The Year of Basware '09

Annual Report 2009

About Basware

Basware is an international software company that develops solutions for automating business-critical financial processes and making procurement more efficient.

Basware's software solutions automate purchase and traveling expense account handling and processing and intensify the efficiency of purchase management. Basware's financial control solutions embrace the various fields of business operations from planning to reporting. Easy to use solutions deliver cost savings through efficient processes and improve transparency as well as compliance. Software development is always done in close cooperation with customers.

Basware's goal is to be the leading software company with its Enterprise Purchase to Pay software solution suite in all of its key markets by 2012.

Founded in 1985, Basware Corporation is a public company listed on the NASDAQ OMX Helsinki Ltd. Headquartered in Finland, the company has altogether 20 offices in Europe, United States and Asia-Pacific. www.basware.com

Already 25 years of profitability!

Contents 2009

Excellent results

The year 2009 was successful for the company despite overshadowed by the difficult economic situation worldwide. Both net sales and profitability reached record-high levels. The company's goal is to grow in the future as well.

Basware in 2009

The year 2009 was exceptional for Basware: the company developed a completely new successful business concept, reached record-high profitability and net sales in its history and increased its net sales in globally challenging market conditions.

Basware achieved an excellent result. In 2009, Basware's net sales amounted to EUR 92,654 thousand, increasing by 7.6 percent on the previous year. The company's operating profit increased to EUR 11,824 thousand and grew by 36.2 percent. Earnings per share increased by 41.3 percent and was EUR 0.80. Basware succeeded in reaching its goals in terms of net sales as well as in terms of profitability, even though the global average growth in the software industry was -7.4 percent. Maintenance revenue grew by 18.7 percent and Professional Services by 2.1 percent. Automation Services grew at the fastest rate, 72.0 percent during the full year and as much as 162.3 percent in the last quarter.

During 2009, Basware succeeded in improving its profitability evenly across all market segments: the Finland segment, Scandinavia, Central Europe, North America and Asia-Pacific. The profitability was improved the most in Europe.

Basware succeeded in closing its all-time largest license sale to the State of South Australia in the fall and also closed large deals in North America in the last quarter.

Basware products have more than 850,000 users on six continents in the private as well as public sectors. The company operates in more than 50 countries, and 54.2 percent of net sales were generated outside of Finland in 2009.

SUCCESS WITH THE NEW BUSINESS CONCEPT

Basware developed a completely new successful business concept in 2009: the Basware Automation Services, which is based on making the processing of the customer organization's paper invoices fully electronic. Basware Automation Services include Software as a Service (SaaS), e-invoicing and Scan and Capture.

Various technologies can be used for building the business portfolio, based on the size of the customer company. When adopting e-invoicing, the scanning process of the customer's paper invoices is usually outsourced first, followed by decreasing the number of invoices to be scanned by activating the customer company's suppliers for e-invoicing.

Basware is also able to offer the portfolio directly outside its own software customer base, and the network used expands the customer offering to both sending and receiving invoices.

The offering also includes the creation of various supplier catalogues. Suppliers are activated to become a part of the customers' order processes through Basware's supplier activation. Basware is the only company that is able to exchange all Enterprise Purchase to Pay-related documentation in a single solution.

With the benefits provided by the solution, companies are able to adopt a paperless Purchase to Pay process and achieve a short payback time for their investment. The services also save time and resources by improving the accuracy of order-based deliveries and the quality of invoice contents. Read more about the Automation Services in the Products part on pages 12-14.

Basware has closed major Basware Automation Services deals around the world, in all market segments. The solutions have been adopted by Metso, SITA Northern European Waste Services and Veolia Environmental Services in the United Kingdom, among others.

Significant agreements were also signed on Enterprise Purchase to Pay and invoice automation services during 2009. Among others, Basware made an agreement on the delivery of its invoice automation solution to the HM Prison Services. The solution to be delivered will exchange some 750,000 invoices each year.

SUCCESSFUL BUSINESS ACQUISITIONS

Basware made two business acquisitions in 2009. In January 2009, Basware acquired the Norwegian invoice automation solution business of Itella Information AS. The acquisition strengthened Basware's position in the Purchase to Pay market in Norway and expanded the Automation Services business locally. There were five people working in Itella's operations, all of whom joined Basware.

Key Figures

EUR Thousand	2009	2008
Net Sales	92,654	86,098
Growth of net sales, %	7.6%	17.5%
Operating profit	11,824	8,679
Growth in Operating profit, %	36.2%	15.5%
% of net sales	12.8%	10.1%
Profit before taxes	11,590	8,410
% of net sales	12.5%	9.8%
Profit for the period	9,074	6,585
International share of net sales	9.8%	7.6%
Cash flows from operating activities	54.2%	51.8%
% of net sales	14,732	8,331
Return on equity, %	17.2%	13.7%
Return on investment, %	18.8%	16.6%
Cash and liquid assets	12,210	8,777
Equity ratio, %	64.8%	59.5%
R&D costs	14,781	15,518
% of net sales	16.0%	18.0%
R&D personnel	195	171
Personnel 31 Dec	761	731
Earnings per share, EUR	0.80	0.56
Equity per share, EUR	4.93	4.23

In July 2009, Basware acquired the entire share capital of TAG Services Pty Ltd in Australia. TAG Services has previously been Basware's reseller, and all 15 employees of the company joined Basware. As a result of the acquisition, Basware obtained a strong foothold in the Australian market, which also offers a good foundation for growth in the Asia-Pacific region.

Both acquisitions were successful, as were the personnel integration processes. In September, Basware succeeded in establishing its largest license deal of all times with the state of South Australia.

SUPPORT FOR CUSTOMERS AROUND THE WORLD

Basware supports its current customers and their processes by continuously launching new products and services with which customers are able to identify and utilize saving opportunities with increasing ease. Basware's focus is shifting more and more towards services, which will increasingly be seen in the future product offering.

According to independent market research companies, Basware's product position in the market is extremely solid. The company has good bases for continuous internationalization, and the existing international network also supports this.

PROFITABLE FOR 25 YEARS ALREADY

Basware was founded in 1985. Since its founding, the company has developed software solutions that automate financial administration processes, and it has been an innovator of several financial administration solutions. For example, Basware was the first in the world to develop automated invoice processing.

Basware will celebrate its 25th anniversary in 2010. The company has been profitable throughout its operation, providing employment in Finland and abroad and exporting Finnish know-how. This is a good basis for continuing to develop the company in the years ahead.

STOCK EXCHANGE RELEASES 2009

- 31 Dec 2009: Basware to deliver Invoice Automation Solution to a large energy company in US
- 30 Dec 2009: Basware to deliver Scan and Capture services to a major healthcare company in the US
- 29 Dec 2009: Basware to deliver Invoice Automation Solution to major retail company in the US
- 23 Dec 2009: Basware to deliver Invoice Automation Solution to a major healthcare company in US
- 07 Dec 2009: Basware Corporation Financial Calendar 2010
- 27 Nov 2009: Nordea Rahastoyhtiö Suomi Oy's holding in Basware Corporation is above 5%
- 17 Nov 2009: Basware strategy update for 2010-2012
- 19 Oct 2009: Basware to deliver Connectivity Services to Veolia Environmental Services in the United Kingdom
- 14 Oct 2009: Correction to stock exchange release sent on October 13: Reported order backlog was too low
- 13 Oct 2009: Basware Interim Report January 1-September 30, 2009 (IFRS)
- 01 Oct 2009: Basware to deliver Connectivity Services and Invoice Processing solution to leading manufacturer of building materials
- 24 Sep 2009: Basware to deliver Enterprise Purchase to Pay solution to the State of South Australia
- 22 Sep 2009: Basware to deliver Invoice Processing Solution to Her Majesty's Prison Service
- 11 Sep 2009: Antti Pöllänen's holdings in Basware Corporation is below 5%
- 21 Aug 2009: Basware to increase its shareholding in subsidiary Basware FIMA Oy to 100%
- 10 Jul 2009: Basware Interim Report January 1-June 30, 2009 (IFRS)
- 06 Jul 2009: Basware to deliver Enterprise Purchase to Pay Solutions along with Basware Connectivity Services to a Major Healthcare Company in the US
- 01 Jul 2009: Baillie Gifford Overseas Limited's and Baillie Gifford & Co's holding in Basware Corporation is below 5%
- 01 Jul 2009: Basware to deliver an extensive Connectivity services solution to Metso Corporation
- 01 Jul 2009: Basware acquires TAG Services Pty Ltd in Australia
- 30 Jun 2009: Baillie Gifford Overseas Limited's and Baillie Gifford & Co's holding in Basware Corporation is above 5%
- 23 Jun 2009: Basware to deliver an extensive Connectivity services solution to SITA
- 06 May 2009: Basware ranked top candidate to deliver Basware Travel & Expense Management (TEM) solution in a public tender
- 16 Apr 2009: Basware Interim Report January 1-March 31, 2009 (IFRS)
- 14 Apr 2009: Basware to deliver an extensive Connectivity services to a Finnish industry group
- 02 Apr 2009: Basware Corporation's share repurchases program has ended
- 02 Apr 2009: Basware to deliver Enterprise Purchase to Pay (EPP) solution to DNA Group
- 12 Mar 2009: The board of directors of basware corporation resolved on a performance share plan for key personnel
- 27 Feb 2009: Nordea Investment Fund Company Finland Ltd's holding in Basware Corporation is below 5%
- 12 Feb 2009: Resolutions of Basware Annual General Meeting
- 30 Jan 2009: Basware to increase its shareholding in subsidiary Basware Einvoices Oy to 100%
- 26 Jan 2009: Basware acquires Itella's Norwegian invoice automation solution business
- 22 Jan 2009: Correction to previous stock exchange release: Notice of Basware Annual General Meeting
- 22 Jan 2009: Basware Announces Strategy for the Years 2009-2012
- 22 Jan 2009: Notice of Basware Annual General Meeting
- 22 Jan 2009: Basware Financial Statements 2008

Read all the releases from www.basware.com

CEO's Review

The year 2009 was a success for Basware despite the difficult market situation. Despite the economic depression we succeeded in achieving record-high net sales and profitability results. Our operating profit reached EUR 11,824 thousand representing 12.8 percent of our net sales. We managed to create a completely new business portfolio, which grew as much as 72.0 percent. Earnings per share grew by 41.3 percent and was EUR 0.80. Our profitability improved across all market areas.

The year was overshadowed by the difficult economic situation worldwide, and this also had an impact on Basware. During the year several companies announced profit warnings and carried out layoffs. We succeeded to avoid those and reached record-high results. Moreover, Basware has been one of the few listed companies that published economic outlooks for 2009 as a whole from the beginning of the year.

Our cost control was strict, and Basware succeeded in making an excellent result in the challenging market conditions. Our positive operating result was achieved through increased net sales and excellent positioning of costs. The objectives concerning net sales were reached, even though license sales decreased during 2009. However, we managed to compensate for this decrease with successful sales of the new Basware Automation Services business.

PROFITABLE SINCE FOUNDING

Basware has been a profitable company ever since it was founded. Basware's profitability reached record-high levels despite the difficult economic situation this year and improved steadily across all market areas, which was exactly what we were looking for. Amidst the recession, we have focused on more moderate growth, but when the economic situation improves in the future, we aim at returning to a stronger growth pattern in all our strategic areas.

Our share price has also developed relatively favorably in 2009. Our share price has increased steadily from the beginning of the year, rising by more than 100% for the year as a whole. At the same time, our market value exceeded the lower limit of the Mid Cap segment at NASDAQ OMX Helsinki Ltd.

SIGNIFICANCE OF SERVICES IS EMPHASIZED

We created a completely new Basware Automation Services business in 2009 which is based on making the processing of the customer organization's paper invoices completely electronic. Basware has advanced the automation of invoice processing and streamlining processes since 1997, and we are now leading the market in a new, service-oriented direction.

The Basware Automation Services business has been highly successful, and we can be extremely satisfied with the number of sales closed. We have succeeded in attracting both current and new customers to the service, and we have closed major deals in all market areas.

No single area or product sales has driven our growth in 2009. Maintenance grew well and Professional Services moderately with Automation Services growing at the fastest rate. Automation Services include e-invoicing, Scan and Capture, and the Software as a Service (SaaS) model. The quantity of invoices decreases significantly during an economic recession, but we have nevertheless succeeded in increasing the monthly number of invoices exchanged electronically.

BEST PRODUCTS IN THE INDUSTRY

Basware holds an extremely solid product position, and surveys by various market research companies have shown that we have the best products in the industry. This forms a good foundation for continuous internationalization. We are able to offer our extensive products even to major multinational corporations in almost any language, and they can be integrated directly into more than 200 Enterprise Resource Planning systems.

Basware will continue to invest significantly in R&D, and in 2009 the number of R&D personnel increased by 14 percent.

READY FOR A GROWTH TRACK

We will work hard against the effects of the depression and aim at remaining a growth company. We believe that particularly the automation concept of Basware's Enterprise Purchase to Pay solutions will grow significantly in the years ahead. We have updated our strategy in a more dynamic direction, which will support changing market conditions, and we have identified new growth opportunities that we will inspect more closely.

Surveys by independent market research companies have shown that our product position is improving year after year. One of the bright sides of the recession has been that we have tuned our internal structures to be ready for growth again. I sincerely believe that

OUR SHARE PRICE FOR THE YEAR AS A WHOLE ROSE BY MORE THAN 100%

"Basware succeeded in making an excellent result in the challenging market conditions"

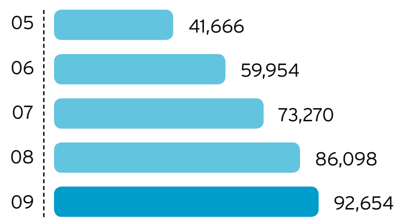
Basware will weather the recession well and come out even stronger than before.

We will also be celebrating Basware's 25th anniversary in 2010. We have succeeded in remaining profitable for as long as we have operated, and this is our goal in the future as well. We performed in an excellent way last year and managed to create positive future growth opportunities.

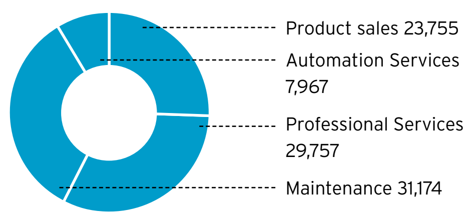
We would like to thank above all our personnel and customers for our success, and also our management for its successful strategies.

Ilkka Sihvo
Chief Executive Officer

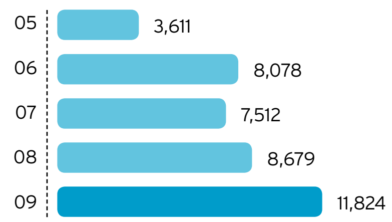
Net sales (EUR thousand)



Net sales by Business Operations (EUR thousand)



Operating profit (EUR thousand)



Strategy

Basware updated its strategy for 2010–2012 to better respond to ever-changing market conditions. The new Basware Responsive Strategy framework facilitates agile reaction, even in rapidly changing markets. The company aims to be in a leading position as a supplier of invoice automation and procurement solutions and become the leading e-invoicing company in the world.

The implementation of Basware's strategy was guided by separately named strategy projects (Must-Win Battles). In line with the revised strategy, the previous strategy projects will be replaced with growth projects, strategic projects and other changing corporate-level projects. The Responsive Strategy framework also includes follow-up and analysis of internal and external trends as well as of the company's vision, mission and operating principles. The operating principles are comprised of the company values, Corporate Governance and responsibility.

BUSINESS

Basware's business operations are based on four separately reported segments: Product Sales, Maintenance, Professional Services and Automation Services (Software as a Service - SaaS, e-invoicing, and Scan and Capture). Product solutions include the Basware Enterprise Purchase to Pay (EPP) product family and financial administration products. The Enterprise Purchase to Pay product family includes procurement and invoice automation solutions.

The company aims at maintaining its position as a leading supplier of invoice automation and procurement solutions. In order to support the sales of invoice automation solutions, Basware is introducing a mid-market SaaS solution. The solution will be launched in a few select markets in the first half of 2010.

AUTOMATION SERVICES

Basware Automation Services include the Software as a Service (SaaS) solution, e-invoicing and Scan and Capture. The company aims at becoming the world's leading company in e-invoicing.

The offering of Automation Services has been expanded with additional functionalities in e-invoice and Scan and Capture services as well as supplier management during 2009. The business portfolio is based on automating the entire processing of the customer organization's paper invoices.

With the additional functionalities, customers are able to increase the degree of the automation of their processes further, by integrating their partners into their purchase and sales invoicing and procurement activity. Basware is also able to offer the portfolio directly outside its own customer base, and the network used expands the offering to the customer to both sending and receiving invoices. Basware's Automation Services solutions are sold in all market areas.

GEOGRAPHICAL GROWTH

Basware operates in its geographical regions through its own subsidiaries and resellers. In accordance with the new strategy, all geographical regions will adopt a centralized organization for increased efficiency. The rapid growth of e-invoicing will be supported by the different elements of the Basware Automation Services business portfolio.

The North American segment is strategically the most important to Basware, and the focus will mainly be on direct sales and its development in this market. The company will also target new segments in the North American market and offer SaaS solutions to mid-market companies.

In Central Europe the UK, Germany, and France will continue as the company's strategic growth markets. Medium-sized businesses will be targeted with SaaS solutions in these markets.

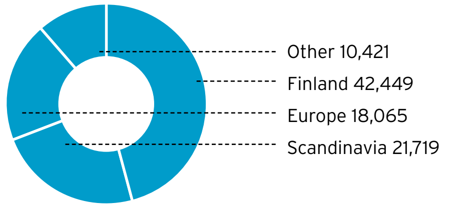
The Northeast segment, covering the functions in Finland and Russia, will focus on Russia in terms of growth. So far, Basware software has mainly been sold to international companies in Russia, and the demand is only emerging with regard to local companies. Finland will maintain a solid position in the company's business with high profitability. The Finnish market has been saturated in terms of license sales, but growth in the Basware Automation Services business portfolio is expected to continue.

In the Scandinavia segment (Sweden, Norway, Denmark), profitable business growth will continue. Services offered to the current customer base will be reinforced with new solutions in both the Scandinavia and Northeast segments. In Scandinavia, for instance, growth potential is seen in procurement management and in invoice automation's business travel segment.

In the Asia-Pacific segment, growth will focus on developed market areas in the short term, such as Australia, and also on other markets in the area in the longer term.

During the next few years, Basware will reinforce its direct sales operations and develop its partnership network towards a few strong partnerships.

Geographical division of net sales by the location of customer (EUR thousand)



The new Basware Responsive Strategy framework facilitates agile reaction, even in rapidly changing markets.

Basware will continue to expand the off-shoring of R&D, which will improve the scalability, flexibility and efficiency of R&D activities. The unit also aims at balancing costs. During the next two years, the number of personnel is expected to more than double and also include other functions besides the R&D activity.

GROWTH PROSPECTS

Basware's long-term target is an annual growth of more than 50% in Automation Services. Automation Services consist of scalable business models and offer strong business potential, which also forms a solid foundation for improving profitability. The company's long-term target is a total annual growth of more than 10% in Product Sales, Maintenance and Professional Services. The target for the operating profit margin is between 10% and 20%.

Basware's target customer groups will be expanded in select markets by productizing the offering to small and medium-sized customers with the SaaS service model.

BUSINESS ACQUISITIONS

Basware continues to actively survey potential acquisition targets. These include the strategic segments, and the expansion of Automation Services in particular.

Solutions for every situation

Product development at Basware always takes place in co-operation with the customer. Owing to the modular product solution, the company is always able to offer new solutions.

Product development at Basware: together with the customer

Rapidly changing markets, tightening IFRS and other financial rules and the increasing pace of the economy present companies with new challenges for procurement, invoicing, payments, planning and reporting. At Basware, product development has taken place in cooperation with the customer in real-time practical operation ever since the company was established. According to independent market research companies, Basware holds a leading position as a supplier of invoice automation and procurement solutions in the world.

CHOICE OF OPPORTUNITIES IS THE KEY QUESTION

The automation rate of financial processes varies by continent and country. Thanks to Basware's modular product solution, the company is always able to offer new components and solutions in different continents and countries and both to new and existing customers. The company closely monitors market developments, trends, and changes.

Basware has a large product development unit, and its management and development are based on improving competence. The company aims to be a world-class product developer gradually: every match has to be won to be successful in the final. The number of future opportunities is huge, and choosing them is the key matter in building an integrated offering. Basware cooperates with the customers in the interface of the processes, and monitors the development and trends of the market, which facilitates agile reactions to changing challenges.

THE COMPANY'S PRODUCTS

The benefits offered by Basware products are crystallized in three areas: the solutions generate savings, increase control and bring visibility.

Basware products include solutions for the electronic processing of procurement, purchase invoices and travel expenses as well as financial management. The company's Enterprise Purchase to Pay product family automates procurement, invoice handling, as well as travel and expense management processes. The solutions of the Financial Management product family include solutions from financial management planning to official consolidated financial statements and creates a reliable audit trail that covers the entire reporting chain. Basware Automation Services include the Software as a Service (SaaS) solution, e-invoicing and Scan and Capture. The Basware Automation Services portfolio is based on transforming the processing of the customer organization's paper invoices into being fully electronic.

Basware products can be integrated directly to more than 200 Enterprise Resource Planning Systems, which provides considerable benefits in the adoption of the solutions. The company's solutions are industry-independent, are suitable for private sector and public administration as well as for small, medium-sized and large multinational companies alike.

Basware's software solutions have more than 850,000 end users on six continents. Basware's electronic financial management software reduces paper consumption in thousands of offices all over the world, guiding customer companies towards the paperless office and enhanced effectiveness.

FOUNDATIONS OF PRODUCT DEVELOPMENT

Innovation, customer-orientation and agility are the mainstays of the company's product development. Basware listens to its customers and cooperates closely in the daily life of the customer, resulting in the company's products. Basware products' ease of use and development are central issues. The cooperation with the customer facilitates a deeper knowledge and understanding of the customer's processes and enables the company to react upon them. The products are universal for all customers, and the solutions are tailored to the customer's processes in installation projects where also interfaces to other systems are created. Basware's product development is also based on continuous search and strengthening of a better offering.

In the challenging economic conditions, the flexible operating method is also among Basware's competitive advantages, as customer companies are able to invest in the automation of their processes one area at a time. Basware solutions offer a short payback time, which results in quick savings for the customer.

PRODUCTS UNIT

At the end of 2009, 195 Basware employees worked in the Software Production unit, of them 132 in Finland, 55 in India and 8 in Norway. The number of Software Production personnel increased by 24 employees in 2009, and Basware spent 16.0 percent of its net sales on product development.

Basware products are developed in Finland and off-shored in India. Product responsibility and ownership for product development are located in Finland. The role of off-shoring operations is to enable scalability, capacity and efficiency in product development and to develop all related structures and processes. Experience has been positive and the company's product development operations are expanding in India.

BASWARE AUTOMATION SERVICES UP
72.0%

"The choice of opportunities is the key question."

During the last quarters of 2009, the Software Production unit further developed and harmonized its operations as well as its quality and implementation processes. Cooperation in the Software Production unit is also made tighter with the consultation and maintenance functions at the customer interface.

ENTERPRISE PURCHASE TO PAY PRODUCT FAMILY

The Enterprise Purchase to Pay product family is a modular comprehensive solution, and customers are able to start adopting the products from any part of the product solution. This way, Basware is able to offer products for new and existing customers that need product expansions. The product family includes solutions for procurement management, invoice and payment automation, travel and expense management as well as for planning, reporting and e-invoicing. Companies are able to automate manual procurement, purchase and payment processes, which saves times, makes operations more efficient and reduces errors.

FINANCIAL MANAGEMENT PRODUCTS

Financial Management products can be used for automating the entire reporting chain from individual monthly reports to full-year financial statements. Owing to the automated and controlled environment, the main attention of the financial management can be paid to planning for the future and strategic follow-up of indicators.

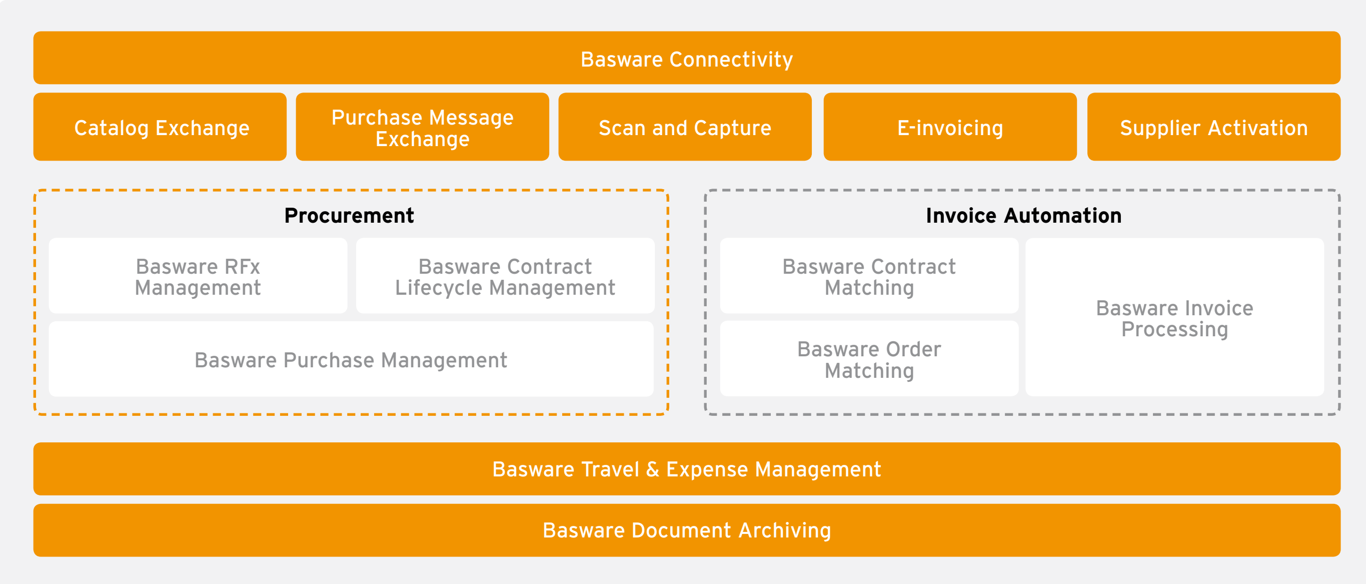
E-INVOICING ON THE INCREASE

Basware Automation Services include the Software as a Service (SaaS) solution, e-invoicing and Scan and Capture.

