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BASWARE HALF YEAR FINANCIAL REPORT JANUARY 1 – JUNE 30, 2017 (IFRS)**SUMMARY****Cloud revenues at historical high****January-June 2017:**

- Net sales EUR 74 090 thousand (EUR 73 073 thousand): growth 1.4 percent.
- Cloud revenue growth of 23.4 percent, amounting to 51.4 percent (42.3 %) of net sales
- Adjusted EBITDA EUR -1 282 thousand (EUR -2 978 thousand)
- Adjusted operating result EUR -6 343 thousand (EUR -6 955 thousand)
- Adjusted earnings per share (diluted) EUR -0.51 (-0.47)
- Operating result EUR -7 859 thousand (EUR -7 714 thousand)
- Earnings per share (diluted) EUR -0.61 (-0.52)

April-June 2017:

- Net sales EUR 37 289 thousand (EUR 38 948 thousand): decline 4.3 percent
- Cloud revenue growth of 18.8 percent, amounting to 52.5 percent (42.4 %) of net sales
- Adjusted EBITDA EUR 320 thousand (EUR -2 461 thousand)
- Adjusted operating result EUR -2 149 thousand (EUR -4 589 thousand)
- Adjusted earnings per share (diluted) EUR -0.19 (-0.29)
- Operating result EUR -2 767 thousand (EUR -4 999 thousand)
- Earnings per share (diluted) EUR -0.24 (-0.32)

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	4-6/ 2017	4-6/ 2016	Change, %	1-6/ 2017	1-6/ 2016	Change, %	1-12/ 2016
Net sales	37 289	38 948	-4.3 %	74 090	73 073	1.4 %	148 580
EBITDA	-298	-2 870	89.6 %	-2 798	-3 737	25.1 %	-5 394
Adjusted EBITDA	320	-2 461		-1 282	-2 978	57.0 %	2 063
Operating result	-2 767	-4 999	44.6 %	-7 859	-7 714	-1.9 %	-13 946
% of net sales							
Adjusted operating result	-2 149	-4 589	53.2 %	-6 343	-6 955	8.8 %	-6 490
Result before tax	-3 621	-5 622	35.6 %	-9 707	-9 395	-3.3 %	-16 256
Result for the period	-3 414	-4 528	24.6 %	-8 794	-7 485	-17.5 %	-14 318
Return on equity, %	-11.0 %	-13.2 %		-13.9 %	-10.7 %		-10.5 %
Return on investment, %	-7.4 %	-14.4 %		-9.6 %	-11.7 %		-9.5 %
Cash and cash equivalents	23 610	21 799	8.3 %	23 610	21 799	8.3 %	35 755
Gearing, %	13.9 %	-4.7 %		13.9 %	-4.7 %		8.7 %
Equity ratio, %	56.1 %	66.1 %		56.1 %	66.1 %		58.5 %
Earnings per share							
Diluted, EUR	-0.24	-0.32	24.9 %	-0.61	-0.52	-16.8 %	-1.00
Adjusted earnings per share diluted	-0.19	-0.29	32.7%	-0.51	-0.47	-7.4 %	-0.48
Equity per share, EUR	8.38	9.68	-13.4 %	8.38	9.68	-13.4 %	9.26

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:

As a shareholder, CEO and employee, what excites me about Basware is our mission to help organisations to simplify their operations and spend smarter. We help customers make their purchasing processes 100 percent paperless and we are the best placed to do this because of our Network, the largest e-invoicing network in the world. Every single organisation can make their purchasing processes better by adopting our solutions, and this huge market opportunity is worth EUR 15 billion annually in North America and Europe. The executive team at Basware all share my passion, and following stock purchases made this quarter, all members of the executive team are now Basware shareholders.

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I'm therefore proud to report that this quarter we reached a number of key milestones on the route towards our strategic priority of cloud revenue growth. Basware recorded the highest ever quarterly cloud revenues in the second quarter of 2017. Cloud revenues now account for 53 percent of Basware's total revenues, continuing to grow as a proportion of revenues after passing the 50 percent mark in the first quarter.

Basware's subscription order intake continued to be strong, even against a strong comparison period in the second quarter of 2016. We won a number of significant deals from key customers including ATU, Tennis Australia, Thames Valley Police, Hoag Memorial Hospital and BSI (the British Standards Institution). These are just a selection of our wins in the second quarter, but they showcase the geographical and industry breadth of our customers. Our sales performance in the US market continues to be particularly pleasing, winning a number of deals against the US competition. In fact, the US is now the biggest contributor to our purchase-to-pay revenues.

