

Half Year Financial Report
for January 1-June 30

Q2/2019

Basware Half-Year Financial Report January 1 – June 30, 2019: All-time high cloud order intake, productivity programme actions result in profitability guidance upgrade

April-June 2019:

- Net sales EUR 36,320 thousand (EUR 34,969 thousand): increase of 3.9 percent, organic growth at constant currencies 3.0 percent
- Organic cloud revenue growth at constant currencies 12.4 percent, amounting to 68.1 percent (62.3%) of net sales
- Cloud ARR order intake amounted to EUR 6,429 thousand (EUR 6,392 thousand)
- Adjusted EBITDA EUR -213 thousand (EUR -2,674 thousand)
- Adjusted operating profit/loss EUR -4,149 thousand (EUR -5,416 thousand)
- Operating profit/loss EUR -6,181 thousand (EUR -6,329 thousand)
- Adjusted earnings per share (diluted) amounted to EUR -0.51 (EUR -0.34) and earnings per share (diluted) were EUR -0.65 (EUR -0.40)

January-June 2019:

- Net sales EUR 72,215 thousand (EUR 70,939 thousand): increase of 1.8 percent, organic growth at constant currencies 4.3 percent
- Organic cloud revenue growth at constant currencies 13.4 percent, amounting to 67.9 percent (60.8%) of net sales
- Cloud ARR order intake amounted to EUR 11,365 thousand (EUR 11,049 thousand)
- Adjusted EBITDA EUR -1,913 thousand (EUR -2,661 thousand)
- Adjusted operating profit/loss EUR -9,970 thousand (EUR -8,033 thousand)
- Operating profit/loss EUR -13,962 thousand (EUR 6,166 thousand)
- Adjusted earnings per share (diluted) amounted to EUR -0.94 (EUR -0.94) and earnings per share (diluted) were EUR -1.22 (EUR 0.05)

Key figures

EUR thousand	4-6/ 2019	4-6/ 2018	Change, %	1-6/ 2019	1-6/ 2018	Change, %	2018
Net sales	36,320	34,969	3.9	72,215	70,939	1.8	141,417
Cloud revenue	24,752	21,783	13.6	49,034	43,126	13.7	89,482
Cloud ARR order intake	6,429	6,392	0.6	11,365	11,049	2.9	21,474
EBITDA	-2,245	-3,587	37.4	-5,905	11,538		9,217
Adjusted EBITDA	-213	-2,674	92.0	-1,913	-2,661	28.1	-4,364
Operating profit/loss (EBIT)	-6,181	-6,329	2.3	-13,962	6,166		-1,471
Adjusted operating profit/loss	-4,149	-5,416	23.4	-9,970	-8,033	-24.1	-15,052
Gearing, % ¹	42.1%	5.9%		42.1%	5.9%		14.9%
Cash and cash equivalents ¹	63,373	41,413	53.0	63,373	41,413	53.0	40,747
Free cash flow metric	-9,794	-7,787	-25.8	-17,610	-12,624	-39.5	-19,829
Earnings per share, diluted, EUR	-0.65	-0.40	-64.2	-1.22	0.05		-0.49
Adjusted earnings per share, diluted, EUR	-0.51	-0.34	-53.1	-0.94	-0.94	0.01	-1.44
Personnel ¹	1,354	1,745	-22.4	1,354	1,745	-22.4	1,412

¹At the end of the period.

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 second quarter of 2019 totalled EUR 1,120 thousand and in the first half of the year EUR 2,371 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 1,080 thousand during the second quarter of 2019. For the first half of 2019 the payments of lease liabilities totalled EUR 2,032 thousand.
- Interest expenses recognized from lease liabilities totalled EUR 231 thousand in the second quarter of 2019 and EUR 449 thousand in the first half of the year.
- 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 updated

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.

As a result of the productivity programme actions taken in the second quarter of 2019, Basware is increasing its adjusted EBITDA guidance for 2019. The revenue guidance is unchanged. 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 EUR 3 million or better

The previous guidance as given on January 31, 2019 was that 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

CEO Klaus Andersen:

"In the second quarter of 2019, Basware's cloud order intake was again on a record-high level at EUR 6.4 million. Strong performance continued in the US, where we signed several new customers such as Holcim, HunterDouglas and Texas Roadhouse. Cloud order intake growth rate was 1 percent compared to the previously highest quarter for cloud order intake in the same quarter of 2018.

