

October 10, 2013

## BASWARE INTERIM REPORT JANUARY 1 – SEPTEMBER 30, 2013 (IFRS)

### SUMMARY

January–September 2013: **Strong growth in Automation Services continues**

- Net sales EUR 90 300 thousand (EUR 83 272 thousand) – growth 8.4 percent
- Operating profit EUR 1 201 thousand (EUR 5 381 thousand) – decrease 77.7 percent
- Operating profit 1.3 percent of net sales (6.5%)
- Growth of Automation Services (SaaS and e-Invoicing) 47.8 percent
- Recurring revenue (Maintenance and Automation Services) 63.9 percent (57.9%) of net sales
- Cash flow from operating activities EUR 4 129 thousand (EUR 7 334 thousand)
- Earnings per share (diluted) EUR 0.03 (0.31) – decrease of 91.1 percent

July–September 2013:

- Net sales EUR 28 682 thousand (EUR 27 119 thousand) – growth 5.8 percent
- Operating profit EUR 1 861 thousand (EUR 2 261 thousand) – decrease 17.7 percent
- Operating profit 6.5 percent of net sales (8.3%)
- Growth of Automation Services (SaaS and e-Invoicing) 43.8 percent
- The estimated revenue to be recognized for current Automation Services agreements that are in production as well as for new, signed agreements in the next twelve months increased to EUR 33.6 million (growth from estimate at the end of the previous quarter 1.1 percent)
- Recurring revenue (Maintenance and Automation Services) 66.8 percent (60.5%) of net sales
- Earnings per share (diluted) EUR 0.07 (0.12) – decrease of 35.8 percent

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

The figures are unaudited.

### GROUP KEY FIGURES

EUR thousand	7–9/ 2013	7–9/ 2012	Change, %	1–9/ 2013	1–9/ 2012	Change, %	1–12/ 2012
Net sales	28 682	27 119	5.8 %	90 300	83 272	8.4 %	113 699
EBITDA	3 609	4 070	-11.3 %	6 504	10 051	-35.3 %	14 801
Operating profit before IFRS3 amortization	2 092	2 793	-25.1 %	1 895	7 095	-73.3 %	10 555
Operating profit	1 861	2 261	-17.7 %	1 201	5 381	-77.7 %	8 308
% of net sales	6.5 %	8.3 %		1.3 %	6.5 %		7.3 %
Profit before tax	1 819	2 300	-20.9 %	1 130	5 514	-79.5 %	8 357
Profit for the period	960	1 493	-35.7 %	350	3 918	-91.1 %	5 863
Return on equity, %	4.0 %	6.1 %		0.5 %	5.3 %		5.8 %
Return on investment, %	7.7 %	9.6 %		2.3 %	7.6 %		8.2 %
Liquid assets *)	15 124	27 739	-45.5 %	15 124	27 739	-45.5 %	34 519
Gearing, %	-6.7 %	-27.5 %		-6.7 %	-27.5 %		-23.8 %

October 10, 2013

Equity ratio, %	73.1 %	80.2 %		73.1 %	80.2 %		77.6 %
Earnings per share, EUR	0.07	0.12	-35.8 %	0.03	0.31	-91.1 %	0.46
Earnings per share (diluted), EUR	0.07	0.12	-35.8 %	0.03	0.31	-91.1 %	0.46
Parent company's shareholders' equity per share, EUR	7.51	7.71	-2.5 %	7.51	7.71	-2.5 %	7.84

\*) Includes cash and cash equivalents

## Business operations

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

## Reporting

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

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

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

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

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

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

## CEO Esa Tihilä comments in conjunction with the Interim Report:

The strong growth in Automation Services continued during the third quarter. The company's net sales grew and the company returned to profitability. The company's efficiency drive launched during the second quarter to improve profit-making ability has continued as targeted. At the same time the originally

October 10, 2013

targeted annual cost-savings of EUR 3 million compared to the June level has been revised to EUR 4 million by the end of 2013.

Automation Services net sales have increased according to our strategy, up 43.8 percent during the third quarter. The strong growth in the transaction volume continued during the quarter, up 69.5 percent. Basware Commerce Network has grown strongly and we have connected an increasing number of small and medium-sized suppliers and buyers in more than a hundred countries to the network with new products and delivery methods.

The demand for software licenses continued to be soft during the quarter, and license sales decreased by 18.3 percent. At the same time, SaaS net sales increased by 17.4 percent. The decrease in license sales affects the development of Professional Services.

According to customer feedback, the competitiveness of Basware software and services is good. We increasingly emphasize the growth in the sales of Basware Commerce Network and Alusta software and services in all of our operations. We have continued the development of Alusta software and services, focusing on finalizing the accounts payable functions. We expect the accounts payable functions to reach the level in the upcoming months which will enable us to start the projects to update the functionality to our existing customers. In the future, development activities will focus on developing purchasing and travel management. In the development of e-invoice services, the focus is on developing automated processes.

We have restructured our organization to ensure faster growth in transaction volumes and expand the service-based business according to our strategy. We aim to speed up the adoption of our services and products, accelerate the entry of SaaS and e-invoice deals into production through product and project enhancements as well as enhance our operational efficiency. Our aim is to strengthen the growth globally and maintain our product leadership in Purchase-to-Pay processes as well as improve our profit-making ability.

