

**BASWARE INTERIM REPORT JANUARY 1 – SEPTEMBER 30, 2014 (IFRS)**

**Network Services business continued to grow strongly and Solution Services business developed positively during the third quarter**

**Summary****January–September 2014:**

- Net sales EUR 93 010 thousand (EUR 90 300 thousand) – growth 3.0 percent
- Operating profit EUR 2 624 thousand (EUR 1 201 thousand) – growth 118.5 percent
- Operating profit 2.8 percent of net sales (1.3%)
- Growth of Network Services net sales 18.0 percent
- Recurring revenue 67.8 percent (63.9%) of net sales
- Cash flow from operating activities EUR 13 942 thousand (EUR 4 129 thousand)
- Earnings per share (diluted) EUR 0.11 (0.03)

**July–September 2014:**

- Net sales EUR 30 164 thousand (EUR 28 682 thousand) – growth 5.2 percent
- Operating profit EUR 1 162 thousand (EUR 1 861 thousand) – decrease -37.9 percent
- Operating profit 3.9 percent of net sales (6.5%)
- Growth of Network Services net sales 22.1 percent
- Recurring revenue 70.1 percent (66.8%) of net sales
- Earnings per share (diluted) EUR 0.05 (0.07)

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

The figures are unaudited.

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## GROUP KEY FIGURES

EUR thousand	7-9/ 2014	7-9/ 2013	Change, %	1-9/ 2014	1-9/ 2013	Change, %	1-12/ 2013
Net sales	30 164	28 682	5.2%	93 010	90 300	3.0%	123 349
EBITDA	2 923	3 609	-19.0%	7 918	6 504	21.7%	10 383
Operating profit before IFRS3 amortization	1 719	2 092	-17.8%	3 642	1 895	92.2%	4 256
Operating profit	1 162	1 861	-37.6%	2 624	1 201	118.5%	3 331
% of net sales	3.9%	6.5%		2.8%	1.3%		2.7%
Result before tax	964	1 819	-47.0%	2 124	1 130	87.9%	3 284
Result for the period	777	960	-19.2%	1 505	350	329.9%	2 605
Return on equity, %	2.6%	4.0%		1.7%	0.5%		2.6%
Return on investment, %	3.0%	7.7%		3.1%	2.3%		3.9%
Liquid assets	60 156	15 124	297.8%	60 156	15 124	297.8%	13 218
Gearing, %	-39.3%	-6.7%		-39.3%	-6.7%		-4.7%
Equity ratio, %	80.6%	73.1%		80.6%	73.1%		77.1%
<b>Earnings per share</b>							
Undiluted, EUR	0.05	0.07	-21.5%	0.11	0.03	254.6%	0.20
Diluted, EUR	0.05	0.07	-21.5%	0.11	0.03	254.6%	0.20
Equity per share, EUR	9.90	7.51	32.7%	9.90	7.46	32.7%	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 solutions and services). In addition to

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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 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 Network Services business continued to grow strongly during the third quarter. Net sales for the third quarter amounted to EUR 30 164 thousand, growth of 5.2 percent, and operating profit to EUR 1 162 thousand (EUR 1 861 thousand). The share of recurring revenue of net sales continued to grow, accounting for 70.1 percent. International operations accounted for 61.8% (60.7%) of net sales.

The net sales of Network Services amounted to EUR 8 010 thousand (EUR 6 559 thousand) for the third quarter, growth of 22.1 percent year-on-year. Organic growth in Network Services transactions accelerated to a record-high number, growth of 41.4 percent year-on-year. A total of 20.3 million transactions were processed via Basware Commerce Network, up 8.9 percent from the previous quarter when 18.7 million transactions were reported. We will continue investments in the Network Services business to achieve accelerated growth by primarily developing automated solutions for sending and receiving e-invoices and new ways to achieve accelerated growth in sales.

Decrease in the Solution Services business came to a halt, with net sales of EUR 22 154 thousand for the third quarter (EUR 22 125 thousand). Sales of Alusta and chargeable utilization rate of Professional Services improved during the third quarter. The performance during the quarter lays down a good foundation for the positive development of the Solution Services business during the rest of the year as well. International demand has developed favorably in Solution Services, and the number of requests for quotes on comprehensive Purchase to Pay solutions in particular has increased. We will continue to improve our profit-making ability in the Solution Services during the last quarter by ensuring the efficient use of resources in Professional Services and improving the billing rate in relation to demand.

