>-3,898</b>	<b>-13,276</b>	<b>-280</b>		<b>-</b>
<b>Book value 31.12.2013</b>	<b>8,688</b>	<b>3,659</b>	<b>4,349</b>	<b>229</b>	<b>6,054</b>	<b>22,979</b>

## 11. TANGIBLE ASSETS

### Tangible assets 2014

EUR thousand

	Machinery and equipment	Other tangible assets	Total
Acquisition cost 1.1	5,896	106	6,002
Additions	331	8	339
<b>Acquisition cost 31.12</b>	<b>6,227</b>	<b>114</b>	<b>6,341</b>
Cumulative amortization 1.1	-5,111	0	-5,111
Amortization	-477		-477
<b>Cumulative amortization 31.12</b>	<b>-5,588</b>	<b>0</b>	<b>-5,588</b>
<b>Book value 31.12.2014</b>	<b>639</b>	<b>114</b>	<b>754</b>

### Tangible assets 2013

EUR thousand

	Machinery and equipment	Other tangible assets	Total
Acquisition cost 1.1	5,526	99	5,625
Additions	370	7	377
<b>Acquisition cost 31.12</b>	<b>5,896</b>	<b>106</b>	<b>6,002</b>
Cumulative amortization 1.1	-4,559		-4,559
Amortization	-552		-552
<b>Cumulative amortization 31.12</b>	<b>-5,111</b>		<b>-5,111</b>
<b>Book value 31.12.2013</b>	<b>785</b>	<b>106</b>	<b>891</b>

## 12. INVESTMENTS

EUR thousand

	2014	2013
<b>Shares in group companies</b>		
Book value 1.1.	29,992	26,315
Increase	0	3,677
<b>Book value 31.12.</b>	<b>29,992</b>	<b>29,992</b>
<b>Balance sheet value 31.12</b>	<b>29,992</b>	<b>29,992</b>
<b>Other shares</b>		
Book value 1.1.	38	38
<b>Book value 31.12.</b>	<b>38</b>	<b>38</b>
Receivables from group companies		
Loan receivables from group companies	41,872	47,271
<b>Investments total</b>	<b>71,902</b>	<b>77,301</b>

## Shares in subsidiaries

	Domicile	Country	Parent company holding, %
Basware International Oy	Espoo	Finland	100
Basware GmbH	Düsseldorf	Germany	100
Basware UK Ltd.	Staffordshire	Great Britain	100
Basware AB	Tukholma	Sweden	100
Basware B.V.	Amsterdam	The Netherlands	100
Basware A/S	Herlev	Denmark	100
Basware, Inc.	Delaware	United States	100
Basware SAS	Pariisi	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

	2014	2013
Raw materials and consumables	42	240
<b>Inventories total</b>	<b>42</b>	<b>240</b>

## 14. NON-CURRENT RECEIVABLES

EUR thousand

	2014	2013
Rent deposits	197	457
<b>Non-current receivables total</b>	<b>197</b>	<b>457</b>

## 15. CURRENT RECEIVABLES

EUR thousand

	2014	2013
<b>Accounts receivables</b>	<b>6,158</b>	<b>6,797</b>
<b>Receivables from group companies</b>		
Accounts receivables	1,766	1,575
Interest receivables	1,566	1,860
Loan receivables	10,938	3,376
Other receivables	2,840	1,749
<b>Total</b>	<b>17,110</b>	<b>8,560</b>
<b>Prepaid expenses and accrued income</b>		
Prepaid expenses and accrued income	3,566	3,586
Loan receivables	0	600
Short term deposits	29,979	0
Other receivables	98	99
<b>Total</b>	<b>33,643</b>	<b>4,285</b>
<b>Current receivables total</b>	<b>56,911</b>	<b>19,641</b>
<b>Prepaid expenses and accrued income</b>		
Tax receivables	1,352	2,244
Accrued employee expenses	452	810
Other prepaid expenses and accrued income	1,762	532
<b>Total</b>	<b>3,566</b>	<b>3,586</b>