Basware developed an entirely new successful business concept during 2009: the Basware Automation Services business, which is based on making the processing of the customer organization's paper invoices fully electronic. At the same time, the time spent on manual review, approval and processing is reduced.

There are various technologies available for building the business portfolio, depending on the size of the customer company, i.e. the vol-

ENTERPRISE PURCHASE TO PAY PRODUCT FAMILY



Basware Procurement and Invoice Automation solutions and supporting solutions.

Basware's aim is to become one of the leading e-invoice brokers in the world.

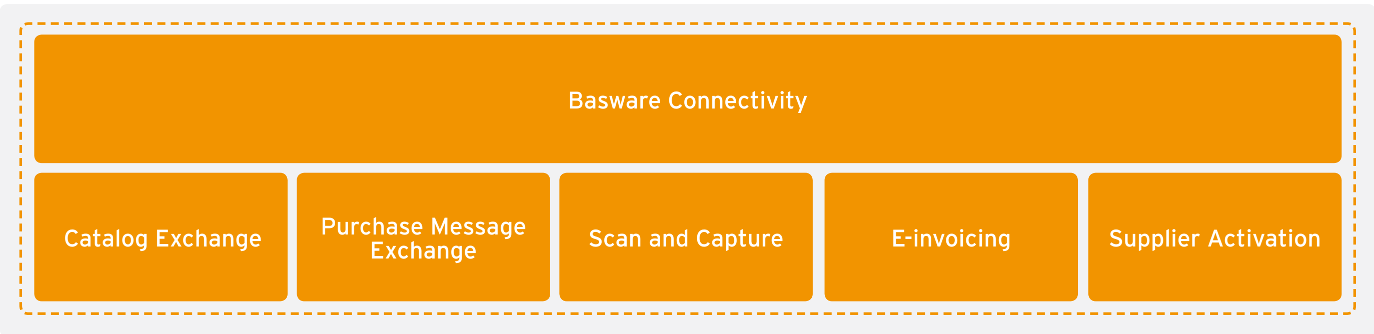
ume of sent invoices. Smaller companies can be connected to a supplier portal; medium-sized companies can send e-invoices directly from their invoicing system, by e-mail or by printing them using so-called virtual printers. In addition, senders of invoices can use their existing solution through Basware's operator network.

When adopting e-invoicing, the scanning process of the customer's paper invoices is first outsourced, which makes it possible to receive invoices as e-invoices, followed by reducing the number of invoices to be scanned by activating the suppliers of the customer company to e-invoicing.

Basware is also able to offer the portfolio directly outside its own software customer base, and the network used expands the offering to the customer to both sending and receiving invoices.

The Basware Automation Services portfolio also offers solutions for the exchange of electronic catalogues and purchase messages. Suppliers are activated to become a part of the customers' order process with the help of Basware Supplier Activation. Basware is the only company able to exchange all the documentation related to the Purchase to Pay process in a single solution. With the benefits provided by the solution, companies are able to adopt a paperless Purchase to Pay process and achieve a short payback time for their investment. The services also save time and resources by improving the accuracy of order-based deliveries and the quality of invoice contents. Basware is a trailblazer in e-invoicing, and aims to become one of the world's leading e-invoicing operators.

BASWARE AUTOMATION SERVICES



DEVELOPMENT OF E-INVOICING

Operating Environment

Basware operates in a challenging environment: the pace of the economy is accelerating, rules and regulations on financial management are changing and companies need easy to use and reliable solutions for financial management processes at an increasing rate.

YEAR 2009

According to independent market research companies, the global software market decreased by 8 percent in 2009, but the invoice automation and Enterprise Purchase to Pay solution market increased by one percent. Market forecasts updated towards the end of 2009 expect the software market to increase by 9.2 percent in 2010 in the United States, and by 5.5 percent in Western and Central Europe. The entire IT market is expected to grow by 6.6 percent in the United States and by 4.0 percent in Western and Central Europe in 2010.

Basware has achieved annual organic growth of more than 10 percent for ten years already. In 2009, the company increased its operating profit by 36.2 percent to EUR 11.8 million. Growth in Automation Services was as much as 72.0 percent. The company is continuing its strong internationalization, and international operations accounted for 54.2 percent of net sales.

According to independent market research companies, Basware holds a leading position as a supplier of invoice automation and procurement solutions in the world.

GEOGRAPHY

Basware's main market areas are Finland, Scandinavia, Central Europe, North America and Asia-Pacific.

Basware operates through its own subsidiaries in Scandinavia and additionally through its indirect distribution channel in Finland, Europe, North America and Asia. In 2009, Basware acquired its Australian reseller, which gave the company a strong foothold in the Australian market and will allow it to further develop its operations in the Asia-Pacific area. The company has supplemented its organic growth also through other acquisitions. Basware will continue to review possible acquisition targets during 2010. The aim of the acquisitions is to expand the company's distribution channel and product portfolio in international markets.

The company's product development takes place in Finland and offshored in India. The Indian unit provides product development with added scalability, capacity and efficiency.

Basware's product solutions are modular, enabling the company to offer new components in different countries to new and current customers who are in different phases of the electronic solutions implementation life cycle.

Western Europe and the United States combined account for approximately three quarters of the enterprise software market. In these markets, electronic invoice processing and procurement solutions are still in early maturity. The procurement management and electronic invoice processing markets are heterogeneous in terms of the competitive situation. Globally speaking, Basware is a medium-sized software company in terms of net sales as well as number of personnel.

COMPETITIVE EDGE

Basware's direct competitors are mainly locally operating and often smaller companies. In North America, the company also has larger competitors, especially in the field of procurement management. Developers of document management, scanning and recycling systems compete with Basware, particularly with regard to purchase invoice management solutions. Competing solutions also include customized solutions integrated into ERP (Enterprise Resource Planning) systems.

Basware software products still offer a competitive edge, thanks to the integrated offering consisting of new added value products. Automation Services, a new concept in the portfolio, will have a positive impact on the competitiveness.

Basware Automation Services include the Software as a Service (SaaS) solution, e-invoicing and Scan and Capture. The portfolio is based on making the processing of the customer organization's paper invoices fully electronic. SaaS, and e-invoicing are scalable business models with a high business potential. Basware Automation Services also targets suppliers and buyers outside Basware's existing customer base, which increases the customer potential.

Basware is the only company that is able to exchange all the documentation related to the Purchase to Pay process in a single solution.

OBJECTIVES

The company's strategic main growth market areas are North America, the United Kingdom, Germany and France. Basware's objective is to retain its leading position as a supplier of invoice automation and procurement solutions in the world and become the world's leading company in e-invoicing. The company will continue to be a growth company.

From Baltic Sea to India

Basware is responsible with regard to all of its stakeholders; investors, customers and employees, as well as the communities that surround its business operations. Basware's corporate responsibility is driven by strong business ethics and corporate values.

A new spirit in HR

Growth is not possible without skilled personnel. Basware's HR was revised in 2009 to match the company's growth targets. The work has already begun, and more will follow.

MODERATE GROWTH IN CHALLENGING ECONOMIC CONDITIONS

The global economic situation has also had an impact on Basware's personnel. Even though the company has been able to avoid resorting to statutory employer-employee negotiations, some training and development projects have been left unrealized. Traveling has also been limited in order to generate savings, and personnel hiring has been discontinued altogether. Despite the economic situation, the number of Basware employees increased in 2009. At the end of the year, there were 761 Basware employees around the world.

HR AS A PARTNER OF THE MANAGEMENT

HR adopted a new operating model during the second half of 2009, earmarking each HR professional to a certain business unit or function. Every business unit or function with more than 100 employees has a designated HR professional who reports directly to the Vice President, HR, the business head or the country manager. Thus, HR becomes a partner to management and a more visible part of the company. The new, decentralized model makes it possible to react to the needs of teams and people more quickly, thereby forecasting development needs. The new operating model has received very positive feedback from the units.

With the new model, HR has also been reorganized. The aim is to recruit the business units' HR consultants as close to the units as possible in terms of geography. HR consultants in India and Scandinavia were recruited in the fall.

ONE BASWARE FOR ALL EMPLOYEES

The growth of Basware personnel has primarily taken place outside Finland. At the end of 2009, 47.4 percent of employees worked outside Finland. The year 2009 brought new employees to Basware through company acquisitions, for instance in Australia and Norway.

The induction of new employees in another country and culture sets its own challenges for HR. However, with previous acquisitions, the learning curve of the induction process has been an ascending one, and new employees become full Basware employees from day one.

For example, the integration process in Australia was implemented effectively with a quick schedule. All employees were immediately included in Basware's personnel system and they became a part of the company's bonus program, which the employees considered extremely positive. Also, for instance, a "Welcome to Basware" event was arranged in Australia, reviewing the company's strategy. Basware has employees throughout the world, and it is important for the company's "Finnish division" to be visible regularly.

Change management also supports internationalization, and new processes and solutions are being developed for it. One of the challenges is the wide spectrum of agreements and benefits, due to the numerous acquisitions, which is now being harmonized. The new, decentralized HR operating model also supports internationalization, as the senior and middle management are engaged in increasingly deep cooperation. A similar operating model is also being planned for other functions.

Cultural integration will naturally take a longer time. Employees who have joined Basware as a result of acquisitions will have a significant impact on the emergence of a global Basware, thereby also creating a new Basware culture.

VALUES GUIDE DAY-TO-DAY OPERATIONS

Basware's employees are international professionals united by persistence and courage. In 2009, Basware's annual job satisfaction survey paid particular attention to the company's values: how well the employees command the values, how they are manifested in day-to-day operations, and how they have been received by the employees. The results were very positive: achievement and courage are visible in everyday operations. Basware employees are goal-oriented and boldly challenge international competitors. The values also support Basware's strategy and globalization.

The job satisfaction survey showed that the employees are truly satisfied with Basware's management. The overall score for management was close to 4 out of 5. There is increasing aspiration to support management work in the future and to bring top and middle management closer to each other.

RESOURCES FOR DEVELOPING COMPETENCE

Basware offers its employees opportunities for competence development. In 2009, Basware arranged Consultation and Project Academies. The Leadership Academy was not organized due to costs, but the Academy will be developed further in the future. The aim will be to offer two levels of leadership training and to guide experienced managers towards increasingly strategic leadership. The academies convene employees from all over the world, offering an excellent opportunity for networking and sharing know-how.

Product training is also an essential part of the training, both for salespersons and consultants. The extensive product portfolio and the move towards service-based business require increasingly in-depth product knowledge, which is also the prerequisite for success. It must be possible to serve the customer in the short term.

Employees' solid product competence and in-depth knowledge provided by the Academies form one of the pillars of Basware's success.

A new Talent training program will be launched in early 2010, aiming to better identify top talent in the organization and offer them interesting and challenging tasks. The aim is to turn the identification of successor candidates into a structured process. In addition, where possible, Basware may also support its employees through MBA training, doctoral dissertations, and similar.

A strongly international company, Basware aims to develop cultural understanding between countries, for instance through internal job rotation. The aim is to make all open positions in Basware visible internally and allow all employees the chance to apply for them. Basware's aim is to first make all of its open positions visible internally, thereby giving all employees worldwide the chance to apply for the positions.

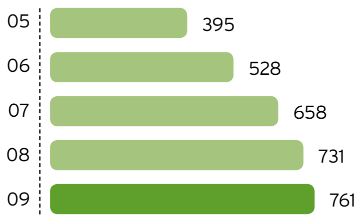
INTERNATIONAL PROFESSIONALS ALSO IN THE FUTURE

Basware aims at recruiting international professionals, and developing the R&D unit in India is one of the future challenges. In addition, the current trend of changing jobs every couple of years brings challenges such as how to maintain learning and silent knowledge within the company. Basware aims to respond to this by offering new and interesting challenges within the company.

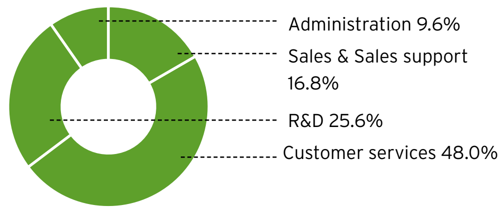
Basware's revised, more service-oriented product offering also requires a new kind of attitude and adaptation to developing roles from the employees. The company will pay attention to the service concept training of the personnel. Continuous development work is also carried out to renew the personnel processes and to support internationalization.

"The new, decentralized model makes it possible to react to the needs of teams and people more quickly.

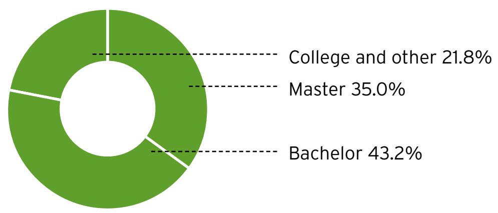
Number of Personnel



Personnel Groups



Educational Background of Personnel



Responsibility

Basware's corporate responsibility is driven by strong business ethics, corporate values, and legislation. The company is committed to economic, social and environmental responsibility in all operations.

As an international player, Basware is responsible with regard to all of its stakeholders; investors, customers and employees, as well as the communities that surround its business operations. Strong business ethics combined with the company values – to aim for achievement, be professional, build on respect and act with courage – form the basis of all operations. The company's financial growth, on the other hand, provides investors with added value and supports social and environmental responsibility.

ACTING FOR THE ENVIRONMENT

There are more than 850,000 end users of Basware software on six continents. Basware's software for electronic financial administration reduces paper consumption in thousands of offices all over the world, guiding customer companies towards a paperless office.

Environmental issues have also been taken into consideration in Basware's own premises. Basware's head office in Espoo has held a Green Office certificate since 2003, issued by the World Wildlife Fund. The prerequisites for being issued the certificate include a standing environmental program, waste sorting and recycling, reduction of carbon dioxide emissions and endeavors to constantly improve the environment.

CARING FOR PEOPLE AROUND THE WORLD

Basware takes care of its employees by encouraging them to keep their work and leisure time balanced. Employees are also encouraged in continuous personal skill and career development through a variety of training programs and job rotation.

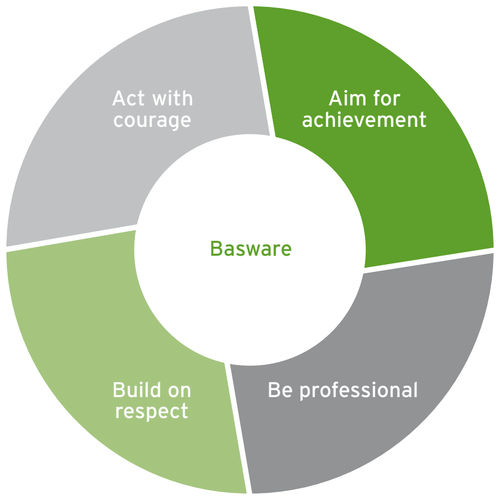
Social responsibility also extends outside the organization. Basware's cooperation with the Plan Finland charity foundation has continued since 2002. The cooperation started with Basware giving the personnel of its business units a sponsored child as a gift. Basware has 15 sponsored children around the world, and wants to improve their chances for better education and general wellbeing. In addition to child sponsorship, Basware has also supported other Plan projects.

SUPPORTING YOUNG ARTISTS

Basware organized the tenth Art of Basware contest for young visual artists in 2009. The contest is intended to support young artists and encourage them to develop their skills. At the same time, the contest promotes new art in Finland.

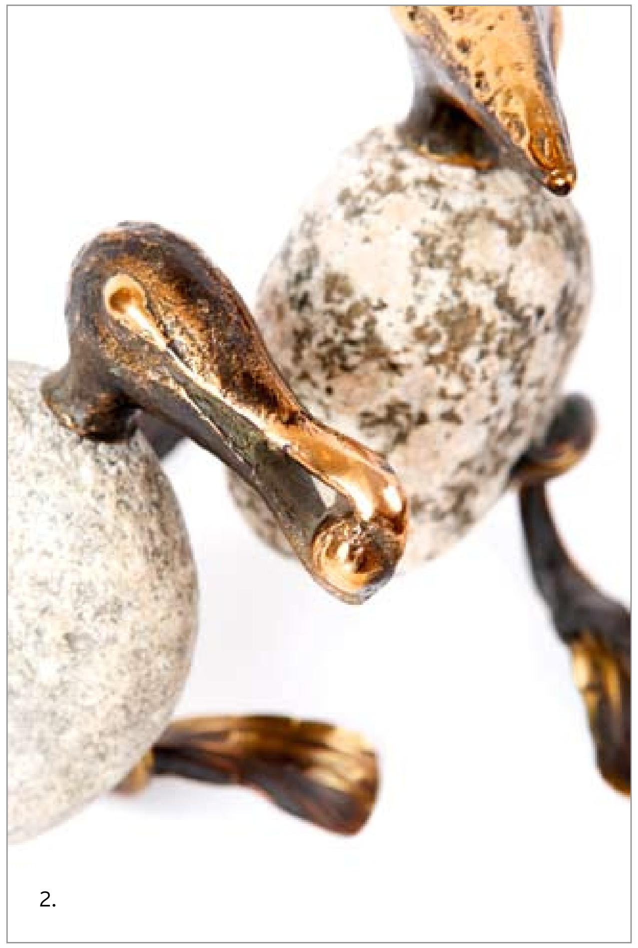
As many as 245 artists under the age of 30 took part in the contest in 2009, with a total of 682 works. Basware buys the winning work each year for its own art collection. The best works from the previous years can be seen at www.basware.fi/art.

BASWARE VALUES



> As an international player, Basware is responsible with regard to all of its stakeholders.


1.


2.

The pictures used in this annual report are works of art by artists who have taken part in the art competition The Art of Basware
1. Taru Heikura, Luonnon laki
2. Samuli Aaltonen, Citybird
3. Markku Haanpää, Yksi savu


3.

Global Expansion

Basware's products have over 850,000 users in more than 50 countries. In 2009 the company closed important deals on all continents and carried out two acquisitions.

Board of Directors

Hannu Vaajoensuu,
Born 1961, M.Sc. (Econ)

Member of the Board since 1990,
Chairman of the Board 2005–

Key working experience: Basware Corp.: CEO 1999–2004, Partner, Executive Director 1991–1999, consulting positions in the company 1987–1991

Positions of trust: Chairman of the Board: Efecte Oy, Profit Software Oy, Deputy Chairman of the Board: Comptel Oyj, Chairman of the Board: Biocomputing Platforms Ltd Oyj, Inventure Oy, Nervogrid Oy, Proha Oyj

Matti Copeland,
Born 1961, M.Sc. (Econ)

Stanford Graduate School of Business (Stanford Executive Program 2000)
Member of the Board since 2008

Key working experience: Alekstra Oy: Chairman of the Board 2009–; A&B: Managing Partner 2007–2009; Deloitte: Partner, M&A Advisory 2005–2007; CapMan Capital Management: Investment Director Buyout Business Unit 2002–2005; Aura Capital: Managing Director 2001–2002; Jippii Group: Managing Director 2001–2001; Leonia/Sampo: Executive Vice president, Large Corporate Clients 1998–2001; KANSALLIS-OSAKE-PANKKI/Merita/Merita-Nordbanken: Head of Debt Capital Markets 1988–1998; Citibank New York: Manager 1986–1988

Pentti Heikkinen,
Born 1960, M.Sc. (Econ)

Stanford Graduate School of Business (Stanford Executive Program 2001)
Member of the Board since 2009

Key working experience: Gateway Technolabs Finland Oy: Founder and CEO 2008–; TietoEnator Oyj: President and CEO 2006–2007, Chief Operating Officer 2004–2005, President, Telecom & Media Division 2001–2003, President, Services Division 1999–2000, President, Public Administration Division 1996–1998; Managing Director, VTKK Government Systems Ltd, 1994–1995; Director, CapGemini Finland, 1991–1993; Director, VTKK Group, 1987–1990; Management Consultant, VTKK, 1985–1986

Positions of trust: Member of the Board: Hammerkit Oy, Technotree Oyj, Member of Advisory Board: Nordea Bank Finland Oyj

Sakari Perttunen,
Born 1957, M.Sc. (Econ)

Member of the Board since 2008

Key working experience: Basware Corporation: CFO 2004–2007, Vice President IT 2001–2003, Vice President Development 1999–2000, specialist and management positions at Basware 1987–1998

Positions of trust: Chairman of the Board: Movenium Oy, Member of the Board: Basware Corporation 1993–2004, 2008–

Ilkka Toivola,
Born 1963, M.Sc. (Tech)

Member of the Board since 2008

Key working experience: Proha Oyj: Managing Director 2009–; Nokia Siemens Networks: Head of Global Sales, Business Support Systems 3/2007–11/2009, Nokia Networks: Vice President, Quality and Customer Satisfaction, Member of Nokia Networks Board 2005–2007, Vice President, Mobile Software Integration 2004–2005, General Manager, Mobile Software Integration 2002–2003, Director, Mobile Charging Solutions Business 2000–2002; Hewlett-Packard Company: Global Client Executive 1999–2000, Professional Services Country Manager in Finland and Managing Consultant 1995–1999, Business Development Manager, European Marketing Center, Germany 1993–1995, Account and Senior Account Manager 1989–1993

Executive Team

Ilkka Sihvo,
CEO

born 1962, M.Sc. (Econ),
M.Sc. (Tech),
At Basware since 1989

Key working experience:
Basware Corp.: Chairman of the Board and Chief Financial Officer 2000–2004, management tasks 1989–1999

Mika Harjuaho,
Chief Financial Officer

born 1966, M.Sc. (Econ),
At Basware since 2007

Key working experience: Suunto Oy: Chief Financial Officer 2001–2007; Ericsson AB: Regional Controller 2000–2001; Oy LM Ericsson AB: Profit Center Controller 1997–2000; Unilever Finland Ltd Van den Bergh Foods: Controller 1996–1997; Unilever Nederland B.V.: Internal Auditor 1995–1996; Unilever Finland Ltd: Cost Accountant 1994–1995

Olli Hyppänen,
Senior Vice President, Strategy and Development

born 1966, M.Sc. (Tech),
At Basware since 2003

Key working experience:
Basware; SVP Products 2007–2008, SVP R&D 2003–2007, Tellabs International: Director, Supply Chain Engineering 2002–2003; Tellabs Oy: Senior Manager 2000–2001, Department Manager 1999, Program Manager 1998; Tecnomen Oy: Project Manager 1996–1998

Commissions of trust: Lacquer Oy: Chairman of the Board 2005–; ManPro: Chairman of the Board 2006–

Jorma Kemppainen,
Senior Vice President, Products

born 1965, M.Sc. (Tech),
At Basware since 2009, Member of Executive Team since December 1, 2009

Key working experience: Inno-rd Oy: Managing Director and executive level consultant 2009; Suunto Oy: Director, R&D 2005–2009; SSH Communications Corporation Oyj: Vice President R&D and Customer Services, 2003–2005; F-Secure Oyj: Vice President, R&D 2000–2003; Tellabs Oy: Customer Training Manager 1996–2000, various R&D positions 1993-1996; ICL Oy: various R&D positions 1987–1993

Steve Muddiman,
Senior Vice President, Global Marketing

born 1961, University Graduate (Comms),
At Basware since 2008

Key working experience:
VMware Inc.: Director of Field and Corporate Marketing Europe, Middle East & Africa 2006–2008, Ariba Inc.: VP Marketing and Strategy, Europe, Middle East & Africa 2001–2005, Hewlett-Packard Inc: Various General Management and Marketing Management positions 1989–2000

Esa Tihilä,
Senior Vice President, Europe and Asia-Pacific

born 1964, College Graduate (Econ), eMBA,
At Basware since 2004

Key working experience:
Meridea Financial Software: CEO 2001–2004, iCL PLC: Group Executive Director 2001, Global Director, e-Business 1999–2001, iCL Data Oy: Director, e-Business 1997–1998, Business Development Director 1995–1996

Odd Roar Trapnes,
Senior Vice President, Basware Scandinavia

born 1957
M.Sc. (IT), B.Sc. (Econ),
At Basware since 2005 (worked as a partner for Basware since 1999)

Key working experience:
Adaptive Systems / Iocore: CEO 1997–2005; Texas Instruments Norway: CEO 1993–1997; McDonnell Douglas Information Systems Norway: CEO, Sales Director for Scandinavia 1988–1993, Det Norske Veritas: IT consultant, Project Manager & Head of department 1983–1988

Jukka Virkkunen,
Senior Vice President, Basware NorthEast

born 1960,
College Graduate (Econ)
At Basware since 2006

Key working experience:
Capgemini Finland Oy Technology Services: Unit Manager 2004–2006; Ementor Oy: Sales Manager 2002–2003; Fujitsu Services Oyj: Marketing Manager for the Nordic Countries 2000–2002; iCL Data Oy e-Business: Sales Director 2000–1997, Account Manager 1997–1996

Positions of trust: Helsinki Region Chamber of Commerce: Member of Committee, Member of ICT Committee 2006–

Other members in 2009

Pekka Rehn, Senior Vice President, Products 09/2008–11/2009

Corporate Governance Statement 2009

This Corporate Governance Statement has been composed in accordance with Recommendation 51 of the new Corporate Governance Code and Chapter 2, Section 6 of the Finnish Securities Market Act. The Corporate Governance Statement is issued separately from the company's annual report.

GENERAL PRINCIPLES

Basware Corporation is a public limited company registered in Finland and its head office is located in Espoo, Finland. Basware Group (Basware) is comprised of the parent company Basware Corporation, its one Finnish subsidiary and 9 foreign subsidiaries.

Decision-making and governance at Basware comply with the company's Articles of Association, the Finnish Companies Act, and other applicable legislation. In addition, the company complies with the recommendations of NASDAQ OMX Helsinki Ltd, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industries EK on corporate governance with the exceptions mentioned in these principles as well as NASDAQ OMX Helsinki Ltd's Guidelines for Insiders. The subsidiaries comply with local legislation.