In September, we announced that we are launching a new business in financing services. Basware's Financing Services will deliver new and innovative financing services for companies of all sizes, combining invoice automation with financing services on the Basware Commerce Network. The first solution within Basware's Financing Services portfolio is Basware Pay, a new type of a global e-payment solution offered in collaboration with MasterCard.

In September, we carried out a directed share issue to a number of international institutional investors, and I am grateful for the great interest shown towards Basware. The Basware Commerce Network has grown as planned for years, and particularly strongly during the last two years. In accordance with our strategy, we are pursuing growth in the network both organically and through mergers and acquisitions.

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The net proceeds from the offering will increase Basware's financial flexibility and preparedness to carry out growth projects and acquisitions.

## NET SALES JANUARY 1 – SEPTEMBER 30, 2014

Basware Group's net sales for the review period amounted to EUR 93 010 thousand (EUR 90 300 thousand), growth of 3.0 percent. The growth of net sales in comparable currencies was 4.4 percent.

Net sales for the third quarter increased by 5.2 percent to EUR 30 164 thousand (EUR 28 682 thousand). The growth of net sales in comparable currencies was 5.3 percent.

### Information on products and services

Net sales EUR thousand	7-9/ 2014	7-9/ 2013	Change, %	1-9/ 2014	1-9/ 2013	Change, %	1-12/ 2013
Network Services	8 010	6 559	22.1	24 108	20 422	18.0	27 829
Solution Services	22 154	22 125	0.1	68 903	69 878	-1.4	95 520
<b>Group total</b>	<b>30 164</b>	<b>28 682</b>	<b>5.2</b>	<b>93 010</b>	<b>90 300</b>	<b>3.0</b>	<b>123 349</b>
<i>of which License Sales</i>	2 789	3 037	-8.2	9 629	10 380	-7.2	14 617
<i>Customer Support</i>	11 066	10 891	1.6	33 104	32 503	1.8	43 512
<i>Professional Services</i>	6 216	6 488	-4.2	20 311	22 200	-8.5	30 069
<i>Automation Services</i>	10 093	8 267	22.1	29 966	25 217	18.8	35 151

The Network Services net sales for the period amounted to EUR 24 108 thousand (EUR 20 422 thousand), growth of 18.0 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 31.9 percent, and 56.2 million transactions were processed via Basware Commerce Network.

Solution Services net sales amounted to EUR 68 903 (EUR 69 878 thousand), down 1.4 percent. The development of net sales was influenced by the utilization rate of consulting being lower than planned.

The share of recurring revenue of net sales increased during the period to 67.8 percent (63.9%) of net sales.

The international share of Basware's net sales was 62.1 percent (60.2%) in the period. International operations grew by 6.2 percent.

## FINANCIAL PERFORMANCE

Basware's operating profit for the period amounted to EUR 2 624 thousand (EUR 1 201 thousand). Operating profit represented 2.8 percent (1.3%) of net sales. The operating profit for the review period of the previous year included a non-recurring capital gain of EUR 1 540 thousand recorded as a result of the divestment of the Cashier Desk business and expenses totaling EUR 1 659 thousand due to the efficiency drive and termination of employment relationships.

Basware's operating profit for the third quarter was EUR 1 162 thousand (EUR 1 862 thousand). Operating profit represented 3.9 percent (6.5%) of net sales. The development of fixed expenses was influenced by the exchange of annual holiday pay to additional leave as part of the company's efficiency drive in the comparison year.

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The company's fixed costs were EUR 75 622 thousand (EUR 77 042 thousand) in the period, and have decreased by 1.8 percent from the corresponding period the previous year. Personnel costs made up 75.3 percent (75.0%) or EUR 56 976 thousand (EUR 57 593 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 1 560 thousand (EUR 1 702 thousand).

The company's finance income and finance expenses were EUR -500 thousand (EUR -71 thousand) for the period. Result before tax was EUR 2 124 thousand (EUR 1 130 thousand) and result for the period was EUR 1 505 thousand (EUR 350 thousand) or 1.6 percent (0.4%) of net sales. Taxes for the period totaled EUR 619 thousand (EUR 780 thousand). Undiluted earnings per share were EUR 0.11 (EUR 0.03).

## FINANCE AND INVESTMENTS

Basware Group's total assets on the balance sheet at the end of the period were EUR 173 739 thousand (EUR 131 968 thousand). The company's liquid assets were EUR 60 156 thousand (EUR 15 124 thousand), which is comprised of cash and cash equivalents in full. Cash flows from operating activities were EUR 13 942 thousand (EUR 4 129 thousand). Cash flows from investments were EUR -3 256 thousand (EUR -18 284 thousand) and the cash flows from financing activities were EUR 35 999 thousand (EUR -4 809 thousand).