## 16. SHAREHOLDERS' EQUITY

EUR thousand

	2014	2013
Share capital 1.1.	3,528	3,528
<b>Share capital 31.12.</b>	<b>3,528</b>	<b>3,528</b>
Share premium account 1.1.	1,118	1,118
<b>Share premium account 31.12.</b>	<b>1,118</b>	<b>1,118</b>
<b>Equity 31.12.</b>	<b>4,647</b>	<b>4,647</b>
Invested non-restricted equity 1.1.	62,132	62,183
Share issue	43,215	0
Decrease of treasury shares	-7	-51
<b>Invested non-restricted equity 31.12.</b>	<b>105,340</b>	<b>62,132</b>
Retained earnings 1.1.	26,785	31,674
Dividend payment	-2,957	-2,955
Acquisition of treasury shares	0	0
Decrease of treasury shares	7	51
Profit for the period	-1,575	-1,985
<b>Retained earnings 31.12.</b>	<b>22,260</b>	<b>26,785</b>
<b>Non-restricted equity 31.12.</b>	<b>127,600</b>	<b>88,917</b>
<b>Shareholders' equity 31.12.</b>	<b>132,246</b>	<b>93,564</b>
Specification of distributable funds		
Profit for the period	-1,575	-1,985
Retained earnings	23,835	28,719
Other distributable funds	105,340	62,132
<b>Distributable funds</b>	<b>127,600</b>	<b>88,866</b>

## 17. NON-CURRENT LIABILITIES

EUR thousand

	2014	2013
Loans from financial institutions	1,667	5,000
Debts to group companies	177	177
Accrued expenses and deferred income	0	14
<b>Non-current liabilities total</b>	<b>1,844</b>	<b>5,191</b>

## 18. CURRENT LIABILITIES

EUR thousand

	2014	2013
<b>Accounts payable</b>	<b>1,512</b>	<b>1,014</b>
Liabilities to group companies		
Accounts payable	84	337
Other debts	18,584	14,560
Accrued expenses and deferred income	0	0
<b>Total</b>	<b>18,668</b>	<b>14,897</b>
Loans from financial institutions	3,333	3,333
Other debts	2,056	2,300
Accrued expenses and deferred income	7,220	5,832
<b>Total</b>	<b>12,609</b>	<b>11,465</b>
<b>Current liabilities total</b>	<b>32,788</b>	<b>27,377</b>
<b>Accrued expenses and deferred income</b>		
Accrued employee expenses	6,243	4,933
Other accrued expenses	977	900
<b>Total</b>	<b>7,220</b>	<b>5,832</b>

## 19. COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand

	2014	2013
<b>Own guarantees</b>		
Business mortgages of own debt	1,200	1,200
Guarantees	205	0
<b>Commitments on behalf of subsidiaries</b>		
Guarantees	37	31
<b>Other own contingent liabilities</b>		
<b>Leasing liabilities</b>		
Current lease liabilities	126	110
Lease liabilities maturing in 15 years	115	79
<b>Total</b>	<b>241</b>	<b>189</b>
<b>Rental liabilities</b>		
Current rental liabilities	3,598	2,724
Rental liabilities maturing in 1- 5 years	5,739	3,107
Rental liabilities maturing over 5 years	2,037	0
<b>Total</b>	<b>11,374</b>	<b>5,831</b>
Other own contingent liabilities total	11,615	6,020
<b>Commitments and Contingent Liabilities total</b>	<b>13,057</b>	<b>7,251</b>

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 2014, the Group parent company's distributable funds are EUR 127,600,402.61.

Basware's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.10 per share (2013: EUR 0.23) be paid for 2014. 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 17, 2015. The Board of Directors proposes to the Annual General Meeting that the dividend be paid after the end of the matching period on February 24, 2015.

*In Espoo, Finland, January 23, 2015*

Hannu Vaajoensuu, Chairman of the Board

Ilkka Sihvo, Vice Chairman of the Board

Pentti Heikkinen

Tuija Soanjärvi

Anssi Vanjoki

Esa Tihilä, CEO

## Auditor's Note

Our Auditor's report has been issued today.

In Helsinki, Finland, January 23, 2015

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 1.1-31.12.2014. 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, 2015*