The renewal of the company's product and service portfolio and transition of the business model will continue. The product and service offering has been strengthened through strategic partnerships. A partnership with MasterCard was announced in September, connecting MasterCard, one of the world's largest payment networks, to Basware Commerce Network to launch a revolutionary electronic payment solution. In September, we also announced collaboration with the supply management and spend analysis provider BravoSolution in source-to-pay (S2P) solutions.

## **NET SALES**

Basware Group's net sales for the period increased by 8.4 percent to EUR 90 300 thousand (EUR 83 272 thousand). The growth in comparable currencies was 9.5 percent.

During the third quarter, net sales increased by 5.8 percent to EUR 28 682 thousand (EUR 27 119 thousand). The growth in comparable currencies was 8.8 percent.

## **Information on products and services**

During the third quarter, the start-up fees of the Belgian operations' e-invoicing services were adjusted to comply with the Group's reporting principles. A total of EUR 973 thousand of net sales will be transferred from Professional Services income to Automation Services during the first and second quarter of 2013.

October 10, 2013

Net sales (EUR thousand)	7-9/ 2013	7-9/ 2012	Change, %	1-9/ 2013	1-9/ 2012	Change, %	1-12/ 2012
License Sales	3 037	3 715	-18.3	10 380	12 259	-15.3	17 437
Customer Support	10 891	10 649	2.3	32 503	31 146	4.4	42 011
Professional Services	6 488	7 003	-7.4	22 200	22 806	-2.7	30 552
Automation Services	8 267	5 751	43.8	25 217	17 062	47.8	23 699
<b>Group total</b>	<b>28 682</b>	<b>27 119</b>	<b>5.8</b>	<b>90 300</b>	<b>83 272</b>	<b>8.4</b>	<b>113 699</b>

### Change in reporting

Effect of changes in reporting principles on previously reported figures:

Net sales (EUR thousand), change	1-3/2013	4-6/2013	H1/2013
Professional Services	-511	-462	-973
Automation Services	+511	+462	+973

Adjusted figures, 1-6/2013

Net sales (EUR thousand)	4-6/ 2013	4-6/ 2012	Change, %	1-6/ 2013	1-6/ 2012	Change, %	1-12/ 2012
License Sales	4 148	4 465	-7.1	7 343	8 543	-14.0	17 437
Customer Support	10 826	10 279	5.3	21 612	20 498	5.4	42 011
Professional Services	8 052	8 106	-0.7	15 713	15 802	-0.6	30 552
Automation Services	8 763	5 869	49.3	16 950	11 311	49.8	23 699
<b>Group total</b>	<b>31 789</b>	<b>28 718</b>	<b>10.7</b>	<b>61 617</b>	<b>56 153</b>	<b>9.7</b>	<b>113 699</b>

Adjusted figures, 1-3/2013

Net sales (EUR thousand)	1-3/ 2013	1-3/ 2012	Change, %	1-12/ 2012
License Sales	3 195	4 077	-21.6	17 437
Customer Support	10 785	10 219	5.5	42 011
Professional Services	7 661	7 697	-0.5	30 552
Automation Services	8 187	5 442	50.4	23 699
<b>Group total</b>	<b>29 828</b>	<b>27 435</b>	<b>8.7</b>	<b>113 699</b>

The company's license sales decreased by 15.3 percent during the period, accounting for 11.5 percent (14.7%) of net sales. SaaS sales, reported in Automation Services, grew by 18.9 percent. Customer Support revenue increased by 4.4 percent and accounted for 36.0 percent (37.4%) of net sales. Professional Services revenue decreased by 2.7 percent and accounted for 24.6 percent (27.4%) of net sales.

During the period, Automation Services grew by 47.8 percent and accounted for 27.9 percent (20.5%) of net sales. The transaction volume processed by the Automation Services business continued its favorable development and was 42.5 million (growth of 73.7 percent). In the third quarter, the reporting of transaction volumes of Belgian e-invoicing business, acquired at the beginning of the year, was aligned with Group's reporting. The revised transaction volumes are for the first quarter 13.7 million (previously 12.7 million) and for the second quarter 14.4 million (previously 13.7 million).

The estimated revenue to be recognized for current Automation Services agreements that are in production as well as for new, signed agreements in the next twelve months is EUR 33.6 million (growth of 1.1 percent from the estimate made at the end of last quarter).

The international share of Basware's net sales was 60.2 percent (57.6%) in the period. International operations grew by 13.4 percent (14.4%).

## FINANCIAL PERFORMANCE

Basware's operating profit for the period amounted to EUR 1 201 thousand (EUR 5 381 thousand). Operating profit represented 1.3 percent (6.5%) of net sales. Operating profit before non-recurring items EUR 1 082 thousand (EUR 5 381 thousand). The non-recurring items for H1 include a capital gain of EUR 1 540 thousand from the divestment of the Cashier Desk (Palvelukassa) business and provisions of a total of EUR 1 659 thousand associated with the efficiency drive and termination of employment relationships.

Operating profit for the third quarter decreased by 17.7 percent to EUR 1 861 thousand (EUR 2 261 thousand). Operating profit represented 6.5 percent (8.3%) of net sales.

The company's fixed costs were EUR 77 042 thousand (EUR 67 062 thousand) in the period, up 14.9 percent on the corresponding period the previous year. Personnel costs made up 75.0 percent (72.7%) or EUR 57 593 thousand (EUR 48 770 thousand) of the fixed costs. Bad debt and change in bad debt provision are included in fixed costs. Bad debt provision at the end of the period amounted to EUR 1 702 thousand (EUR 1 411 thousand).

