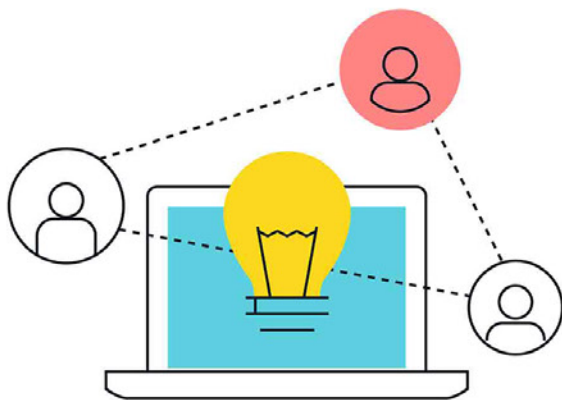


## Annual Report 2016 Driving cloud growth

Basware's cloud revenues grew strongly, approaching half of total net sales in 2016. The focus is on customers and their success, improving execution and simplifying operations to boost future growth.



### Strategy: Growing cloud revenues is the number one strategic priority

Cloud revenue growth is Basware's primary objective and where long term value in our business will be created. As the market leader in networked purchase to pay, Basware is uniquely well positioned to capture the potential in the market.

### CEO's review: Focus on cloud growth

I am very excited to have been given the opportunity to lead Basware. We are very lucky as Baswareans to work in a company that is operating in a fast moving market with significant growth potential.



WATCH VIDEO REVIEW



**Basware**  
**100%**  
**paperless**

### **Responsibility: 100% paperless**

As the largest open business network in the world, Basware provides scale and reach for organizations of all sizes, enabling them to grow their business by simplifying and streamlining financial processes while reducing their carbon footprint through paperless processes.

### **Baswareans: Gearing up for the future**

The company continues to gear up for the future, with its people taking center stage. Several actions were taken to support the strategic priority to evolve the company culture and way of working to focus more on performance and strengthen the customer-centric mindset.



### **Solutions and services: Innovation in the limelight**

Basware is the global leader in providing networked purchase-to-pay (P2P) solutions and delivering the best financial supply chain experience. We are helping our customers to realize tomorrow's financial goals today.

### **Corporate governance**

The Corporate Governance Statement is issued separately from the report of Board of Directors. Both the report and the statement are available in our e-annual report.





# Year 2016

## Driving cloud growth

During 2016 Basware's key focus was to pursue cloud revenue growth with strong outcomes: our cloud revenues grew 26.9% and accounted for almost half of our total net sales at the end of 2016. Also, our SaaS growth was very strong in 2016, up 95% for the full year.

### Q1

Basware acquired Verian, a leading cloud-based e-procurement solution provider in the US.

### Q2

Basware positioned as a Leader in Gartner's 2016 Magic Quadrant for Procure-to-Pay Suites report for second consecutive year.

### Q3

Basware boosted supplier collaboration with global Marketplace.

### Q4

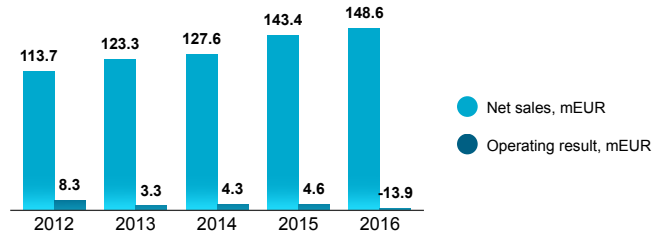
Basware refined its strategy targets with further focus on execution and cloud growth.

#### Group Key Financial Performance Indicators

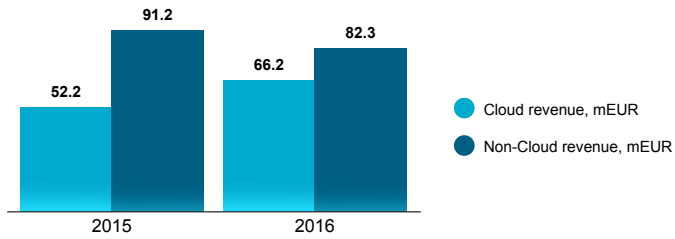
EUR thousand

	2016	2015	Change
Net sales	148,580	143,410	3.6 %
EBITDA	-5,394	11,902	
Adjusted EBITDA	2,063	12,121	-83.0 %
Operating result	-13,946	4,676	
% of net sales		3.3	
Result before tax	-16,256	3,563	
Result for the period	-14,318	3,083	
Return on equity, %	-10.5	2.2	
Return on investment, %	-6.8	3.6	
Liquid asset	35,755	33,238	7.6 %
Gearing, %	8.7	-22.4	
Equity ratio, %	58.5	79.1	
<b>Earnings per share</b>			
Undiluted, EUR	-1.00	0.22	
Diluted, EUR	-1.00	0.22	
Equity per share, EUR	9.26	9.97	-7.1 %

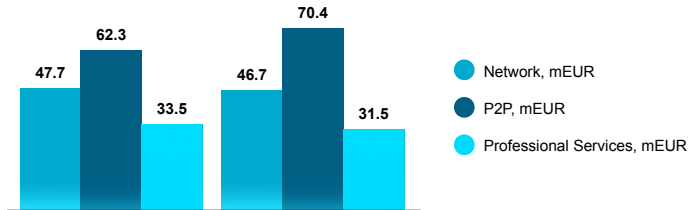
### Net sales and operating result 2012-2016



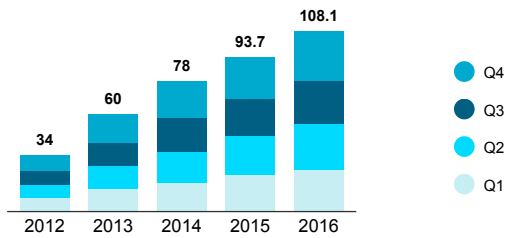
### Net sales by type, 2015-2016



### Netsales by business operations, 2015-2016



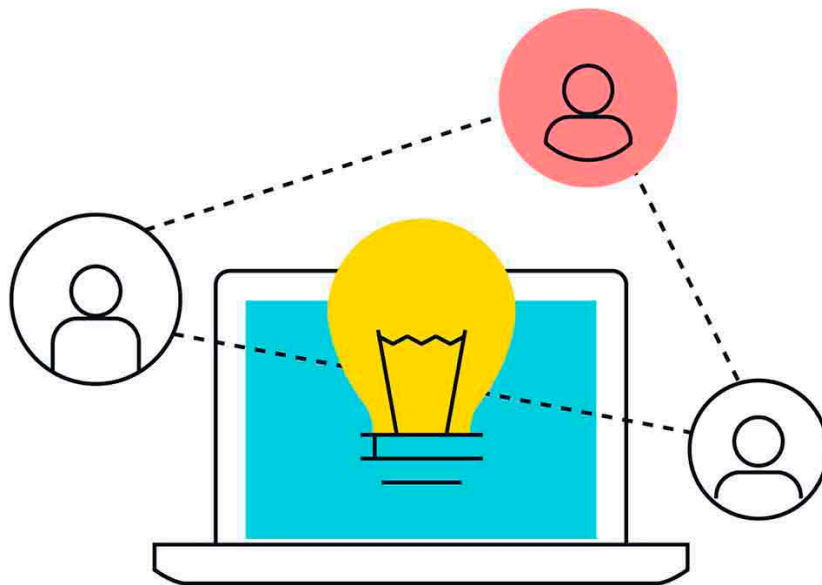
### Transactions in Basware Network 2012-2016, millions



## Strategy

# Growing cloud revenues is the number one strategic priority

Cloud revenue growth is Basware's primary objective and where long term value in our business will be created. We have estimated that the market potential for our services in North America and Europe alone is EUR 15 billion per year. As the market leader in networked purchase to pay, Basware is uniquely well positioned to capture this.



In October 2016, Basware announced refinements to its strategy targets and additional actions to improve execution, simplify our operations and boost future growth. These actions are targeted at:

- Continuing to strengthen sales and marketing to drive cloud revenue growth
- Focusing on Customer Success by further improving customer satisfaction and experience
- Continuing to grow and monetize the network and data assets with financing and other value added services, focusing on product development and partnerships
- Increasing productivity by simplifying our operations and increasing scalability
- Evolving our culture and way of working to focus more on performance.

Clear cloud-focused strategy and additional actions to improve execution, simplify operations & boost future growth

For the strategy period from 2017 to 2020, Basware will focus on three key metrics aimed at boosting cloud revenues:

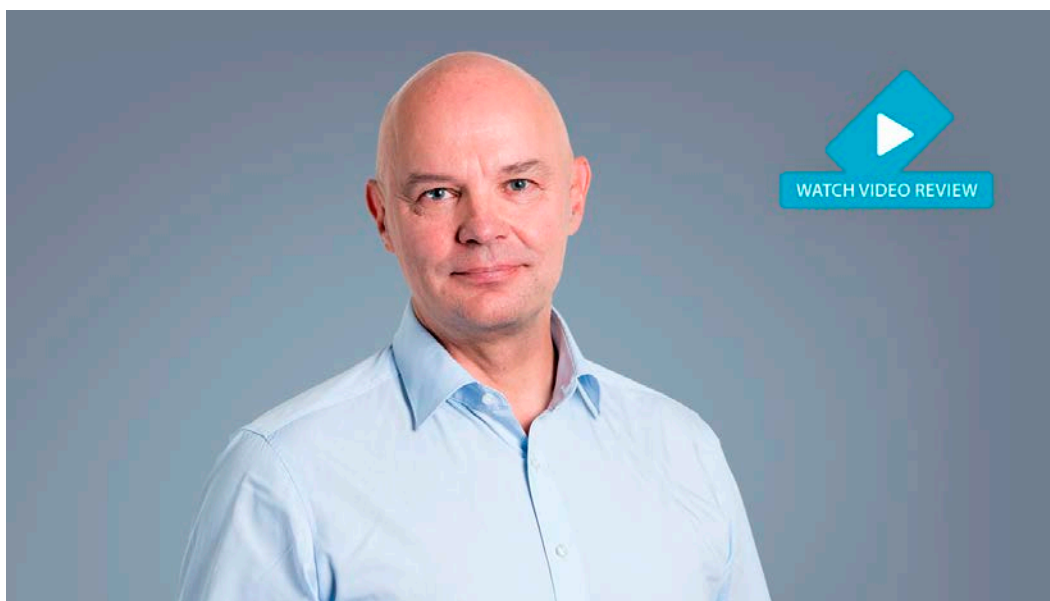
- Cloud revenues to increase by more than 20% CAGR on an organic basis
- Annual net sales greater than EUR 220 million
- Recurring revenue approximately 80% of net sales.

Organic growth continues to be in the key focus. Basware has identified the key markets where it sees the greatest potential to grow its cloud based revenues as the US, UK and Germany.

## CEO's Review

### Focus on cloud growth

I am very excited to have been given the opportunity to lead Basware, starting from September 2016 when I became CEO. We are very lucky as Baswareans to work in a company that is operating in a fast moving market with significant growth potential.



Cloud revenue growth is Basware's primary strategic objective and where the long term value in our business will be created. During 2016 our key focus was to pursue this and we witnessed strong outcomes: Cloud revenues grew 26.9 percent and accounted for almost half of our total net sales at the end of 2016. Also, our SaaS growth was very strong in 2016, up 95 percent for the full year.

### Cloud revenue growth is Basware's primary strategic objective

Basware's Network continued to hit new highs in 2016, with November having 10.4 million transactions, the highest monthly total yet. The full year volume was 108 million, representing volume growth of 15 percent. We believe that we can grow our network even faster in the long run and we have taken a series of measures to achieve this.

With more than 100 million transactions going through our Network every year, Basware has a unique and valuable data asset. A core part of Basware's strategy is to expand new innovative value added services that utilize the data in our Network. In 2016 we were recognised by industry analysts as having market leading capabilities in providing innovative analytics for our customers based on this data. We also invested in maturing our Financing Services solutions, which use the e-invoice and other information in our network to provide working capital solutions for customers.

## With the market leader recognition & clear cloud-focused strategy, Basware is well positioned to capture the opportunities ahead of it

While our cloud businesses grew strongly in 2016, the growth was partially offset by our UK public sector cloud business which declined driven by Brexit and exchange rates. Basware's total net sales were impacted by our business model transition with license and maintenance revenues declining in every quarter and alliance fee income in the comparison period in 2015. As our fast growing cloud revenues continue to become a larger proportion of Basware's total net sales, the impact of non-cloud revenue types will be felt less strongly in future.

2016 was a year of investment for Basware, focused on expanding our sales and marketing capabilities. Headcount in sales and marketing grew by 24 percent in 2016 and we appointed new leaders to run these teams. We also continued to innovate and invest in our global market leading networked purchase-to-pay solutions and services.

Basware has identified the key markets where it sees the greatest potential to grow its cloud based revenues as the US, UK and Germany. In 2016 Basware significantly expanded its US presence after acquiring Verian, a leading cloud-based e-procurement solution provider. The integration has proceeded well with the first cross-sell Network deals already made. The market potential in the UK and Germany remains strong, however sales from these markets in 2016 were impacted by Brexit in the UK and a competitive job market in Germany holding back the pace of recruitment.

In November we launched a programme that will make Basware more competitive and agile. I would like to thank our shareholders for their support, our customers for their business and all of our employees for their hard work in 2016. In recognition of our superior offering, Basware continued to be cited as a market leader by key industry analysts in 2016. With this recognition and our clear cloud-focused strategy, I am confident that Basware is well positioned to capture the opportunities ahead of it and help our customers to realize tomorrow's financial goals today.



# Corporate responsibility

## 100% paperless

As the largest open business network in the world, Basware provides scale and reach for organizations of all sizes, enabling them to grow their business by simplifying and streamlining financial processes while reducing their carbon footprint through paperless processes. E-invoicing is easy, quick, secure and environmentally responsible.



Basware's corporate responsibility is integrated into Basware's business operations and the company is committed to responsibility in all of its economic, social and environmental activities. Great emphasis is placed on open and transparent communication with stakeholders.

Basware is listed on the Nasdaq Helsinki and the company 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. Basware's Code of Conduct outlines a set of common principles for Basware employees and provides Basware's customers, other business partners and investors with information about the principles according to which Basware operates and expects its suppliers and partners to operate.

Everyday sustainable work within the company is guided by a corporate responsibility framework which is based on the company's core values. The framework consists of four cornerstones: *sustainable business operations, quality and customer promise, networked society and multicultural Basware.*

### Sustainable business operations improve financial processes

The world today is still relying on paper, and hundreds of billions of paper invoices are sent between and within organizations, which is totally unnecessary. According to a 2016 report from Billentis: E-Invoicing/E-Billing, Digitalization & Automation, it is estimated that 370 billion invoices are sent globally each year with businesses and government receiving about 170 billion invoices annually. In addition, as there are many supporting documents accompanying invoices, such as purchase orders and goods received, the amount of paper organizations receive and process is increased by multiples.

The billions of paper invoices sent annually not only destroy trees but also create problems for organizations by minimizing visibility, creating inefficiencies, and increasing costs. By reducing or eliminating paper invoices and implementing other green practices, companies can minimize their

carbon footprint, as well as improve their visibility and control over cash flow, spend and working capital.

Advanced and innovative industries, businesses and governments are concerned about their impact on the environment and they are driving the sea change. A growing number of adopters in both private and public sector are realizing the significant efficiency gains and cost savings available through e-invoicing and simplified, paperless ways of doing business.

### Helping our customers to achieve tomorrow's financial goals today

Basware strives for success in its customers' financial operations and serves its customers as trusted partner. We are committed to delivering high quality solutions and services and provide the most efficient, effective and sustainable solutions.

In addition to passing on innovation and creativity to customers through solutions and services, Basware also aims to promote their own values and be a responsible operator. We lead by example in behavior as well as product and put the customer at the heart of everything we do.

### Digitalization and networked society

Basware has been the driving force behind a rapidly growing business ecosystem designed to connect international e-invoicing and e-ordering networks. The Basware Network is an open network that allows all companies – buyers, suppliers and partners – to benefit from connected global commerce. Today, the Basware Network connects with over 220 B2B networks globally, making it the largest open network in the world.

Organizations around the world improve their business relations with help of Basware's network. Creating digital market places increases speed, profitability and accountability. Working collaboratively in this way also leads to innovation and creativity in commerce.

Open communication is inherent to this type of global commerce network. An environment in which there is more honesty and integrity between companies is altogether a better solution.

### Global Basware

Basware is a global network of professionals and committed to providing a respectful work environment and equal opportunities for all. We have employees, partners, customers and investors around the world, in over 100 countries.

Basware's network and solutions strengthen business relationships between organizations across the world.

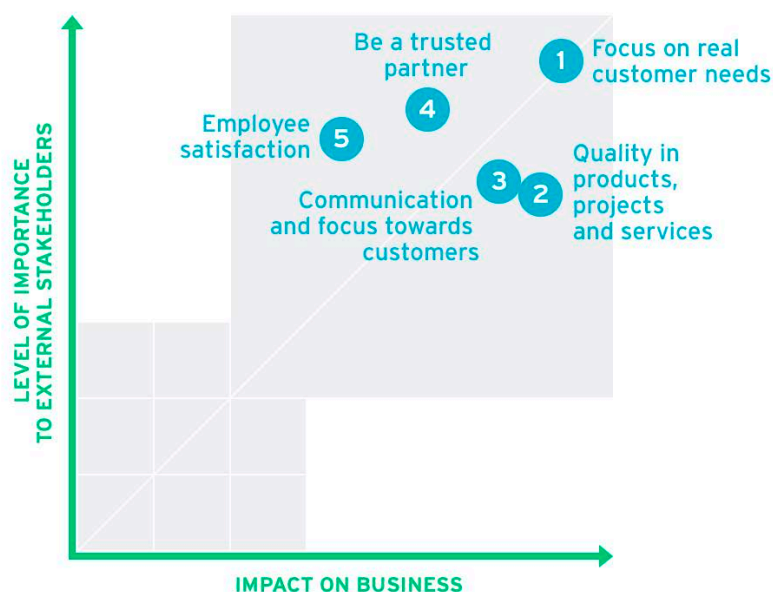
*Eliminating paper invoices help companies decrease their carbon footprint, as well as improve visibility and control over cash flow, spend and working capital.*

### Stakeholder dialogue

Continuous dialogue with stakeholders helps us understand expectations and enable us to develop our operations further. In May 2016 Basware invited all its internal and external stakeholders to take part in an online brainstorm and share their views regarding Basware's corporate responsibility – we received over 500 responses. We are very pleased about the active participation and all feedback we received from our customers, business partners, investors and our own employees.

A materiality matrix was formed based on the stakeholder dialogue. Some of the areas that were highlighted as priorities include customer needs and communication, quality (solutions, projects and services), being a trusted partner and employee satisfaction. Feedback in this way means we continue to stay focused on the areas that are truly important for our stakeholders. We keep communication channels open with our community and welcome feedback and questions. You can also contact us via email: [EveryActionCounts@Basware.com](mailto:EveryActionCounts@Basware.com).

### Top right corner of the materiality matrix:



### Carbon conscious behavior

#### Use of online meeting tools to reduce travelling

Unnecessary business travelling is avoided by taking full advantage of online messaging, meeting and collaboration tools. Online tools enable Basware's global teams to work virtually across time and geographical boundaries. In addition to internal use, these tools are used for meetings with customers, partners and other external stakeholders.

Basware's primary online meeting and messaging tool has 1,600 daily users on average. Employees organize approx. 500 meetings a day and every organized meeting has 3-4 participants on average. Basware employees are also using a webinar tool to enable larger online events. In 2016, over 300 webinars were held with over 18,500 internal and external participants.

#### Energy efficiency

Basware and its customers, partners and personnel achieve more energy efficient business outcomes and are able to reduce their carbon footprint with the help of a digital, connected economy and paperless offices. Paperless and energy efficient ways of working are followed in Basware offices globally.

Basware's program to move its services from private to public cloud allows the company to take advantage of the latest energy-efficient technology. Cloud service providers can also drive higher and more efficient utilization of energy resources as they host multiple customers on shared infrastructure. This means that fewer servers are required which in turn results in less energy consumed and fewer carbon emissions.

Basware's cloud services provider, Amazon Web Services (AWS), has a long-term commitment to achieve 100% renewable energy usage globally.

More information about the transition to public cloud, please see [Solutions & Services](#).

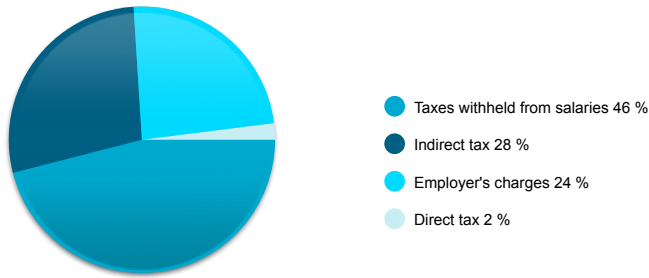
#### Reporting the carbon footprint

Basware annually reports its carbon footprint via CDP's international climate change questionnaire for listed companies. The company achieved a clear increase in the score in 2016 by disclosing more comprehensive data regarding its carbon footprint. Score "C" obtained in 2016 is also the CDP climate change program average score. Basware will develop its data collection processes further to ensure continuous improvement in the amount and quality of environmental data.

### Basware's tax footprint

Basware complies with the tax laws and regulations of its operating countries. In addition to paying direct taxes on our earnings, the company also influences the economics of its operating countries through social security payments and indirect taxes, such as value-added-tax and similar sales-

related taxes, as well as payroll taxes and social security contributions that Basware collects on behalf of relevant authorities. All these payments, direct and indirect taxes, taxes withheld from salaries and tax-like payments related to personnel contribute to the societies where Basware operates. In 2016, Basware's tax footprint totaled EUR 67.3 million.



## Rolling out the Code of Conduct

Basware launched a new company-wide e-learning program consisting of the Basware's Code of Conduct and Anti-Bribery and Corruption Policy in 2016. The training program is compulsory for all existing Basware employees and it needs to be completed annually. New employees complete it during the first month of employment. The program includes a test which needs to be passed by everyone to show the content has been understood.



## The Art of Basware

The Art of Basware, held for the 17th consecutive year in 2016, is a visual arts competition for young artists under 30 years of age. The theme of the 2016 competition was "Lead the way". The artists had full artistic freedom to interpret the theme in their own manner.