Overall revenue and order intake performance in Network was not completely satisfactory this quarter, and the same in consulting. However, I am confident that there is significant further potential in both areas.

The strength of Basware is in its people, so I am very pleased that we further strengthened our sales team with the addition of new sales heads in the UK, Germany and Norway, who all started working at Basware this quarter. In May, our new SVP of Network and Financing Services and our new SVP of Customer Services both also began in their new roles.

Basware is recognised as a trail blazer by industry analysts and in May was cited as a Leader in "The Forrester Wave™: eProcurement, Q2 2017" report. According to the Forrester report, Basware excels in invoice automation for global organizations and is a particularly strong fit for enterprises that want to automate processing of high invoice volumes. Also in May, Basware announced the strengthening of its solutions with the addition of a new strategic sourcing offering to provide customers with a one-stop-shop for the entire Source-to-Pay process. Basware continued the strengthening of its brand with the launch of a new corporate website, which went live in May.

I am very pleased with the progress that Basware has made this quarter. We continue to win significant new customers, we continue to be recognised as an industry leader, and we continue to take actions to improve our operations. I remain very confident in our ability to capture the significant market opportunity ahead of Basware.

NET SALES

Basware Group's net sales for the first half amounted to EUR 74 090 thousand (EUR 73 073 thousand), a growth of 1.4 percent. This equated to 1.8 percent organic growth at constant currencies.

Basware Group's net sales for the second quarter amounted to EUR 37 289 thousand (EUR 38 948 thousand), a decline of 4.3 percent. This equated to 3.7 percent decline at constant currencies. Adjustments for organic growth included deducting net sales from businesses acquired within the 12 months before the end of the second quarter of 2017.

Cloud revenues grew strongly during the second quarter. Cloud revenues in the second quarter were EUR 19 594 thousand (EUR 16 498 thousand), up 18.8 percent and accounted for 52.5 percent of net sales.

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SaaS revenues grew significantly compared to the second quarter of 2016 with total growth of 38.2 percent. In the second quarter transaction services revenues grew 7.6 percent. Transaction revenue growth was impacted by less business days in the second quarter of 2017 compared to the same period in 2016 as a result of Easter timing.

In non-cloud revenues, maintenance revenues declined in line with expectations as we transition customers to the cloud. The rate of decline of consulting revenues was affected by business days as well as a number of large implementation projects in the comparison period.

Information on net sales by type

Net sales by revenue type EUR thousand	4-6/ 2017	4-6/ 2016	Change, %	1-6/ 2017	1-6/ 2016	Change, %	1-12/ 2016
Cloud Revenue							
SaaS	8 160	5 904	38.2	15 577	9 467	64.5	22 975
Transaction services	9 633	8 954	7.6	19 271	17 384	10.9	35 996
Other cloud revenue	1 801	1 641	9.8	3 244	4 006	-19.0	7 270
Cloud Revenue total	19 594	16 498	18.8	38 091	30 857	23.4	66 242
Non-Cloud Revenue							
Maintenance	9 357	10 385	-9.9	19 206	20 517	-6.4	40 761
License sales	1 120	2 588	-56.7	2 020	4 089	-50.6	7 188
Consulting services	7 324	9 473	-22.7	14 806	17 590	-15.8	34 389
Other non-cloud revenue	-105	3		-32	21		0
Non-Cloud Revenue total	17 695	22 450	-21.2	35 999	42 217	-14.7	82 338
Group Total	37 289	38 948	-4.3	74 090	73 073	1.4	148 580

The international share of Basware's net sales was 68.0 percent (65.6 %) in the quarter.

SUBSCRIPTION ORDER INTAKE

Order intake is an important metric for understanding the performance of the Basware sales force as well as an indicator of future cloud revenue growth. From the first quarter of 2017 onwards Basware has reported subscription annual recurring revenue gross order intake. In the second quarter of 2017, this amounted to EUR 4.4 million, up from EUR 2.7 million in the second quarter of 2016, an increase of 60.8 percent. In addition, future cloud revenues will be driven by order intake for transaction services, which is not included in this number. 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 Definition of Alternative Performance Measures section.

FINANCIAL PERFORMANCE

Basware's adjusted EBITDA amounted to EUR -1 282 thousand (EUR -2 978 thousand) year-to-date. The operating result for the first half amounted to EUR -7 859 thousand (EUR -7 714 thousand).

Adjusted EBITDA amounted to EUR 320 thousand (EUR -2 461 thousand) in the second quarter. The adjustments to EBITDA totalled EUR 618 thousand (EUR 409 thousand) in the quarter and were mainly related to efficiency related expenses. Basware's operating result for the quarter amounted to EUR -

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2 767 (EUR -4 999 thousand).