Basware complies with the Finnish Corporate Governance Code published by the Securities Market Association with the following exception:

Basware's Board of Directors does not have separate committees as the extent of the company's operations and the size of the Board of Directors do not require matters to be prepared by a body smaller than the entire Board of Directors.

TASKS AND RESPONSIBILITIES OF BODIES

The General Meeting of Shareholders, Board of Directors and CEO are in charge of the management of Basware Group, and their tasks are determined as specified by the Finnish Companies Act. The CEO is in charge of Group-level operative activity, assisted by the group's Executive Team.

GENERAL MEETING

The General Meeting is the highest decision-making body of the company. The Annual General Meeting is arranged once a year on the date determined by the Board of Directors within six months of the end of the financial period. Extraordinary General Meetings can be arranged during the year, if necessary. In accordance with the Articles of Association, the General Meeting is held in the company's registered office Espoo, Helsinki or Vantaa. A Summons to a General Meeting of Shareholders and the matters to be discussed in the meeting are issued in a newspaper announcement placed in at least one Finnish-language national daily newspaper and published as a stock exchange release and on the company's website.

The Annual General Meeting each year resolves the following matters:

- approval of the income statement and balance sheet
- measures occasioned by the profit or loss shown in the approved balance sheet
- discharging members of the Board of Directors and the CEO from liability
- number of Board members and their appointment
- election of the auditor
- remuneration of the Board of Directors and auditors
- other matters mentioned in the summons to the meeting

BOARD OF DIRECTORS

The Board of Directors of Basware Corporation is responsible for the Company's management and the appropriate arrangement of its operations. The Board supervises the Company's operations and management and decides on significant matters concerning the Company strategy, organization, financing and investments. The essential duties and responsibilities of the Board are defined primarily by the Articles of Association and the Finnish Companies Act. The Board annually ratifies a working order that specifies the meeting procedure of the Board of Directors and its tasks.

In 2009, Basware's Board of Directors had five members: Hannu Vaajoensuu (Chair), Matti Copeland, Pentti Heikkinen, Sakari Perttunen (Vice Chair), and Ilkka Toivola. The Board of Directors convened 16 times and the attendance rate was 98.75%.

In accordance with the working order, the tasks of the Board of Directors are to

- assume responsibility for tasks specified as obligatory for the company's Board of Directors by the Finnish Companies Act, the Articles of Association or elsewhere
- approve the company's strategy and objectives
- approve the company values and ethical principles
- approve the company's management system and organizational structure
- approve the operating plan and essential changes to it
- approve the company's internal control and risk management policies and enforce them
- approve the interim reports, financial statements and annual report
- assume responsibility for communications related to financial market outlook
- approve the company's financing policy
- assume responsibility for the development of the company's market value and specify the company's dividend policy
- approve company and business acquisitions and divestments and significant individual investments and contingent liabilities
- approve the company's incentive system and policy
- appoint and discharge the company's top management and decide on their terms of employment and remuneration
- decide on appointing a deputy for the CEO
- decide on the founding of subsidiaries
- assume responsibility for the development of the company's Corporate Governance
- review the operation of the Board of Directors annually
- review the CEO's operation and provide feedback

In accordance with the Articles of Association, the Basware Board of Directors has a minimum of four and a maximum of eight regular members. The Board members are elected by the Annual General Meeting for one term of office at a time. The term of office begins at the end of the General Meeting that elected the Board and expires at the end of the first Annual General Meeting of Shareholders following the election. The Articles of Association place no restrictions on the power of the General Meeting to elect members for the Board of Directors. The Board of Directors elects a Chair and a Vice Chair from among its members, and the Board of Directors is deemed to have a quorum present when half of its members are present.

In addition to matters to be resolved, the Board of Directors is given real-time information on the operation, financial standing and risks of the group in the meetings.

The Board of Directors convenes once monthly according to an agreed schedule, in addition to which the Board of Directors convenes when necessary. Minutes are kept for all meetings.

CEO

The Board of Directors appoints the CEO. The CEO is in charge of the management of the company's business operations and governance in accordance with the Articles of Association, the Finnish Companies Act and the instructions given by the Board. The CEO is assisted in the management of the group by the Executive Team. Ilkka Sihvo acted as the CEO of the company in 2009.

BASWARE EXECUTIVE TEAM, BET

The group's Executive Team is appointed by Basware's Board of Directors.

The Group's Executive Team assists the CEO in the operative management of the Company, prepares matters handled by the Board and the CEO as well as plans and monitors the operations of the business units. The Executive Team convenes once a month. The CEO acts as chairman of the Executive Team.

Members of the Executive Team in 2009 were Ilkka Sihvo (CEO), Mika Harjuaho (CFO), Olli Hyppänen (Senior Vice President, Strategy and Development), Jorma Kemppainen (Senior Vice President, Products) as of December 1, 2009, Steve Muddiman (Senior Vice President, Global Marketing), Pekka Rehn (Senior Vice President, Products) January 1, 2009-November 16, 2009, Esa Tihilä (Senior Vice President, Europe and APAC), Odd Roar Trapnes (Senior Vice President, Scandinavia), and Jukka Virkkunen (Senior Vice President, Northeast).

INTERNAL AUDIT

The Group's internal audit assesses and ensures the sufficiency and effectiveness of the Group's internal control. It also assesses the efficiency of different business processes, sufficiency of risk management and compliance with internal guidelines. Internal audit services are mainly acquired from an external and independent service supplier selected by the Board of Directors of Basware Corporation, supplemented by the company's in-house resources as applicable.

The Group's internal audit is independent of Basware's business units and other units. It reports to the Group's Board of Directors and, in an administrative sense, to the CEO. The CFO coordinates internal audit activities. The work description, authority and responsibilities of the Group internal audit are specified in the Internal Audit Charter. The Board of Directors approves the Internal Audit Charter and the annual risk-based audit plan.

EXTERNAL AUDIT

According to the Articles of Association, Basware Corporation has a minimum of one and a maximum of two auditors appointed by the Annual General Meeting, at least one of which is a firm accredited by the Central Chamber of Commerce (Authorized Public Accountants). Additionally, the company has a minimum of one and a maximum of two deputy auditors. The auditors are elected until further notice. The Board's proposal for the auditor is disclosed in the notice of the General Meeting.

The primary function of audit is to verify that the Financial Statements give accurate and adequate information about Basware Corporation's result and financial position for the financial period. In addition, the Auditors report to the Board of Directors on the ongoing auditing of administration and operations. In 2009, Basware's auditor was Ernst & Young Oy, Authorized Public Accountants, with Heikki Ilkka, A.P.A., as the auditor in charge. Terhi Mäkinen, A.P.A., was the deputy auditor.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS ASSOCIATED WITH FINANCIAL REPORTING

The ultimate responsibility for accounting and financial administration lies with Basware Corporation's Board of Directors. The Board is responsible for internal control, and the CEO is responsible for the practical arrangements and monitoring of the control system. The steering and monitoring of business operations is based on the reporting and business planning system covering the entire Group. The CEO and CFO give both Board and Executive Team meetings presentations of the Group's situation and development based on monthly reports.

RISK MANAGEMENT AND INTERNAL AUDIT SYSTEM

The Group's risk management is guided by legal requirements, business requirements set by the owners of the company as well as the expectations of the customers, personnel and other important stakeholders. The goal of risk management is to systematically and extensively identify and acknowledge the risks involved in the company's operations as well as to make sure that the risks are appropriately managed when making business decisions.

The company's risk management supports the attainment of strategic goals and ensures the continuity of business operations. Basware takes risks that are a natural part of its strategy and objectives. The company is not ready to take risks that might endanger the continuity of operations or that are uncontrollable or that can significantly harm the company's operations.

In accordance with the company's risk management policy, risks are divided into six categories: risks related to business operations, products, personnel as well as legal, financial and data security risks. Responsibilities of risk management follow the distribution of liability throughout the organization and operations. Each group has a designated person in charge. In the process of risk management, the goal is to identify and evaluate the risks, after which a risk-specific plan is drawn up and concrete action is taken. Such actions may include, for example, avoiding the risk, diminishing the risk by different means or transferring the risk by insurance or agreements. The company has created a crisis communication plan as a part of its risk management process.

In accordance with Basware's risk management process, the Board of Directors receives an annual report of the most significant risks discovered during the assessment of risks. The Board analyses the risks from the point of view of shareholder value. According to the reporting conforming to the risk management process, the most significant risks in 2009 that have come to the Board's knowledge are associated with ensuring product leadership and maintaining the company's competitiveness in the changing competitive situation, growth of the Indian unit and fully utilizing the opportunities provided by it, strengthening the position of immaterial property rights as well as the measurement of significant balance sheet items and impairment testing.

Internal control is a process performed by the organization's Board of Directors, acting management and other employees to obtain a reasonable certainty of the attainment of goals. The framework of internal control at Basware is based on the international COSO model published by the Committee of Sponsoring Organizations of the Treadway Commission.

CONTROL ENVIRONMENT

The goal of Basware's internal control is to support the implementation of the Group strategy and ensure compliance with regulations. The system is based on Group-level policies, guidelines and processes and controls of business operations and support processes. Basware's strong ethics, values and operating culture form the basis of the internal control system. The operating culture is being built by the steering and control of the company's operations by the Board of Directors, the management methods of the company's management, the company's organizational structure and management system, effective utilization of global information system as well as the employees' competence and development. The company uses a global HR system.

The Group's centralized financial administration center and group accounts as well as controlling function, operating under the CFO, are responsible for the overall control system of financial reporting. Harmonized methods of financial reporting are applied in all Group companies, utilizing a uniform ERP system and harmonized account scheme, and also software for electronic procurement management, purchase invoices and travel expense reports and financial management. The entire Group applies the International Financial Reporting Standards (IFRS).

RISK ASSESSMENT

The aim of financial reporting is to ensure that assets and liabilities belong to the company; all rights and liabilities of the company are presented in the financial statements; items in the financial statements have been classified, disclosed and described correctly; assets, liabilities, income and expenditure are entered in the financial statements at the correct amounts; all the transactions during the reporting period are included in the accounts; transactions entered in the accounts are factual transactions; and that the assets have been secured.

The risk management process includes an annual identification and analysis of risks related to financial reporting. In addition, the aim is to analyze and report all new risks immediately after they have been identified. Taking into account the quality and extent of the Group's business operations, the most significant risks associated with the reliability of financial reporting are associated with revenue recognition, processing of bad debt reservation, capitalization of product development expenses, impairment testing of assets (including goodwill, capitalized product development expenses and unfinished projects) and deferred tax assets.

CONTROL FUNCTIONS

The correctness and reliability of financial reporting are ensured through compliance with the Group policies and guidelines. Controls that ensure the correctness of financial reporting include controls related to accounting transactions, controls related to the selection of and compliance with the accounting principles, information system controls and fraud controls.

The Group's net sales are recognized under the supervision of the centralized controlling function. The Group has written internal revenue recognition guidelines. Revenue recognition is based on the existence of obligatory sale and delivery documents. The amount of the Group's bad debt reservation is calculated monthly by the centralized financial administration service center. The calculation is based on the maturity distribution of trade receivables by sales company. The capitalized amount of the Group's product development expenditure is calculated monthly by the centralized financial administration service center. The calculation is based on project-specific monitoring documentation of R&D activities. The Group has written guidelines on R&D expenditure. Goodwill is tested for impairment during the last quarter of the year. Key variables used in the calculations are the estimated change rates of net sales and costs. In addition, indications of impairment are continuously monitored. In specifying the company-specific deferred assets, the effective tax rate of each country is applied. Deferred tax assets have not been recognized for all losses, as it has been estimated that the losses cannot be utilized in the near future.

The Group's centralized financial administration service center and controlling function continuously develop global reliable, harmonized, scalable and efficient operating methods. The globally harmonized account scheme, high automation rate of the Group's shared information systems and the systems' integrated control points facilitate a cost-efficient internal control process with an audit trail for financial reporting. Information systems support compliance with the Group's acceptance authorizations for procurement proposals and purchase invoices among others. Basware's financial administration, including cash management and payment, are centralized at the Group's level, which strengthens the functionality of the controls further. Personnel expenses account for a majority of Basware's expenditure. Actual and forecasted personnel expenses are monitored and the forecasts are updated at a very detailed level regularly. The controlling function is responsible for the calculation of commissions and bonuses globally in accordance with the bonus scheme in effect at any time, approved by the Board annually.

The result of business operations and attainment of annual goals is assessed monthly by Executive Team and Board meetings. Monthly management and Board reporting includes both actual and forecast data compared to the goals and actual results of previous periods. Financial reports generated for use by the business management monitor certain key indicators associated with the development of sales and trade receivables on a weekly and monthly basis.

Basware has complemented its organic growth with acquisitions in accordance with its strategy. In making acquisitions, the company aims to follow due diligence and utilize its internal and external competence in the planning phase (e.g. due diligence), takeover phase (e.g. immediate adoption of Basware's information systems) as well as when integrating acquired functions with the company's operations (e.g., adoption of Basware's HR policies).

COMMUNICATION AND INFORMATION

The purpose of the management's reporting is to produce aptly timed and essential information for making decisions. The controlling function provides the guidelines on monthly reporting for the entire organization and is in charge of special reporting instructions associated with budgeting and forecasting. The Group's financial administration internally distributes information on financial reporting-related processes and procedures on a regular basis, and the personnel performs their internal control tasks according to such information. When necessary, financial administration also arranges targeted training for the rest of the organization on the procedures associated with financial reporting and changes in them. The Group's investor relations maintains the guidelines on the disclosure of financial information in cooperation with financial administration and the legal department.

MONITORING

Monitoring refers to the process to assess Basware's internal control system and its performance. Basware also continuously monitors its operations through various assessments, such as internal audits and external audits as well as supplier audits carried out by customers. Basware's management monitors internal control as a part of routine management work. The business management is responsible for ensuring that all operations comply with applicable laws and regulations. The Group's financial and controller functions monitor compliance with the financial reporting processes and control. The financial and controller functions also monitor the correctness of external and internal financial reporting. The Board of Directors assesses and ensures the appropriateness and effectiveness of Basware's internal control and risk management.

Internal audit assists the Board of Directors in assessing and ensuring the appropriateness and effectiveness of Basware's internal control and risk management by performing regular internal audits in the Group's support functions and legally independent units in accordance with its annual plan. Basware's internal control is also assessed by the company's Auditor. The external auditor verifies the correctness of external annual financial reporting. Performed as part of continuous auditing, process auditing targets typical controls that ensure the correctness of financial reporting. The most significant observations and recommendations of the process audit according to the auditing plan are reported to the Board of Directors.

COMPENSATION

Management of compensation

The General Meeting decides on the remuneration paid to the Board of Directors and auditors. The Board decides on the service terms and conditions of the CEO, specified in writing. The compensation principles of the top management are decided by the Board. The Board annually approves the personnel incentive scheme.

Board of Directors

The General Meeting decides on the remuneration paid to the Board of Directors and auditors. The Annual General Meeting resolved on February 12, 2009, to compensate the members of the Board according to the following:

- members EUR 24,000 per year
- Deputy Chairman EUR 28,000 per year and
- Chairman EUR 48,000 per year.

However, the remuneration is not paid to those members of the Board who hold a fulltime position at Basware. In addition, all members of the Board are paid a meeting fee of EUR 300 for each meeting.

The annual remuneration will be paid in the following manner: 40 percent of the gross annual remuneration of those members of the Board whose shareholding in Basware Corp. is less than 5,000 shares, will be paid in Basware shares, acquired in public trading on NASDAQ OMX Helsinki Oy. The shares will be acquired as soon as possible after the closing of the Annual General Meeting.

The Chairman of the Board, Hannu Vaajoensuu, holds a position in the Company. He is responsible for the Company's strategic projects such as acquisitions. The service terms and conditions have been specified in writing, stating that the Chairman of the Board has:

- 6 months' period of notice and salary for the period of notice should the Company give notice, in addition to which he is entitled to severance pay equivalent of 12 months' fixed salary,
- 6 months' period of notice and salary for the period of notice should the person resign himself, no additional compensation is paid,
- 12-month prohibition of competition as of the termination of the employment,
- retirement age and pension benefits pursuant to the Employees' Pensions Act (TEL).

Chairman of the Board of Directors

The salary of the Chairman of the Board, including benefits, totaled EUR 95,759.99 in 2009. Salary in money was EUR 95,759.99 and fringe benefits totaled EUR 0.0. The Chairman of Board is not included in the bonus program of the Company. The remuneration of the Chairman of the Board of Directors includes salaries paid to the fulltime Chairman of the Board based on a separate employment contract. The Chairman of the Board has not been paid a separate fee approved by the Annual General Meeting.

CEO

The Board decides on the service terms and conditions of the CEO, specified in writing. Currently the CEO has

- 6 months' period of notice and salary for the period of notice should the Company give notice, in addition to which he is entitled to severance pay equivalent of 12 months' fixed salary,

- 6 months' period of notice and salary for the period of notice should the person resign himself, no additional compensation is paid,
- 12-month prohibition of competition as of the termination of the employment,
- bonus based on performance is no more than 50 percent of basic salary,
- retirement age and pension benefits pursuant to the Employees' Pensions Act (TEL).

The CEO's remuneration consists of salary in money, fringe benefits, a possible annual bonus based on performance and of warrants. The CEO's total salary, including benefits, totaled EUR 315,187.11 in 2009. Salary in money was EUR 199,725.96 and fringe benefits totaled EUR 17,110.50. The CEO was paid EUR 98,350.65 in performance bonuses for 2008.

Executive Team

Members of the Executive Team in 2009 were Ilkka Sihvo (CEO), Mika Harjuaho (CFO), Olli Hyppänen (Senior Vice President, Strategy and Development), Jorma Kemppainen (Senior Vice President, Products) as of December 1, 2009, Steve Muddiman (Senior Vice President, Global Marketing), Pekka Rehn (Senior Vice President, Products) January 1, 2009-November 16, 2009, Esa Tihilä (Senior Vice President, Europe and APAC), Odd Roar Trapnes (Senior Vice President, Scandinavia), and Jukka Virkkunen (Senior Vice President, Northeast).

The Executive Team's remuneration consists of salary in money, fringe benefits, a possible annual bonus based on performance, warrants and a share-based incentive scheme. The compensation principles of the Executive Team members are decided by the Board. A long-term incentive program for the top management was valid in 2006-2008. Based on the program, warrants can be granted to the members of the top management. In addition to the members of the Executive Team, some of the country managers of Basware's business units are included in the program.

The members of the Basware Executive Team have a share-based incentive scheme as of 2009. The possible reward of the system for the earning period 2009 is based on Basware Corporation's earnings per share (EPS). Any reward for the earning period 2009 will be paid in December 2011 partially as shares in the company and partially in cash.

The members of the Executive Team, excluding the CEO, were paid a total of EUR 984,49.47 in salaries, EUR 111,691.00 in fringe benefits and EUR 258,270.18 in bonuses based on performance in 2008.

According to the share register maintained by Euroclear Finland Ltd, Ilkka Sihvo held 1,065,800 shares in Basware Corporation and Esa Tihilä 500 shares. Other members of the Executive Team did not hold shares in Basware Corporation.

INSIDER ADMINISTRATION

Basware's insider guidelines comply with the NASDAQ OMX Helsinki Guidelines for Insiders effective as of January 1, 2006. The insider guidelines forbid insiders, including persons under their guardianship and companies where they exercise control, to trade in shares or option rights issued of the company for a period of four weeks prior to the publication of an interim report or a financial statements bulletin (the so-called closed window).

By law, the Company public insiders include members of the Board, CEO, auditors and the auditor in charge of the company of public accountants as well as Executive Team members responsible for the key business areas. In addition, the Company has a company-specific insider register that includes those who regularly receive insider information in their work. Persons who are involved in acquisitions or other projects that have an effect on the valuation of the company's shares, are considered project-specific insiders and are subject to a temporary trading suspension.

The Company lawyer is in charge of the guidance and supervision of insider issues and also maintains the project-specific insider registers if necessary. The Communications Manager takes care of the permanent insider register. The insider register of Basware Corporation is maintained by Euroclear Finland Ltd (previously the Finnish Central Securities Depository Ltd.). The up-to-date shareholdings of the insiders can be seen in Euroclear Finland Ltd's customer service point in Helsinki, Finland, address Urho Kekkosen katu 5 C. The company also maintains a list of insiders on its website.

Board of Directors

The General Meeting decides on the remuneration paid to the Board of Directors and auditors. The Annual General Meeting resolved on February 12, 2009, to compensate the members of the Board according to the following:

- members EUR 24,000 per year
- Deputy Chairman EUR 28,000 per year and
- Chairman EUR 48,000 per year.

However, the remuneration is not paid to those members of the Board who hold a fulltime position at Basware. In addition, all members of the Board are paid a meeting fee of EUR 300 for each meeting.

The annual remuneration will be paid in the following manner: 40 percent of the gross annual remuneration of those members of the Board whose shareholding in Basware Corp. is less than 5 000 shares, will be paid in Basware shares, acquired in public trading on NASDAQ OMX Helsinki Oy. The shares will be acquired as soon as possible after the closing of the Annual General Meeting.

According to the share register maintained by Euroclear Finland Ltd, Hannu Vaajoensuu held 962,100, Pentti Heikkinen 1,016, Ilkka Toivola 2,166, Sakari Perttunen 1,045,800 and Matti Copeland 2,166 shares in Basware Corporation on December 31, 2009.

Basware's separate Corporate Governance Statement 2009 was approved by the Board of Directors on December 15, 2009.

Contents

Financial Statements

Basware succeeded in making an excellent result despite the challenging market situation. The company improved its profitability evenly across all market areas, with net sales and profitability at a record-high level.

Board of Directors' Report 1.1.2009–31.12.2009

FINANCIAL YEAR 2009:

- Net sales EUR 92,654 thousand (EUR 86,098 thousand)
- Operating profit EUR 11,824 thousand (EUR 8,679 thousand)
- Operating profit 12.8 percent of net sales (10.1%)
- International operations accounted for 54.2 percent of net sales (51.8%)
- Cash flows from operating activities were EUR 14,732 thousand (EUR 8,331 thousand)
- Earnings per share EUR 0.80 (0.56)
- Dividend proposal for 2009: EUR 0.36 per share (2008: EUR 0.23)

The Financial Statements have been prepared according to International Financial Reporting Standards (IFRS).

REPORTING

As of January 1, 2009, the Group has applied the following new and revised standards: IFRS 8 Operating Segments and IAS 1 Presentation of Financial Statements. IFRS 8 has an effect on the segment information in the notes and IAS 1 has an effect on the presentation of the income statement.

Basware's reporting segment is based upon geography as follows: Finland, Scandinavia, Europe and Other. Following the TAG Services acquisition on July 1, 2009, Basware has assets in Australia. Taking into account the nature and extent of the business operations in North America and Australia, these areas will be merged into the Other segment as of Q3/2009. The Finland segment includes the Finnish, Russian, Asia-Pacific (excluding Australia) and Financial Management business operations.

In addition, the company reports revenue from products and services as follows: License Sales, Professional Services, Maintenance, and Automation Services. Automation Services include SaaS revenue, einvoicing and Scan and Capture.

The company also reports the backlog of Automation Services agreements not recognized as income. Automation Services agreements typically span several years.

NET SALES

Basware Group's net sales increased by 7.6 percent during the period (January–December) and were EUR 92,654 thousand (EUR 86,098 thousand). Pro forma net sales for the financial period would have been EUR 93,217 thousand had the TAG Services Pty Ltd net sales been consolidated for the entire period.

The company's product sales decreased by 8.1 percent during the period to 25.6 percent (30.0%) of net sales.

Maintenance revenue increased by 18.7 percent in the reporting period and accounted for 32.1 percent (29.1%) of net sales. Professional Services revenue increased by 2.1 percent and accounted for 33.6 percent (35.5%) of net sales.

During the period, Automation Services (SaaS, e-invoicing, Scan and Capture) grew by 72.0 percent and accounted for 8.7 percent (5.4%) of net sales. The backlog of the Automation Services business not recognized as income was EUR 14,630 thousand (EUR 10,519 thousand) at the end of the period.

Value added resellers provided a net share of 9.9 percent (15.7%) or EUR 2,343 thousand of Product Sales' net sales during the reporting period, accounting for 4.7 percent (9.1%) of the net sales from international operations.

The international share of Basware's net sales was 54.2 percent (51.8%) in the reporting period. International operations grew by 12.6 percent.

FINANCIAL PERFORMANCE

Basware's operating profit for the period increased by 36.2 percent to 11,824 EUR thousand (EUR 8,679 thousand). Operating profit represented 12.8 percent (10.1%) of net sales. Pro forma operating profit for the financial period would have been EUR 11,806 thousand had the TAG Services Pty Ltd operating profit sales been consolidated for the entire period.

The company's fixed costs were EUR 70,343 thousand (EUR 69,900 thousand) in the period, up 0.6 percent on the corresponding period the previous year. Personnel costs made up 74.3 percent (72.1%) or EUR 52,294 thousand (EUR 50,399 thousand) of the fixed costs. Bad debt and movement in bad debt accruals are included in fixed costs. Bad debt reservations at the end of the fourth quarter amounted to EUR 666 thousand (EUR 845 thousand).

Research and development expenses totaled EUR 14,781 thousand (EUR 15,518 thousand), of which EUR 1,454 thousand (EUR 2,739 thousand) or 9.8 percent (17.6%) were capitalized during the period. Amortization of capitalized research and development costs totaled EUR 1,624 thousand (EUR 1,183 thousand). Research and development costs equaled 16.0 percent (18.0%) of net sales. The costs decreased by 4.7 percent (17.8%) during the financial year.

The company's finance income and finance expenses were EUR –234 thousand (EUR –269 thousand). The company's profit before tax was EUR 11,590 thousand (EUR 8,410 thousand). Taxes for the period totaled EUR 2,517 thousand (EUR 1, 825 thousand). Profit for the period was 9.8 percent (7.6%) of net sales, or EUR 9,074 thousand (EUR 6,585 thousand). Undiluted earnings per share were EUR 0.80 (EUR 0.56).

