

BASWARE INTERIM REPORT JANUARY 1 – SEPTEMBER 30, 2017 (IFRS)**Cloud revenue growth continues****January-September 2017:**

- Net sales EUR 109 534 thousand (EUR 108 369 thousand): growth 1.1 percent.
- Cloud revenue growth of 21.4 percent, amounting to 52.4 percent (43.7 %) of net sales
- Adjusted EBITDA EUR 1 995 thousand (EUR -1 598 thousand)
- Adjusted operating result EUR -5 366 thousand (EUR -7 759 thousand)
- Adjusted earnings per share (diluted) EUR -0.47 (-0.57)
- Operating result EUR -7 038 thousand (EUR -9 932 thousand)
- Earnings per share (diluted) EUR -0.59 (-0.72)

July-September 2017:

- Net sales EUR 35 444 thousand (EUR 35 295 thousand): growth of 0.4 percent
- Cloud revenue growth of 17.6 percent, amounting to 54.6 percent (46.6 %) of net sales
- Adjusted EBITDA EUR 3 277 thousand (EUR 1 381 thousand)
- Adjusted operating result EUR 977 thousand (EUR -804 thousand)
- Adjusted earnings per share (diluted) EUR 0.03 (-0.10)
- Operating result EUR 821 thousand (EUR -2 218 thousand)
- Earnings per share (diluted) EUR 0.02 (-0.19)

The interim report is unaudited.

Basware is targeting accelerated revenue growth during its strategy period 2017-2020. Basware's number one strategic priority is cloud revenue growth which it will achieve by extending its leadership in networked purchase to pay, growing its network and expanding value added services. For 2017, Basware expects its cloud revenues to grow by approximately 20 percent, and adjusted EBITDA at breakeven.

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GROUP KEY FIGURES

EUR thousand	7-9/ 2017	7-9/ 2016	Change, %	1-9/ 2017	1-9/ 2016	Change, %	1-12/ 2016
Net sales	35 444	35 295	0.4 %	109 534	108 369	1.1 %	148 580
Cloud revenue	19 352	16 455	17.6 %	57 443	47 311	21.4 %	66 242
ARR order intake	2 207	1 886	17.1 %	9 470	5 690	66.4 %	7 896
EBITDA	3 121	-33		323	-3 771		-5 394
Adjusted EBITDA	3 277	1 381	137.3 %	1 995	-1 598		2 063
Operating result	821	-2 218		-7 038	-9 932	29.1 %	-13 946
Adjusted operating result	977	-804		-5 366	-7 759	30.8 %	-6 490
Result before tax	304	-2 770		-9 403	-12 165	22.7 %	-16 256
Result for the period	310	-2 785		-8 484	-10 269	17.4 %	-14 318
Cash and cash equivalents	25 275	12 951	95.2 %	25 275	12 951	95.2 %	35 755
Earnings per share							
Diluted, EUR	0.02	-0.19		-0.59	-0.72	18.0 %	-1.00
Adjusted earnings per share diluted	0.03	-0.10		-0.47	-0.57	16.5 %	-0.48

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:

It is a little over one year since I became CEO of Basware, and as I look back over the last twelve months, I am very proud of what all of us at Basware have achieved, and remain as excited about our future potential as I was on my first day as CEO. As a shareholder, CEO and employee, I am passionate about our mission to help organisations simplify their operations and spend smarter. This is something that every single organisation in the world can benefit from and making sure that Basware can capture this EUR 15 billion market opportunity is what drives me. Basware's offering is differentiated by its Network, the largest e-invoicing network in the world, which helps customers to make all their purchasing processes 100 percent paperless.

Cloud revenue growth is Basware's strategic priority so I am pleased to report that cloud revenues continue to grow as a proportion of revenues, making up 55 percent of total revenues in the third quarter of 2017, up from 47 percent in the third quarter of 2016. Total cloud growth continued, up 18 percent compared to the third quarter of 2016. Subscription order intake continued to be solid and was up 66 percent for 2017 year-to-date.

Customers are the key to our success and we made some great wins during the third quarter. It has been particularly pleasing to see our continued strong progress in the US market, winning customers against the US competition. Deals won in the third quarter include Aspen Square, Handelsbanken, Zleep Hotels, the South Yorkshire Police and Crime Commissioner, Nord Pool and Symphony Group. Our existing maintenance customer base is a huge asset for Basware, and we continued to make great progress in transforming these customers to our cloud solutions. This benefits customers by increasing their flexibility and providing them access to the latest innovations via ongoing automatic updates. Customers transformed recently include Valmet, Immochan, Bradken, JELD-WEN, Ramboll and Gjensidige.