Nearly 400 pieces of work, including paintings, drawings, sculptures and video, were submitted to the competition. For the first time the jury selected two winners: **Tiina-Liisa Kaalamo** and **Ville Laurinkoski**.

The winning artwork "Terrarotta-armeija" by Tiina-Liisa Kaalamo is a mixed technic sculpture consisting of 99 rat skulls and tails handcrafted with wool, fur and metal. Ville Laurinkoski's "Hermeneutiikkaa: Europa" is a large painting. Both works were purchased to Basware's art collection for the sum of 5,000 euros each.



Baswareans and guests who visit the Basware offices can be inspired by the Basware art collection, which today consists of 99 individual life stories – showing the passion of the young artists.



## Baswareans

### Gearing up for the future

In 2016, Basware continued to gear up for the future, with its people taking center stage. Several actions were taken to support the strategic priority to evolve the company culture and way of working to focus more on performance and strengthen the customer-centric mindset. One key focus area was the Basware Leadership Model being refreshed to align and drive the growth strategy whilst reinforcing our values.



#### Gear up for the future

Two years ago Basware launched a new survey to measure the company culture, focusing on Basware's capabilities and strengths both as a company and a work community. In late 2016, a follow-up survey was conducted to evaluate how the identified key development areas had developed. Customer focus, capability development and core values were the focus of this survey.

Employee engagement was demonstrated with the response rate which increased from **76%** (2014) to **86%** enabling Basware to obtain a true representation of the view of Baswareans.

The results showed a significant improvement overall and according to the feedback for **Customer focus**, an increased understanding of our customer requirements are evident with Baswareans also linking customer comments and recommendations to internal changes better than ever before. Without doubt the most improvement was seen in the area of **Capability development**. All questions answered in this category showed a higher score with a particular emphasis noted on the increased investment level leading to capability levels improving and employees feeling more empowered than before. The Basware leadership style was also noted as improving and becoming a core strength of the organization.

Our **Core values** – *Drive customer success, Lead the way, Strive for excellence, Inspire and be inspired* – made good progress with employees feeling aligned with the refreshed values and understanding the journey we have embarked upon to bring them to life. A lot of effort was invested in aligning and embedding our core values into everything we do integrating to our core people processes and awards.

Basware linked the participation of this survey to the corporate responsibility agenda by planting a tree for every successful participation in the survey, the results produced the following.



## **1 survey answer = 1 tree planted**

*For every answer to the Gear up for the future survey, Basware sponsored the partner charity Earth Day for a new tree to be planted. Baswareans helped plant 1,670 new trees!*

### **Strengthening capability development**

In 2016, Basware strengthened its Human Resources function by forming a dedicated Learning & Development team to ensure a stronger focus on professional development, performance and culture. Strategic capabilities of the personnel were defined and aligned with the Basware strategy. A number of new learning solutions were launched with a focus on leadership and customer-facing skills.

### **New Leadership Model to support values and strategy**

In 2016, Basware renewed its Leadership Model to align it with the renewed values and the growth strategy. Leaders bring the Basware vision and values to life by executing the mission and strategy, driving business performance and shaping the future.

Two renewed training programs were introduced during the year: one to strengthen team leadership skills and one for senior leaders to advance their business leadership skills. Both training programs will continue in 2017.

### **Growing in the US**

In April 2016 Basware acquired Verian, a leading cloud-based e-procurement solution provider in the US and the company's 75 employees became Baswareans. The acquisition further strengthened Basware's market position in the US and brought additional e-procurement capabilities to Basware. Verian was founded in 1998 and is based in Charlotte, metropolitan area in North Carolina. Verian fits well with Basware's strategy, cloud-focused business and culture.

## **The number of personnel in the US grew from 45 to 145 during 2016**

### **Enhancing customer services**

In November 2016, Basware began planning for a new single delivery function, Customer Services, that will manage post-sales customer-facing activities, combining Basware's professional services, customer support and activation services globally. The new function was established on January 1, 2017.

This new setup improves internal processes while increasing local ownership and accountability for all customer-facing services. The aim is to simplify the ways of working both internally and from the customers' point of view. This will enable Basware to be more customer-centric, agile and deploy a 'think global – act local' service approach.

### **Basware personnel in numbers**

At the end of 2016, there were 1,889 employees in Basware (+14.6%), of whom 74 percent worked outside of Finland and 26 percent in Finland. 12.2 percent of the personnel work in sales and marketing, 58.6 percent in professional services, production and customer care, 22.2 percent in research and development, and 7.0 percent (7.1 %) in administration.

The average age was 35.5 years (35.7 years) and the average years in Basware service was four. Female employees accounted for 27.1 percent (26.0) and male 72.9 percent (74.0) of the workforce.

Salaries accounted for EUR 77 million in 2016 (EUR 67.3 million).

## 2017 focus areas

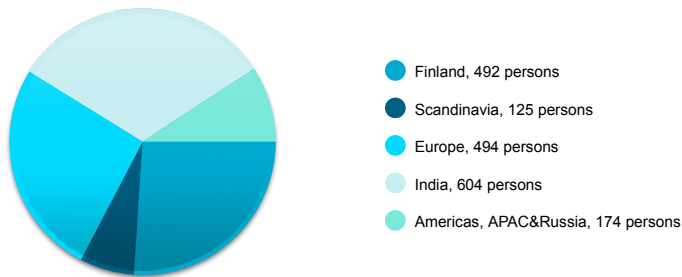
In 2017, Basware's People Strategy will continue to evolve strengthening the approach and offerings throughout the organization: mobilizing the concept of Centre of Excellence for Compensation and Benefits and Global Resourcing as well as increasing the productivity and efficiency of its people agenda through better access of information and tools to our employees.

Learning and Development will continue to be key focus with the development of new tools to support feedback and coaching. Strengthening further our Leadership capability where Line managers will receive further training with tools enabling them lead and manage their teams more effectively. The aim is to further enhance Basware's feedback culture and support the strategic goal of ensuring a high performance culture.

'Gear up for the Future' development programs will continue in 2017. New action plans will be defined during the first quarter of the year and the progress of executing the plans will be followed-up.

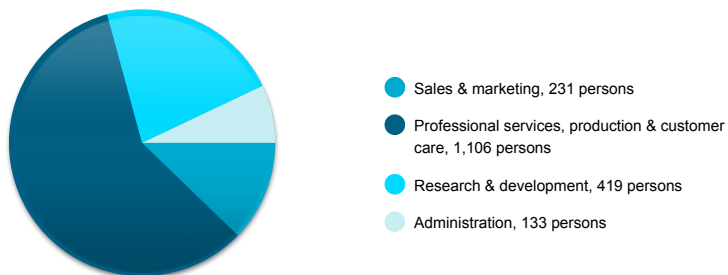
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### Geographical division of personnel



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### Division by job functions



# Solution & Services

## Innovation in the limelight

Basware is the global leader in providing networked purchase-to-pay (P2P) solutions and delivering the best financial supply chain experience.



With Basware's services, we help our customers simplify operations and spend smarter, enabling them to:

- Connect with buyers and suppliers through the Basware Network: the largest open e-invoicing network in the world
- Manage spending through our industry-leading P2P solutions and services
- Optimize cash flows using our innovative value-added services

Independent research firms have recognized Basware's P2P solutions as global leaders several times, highlighting their market leadership and best-in-class P2P capabilities, powered by the world's largest network and by expertise in analytics.

**Case:** *Safe and efficient automated invoice processing brings big benefits to F-Secure. Read more >>*

### Boosting supplier collaboration with global Marketplace

In November 2016, Basware launched Marketplace, a global catalog management tool on the Basware Network. Marketplace facilitates stronger buyer-supplier relationships by allowing private and public sector organizations across the world to access negotiated supplier contracts, browse available products and services with a consumer-like shopping experience, and place orders directly with suppliers.

## A new culture of spend stewardship

In 2016, Basware adopted the WeProcurement™ methodology for e-procurement, which fundamentally transforms company spending culture for its customers by changing employee behavior. To reinforce desired spending behavior, WeProcurement creates a collaborative process that delivers relevance, intelligence and awareness within the e-procurement system. This systematic approach enables everyone to work together towards company goals and saving money, ultimately making employees better stewards of company funds.

## Easier PDF e-invoicing

Basware has also introduced new capabilities for Basware PDF e-Invoice, enabling small and large enterprises to speed up and simplify e-invoice processing. By connecting to the Basware Network, automation is increased and supplier collaboration improved. The new functionality means businesses of all sizes can now submit their invoices electronically with ease and even fewer resources are required to integrate with existing billing systems.

**Case:** *Bilderberg implements accounts payable automation with e-invoicing to reduce costs & increase efficiency. Read more >>*

## Scalability through cloud hosting

In 2016, Basware launched a program to move its services from private to the public cloud. The transition enables Basware to better invest in innovation, resulting in improved lead times for new services and service updates, as well as improved service quality for customers. As the solutions are used more during business hours, the new cloud technologies enable Basware to better respond to elastic capacity needs.

Basware has selected Amazon Web Services (AWS) as its cloud services provider, and will move its services to AWS one by one. The transition of the existing customers started in 2016 and Basware aims to move a great majority of its SaaS customers to AWS during 2017. New customers start using AWS automatically.

## Innovation in the limelight

Robotic process automation (RPA) has been incorporated into P2P solutions for quite some time to provide efficiencies and streamlined workflow. Going forward, Basware will take this to the next level, adding more artificial intelligence (AI) and machine learning capabilities to our solutions and services.

The consumer experience rules — business users have fully morphed into consumers, expecting consumer-style usability, interfaces and applications. The millennial generation has fueled this transformation in the workplace, leveraging the latest technology to get things done faster and more efficiently. Cloud-based and mobile technology, and easy-to-use dashboard analytics are enabling finance and procurement professionals to get the information they need at the tap of a finger, whenever and wherever they want it.

Companies are also continuing to focus on corporate social responsibility (CSR) and corporate social consciousness as they consider their impact on social and environmental concerns. Their efforts to reduce waste and create a paperless business environment will increase interest in paperless invoicing and other processes.

## **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.



# Basware Corporation

## Corporate Governance Statement

Basware Corporation is a public limited liability 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 Finnish and 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 Nasdaq Helsinki Ltd's Guidelines for Insiders. The subsidiaries comply with local legislation.



This Corporate Governance Statement has been composed in accordance with Chapter 7, Section 7 of the Finnish Securities Market Act and Corporate governance reporting section of the Corporate Governance Code. Basware complies with the Finnish Corporate Governance Code 2015 published by the Securities Market Association (available at [www.cgfinland.fi/en](http://www.cgfinland.fi/en)), with no deviations.

The Corporate Governance Statement is issued separately from the report of Board of Directors. Both the report and the statement are included in this e-annual report.

### Description of company's governance

The General Meeting of Shareholders, Board of Directors and CEO are in charge of the management of Basware Corporation, 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 a place determined by the Board of Directors, either in Espoo, Helsinki or Vantaa. Summons to General

Meeting of Shareholders shall be announced on Company's website no earlier than three (3) months and no later than three (3) weeks prior to the General Meeting of Shareholders, however, at least nine (9) days prior to the record date of the General Meeting of Shareholders. In addition, the Company may, if so decided by the Board of Directors, within the same time announce the time and place of the General Meeting of Shareholders as well as the address of the Company's website in one newspaper. The Annual General Meeting deals and takes decisions on proposals to the Annual General Meeting and other matters in accordance with the Articles of Association of the company, which are available at company's Investors pages at [www.basware.com/investors](http://www.basware.com/investors).

A shareholder is entitled to attend the meeting if he or she is listed as a shareholder in the company's shareholder register at Euroclear Finland Ltd on the record date indicated in the notice of the meeting and has confirmed his or her attendance in the manner specified in the notice of the meeting and by the deadline specified

In 2016, the Annual General Meeting was held in Helsinki on March 15, 2016.

### **Board of Directors**

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 more than half of its members are present.

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 duties and responsibilities of the Board are defined primarily by the Articles of Association and the Finnish Companies Act. The Board annually ratifies rules of procedure that specifies the meeting procedure of the Board of Directors and its tasks. The rules of procedure is published in its entirety on the company's Investors pages at [www.basware.com/investors](http://www.basware.com/investors).

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. All current members of Board of Directors are independent from the company and all members except David Bateman are independent from major shareholders.

### **The Board Diversity Principles**

The Board of Directors of Basware has in its meeting of December 13, 2016, defined and approved the diversity principles for the Board of Directors. The diversity principles can be found on the company's Investors pages at [www.basware.com/investors](http://www.basware.com/investors).

Both genders shall be represented on the Board of Directors and the aim of the company shall be to strive towards an appropriately balanced gender distribution. As the Board has only late 2016 approved the diversity principles, it is premature to evaluate how the aims expressed in the diversity principles, or actions to reach targets, have been furthered during 2016. The Board of Directors will monitor the realization of its diversity principles and targets and will report its progress in the Company's Corporate Governance Statement for 2017.

## Board of Directors 31.12.2016



*From back left: Hannu Vaajoensuu (Chairman of Board), Ilkka Sihvo (Vice Chairman of Board), and Michael Ingelög*

*From front left: David Bateman, Tuija Soanjärvi, and Anssi Vanjoki*

### **Hannu Vaajoensuu (b. 1961)**

- Chairman of the Board of Directors
- MSc in Economics
- Several board chairman/vice chairmanships or memberships
- Independent of the company and of its significant shareholder
- Own and controlled corporations' ownership: 575,857 shares

### **Ilkka Sihvo (b. 1962)**

- Vice chairman of the Board of Directors
- Member of the Audit Committee
- MSc in Economics and Msc in Technology (Engineering)
- CEO, Solaforce Oy, CEO Softaforce Oy
- Independent of the company and of its significant shareholder
- Own and controlled corporations' ownership: 885,300 shares

### **Anssi Vanjoki (b. 1956)**

- Member of the Board of Directors
- Msc in Economics
- Chairman of the Board of Amer Sports Corporation, angel investor, chairman and board member of several technology start-up companies
- Independent of the company and of its significant shareholder
- Own and controlled corporations' ownership: 571 shares

### **David Bateman (b. 1974)**

- Member of the Board of Directors
- BA and MA in Management Studies from Cambridge University
- Senior Advisor, Alternative Finance, Arrowgrass and CEO, Founder, Captec Systems Ltd
- Independent of the company and dependent of its significant shareholde
- Own and controlled corporations' ownership: 0 shares

### Michael Ingelög (b. 1971)

- Member of the Board of Directors
- Member of the Audit Committee
- Economics and Business Administration studies at Uppsala University
- Entrepreneur and a private investor in to Financial Technology and several board memberships
- Independent of the company and of its significant shareholder
- Own and controlled corporations' ownership: 5,000 shares

### Tuija Soanjärvi (b. 1955)

- Member of the Board of Directors
- Chairman of the Audit Committee
- MSc in Economics
- Several board memberships
- Independent of the company and of its significant shareholder
- Own and controlled corporations' ownership: 1,444 shares

More information on the members of the Board of Directors is available on the company's Investors' pages at [www.basware.com/investors](http://www.basware.com/investors).

### Meetings of the Board in 2016

The Board primarily meets on monthly basis, however during few months meeting is not scheduled. Additional meetings are held when necessary. In 2016 the current Board of Directors held 15 meetings.

### Attendance of Board members at the meetings 2016

	Attendance	Meetings attended
Hannu Vaajoensuu (Chairman)	100%	15/15
Ilkka Sihvo (Vice Chairman)	100%	15/15
Michael Ingelög	100%	15/15
Tuija Soanjärvi	100%	15/15
Anssi Vanjoki	93,33%	14/15
David Bateman	86,66%	13/15

### Committees of the Board of Directors

The Board of Directors has established among its members the Audit Committee to assist the full Board in its work. Considering the scope and nature of company's operations, as well as Board's working methods, it has not been deemed necessary to establish other committees. However, during 2016 a separate working group, consisting of selected Board members, discussed and worked on compensation matters.

### Audit Committee

The Audit Committee assists the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and Basware's process for monitoring compliance with laws and regulations. The Audit Committee works in accordance with its charter confirmed by the Board of Directors, and the Committee reports to the Board on each meeting. The charter is published in its entirety on the company's Investors pages at [www.basware.com/investors](http://www.basware.com/investors).

The Audit Committee consists of a minimum of two members of the Board. The Board elects the members and Chairman of the Audit Committee from among its members at the organizational meeting for a term of one (1) year. In 2016, the audit committee has consisted of three members of the Board of Directors: Tuija Soanjärvi was elected as the Chairman and Michael Ingelög and Ilkka Sihvo as the members of the Committee.

The majority of members shall be independent of the company and at least one (1) member shall be independent of significant shareholder. Each member shall have the qualifications necessary to

perform the responsibilities of the Committee and at least one (1) member must have accounting, book-keeping or auditing or related financial expertise

### Meetings of the Audit Committee in 2016

The Audit Committee meets at minimum 4 times during its term and additionally as necessary. In 2016 the Audit Committee has held 3 meetings and will hold one meeting still during its term in January 2017.

### Attendance of Audit Committee members at the meetings 2016

	Attendance	Meetings attended
Tuija Soanjärvi (chairman)	100%	3/3
Michael Ingelög	100%	3/3
Ilkka Sihvo	100%	3/3

### Shareholders Nomination Committee

The Annual General meeting, held on March 15, 2016, decided to establish a permanent Shareholders' Nomination Board in accordance with the proposal of the Board of Directors. The Nomination Board shall be responsible for preparing and presenting proposals covering the remuneration and number of members of the company's Board of Directors as well as proposal on the members of the Board of Directors to Annual General Meeting and, where needed, to an Extraordinary General Meeting. The Nomination Board shall also be responsible for identifying successors for existing Board members.

The Nomination Board consists of four (4) members, three of which are appointed by the company's three largest shareholders. The chairman of the company's Board of Directors serves as the fourth member.

The company's largest shareholders entitled to appoint members to the Nomination Board shall be determined annually on the basis of the registered holdings in the company's shareholders' register held by Euroclear Finland Ltd as of the first weekday in September in the year concerned. The chairman of the company's Board of Directors shall request each of the three largest shareholders established on this basis to appoint one member to the Nomination Board. In the event that a shareholder does not wish to exercise his/her or its right to appoint a member, it shall pass to the next-largest shareholder that would not otherwise be entitled to appoint a member. In case two shareholders have an equal number of shares and votes and the representatives of both such shareholders cannot be appointed to the Nomination Board, the decision between them shall be made by drawing lots.

The Nomination Board serves until further notice, unless the General Meeting decides otherwise. Its members shall be elected annually and their term of office shall end when new members are elected to replace them. The following members were nominated to the Nomination Board of the company as of September 23, 2016:

#### Mikko Mursula (b. 1966)

- Ilmarinen (Major shareholder), Chairman of the Nomination Board
- Ilmarinen, Mutual Pension Chief Investment Office
- M.Sc. (Econ.)

#### Ilkka Sihvo (b. 1962)

- Major shareholder of Basware
- MSc in Economics and Msc in Technology (Engineering)
- CEO, Solaforce Oy, CEO Softaforce Oy

#### Kirsi Eräkangas (b. 1965)

- Major shareholder of Basware
- Several board chairman/vice chairmanships or memberships
- M.Sc. (Econ.) and EMBA

#### Hannu Vaajoensuu (b. 1961)

- Chairman of Basware's Board of Directors
- Several board chairman/vice chairmanships or memberships
- MSc in Economics



## Meetings of the Shareholders Nomination Board in 2016

The Shareholders Nomination Board held two meetings in 2016 and will have one (1) more meeting during its term in 2017.

## Attendance of Shareholders Nomination Board members at the meetings 2016

	Attendance	Meetings attended
Mikko Mursula (Chairman)	100%	2/2
Ilkka Sihvo	100%	2/2
Kirsi Eräkangas	100%	2/2
Hannu Vaajoensuu	100%	2/2

## CEO and Executive Team

### 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. Pursuant to Finnish Companies Act, as his general duties, the CEO is responsible for arranging the executive management of the company in accordance with the instructions and orders given by the Board of Directors. Further, according to the Finnish Companies Act, the CEO is responsible for arranging that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### Vesa Tykkyläinen (b. 1960)

- Chief Executive Officer of Basware
- BSc in Telecommunications
- Own and controlled corporations' ownership: 1,000 shares

Esa Tihilä acted as the CEO of the company until September 26, 2016. From September 26, 2016 onwards Vesa Tykkyläinen has acted as the CEO of the Company.

More information on Vesa Tykkyläinen is available on the company's Investors pages at [www.basware.com/investors](http://www.basware.com/investors).

### Executive Team

The Executive Team supports the CEO in managing the Company's business, but it does not have any authority based on legislation or the Articles of Association. The Executive Team comprises of the CEO (Chairman) and persons appointed at the proposal of the CEO.

## CEO and Executive Team 31.12.2016



*From back left: Vesa Tykkyläinen, Lars Madsen, Matti Rusi, Niclas Rosenlew, and Ad van der Poel*

*From front left: Jane Broberg, Paul Taylor, Tehseen Dahya, and Ilari Nurmi*

### **Vesa Tykkyläinen (b. 1960)**

- Chief Executive Officer of Baswar
- BSc in Telecommunications
- Own and controlled corporations' ownership: 1,000 shares

### **Tehseen Dahya (b. 1966)**

- Senior Vice President, North America
- MBA graduate
- Own and controlled corporations' ownership: 53,116 shares

### **Ilari Nurmi (b. 1975)**

- Senior Vice President, Purchase to Pay
- MSc in Engineering
- Own and controlled corporations' ownership: 3,399 shares

### **Matti Rusi (b. 1963)**

- Senior Vice President, Customer Services
- MBA graduate
- Own and controlled corporations' ownership: 2,325 shares

### **Jane Broberg (b.1966)**

- Senior Vice President, Human Resources
- Business studies
- Own and controlled corporations' ownership: 337 shares

### **Lars Madsen (b. 1974)**

- Chief Marketing Office
- MSc in Business & Quality Management
- Own and controlled corporations' ownership: 0 shares

### **Niclas Rosenlew (b. 1972)**

- Chief Financial Office
- MSc in Finance
- Own and controlled corporations' ownership: 3,020 shares

### **Ad van der Poel (b. 1971)**

- Senior Vice President, Financing Services
- Degree in International Management
- Own and controlled corporations' ownership: 0 shares

### **Paul Taylor (s. 1957)**

- Senior Vice President, Global Sales
- Business studies
- Own and controlled corporations' ownership: 0 shares

All Basware Executive Team members report to Vesa Tykkyläinen, CEO, Basware Corporation. More information on the members of the Executive Team is available on the company's Investors' pages at [www.basware.com/investors](http://www.basware.com/investors).