The company's depreciation of intangible assets were EUR 4 571 thousand (EUR 4 129 thousand).

The company's finance income and finance expenses were EUR -71 thousand (EUR 133 thousand). Profit before tax was EUR 1 130 thousand (EUR 5 514 thousand) and profit for the period was EUR 350 thousand (EUR 3 918 thousand) or 0.4 percent (4.7%) of net sales. Taxes for the period totaled EUR 780 thousand (EUR 1 596 thousand). Undiluted earnings per share were EUR 0.03 (EUR 0.31).

## FINANCE AND INVESTMENTS

Basware Group's total assets on the balance sheet at the end of the period were EUR 131 968 thousand (EUR 123 281 thousand). The company's liquid assets were EUR 15 124 thousand (EUR 27 739 thousand).

Equity ratio was 73.1 percent (80.2%) and gearing was -6.7 percent (-27.5%). Return on investment was 2.3 percent (7.6%) and return on equity 0.5 percent (5.3%).

Net cash flows from operating activities were EUR 4 129 thousand (EUR 7 734 thousand). Cash flows from investments were EUR -18 284 thousand (EUR -16 567 thousand).

The company's capital expenditure, resulting from regular additional and replacement investments required for growth, was EUR 960 thousand (EUR 990 thousand) in the period. Gross investments which include – in addition to those mentioned above – the acquisition as well as capitalized research and development costs totaled EUR 19 458 thousand (EUR 17 419 thousand).

October 10, 2013

## RESEARCH, DEVELOPMENT AND NEW PRODUCTS

Basware's research and development expenses totaled EUR 12 571 thousand (EUR 12 848 thousand), or 13.9 percent (15.4%) of net sales. The expenses decreased by 2.2 percent compared to the corresponding period the previous year. Research and development expenses capitalized during the period amounted to EUR 2 842 thousand (EUR 3 583 thousand). The research and development costs included in the profit for the period totaled EUR 9 729 thousand (EUR 9 264 thousand), or 10.8 percent (11.1%) of net sales.

A total of 356 (362) people worked in R&D at the end of September 2013, of whom 155 people in India.

## PERSONNEL

Basware employed 1 487 (1 301) people on average during the third quarter and 1 476 (1 388) at the end of the period. The number of personnel increased by 88 persons and by 6.3 percent compared with the same period the previous year. The increase in the number of personnel was mainly due to the increase in the number of employees in the Indian unit and the personnel joining Basware through the acquisition of a Belgian e-Invoicing operator.

Geographical division of personnel:

<b>Personnel (employed, on average)</b>	<b>7–9/ 2013</b>	<b>7–9/ 2012</b>	<b>Change, %</b>	<b>1–9/ 2013</b>	<b>1–9/ 2012</b>	<b>Change, %</b>	<b>1–12/ 2012</b>
Finland	510	499	2.2	510	478	6.7	486
Scandinavia	130	129	0.5	131	127	3.0	129
Rest of Europe	257	179	43.3	262	173	51.7	179
India	510	489	4.3	509	454	12.1	467
Other	73	68	7.8	74	69	8.6	69
<b>Group total</b>	<b>1 480</b>	<b>1 364</b>	<b>8.5</b>	<b>1 487</b>	<b>1 301</b>	<b>14.2</b>	<b>1 330</b>

The share of personnel working in foreign units has increased compared with the previous year. At the end of the period, 66.0 percent (63.8%) of Basware personnel worked outside of Finland and 34.0 percent (36.2%) in Finland. 12.1 percent of the personnel work in sales and marketing, 57.9 percent in consulting and services, 24.1 percent in products, and 6.0 percent in administration.

The average age of employees is 34.6 (34.1) years. Of the employees, 23.1 percent have a Master's degree and 28.8 percent have a Bachelor's degree. Women account for 21.7 percent of employees, men for 78.3 percent. For incentive purposes, the company has a bonus program that covers all employees.

## OTHER EVENTS OF THE PERIOD

### Basware and MasterCard introduce new payment solution for businesses

Basware began collaboration with MasterCard in September. The partnership connects MasterCard's payment networks, one of the world's largest, to Basware Commerce Network. The collaboration facilitates a completely new kind of an electronic business-to-business payment method that ensures suppliers are paid fast upon invoice approval, while extending payment terms for buyers.

### Basware and BravoSolution start collaboration in source-to-pay solutions

Basware and supply management and spend analysis provider BravoSolution started collaboration to create a comprehensive Source to Pay (S2P) solution.



October 10, 2013

## EVENTS AFTER THE PERIOD

### Changes in Basware's Executive Team

Basware informed about the changes in its executive team on October 10, 2013. The company will restructure its organization in order to ensure faster growth in transaction volumes and expand its service-based business according to its strategy. The change aims to speed up the adoption of our services and products, enhance operational efficiency and improve the company's profit-making ability. The change concerns Automation Services, Professional Services, Customer Support, and other Group functions.

As part of the restructuring, the company's product development and product management will be centralized in one unit, headed by Ilari Nurmi, Senior Vice President, as a member of the Executive Team.

Jorma Kemppainen, Senior Vice President, has resigned from the company to pursue other opportunities in the end of the year.

Henrik Hasselbalch, Senior Vice President, has resigned from the company as of October 11, 2013 to pursue other opportunities.