Ernst & Young Oy

Authorized Public Accountant Firm

Heikki Ilkka

Authorized Public Accountant

# KEY FIGURES (IFRS)

## Group Quaterly Income Statement

EUR thousand

	1-3/2014	4-6/2014	7-9/2014	10-12/2014	1-3/2013	4-6/2013	7-9/2013	10-12/2013
<b>NET SALES</b>	<b>31,013</b>	<b>31,833</b>	<b>30,164</b>	<b>34,664</b>	<b>29,828</b>	<b>31,789</b>	<b>28,682</b>	<b>33,049</b>
Other operating income	177	27	57	0	58	1,623	61	173
Materials and services	-2,994	-3,042	-3,201	-3,559	-2,542	-2,987	-2,967	-3,265
Employee benefits expenses	-20,084	-19,556	-17,337	-20,803	-20,518	-20,611	-16,464	-19,327
Depreciation and amortization	-1,789	-1,744	-1,760	-1,735	-1,801	-1,755	-1,748	-1,748
Other operating expenses	-6,012	-6,367	-6,760	-6,865	-6,594	-7,152	-5,703	-6,751
<b>Operating result</b>	<b>310</b>	<b>1,152</b>	<b>1,162</b>	<b>1,701</b>	<b>-1,569</b>	<b>908</b>	<b>1,861</b>	<b>2,131</b>
%	1,0 %	3,6 %	3,9 %	4,9 %	-5,3 %	2,9 %	6,5 %	6,4 %
Financial income	263	201	-233	923	227	252	178	271
Financial expenses	-444	-321	34	-420	-184	-324	-220	-248
<b>Result before tax</b>	<b>129</b>	<b>1,031</b>	<b>964</b>	<b>2,204</b>	<b>-1,526</b>	<b>836</b>	<b>1,819</b>	<b>2,153</b>
%	0,4 %	3,2 %	3,2 %	6,4 %	-5,1 %	2,6 %	6,3 %	6,5 %
Income tax expense	-77	-356	-187	-749	563	-485	-859	102
<b>RESULT FOR THE PERIOD</b>	<b>52</b>	<b>676</b>	<b>777</b>	<b>1,454</b>	<b>-962</b>	<b>352</b>	<b>960</b>	<b>2,255</b>
%	0,2 %	2,1 %	2,6 %	4,2 %	-3,2 %	1,1 %	3,3 %	6,8 %

## Group Key Financial Performance Indicators

EUR thousand

	2014	2013	2012	2011	2010
Net sales	127,674	123,349	113,699	107,750	103,094
Growth of net sales, %	3,5 %	8,5 %	5,5 %	4,5 %	11,3 %
EBITDA	11,354	10,383	14,801	17,284	18,604
% of net sales	8,9 %	8,4 %	13,0 %	16,0 %	18,0 %
Operating profit before IFRS3 amortization	5,682	4,256	10,555	14,290	15,691
% of net sales	4,5 %	3,5 %	9,3 %	13,3 %	15,2 %
Operating profit	4,325	3,331	8,308	12,280	13,487
Growth of operating profit, %	29,8 %	-59,9 %	-32,3 %	-8,9 %	14,1 %
% of net sales	3,4 %	2,7 %	7,3 %	11,4 %	13,1 %
Profit before tax	4,328	3,284	8,357	12,332	13,325
% of net sales	3,4 %	2,7 %	7,4 %	11,4 %	12,9 %
Profit for the period	2,959	2,605	5,863	9,671	10,331
% of net sales	2,3 %	2,1 %	5,2 %	9,0 %	10,0 %
Return on equity, %	2,5 %	2,6 %	5,8 %	11,6 %	16,7 %
Return on investment, %	4,4 %	3,9 %	8,2 %	14,9 %	20,1 %
Interest bearing liabilities	5,000	8,632	10,524	682	3,582
Cash assets	28,954	13,218	34,519	42,977	13,822
Gearing, %	-38,6 %	-4,7 %	-23,8 %	-42,3 %	-15,3 %
Equity ratio, %	82,8 %	77,1 %	77,6 %	81,9 %	73,3 %
Total assets	168,781	127,043	129,758	121,966	91,470
Gross investment*	5,821	20,733	19,606	6,331	4,567
% of net sales	4,6 %	16,8 %	17,2 %	5,9 %	4,4 %
Capital expenditure	816	1,470	1,431	2,014	970
% of net sales	0,6 %	1,2 %	1,3 %	1,9 %	0,9 %
Research and development costs	17,680	18,184	17,884	16,489	14,883
% of net sales	13,8 %	14,7 %	15,7 %	15,3 %	14,4 %
R&D personnel at the end of period	332	370	351	311	239
Personnel expenses	77,779	76,919	65,590	61,575	57,337
Personnel average for period	1,466	1,485	1,330	1,058	845
Personnel at end of period	1,493	1,472	1,423	1,182	913
Growth of personnel, %	1,4 %	3,4 %	20,4 %	29,5 %	20,0 %