The company's operating expenses including employee benefits, depreciations and amortizations as well as other operating expenses were EUR 36 582 thousand (EUR 39 988 thousand) in the second quarter, and have decreased by 8.5 percent from the corresponding period the previous year. The effects of the productivity programme announced in the fourth quarter of 2016 are not yet fully visible. Personnel expenses made up 69.3 percent (72.7 %) or EUR 25 375 thousand (EUR 29 068 thousand) of the operating expenses.

Materials and services were EUR 3 630 thousand in the second quarter, down 8.3 percent from the second quarter of 2016. The reduction was driven by the productivity programme, including transition to public cloud infrastructure.

The company's net finance expenses were EUR 458 thousand (EUR 3 thousand) for the quarter. Basware's share of the results of the joint venture with Arrowgrass Capital Partners LLP totalled EUR -396 thousand (EUR -626 thousand).

Basware's result before tax was EUR -3 621 thousand (EUR -5 622 thousand) and result for the quarter was EUR -3 414 thousand (EUR -4 528 thousand). Taxes for the quarter increased the result by EUR 207 thousand (EUR 1 094 thousand).

Diluted earnings per share were EUR -0.24 (EUR -0.32) for the second quarter.

FINANCING AND INVESTMENTS

Cashflows from operating activities were 2 634 EUR thousand (EUR 9 270 thousand) year-to-date.

Cash flows from operating activities were EUR -4 837 thousand in the second quarter (EUR -2 962 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 23 610 thousand (EUR 21 799 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 second quarter of 2017 to EUR 33 610 thousand.

Basware's liquidity position is strong and Basware has a history of using its cash effectively to invest in growth. In 2016 Basware utilised EUR 24.6 million of cash to fund its purchase of Verian, at the same time as investing in expanding its global sales and marketing headcount. Basware is considering putting in place additional financing in order to support future cloud growth.

Basware Group's total assets on the balance sheet at the end of the quarter were EUR 214 399 thousand (EUR 210 072 thousand). Net cash flows from investments were EUR -7 261 thousand (EUR -33 904 thousand) year-to-date.

The equity ratio was 56.1 percent (66.1 %) and gearing 13.9 percent (-4.7 %). The company's interest-bearing liabilities totalled EUR 40 280 thousand (EUR 15 300 thousand), of which current liabilities accounted for EUR 22 096 (EUR 0 thousand). The return on investment was in the quarter -7.4 percent (-14.4 %) and return on equity -11.0 percent (-13.2 %).

Gross investments including acquisitions and capitalized research and development costs totalled EUR 7 224 thousand (EUR 41 029 thousand) year to date.

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RESEARCH AND DEVELOPMENT

Basware's research and development investments totalled EUR 6 025 thousand (EUR 6 012 thousand), or 16.2 percent (15.4 %) of net sales during the quarter. The expenses increased by 0.2 percent compared to the corresponding quarter in the previous year. The effects of the productivity programme announced in the fourth quarter of 2016, which included the consolidation of research and development centres, are not yet fully visible. The research and development costs excluding depreciation included in the result for the quarter totalled EUR 3 514 thousand (EUR 3 217 thousand), or 9.4 percent (8.3 %) of net sales. Research and development expenses capitalized during the quarter amounted to EUR 2 511 thousand (EUR 2 794 thousand). A total of 400 (427) people worked in research and development at the end of the quarter.

PERSONNEL

Basware employed 1 837 (1 818) people on average during the quarter and 1 838 (1 828) at the end of the quarter.

Geographical division of personnel:

Personnel Employed, on average	4-6/2017	4-6/2016	Change, %	1-6/2017	1-6/2016	Change, %	1-12/2016
Finland	445	504	-11.6	453	499	-9.3	500
EMEA	594	589	0.8	601	582	3.3	599
India	643	562	14.5	635	562	13.1	577
Americas & APAC	155	163	-5.3	158	123	28.8	135
Group total	1 837	1 818	1.0	1 847	1 765	4.6	1 811

At the end of the quarter, the international share of Basware's personnel was 75.7 percent (72.3 %). 11.0 percent (12.7%) of the personnel work in sales and marketing, 60.1 percent (56.3 %) in professional services, production and customer care, 21.8 percent (23.4 %) in research and development, and 7.2 percent (7.6 %) in administration.

The average age of employees is 35.0 (35.5) years. Women account for 27.1 percent (27.1%) of employees, men for 72.9 percent (72.9 %).