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

## SHORT-TERM RISKS AND UNCERTAINTY FACTORS

Short-term risks are considered to be risks in the current reporting year. Additional information on risks and risk management is available on the company's investor site at [www.basware.com/investors](http://www.basware.com/investors).

The world economy and markets are unstable, which may result in a decrease in the demand for license sales and services. Furthermore, the conversion of license sales to SaaS solutions will reduce net sales growth over the short term.

Customers' decision-making has been slower this year than before. The negotiation times of large international deals in particular have been prolonged because the customers' requirements are higher in the service business than in the software business.

The next-generation Alusta software solutions aim to ensure Basware's product leadership in Purchase-to-Pay software and services as well as increase the number of new customers. Alusta has not yet contributed to the growth of the company's net sales as targeted.

Non-billable work related to go-live speed of Alusta and SaaS have effects on the profitability of Professional Services. The go-live speed of SaaS deliveries also affect growth in Automation Services, as new customers have entered production at a slower rate than targeted.

October 10, 2013

The bad debt risk associated with sales receivables is part of the risk related to business operations. Business management regularly monitors the payment of sales receivables as part of the management of customer accounts.

Goodwill was tested for impairment during the last quarter of 2012. According to the testing for asset impairment, goodwill has not been impaired. Even though operating profit of the acquired operations in Belgium for the current year is estimated to fall short of the original estimate, it is unlikely that a change in the key variables used in the test would create a situation where the accounting value of goodwill included in the balance sheet exceeded the recoverable amount of the unit.

## **FUTURE OUTLOOK**

### **Operating environment and market outlook**

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

By the end of 2015, Basware aims to become the largest business commerce network for buyers and suppliers. The penetration rate of e-Invoicing is low, between 5–30 percent depending on the country, and it has been estimated to grow strongly in the upcoming years.

### **Outlook 2013**

The acquisition of the e-invoicing business of the Belgian company Certipost was confirmed on January 2, 2013. The company estimated the operating profit of the acquired business after non-recurring expenses of approximately EUR 1.5 million recognized in the first quarter to be approximately EUR 0.5 million negative for 2013, while the earlier estimate was approximately EUR 1.6 million negative. According to the previous estimate for 2013, the operating profit was expected to be slightly positive. The operating profit includes group services charged to the parent company, such as expenses related to R&D, customer support, and administration.

The development of Alusta software and services will continue strongly also this year in order to maintain product leadership in Purchase-to-Pay processes. The emphasis of R&D expenses will shift gradually from Alusta product development towards the product development of Automation Services as of 2014.

The development of the net sales of Professional Services is supported by fixed-price delivery packages as well as consultation fees based on individual transactions in addition to hourly charged project work. In order to support license and SaaS business sales, we have made significant changes in the sales management and sales organization as well as further specified the sales models for new customer acquisition as well as customer account management methods.

The efficiency drive launched by the company in June to improve profit-making ability has proceeded as targeted. The originally targeted annual cost-savings of EUR 3 million compared to the June level has been revised to EUR 4 million by the end of 2013.

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



October 10, 2013

Espoo, Finland, October 10, 2013

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October 10, 2013

## SUMMARY OF FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS JANUARY 1 – SEPTEMBER 30, 2013

### Accounting principles:

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. As from the beginning of the financial period, the company has adopted certain new or amended IFRS standards and IFRIC interpretations as described in the Financial Statements for 2012. However, the adoption of these new and amended norms have not yet had an effect on the reported figures in practice. In other respects, the same accounting policies have been followed as in the previous Financial Statements. Key indicator calculations remain unchanged and have been presented in the 2012 Financial Statements.

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

The amounts presented in the income statement and balance sheet are Group figures. The amounts presented in the release are rounded, so the sum of individual figures may differ from the sum reported. The Interim Report is unaudited.

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	1.7.– 30.9.2013	1.7.– 30.9.2012	Change, %	1.1.– 30.9.2013	1.1.– 30.9.2012	Change, %	1.1.– 31.12.2012
<b>NET SALES</b>	<b>28 682</b>	<b>27 119</b>	<b>5.8</b>	<b>90 300</b>	<b>83 272</b>	<b>8.4</b>	<b>113 699</b>
Other operating income	61	55	10.5	1 742	171	917.7	228
Materials and services	-2 967	-2 313	28.3	-8 496	-6 331	34.2	-9 045
Employee benefit expense	-16 464	-15 415	6.8	-57 593	-48 770	18.1	-65 590
Depreciation and amortization	-1 748	-1 809	-3.4	-5 304	-4 670	13.6	-6 493
Other operating expenses	-5 703	-5 376	6.1	-19 449	-18 292	6.3	-24 491
<b>Operating profit</b>	<b>1 861</b>	<b>2 261</b>	<b>-17.7</b>	<b>1 201</b>	<b>5 381</b>	<b>-77.7</b>	<b>8 308</b>
Finance income	178	91	96.4	657	311	111.1	372
Finance expenses	-220	-52	324.7	-728	-178	309.1	-323
<b>Profit before tax</b>	<b>1 819</b>	<b>2 300</b>	<b>-20.9</b>	<b>1 130</b>	<b>5 514</b>	<b>-79.5</b>	<b>8 357</b>
Tax on income from operations	-859	-807	6.5	-780	-1 596	-51.1	-2 494
<b>PROFIT FOR THE PERIOD</b>	<b>960</b>	<b>1 493</b>	<b>-35.7</b>	<b>350</b>	<b>3 918</b>	<b>-91.1</b>	<b>5 863</b>
<b>Other comprehensive income</b>							
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</b>							
Exchange differences on translating foreign operations	-260	399		-1 445	900		886
Income tax relating to components of other comprehensive income	-96	-2		-247	197		111
Other comprehensive income, net of tax	301	397		-1 692	1 097		996
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>1 261</b>	<b>1 891</b>		<b>-1 342</b>	<b>5 015</b>		<b>6 860</b>