\*Includes acquisitions and capitalized R&D costs

## Group Share Indicators

EUR thousand

	2014	2013	2012	2011	2010
Earnings per share, undiluted	0.22	0.20	0.46	0.76	0.90
Earnings per share, diluted	0.22	0.20	0.46	0.76	0.89
Equity per share	9.88	7.62	7.84	7.76	5.78
Dividend per share	0,10 *	0.23	0.23	0.41	0.40
Dividend per profit, %	45,1 %	113,4 %	50,4 %	53,8 %	44,6 %
Effective dividends, %	0,2 %	0,9 %	1,1 %	2,5 %	1,6 %
Price/Earnings ratio (P/E)	184.31	123.45	44.34	21.57	27.58
Share price performance, share issue adjusted					
lowest share price	23.50	16.75	16.70	14.95	15.00
highest share price	42.21	25.60	24.00	28.10	24.80
average share price	35.65	20.35	20.84	21.58	19.27
closing share price	41.05	25.03	20.25	16.45	24.75
Market value of shares at end of period					
	577,640,124	321,771,012	260,182,550	211,737,063	287,093,169
Share issue adjusted number of traded shares					
	4,792,273	1,723,866	1,514,703	5,079,523	2,131,071
% of average share number	36,1 %	13,4 %	11,8 %	40,1 %	18,5 %
Number of shares**					
- end of the period	14,146,426	12,931,229	12,931,229	12,931,229	11,690,024
- average during the period	13,286,327	12,848,540	12,836,966	12,679,281	11,513,690
- average during the period, diluted	13,297,962	12,848,540	12,836,966	12,686,792	11,585,155

\*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

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Shareholders' equity (average)

## Return on investment (ROI), %

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

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

## Gearing, %

(Interest-bearing liabilities - interest-bearing assets) x 100

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Shareholders' equity

## Equity ratio, %

Shareholders' equity x 100

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Balance sheet total - advances received

## Earnings per share

Profit for the period

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Adjusted average number of shares during the period

## Equity per share

Shareholders' equity

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

## Dividend per share

Total dividend

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

## Dividend/profit, %

Dividend per share x 100

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Earnings per share

## Effective dividend yield, %

Dividend per share x 100

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Adjusted share price at the end of the financial period

## Price-earnings ratio (P/E)

Adjusted share price at the end of the financial period

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Earnings per share

# SHARE AND SHAREHOLDERS

## Share

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.

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.

At the end of 2014, the total number of shares issued by Basware was 14,221,229 (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 2014, Basware Corporation's share capital was EUR 3,528,368.70.

## Share price performance and trading

During 2014, the highest price of the share was EUR 42.21 (EUR 25.60), the lowest was EUR 23.50 (EUR 16.75) and the closing price was EUR 41.05 (EUR 25.03). The average price of the share was EUR 35.65 (EUR 20.35) during the period.

A total of 4,792,273 (1,723,866) shares were traded during the period, equivalent to 36.1 percent (13.4%) of the average number of shares. Market capitalization with the period's closing price on December 31, 2014, was EUR 577,640,124 (EUR 321,771,012).

The company's Annual General Meeting of February 14, 2014, authorized the Board of Directors of Basware to decide on the issue of new shares deviating from the shareholders' pre-emptive subscription rights. The company carried out a share issue of up to 1 290 000 new Basware shares to a limited number of international institutional investors in an accelerated book-built offering deviating from shareholders' pre-emptive subscription rights on September 4, 2014. The offered shares corresponded with approximately 9.98% of all Basware shares and votes before the share issue. The subscription price was set at EUR 33.50 per share, amounting to total proceeds of approximately EUR 43.2 million before commissions and expenses. The 1 290 000 shares issued were registered with the Finnish Trade Register on September 11, 2014.

The total amount of own shares held by the company on December 31, 2014, is 74,803 shares, representing approximately 0.5% of all of outstanding shares. No shares were repurchased during 2014.

## Incentive schemes

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

## SHAREHOLDERS

Basware had 13,675 (14,349) shareholders on December 31, including nominee-registered holdings (12). Nominee-registered holdings accounted for 25.4 percent (11.7%) of the total number of shares.