Basware continues to lead innovation in our industry and we announced a number of developments in the third quarter that harness the data in our systems for the benefit of our customers. We have further enhanced our award-winning Analytics function with the addition of peer benchmarking and predictive analytics. We announced our partnership with Nordea to offer Basware's Discount product to Nordea's corporate banking customers to enable them to achieve better working capital management. We also launched Basware Vault, our compliant, efficient and secure cloud-based archiving service for e-invoices.

At the same time as focusing on customers and growing cloud revenues, we have successfully executed the productivity programme announced in November 2016. As a result we have controlled our cost base while at the same time driving cloud revenue growth, continuing innovation and increasing sales and marketing productivity.

Our people are the source of our strength as a company and employee satisfaction is very important to Basware. It is therefore very pleasing that Basware was a winner of the Charlotte Business Journal 2017 Best Places to Work award. As well as demonstrating the strength of our culture and values, it is also a recognition of Basware's progress in the US market.

Looking back on the last twelve months, Basware has delivered on all of the areas that were outlined as strategy enablers in October 2016, in particular, continuing to strengthen sales and marketing, seeing great progress in offering value added services to customers, creating a performance culture with all executive team members now Basware shareholders, and successfully implementing a productivity programme to enable scalable growth. This sets a very strong foundation for Basware to capture the significant market opportunity ahead of us and I am excited and confident about Basware's future.

NET SALES

Basware's net sales for the third quarter amounted to EUR 35 444 thousand (EUR 35 295 thousand), a growth of 0.4 percent. This equated to 1.8 percent growth at constant currencies.

Cloud revenues grew strongly during the third quarter. Cloud revenues in the third quarter were EUR 19 352 thousand (EUR 16 455 thousand), up by 17.6 percent, and accounted for 54.6 percent (46.6 %) of net sales.

SaaS revenues grew significantly compared to the third quarter of 2016 with total growth of 33.4 percent. In the third quarter transaction services revenues grew 12.7 percent.

In non-cloud revenues, maintenance and consulting revenues declined in line with expectations as we transition customers to the cloud.

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Basware's net sales year-to-date amounted to EUR 109 534 thousand (EUR 108 369 thousand), a growth of 1.1 percent. Organic growth at constant currencies declined 0.8 percent year-to-date.

Net sales by revenue type EUR thousand	7-9/ 2017	7-9/ 2016	Change, %	1-9/ 2017	1-9/ 2016	Change, %	1-12/ 2016
Cloud Revenue							
SaaS	8 451	6 336	33.4	24 028	15 802	52.1	22 975
Transaction services	9 632	8 547	12.7	28 903	25 931	11.5	35 996
Other cloud revenue	1 269	1 572	-19.3	4 513	5 578	-19.1	7 270
Cloud Revenue total	19 352	16 455	17.6	57 443	47 311	21.4	66 242
Non-Cloud Revenue							
Maintenance	8 965	10 168	-11.8	28 170	30 685	-8.2	40 761
License sales	790	1 137	-30.5	2 810	5 226	-46.2	7 188
Consulting services	6 380	7 439	-14.2	21 186	25 029	-15.4	34 389
Other non-cloud revenue	-42	96		-74	117		0
Non-Cloud Revenue total	16 092	18 841	-14.6	52 091	61 057	-14.7	82 338
Group Total	35 444	35 295	0.4	109 534	108 369	1.1	148 580

The share of Basware's net sales outside Finland was 69.2 percent (68.3 %) in the quarter.

SUBSCRIPTION ORDER INTAKE

In the third quarter of 2017, Basware's subscription annual recurring revenue gross order intake, including SaaS and other subscription types, amounted to EUR 2.2 million, up from EUR 1.9 million in the third quarter of 2016, an increase of 17.1 percent. For the first three quarters of 2017 subscription annual recurring revenue gross order intake increased by 66.4 percent compared to the comparison period in 2016. There will be a time lag before order intake is visible in net sales. Further information on the definition of subscription annual recurring revenue gross order intake is included in the section on Definition of Alternative Performance Measures.

Subscription annual recurring revenue gross order intake EUR thousand	7-9/ 2017	7-9/ 2016	Change, %	1-9/ 2017	1-9/ 2016	Change, %	1-12/ 2016
ARR order intake	2 207	1 886	17.1	9 470	5 690	66.4	7 896

FINANCIAL PERFORMANCE

Basware's adjusted EBITDA was EUR 3 277 thousand (EUR 1 381 thousand) in the third quarter. The adjustments to EBITDA totalled EUR 156 thousand (EUR 1 414 thousand) in the quarter. Basware's operating result for the quarter amounted to EUR 821 (EUR -2 218 thousand).

Basware's adjusted EBITDA was EUR 1 995 thousand (EUR -1 598 thousand) year-to-date. The operating result for the first three quarters of 2017 amounted to EUR -7 038 thousand (EUR -9 932 thousand).