October 10, 2013

EUR thousand	1.7.– 30.9.2013	1.7.– 30.9.2012	Change, %	1.1.– 30.9.2013	1.1.– 30.9.2012	Change, %	1.1.– 31.12.2012
Profit attributable to:							
Equity holders of the parent company	960	1 493	-35.7	350	3 918	-91.1	5 863
	<b>960</b>	<b>1 493</b>	<b>-35.7</b>	<b>350</b>	<b>3 918</b>	<b>-91.1</b>	<b>5 863</b>
Total comprehensive income attributable to:							
Equity holders of the parent company	1 261	1 891		-1 342	5 015		6 860
	<b>1 261</b>	<b>1 891</b>		<b>-1 342</b>	<b>5 015</b>		<b>6 860</b>
Earnings per share (undiluted), EUR	0.07	0.12	-35.8	0.03	0.31	-91.1	0.46
Earnings per share (diluted), EUR	0.07	0.12	-35.8	0.03	0.31	-91.1	0.46

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	30.9.2013	30.9.2012	Change, %	31.12.2012
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	26 863	22 795	17.8	23 169
Goodwill	51 274	41 894	22.4	41 896
Tangible assets	1 493	1 448	3.1	1 440
Available-for-sale investments	38	38		38
Trade and other receivables	906	1	83 979.7	1 068
Deferred tax assets	3 338	2 817	18.5	2 543
<b>Non-current assets</b>	<b>83 912</b>	<b>68 992</b>	<b>21.6</b>	<b>70 154</b>
<b>Current assets</b>				
Inventories	145	129	12.2	18
Trade and other receivables	29 498	25 141	17.3	24 202
Income tax receivables	3 289	1 280	157.0	865
Cash and cash equivalents	15 124	27 739	-45.5	34 519
<b>Current assets</b>	<b>48 055</b>	<b>54 289</b>	<b>-11.5</b>	<b>59 604</b>
<b>ASSETS</b>	<b>131 968</b>	<b>123 281</b>	<b>7.0</b>	<b>129 758</b>

October 10, 2013

EUR thousand	30.9.2013	30.9.2012	Change, %	31.12.2012
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Share capital	3 528	3 528	0.0	3 528
Share premium account	1 187	1 187		1 187
Own shares	-1 215	-1 379	11.9	-1 215
Fair value reserve and other reserves	62 339	62 503	-0.3	62 339
Translation differences	-1 743	-383	-354.7	-708
Retained earnings	32 359	33 437	-3.2	35 594
<b>Shareholders' equity</b>	<b>96 455</b>	<b>98 893</b>	<b>-2.5</b>	<b>100 725</b>
<b>Non-current liabilities</b>				
Deferred tax liability	1 783	1 646	8.3	1 493
Other non-current financial liabilities	5 086	345	1 374.4	8 618
Other liabilities	264	888	-70.2	245
<b>Non-current liabilities</b>	<b>7 133</b>	<b>2 879</b>	<b>147.8</b>	<b>10 356</b>
<b>Current liabilities</b>				
Other current financial liabilities	3 606	219	1 547.4	1 906
Trade payables and other liabilities	23 874	20 309	17.6	15 992
Income tax liabilities	898	894	0.5	779
Provisions	0	88	-100.0	0
<b>Current liabilities</b>	<b>28 379</b>	<b>21 509</b>	<b>31.9</b>	<b>18 677</b>
<b>EQUITY AND LIABILITIES</b>	<b>131 968</b>	<b>123 281</b>	<b>7.0</b>	<b>129 758</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR thousand	Shareholder capital	Share premium account	Own shares	Inv. non-restricted equity	Other reserves	Translation differences	Retained earnings	Total
<b>SHAREHOLDERS' EQUITY 1.1.2012</b>								
	3 528	1 187	-429	61 976	540	-1 266	34 340	99 877
Compr. income						883	4 132	5 015
Dividend distribution							-5 278	-5 278
Changes in rep. period			-950	-13			243	-720
<b>SHAREHOLDERS' EQUITY 30.9.2012</b>	<b>3 528</b>	<b>1 187</b>	<b>-1 379</b>	<b>61 963</b>	<b>540</b>	<b>-383</b>	<b>33 437</b>	<b>98 893</b>

EUR thousand	Shareholder capital	Share premium account	Own shares	Inv. non-restricted equity	Other reserves	Translation differences	Retained earnings	Total
<b>SHAREHOLDERS' EQUITY 1.1.2013</b>								
	3 528	1 187	-1 215	61 799	540	-708	35 594	100 725
Compr. income						-1 692	350	-1 342
Dividend distribution							-2 955	-2 955
Management incentive plan							27	27
Changes in rep. period						657	-657	0
<b>SHAREHOLDERS' EQUITY 30.9.2013</b>	<b>3 528</b>	<b>1 187</b>	<b>-1 215</b>	<b>61 799</b>	<b>540</b>	<b>-1 743</b>	<b>32 359</b>	<b>96 455</b>