OTHER EVENTS OF THE PERIOD

Basware Executive Team members make significant investments into Basware shares

In May Basware Executive Team members personally invested in Basware shares as part of the Matching Share Plan announced in March 2017. All Basware Executive Team members are now shareholders of the company.

Changes in Basware's Executive Team

Mr. Jussi Vasama was appointed as Senior Vice President, Customer Services and as a member of the Executive Team at Basware. He commenced in this position on May 2, 2017 and reports to Vesa Tykkyläinen, CEO, Basware Corporation.

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Mr. Mikko Pilkama joined Basware on May 1, 2017 as Senior Vice President, Network and Financing Services and as a member of the Executive Team at Basware and reports to Vesa Tykkyläinen, CEO, Basware Corporation.

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 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.

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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.

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, Wednesday, July 19, 2017

BASWARE CORPORATION
Board of Directors

Vesa Tykkyläinen, CEO, Basware Corporation

For more information, please contact:

Niclas Rosenlew, CFO, Basware Corporation
Tel. +358 50 480 2160, niclas.rosenlew@basware.com

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SUMMARY OF FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS JANUARY 1 – JUNE 30, 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	1.4.- 30.6.2017	1.4.- 30.6.2016	Change, %	1.1.- 30.6.2017	1.1.- 30.6.2016	Change, %	1.1.- 31.12.2016
NET SALES	37 289	38 948	-4.3	74 090	73 073	1.4	148 580
Other operating income	156	0		156	0		4
Materials and services	-3 630	-3 959	-8.3	-7 364	-7 570	-2.7	-15 746
Employee benefit expenses	-25 375	-29 068	-12.7	-51 835	-52 916	-2.0	-104 600
Depreciation and amortization	-2 469	-2 129	16.0	-5 061	-3 977	27.3	-8 552
Other operating expenses	-8 738	-8 792	-0.6	-17 846	-16 325	9.3	-33 631
Operating result	-2 767	-4 999	44.6	-7 859	-7 714	-1.9	-13 946
Finance income	111	122*	-9.2	570	286*	99.2	746*
Finance expenses	-568	-120*	373.7	-1 539	-715*	115.3	-887*
Share of results of a joint venture	-396	-626	-36.7	-878	-1 252	-29.9	-2 170
Result before tax	-3 621	-5 622	35.6	-9 707	-9 395	-3.3	-16 256
Income taxes	207	1 094	-81.1	913	1 910	-52.2	1 939
RESULT FOR THE PERIOD	-3 414	-4 528	24.6	-8 794	-7 485	-17.5	-14 318
Other comprehensive income							
Other comprehensive income to be reclassified to profit or loss in subsequent periods:							
Remeasurement of defined benefit plan	-27			-62			-94
Exchange differences on translating foreign operations	-3 647	-322	1031.3	-4 167	-2 550	63.4	-1 463
Income tax relating to components of other comprehensive income	156	-1		186	214	-13.3	311
Other comprehensive income, net of tax	-3 518	-324	986.9	-4 044	-2 336	73.1	-1 245
TOTAL COMPREHENSIVE INCOME	-6 933	-4 852	-42.9	-12 838	-9 821	-30.7	-15 563
Result attributable to:							
Equity holders of the parent company	-3 414	-4 528	24.6	-8 794	-7 485	-17.5	-14 318
	-3 414	-4 528	24.6	-8 794	-7 485	-17.5	-14 318
Total comprehensive income attributable to:							
Equity holders of the parent company	-6 933	-4 852	-42.9	-12 838	-9 821	-30.7	-15 563
	-6 933	-4 852	-42.9	-12 838	-9 821	-30.7	-15 563
Earnings per share							
undiluted, EUR	-0.24	-0.32		-0.61	-0.53		-1.00
diluted, EUR	-0.24	-0.32		-0.61	-0.52		-1.00

*The automatic currency valuation booking policy of cashpool accounts has been clarified. Comparative information from year 2016 has been changed accordingly and the change has no impact on net financial items or result for the period.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	30.6.2017	30.6.2016	Change, %	31.12.2016
ASSETS				
Non-current assets				
Intangible assets	48 245	44 389	8.7	47 325
Goodwill	93 673	95 389	-1.8	96 811
Tangible assets	2 228	1 763	26.4	1 585
Share of investment in a joint venture	323	2 119	-84.7	1 201
Available-for-sale investments	38	41	-8.6	38
Trade and other receivables	2 932	2 557	14.7	2 789
Deferred tax assets	10 724	7 646	40.3	8 403
Non-current assets	158 164	153 903	2.8	158 152
Current assets				
Inventories	0	22		0
Trade receivables	23 373	27 208	-14.1	24 638
Other receivables	8 938	6 935	28.9	8 372
Income tax receivables	314	204	53.7	126
Cash and cash equivalents	23 610	21 799	8.3	35 755
Current assets	56 235	56 168	0.1	68 891
ASSETS	214 399	210 072	2.1	227 043