The company's operating expenses including employee benefits, depreciation and amortization as well as other operating expenses were EUR 31 116 thousand (EUR 33 937 thousand) in the third quarter, and have decreased by 8.3 percent from the corresponding period the previous year. Personnel

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expenses made up 68.7 percent (70.9 %) or EUR 21 370 thousand (EUR 24 070 thousand) of the operating expenses.

Materials and services were EUR 3 562 thousand (EUR 3 576 thousand) in the third quarter, down 0.4 percent from the third quarter of 2016.

Basware announced a productivity programme to simplify its operations and increase scalability in the fourth quarter of 2016. The savings achieved as result of personnel reductions were approximately EUR 1.6 million in the third quarter of 2017 and approximately EUR 3.3 million year-to-date, and are on track to achieve approximately EUR 5 million of savings for the whole of 2017. In addition to achieving expenses savings, Basware has achieved improvements in sales and marketing productivity over the same period. Taken together, these increase the scalability of Basware's business, meaning the ability to grow revenues faster than costs.

The company's net finance expenses were EUR 401 thousand (EUR 7 thousand) for the quarter. Basware's share of the results of the joint venture with Arrowgrass Capital Partners LLP totalled EUR -117 thousand (EUR -544 thousand).

Basware's result before tax was EUR 304 thousand (EUR -2 770 thousand) and result for the quarter EUR 310 thousand (EUR -2 785 thousand). Taxes for the quarter increased the result by EUR 7 thousand (EUR -15 thousand).

Diluted earnings per share were EUR 0.02 (EUR -0.19) for the third quarter.

FINANCING AND INVESTMENTS

Cashflows from operating activities were EUR -4 840 thousand in the third quarter (EUR -5 479 thousand) and year-to-date EUR -2 206 thousand (EUR 3 790 thousand). Basware's operating cash flows are seasonal as a relatively large part of payments for annual maintenance are made in the first quarter. Working capital changes included the cash impact of restructuring provisions related to the productivity programme announced in November 2016.

Basware's cash and cash equivalents including short-term deposits totalled EUR 25 275 thousand (EUR 12 951 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 third quarter of 2017 to EUR 35 275 thousand (EUR 22 951 thousand).

In the third quarter of 2017, the company signed a new term loan financing totalling EUR 30 million, with EUR 10 million maturing in September 2019 and EUR 20 million in September 2020.

Basware's total assets on the balance sheet at the end of the quarter were EUR 217 210 thousand (EUR 197 760 thousand). Net cash flows from investments were EUR -2 453 (EUR -3 234) in the quarter and EUR -9 714 thousand (EUR -37 138 thousand) year-to-date.

The equity ratio was 55.2 percent (68.5 %) and gearing 11.3 percent (1.7 %). The company's interest-bearing liabilities totalled EUR 49 282 thousand (EUR 15 300 thousand), of which current liabilities accounted for EUR 1 996 thousand (EUR 0 thousand). The return on investment was 1.8 percent (-7.0 %) and return on equity 1.0 percent (-8.1 %) in the quarter.

Gross investments including acquisitions and capitalized research and development costs totalled EUR 9 670 thousand (EUR 47 416 thousand) year-to-date.

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RESEARCH AND DEVELOPMENT

Basware's research and development investments totalled EUR 4 764 thousand (EUR 5 304 thousand), or 13.4 percent (15.0 %) of net sales during the quarter. The expenses decreased by 10.2 percent compared to the corresponding quarter in the previous year. The decrease was due primarily to savings achieved as a result of the productivity programme announced in November 2016. The research and development costs excluding depreciation included in the result for the quarter totalled EUR 2 572 thousand (EUR 2 664 thousand), or 7.3 percent (7.5 %) of net sales. Research and development expenses capitalized during the quarter amounted to EUR 2 192 thousand (EUR 2 639 thousand). A total of 399 (427) people worked in research and development at the end of the quarter.

PERSONNEL

Basware employed 1 826 (1 869) people on average during the quarter and 1 827 (1 881) at the end of the quarter.

Geographical division of personnel:

Personnel Employed, on average	7-9/ 2017	7-9/ 2016	Change, %	1-9/ 2017	1-9/ 2016	Change, %	1-12/ 2016
Finland	445	505	-12.0	450	501	-10.2	500
EMEA	573	610	-6.1	592	591	0.0	599
India	649	584	11.2	640	569	12.4	577
Americas & APAC	159	170	-6.5	158	123	28.8	135
Group total	1 826	1 869	-2.3	1 840	1 784	3.1	1 811

At the end of the quarter, the share of Basware's personnel outside Finland was 75.8 percent (73.1 %). 11.1 percent (12.6 %) of the personnel work in sales and marketing, 59.8 percent (57.4 %) in professional services, production and customer care, 21.8 percent (22.7 %) in research and development, and 7.3 percent (7.4 %) in administration.