At the end of April, Basware launched a productivity programme with expectations to reach positive EBIT in 2020 and positive free cashflow on a run-rate basis by the end of 2020. The majority of the productivity programme actions have been implemented leaving only a small subset for later in the year. Organizational changes and optimization resulted in a headcount reduction of 64 employees globally. We are making good

progress in all focus areas and are on track to reach our cost reduction target of EUR 10 million annual run rate saving compared to the first quarter of 2019.

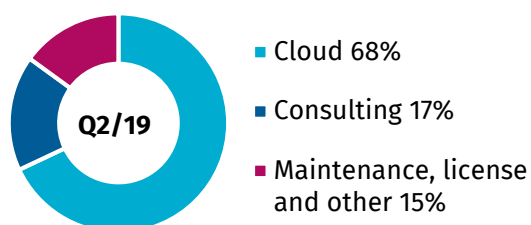
For the first half of the year, organic cloud revenue growth at constant currencies was 13 percent and total revenue growth 4 percent, which are in line with our guidance for 2019. Adjusted EBITDA for the quarter was approximately breakeven at EUR -0.2 million and for the first half of the year amounted to EUR -1.9 million. As a result of the productivity programme actions, we upgrade our profitability guidance for 2019 and expect adjusted EBITDA to be EUR 3 million or better.”

Net sales

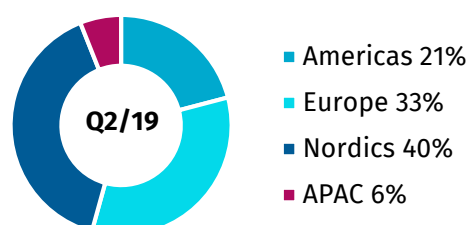
Net sales by revenue type, EUR thousand	4-6/ 2019	4-6/ 2018	Change, %	1-6/ 2019	1-6/ 2018	Change, %	2018
Cloud	24,752	21,783	13.6	49,034	43,126	13.7	89,482
Consulting	6,052	6,201	-2.4	11,493	12,538	-8.3	23,567
Maintenance, license and other	5,516	6,986	-21.0	11,688	15,276	-23.5	28,368
Total	36,320	34,969	3.9	72,215	70,939	1.8	141,417

Net sales by customer location, EUR thousand	4-6/ 2019	4-6/ 2018	Change, %	1-6/ 2019	1-6/ 2018	Change, %	2018
Americas	7,600	6,572	15.6	14,819	12,707	16.6	26,741
Europe	12,119	11,912	1.7	23,978	23,595	1.6	47,709
Nordics	14,414	14,732	-2.2	29,148	31,246	-6.7	59,754
APAC	2,187	1,754	24.7	4,270	3,390	26.0	7,214
Total	36,320	34,969	3.9	72,215	70,939	1.8	141,417

Net sales by revenue type



Net sales by customer location



Basware’s net sales for the second quarter amounted to EUR 36,320 thousand (EUR 34,969 thousand), an increase of 3.9 percent. This equated to 3.0 percent organic growth at constant currencies.

In the first half of 2019, Basware’s net sales amounted to EUR 72,215 thousand (EUR 70,939 thousand), an increase of 1.8 percent. This equated to 4.3 percent organic growth at constant currencies. The difference between the reported and the organic constant currency growth rate arises mainly from the sale of Banking and Financial Performance Solutions.

Cloud revenues continued to grow during the second quarter. Cloud revenues in the second quarter were EUR 24,752 thousand (EUR 21,783 thousand), up by 13.6 percent, and accounted for 68.1 percent (62.3%) of net sales. This equated to 12.4 percent organic growth at constant currencies. A higher than average amount of credit notes fell in the second quarter, which impacted the growth rate.

In non-cloud revenues, maintenance and license revenues declined in line with expectations as Basware transitions customers to the cloud. Consulting revenues decreased 2.4 percent, which equated to 3.0 percent organic decrease at constant currencies. Maintenance, license and other revenue decreased 21.0 percent, on both reported and organic constant currency basis.

