

Interim Report for January 1–March 31

Q1/2019

Basware Interim Report January 1 – March 31, 2019: Cloud revenues increased 14 percent, cloud now 68 percent of total revenue

January-March 2019: Cloud revenues increased 14 percent, cloud now 68 percent of total revenue

- Net sales EUR 35,895 thousand (EUR 35,969 thousand): decrease of -0.2 percent, organic growth at constant currencies 5.7 percent
- Organic cloud revenue growth at constant currencies 14.4 percent, amounting to 67.6 percent (59.3%) of net sales
- Cloud ARR order intake amounted to EUR 4.9 million (EUR 4.7 million)
- Adjusted EBITDA EUR -1,699 thousand (EUR 12 thousand)
- Adjusted operating profit/loss EUR -5,820 thousand (EUR -2,618 thousand)
- Operating profit/loss EUR -7,780 thousand (EUR 12,495 thousand)
- Adjusted earnings per share (diluted) amounted to EUR -0.43 (-0.61) and earnings per share (diluted) were EUR -0.57 (0.45)

Key figures

EUR thousand	1-3/2019	1-3/2018	Change, %	2018
Net sales	35,895	35,969	-0.2%	141,417
Cloud revenue	24,282	21,343	13.8%	89,482
Cloud ARR order intake	4,937	4,657	6.0%	21,474
EBITDA	-3,660	15,125		9,217
Adjusted EBITDA	-1,699	12		-4,364
Operating profit/loss	-7,780	12,495		-1,471
Adjusted operating profit/loss	-5,820	-2,618	122.3%	-15,052
Gearing, %	33.4%	-4.9%		14.9%
Cash and cash equivalents	35,117	54,183	-35.2%	40,747
Earnings per share, diluted, EUR	-0.57	0.45		-0.49
Adjusted earnings per share, diluted, EUR	-0.43	-0.61	-28.7%	-1.44
Personnel at the end of the period	1,386	1,768	-21.6%	1,412

Notes on comparability

Basware has adopted IFRS 16 'Leases' as of January 1, 2019 with modified retrospective method of application, and accordingly the comparative information has not been restated. IFRS 16 impacts comparability for the following financial information:

- Depreciation expenses have increased significantly and correspondingly rent expenses decreased significantly. Depreciation expenses for right-of-use-assets in the first quarter of 2019 totalled EUR 1,251 thousand. The aforementioned improves reported EBITDA compared to 2018.
- Balance sheet totals on January 1, 2019 have increased by EUR 17,012 thousand due to recognition of right-of-use-assets and lease liabilities.
- Principal payments of lease liabilities are separately presented in the cash flow from financing activities and totalled EUR 953 thousand during the first quarter of 2019.
- Interest expenses recognized from lease liabilities totalled EUR 219 thousand in the first quarter of 2019.

- *Notes information in 2019 for commitments and contingent liabilities does not include lease liabilities that are recognized as lease liabilities on the balance sheet.*
- *IFRS 16 impacts comparability for key figures that are calculated based on balance sheet totals or interest-bearing liabilities.*

In February 2018 Basware completed the divestment of two businesses. As a result, it is important to consider the organic growth rate when comparing 2019 financials with 2018 financials as the divestments decrease revenues and profitability.

The interim report is unaudited.

Guidance for 2019

Basware's key strategic priority for the strategy period 2018-2022 is scalable cloud revenue growth. The company continues to strengthen its leading market position in order to grow scalable cloud revenue.

For 2019, Basware expects the following on an organic basis at constant currencies:

- Cloud revenues to grow at approximately 15 percent
- Total revenues to grow at approximately 5 percent
- Adjusted EBITDA to be at breakeven or better

Interim CEO Klaus Andersen:

"In the first quarter of 2019, Basware continued to achieve record high quarterly cloud revenues. Cloud revenues increased 14 percent, which was an acceleration from the last quarter of 2018. During the quarter Basware signed important new deals with FirstGroup America, Sony Music Entertainment and Innio, amongst others. We also continued to sign add-on sales with existing clients such as Fresenius, Vinci and Marienhaus.

Cloud order intake amounted to EUR 4.9 million and we made good progress in orders received from new customers during the quarter. Although customer activity continued on a high level in the US and France, in other markets the speculation of a possible tender offer had a negative effect on the timing of some deals closing in the quarter. In the first two weeks of April, we closed deals with three new customers.

Adjusted EBITDA amounted to EUR -1.7 million, impacted partly by temporarily higher hosting costs related to the migration of major products to AWS.

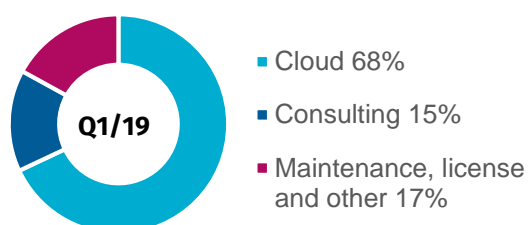
Basware's cloud revenue has reached 68 percent of total and Basware is ready to move towards the next phase in the cloud transformation. Focus will now change towards a balance between cloud growth and profitability. We will initiate a productivity program, which aims to improve our profitability by focusing on a number of areas including making professional services profitable, streamlining the product portfolio, R&D and production operations as well as corporate support functions. Basware expects annual run-rate savings of EUR 10 million and to reach positive EBIT in 2020 and positive free cash flow on a run-rate basis by the end of 2020."