FINANCE AND INVESTMENTS

Basware Group's total assets on the balance sheet at the end of the financial period were EUR 87,287 thousand (EUR 81,909 thousand). The company's cash and liquid assets were EUR 12,210 thousand (EUR 8,777 thousand), of which cash and cash equivalents were EUR 12,176 thousand (EUR 8,745 thousand) and financial assets at fair value through profit or loss were EUR 34 thousand (EUR 31 thousand).

Cash flow from operating activities was EUR 14,732 thousand (EUR 8,331 thousand). Cash flow from investments was EUR –5,009 thousand (EUR –12,303 thousand).

Equity ratio was 64.8 percent (59.5%) and gearing was –5.3 percent (9.3%). The company's interest-bearing liabilities totaled EUR 9,230 thousand (EUR 13,283 thousand), of which current liabilities accounted for EUR 5,555 thousand (EUR 5,555 thousand). Return on investment was 18.8 percent (16.6%) and return on equity 17.2 percent (13.7%).

Basware AS purchased the Norwegian invoice automation solution business of Itella Information AS on January 26, 2009. The purchase price was NOK 6.38 million (approximately EUR 0.72 million) and it was paid in cash on the day the acquisition was completed, April 1, 2009. In addition, Basware may pay an additional purchase price of a maximum of NOK 7.0 million (EUR 0.77 million) in February 2010 at the latest, determined on the basis of the volume of the purchased operations' service sales in 2009. The estimated additional purchase is circa NOK 4.4 million (around EUR 0.55 million). EUR 761 thousand associated with customer relationships has been allocated to intangible assets, taking deferred tax liabilities into consideration. The purchase price includes EUR 436 thousand of goodwill. The allocation of the acquisition purchase price is preliminary.

Basware Corporation acquired the entire share capital of TAG Services Pty Ltd in Australia on July 1, 2009. The acquisition price was 2.1 million Australian dollars (approximately EUR 1.2 million) and was paid in cash in two parts in July and August 2009. In addition the deal includes an additional acquisition price element that is based on the company's net sales of the period from July 1, 2009 to June 30, 2010 and will be paid in August 2010 at the latest. 4.2 million Australian dollars (approximately EUR 2.4 million) associated with customer relationships has been allocated to intangible assets, taking deferred tax liabilities into consideration. The allocation of the acquisition purchase price is preliminary.

The company's capital expenditure, resulting from regular additional and replacement investments required for growth, was EUR 2,047 thousand (EUR 1,007 thousand) in the period. Gross investments which include, in addition to those mentioned above, the capitalized research and development costs and acquisitions (TAG Services Pty Ltd and Itella Information AS's invoice automation solution business) totaled EUR 7,448 thousand (EUR 12,476 thousand).

Impairment tests indicate no impairments of assets. Amortization of intangible assets totaled EUR 3,968 thousand (EUR 2,398 thousand), of which amortization associated with business acquisitions amounted to EUR 2,020 thousand (EUR 993 thousand).

RESEARCH, DEVELOPMENT AND NEW PRODUCTS

Research and development expenses were EUR 14,781 thousand (EUR 15,518 thousand) in the period, corresponding to 16.0 percent (18.0%) of net sales. Research and development costs decreased by 4.7 percent (increase by 17.8%) compared with the same period last year. Of the research and development costs, EUR 1,454 thousand (EUR 2,739 thousand) or 9.8 percent (17.6%) were capitalized during the period. Amortization of capitalized research and development costs totaled EUR 1,624 thousand (EUR 1,183 thousand).

A total of 195 (171) people worked in Software Production at the end of 2009. The Software Production unit is expanding in India, where there are currently 55 employees.

At the beginning of 2009, Basware launched Basware Automations Services, which aims at speeding up the migration to electronic exchange of documents. There has been obvious demand for the solution in the market, and it has been sold successfully in Europe as well as North America. Basware is now able to exchange all the documentation related to the Purchase to Pay process in a single solution, including the exchange of e-invoices and procurement messages, e-invoice and scanning services and supplier activation.

PERSONNEL

Basware employed 747 (689) people on average and 761 (731) people at the end of the period. The number of personnel increased by 30 persons and by 4.1 percent compared with the same period the previous year. The acquisition of TAG Services Pty Ltd increased the number of personnel by 13 people and the acquisition of Itella Information AS's invoice automation business by 5 people.

The share of personnel working in foreign units has increased compared with the previous year. At the end of the period, 47.4 percent (46.1%) of Basware personnel worked outside of Finland and 52.6 percent (53.9%) in Finland. 16.8 percent of the personnel work in sales and marketing, 48.0 in consulting and services, 25.6 percent in Software Production, and 9.6% in administration.

The average age of employees is 36.6 (35.9) years. Of the employees, 35.0 percent have a Master's degree and 43.2 percent have a Bachelor's degree. Women account for 28.1 percent of employees, men for 71.9 percent.

For incentive purposes, the company has a bonus program that covers all employees.

The Executive Team's remuneration consists of salary in money, fringe benefits, a possible annual bonus based on performance, warrants and a share-based incentive scheme. The compensation principles of the Executive Team members are decided by the Board. A long-term incentive program was in place during 2006–2008. Based on the program, warrants could be granted to the members of the top management, country managers and key personnel.

The members of the Basware Executive Team have a share-based incentive scheme as of 2009. The possible reward of the system for the earning period 2009 is based on Basware Corporation's earnings per share (EPS). Any reward for the earning period 2009 will be paid in December 2011 partially as shares in the company and partially in cash.

BUSINESS OPERATIONS

Finland

The Finland segment includes operations in Finland, Russia, Asia (excluding Australia) and the Financial Management business. Net sales for the financial period increased by 2.0 percent to EUR 50,486 thousand (EUR 49,517 thousand).

Net sales of the Finnish and Russian business operations increased by 9.0 percent during the financial period to EUR 43,250 thousand

(EUR 39,671 thousand). All the Basware Enterprise Purchase to Pay and Financial Management products are sold in the region.

There are currently 14 resellers in all in the area and the number of personnel averaged 454 (421).

Scandinavia

Basware's Nordic organization consists of a centrally directed Scandinavian (Sweden, Denmark and Norway) unit. All the Basware Enterprise Purchase to Pay solutions are sold in the Nordic countries.

Net sales of the Scandinavian business operations increased by 18.2 percent to EUR 22,236 thousand (EUR 18,805 thousand). The profitability of the operations increased by 211.4 percent and operating profit was EUR 3,169 thousand (EUR 1,017 thousand).

Business operations are mainly handled by the own organization and there were 135 (112) employees on average in the area.

Europe

Basware's European business operations consist of the units in Germany, France, the Netherlands and the United Kingdom. Additionally, the reseller network covers the eastern part of Central Europe. All Enterprise Purchase to Pay solutions are sold in Europe.

Net sales in the Europe segment decreased by 3.8 percent in the financial period and totaled EUR 18,717 thousand (EUR 19,454 thousand). The profitability of the operations improved by 2,224.8 percent and operating profit was EUR 1,566 thousand (EUR –74 thousand).

During 2009 Basware UK implemented a rationalization program and reorganization of operations. Significant cost savings have been achieved and the utilization rate of consulting has been increased with the program, which will improve the unit's profitability.

There are 35 resellers in Europe, and Basware personnel averaged 119 (129).

Other

Business operations in North America and Australia are reported in this segment. Net sales of the area increased by 83.9 percent in the financial period to EUR 9,201 thousand (EUR 5,004 thousand). The profitability of the operations grew by 155.9 percent and operating profit was EUR 741 thousand (EUR 289 thousand). The business operations in Australia are reported in the Other segment as of July 1, 2009.

At the end of the period, there were 10 resellers in the segment. On average, there were 39 (29) employees in the area.

OTHER EVENTS OF THE FINANCIAL PERIOD

Basware launched an entirely new successful business concept during 2009: Basware Automation Services, which is based on making the processing of the customer organization's paper invoices completely electronic. Basware Automation Services include Software as a Service (SaaS), e-invoicing and Scan and Capture. The company has closed several major automation service deals with multinational companies.

The company made one of its largest deals ever with the State of South Australia in September 2009.

Jorma Kemppainen was appointed as a member of the Basware Executive Team and head of the Products unit (SVP, Products) on December 1, 2009.

SHARE AND SHAREHOLDERS

Basware Corporation's share capital totaled EUR 3,440,437.20 at the end of the period and the number of shares was 11,468,124.

Share price and trade

During the reporting period, the highest price of the share was EUR 14.66 (EUR 10.45), the lowest was EUR 6.60 (EUR 6.00) and the closing price was EUR 14.52 (EUR 6.59). The average price of the share was EUR 10.79 (EUR 7.53) during the period.

A total of 2,038,565 (2,298,467) shares were traded during the financial period which is the equivalent of 17.9 percent (20.1%) of the average number of shares. Market capitalization with the period's closing price on December 31, 2009 was EUR 165,206,004 (EUR 75,301,011).

Shareholders

Basware had 16,480 (17,120) shareholders on December 31 including nominee-registered holdings (8). Nominee-registered holdings accounted for 9.6 percent of the total number of shares.

Basware announced three notifications of change in ownership when the total number of shares held by Nordea Rahastoyhtiö Suomi Oy fell below 5 percent of Basware Corporation's share capital on February 23, 2009 and when the total number of shares held by Antti Pöllänen personally fell below 5 percent of Basware Corporation's share capital on September 10, 2009. Shares held by Antti Pöllänen together with persons under guardianship still exceed 5 percent of Basware Corporation's share capital. In addition, Basware announced a notice of change in ownership when the total number of shares held by Nordea Rahastoyhtiö Suomi Oy was above 5 percent of Basware Corporation's share capital on November 27, 2009.

Shareholding of Management and Board

According to the shareholder register managed by Euroclear Finland Oy, on December 31, 2009 CEO Ilkka Sihvo holds 1,065,800 Basware's shares and Esa Tihilä 500 shares. Other members of Basware Executive Team do not hold Basware's shares.

According to the shareholder register managed by Euroclear Finland Oy, on December 31, 2009 Hannu Vaajoensuu holds 962,100 Basware's shares, Pentti Heikkinen 1,016, Ilkka Toivola 2,166, Sakari Perttunen 1,045,800 and Matti Copeland 2,166 shares.

GOVERNANCE

The Annual General Meeting of Shareholders on February 12, 2009, confirmed the number of Board members as five. The Annual General Meeting resolved to agree on the proposal and elected Matti Copeland, Pentti Heikkinen, Sakari Perttunen, Ilkka Toivola and Hannu Vaajoensuu members of the Board of Directors.

The Annual General Meeting further resolved to elect Ernst & Young Oy, Authorized Public Accountants as the auditor, with APA Heikki Ilkka in charge and APA Terhi Mäkinen as the deputy auditor.

A separate stock exchange release has been issued on the Board authorizations and other resolutions of the Annual General Meeting of Shareholders on February 12, 2009.

This Corporate Governance Statement has been composed in accordance with Recommendation 51 of the new Corporate Governance Code and Chapter 2, Section 6 of the Finnish Securities Market Act.

The Corporate Governance Statement is issued separately from the company's annual report.

Basware's Corporate Governance principles are available in full on the company's website at http://www.basware.com/Investors/corporate_governance/Pages/default.aspx

Share repurchase

Basware Corporation's share repurchases program that was resolved by the Board of Directors on October 14, 2008 ended on March 31, 2009. The program was based on the authorization granted by the Annual General Meeting on February 14, 2008. The purchases started on October 23, 2008 and ended according to the terms of the share repurchase program on March 31, 2009. By March 31, 2009, the company had acquired 90,300 shares and the total number of shares held by the company amounted to 90,300, representing approximately 0.79% of all Basware shares. The average price of the shares acquired during the repurchases program was 6.9475 euro.

The AGM on February 12, 2009 authorized the Board to resolve on the acquisition of a maximum of 1,146,812 own shares, pursuant to the Chapter 15, section 5 of the Companies Act. The new shares are acquired with invested non-restricted equity on the market price at the NASDAQ OMX Helsinki Ltd at the time of the acquisition. The shares can either be held by the Company, nullified or conveyed further. The authorization for acquisition is valid until March 31, 2010.

SHORT-TERM RISKS AND RISK MANAGEMENT

In accordance with Basware's risk management policy, risks are divided into six categories: risks related to business operations, products, personnel as well as legal, financial and data security risks. Basware takes risks that are a natural part of its strategy and objectives. These risks are managed and decreased in various ways. Short-term risks are considered to be risks in the current reporting year.

The global economic uncertainty continues, which might decrease companies' investment willingness in the future as well. This might have an unfavorable impact on the development of the company's net sales and profitability. However, the entire IT market is expected to grow by 6.6 percent in the United States and by 4.0 percent in Western and Central Europe in 2010.

In previous economic downturns, the demand for the company's products and services has remained more positive than the general economic market as a whole as the company's software solutions generate cost savings.

The depression has generally increased companies' delinquency entries and the number of bankruptcies. Typically, companies may also prolong the times of payments in order to free up working capital. Basware has intensified its management of sales receivables, and business management regularly monitors the payment of sales receivables as part of the management of customer accounts.

The Group's main currency is Euro, accounting for approximately 61 percent of net sales in 2009 (approximately 67% in 2008). The significance of exchange rate fluctuations between the euro and other currencies will increase hand in hand with the share of international operations. In addition to the euro area, Basware operates in various areas, the most significant of them in 2009 being Norway, the United Kingdom, the United States and Sweden. The company is exposed to exchange rate risks in these countries through intra-company trade, exports and imports as well as through the equity and funding of foreign subsidiaries. The company did not realize hedging for exchange rate fluctuations during the financial year as the foreign-currency-denominated cash flow in the subsidiaries did not exceed the foreign-currency-specific limit for hedging measures in accordance with the company's hedging policy.

Goodwill has been tested during the last quarter of 2009. In accordance with the testing for impairment of assets, no depreciation of goodwill was made. During 2009 Basware UK implemented a rationalization program and reorganization of operations, facilitating profitable growth in the unit. Significant cost savings have been achieved and the utilization rate of consulting has been increased with the program, which will improve the unit's profitability. If the unit's profitability does not improve as planned in the medium term despite the streamlining program, it is likely that the goodwill allocated to the unit will need to be impaired.

Basware's objective is to become the world's leading company in e-invoicing. E-invoicing and the supporting Connectivity also target suppliers and buyers outside Basware's existing customer base, which increases the customer potential. The company's long-term objective is annual growth of more than 50 percent in SaaS, Basware Connectivity and e-invoicing business. SaaS, Basware Connectivity and e-invoicing are scalable business models with a high business potential. The realization of this growth potential requires a new operating model as well as active and continuous development of competencies because of the strong growth of the number of customers and transaction volumes. These include sales and commissioning as well as customer support and product development.

In other respects, no significant changes have taken place in Basware's short-term risks and uncertainties during the financial period.

ACQUISITIONS AND CHANGES IN GROUP STRUCTURE

The company has branch offices in Singapore, Russia and India.

Basware AS purchased the Norwegian invoice automation solution business of Itella Information AS on January 26, 2009. The purchase price was NOK 6.38 million (approximately EUR 0.72 million) and it was paid in cash on the day the acquisition was completed, April 1, 2009. In addition, Basware may pay an additional purchase price of a maximum of NOK 7.0 million (EUR 0.77 million) in February 2010 at the latest, determined on the basis of the volume of the purchased operations' service sales in 2009. The estimated additional purchase is circa NOK 4.4 million (around EUR 0.55 million). The acquisition increased the net sales of Basware Automation Services for 2009 by approximately EUR 0.9 million instead of the previously estimated EUR 1.2 million due to the lower-than-expected volume of service sales.

Basware Corporation acquired the entire share capital of its Australian reseller TAG Services Pty Ltd. The acquisition price was based on the company's net sales for its fiscal year 2008–2009 ended June 30, 2009 and the company's net asset value on June 30, 2009. The acquisition price was 2.1 million Australian dollars (approximately EUR 1.2 million, using exchange rate of EUR/AUD 1.7359 on June 30, 2009). The company's net asset value at June 30 was 0.42 million Australian dollars (approximately EUR 0.24 million). The acquisition price was paid in cash in two parts in July and August 2009. In addition the deal includes an additional acquisition price element that is based on the growth of the company's net sales during the period from July 1, 2009 to June 30, 2010 and will be paid in August 2010 at the latest.

Basware increased its shareholding in Basware Einvoices Oy to 100 percent on January 30, 2009, by acquiring 12.55% of the company's shares and control from the company's management. The purchase price paid on the date of the transaction was approximately EUR 720 thousand and the additional purchase price to be paid based on the business volume for 2009 in February 2010 at the latest is expected to be approximately EUR 250 thousand. Basware increased its shareholding in Basware FIMA Oy to 100 percent on August 21, 2009, by acquiring 4.04% of the company's shares and control from the company's management. A situation such as the one presented above is currently not regulated by IFRS, so the company's management has compiled an accounting principle for the case in compliance with IAS 8. The change of ownership is recognized under shareholders' equity, and it will not have any effect on profit or goodwill.

Basware Einvoices Oy merged with Basware Corporation in accordance with the previously registered merger plan on July 13, 2009. Basware Einvoices Oy's business operations will continue in Basware Corporation as a part of Basware's Automation Services business. The merger did not result in any changes to Basware Corporation's organization structure.

In Norway, Contempus AS merged into Basware AS on June 30, 2009, in accordance with the previously registered merger plan. The business operations of Contempus AS will resume in Basware AS as a part of its normal business. The merger did not result in changes to the organization structure of Basware AS.

In Sweden, Contempus AB merged into Basware AB on December 30, 2009, in accordance with the previously registered merger plan. The business operations of Contempus AB will resume in Basware AB as a part of its normal business. The merger did not result in changes to the organization structure of Basware AB.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

Basware's corporate responsibility is driven by strong business ethics, corporate values, and legislation. The company is committed to economic, social and environmental responsibility in all operations.

Basware's software products reduce paper consumption in thousands of offices around the world, leading the customer companies toward the paperless office, which saves both the environment and money. Profitability and financial stability are an integral part of Basware's responsibility. Stability and trustworthiness yield added value to all stakeholders.

Basware has cooperated with the Plan Finland charity foundation since 2002, and the company has 15 sponsored children around the world.

Basware's head office in Espoo has held a Green Office certificate issued by the World Wildlife Fund since 2003. The prerequisites for being issued the certificate include a standing environmental program, waste sorting and recycling, reduction of carbon dioxide emissions and endeavors to constantly improve environmental issues.

STRATEGY

Basware has updated its strategy for 2010–2012. The Basware Responsive Strategy framework allows the company to act with agility and sensitivity based on the company's situation, market trends and other changes. The Responsive Strategy framework includes follow-up and analysis of internal and external trends as well as the company's vision, mission and operating principles. Basware's operating principles comprise of the company's values, corporate governance and responsibility.

The implementation of Basware's strategy was guided by separately named strategy projects (Must-Win Battles). In line with the revised strategy, the previous strategy projects will be replaced with growth projects, strategy projects and other changing corporate-level projects. The Responsive Strategy framework also includes follow-up and analysis of internal and external trends as well as the company's vision, mission and operating principles. The operating principles are comprised of the company values, Corporate Governance and responsibility.

The company aims at maintaining its position as a leading global supplier of invoice automation and procurement solutions. Invoice automation growth is strongly supported by a new mid-market SaaS (Software as a Service) "pay as you go" offering to selected high potential markets.

Basware aims also to become a leading company in e-invoicing worldwide. E-invoicing and supporting Connectivity Services are now targeted to connect suppliers and buyers also outside of Basware's existing software customer base leading into a higher potential.

The company's long-term target is to grow annually more than 50% in SaaS, Connectivity Services and e-invoicing. SaaS, Connectivity Services and e-invoicing are scalable models and offer an increasing profit potential in the long run. The company's long-term target is to grow annually more than 10 percent in License Sales, Maintenance and Professional Services. The target for operating profit margin is between 10 percent and 20 percent.

MANAGEMENT AND AUDITORS

In 2009, Ilkka Sihvo acted as the CEO of the company. The CEO is in charge of the day-to-day management of the company in accordance with the instructions and orders given by the Board. The Annual General Meeting of Shareholders on February 12, 2009, confirmed the number of Board members as five. Matti Copeland, Pentti Heikkinen, Sakari Perttunen, Ilkka Toivola and Hannu Vaajoensuu were elected to the Board. In its first meeting, the Board elected Hannu Vaajoensuu as Chairman of the Board and Sakari Perttunen as Vice Chairman.

As of 2009 the duties of Hannu Vaajoensuu , the Chairman of the Board, were redefined. In addition to the chairman's standard duties, Hannu Vaajoensuu will continue as a member of the M&A Team and have an advisory role in major M&A projects. He will also carry out networking and industry influencer activities.

The Annual General Meeting further resolved to elect Ernst & Young Oy, Authorized Public Accountants as the auditor, with APA Heikki Ilkka in charge and APA Terhi Mäkinen as the deputy auditor.

EVENTS AFTER THE FINANCIAL PERIOD

As of January 1, 2010, members of the Basware Executive Team are Ilkka Sihvo, CEO; Mika Harjuaho, CFO; Olli Hyppänen, Strategy and Development; Jorma Kemppainen, Senior Vice President, Products; Steve Muddiman, Senior Vice President, Global Marketing; Matti Rusi, Senior Vice President, Europe; Ari Salonen, General Manager, North America; Esa Tihilä, Senior Vice President, Global Operations; Odd Roar Trapnes, Senior Vice President Scandinavia; and Jukka Virkkunen, Senior Vice President NorthEast.

Matti Rusi, Senior Vice President, Europe was employed by Basware as of January 4, 2010.

Basware will centralize its product development units and therefore the activities of the small Norwegian unit will be moved to the Finnish and Indian locations during the first half of the year 2010.

The chairman of the Board of Directors, Hannu Vaajoensuu, has been employed by the company since 1985. In addition to the standard duties of the chairman of the Board, he has most recently worked as a member of the M&A Team and had an advisory role in M&A projects. The company and Vaajoensuu have agreed on January 25, 2010 that his employment will be terminated on February 17, 2010. In connection with the termination of employment, only ordinary and statutory employment-related compensation will be paid.

FUTURE OUTLOOK

Market forecasts updated towards the end of 2009 expect the software market to increase by 9.2 percent in 2010 in the United States and by 5.5 percent in Western and Central Europe.

The entire IT market is expected to grow by 6.6 percent in the United States and by 4.0 percent in Western and Central Europe in 2010.

Western Europe and the United States combined account for approximately three quarters of the enterprise software market. In these markets, electronic invoice processing and procurement solutions are still in their infancy. The procurement management and electronic invoice processing markets are heterogeneous in terms of the competitive situation. Growth could attract more competitors to the market. The industry is consolidating, and this development could go on in the future as well. Globally speaking, Basware is a medium-sized software company in terms of net sales as well as number of personnel.

Basware's direct competitors are mainly locally operating and often smaller companies. In North America in particular, the company has also larger competitors, especially in the field of procurement management. Developers of document management, scanning and recycling systems compete with Basware, particularly with regard to purchase invoice management solutions. Competing solutions also include customized solutions integrated into ERP (Enterprise Resource Planning) systems.

The software products still offer a competitive edge, thanks to the integrated offering consisting of new added value products and the products. Automation services, a new concept in the portfolio, will have a positive impact on the competitiveness.

EPP Automation Services will bring more predictability and transparency over Basware's revenue stream and profitability development. In 2009, revenue from continuous services (including maintenance) accounted for approximately 40 percent of the total revenue. Basware predicts that EPP Automation Services revenue will increase significantly in the strategy period.

The company aims to become the leading e-invoicing company in the world. E-invoicing, supported by Scan and Capture, are targeted both to Basware's present customers and to new customers, which adds on potential.

The company's long-term target is to grow annually more than 50% in SaaS, Connectivity Services and e-invoicing. SaaS and e-invoicing are scalable models and offer an increasing profit potential in the long run. A program to invest in the growth of Basware Automation Services (SaaS, e-invoicing service and Scan and Capture) has been initiated as of the beginning of 2010, which is expected to promote the favorable development of operations and order backlog.

The company's international growth is based on efforts of its own sales and marketing activity as well as the reseller channel. Development of the indirect distribution channel continues in Europe, Russia and Asia. In North America, the focus will be on developing the company's own sales channel for the time being. In Scandinavia, the focus is on profitability, and moderate growth is supported by the company's expanded product portfolio and the development of the service business. In Finland, the focus is on profitability, and moderate growth will primarily be achieved from the fields of procurement management and services.

Basware has complemented its organic growth with acquisitions. The company will continue to review possible acquisition targets during 2010. The aim of the acquisitions is to expand the company's Automation Services, distribution channel and product portfolio in international markets.

The number of the Group's personnel will increase mainly in Automation Services and R&D activities during the year. The number of personnel will increase the most in India, which will enable growth with a more moderate increase in costs.

Additional investments required by growth will be moderately realized, provided that net sales and profitability have realized in accordance with expectations.

Basware expects its net sales to develop positively on the level of 2009. Operating profit (EBIT) for 2010 is expected to be from 10 to 15 percent of net sales.

BOARD'S DIVIDEND PROPOSAL

Basware is a growth company that aims at increased market capitalization and moderate dividend yield. When preparing the dividend proposal, the Board considers the company's financial position, profitability and prospects in the near future.

At the end of 2009, the Group parent company's distributable funds are EUR 61,575, 776.74.

Basware's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.36 per share (2008: EUR 0.23) be paid for 2009.