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	30.6.2017	30.6.2016	Change, %	31.12.2016
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	-8 845	-6 048	46.3	-4 863
Retained earnings	13 654	29 360	-53.5	22 182
Shareholders' equity	120 354	138 858	-13.3	132 864
Non-current liabilities				
Deferred tax liability	5 395	4 367	23.5	4 904
Interest-bearing liabilities	18 184	15 300	18.8	36 732
Other non-current financial liabilities	1 171	1 933	-39.4	1 555
Liabilities from employee benefits	598	0		506
Non-current liabilities	25 348	21 600	17.4	43 697
Current liabilities				
Interest-bearing liabilities	22 096	0		10 548
Trade payables and other liabilities	44 184	48 659	-9.2	34 225
Income tax liabilities	196	954	-79.5	637
Current provisions	2 220	0		5 072
Current liabilities	68 696	49 613	38.5	50 482
EQUITY AND LIABILITIES	214 399	210 072	2.1	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 1.1.2017	3 528	1 187	-1 043	111 333	540	-4 863	22 182	132 864
Comprehensive income						-3 982	-8 794	-12 776
Share based payments			202	-202			328	328
Defined benefit plans							-62	-62
SHAREHOLDERS' EQUITY 30.6.2017	3 528	1 187	-841	111 132	540	-8 845	13 654	120 354

EUR thousand	Share capital	Share premium account	Treasury shares	Inv. un-restricted equity	Other reserves	Translation differences	Retained earnings	Total
SHAREHOLDERS' EQUITY 1.1.2016	3 528	1 187	-1 108	104 334	540	-3 712	36 378	141 147
Comprehensive income						-2 336	-7 485	-9 821
Share based payments			65	-65			468	468
Share issue				7 065				7 065
SHAREHOLDERS' EQUITY 30.6.2016	3 528	1 187	-1 043	111 333	540	-6 048	29 360	138 858

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CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	1.4.- 30.6.2017	1.4.- 30.6.2016	1.1.- 30.6.2017	1.1.- 30.6.2016	1.1.- 31.12.2016
Cash flows from operating activities					
Result for the period	-3 414	-4 528	-8 794	-7 485	-14 318
Adjustments	3 450	1 897	6 528	4 220	9 528
Working capital changes	-4 084	-2	6 597	12 229	3 268
Financial items in operating activities	-121	-1	-416	-270	-487
Income taxes paid/received	-668	-329	-1 280	575	234
Cash flows from operating activities	-4 837	-2 962	2 634	9 270	-1 774
Cash flows used in investing activities					
Purchase of tangible and intangible assets	-3 325	-3 649	-7 261	-6 662	-12 660
Proceeds from sale of tangible and intangible assets	0	0	0	0	11
Acquisition of subsidiaries and businesses	0	-24 205	0	-24 205	-25 013
Investment made to a joint venture	0	-1 994	0	-3 037	-3 037
Cash flows used in investing activities	-3 325	-29 848	-7 261	-33 904	-40 698
Cash flows from financing activities					
Proceeds from current borrowings	0	0	0	0	10 548
Repayment of current borrowings	0	0	-7 000	-1 667	-1 667
Proceeds from non-current borrowings	0	0	0	15 300	36 732
Cash flows from financing activities	0	0	-7 000	13 633	45 613
Net change in cash and cash equivalents	-8 162	-32 812	-11 626	-11 001	3 141
Cash and cash equivalents at the beginning of period	32 281	54 654	35 755	33 238	33 238
Net foreign exchange difference	-509	-43	-519	-437	-624
Cash and cash equivalents at the end of period	23 610	21 799	23 610	21 799	35 755

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ACCOUNTING PRINCIPLES

The Interim Report has been prepared in accordance with IAS 34, Interim Financial Reporting. The same accounting principles have been followed as in the annual financial statements.

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

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

The Group made a preliminary analysis of the impacts of IFRS 15 during 2016. The impacts were assessed in joint meetings reviewing customer contracts in relation to the IFRS 15 revenue recognition model. Subsequently, further analysis has been conducted with a focus in particular on the timing of revenue related to consulting and start up revenue types.

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 ESMA (the European Securities and Markets Authority) on Alternative Performance Measures which is applicable as of July 3, 2016 and defined alternative performance measures as follows.