Equity ratio was 80.6 percent (73.1%) and gearing was -39.3 percent (-6.7%). The company's interest-bearing liabilities totaled EUR 5 072 thousand (EUR 8 693 thousand), of which current liabilities accounted for EUR 3 405 thousand (EUR 3 606 thousand). Return on investment was 3.1 percent (2.3%) and return on equity 1.7 percent (0.5%).

Capital expenditure, resulting from regular additional and replacement investments required by the growth, was EUR 608 thousand (EUR 960 thousand) during the period. Gross investments including the capitalized research and development costs totaled EUR 3 872 thousand (EUR 19 458 thousand). The investments during the corresponding period the previous year included one acquisition.

## RESEARCH AND DEVELOPMENT

Basware's research and development expenses totaled EUR 12 830 thousand (EUR 12 571 thousand), or 13.8 percent (13.9%) of net sales during the review period. The expenses increased by 2.0 percent compared to the corresponding period the previous year. Research and development expenses capitalized during the period amounted to EUR 2 853 thousand (EUR 2 842 thousand). The research and development costs included in the profit for the review period totaled EUR 9 977 thousand (EUR 9 729 thousand), or 10.7 percent (10.8%) of net sales. A total of 330 (356) people worked in R&D of whom 142 (155) people in India at the end of the period.

## PERSONNEL

Basware employed 1 464 (1 487) people on average during the period and 1 456 (1 480) at the end of the period. The number of personnel decreased by 24 persons and by 1.5 percent compared with the same period the previous year.

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Geographical division of personnel:

Personnel (employed, on average)	7-9/ 2014	7-9/ 2013	Change, %	1-9/ 2014	1-9/ 2013	Change, %	1-12/ 2013
Finland	483	510	-5.3	476	510	-6.7	510
Scandinavia	134	130	3.3	135	131	2,8	131
Rest of Europe	282	257	9.6	293	262	11.8	265
India	490	510	-3.9	494	509	-2.9	506
Other	67	73	-8.7	66	74	-10.4	73
<b>Group total</b>	<b>1 456</b>	<b>1 480</b>	<b>-1.6</b>	<b>1 464</b>	<b>1 487</b>	<b>-1.5</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, 67.7 percent (66.0%) of Basware personnel worked outside of Finland and 32.3 percent (34.0%) in Finland. 12.1 percent (12.0%) of the personnel work in sales and marketing, 59.9 percent (57.9%) in consulting and services, 22.3 percent (24.1%) in products, and 6.2 percent (6.0%) in administration.

The average age of employees is 34.8 (34.6) years. Of the employees, 21.4 percent (23.1%) have a Master's degree and 26.5 percent (28.8%) have a Bachelor's degree. Women account for 25.0 percent (21.7%) of employees, men for 75.0 percent (78.3%).

## OTHER EVENTS OF THE PERIOD

### Directed share issue to international institutional investors

The company's Annual General Meeting on February 14, 2014, authorized the Board of Directors of Basware to decide on the issue of new shares deviating from shareholders' pre-emptive subscription rights. Basware announced on September 4, 2014, that it will offer up to 1 290 000 new Basware shares to a limited number of international institutional investors in an accelerated book-built offering deviating from shareholders' pre-emptive subscription rights. The offered shares corresponded with approximately 9.98% of all Basware shares and votes before the share issue.

The subscription price was set at EUR 33.50 per share, amounting to total proceeds of approximately EUR 43.2 million before commissions and expenses. The proceeds from the offering will increase Basware's financial flexibility and preparedness to carry out potential acquisitions.

### Basware's Financing Services

Basware announced on September 3, 2014, that it is establishing a new business called Basware Financing Services. Basware's Financing Services deliver new and innovative financing services for buyers and suppliers, combining payment automation with financing services for companies of all sizes. Financing Services optimize companies' cash flow and working capital as they participate within and transact across the Basware Commerce Network.

The company announced three new solutions within its Financing Services portfolio:

- *Basware Pay*, a new global e-payment solution offered in collaboration with MasterCard;
- *Basware Discount*, a buyer-funded supplier financing solution in which the supplier and buyer dynamically agree on the terms of payment; and

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- *Basware Factoring*, a powerful solution developed with Basware's new partner, Arrowgrass Capital Partners LLP, enabling suppliers to receive early payment for invoices with financing provided by Arrowgrass.

### **Cooperation with Arrowgrass Capital Partners LLP**

The company announced on September 3, 2014, that it had signed a letter of intent with Arrowgrass Capital Partners LLP on the development of a new e-invoicing-based factoring service, Basware Factoring. The letter of intent outlines the cooperation to jointly develop, resource, and maintain the new service, and the establishment of a joint venture to manage it.