Cloud order intake

EUR thousand	4-6/ 2019	4-6/ 2018	Change, %	1-6/ 2019	1-6/ 2018	Change, %	2018
Cloud	6,429	6,392	0.6	11,365	11,049	2.9	21,474

Basware's total cloud annual recurring revenue (ARR) gross order intake in the second quarter amounted to EUR 6,429 thousand (EUR 6,392 thousand), an increase of 0.6 percent. This equated to -0.8 percent growth on an organic constant currency basis. This was the highest quarterly order intake in Basware's history. The share of cloud order intake from new customers continued to increase and share of license to cloud transformations decreased.

In the first half of the year, Basware's cloud order intake amounted to EUR 11,365 thousand (EUR 11,049 thousand), an increase of 2.9 percent. This equated to 1.8 percent growth on an organic constant currency basis. 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.

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.

Financial performance

EUR thousand	4-6/ 2019	4-6/ 2018	Change, %	1-6/ 2019	1-6/ 2018	Change, %	2018
Net sales	36,320	34,969	3.9	72,215	70,939	1.8	141,417
Cost of sales	-18,502	-18,580	-0.4	-36,649	-36,493	0.4	-69,620
Gross profit	17,819	16,389	8.7	35,566	34,445	3.3	71,797
Sales and marketing	-12,207	-10,434	17.0	-23,582	-20,313	16.1	-43,041
Research and development	-6,908	-6,964	-0.8	-14,312	-13,775	3.9	-27,222
General and administration	-2,673	-4,315	-38.1	-7,280	-8,183	-11.0	-16,247
Total operating expenses	-21,788	-21,712	0.4	-45,174	-42,270	6.9	-86,510
Other operating income and expenses	-2,211	-1,006	119.9	-4,354	13,991		13,242
Operating profit/loss	-6,181	-6,329	2.3	-13,962	6,166		-1,471
Adjusted EBITDA	-213	-2,674	92.0	-1,913	-2,661	28.1	-4,364

In the second quarter, cost of sales amounted to EUR 18,502 thousand (EUR 18,580 thousand), a decrease of 0.4 percent. Cost of sales were impacted by previously unbilled license costs related to consulting and temporarily higher legacy data back-up hosting costs.

Out of total operating expenses, sales and marketing expenses increased 17.0 percent, research and development expenses decreased 0.8 percent and general and administration expenses decreased 38.1 percent. General and administration costs were impacted by reversal of share-based compensation accruals due to changes in Executive Team.

Basware's research and development investments including capitalizations but excluding depreciation totalled EUR 7,072 thousand (EUR 7,753 thousand), or 19.5 percent (22.2%) of net sales during the quarter.

Basware's adjusted EBITDA was EUR -213 thousand (EUR -2,674 thousand) in the second quarter. The adjustments to EBITDA totalled EUR 2,032 thousand (EUR 913 thousand) in the quarter. Other operating income and expenses amounted to EUR -2,211 thousand (EUR -1,006 thousand). The majority of adjustments to EBITDA and other operating expenses related to EUR 2.1 million productivity programme costs. Basware's operating profit/loss for the quarter amounted to EUR -6,181 thousand (EUR -6,329 thousand).

For the first half of the year, Basware's adjusted EBITDA was EUR -1,913 thousand (EUR -2,661 thousand) and operating profit EUR -13,962 thousand (EUR 6,166 thousand). Profitability in the first half of 2019 was impacted by temporarily higher hosting costs related to migrating major products to AWS. Basware also recognized higher impairment provisions for accounts receivables during the first half of 2019. Operating profit in the first half of 2018 was positive due to the sale of Financial Performance Solutions and Banking businesses.

Basware's profit/loss before tax was EUR -8,981 thousand (EUR -6,712 thousand) and profit/loss for the quarter EUR -9,413 thousand (EUR -5,746 thousand). Taxes for the quarter impacted the profit/loss by EUR -432 thousand (EUR 966 thousand).

Diluted earnings per share were EUR -0.65 (EUR -0.40) for the quarter.

Free cash flow metric, financing and investments

The purpose of the free cash flow metric is to provide a clear view of all costs related to Basware's operations. From the second quarter of 2019 Basware publishes the free cash flow metric on a quarterly basis to enable investors to track the progress towards the expectation that Basware reaches positive free cash flow on a run-rate basis by the end of 2020. The definition and quarterly figures for the free cash flow metric in 2018 are disclosed on page 19 in Definition of Alternative Performance Measures.