Net sales

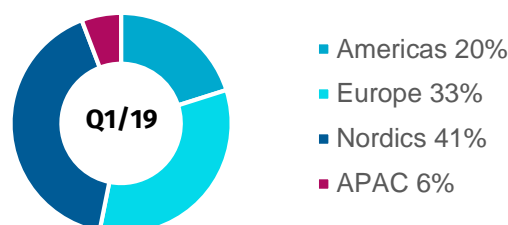
Net sales by revenue type, EUR thousand	1-3/2019	1-3/2018	Change, %	2018
Cloud	24,282	21,343	13.8	89,482
Consulting	5,441	6,337	-14.1	23,567
Maintenance, license and other	6,172	8,289	-25.5	28,368
Total	35,895	35,969	-0.2	141,417

Net sales by customer location, EUR thousand	1-3/2019	1-3/2018	Change, %	2018
Americas	7,219	6,135	17.7	26,741
Europe	11,859	11,683	1.5	47,709
Nordics	14,734	16,514	-10.8	59,754
APAC	2,083	1,637	27.3	7,214
Total	35,895	35,969	-0.2	141,417

Net sales by revenue type



Net sales by customer location



Basware's net sales for the first quarter amounted to EUR 35,895 thousand (EUR 35,969 thousand), a decrease of -0.2 percent. This equated to 5.7 percent organic growth at constant currencies. The impact of foreign exchange movements on the first quarter revenue growth was minimal, and the difference arises mainly from the sale of Banking and Financial Performance Solutions.

Cloud revenues continued to grow during the first quarter. Cloud revenues in the first quarter were EUR 24,282 thousand (EUR 21,343 thousand), up by 13.8 percent, and accounted for 67.6 percent (59.3%) of net sales. This equated to 14.4 percent organic growth at constant currencies.

In non-cloud revenues, maintenance and licence revenues declined in line with expectations as Basware transitions customers to the cloud. Non-cloud revenues were significantly impacted by the divestments made in February 2018. Consulting decreased -14.1 percent, which equated to -7.3 percent organic decrease at constant currencies. Maintenance, license and other revenue decreased -25.5 percent, which equated to -9.9 percent organic decrease at constant currencies.

Cloud order intake

EUR thousand	1-3/2019	1-3/2018	Change, %	2018
Cloud	4,937	4,657	6.0	21,474

Basware's total cloud annual recurring revenue (ARR) gross order intake in the first quarter amounted to EUR 4.9 million, up from EUR 4.6 million in the first quarter of 2018, an increase of 6.0 percent. This equated to 5.2 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.

From mid-November 2018 until end of February 2019, Basware was subject to market speculation around a potential tender offer. This reduced order intake in the fourth quarter of 2018 and first quarter of 2019, which will impact 2019 cloud revenues.

Financial performance

EUR thousand	1-3/2019	1-3/2018	Change, %	2018
Net sales	35,895	35,969	-0.2	141,417
Cost of sales	-18,147	-17,913	1.3	-69,620
Gross profit	17,748	18,056	-1.7	71,797
Sales and marketing	-11,375	-9,879	15.1	-43,041
Research and development	-7,404	-6,811	8.7	-27,222
General and administration	-4,607	-3,868	19.1	-16,247
Total operating expenses	-23,386	-20,558	13.8	-86,510
Other operating income and expenses	-2,142	14,997		13,242
Operating profit/loss	-7,780	12,495		-1,471
Adjusted EBITDA	-1,699	12		-4,364

The company's cost of sales amounted to EUR -18,147 thousand (EUR -17,913 thousand), an increase of 1.3 percent. Out of total operating expenses, sales and marketing expenses increased 15.1 percent, research and development expenses increased 8.7 percent and general and administration expenses increased 19.1 percent. Other operating income and expenses amounted to EUR -2,142 thousand (EUR 14,997 thousand).

Basware's research and development investments including capitalizations but excluding depreciation totalled EUR 7,755 thousand (EUR 7,958 thousand), or 21.6 percent (22.1%) of net sales during the quarter.

The company's net finance expenses were EUR -620 thousand (EUR -600 thousand) for the quarter.

Adjusted EBITDA and operating result

Basware's adjusted EBITDA was EUR -1,699 thousand (EUR 12 thousand) in the first quarter. The adjustments to EBITDA totalled EUR 1,960 thousand (EUR -15,113 thousand) in the quarter. The adjustments relate to expenses for the uncompleted potential tender offer and transition expenses for the outsourcing of scan and capture services.

Basware's operating profit/loss for the quarter amounted to EUR -7,780 thousand (EUR 12,495 thousand). Profitability for the first quarter was impacted by temporarily higher hosting costs related to migrating major products to AWS. Basware also recognized additional impairment provisions for accounts receivables during the first quarter.

Basware's profit/loss before tax was EUR -8,400 thousand (EUR 11,741 thousand) and profit/loss for the quarter EUR -8,164 thousand (EUR 6,416 thousand). Taxes for the quarter impacted the profit/loss by EUR 236 thousand (EUR -5,325 thousand).