### **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 pages at [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.

The bad debt provision related to sales receivables on the company's balance sheet has decreased compared to the corresponding period the previous year. There are no significant credit loss concentrations associated with the sales receivables; they are primarily comprised of a large number of relatively small receivables. Business management regularly monitors the payment of sales receivables as part of the management of customer accounts.

The development of Solution Services net sales has been 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 are: 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. The strategy will be reviewed by the beginning of 2015 when company's financial targets will also be updated.

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.

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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.

In September 2014, Basware announced that it is launching new business in financing services. The Financing Services business is expected to accumulate substantial revenue as of the second half of 2015. Basware's Financing Services deliver new and innovative financing services for companies of all sizes, combining invoice automation with financing services on the Basware Commerce Network for buyers and suppliers. The company expects the new financing services to offer future growth opportunities and benefits to Basware's customers, who will benefit from the ease of obtaining financing services and options through the company's other existing services.

## **FUTURE OUTLOOK**

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

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

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

By the end of 2015, Basware aims to become the largest business commerce network for buyers and suppliers. According to latest industry surveys, e-invoicing has become more common and the number of e-invoices has grown substantially in Europe and the rest of the world. The global market penetration of e-invoices is estimated to be some 10 percent. The growing e-invoicing market and companies' interest in other payment and financing added value solutions as well will offer Basware excellent growth opportunities in future years.

### **Outlook 2014**

The global market growth in e-invoicing has been estimated to be approximately 20 percent. Basware is pursuing accelerating 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 service, by utilizing digital marketing and sales channels more extensively, and through acquisitions.



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The Network Services business is estimated to grow strongly during the rest of the year. In the Solution Services business, sales of Alusta are expected to have a positive effect on software net sales and Professional Services.

Basware's fixed costs for the second half of the year are estimated to be on a par with the first half. The company will continue to improve its profit-making ability in the Solution Services also during the last quarter by ensuring the efficient use of resources in Professional Services and improving the billing rate in relation to demand. The company will continue investments in the Network Services business to achieve accelerated growth by primarily developing automated solutions for sending and receiving e-invoices and new ways to achieve accelerated growth in sales. Decisions on additional investments required for growth will be made during the last quarter as required by the market situation and development of business operations.

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

Espoo, Finland, October 10, 2014

BASWARE CORPORATION  
Board of Directors

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## SUMMARY OF FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS JANUARY 1 – SEPTEMBER 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	1.7.- 30.9.2014	1.7.- 30.9.2013	Change. %	1.1.- 30.9.2014	1.1.- 30.9.2013	Change. %	1.1.- 31.12.2013
<b>NET SALES</b>	<b>30 164</b>	<b>28 682</b>	<b>5.2</b>	<b>93 010</b>	<b>90 300</b>	<b>3.0</b>	<b>123 349</b>
Other operating income	57	61	-7.2	260	1 742	-85.1	1 915
Materials and services	-3 200	-2 967	7.9	-9 237	-8 496	8.7	-11 761
Employee benefit expenses	-17 337	-16 464	5.3	-56 976	-57 593	-1.1	-76 919
Depreciation and amortization	-1 760	-1 748	0.7	-5 294	-5 304	-0.2	-7 052
Other operating expenses	-6 761	-5 703	18.6	-19 139	-19 449	-1.6	-26 200
<b>Operating profit</b>	<b>1 162</b>	<b>1 861</b>	<b>-37.6</b>	<b>2 624</b>	<b>1 201</b>	<b>118.5</b>	<b>3 331</b>
Finance income	-233	178	-230.8	231	657	-64.9	928
Finance expenses	34	-221	-115.6	-731	-728	0.4	-975
<b>Result before tax</b>	<b>964</b>	<b>1 819</b>	<b>-47.0</b>	<b>2 124</b>	<b>1 130</b>	<b>87.9</b>	<b>3 284</b>
Income taxes	-187	-859	-78.3	-619	-780	-20.6	-678
<b>RESULT FOR THE PERIOD</b>	<b>777</b>	<b>960</b>	<b>-19.2</b>	<b>1 505</b>	<b>350</b>	<b>329.9</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	848	-260		958	-1 445		-2 638
Income tax relating to components of other comprehensive income	-169	-96	141.4	-238	-247	-3.5	281
Other comprehensive income, net of tax	679	301	-290.8	719	-1 692		-2 358
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>1 456</b>	<b>1 261</b>	<b>141.1</b>	<b>2 224</b>	<b>-1 342</b>		<b>247</b>