## **Description of internal control procedures and the main features of risk management systems**

### **Overview of the risk management system**

#### **General principles of the risk management and the connection to internal control**

Risk management is an integral part of internal control. 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. Risk management refers to identification, assessment, measurement, monitoring and mitigating of risks that are fundamentally related to or part of the business.

The aim of the risk management is to identify the risks relevant to the business operations and to define the measures, responsibilities and time schedules required for effective risk management. The risk management process is aligned with other governance and management processes and the results achieved are used systematically as part of operative planning.

Risk management is carried out and risks are reported in accordance with company's risk management policy and risk management process. The evaluations of risks reviews are performed annually and risks and activities are being followed up on periodically in Board and Audit Committee meetings.

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 in monthly reports.

### **Overview of the internal control**

#### **Main features of the company's internal framework**

The Board is responsible for internal control and Board's Audit Committee is responsible for monitoring the efficiency of the company's internal control, internal audit, and risk management systems. The Board shall ensure that the company has determined operating principles for internal control and that the company monitors the effectiveness of control procedures. Moreover, it shall ensure that planning, information and control systems used for risk management are sufficient and support the business objectives. The CEO and the CFO are responsible for the practical arrangement of control procedures.

The aim of internal control and risk management is to ensure that the company's operations are efficient and productive, that information is reliable and that regulations and operating principles are followed throughout the Group.

The Group's centralized finance function 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).

### **Descriptions of the main features of the monitoring mechanisms for the company's operations and controls**

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. 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 function 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.

### **Description of the operating principles for internal control**

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 control 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 finance functions 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 approximately monthly by 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 business progress on a regular basis.

### **Main features of the practical application of the company's internal control**

The internal control processes include internal guidelines, reporting, various technical systems and procedures relating to operations. They help ensure that management directives are followed and that activities are taken to achieve the Group's objectives. The daily tasks include management reviews and audits and operational reviews and audits, carrying out checks that are suitable for each function, country or business area.

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 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.

## **Other information to be provided in the corporate governance statement**

### **Overview of the internal audit**

Internal audit assists the Board of Directors and Audit Committee in assessing and ensuring the appropriateness and effectiveness of Basware's internal control and risk management. Internal audits are performed in the Group's functions and units. Internal audits are performed annually based on long term internal audit plan. The long term internal audit plan is approved by the Board of Directors. Management and Board of directors review the observations and recommendations of the

internal audits.

### **Decision-making procedure for related party transactions**

The company keeps a list of parties that are related to the company and assesses and monitors related party transactions. The company evaluates and monitors transactions to be concluded between the company and its related parties to ensure that any conflicts of interest are duly taken into account in the company's decision-making. Any related party transactions are only entered into, when they are useful to the company on the whole and serve the interests of the company. Decisions on entering into related party transactions shall always be based on careful preparatory work. Any preparatory work, decision-making, and the evaluation and approval of individual transactions is subject to disqualifying potentially conflicted persons from such work. Related party transactions are appropriately identified and followed up by the company's audit committee and reported in accordance with the company's reporting practices.

### **Main procedures relating to insider administration**

Basware's insider guidelines comply with the Nasdaq Helsinki Guidelines for Insiders. The insider guidelines forbid insiders, including persons under their guardianship and companies where they exercise control, to trade in financial instruments, such as shares or option rights issued by the company, for a period of 30 days prior to the publication of an interim report or a financial statement bulletin (the so-called closed window).

On July 3, 2016 Market Abuse Regulation (EU) No 596/2014 (MAR) and related rules and regulations have entered into force which has had an influence on Basware's insider administration and insider registers as well as new obligations for insiders have been introduced. Basware's managers and their closely associated persons referred to in the regulation have been requested to notify their transactions as of July 3, 2016, please find more information on the company's Investors' pages at [www.basware.com/investors](http://www.basware.com/investors) under section Transactions by the Management. Basware's Group General Counsel is in charge of the guidance and supervision of insider issues. The insider register of Basware Corporation is maintained by Euroclear Finland Ltd.

### **Audit**

The audit shall be performed by an audit firm authorized by the Auditor Oversight Board of the Finnish Patent and Registration office. The management makes a recommendation to the Board, who is responsible for making a formal proposal to the Annual General Meeting of for audit firm to be selected. The audit firm selected has overall responsibility for co-ordination of audits for the whole group (audit plans for each Group company) and their cost, together with the CFO of Basware Corporation. Moreover, if required, a local authorized audit firm can be selected to carry out the audit required by local legislation with a prior approval by the CFO.

The Annual General Meeting elects an auditor approved by the Finnish Central Chamber of Commerce as the company's auditor. In 2016, Authorized Public Accountant Firm Ernst & Young Oy was elected as the company's auditor, and Ernst & Young Oy declared Terhi Mäkinen, Authorized Public Accountant, as the principal auditor. The auditor's term expires after the conclusion of the next Annual General Meeting following the election.

In 2016, auditor was paid remuneration for audit services 246,889 euros and for non-audit services 329,330 euros.



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# BOARD OF DIRECTORS' REPORT

## 1.1.-31.12.2016

### SUMMARY OF THE FINANCIAL YEAR

#### Financial year 2016

- Net sales EUR 148 580 thousand (EUR 143 410 thousand): growth 3.6 percent
- Organic revenue growth 0.3 percent at constant currencies
- Adjusted EBITDA EUR 2 063 thousand (EUR 12 121 thousand)
- Cloud revenue growth of 26.9 percent, amounting to 44.6 percent (36.4 %) of net sales
- Recurring revenue 73.6 percent (67.8 %) of net sales
- Operating result EUR -13 946 thousand (EUR 4 676 thousand)
- Operating result included approximately EUR 5 million of one-off employee related efficiency expenses
- Earnings per share (diluted) EUR -1.00 (0.22)

Reporting has been prepared in accordance with International Financial Reporting Standards (IFRS).

#### Business operations

Basware is the global leader in networked purchase-to-pay solutions, including e-invoicing and financing services. Basware's commerce network connects businesses in over 100 countries and territories around the globe. As the largest open business network in the world, Basware provides scale and reach for organizations of all sizes, enabling them to grow their business and unlock value across their operations by simplifying and streamlining financial processes. Small and large companies around the world achieve significant cost savings, more flexible payment terms, greater efficiencies and closer relationships with their suppliers.

#### YEAR 2016

In 2016 Basware pursued its number one strategic priority of growing cloud revenues. Cloud revenues grew 26.9 percent and accounted for almost half of our total net sales at the end of 2016. SaaS growth was very strong in 2016, for the full year up 95 percent

Basware's Network continued to hit new highs in 2016, with November having 10.4 million transactions, the highest monthly total yet. The full year volume was 108 million. Transaction volume growth for the full year was up 15 percent. Basware believes that it can grow our network even faster in the long run and it has taken a series of measures to achieve this, including implementing a dedicated Network only sales force.

With more than 100 million transactions going through our Network every year, Basware has a unique and valuable data asset. A core part of Basware's strategy is to expand new innovative value added services that utilise the data in our Network. In 2016 Basware were recognised by industry analysts as having market leading capabilities in providing innovative analytics for its customers based on this data. Basware also invested in maturing our Financing Services solutions, which use the e-invoice and other information in Basware's network to provide working capital solutions for clients.

While Basware cloud businesses grew strongly in 2016, the growth was partially offset by our UK public sector cloud business which declined driven by Brexit and exchange rates. Basware's total net sales were impacted by business model transition with license and maintenance revenues declining and alliance fee income in the comparison period in 2015. As fast growing cloud revenues continue to become a larger proportion of Basware's total net sales, the impact of non-cloud revenue types will be felt less strongly in future.

2016 was a year of investment for Basware, focused on expanding our sales and marketing capabilities. Headcount in sales and marketing grew by 24 percent in 2016 and we appointed new leaders to run these teams. Basware also continued to innovate and invest in its global market leading networked purchase-to-pay solutions and services.

Basware has identified for the three key markets where it sees the greatest potential to grow its cloud based revenues as the US, UK and Germany. In 2016 Basware significantly expanded its US presence after acquiring Verian, a leading cloud-based e-procurement solution provider. The market potential in the UK and Germany remains strong, however sales from these markets in 2016 were impacted by Brexit in the UK and a competitive job market in Germany holding back the pace of recruitment.

Basware is operating in a fast moving market with significant growth potential. Basware has superior offering and it continued

to be cited as a market leader by key industry analysts in 2016. In November company launched a programme that will make Basware more competitive and agile. With clear cloud-focused strategy, Basware is well positioned to capture the opportunities ahead of it.

### Net sales

Basware Group's net sales for 2016 amounted to EUR 148 580 thousand (EUR 143 410 thousand), a growth of 3.6 percent. This equated to 0.3 percent organic growth at constant currencies. Organic revenue growth is calculated by comparing net sales between comparison periods in constant currencies excluding alliance fees as well as net sales from acquisitions that have taken place in the past 12 months. Net sales in constant currencies is calculated by eliminating the impact of changes in currencies by calculating the net sales for the period by using the comparable period's exchange rates.

### Net sales by revenue type

EUR thousand

	1.1.-31.12.2016	1.1.-31.12.2015
<b>Cloud Revenue</b>		
SaaS	22,975	11,811
Transaction services	35,996	33,256
Other cloud revenue	7,270	7,150
<b>Cloud revenue total</b>	<b>66,242</b>	<b>52,217</b>
<b>Non-cloud Revenue</b>		
Maintenance	40,761	41,664
License sales	7,188	10,921
Consulting services	34,389	35,616
Other non-cloud revenue	0	2,992
<b>Non-Cloud Revenue Total</b>	<b>82,338</b>	<b>91,193</b>
<b>Group total</b>	<b>148,580</b>	<b>143,410</b>

Cloud and recurring revenues grew strongly during both the fourth quarter and full year of 2016. Cloud revenues in 2016 amounted to EUR 66 242 thousand (EUR 52 217 thousand), growing 26.9 percent compared to 2015, and accounting for 44.6% of net sales.

SaaS revenues grew significantly compared to year 2015 with total growth of 94.5 percent and organic growth of 46.3 percent. Transaction volumes grew by 15.3 percent whilst transactions services revenues grew 8.2 percent. The difference between transaction volume growth and transaction services revenue growth was driven by retroactive billing in the comparison period.

Total net sales growth was negatively impacted by the decline of non-cloud revenues, including license and maintenance revenues. Consulting services revenues were negatively impacted by a relatively high number of non-chargeable hours and the transition of delivery model from license to SaaS. The decline of UK public sector cloud revenues, recorded as part of Other revenue, resulted in a negative impact on cloud revenues.

The international share of Basware's net sales was 66.9 percent (65.7 %) in the quarter.

Additional information is available in the Financial Statements section, Key figures.

### Financial performance

In 2016 Basware's adjusted EBITDA amounted to EUR 2 063 thousand (EUR 12 121 thousand), and EBITDA EUR -5 394 thousand (EUR 11 902 thousand). The operating result for the year amounted to EUR -13 946 thousand (EUR 4 676 thousand). Operating result included approximately EUR 5 million of one-off employee related efficiency expenses.

The company's operating expenses including employee benefits, depreciations and amortizations as well as other operating expenses were EUR 146 783 thousand (EUR 122 442 thousand) in the year, and have increased by 19.9 percent from the corresponding period the previous year. Personnel expenses made up 71.3 percent (70.0 %) or EUR 104 600 thousand (EUR 85 726 thousand) of the operating expenses.

The company's net finance expenses were EUR -141 thousand (EUR 510 thousand) for the year. Basware's share of the results of the joint venture with Arrowgrass Capital Partners LLP totaled EUR -2 170 thousand (EUR -1 624 thousand).

Basware's result before tax was EUR -16 256 thousand (EUR 3 563 thousand) and result for the year was EUR -14 318 thousand (EUR 3 083 thousand). Taxes impacted to the year result by EUR 1 939 thousand (EUR -481 thousand). Undiluted earnings per share were EUR -1.00 (EUR 0.22).

Additional information is available in the Financial Statements section, Key figures.

### Financing and investments

Cash flows from operating activities were -1 774 EUR thousand (EUR 13 648 thousand) year-to-date. In the fourth quarter Basware signed new term loan financing totaling EUR 25 million. The financing consists of two facilities, one with a final maturity in 2021 and one with a final maturity in 2018. Basware's cash and cash equivalents including short-term deposits totaled EUR 35 755 thousand (EUR 33 238 thousand) at the end of the year. The cash position increased compared to 2015 due to financing, offset by the cost of acquisitions and growth investments.

Basware Group's total assets on the balance sheet at the end of the year were EUR 227 043 thousand (EUR 178 545 thousand). Net cash flows from investments were EUR -40 698 thousand (EUR -4 716 thousand) year-to-date. These investments included EUR 25 013 thousand net cash consideration for the Verian acquisition and EUR 3 037 thousand to a joint venture.

The equity ratio was 58.5 percent (79.1 %) and gearing 8.7 percent (-22.4 %). The company's interest-bearing liabilities totaled EUR 47 280 thousand (EUR 1 667 thousand), of which current liabilities accounted for EUR 10 548 (EUR 1 667 thousand). The return on investment was -6.8 percent (3.6 %) and return on equity -10.5 percent (2.2 %).

Gross investments including acquisitions and capitalized research and development costs totaled EUR 51 882 thousand (EUR 39 971 thousand).

Additional information is available in the Financial Statements section, Key figures.

### Research and development

Basware's research and development expenses totaled 24 274 thousand (EUR 20 748 thousand), or 16.3 percent (14.5 %) of net sales. The research and development costs included in the result totaled EUR 13 396 thousand (EUR 11 994 thousand), or 9.0 percent (8.4 %) of net sales. Research and development expenses capitalized amounted to EUR 10 878 thousand (EUR 8 754 thousand) during the year. Research and development expenses have increased to support Basware's growth strategy. A total of 419 (373) people worked in R&D at the end of year.

### Personnel

Basware employed 1 811 (1 591) people on average during the year and 1 899 (1 648) people at the end of the year.

#### Geographical division of personnel

	1.12.2016	1.12.2015	Change, %
Finland	500	479	4.5
EMEA (excluding India)	599	514	16.5
India	577	522	10.5
Americas & APAC	135	76	78
<b>Personnel Total</b>	<b>1,811</b>	<b>1,591</b>	<b>13.8</b>

At the end of the year, the international share of Basware's personnel was 74.0 percent (70.9 %). 12.2 percent (11.3 %) of the personnel work in sales and marketing, 58.6 percent (58.9 %) in professional services, production and customer care, 22.2 percent (22.6 %) in research and development, and 7.0 percent (7.1 %) in administration. The increase in personnel in Americas and APAC was partly due to the acquisition of Verian.

The average age of employees is 35.5 (35.7) years. Women account for 27.1 percent (26.0 %) of employees, men for 72.9 percent (74.0 %).

Additional information is available in the Financial Statements section, Key figures.

### GOVERNANCE

The Annual General Meeting of Basware Corporation held on March 15, 2016 adopted the annual accounts for the financial period ended on December 31, 2015. The members of the Board of Directors as well as the CEO were discharged from liability for the financial period ended on December 31, 2015.

The Annual General Meeting resolved in accordance with the proposal of the Board of Directors that no dividend will be paid for the year 2015.

The Annual General Meeting decided the number of members of the Board of Directors to be six. Mr. Hannu Vaajoensuu, Mr. Michael Ingelög, Mr. Ilkka Sihvo, Mrs. Tuija Soanjärvi, Mr. Anssi Vanjoki and Mr. David Bateman were elected as

members of the Board of Directors. In its first meeting held after the Annual General Meeting, the Board of Directors elected Hannu Vaajoensuu as the Chairman and Ilkka Sihvo as the Vice Chairman of the Board.

Ernst & Young Oy, Authorized Public Accountants organisation, was elected as the company's auditor. Ernst & Young Oy has advised that it will appoint Ms. Terhi Mäkinen, Authorized Public Accountant, as the principally responsible auditor of the company.

The Annual General meeting decided to establish a permanent Shareholders' Nomination Board in accordance with the proposal of the Board of Directors. The Nomination Board shall be responsible for preparing and presenting proposals covering the remuneration and number of members of the company's Board of Directors as well as proposal on the members of the Board of Directors to Annual General Meeting and, where needed, to an Extraordinary General Meeting. The Nomination Board shall also be responsible for identifying successors for existing Board members.

The Nomination Board shall consist of four (4) members, three of which shall be appointed by the company's three largest shareholders, who shall appoint one member each. The chairman of the company's Board of Directors shall serve as the fourth member. The company's largest shareholders entitled to appoint members to the Nomination Board shall be determined annually on the basis of the registered holdings in the company's shareholders' register held by Euroclear Finland Ltd as of the first weekday in September in the year concerned. The Annual General meeting further decided to adopt the Charter of the Shareholders' Nomination Board.

On September 23, 2016, Mr. Mikko Mursula (Chief Investment Officer, Ilmarinen Mutual Pension Insurance Company), Mr. Ilkka Sihvo (Vice Chairman of the Board of Directors and CEO of Solaforce and Softaforce), Mrs. Kirsi Eräkangas (several board chairman or vice chairmanships or memberships and a major shareholder) and Mr. Hannu Vaajoensuu (Chairman of Basware's Board of Directors and several other board chairman or vice chairmanships or memberships), were nominated as members of the Nomination Board of the company. Mr. Mursula was elected as Chairman of the Nomination Board.

Tuija Soanjärvi has been the Chairman of the Audit Committee, Michael Ingelög and Ilkka Sihvo as members of the committee.

Esa Tihilä acted as CEO from October 17, 2011 until September 26, 2016. Vesa Tykkyläinen commenced in his position as the CEO of Basware on September 26, 2016. The CEO is in charge of the management of the company's business operations and governance in accordance with the Articles of Association, the Finnish Companies Act and the instructions given by the Board.

The Corporate Governance Statement is issued separately from the report of Board of Directors. Basware Corporation's Corporate Governance Statement is included in this e-annual report at [www.basware.com/annualreport](http://www.basware.com/annualreport).

#### **Authorizing the Board of Directors to decide on the repurchase of the company's own shares**

The Annual General Meeting decided to authorize the Board of Directors to decide on repurchase of company's own shares in accordance with the proposal of the Board of Directors. By virtue of the authorization, the Board of Directors is entitled to decide on repurchasing a maximum of 1,420,000 company's own shares. The company's own shares shall be repurchased otherwise than in proportion to the holdings of the shareholders by using the non-restricted equity through trading on regulated market organized by Nasdaq 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 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, 2017 and shall revoke the previous authorizations for repurchasing the company's own shares.

#### **Authorizing the Board of Directors to decide on share issue as well as on the issuance of options and other special rights entitling to shares**

The Annual General Meeting decided to authorize the Board of Directors to decide on issuing new shares and/or conveying the company's own shares held by the company and/or granting special rights 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 2,840,000 new shares and convey a maximum of 1,487,464 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 1,420,000 shares.

The Board of Directors may grant special rights referred to in Chapter 10, Section 1 of the Finnish Companies Act, which carry the right to receive, against payment, new shares of the company or the company's own shares held by the company. The right may also be granted to the company's creditor in such a manner that the right is granted on a condition that the creditor's receivable is used to set off the subscription price (convertible bond). The maximum number of new shares that may be subscribed by virtue of the special rights granted by the company is in total 1,000,000 shares which number shall be included in the maximum number of new shares stated above.

The subscription price of the new shares and the consideration payable for the company's own shares shall be recorded under the invested non-restricted equity fund. The Board of Directors shall decide on all other terms and conditions related to the authorizations. The authorizations shall be valid until June 30, 2017 and shall revoke the previous authorizations for share issues and granting of stock options and other special rights entitling to shares.

### **Acquisitions and changes in group's structure**

In April 2016 Basware acquired US based Verian Technologies LLC ("Verian"), a leading cloud-based e-procurement solution provider in the US. The acquisition will further strengthen Basware's market position in the US and is a strong fit with Basware's strategy to grow cloud business revenues in key markets. Verian adds new talent and additional e-procurement capabilities to Basware. The acquisition will extend Basware's network by offering our market leading commerce network and financing services to Verian's broad customer base.

The acquisition price was approximately USD 36.0 million (EUR 31.6 million equivalent). Part of the acquisition price was paid in the form of shares of Basware, and Basware issued 180 707 new shares to the major owners of Verian at a subscription price of EUR 39.09 per share. The subscription price for the new shares of Basware was paid to Basware by contribution of membership interests of Verian. The share issue resolution was made based on the share issue authorization granted by the annual general meeting of shareholders of Basware on March 15, 2016. The new shares of Basware were registered with the Finnish Trade Register on April 4, 2016. The shares carry a right to dividend and other shareholder rights as from their registration with the Finnish Trade Register. After the registration the total number of shares issued by Basware is 14 401 936.

More information on all Group companies, Joint Venture and branches is available in the Financial Statements section, Notes.

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

Tehseen Dahya was appointed as Senior Vice President, North America and as a member of the Executive Team at Basware on November 2, 2016. Before the appointment, he was Basware's General Manager for North America. Prior to Basware, Dahya was the co-founder and CEO of Verian, a leading cloud-based e-procurement solution provider that Basware acquired in April 2016.

On November 2, 2016, Riku Roos stepped down from his position on the Basware Executive Team as the head of Customer Care, and Executive Team member, and Senior Vice President, Professional Services Matti Rusi took the responsibility of the Customer Care function. The company also announced its plan to introduce a new single delivery function, Customer Services, that will manage post-sales customer facing activities, combining Basware's professional services, customer support and activation services globally.

Esa Tihilä stepped down as CEO and was succeeded by Vesa Tykkyläinen, who commenced in his position as the CEO of Basware Corporation on September 26, 2016. Vesa Tykkyläinen joined Basware on January 25, 2016 as Senior Vice President, Network business area and member of the Executive Team.

Paul Taylor was appointed as Senior Vice President, Global Sales and as a member of the Executive Team at Basware on May 27, 2016 and he joined the company on June 1, 2016.

