

July 10, 2014

**BASWARE INTERIM REPORT JANUARY 1 – JUNE 30, 2014 (IFRS)****Operating profit grew by 26.9 percent during the second quarter****Summary**

January–June 2014:

- Net sales EUR 62 846 thousand (EUR 61 617 thousand) – growth 2.0 percent
- Operating result EUR 1 462 thousand (EUR -661 thousand)
- Operating result 2.3 percent of net sales (-1.1%)
- Growth of Network Services net sales 16.1 percent
- Recurring revenue 66.7 percent (62.6%) of net sales
- Cash flow from operating activities EUR 13 558 thousand (EUR 9 268 thousand)
- Earnings per share (diluted) EUR 0.06 (-0.05)

April–June 2014:

- Net sales EUR 31 833 thousand (EUR 31 789 thousand) – growth 0.1 percent
- Operating profit EUR 1 152 thousand (EUR 908 thousand) – growth 26.9 percent
- Operating profit 3.6 percent of net sales (2.9%)
- Growth of Network Services net sales 12.7 percent
- Recurring revenue 66.5 percent (61.6%) of net sales
- Earnings per share (diluted) EUR 0.06 (0.03)

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

The figures are unaudited.

July 10, 2014

## GROUP KEY FIGURES

EUR thousand	4-6/ 2014	4-6/ 2013	Change, %	1-6/ 2014	1-6/ 2013	Change, %	1-12/ 2013
Net sales	31 833	31 789	0.1%	62 846	61 617	2.0%	123 349
EBITDA	2 896	2 663	8.8%	4 995	2 895	72.6%	10 383
Operating result before IFRS3 amortization	1 383	1 139	21.4%	1 923	-197		4 256
Operating result	1 152	908	26.9%	1 462	-661		3 331
% of net sales	3.6%	2.9%		2.3%	-1.1%		2.7%
Result before tax	1 149	836	37.4%	1 160	-689		3 284
Result for the period	804	352	128.3%	728	-611		2 605
Return on equity, %	3.4%	1.5%		1.5%	-1.2%		2.6%
Return on investment, %	5.8%	4.4%		3.8%	-0.3%		3.9%
Liquid assets	19 954	22 917	-12.9%	19 954	22 917	-12.9%	13 218
Gearing, %	-13.7%	-13.0%		-13.7%	-13.0%		-4.7%
Equity ratio, %	70.5%	66.9%		70.5%	66.9%		77.1%
<b>Earnings per share</b>							
Undiluted, EUR	0.06	0.03	108.4%	0.06	-0.05		0.20
Diluted, EUR	0.06	0.03	108.4%	0.06	-0.05		0.20
Equity per share, EUR	7.46	7.46	0.0%	7.46	7.46	0.0%	7.62

## Business operations

Basware is the global leader in providing purchase-to-pay and e-invoicing solutions in the world of commerce. We empower companies to unlock value across their financial operations by simplifying and streamlining key financial processes. We help our customers to succeed and create added value to their business through better financial management. Our Basware Commerce Network, the largest open business network in the world, connects 1 million companies across 100 countries and enables easy collaboration between buyers and suppliers of all sizes. Through this network, leading companies around the world achieve new levels of spend control, efficiency and closer relations with their suppliers. With Basware, businesses can introduce completely new ways of buying and selling to achieve significant cost savings and boost their cash flow.

## Reporting

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

As of 2014, the company reports revenue from products and services as follows: Network Services (e-Invoicing solutions and services) and Solution Services (software products and services). In addition to this, the company reports revenue from its products and services according to the breakdown of the previous reporting practice: License sales, Professional Services, Customer Support, and Automation Services.

In accordance with the previous practice, Customer Support and Automation Services together form the recurring revenue reported by the company.

July 10, 2014

Network services revenue is comprised of e-Invoicing, paper invoice scanning services, printing service, catalog exchange, purchase message exchange, activation services, and alliance fees of e-invoicing services and financing-related added value services. Solution Services revenue is comprised of software revenue (SaaS revenue and license sales), software maintenance and extended customer support services (customer support), Professional Services, and start-up fees of SaaS services.

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

### **CEO Esa Tihilä:**

The company's operating result has gradually improved. The growth of the Network Services business supports reaching our overall objective. Net sales for the second quarter amounted to EUR 31 833 thousand, and operating result was EUR 1 152 thousand. Comparable operating result improved by EUR 1 310 thousand from the corresponding period the previous year. The share of recurring revenue of net sales continued to increase as planned, accounting for 66.5 percent. International net sales grew by 2.5 percent and accounted for 60.4 percent (59.0%) of total net sales.