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EUR thousand	1.7.- 30.9.2014	1.7.- 30.9.2013	Change, %	1.1.- 30.9.2014	1.1.- 30.9.2013	Change, %	1.1.- 31.12.2013
<b>Profit attributable to:</b>							
Equity holders of the parent company	777	960	-19.2	1 505	350	329.9	2 605
	<b>777</b>	<b>960</b>	<b>-19.2</b>	<b>1 505</b>	<b>350</b>	<b>329.9</b>	<b>2 605</b>
<b>Total comprehensive income attributable to:</b>							
Equity holders of the parent company	1 456	1 261	141.1	2 224	-1 342		247
	<b>1 456</b>	<b>1 261</b>	<b>141.1</b>	<b>2 224</b>	<b>-1 342</b>		<b>247</b>
Earnings per share							
undiluted, EUR	0.05	0.07	-21.5	0.11	0.03	254.6	0.20
diluted, EUR	0.05	0.07	-21.5	0.11	0,03	254.6	0.20

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	30.9.2014	30.9.2013	Change, %	31.12.2013
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	24 949	26 863	-7.1	26 428
Goodwill	51 240	51 274	-0.1	50 996
Tangible assets	1 396	1 493	-6.5	1 431
Available-for-sale investments	45	38	18.9	38
Trade and other receivables	864	906	-4.7	947
Deferred tax assets	4 090	3 338	22.5	3 680
<b>Non-current assets</b>	<b>82 584</b>	<b>83 912</b>	<b>-1.6</b>	<b>83 520</b>
<b>Current assets</b>				
Inventories	153	145	5.7	240
Trade and other receivables	26 958	29 498	-8.6	27 536
Income tax receivables	3 888	3 289	18.2	2 529
Cash and short-term deposits	60 156	15 124	297.8	13 218
<b>Current assets</b>	<b>91 156</b>	<b>48 055</b>	<b>89.7</b>	<b>43 522</b>
<b>ASSETS</b>	<b>173 739</b>	<b>131 968</b>	<b>31.7</b>	<b>127 043</b>

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EUR thousand	30.9.2014	30.9.2013	Change, %	31.12.2013
<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	0.0	1 187
Own shares	-1 156	-1 215	-4.9	-1 164
Invested unrestricted equity fund and other reserves	104 924	62 339	68.3	62 288
Translation differences	-1 238	-1 743	-28.9	-1 958
Retained earnings	32 765	32 359	1.3	34 074
<b>Shareholders' equity</b>	<b>140 011</b>	<b>96 455</b>	<b>45.2</b>	<b>97 956</b>
<b>Non-current liabilities</b>				
Deferred tax liability	2 469	1 783	38.5	1 863
Interest-bearing liabilities	1 667	5 086	-67.2	5 014
Other non-current financial liabilities	385	264	45.9	127
<b>Non-current liabilities</b>	<b>4 521</b>	<b>7 133</b>	<b>-36.6</b>	<b>7 004</b>
<b>Current liabilities</b>				
Interest-bearing liabilities	3 405	3 606	-5.6	3 618
Trade payables and other liabilities	25 686	23 874	7.6	17 966
Income tax liabilities	117	898	-87.0	499
<b>Current liabilities</b>	<b>29 208</b>	<b>28 379</b>	<b>2.9</b>	<b>22 082</b>
<b>EQUITY AND LIABILITIES</b>	<b>173 739</b>	<b>131 968</b>	<b>31.7</b>	<b>127 043</b>

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**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</b>								
<b>1.1.2014</b>	<b>3 528</b>	<b>1 187</b>	<b>-1 164</b>	<b>61 748</b>	<b>540</b>	<b>-1 958</b>	<b>34 074</b>	<b>97 956</b>
Comprehensive income						719	1 505	2 224
Dividend distribution							-2 957	-2 957
Management incentive plan							143	143
Share issue				42 644				42 644
Changes in rep. period			8	-8				0
<b>SHAREHOLDERS' EQUITY</b>								
<b>30.9.2014</b>	<b>3 528</b>	<b>1 187</b>	<b>-1 156</b>	<b>104 384</b>	<b>540</b>	<b>-1 238</b>	<b>32 765</b>	<b>140 011</b>

EUR thousand	Shareholder capital	Share premium account	Own shares	Inv. non-restricted equity	Other reserves	Translation differences	Retained earnings	Total
<b>SHAREHOLDERS' EQUITY</b>								
<b>1.1.2013</b>	<b>3 528</b>	<b>1 187</b>	<b>-1 215</b>	<b>61 799</b>	<b>540</b>	<b>-708</b>	<b>35 594</b>	<b>100 725</b>
Comprehensive 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</b>								
<b>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>