Lars Madsen was appointed as Chief Marketing Officer and member of the Executive Team at Basware on January 12, 2016 and he joined the company on February 1, 2016.

All Basware Executive Team members report to Vesa Tykkyläinen, CEO, Basware Corporation.

### **RESPONSIBILITY**

Basware is the global leader in providing networked purchase-to-pay (P2P) solutions and delivering the best financial supply chain experience. Basware is the largest open business network in the world. It helps organizations to grow



business and simplify and streamline operations while reducing carbon footprint through paperless processes.

Basware's corporate responsibility is integrated into the company's business operations and everyday sustainable work within the company is guided by a corporate responsibility framework which is based on the company's core values. Basware is committed to responsibility in all of its economic, social and environmental activities. Great emphasis is placed on open and transparent communication with stakeholders.

The company 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. Basware's Code of Conduct outlines a set of common principles for Basware employees and provides Basware's customers, other business partners and investors with information about the principles according to which Basware operates and expects its suppliers and partners to operate. More information about the company's corporate responsibility is available at [www.basware.com/annualreport](http://www.basware.com/annualreport) and on the company's Investors pages at [www.basware.com/investors](http://www.basware.com/investors).

## SHARE AND SHAREHOLDERS

Basware Corporation's share capital totaled EUR 3 528 369 (3 528 369) at the end of the year and the number of shares was 14 401 936 (14 221 229). Basware Corporation holds 58 622 (68 459) of its own shares, corresponding to approximately 0.4 percent (0.5%) of the total number of shares.

Basware had 12 620 (13 164) shareholders at the end of the year, including 10 nominee-registered holdings (12). Nominee-registered holdings accounted for 37.0 percent (30.3%) of the total number of shares.

The company's Annual General Meeting of March 16, 2016, authorized the Board of Directors to decide on the repurchase of the company's own shares and on share issue as well as on the issuance of options and other special rights entitling to shares.

Additional information on shareholdings of the Executive Team, Board of Directors and major shareholders is available on the company's Investors pages at [www.basware.com/investors](http://www.basware.com/investors) and in the Share and Shareholders section in the Financial Statements.

## STRATEGY

Basware announced on October 19, 2016 refinements to its strategy targets and additional actions to improve execution and boost future growth. For the strategy period from 2017 to 2020, Basware will focus on three key metrics aimed at boosting cloud revenues

- Cloud revenues to increase by more than 20% CAGR on an organic basis
- Annual net sales greater than EUR 220 million
- Recurring revenue approximately 80% of net sales

More information about strategy is available on the company's Investors pages at [www.basware.com/investors](http://www.basware.com/investors).

## SHORT-TERM RISKS AND UNCERTAINTY FACTORS

Basware has a growth strategy with high net sales growth expectations for the cloud business. Executing the strategy for 2017-2020 requires significant investments in sales and marketing and related resources as well as continued investments in product development. At the same time the industry transformation from an on-premise license-based business model to a SaaS model will accelerate the decline of certain Basware revenue streams, including license sales and maintenance. The transformation will also make Professional Services revenues more volatile. Until the transformation is complete, this will act as a drag on group net sales growth.

Basware's net sales growth might fall below expectations if the company is not able to add qualified sales and marketing resources according to its planned timetable. This applies especially to Basware's highest growth markets in the US, the UK and Germany. Additionally, even higher than expected pace in the license to SaaS transformation would have a negative impact on expected net sales in the short term. In addition to SaaS, Basware expects high growth rates in its network-based transaction services which will, besides successful sales effort, also require an improved onboarding process. Sales from Basware's third growth business area, Financing Services, are dependent on Basware's ability to bring innovative and attractive products to the market according to its planned timetable and move customers quickly to a phase where they are using the services extensively enough to provide meaningful revenue to Basware.

The fact that close to 50 percent of the company's sales are expected to come from non-euro countries exposes the Group's net sales growth to foreign exchange rate movements. In case there is a significant depreciation of GBP, USD, NOK, SEK or AUD against the euro, reported net sales may be affected, despite good performance in local currencies. The result of the referendum held in June 2016 to determine if the UK will remain in the EU has had an impact on the GBP to EUR exchange rate. In addition, there is a risk that the uncertainty caused by this event leads to UK public sector bodies and UK private companies delaying decisions to implement P2P and Network services.

Execution of the growth strategy and going through constant change puts new demands on the organization as well as its management and leadership capabilities. The company's ability to attract, retain and develop the right type of talent to deliver on its strategy is critical as well as management focus and ability to drive change.

Basware considers acquisitions as part of its strategy. Acquisitions entails risks, such as failure in integrating acquisitions or in ensuring that the planned financial benefits and synergies of the acquisitions materialize.

Basware's biggest operational risks relate to service disruption as a result of for example data center failures, various data security threats and non-compliance risks related to Basware's solutions and services, the company's activities or its employees' behavior. Operational risks are actively managed by continuous improvement in risk monitoring and protection practices as well as internal training of Basware's personnel.

Basware operates in a market where technological and business model innovation play a key role. While Basware is recognized as a leader within its segments by independent analysts, it is critical that Basware continues to innovate and develop its offering.

## **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 this to continue and the demand for services to remain at a favorable level among its customers.

Consolidation is expected to continue within the industry, also with the role of services as an industry standard 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. Public sector e-commerce initiatives, launched particularly across the EU and the US, are expected to drive further adoption of e-invoicing. The growing e-invoicing market and companies' interest in other payment and financing added value solutions will offer excellent growth opportunities in future years.

### **Outlook 2017**

Basware's number one strategic priority is cloud revenue growth during its strategy period 2017-2020 which it will achieve by extending its leadership in networked purchase to pay, growing its network and expanding value added services. For 2017, Basware expects its cloud revenues to grow by approximately 20 percent, and adjusted EBITDA at breakeven.

### **BOARD'S DIVIDEND PROPOSAL**

At the end of 2016, the Group parent company's distributable funds are EUR 88 758 thousand. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for 2016.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

## 1.1.-31.12.2016

EUR thousand				
	Notes	1.1.-31.12.2016	1.1.-31.12.2015	Change, %
<b>NET SALES</b>	2	<b>148,580</b>	<b>143,410</b>	<b>3.6</b>
Other operating income	5	4	104	-96.0
Materials and services	6	-15,746	-16,396	-4.0
Employee benefits expenses	7	-104,600	-85,726	22.0
Depreciation and amortization	12.13	-8,552	-7,226	18.4
Other operating expenses	8	-33,631	-29,490	14.0
<b>Operating result</b>		<b>-13,946</b>	<b>4,676</b>	
Financial income	9	5,200	2,187	137.8
Financial expenses	9	-5,341	-1,677	218.5
Share of results of a joint venture	14	-2,170	-1,623	33.7
<b>Result before tax</b>		<b>-16,256</b>	<b>3,563</b>	
Income taxes	10	1,939	-481	
<b>RESULT FOR THE PERIOD</b>		<b>-14,318</b>	<b>3,083</b>	
<b>Other comprehensive income</b>				
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</b>				
Remeasurement of defined benefit plan		-94	0	
Exchange differences on translating foreign operations		-1,463	-513	185.4
Income tax relating to components of other comprehensive income	10	311	-278	
<b>Other comprehensive income, net of tax</b>		<b>-1,245</b>	<b>-791</b>	<b>57.4</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>-15,563</b>	<b>2,292</b>	
Result attributable to:				
Equity holders of the parent company		-14,318	3,083	
		<b>-14,318</b>	<b>3,083</b>	
Total comprehensive income attributable to:				
Equity holders of the parent company		-15,563	2,292	
		<b>-15,563</b>	<b>2,292</b>	
Earnings per share				
Undiluted, EUR	11	-1.00	0.22	
Diluted, EUR	11	-1.00	0.22	

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

## 31.12.2016

EUR thousand	Notes	31.12.2016	31.12.2015	Change, %
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	11	47,325	36,309	30.3
Goodwill	11	96,811	69,262	39.8
Tangible assets	12	1,585	1,445	9.7
Share of investment in joint venture	13	1,201	334	259.8
Available-for-sale investments	14	38	38	-0.6
Trade and other receivables	16	2,789	2,080	34.1
Deferred tax assets	18	8,403	4,832	73.9
<b>Non-current assets</b>		<b>158,152</b>	<b>114,300</b>	<b>38.4</b>
<b>Current assets</b>				
Inventories	15	0	30	
Trade receivables	16	24,638	23,692	4.0
Other receivables	16	8,372	5,789	44.6
Income tax receivables	10	126	1,498	-91.6
Cash and cash equivalents	17	35,755	33,238	7.6
<b>Current assets</b>		<b>68,891</b>	<b>64,246</b>	<b>7.2</b>
<b>TOTAL ASSETS</b>		<b>227,043</b>	<b>178,545</b>	<b>27.2</b>

EUR thousand	Notes	31.12.2016	31.12.2015	Change, %
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholder's equity</b>				
Share capital	21	3,528	3,528	
Share premium account	21	1,187	1,187	
Treasury shares	21	-1,043	-1,108	-5.9
Invested unrestricted equity fund	21	111,333	104,334	6.7
Other reserves	21	540	540	
Translation differences	21	-4,863	-3,712	31.0
Retained earnings		22,182	36,378	-39.0
<b>Shareholders' equity</b>		<b>132,864</b>	<b>141,147</b>	<b>-5.9</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	10	4,904	4,545	7.9
Interest-bearing liabilities	20.22	36,732	0	
Other non-current financial liabilities	22	1,555	730	112.9
Liabilities from defined benefit plan	19	506	0	
<b>Non-current liabilities</b>		<b>43,697</b>	<b>5,276</b>	<b>728.2</b>
<b>Current liabilities</b>				
Interest-bearing liabilities	20.22	10,548	1,667	532.8
Trade payables and other liabilities	22	34,225	29,470	16.1
Income tax liabilities	10	637	986	-35.4
Current provisions	23	5,072	0	
<b>Current liabilities</b>		<b>50,482</b>	<b>32,123</b>	<b>57.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>227,043</b>	<b>178,545</b>	<b>27.2</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

## 1.1.-31.12.2016

EUR thousand	1.1.-31.12.2016	1.1.-31.12.2015
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Result for the period</b>	<b>-14,318</b>	<b>3,083</b>
<b>Adjustments for result</b>		
Depreciation and amortization	8,552	7,226
Share of results of a joint venture	2,170	1,623
Proceeds from sale of non-current assets	-23	4
Unrealised foreign exchange gains and losses	-318	-771
Finance income and expenses	476	16
Income taxes	-1,939	481
Other non-cash items	535	526
Other adjustments	74	0
<b>Working capital changes</b>		
Change in inventories	30	13
Change in trade and other receivables	35	-3,505
Change in trade and other payables	-1,867	4,444
Change in provisions	5,071	0
Interest paid	-165	-131
Interest received	125	83
Other financial items in operating activities	-447	14
Income taxes paid/received	234	543
<b>Net cash from operating activities</b>	<b>-1,774</b>	<b>13,648</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of tangible and intangible assets	-12,660	-12,391
Proceeds from sale of tangible and intangible assets	11	0
Acquisition of subsidiaries and businesses	-25,013	-20,248
Investment made to a joint venture	-3,037	-1,957
Repayment of loan receivables and short term deposits	0	29,881
<b>Cash flows used in investing activities</b>	<b>-40,698</b>	<b>-4,716</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from current borrowings	10,548	12,500
Repayment of current borrowings	-1,667	-14,167
Proceeds from non-current borrowings	36,732	0
Repayments of non-current borrowings	0	-1,667
Dividends paid	0	-1,415
<b>Cash flows from financing activities</b>	<b>45,613</b>	<b>-4,748</b>
<b>Net change in cash and cash equivalents</b>	<b>3,141</b>	<b>4,184</b>
Cash and cash equivalents at the beginning of period	33,238	28,954
Net foreign exchange difference	-624	100
<b>Cash and cash equivalents at the end of period</b>	<b>35,755</b>	<b>33,238</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

## 1.1.-31.12.2016

EUR thousand

	Share capital	Share premium account	Treasury shares	Invested unrestricted equity	Other reserves	Translation differences	Retained earnings	Total
SHARE HOLDERS' EQUITY 1.1.2016	3,528	1,187	-1,108	104,334	540	-3,712	36,378	141,147
Comprehensive income						-1,151	-14,317	-15,468
Dividend distribution								0
Share based payments			65	-65			535	535
Share issue				7,065				7,065
Adjustment to previous years							-320	-320
Define benefit plans							-94	-94
<b>SHARE HOLDERS' EQUITY 31.12.2016</b>	<b>3 528</b>	<b>1 187</b>	<b>-1 043</b>	<b>111 333</b>	<b>540</b>	<b>-4 863</b>	<b>22 182</b>	<b>132 864</b>

EUR thousand

	Share capital	Share premium account	Treasury shares	Invested unrestricted equity	Other reserves	Translation differences	Retained earnings	Total
SHARE HOLDERS' EQUITY 1.1.2015	3,528	1,187	-1,156	104,381	540	-2,921	34,184	139,745
Comprehensive income						-791	3,083	2,292
Dividend distribution							-1,415	-1,415
Share based payments			48	-48			526	526
<b>SHARE HOLDERS' EQUITY 31.12.2015</b>	<b>3,528</b>	<b>1,187</b>	<b>-1,108</b>	<b>104,334</b>	<b>540</b>	<b>-3,712</b>	<b>36,378</b>	<b>141,147</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 Helsinki Ltd. since 2000. The consolidated financial statements for the year ended 31 December 2016 were authorized for issue in accordance with a resolution of the Board of directors on February 2, 2016. Shareholders may adopt or reject the financial statements at the Annual General Meeting.

Basware's financial statements, Board of Directors' report as well as the Auditor's report are available on the Internet at [www.basware.com/investors](http://www.basware.com/investors).

## 1. ACCOUNTING PRINCIPLES

### Basis of preparation

Basware Corporation's consolidated 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, 2016. The Group's Financial Statements are presented in euros, 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, 2016, the Group has applied the following new and revised standards and interpretations.

- Amendment to IAS 1: Disclosure Initiative. With the amendment, the Group presents the notes in order of materiality from the Group's point of view.

The following amended standards and interpretations have not had an impact on the consolidated financial statements:

- Annual Improvements to IFRSs 2012-2014
- Amendment to IFRS 11 Joint Arrangements. The amendment to the standard requires that for the acquisition of an interest in a joint operation, in which the activity constitutes a business, the principles for business combinations accounting are applied.
- Amendment to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization. The amendment prohibits the use of a revenue-based method of depreciation for tangible assets and allows the application for intangible assets to a limited extent.

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

The Group will adopt the following standards and amendments to standards published by the IASB during financial periods beginning later than January 1, 2017. The group will adopt each standards on the effective date, or if the effective date is not the first day of a reporting period, as of the beginning of the following reporting period, provided that they are approved by the EU.

- IFRS 16 Leases (estimated effective date January 1, 2019). IFRS 16 specifies the requirements for recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model. IFRS 16's approach to lessor accounting is substantially unchanged from the current standards. As a general rule, all leases with a term of over 12 months are recognized in the balance sheet unless the underlying asset has a low value. According to the Group's current estimate, the amendments will have an impact on the Group's future financial statements, and it is continuing its assessment of the impact of the amendments. The EU has not yet approved the standard.
- Amendment: IFRS 2 Share-based Payment (estimated effective date January 1, 2018). The amendment concerns incentive schemes with "net settlement features" to cover withholding tax obligations and where the employer has an obligation to withhold a tax from the received benefit of the share-based payment in the country in question. The current IFRS 2 requires the entity to divide the payment into an equity-settled component and a cash-settled component. In the future, a compensation cost pursuant to IFRS 2 will be recognized for such payments, based on the entire scheme being an equity-settled payment. The compensation cost is thus recognized based on the number of gross shares awarded in spite of the employee ultimately only receiving the net shares and the company paying the portion required for meeting the withholding obligations in cash to the tax authority. The withholding paid by the company to the tax authority is recognized directly in equity. The EU has not yet approved the amendments. According to the Group's current estimate, the amendments will have an impact on the Group's future financial statements, and it is continuing its assessment of the impact of the amendments..

- IFRS 15 Revenue from Contracts with Customers (effective date January 1, 2018). The standard provides a five-step revenue recognition model. Revenue is recognized when control of the good or service sold is transferred to the customer. The recognition model includes clearly more detailed instructions than the currently valid standards IAS 11 Construction Contracts and IAS 18 Revenue, which IFRS 15 will replace. The new recognition model emphasizes identifying the performance obligations in customer contracts and the allocation of the transaction price to the identified performance obligations. In addition, the requirements for notes are significantly expanded.

#### **The Group's estimate of the adoption of IFRS 15:**

An entity must apply either retrospective application or a modified approach for the financial period beginning on January 1, 2018. The Group's preliminary plan is to use retrospective application. The Group made a preliminary analysis of the impacts of IFRS 15 during 2016. The impacts were assessed in joint meetings reviewing customer contracts in relation to the IFRS 15 revenue recognition model. The understanding of the impacts will be detailed further based on extended analyses and discussions with the management of the Group's business areas. The Group will also take into account the further specifications published by the IASB in April 2016 and continue to monitor the development of IFRS 15 in 2017.

#### *Current revenue recognition principles of the Group:*

The Group's revenue streams are comprised of diverse transaction and monthly fees of e-invoicing solutions, license, consulting and service fees of Purchase-to-Pay software solutions and services, and alliance fees of value added services relating to financing services. The Group also provides customer support services to its customers.

The Group has assessed the customer contracts based on the above revenue streams. Based on the current revenue recognition principles, transaction revenue is recognized on the basis of actual transaction volumes and usage charges on a monthly basis during the contract period. 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.

License income relating to software deliveries are recognized when there is a binding contract, proceeds from the contract 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 upon delivery. Maintenance revenue is allocated over the contract period.

Service revenue is recognized at the time of delivery. Alliance fees from financing-related value added services are recognized as revenue when the related obligations have been performed. Revenue and costs of fixed-price consulting projects are recognized as revenue and expense on the basis of the percentage of completion when the outcome of the project can be reliably estimated.

Basware has identified the revenue streams with a significant risk of change when IFRS 15 is adopted and their revenue recognition principles based on the preliminary analysis of contracts.

#### *The Group will take into account the following matters in preparing for the adoption of IFRS 15:*

With regards to the sales of services, identifying the performance obligation in the application of IFRS 15 requires that the goods or services specified in the customer contract must be assessed at the time of concluding the contract, and they must be identified as performance obligations. Each performance obligation is based on a promise to transfer to the customer either: (a) a good or service (or a bundle of goods or services) that is distinct, or (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

With regards to services and bundles of services transferred to customers, the Group takes into account that based on the preliminary analysis, some of the performance obligations currently considered distinct may form an entity recognized together with another performance obligation. No other significant impacts are expected to arise from the application of IFRS 15 in terms of revenues already recognized over the contract period or based on service use. In these cases, the customer simultaneously receives and consumes the benefit from the entity's obligation as the entity performs. The Group expects that a service is recognized over the contract period in the case of a fixed-term consulting contract, but it will continue the analysis of the terms and conditions of consulting service in general.

The application of IFRS 15 also specifies the recognition of variable consideration in more detail. The standard requires estimating the probability of variable consideration already at the time of concluding the contract. The Group will continue to analyze the timing of recognition of variable consideration from contracts.

The adoption of IFRS 15 is not expected to result in significant changes in the timing of recognizing license revenues. The software licenses provided by the Group are technically off-the-shelf solutions.

Basware will continue the analysis of customer contracts in 2017, focusing on contracts in which the most significant risks of changes relating to the adoption of IFRS 15 were identified, to be able to quantify the impacts on the financial statements. During 2017, the Group will also plan and implement the process for collecting the new disclosures required by the standard

for the 2017 financial statements.

With regards to the following standards, amendments to standards and their interpretations, the changes will not have a significant impact on the Group's future financial statements according to the Group's current estimate, and it will continue its assessment of the impact of the changes.

- IFRS 9 Financial Instruments (effective date January 1, 2018). IFRS 9 will completely replace the existing IAS 39 Financial Instruments: Recognition and Measurement standard. In accordance with the IFRS 9 section on classification and measurement, financial assets are classified and measured based on the entity's business model and contractual cash flows of financial assets. The classification and measurement of financial liabilities primarily complies with the principles of the current IAS 39 standard. The hedge accounting model provides more opportunities for the application of hedge accounting, thereby allows entities to reflect their risk management practices in more detail in financial statements. The hedge effectiveness testing rules were revised, and the new principles are based on financial dependence. The impairment model pursuant to IAS 39 was based on credit losses incurred, while the new impairment model takes into account expected credit losses. Entities recognize the expected credit losses and changes in them in each reporting period so that changes in the credit risk after initial recognition are taken into consideration. The standard will provide new disclosure requirements concerning the entity's risk management practices. The Group estimates that the changes will not have a significant impact on the Group's future financial statements, and it will continue to assess the impacts in 2017.
- Amendment to IAS 12 Income Taxes. Recognition of Deferred Tax Assets for Unrealized Losses (estimated effective date January 1, 2017). The amendments concern the recognition of deferred tax assets for unrealized losses relating to changes in the fair value of available-for-sale debt instruments. The EU has not yet approved the amendments.
- Amendment to IAS 7 Disclosure Initiative (estimated effective date January 1, 2017). The amendment concerns disclosures in the entity's Cash flows from financing activities concerning both cash and non-cash changes (such as exchange gains and losses). The EU has not yet approved the amendments.
- Annual Improvements to IFRSs 2012–2014 (estimated effective date January 1, 2018). Minor, non-urgent amendments to standards are collected and adopted in the annual improvement procedure once a year. The effects of the changes vary by standard. The EU has not yet approved the amendments.
- Interpretation: IFRIC 22 Foreign Currency Transactions and Advance Consideration (estimated effective date January 1, 2018). The interpretation clarifies the exchange rate to be used in receipt or in payment of advance consideration and in recognising equivalent non-monetary asset or non-monetary liability arising from the receipt or payment of advance consideration. The non-monetary asset or liability is valued by using the exchange rate when the non-monetary balance sheet item is recognized. The EU has not yet approved the amendments

### **Basis of consolidation**

The consolidated financial statements comprise the parent company Basware Corporation and the subsidiaries controlled by it at the end of reporting period. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Being in control means the power to govern the financial and operating policies of the company to obtain benefits from its activities. 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. When circumstances indicate that there are changes in elements of control the consolidation is re-assessed.

