

**BASWARE INTERIM REPORT JANUARY 1 – SEPTEMBER 30, 2018 (IFRS)****Cloud order intake growth accelerates to 29 percent****July-September 2018:**

- Net sales EUR 33 991 thousand (EUR 35 827 thousand): decrease of 5.1 percent, organic growth at constant currencies 5.2 percent
- Organic cloud revenue growth at constant currencies 15.0 percent, amounting to 66.0 percent (56.0 %) of net sales
- Adjusted EBITDA EUR -877 thousand (EUR 3 661 thousand)
- Adjusted operating profit/loss EUR -3 600 thousand (EUR 1 361 thousand)
- Adjusted earnings per share (diluted) EUR -0.21 (0.06)
- Operating profit/loss EUR -3 787 thousand (EUR 1 205 thousand)
- Earnings per share (diluted) EUR -0.22 (0.05)

**January-September 2018:**

- Net sales EUR 104 929 thousand (EUR 109 924 thousand): decrease of 4.5 percent, organic growth at constant currencies 5.8 percent
- Organic cloud revenue growth at constant currencies 16.3 percent, amounting to 62.5 percent (53.1 %) of net sales
- Adjusted EBITDA EUR -3 538 thousand (EUR 2 386 thousand)
- Adjusted operating profit/loss EUR -11 633 thousand (EUR -4 976 thousand)
- Adjusted earnings per share (diluted) EUR -1.14 (-0.45)
- Operating profit/loss EUR 2 379 thousand (EUR -6 648 thousand)
- Earnings per share (diluted) EUR -0.18 (-0.56)

Basware is the global leader in providing networked source-to-pay, e-invoicing and value-added services. Basware's key strategic priority for the strategy period 2018-2022 is cloud revenue growth. The company continues to strengthen its leading market position in order to grow cloud revenue.

For 2018 Basware expects the following on an organic basis at constant currencies:

- Cloud revenues to be between EUR 90 and 95 million
- Total costs excluding amortization, depreciation and adjustments to be slightly above 2017 levels

Basware has adopted IFRS 15 *Revenue from Contracts with Customers* as of January 1, 2018 (mandatory application), with full retrospective application. In connection with the IFRS 15 application, the Group has also made certain changes to revenue allocation between Cloud and Non-cloud. Comparatives for 2017 presented in the interim report have been updated to include IFRS 15 restatements and revenue reallocations.

From Q1 2018 onwards, Basware has made certain changes in the presentation of its financial information. The company has adopted a functional income statement showing the company's cost of sales, gross profit and operating expenses by function. In addition, the company has changed the presentation of its geographical information. From Q1 2018 onwards, the company reports the following geographical areas: Americas, Europe, Nordics and APAC.

In February 2018 Basware completed the divestment of two businesses. As a result, it is important to consider the organic growth rate when comparing 2018 financials with 2017 financials as the divestments decrease revenues and profitability. Additionally, foreign exchange movements, particularly in US dollars and Sterling, have negatively impacted Basware's headline revenues during the first three quarters. This has a disproportionate effect on our cloud revenues where US dollars and Sterling comprise a larger share than in total revenues.

The interim report is unaudited.

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## GROUP KEY FIGURES

EUR thousand	7-9/ 2018	7-9/ 2017	Change, %	1-9/ 2018	1-9/ 2017	Change, %	1-12/ 2017
Net sales	33 991	35 827	-5.1	104 929	109 924	-4.5	149 167
Cloud revenue	22 440	20 052	11.9	65 566	58 720	11.7	80 332
Cloud order intake*	4 483	3 475	29.0	15 531	12 995	19.5	17 943
EBITDA	-1 064	3 505		10 474	714		599
Adjusted EBITDA	-877	3 661		-3 538	2 386		3 294
Operating profit/loss	-3 787	1 205		2 379	-6 648		-9 509
Adjusted operating profit/loss	-3 600	1 361		-11 633	-4 976	-133.8	-6 814
Profit/loss before tax	-4 274	688		756	-9 013		-12 276
Profit/loss for the period	-3 229	694		-2 558	-8 093	68.4	-11 524
Cash and cash equivalents	46 235	25 275	82.9	46 235	25 275	82.9	20 683
<b>Earnings per share</b>							
Diluted, EUR	-0.22	0.05		-0.18	-0.56	68.7	-0.80
Adjusted earnings per share, diluted, EUR	-0.21	0.06		-1.14	-0.45	-155.7	-0.61

\*From Q2 2018 onwards cloud order intake is the key order intake figure reported

## BUSINESS OPERATIONS

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

### CEO Vesa Tykkyläinen:

Our vision at Basware is to deliver the best global solution for networked purchasing, invoicing and paying. There is a huge potential market for our services, worth EUR 15 billion annually. We are the best placed to capitalise on this opportunity thanks to our network, which is the largest electronic invoicing network in the world. As a result of this strong combination of opportunity and capability, our growth vision is to become an EUR 1 billion revenue company.

Every day we move closer to becoming a pure cloud company and our cloud revenues now stand at 66 percent of total. This quarter our cloud order intake growth rate accelerated to 29 percent, driven by customer expansions and transformations, new customer acquisitions and partner sales. Customers wins this quarter include National Oilwell Varco, the Government of South Australia, Hoyts and Balenciaga.

In July we announced the outsourcing of our scanning services to Xerox. The deal closed at the beginning of October and 387 employees will transfer to Xerox from Basware. The partnership draws on the strengths of both parties, enabling Basware to focus on electronic invoicing whilst our customers will benefit from the best in paper handling from Xerox. It also simplifies our operations at Basware, which enables us to focus more on our core objective of cloud revenue growth. Additionally, this quarter Klaus Andersen joined us as Chief Technology Officer, completing the key leadership announced in May this year as Basware moved to a functional organisation.

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Basware's industry leading solutions can seamlessly connect to more than 250 different ERP systems. This quarter we continued to release new functionality including Smart Search, which is differentiated by our smart data model, and enables procurement departments to ensure that end users are directed towards the most appropriate purchasing options.

As both CEO and a shareholder of Basware, I am very excited by the progress that we continue to make during this quarter. Our key employees also share my excitement and also invested their own money into Basware this quarter as part of a share matching plan. Together the leadership of Basware is highly confident in our ability to capitalise on the huge market opportunity ahead of us.

## NET SALES

Basware's net sales year-to-date amounted to EUR 104 929 thousand (EUR 109 924 thousand), a decrease of 4.5 percent. This equated to 5.8 percent organic growth at constant currencies. The difference is related to the sale of Banking and Financial Performance Solutions as well as foreign exchange movements, especially US dollar and Sterling.

Basware's net sales for the third quarter amounted to EUR 33 991 thousand (EUR 35 827 thousand), a decrease of 5.1 percent. This equated to 5.2 percent organic growth at constant currencies.

Cloud revenues grew well during the third quarter. Cloud revenues in the third quarter were EUR 22 440 thousand (EUR 20 052 thousand), up by 11.9 percent, and accounted for 66.0 percent (56.0 %) of net sales. This equated to 15.0 percent organic growth at constant currencies. Using 2017 exchange rates to calculate 2018 revenues, Cloud revenues in the third quarter would have been EUR 22 541 thousand.

In the third quarter SaaS revenues grew 14.3 percent and transaction services revenues 11.7 percent compared to the third quarter of 2017. The SaaS growth rate equated to 21.0 percent and transaction growth rate to 12.4 percent organic growth at constant currencies.