Espoo, Finland, January 25, 2010

BASWARE CORPORATION
Board of Directors
Hannu Vaajoensuu, Chairman of the Board
Matti Copeland
Sakari Perttunen
Ilkka Toivola
Pentti Heikkinen

Ilkka Sihvo, CEO

The geographical division of net sales by the location of assets

Net sales (EUR thousand)	10–12/2009	10–12/2008	Change, %	1–12/2009	1–12/2008	Change, %
Finland	15,271	15,329	−0.4	50,486	49,517	2.0
Scandinavia	6,135	6,627	-7.4	22,236	18,805	18.2
Europe	5,629	5,264	6.9	18,717	19,454	-3.8
Other	2,897	1,311	120.9	9,201	5,004	83.9
Sales between segments	-3,333	-2,238	-49.0	-7,985	−6,682	-19.7
Group total	**26,600**	**26,294**	**1.2**	**92,654**	**86,098**	**7.6**

The geographical division of net sales by the location of customers:

Net sales (EUR thousand)	10–12/2009	10–12/2008	Change, %	1–12/2009	1–12/2008	Change, %
Finland	12,267	12,769	-3.9	42,449	41,514	2.3
Scandinavia	6,003	6,411	−6.4	21,719	18,309	18.6
Europe	5,071	5,143	-1.4	18,065	19,191	−5.9
Other	3,258	1,971	65.3	10,421	7,083	47.1
Group total	**26,600**	**26,294**	**1.2**	**92,654**	**86,098**	**7.6**

The geographical division of net sales by the location of customers:

Operating profit (EUR thousand)	10–12/2009	10–12/2008	Change, %	1–12/2009	1–12/2008	Change, %
Finland	3,024	4,385	-31.0	7,714	7,898	-2.3
Scandinavia	1,041	-21	5,068.2	3,169	1,017	211.4
Europe	902	−48	1,974.6	1,566	-74	2,224.8
Other	−517	118	−537.7	741	289	155.9
Operating profit between segments	-393	-312	-26.0	-1,365	−452	-201.8
Group total	**4,058**	**4,122**	**−1.6**	**11,824**	**8,679**	**36.2**

The geographical division of operating profit by the location of assets:

Personnel (employed, on average)	10–12/2009	10–12/2008	Change, %	1–12/2009	1–12/2008	Change, %
Finland	460	426	8.0	454	421	7.8
Scandinavia	130	146	-11.4	135	112	20.0
Europe	119	127	−6.3	119	129	-7.3
Other	48	29	68.6	39	26	47.0
Group total	**758**	**729**	**4.0**	**747**	**689**	**8.5**

Group Income Statement
1.1.–31.12.2009 (IFRS)

EUR thousand	Notes	1.1.–31.12.2009	1.1.–31.12.2008	Change, %
NET SALES	2,3	**92,654**	**86,098**	**7.6**
Other operating income	5	162	250	-35.2
Materials and services	6	-6,193	-4,726	31.0
Employee benefits expenses	7	-52,294	-50,399	3.8
Depreciation and amortization		-4,456	-3,043	46.4
Other operating expenses	8	-18,048	-19,500	-7.4
Operating profit		**11,824**	**8,679**	**36.2**
Finance income	9	172	734	-76.6
Finance expenses	9	-406	-1,003	-59.5
Profit before tax		**11,590**	**8,410**	**37.8**
Income tax expense	10	-2,517	-1,825	37.9
PROFIT FOR THE PERIOD		**9,074**	**6,585**	**37.8**
Other comprehensive income				
Exchange differences on translating foreign operations		1,326	-4,383	-130.3
Income tax relating to components of other comprehensive income	10	-549	0	-100.0
Other comprehensive income, net of tax		777	-4,383	-117.7
TOTAL COMPREHENSIVE INCOME		**9,850**	**2,201**	**347.4**
Profit attributable to:				
Owners of the parent		9,074	6,467	40.3
Minority interest		0	118	-100.0
		9,074	6,585	37.8
Total comprehensive income attributable to:				
Owners of the parent		9,850	2,084	372.8
Minority interest		0	118	-100.0
		9,850	2,201	347.4
Earnings per share (undiluted), EUR	11	0.80	0.56	41.3
Earnings per share (diluted), EUR	11	0.80	0.56	41.3

Group Balance Sheet
31.12.2009 (IFRS)

EUR thousand	Notes	31.12.2009	31.12.2008	Change, %
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	12	20,291	17,022	19.2
Goodwill	12	31,119	29,212	6.5
Tangible assets	13	823	991	-17.0
Available-for-sale investments	14	38	38	0.0
Long-term trade and other receivables	15	124	536	-76.9
Deferred tax assets	20	2,199	2,208	-0.4
Non-current assets		**54,593**	**50,006**	**9.2**
CURRENT ASSETS				
Inventories	16	33	48	-31.7
Trade and other receivables	17	19,684	20,737	-5.1
Income tax receivables	17	767	2,341	-67.2
Financial assets at fair value through profit or loss	18	34	31	8.0
Cash and cash equivalents	19	12,176	8,745	39.2
Current assets		**32,694**	**31,902**	**2.5**
TOTAL ASSETS		**87,287**	**81,909**	**6.6**
EQUITY AND LIABILITIES				
Shareholder's equity				
Share capital	23	3,440	3,440	0.0
Issue of shares	23	140	0	
Share premium account	23	69	69	0.0
Own shares	23	-629	-271	-131.9
Fair value reserve and other reserves	23	33,598	33,598	0.0
Translation differences		-3,214	-3 991	19.5
Retained earnings		23,176	15,648	48.1
Parent company's shareholders' equity		**56,580**	**48,493**	**16.7**
Minority interest		**0**	**224**	**-100.0**
Shareholders' equity		**56,580**	**48,717**	**16.1**
NON-CURRENT LIABILITIES				
Deferred tax liability	20	3,997	2,307	73.3
Interest-bearing liabilities	24, 25	3,674	7,729	-52.5
Non-interest-bearing liabilities	24, 25	110	0	
Non-current liabilities		**7,782**	**10,036**	**-22.5**
CURRENT LIABILITIES				
Interest-bearing liabilities	24, 25	5,555	5,555	0.0
Trade payables and other liabilities	24	17,039	16,683	2.1
Tax liability from income tax	24	331	918	-63.9
Current liabilities		**22,926**	**23,156**	**-1.0**
TOTAL EQUITY AND LIABILITIES		**87,287**	**81,909**	**6.6**

Group Cash Flow Statement

1.1.–31.12.2009 (IFRS)

EUR thousand	1.1.–31.12.2009	1.1.–31.12.2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	9,074	6,585
Adjustments for profit		
Employee benefits	625	142
Depreciation and amortization	4,456	3,043
Finance income and expenses	234	269
Unrealized profits and losses	0	0
Income taxes	2,517	1,825
Other adjustments	1	-36
Total adjustments for profit	7,832	5,243
Working capital changes		
Increase (–) / decrease (+) in inventories	15	–6
Increase (–) / decrease (+) in short term non-interest bearing receivables	1,758	–1,427
Increase (–) / decrease (+) in short term non-interest bearing liabilities	–1,910	1,558
Total working capital changes	-136	125
Interest paid	–192	–291
Interest received	104	154
Other financial items in operating activities	-30	-38
Income taxes paid	–1,920	–3,447
Net cash from operating activities	**14,732**	**8,331**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest paid	-3,135	-3,631
Interest received	1	47
Other financial items in operating activities	–1,875	–8,728
Income taxes paid	0	9
Net cash from operating activities	**–5,009**	**–12,303**
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issue	140	0
Proceeds from loans	0	12,650
Repayments of borrowings	-3,558	–4,300
Purchase of own shares	-358	-271
Repayments of financial lease liabilities	0	-1
Dividends paid	–2,623	–1,720
Net cash used in financing activities	**–6,398**	**6,358**
Net change in cash and cash equivalents according to cash flow statement	**3,324**	**2,386**
Cash and cash equivalents at beginning of period	8,777	7,041
Effects of exchange rate changes on cash and cash equivalents	109	–650
Cash and cash equivalents at end of period	12,210	8,777
Net change in cash and cash equivalents	**3,324**	**2,386**

In the cash flow statement cash and cash equivalents comprise of liquid funds and term deposits as well as financial assets at fair value through profit of loss.

Group Statement of Changes in Shareholders' Equity

1.1.2009–31.12.2009 (IFRS)

EUR thousand	Share holders' capital	Share issue	Share premium account	Own shares	Invested non-restricted equity	Other res.	Translation differences	Retained earnings	Minority interest	Total
SHARE HOLDERS' EQUITY 1.1.2008	3,440	0	33,127	0	0	540	392	9,765	148	47,413
Comprehensive income							–4,383	6,467	118	2,201
Dividend distribution								–1,720		–1,720
Granted warrants								142		142
Changes in reporting period			-33,058	-271	33,058			993	-41	681
SHARE HOLDERS' EQUITY 31.1.2008	**3,440**	**0**	**69**	**-271**	**33,058**	**540**	**-3,991**	**15,648**	**224**	**48,717**

EUR thousand	Share holders' capital	Share issue	Share premium account	Own shares	Invested non-restricted equity	Other res.	Translation differences	Retained earnings	Minority interest	Total
SHARE HOLDERS' EQUITY 1.1.2009	3,440	0	69	-271	33,058	540	-3,991	15,648	224	48,717
Comprehensive income							777	9,074		9,850
Dividend distribution								-2,623		-2,623
Granted warrants								515		515
Changes in reporting period		140		-358				561	-224	119
SHARE HOLDERS' EQUITY 31.1.2009	**3,440**	**140**	**69**	**–629**	**33,058**	**540**	**–3,214**	**23,176**	**0**	**56,580**

Notes To The Group Financial Statements (IFRS)

Basware Corporation is a public Finnish company founded under the Finnish law. The company's domicile is Espoo, Finland. The shares of the parent company Basware Corporation have been listed on the Helsinki Stock Exchange since 2000. Basware develops software for Enterprise Purchase to Pay and Financial Management solutions.

A copy of the Group financial statements is available on the Internet at www.basware.com or the parent company's headquarters, address Linnoitustie 2, Espoo.

The Board of Directors has approved the financial statements on January 26, 2010. Shareholders have the right to approve or reject the financial statements in the Annual General Meeting. The financial statements may also be revised in the Annual General Meeting.

1. ACCOUNTING PRINCIPLES

Accounting principles

Basware Corporations' financial statements have been prepared according to the International Financial Reporting Standards (IFRS), approved for use in EU countries, in accordance with the IAS and IFRS standards and SIC and IFRIC interpretations valid on December 31, 2009. The Group's Financial Statements are presented in thousands of euro, which is the primary and reporting currency of the Group's parent company, and they are based on acquisition costs unless otherwise stated in the accounting principles.

As of January 1, 2009, the Group has applied the following new and revised standards and interpretations:

- Amended IAS 1 Presentation of Financial Statements. The amendments mainly affect the presentation of the statement of comprehensive income and statement of changes in shareholders' equity. In addition, the amended standard has also extensively changed the terminology used in other standards, and also the names of certain financial statement calculations have changed. The principle of calculating the earnings per share indicator has remained unchanged.
- Amendments to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations. The standard amendments require that all non-vesting conditions be taken into consideration in determining the fair value of granted equity instruments. In addition, the standard amendment further specifies the guidelines on the accounting of cancellations. The amendments have not had any substantial impact on the reported figures.
- Amendments to IFRS 7 Financial Instruments: Disclosures – improvement of notes concerning financial instruments. The amendments were issued in March 2009 due to the international finance crisis. With the amendments, a three-tier hierarchy is adopted in presenting the fair value of financial instruments. The amended standard also requires additional notes in order to make it easier to assess the relative reliability of fair values. In addition, the standard amendments clarify and expand previous requirements for the presentation of information concerning liquidity risk. The amendments have not had a substantial impact on the presented data.
- IFRS 8 Operating Segments. According to IFRS 8, the segment data reported must be based on internal reporting submitted to the management and the accounting principles used therein. The adoption of IFRS 8 did not substantially change the information presented about the segments, as the segment figures previously disclosed by the company were already based on the company's internal reporting structure.
- Improvements to IFRSs, May 2008. Minor and less urgent amendments to the standards are collected and implemented once a year through the annual improvements procedure. The amendments included in the project concern a total of 34 standards. The impacts of the amendments vary by standard, but they were not significant with regard to the group financial statements.

The following standards had no effect on the Group:

- Amendments to IAS 1 Presentation of Financial Statements and IAS 32 Financial Instruments: Presentation – Puttable Instruments and Obligations Arising on Liquidation.
- Revised IAS 23 Borrowing Costs
- IFRIC 13 Customer Loyalty Programs

The Group will adopt in 2010 the following standards and interpretations whose application is not yet compulsory in financial statements:

- Annual Improvements to IFRSs (April 2009). Minor and less urgent amendments to the standards are collected and implemented once a year through the annual improvements procedure. The Group estimates that the standard amendments have no significant impact on the Group's future financial statements.
- Amendments to IFRS 2 Share-based Payment - group cash-settled share-based payment transactions. The Group estimates that the standard amendments have no significant impact on the Group's future financial statements.
- Amended IFRS 3 Business Combinations. The scope of application of the amended standard is more extensive than before. The amended standard includes significant changes from the point of view of the Group. The amendments to the standard have an effect on the amount of goodwill recognized for acquisitions and sales results of the business functions. The amendments to the standard also have an effect on items recognized through profit or loss both during the financial period of acquisition and those financial periods during which an additional purchase price is paid or additional acquisitions are performed. In accordance with the transitional rules of the standard, business combinations where the date of acquisition precedes the compulsory implementation of the standard are not adjusted.
- Amended IAS 27 Consolidated and Separate Financial Statements. The amended standard requires that the effects arising from changes in the ownership of a subsidiary be recognized directly under the group's shareholders' equity when the parent company's control is retained. If control in the subsidiary is lost, any remaining investment is measured at fair value through profit or loss. As a result of the amendment, the loss of a subsidiary can be allocated to a minority even when they exceed the minority's investment. The Group estimates that the standard amendment has no significant impact on the Group's future financial statements.
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Hedged items. The amendments apply to hedge accounting. They further specify the guidelines of IAS 39 on the hedging of the hedged item's one-sided risk and inflation risk when an item included in financial assets or liabilities is concerned. The Group estimates that the standard amendment has no significant impact on the Group's future financial statements.

The following standard amendments are not expected to have an effect on the Group:

- IFRIC 12 Service Concession Arrangements
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distributions of Non-cash Assets to Owners
- IFRIC 18 Transfers of Assets from Customers

Principles of consolidation

Basware's Group financial statements include the parent company Basware Corporation and the subsidiaries controlled by it. With regard to subsidiaries, the parent company's control is based on full ownership of the share capital or a majority holding. The Company does not own shares in joint enterprises or affiliates.

The subsidiaries have been included in the Group financial statements as of the acquisition date. Intra-group holding is eliminated using the acquisition cost method. Acquired companies are accounted for using the purchase method according to which the assets and liabilities of the acquired company are measured at their fair value when it has been possible to determine the value reliably. Deferred taxes of the acquisition cost adjustments are recognized according to the valid tax rate and the remainder is recognized as goodwill on the balance sheet.

Intra-group business transactions, internal liabilities and receivables, and internal profit distribution are eliminated in the Group financial statements. Minority interest is separated from the profit and shareholders' equity on the balance sheet and the corresponding figures are reported separately in the Group statement of comprehensive income and in the shareholders' equity on the balance sheet. Accumulated losses applicable to a minority are charged to the group financial statements up to the amount of the investment. This applies to the comparison figures for the previous year, as minorities have been repurchased during the financial period.

Business combinations under same control are treated based on the original purchase price in the accounts as these acquisitions are not included in the scope of application of the IFRS 3 Business Combinations standard. The difference between the purchase price and acquired shareholders' equity in the acquisition of minority interests is recognized under shareholders' equity.

Transactions in foreign currencies

Transactions in foreign currencies are recorded in the operating currency at the approximate exchange rates prevailing at the transaction dates. Monetary items in foreign currencies have been translated into the operating currency using the exchange rates at the end of the reporting period. Non-monetary items denominated in foreign currencies are carried at the exchange rate at the date of the transaction. Foreign exchange gains and losses related to normal business operations are entered in the appropriate income statement account before operating profit.

In the Group financial statements, the income statements of foreign subsidiaries are translated into euros at the average rate for the financial period and balance sheets at the exchange rate of the balance sheet date. Average rate difference due to different exchange rates on the statement of comprehensive income and balance sheet are entered in other comprehensive income. Translation differences arising from the elimination of foreign subsidiaries and translation of equity items accumulated after the acquisition are entered in other comprehensive income. Foreign currency gains and losses from monetary items part of the net investment in a foreign unit are recognized in other comprehensive income and entered on the income statement when the net investment is abandoned.

Revenue recognition

Revenue recognition of product sales requires that there is a binding agreement of the sale, the product has been delivered, proceeds from the transaction can be reliably specified, the financial gain will benefit the company with sufficient probability, and significant benefits and risks related to ownership or rights of use of the product have been transferred to the buyer. License agreements with a right of return or conditions related to the product's functionality or implementation project are recognized as revenue once the right of return has expired or the above-mentioned conditions have been fulfilled.

Service revenue is recognized at the time of delivery. Maintenance revenue is allocated over the contract period.

When net sales are calculated, sales revenue is adjusted for exchange rate differences of foreign currency sales.

Other operating income

Other operating income includes proceeds from the sale of property, plant and equipment and possible rental income.

Operating profit

The IAS 1 Presentation of Financial Statements standard does not define the concept of operating profit. The Group uses the following definition of operating profit: operating profit is the net sum of operating income added to net sales, less the cost of purchase for finished goods which is adjusted with inventory changes, less the costs resulting from employee benefits, depreciation and possible impairment loss as well as other operating expenses. All other items of the income statement are presented after operating profit. Exchange differences and fair value changes of derivatives are included in operating profit, provided that they result from items related to business operations; otherwise they are recognized under financing items.

Impairment

The Group performs an annual impairment test of goodwill, those intangible assets that have unlimited useful lives, and unfinished development projects. Additionally indications of impairment are evaluated regularly. In case of such indications, the recoverable amount of the cash-generating unit or asset is evaluated.

The need for impairment is evaluated at the level of the cash-generating units, or the lowest unit level mainly independent of other units and whose cash flows can be differentiated and are highly independent of the cash flows of other corresponding units.

The book value of the cash generating unit and assets allocated to the unit are compared to the unit's recoverable amount (value in use). Value in use refers to the estimated future net cash flows from the asset or cash-generating unit in question discounted to the current value

The current value of future cash flows is based on the so-called perpetuity assumption (time period is infinite). The forecast cash flows are estimated for a period of three years and the value of the so-called residual part of use value after the forecast period is determined using the Gordon model. Value in use is based on cash flows according to three-year predictions and business plans. The cash flows for the following years are estimated by extrapolating the cash flow of the third year with the zero-growth assumption. The discount rates employed are the weighted average of capital costs and its starting point is determining the risk in accordance with CAPM. The discount rate includes a risk-free interest rate that takes the time value of money into consideration and a risk premium.

If the value in use is lower than the carrying amount of the asset, the impairment is entered as an expense on the income statement and allocated primarily to goodwill and thereafter against other assets on a pro rata basis.

If there is a positive change in the estimated recoverable amount of money, depreciation loss related to tangible fixed assets and other intangible assets, excluding goodwill, is nullified. However, an impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized. Goodwill impairment loss is not reversed in any situation. Additionally, the impairment loss of equity instruments that are recognized as available-for-sale financial assets is not reversed through profit or loss.

Goodwill

Goodwill is measured as the excess of the cost of the acquisition over the Group's share of the fair values of the acquiree's net assets at the time of the acquisition. Goodwill is recognized at the original acquisition cost less accumulated depreciation.

Other intangible assets

Other intangible assets include software, capitalized product development costs and customer relationships. Intangible assets are recognized at the original acquisition cost less accumulated depreciation according to plan and possible impairment. Public subsidies related to the acquisition of an intangible asset are deducted from the acquisition cost of the asset and recognized as income by reducing the depreciation charge of the asset they are related to. The expected useful lives of intangible assets are 3 to 5 years.

Research and development costs
Research expenses are booked as an expense as they are incurred. Development costs of new products and new product versions with significant enhancements are capitalized and recognized and amortized over the useful life of 3–5 years. In determining the useful life, the obsolescence of technology and the typical life cycle of products in the industry are taken into consideration. Amortization starts once the product version is launched. Maintenance of existing products and minor enhancements are recognized as they are incurred. Product development projects prior to 2004 have not been capitalized as the amount of capitalization cannot be determined reliably. Unfinished development projects are tested for impairment at the balance sheet date.

Tangible assets
Tangible assets include machinery and equipment. Tangible assets are recognized on the balance sheet at the original acquisition cost less accumulated depreciation according to plan and possible impairment. The useful lives of tangible assets are 3 to 5 years.

The useful life of an asset is reviewed at least at the end of each financial year and, if necessary, any change in expectations for financial benefit is accounted for.

Sales gains and losses on disposal or transfer of tangible assets are recognized through profit or loss.

Maintenance costs are recognized through profit or loss as they are incurred.

The company recognizes borrowing costs as an expense in the period during which they are incurred. If the borrowing costs are due to an asset whose completion for the intended purpose or sale necessarily requires a considerably long time, the borrowing costs are capitalized as part of the acquisition cost of the asset.

Leases
Leases on property, plant and equipment are classified as finance leases if they transfer a substantial portion of the risks and rewards incident to ownership. Finance leases are recognized on the balance sheet at the beginning of the lease as assets and liabilities at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Commodities acquired using finance leases are amortized according to plan and possible impairment losses are recognized. Finance lease liabilities are recognized under interest-bearing in short and long term liabilities.

If the risks and benefits typical of ownership remain with the lessor, the contract is handled as another rental agreement and the payments executed based on the agreement are recognized as an expense in fixed installments over the lease period.

Financial assets
The Group's financial assets are categorized to the following categories:
» Financial assets at fair value through profit or loss
» Held-to-maturity investment
» Loans and other receivables
» Available-for-sale financial assets

The categorization is based on the purpose of the acquisition of the financial assets, and it is performed in connection with the original acquisition.

Transaction costs are included in the original book value of the financial assets, when the item in question is not recognized at fair value through profit or loss. All purchases and sales of financial assets are recognized at the transaction date, which is the date on which the Group commits to purchase or sell the financial instruments. Derecognition of a financial asset is done when the Group has lost its contractual right to money flow or when it has, for a significant extent, transferred risks and profits to outside the group.

Financial assets at fair value through profit or loss
A financial asset is grouped into the Financial assets at fair value through profit or loss category if it is acquired as held for trading, or it is designated as at fair value through profit or loss upon initial recognition. Financial assets at fair value through profit or loss consist of invested cash and cash equivalents and they are classified as held-for-trading assets. Held-for-trading financial assets are mainly acquired in order to obtain gains from changes in short-term market prices. The assets are valued at the fair market price at the balance sheet date, and the change in value is recognized under finance income on the income statement.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity.

They are valued at amortized cost and are included in non-current assets. At the closing date, there were no such financing items on the balance sheet.

Loans and other receivables
Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held by the company with the intent to sell. Loans and other receivables are valued at amortized cost using the effective rate method. They are included in current or non-current trade receivables and other receivables category on the balance sheet in accordance with their nature. If the receivable matures in more than 12 months, it is categorized in long-term receivables.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets specifically designated to this group or not categorized otherwise. They are included in long-term assets unless they are intended to be held for less than 12 months as of the closing date, in which case they are included in short-term assets. Available-for-sale financial assets are measured at fair value. When the fair value cannot be reliably determined, they are measured at acquisition cost.

Changes in the fair value of available-for-sale financial assets are entered in the fair value reserve in equity, taking into account the tax effect. Changes in fair value are transferred from equity to the income statement when the instrument is sold or its value has decreased so that an impairment loss has to be recognized for the instrument.

Cash and cash equivalents
Cash and cash equivalents consist of cash, bank deposits that can be withdrawn on demand and other current highly liquid investments that can be exchanged to an amount of cash assets that is known in advance, and with a low risk of changes in value. Items classified as cash and cash equivalents have a maximum maturity of three months from acquisition.

Financial liabilities
Financial liabilities are initially recognized at fair value. Transaction costs have been included in the original carrying amount of financial liabilities. Subsequently, all financial liabilities are valued at amortized cost using the effective interest rate method. Financial liabilities are divided into current and non-current liabilities and they can either be interest-bearing or non-interest-bearing.

Derivative contracts
Derivative contracts are recognized initially at fair value at the date on which the Group enters into the agreement, and subsequently they are still measured at fair value. Gains and losses resulting from fair value measurement are treated in accounting as specified by the purpose of the derivative contract. The Group has derivative contracts that are not eligible for hedge accounting. These instruments are derivatives that hedge against interest rate risk, which are included in short-term receivables or liabilities. Changes in their fair value are presented under finance income and expenses on the income statement.

Impairment of financial assets
Based on a risk assessment, an impairment loss is made for uncertain sales receivables. Significant financial problems of a debtor, likelihood of bankruptcy, default of payments or a delay of more than 180 days of a payment are indications of the impairment of sales receivables. If the amount of the impairment loss is decreased during a subsequent period and the decrease can be objectively considered to be associated with an event after the impairment was recognized, the recognized loss is reversed through profit or loss.

Additionally, an assessment is conducted at each closing date to determine if there is objective evidence of impairment of an item or a category included in the financial assets.

Provisions
A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the obligation will have to be settled, and the amount of the obligation can be reliably estimated. Provisions are measured at the present value required in order to cover the obligation. The present value factor used in the calculation of the present value is selected so that it represents the market insight into the time value of money and liability-related risks at the time of the assessment.

Pensions
The statutory pension coverage of Basware Corporation employees is provided through insurance policies taken out with a pension institution. Pension coverage for personnel employed by units outside Finland is arranged in line with the requirements of local legislation and social security provisions. Payments related to defined contribution pension plans are recognized on the income statement in the year they are incurred. There are no defined benefit plans.

Share-based payment costs
The IFRS 2 Share-based Payments standard is applied to warrants granted after November 7, 2002 and whose subscription period has not begun prior to January 1, 2005. The Group has incentive schemes in which the payments are made as either equity instruments or in cash. The benefits granted in the schemes are measured at fair value at the grant date and recognized as an expense evenly during the earnings period. In schemes where the payments are made in cash, the liability recognized and change in its fair value is correspondingly allocated as expenses. The result impact of the schemes is presented under employee benefits expenses.

The expense determined at the grant date of the warrants is based on the Group's estimate of the number of warrants to which a right is expected to arise at the end of the earning period. The Group updates its assumption of the final number of options at the end date of each reporting period. The changes in the estimates are recognized through profit and loss.