Diluted earnings per share were EUR -0.57 (EUR 0.45) for the quarter.

Financing and investments

Cash flows from operating activities were EUR 1,626 thousand in the first quarter (EUR 7,111 thousand). Basware's operating cash flows are seasonal as a relatively large part of payments for annual maintenance are made in the first quarter. Disposals of Banking and Financial Performance Solutions in February 2018 affect the comparability year-on-year.

Basware's cash and cash equivalents including short-term deposits totalled EUR 35,117 thousand (EUR 54,183 thousand) at the end of the quarter. Basware's undrawn revolving credit facility of EUR 10 million expired at the end of March 2019.

In March 2019, Basware entered into a loan totalling EUR 50 million with Bregal Milestone LLP due September 2024. The loan is senior unsecured with a 5.5-year maturity that significantly extends Basware's average debt maturity. The facility was drawn on April 2, 2019 and the proceeds were EUR 45 million. The loan has an exit fee equal to 40 percent of the loan amount. The cash interest margin on the loan is 8.75 percent annually. The company has the option to utilise PIK interest as an alternative to cash pay interest at the rate of 11.25 percent annually.

Basware's total assets on the balance sheet at the end of the quarter were EUR 232,889 thousand (EUR 227,149 thousand). Net cash flows from investments were EUR -3,009 thousand (EUR 27,573 thousand) in the quarter.

The equity ratio was 45.9 percent (52.9%) and gearing 33.4 percent (-4.9%). The company's interest-bearing liabilities excluding leasing liabilities totalled EUR 53,669 thousand (EUR 48,277 thousand), of which current liabilities accounted for EUR 19,746 thousand (EUR 4,539 thousand). The return on investment was -18.0 percent (29.9%) and return on equity -30.2 percent (22.0%) in the quarter.

Personnel

Personnel on average by area	1-3/2019	1-3/2018	Change, %	2018
Americas	143	136	4.9	139
Europe	383	462	-17.1	442
Nordics	449	534	-15.9	490
APAC	421	686	-38.7	605
Total	1,395	1,819	-23.2	1,676

Basware employed 1,395 (1,819) people on average during the quarter and 1,386 (1,768) at the end of the quarter.

On March 31, 2019, 15.6 percent of the personnel worked in sales and marketing, 35.2 percent in R&D and production and products, 39.2 percent in customer services and 10.0 percent in administration.

Basware's personnel expenses were EUR 24,036 thousand (EUR 25,040 thousand) in the quarter.

Share and shareholders

Share Indicators	1-3/2019	1-3/2018	2018
Share price performance, EUR			
- lowest price	21.30	40.10	19.75
- highest price	41.10	47.60	47.60
- average price	30.67	43.61	34.00
- closing price	22.10	43.70	39.50
Market capitalization at end of period ¹ , EUR	317,587,520	627,743,989	567,633,802
Number of shares ¹			
- at end of the period	14,370,476	14,364,851	14,370,476
- average during the period	14,370,476	14,363,821	14,367,829
- average during the period, diluted	14,459,511	14,417,295	14,461,175
Number of traded shares (share issue adjusted)	952,840	925,442	3,005,479
% of average number of shares	6.6%	6.4%	20.9%
Treasury shares held by the Company	31,460	37,085	31,460
% of total shares	0.2%	0.3%	0.2%

Share capital, EUR	3,528,368	3,528,368	3,528,368
Earnings per share, undiluted, EUR	-0.57	0.45	-0.49
Earnings per share, diluted, EUR	-0.57	0.45	-0.49
Adjusted earnings per share, undiluted, EUR	-0.43	-0.61	-1.44
Adjusted earnings per share, diluted, EUR	-0.43	-0.61	-1.44
Equity per share, EUR	7.36	8.37	7.71
Price per earnings (P/E)	-38.90	97.83	-80.20

¹ Excluding treasury shares

Basware had 12,225 (11,499) shareholders at the end of the quarter, including nominee-registers. Nominee-registered holdings accounted for 53.5 percent (51.2%) of the total number of shares.

Flagging notifications

During the review period, Basware Corporation received the following notifications from major shareholders:

Announcement date	Shareholder	Threshold	Total holding, %
February 4	Arrowgrass Capital Partners LLP	Above 25%	25.00%
March 20	Bregal Milestone LP	Above 5%	6.94% ¹

¹ Basware Corporation entered into a senior, unsecured loan totalling EUR 50 million due September 2024 with funds advised by Bregal Milestone LLP and also issued at-the-money warrants. The board of directors of Basware has resolved to issue 1,000 warrants to Bregal Milestone L.P. that entitle the holder(s) of the warrants to subscribe for a total maximum number of 1,000,000 shares in Basware Corporation. The conversion period is April 2, 2019-August 22, 2024.

Annual General Meeting and authorizations of the Board of Directors

Basware Corporation's Annual General Meeting 2019 was held on March 14, 2019. The Annual General Meeting adopted the financial statements and discharged the responsible parties from liability for the financial period January 1-December 31, 2018. The Annual General Meeting decided that no dividend will be paid for the year 2018.