In non-cloud revenues, maintenance and licence revenues declined in line with expectations as we transition customers to the cloud. Non-cloud revenues were significantly impacted by the divestments made in the first quarter. The maintenance revenues declined 8.9 percent and licences 36.7 percent on an organic basis at constant currencies. Consulting revenues declined 8.6 percent on an organic basis at constant currencies.

Basware has adopted IFRS 15 *Revenue from Contracts with Customers* as of January 1, 2018. In connection with the IFRS 15 application, the Group has also made certain changes in revenue allocation between Cloud and Non-cloud. The net impact of IFRS 15 restatements and the changes in revenue allocation between Cloud and Non-cloud for 2017 comparatives is EUR -74 thousand for the full year and EUR 383 thousand for Q3 2017 on Group level, with Cloud revenue increasing by EUR 1 163 thousand for full year 2017 and EUR 700 thousand for Q3 2017 and Non-cloud revenue decreasing by EUR 1 236 thousand for full year 2017 and EUR 317 thousand for Q3 2017.

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Net sales by revenue type EUR thousand	7-9/ 2018	7-9/ 2017	Change, %	1-9/ 2018	1-9/ 2017	Change, %	1-12/ 2017
<b>Cloud Revenue</b>							
SaaS	10 177	8 903	14.3	29 416	25 276	16.4	34 808
Transaction services	11 029	9 875	11.7	32 405	28 919	12.1	39 689
Other cloud revenue	1 233	1 274	-3.2	3 744	4 525	-17.3	5 835
<b>Cloud Revenue total</b>	<b>22 440</b>	<b>20 052</b>	<b>11.9</b>	<b>65 566</b>	<b>58 720</b>	<b>11.7</b>	<b>80 332</b>
<b>Non-Cloud Revenue</b>							
Maintenance	6 150	8 965	-31.4	20 212	28 170	-28.3	37 026
License sales	401	790	-49.3	1 589	2 810	-43.4	4 192
Consulting services	4 966	6 063	-18.1	17 504	20 299	-13.8	27 746
Other non-cloud revenue	34	-42		59	-74		-129
<b>Non-Cloud Revenue total</b>	<b>11 551</b>	<b>15 776</b>	<b>-26.8</b>	<b>39 364</b>	<b>51 204</b>	<b>-23.1</b>	<b>68 836</b>
<b>Group Total</b>	<b>33 991</b>	<b>35 827</b>	<b>-5.1</b>	<b>104 929</b>	<b>109 924</b>	<b>-4.5</b>	<b>149 167</b>

## CLOUD ORDER INTAKE

Basware's total cloud annual recurring revenue (ARR) gross order intake in the third quarter amounted to EUR 4.5 million, up from EUR 3.5 million in the third quarter of 2017, an increase of 29.0 percent. This equated to 35.0 percent growth on an organic constant currency basis. There will be a time lag before order intake is visible in net sales. Typically, around one quarter of new ARR order intake converts into revenues in the year that it is won, with roughly fifty to sixty percent converting to revenues in the second year and the remainder thereafter. Further information on the definition of annual recurring revenue gross order intake is included in the section on Definition of Alternative Performance Measures.

Annual recurring revenue gross order intake EUR thousand	7-9/ 2018	7-9/ 2017	Change, %	1-9/ 2018	1-9/ 2017	Change, %	1-12/ 2017
Cloud	4 483	3 475	29.0	15 531	12 995	19.5	17 943
Purchase-to-Pay subscriptions	3 130	1 988	57.5	9 321	8 303	12.3	11 246

## FINANCIAL PERFORMANCE

Basware's adjusted EBITDA was EUR -877 thousand (EUR 3 661 thousand) in the third quarter. The adjustments to EBITDA totalled EUR 187 thousand (EUR 156 thousand) in the quarter. Basware's operating profit/loss for the quarter amounted to EUR -3 787 thousand (EUR 1 205 thousand).

Basware's adjusted EBITDA was EUR -3 538 thousand (EUR 2 386 thousand) year-to-date. The operating profit/loss for the first three quarters amounted to EUR 2 379 thousand (EUR -6 648 thousand).

Basware's profitability year-to-date and particularly in the third quarter of 2018 has been impacted by the disposals that closed in the first quarter, increased spending on sales and marketing and increased share-based compensation, all of which are in line with Basware's strategy. The disposed businesses were contributing roughly EUR 8 million of EBITDA in 2017. In line with the strategy we have spent an additional EUR 3 million on sales and marketing in the third quarter of 2018 compared to the third quarter of 2017. As we further align our employees with shareholders, the costs related to share-based compensation increased by roughly EUR 1 million compared to the comparison period.

The company's cost of sales was EUR 16 101 thousand (EUR 16 966 thousand) and total operating expenses including depreciation and amortization EUR 21 361 thousand (EUR 17 400 thousand) in the third quarter. Out of

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total operating expenses, sales and marketing expenses were EUR 10 759 thousand (EUR 7 809 thousand), research and development expenses EUR 6 599 thousand (EUR 6 539 thousand) and general and administration expenses EUR 4 003 thousand (EUR 3 052 thousand). Other operating income and expenses were EUR -316 thousand (EUR -257 thousand).

Research and development expenses in the income statement totalled EUR 6 599 thousand (EUR 6 539 thousand). Of this, EUR 1 535 thousand related to depreciation (EUR 1 126 thousand). Research and development expenses capitalized during the quarter amounted to EUR 1 751 thousand (EUR 2 192 thousand). Basware's research and development investments totalled EUR 6 815 thousand (EUR 7 606 thousand), or 20.0 percent (21.2 %) of net sales during the quarter.

The company's net finance expenses were EUR -487 thousand (EUR -401 thousand) for the quarter.

Basware's profit/loss before tax was EUR -4 274 thousand (EUR 688 thousand) and profit/loss for the quarter EUR -3 299 thousand (EUR 694 thousand). Taxes for the quarter impacted the profit/loss by EUR 1 045 thousand (EUR 7 thousand).

Diluted earnings per share were EUR -0.22 (EUR 0.05) for the quarter.

## FINANCING AND INVESTMENTS

Cash flows from operating activities were EUR -2 676 thousand in the third quarter (EUR -4 840 thousand) and year-to-date EUR -3 421 thousand (EUR -2 206 thousand). Basware's operating cash flows are seasonal as a relatively large part of payments for annual maintenance are made in the first quarter.

Basware's cash and cash equivalents including short-term deposits totalled EUR 46 235 thousand (EUR 25 275 thousand) at the end of the quarter. In addition to cash and cash equivalents, Basware has an undrawn revolving credit facility of EUR 10 million, bringing total available liquidity at the end of the quarter to EUR 56 235 thousand (EUR 35 275 thousand).

In the third quarter of 2018, the company participated in a new fixed rate bond with a loan share totalling EUR 10 million. The bond's maturity is five years.

Basware's total assets on the balance sheet at the end of the quarter were EUR 219 252 thousand (EUR 220 439 thousand). Net cash flows from investments were EUR -1 489 thousand (EUR -2 453 thousand) in the quarter.

The equity ratio was 52.3 percent (53.4 %) and gearing 9.6 percent (20.4 %). The company's interest-bearing liabilities totalled EUR 57 202 thousand (EUR 49 282 thousand), of which current liabilities accounted for EUR 17 089 thousand (EUR 1 996 thousand). The return on investment was -9.2 percent (2.8 %) and return on equity -11.2 percent (2.3 %) in the quarter.

## PERSONNEL

Basware's personnel expenses were EUR 22 045 thousand (EUR 21 370 thousand) in the quarter.

Basware employed 1 727 (1 826) people on average during the quarter and 1 736 (1 827) at the end of the quarter. Following the partnership with Xerox announced in the third quarter, 387 employees will transfer from Basware to Xerox in the fourth quarter.