The average age of employees is 35.2 (35.4) years. Women account for 27.5 percent (26.8 %) of employees, men for 72.5 percent (73.2 %).

RISKS AND UNCERTAINTY FACTORS

Basware has a growth strategy with high net sales growth expectations for the cloud business. Executing the strategy for 2017-2020 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

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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 close to 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 depreciation of GBP, USD, NOK, SEK or AUD against the euro, reported net sales may be affected, despite good performance in local currencies. There is a risk that the political uncertainty in the UK leads to UK public sector bodies and UK private companies delaying decisions to implement P2P and Network services.

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 entails 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 in Europe and North America.

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Outlook 2017

Basware's number one strategic priority is cloud revenue growth during its strategy period 2017-2020 which it will achieve by extending its leadership in networked purchase to pay, growing its network and expanding value added services. For 2017, Basware expects its cloud revenues to grow by approximately 20 percent, and adjusted EBITDA at breakeven.

Espoo, Finland, Tuesday, October 17, 2017

BASWARE CORPORATION
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SUMMARY OF FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS JANUARY 1 – SEPTEMBER 30, 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	7-9/2017	7-9/2016	Change, %	1-9/2017	1-9/2016	Change, %	1-12/2016
NET SALES	35 444	35 295	0.4	109 534	108 369	1.1	148 580
Other operating income	55	0		210	1		4
Materials and services	-3 562	-3 576	-0.4	-10 926	-11 146	-2.0	-15 746
Employee benefit expenses	-21 370	-24 070	-11.2	-73 204	-76 986	-4.9	-104 600
Depreciation and amortization	-2 300	-2 185	5.3	-7 361	-6 162	19.5	-8 552
Other operating expenses	-7 446	-7 682	-3.1	-25 291	-24 008	5.3	-33 631
Operating result	821	-2 218		-7 038	-9 932	29.1	-13 946
Finance income	25	80*	-69.1	595	367*	62.2	746*
Finance expenses	-426	-88**,**	386.7	-1 965	-803*	144.9	-887*
Share of results of a joint venture	-117	-544	-78.6	-995	-1 797	-44.6	-2 170
Result before tax	304	-2 770**		-9 403	-12 165	22.7	-16 256
Income taxes	7	-15		920	1 895	-51.5	1 939
RESULT FOR THE PERIOD	310	-2 785**		-8 484	-10 269	17.4	-14 318
Other comprehensive income							
Other comprehensive income to be reclassified to profit or loss in subsequent periods:							
Remeasurement of employee benefits	-25	0		-87	0		-94
Exchange differences on translating foreign operations	-1 073	187		-5 241	-2 363	121.7	-1 463
Income tax relating to components of other comprehensive income	69	40	70.8	255	254	0.1	311
Other comprehensive income, net of tax	-1 029	-699	-47.2	-5 073	-3 035	-33.2	-1 245
TOTAL COMPREHENSIVE INCOME	-719	-3 484	79.4	-13 556	-13 305	-1.9	-15 563
Result attributable to:							
Equity holders of the parent company	310	-2 785		-8 484	-10 269	17.4	-14 318
	310	-2 785		-8 484	-10 269	17.4	-14 318
Total comprehensive income attributable to:							
Equity holders of the parent company	-719	-3 484	79.4	-13 556	-13 305	1.9	-15 563
	-719	-3 484	79.4	-13 556	-13 305	1.9	-15 563
Earnings per share							
undiluted, EUR	0.02	-0.20		-0.59	-0.72	-17.8	-1.00
diluted, EUR	0.02	-0.19		-0.59	-0.72	-18.0	-1.00

*The automatic currency valuation booking policy of cashpool accounts has been clarified. Comparatives for 2016 have been changed accordingly. The change had no impact on net financial items or result for the period.

**Timing of unrealized exchange losses from intragroup financing arrangements has been adjusted between Q3 and Q4 2016. The adjustment had no impact on total equity or other balance sheet items at group level quarterly or annually in 2016.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	Sept. 30, 2017	Sept. 30, 2016	Change, %	Dec. 31, 2016
ASSETS				
Non-current assets				
Intangible assets	48 980	45 355	8.0	47 325
Goodwill	92 826	95 204	-2.5	96 811
Tangible assets	1 480	1 535	-3.6	1 585
Share of investment in a joint venture	207	1 574	-86.9	1 201
Available-for-sale investments	38	38	-0.1	38
Trade and other receivables	3 512	2 590	35.6	2 789
Deferred tax assets	10 982	8 360	31.4	8 403
Non-current assets	158 024	154 655	2.2	158 152
Current assets				
Trade receivables	23 839	22 940	3.9	24 638
Other receivables	9 456	7 020	34.7	8 372
Income tax receivables	616	195	216.5	126
Cash and cash equivalents	25 275	12 951	95.2	35 755
Current assets	59 186	43 105	37.3	68 891
ASSETS	217 210	197 760	9.8	227 043