The Annual General Meeting decided the number of members of the Board of Directors to be six. Mr. Ilkka Sihvo, Mr. David Bateman, Mr. Michael Ingelög, Mr. Daryl Rolley, Mr. Asko Schrey and Mrs. Tuija Soanjärvi were re-elected as members of the Board of Directors. In its organizing meeting, the Board of Directors elected Ilkka Sihvo as the Chairman and Michael Ingelög as the Vice Chairman of the Board. Tuija Soanjärvi was elected as the Chairperson of the Audit Committee and David Bateman, Daryl Rolley and Asko Schrey as its members. Michael Ingelög was elected as the Chairman of the Remuneration Committee and David Bateman and Ilkka Sihvo as its members.

Ernst & Young Oy, Authorized Public Accounting Firm, was elected as the company's auditor.

The Board of Directors was authorized to decide on repurchasing a maximum of 1,420,000 company's own shares. The company's own shares shall be repurchased otherwise than in proportion to the holdings of the shareholders by using the non-restricted equity through trading on regulated market organized by Nasdaq Helsinki Ltd at the market price prevailing at the time of acquisition. The repurchase authorization shall be valid until June 30, 2020 and shall revoke the previous authorizations for repurchasing the company's own shares.

The Annual General Meeting on March 15, 2018 decided to authorize the Board of Directors to decide on issuing new shares and/or conveying the company's own shares held by the company and/or granting special rights entitling to shares. The Board of Directors may grant special rights, which carry the right to receive, against payment, new shares of the company or the company's own shares held by the company. The maximum number of new shares that may be subscribed by virtue of the special rights granted by the company is in total 1,000,000 shares which number shall be included in the maximum number of new

shares stated above. The subscription price of the new shares and the consideration payable for the company's own shares shall be recorded under the invested non-restricted equity fund. The Board of Directors shall decide on all other terms and conditions related to the authorizations. The authorizations shall be valid until June 30, 2019 and shall revoke the previous authorizations for share issues and granting of stock options and other special rights entitling to shares.

On March 14, 2019, Basware announced via stock exchange release the resolutions of the Annual General Meeting. The resolutions from Annual General Meetings are available on Basware's investor website at <https://investors.basware.com/en/annual-general-meeting>

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.

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. The uncertainty around the status of the UK in relation to the European Union may have a negative impact on Basware's ability to do business in the UK.

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.

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.

Other events of the period

Termination of discussions with Tradeshift Holdings Inc in relation to a possible tender offer

On February 28, 2019, Basware announced that it had terminated discussions with Tradeshift Holdings Inc relating to a possible cash tender offer for all shares in Basware. Tradeshift had informed Basware that it would be unable to proceed given conditions in the capital markets. On this basis, the Board of Directors of Basware terminated its discussions with Tradeshift in relation to the Possible Offer. Basware entered into a standstill agreement with Tradeshift, under which Tradeshift is prohibited from, among other things, directly or indirectly acquiring any shares in Basware or making any public tender offer or other offer to acquire shares in Basware until November 12, 2019. This standstill agreement is subject to customary exceptions including (amongst others) the receipt of a recommendation from the Board of

Basware and a third party unaffiliated with Tradeshift announcing a public tender offer for all shares in Basware.

Changes in Executive Team

On March 11, 2019, Basware announced that its CEO Vesa Tykkyläinen had resigned and CTO Klaus Andersen was appointed as interim CEO effective immediately. The recruitment process to select a new CEO is ongoing.

EUR 50 million strategic investment from Bregal Milestone

On March 20, 2019, Basware announced that it had signed a financing agreement with funds advised by Bregal Milestone LLP. Basware enters into a senior, unsecured loan totalling EUR 50 million due September 2024 and also issues at-the-money warrants. The proceeds will be used for general corporate purposes including refinancing existing debt of the Company and for future growth.

The Loan has a cash interest margin of 8.75 percent per year payable semi-annually in arrears. The proceeds from the Loan will be EUR 45 million. The Loan is senior unsecured with a 5.5 year maturity that significantly extends Basware's average debt maturity. In connection with the Loan, Bregal Milestone receives without consideration 1,000 freely transferable warrants convertible into 1,000,000 shares in the Company, representing approximately 6.5 percent of the fully diluted shares of the Company (6.9 percent of the current number of shares in the Company).

The cash subscription price for each Warrant Share is EUR 29.9158, which represents the average of the five daily volume weighted average prices from March 13 to March 19, 2019. The subscription price will be subject to adjustments for any dividends as well as customary anti-dilution adjustments resulting from, among other things, any share issues, pursuant to the terms and conditions of the warrants. The warrants were issued to Bregal Milestone at the drawdown of the Loan, on April 2, 2019. The subscription period of the Warrant Shares commenced immediately upon the issue of the warrants and will expire on August 22, 2024. The Board of Directors of Basware decided to issue the warrants on the basis of authorization granted by the annual general meeting of Basware held on March 15, 2018.

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 for 2019

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 scalable cloud revenue growth. The company continues to strengthen its leading market position in order to grow scalable cloud revenue.

Themes affecting revenues in 2019:

- Cloud revenues are expected to continue to grow strongly.
- Consulting revenues are affected by the cloud transition and more standardised implementations.