The net sales of the Network Services business amounted to EUR 8 066 thousand for the second quarter, growth of 12.7 percent compared to the corresponding period the previous year. The strong growth in the transaction volume accelerated, up 29.0 percent from the corresponding period the previous year. A total of 18.7 million transactions were processed via Basware Commerce Network, up 8.5 percent from the previous quarter when 17.2 million transactions was reported. Start-up fees related to connecting customers did not grow, which had an impact on the total growth of Network Services net sales. Several significant major customers started the use of e-invoicing services. The most significant new announced e-invoicing services and Alusta delivery agreement was signed with a leading global oil and gas company.

Solution Services net sales amounted to EUR 23 768 during the second quarter, down 3.5 percent. Alusta sales have developed promisingly during the second quarter compared to the beginning of the year, but revenue recognition of new SaaS deals has not yet had an effect on the accumulation of net sales, and the demand for professional services is lower in SaaS deliveries than license deliveries. The chargeable utilization rate of Professional Services continued to be somewhat lower than expected. In all, we have signed more than 100 deals on solutions powered by Alusta, and there were more new Alusta deployments during the quarter than ever before. The Solution Services business is expected to develop more favorably during the rest of the year. The amount of new agreements has increased and the order backlog is at a good level which we expect to enable improved growth for net sales during rest of the year.

Partly as a result of strict spend control our profit-making ability improved and the fixed costs decreased by 6.7 percent during the second quarter. We will continue to improve the profit-making ability in the Solution Services business during the second half of the year by ensuring the effective use of resources in Professional Services and improving the billing rate in relation to demand. We will continue investments in the Network Services business to achieve accelerated growth by primarily developing automated solutions for sending and receiving e-invoices.

According to the most recent industry surveys, e-invoicing has become more commonplace and the volume of e-invoices has grown significantly in Europe and globally. The adoption of e-invoicing is expected to increase even more rapidly as the benefits of e-invoicing are realized more widely,

July 10, 2014

especially with the support of regulatory standards and a supportive infrastructure. The global market penetration of e-invoicing is estimated to be approximately 10 percent. The growing e-invoicing market and companies' interest in other payment and value added services for financing will offer Basware excellent growth opportunities in coming years.

## NET SALES JANUARY 1 – JUNE 30, 2014

Basware Group's net sales for the first half of the year amounted to EUR 62 846 (EUR 61 617 thousand), growth of 2.0 percent. The growth of net sales in comparable currencies was 4.0 percent.

Net sales for the second quarter increased by 0.1 percent to EUR 31 833 thousand (EUR 31 789 thousand). The growth of net sales in comparable currencies was 1.8 percent.

### Information on products and services

Net sales (EUR thousand)	4-6/ 2014	4-6/ 2013	Change, %	1-6/ 2014	1-6/ 2013	Change, %	1-12/ 2013
Network Services	8 066	7 154	12.7	16 098	13 864	16.1	27 829
Solution Services	23 768	24 636	-3.5	46 749	47 754	-2.1	95 520
<b>Group total</b>	<b>31 833</b>	<b>31 789</b>	<b>0.1</b>	<b>62 846</b>	<b>61 617</b>	<b>2.0</b>	<b>123 349</b>
<i>of which License Sales</i>	3 546	4 148	-14.5	6 840	7 343	-6.9	14 617
<i>Customer Support</i>	11 087	10 826	2.4	22 037	21 612	2.0	43 512
<i>Professional Services</i>	7 109	8 052	-11.7	14 093	15 713	-10.3	30 069
<i>Automation Services</i>	10 092	8 763	15.2	19 876	16 950	17.3	35 151

The Network Services net sales for the period amounted to EUR 16 098 thousand (EUR 13 864 thousand), growth of 16.1 percent, including the alliance fees of financing-related added value services. The strong growth in the transaction volume of the e-invoicing business continued, up 27.0 percent, and 35.9 million transactions were processed via Basware Commerce Network.

Solution Services net sales amounted to EUR 46 749 thousand (EUR 47 754 thousand), down 2.1 percent. The result of operations was influenced by the utilization rate of consulting being lower than planned, non-chargeable work, and delays in the entry of new SaaS services into production compared to the plans.

The share of recurring revenue of net sales increased during the period, accounting for 66.7 percent (62.6 %) of net sales.

The international share of Basware's net sales was 62.2 percent (60.0%) in the period. International operations grew by 5.8 percent.

## FINANCIAL PERFORMANCE

Basware's operating result for the period amounted to EUR 1 462 thousand (EUR -661 thousand). Operating result represented 2.3 percent (-1.1%) of net sales. The operating result for the corresponding period the previous year included a non-recurring capital gain of EUR 1 540 thousand recorded as a result of the divestment of the Cashier Desk business and expenses totaling EUR 1 659 thousand due to the efficiency drive and termination of employment relationships.