Recurring revenue reported by the company consists of net sales excluding license sales and consulting revenue for deliveries. Alliance fees from financing-related value-added services are not included in recurring revenue.

Cloud revenue includes net sales from transactions services, SaaS and other subscription revenues, 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 changes in currencies by calculating the net sales for the 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 capital expenditure consists of investments in property, plant & equipment and intangible assets excluding acquisitions and capitalized research and development costs.

EBITDA is defined as operating profit plus depreciation and amortization.

Adjusted EBITDA is reported 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 reported 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.

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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. Per transaction cloud revenue is not included. 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

Adjusted EBITDA EUR thousand	4-6/ 2017	4-6/ 2016	Change, %	1-6/ 2017	1-6/ 2016	Change, %	1-12/ 2016
EBITDA	-298	-2 870	89.6	-2 798	-3 737	25.1	-5 394
Adjustments:							
Acquisition, disposal and restructuring expenses	-93	355		6	646	-99.1	894
Efficiency related expenses	711	54	1 216.7	1 511	113	1 237.2	5 888
Settlements	0	0		0	0		675
Total adjustments	618	409	51.2	1 517	759	99.8	7 456
Adjusted EBITDA	320	-2 461		-1 282	-2 978	57.0	2 063

Adjusted Operating Result

Adjusted Operating Result EUR thousand	4-6/ 2017	4-6/ 2016	Change, %	1-6/ 2017	1-6/ 2016	Change, %	1-12/ 2016
Operating Result	-2 767	-4 999	44.6	-7 859	-7 714	-1.9	-13 946
Adjustments:							
Acquisition, disposal and restructuring expenses	-93	355		6	646	-99.1	894
Efficiency related expenses	711	54	1 216.7	1 511	113	1 237.2	5 888
Settlements	0	0		0	0		675
Total adjustments	618	409	51.2	1 517	759	99.8	7 456
Adjusted Operating Result	-2 149	-4 589	53.2	-6 343	-6 955	8.8	-6 490

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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 by Transaction services (consisting of e-invoicing, scan and capture services, printing services and network start-up fees), SaaS, Consulting services (consisting of professional services and customer services management), Maintenance, License sales, Other cloud and Other non-cloud.

Net sales by revenue type

Net sales by revenue type EUR thousand	4-6/ 2017	4-6/ 2016	Change, %	1-6/ 2017	1-6/ 2016	Change, %	1-12/ 2016
Cloud Revenue							
SaaS	8 160	5 904	38.2	15 577	9 467	64.5	22 975
Transaction services	9 633	8 954	7.6	19 271	17 384	10.9	35 996
Other cloud revenue	1 801	1 641	9.8	3 244	4 006	-19.0	7 270
Cloud Revenue total	19 594	16 498	18.8	38 091	30 857	23.4	66 242
Non-Cloud Revenue							
Maintenance	9 357	10 385	-9.9	19 206	20 517	-6.4	40 761
License sales	1 120	2 588	-56.7	2 020	4 089	-50.6	7 188
Consulting services	7 324	9 473	-22.7	14 806	17 590	-15.8	34 389
Other non-cloud revenue	-105	3		-32	21		0
Non-Cloud Revenue total	17 695	22 450	-21.2	35 999	42 217	-14.7	82 338
Group Total	37 289	38 948	-4.3	74 090	73 073	1.4	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 combines Scandinavia and the rest of Europe, as well as operations in 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	4-6/	4-6/	Change,	1-6/	1-6/	Change,	1-12/
EUR thousand	2017	2016	%	2017	2016	%	2016
Finland	11 928	13 386	-10.9	23 740	25 564	-7.1	50 093
EMEIA	17 105	17 962	-4.8	34 393	35 468	-3.0	71 163
Americas & APAC	8 257	7 600	8.6	15 956	12 041	32.5	27 324
Group total	37 289	38 948	-4.3	74 090	73 073	1.4	148 580

Geographical information by the location of assets

Net sales	4-6/	4-6/	Change,	1-6/	1-6/	Change,	1-12/
EUR thousand	2017	2016	%	2017	2016	%	2016
Finland	21 303	20 366	4.6	41 346	38 930	6.2	80 623
EMEIA	20 587	19 679	4.6	41 762	37 254	12.1	78 698
Americas & APAC	8 248	7 475	10.3	15 852	11 740	35.0	26 870
Between areas	-12 848	-8 572	49.9	-24 870	-14 850	67.5	-37 612
Group total	37 289	38 948	-4.3	74 090	73 073	1.4	148 580