October 10, 2013

## CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	1.1.– 30.9.2013	1.1.– 30.9.2012	1.1.– 31.12.2012
<b>Cash flows from operating activities</b>			
Profit for the period	350	3 918	5 863
Adjustments for profit	4 623	6 394	9 158
Working capital changes	2 922	418	-4 697
Interest paid	-163	-6	-6
Interest received	54	109	170
Other financial items in operating activities	-316	-67	-173
Income taxes paid	-3 340	-3 433	-3 874
<b>Net cash flows from operating activities</b>	<b>4 129</b>	<b>7 334</b>	<b>6 441</b>
<b>Cash flows used in investing activities</b>			
Purchase of tangible and intangible assets	-4 163	-4 589	-6 820
Acquisition of subsidiaries and businesses, net of cash acquired	-15 061	-11 979	-11 979
Proceeds from divestment of business	1 540	0	0
Loans granted	-600	0	0
<b>Net cash flows used in investing activities</b>	<b>-18 284</b>	<b>-16 567</b>	<b>-18 799</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	0	0	10 000
Repayment of borrowings	-1667	0	0
Purchase of own shares	0	-963	-963
Payments of financial lease liabilities	-188	-131	-175
Dividends paid	-2 955	-5 278	-5 278
<b>Net cash flows from financing activities</b>	<b>-4 809</b>	<b>-6 372</b>	<b>3 584</b>
<b>Net change in cash and cash equivalents</b>	<b>-18 964</b>	<b>-15 606</b>	<b>-8 774</b>
Cash and cash equivalents at the beginning of period	34 519	42 977	42 977
Net foreign exchange difference	-431	368	112
Cash and cash equivalents acquired in intra-Group re-organizations	0	0	204
Cash and cash equivalents at the end of period	15 124	27 739	34 519

October 10, 2013

**GROUP QUARTERLY INCOME STATEMENT**

EUR thousand	1-3/2013	1-3/2012	4-6/2013	4-6/2012	7-9/2013	7-9/2012	10-12/2012
<b>NET SALES</b>	<b>29 828</b>	<b>27 435</b>	<b>31 789</b>	<b>28 718</b>	<b>28 682</b>	<b>27 119</b>	<b>30 427</b>
Other operating income	58	58	1 623	58	61	55	57
Materials and services	-2 542	-2 061	-2 987	-1 957	-2 967	-2 313	-2 715
Employee benefit expense	-20 518	-16 072	-20 611	-17 282	-16 464	-15 415	-16 820
Depreciation and amortization	-1 801	-1 366	-1 755	-1 495	-1 748	-1 809	-1 823
Other operating expenses	-6 594	-6 171	-7 152	-6 745	-5 703	-5 376	-6 199
<b>Operating profit</b>	<b>-1 569</b>	<b>1 822</b>	<b>908</b>	<b>1 298</b>	<b>1 861</b>	<b>2 261</b>	<b>2 927</b>
%	-5.3%	6.6%	2.9%	4.5%	6.5 %	8.3 %	9.6%
Finance income	227	146	252	75	178	91	61
Finance expenses	-184	-50	-324	-76	-220	-52	-145
<b>Profit before tax</b>	<b>-1 526</b>	<b>1 918</b>	<b>836</b>	<b>1 296</b>	<b>1 819</b>	<b>2 300</b>	<b>2 843</b>
%	-5.1%	7.0%	2.6%	4.5%	6.3 %	8.5 %	9.3%
Income tax expense	563	-442	-485	-347	-859	-807	-898
<b>PROFIT FOR THE PERIOD</b>	<b>-962</b>	<b>1 476</b>	<b>352</b>	<b>949</b>	<b>960</b>	<b>1 493</b>	<b>1 945</b>
%	-3.2%	5.4%	1.1%	3.3%	3.3 %	5.5 %	6.4%



October 10, 2013

## COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand	30.9.2013	30.9.2012	31.12.2012
<b>Own guarantees</b>			
Business mortgages of own debts	1 200	1 200	1 200
<b>Commitments on behalf of subsidiaries and group companies</b>			
Guarantees	31	241	244
<b>Other own guarantees</b>			
Lease liabilities			
Current lease liabilities	993	984	944
Lease liabilities maturing in 1–5 years	702	991	737
<b>Total</b>	<b>1 695</b>	<b>1 976</b>	<b>1 681</b>
Other rental liabilities			
Current rental liabilities	3 792	4 342	4 369
Rental liabilities maturing in 1–5 years	2 839	4 917	3 820
<b>Total</b>	<b>6 631</b>	<b>9 259</b>	<b>8 189</b>
<b>Other own contingent liabilities, total</b>	<b>8 326</b>	<b>11 234</b>	<b>9 870</b>
<b>Total commitments and contingent liabilities</b>	<b>9 563</b>	<b>12 675</b>	<b>11 314</b>

## RELATED PARTY TRANSACTIONS

EUR thousand	30.9.2013	30.9.2012	31.12.2012
<b>Services purchased</b>	54	0	0

Basware Corporation and Softaforce Oy have concluded a service agreement regarding the outsourcing of procurement. Agreement is made on arm's length terms.