July 10, 2014

Basware's operating result for the second quarter was EUR 1 152 thousand (EUR 908 thousand). Operating result represented 3.6 percent (2.9%) of net sales. The operating result for the comparison period before non-recurring expenses was EUR -158 thousand, and the non-recurring items included a capital gain of EUR 1 540 thousand recorded as a result of the divestment of the Cashier Desk business and expenses totaling EUR 474 thousand due to the efficiency drive and termination of employment relationships.

The company's fixed costs were EUR 52 019 thousand (EUR 54 874 thousand) in the period, and have decreased by 5.2 percent from the corresponding period the previous year. Personnel costs made up 76.2 percent (75.0%) or EUR 39 639 thousand (EUR 41 129 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 1 681 thousand (EUR 1 566 thousand).

The company's finance income and finance expenses were EUR -302 thousand (EUR -28 thousand) for the period. Result before tax was EUR 1 160 thousand (EUR -689 thousand) and result for the period was EUR 728 thousand (EUR -611 thousand) or 1.2 percent (-1.0%) of net sales. Taxes for the period totaled EUR -432 thousand (EUR 79 thousand). Undiluted earnings per share were EUR 0.06 (EUR -0.05).

## FINANCE AND INVESTMENTS

Basware Group's total assets on the balance sheet at the end of the period were EUR 136 027 thousand (EUR 143 158 thousand). The company's liquid assets were EUR 19 954 thousand (EUR 22 917 thousand), which is comprised of cash and cash equivalents in full. Cash flows from operating activities were EUR 13 558 thousand (EUR 9 268 thousand). Cash flows from investments were EUR -2 093 thousand (EUR -17 333 thousand) and the cash flows from financing activities were EUR -4 765 thousand (EUR -3 080 thousand).

Equity ratio was 70.5 percent (66.9%) and gearing was -13.7 percent (-13.0%). The Company's interest-bearing liabilities totaled EUR 6 810 thousand (EUR 10 415 thousand), of which current liabilities accounted for EUR 3 477 thousand (EUR 3 595 thousand). Return on investment was 3.8 percent (-0.3%) and return on equity 1.5 percent (-1.2%).

Capital expenditure, resulting from regular additional and replacement investments required by the growth, was EUR 444 thousand (EUR 709 thousand) during the period. Gross investments including the capitalized research and development costs totaled EUR 2 707 thousand (EUR 18 507 thousand). There was one acquisition during the corresponding period of the previous year.

## RESEARCH AND DEVELOPMENT

Basware's research and development expenses totaled EUR 9 027 thousand (EUR 9 468 thousand), or 14.4 percent (15.4%) of net sales during the review period. The expenses decreased by 4.7 percent compared to the corresponding period the previous year. Research and development expenses capitalized during the period amounted to EUR 1 784 thousand (EUR 2 508 thousand). The research and development costs included in the result for the review period totaled EUR 7 243 thousand (EUR 6 960 thousand), or 11.5 percent (11.3%) of net sales. A total of 320 (350) people worked in R&D of whom 145 (151) people in India at the end of the period.

The development project of the company's value-added e-invoicing services is **nowadays** supported by

July 10, 2014

Tekes – the Finnish Funding Agency for Innovation. The Tekes funding did not have any substantial impact on the result during the period under review.

## PERSONNEL

Basware employed 1 452 (1 490) people on average during the period and 1 459 (1 498) at the end of the period. The number of personnel decreased by 39 persons and by 2.6 percent compared with the same period the previous year.

Geographical division of personnel:

Personnel (employed, on average)	4–6/ 2014	4–6/ 2013	Change, %	1–6/ 2014	1–6/ 2013	Change, %	1–12/ 2013
Finland	479	512	-6.4	486	510	-4.7	510
Scandinavia	134	133	1.0	134	132	1.6	131
Rest of Europe	278	262	6.1	276	265	4.1	265
India	486	512	-5.1	489	508	-3.8	506
Other	66	75	-12.4	67	75	-10.9	73
<b>Group total</b>	<b>1 443</b>	<b>1 494</b>	<b>-3.4</b>	<b>1 452</b>	<b>1 490</b>	<b>-2.6</b>	<b>1 485</b>

The share of personnel working in foreign units has increased compared with the previous year. At the end of the period, 67.0 percent (65.9%) of Basware personnel worked outside of Finland and 33.0 percent (34.1%) in Finland. 11.9 percent (12.0%) of the personnel work in sales and marketing, 60.2 percent (58.5%) in consulting and services, 21.9 percent (23.4%) in product development, and 6.0 percent (6.1%) in administration.

The average age of employees is 34.7 (34.3) years. Of the employees, 21.4 percent (24.0%) have a Master's degree and 27.2 percent (28.6%) have a Bachelor's degree. Women account for 24.1 percent (21.5%) of employees, men for 75.9 percent (78.5%).