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**CONSOLIDATED STATEMENT OF CASH FLOWS**

EUR thousand	1.1.-30.9.2014	1.1.-30.9.2013	1.1.-31.12.2013
<b>Cash flows from operating activities</b>			
Result for the period	1 505	350	2 605
Adjustments	6 505	4 623	6 177
Working capital changes	8 463	2 922	-1 641
Interest paid	-96	-163	-200
Interest received	-83	54	109
Other financial items in operating activities	-162	-316	-425
Income taxes paid	-2 189	-3 340	-3 047
<b>Cash flows from operating activities</b>	<b>13 942</b>	<b>4 129</b>	<b>3 578</b>
<b>Cash flows used in investing activities</b>			
Purchase of tangible and intangible assets	-3 856	-4 163	-5 418
Acquisition of subsidiaries and businesses	0	-15 061	-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>-3 256</b>	<b>-18 284</b>	<b>-19 538</b>
<b>Cash flows from financing activities</b>			
Share issue	42 502	0	0
Repayments of borrowings	-3 333	-1 667	-1 667
Payments of finance lease liabilities	-213	-188	-239
Dividends paid	-2 957	-2 955	-2 955
<b>Cash flows from financing activities</b>	<b>35 999</b>	<b>-4 809</b>	<b>-4 861</b>
<b>Net change in cash and cash equivalents</b>	<b>46 685</b>	<b>-18 964</b>	<b>-20 821</b>
Cash and cash equivalents at the beginning of period	13 218	34 519	34 519
Net foreign exchange difference	253	-431	-479
Cash and cash equivalents at the end of period	60 156	15 124	13 218

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**GROUP QUARTERLY INCOME STATEMENT**

EUR thousands	7-9/2014	4-6/2014	1-3/2014	10-12/2013	7-9/2013	4-6/2013	1-3/2013
<b>NET SALES</b>	<b>30 164</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	57	27	177	173	61	1 623	58
Materials and services	-3 200	-3 058	-2 978	-3 265	-2 967	-2 987	-2 542
Employee benefit expenses	-17 337	-19 561	-20 078	-19 327	-16 464	-20 611	-20 518
Depreciation and amortization	-1 760	-1 744	-1 789	-1 748	-1 748	-1 755	-1 801
Other operating expenses	-6 761	-6 345	-6 034	-6 751	-5 703	-7 152	-6 594
<b>Operating result</b>	<b>1 162</b>	<b>1 152</b>	<b>310</b>	<b>2 131</b>	<b>1 861</b>	<b>908</b>	<b>-1 569</b>
%	3.9%	3.6%	1.0%	6.4%	6.5%	2.9%	-5.3%
Finance income	-233	325	139	271	178	252	227
Finance expenses	34	-328	-438	-248	-220	-324	-184
<b>Result before tax</b>	<b>964</b>	<b>1 149</b>	<b>11</b>	<b>2 153</b>	<b>1 819</b>	<b>836</b>	<b>-1 526</b>
%	3.2%	3.6%	0.0%	6.5%	6.3%	2.6%	-5.1%
Income taxes	-187	-345	-87	102	-859	-485	563
<b>RESULT FOR THE PERIOD</b>	<b>777</b>	<b>804</b>	<b>-76</b>	<b>2 255</b>	<b>960</b>	<b>352</b>	<b>-962</b>
%	2.6%	2.5%	-0.2%	6.8%	3.3%	1.1%	-3.2%

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**COMMITMENTS AND CONTINGENT LIABILITIES**

EUR thousand	30.9.2014	30.9.2013	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	68	31	31
<b>Other own guarantees</b>			
Lease liabilities			
Current lease liabilities	891	993	1 012
Lease liabilities maturing in 1–5 years	753	702	820
<b>Total</b>	<b>1 643</b>	<b>1 695</b>	<b>1 831</b>
Other rental liabilities			
Current rental liabilities	3 647	3 792	4 001
Rental liabilities maturing in 1–5 years	5 861	2 839	3 738
Rental liabilities maturing later	1 848	0	0
<b>Total</b>	<b>11 356</b>	<b>6 631</b>	<b>7 739</b>
<b>Other own contingent liabilities, total</b>			
	<b>13 036</b>	<b>8 326</b>	<b>9 570</b>
<b>Total commitments and contingent liabilities</b>			
	<b>14 267</b>	<b>9 563</b>	<b>10 801</b>