EUR thousand	4-6/ 2019	4-6/ 2018	Change, %	1-6/ 2019	1-6/ 2018	Change, %	2018
EBITDA	-2,245	-3,587	37.4	-5,905	11,538		9,217
Capitalizations	-2,964	-3,706	-20.0	-5,957	-6,554	-9.1	-10,933
Finance expenses	-2,786	-508		-3,436	-1,127		-2,080
Taxes, excl. deferred taxes	-269	-85		-364	-389	-6.3	-961
Payment of lease liabilities ¹	-1,080	-		-2,032	-		-
Share based compensation, share part	-450	99		84	208	-59.8	1,229
Gain/loss on sale of assets	0	0		0	-16,300		-16,300
Free cash flow metric	-9,794	-7,787	-25.8	-17,610	-12,624	-39.5	-19,829

¹ Payment of lease liabilities in 2018 are included in EBITDA. 2019 reflects changes from IFRS 16 accounting principles.

The free cash flow metric amounted to EUR -9,794 thousand (EUR -7,787 thousand) in the second quarter. Finance expenses increased as a result of the financing agreement entered in 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 which accrues over the loan period. The value of the exit fee at maturity equals 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.

In connection with the Loan, Bregal Milestone received 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.

Cash flows from operating activities were EUR -3,665 thousand (EUR -7,856 thousand) in the second quarter. The improvement was due mainly to positive changes in working capital.

Basware's cash and cash equivalents including short-term deposits totalled EUR 63,373 thousand (EUR 41,413 thousand) at the end of the quarter.

Basware's total assets on the balance sheet at the end of the quarter were EUR 256,661 thousand (EUR 218,035 thousand). Net cash flows from investments were EUR -2,925 thousand (EUR -5,133 thousand) in the quarter.

The equity ratio was 38.1 percent (53.4%) and gearing 42.1 percent (5.9%). The company's interest-bearing liabilities excluding leasing liabilities totalled EUR 87,307 thousand (EUR 48,277 thousand), of which current liabilities accounted for EUR 11,996 thousand (EUR 4,539 thousand). The return on investment was -13.1 percent (-12.1%) and return on equity -37.0 percent (-14.6%) in the quarter.

Personnel

Personnel on average by area	4-6/ 2019	4-6/ 2018	Change, %	1-6/ 2019	1-6/ 2018	Change, %	2018
Americas	126	137	-8.0	134	136	-1.2	139
Europe	379	464	-18.4	381	463	-17.7	442
Nordics	450	483	-6.8	450	509	-11.7	490
APAC	418	674	-38.0	419	680	-38.3	605
Total	1,373	1,758	-21.9	1,384	1,788	-22.6	1,676

Basware employed 1,373 (1,758) people on average during the quarter and 1,354 (1,745) at the end of the quarter. The majority of active headcount reduction of 64 employees from the productivity programme is reflected in the figures. The net change in headcount is affected by the fact that some of the employees who were actively reduced are being replaced by employees in India and Romania and also that voluntary leavers are in some cases not replaced.

On June 30, 2019 15.3 percent (11.3%) of the personnel worked in sales and marketing, 33.9 percent (49.5%) in R&D and production and products, 40.5 percent (31.0%) in customer services and 10.3 percent (8.3%) in administration.

Basware's personnel expenses were EUR 23,685 thousand (EUR 24,968 thousand) in the quarter.

Share and shareholders

Share Indicators	1-6/2019	1-6/2018	2018
Share price performance, EUR			
- lowest price	17.82	34.20	19.75
- highest price	41.10	47.60	47.60
- average price	26.08	42.45	34.00
- closing price	18.16	36.00	39.50
Market capitalization at end of period ¹ , EUR	261,461,124	517,337,136	567,633,802
Number of shares ¹			
- at end of the period	14,397,639	14,370,476	14,370,476
- average during the period	14,379,393	14,365,138	14,367,829
- average during the period, diluted	14,379,393	14,424,043	14,461,175
Number of traded shares (share issue adjusted)	1,691,083	1,282,657	3,005,479
% of average number of shares	11.8%	8.9%	20.9%
Treasury shares held by the Company	4,297	31,460	31,460
% of total shares	0.0%	0.2%	0.2%