## OTHER EVENTS OF THE PERIOD

### Significant agreement with an international oil and gas company in the U.S.

On July 2, 2014, Basware announced that it had signed a significant e-invoicing services agreement for the delivery of e-invoicing and supplier services, powered by Basware's purchase-to-pay platform Alusta, to one of the world's leading oil and gas companies in the U.S. The customer will use Basware's services in its operations globally. The value of the agreement is approximately EUR 2.8 million over the next five years.

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

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



July 10, 2014

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

The development of Solution Services net sales is influenced by the utilization rate of consulting being lower than planned, non-chargeable work, and delays in the entry of new SaaS services into production compared to the plans.

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

## STRATEGY

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

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

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

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

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

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

## FUTURE OUTLOOK

### Operating environment and market outlook

Companies of all sizes globally are under pressure to improve their cash flows, find new innovative payment strategies and automate their financial processes and functions. The company expects the

July 10, 2014

same to continue also in 2014 and the continuous need for services to remain at a favorable level among its customers.

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

By the end of 2015, Basware aims to become the largest business commerce network for buyers and suppliers. According to the most recent industry surveys, e-invoicing has become more commonplace and the volume of e-invoices has grown considerably in Europe and the rest of the world. The global market penetration of e-invoices is estimated to be approximately 10 percent. The growing e-invoicing market and companies' interest in other payment and value added services for financing will offer Basware excellent growth opportunities in coming years.

### **Outlook 2014**

The global market growth of e-invoicing has been estimated to be approximately 20 percent. Basware is pursuing accelerated growth that exceeds the market growth in its Network Services. Stronger growth can be achieved by developing and automating the connection of buyers and suppliers to the e-invoicing services, by utilizing digital marketing and sales channels more extensively, and through acquisitions.

The Network Services business is expected to grow strongly also during the second half of the year. The Solution Services business is expected to develop more favorably during the rest of the year. The growth in the sales of Alusta is expected to have a positive effect on software net sales and professional services.

The fixed costs of the company are expected to stay at the same level than during the first half of 2014. The company will continue to improve the profit-making ability in the Solution Services business during the second half of the year by ensuring the effective use of resources in Professional Services and improving the billing rate in relation to demand. The company will continue to invest in the Network Services business to achieve accelerated growth by primarily developing automated solutions for sending and receiving e-invoices. Decisions about investments required by the growth will be made during the year if the market situation and business development so require.

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

Espoo, Finland, Thursday, July 10, 2014

BASWARE CORPORATION  
Board of Directors

**For more information, please contact:**  
Esa Tihilä, CEO, Basware Corporation  
Tel. +358 40 480 7098

**Distribution:**  
NASDAQ OMX Helsinki Ltd  
Key media  
[www.basware.com](http://www.basware.com)



July 10, 2014

## SUMMARY OF FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS JANUARY 1 – JUNE 30, 2014

### Accounting principles:

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The same accounting policies have been followed as in the previous Financial Statements. Key indicator calculations remain unchanged and have been presented in the 2013 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 Financial Statements, 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	1.4.– 30.6.2014	1.4.– 30.6.2013	Change, %	1.1.– 30.6.2014	1.1.– 30.6.2013	Change, %	1.1.– 31.12.2013
<b>NET SALES</b>	<b>31 833</b>	<b>31 789</b>	<b>0.1</b>	<b>62 846</b>	<b>61 617</b>	<b>2.0</b>	<b>123 349</b>
Other operating income	26	1 623	-98.4	203	1 681	-87.9	1 915
Materials and services	-3 057	-2 987	2.3	-6 035	-5 529	9.2	-11 761
Employee benefit expenses	-19 561	-20 611	-5.1	-39 639	-41 129	-3.6	-76 919
Depreciation and amortization	-1 744	-1 755	-0.6	-3 533	-3 556	-0.6	-7 052
Other operating expenses	-6 345	-7 152	-11.3	-12 379	-13 746	-9.9	-26 200
<b>Operating result</b>	<b>1 152</b>	<b>908</b>	<b>26.9</b>	<b>1 462</b>	<b>-661</b>		<b>3 331</b>
Finance income	325	252	28.9	464	479	-3.2	928
Finance expenses	-328	-324	1.1	-766	-507	51.0	-975
<b>Result before tax</b>	<b>1 149</b>	<b>836</b>	<b>37.4</b>	<b>1 160</b>	<b>-689</b>		<b>3 284</b>
Income taxes	-345	-485	-28.8	-432	79		-678
<b>RESULT FOR THE PERIOD</b>	<b>804</b>	<b>352</b>	<b>128.3</b>	<b>728</b>	<b>-611</b>		<b>2 605</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	-149	-873	-83.0	109	-1 158		-2 638
Income tax relating to components of other comprehensive income	-45	-151	-70.0	-69	-177	-60.8	281
Other comprehensive income, net of tax	-194	-1 024	-81.1	40	-1 336		-2 358
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>610</b>	<b>-672</b>		<b>768</b>	<b>-1 946</b>		<b>247</b>