The fair value is defined using the Black–Scholes warrant pricing model. When warrants are exercised, monetary payments received based on the subscriptions adjusted for any transaction costs are recognized under shareholders' equity. Monetary payments received from share subscriptions based on warrants granted before the entry into force of the valid Companies Act (July 21, 2006/624) on September 1, 2006, are recognized in share capital and share premium account according to the terms and conditions of the arrangement. Funds received from share subscriptions in warrant schemes decided on after the entry into force of the valid Companies Act, adjusted for any transaction costs, are recognized in the invested non-restricted equity fund according to the terms and conditions of the arrangement.

Taxation
The tax expenses on the income statement comprise of tax based on the taxable income for the financial year and deferred taxes. Tax expenses are recognized in the income statement except for the expenses entered directly to shareholders' equity when they are entered on the balance sheet as part of shareholders' equity. Taxes based on the results of the Group companies are recorded according to the local tax rules of each country.

Deferred taxes are calculated from all temporary differences between the carrying amount and taxable value. Deferred tax is not recognized for non-tax deductible goodwill and deferred tax is not recognized for non-distributed profits of subsidiaries in so far as the difference is not likely to be discharged in the foreseeable future.

At the closing date, a company-specific assessment of the amount of deferred tax assets included on the balance sheet is conducted and it is reduced to the extent that likely cannot be utilized in the taxation of the company in question. Deferred tax liabilities are wholly included on the balance sheet.

The most significant temporary differences arise from depreciation of property, plant and equipment, unused tax losses and adjustments for fair values in connection with acquisitions.

Own shares
Share repurchase and conveyance of shares and related costs are presented under shareholders' equity.

Accounting principles requiring management's consideration and key uncertainties relating to the estimates
When preparing the financial statements, estimates and supposition regarding the future have to be made. Realization may however differ from these estimates. Additionally, discretion must be used when applying the accounting principles. The estimates are based on the best views of the management at the time of the closing of the books. Possible changes in the estimates and suppositions are recorded in accounting in the period when the estimate or supposition is adjusted and in all the following financial periods.

The management believes that the estimates and suppositions are accurate enough to be used as basis for fair value assessment. Additionally, the Group reviews the possible indications of depreciation regarding both tangible and intangible assets at each closing date, at the latest.

The most significant estimates included in the financial statements are related to measurement of assets, current sales receivables (Note 17), utilization of deferred tax assets (Note 20) and capitalization of product development expenses (Note 12).

The Group performs an annual impairment test of goodwill, those intangible assets that have unlimited useful lives, and unfinished development projects and evaluates indications of impairment as presented above. Recoverable amounts of cash-generating units have been determined by calculations based on value in use. More information on the measurement of intangible assets in company mergers can be found in note 4. Product development costs are capitalized in intangible assets regarding new products as well as product versions with significant upgrades and amortized during the useful life after the product has been completed.

2. OPERATING SEGMENTS

Basware Group's operations are mainly led as geographical entities. Basware's reported business segments are based on geographical location: Finland, Scandinavia, Europe and Other. In 2009, the business operations in North America and Australia are reported in the Other segment.

Revenue, assets and liabilities are allocated to the business segments according to the location of assets. Therefore the revenues from reseller activities in Asia-Pacific (excluding Australia as of July 1, 2009) as well as in Russia and other areas outside of Europe, are included in the Finnish geographical segment.

According to the transfer pricing regulations of the Group, transactions between Group companies are conducted on so called Arm's Length terms. As of January 1, 2008, the so-called Transactional Net Margin method compliant with the principles of OECD's Transfer Pricing Guidelines is applied to product sales and maintenance services and the so-called Cost Plus method is applied to other services. OECD's Comparable Uncontrolled Price Method was to the transfer pricing of product sales and maintenance services during earlier financial periods.

In addition, the company reports revenue generated by products and services as follows: License Sales, Professional Services, Maintenance Services and Automation Services. Automation Services include SaaS revenue and Connectivity Services, which include digitalization of paper invoices and exchange of e-invoices and purchase transactions.

License Sales include the revenue from the license sales of Basware's own products through group companies as well as resellers. Also, ASP lease-based license sales are included in License Sales.

Work related to customer projects, such as software installation, business consulting and project management are included in the Professional Services segment. Project work is typically conducted by the consulting units. Transaction-based payments of the Basware Business Transactions (Basware Einvoices) as well as the monthly fees of the service are also entered in services.

Yearly maintenance fees as well as the customer work of the personnel in the support units are included in the Maintenance and support segment.

Software as a Service revenue includes product sales, maintenance and services revenue invoiced monthly based on an agreement. Software as a Service agreements typically span several years.

Other operations include profit from the sales and maintenance of third party software and equipment.

Assets and investments are allocated to segments according to the primary function of the cost center. Non-allocated assets include cash and bank receivables and capitalized research and development costs. There is no non-allocated revenue.

2. OPERATING SEGMENTS

Operating segments EUR thousand 1.1.–31.12.2009	Finland	Scandinavia	Europe	Other	Eliminations	Not allocated	Group total
INCOME STATEMENT INFORMATION							
External net sales	44,197	21,196	18,066	9,195			92,654
Internal net sales	6,289	1,039	650	6	-7,985		
Net sales	**50,486**	**22,236**	**18,717**	**9,201**	**-7,985**		**92,654**
Operating profit of the segment	7,714	3,169	1,566	741	-1,365		11,824
Operating profit							**11,824**
Finance income and expenses						-234	-234
Income tax expense						-2,517	-2,517
Profit for the period	11,008	2,873	960	532	-6,299		9,074
Profit for the period							**9,074**
BALANCE SHEET INFORMATION							
Segment's assets	27,486	17,950	14,654	6,500			66,590
Non-allocated assets						20,697	20,697
Total assets	**27,486**	**17,950**	**14,654**	**6,500**		**20,697**	**87,287**
Segment's liabilities	11,202	3,628	3,211	3,498	-4,167		17,370
Total liabilities	**11,202**	**3,628**	**3,211**	**3,498**	**-4,167**		**17,370**
OTHER INFORMATION							
Net sales, goods	9,508	3,723	5,797	4,769			23,797
Net sales, services	34,689	17,474	12,268	4,426			68,857
Investments	1,242	1,217	42	3,494	1,454		7,448
Depreciation and amortization	-1,070	-1,350	-229	-192	-1,616		-4,456

EUR thousand 1.1.–31.12.2008	Finland	Scandinavia	Europe	Other	Eliminations	Not allocated	Group total
INCOME STATEMENT INFORMATION							
External net sales	48,293	16,509	16,435	4,861			86,098
Internal net sales	1,224	2,296	3,019	143	-6,682		
Net sales	**49,517**	**18,805**	**19,454**	**5,004**	**-6,682**		**86,098**
Operating profit of the segment	7,898	1,017	-74	289	-452		8,679
Operating profit							**8,679**
Finance income and expenses						-269	-269
Income tax expense						-1,825	-1,825
Profit for the period	5,008	565	-1,079	-136	2,227		6,585
Profit for the period							**6,585**
BALANCE SHEET INFORMATION							
Segment's assets	39,262	9,638	7,300	3,018			53,227
Non-allocated assets						28,682	28,682
Total assets	**33,271**	**9,638**	**7,300**	**3,018**			**81,909**
Segment's liabilities	9,454	5,310	3,581	1,284	-2,027		17,602
Total liabilities	**9,454**	**5,310**	**3,581**	**1,284**	**-2,027**		**17,602**
OTHER INFORMATION							
Net sales, goods	11,755	4,082	7,460	2,470			25,767
Net sales, services	32,664	13,588	11,691	2,388			60,331
Investments	3,415	8,624	415	21			12,476
Depreciation and amortization	-2,597	-126	-247	-13	-60		-3,043

NET SALES, ASSETS, INVESTMENTS BY SEGMENTS

EUR thousand 2009	License Sales	Professional Services	Maintenance	Automation Services	Not allocated	Total
Net sales	23,755	29,757	31,174	7,967		92,654
Assets	11,584	7,917	3,033	24	64,729	87,287
Investments	1,973				5,475	7,448

EUR thousand 2008	License Sales	Professional Services	Maintenance	Automation Services	Not allocated	Total
Net sales	23,871	33,350	23,785	1,760		86,098
Assets	15,272	9,171	2,073	57	54,808	81,909
Investments	2,739				9,737	12,476

3. NET SALES BY CUSTOMER LOCATION

EUR thousand	1.1.–31.12.2009	1.1.–31.12.2008
Finland	42,449	41,514
Scandinavia	21,719	18,309
Europe	18,065	19,191
North America	10,421	7,083
Net sales	**92,654**	**86,098**

4. ACQUISITIONS

Basware increased its shareholding in Basware E-invoices Oy to 100 percent by acquiring 12.55% of the company's shares and control from the company's management on January 30, 2009. The purchase price paid on the date of the transaction was approximately EUR 720 thousand and the additional purchase price to be paid based on the business volume for 2009 in February 2010 at the latest is expected to be approximately EUR 250 thousand. Basware increased its shareholding in Basware FIMA Oy to 100 percent by acquiring 4.04% of the company's shares and control from the company's management on August 21, 2009. A situation such as this is not currently regulated by the IFRS standards, so the company's management has specified its own accounting principle for this situation in compliance with IAS 8. The change in ownership is recognized directly in shareholders' equity, and it has no effect on the company's result or the amount of goodwill.

Basware E-invoices Oy merged into Basware Corporation on July 13, 2009, in accordance with the previously registered merger plan. The business operations of Basware E-invoices Oy will resume in Basware Corporation as a part of the Basware Automation Services business. The merger did not result in changes to Basware Corporation's organization structure.

Basware AS acquired the Norwegian invoice automation solution business of Itella Information AS. The purchase price was NOK 6.38 million (approximately EUR 0.72 million) and it was paid in cash on the day the acquisition was completed, April 1, 2009. In addition, Basware may pay an additional purchase price of a maximum of NOK 7.0 million (EUR 0.77 million) in February 2010 at the latest, determined on the basis of the volume of the purchased operations' service sales in 2009. The estimated additional purchase is circa NOK 4.4 million (around EUR 0.55 million). EUR 761 thousand associated with customer relationships has been allocated to intangible assets, taking deferred tax liabilities into consideration. Value related to customer relationships is amortized over 10 years. The purchase price includes EUR 436 thousand of goodwill. The allocation of the acquisition cost is preliminary. The acquired business operations do not have a significant impact on the company's net sales and profit for the reporting period, which is the reason for not presenting separate pro forma figures.

Basware Corporation acquired the entire share capital of TAG Services in Australia on July 1, 2009. The acquisition price was 2.1 million Australian dollars (approximately EUR 1.2 million) and was paid in cash in two parts in July and August. In addition the deal includes an additional acquisition price element that is based on the company's net sales of the period from July 1, 2009 to June 30, 2010 and will be paid in August 2010 at the latest. 4.2 million Australian dollars (approximately EUR 2.4 million) associated with customer relationships has been allocated to intangible assets, taking deferred tax liabilities into consideration. Value related to customer relationships is amortized over 10 years. No goodwill is included in this purchase price. The allocation of the acquisition cost is preliminary.

TAG Services has been Basware's partner since 2001 and offers its customers Basware Enterprise Purchase to Pay Solutions. TAG Services hold a strong position on the Australian market, especially in the public sector. In the stock exchange release on the transaction, Basware company described the attained synergy benefits as follows: "We are strengthening our organic growth by acquisitions as per our strategy. This acquisition gives us a strong foothold on the Australian markets and enables us to further develop our business in the Asia-Pacific region. After the acquisition we can sell Basware Enterprise Purchase to Pay Solutions directly to end-users. Now we are able to launch Basware Connectivity Services also in this market area. In addition the new geographical location allows Basware to offer 24/7 customer support to our global customers."

Pro forma net sales profit for the financial period would have been EUR 93,217 thousand had the TAG Services Pty Ltd net sales been consolidated for the entire period. Pro forma operating profit for the financial period would have been EUR 11,806 thousand had the TAG Services Pty Ltd net sales been consolidated for the entire period.

	TAG Services Pty Ltd.	
	Acquisition date:	7/1/2009
EUR thousand	Fair value	Acquiree's carrying amount
Tangible assets	38	38
Intangible assets:		
- customer relationships	3,432	
Trade and other receivables	448	448
Cash and cash equivalents	264	264
Total assets	**4,182**	**750**
Deferred tax liabilities	1,030	
Trade and other payables	489	489
Total liabilities and other items	**1,519**	**489**
Net assets	**2,663**	**261**
Currency exhange difference	-20	
Total acquisition cost	2,643	
Acquired company's financial assets	264	
Cash flow effect of entities acquired in the financial period	2,379	

5. OTHER OPERATING INCOME

EUR thousand	1.1.–31.12.2009	1.1.–31.12.2008
Other operating income	162	218
Gain on disposal on non-current assets	0	32
Other operating income	**162**	**250**

6. MATERIALS AND SERVICES

EUR thousand	1.1.–31.12.2009	1.1.–31.12.2008
Purchases during the period	–4,507	–3,034
Increase / decrease in inventories	–15	6
External services	–1,671	–1,698
Materials and services	**–6,193**	**–4,726**

7. PERSONNEL AND RELATED PARTIES

Personnel in average	1.1.–31.12.2009	1.1.–31.12.2008
Finland	454	421
Scandinavia	135	112
Europe	119	129
Other areas	39	26
Personnel total	**747**	**689**

Employee benefits expenses

EUR thousand	1.1.–31.12.2009	1.1.–31.12.2008
Salaries and fees	**–42,486**	**–41,786**
Pension expenses, defined benefit plans	–5,334	–4,297
Granted warrants	–625	–142
Other employee benefits	–3,848	–4,173
Other employee benefits total	**–4,474**	**–4,316**
Employee benefits expenses	**–52,294**	**–50,399**

Management and Board salaries, fees and benefits

EUR thousand	1.1.–31.12.2009	1.1.–31.12.2008
CEO of parent company	–315	–220

Compensation of the members of the Board of Directors

EUR thousand		
Hannu Vaajoensuu	–96	–141
Matti Copeland	-24	-27
Sakari Perttunen	-28	-31
Ilkka Toivola	-24	-27
Kirsi Eräkangas	0	-5
Ossi Pohjola	0	-27
Pentti Heikkinen	-24	0
Tom Bangemann	0	-5
Asko Ahonen	0	-5
Total	**-511**	**-488**

The remuneration of Hannu Vaajoensuu includes salaries paid to the fulltime Chairman of the Board based on a separate employment contract.

Key management compensation

EUR thousand	1.1.–31.12.2009	1.1.–31.12.2008
Short-term employee benefits	–1,669	–1,586
Post-employment benefits	–322	–230
Equity-related benefits	–625	–142
Management compensation	**–2,616**	**–1,958**

Compensation of the members of the Board of Directors, the executive team as well as the managing directors of the subsidiaries has been taken into notice in management compensation.

Pension benefits of the members of the Board and the CEO are pursuant to employment pension legislation.

Warrants

Warrants have been granted to the key personnel to increase their commitment and work motivation. The valuation model used is Black-Scholes. It is estimated in the calculations that average personal changes. The expected volatility is based on the volatility of the year preceding the date of issue of warrants.

Warrants	2006B	2006C	2007D	2007E
Date of issue	15.8.2007	31.1.2009	13.5.2007	13.5.2007
Issued number	67,900	80,005	78,100	78,100
Subscription price	12.19	8.27	12.19	8.27
Volume-weighted price on the date of issue	11.40	7.35	12.00	12.00
Volume-weighted fair value on the date of issue	2.02	2.02	2.05	2.40
Expected volatility	25%	25%	25%	25%
Risk free interest	4.00%	4.00%	4.00%	4.00%
Expected dividends	2.00%	2.00%	2.00%	2.00%

Share-based incentive scheme		
Date of issue		11.3.2009
Maimum bonus amount, of which	amount corresponding to	84,000
- Maximum payment in shares	amount corresponding to	42,000
- Maximum payment in cash	amount corresponding to	42,000
Share price on March 11, 2009, close		EUR 7.50
Discounted dividends March 11, 2009		EUR 0.49
Share price-discounted dividends		EUR 7.01

There are no other related party transactions.

8. OTHER OPERATING EXPENSES

EUR thousand	1.1.–31.12.2009	1.1.–31.12.2008
Rents	-2,891	-2,680
Non-statutory employee benefits	-679	-714
Audit fees	-259	-62
Taxadvices	-6	-33
Other fees and services	-33	-43
Audit fees total	-298	-138
Travel expenses	-3,543	-4,554
Marketing expenses	-2,878	-3,195
IT and telephone expenses	-1,782	-1,790
Other expenses	-5,977	-6,429
Total	-15,968	-15,968
Other operating expenses total	**-18,048**	**-19,500**
Research and development expenses		
Research and development in income statement	-13,327	-12,779
Increases in capitalized research and development expenses	-1,454	-2,739
Research and development expenses total	-14,781	-15,518

9. FINANCE INCOME AND EXPENSES

EUR thousand	1.1.–31.12.2009	1.1.–31.12.2008
Finance income		
Changes in value of financial assets at fair value through profit or loss		
- Interest rate derivatives, no hedge accounting	55	524
Other interest and financial income	117	210
Total	**172**	**734**
Finance expenses		
Interest expenses for financial liabilities valued at amortized acquisition cost	-187	-291
Changes in value of financial assets at fair value through profit or loss		
- Interest rate derivatives, no hedge accounting	-120	-618
Other finance expenses	-98	-94
Total	**-406**	**-1,003**
Finance income and expenses total	**-234**	**-269**

Finance income is formed from the proceeds of fund investments and expenses for the loan interests.

Exchange differences recognized on income statement		
EUR thousand	1.1.–31.12.2009	1.1.–31.12.2008
Exchange differences included in net sales	-140	123
Exchange differences included in purchases and expenses	220	-224
Foreign exchange gains	53	55
Foreign exchange losses	-98	-90
Exchange differences recognized on income statement	**35**	**-136**

10. INCOME TAXES

Taxes relating to other comprehensive income		
EUR thousand	1.1.–31.12.2009	1.1.–31.12.2008
Taxes on foreign exchange gains from net investments	-549	0

Direct tax		
Income tax on operations	1.1.–31.12.2009	1.1.–31.12.2008
Tax for previous accounting periods	-2,683	-2,115
Change in deferred tax liabilities and tax assets	311	-5
Tax on income from operations	-145	294
Income tax	**-2,517**	**-1,825**

Tax base reconciliation		
EUR thousand	1.1.–31.12.2009	1.1.–31.12.2008
Profit before taxes	11,590	8,410
Mathematical tax based on parent company's tax rate *)	-3,013	-2,187
Effect on different tax rates applied to foreign subsidiaries	78	739
Non-deductible expenses	-173	-346
Other	245	254
Tax for previous accounting periods	311	-5
Unrecognized tax on loss for the period	35	-220
Capitalize on losses	0	-60
Tax provision on income statement	**-2,517**	**-1,825**

*) Parent company's tax rate was 26 percent in 2008 and 2009.

11. EARNINGS PER SHARE

	1.1.–31.12.2009	1.1.–31.12.2008
Profit for the period	9,074	6,585
Average share number, 1,000 pieces		
- undiluted	11,382	11,463
- diluted	11,382	11,463
EPS (undiluted), EUR	0.80	0.56
EPS (diluted), EUR	0.80	0.56

Dividend per share
The Board of Directors proposes to the Annual General Meeting of shareholders on February 18, 2010 that a dividend of EUR 0.36 per share be paid.

12. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill	
EUR thousand	2009
Acquisition cost 1.1.	29,212
Translation difference	1,433
Additions	474
Acquisition cost 31.12.	31,119
Book value 31.12.2009	**31,119**

Goodwill	
EUR thousand	2008
Acquisition cost 1.1.	25,702
Translation difference	-754
Additions	4,264
Acquisition cost 31.12.	29,212
Book value 31.12.2008	**29,212**

Goodwill comprises of the following arrangements:

Corporate restructuring	Goodwill
Momentum Doc, AB (2002)	865
Iocore AS/Basware AS (2005)	2,908
Itella Information AS/Basware AS (2009)	474
Trivet Oy (2005)	669
Analyste Oyj (2006)	13,874
Digital Vision Technologies Ltd. (2007)/Basware UK	7,189
Contempus AS (2008)	5,140
Total	**31,119**

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

Cash generating unit	Goodwill
Basware Oyj	16,430
Basware AB	432
Basware AS	7,068
Basware UK	7,189
Total	**31,119**

Goodwill has been tested for impairment in the last quarter of 2009, and the discount rate used in the impairment testing is 8.58 percent (Basware Corporation) or 8.75 percent (Basware AB, Basware AS, Basware UK. The weighted average cost ot captal reflects the capital structure at the time of the test. The recoverable amount evaluated in the impairment test is based on the 2010 budget and on subsequent development assessed on the basis of the budget. Key variables used in the calculations are the change rates of net sales and costs. The growth of net sales has been determined by taking into account the company's actual performance, market position and growth potential in the market in question.

On grounds of sensitivity analyses based on the zero-growth scenario the management of the Company etimates that it is unlikely that a change in the key variables used in the test would create a situation where the accounting value of goodwill included in the balance sheet exceeded the recoverable amount of the unit.

Growth in Basware UK's net sales is expected to follow the target of the company's strategy for the planning period in broad outline: annual growth of more than 50% in SaaS, Connectivity Services and e-invoicing, and the company's long-term target of growth of more than 10% in the total net sales of License Sales, Maintenance and Professional Services. The tested accounting value of the assets of the company is EUR 7.2 million, of which goodwill allocated to the unit accounts for approximately EUR 7.1 million. The recoverable amount according to the business plans is approximately EUR 14.6 million. If the unit's annual growth during the planning period is between -3 and 10 percent, sensitivity analyses show that the unit's recoverable amount is approximately EUR 6.6 million.

If Basware UK's annual growth in net sales during the planning period remains between approximately -3–+10 percent, this would constitute a situation with indications of impairment of goodwill. If the value in use according to testing for impairment of goodwill performed at this time was lower than the accounting value of the unit's assets tested, the impairment would be recognized as a cost in the income statement and would be primarily allocated to goodwill on the balance sheet.

Intangible assets 2009 EUR thousand	Development costs	Intangible rights	Intangible assets, finance lease	Other long-term investments	Assets, unfinished projects	Total
Acquisition cost 1.1.	6,681	12,650	77	94	4,793	24,295
Translation difference	157	621				778
Acquisitions through business combinations		3,437				3,437
Additions	82	1,709		10	1,372	3,173
Reclassifications between items	1,902				-1,902	0
Acquisition cost 31.12.	8,822	18,418	77	104	4,263	31,683
Cumulative amortization 1.1.	-2,915	-4,275	-77	-5		-7,273
Translation difference	-58	-92				-150
Cumulative depreciation on acquisitions						
Amortization	-1,624	-2,310		-34		-3,968
Cumulative amortization 31.12.	-4,599	-6,677	-77	-39		-11,392
Book value 31.12.2009	**4,223**	**11,740**	**0**	**65**	**4,263**	**20,291**

Intangible assets 2008 EUR thousand	Development costs	Intangible rights	Intangible assets, finance lease	Other long-term investments	Assets, unfinished projects	Total
Acquisition cost 1.1.	5,211	8,853	77	0	3,004	17,146
Translation difference	−167	−174				-340
Acquisitions through business combinations	686	3,773				4,459
Additions	323	198		94	2,416	3,031
Reclassifications between items	628				−628	0
Acquisition cost 31.12.	6,681	12,650	77	94	4,793	24,295
Cumulative amortization 1.1.	−1,698	−3,161	−77	0		−4,936
Translation difference	161	97				258
Cumulative depreciation on acquisitions	−197					−197
Amortization	−1,183	−1,211		−5		−2,398
Cumulative amortization 31.12.	−2,915	−4,275	−77	−5		−7,273
Book value 31.12.2008	**3,765**	**8,375**	**0**	**89**	**4,793**	**17,022**

13. TANGIBLE ASSETS

Tangible assets 2009 EUR thousand	Machinery and equipment	Machinery and equipment, finance lease	Works of art	Total
Acquisition cost 1.1.	4,974	126	70	5,170
Translation difference	84	8		92
Acquisitions through business combinations	45			45
Additions	320		8	328
Disposals	−1			−1
Acquisition cost 31.12.	5,421	134	78	5,633
Cumulative depreciations 1.1.	−4,062	−118		−4,180
Translation difference	−56	−8		−64
Cumulative depreciation on acquisitions	-7			-7
Accrued depreciation on deductions and transfers	1			1
Depreciation	−560			−560
Cumulative depreciation 31.12.	−4,685	−126		−4,811
Book value 31.12.2009	**736**	**9**	**78**	**823**

Tangible assets 2008 EUR thousand	Machinery and equipment	Machinery and equipment, finance lease	Works of art	Total
Acquisition cost 1.1.	4,514	203	64	4,781
Translation difference	−178	−72		-250
Acquisitions through business combinations	70			70
Additions	686		6	692
Disposals	−119	−5		−124
Acquisition cost 31.12.	4,974	126	70	5,170
Cumulative depreciations 1.1.	−3,586	−186		−3,772
Translation difference	118	70		189
Cumulative depreciation on acquisitions	−136			−136
Accrued depreciation on deductions and transfers	95	3		98
Depreciation	−552	−5		−558
Cumulative depreciation 31.12.	−4,062	−118		−4,180
Book value 31.12.2008	**912**	**9**	**70**	**991**

14. AVAILABLE-FOR-SALE INVESTMENTS

EUR thousand	31.12.2009	31.12.2008
Acquisition cost 1.1.	38	38
Disposals		
Acquisition cost 31.12	**38**	**38**

15. LONG-TERM TRADE AND OTHER RECEIVABLES

EUR thousand	31.12.2009	31.12.2008
Other Long-Term receivables	43	12
Long-term financial assets at fair value through profit or loss		
Derivatives- not in hedge accounting	81	524
Long-term receivables total	**124**	**536**

The balance sheet values correspond the best to the maximum amount of the credit risk in case the other contractual parties are not able to fulfill their obligations related to financial instruments. No significant concentrations of credit risk are associated with the receivables.

16. INVENTORIES

EUR thousand	31.12.2009	31.12.2008
Raw materials and consumables	33	48
Inventories total	**33**	**48**

FiFo principle has been applied in the measurement of inventories.