Geographical division of personnel:

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Personnel Employed, on average	7-9/ 2018	7-9/ 2017	Change, %	1-9/ 2018	1-9/ 2017	Change, %	1-12/ 2017
Americas	138	130	6.2	137	131	4.8	131
Europe	457	463	-1.2	461	479	-3.8	475
Nordics	473	555	-14.7	497	562	-11.6	558
APAC	658	678	-2.9	673	668	0.8	673
<b>Group total</b>	<b>1 727</b>	<b>1 826</b>	<b>-5.4</b>	<b>1 768</b>	<b>1 840</b>	<b>-3.9</b>	<b>1 838</b>

In accordance with the new organisational structure announced on June 1, 2018, at the end of the quarter 12.4 percent of the personnel worked in sales and marketing, 48.6 percent in R&D and production and products, 31.0 percent in customer services and 8.0 percent in administration.

The average age of employees is 35.4 (35.2) years. Women account for 28.0 percent (27.5 %) of employees, men for 72.0 percent (72.5 %).

## OTHER EVENTS OF THE PERIOD

### Composition of the Audit Committee

David Bateman, member of the Board of Directors of Basware Corporation, joined the Board's Audit Committee as of July 1, 2018. All other members of the Audit Committee remain unchanged.

### Changes in Basware's Executive Team

Klaus Andersen was appointed as Chief Technology Officer (CTO) and as a member of the Executive Team at Basware. Andersen joined Basware in September and reports to the CEO.

### Basware launches new Matching Share Plan for key employees

The Board of Directors of Basware Corporation resolved in its meeting on July 17, 2018 to establish a new Matching Share Plan 2018-2020 for the Group's key employees.

The aim of the plan is to further align the objectives of shareholders and key employees, to retain key employees at the company, and to offer them competitive reward plans based on acquiring and holding the company's shares.

The potential rewards from the plan will be paid partly in Basware shares and partly in cash. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the employee.

The prerequisite for receiving reward on the basis of the Matching Share Plan is that the plan member acquires Basware shares. The plan member will, as a reward, receive matching shares for each share subject to the share ownership prerequisite after a matching period of three (3) years. Receipt of matching shares is contingent on the continuation of employment or service and on the plan member holding the acquired shares upon reward payment.

The rewards to be paid in aggregate to plan members on the basis of the Matching Share Plan correspond to the value of a maximum total of 77,714 Basware Corporation shares, including also the proportion to be paid in cash.

The plan as a whole entails an aggregate share ownership interest of approximately 116,571 shares for the plan members, via personal share acquisitions and the right to future share ownership through the Matching Share Plan.



## EVENTS AFTER THE PERIOD

### Basware announces EUR 1 billion revenue growth vision

Basware's vision is to deliver the best global solution for networked purchasing, invoicing and paying.

All organisations need to manage their purchasing processes from procurement through to handling invoices and paying them. Currently many organisations only have unsophisticated or partial tools to manage these processes and as a result many are faced with unmanaged spending, inefficient manual and paper-based processes and poor visibility of cashflows. Basware offers a uniquely complete solution for these challenges that is differentiated by the Basware Network, the largest e-invoicing network in the world. This enables customers to manage 100 percent of their spending, make their purchasing processes completely digital, and improve their carbon footprint by reducing paper usage.

As every organization in the world can benefit from our solutions, the market opportunity is huge, worth EUR 15 billion per year. Growth in demand for our solutions is underpinned by several megatrends, including digitalization, automation, and artificial intelligence. Basware's ambition is to be the number one by market share in the networked source-to-pay industry in the large European countries and a leader in the US market. As a result, we today announce that our growth vision is to become an EUR 1 billion revenue company.

At the end of the second quarter 2018 Basware announced that it has moved to a growth phase after almost two years of simplifying and improving its operations. We are now focused fully on cloud revenue growth and will make the necessary investments to accelerate this growth.

### Undisputed market leader

Basware has four sources of cloud revenue growth: new customer acquisitions, customer expansions, customer transformations, and partnering.

**New customer acquisitions:** Basware's key growth markets are the US, UK, Germany and France. These continue to be the areas where we see the greatest opportunity to win new customers, and this is where we will continue to invest the majority of our new sales and marketing spending and where the "hunters" in our sales force will focus.

**Customer expansions:** We have a fantastic existing cloud customer base with approximately 200 key customers for whom the average annual recurring cloud revenue is approximately EUR 200 thousand. We want to support each of our customers across the full spectrum of networked source to pay cloud solutions and in all jurisdictions where they operate. We are the best placed in our industry to do so given the global reach of our network, the largest e-invoicing network in the world. By investing in account management, serving our customers more intimately and more globally, and by improving customer satisfaction, we believe that we can significantly increase the average revenues from our key customers.

**Customer transformations:** We are focused on actively transforming the largest of our on-premise customers to our cloud solutions. When our customers transform to the cloud they benefit from a modern, more useable, constantly updated solution and as a result typically the revenues from each of these customers more than doubles.

**Partnering:** In the past Basware has focused more on direct sales than partner sales with the share of cloud revenues in 2017 from partners being approximately 5 percent. Reaching more end customers via partners is a scalable way to grow both in our existing key markets and in the future in new geographies, and therefore a dedicated partnering function was created as part of the move to a functional organisation structure announced in May 2018. The goal is to increase the percentage of cloud revenues from partners to 20 percent in the long run.

### Increasing investments into sales and marketing

Basware will increase its investments significantly into sales and marketing during the strategy period 2019 to 2022 in order to grow cloud order intake. We are confident that this will be a good investment, because our historical

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ratio of customer life time value to customer acquisition cost has been 7 times. This means that for every one Euro invested in sales and marketing a return of seven Euros will be generated. In fact, with a gross renewal rate of 95 percent and a net renewal rate of 106 percent, a typical customer lifetime is 19 years.

### **Simplify global trade interactions**

We have a powerful cloud platform which enables customers to manage all source-to-pay processes. We have the largest open e-Invoicing network in the world. These assets combined put us in a unique position to leverage the rapid technological developments in the industry to bring more value to our customers by simplifying global trade interactions.

The role of analytics solutions will be increasingly more important to increase the value of our offering to customers - from getting actionable insights to making strategic business decisions.

We will selectively consider partnering and acquisitions to complement our technology portfolio.

### **Customer value beyond expectations**

We strive to provide an excellent customer experience and maximize customers' service adoption and benefits so that they want to purchase even more of our solutions. We will make our consulting and customer service organization more scalable.

### **A scalable business model**

The cloud business model that Basware is transforming to, now accounting for 66 percent of revenues, is very scalable. This means that as revenues grow, the cost of sales does not grow as quickly, improving our gross margin over time. Whilst we will invest more in sales and marketing during the strategy period, underlying profitability will improve as cost of sales declines as a percentage of sales and we exercise discipline in research and development and general and administrative spending. As a general cost philosophy, we will continuously reallocate spending from less productive to more productive areas.

Basware's priority is cloud revenue growth. In addition to the long-term growth vision to become a EUR 1 billion revenue company, Basware today announces a mid-term target to replace any previous targets: Basware will accelerate annual organic cloud growth to more than 20 percent by 2022.

There is a huge market opportunity ahead of Basware which requires ambition to capture. That is why we today announce our EUR 1 billion revenue growth vision. We believe that Basware has the building blocks to be the leader in our industry and with these actions are confident that we can further strengthen our global position and drive cloud revenue growth.