### Distribution of holdings by number of shares, December 31, 2014

	Number of holders	Shares, pcs	Votes, %
1-100	11,212	272,050	1.9
101-1,000	2,202	627,939	4.4
1,001-10,000	196	473,238	3.3
10,001-100,000	37	1,409,381	9.9
100,001+	28	11,438,621	80.4
<b>Total</b>	<b>13,675</b>	<b>14,221,229</b>	<b>100</b>

## Distribution by sector, December 31, 2014

	Number of holders	Shares, pcs	Votes, %
Private companies	531	753,178	5.3
Financial and insurance institutions	43	3,032,540	21.3
Public sector organizations	8	2,132,948	15
Non-profit organizations	47	266,029	1.8
Households	12,985	4,390,129	30.8
Foreign	49	28,876	0.5
	<b>13,663</b>	<b>10,603,700</b>	<b>74.7</b>
Nominee-registered	12	3,617,529	25.3
<b>Total</b>	<b>13,675</b>	<b>14,221,229</b>	<b>100</b>

## Major shareholders

	Shares, pcs	Votes, %
1. Ilmarinen Mutual Pension Insurance Company	1,521,658	10.7
2. Sihvo Ilkka	885,300	6.2
3. Eräkangas Kirsi	697,300	4.9
Eräkangas Kirsi	498,900	3.5
Eräkangas Lotta	198,400	1.4
4. Vaajoensuu Hannu	580,000	4
Vaajoensuu Hannu	313,500	2.2
Havacment Oy	266,500	1.9
5. Perttunen Sakari	524,497	3.7
6. OP-Focus Fund	361,380	2.5
7. OP-Delta Fund	341,404	2.4
8. Pensionsförsäkringsaktiebolaget Veritas	294,341	2.1
9. Fondita Nordic Micro Cap Placeringsf	286,000	2
10. Nordea Nordic Small Cap Fund	262,818	1.8
11. Pöllänen, Antti	258,389	1.8
12. OP-Finland Small Firms Fund	257,681	1.8
13. The State Pension Fund	256,000	1.8
14. Kaloniemi Markku	191,103	1.3
15. Fondita Nordic Small Cap Placfond	190,000	1.3
16. Mutual Fund FIM Fenno	172,554	1.2
17. Danske Invest Finnish Small Cap Fund	162,423	1.1
18. Investment Fund Aktia Capital	150,000	1.1
19. Perttunen Meimi	145,107	1.1
20. EVLI Finnish Small Cap	117,295	0.8
<b>20 largest shareholders total</b>	<b>8,932,550</b>	<b>63</b>
Nominee registered shares	3,617,529	25.4
Others	1,671,150	12
<b>Total</b>	<b>14,221,229</b>	<b>100</b>

# 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, 2014	EUR 41.05

## Annual General Meeting

Annual General Meeting of Basware Corporation will be held on Friday, 13 February, 2015 at 10:00 AM in Helsinki, at Korjaamo (Kulmasali hall), at the address of Töölönkatu 51, 00250 Helsinki, Finland.

Each shareholder, who is registered on 3 February, 2015 in the shareholders' register of the company held by Euroclear Finland Ltd, has the right to participate in the General Meeting.

A shareholder, who wishes to participate in the General Meeting, shall register for the meeting no later than 10:00 AM (Finnish time) on 10 February, 2015 by giving a prior notice of participation to the company. Such notice can be given

- at Basware's investor webpages [www.basware.com/annual-general-meeting](http://www.basware.com/annual-general-meeting);
- by telephone at +358 20 770 6867 on weekdays between 9:00 AM and 4:00 PM; or
- by regular mail to Basware Corporation, Annual General Meeting 2015, P.O. Box 97, 02601 Espoo, Finland.

The proposals for the decisions on the matters on the agenda of the General Meeting as well as this notice are available on Basware Corporation's investor webpages at [www.basware.com/annual-general-meeting](http://www.basware.com/annual-general-meeting).

## Dividend

Basware's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.10 per share (2013: EUR 0.23) be paid for 2014. The dividend decided by the Annual General Meeting will be paid to shareholders registered on 17 February, 2015 in the company's shareholder register maintained by Euroclear Finland Ltd. The Board of Directors proposes to the General Meeting that the dividend be paid on 24 February, 2015.

## Financial reporting in 2015

Release dates for Basware Corporation's Interim reports:

- Interim Report January-March 2015 (Q1) on Tuesday, April 14, 2015
- Interim Report January-June 2015 (Q2) on Friday, July 10, 2015
- Interim Report January-September 2015 (Q3) on Monday, October 12, 2015

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](http://www.basware.com/investors). The Basware e-mail list for the stock exchange releases can be subscribed to through the pages.

## Changes of address

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