Operating result	4-6/	4-6/	Change,	1-6/	1-6/	Change,	1-12/
EUR thousand	2017	2016	%	2017	2016	%	2016
Finland	-3 883	-4 603	15.6	-10 215	-9 540	-7.1	-15 425
EMEIA	638	-251		1 294	2 082	-37.9	436
Americas & APAC	767	198	287.9	1 528	369	313.8	2 006
Between areas	-289	-342	15.5	-467	-626	25.4	-962
Group total	-2 767	-4 999	44.6	-7 859	-7 714	-1.9	-13 946

Personnel	4-6/	4-6/	Change,	1-6/	1-6/	Change,	1-12/
Employed, on average	2017	2016	%	2017	2016	%	2016
Finland	445	504	-11.6	453	499	-9.3	500
EMEIA	594	589	0.8	601	582	3.3	599
India	643	562	14.5	635	562	13.1	577
Americas & APAC	155	163	-5.3	158	123	28.8	135
Group total	1 837	1 818	1.0	1 847	1 765	4.6	1 811

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FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

EUR thousand	30.6.2017 Book value	30.6.2017 Fair value	30.6.2016 Book Value	30.6.2016 Fair value	31.12.2016 Book value	31.12.2016 Fair value
Financial assets						
Non-current:						
Available-for-sale financial assets	38	38	41	41	38	38
Non-current trade and other receivables	1 120	1 120	2 557	2 557	1 212	1 212
Current:						
Current trade receivables	23 373	23 373	27 208	27 208	24 838	24 838
Current other receivables	119	119	6 935	6 935	208	208
Cash and cash equivalents	23 610	23 610	21 799	21 799	35 755	35 755
Financial liabilities						
Non-current:						
Financial liabilities valued at amortized acquisition cost:						
Loans from financial institutions, interest-bearing	18 184	18 184	15 300	15 300	36 732	36 732
Current:						
Loans from financial institutions, interest-bearing	22 096	22 096	0	0	10 548	10 548
Trade payables and other liabilities	10 030	10 030	48 659	48 659	11 350	11 350

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COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand	30.6.2017	30.6.2016	31.12.2016
Own guarantees			
Business mortgages of own debts	1 200	1 200	1 200
Guarantees	234	304	273
Commitments on behalf of subsidiaries and group companies			
Guarantees	100	37	100
Other own guarantees			
Lease liabilities			
Current lease liabilities	959	1 101	1 169
Lease liabilities maturing in 1–5 years	860	1 310	1 362
Total	1 818	2 411	2 530
Other rental liabilities			
Current rental liabilities	5 763	5 043	4 989
Rental liabilities maturing in 1–5 years	10 690	7 704	9 421
Rental liabilities maturing later	0	509	41
Total	16 453	13 256	14 452
Other own contingent liabilities, total	18 271	15 667	16 983
Total commitments and contingent liabilities	19 805	17 208	18 555

RELATED PARTY TRANSACTIONS

EUR thousand	30.6.2017	30.6.2016	31.12.2016
Joint venture:			
Sales	0	526	784
Trade receivables	0	99	200

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GROUP QUARTERLY INCOME STATEMENT

EUR thousand	4-6/ 2017	1-3/ 2017	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016	10-12/ 2015	7-9/ 2015
NET SALES	37 289	36 801	40 211	35 295	38 948	34 125	39 210	33 569
Other operating income	156	0	4	0	0	0	85	-3
Materials and services	-3 630	-3 734	-4 600	-3 576	-3 959	-3 611	-4 098	-3 852
Employee benefit expenses	-25 375	-26 459	-27 614	-24 070	-29 068	-23 848	-22 456	-19 238
Depreciation and amortization	-2 469	-2 592	-2 391	-2 185	-2 129	-1 848	-1 919	-1 827
Other operating expenses	-8 738	-9 108	-9 623	-7 682	-8 792	-7 533	-6 517	-7 654
Operating result	-2 767	-5 092	-4 014	-2 218	-4 999	-2 716	4 305	996
%							11.0%	3.0%
Finance income	111	459	379*	80*	122*	164*	556	609
Finance expenses	-568	-971	-84**	-88**	-120*	-595*	-605	87
Share of results of a joint venture	-396	-482	-373	-544	-626	-626	-975	-205
Result before tax	-3 621	-6 086	-4 091**	-2 770**	-5 622	-3 773	3 281	1 488
%							8.4%	4.4%
Income taxes	207	706	43	-15	1 094	816	-327	-240
RESULT FOR THE PERIOD	-3 414	-5 380	-4 048**	-2 785**	-4 528	-2 957	2 954	1 249
%							7.5%	3.7 %

*The automatic currency valuation booking policy of cashpool accounts has been clarified. Comparative information from year 2016 has been changed accordingly and the change has no impact on net financial items or result for the period.