**RELATED PARTY TRANSACTIONS**

EUR thousand	30.9.2014	30.9.2013	30.12.2013
<b>Purchases of services</b>	132	54	82

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



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**FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

EUR thousand	30.9.2014 Book value	30.9.2014 Fair value	30.9.2013 Book value	30.9.2013 Fair value
<b>Financial assets</b>				
Available-for-sale financial assets	45	45	38	38
Non-current trade and other receivables	864	864	906	906
Current trade and other receivables	26 958	26 958	29 498	29 498
Cash and cash equivalents	60 156	60 156	15 124	15 124
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss				
Interest rate derivatives -				
not in hedge accounting (level 2)	17	17	14	14
Financial liabilities – financial liabilities valued at amortized acquisition cost				
Non-current				
Loans from financial institutions, interest-bearing	1 667	1 667	5 000	5 000
Finance lease liabilities, interest-bearing	0	0	72	72
Current				
Loans from financial institutions, interest-bearing	3 333	3 333	3 333	3 333
Finance lease liabilities, interest-bearing	72	72	273	273
Trade payables and other liabilities	25 686	25 686	23 864	23 864

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## 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	7-9/ 2014	7-9/ 2013	Change, %	1-9/ 2014	1-9/ 2013	Change, %	1-12/ 2013
Finland	11 525	11 276	2.2	35 254	35 912	-1.8	49 324
Scandinavia	5 981	5 789	3.3	19 297	18 780	2.8	25 928
Rest of Europe	8 982	8 320	8.0	27 323	25 366	7.7	34 453
Other	3 675	3 297	11.5	11 135	10 241	8.7	13 643
<b>Group total</b>	<b>30 164</b>	<b>28 682</b>	<b>5.2</b>	<b>93 010</b>	<b>90 300</b>	<b>3.0</b>	<b>123 349</b>

### Geographical information by the location of assets

Net sales EUR thousand	7-9/ 2014	7-9/ 2013	Change, %	1-9/ 2014	1-9/ 2013	Change, %	1-12/ 2013
Finland	17 110	16 824	1.7	53 224	46 251	15.1	64 570
Scandinavia	5 698	5 536	2.9	19 281	18 314	5.3	25 351
Rest of Europe	8 337	8 990	-7.3	26 568	26 966	-1.5	36 768
Other	3 430	2 766	24.0	10 320	8 941	15.4	11 899
Sales between areas	-4 412	-5 433	-18.8	-16 384	-10 173	61.1	-15 239
<b>Group total</b>	<b>30 164</b>	<b>28 682</b>	<b>5.2</b>	<b>93 010</b>	<b>90 300</b>	<b>3.0</b>	<b>123 349</b>

Operating result EUR thousand	7-9/ 2014	7-9/ 2013	Change, %	1-9/ 2014	1-9/ 2013	Change, %	1-12/ 2013
Finland	1 106	2 212	-50.0	510	992	-48.6	887
Scandinavia	182	434	-58.1	1 056	1 387	-23.9	2 348
Rest of Europe	957	-454		2 178	-321		326
Other	148	-188		519	-408		362
Operating result between areas	-1 230	-143	760.0	-1 638	-450	264.1	-592
<b>Group total</b>	<b>1 162</b>	<b>1 861</b>	<b>-37.6</b>	<b>2 624</b>	<b>1 201</b>	<b>118.5</b>	<b>3 331</b>

Personnel (employed, on average)	7-9/ 2014	7-9/ 2013	Change, %	1-9/ 2014	1-9/ 2013	Change, %	1-12/ 2013
Finland	483	510	-5.3	476	510	-6.7	510
Scandinavia	134	130	3.3	135	131	2.8	131
Rest of Europe	282	257	9.6	293	262	11.8	265
India	490	510	-3.9	494	509	-2.9	506
Other	67	73	-8.7	66	74	-10.4	73
<b>Group total</b>	<b>1 456</b>	<b>1 480</b>	<b>-1.6</b>	<b>1 464</b>	<b>1 487</b>	<b>-1.5</b>	<b>1 485</b>

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## INFORMATION ON PRODUCTS AND SERVICES

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

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.