October 10, 2013

## FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

EUR thousand	30.09.2012 Book value	Fair value	30.09.2012 Book value	Fair value
<b>Financial assets</b>				
Available-for-sale financial assets				
Available-for-sale financial assets	38	38	38	38
Non-current trade and other receivables	906	906	1	1
Current				
Trade and other receivables	29 498	29 498	25 141	25 141
Cash and cash equivalents	15 124	15 124	27 739	27 739
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss				
Interest rate derivatives - not in hedge accounting (level 2)	14	14	0	0
Financial liabilities – financial liabilities valued at amortized acquisition cost				
Non-current				
Loans from financial institutions, interest-bearing	5 000	5 000	0	0
Finance lease liabilities, interest-bearing	72	72	345	345
Current				
Loans from financial institutions, interest-bearing	3 333	3 333	0	0
Finance lease liabilities, interest-bearing	273	273	219	219
Trade payables and other liabilities	23 864	23 864	20 309	20 309

## ACQUISITIONS

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

In 2012, the net sales of the acquired business amounted to approximately EUR 7.9 million and operating profit approximately EUR 1.2 million negative. The acquired business operations' figures were consolidated into Basware's net sales and profit as of January 1, 2013. The allocated purchase price is approximately EUR 17.3 million. The acquired net assets amount to approximately EUR 2.4 million, including the cash reserves of EUR 2.2 million. Approximately EUR 4.5 million associated with customer relationships and acquired technology has been allocated to intangible assets. The value associated with customer relationships will be amortized over seven years, and value associated with technology in five years, starting from the first quarter of 2013. The purchase price includes approximately EUR 10.3 million of goodwill. Even though operating profit for the current year is estimated to fall short of the original estimate, it is unlikely that a change in the key variables used in the test would create a situation where the accounting value of goodwill included in the balance sheet exceeded the recoverable amount of the unit. The calculation concerning the allocation of the purchase price is preliminary.

October 10, 2013

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

EUR thousand	Fair value
Intangible assets	4 651
Tangible assets	324
Trade and other receivables	2 721
Cash and cash equivalents	2 200
<b>Total assets</b>	<b>9 895</b>
Trade and other payables	2 955
<b>Total liabilities</b>	<b>2 955</b>
<b>Net assets</b>	<b>6 940</b>

## SEGMENT REPORTING

Basware Corporation reports one operating segment: Purchase to Pay, P2P. The reported operating segment is comprised of the entire Group, and the segment figures are consistent with the Group figures.

## GEOGRAPHICAL INFORMATION

As geographic information Basware reports geographical areas Finland, Scandinavia, rest of Europe, and Other. In the geographical information net sales are split by the customer's location. Net sales and operating profit are also reported by the location of the assets. The Finland geographical area includes the business operations in Finland, Russia, and Asia-Pacific (excluding Australia) and the head office functions. The business operations in North America and Australia are reported in the Other geographical area.

Net sales by the location of customer:

Net sales (EUR thousand)	7-9/ 2013	7-9/ 2012	Change, %	1-9/ 2013	1-9/ 2012	Change, %	1-12/ 2012
Finland	11 276	10 516	7.2	35 912	35 331	1.6	48 567
Scandinavia	5 789	6 073	-4.7	18 780	18 547	1.3	25 809
Rest of Europe	8 320	6 118	36.0	25 366	18 299	38.6	25 194
Other	3 297	4 412	-25.3	10 241	11 095	-7.7	14 129
<b>Group total</b>	<b>28 682</b>	<b>27 119</b>	<b>5.8</b>	<b>90 300</b>	<b>83 272</b>	<b>8.4</b>	<b>113 699</b>

October 10, 2013

### Geographical information by the location of assets

Net sales (EUR thousand)	7-9/ 2013	7-9/ 2012	Change, %	1-9/ 2013	1-9/ 2012	Change, %	1-12/ 2012
Finland	16 824	14 245	18.1	46 251	44 593	3.7	61 870
Scandinavia	5 536	6 148	-9.9	18 314	18 866	-2.9	26 310
Rest of Europe	8 990	6 661	35.0	26 966	18 980	42.1	26 035
Other	2 766	3 824	-27.7	8 941	10 048	-11.0	12 925
<b>Sales between areas</b>	<b>-5 433</b>	<b>-3 759</b>	<b>-44.6</b>	<b>-10 173</b>	<b>-9 215</b>	<b>-10.4</b>	<b>-13 441</b>
<b>Group total</b>	<b>28 682</b>	<b>27 119</b>	<b>5.8</b>	<b>90 300</b>	<b>83 272</b>	<b>8.4</b>	<b>113 699</b>

Operating profit (EUR thousand)	7-9/ 2013	7-9/ 2012	Change, %	1-9/ 2013	1-9/ 2012	Change, %	1-12/ 2012
Finland	2 212	1 499	47.6	992	3 812	-74.0	5 506
Scandinavia	434	95	357.2	1 387	559	148.3	849
Rest of Europe	-454	549		-321	1 295		1 775
Other	-188	262		-408	278		884
<b>Operating profit between areas</b>	<b>-143</b>	<b>-144</b>	<b>0.6</b>	<b>-450</b>	<b>-563</b>	<b>-20.1</b>	<b>-707</b>
<b>Group total</b>	<b>1 861</b>	<b>2 261</b>	<b>-17.7</b>	<b>1 201</b>	<b>5 381</b>	<b>-77.7</b>	<b>8 308</b>