#### ***Definitions related to cloud metrics included in EUR 1 billion vision statement:***

*Cloud gross churn rate is defined as the total amount of cloud revenues lost during the period, divided by the total cloud revenues at the beginning of the period.*

*Cloud net churn rate is defined as the total amount of cloud revenues lost during the period minus the new cloud ARR won from add-on sales to existing customers during the period, divided by the total cloud revenues at the beginning of the period.*

*Cloud gross renewal rate is defined as 100 percent minus the cloud gross churn rate.*

*Cloud net renewal rate is defined as 100 percent minus the cloud net churn rate.*

*Customer lifetime is defined as 1 divided by the cloud gross churn rate.*

*Lifetime value of the order intake won during the period is calculated by multiplying Cloud ARR order intake during the period by the cloud gross margin and dividing by the cloud gross churn rate.*

*The customer acquisition cost is defined as the total expenditure on sales and marketing for the 12 months prior to the period (to account for the lead time between new sales and marketing expenditure converting to order intake).*



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## RISKS AND UNCERTAINTY FACTORS

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

Additionally, even higher than expected pace in the license to SaaS transformation would have a negative impact on expected net sales in the short term. In addition to SaaS, Basware expects high growth rates in its network-based transaction services which will, besides successful sales effort, also require an efficient supplier onboarding process. Sales from Value Added Services, including Financing Services, are dependent on Basware's ability to bring innovative and attractive products to the market according to its planned timetable and move customers quickly to a phase where they are using the services extensively enough to provide meaningful revenue to Basware.

The fact that more than 50 percent of the company's sales are expected to come from non-euro countries exposes the Group's net sales growth to foreign exchange rate movements. In case there is a significant movement of GBP, USD, NOK, SEK or AUD against the euro, reported net sales may be affected. In addition, a proportion of Basware's costs are denominated in INR and RON.

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

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

The cloud transformation process requires cash investment. The company's ability to secure financing for this transformation may affect its ability to deliver on the strategy.

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

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

## FUTURE OUTLOOK

### Operating environment and market outlook

All organisations need to manage their purchasing processes from procurement through to handling invoices and paying them. Currently many organisations only have unsophisticated or partial tools to manage these processes and as a result many are faced with unmanaged spending, inefficient manual and paper-based processes and poor visibility of cashflows. Basware offers a uniquely complete solution for these challenges that is differentiated by the Basware Network, the largest e-invoicing network in the world, and enables customers to manage 100 percent of their spending and make their purchasing processes completely paperless.

Basware expects the demand for networked purchase-to-pay services to continue to grow. The total potential market for networked purchase-to-pay services is estimated to be worth EUR 15 billion in annual revenues.

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**Outlook for 2018**

Basware is the global leader in providing networked source-to-pay, e-invoicing and value-added services. Basware's key strategic priority for the strategy period 2018-2022 is cloud revenue growth. The company continues to strengthen its leading market position in order to grow cloud revenue.

Themes affecting cloud revenues in 2018:

- SaaS revenues anticipated to continue to grow strongly on an organic basis
- Transaction services revenues growth anticipated to accelerate as growth initiatives take effect
- Other cloud revenues continue to be impacted by UK public sector revenues
- Cloud revenues have a higher proportion of US dollar and Sterling and so are disproportionately affected by foreign exchange movements

Themes affecting non-cloud revenues in 2018:

- Maintenance and licence revenues will continue to decline as Basware transitions existing customers to cloud services
- Consulting revenues are also affected by the cloud transition and more standardised implementations
- Non-cloud revenues are disproportionately affected by the divestments completed in February 2018

For 2018 Basware expects the following on an organic basis at constant currencies:

- Cloud revenues to be between EUR 90 and 95 million
- Total costs excluding amortization, depreciation and adjustments to be slightly above 2017 levels

Constant currencies means that the effects of any changes in currencies are eliminated by calculating the figures for the period using 2017 exchange rates. Organic means that the figures are adjusted to remove the effects of any acquisitions or disposals within the past 12 months.

Espoo, Finland, Tuesday, October 16, 2018

BASWARE CORPORATION  
Board of Directors

Vesa Tykkyläinen, CEO, Basware Corporation

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## SUMMARY OF FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS JANUARY 1 – SEPTEMBER 30, 2018

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	7-9/ 2018	7-9/ 2017	Change, %	1-9/ 2018	1-9/ 2017	Change, %	1-12/ 2017
<b>NET SALES</b>	33 991	35 827	-5.1	104 929	109 924	-4.5	149 167
Cost of sales	-16 101	-16 966	-5.1	-52 595	-56 804	-7.4	-75 891
<b>GROSS PROFIT</b>	<b>17 890</b>	<b>18 862</b>	<b>-5.2</b>	<b>52 335</b>	<b>53 120</b>	<b>-1.5</b>	<b>73 276</b>
Sales and marketing	-10 759	-7 809	37.8	-31 072	-26 508	17.2	-36 455
Research and development	-6 599	-6 539	0.9	-20 374	-22 026	-7.5	-29 629
General and administration	-4 003	-3 052	31.2	-12 185	-9 645	26.3	-14 110
<b>Total operating expenses</b>	<b>-21 361</b>	<b>-17 400</b>	<b>22.8</b>	<b>-63 631</b>	<b>-58 179</b>	<b>9.4</b>	<b>-80 194</b>
Other operating income and expenses	-316	-257	22.7	13 675	-1 589		-2 593
<b>OPERATING PROFIT/LOSS</b>	<b>-3 787</b>	<b>1 205</b>		<b>2 379</b>	<b>-6 648</b>		<b>-9 509</b>
Finance income and expenses	-487	-401	21.5	-1 470	-1 370	7.3	-1 719
Share of profit/loss of a joint venture	0	-117	-100.0	-153	-995	-84.6	-1 048
<b>PROFIT/LOSS BEFORE TAX</b>	<b>-4 274</b>	<b>688</b>		<b>756</b>	<b>-9 013</b>		<b>-12 276</b>
Income tax	1 045	7		-3 314	920		752
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>-3 229</b>	<b>694</b>		<b>-2 558</b>	<b>-8 093</b>	<b>68.4</b>	<b>-11 524</b>
<b>Other comprehensive income</b>							
<b>Other comprehensive income that will not be reclassified to profit or loss</b>							
Remeasurement of employee benefits	0	-25		18	-87		155
<b>Other comprehensive income that may be reclassified subsequently to profit or loss</b>							
Exchange differences on translating foreign operations	350	-1 118		1 502	-5 395		-6 743
Income tax relating to components of other comprehensive income	-11	69		-60	255		290
Cash flow hedges	-112	0		-76	0		0
Other comprehensive income for the year net of tax	227	-1 074		1 384	-5 277		-6 299
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-3 002</b>	<b>-380</b>	<b>-691.0</b>	<b>-1 175</b>	<b>-13 320</b>	<b>91.2</b>	<b>-17 823</b>
<b>Profit/loss attributable to:</b>							
Equity holders of the parent company	-3 229	694		-2 558	-8 093	68.4	-11 524
<b>Total comprehensive income attributable to:</b>							
Equity holders of the parent company	-3 002	-380	-691.0	-1 175	-13 320	91.2	-17 823
<b>Earnings per share</b>							
undiluted, EUR	-0.22	0.05		-0.18	-0.56	68.6	-0.80
diluted, EUR	-0.22	0.05		-0.18	-0.56	68.7	-0.80