<b>Net sales</b>	<b>7-9/</b>	<b>7-9/</b>	<b>Change,</b>	<b>1-9/</b>	<b>1-9/</b>	<b>Change,</b>	<b>1-12/</b>
<b>EUR thousand</b>	<b>2014</b>	<b>2013</b>	<b>%</b>	<b>2014</b>	<b>2013</b>	<b>%</b>	<b>2013</b>
Network Services	8 010	6 559	22.1	24 108	20 422	18.0	27 829
Solution Services	22 154	22 125	0.1	68 903	69 878	-1.4	95 520
<b>Group total</b>	<b>30 164</b>	<b>28 682</b>	<b>5.2</b>	<b>93 010</b>	<b>90 300</b>	<b>3.0</b>	<b>123 349</b>
<i>of which License Sales</i>	2 789	3 037	-8.2	9 629	10 380	-7.2	14 617
<i>Customer Support</i>	11 066	10 891	1.6	33 104	32 503	1.8	43 512
<i>Professional Services</i>	6 216	6 487	-4.2	20 311	22 200	-8.5	30 069
<i>Automation Services</i>	10 093	8 267	22.1	29 966	25 217	18.8	35 151

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**GROUP KEY INDICATORS**

EUR thousand	1-9/2014	1-9/2013	1-9/2012	1-12/2013
Net sales	93 010	90 300	83 272	123 349
Growth of net sales, %	3.0%	8.4%	7.4%	8.5%
EBITDA	7 918	6 504	10 051	10 383
% of net sales	8.5%	7.2%	12.1%	8.4%
Operating profit before IFRS3 amortization	3 642	1 895	7 095	4 256
% of net sales	3.9%	2.1%	8.5%	3.5%
Operating profit	2 624	1 201	5 381	3 331
Growth of operating profit, %	118.5%	-77.7%	-39.0%	-59.9%
% of net sales	2.8%	1.3%	6.5%	2.7%
Result before tax	2 124	1 130	5 514	3 284
% of net sales	2.3%	1.3%	6.6%	2.7%
Result for the period	1 505	350	3 918	2 605
% of net sales	1.6%	0.4%	4.7%	2.1%
Return on equity, %	1.7%	0.5%	5.3%	2.6%
Return on investment, %	3.1%	2.3%	7.6%	3.9%
Interest-bearing liabilities	5 072	8 693	564	8 632
Liquid assets*	60 156	15 124	27 739	13 218
Gearing, %	-39.3%	-6.7%	-27.5%	-4.7%
Equity ratio, %	80.6%	73.1%	80.2%	77.1%
Total assets	173 739	131 968	123 281	127 043
Gross investments **	3 872	19 458	17 419	20 733
% of net sales	4.2%	21.5%	20.9%	16.8%
Capital expenditure	608	960	990	1 470
% of net sales	0.7%	1.1%	1.2%	1.2%
Research and development costs	12 830	12 571	12 848	18 184
% of net sales	13.8%	13.9%	15.4%	14.7%
R&D personnel at end of period	330	356	362	370
Personnel on average during the period	1 464	1 487	1 301	1 485
Personnel at end of period	1 480	1 476	1 388	1 472
Increase in personnel, %	0.3%	6.3%	28.6%	3.4%

\*) Includes cash and cash equivalents

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

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## Group Share Indicators

	1-9/2014	1-9/2013	1-9/2012	1-12/2013
Earnings per share, basic	0.11	0.03	0.31	0.20
Earnings per share, diluted	0.11	0.03	0.31	0.20
Equity per share	9.90	7.46	7.56	7.62
Price per earnings (P/E)	369.94	796.91	73.74	123.45
Share price performance, share issue adjusted				
lowest price	23.50	18.70	16.70	16.75
highest price	41.00	23.10	24.00	25.60
average price	34.89	19.39	20.68	20.35
closing price	39.35	21.70	22.50	25.03
Share issue adjusted number of shares 30.9	14 221 229	12 931 229	12 931 229	12 931 229
Market capitalization at end of period	556 661 863	278 812 906	288 547 965	321 771 012
Share issue adjusted number of traded shares	4 012 169	679 872	1 242 210	1 723 866
% of average number of shares	28.4%	5.3%	9.7%	13.4%
Number of shares				
- average during the period*	14 146 294	12 848 521	12 841 083	12 848 540
- at end of the period	14 221 229	12 931 229	12 931 229	12 931 229
- average during the period, diluted	14 130 135	12 848 521	12 841 083	12 848 540

\*Excluding treasury shares

## SHARE AND SHAREHOLDERS

Basware Corporation's share capital totaled EUR 3 528 368.70 (EUR 3 528 368.70) at the end of the period and the number of shares was 14 221 229 (12 931 229).

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

### Shareholders

Basware had 13 815 (13 840) shareholders at the end of the period, including nominee-registered holdings (11). Nominee-registered holdings accounted for 19.1 percent (11.8%) of the total number of shares.

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

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