Personnel (employed, on average)	7-9/ 2013	7-9/ 2012	Change, %	1-9/ 2013	1-9/ 2012	Change, %	1-12/ 2012
Finland	510	499	2.2	510	478	6.7	486
Scandinavia	130	129	0.5	131	127	3.0	129
Rest of Europe	257	179	43.3	262	173	51.7	179
India	510	489	4.3	509	454	12.1	467
Other	73	68	7.8	74	69	8.6	69
<b>Group total</b>	<b>1 480</b>	<b>1 364</b>	<b>8.5</b>	<b>1 487</b>	<b>1 301</b>	<b>14.2</b>	<b>1 330</b>

### Net sales by business

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

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

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

Net sales (EUR thousand)	7-9/ 2013	7-9/ 2012	Change, %	1-9/ 2013	1-9/ 2012	Change, %	1-12/ 2012
License Sales	3 037	3 715	-18.3	10 380	12 259	-15.3	17 437
Customer Support	10 891	10 649	2.3	32 503	31 146	4.4	42 011
Professional Services	6 488	7 003	-7.4	22 200	22 806	-2.7	30 552
Automation Services	8 267	5 751	43.8	25 217	17 062	47.8	23 699
<b>Group total</b>	<b>28 682</b>	<b>27 119</b>	<b>5.8</b>	<b>90 300</b>	<b>83 272</b>	<b>8.4</b>	<b>113 699</b>

October 10, 2013

## GROUP KEY INDICATORS

### Financial Performance Indicators

EUR thousand	1-9/2013	1-9/2012	1-9/2011	1-12/2012
Net sales	90 300	83 272	77 523	113 699
Growth of net sales, %	8.4 %	7.4 %	6.3 %	5.5 %
EBITDA	6 504	10 051	12 613	14 801
% of net sales	7.2 %	12.1 %	16.3 %	13.0 %
Operating profit before IFRS3 amortization	1 895	7 095	10 333	10 555
% of net sales	2.1 %	8.5 %	13.3 %	9.3 %
Operating profit	1 201	5 381	8 826	8 308
Growth of operating profit, %	-77.7 %	-39.0 %	3.2 %	-32.3 %
% of net sales	1.3 %	6.5 %	11.4 %	7.3 %
Profit before tax	1 130	5 514	8 858	8 357
% of net sales	1.3 %	6.6 %	11.4 %	7.4 %
Profit for the period	350	3 918	6 731	5 863
% of net sales	0.4 %	4.7 %	8.7 %	5.2 %
Return on equity, %	0.5 %	5.3 %	11.0 %	5.8 %
Return on investment, %	2.3 %	7.6 %	14.5 %	8.2 %
Interest bearing liabilities	8 693	564	678	10 524
Liquid assets*	15 124	27 739	44 988	34 519
Gearing, %	-6.7 %	-27.5 %	-45.9 %	-23.8 %
Equity ratio, %	73.1 %	80.2 %	79.7 %	77.6 %
Total assets	131 968	123 281	121 167	129 758
Gross investments **	19 458	17 419	4 411	19 606
% of net sales	21.5 %	20.9 %	5.7 %	17.2 %
Capital expenditure	960	990	1 639	1 431
% of net sales	1.1 %	1.2 %	2.1 %	1.3 %
Research and development costs	12 571	12 848	12 008	17 884
% of net sales	13.9 %	15.4 %	15.5 %	15.7 %
R&D personnel at end of the period	356	362	304	351
Personnel, average for the period	1 487	1 301	1 028	1 330
Personnel, at end of the period	1 476	1 388	1 079	1 423
Growth of personnel, %	6.3 %	28.6 %	24.6 %	20.4 %

\*) Includes cash and cash equivalents

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

October 10, 2013

## Group share indicators

	1-9/2013	1-9/2012	1-9/2011	1-12/2012
Earnings per share (basic), EUR	0.03	0.31	0.53	0.46
Earnings per share (diluted), EUR	0.03	0.31	0.53	0.46
Equity per share, EUR	7.46	7.65	7.46	7.79
Parent company's shareholders' equity per share, EUR	7.51	7.71	7.52	7.84
Price per earnings (P/E)	796.91	73.74	33.19	44.34
Share price performance, share issue adjusted				
lowest price	18.70	16.70	17.00	16.70
highest price	23.10	24.00	28.10	24.00
average price	19.39	20.68	24.55	20.84
closing price	21.70	22.50	17.70	20.25
Market capitalization at end of period	278 812 906	288 547 965	227 284 443	260 182 550
Share issue adjusted number of traded shares	679 872	1 242 210	3 944 905	1 514 703
% of average number of shares	5.3 %	9.7 %	31.3 %	11.8 %
Number of shares				
- average during the period	12 848 521	12 841 083	12 621 995	12 836 966
- at end of the period	12 931 229	12 931 229	12 931 229	12 931 229
- average during the period, diluted	12 848 521	12 841 083	12 632 010	12 836 966

## SHARE AND SHAREHOLDERS

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

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

### Shareholders

Basware had 14 040 (14 586) shareholders on September 30 including nominee-registered holdings (11). Nominee-registered holdings accounted for 11.7 percent (12.5%) of the total number of shares.

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

Additional information on shareholdings of the Executive Team and Board of Directors and major shareholders is available on the company's investor site at [www.basware.com/investors](http://www.basware.com/investors).