Intra-group business transactions, internal liabilities and receivables, and internal profit distribution are eliminated in the Group financial statements.

Basware has a 50 percent interest in a joint venture which was established with Arrowgrass Capital Partners LLP in the UK. Basware has determined its interest in the joint venture to be accounted for using the equity method. Basware's share of results of the joint venture is presented as a separate line item in the financial items of the consolidated statement of comprehensive income and in investments in the consolidated statement of financial position

The Group does not have interests in other joint ventures or associates.

### **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.

### **Net sales**

Net sales are presented net of discounts and exchange rate differences of foreign currency sales.

### **Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group when there is a binding agreement of the sale, the revenue can be reliably measured, and significant benefits and risks related to ownership or rights of use of the product have been transferred to the buyer on delivery on the product or service is rendered.

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 service charges on a monthly basis over the term of the contract. The alliance fees of financing-related added value services are recognized as revenue when the related obligations have been performed.

Revenue from the license sales is recognized when the above mentioned criteria has been fulfilled. 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 percentage 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 government grants to the extent that they are not related to capitalized R&D projects.

### **Government grants**

Government grants are recognized when there is reasonable assurance that the grant will be received. When the grant relates to an expense item, it is recognized as other operating income for the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to capitalized R&D projects it will reduce the carrying amount of the asset, and they are recognized in profit and loss by way of lower depreciation charge over the useful life of the intangible asset.

### **Research and development costs**

Research expenses are booked as an expense as they are incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

Costs related to the adoption of new technology or development of a new generation of products 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 begins when development is complete, the asset is available for use and the product is ready for commercial utilization. Maintenance of existing products and minor enhancements are expensed when they are incurred. Government grants 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 cost of sales consisting of materials and services, less the costs resulting from employee benefits, depreciation and amortization as well as other operating expenses and any impairment. Exchange rate differences and gains or losses arising from changes in the fair value of derivatives are included in operating profit, provided that they result from items related to business operations; otherwise they are recognized under financing items. All other items of the consolidated statement of comprehensive income are presented after operating profit.

### **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. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

### **Other intangible assets**

Other intangible assets are measured at cost less accumulated amortization and possible impairment. Government grants 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. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of intangible assets are 3–10 years. Each financial year end useful lives are reviewed and adjusted prospectively, if appropriate.

Customer relationships 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 measured at cost less accumulated depreciation 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 adjusted, if appropriate.

Sales gains and losses on disposal or transfer of tangible assets are presented in other operating income and expenses.

### **Impairment of tangible and intangible assets**

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash generating unit (CGU) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. An asset's recoverable amount is the higher of CGU's fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the entity specific risks. Impairment losses relating to goodwill cannot be reversed in future periods.

### **Borrowing 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 substantially the risks and rewards incidental to ownership to the Group. Finance leases are capitalized 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. A leased asset is depreciated over the useful life of the asset. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance lease liability is presented in current and non-current interest-bearing financial liabilities.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

### **Contract costs**

The incremental costs of obtaining a contract with a customer including significant sales commissions related to long-term service contracts are capitalized if the recognition criteria are satisfied and the entity expects to recover those costs. The capitalized costs are amortized on a straight-line basis over the contract term in which the services are transferred and the revenue is recognized.

### **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 acquisition cost 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.

A financial asset is derecognised when the rights to receive cash flows from the asset have expired the Group has transferred substantially all the risks and rewards of the asset.

#### **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.

#### **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 other comprehensive income 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, short-term 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**

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default of payments, the likelihood of bankruptcy, and delay of more than 180 days of a payment or other observable data indicating that there is a measurable decrease in the estimated future cash flows. 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.

#### **Financial liabilities**

Financial liabilities are initially recognized at fair value, net of transaction 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.



## Derivates

Derivative contracts are recognized at fair value through profit and loss. Gains and losses resulting from fair value measurement are treated in accounting as specified by the purpose of the derivative contract.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. For cash flow hedges the effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss.

## 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.

## Employee benefit expenses

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

Group also has defined benefit based incentive schemes to commit personnel in accordance with local regulations and practices in countries where it operates. The calculations for defined benefit plans are done according to same principles as defined benefit plans for pensions and they predispose the Group to actuary risks like payroll risk, interest risk and risk related to expected lifetime. Amounts of the defined benefit plans are based on the yearly calculations submitted by independent actuaries. The present value of the defined benefit obligations is determined by discounting the estimated future cash flows using interest rates of Government issued bonds, if interest rate of high quality-corporate bonds is not available. These plans are unfunded.

## Share-based payments

Group has share-based incentive schemes in which the payment are made either as in equity instruments or in cash. Share-based incentive schemes are valued at fair value on the grant date, recognized as an expense in the consolidated statement of comprehensive income during the period in which the conditions are met (the vesting period) and with a corresponding adjustment to the equity or liability. The liability of the part settled in cash is revalued at each balance sheet date with changes in fair value recognized in the consolidated statement of comprehensive income. The expense from share-based incentive schemes is recognized in employee benefits expenses in the consolidated statement of comprehensive income.

## Income taxes

Income taxes comprise of tax based on the taxable income for the financial year and deferred taxes. Taxes are recognized in the statement of comprehensive income 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.

When uncertainty is included to interpretation of income tax rules, Group estimates, if a company is able to fully utilize the tax position that is stated in income tax computation. If necessary, tax bookings are adjusted to reflect the changes in tax position. At reporting date booked income tax amounts reflect the estimates of future tax payments.

Deferred taxes are calculated from all temporary differences between the carrying amount and taxable value at the tax rates confirmed at the reporting 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. In respect of deductible temporary differences associated with investments in subsidiaries, and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised. 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 assets are recognised for all other deductible temporary differences. 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 reporting date.

## Shareholders' equity

Costs related to the issue or purchase of equity instruments are recorded as a reduction of shareholders' equity. Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity.

## Accounting principles requiring management's judgement and key uncertainties relating to the use of estimates

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

More information on the most significant items requiring management's judgement:

	Number for the note
Goodwill	4
Development expenses	8
Trade receivables	17
Deferred tax assets	10
Share-based payments	7
Financial risk management	20

## Alternative performance measures

Basware presents the following financial measures to supplement its Consolidated Financial Statements which are prepared in accordance with IFRS. These measures are designed to measure growth and provide insight into the company's underlying operational performance. The Group has applied the recent guidance from ESMA (the European Securities and Markets Authority) on Alternative Performance Measures which is applicable as of July 3, 2016 and defined alternative performance measures as follows.

Recurring revenue reported by the company consists of net sales excluding license sales and consulting revenue for deliveries. Alliance fees from financing-related value added services are not included in the recurring revenue.

Cloud revenue includes net sales from transactions services, SaaS and other subscription revenues, and financing services excluding alliance fees.

Organic revenue growth is calculated by comparing net sales between comparison periods in constant currencies excluding alliance fees as well as net sales from acquisitions that have taken place in the past 12 months. Net sales in constant currencies is calculated by eliminating the impact of changes in currencies by calculating the net sales for the period by using the comparable period's exchange rates.

Gross investments are total investments made to non-current assets including acquisitions and capitalized R&D costs. Other capital expenditure consists of investments in property, plant & equipment and intangible assets excluding acquisitions and capitalized R&D costs.

EBITDA is defined as operating profit + depreciation and amortization.

Adjusted EBITDA is reported excluding any adjustments related to alliance fees, acquisitions and disposals, restructuring and efficiency measures, impairment losses and litigation fees and settlement

## 2. OPERATING SEGMENTS

Basware reports one operating segment: Purchase to Pay, P2P. The segment is divided into the Network business, The Purchase to Pay business and to the Professional Service business that support each other.

Basware reports revenues by business area: The Network business area is responsible for Basware's network business, aimed at accelerating growth of transactions in Basware's network, the largest open business commerce network in the world. Reported within the Network business area, Financing Services business area is responsible for selling and implementing Basware's innovative financing services, providing the customers with new, real-time alternatives to manage their working capital on Basware's network.

The Purchase to Pay (P2P) business area is responsible for Basware's software business, extending the company's global leadership in purchase to pay solutions and driving the growth in cloud-based services.

Professional Services is a global unit serving all Basware's customers, including project management, delivery, business consulting and related operations and development across the business areas.

Basware's revenue by type is divided into Cloud and Non-cloud revenue. To Cloud revenue is included SaaS, Transaction services (consisting of e-invoicing, scan and capture services, printing services and network start-up fees) and Other cloud revenue (consisting of other subscription fees and revenue from financing services excluding alliance fees). To Non-cloud

revenue is included Maintenance, License sales and Consulting services (consisting of professional services and customer services management) and other non-cloud revenue (consisting of alliance fees).

Basware reports revenues by primary . The revenue types are split by Transaction services (consisting of e-invoicing, scan and capture services, printing services and network start-up fees), SaaS, Consulting services (consisting of professional services and customer services management), Maintenance, License sales, and Other.

Basware reports geographical areas Finland, EMEIA, and Americas & APAC. The Finland area includes the Finnish operations and corporate services. EMEIA combines Scandinavia and the rest of Europe, as well as operations in Russia and Africa. Americas & APAC includes business operations in North and South America and the Pacific region.

The geographical information of non-current assets is reported by the location of the assets in the annual financial statements.

### Net sales by type

EUR thousand

	1.1.-31.12.2016	1.1.-31.12.2015
<b>Cloud Revenue</b>		
SaaS	22,975	11,811
Transaction services	35,996	33,256
Other cloud revenue	7,270	7,150
<b>Cloud revenue total</b>	<b>66,242</b>	<b>52,217</b>
<b>Non-cloud Revenue</b>		
Maintenance	40,761	41,664
License sales	7,188	10,921
Consulting services	34,389	35,616
Other non-cloud revenue	0	2,992
<b>Non-Cloud Revenue Total</b>	<b>82,338</b>	<b>91,193</b>
<b>Group total</b>	<b>148,580</b>	<b>143,410</b>

### Net sales by business areas

EUR thousand

	1.1.-31.12.2016	1.1.-31.12.2015
Network	46,663	47,656
P2P	70,379	62,304
Professional Services	31,538	33,450
<b>Group total</b>	<b>148,580</b>	<b>143,410</b>

### Net sales by customer location

EUR thousand

	1.1.-31.12.2016	1.1.-31.12.2015
Finland	50,093	49,238
EMEIA	71,163	75,810
Americas & APAC	27,324	18,363
<b>Group total</b>	<b>148,580</b>	<b>143,410</b>

### Net sales by geographical area

EUR thousand

	31.12.2016	31.12.2015
Finland	80,623	78,116
EMEIA	78,698	67,541
Americas & APAC	26,870	17,586
Sales between areas	-37,612	-19,833
<b>Group total</b>	<b>148,580</b>	<b>143,410</b>

### Operating result by geographical area

EUR thousand

	31.12.2016	31.12.2015
Finland	-15,425	-1,432
EMEIA	436	6,099
Americas & APAC	2,006	1,327
Operating result between areas	-962	-1,316
<b>Group total</b>	<b>-13,946</b>	<b>4,676</b>

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

EUR thousand

	31.12.2016	31.12.2015
Finland	57,464	47,320
EMEIA	55,589	60,315
Americas & APAC	36,500	1,832
<b>Total</b>	<b>149,554</b>	<b>109,467</b>

### 3. BUSINESS COMBINATIONS

Basware signed an agreement on March 31, 2016 to acquire all membership interest of US based Verian Technologies LLC ("Verian"). The acquisition of Verian, a leading cloud-based e-procurement solution provider in the US, closed on April 1, 2016. The acquisition further strengthens Basware's market position in the US and supports Basware's strategy to grow its cloud-based business revenues in key markets. Verian brings additional cloud-based customers and added e-procurement capabilities to Basware's portfolio. The acquisition will also enable Verian customers to leverage the power of the Basware Network. The acquired business has been consolidated into Basware's result from the acquisition date.

The acquisition price was EUR 31 557 thousand. Part of the acquisition price was paid in cash EUR 24 493 thousand and part EUR 7 065 thousand in the form of shares of Basware, and Basware issued 180,707 new shares to the major owners of Verian at a subscription price of EUR 39.09 per share. The acquired net assets amount to approximately EUR 3 844 thousand, including the cash reserves of EUR 281 thousand. Approximately EUR 4 240 thousand associated with customer relationships have been allocated to intangible assets, EUR 315 thousand to order backlog and EUR 1 308 thousand to technology. The value associated with customer relationships will be amortized in 10 years, starting from the second quarter of 2016 and the value associated with order backlog in three years. The value associated with technology will be amortized in 5 years. The goodwill of EUR 27 713 thousand is recognized primarily to be attributing to the expected revenue synergies between Verian's and Basware's cloud businesses. The calculation concerning the allocation of the purchase price is expected to be confirmed during first quarter in 2017, the final working capital adjustment has not been concluded. The group has booked acquisition related transaction costs for EUR 415 thousand, that mainly comes from advisory services. Transaction costs are included in other operating expenses in the group income statement. The fair value of accounts receivables are EUR 3 012 thousand that is EUR 30 thousand less than the gross amount on the acquisition date. The EUR 30 thousand is expected to be realized as a bad debt.

### The values of acquired assets and liabilities as at the date of acquisition:

EUR thousand

	Fair value
Intangible assets	4,558
Tangible assets	1,598
Trade and other receivables	3,893
Cash and cash equivalents	281
<b>Total assets</b>	<b>10,331</b>
Trade and other payables	6,487
Long-term liabilities	696
<b>Total liabilities</b>	<b>7,183</b>
<b>Net assets</b>	<b>3,844</b>
Goodwill	27,713
<b>Consideration</b>	<b>31,557</b>
<b>Analysis of cash flows on acquisition:</b>	
Consideration	-31,557
Share issue	7,065
Cash and cash equivalents in Procserve	281
Transaction costs	-415
<b>Net cash flow on acquisition</b>	<b>-24,627</b>

The net sales of the acquired business included in the Group income statement since acquisition date were EUR 8 078 thousand and result for the period was EUR 370 thousand. The Group net sales would have totaled EUR 150 724 thousand and result for the period EUR -15 198 thousand, if the business combination had taken place at the beginning of the year.

### 4. GOODWILL

EUR thousand

	2016	2015
Acquisition cost 1.1.	69,262	50,317
Translation difference	-164	-629
Additions	27,713	19,574
<b>Acquisition cost 31.12.</b>	<b>96,811</b>	<b>69,262</b>
<b>Book value 31.12.</b>	<b>96,811</b>	<b>69,262</b>

### Goodwill comprises of the following arrangements:

EUR thousand

	Goodwill
Momentum Doc, AB (2002)	1,025
Iocore AS / Basware AS (2005)	2,522
Trivet Oy (2005)	669
Analyste Oyj (2006)	13,869
Digital Vision Technologies Ltd. (2007)/ Basware UK	7,454
Contempus AS (2008)	4,855
Itella Information AS/Basware AS (2009)	446
First Businesspost GmbH (2012)	9,076
Certipost (2013)	10,316
Procserve Holdings Ltd (2015)	16,597
Verian Technologies LLC / Basware Inc (2016)	29,983
<b>Total</b>	<b>96,811</b>

Goodwill from acquisitions is allocated to the Group's cash-generating units (CGUs). Currently Basware identifies one separate independent cash inflow CGU to which goodwill can directly be linked as per the below table:



## Cash generating unit

EUR thousand

	2016	2015
Purchase to Pay	96,811	69,262
<b>Total</b>	<b>96,811</b>	<b>69,262</b>

Goodwill is tested according to IAS 36. Basware does not possess any other intangible assets than Goodwill that has indefinite economical life. Unfinished intangible assets are also subjected to impairment testing during reporting period. Impairment testing is carried out at Group level as the Basware has centralised steering model and reporting structure that this. Goodwill is monitored at group level internally.

Goodwill has been tested for impairment in the last quarter of 2016. The recoverable amounts from the cash generating unit (CGU) are determined based on value-in-use calculations. The calculations are prepared on a discounted cash flow method basis, derived from the management approved estimates for the following year and subsequent development derived from the strategic plans. Cash flows beyond the 5-year period are calculated using the terminal value method. The terminal growth rate of 2 % used in projections is based on management's assessment on conservative long term growth. Key driver for the valuation is the revenue growth based on group's performance and future strategic growth plans, market position as well as the potential in key markets.

The applied discount rate is the weighted average pre-tax cost of capital (WACC). The components of the WACC are risk-free rate, market risk premium, company specific factor, and industry specific beta, cost of debt and debt/equity ratio. The WACC of 10,5 % (10,38 %) has been used in the calculations. There were no major changes in the assumptions behind the calculation.

As a result of the impairment test, no impairment loss for the CGU were recognized for the financial periods ended 31 December 2016 and 2015 respectively. The recoverable amount exceeds the total carrying amount of fixed assets.

Sensitivity analysis was conducted and there is no indications that the changes in the assumptions could be so substantial that the carrying amount would exceed the recoverable amount. In the future Impairment testing is influenced by how the Group will meet the targets set for year 2020. In sensitive analysis was assessed the impacts of substantial changes in the most significant assumptions like revenue growth, EBIT percentage as well as the discount rate.

## 5. OTHER OPERATING INCOME

EUR thousand

	1.1.-31.12.2016	1.1.-31.12.2015
Other operating income	4	104
<b>Other operating income</b>	<b>4</b>	<b>104</b>

## 6. MATERIALS AND SERVICES

EUR thousand

	1.1.-31.12.2016	1.1.-31.12.2015
Purchases during the period	-12,943	-12,858
Increase / decrease in inventories	-30	-13
External services	-2,774	-3,526
<b>Materials and services</b>	<b>-15,746</b>	<b>-16,396</b>

## 6. PERSONNEL AND EMPLOYEE BENEFITS

### Employed, on average

	1.1.-31.12.2016	1.1.-31.12.2015
Finland	500	479
EMEIA (excluding India)	599	514
India	577	522
Americas & APAC	135	76
<b>Personnel Total</b>	<b>1,811</b>	<b>1,591</b>

## Employee benefits expenses

EUR thousand

	1.1.-31.12.2016	1.1.-31.12.2015
Salaries and fees	-86,654	-69,878
Share-based incentive plans	-973	-781
Expenses from defined benefit plans	-74	0
Pension expenses, defined benefit plans	-7,348	-6,711
Other employee benefits	-9,551	-8,357
<b>Employee benefits expenses</b>	<b>-104,600</b>	<b>-85,726</b>

## Key management compensation

EUR thousand

	1.1.-31.12.2016	1.1.-31.12.2015
Salaries and other short-term employee benefits	-2,288	-2,120
Post-employment benefits	-661	-106
Share-based payments	-634	-781
<b>Total</b>	<b>-3,583</b>	<b>-3,007</b>

## Management and Board salaries, fees and benefits

EUR thousand

	1.1.-31.12.2016	1.1.-31.12.2015
<b>CEO of parent company</b>		
Esa Tihilä (until 25 September 2016)	-403	-428
Vesa Tykkyläinen (from 26 September 2016)	-90	0
<b>Compensation of the members of the Board of Directors</b>		
Hannu Vaajoensuu	-60	-60
David Bateman (from 15 March 2016)	0	0
Michael Ingelög	-33	-28
Pentti Heikkinen (until 13 February 2015)	0	-4
Ilkka Sihvo	-37	-37
Tuija Soanjärvi	-33	-32
Anssi Vanjoki	-33	-32
<b>Total</b>	<b>-690</b>	<b>-621</b>

The salary of CEO Esa Tihilä, including benefits, totaled EUR 403 thousand (EUR 428 thousand) for the period January 1 - September 25, 2016. Salary in money was EUR 231 thousand (EUR 340 thousand), bonus totaled EUR 31 thousand (EUR 30 thousand) and fringe benefits totaled EUR 9 thousand (EUR 14 thousand). During year 2016 on the basis of the incentive scheme, Esa Tihilä was granted 3 810 shares, of which 1 906 shares were conveyed to Esa Tihilä (the value of which is approximately EUR 66 thousand based on the average share price of the payment dates) and EUR 66 thousand was paid in cash to cover the withholding tax.

The accrued pension costs of Esa Tihilä amounted to EUR 52 thousand (EUR 65 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. Esa Tihilä stepped down as the CEO of Basware Corporation on September 26, 2016. The salary of the notice period is EUR 164 thousand and the one-time severance pay EUR 328 thousand. Esa Tihilä will receive from the incentive schemes total 3 900 shares, of which half will be conveyed as shares and half paid in cash.

Vesa Tykkyläinen commenced in his position as the CEO of Basware Corporation on September 26, 2016. This salary, including benefits, totaled EUR 90 thousand for the period September 26 – December 31, 2016. Salary in money was EUR 87 thousand and fringe benefits totaled EUR 3 thousand. The accrued pension costs amounted to EUR 18 thousand. The CEO's pension plan is pursuant to the employment pension legislation.

## Share-based payments

### Incentive schemes

#### Incentive scheme 2012-2014

For years 2012-2014 Basware Group has an incentive plan, that the Board of Directors updated on 2013 to continue until the end of 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 91 299 Basware Corporation shares (including also the proportion to be paid in cash) and totaling 130 004 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 grant from annual earning period 2013 was paid in January 2016, partially as shares of the company and partially in cash. The target of the fixed earning period 2013-2015 was not reached and therefore the plan was not realised. Annual earning period 2015 was covered with the Incentive scheme 2015-2017.

#### Incentive scheme 2015-2017

Basware informed about a new share-based incentive plan directed to a group of key personnel from the beginning of 2015 until the end of 2017 on 24 March 2015.

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 three earning periods, calendar years 2015, 2016 and 2017. The first one thirds of the earned shared will be allocated 6 months, the second one thirds 12 months and the third one thirds 18 months after the end of the earning period. In addition, in early 2015, the members of Basware Executive Team may be allocated shares against purchased shares (11.000 in maximum) without consideration against shareholding of three years during the earning periods in 2015-2017.

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. The possible reward for the earning period 2015 is based on the revenue, operating profit growth and the total shareholder return of Basware Corporation. The shares to be allocated based on the plan for 2015-2017 at the target level amount to approximately 243.593 Basware Corporation shares (including also the proportion to be paid in cash) and total up to 313.371 shares.

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 new share-based incentive plan is directed to approximately 40 people

First third of the reward from earning period 2015 was paid in June 2016, partly as shares and partly as cash. Targets for earning period 2016 was not met, therefore no reward is paid from this earning period.