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# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	Sept. 30, 2018	Sept. 30, 2017	Change, %	Dec. 31, 2017
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	45 299	48 980	-7.5	49 039
Goodwill	79 129	92 826	-14.8	91 961
Tangible assets	923	1 480	-37.6	1 291
Share of investment in a joint venture	0	207		153
Non-current financial assets	38	38		38
Trade and other receivables	3 530	3 109	13.6	3 617
Contract assets	1 404	2 651	-47.0	2 450
Deferred tax assets	7 821	10 982	-28.8	10 362
<b>Non-current assets</b>	<b>138 144</b>	<b>160 271</b>	<b>-13.8</b>	<b>158 910</b>
<b>Current assets</b>				
Trade receivables	24 617	23 839	3.3	24 534
Other receivables	6 820	6 901	-1.2	6 880
Contract assets	3 076	3 536	-13.0	3 446
Income tax receivables	361	616	-41.4	358
Cash and cash equivalents	46 235	25 275	82.9	20 683
<b>Current assets</b>	<b>81 108</b>	<b>60 167</b>	<b>35.5</b>	<b>55 900</b>
<b>ASSETS</b>	<b>219 252</b>	<b>220 439</b>	<b>-0.5</b>	<b>214 811</b>

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# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	Sept. 30, 2018	Sept. 30, 2017	Change, %	Dec. 31, 2017
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Share capital	3 528	3 528		3 528
Share premium account	1 187	1 187		1 187
Treasury shares	-638	-841	-24.2	-841
Invested unrestricted equity fund	110 928	111 132	-0.2	111 132
Other reserves	516	540	-4.4	592
Translation differences	-9 781	-9 917	-1.4	-11 229
Retained earnings	8 868	12 014	-26.2	8 920
<b>Shareholders' equity</b>	<b>114 609</b>	<b>117 643</b>	<b>-2.6</b>	<b>113 289</b>
<b>Non-current liabilities</b>				
Deferred tax liability	4 734	5 647	-16.2	4 569
Interest-bearing liabilities	40 113	47 286	-15.2	47 286
Other non-current financial liabilities	127	1 319	-90.4	1 693
Contract liabilities	2 996	3 005	-0.3	2 374
Liabilities from employee benefits	361	616	-41.4	434
<b>Non-current liabilities</b>	<b>48 331</b>	<b>57 874</b>	<b>-16.5</b>	<b>56 357</b>
<b>Current liabilities</b>				
Interest-bearing liabilities	17 089	1 996	756.2	1 996
Trade payables and other liabilities	23 276	24 635	-5.5	31 409
Contract liabilities	15 575	16 918	-7.9	10 656
Income tax liabilities	109	132	-17.3	177
Current provisions	264	1 241	-78.7	928
<b>Current liabilities</b>	<b>56 313</b>	<b>44 922</b>	<b>25.4</b>	<b>45 165</b>
<b>EQUITY AND LIABILITIES</b>	<b>219 252</b>	<b>220 439</b>	<b>-0.5</b>	<b>214 811</b>

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

EUR thousand	Share capital	Share premium account	Treasury shares	Inv. un-restricted equity	Other reserves	Translation differences	Retained earnings	Total
<b>SHAREHOLDERS' EQUITY Jan. 1, 2018</b>	<b>3 528</b>	<b>1 187</b>	<b>-841</b>	<b>111 131</b>	<b>592</b>	<b>-11 229</b>	<b>8 920</b>	<b>113 289</b>
Effect of IFRS 9 restatement – bad debt provision							-128	-128
Effect of IFRS 2 amendment							1 043	1 043
<b>SHAREHOLDERS' EQUITY Jan. 1, 2018 (restated)</b>	<b>3 528</b>	<b>1 187</b>	<b>-841</b>	<b>111 131</b>	<b>592</b>	<b>-11 229</b>	<b>9 835</b>	<b>114 204</b>
Comprehensive income						1 442	-2 564	-1 123
Share based payments			204	-204			1 580	1 580
Defined benefit plan						6	18	24
Cash flow hedges					-76			-76
<b>SHAREHOLDERS' EQUITY Sept. 30, 2018</b>	<b>3 528</b>	<b>1 187</b>	<b>-638</b>	<b>110 928</b>	<b>516</b>	<b>-9 781</b>	<b>8 868</b>	<b>114 609</b>

EUR thousand	Share capital	Share premium account	Treasury shares	Inv. un-restricted equity	Other reserves	Translation differences	Retained earnings	Total
<b>SHAREHOLDERS' EQUITY Jan. 1, 2017</b>	<b>3 528</b>	<b>1 187</b>	<b>-1 043</b>	<b>111 333</b>	<b>540</b>	<b>-4 863</b>	<b>22 182</b>	<b>132 864</b>
Effect of IFRS 15 restatement to revenue						86	-2 495	-2 409
<b>SHAREHOLDERS' EQUITY Jan. 1, 2017 (restated)</b>	<b>3 528</b>	<b>1 187</b>	<b>-1 043</b>	<b>111 333</b>	<b>540</b>	<b>-4 776</b>	<b>19 687</b>	<b>130 455</b>
Effect of IFRS 15 restatement to revenue							7	7
Comprehensive income						-5 140	-8 100	-13 240
Share based payments			202	-202			507	507
Defined benefit plan							-87	-87
<b>SHAREHOLDERS' EQUITY Sept. 30, 2017 (restated)</b>	<b>3 528</b>	<b>1 187</b>	<b>-841</b>	<b>111 132</b>	<b>540</b>	<b>-9 917</b>	<b>12 014</b>	<b>117 643</b>



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## CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	7-9/2018	7-9/2017	1-9/2018	1-9/2017	1-12/2017
<b>Cash flows from operating activities</b>					
Profit/loss for the period	-3 229	694	-2 558	-8 093	-11 524
<b>Adjustments for profit:</b>					
Depreciation and amortisation	2 723	2 300	8 095	7 361	10 108
Share of profit/loss of a joint venture	0	117	153	995	1 048
Gain (-) / loss (+) on disposals of assets	0	0	-16 276	0	0
Unrealised foreign exchange gains and losses	176	158	141	773	764
Financial income and expenses	354	207	1 276	621	1 002
Tax on income from operations	-1 045	-7	3 314	-920	-752
Other adjustments	542	-60	1 271	412	642
<b>Total adjustments</b>	<b>2 750</b>	<b>2 715</b>	<b>-2 026</b>	<b>9 243</b>	<b>12 812</b>
<b>Changes in working capital:</b>					
Increase (-) / decrease (+) in trade and other receivables	4 651	-2 030	1 860	-2 351	-3 123
Increase (+) / decrease (-) in trade and other payables	-5 490	-4 805	1 932	4 958	4 766
Increase (+) / decrease (-) in provisions	-618	-979	-683	-3 831	-4 141
<b>Total changes in working capital</b>	<b>-1 457</b>	<b>-7 813</b>	<b>3 108</b>	<b>-1 224</b>	<b>-2 499</b>
Financial items in operating activities	-505	-163	-1 378	-579	-958
Income taxes paid (-) / received (+)	-235	-273	-567	-1 553	-1 832
<b>Cash flows from operating activities</b>	<b>-2 676</b>	<b>-4 840</b>	<b>-3 421</b>	<b>-2 206</b>	<b>-4 001</b>
<b>Cash flows used in investing activities</b>					
Purchase of tangible and intangible assets	-2 174	-2 453	-8 689	-9 714	-12 485
Net proceeds from sale of tangible and intangible assets*	686	0	29 641	0	0
<b>Cash flows from investing activities</b>	<b>-1 489</b>	<b>-2 453</b>	<b>20 952</b>	<b>-9 714</b>	<b>-12 485</b>
<b>Cash flows from financing activities</b>					
Repayment of current borrowings	-998	-20 998	-1 996	-27 998	-27 998
Proceeds from non-current borrowings	9 923	30 000	9 923	30 000	30 000
<b>Cash flows from financing activities</b>	<b>8 925</b>	<b>9 002</b>	<b>7 927</b>	<b>2 002</b>	<b>2 002</b>
<b>Net change in cash and cash equivalents</b>	<b>4 760</b>	<b>1 708</b>	<b>25 458</b>	<b>-9 918</b>	<b>-14 484</b>
Cash and cash equivalents at the beginning of period	41 413	23 610	20 683	35 755	35 755
Net foreign exchange difference	63	-43	94	-562	-588
Cash and cash equivalents at the end of period	46 235	25 275	46 235	25 275	20 683

\*Includes proceeds and disbursements directly attributable to the divestments made in Q1 2018

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## ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34. The same accounting principles have been followed as in the annual financial statements except for the adoption of new standards and amendments effective as of January 1, 2018.