- Legacy revenues from maintenance and licence will continue to decline as Basware transitions existing customers to cloud services.
- Revenues, particularly for non-cloud are affected by the divestments completed in February 2018.

For 2019, Basware expects the following on an organic basis at constant currencies:

- Cloud revenues to grow at approximately 15 percent
- Total revenues to grow at approximately 5 percent
- Adjusted EBITDA to be at breakeven or better

Constant currencies mean that the effects of any changes in currencies are eliminated by calculating the figures for the period using 2018 exchange rates. Organic means that the figures are adjusted to remove the effects of any acquisitions or disposals within the past 12 months.

Events after the reporting period

Basware is planning to launch a productivity programme

Basware is planning to launch a productivity programme aimed at improving profitability and cashflow.

More than two thirds of Basware's revenues are from the cloud. In the transition so far, the company's focus has been primarily on cloud growth. As a more mature stage of the transformation process has been reached, Basware is planning to increase its focus on profitability and cashflow.

The productivity programme will focus on a number of areas including making professional services profitable, streamlining the product portfolio, R&D and production operations as well as corporate support functions.

The company has identified potential annual run rate net cost savings of approximately EUR 10 million in comparison to costs in the first quarter of 2019. Basware is exploring the possibility of making personnel reductions. Any labour negotiations will be executed in cooperation with the personnel and in compliance with local legal requirements. The number of employees that may be affected globally is up to 90. The upfront cash costs of the programme are expected to be approximately EUR 3.5 million.

Basware expects to reach positive EBIT in 2020 and positive free cashflow on a run rate basis by the end of 2020. Free cashflow is defined as EBITDA minus capitalizations, total debt service costs, tax and payment of lease liabilities, and excluding share-based compensation and any impact from acquisitions or disposals.

Basware's previously communicated 2019 guidance and strategy are unchanged.

Basware Corporation's CFO changes

Basware's CFO Niclas Rosenlew, has informed that he will resign from Basware in order to take up a new role outside of Basware. Niclas will continue at the company during May 2019.

Basware's Board of Directors has appointed Tuija Mäntyniemi, VP, Group Controlling as interim CFO as of May 10, 2019. Tuija will report directly to interim CEO Klaus Andersen. Basware will initiate a process to search for a new CFO.

Klaus Andersen, interim CEO: "I want to thank Niclas for his invaluable contribution to Basware as CFO and wish him all the best in his new responsibilities. Niclas has been a key contributor to transforming our business. His professionalism and insight will be missed."

"Basware is a leading company in a growing and exciting technology industry. We have transformed Basware to a true cloud company serving customers globally. I want to thank the very talented Basware team, customers, investors and partners and wish Basware all the success in the future" said Niclas Rosenlew, CFO.

Changes in Basware Corporation's Executive Team

Ilari Nurmi, Senior Vice President of Business Development and Alliances has decided to step down from his position as of May 3, 2019 to pursue new opportunities outside of the company.

Paul Taylor, Senior Vice President of Global Sales has been appointed as the Acting Head of the Business Development and Alliances organization.

Klaus Andersen, interim CEO comments: "I want to thank Ilari for his commitment and contribution to Basware over the years. This change is part of the plan to simplify our organizational structures and different options will be explored on how to further align partnering with Global Sales."

Espoo, Finland, on Monday, April 29, 2019

BASWARE CORPORATION
Board of Directors

Klaus Andersen, interim CEO, Basware Corporation

SUMMARY OF FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS JANUARY 1 – MARCH 31, 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	1-3/2019	1-3/2018	Change, %	2018
NET SALES	35,895	35,969	-0.2	141,417
Cost of sales	-18,147	-17,913	1.3	-69,620
GROSS PROFIT	17,748	18,056	-1.7	71,797
Sales and marketing	-11,375	-9,879	15.1	-43,041
Research and development	-7,404	-6,811	8.7	-27,222
General and administration	-4,607	-3,868	19.1	-16,247
Total operating expenses	-23,386	-20,558	13.8	-86,510
Other operating income and expenses	-2,142	14,997		13,242
OPERATING PROFIT/LOSS	-7,780	12,495		-1,471
Finance income and expenses	-620	-600	3.2	-1,902
Share of profit/loss of a joint venture	0	-153		-153
PROFIT/LOSS BEFORE TAX	-8,400	11,741		-3,526
Income tax	236	-5,325		-3,551
PROFIT/LOSS FOR THE PERIOD	-8,164	6,416		-7,077
Other comprehensive income				
Other comprehensive income that will not be reclassified to profit or loss				
Remeasurement of employee benefits	2	0		57
Other comprehensive income that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	1,780	-659		1,169
Cash flow hedges	165	-18		240
Income tax relating to components of other comprehensive income	145	34		-73
Other comprehensive income for the year net of tax	2,091	-643		1,393
TOTAL COMPREHENSIVE INCOME	-6,071	5,773		-5,684
Profit/loss attributable to:				
Equity holders of the parent company	-8,164	6,416		-7,077
Total comprehensive income attributable to:				
Equity holders of the parent company	-6,071	5,773		-5,684
Earnings per share				
undiluted, EUR	-0.57	0.45		-0.49
diluted, EUR	-0.57	0.45		-0.49