#### Incentive scheme 2016-2019

The Board of Directors of Basware Corporation decided February 2, 2016 to establish a new share-based incentive plan directed to key personnel in the company for years 2016-2019.

The share-based incentive plan is an element of annual bonus plan for the target group and will be linked to the employee's performance which will be measured for the full year of 2016. Each participating employee will be able to purchase Basware shares in April 2017, utilizing 25 percent of their achieved bonus reward. In the case an employee holds these purchased shares for a 2-year period, the company will provide a one-to-one match against these shares, to be paid to the employee after April 2019.

The aim of this plan is to reward performance and commit the key employees to the company whilst ensuring a competitive reward plan with a shareholding in the company. The matched shares to be distributed based on the plan in April 2019 amount at the target level to approximately 5,000 Basware Corporation shares (including also the proportion to be paid in

cash).

The new incentive plan including a share-based element will be directed to approximately 40 people. The possible shares to be distributed to the employees in the plan will consist of own shares held by the company or new shares acquired in public trading through Nasdaq Helsinki Ltd.

Targets for earning period 2016 was not met, therefore no reward is paid from this earning period.

#### Additional scheme

To group key personnel is allocated additional shares according to the decision of the Board of Directors for years 2016 and 2015.

In the following tables is presented the information affecting to the Incentive plans

#### Share-based incentive plan

	2013 Annual vesting	2014 Annual vesting
<b>Basic values</b>		
Maximum number of shares year 2013	33,417	
Maximum amount of cash year 2013	33,417	
Maximum number of shares year 2014		32,562
Maximum amount of cash year 2014		32,562
Date of issue	14.2.2013	24.2.2014
Beginning of earning period	14.2.2013	1.3.2014
End of earning period	31.12.2015	31.12.2016
Vesting conditions	Working commitment	Working commitment
Criterion 1	Net sales	Net sales
Form of the reward	Shares and cash	Shares and cash
Number of persons, date of issue	25	25
Share price, date of issue	20.30	33.90
The annual expected dividends, fair value	1.37	1.37
Closing share price 31.12.2014	41.04	41.04
Closing share price 31.12.2015	37.32	37.32
Closing share price 31.12.2016	36.30	36.30
Fair value 31.12.2014	96,489	543,837
Fair value 31.12.2015	63,967	484,991
Fair value 31.12.2016	0	467,403
Recognized liability, cash portion	41,612	244,928
Cumulative expense 2014	62,948	167,456
Cumulative expense 2015	63,967	301,658
Cumulative expense 2016	0	467,403

## Share-based incentive plan

	2015 Annual vesting ansaintajakso	2016 Annual vesting ansaintajakso
<b>Basic values</b>		
Maximum number of shares year 2015	67,550	
Maximum amount of cash year 2015	67,550	
Maximum number of shares year 2016		38,813
Maximum amount of cash year 2016		38,812
Date of issue	23.3.2015	18.7.2016
Beginning of earning period	23.3.2015	18.7.2016
End of earning period	1.7.2017	1.7.2018
Vesting conditions	Working commitment	Working commitment
Criterion 1	Net sales	Net sales
Criterion 2	Net profit	-
Criterion 3	Stock price	Stock price
Form of the reward	Shares and cash	Shares and cash
Number of persons, date of issue	39	43
Share price, date of issue	39.82	35.00
Volatility	25,80 %	26,32 %
Riskfree interest	0,11 %	-0,21 %
Lifetime of performance	0.78	0.45
The annual expected dividends, fair value	0.165	0.00
Pricing model	Black-Scholes/Monte Carlo	Black-Scholes/Monte Carlo
Closing share price 31.12.2015	37.32	
Closing share price 31.12.2016	36.30	36.30
Fair value 31.12.2015	1,205,127	0
Fair value 31.12.2016	1,324,874	0
Recognized liability, cash portion	325,708	0
Cumulative expense 2016	531,474	0
Cumulative expense 2016	1,208,806	0

## Share-based incentive plan

	2014 Annual vesting ansaintajakso	2015 Annual vesting ansaintajakso	2016 Annual vesting ansaintajakso
<b>Basic values</b>			
Maximum number of shares year 2014	750		
Maximum amount of cash year 2014	750		
Maximum number of shares year 2015		1,500	
Maximum amount of cash year 2015		1,500	
Maximum number of shares year 2016			2,000
Maximum amount of cash year 2016			2,000
Date of issue	24.11.2014	5.5.2015	28.7.2016
Beginning of earning period	24.11.2014	5.5.2015	28.7.2016
End of earning period	1.1.2016	31.5.2016	31.3.2017
Vesting conditions	Working commitment	Working commitment	Working commitment
Form of the reward	Shares and cash	Shares and cash	Shares and cash
Number of persons, date of issue	1	2	3
Share price, date of issue	40.85	39.63	37.25
The annual expected dividends, fair value	1.37	0.17	0.00
Closing share price 31.12.2014	41.05		
Closing share price 31.12.2015	37.32	37.32	
Closing share price 31.12.2016	36.30	36.30	36.30
Fair value 31.12.2014	31,316		
Fair value 31.12.2015	49,395	76,950	
Fair value 31.12.2016			146,900
Recognized liability, cash portion			46,207
Cumulative expense 2014	2,875		
Cumulative expense 2015	49,395	47,308	
Cumulative expense 2016			93,754



## Share-based incentive plan

	2012 Matching of shares*	2015 Matching of shares *
<b>Basic valuesPerustiedot</b>		
Maximum number of shares year 2012	2,697	
Maximum amount of cash year 2012	0	
Maximum number of shares year 2013	4,869	
Maximum amount of cash year 2013	0	
Maximum number of shares year 2014	2,562	
Maximum amount of cash year 2014	0	
Maximum number of shares year 2015	1,320	10,548
Maximum amount of cash year 2015	0	0
Date of issue	16.2.2012	23.3.2015
Beginning of earning period	16.2.2012	23.3.2015
End of earning period	31.12.2015	31.12.2017
Vesting conditions	Working commitment	Working commitment
Criteria	Number of deposited shares	Number of deposited shares
Form of the reward	Shares	Shares
Number of persons, date of issue	11	6
Share price, date of issue	18.53	39.82
The annual expected dividends, fair value	1.37	0.17
Closing share price 31.12.2014	41.05	
Closing share price 31.12.2015	37.32	37.32
Closing share price 31.12.2016	36.30	36.30
Fair value 31.12.2014	39,568	
Fair value 31.12.2015	24,796	114,183
Fair value 31.12.2016	0	298,455
Recognized liability, cash portion		63,773
Cumulative expense 2014	36,375	
Cumulative expense 2015	24,796	114,183
Cumulative expense 2016	0	191,318

\* Allocation of shares against share holding

## 8. OTHER OPERATING EXPENSES

EUR thousand

	1.1.-31.12.2016	1.1.-31.12.2015
<b>Other operating expenses</b>		
Rents	-4,860	-4,465
Non-statutory employee benefits	-1,352	-1,053
Travel	-4,348	-3,633
Marketing	-6,652	-4,670
IT and telephone	-1,902	-2,085
Bad Debt from account receivables	-1,040	525
Auditor fees	-576	-337
Other expenses	-12,901	-13,772
<b>Other operating expenses total</b>	<b>-33,631</b>	<b>-29,490</b>
<b>Auditor fees</b>		
Audit fees	-247	-252
Tax advices	-110	-58
Other fees and services	-219	-26
<b>Audit fees total</b>	<b>-576</b>	<b>-337</b>
<b>Research and development expenses</b>		
Research and development in income statement	-13,396	-11,994
Increases in capitalized development expenses	-10,878	-8,754
<b>Research and development expenses total</b>	<b>-24,274</b>	<b>-20,748</b>

## 9. FINANCIAL INCOME AND EXPENSES

EUR thousand

	1.1.-31.12.2016	1.1.-31.12.2015
<b>Finance income</b>		
Interest rate and currency derivatives, no hedge accounting	0	-20
Interest income	125	83
Other financial income	5,075	2,123
<b>Total</b>	<b>5,200</b>	<b>2,187</b>
<b>Finance expenses</b>		
Interest rate and currency derivatives, no hedge accounting	0	11
Interest expenses	-287	-126
Other finance expenses	-5,053	-1,562
<b>Total</b>	<b>-5,341</b>	<b>-1,677</b>
<b>Finance income and expenses total</b>	<b>-141</b>	<b>510</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.-31.12.2016	1.1.-31.12.2015
Exchange differences included in net sales	0	-226
Exchange differences included in purchases and expenses	-131	60
Foreign exchange gains	5,040	2,123
Foreign exchange losses	-5,038	-1,563
<b>Exchange differences recognized on income statement</b>	<b>-129</b>	<b>393</b>

## 10. INCOME AND DEFERRED TAXES

### Income tax

EUR thousand

	1.1.-31.12.2016	1.1.-31.12.2015
Income tax on operations	-1,058	-1,412
Tax for previous accounting periods	-80	1,385
Change in deferred tax liabilities and tax assets	3,077	-453
<b>Income tax</b>	<b>1,939</b>	<b>-481</b>

### Tax rate reconciliation

EUR thousand

	1.1.-31.12.2016	1.1.-31.12.2015
Profit before taxes	-16,256	3,563
Tax calculated at domestic tax rate	3,250	-713
Tax for previous years	-80	1,385
Effect of different tax rates of foreign subsidiaries	10	-452
Effect of change in tax rate	5	3
Non-deductible expenses	6	-564
Other	-8	-138
Income not subject to tax	21	
Application of loss from previous year	-24	-153
Profit not included in the accounting profit	-299	
Unrecognized deferred tax assets from tax losses	-434	-320
Reassessment of deferred tax assets	-508	472
<b>Income taxes</b>	<b>1,939</b>	<b>-480</b>

### Income tax receivables and payables

EUR thousand

	31.12.2016	31.12.2015
Income tax receivables	126	1,498
Income tax liabilities	637	986

### Taxes relating to other comprehensive income

EUR thousand

	1.1.-31.12.2016	1.1.-31.12.2015
Taxes on foreign exchange gains from net investments	311	-278

Local tax authorities are investigating tax position of certain companies in the Group from previous tax years in India and USA. Tax risk and uncertainty related to these incidents have been identified, but for the moment the risk assessment has not resulted tax bookings in the Group. With further information the arguments for tax bookings are reassessed in the future.

### Deferred tax assets 2016

EUR thousand

	1.1.2016	In income statement	Business acquisitions	Period change booked in equity	31.12.2016
Losses	4,138	3,980			8,118
Other items	695	-409			286
<b>Total</b>	<b>4,832</b>	<b>3,571</b>			<b>8,403</b>

### Deferred tax assets 2015

EUR thousand

	1.1.2015	In income statement	Business acquisitions	Period change booked in equity	31.12.2015
Losses	3,871	267	0		4,138
Other items	506	156	33		695
<b>Total</b>	<b>4,377</b>	<b>422</b>	<b>33</b>		<b>4,832</b>

### Deferred tax liabilities 2016

EUR thousand

	1.1.2016	In income statement	Exchange rate differences	Business acquisitions	31.12.2016
Allocation of fair value on purchases	4,060	963	-138		4,885
Other temporary differences	485	-469	3		19
<b>Total</b>	<b>4,545</b>	<b>494</b>	<b>-135</b>	<b>0</b>	<b>4,904</b>

### Deferred tax liabilities 2015

EUR thousand

	1.1.2015	In income statement	Exchange rate differences	Business acquisitions	31.12.2015
Allocation of fair value on purchases	2,368	558	-20	1,155	4,060
Other temporary differences	65	425	7	-12	485
<b>Total</b>	<b>2,433</b>	<b>983</b>	<b>-13</b>	<b>1,143</b>	<b>4,545</b>

The Group has a total of EUR 8 118 thousand (EUR 4 138 thousand) of deferred tax assets for unutilized tax losses of subsidiaries, of which EUR 4 217 thousand will expire during 2025–2030, 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 3 980 thousand (EUR 267 thousand) net were additionally recognized during the financial period for unutilized tax losses accumulated in previous years. The Group has total EUR 2 000 thousand unutilized tax credit and losses from which deferred tax assets has not been recognised. The Group will reassess the amount of deferred tax receivables if expectations of the coming tax payments changes.

## 11. EARNINGS PER SHARE

EUR thousand

	1.1.-31.12.2016	1.1.-31.12.2015
Result for the period	-14,318	3,083
<b>Average sharenumber, 1,000 pieces</b>		
undiluted	14,294	14,151
diluted	14,313	14,173
<b>Earnings per share</b>		
Undiluted, EUR	-1.00	0.22
Diluted, EUR	-1.00	0.22

## 12. OTHER INTANGIBLE ASSETS

### Intangible assets 2016

EUR thousand

	Development costs	Intangible rights	Other intangible assets	Assets, unfinished projects	Total
Acquisition cost 1.1	24,435	38,037	810	16,857	80,138
Translation difference (+/-)	46	-440	1	0	-394
Additions	1,300	6,803	194	11,015	19,311
Acquisitions through business combinations	0	4	0	0	4
Disposals	0	0	1	0	1
Reclassifications between items	4,225	1,350	0	-5,575	0
<b>Acquisition cost 31.12</b>	<b>30,005</b>	<b>45,754</b>	<b>1,005</b>	<b>22,297</b>	<b>99,061</b>
Cumulative amortization 1.1	-19,922	-23,488	-420	0	-43,829
Translation difference (+/-)	-46	-137	-8	0	-191
Cumulative amortisation on disposals	0	0	-1	0	-1
Amortization	-3,039	-4,561	-114	0	-7,715
<b>Cumulative amortization 31.12</b>	<b>-23,006</b>	<b>-28,187</b>	<b>-543</b>	<b>0</b>	<b>-51,736</b>
<b>Book value 31.12.2014</b>	<b>6,998</b>	<b>17,566</b>	<b>463</b>	<b>22,297</b>	<b>47,325</b>

Goodwill is presented in Note 4.

## Intangible assets 2015

EUR thousand

	Development costs	Intangible rights	Other intangible assets	Assets, unfinished projects	Total
Acquisition cost 1.1	24,143	29,120	612	8,675	62,550
Translation difference (+/-)	-50	-408	-1		-459
Additions	221	544	188	10,163	11,117
Business combinations		6,931			6,931
Reclassifications between items	121	1,850	11	-1,982	0
<b>Acquisition cost 31.12</b>	<b>24,435</b>	<b>38,037</b>	<b>810</b>	<b>16,857</b>	<b>80,139</b>
Cumulative amortization 1.1	-17,221	-19,757	-340		-37,318
Translation difference (+/-)	50	325	0		376
Cum.amortisation on business combinations		-500			-500
Amortization	-2,750	-3,556	-80		-6,386
<b>Cumulative amortization 31.12</b>	<b>-19,922</b>	<b>-23,488</b>	<b>-420</b>	<b>0</b>	<b>-43,829</b>
<b>Book value 31.12.2015</b>	<b>4,513</b>	<b>14,548</b>	<b>390</b>	<b>16,857</b>	<b>36,309</b>



### 13. TANGIBLE ASSETS

#### Tangible assets 2016

EUR thousand

	Machinery and equipment	Machinery and equipment, finance lease	Other tangible assets	Total
Acquisition cost 1.1	11,011	128	122	11,261
Translation difference (+/-)	-102	2		-100
Additions	961		11	972
Acquisitions through business combinations	0			0
Decreases	33			33
<b>Acquisition cost 31.12</b>	<b>11,903</b>	<b>130</b>	<b>133</b>	<b>12,166</b>
Cumulative amortization 1.1	-9,688	-128	0	-9,816
Translation difference (+/-)	98	-2		96
Decreases	-21			-21
Amortization	-840			-840
<b>Cumulative amortization 31.12</b>	<b>-10,451</b>	<b>-130</b>	<b>0</b>	<b>-10,581</b>
<b>Book value 31.12.2016</b>	<b>1,452</b>	<b>0</b>	<b>133</b>	<b>1,585</b>

#### Tangible assets 2015

EUR thousand

	Machinery and equipment	Machinery and equipment, finance lease	Other tangible assets	Total
Acquisition cost 1.1	9,950	131	114	10,195
Translation difference (+/-)	59	-2	10	67
Additions	825			825
Business combinations	178			178
Decreases	-2		-3	-4
<b>Acquisition cost 31.12</b>	<b>11,011</b>	<b>128</b>	<b>122</b>	<b>11,261</b>
Cumulative amortization 1.1	-8,677	-131	0	-8,808
Translation difference (+/-)	-51	2		-48
Cum.amortisation on business combinations	-121			-121
Decreases	1			1
Amortization	-840			-840
<b>Cumulative amortization 31.12</b>	<b>-9,688</b>	<b>-128</b>	<b>0</b>	<b>-9,816</b>
<b>Book value 31.12.2015</b>	<b>1,323</b>	<b>0</b>	<b>122</b>	<b>1,445</b>

## 14. SHARES IN JOINT VENTURES

EUR thousand

### Summary of financial information on the Joint Venture

	1.1.-31.12.2016	1.1.-31.12.2015
Non-current assets	240	14
Current assets	2,087	3,055
Short-term liabilities	968	2,472
Net Sales	0	0
<b>Result for the period</b>	<b>-4,230</b>	<b>-3,247</b>

### Joint Ventures 31.12.2016

Name	Main industry	Registered location	Share of ownership(%)
ClearFunding Limited	Financing services	London, United Kingdom	50

Basware has determined its interest in the joint venture to be accounted for using the equity method. Basware's share of results (50 %) of the joint venture is presented as a separate line item in the financial items of the consolidated statement of comprehensive income and in investments in the consolidated statement of financial position.

## 15. AVAILABLE-FOR-SALE ASSETS

EUR thousand

	31.12.2016	31.12.2015
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.

## 16. INVENTORIES

EUR thousand

	31.12.2016	31.12.2015
Raw materials and consumables	0	30
<b>Inventories total</b>	<b>0</b>	<b>30</b>

FIFO principle has been applied in the measurement of Inventories.

## 17. TRADE AND OTHER RECEIVABLES

EUR thousand

	31.12.2016	31.12.2015
<b>Non-current receivables</b>		
Other non-current receivables	2,789	2,080
<b>Non-current trade and other receivables total</b>	<b>2,789</b>	<b>2,080</b>
<b>Current receivables</b>		
Trade receivables	24,638	23,692
Trade receivables from Joint Venture	200	417
Short term deposits	0	0
Other receivables	208	224
Prepaid expenses and accrued income	7,964	5,148
Derivatives, non-hedge accounting, level 2	0	0
<b>Current receivables total</b>	<b>33,010</b>	<b>29,480</b>

The fair values of financial assets and liabilities are presented in Note 24.

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 20.

### The ageing analysis of trade receivables and impairment loss

EUR thousand

	2016	Impairment loss	Net 2016	2015	Impairment loss	Net 2015
Non-overdue sales receivables	14,566	0	14,566	14,925	0	14,925
Overdue sales receivables						
1-180 days	9,694	0	9,694	8,562	0	8,562
181- 360 days	763	-382	382	408	-204	204
Over 360 days	504	-504	0	440	-440	0
<b>Total</b>	<b>25,527</b>	<b>-886</b>	<b>24,641</b>	<b>24,335</b>	<b>-644</b>	<b>23,691</b>

### 18. CASH AND CASH EQUIVALENTS

EUR thousand

	31.12.2016	31.12.2015
Cash and cash equivalents	37,755	33,238
<b>Cash and short-term deposits</b>	<b>37,755</b>	<b>33,238</b>

### 19. DEFINED BENEFIT PLANS

Group has in Indian subsidiary an incentive scheme to commit employees, where benefit is paid to the employee after five years in service, in case of the employment is ending. The calculations for defined benefit plans are done according to same principles as defined benefit plans for pensions and they predispose the Group to actuary risks like wage risk, interest risk and risk related to expected lifetime. These plans are unfunded.

The Group expects the expenses from the benefit plan to be EUR 193 thousand next year.

#### Defined benefit plans

EUR thousand

	1.1.-31.12.2016	1.1.-31.12.2015
<b>Opening value 1.1</b>	<b>0</b>	<b>0</b>
<b>Amounts recognised in Profit &amp; Loss</b>		
Service cost, benefits earned during the year	75	0
Interest expense (+)/income (-)	19	0
<b>Amounts recognised in other comprehensive income</b>		
Actuarial losses (+)/gains (-)	97	0
<b>Other changes</b>		
Items from revaluations	332	0
Benefits paid	-18	0
<b>Ending value 31.12.</b>	<b>506</b>	<b>0</b>
<b>The most significant actuarial assumptions</b>		
Discount interest	8,00 %	0.00%
Increase of wages	9,00 %	0.00%

## 20. 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.

### Currency risk

Basware's net sales increased by 5.4 % (12.4 %) in constant currencies during 2016.

The Group's main currency is Euro, accounting for approximately 55 percent of net sales in 2016 (approximately 59% in 2015). In addition to the euro area, Basware operates in various areas, the most significant of them being Norway, Sweden, the United States and the United Kingdom in 2016. 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

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.

According to IFRS 7 a sensitivity analysis of currency risk would have had an impact of EUR +/- 0.1 million (EUR 0.5 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 0.5 million (EUR 0.9 million) on other comprehensive items in Income Statement.

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 2016

EUR thousand

	USD	AUD	GBP	SEK	DKK	NOK	RON	INR
Non-current assets	33,126	333	9,961	1,229	166	947	201	206
Current assets								
Cash and cash equivalents	909	140	555	436	240	966	429	331
Trade and other receivables	6,311	855	3,327	1,758	1,044	1,411	292	1
Current liabilities								
Non-interest bearing liabilities	5,100	785	2,872	1,441	1,058	1,305	352	823

### Nominal values 2015

EUR thousand

	USD	AUD	GBP	SEK	DKK	NOK	RON
Non-current assets	442	189	2,310	1,213	164	1,006	169
Current assets							
Cash and cash equivalents	2,198	1,263	6,522	648	349	1,710	252
Trade and other receivables	3,298	896	3,120	1,645	1,075	1,348	131
Current liabilities							
Non-interest bearing liabilities	817	681	6,689	1,256	977	1,460	151

### Interest rate risk

The company had a total of EUR 37.3 million (EUR 1.7 million) of variable-rate bank loans at the closing date.