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

The amounts presented in the income statement and balance sheet are Group figures. The amounts presented in the release are rounded, so the sum of individual figures may differ from the sum reported. Percentage changes for net figures are shown on an absolute basis.

### New and amended IFRS standards

Basware has adopted IFRS 15 *Revenue from Contracts with Customers* as of January 1, 2018 (mandatory application), with full retrospective application. Revenue for different revenue types are recognized over time except for licenses which is recognized at a point in time. As the new standard affects only a minority of the Group's customer contracts, the impact of the standard on the Group's 2017 restated total revenue is not material, being EUR -74 thousand in total. However, as a result of the application of the standard, part of Cloud revenue will be recognized later and part of Non-cloud revenue earlier compared to the previous revenue recognition standard. Due to this, 2017 restated IFRS 15 Cloud revenue is EUR 1 667 thousand lower and Non-cloud revenue EUR 1 596 thousand higher compared to the reported revenue.

In connection with the IFRS 15 application, the Group has made certain changes in the revenue allocation between Cloud and Non-cloud. Revenues related to dedicated customer services as part of SaaS subscriptions will now be allocated as Cloud revenues. This reallocation does not impact total Group revenue. However, for 2017 a total of EUR 2 830 thousand of revenues reported as part of Non-cloud is now recorded as Cloud revenue.

The total net impact of IFRS 15 restatements and the changes in revenue allocation between Cloud and Non-cloud for full year 2017 is EUR -74 thousand on Group level, with Cloud revenue increasing EUR 1 163 thousand and Non-cloud revenue decreasing EUR 1 236 thousand. As a result, the share of Cloud revenue of the Group's total 2017 revenue has increased slightly.

### Net sales by revenue type after IFRS 15 restatements and changes in revenue allocation

Net sales by revenue type EUR thousand	1-3/ 2017	4-6/ 2017	7-9/ 2017	10-12/ 2017
<b>Cloud Revenue</b>				
SaaS	8 002	8 372	8 903	9 532
Transaction services	9 471	9 573	9 875	10 770
Other cloud revenue	1 444	1 807	1 274	1 310
<b>Cloud Revenue total</b>	<b>18 917</b>	<b>19 752</b>	<b>20 052</b>	<b>21 612</b>
<b>Non-Cloud Revenue</b>				
Maintenance	9 849	9 357	8 965	8 856
License sales	900	1 120	790	1 383
Consulting services	7 071	7 165	6 063	7 447
Other non-cloud revenue	73	-105	-42	-54
<b>Non-Cloud Revenue total</b>	<b>17 893</b>	<b>17 536</b>	<b>15 776</b>	<b>17 631</b>
<b>Group Total</b>	<b>36 810</b>	<b>37 287</b>	<b>35 827</b>	<b>39 243</b>

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IFRS 15 restatements increased the Group's non-current assets on December 31, 2017 by EUR 2 082 thousand, current assets by EUR 1 181 thousand, non-current liabilities by EUR 2 374 thousand, current liabilities by EUR 3 525 thousand, and decreased equity by EUR 2 636 thousand. IFRS 15 restatements had no material impact on basic or diluted EPS, and no impact on cash flows.

IFRS 15 restatements and the changes in revenue allocation between Cloud and Non-cloud also affect the subscription annual recurring revenue gross order intake reported in 2017. The restated numbers are outlined below also adjusting for the effect of the divested businesses. The annual recurring revenue gross order intake related to the divested businesses was EUR 1.3 million in 2017.

**Purchase-to-pay subscription annual recurring revenue gross order intake after IFRS 15 restatements and changes in revenue allocation, and adjusting for divestments:**

Annual recurring revenue gross order intake EUR thousand	7-9/ 2018	4-6/ 2018	1-3/ 2018	10-12/ 2017	7-9/ 2017	4-6/ 2017	1-3/ 2017
Purchase-to-Pay subscriptions	3 130	3 449	2 742	2 943	1 988	3 809	2 506

Basware has adopted IFRS 9 *Financial Instruments* (effective date January 1, 2018), which replaces the previous IAS 39 *Financial Instruments: Recognition and Measurement*. The main impact of IFRS 9 concerns the timing of recording expected credit losses. IFRS 9 has not been applied retrospectively.

The Group has adopted the amendment to IFRS 2 *Share-based Payment* (effective date January 1, 2018). The amendment concerns incentive schemes with "net settlement" features to cover withholding tax obligations and where the employer has an obligation to withhold tax from the received benefit of the share-based payment in the country in question. From 2018 onwards, a compensation cost pursuant to IFRS 2 will be recognized for such payments, based on the entire scheme being an equity-settled payment.

## DEFINITION OF ALTERNATIVE PERFORMANCE MEASURES

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

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

Non-cloud revenue includes net sales from licences, maintenance and consulting, as well as alliance fees.

Organic revenue growth is calculated by comparing net sales between comparison periods in constant currencies excluding alliance fees as well as net sales from acquisitions or disposals that have taken place in the past 12 months.

Net sales in constant currencies is calculated by eliminating the impact of exchange rate fluctuations by calculating the net sales for the current period by using the comparable period's exchange rates.

Gross investments are total investments made to non-current assets including acquisitions and capitalized research and development costs.

Other capitalized expenditure consists of investments in property, plant & equipment and intangible assets excluding acquisitions and capitalized research and development costs.

EBITDA is calculated as operating profit/loss plus depreciation and amortization.

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

Adjusted operating profit/loss (Adjusted EBIT) is calculated from operating profit/loss excluding any adjustments related to alliance fees, acquisitions and disposals, restructuring and efficiency measures, impairment losses and litigation fees and settlements.

Adjusted earnings per share (Adjusted EPS) is calculated by excluding from the profit/loss any adjustments related to alliance fees, acquisitions and disposals, restructuring and efficiency measures, impairment losses and litigation fees and settlements.

Annual recurring revenue gross order intake is calculated by summing the total order intake in the period expressed as an annual contract value. For cloud order intake this includes all SaaS and Network recurring revenues including transaction revenues. For the subscription order intake this includes SaaS and other purchase-to-pay subscription types and excludes transaction revenue. Gross order intake covers new cloud customers, add-ons and renewal uplifts but excludes churn. There will be a time lag before this order intake is visible in net sales.