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	Sept. 30, 2017	Sept. 30, 2016	Change, %	Dec. 31, 2016
EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	3 528	3 528		3 528
Share premium account	1 187	1 187		1 187
Treasury shares	-841	-1 043	-19.3	-1 043
Invested unrestricted equity fund	111 132	111 333	-0.2	111 333
Other reserves	540	540		540
Translation differences	-9 849	-6 747	46.0	-4 863
Retained earnings	14 119	26 602	-46.9	22 182
Shareholders' equity	119 815	135 400	-11.5	132 864
Non-current liabilities				
Deferred tax liability	5 647	4 479	26.1	4 904
Interest-bearing liabilities	47 286	15 300	209.1	36 732
Other non-current financial liabilities	1 319	1 585	-16.8	1 555
Liabilities from employee benefits	616	0		506
Non-current liabilities	54 868	21 364	156.8	43 697
Current liabilities				
Interest-bearing liabilities	1 996	0		10 548
Trade payables and other liabilities	39 159	39 852	-1.7	34 225
Income tax liabilities	132	1 143	-88.5	637
Current provisions	1 241	0		5 072
Current liabilities	45 527	40 998	3.7	50 482
EQUITY AND LIABILITIES	217 210	197 760	9.8	227 043

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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
SHAREHOLDERS' EQUITY Jan 1, 2017	3 528	1 187	-1 043	111 333	540	-4 863	22 182	132 864
Comprehensive income						-4 987	-8 484	-13 471
Share based payments			202	-202			507	507
Defined benefit plans							-87	-87
SHAREHOLDERS' EQUITY Sept. 30, 2017	3 528	1 187	-841	111 131	540	-9 849	14 119	119 815

EUR thousand	Share capital	Share premium account	Treasury shares	Inv. un-restricted equity	Other reserves	Translation differences	Retained earnings	Total
SHAREHOLDERS' EQUITY Jan. 1, 2016	3 528	1 187	-1 108	104 334	540	-3 712	36 378	141 147
Comprehensive income						-3 035	-10 269	-13 305
Share based payments			65	-65			493	493
Share issue				7 065				7 065
SHAREHOLDERS' EQUITY Sept. 30, 2016	3 528	1 187	-1 043	111 333	540	-6 747	26 602	135 400

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CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	7-9/2017	7-9/2016	1-9/2017	1-9/2016	1-12/2016
Cash flows from operating activities					
Result for the period	310	-2 785	-8 484	-10 269	-14 318
Adjustments	2 715	2 780	9 243	7 000	9 528
Changes in working capital	-7 431	-5 297	-834	6 932	3 268
Financial items in operating activities	-163	-77	-579	-347	-487
Income taxes paid (-) / received (+)	-273	-102	-1 553	473	234
Cash flows from operating activities	-4 840	-5 479	-2 206	3 790	-1 774
Cash flows used in investing activities					
Purchase of tangible and intangible assets	-2 453	-4 541	-9 714	-11 204	-12 660
Proceeds from sale of tangible and intangible assets	0	0	0	0	11
Acquisition of subsidiaries and businesses	0	1 308	0	-22 897	-25 013
Investment made to joint venture	0	0	0	-3 037	-3 037
Cash flows used in investing activities	-2 453	-3 234	-9 714	-37 138	-40 698
Cash flows from financing activities					
Proceeds from current borrowings	0	0	0	0	10 548
Repayment of current borrowings	-20 998	0	-27 998	-1 667	-1 667
Proceeds from non-current borrowings	30 000	0	30 000	15 300	36 732
Cash flows from financing activities	9 002	0	2 002	13 633	45 613
Net change in cash and cash equivalents	1 708	-8 713	-9 918	-19 714	3 141
Cash and cash equivalents at the beginning of period	23 610	21 799	35 755	33 238	33 238
Net foreign exchange difference	-43	-136	-562	-573	-624
Cash and cash equivalents at the end of period	25 275	12 951	25 275	12 951	35 755

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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.

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 not yet adopted

Basware will adopt IFRS 15 *Revenue from Contracts with Customers* as of January 1, 2018 (mandatory application), with full retrospective application. The Group made a preliminary analysis of the impacts of IFRS 15 in 2016 and further analysis has been conducted during 2017. The impacts were assessed by reviewing customer contracts in relation to the IFRS 15 revenue recognition model. Based on the assessment, the Group has identified those revenue types that will be affected by the new standard. The Group is currently in the process of calculating the impact on the Group's revenue and revising the Group's revenue recognition policy to conform to the new standard. As the new standard affects only a minority of the Group's customer contracts, the preliminary assessment indicates that the impact of the standard is not material to the Group's total revenue.

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 revenues, transactions 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 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 comparable period by using the current 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 result plus depreciation and amortization.