A four-year loan amounting to EUR 15.3 million was raised at the end of March 2016 to partly fund the acquisition of Verian

Technologies LLC. The loan is paid off in equal half-yearly installments. Basware also put in place a EUR 10 million revolving credit facility with a 2-year maturity. The facility is available to fund future working capital requirements and EUR 7 million was drawn as of December 31, 2016.

In December 2016 the company signed new variable-rate term loan financing totaling EUR 15 million with final maturity in 2018. The use of proceeds is for general working capital purposes of the company

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 1.25 percent.

According to IFRS 7, 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 124,5 thousand (EUR 28 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. Group management has not identified any major concentration of liquidity risks in cash assets and equivalents or in sources of funding. The tables below describes a maturity analysis on agreements. The figures have not been discounted and they included loan rate and repayments of capital.

#### Maturity distribution of financial liabilities 2016

EUR thousand

	Balance sheet value	Cash flow	0-6 months	6 months - 1 year	1-5 year
Bank Loans	47,280	48,275	7,257	3,811	37,208
Trade and other payables	11,350	11,350	11,350	0	0
<b>Total</b>	<b>58,630</b>	<b>59,625</b>	<b>18,607</b>	<b>3,811</b>	<b>37,208</b>

#### Maturity distribution of financial liabilities 2015

EUR thousand

	Balance sheet value	Cash flow	0-6 months	6 months - 1 year	1-5 year
Bank Loans	1,667	1,701	1,701	0	0
Trade and other payables	8,740	8,740	8,740	0	0
<b>Total</b>	<b>10,407</b>	<b>10,441</b>	<b>10,441</b>	<b>0</b>	<b>0</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 17.

### 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 58.5 % (79.1%) and gearing ratio is 8.7 % (-22.4 %).

## 21. SHAREHOLDER'S EQUITY

In the following table is presented changes in shareholders equity and corresponding movements in shares.

### Shareholders' equity 2016

EUR thousand

	Shareholders' equity	Share premium account	Invested non-restricted equity	Other reserves	Treasury shares	Total
31.12.2016	3,528	1,187	104,334	540	-1,109	108,480
Share issue			7,065			7,065
Decrease of treasury shares			-65		65	0
<b>31.12.2016</b>	<b>3,528</b>	<b>1,187</b>	<b>111,333</b>	<b>540</b>	<b>-1,043</b>	<b>115,545</b>

### Shareholders' equity 2015

EUR thousand

	Shareholders' equity	Share premium account	Invested non-restricted equity	Other reserves	Treasury shares	Total
31.12.2014	3,528	1,187	104,381	540	-1,156	108,480
Share issue						0
Decrease of treasury shares			-48		48	0
<b>31.12.2015</b>	<b>3,528</b>	<b>1,187</b>	<b>104,334</b>	<b>540</b>	<b>-1,109</b>	<b>108,480</b>

### Number of shares 2016

	2016	2015
Number of outstanding shares 1.1.	14,152,770	14,146,426
Share issue (+)	180,707	0
Incentive plan (+)	9,837	6,344
Number of outstanding shares 31.2013	14,343,314	14,152,770
Treasury shares 1.1.	68,459	74,803
Incentive plan (-)	9,837	6,344
Treasury shares 31.12.	58,622	68,459

### 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

The Annual General Meeting resolved in accordance with the proposal of the Board of Directors that no dividend will be paid for the year 2016 (2015: 0 euros per dividend). No substantial changes has taken place in the company's financial position after the end of the financial period.



## 22. TRADE AND OTHER LIABILITIES

EUR thousand

	31.12.2016	31.12.2015
<b>Long-term trade and other liabilities</b>		
Other liabilities	1,555	730
<b>Long-term trade and other liabilities total</b>	<b>1,555</b>	<b>730</b>
<b>Short-term trade and other liabilities</b>		
Trade liabilities	7,055	4,515
Accrued expenses and deferred income	22,874	20,729
Other Liabilities	4,296	4,226
<b>Short-term trade and other liabilities total</b>	<b>34,225</b>	<b>29,470</b>

Accrued expenses includes personnel related expenses EUR 12,390 thousand (EUR 10,757 thousand)

The fair value of financial assets and liabilities are presented in Note 24.

## 23. CURRENT PROVISIONS

EUR thousand

	2016	2015
<b>Provision for restructuring</b>	<b>0</b>	<b>0</b>
Booking value 1.1.	0	0
Increases	5,072	0
<b>Booking value 31.12</b>	<b>5,072</b>	<b>0</b>

Basware launched a productivity programme on November 2, 2016 to simplify its operations and increase scalability. The programme included personnel reductions and affected 130 employees globally. As at the end of September 2016, Basware's global headcount was 1,881 employees. Labour negotiations will be executed in cooperation with the personnel and in compliance with local legal requirements.

Restructuring provision was made from the costs related to productivity programme. The provision amounted roughly to EUR 5 million and covers salary expenses, one-time severance packages and outplacement service expenses related to personnel reductions.

## 24. FINANCIAL ASSETS AND LIABILITIES

EUR thousand

	Note	2016 Book value	2016 Fair value	2015 Book value	2015 Fair value
<b>Financial assets</b>					
Non-current					
Available-for-sale financial assets					
Unlisted shares	14	38	38	38	38
Non-current trade and other receivables	14	1,212	1,212	1,130	1,130
Current					
Current trade and other receivables	16	25,046	25,046	23,916	23,916
Cash and cash equivalents	17	35,755	35,755	33,238	33,238
<b>Financial liabilities</b>					
Non-current					
Financial loans measured at amortized cost					
Loans from financial institutions, interest-bearing	21	36,732	36,732	0	0
Current					
Financial liabilities at fair value through profit or loss					
Interest rate derivatives - non-hedge accounting (level 2)*		0	0	1	1
Financial liabilities - financial liabilities valued at amortized acquisition cost					
Loans from financial institutions, interest-bearing	21	10,548	10,548	1,667	1,667
Trade and other payables	21	11,350	11,350	8,740	8,740

\* non-hedged accounting, level 2

**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 20.

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

## 24. COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand

	31.12.2016	31.12.2015
Own guarantees		
Business mortgage of own debt	1,200	1,200
Guarantees	273	336
Commitments on behalf of subsidiaries		
Guarantees	100	37
Other own contingent liabilities		
Lease liabilities		
Current lease liabilities	1,169	1,116
Lease liabilities maturing in 1- 5 years	1,362	1,398
<b>Total</b>	<b>2,530</b>	<b>2,514</b>
Rental liabilities *		
Current rental liabilities	4,989	5,767
Rental liabilities maturing in 1- 5 years	9,421	7,155
Rental liabilities maturing over 5 years	41	1,019
<b>Total</b>	<b>14,452</b>	<b>13,941</b>
<b>Other own contingent liabilities total</b>	<b>16,983</b>	<b>16,455</b>
<b>Commitments and Contingent Liabilities total</b>	<b>18,555</b>	<b>18,027</b>

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

## 26. RELATED PARTY TRANSACTIONS

EUR thousand

	31.12.2016	31.12.2015
<b>Joint Venture:</b>		
Sales	784	824
Trade Receivable	200	417
<b>Softaforce:</b>		
<b>Purchases of services</b>	<b>0</b>	<b>117</b>
Trade payables	0	0

Basware Oyj and Softaforce Oy have done cooperation in procurement outsourcing. Agreement is market-based.

Basware Oyj has established a Joint Venture Clear Funding Ltd with Arrowgrass Capital Partners LLP.

Key management compensations are disclosed in note 7. Basware Oyj's subsidiaries are disclosed in note 27.

## 27. SHARES IN SUBSIDIARIES

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

### Foreign branches

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

### Joint Ventures

	Domicile	Country	Group holding, %
ClearFunding Ltd.	London	Great Britain	50

## 28. 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.-31.12.2016

EUR thousand

	Note	1.1.-31.12.2016	1.1.-31.12.2015	Change, %
<b>NET SALES</b>	2	<b>80,623</b>	<b>78,116</b>	<b>3.2</b>
Other operating income	3	3	49	-93.1
Materials and services	4	-14,344	-12,702	12.9
Employee benefits expenses	5	-39,485	-36,646	7.7
Depreciation and amortization	6	-6,674	-6,285	6.2
Other operating expenses	7	-35,740	-24,332	46.9
<b>Operating result</b>		<b>-15,618</b>	<b>-1,800</b>	
Financial income	8	6,670	2,760	141.6
Financial expenses	8	-6,824	-1,096	522.3
<b>Result before tax</b>		<b>-15,772</b>	<b>-136</b>	
Income taxes	9	-115	826	-114.0
<b>RESULT FOR THE PERIOD</b>		<b>-15,887</b>	<b>690</b>	

# PARENT COMPANY BALANCE SHEET (FAS)

## 31.12.2016

EUR thousand

	Note	31.12.2016	31.12.2015	Change, %
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	10	34,981	27,006	29.5
Tangible assets	11	642	723	-11.2
Investments	12	124,418	92,435	34.6
Long-term trade and other receivables	14	797	634	25.7
<b>Non-current assets</b>		<b>160,838</b>	<b>120,799</b>	<b>33.1</b>
<b>Current assets</b>				
Inventories	13	0	30	
Short-term trade and other receivables	15	35,675	22,143	61.1
Cash and cash equivalents		25,483	18,455	38.1
<b>Current assets</b>		<b>61,158</b>	<b>40,628</b>	<b>48.2</b>
<b>TOTAL ASSETS</b>		<b>221,996</b>	<b>161,427</b>	<b>37.0</b>

EUR thousand

	Note	31.12.2016	31.12.2015	Change, %
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Share capital		3,528	3,528	
Share premium account		1,118	1,118	
Other reserves		112,291	105,291	6.6
Retained earnings		21,649	20,894	3.6
Profit for the period		-15,887	690	
<b>Shareholders' equity</b>	<b>16</b>	<b>122,700</b>	<b>131,522</b>	<b>-6.7</b>
Current provisions	17	1,199	0	
<b>Liabilities</b>				
Long-term liabilities	18	36,909	177	20,725.5
Short-term liabilities	19	61,189	29,728	105.8
<b>Total liabilities</b>		<b>98,098</b>	<b>29,905</b>	<b>228.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>221,996</b>	<b>161,427</b>	<b>37.5</b>



# PARENT COMPANY CASH FLOW STATEMENT (FAS)

## 1.1.-31.12.2016

EUR thousand	1.1.-31.12.2016	1.1.-31.12.2015
<b>Cash flow from operating activities</b>		
<b>Result for the period</b>	<b>-15,887</b>	<b>690</b>
<b>Adjustments for result</b>		
Planned depreciations	6,674	6,285
Proceeds from sale of non-current assets	350	3
Unrealized exchange gains and losses	1,221	-585
Finance income and expenses	-1,049	-1,355
Income taxes	115	-826
<b>Working capital changes</b>	<b>7,703</b>	<b>2,962</b>
Interest paid	-121	-209
Interest received	1,441	2,740
Other financial items in operating activities	-325	82
Income taxes paid	1,031	1,031
<b>Net cash from operating activities</b>	<b>1,154</b>	<b>10,818</b>
Cash flow from investing activities		
Purchase of tangible and intangible assets	-13,424	-11,764
Proceeds from sale of tangible and intangible assets	125	0
Acquisition of subsidiaries and businesses	-30,493	-26,144
Investment made to a joint venture	-3,037	-1,957
Repayment of loan receivables	3,039	38,015
Addition / deduction of cash equivalents	-3,447	3,721
<b>Cash flows used in investing activities</b>	<b>-47,237</b>	<b>1,871</b>
<b>Cash flow before financing activities</b>	<b>-46,083</b>	<b>12,689</b>
Cash flow from financing activities		
Proceeds from current borrowings	10,548	12,500
Repayment of current borrowings	-1,667	-14,167
Addition / deduction of current borrowings	7,497	-4,621
Proceeds from borrowings	36,732	0
Repayments of borrowings	0	-1,667
Dividends paid	0	-1,415
<b>Net cash used in financing activities</b>	<b>53,110</b>	<b>-9,369</b>
<b>Net change in cash and cash equivalents</b>	<b>7,028</b>	<b>3,319</b>
Cash and cash equivalents at the beginning of period	18,455	15,136
Cash and cash equivalents at the end of period	25,483	18,455

# 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.

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.

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.

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.

## 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.

## 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

	1.1.-31.12.2016	1.1.-31.12.2015
<b>Net sales by business branches</b>		
Licence sales	4,692	7,043
Customer Support	29,505	30,935
Professional Services	11,139	10,608
Automation Services	35,287	29,530
<b>Total</b>	<b>80,623</b>	<b>78,116</b>
<b>Net sales by business areas</b>		
Finland	49,871	49,108
Export	30,752	29,008
<b>Total</b>	<b>80,623</b>	<b>78,116</b>

## 3. OTHER OPERATING INCOME

EUR thousand

	1.1.-31.12.2016	1.1.-31.12.2015
Other operating income	3	49
<b>Other operating income</b>	<b>3</b>	<b>49</b>

## 4. MATERIALS AND SERVICES

EUR thousand

	1.1.-31.12.2016	1.1.-31.12.2015
Purchases during the financial period	-9,901	-9,895
Change in inventories	-30	-13
Services purchased	-4,413	-2,794
<b>Total</b>	<b>-14,344</b>	<b>-12,702</b>

## 5. PERSONNEL AND EMPLOYEE BENEFITS EXPENSES

EUR thousand

	1.1.-31.12.2016	1.1.-31.12.2015
Personnel expenses		
Salaries paid to CEO and the Board of Directors	-1,057	-621
Salaries paid to other personnel	-31,410	-30,268
Pension expenses	-4,937	-4,590
Other personnel expenses	-2,081	-1,789
<b>Total</b>	<b>-39,485</b>	<b>-37,268</b>

Salaries and fees paid to each member of the management are detailed in Note 7 to the consolidated financial statement.

## Number of personnel

	1.1.-31.12.2016	1.1.-31.12.2015
Personnel average for the period	1,079	1,003
Personnel at the end of the period	1,098	1,008

## 6. DEPRECIATION AND WRITE-OFFS

EUR thousand

	1.1.-31.12.2016	1.1.-31.12.2015
Intangible assets	-6,317	-5,853
Tangible assets	-357	-432
<b>Total</b>	<b>-6,674</b>	<b>-6,285</b>

## 7. OTHER OPERATING EXPENSES

EUR thousand

	1.1.-31.12.2016	1.1.-31.12.2015
<b>Other operating expenses</b>		
Rents	-1,787	-1,947
Non-statutory employee benefits	-638	-436
Travelling	-1,280	-1,243
Marketing	-3,530	-2,822
IT and telephone	-1,136	-1,365
Auditor fees	-576	-307
Other expenses	-26,793	-16,208
<b>Total</b>	<b>-35,740</b>	<b>-24,330</b>
Audit fees	-247	-227
Tax advices	-110	-56
Other fees and services	-219	-25
<b>Audit fees total</b>	<b>-576</b>	<b>-307</b>

## 8. FINANCIAL INCOME AND EXPENSES

EUR thousand

	1.1.-31.12.2016	1.1.-31.12.2015
Other interest and financial income		
From group companies	6,499	2,556
From others	170	203
<b>Other interest and financial income</b>	<b>6,670</b>	<b>2,759</b>
Interest and financial expenses		
To group companies	-6,491	-791
From others	-333	-305
<b>Other interest and financial expenses total</b>	<b>-6,824</b>	<b>-1,096</b>
<b>Total</b>	<b>-154</b>	<b>1,662</b>

## 9. INCOME TAXES

EUR thousand

	1.1.-31.12.2016	1.1.-31.12.2015
Income taxes on the financial period		
Income taxes on actual business	-103	-573
Income taxes from previous financial periods	-12	1,398
<b>Total</b>	<b>-115</b>	<b>826</b>

## 10. INTANGIBLE ASSETS

### Intangible assets 2016

EUR thousand

	Development costs	Intangible rights	Goodwill/merger loss	Other long-term investments	Assets, unfinished projects	Total
Acquisition cost 1.1	23,016	11,126	17,625	509	16,857	69,132
Additions	1,300	2,098			11,015	14,413
Decreases	0			-445	0	-445
Reclassifications between items	4,225	1,350			-5,575	0
<b>Acquisition cost 31.12</b>	<b>28,540</b>	<b>14,574</b>	<b>17,625</b>	<b>63</b>	<b>22,297</b>	<b>83,100</b>
Cumulative amortization 1.1	-18,573	-6,500	-16,711	-342	0	-42,126
Amortization	-2,978	-2,405	-914	304		-5,993
<b>Cumulative amortization 31.12</b>	<b>-21,551</b>	<b>-8,905</b>	<b>-17,625</b>	<b>-38</b>	<b>0</b>	<b>-48,119</b>
<b>Book value 31.12.2016</b>	<b>6,990</b>	<b>5,669</b>	<b>0</b>	<b>25</b>	<b>22,297</b>	<b>34,981</b>

### Intangible assets 2015

EUR thousand

	Development costs	Intangible rights	Goodwill/merger loss	Other long-term investments	Assets, unfinished projects	Total
Acquisition cost 1.1	22,674	8,738	17,625	509	8,664	58,210
Additions	221	538			10,163	10,922
Reclassifications between items	121	1,850			-1,971	0
<b>Acquisition cost 31.12</b>	<b>23,016</b>	<b>11,126</b>	<b>17,625</b>	<b>509</b>	<b>16,857</b>	<b>69,132</b>
Cumulative amortization 1.1	-15,931	-4,996	-15,035	-311	0	-36,273
Amortization	-2,642	-1,504	-1,676	-31		-5,853
<b>Cumulative amortization 31.12</b>	<b>-18,573</b>	<b>-6,500</b>	<b>-16,711</b>	<b>-342</b>	<b>0</b>	<b>-42,126</b>
<b>Book value 31.12.2015</b>	<b>4,443</b>	<b>4,626</b>	<b>914</b>	<b>167</b>	<b>16,857</b>	<b>27,006</b>

## 11. TANGIBLE ASSETS

### Tangible assets 2016

EUR thousand

	Machinery and equipment	Other tangible assets	Total
Acquisition cost 1.1	6,621	122	6,743
Additions	409	11	419
Decreases	-865	0	-865
<b>Acquisition cost 31.12</b>	<b>6,165</b>	<b>133</b>	<b>6,298</b>
Cumulative amortization 1.1	-6,020	0	-6,020
Decreases	722		
Amortization	-357		-357
<b>Cumulative amortization 31.12</b>	<b>-5,656</b>	<b>0</b>	<b>-5,656</b>
<b>Book value 31.12.2016</b>	<b>509</b>	<b>133</b>	<b>642</b>

### Tangible assets 2015

EUR thousand

	Machinery and equipment	Other tangible assets	Total
Acquisition cost 1.1	6,227	114	6,342
Additions	394	10	404
Decreases		-3	-3
<b>Acquisition cost 31.12</b>	<b>6,622</b>	<b>122</b>	<b>6,743</b>
Cumulative amortization 1.1	-5,588	0	-5,588
Amortization	-432		-432
<b>Cumulative amortization 31.12</b>	<b>-6,020</b>	<b>0</b>	<b>-6,020</b>
<b>Book value 31.12.2015</b>	<b>602</b>	<b>122</b>	<b>723</b>

## 12. INVESTMENTS

EUR thousand

	31.12.2016	31.12.2015
<b>Shares in group companies</b>		
Book value 1.1.	57,698	29,992
Increase	49,156	27,706
Disposals	-9,232	0
<b>Book value 31.12.</b>	<b>97,621</b>	<b>57,698</b>
<b>Balance sheet value 31.12</b>	<b>97,621</b>	<b>57,698</b>
<b>Other shares</b>		
Book value 1.1.	38	38
<b>Book value 31.12.</b>	<b>38</b>	<b>38</b>
<b>Share of investment in a joint venture</b>		
Book value 1.1.	1,957	0
Increase	3,037	1,957
<b>Book value 31.12.</b>	<b>4,994</b>	<b>1,957</b>
Receivables from group companies		
Loan receivables from group companies	21,764	32,742
<b>Investments total</b>	<b>124,418</b>	<b>92,436</b>



## Shares in subsidiaries

	Domicile	Country	Parent company holding, %
Basware International Oy	Espoo	Finland	100
Basware GmbH	Düsseldorf	Germany	100
Basware AB	Stockholm	Sweden	100
Basware B.V.	Amsterdam	The Netherlands	100
Basware A/S	Herlev	Denmark	100
Basware, Inc.	Delaware	United States	100
Basware SAS	Paris	France	100
Basware AS	Oslo	Norway	100
Basware Pty Ltd	Chatswood	Australia	100
Basware India Private Limited	Chandigarh	India	99
Basware Belgium NV	Aalst	Belgium	99
Basware SRL	Iasi	Romania	100
Basware Holdings Ltd.	London	United Kingdom	100

## Foreign branches

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

## 13. INVENTORIES

EUR thousand

	31.12.2016	31.12.2015
Raw materials and consumables	0	30
<b>Total</b>	<b>0</b>	<b>30</b>

## 14. NON-CURRENT RECEIVABLES

EUR thousand

	31.12.2016	31.12.2015
Rent deposits	402	398
Accrued employee expenses	395	236
<b>Total</b>	<b>797</b>	<b>634</b>

## 15. CURRENT RECEIVABLES

EUR thousand

	31.12.2016	31.12.2015
<b>Accounts receivables</b>	<b>6,718</b>	<b>6,244</b>
<b>Receivables from group companies</b>		
Accounts receivables	3,002	1,405
Interest receivables	360	306
Loan receivables	13,614	7,217
Other receivables	8,572	2,028
<b>Total</b>	<b>25,547</b>	<b>10,957</b>
<b>Receivables from others</b>		
Prepaid expenses and accrued income	3,131	4,461
Short term deposits	0	0
Receivables from Joint venture	200	417
Other receivables	79	65
<b>Total</b>	<b>3,410</b>	<b>4,943</b>
<b>Current receivables total</b>	<b>35,675</b>	<b>22,143</b>
<b>Prepaid expenses and accrued income</b>		
Tax receivables	0	1,309
Accrued employee expenses	12	167
Other prepaid expenses and accrued income	3,119	2,985
<b>Total</b>	<b>3,131</b>	<b>4,461</b>

## 16. SHAREHOLDERS' EQUITY

EUR thousand

	31.12.2016	31.12.2015
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.	105,291	105,339
Decrease of treasury shares	-65	-48
Share issue	7,065	0
<b>Invested non-restricted equity 31.12.</b>	<b>112,291</b>	<b>105,291</b>
Retained earnings 1.1.	21,584	22,261
Dividend payment	0	-1,415
Decrease of treasury shares	65	48
Profit for the period	-15,887	690
<b>Retained earnings 31.12.</b>	<b>5,762</b>	<b>21,584</b>
<b>Non-restricted equity 31.12.</b>	<b>118,053</b>	<b>126,875</b>
<b>Shareholders' equity 31.12.</b>	<b>122,700</b>	<b>131,521</b>
Specification of distributable funds		
Profit for the period	-15,887	690
Retained earnings	21,649	20,894
Other distributable funds	112,291	105,291
Development expenses, activated*	-29,295	0
<b>Distributable funds</b>	<b>88,758</b>	<b>126,875</b>

According to Accounting Act 5:8§ activated development expenses are deducted from distributable funds.