17. TRADE AND OTHER RECEIVABLES

EUR thousand	31.12.2009	31.12.2008
Trade receivables	17,384	18,513
Other receivables	695	794
Prepaid expenses and accrued income	1,605	1,429
Trade and other receivables	**19,684**	**20,737**
Income tax receivables	**767**	**2,341**

No significant concentrations of credit risk are associated with the receivables. The balance sheet values correspond the best to the maximum amount of the credit risk. The Group's operating methods do not include obtaining collateral for trade and other receivables.

The age distribution of sales receivables and impairment loss

	2009	Impairment loss	Net 2009	2008	Impairment loss	Net 2008
Non-overdue sales receivables	12,376		12,376	12,504		12,504
Overdue sales receivables						
1–180 days	4,687		4,687	5,858	−175	5,684
181–360 days	453	−151	302	632	−360	271
Over 360 days	532	−514	18	363	−310	53
Total	**18,048**	**−666**	**17,384**	**19,357**	**−845**	**18,513**

18. OTHER FINANCIAL ASSETS

EUR thousand	31.12.2009	31.12.2008
Financial assets at fair value through profit or loss	34	31
Other financial assets	**34**	**31**

Fund units have been classified as Financial assets at fair value through profit or loss and they have been measured according to the last quotation of the reporting day.

19. CASH AND CASH EQUIVALENTS

EUR thousand	31.12.2009	31.12.2008
Cash and cash equivalents	12,176	8,745
Cash and cash equivalents	**12,176**	**8,745**

20. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax asset 2009

EUR thousand	1.1.2009	In income statement	In comprehensive income	In shareholders' equity	Companies acquired/sold	31.12.2009
Losses	2,208	-254	59			2,013
Other items	0	186				186
Total	2,208	−68	59			2,199

Deferred tax liabilities 2009

EUR thousand	1.1.2009	In income statement	In comprehensive income	In shareholders' equity	Companies acquired/sold	31.12.2009
Allocation of fair value on purchases	2,095	−524			1,346	2,917
Other accrual differences	211	693			176	1,080
Total	2,307	-139			348	3,977

Deferred tax asset 2008

EUR thousand	1.1.2008	In income statement	In comprehensive income	In shareholders' equity	Companies acquired/sold	31.12.2008
Losses	2,489	-303	22			2,208
Total	2,489	-303	22			2,208
Confirment losses for which a deferred tax asset has not been recognized						1,878

Deferred tax liabilities 2008

EUR thousand	1.1.2008	In income statement	In comprehensive income	In shareholders' equity	Companies acquired/sold	31.12.2008
Allocation of fair value on purchases	1,355	-253	−59		1,052	2,095
Other accrual differences	288	−61			−16	211
Total	1,643	-314	−59		1,036	2,307

In accordance with its strategy the Company focuses on profitability in the Nordic market, and in Central Europe and the United States on growth in the short term and profitability in the long term. Deferred tax assets have not been recognized for all losses as it has been estimated that the losses cannot be utilized in the near future. Utilization of tax assets has been begun in 2009. In determining the deferred tax assets, the valid tax rate in each country has been applied. Losses for which no deferred tax assets have been recognized for 2009 amount to EUR 0.03 million (2008: EUR 2.0 million).

21. MANAGEMENT OF FINANCIAL RISKS

Basware Groups international operations involve customary financing risks. The purpose of financial risk management is to ensure the availability of sufficient financing cost-efficiently and monitor and if necessary limit the emerging risks by taking appropriate measures. Risk management is centralized in the Groups finance department. In accordance with the risk management policy, the department reports to the Company's Board of Directors at least once a year.

Currency risk

The Group's main currency is euro, accounting for approximately 61 percent of net sales in 2009 (approximately 67% in 2008). The significance of exchange rate fluctuations between the euro and other currencies will increase hand in hand with the share of international operations. In addition to the euro area, Basware operates in various areas, the most significant of them in 2009 being Norway, the United Kingdom, the United States and Sweden. The company is exposed to exchange rate risks in these countries through intra-company trade, exports and imports as well as through the equity and funding of foreign subsidiaries. The Company did not realize hedging for exchange rate fluctuations during the financial year as the foreign exchange-denominated cash flow in the subsidiaries according to the company's hedging policy did not exceed the annual currency-specific limit for hedging measures.

The significance of exchange rate fluctuations between 2008 and 2009 did not have a substantial impact on Basware's growth. Basware's net sales increased by 5.8% in local currency terms during 2009.

As of January 1, 2008, the capital structure of Basware Corporation's foreign subsidiaries has been changed to the extent that the majority of the long-outstanding intercompany trade receivables in the parent company have been converted to a long-term net investment in a foreign operation. The purpose of the loan arrangement is to fund a long-term strategic investment. Foreign currency gains and losses from a net investment in a foreign operation are recorded in a separate component of equity in the consolidated financial statements.

A sensitivity analysis of currency risk calculated as required by IFRS 7 would have had an impact of EUR +/− 0.4 million on the profit before tax at the closing date on December 31, 2009, assuming a rate change of +/− 5% of the local currencies (AUD, SEK, NOK, DKK, GBP, USD) against the euro. Other variables are assumed to remain unchanged. The calculation includes the foreign currency trade payables and accounts receivable in the balance sheet.

Interest rate risk

The company had a total of EUR 9,229 thousand of interest-bearing liabilities at the closing date. In September 2008, the Company withdrew a 3-year

loan of EUR 10.7 million with semiannual equal installments to finance the acquisition of Contempus AS. The loan is hedged by a 2-year interest cap agreement, setting a cap of 5.4% for the base rate of interest. The company had minor interest rate investments in money market funds.

The average balances of the variable rate loans realized during the period have been used in calculating the sensitivity analysis required by IFRS 7. At the closing date, December 31, 2009, the effect on variable rate interest-bearing liabilities on profit before taxes would have been EUR 109 thousand had the interest rate increased or decreased by 1 percentage point.

Liquidity risk

The company maintains sufficient liquidity reserves through centralized Group-level cash management, payment traffic and overdraft facilities. The company has an account with a million euro overdraft facility secured by mortgage.

Credit risk

The company's sales receivables are spread to a vast clientele and do not include significant credit risks. Credit decisions are followed and monitored centrally by the Group management. The company has not used surety bonds to secure sales receivables.

22. CAPITAL RISK MANAGEMENT

Shareholders' equity reported in the Group balance sheet is managed as capital. The company's capital management aims to ensure the continuity of the company's operations (going concern) and increase shareholder value.

The capital structure can be adjusted by decisions on, e.g., distribution of dividend, share repurchase and share issues.

Basware Corporation's share repurchases program that was resolved by the Board of Directors on October 14, 2008 ended on March 31, 2009. The program was based on the authorization granted by the Annual General Meeting on February 14, 2008. The purchases started on October 23, 2008 and ended according to the terms of the share repurchase program on March 31, 2009. By March 31, 2009, the company had acquired 90,300 shares and the total number of shares held by the company amounted to 90,300, representing approximately 0.79% of all Basware shares. The average price of the shares acquired during the repurchases program was EUR 6.9475.

The AGM on February 12, 2009 authorized the Board to resolve on the acquisition of a maximum of 1,146,812 own shares, pursuant to the Chapter 15, section 5 of the Companies Act. The new shares are acquired with invested non-restricted equity on the market price at the NASDAQ OMX Helsinki Ltd at the time of the acquisition. The shares can either be held by the Company, nullified or conveyed further. The authorization would be valid until March 31, 2010. The Annual General Meeting resolved to approve the Board's proposal for the authorization to resolve on acquiring the Company's shares in the proposed form.

Equity ratio and gearing ratio are indicators of the capital structure.

During 2009, the group's objective, which was unchanged from the year before, was to maintain a strong equity ratio, a moderate gearing ratio and an AAA credit rating. The equity ratio in 2009 was 64.8% (2008: 59.5%). The gearing ratio in 2009 was −5.3% (9.3%). The Dun & Bradsheet credit rating was AAA in 2009 (AAA).

The change in the gearing ratio in 2009 is primarily due to the positive development of monetary assets and a decrease in the amount of interest-bearing liabilities.

23. EQUITY

EUR thousand	Number of shares	Share capital	Issue of share	Share premium account	Invested non-restricted equity	Other reserves	Own shares	Total
12/31/08	11,426,557	3,440	0	69	33,058	540	-271	-36,836
Issue of share			140					140
Purchase of own shares	−48,733						-358	-358
12/31/09	11,377,824	3,440	140	69	33,058	540	−629	36,618

Other funds

Other funds include the fair value reserve, which includes the increase in the value of the Analyste deal shares between the publication and realization of the deal in 2006.

Treasury shares

The treasury shares reserve includes the acquisition cost of own shares held by the Group.

24. LIABILITIES

EUR thousand	31.12.2009	31.12.2008
Long-term financial liabilities valued at amortized acquisition cost		
Interest bearing liabilities from financial institutions	3,550	7,108
Interest bearing finance lease obligations	2	2
Employee benefits, non-interest bearing	110	0
Total	**3,662**	**7,110**
Long-term financial liabilities at fair value through profit or loss		
Derivatives- not in hedge accounting	122	618
Total	**122**	**618**
Short-term financial liabilities valued at amortized acquisition cost		
Interest bearing liabilities from financial institutions	5,551	5,550
Interest bearing finance lease obligations	4	5
Trade liabilities	1,240	1,500
Accrued expenses and deferred income	10,091	11,140
Other liabilities	5,708	4,043
Tax liabilities from income	331	918
Current liabilities	**22,926**	**23,156**
Total liabilities	**26,710**	**30,884**

The most significant items in the accrued liabilities are the provisions for vacation pay EUR 4,570 thousand and bonuses 3,511 thousand euro.

Of loans from financial institutions, EUR 3,550 (3,566) thousand will mature in 2010 and EUR 3,550 thousand in 2011. The average interest rate of the loans was 2,4 (4,7) percent in 2009. Finance lease interest rates were 1.79 percent (3.43) in 2009.

25. FINANCE LEASE LIABILITIES

EUR thousand	31.12.2009	31.12.2008
Long-term finance leases, interest-bearing	2	2
Short-term finance leases, interest-bearing	4	5
Finance lease liabilities	**6**	**7**
Finance lease liabilities - minimum rentals		
Within a year	4	5
More than one year but no more than 5 years	2	2
Minimum rentals	**6**	**7**
Future financing costs related to leasing agreements	0	0
Finance lease liabilities	**6**	**7**
Present value of minimum rentals		
Within a year	4	5
More than one year but no more than 5 years	2	2
Future minimum lease payments at present value	**6**	**7**

26. FINANCIAL RISK MANAGEMENT

Currency risks

The Group's operating currency is euro. Foreign currency-denominated assets and liabilities translated into the euro at the exchange rates of the closing date are as follows:

Nominal values	2009						2008				
EUR thousand	USD	AUD	GBP	SEK	DKK	NOK	USD	GBP	SEK	DKK	NOK
Non-current assets	16	40	109	934	14	2,258	25	140	890	20	8,911
Current assets											
- Other financial assets	498	2,817	463	574	126	1,592	775	519	505	308	1,778
- Trade and other receivables	2,179	502	2,250	1,134	1,182	2,744	2,219	2,018	1,845	466	3,129
Current liabilities											
- Non-interest bearing liabilities	467	350	1,065	1,235	377	2,318	606	1,003	1,634	267	3,624

Credit risks

Credit losses recognized during the financial period and distribution of the maturity of trade receivables are presented in Note 17.

Liquidity risks

Despite the recession of the economy, the Group's liquidity remained good in 2009. The Group's management has not identified significant concentrations of liquidity risks in the financial assets or sources of finance. The table below describes a maturity analysis based on agreements. The figures have not been discounted and they include repayments of capital.

EUR thousand	Balance sheet value	0–6 months	6 months–1 year	1–2 year
Maturity distribution of financial liabilities				
Bank loans	7,100	1,775	1,775	3,550
Finance lease liabilities	6		4	2
Bank overdraft facilities	2,000	2,000		
Trade and other payables	17,149	17,039		110
Total	**26,255**	**20,814**	**1,779**	**3,662**
Maturity distribution of derivative liabilities				
Interest rate derivatives- not in hedge accounting	122			122

Fair values of financial assets and liabilities

EUR thousand	Note	2009 Book value	Fair value	2008 Book value	Fair value
Financial assets					
Available-for-sale financial assets					
Available-for-sale financial assets	14	38	38	38	38
Financial assets at fair value through profit or loss					
Financial assets held for trading	18	34	34	31	31
Interest rate derivatives- not in hedge accounting	15	81	81	524	524
Trade and other receivables					
Non-current					
Other receivables, non-interest-bearing	15	43	43	12	12
Current					
Cash and cash equivalents	19	12,176	12,176	8,745	8,745
Trade and other receivables	17	19,684	19,684	20,737	20,737
Financial liabilities					
Financial liabilities at fair value through profit or loss					
Interest rate derivatives- not in hedge accounting	24	122	122	618	618
Financial liabilities - financial liabilities valued at amortized acquisition cost					
Non-current					
Loans from financial institutions, interest-bearing	24	3,550	3,550	7,108	7,108
Financial lease liabilities, interest-bearing	24	2	2	2	2
Current					
Loans from financial institutions, interest-bearing	24	5,550	5,550	5,550	5,550
Financial lease liabilities, interest-bearing	24	4	4	5	5
Trade and other payables, non-interest-bearing	24	17,039	17,039	17,602	17,602

Principles of valuation of the fair value of all financial instruments applied by the Group

In valuating the fair values of the financial assets and liabilities in the table, the following price quotations, assumptions and valuation models have been used.

Available-for-sale financial assets

Available-for-sale financial assets consist of unlisted share investments valued at cost less any impairment. Therefore, the fair value of the investments cannot be specified reliably. Unlisted shares do not have an active market, and the Group does not intend to give up these investments for the time being.

Derivatives

Derivatives used by the Group are interest exchange contracts to protect against interest rate fluctuations. Derivatives are recognized at the fair value at the of each fiscal year. The fair values of the interest exchange contracts are determined by the method based on the future fair value of cashflow. This is supported by the market rates and other market information valid at the end of each fiscal year. Fair values equal to the rates that the Group would need to pay or receive in case of termination of the derivative contracts.

Finance lease

The fair value of finance leases is based on discounting future cash flows using an interest rate corresponding the interest rate of corresponding lease agreements.

Trade and other receivables and payables

The original book value of trade and other receivables and trade and other payables corresponds to their fair value as the effect of discounting is not substantial, taking into account the maturity of the items.

Loans from financial institutions

The floating interest rates of loans are based on 2- or 3-month euribor, depending on the maturity of the loan. Therefore, the fair value of floating rate loans is considered to correspond to their book value.

Other receivables

The book value of other receivables corresponds to their fair value as the effect of discounting is not substantial taking into account the maturity of receivables.

Fair value hierarchy of financial assets and liabilities at fair value

EUR thousand	Fair value of end at reporting period 31.12.2009	Tier 2
Assets at fair value		
Financial assets at fair value through profit or loss		
Interest rate derivatives	81	81
Available-for-sale financial assets	34	34
Total	**115**	**115**
Liabilities at fair value		
Financial liabilities at fair value through profit or loss		
Interest rate derivatives	122	122
Total	**122**	**122**

No transfers between tiers 1 and 2 of the fair value hierarchy took place during the financial period.

The fair values of tier 2 instruments are significantly based on quoted prices, but however on the information that can be shown directly (i.e. price) or indirectly (i.e. derived from prices) for the asset or liability in question. In determining the fair value of these instruments, the Group uses generally accepted valuation methods whose input data are, however, based on market data that can be significantly verified.

The tier of fair value hierarchy to which a certain item at fair value is classified in full is determined on the basis of the most significant lowest input data for the entire item at fair value in question. The significance of input data is determined with regard to the said asset at fair value in full.

Leases

The Group has leased the office premises it uses. The average durations of the leases are 3–5 years, and normally they include an opportunity for extending the agreement after the original end date. The agreements usually include an index clause.

The old leased premises of Basware AS have been sublet, and this agreement will end on June 30, 2010.

27. COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand	31.12.2009	31.12.2008
Own guarantees		
Business mortgage of own debt	1,200	1,200
Commitments on behalf of subsidiaries		
Guarantees	1,075	1,096
Other own contingent liabilities		
Lease liabilities		
Current lease liabilities	970	868
Lease liabilities maturing in 1–5 years	895	838
Total	1,865	1,706
Rental liabilities		
Current rental liabilities	2,333	2,385
Rental liabilities maturing in 1–5 years	2,924	4,620
Rental liabilities maturing later	1,071	1,196
Total	6,328	8,201
Other own contingent liabilities total	8,193	9,907
Commitments and Contingent Liabilities total	10,468	12,203

28. RELATED PARTY TRANSACTIONS

The Group insiders include the parent company and the subsidiaries. In addition, members of the Board of directors and the Executive Teams, including The President and CEO, are insiders.

29. SHARES IN SUBSIDIARIES

Company	Domicile	Country	Group holding, %
NextWare Oy	Espoo	Finland	100
Basware GmbH	Düsseldorf	Germany	100
Basware UK Ltd.	Guildford	United Kingdom	100
Basware AB	Stockholm	Sweden	100
Basware B.V.	Amsterdam	The Netherlands	100
Basware A/S	Fredensborg	Denmark	100
Basware Inc.	Delaware	United States	100
Basware SAS	Paris	France	100
Basware AS	Oslo	Norway	100
Basware FIMA Oy	Espoo	Finland	100
Basware Pty Ltd	Chatswood	Australia	100
Digital Vision Technologies Ltd.	Manchester	United Kingdom	100

30. EVENTS AFTER THE FINANCIAL PERIOD

As of January 1, 2010, members of the Basware Executive Team are Ilkka Sihvo, CEO; Mika Harjuaho, CFO; Olli Hyppänen, Strategy and Development; Jorma Kemppainen, Senior Vice President, Products; Steve Muddiman, Senior Vice President, Global Marketing; Matti Rusi, Senior Vice President, Europe; Ari Salonen, General Manager, North America; Esa Tihilä, Senior Vice President, Automation Services; Odd Roar Trapnes, Senior Vice President Scandinavia and Jukka Virkkunen, Senior Vice President NorthEast.

Parent Company Income Statement

1.1.–31.12.2009 (FAS)

EUR thousand	Notes	1.1.–31.12.2009	1.1.–31.12.2008	Change, %
NET SALES	2	40,402	37,540	7.6
Other operating income	3	0	56	-100.0
Materials and services	4	-2,591	-2,058	25.9
Employee benefits expenses	5	-23,051	-21,587	6.8
Depreciation and amortization	6	-3,684	-3,227	14.2
Other operating expenses		-7,359	-7,299	0.8
Operating profit		3,717	3,425	8.5
Finance income	7	6,764	2,369	185.6
Finance expenses	7	-1,367	-4,131	-66.9
Profit before appropriation and taxes		9,114	1,663	448.2
Income tax expense	8	-1,933	-823	135.0
PROFIT FOR THE PERIOD		7,181	840	755.0

Parent Company Balance Sheet

31.12.2009 (FAS)

EUR thousand	Notes	31.12.2009	31.12.2008	Change, %
ASSETS				
Non-current assets				
Intangible assets	9	7,245	7,484	-3.2
Goodwill	9	11,724	12,649	-7.3
Tangible assets	10	423	540	-21.6
Investments	11	50,241	48,634	3.3
Non-current assets		69,634	69,307	0.5
Current assets				
Inventories	12	33	48	-31.7
Long-term trade and other receivables	13	81	524	84.6
Short-term trade and other receivables	14	12,291	13,245	-7.2
Financial assetts at fair value through profit or loss		34	31	8.0
Cash and cash equivalents		3,897	1,825	113.5
Current assets		16,335	15,673	4.2
TOTAL ASSETS		85,969	84,980	1.2
EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital		3,440	3,440	
Issue of shares		140	0	100.0
Other reserves		33,058	33,058	
Retained earnings		21,337	23,478	−9.1
Profit for the period		7,181	840	755.0
Shareholders' equity	15	65,156	60,816	7.1
Liabilities				
Deferred tax liabilities	16	55	86	-37.5
Long-term interest bearing liabilities	17	5,584	7,726	-27.7
Long-term non-interest bearing liabilities	17	0	2,677	−100.0
Short-term interest bearing liabilities	18	5,550	5,550	
Short-term non-interest bearing liabilities	18	9,624	8,123	18.5
Total liabilities		20,813	24,165	-13.9
TOTAL EQUITY AND LIABILITIES		85,969	84,980	1.2

Parent Company Cash Flow Statement

1.1.–31.12.2009 (FAS)

EUR thousand	1.1.–31.12.2009	1.1.–31.12.2008
Cash flows from operating activities		
Profit for the period	7,181	840
Adjustments for profit	220	5,782
Working capital changes	2,980	−1,390
Cash flows from operating activities before financial items and taxes	**10,381**	**5,232**
Interest paid	-252	-213
Dividend received	0	517
Interest received	1,155	194
Other financial items in operating activities	23	−542
Income taxes paid	-330	-2,708
Net cash from operating activities	**10,977**	**2,480**
Cash flows from investing activities		
Purchase of tangible and intangible assets	−1,417	-2,797
Proceeds from sale of tangible and intangible assets	0	41
Acquired subsidiaries	-2,118	−1
Granted loans	−1,869	−5,463
Repayments of loan receivables	2,237	267
Net cash used in investing activities	**-3,166**	**−7,953**
Cash flows before financing activities	**7,811**	**−5,473**
Rahoituksen rahavirta		
Share issue	140	0
Purchase of own shares	-358	-271
Proceeds from loans	0	12,650
Repayments of borrowings	-3,558	−4,300
Dividends paid	-2,623	−1,720
Net cash used in financing activities	**6,398**	**6,359**
Net change in cash and cash equivalents	**1,413**	**886**
Cash and cash equivalents from merger of subsidiaries	662	
Increase (−) / decrease (+) in cash and cash equivalents	2,074	886
Net change in cash and cash equivalents according to balance sheet		
Cash and cash equivalents at beginning of period	1,856	971
Cash and cash equivalents at end of period	3,931	1,856
Net change in cash and cash equivalents	2,074	886

Notes to the Parent Company Financial Statements 2009, FAS

1. ACCOUNTING PRINCIPLES USED IN PREPARING THE PARENT COMPANY FINANCIAL STATEMENTS

Basware Corporation's financial statements for 2009 have been prepared in accordance with the Finnish Accounting Act. The Group has applied the International Financial Reporting Standards (IFRS) in its reporting as from January 1, 2005.

Transactions in foreign currencies
Transactions in foreign currencies are recorded at the exchange rates prevailing at the transaction dates. At the end of the accounting period, the unsettled balances on foreign currency receivables and liabilities are valued at the rates of exchange prevailing at the end of the accounting period. Foreign exchange gains and losses related to normal business operations are entered in the appropriate income statement account before operating profit and foreign exchange gains and losses associated with financing are entered as a net amount under financial income and expenses.

Revenue recognition
Revenue recognition of product sales requires that there is a binding agreement of the sale, the product has been delivered, proceeds from the transaction can be reliably specified, the financial gain will benefit the company with sufficient probability, and significant benefits and risks related to ownership or rights of use of the product have been transferred to the buyer. License agreements with a right of return or conditions related to the product's functionality or implementation project are recognized as revenue once the right of return has expired or the above-mentioned conditions have been fulfilled.

Maintenance revenue is allocated over the contract period and service revenue is recognized at the time of delivery.

Other operating income
Other operating income includes proceeds from the sale of property, plant and equipment and rental income.

Research and development costs
Research expenses are recognized as an expense as they are incurred. Product development expenses are recognized so that development costs of new products and product versions with significant enhancements are capitalized and amortized. Maintenance of existing products and minor enhancements are recognized as they are incurred. Public subsidies related to capitalized development expenses are deducted from the acquisition costs. Development costs incurred before 2004 have been booked as annual expenses for the relevant financial period.

Pensions
The statutory pension coverage of Basware Corporation employees is provided through insurance policies taken out with a pension institution. The statutor pension expenses are recognized as expenses in the year they are incurred.

Intangible assets
Intangible assets include software, goodwill and capitalized product development costs. They are recognized in the original acquisition costs less accumulated depreciation. Public subsidies related to the acquisition of intangible assets are deducted from the acquisition cost of the asset and recognized as income by reducing the depreciation charge of the asset they are related to. The useful lives of intangible assets are 3 to 5 years.

Tangible assets
Tangible assets are recognized in the balance sheet at the original acquisition cost less accumulated depreciation. The useful lives of tangible assets are 3 to 5 years.

Leases
In the parent company financial statements, leasing payments are recognized as annual expenses in accordance with the Finnish Accounting Standards.

Liquid assets
Liquid assets include cash, bank balances and other liquid securities.

Taxes
Income taxes have been recognized in accordance with Finnish tax legislation.

Notes to the Income Statement

2. NET SALES

EUR thousand	2009	2008
Net sales by business branches		
Product sales and maintenance	26,986	26,391
Services	13,416	11,149
Total	**40,402**	**37,540**
Net sales by business areas		
Enterprise Purchase to Pay	32,586	30,156
Financial Management	7,816	7,384
Total	**40,402**	**37,540**

3. OTHER OPERATING INCOME

EUR thousand	2009	2008
Subcription of research	0	24
Gain on sale of non-current assets	0	32
Total	**0**	**56**

4. MATERIALS AND SERVICES

EUR thousand	2009	2008
Purchases during the financial period	-896	-729
Change in inventories	-15	6
Services purchased	-1,680	-1,336
Total	**-2,591**	**-2,058**

5. NOTES TO PERSONNEL AND CORPORATE GOVERNANCE

EUR thousand	2009	2008
Personnel expenses		
Salaries paid to CEO and the Board of Directors	-511	-488
Salaries paid to other personnel	-18,266	-17,410
Pension expenses	-3,513	-2,749
Other personnel expenses	-760	-940
Total	**-23,050**	**-21,587**
Number of personnel		
Personnel average for the period	371	326
Personnel at the end of the period	398	331

The pension arrangements of CEO and the Board of Directors comply with the local rules.