July 10, 2014

EUR thousand	1.4.- 30.6.2014	1.4.- 30.6.2013	Change, %	1.1.- 30.6.2014	1.1.- 30.6.2013	Change, %	1.1.- 31.12.2013
Profit attributable to: Equity holders of the parent company	804	352	128.3	728	-611		2 605
	<b>804</b>	<b>352</b>	<b>128.3</b>	<b>728</b>	<b>-611</b>		<b>2 605</b>
Total comprehensive income attributable to: Equity holders of the parent company	610	-672		768	-1 946		247
	<b>610</b>	<b>-672</b>		<b>768</b>	<b>-1 946</b>		<b>247</b>
<b>Earnings per share</b>							
undiluted, EUR	0.06	0.03	108.4	0.06	-0.05		0.20
diluted, EUR	0.06	0.03	108.4	0.06	-0.05		0.20

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	30.6.2014	30.6.2013	Change, %	31.12.2013
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	25 201	27 545	-8.5	26 428
Goodwill	50 930	51 506	-1.1	50 996
Tangible assets	1 438	1 631	-11.8	1 431
Available-for-sale investments	36	38	-4.6	38
Trade and other receivables	844	941	-10.3	947
Deferred tax assets	3 864	3 709	4.2	3 680
<b>Non-current assets</b>	<b>82 314</b>	<b>85 370</b>	<b>-3.6</b>	<b>83 520</b>
<b>Current assets</b>				
Inventories	149	214	-30.2	240
Trade and other receivables	30 050	32 019	-6.1	27 536
Income tax receivables	3 560	2 638	34.9	2 529
Cash and short-term deposits	19 954	22 917	-12.9	13 218
<b>Current assets</b>	<b>53 713</b>	<b>57 789</b>	<b>-7.1</b>	<b>43 522</b>
<b>ASSETS</b>	<b>136 027</b>	<b>143 158</b>	<b>-5.0</b>	<b>127 043</b>

July 10, 2014

EUR thousand	30.6.2014	30.6.2013	Change, %	31.12.2013
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Share capital	3 528	3 528		3 528
Share premium account	1 187	1 187		1 187
Own shares	-1 156	-1 215	-4.9	-1 164
Fair value reserve and other reserves	62 280	62 339	-0.1	62 288
Translation differences	-1 918	-1 456	31.7	-1 958
Retained earnings	31 925	31 448	1.5	34 074
<b>Shareholders' equity</b>	<b>95 847</b>	<b>95 832</b>	<b>0.0</b>	<b>97 956</b>
<b>Non-current liabilities</b>				
Deferred tax liability	2 130	1 681	26.7	1 863
Interest-bearing liabilities	3 333	6 820	-51.1	5 014
Other non-current financial liabilities	289	201	44.0	127
<b>Non-current liabilities</b>	<b>5 753</b>	<b>8 702</b>	<b>-33.9</b>	<b>7 004</b>
<b>Current liabilities</b>				
Interest-bearing liabilities	3 477	3 595	-3.3	3 618
Trade payables and other liabilities	30 584	33 553	-8.8	17 966
Income tax liabilities	366	674	-45.6	499
Provisions	0	803	-100.0	0
<b>Current liabilities</b>	<b>34 427</b>	<b>38 625</b>	<b>-10.9</b>	<b>22 082</b>
<b>EQUITY AND LIABILITIES</b>	<b>136 027</b>	<b>143 158</b>	<b>-5.0</b>	<b>127 043</b>

July 10, 2014

**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 1.1.2014</b>	3 528	1 187	-1 164	61 748	540	-1 958	34 074	97 956
Comprehensive income						40	728	768
Dividend distribution							-2 957	-2 957
Management incentive plan							80	80
Changes in rep. period			8	-8				0
<b>SHAREHOLDERS' EQUITY 30.6.2014</b>	<b>3 528</b>	<b>1 187</b>	<b>-1 156</b>	<b>61 740</b>	<b>540</b>	<b>-1 918</b>	<b>31 925</b>	<b>95 847</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
Comprehensive income						-1 336	-611	-1 946
Dividend distribution							-2 955	-2 955
Management incentive plan							8	8
Changes in rep. period						588	-588	0
<b>SHAREHOLDERS' EQUITY 30.6.2013</b>	<b>3 528</b>	<b>1 187</b>	<b>-1 215</b>	<b>61 799</b>	<b>540</b>	<b>-1 456</b>	<b>31 448</b>	<b>95 832</b>