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

Subscription annual recurring revenue gross order intake is calculated by summing the total order intake in the period expressed as an annual contract value. This includes SaaS and other subscription types. Transaction revenue is not included.

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Gross new 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.

Adjusted EBITDA

EUR thousand	7-9/ 2017	7-9/ 2016	Change, %	1-9/ 2017	1-9/ 2016	Change, %	1-12/ 2016
EBITDA	3 121	-33		323	-3 771		-5 394
Adjustments:							
Acquisition, disposal and restructuring expenses	108	125	-13.9	113	771	-85.3	894
Efficiency related expenses	-65	614		1 445	727	98.8	5 888
Settlements	114	675	-83.2	114	675	-83.2	675
Total adjustments	156	1 414	-89.0	1 672	2 173	-23.1	7 456
Adjusted EBITDA	3 277	1 381	137.3	1 995	-1 598		2 063

Adjusted Operating Result

EUR thousand	7-9/ 2017	7-9/ 2016	Change, %	1-9/ 2017	1-9/ 2016	Change, %	1-12/ 2016
Operating Result	821	-2 218		-7 038	-9 932	-29.1	-13 946
Adjustments:							
Acquisition, disposal and restructuring expenses	108	125	-13.9	113	771	-85.3	894
Efficiency related expenses	-65	614		1 445	727	98.8	5 888
Settlements	114	675	-83.2	114	675	-83.2	675
Total adjustments	156	1 414	-89.0	1 672	2 173	-23.1	7 456
Adjusted Operating Result	977	-804		-5 366	-7 759	-29.1	-6 490

Subscription Annual Recurring Revenue Gross Order Intake

EUR thousand	7-9/ 2017	4-6/ 2017	1-3/ 2017	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016
ARR order intake	2 207	4 420	2 843	2 206	1 886	2 748	1 056

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BUSINESS COMBINATIONS

Basware signed an agreement on March 31, 2016 to acquire all membership interest of US based Verian Technologies LLC ("Verian"). The acquisition of Verian, a leading cloud-based e-procurement solution provider in the US, closed on April 1, 2016.

The measurement period ended in March 2017. The values of assets, liabilities and goodwill have not changed from the values reported in the annual financial statements for 2016.

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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

From Q1 2016 onwards, Basware reports revenues by type. The revenue types are split into SaaS, Transaction services (consisting of e-invoicing, scan and capture services, printing services and network start-up fees), Consulting services (consisting of professional services and customer services management), Maintenance, License sales, Other cloud and Other non-cloud.

Net sales by revenue type EUR thousand	7-9/ 2017	7-9/ 2016	Change, %	1-9/ 2017	1-9/ 2016	Change, %	1-12/ 2016
Cloud Revenue							
SaaS	8 451	6 336	33.4	24 028	15 802	52.1	22 975
Transaction services	9 632	8 547	12.7	28 903	25 931	11.5	35 996
Other cloud revenue	1 269	1 572	-19.3	4 513	5 578	-19.1	7 270
Cloud Revenue total	19 352	16 455	17.6	57 443	47 311	21.4	66 242
Non-Cloud Revenue							
Maintenance	8 965	10 168	-11.8	28 170	30 685	-8.2	40 761
License sales	790	1 137	-30.5	2 810	5 226	-46.2	7 188
Consulting services	6 380	7 439	-14.2	21 186	25 029	-15.4	34 389
Other non-cloud revenue	-42	96		-74	117		0
Non-Cloud Revenue total	16 092	18 841	-14.6	52 091	61 057	-14.7	82 338
Group Total	35 444	35 295	0.4	109 534	108 369	1.1	148 580

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GEOGRAPHICAL INFORMATION

Basware reports geographical areas Finland, EMEIA, and Americas & APAC. The Finland area includes the Finnish operations and corporate services. EMEIA includes Europe as well as operations in India, Russia and Africa. Americas & APAC includes business operations in North and South America and the Pacific region.

Net sales by the location of customer

Net sales EUR thousand	7-9/ 2017	7-9/ 2016	Change, %	1-9/ 2017	1-9/ 2016	Change, %	1-12/ 2016
Finland	10 919	11 203	-2.5	34 659	36 766	-5.7	50 093
EMEIA	16 717	16 704	0.1	51 110	52 173	-2.0	71 163
Americas & APAC	7 808	7 389	5.7	23 765	19 430	22.3	27 324
Group total	35 444	35 295	0.4	109 534	108 369	1.1	148 580

Geographical information by the location of assets

Net sales EUR thousand	7-9/ 2017	7-9/ 2016	Change, %	1-9/ 2017	1-9/ 2016	Change, %	1-12/ 2016
Finland	19 734	17 526	12.6	61 080	56 456	8.2	80 623
EMEIA	20 142	19 229	4.8	61 904	56 482	9.6	78 698
Americas & APAC	7 788	9 908	-21.4	23 641	18 997	24.4	26 870
Between areas	-12 221	-11 368	7.5	-37 091	-23 566	57.4	-37 612
Group total	35 444	35 295	0.4	109 534	108 369	1.1	148 580