Historical quarterly order intake for cloud and purchase-to-pay subscriptions is shown below:

Annual recurring revenue gross order intake EUR thousand	7-9/ 2018	4-6/ 2018	1-3/ 2018	10-12/ 2017	7-9/ 2017	4-6/ 2017	1-3/ 2017
Cloud	4 483	6 392	4 657	4 948	3 475	5 496	4 024
Purchase-to-Pay subscriptions	3 130	3 449	2 742	2 943	1 988	3 809	2 506

### Adjusted operating profit/loss and adjusted EBITDA

EUR thousand	7-9/ 2018	7-9/ 2017	Change, %	1-9/ 2018	1-9/ 2017	Change, %	1-12/ 2017
<b>Operating profit/loss</b>	<b>-3 787</b>	<b>1 205</b>		<b>2 379</b>	<b>-6 648</b>		<b>-9 509</b>
<b>Adjustments:</b>							
Acquisition, disposal and restructuring income (-)	-553			-17 758	-133		-133
Acquisition, disposal and restructuring expenses (+)	625	108	478.7	2 707	246		416
Efficiency related expenses	115	-65		1 039	1 445	-28.1	2 023
Settlements	0	114		0	114		389
<b>Total adjustments</b>	<b>187</b>	<b>156</b>	<b>19.9</b>	<b>-14 012</b>	<b>1 672</b>		<b>2 695</b>
<b>Adjusted operating profit/loss</b>	<b>-3 600</b>	<b>1 361</b>		<b>-11 633</b>	<b>-4 976</b>	<b>-133.8</b>	<b>-6 814</b>
Depreciation and amortization	-2 723	-2 300	18.4	-8 095	-7 361	10.0	10 108
<b>Adjusted EBITDA</b>	<b>-877</b>	<b>3 661</b>		<b>-3 538</b>	<b>2 386</b>		<b>3 294</b>

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## DIVESTMENTS

Basware signed an agreement on February 2, 2018 to sell its Financial Performance Solutions and Banking businesses to Verdane Capital. The divestments were completed on February 28, 2018 and starting from March 1, 2018 Basware Group has not consolidated these businesses in its consolidated financial statements.

In 2017, the combined net sales of Financial Performance Solutions and Banking businesses were approximately EUR 15 million and combined direct costs approximately EUR 7 million.

The combined sale price of the two businesses was EUR 35.0 million, and after purchase price adjustments related mainly to net working capital, the net cash proceeds from the divestments are estimated to be EUR 30.1 million. In addition, EUR 14.0 million of consolidated goodwill has been allocated to the divested businesses, and EUR 4.8 million of fixed assets, mainly capitalized research and development expenses, was written down. In total, the Group recognized a gain on sale of assets amounting to EUR 16.3 million in the first quarter as a result of the divestments. Tax impact of the divestments will be covered by deferred tax assets recognized for accumulated tax losses.

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## SEGMENT REPORTING

Basware reports one operating segment. The reported segment is comprised of the entire Group, and the segment figures are consistent with the Group figures.

## INFORMATION ON PRODUCTS AND SERVICES

Basware reports revenues by type. Cloud revenue includes SaaS, Transaction services (consisting of e-invoicing, scan and capture services, printing services and network start-up fees) and Other cloud revenue. Non-cloud revenue includes Maintenance, License sales, Consulting services (consisting of professional services and customer services management) and Other non-cloud revenue.

Net sales by revenue type EUR thousand	7-9/ 2018	7-9/ 2017	Change, %	1-9/ 2018	1-9/ 2017	Change, %	1-12/ 2017
<b>Cloud Revenue</b>							
SaaS	10 177	8 903	14.3	29 416	25 276	16.4	34 808
Transaction services	11 029	9 875	11.7	32 405	28 919	12.1	39 689
Other cloud revenue	1 233	1 274	-3.2	3 744	4 525	-17.3	5 835
<b>Cloud Revenue total</b>	<b>22 440</b>	<b>20 052</b>	<b>11.9</b>	<b>65 566</b>	<b>58 720</b>	<b>11.7</b>	<b>80 332</b>
<b>Non-Cloud Revenue</b>							
Maintenance	6 150	8 965	-31.4	20 212	28 170	-28.3	37 026
License sales	401	790	-49.3	1 589	2 810	-43.4	4 192
Consulting services	4 966	6 063	-18.1	17 504	20 299	-13.8	27 746
Other non-cloud revenue	34	-42		59	-74		-129
<b>Non-Cloud Revenue total</b>	<b>11 551</b>	<b>15 776</b>	<b>-26.8</b>	<b>39 364</b>	<b>51 204</b>	<b>-23.1</b>	<b>68 836</b>
<b>Group Total</b>	<b>33 991</b>	<b>35 827</b>	<b>-5.1</b>	<b>104 929</b>	<b>109 924</b>	<b>-4.5</b>	<b>149 167</b>

## GEOGRAPHICAL INFORMATION

From Q1 2018, the company has changed the presentation of its geographical information. Basware reports geographical areas Americas, Europe, Nordics and APAC. Americas includes business operations in North and South America. Europe includes operations in Europe and Russia, excluding the Nordic countries (Denmark, Finland, Norway and Sweden), which are reported separately. APAC includes operations in Asia and the Pacific region.

Net sales by the location of customer EUR thousand	7-9/ 2018	7-9/ 2017	Change, %	1-9/ 2018	1-9/ 2017	Change, %	1-12/ 2017
Americas	6 954	5 945	17.0	19 661	18 307	7.4	24 403
Europe	11 673	11 529	1.3	35 268	33 361	5.7	45 401
Nordics	13 526	16 410	-17.6	44 771	52 608	-14.9	71 818
APAC	1 838	1 944	-5.5	5 228	5 648	-7.4	7 545
<b>Group total</b>	<b>33 991</b>	<b>35 827</b>	<b>-5.1</b>	<b>104 929</b>	<b>109 924</b>	<b>-4.5</b>	<b>149 167</b>

Personnel Employed, on average	7-9/ 2018	7-9/ 2017	Change, %	1-9/ 2018	1-9/ 2017	Change, %	1-12/ 2017
Americas	138	130	6.2	137	131	4.8	131
Europe	457	463	-1.2	461	479	-3.8	475
Nordics	473	555	-14.7	497	562	-11.6	558
APAC	658	678	-2.9	673	668	0.8	673
<b>Group total</b>	<b>1 727</b>	<b>1 826</b>	<b>-5.4</b>	<b>1 768</b>	<b>1 840</b>	<b>-3.9%</b>	<b>1 838</b>



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## FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

EUR thousand	Sept. 30, 2018		Sept. 30, 2017		Dec. 31, 2017	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>Financial assets</b>						
Non-current:						
Non-current financial assets	38	38	38	38	38	38
Non-current trade and other receivables	911	911	1 498	1 498	1 400	1 400
Current:						
Current trade receivables	24 617	24 617	23 839	23 839	24 534	24 534
Current other receivables	165	165	146	146	182	182
Cash and cash equivalents	46 235	46 235	25 275	25 275	20 683	20 683
<b>Financial liabilities</b>						
Non-current:						
Financial liabilities valued at amortized acquisition cost:						
Loans from financial institutions, interest-bearing	40 113	40 113	47 286	47 286	47 286	47 286
Current:						
Loans from financial institutions, interest-bearing	17 096	17 096	1 996	1 996	1 996	1 996
Trade payables and other liabilities	9 952	9 952	8 262	8 262	12 532	12 532

Financial liabilities arising from derivative financial instruments of EUR 76 thousand are classified as level 2 and unquoted equity shares of EUR 38 thousand as level 3 in the fair value measurement hierarchy.