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	Mar 31, 2019	Mar 31, 2018	Change, %	Dec 31, 2018
ASSETS				
Non-current assets				
Intangible assets	45,369	44,566	1.8	45,097
Goodwill	80,351	77,548	3.6	78,939
Tangible assets	870	1,136	-23.4	792
Right-of-use assets	16,189	0		0
Non-current financial assets	38	38		38
Other receivables	3,985	3,478	14.6	4,055
Contract assets	740	2,114	-65.0	1,052
Deferred tax assets	8,190	5,370	52.5	7,810
Non-current assets	155,730	134,249	16.0	137,784
Current assets				
Trade receivables	29,735	26,928	10.4	24,992
Other receivables	8,919	7,617	17.1	9,289
Contract assets	2,728	3,873	-29.6	2,298
Income tax receivables	660	300	119.9	579
Cash and cash equivalents	35,117	54,183	-35.2	40,747
Current assets	77,159	92,900	-16.9	77,905
ASSETS	232,889	227,149	2.5	215,688

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	Mar 31, 2019	Mar 31, 2018	Change, %	Dec 31, 2018
EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	3,528	3,528		3,528
Share premium account	1,187	1,187		1,187
Treasury shares	-638	-744	-14.3	-638
Invested unrestricted equity fund	110,928	111,034	-0.1	110,928
Other reserves	915	575	59.3	832
Translation differences	-8,127	-11,851	-31.4	-10,131
Retained earnings	-2,057	16,444		5,042
Shareholders' equity	105,737	120,173	-12.0	110,749
Non-current liabilities				
Deferred tax liability	4,835	4,609	4.9	4,660
Interest-bearing liabilities	33,923	43,738	-22.4	40,117
Leasing liabilities, interest-bearing	13,158	0		0
Other non-current financial liabilities	36	181	-80.3	100
Contract liabilities	2,521	2,281	10.5	2,458
Liabilities from employee benefits	342	448	-23.6	327
Non-current liabilities	54,816	51,257	6.9	47,662
Current liabilities				
Interest-bearing liabilities	19,746	4,539	334.4	17,089
Leasing liabilities, interest-bearing	3,643	0		0
Trade payables and other liabilities	26,709	29,782	-10.3	28,040
Contract liabilities	22,102	21,165	4.4	11,852
Income tax liabilities	121	151	-19.7	98
Current provisions	15	42	-64.6	198
Current liabilities	72,337	55,678	29.9	57,277
Interest-free liabilities held for sale	0	41		0
EQUITY AND LIABILITIES	232,889	227,149	2.5	215,688

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, 2019	3,528	1,187	-638	110,928	832	-10,131	5,042	110,749
Comprehensive income						2,004	-8,161	-6,158
Share based payments							1,060	1,060
Defined benefit plan							2	2
Cash flow hedges					83			83
SHAREHOLDERS' EQUITY Mar 31, 2019	3,528	1,187	-638	110,928	915	-8,127	-2,057	105,737

EUR thousand	Share capital	Share premium account	Treasury shares	Inv. un-restricted equity	Other reserves	Translation differences	Retained earnings	Total
SHAREHOLDERS' EQUITY Jan 1, 2018	3,528	1,187	-841	111,131	592	-11,229	8,920	113,289
Effect of IFRS 9 restatement – bad debt provision							-128	-128
Effect of IFRS 2 amendment							1,043	1,043
SHAREHOLDERS' EQUITY Jan 1, 2018 (restated)	3,528	1,187	-841	111,131	592	-11,229	9,835	114,204
Comprehensive income						-625	6,416	5,791
Share based payments			97	-97			194	194
Defined benefit plan							0	0
Cash flow hedges					-18			-18
Other changes						3		3
SHAREHOLDERS' EQUITY Mar 31, 2018	3,528	1,187	-744	111,034	575	-11,851	16,444	120,173

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	1-3/2019	1-3/2018	2018
Cash flows from operating activities			
Profit/loss for the period	-8,164	6,416	-7,077
Adjustments for profit:			
Depreciation and amortisation	4,121	2,630	10,688
Share of profit/loss of a joint venture	0	153	153
Gain (-) / loss (+) on disposals of assets	0	-16,276	-16,276
Unrealised foreign exchange gains and losses	-125	181	204
Financial income and expenses	672	412	1,694
Tax on income from operations	-236	5,325	3,551
Other adjustments	1,541	-828	2,551
Total adjustments	5,973	-8,403	2,564
Changes in working capital:			
Increase (-) / decrease (+) in trade and other receivables	-3,964	-3,671	-841
Increase (+) / decrease (-) in trade payables	9,029	14,276	2,122
Increase / decrease in provisions	-175	-852	-763
Total changes in working capital	4,891	9,753	518
Financial items in operating activities	-937	-415	-1,419
Income taxes paid (-) / received (+)	-137	-240	-848
Cash flows from operating activities	1,626	7,111	-6,261
Cash flows used in investing activities			
Purchase of tangible and intangible assets	-3,009	-2,848	-11,178
Net proceeds from sale of tangible and intangible assets ¹	0	30,421	29,647
Cash flows from investing activities	-3,009	27,573	18,469
Cash flows from financing activities			
Repayment of current borrowings	-3,544	-998	-1,996
Proceeds from non-current borrowings	0	0	9,923
Payment of lease liabilities	-953	0	0
Cash flows from financing activities	-4,497	-998	7,927
Net change in cash and cash equivalents	-5,879	33,685	20,135
Cash and cash equivalents at the beginning of period	40,747	20,683	20,683
Net foreign exchange difference	250	-186	-71
Cash and cash equivalents at the end of period	35,117	54,183	40,747

¹Includes proceeds and disbursements directly attributable to the divestments made in Q1 2018.