Operating result EUR thousand	7-9/ 2017	7-9/ 2016	Change, %	1-9/ 2017	1-9/ 2016	Change, %	1-12/ 2016
Finland	-1 329	-3 198	58.4	-11 544	-12 738	9.4	-15 425
EMEIA	1 525	998	52.8	2 819	3 080	-8.5	436
Americas & APAC	719	345	108.3	2 247	715	214.5	2 006
Between areas	-93	-363	74.3	-561	-989	43.3	-962
Group total	821	-2 218		-7 038	-9 932	29.1	-13 946

Personnel Employed, on average	7-9/ 2017	7-9/ 2016	Change, %	1-9/ 2017	1-9/ 2016	Change, %	1-12/ 2016
Finland	445	505	-12.0	450	501	-10.2	500
EMEIA	573	610	-6.1	592	591	0.0	599
India	649	584	11.2	640	569	12.4	577
Americas & APAC	159	170	-6.5	158	123	28.8	135
Group total	1 826	1 869	-2.3	1 840	1 784	3.1	1 811

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FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

EUR thousand	Sept. 30, 2017		Sept. 30, 2016		Dec. 31, 2016	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets						
Non-current:						
Available-for-sale financial assets	38	38	38	38	38	38
Non-current trade and other receivables	1 498	1 498	2 590	2 590	1 212	1 212
Current:						
Current trade receivables	23 839	23 839	22 940	22 940	24 838	24 838
Current other receivables	146	146	7 020	7 020	208	208
Cash and cash equivalents	25 275	25 275	12 951	12 951	35 755	35 755
Financial liabilities						
Non-current:						
Financial liabilities valued at amortized acquisition cost:						
Loans from financial institutions, interest-bearing	47 286	47 286	15 300	15 300	36 732	36 732
Current:						
Loans from financial institutions, interest-bearing	1 996	1 996	0	0	10 548	10 548
Trade payables and other liabilities	8 262	8 262	39 852	39 852	11 350	11 350

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COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand	Sept. 30, 2017	Sept. 30, 2016	Dec. 31, 2016
Own guarantees			
Business mortgages of own debts	1 200	1 200	1 200
Guarantees	218	288	273
Commitments on behalf of subsidiaries and group companies			
Guarantees	100	37	100
Other own guarantees			
Lease liabilities			
Current lease liabilities	864	1 066	1 169
Lease liabilities maturing in 1–5 years	698	1 214	1 362
Total	1 562	2 281	2 530
Other rental liabilities			
Current rental liabilities	5 753	4 949	4 989
Rental liabilities maturing in 1–5 years	10 880	8 978	9 421
Rental liabilities maturing later	230	255	41
Total	16 863	14 182	14 452
Other own contingent liabilities, total	18 425	16 462	16 983
Total commitments and contingent liabilities	19 943	17 988	18 555

RELATED PARTY TRANSACTIONS

Trading transactions with related parties

EUR thousand	Sept. 30, 2017	Sept. 30, 2016	Dec. 31, 2016
Joint venture: Clearfunding LTD			
Sales	0	644	784
Trade receivables	0	11	200

Loans from related parties

EUR thousand	Sept. 30, 2017	Sept. 30, 2016	Dec. 31, 2016
Arrowgrass Master Fund LTD	10 000	0	0

Loans from related parties includes the share of Arrowgrass Master Fund LTD of the Group's new 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/ 2017	4-6/ 2017	1-3/ 2017	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016
NET SALES	35 444	37 289	36 801	40 211	35 295	38 948	34 125
Other operating income	55	156	0	4	0	0	0
Materials and services	-3 562	-3 630	-3 734	-4 600	-3 576	-3 959	-3 611
Employee benefit expenses	-21 370	-25 375	-26 459	-27 614	-24 070	-29 068	-23 848
Depreciation and amortization	-2 300	-2 469	-2 592	-2 391	-2 185	-2 129	-1 848
Other operating expenses	-7 446	-8 738	-9 108	-9 623	-7 682	-8 792	-7 533
Operating result	821	-2 767	-5 092	-4 014	-2 218	-4 999	-2 716
% of net sales	2.3 %						
Finance income	25	111	459	379*	80*	122*	164*
Finance expenses	-426	-568	-971	-84**,**	-88**,**	-120*	-595*
Share of results of a joint venture	-117	-396	-482	-373	-544	-626	-626
Result before tax	304	-3 621	-6 086	-4 091**	-2 770**	-5 622	-3 773
% of net sales	0.9 %						
Income taxes	7	207	706	43	-15	1 094	816
RESULT FOR THE PERIOD	310	-3 414	-5 380	-4 048**	-2 785**	-4 528	-2 957
% of net sales	0.9 %						

* The automatic currency valuation booking policy of cashpool accounts has been clarified. Comparatives for 2016 have been changed accordingly. The change had no impact on net financial items or result for the period.