**Timing of the unrealized exchange loss from intragroup financing arrangements has been adjusted between Q3 and Q4 2016 interim report numbers. Adjustment doesn't have impact on total equity or other balance sheet items at group level in the quarters, nor on Financial Statements 2016 at yearly level.

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GROUP KEY INDICATORS

EUR thousand	1-6/2017	1-6/2016	1-6/2015	1-12/2016
Net sales	74 090	73 073	70 631	148 580
Growth of net sales, %	1.4 %	3.5 %	12.4%	3.6 %
Organic revenue growth*	1.8 %	2.5 %		0.3 %
EBITDA	-2 798	-3 737	2 855	-5 394
% of net sales			4.0%	
Adjusted EBITDA	-1 282	-2 978	1 797	2 063
% of net sales			2.5 %	1.4 %
Operating result	-7 859	-7 714	-625	-13 946
% of net sales				
Adjusted operating result	-6 343	-6 955	-1 682	-6 490
Result before tax	-9 707	-9 395	-1 206	-16 256
% of net sales				
Result for the period	-8 794	-7 485	-1 120	-14 318
% of net sales				
Return on equity, %	-13.9 %	-10.7 %	-1.6%	-10.5 %
Return on investment, %	-9.6 %	-11.7 %	0.5%	-9.5 %
Interest-bearing liabilities	40 280	15 300	15 833	47 280
Cash and cash equivalents**	23 610	21 799	62 570	35 755
Gearing, %	13.9 %	-4.7 %	-33.7%	8.7 %
Equity ratio, %	56.1 %	66.1 %	67.9%	58.5 %
Total assets	214 399	210 072	204 289	227 043
Gross investments	7 224	41 029	31 232	51 882
% of net sales	9.8 %	56.1 %	44.2 %	34.9 %
Acquisitions	0	34 118	26 415	36 341
Investments in Joint Ventures	0	3 037	0	3 037
Research and development investments, expensed***	6 796	6 139	4 904	12 146
Research and development costs, capitalised	5 365	5 059	3 834	10 878
Research and development investments, total	12 161	11 199	8 738	23 024
% of net sales	16.4 %	15.3 %	12.4 %	15.5 %
R&D personnel at end of period	400	427	358	419
Other capitalised expenditure	1 859	1 815	904	1 625
Personnel expenses	51 835	52 916	23 221	104 600
Personnel on average during the period	1 847	1 765	1 601	1 811
Personnel at end of period	1 838	1 828	1 649	1 889
Change in personnel, %	0.6 %	10.9 %	13.0%	14.6 %

*at constant currencies

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

***R&D expenses modified excluding depreciation

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Group Share Indicators	1-6/2017	1-6/2016	1-6/2015	1-12/2016
Earnings per share, undiluted	-0.61	-0.53	-0.08	-1.00
Earnings per share, diluted	-0.61	-0.52	-0.08	-1.00
Adjusted earnings per share, undiluted	-0.51	-0.47	-0.15	-0.48
Adjusted earnings per share, diluted	-0.51	-0.47	-0.15	-0.48
Equity per share	8.38	9.68	9.80	9.26
Price per earnings (P/E)	-64.40	-66.41	-505.44	-36.24
Share price performance				
lowest price	34.40	30.48	35.98	30.48
highest price	39.50	39.91	44.89	40.90
average price	35.51	35.60	39.93	36.22
closing price	39.45	34.57	40.00	36.30
Market capitalization at end of period*	566 490 283	495 848 365	566 030 800	520 662 298
Share issue adjusted number of traded shares	160 210	948 598	1 809 791	1 931 525
% of average number of shares	1.1 %	6.6 %	12.8 %	13.5 %
Number of shares				
- at end of the period	14 359 703	14 343 314	14 150 770	14 343 314
- average during the period	14 354 944	14 244 170	14 149 810	14 293 754
- average during the period, diluted	14 371 672	14 261 081	14 164 540	14 313 442

*Excluding treasury shares

SHARE AND SHAREHOLDERS

Basware Corporation's share capital totalled EUR 3 528 368 (3 528 368) at the end of the quarter and the number of shares was 14 401 936 (14 401 936). Basware Corporation holds 45 189 (58 622) of its own shares, corresponding to approximately 0.3 percent (0.4 %) of the total number of shares.

Basware had 12 278 (13 099) shareholders at the end of the quarter, including 9 nominee-registered holdings (10). Nominee-registered holdings accounted for 39.6 percent (33.9 %) 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 site at www.basware.com/investors.