July 10, 2014

**CONSOLIDATED STATEMENT OF CASH FLOWS**

EUR thousand	1.1.–30.6.2014	1.1. – 30.6.2013	1.1. – 31.12.2013
<b>Cash flows from operating activities</b>			
Result for the period	728	-611	2 605
Adjustments	4 308	1 974	6 177
Working capital changes	10 303	10 823	-1 641
Interest paid	-82	-115	-200
Interest received	22	47	109
Other financial items in operating activities	-176	-240	-425
Income taxes paid	-1 546	-2 610	-3 047
<b>Cash flows from operating activities</b>	<b>13 558</b>	<b>9 268</b>	<b>3 578</b>
<b>Cash flows used in investing activities</b>			
Purchase of tangible and intangible assets	-2 693	-3 217	-5 418
Acquisition of subsidiaries and businesses	0	-15 056	-15 061
Proceeds from divestment of business	0	1 540	1 540
Loans granted	0	-600	-600
Repayment of loan receivables	600	0	0
<b>Cash flows used in investing activities</b>	<b>-2 093</b>	<b>-17 333</b>	<b>-19 538</b>
<b>Cash flows from financing activities</b>			
Repayments of borrowings	-1 667	0	-1 667
Payments of finance lease liabilities	-141	-125	-239
Dividends paid	-2 957	-2 955	-2 955
<b>Cash flows from financing activities</b>	<b>-4 765</b>	<b>-3 080</b>	<b>-4 861</b>
<b>Change in cash and cash equivalents</b>	<b>6 700</b>	<b>-11 146</b>	<b>-20 821</b>
Cash and cash equivalents at the beginning of period	13 218	34 519	34 519
Net foreign exchange difference	36	-455	-479
Cash and cash equivalents at the end of period	19 954	22 917	13 218

July 10, 2014

**GROUP QUARTERLY INCOME STATEMENT**

EUR thousand	4-6/ 2014	1-3/ 2014	10-12/ 2013	7-9/ 2013	4-6/ 2013	1-3/ 2013
<b>NET SALES</b>	<b>31 833</b>	<b>31 013</b>	<b>33 049</b>	<b>28 682</b>	<b>31 789</b>	<b>29 828</b>
Other operating income	26	177	173	61	1 623	58
Materials and services	-3 057	-2 978	-3 265	-2 967	-2 987	-2 542
Employee benefit expenses	-19 561	-20 078	-19 327	-16 464	-20 611	-20 518
Depreciation and amortization	-1 744	-1 789	-1 748	-1 748	-1 755	-1 801
Other operating expenses	-6 345	-6 034	-6 751	-5 703	-7 152	-6 594
<b>Operating result</b>	<b>1 152</b>	<b>310</b>	<b>2 131</b>	<b>1 861</b>	<b>908</b>	<b>-1 569</b>
%	3.6%	1.0%	6.4%	6.5%	2.9%	-5.3%
Finance income	325	139	271	178	252	227
Finance expenses	-328	-438	-248	-220	-324	-184
<b>Result before tax</b>	<b>1 149</b>	<b>11</b>	<b>2 153</b>	<b>1 819</b>	<b>836</b>	<b>-1 526</b>
%	3.6%	0.0%	6.5%	6.3%	2.6%	-5.1%
Income taxes	-345	-87	102	-859	-485	563
<b>RESULT FOR THE PERIOD</b>	<b>804</b>	<b>-76</b>	<b>2 255</b>	<b>960</b>	<b>352</b>	<b>-962</b>
%	2.5%	-0.2%	6.8%	3.3%	1.1%	-3.2%



July 10, 2014

**COMMITMENTS AND CONTINGENT LIABILITIES**

EUR thousand	30.6.2014	30.6.2013	31.12.2013
<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	244	31
<b>Other own guarantees</b>			
Lease liabilities			
Current lease liabilities	935	1 154	1 012
Lease liabilities maturing in 1–5 years	825	891	820
<b>Total</b>	<b>1 759</b>	<b>2 045</b>	<b>1 831</b>
Other rental liabilities			
Current rental liabilities	3 765	3 737	4 001
Rental liabilities maturing in 1–5 years	7 204	2 336	3 738
Rental liabilities maturing later	2 053	0	0
<b>Total</b>	<b>13 022</b>	<b>6 073</b>	<b>7 739</b>
<b>Other own contingent liabilities, total</b>			
	<b>14 782</b>	<b>8 119</b>	<b>9 570</b>
<b>Total commitments and contingent liabilities</b>			
	<b>16 012</b>	<b>9 563</b>	<b>10 801</b>