** Timing of unrealized exchange losses from intragroup financing arrangements has been adjusted between Q3 and Q4 2016. The adjustment had no impact on total equity or other balance sheet items at group level quarterly or annually in 2016.

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GROUP KEY INDICATORS

EUR thousand	1-9/2017	1-9/2016	1-9/2015	1-12/2016
Net sales	109 534	108 369	104 200	148 580
Growth of net sales, %	1.1 %	4.0 %	12.0 %	3.6 %
Organic revenue growth*	-0.8 %	1.6 %		0.3 %
EBITDA	323	-3 771	5 678	-5 394
% of net sales	0.2 %		5.4 %	
Adjusted EBITDA	1 995	-1 598	5 337	2 063
% of net sales	1.8 %		5.1 %	1.4 %
Operating result	-7 038	-9 932	371	-13 946
% of net sales			0.4 %	
Adjusted operating result	-5 366	-7 759	31	-6 490
Result before tax	-9 403	-12 165	282	-16 256
% of net sales			0.3 %	
Result for the period	-8 484	-10 269	129	-14 318
% of net sales			0.1 %	
Return on equity, %	-9.0 %	-9.9 %	0.1 %	-10.5 %
Return on investment, %	-5.7 %	-10.3 %	1.2 %	-9.5 %
Interest-bearing liabilities	49 282	15 300	1 667	47 280
Cash and cash equivalents**	25 275	12 951	36 824	35 755
Gearing, %	11.3 %	1.7 %	-25.5 %	8.7 %
Equity ratio, %	55.2 %	68.5 %	77.4 %	58.5 %
Total assets	217 210	197 760	177 836	227 043
Gross investments	9 670	47 416	34 855	51 882
% of net sales	8.8 %	43.8 %	33.5 %	34.9 %
Acquisitions	0	34 363	25 445	36 341
Investments in joint ventures	0	3 037	1 226	3 037
R&D investments, expensed***	9 367	8 803	6 414	12 146
R&D costs, capitalised	7 558	7 699	5 865	10 878
R&D investments, total	16 926	16 503	12 278	23 024
% of net sales	15.5 %	15.2 %	11.8 %	15.5 %
R&D personnel at end of period	399	427	371	419
Other capitalised expenditure	2 113	2 317	2 321	1 625
Personnel expenses	73 204	76 986	63 270	104 600
Personnel on average during the period	1 840	1 784	1 570	1 811
Personnel at end of period	1 827	1 881	1 653	1 889
Change in personnel from comparison period, %	-2.9 %	13.8 %	11.7 %	14.6 %

* At constant currencies

** Including short term deposits maturing within 3 months from the period end

*** R&D expenses excluding depreciation

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Group Share Indicators	1-9/2017	1-9/2016	1-9/2015	1-12/2016
Earnings per share, undiluted (EUR)	-0.59	-0.72	0.01	-1.00
Earnings per share, diluted (EUR)	-0.59	-0.72	0.01	-1.00
Adjusted earnings per share, undiluted (EUR)	-0.47	-0.57	-0.01	-0.48
Adjusted earnings per share, diluted (EUR)	-0.47	-0.57	-0.01	-0.48
Equity per share (EUR)	8.34	9.44	9.73	9.26
Price per earnings (P/E)	-67.69	-54.78	4 295.18	-36.24
Share price performance (EUR)				
- lowest price	37.64	30.48	35.98	30.48
- highest price	42.47	40.90	47.80	40.90
- average price	39.69	36.27	40.32	36.22
- closing price	40.00	39.40	39.09	36.30
Market capitalization at end of period* (EUR)	574 388 120	565 126 572	555 907 842	520 662 298
Share issue adjusted number of traded shares	292 487	1 229 024	2 442 089	1 931 525
% of average number of shares	2.0 %	8.6 %	17.3 %	13.5 %
Number of shares				
- at end of the period	14 359 703	14 343 314	14 152 703	14 343 314
- average during the period	14 356 548	14 277 228	14 150 374	14 293 754
- average during the period, diluted	14 395 519	14 290 368	14 170 127	14 313 442

* 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 14 359 703 (14 343 314). Basware Corporation holds 42 233 (58 622) of its own shares, corresponding to approximately 0.3 percent (0.4 %) of the total number of shares.

Basware had 11 992 (12 883) shareholders at the end of the quarter, including 9 nominee-registers (10). Nominee-registered holdings accounted for 44.7 percent (35.2 %) of the total number of shares.

The company's Annual General Meeting of March 16, 2017 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 www.basware.com/investors.