## 17. PROVISIONS

EUR thousand

	2016	2015
<b>Restructuring provisions</b>		
Book value 1.1.	0	0
Increases	1,199	0
<b>Book value 31.12.</b>	<b>1,199</b>	<b>0</b>

## 18. NON-CURRENT LIABILITIES

EUR thousand

	31.12.2016	31.12.2015
Loans from financial institutions	36,732	0
Debts to group companies	177	177
<b>Non-current liabilities total</b>	<b>36,909</b>	<b>177</b>

## 19. CURRENT LIABILITIES

EUR thousand

	31.12.2016	31.12.2015
<b>Accounts payable</b>	<b>4,602</b>	<b>3,171</b>
<b>Liabilities to group companies</b>		
Accounts payable	1,047	860
Other debts	34,791	14,790
<b>Total</b>	<b>35,838</b>	<b>15,650</b>
<b>Liabilities to other</b>		
Loans from financial institutions	10,548	1,667
Other debts	2,050	1,959
Accrued expenses and deferred income	8,151	7,281
<b>Total</b>	<b>20,749</b>	<b>10,906</b>
<b>Current liabilities total</b>	<b>61,189</b>	<b>29,728</b>
<b>Accrued expenses and deferred income</b>		
Accrued employee expenses	6,363	6,496
Other accrued expenses	1,788	622
Tax liability income tax	0	163
<b>Total</b>	<b>8,151</b>	<b>7,281</b>

## 20. COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand

	31.12.2016	31.12.2015
<b>Own guarantees</b>		
Business mortgages of own debt	1,200	1,200
Guarantees	273	336
<b>Commitments on behalf of subsidiaries</b>		
Guarantees	100	37
<b>Other own contingent liabilities</b>		
<b>Leasing liabilities</b>		
Current lease liabilities	194	185
Lease liabilities maturing in 15 years	136	194
<b>Total</b>	<b>329</b>	<b>378</b>
<b>Rental liabilities</b>		
Current rental liabilities	1,721	3,333
Rental liabilities maturing in 1- 5 years	4,671	4,546
Rental liabilities maturing over 5 years	0	1,019
<b>Total</b>	<b>6,392</b>	<b>8,898</b>
Other own contingent liabilities total	6,721	9,276
<b>Commitments and Contingent Liabilities total</b>	<b>8,293</b>	<b>10,849</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 2016, the Group parent company's distributable funds are EUR 88 758 thousand.

Basware's Board of Directors proposes to the Annual General Meeting that dividend is not paid 2016 (2015: EUR 0.00). No substantial changes have take place in the company's financial position after the end of the financial period.

In Espoo, Finland, January 31, 2017

Hannu Vaajoensuu, Chairman of the Board

Ilkka Sihvo, Vice Chairman of the Board

Tuija Soanjärvi

Anssi Vanjoki

Michael Ingelög

David Bateman

Vesa Tykkyläinen, CEO

## **Auditor's Note**

Our Auditor's report has been issued today.

In Helsinki, Finland, January 31, 2017

Ernst & Young

Authorized Public Accountant Firm

Terhi Mäkinen

Authorized Public Accountant

# AUDITOR'S REPORT

## TO THE ANNUAL GENERAL MEETING OF BASWARE CORPORATION

### Report on the Audit of Financial Statements

#### Opinion

We have audited the financial statements of Basware Corporation Oyj (business identity code 0592542-4) for the year ended 31 December, 2016. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion,

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

#### Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud

#### *Goodwill impairment assessment*

*Refer to Accounting principles (Note 1) and Goodwill (Note 4)*

At the balance sheet date, the value of goodwill amounted to EUR 97 million representing 43 % of total assets and 73 % of total equity. We focused on this area due to the size of the goodwill balance and because the management's annual impairment test involves judgments about the future results of the business and the discount rates applied to future cash flow forecasts.

Our audit procedures included amongst other;

- Comparing the Groups' accounting policies of impairment testing with applicable accounting standards.
- Involving valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group including those related to forecast revenue, cost and discount rates by adjusting for future events and corroborating the key market related assumptions to external data.
- Reviewing the sensitivity in the available headroom by Cash Generating Unit and focusing on whether any reasonably



possible change in assumptions could cause the carrying amount to exceed its recoverable amount,

- Comparing the historical forecasting of the Group with actual outcome and comparing projections to the latest Board approved budgets.
- Checking the mathematical accuracy of the underlying calculations.

We compared the Groups' disclosures related to impairment tests in note 4 in the financial statements with presentation requirements in applicable accounting standards.

#### *Recognition of revenue*

*Refer to Accounting principles (Note 1) and Operating segments (Note 2)*

We focused on this area as a key audit matter due to the risk of incorrect timing of revenue recognition. Revenue is recognized when the risk and rewards of the underlying products or services have been transferred to the customer. Due to the multitude and variety of contractual terms across the Group's markets, there is a risk that revenue may be misstated. The Group focuses on revenue as a key performance measure.

Our audit procedures included amongst other:

- Comparing the Group's accounting policies over revenue recognition with applicable accounting standards.
- Obtaining understanding of the revenue recognition processes and their consistent application and testing Group's controls on revenue recognition.
- Assessing the correct period for the revenue recognized by testing cut-off with substantive analytical procedures supplemented with test of transactions either side of the balance sheet date.

We compared the Group's disclosures over revenue recognition in note 2 with presentation requirements in applicable accounting standards

#### *Acquisition of Verian*

*Refer to Accounting principles (Note 1) and Acquired businesses (Note 3)*

During the financial year 2016 Group acquired Verian for purchase consideration of EUR 32 million. This was considered a significant purchase for the Group.

We focused on this area as a key audit matter as the accounting for transaction was complex and included judgmental matters, like determining the fair value of acquired assets and liabilities, in particular determining the allocation of purchase consideration to separately identifiable intangible assets such as customer contracts and relationships and goodwill.

Our procedures included, amongst others:

- Comparing the Group's accounting policies over business combinations with requirements in applicable accounting standards.
- Evaluating the assumptions and methodology of management's value in use -model, such as forecast revenues, operating costs and contributory assets, which were used to determine the value of Verian contracts and relationships to the Group.
- Engaging valuation specialists to compare these valuation assumptions with external benchmarks (for example discount rates) and to assess underlying assumptions based on our knowledge of the Group and its industries

We compared the Groups' disclosures related to business acquisitions in Note 3 in the financial statements with presentation requirements in applicable accounting standards.

### **Responsibilities of the Board of Directors and the Managing Director for the Financial Statements**

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, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of Financial Statements**

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Other Reporting Requirements**

#### **Other information**

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our report thereon. We obtained the report of the Board of Directors prior to the date of the auditor's report, and the Annual Report is expected to be made available to us after the date of the auditor's report.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and,

in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement in the information included in the report of the Board of Directors, we are required to report this fact. We have nothing to report in this regard.

Helsinki, Finland, January 31, 2017

Ernst & Young Oy

Authorized Public Accountant Firm

Terhi Mäkinen

Authorized Public Accountant

## KEY FIGURES (IFRS)

EUR thousand

	1-3/2016	4-6/2016	7-9/2016	10-12/2016	1-3/2015	4-6/2015	7-9/2015	10-12/2015
<b>NET SALES</b>	<b>34,125</b>	<b>38,948</b>	<b>35,295</b>	<b>40,211</b>	<b>34,041</b>	<b>36,590</b>	<b>33,569</b>	<b>39,210</b>
Other operating income	0	0	0	4	19	3	-3	85
Materials and services	-3,611	-3,959	-3,576	-4,600	-4,009	-4,437	-3,852	-4,098
Employee benefits expenses	-23,848	-29,068	-24,070	-27,614	-20,811	-23,221	-19,238	-22,456
Depreciation and amortization	-1,848	-2,129	-2,185	-2,391	-1,658	-1,822	-1,827	-1,919
Other operating expenses	-7,533	-8,792	-7,682	-9,623	-6,449	-8,870	-7,654	-6,517
<b>Operating result</b>	<b>-2,716</b>	<b>-4,999</b>	<b>-2,218</b>	<b>-4,014</b>	<b>1,132</b>	<b>-1,757</b>	<b>996</b>	<b>4,305</b>
%					3,30 %	-4,80 %	3,00 %	11,00 %
Financial income	231	1,670	2,554	744	565	458	609	556
Financial expenses	-662	-1,668	-3,720	709	-841	-319	87	-605
Share of results of a joint venture	-626	-626	-544	-373	0	-444	-205	-975
<b>Result before tax</b>	<b>-3,773</b>	<b>-5,622</b>	<b>-3,928</b>	<b>-2,933</b>	<b>856</b>	<b>-2,062</b>	<b>1,488</b>	<b>3,281</b>
%					2,52 %	-5,60 %	4,40 %	8,40 %
Income tax expense	816	1,094	217	-188	-261	347	-240	-327
<b>RESULT FOR THE PERIOD</b>	<b>-2,957</b>	<b>-4,528</b>	<b>-3,711</b>	<b>-3,121</b>	<b>595</b>	<b>-1,715</b>	<b>1,249</b>	<b>2,954</b>
%					1,75 %	-4,70 %	3,70 %	7,50 %

## Group Key Financial Performance Indicators

EUR thousand

	2016	2015	2014	2013	2012
Net sales	148,580	143,410	127,674	123,349	113,699
Growth of net sales, %	3,60 %	12,30 %	3,50 %	8,50 %	5,50 %
EBITDA	-5,394	11,902	11,354	10,383	14,801
% of net sales		8,30 %	8,90 %	8,40 %	13,00 %
Adjusted EBITDA	2,063	12,121	11,354	10,383	14,801
% of net sales	1,40 %	8,30 %	8,90 %	8,40 %	13,00 %
Operating result	-13,946	4,676	4,325	3,331	8,308
Growth of operating result, %		8,10 %	29,80 %	-59,90 %	-32,30 %
% of net sales		3,30 %	3,40 %	2,70 %	7,30 %
Result before tax	-16,256	3,563	4,328	3,284	8,357
% of net sales		2,50 %	3,40 %	2,70 %	7,40 %
Result for the period	-14,318	3,083	2,959	2,605	5,863
% of net sales		2,10 %	2,30 %	2,10 %	5,20 %
Return on equity, %	-10,50 %	2,20 %	2,50 %	2,60 %	5,80 %
Return on investment, %	-6,80 %	3,60 %	4,40 %	3,90 %	8,20 %
Interest bearing liabilities	47,280	1,667	5,000	8,632	10,524
Cash assets	35,755	33,238	28,954	13,218	34,519
Gearing, %	8,70 %	-22,40 %	-38,60 %	-4,70 %	-23,80 %
Equity ratio, %	58,50 %	79,10 %	82,80 %	77,10 %	77,60 %
Total assets	227,043	178,545	168,781	127,043	129,758
Gross investments *	51,882	39,971	5,821	20,733	19,606
% of net sales	34,90 %	27,90 %	4,60 %	16,80 %	17,20 %
Research and development costs, total	24,274	20,748	17,680	18,184	17,884
% of net sales	16,30 %	14,50 %	13,80 %	14,70 %	15,70 %
R&D personnel at end of period	419	373	332	370	351
Personnel expenses	104,600	85,726	77,779	76,919	65,590
Personnel average for period	1,811	1,591	1,466	1,485	1,330
Personnel at end of period	1,889	1,648	1,493	1,472	1,423
Growth of personnel, %	14,60 %	10,40 %	1,40 %	3,40 %	20,40 %

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

## Group Share Indicators

EUR thousand

	2016	2015	2014	2013	2012
Earnings per share, undiluted	-1.00	0.22	0.22	0.20	0.46
Earnings per share, diluted	-1.00	0.22	0.22	0.20	0.46
Equity per share	9.26	9.97	9.88	7.62	7.84
Dividend per share	0,00*	0,00*	0.10	0.23	0.23
Dividend per profit, %	0,00 %	0,00 %	45,10 %	113,40 %	50,40 %
Effective dividends, %	0,00 %	0,00 %	0,20 %	0,90 %	1,10 %
Price/Earnings ratio (P/E)	-36.24	171.31	184.31	123.45	44.34
Share price performance, share issue adjusted					
lowest share price	30.48	31.80	23.50	16.75	16.70
highest share price	40.90	47.80	42.21	25.60	24.00
average share price	36.22	39.20	35.65	20.35	20.84
closing share price	36.30	37.32	41.05	25.03	20.25
Market value of shares at end of period					
	520,662,298	530,736,266	577,640,124	321,771,012	260,182,550
Share issue adjusted number of traded shares					
	1,931,525	3,156,826	4,792,273	1,723,866	1,514,703
% of average share number	13,51 %	22,30 %	36,10 %	13,40 %	11,80 %
Number of shares**					
- end of the period	14,343,314	14,152,770	14,146,426	12,931,229	12,931,229
- average during the period	14,293,754	14,150,954	13,286,327	12,848,540	12,836,966
- average during the period, diluted	14,313,442	14,173,167	13,297,962	12,848,540	12,836,966

\*) Boards proposal to the Annual General Meeting of Shareholders

\*\*) Excluding treasury shares.

# CALCULATION OF KEY INDICATORS

## Return on equity (ROE), %

$\frac{(\text{Profit or loss before taxes} - \text{taxes}) \times 100}{\text{Shareholders' equity (average)}}$

Shareholders' equity (average)

## Return on investment (ROI), %

$\frac{(\text{Profit before taxes} + \text{interest and other financial expenses}) \times 100}{\text{Balance sheet total} - \text{non-interest bearing liabilities (average)}}$

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

## Gearing, %

$\frac{(\text{Interest-bearing liabilities} - \text{interest-bearing assets}) \times 100}{\text{Shareholders' equity}}$

Shareholders' equity

## Equity ratio, %

$\frac{\text{Shareholders' equity} \times 100}{\text{Balance sheet total} - \text{advance payments received}}$

Balance sheet total - advance payments received

## Earnings per share

$\frac{\text{Profit for the period}}{\text{Adjusted average number of shares during the period}}$

Adjusted average number of shares during the period

## Equity per share

$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares at the end of the financial period} - \text{own shares}}$

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

## Dividend per share

$\frac{\text{Total dividend}}{\text{Adjusted number of shares at the end of the financial period} - \text{own shares}}$

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

## Dividend/profit, %

$\frac{\text{Dividend per share} \times 100}{\text{Earnings per share}}$

Earnings per share

## Effective dividend yield, %

$\frac{\text{Dividend per share} \times 100}{\text{Adjusted share price at the end of the financial period}}$

Adjusted share price at the end of the financial period

## Price-earnings ratio (P/E)

$\frac{\text{Adjusted share price at the end of the financial period}}{\text{Earnings per share}}$

Earnings per share

## Adjusted EBITDA

Adjusted EBITDA is reported excluding any adjustments related to alliance fees, acquisitions and disposals, restructuring and efficiency measures, impairment losses and litigation fees and settlements.



# SHARE AND SHAREHOLDERS

## SHARE

Basware shares are listed on Nasdaq Helsinki Ltd. The company has one series of shares, with the trading code BAS1V. The Basware share has been listed on the Helsinki Stock Exchange (Nasdaq Helsinki Ltd.) since February 29, 2000. The listing price of the share was EUR 5.70. Basware was transferred to the Main List of the stock exchange on October 19, 2004.

At the end of 2016, the total number of shares issued by Basware was 14,401,936 (14,221,229). 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 2016, Basware Corporation's share capital was EUR 3,528,368.70. (EUR 3,528,368.70)

### Share price performance and trading

During 2016, the highest price of the share was EUR 40.90 (EUR 47.80), the lowest was EUR 30.48 (EUR 31.80) and the closing price was EUR 36.30 (EUR 37.32). The average price of the share was EUR 36.22 (EUR 39.20) during the period.

A total of 1,931,525 (3,156,826) shares were traded during the period, equivalent to 13.5 percent (22.3%) of the average number of shares. Market capitalization with the period's closing price on December 31, 2016, was EUR 520,662,298 (EUR 530,736,266).

The total amount of own shares held by the company on December 31, 2016 was 58,622 shares (68,459 shares), representing approximately 0.4 % (0.5 %) of all of outstanding shares. The Group repurchased 558 own shares from the markets for remuneration of the Board of Directors.

### Incentive schemes

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

## SHAREHOLDERS

Basware had 12,620 (13,164) shareholders on December 31, 2016 including nominee-registered holdings (10). Nominee-registered holdings accounted for 37.0 percent (30.3%) of the total number of shares.

### Distribution of holdings by number of shares, December 31, 2016

	Number of holders	Shares, pcs	Votes, %
1-100	10,418	255,398	1.8
101-1,000	2,008	546,253	3.8
1,001-10,000	143	328,803	2.3
10,001-100,000	29	1,165,544	8.1
100,001+	22	12,105,938	84.1
<b>Total</b>	<b>12,620</b>	<b>14,401,936</b>	<b>100.0</b>

### Distribution by sector, December 31, 2016

	Number of holders	Shares, pcs	Votes, %
Private companies	463	670,109	7.4
Financial and insurance institutions	32	2,040,063	22.5
Public sector organizations	8	2,243,740	24.7
Non-profit organizations	33	45,155	0.5
Households	12,028	3,855,527	42.5
Foreign	56	215,317	2.4
Nominee-registered	10	5,332,025	37.0
<b>Total</b>	<b>12,620</b>	<b>9,069,911</b>	<b>100.0</b>

## Major shareholders, December 31, 2016

	Shares, pcs	Votes, %
1. Ilmarinen Mutual Pension Insurance Company	1,610,278	11.2
2. Sihvo Ilkka Juhani	885,300	6.1
3. Eräkangas Kirsi Maria	694,800	4.8
Eräkangas Kirsi Maria	496,400	3.4
Eräkangas, Lotta	198,400	1.4
4. Vaajoensuu Hannu	659,657	4.6
Vaajoensuu Hannu	309,357	2.1
Havacment Oy	266,500	1.9
Vaajoensuu, Matias	83,800	0.6
5. OP-Delta-Fund	425,000	3.0
6. Perttunen, Sakari	384,375	2.7
7. OP-Focus-Fund	315,897	2.2
8. Fondita Nordic Micro Cap	311,000	2.2
9. Veritas Pension Insurance Company Ltd.	281,168	2.0
10. The State Pension Fund	256,000	1.8
11. Pöllänen Antti	233,322	1.6
12. OP-Finland Small Firms Fund	223,534	1.6
13. Swiss Life Luxembourg Sa	196,000	1.4
14. Perttunen, Meimi	145,107	1.0
15. Fondita Nordic Small Cap Investment Fund	140,000	1.0
16. Pohjoismaat Plus	135,570	0.9
17. Danske Invest Finnish Small Cap Fund	89,688	0.6
18. Vaajoensuu Petra	83,800	0.6
19. Danske Invest Finnish Institutional Equity Fund	79,700	0.6
20. Säästöpankki Kotimaa	71,209	0.5
<b>20 largest shareholders total</b>	<b>7,221,405</b>	<b>50.0</b>
Nominee registered shares	5,332,025	37.0
Others	1,848,506	12.8
<b>Total</b>	<b>14,401,936</b>	<b>100.0</b>

## Ownership of the Board of Directors and Executive Team, December 31, 2016

The members of the Board of Directors and Executive Team held in total 1,529,369 company shares on December 31, 2016. This amount accounted for 10.6 percent of the total number of shares and votes. The members of the Board of Directors held shares on December 31, 2016 as follows: Ilkka Sihvo 885,300 shares (6.1 % of the total number of shares), Hannu Vaajoensuu 575,857 shares (4.0 % of the total number of shares), Michael Ingelög 5,000 shares, Tuija Soanjärvi 1,444 shares, Anssi Vanjoki 571 shares and David Bateman 0 shares. The members of the Executive Team held shares on December 31, 2016 as follows: Vesa Tykkyläinen 1 000 shares, Tehseen Dahya 53 116 shares, Ilari Nurmi 3 399 shares, Niclas Rosenlew 3 020 shares, Matti Rusi 2 325 shares, Jane Broberg 337 shares, Lars Madsen 0 shares, Ad van der Poel 0 shares and Paul Taylor 0 shares.

# FOR SHAREHOLDERS

## Basware Share

Basware shares are listed on Nasdaq Helsinki Ltd. The Basware share has been listed on the Helsinki Stock Exchange (Nasdaq Helsinki Ltd.) 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, 2016	EUR 36.30

## Annual General Meeting

Annual General Meeting of Basware Corporation will be held on Thursday, March 16, 2017 at 1:00 PM in Helsinki, at the address of Aleksanterinkatu 44 A (2nd Floor), Helsinki, Finland.

Each shareholder, who is registered on March 6, 2017 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 4:00 PM (Finnish time) on March 8, 2016 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); or
- by telephone at by telephone at +358 20 770 6867 on weekdays between 9:00 AM and 4:00 PM; or 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's investor webpages at [www.basware.com/annual-general-meeting](http://www.basware.com/annual-general-meeting).

## Dividend

Board of Directors proposes to the Annual General Meeting that no dividend be paid for 2016.

## Financial reporting in 2017

During 2017, Basware Corporation will publish financial information as follows:

- Interim Report January-March 2017 (Q1) on Friday, April 21, 2017
- Half-Year Financial Report January-June 2017 (Q2) on Wednesday, July 19, 2017
- Interim Report January-September 2017 (Q3) on Wednesday, October 18, 2017

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 webpages at [www.basware.com/investors](http://www.basware.com/investors).

## 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.





**basware**

Basware is the global leader in providing networked purchase-to-pay solutions, e-invoicing and innovative financing services.

#### **HEADQUARTERS**

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