**RELATED PARTY TRANSACTIONS**

EUR thousand	30.6.2014	30.6.2013
<b>Purchases of services</b>	84	0

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

July 10, 2014

## FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

EUR thousand	30.6.2014 Book value	30.6.2014 Fair value	30.6.2013 Book value	30.6.2013 Fair value
<b>Financial assets</b>				
Available-for-sale financial assets	36	36	38	38
Non-current trade and other receivables	844	844	941	941
Current trade and other receivables	30 050	30 050	32 019	32 019
Cash and cash equivalents	19 954	19 954	22 917	22 917
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss				
Interest rate derivatives -				
not in hedge accounting (level 2)	16	16	10	10
Financial liabilities – financial liabilities valued at amortized acquisition cost				
Non-current				
Loans from financial institutions, interest-bearing				
	3 333	3 333	6 667	6 667
Finance lease liabilities, interest-bearing	0	0	143	143
Current				
Loans from financial institutions, interest-bearing				
	3 333	3 333	3 333	3 333
Finance lease liabilities, interest-bearing	143	143	262	262
Trade payables and other liabilities	30 584	30 584	33 553	33 553

## SEGMENT REPORTING

Basware Corporation reports one operating segment: Purchase to Pay, P2P. The reported 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. Net sales are reported by the customer's location, and net sales and operating result are also reported by the location of the assets. In the annual financial statements, the geographical information of non-current assets is reported by the location of the assets.

### Net sales by the location of customer

Net sales (EUR thousand)	4–6/ 2014	4–6/ 2013	Change, %	1–6/ 2014	1–6/ 2013	Change, %	1–12/ 2013
Finland	12 605	13 022	-3.2	23 729	24 635	-3.7	49 324
Scandinavia	6 776	6 671	1.6	13 316	12 991	2.5	25 928
Rest of Europe	8 940	8 413	6.3	18 341	17 046	7.6	34 453
Other	3 511	3 683	-4.7	7 459	6 944	7.4	13 643
<b>Group total</b>	<b>31 833</b>	<b>31 789</b>	<b>0.1</b>	<b>62 846</b>	<b>61 617</b>	<b>2.0</b>	<b>123 349</b>

July 10, 2014

### Geographical information by the location of assets

Net sales (EUR thousand)	4-6/ 2014	4-6/ 2013	Change, %	1-6/ 2014	1-6/ 2013	Change, %	1-12/ 2013
Finland	18 121	15 095	20.0	36 114	29 428	22.7	64 570
Scandinavia	6 786	6 528	3.9	13 288	12 778	4.0	25 351
Rest of Europe	9 026	8 965	0.7	17 492	17 976	-2.7	36 768
Other	3 492	3 326	5.0	6 848	6 176	10.9	11 899
Sales between areas	-5 591	-2 125	163.1	-10 896	-4 739	129.9	-15 239
<b>Group total</b>	<b>31 833</b>	<b>31 789</b>	<b>0.1</b>	<b>62 846</b>	<b>61 617</b>	<b>2.0</b>	<b>123 349</b>

Operating result (EUR thousand)	4-6/ 2014	4-6/ 2013	Change, %	1-6/ 2014	1-6/ 2013	Change, %	1-12/ 2013
Finland	-76	341		-596	-235	153.4	887
Scandinavia	562	507	10.8	874	954	-8.4	2 348
Rest of Europe	726	345	110.4	1 221	-852		326
Other	207	-141		371	-220		362
Operating result between areas	-267	-143	86.4	-409	-307	33.1	-592
<b>Group total</b>	<b>1 152</b>	<b>908</b>	<b>26.9</b>	<b>1 462</b>	<b>-661</b>		<b>3 331</b>

Personnel (employed, on average)	4-6/ 2014	4-6/ 2013	Change, %	1-6/ 2014	1-6/ 2013	Change, %	1-12/ 2013
Finland	479	512	-6.4	486	510	-4.7	510
Scandinavia	134	133	1.0	134	132	1.6	131
Rest of Europe	278	262	6.1	276	265	4.1	265
India	486	512	-5.1	489	508	-3.8	506
Other	66	75	-12.4	67	75	-10.9	73
<b>Group total</b>	<b>1 443</b>	<b>1 494</b>	<b>-3.4</b>	<b>1 452</b>	<b>1 490</b>	<b>-2.6</b>	<b>1 485</b>

### INFORMATION ON PRODUCTS AND SERVICES

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

Network services revenue is comprised of e-Invoicing, paper invoice scanning services, printing service, catalog exchange, purchase message exchange, activation services, and alliance fees of e-invoicing services and added value services related to financing. Solution Services revenue is comprised of software revenue (SaaS revenue and license sales), software maintenance and extended customer support services (customer support), Professional Services, and start-up fees of SaaS services.