6. DEPRECIATION AND WRITE-OFFS

EUR thousand	2009	2008
Intangible assets	-1,630	-1,233
Tangible assets	-295	-317
Goodwill	-1,760	-1,677
Total	**-3,684**	**-3,227**

7. FINANCIAL INCOME AND EXPENCES

EUR thousand	2009	2008
Income from long-term investments		
From Group companies	2,432	1,017
Other interest and financial income		
From Group companies	4,240	627
From others	92	725
Other interest and financial income	4,332	1,352
Financial income total	**6,764**	**2,369**
Interest and financial expenses		
From Group companies	-1,121	-3,257
From others	-246	-874
Other interest and financial expenses total	**-1,367**	**-4,131**
Total	**5,397**	**-1,763**

8. DIRECT TAXES

EUR thousand	2009	2008
Income taxes on the financial period		
Income taxes on actual business	-2,219	-882
Change of deferred taxes	33	61
Income taxes from previous financial periods	253	-1
Total	**-1,933**	**-823**

Notes to the Balance Sheet

9. INTANGIBLE ASSETS

EUR thousand	2009	2008
Intangible rights		
Book value 1.1.	11,164	8,710
Increase	1,706	3,082
Decrease	0	-628
Book value 31.12.	12,870	11,164
Accumulated depreciation 1.1.	-3,680	-2,442
Accumulated depreciations relating to merger	-316	0
Accumulated depreciations for decreases	0	0
Amortization for the financial period	-1,630	-1,238
Accumulated amortization 31.12.	-5,626	-3,680
Balance sheet value 31.12.	**7,245**	**7,484**
Goodwill		
Book value 1.1.	16,794	16,794
Increase	835	0
Decrease	0	0
Book value 31.12.	17,629	16,794
Accumulated amortization 1.1.	-4,145	-2,468
Amortization for the financial period	-1,760	-1,677
Accumulated amortization 31.12.	-5,905	-4,145
Balance sheet value 31.12.	**11,724**	**12,649**

10. TANGIBLE ASSETS

EUR thousand	2009	2008
Book value 1.1.	3,364	3,144
Increase	202	324
Decrease	0	-104
Book value 31.12.	3,566	3,364
Accumulated amortization 1.1.	-2,824	-2,607
Accumulated depreciations relating to merger	-24	
Accumulated depreciations for decreases	0	95
Amortization for the period	-295	-313
Accumulated amortization 31.12.	-3,143	-2,824
Balance sheet value 31.12.	**423**	**540**
Total fixed assets	**19,392**	**20,673**

11. INVESTMENTS

EUR thousand	2009	2008
Shares in group companies		
Book value 1.1.	16,176	16,175
Increase	3,483	1
Decrease	1,609	
Book value 31.12.	18,050	16,176
Other shares		
Book value 1.1.	38	38
Decrease	0	0
Book value 31.12.	38	38
Receivables from group companies		
Loan receivables from group companies	32,153	32,420

Shares in subsidiaries

Company	Dominicle	Country	Parent company holding, %
Nextware Oy	Espoo	Finland	100
Basware GmbH	Düsseldorf	Germany	100
Basware UK Ltd.	Guildford	United Kingdom	100
Basware AB	Stockholm	Sweden	100
Basware B.V.	Amsterdam	The Netherlands	100
Basware A/S	Fredensborg	Denmark	100
Basware Inc.	Delaware	United States	100
Basware SAS	Paris	France	100
Basware AS	Oslo	Norway	100
Basware FIMA Oy	Espoo	Finland	100
Basware Pty Ltd	Chatswood	Australia	100
Digital Vision Technologies Ltd.	Manchester	United Kingdom	100

12. INVENTORIES

EUR thousand	2009	2008
Raw materials and consumables	33	48
Total	**33**	**48**

13. LONG-TERM RECEIVABLES

EUR thousand	2009	2008
Derivative financial instruments	81	524
Long-term receivables total	**81**	**524**

14. SHORT-TERM RECEIVABLES

EUR thousand	2009	2008
Accounts receivables	5,206	5,347
Receivables from group companies		
Accounts receivables	1,736	1,426
Loan receivables	3,503	2,776
Interest receivables	1,108	940
Total	6,347	5,142
Prepaid expenses and accrued income	472	2,378
Other receivables	266	378
Total	**12,291**	**13,245**

15. SHAREHOLDERS' EQUITY

EUR thousand	2009	2008
Share capital 1.1.	3,440	3,440
Increase for the financial period	0	0
Share capital 31.12	3,440	3,440
Issue of shares 1.1.	0	0
Increase for the financial period	140	0
Issue of shares 31.1.	140	0
Share premium account 1.1.	0	33,058
Decrease for the financial period	0	-33,058
Share premium account 31.12.	0	0
Equity 31.12.	3,580	3,440
Non-restricted equity 1.1.	33,058	0
Increase for the financial period	0	33,058
Non-restricted equity 31.12.	33,058	33,058
Retained earnings 1.1.	24,317	25,469
Purchase of own shares	-358	-271
Dividend payment	-2,623	-1,720
Profit for the period	7,181	840
Retained earnings 31.12.	28,517	24,317
Non-restricted equity 31.12.	61,576	57,375
Shareholders' equity 31.12.	**65,156**	**60,816**
Specification of distributable funds		
Profit for the period	7,181	840
Retained earnings	54,395	56,807
Distributable funds	**61,576**	**57,375**

16. DEFERRED TAX LIABILITIES

EUR thousand	2009	2008
Deferred tax liabilities	**55**	**89**

17. LONG-TERM LIABILITIES

EUR thousand	2009	2008
Long-term debts	3,550	7,108
Derivative financial instruments	122	618
Long-term debts to group companies	1,911	2,677
Total	**5,583**	**10,403**

18. SHORT-TERM LIABILITIES

EUR thousand	2009	2008
Non-interest bearing short-term liabilities		
Accounts payable	454	321
Liabilities to group companies		
Accounts payable	544	352
Accrued interest expenses	95	43
Other debts	27	0
Total	665	394
Other debts	2,783	1,406
Accrued expenses and deferred income	5,720	6,000
Total	**8,504**	**7,407**

The most significant items in the accrued liabilities are the provisions for vacation pay EUR 2,818 thousand and bonuses EUR 1,971 thousand.

Non-interest bearing short-term liabilities total	**9,624**	**8,122**
Interest bearing short-term liablities		
Short-term loans from financial institutions	2,000	2,000
Amortization of long-term debts	3,550	3,550
Interest bearing short-term liablities total	**5,550**	**5,550**

19. COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand	2009	2008
Own guarantees		
Business mortgages of own debt	1,200	1,200
Commitments on behalf of subsidiaries		
Guarantees	1,122	1,096
Other own contingent liabilities		
Leasing liabilities		
Current lease liabilities	366	310
Lease liabilities maturing in 1–5 years	289	254
Total	655	564
Rental liabilities		
Current rental liabilities	1,259	1,277
Rental liabilities maturing in 1–5 years	993	2,216
Total	2,252	3,493
Commitments and contingent liabilities total	**5,229**	**6,353**

The lease agreements are ordinary lease agreements. The finance lease agreements are ordinary finance lease agreements and have no associated leaseback clauses. The group does not have pledges, mortgages or guarantees on behalf of external parties.

Board’s Dividend Proposal

At the end of 2009, the Group parent company’s distributable funds are EUR 61,575,776.74.

Basware’s Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.36 per share (2008: EUR 0.23) be paid for 2009. When preparing the dividend proposal, the Board considers the Company’s financial position, profitability and prospects in the near future.

According to the Board’s rsolution teh record date of dividend distribution is February 23, 2009. The Board proposes to the Annual General Meeting of Shareholders that dividend will be paid ofter the record period on March 2, 2010.

In Espoo, Finland, January 25, 2010

Basware Corporation

Board of Directors

Hannu Vaajoensuu, Chairman of the board
Matti Copeland
Pentti Heikkinen
Sakari Perttunen
Ilkka Toivola

Ilkka Sihvo, CEO

Auditor’s Report

To the Annual General Meeting of Basware Oyj
We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Basware Oyj for the year ended on 31 December, 2009. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and notes to the consolidated financial statements, as well as the parent company’s balance sheet, income statement, cash flow statement and notes to the financial statements.

The responsibility of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company’s accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor’s responsibility
Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company’s financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors of the parent company and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements or of the report of the Board of Directors, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements and the report of the Board of Directors in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements
In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company’s financial statements and the report of the Board of Directors
In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

In Helsinki, Finland, January 25, 2010

Ernst & Young Oy
Authorized Public Accountant Firm

Heikki Ilkka
Authorized Public Accountant

Group Quarterly Income Statement, IFRS

EUR thousand	1-3/2009	1-3/2008	4-6/2009	4-6/2008	7-9/2009	7-9/2008	10-12/2009	10-12/2008
NET SALES	21,717	18,233	22,729	22,312	21,609	19,259	26,600	26,294
Other operating income	30	69	52	62	47	58	34	62
Materials and services	-1,552	-1,211	-1,611	-1,385	-1,395	-797	-1 636	-1,333
Employee benefit expenses	-12,896	-11,765	-13,444	-12,608	-11,113	-10,933	-14,841	-15,093
Depreciation and amortization	-1,004	-671	-1,067	-693	-1,106	-690	-1,280	-990
Other operating expenses	-4,703	-4,910	-4,513	-5,257	-4,014	-4,516	-4,819	-4,818
Operating profit	**1,592**	**-254**	**2,146**	**2,431**	**4,028**	**2,381**	**4,058**	**4,122**
%	7.3%	-1.4%	9.4%	10.9%	18.6%	12.4%	15.3%	-15.7%
Finance income	124	39	30	18	32	39	-15	637
Finance expenses	232	-35	-54	-21	-115	-50	-5	-897
Profit before tax	**1,484**	**-250**	**2,122**	**2,428**	**3,946**	**2,370**	**4,038**	**3,862**
%	6.8%	-1.4%	9.3%	10.9%	18.3%	12.3%	15.2%	14.7%
Income tax expense	-818	-300	-727	-528	-941	-430	-30	-567
Profit for the period	**666**	**-550**	**1,396**	**1,899**	**3,005**	**1,941**	**4,007**	**3,294**
%	3.1%	-3.0%	6.1%	8.5%	13.9%	10.1%	15.1%	12.5%

Key figures 2005–2009

Group Key Financial Performance Indicators

EUR thousand	IFRS, 2009	IFRS, 2008	IFRS, 2007	IFRS, 2006	IFRS, 2005 Restated
Net sales	92,654	86,098	73,270	59,954	41,666
Growth of net sales,%	7.6%	17.5%	22.2%	43.9%	29.4%
EBITDA	16,280	11,722	10,102	10,112	4,688
% of net sales	17.6%	13.6%	13.8%	16.9%	11.2%
Operating profit before IFRS amortization	13,788	9,730	8,224	8,738	3,696
% of net sales	14.9%	11.3%	11.2%	14.6%	8.9%
Operating profit	11,824	8,679	7,512	8,078	3,611
Growth of operating profit, %	36.2%	15.5%	-7.0%	123.7%	-20.8%
% of net sales	12.8%	10.1%	10.3%	13.5%	8.7%
Profit before tax	11,590	8,410	7,704	8,287	3,647
% of net sales	12.5%	9.8%	10.5%	13.8%	8.8%
Profit for the period	9,074	6,585	4,112	4,986	2,229
% of net sales	9.8%	7.6%	5.6%	8.3%	5.4%
Return on equity, %	17.2%	13.7%	8.9%	15.1%	13.9%
Return on investment, %	18.8%	16.6%	16.2%	24.7%	21.4%
Interest-bearing liabilities	9,230	13,283	4,334	758	1,230
Cash and liquid assets	12,210	8,777	7,041	8,975	9,987
Gearing, %	-5.3%	9.3%	-5.7%	-18.4%	-41.1%
Equity ratio, %	64.8%	59.5%	70.0%	77.5%	68.2%
Total assets	87,287	81,909	67,722	57,558	31,228
Gross investments *)	7,448	12,476	12,599	25,315	6,925
% of net sales	8.0%	14.5%	17.2%	42.2%	16.6%
Capital expenditure	2,047	1,007	928	597	749
% of net sales	2.2%	1.2%	1.3%	1.0%	1.8%
Research and development costs	14,781	15,518	13,172	10,925	6,204
% of net sales	16.0%	18.0%	18.0%	18.2%	14.9%
R&D personnel at end of period	195	171	152	138	86
Personnel on average during the period	747	689	580	513	363
Personnel at end of period	761	731	658	528	395
Increase in personnel, %	4.1%	11.1%	24.6%	33.7%	30.8%

*) Includes capitalized R&D costs and acquisitions.

Group Share Indicators

EUR thousand	IFRS 2009	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005 Restated
Earnings per share, EUR	0,80	0,56	0,36	0,45	0,24
Earnings per share (diluted), EUR	0,80	0,56	0,36	0,44	0,23
Equity per share, EUR	4,93	4,23	4,12	3,88	2,16
Dividend per share, EUR *)	0,36*	0,23	0,15	0,15	0,10
Dividend per profit, %	45.2%	40.8%	41.6%	33.6%	42.4%
Effective dividends, %	2.5%	3.5%	1.5%	1.1%	0.8%
P/E ratio (P/E)	18,21	11,68	27,89	29,24	53,54
Share price performance					
lowest share price	6,60	6,00	9,50	11,21	7,70
highest share price	14,66	10,45	14,00	15,25	13,00
average share price	10,79	7,53	12,03	13,09	9,85
closing share price	14,52	6,59	10,00	13,05	12,62
Share issue adjusted average share number 31.12.	11,468,124	11,468,124	11,468,124	11,468,124	9,877,258
Market capitalization at end of period	165,206,004	75 301,011	114,681,240	149,659,018	124,650,996
Number of traded shares	2,038,565	2 298,467	2,761,995	5,534,522	3,666,939
% of average number of shares	17.9%	20.1%	24.1%	49.5%	38.8%
Average number of shares					
- during the period	11,381,905	11,463,307	11,468,124	11,172,612	9,458,460
- during the period, diluted	11,381,905	11,463,307	11,468,124	11,221,052	9,582,816

*) The figure for 2009 is the Board's proposal to the Annual General Meeting

Calculation of Key Indicators, IFRS

Return on equity (ROE), %

$$\frac{\text{Profit before extraordinary items, reserves and taxes - taxes x 100}}{\text{Shareholders' equity (average)}}$$

Return on investment (ROI), %

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

Gearing, %

$$\frac{\text{Interest bearing liabilities - cash and bank balances x 100}}{\text{Shareholders' equity}}$$

Equity ratio, %

$$\frac{\text{Shareholders' equity x 100}}{\text{Balance sheet total - advances received}}$$

Earnings per share

$$\frac{\text{Profit for the period}}{\text{Adjusted number of shares over the financial year (average)}}$$

Equity per share

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

Dividend per share

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

Dividend/profit, %

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

Effective dividend yield, %

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

Price-earnings ratio (P/E)

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

Share and shareholders

Basware share

The Basware share has been listed on the NASDAQ OMX Helsinki Ltd since February 29, 2000. The listing price of the share was EUR 5.70. Basware transferred to the Main List of the stock exchange on October 19, 2004, and the share is listed in the Information Technology business sector. The company code on the stock exchange is BAS. Basware has one series of share and the trading code for the share is BAS1V.

At the end of 2009, the total number of shares was 11,468,124 (11,468,124). The book counter value per share is EUR 0.30. All the shares carry one vote and an equal right to the dividend.

Share Capital

Basware's share capital at the end of 2009 was EUR 3,440,437.20. According to the Articles of Association, Basware's minimum share capital is EUR 2,000,000 and maximum share capital is 8,000,000. Within these limits, the share capital can be increased or decreased without amending the Articles of Association.

Share Price Performance and Trading

In 2009, the highest price of the share was EUR 14.66 (EUR 10.45), the lowest was EUR 6.60 (EUR 6.00) and the closing price was EUR 14.52 (EUR 6.59). The average price of the share was EUR 10.79 (EUR 7.53) during the period.

A total of 2,038,565 (2,298,467) shares were traded during the financial period which is the equivalent of 17.9 percent (20.1%) of the average number of shares. Market capitalization with the period's closing price on December 31, 2009 was EUR 165,206,004 (EUR 75,301,011).

THE BOARD OF DIRECTORS' AUTHORIZATIONS

Authorization to resolve on share issue

The Annual General Meeting authorized the Board to resolve on the issuance of a maximum of 2,293,624 shares and on the conveying of a maximum of 1,146,812 shares in possession of the Company in one or more installments, either against pay or free of charge.

The new shares can be issued and the Company's own shares conveyed either against payment or for free to the Company's shareholders in proportion to their holding or by means of a directed issue, deviating from the pre-emptive rights of the shareholders provided that from the Company's perspective there are important financial grounds for it, such as enabling business arrangements and company acquisitions, company's capital management, personnel incentive program or other reasons for developing the Company's business activities.

The authorization also includes the right to grant warrants and other special rights, as specified in the Chapter 10, section 1 of the Companies Act, to receive new shares in the company or shares held by the company against payment such that either the share subscription price will be paid in cash or the subscriber's receivables will be offset against the subscription price.

The authorization also includes the right to resolve on a free issue to the Company itself. The amount of the shares issued to the Company can be a maximum of 1,146,812 shares, including shares acquired based on the authorization or the previously acquired own shares of the Company.

The subscription prices of new shares and the sum paid for the own shares will be recorded in the fund for invested non-restricted equity.

The authorization is valid until March 31, 2010.

Authorization to resolve on acquiring the Company's own shares

The AGM authorized the Board to resolve on the acquisition of a maximum of 1,146,812 own shares, pursuant to the Chapter 15, section 5 of the Companies Act.

The new shares are acquired with invested non-restricted equity on the market price at the Helsinki Stock Exchange at the time of the acquisition. The shares can either be held by the Company, nullified or conveyed further.

The authorization for acquisition was proposed to be valid until March 31, 2010.

The AGM decided that the Board's proposal for authorization to resolve on acquiring the company's own shares is accepted in the proposed form.

WARRANT PROGRAMS

The following warrant programs are currently valid.

Warrant Program 2006

The Annual General Meeting on February 15, 2006 approved the new warrant program. Based on the program, a maximum of 300,000 warrants can be granted to the key personnel of Basware Group, each warrant entitling to subscribe one Basware share. The warrants of Warrant Program 2006 are divided into three series, two of which are still valid having own subscription periods as follows: April 1, 2009–March 31, 2010 and April 1, 2010–March 31, 2011. The subscription prices of the shares correspond to the volume-weighted average share price of the Company in January–March of 2007 and 2008. The terms and conditions of the Warrant Program were published as a stock exchange release on April 10, 2006.

Warrant Program 2007

The Annual General Meeting on February 26, 2007 approved the new warrant program. Based on the program, a maximum of 200,000 warrants can be granted to the key personnel of Basware Group, each warrant entitling to subscribe one Basware share. The warrants of Warrant Program 2007 are divided into two series, each having an own subscription period as follows: April 1, 2009–March 31, 2010 and April 1, 2010–March 31, 2011. The subscription prices of the shares correspond to the volume-weighted average share price of the Company in January–March of 2007 and 2008. The terms and conditions of the Warrant Program 2007 were published as a stock exchange release on February 26, 2007.

SHARE-BASED INCENTIVE PLAN

The Board of Directors of Basware Corporation has approved a new share-based incentive plan for the Basware Group key personnel on March 11, 2009. The Plan includes three earning periods, calendar years 2009, 2010 and 2011. The Board of Directors decides on the earnings criteria and targets to be established for them separately for each earning period, at the beginning of each earning period.

The potential reward from the Plan for the earning period 2009 will be based on the Basware Group's Earnings per Share (EPS). The potential reward from the earning period 2009 will be paid partly as the Company's shares and partly in cash in December 2011. The proportion to be paid in cash will cover taxes and tax-related costs arising from the reward.

The target group for the earning period 2009 consists of the members of the Basware Executive Team. The rewards to be paid on the basis of the earning period 2009 will correspond to the approximate value of a maximum total of 84,000 Basware Corporation shares (including also the proportion to be paid in cash). The terms of the incentive plan were published in a stock exchange release on March 12, 2009.

SHAREHOLDERS

Basware had 16,480 (17,120) shareholders on December 31 including nominee-registered holdings (8). Nominee-registered holdings accounted for 9.6 percent of the total number of shares.

Basware announced three notifications of change in ownership when the total number of shares held by Nordea Rahastoyhtiö Suomi Oy fell below 5% of Basware Corporation's share capital on February 23, 2009 and when the total number of shares held by Antti Pöllänen personally fell below 5% of Basware Corporation's share capital on September 10, 2009. Shares held by Antti Pöllänen together with persons under guardianship still exceed 5% of Basware Corporation's share capital. In addition, Basware announced a notice of change in ownership when the total number of shares held by Nordea Rahastoyhtiö Suomi Oy was above 5% of Basware Corporation's share capital on November 27, 2009.

Distribution of holdings by number of shares, December 31, 2009

Number of shares	Number of holders	%	Shares, Pcs
1-100	13,712	2.8	318,879
101-1 000	2,450	6.6	754,232
1 001-10 000	277	6.6	756,095
10 001-100 000	20	8.1	927,656
100 001 +	21	76.0	8,711,262
Total	**16,480**	**100**	**11,468,124**

Distribution by sector, December 31, 2009

	Number of holders	%	Shares, Pcs
Private companies	592	7.7	887,595
Financial and insurance institutions	23	17.1	1,957,097
Public-sector organizations	6	6.1	697,150
Non-profit organizations	30	0.7	79,996
Households	15,777	56.5	6,482,111
Foreign	44	2.3	264,834
	16,472	90.4	10,368,783
Nominee-registered	8	9.6	1,099,341
Total	**16,480**	**100**	**11,468,124**

Major Shareholders, December 31, 2009		Number of shares	Votes, %
1	Sihvo, Ilkka	1,065,800	9.3
2	Eräkangas, Kirsi	1,021,800	8.9
	Eräkangas, Kirsi	711,400	6.2
	Eräkangas, Lotta	310,400	2.7
3	Vaajoensuu, Hannu	962,100	8.4
	Vaajoensuu, Hannu	528,000	4.6
	Havacment Oy	266,500	2.3
	Vaajoensuu, Henri	83,800	0.7
	Vaajoensuu, Petra	83,800	0.7
4	Perttunen, Sakari	830,400	7.2
5	Nordea Bank Finland PLC	663,883	5.8
6	Pöllänen, Antti	617,423	5.4
	Pöllänen, Antti	516,615	4.5
	Launimo, Essi	100,808	0.9
7	Nordea Nordic Small Cap Fund	565,123	4.9
8	Mandatum Life Insurance Company	550,000	4.8
9	Ilmarinen Mutual Pension Insurance Company	440,850	3.8
10	Ahonen, Asko	318,822	2.8
11	Fondita Nordic Micro Cap Placeringsfond	300,000	2.6
12	Svenska Handelsbanken AB (Publ), Filialverksamheten i Finland	269,292	2.3
13	Royal Skandia Life Assurance EIB 17527-6	250,000	2.2
14	Kaleva Mutual Insurance Company	242,690	2.1
15	Veritas Pension Insurance Company	226,000	2.0
16	Perttunen, Meimi	215,400	1.9
17	Aktia Capital	180,863	1.6
18	Skandinaviska Enskilda Banken	158,416	1.4
19	Basware Oyj	90,300	0.8
20	Vaajoensuu, Sara	83,700	0.7
	20 largest shareholders total	**9,052,862**	**78.9**
	Total of nominee-registered	**1,099,341**	**9.6**
	Others	**1,315,921**	**11.5**
	Total	**11,468,124**	**100.0**

The shareholder information is based on the shareholder's register maintained by the Finnish Central Depository Ltd.

LIST OF ACCOUNTING BOOKS USED:

Hard copy of journal ledger
Hard copy of general ledger
Hard copy of sales ledger
Hard copy of purchase ledger

For Shareholders

BASWARE SHARE

Basware shares are quoted on the Main List of the Helsinki Stock Exchange, in the Information Technology sector, Small Cap segment. The trading on the Main List started on October 19, 2004. Earlier Basware shares were traded on the NM List of the stock exchange.

Trading code	BAS1V
ISIN code	FI0009008403
Size of share trading	100
Book-counter value	EUR 0.30
Listing price on February 29, 2000	EUR 5.70
Closing price on December 31, 2009	EUR 14.52

ANNUAL GENERAL MEETING

The Basware Annual General Meeting will be held at Diana-auditorio, Erottajankatu 5, Helsinki, Finland, on Thursday, February 18, 2010 starting at 14:00.

In order to take part in the Annual General Meeting, shareholders must be registered by Monday, February 10, 2010 in the shareholders' register maintained by the Finnish Central Securities Depository Ltd.

Shareholders who wish to participate in the meeting should notify Basware of their intention to participate by 16:00 on Monday, February 8, 2010 either

» by e-mail to yhtiokokous2010@basware.com
» by mail to the address Basware Corporation, P.O. Box 97, 02601 Espoo, Finland
» by telephone to +358 (0)9 8791 7316 / Hanne Grönlund
» by telefax to +358 (0)9 8791 7297

When registering by mail, fax or e-mail, notices of participation must be received by the above-mentioned deadline. Any powers-of-attorney should be sent with the notice.

The matters to be handled in the Annual General Meeting will be disclosed in the Notice of the meeting that was published as a stock exchange release and on the online Basware investor pages at www.Basware.com.

DIVIDEND

The Board of Directors of Basware proposes to the Annual General Meeting that a dividend of EUR 0.36 per share be paid for 2009. If the Board's proposal is accepted, the dividend will be paid to those shareholders who are entered in the shareholders' register maintained by the Finnish Central Securities Depository Ltd. on the dividend record date February 23, 2010. The actual payment of dividends will take place on March 2, 2010.

FINANCIAL REPORTING IN 2010

Basware will publish the interim reports as follows:

» Interim Report January–March on April 15, 2010
» Interim Report January–June on July 12, 2010
» Interim Report January–September on October 14, 2010

The reports will be prepared according to the International Financial Reporting Standards (IFRS).

All interim reports and stock exchange releases are available on the Basware investor relations pages on the Internet at www.Basware.com. The Basware e-mail list for the stock exchange releases can be subscribed to through the pages.

CHANGES OF ADDRESS

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

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