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, 2019.

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

IFRS 16 Leases

IFRS 16 specifies the requirements for recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model. As a general rule, all leases with a term of over 12 months are recognized in the balance sheet unless the underlying asset has a low value. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index).

Basware has adopted IFRS 16 Leases as of January 1, 2019 with modified retrospective method of application, and accordingly the comparative information has not been restated. Instead, Basware recognized the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance sheet of January 1, 2019. The Group elected to use the exemptions applicable to the standard on short-term lease contracts (lease period less than 12 months), and for lease contracts for which the underlying asset is of low value. Implementation of IFRS 16 mainly impacted the accounting treatment of Basware's leased office facilities and leased vehicles. Basware has not applied IFRS 16 to license agreements.

The effect of adoption IFRS16 as at January 1, 2019 is as follows:

Assets

Right-of-use-assets	+ EUR 17,012 thousand
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Liabilities

Non-current leasing liabilities, interest-bearing	+ EUR 12,857 thousand
Current leasing liabilities, interest bearing	+ EUR 4,155 thousand

IFRS 16 also impacts comparability for the following financial information:

- Depreciation expenses have increased significantly and correspondingly rent expenses decreased significantly. Depreciation expenses for right-of-use-assets in the first quarter of 2019 totalled EUR 1,251 thousand. The aforementioned improves reported EBITDA compared to 2018.
- Balance sheet totals on January 1, 2019 have increased by EUR 17,012 thousand due to recognition of right-of-use-assets and lease liabilities.
- Principal payments of lease liabilities are now separately presented in the cash flow from financing activities and totalled EUR 953 thousand during the first quarter of 2019.
- Interest expenses recognized from lease liabilities totalled EUR 219 thousand in the first quarter of 2019.

- Notes information in 2019 for commitments and contingent liabilities does not include lease liabilities that are recognized as lease liabilities on the balance sheet.
- IFRS 16 impacts key figures that are calculated based on balance sheet totals or interest-bearing liabilities.

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.

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.

Adjusted operating profit/loss and adjusted EBITDA

EUR thousand	1-3/2019	1-3/2018	Change, %	2018
Operating profit/loss	-7,780	12,495		-1,471
Adjustments:				
Acquisition, disposal and restructuring income (-)		-16,508		-17,852
Acquisition, disposal and restructuring expenses (+)	1,157	1,273	-9.1	2,996
Efficiency related expenses	803	122	556.5	1,275
Total adjustments	1,960	-15,113		-13,581
Adjusted operating profit/loss	-5,820	-2,618	122.3	-15,052
Depreciation and amortization	4,121	2,630	56.7	10,688
Adjusted EBITDA	-1,699	12		-4,364

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 was covered by deferred tax assets recognized for accumulated tax losses.

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.

EUR thousand	1-3/2019	1-3/2018	Change, %	Change, % ¹	2018
Cloud Revenue					
SaaS	11,387	9,576	18.9	21.6	40,282
Transaction services	11,717	10,476	11.8	11.2	44,163
Other cloud revenue	1,178	1,291	-8.8	-9.9	5,036
Cloud Revenue total	24,282	21,343	13.8	14.4	89,482
Non-Cloud Revenue					
Maintenance	5,713	7,836	-27.1	-12.0	26,111
License sales	382	542	-29.6	-14.1	2,251
Consulting services	5,441	6,337	-14.1	-7.3	23,567
Other non-cloud revenue	77	-89			6
Non-Cloud Revenue total	11,613	14,627	-20.6	-8.7	51,935
Total	35,895	35,969	-0.2	5.7	141,417

¹ Organic at constant currencies.

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

EUR thousand	Mar 31, 2019		Mar 31, 2018		Dec 31, 2018	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets						
Non-current:						
Non-current financial assets	38	38	38	38	38	38
Non-current trade and other receivables	923	923	1,442	1,442	790	790
Current:						
Current trade receivables	30,179	30,179	26,928	26,928	24,992	24,992
Current other receivables	205	205	26	26	260	260
Cash and cash equivalents	35,117	35,117	54,183	54,183	40,747	40,747
Financial liabilities						
Non-current:						
Financial liabilities valued at amortized acquisition cost:						
Loans from financial institutions, interest-bearing	33,923	33,923	43,738	43,738	40,117	40,117
Leasing liabilities, interest-bearing	13,158	13,158	0	0	0	0
Current:						
Loans from financial institutions, interest-bearing	19,746	19,746	4,546	4,546	17,096	17,096
Leasing liabilities, interest-bearing	3,643	3,643	0	0	0	0
Trade payables and other liabilities	10,626	10,626	11,821	11,821	12,478	12,478

Financial assets arising from derivative financial instruments of EUR 405 thousand are classified as level 2 and unquoted equity shares of EUR 38 thousand as level 3 in the fair value measurement hierarchy.

COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand	Mar 31, 2019	Mar 31, 2018	Dec 31, 2018
Own guarantees			
Guarantees	1,100	413	1,106
Commitments on behalf of subsidiaries			
Guarantees	358	323	327
Other commitments			
Maturing in less than 1 year	2,026	7,743	7,856
Maturing in 1-5 years	2,651	11,419	11,279
Maturing later	0	132	2,800
Total	4,677	19,295	21,934
Total commitments and contingent liabilities	6,135	20,031	23,367

Other commitments include leases and other rental not in scope of IFRS 16, as well as commitments arising from license agreements. Obligations from long term service agreements are not included.

RELATED PARTY TRANSACTIONS

Loans from related parties

EUR thousand	Mar 31, 2019	Mar 31, 2018	Dec 31, 2018
Arrowgrass Master Fund LTD	10,000	10,000	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.

QUARTERLY INCOME STATEMENT

EUR thousand	1-3/2019	10-12/2018	7-9/2018	4-6/2018	1-3/2018
NET SALES	35,895	36,488	33,991	34,969	35,969
Cost of sales	-18,147	-17,026	-16,101	-18,580	-17,913
GROSS PROFIT/LOSS	17,748	19,462	17,890	16,389	18,056
Sales and Marketing	-11,375	-11,969	-10,759	-10,434	-9,879
Research and Development	-7,404	-6,848	-6,599	-6,964	-6,811
General and Administration	-4,607	-4,061	-4,003	-4,315	-3,868
Total operating expenses	-23,386	-22,878	-21,361	-21,712	-20,558
Other operating income and expenses	-2,142	-433	-316	-1,006	14,997
OPERATING PROFIT/LOSS	-7,780	-3,850	-3,787	-6,329	12,495
% of net sales					34.7%
Finance income and expenses	-620	-432	-487	-382	-600
Share of results of a joint venture	0	0	0	0	-153
Profit/loss before tax	-8,400	-4,282	-4,274	-6,712	11,741
% of net sales					32.6%
Income taxes	236	-236	1,045	966	-5,325
PROFIT/LOSS FOR THE PERIOD	-8,164	-4,518	-3,229	-5,746	6,416
% of net sales					17.8%

KEY INDICATORS

EUR thousand	1-3/2019	1-3/2018	2018
Cloud ARR order intake	4,937	4,657	21,474
Net sales	35,895	35,969	141,417
Growth of net sales, %	-0.2%	-2.3%	-5.2%
Organic revenue growth, %	5.7%	5.3%	5.4%
EBITDA	-3,660	15,125	9,217
% of net sales		42.1%	6.5%
Adjusted EBITDA	-1,699	12	-4,364
% of net sales			
Return on equity, %	-30.2%	22.0%	-6.3%
Return on investment, %	-18.0%	29.9%	-0.9%
Interest-bearing liabilities excl. leasing liabilities	53,669	48,277	57,206
Cash and cash equivalents	35,117	54,183	40,747
Gearing, %	33.4%	-4.9%	14.9%
Gross investments	2,993	2,848	10,933
% of net sales	8.3%	7.9%	7.7%
R&D investments, expensed ¹	5,306	5,409	21,231
R&D costs, capitalised	2,449	2,549	8,862
R&D investments, total	7,755	7,958	30,093
% of net sales	21.6%	22.1%	21.3%
Depreciation and amortization	4,121	2,630	10,688
Other capitalised expenditure	544	299	2,071
Personnel at end of period	1,386	1,768	1,412

¹ R&D expenses excluding depreciation

Calculation of key indicators

Return on equity (ROE), %

$$\frac{(\text{Profit or loss before taxes} - \text{taxes}) \times 100}{\text{Shareholders' equity (average)}}$$

Return on investment (ROI), %

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

Gearing, %

$$\frac{(\text{Interest-bearing liabilities} - \text{interest-bearing assets}) \times 100}{\text{Shareholders' equity}}$$

Equity ratio, %

$$\frac{\text{Shareholders' equity} \times 100}{\text{Balance sheet total} - \text{advance payments received}}$$

Earnings per share

$$\frac{\text{Profit for the period}}{\text{Adjusted average number of shares during the period}}$$

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.

Equity per share

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

Dividend per share

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

Dividend/profit, %

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

Effective dividend yield, %

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

Price-earnings ratio (P/E)

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

Adjusted EBITDA

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.

Operating profit

Operating profit is the net sum of operating income added to net sales, less cost of sales consisting of materials and services, less the costs resulting from employee benefits, depreciation and amortization as well as other operating expenses and any impairment. Exchange rate differences and gains or losses arising from changes in the fair value of derivatives are included in operating profit, provided that they result from items related to business operations; otherwise they are recognized under financing items. All other items of the consolidated statement of comprehensive income are presented after operating profit.

Adjusted operating result (Adjusted EBIT)

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.

Gross investments

Total investments made to non-current assets including acquisitions and capitalized research and development costs.