Net sales (EUR thousand)	4-6/ 2014	4-6/ 2013	Change, %	1-6/ 2014	1-6/ 2013	Change, %	1-12/ 2013
Network Services	8 066	7 154	12.7	16 098	13 864	16.1	27 829
Solution Services	23 768	24 636	-3.5	46 749	47 754	-2.1	95 520
<b>Group total</b>	<b>31 833</b>	<b>31 789</b>	<b>0.1</b>	<b>62 846</b>	<b>61 617</b>	<b>2.0</b>	<b>123 349</b>
<i>of which License Sales</i>	3 546	4 148	-14.5	6 840	7 343	-6.9	14 617
<i>Customer Support</i>	11 087	10 826	2.4	22 037	21 612	2.0	43 512
<i>Professional Services</i>	7 109	8 052	-11.7	14 093	15 713	-10.3	30 069
<i>Automation Services</i>	10 092	8 763	15.2	19 876	16 950	17.3	35 151

July 10, 2014

**GROUP KEY INDICATORS**

EUR thousand	1-6/2014	1-6/2013	1-6/2012	1-12/2013
Net sales	62 846	61 617	56 153	123 349
Growth of net sales, %	2.0%	9.7%	5,3 %	8.5%
EBITDA	4 995	2 895	5 981	10 383
% of net sales	7.9%	4.7%	10,7 %	8.4%
Operating result before IFRS3 amortization	1 923	-197	4 302	4 256
% of net sales	3.1%	-0.3%	7,7 %	3.5%
Operating result	1 462	-661	3 120	3 331
Change in operating result, %			-46,1 %	-59.9%
% of net sales	2.3%	-1.1%	5,6 %	2.7%
Result before tax	1 160	-689	3 214	3 284
% of net sales	1.8%	-1.1%	5,7 %	2.7%
Result for the period	728	-611	2 425	2 605
% of net sales	1.2%	-1.0%	4,3 %	2.1%
Return on equity, %	1.5%	-1.2%	4,9 %	2.6%
Return on investment, %	3.8%	-0.3%	6,7 %	3.9%
Interest-bearing liabilities	6 810	10 415	604	8 632
Liquid assets*	19 954	22 917	31 630	13 218
Gearing, %	-13.7%	-13.0%	-32,0 %	-4.7%
Equity ratio, %	70.5%	66.9%	74,4 %	77.1%
Total assets	136 027	143 158	130 210	127 043
Gross investments **	2 707	18 507	16 037	20 733
% of net sales	4.3%	30.0%	28,6 %	16.8%
Capital expenditure	444	709	705	1 470
% of net sales	0.7%	1.2%	1,3 %	1.2%
Research and development costs	9 027	9 468	8 629	18 184
% of net sales	14.4%	15.4%	15,4 %	14.7%
R&D personnel at end of period	320	350	345	370
Personnel on average during the period	1 452	1 490	1 270	1 485
Personnel at end of period	1 459	1 498	1 323	1 472
Change in personnel, %	-2.6%	13.2%	24,3 %	3.4%

\*) Includes cash and cash equivalents

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

July 10, 2014

**Group Share Indicators**

	1-6/2014	1-6/2013	1-6/2012	1-12/2013
Earnings per share, basic	0.06	-0.05	0.19	0.20
Earnings per share, diluted	0.06	-0.05	0.19	0.20
Equity per share	7.46	7.46	7.56	7.62
Price per earnings (P/E)	695.14	-370.36	118.96	123.45
Share price performance, share issue adjusted				
lowest price	23.50	16.75	16.70	16.75
highest price	41.00	21.69	24.00	25.60
average price	34.31	19.88	20.31	20.35
closing price	38.55	17.60	22.45	25.03
Share issue adjusted number of shares, end of period	12 931 229	12 931 229	12 931 229	12 931 229
Market capitalization at end of period	495 615 222	226 133 970	287 906 747	321 771 012
Share issue adjusted number of traded shares	3 111 870	490 244	994 328	1 723 866
% of average number of shares	24,2 %	3.8%	7.7%	13.4%
Number of shares				
- average during the period*	12 856 227	12 848 521	12 849 448	12 848 540
- at end of the period	12 931 229	12 931 229	12 931 229	12 931 229
- average during the period, diluted	12 856 227	12 848 521	12 849 448	12 848 540

\*Excluding treasury shares

**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, 2014, 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, 2015.

**Shareholders**

Basware had 13 840 (14 097) shareholders on June 30 including nominee-registered holdings (9). Nominee-registered holdings accounted for 19.1 percent (11.8%) of the total number of shares.

Basware holds 74 803 (82 708) of its own shares, corresponding to approximately 0.6% (0.6%) of the total number of shares.

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