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## COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand	Sept. 30, 2018	Sept. 30, 2017	Dec. 31, 2017
<b>Own guarantees</b>			
Business mortgages of own debts	0	1 200	1 200
Guarantees	605	218	202
<b>Commitments on behalf of subsidiaries and group companies</b>			
Guarantees	327	100	100
<b>Other own guarantees</b>			
Lease liabilities			
Current lease liabilities	930	864	850
Lease liabilities maturing in 1–5 years	909	698	847
<b>Total</b>	<b>1 839</b>	<b>1 562</b>	<b>1 697</b>
<b>Other rental liabilities</b>			
Current rental liabilities	6 554	5 753	6 424
Rental liabilities maturing in 1–5 years	8 749	10 880	11 368
Rental liabilities maturing later	33	230	180
<b>Total</b>	<b>15 336</b>	<b>16 863</b>	<b>17 973</b>
<b>Other own contingent liabilities, total</b>	<b>17 174</b>	<b>18 425</b>	<b>19 670</b>
<b>Total commitments and contingent liabilities</b>	<b>18 106</b>	<b>19 943</b>	<b>21 172</b>

## RELATED PARTY TRANSACTIONS

### Loans from related parties

EUR thousand	Sept. 30, 2018	Sept. 30, 2017	Dec. 31, 2017
Arrowgrass Master Fund LTD	10 000	0	10 000

Loans from related parties includes the share of Arrowgrass Master Fund LTD of the Group's term loan financing signed in September 2017 and totaling EUR 30 million. The other lenders are Nordea Bank AB, OP Corporate Bank Plc and Ilmarinen Mutual Pension Insurance Company. Loans from related parties have been provided at commercial interest rates.

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**GROUP QUARTERLY INCOME STATEMENT**

EUR thousand	7-9/ 2018	4-6/ 2018	1-3/ 2018	10-12/ 2017	7-9/ 2017	4-6/ 2017	1-3/ 2017
<b>NET SALES</b>	<b>33 991</b>	<b>34 969</b>	<b>35 969</b>	<b>39 243</b>	<b>35 827</b>	<b>37 287</b>	<b>36 810</b>
Cost of sales	-16 101	-18 580	-17 913	-19 087	-16 966	-19 363	-20 476
<b>GROSS PROFIT/LOSS</b>	<b>17 890</b>	<b>16 389</b>	<b>18 056</b>	<b>20 156</b>	<b>18 862</b>	<b>17 924</b>	<b>16 334</b>
Sales and Marketing	-10 759	-10 434	-9 879	-9 947	-7 809	-9 304	-9 395
Research and Development	-6 599	-6 964	-6 811	-7 603	-6 539	-7 657	-7 830
General and Administration	-4 003	-4 315	-3 868	-4 465	-3 052	-3 335	-3 257
<b>Total operating expenses</b>	<b>-21 361</b>	<b>-21 712</b>	<b>-20 558</b>	<b>-22 015</b>	<b>-17 400</b>	<b>-20 296</b>	<b>-20 483</b>
Other operating income and expenses	-316	-1 006	14 997	-1 003	-257	-397	-934
<b>OPERATING PROFIT/LOSS</b>	<b>-3 787</b>	<b>-6 329</b>	<b>12 495</b>	<b>-2 862</b>	<b>1 205</b>	<b>-2 769</b>	<b>-5 084</b>
% of net sales			34.7 %		3.4 %		
Finance income and expenses	-487	-382	-600	-349	-401	-457	-512
Share of results of a joint venture	0	0	-153	-53	-117	-396	-482
<b>Profit/loss before tax</b>	<b>-4 274</b>	<b>-6 712</b>	<b>11 741</b>	<b>-3 264</b>	<b>688</b>	<b>-3 623</b>	<b>-6 077</b>
% of net sales			32.6 %		1.9 %		
Income taxes	1 045	966	-5 325	-168	7	207	706
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>-3 229</b>	<b>-5 746</b>	<b>6 416</b>	<b>-3 431</b>	<b>694</b>	<b>-3 416</b>	<b>-5 371</b>
% of net sales			17.8 %		1.9 %		

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## GROUP KEY INDICATORS

EUR thousand	1-9/2018	1-9/2017	1-12/2017
Net sales	104 929	109 924	149 167
Growth of net sales, %	-4.5 %	1.4 %*	0.4 %*
Organic revenue growth	5.8 %	2.2 %*	1.5 %*
EBITDA	10 474	714	599
% of net sales	10.0 %	0.6 %	0.4 %
Adjusted EBITDA	-3 538	2 386	3 294
% of net sales		2.2 %	2.2 %
Operating profit/loss	2 379	-6 648	-9 509
% of net sales	2.3 %		
Adjusted operating profit/loss	-11 633	-4 976	-6 814
% of net sales			
Profit/loss before tax	756	-9 013	-12 276
% of net sales	0,7 %		
Profit/loss for the period	-2 558	-8 093	-11 524
% of net sales			
Return on equity, %	-3.0 %	-8.6 %	-9.4 %
Return on investment, %	1.8 %	-5.4 %	-5.8 %
Interest-bearing liabilities	57 202	49 282	49 282
Cash and cash equivalents	46 235	25 275	20 683
Gearing, %	9.6 %	20.4 %	25.2 %
Equity ratio, %	52.3 %	53.4 %	52.7 %
Total assets	219 252	220 439	214 811
Gross investments	8 656	9 670	12 498
% of net sales	8.2 %	8.8 %	8.4 %
R&D investments, expensed**	15 882	18 285	24 372
R&D costs, capitalised	6 643	7 558	9 879
R&D investments, total	22 526	25 844	34 251
% of net sales	21.5 %	23.5 %	23.0 %
Depreciation and amortization	8 095	7 361	10 108
Other capitalised expenditure	1 983	2 113	2 620
Personnel expenses	72 053	73 204	99 083
Personnel on average during the period	1 768	1 840	1 838
Personnel at end of period	1 736	1 827	1 829
Change in personnel from comparison period, %	-5.0 %	-2.9 %	-3.2 %

\* Based on IFRS15 restated revenue including reallocations for 2017 and reported revenue for 2016

\*\* R&D expenses excluding depreciation

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Group Share Indicators	1-9/2018	1-9/2017	1-12/2017
Earnings per share, undiluted (EUR)	-0.18	-0.56	-0.80
Earnings per share, diluted (EUR)	-0.18	-0.56	-0.80
Adjusted earnings per share, undiluted (EUR)	-1.15	-0.45	-0.61
Adjusted earnings per share, diluted (EUR)	-1.14	-0.45	-0.61
Equity per share (EUR)	7.94	8.19	7.89
Price per earnings (P/E)	200.88	-70.96	-59.18
Share price performance (EUR)			
- lowest price	30.20	31.96	31.96
- highest price	47.60	42.47	47.50
- average price	40.88	39.68	38.84
- closing price	35.60	40.00	47.50
Market capitalization at end of period* (EUR)	513 828 898	574 388 120	682 085 892
Share issue adjusted number of traded shares	1 545 773	1 299 650	1 681 791
% of average number of shares	10.7 %	8.6 %	11.7 %
Number of shares*			
- at end of the period	14 433 396	14 359 703	14 359 703
- average during the period	14 436 935	14 356 548	14 357 343
- average during the period, diluted	14 436 935	14 395 519	14 406 674

\* Excluding treasury shares

## SHARE AND SHAREHOLDERS

Basware Corporation's share capital totalled EUR 3 528 369 (3 528 369) at the end of the quarter and the number of shares was 14 433 396 (14 359 703). Basware Corporation holds 31 460 (42 233) of its own shares, corresponding to approximately 0.2 percent (0.3 %) of the total number of shares.

Basware had 11 467 (11 992) shareholders at the end of the quarter, including 11 nominee-registers (9). Nominee-registered holdings accounted for 51.8 percent (44.7 %) of the total number of shares.

The company's Annual General Meeting of March 15, 2018 authorized the Board of Directors to decide on the repurchase of the company's own shares and on share issue as well as on the issuance of options and other special rights entitling to shares.

Additional information on shareholdings of major shareholders is available on the company's investor website at [investors.basware.com/en](http://investors.basware.com/en).