Share capital, EUR	3,528,368	3,528,368	3,528,368
Earnings per share, undiluted, EUR	-1.22	0.05	-0.49
Earnings per share, diluted, EUR	-1.22	0.05	-0.49
Adjusted earnings per share, undiluted, EUR	-0.94	-0.94	-1.44
Adjusted earnings per share, diluted, EUR	-0.94	-0.94	-1.44
Equity per share, EUR	6.79	8.10	7.71
Price per earnings (P/E)	-14.86	771.23	-80.20

¹ Excluding treasury shares

Basware had 12,902 (11,388) shareholders at the end of the quarter, including nominee-registers. Nominee-registered holdings accounted for 54.3 percent (51.6%) 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
May 27	Invesco Ltd	Above 5%	7.69% ²
May 27	Massachusetts Mutual Life Insurance Company	Below 5%	0.0% ³
May 28	Ameriprise Financial, Inc	Below 5%	4.998%

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.

² Acquisition and Merger with OppenheimerFunds Inc.

³ Disposal and demerger of OppenheimerFunds, Inc.

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 were valid until June 30, 2019 and revoked 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 operates in a market where technological innovation plays 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. Basware invests in product development to ensure the competitiveness of its product portfolio and good end-to-end quality, which impacts customer satisfaction, customer retention and expansion.

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 in addition to optimized pricing model and efficient customer delivery. 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 churn rate may increase as Basware consolidates its product portfolio to focus on strategic high gross margin business.

Market disruptions such as consolidation of significant competitors, aggressive entries of new competitors or emergence of disruptive technologies may be a risk to Basware's position as a market leader and to Basware's market share.

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 USD, GBP, 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.

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, external assessments as well as internal training of Basware's personnel.

Other events of the period

On May 2, Basware announced a directed share issue related to the reward payment for the performance period 2017-2018 of Basware's Performance Share Plan 2017-2019. In the share issue, 26,413 shares held by

the company have been conveyed without consideration to the key employees participating in the plan in accordance with the terms and conditions of the plan.

On May 23, Basware announced a directed share issue related to the reward payment for Basware's Restricted Share Plan 2017. In the share issue, 750 shares held by the company have been conveyed without consideration to the key employees participating in the plan in accordance with the terms and conditions of the plan.

In its meeting on June 20, 2019 the Board of Directors confirmed the criteria for the performance period 2019-2020 of the company's Performance Share Plan 2017-2019. The potential reward for the performance period 2019-2020 will be based on Group's key performance measures in 2019. The rewards to be paid on the basis of the performance period 2019-2020 correspond the value of a maximum total of 67,517 Basware Corporation shares, including also the proportion to be paid in cash. The plan is directed to approximately 46 key employees, including the members of the Basware Executive Team.

Changes in Executive Team

On April 30, May 8, and June 20, 2019 Basware announced changes to its Executive Team. Niclas Rosenlew, Ilari Nurmi, Mikko Pilkama and Eric Wilson left the Executive Team and the company in May 2019. Klaus Andersen was appointed the CEO of Basware as of June 20, 2019.

The Executive Team is comprised of the following roles:

Chief Executive Officer, Klaus Andersen
Chief Financial Officer, Tuija Mäntyniemi (Acting)
Chief Technology Officer, Klaus Andersen (Acting)
Chief Revenue Officer, Paul Taylor
Chief Marketing Officer, Lars Madsen
Chief Customer Officer, Jussi Vasama
Chief HR Officer, Jane Broberg

On June 28, 2019 Basware appointed Martti Nurminen as the CFO of Basware. Nurminen will join Basware at the latest in January 2020. Nurminen joins Basware from Solteq Plc, a publicly listed Nordic IT and software company.

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 license 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.

As a result of the productivity programme actions taken in the second quarter of 2019, Basware is increasing its adjusted EBITDA guidance for 2019. The revenue guidance is unchanged. 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 EUR 3 million or better

The previous guidance as given on January 31, 2019 was that 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.

Espoo, Finland, on Monday, August 5, 2019

BASWARE CORPORATION
Board of Directors

Klaus Andersen, CEO, Basware Corporation

SUMMARY OF FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS JANUARY 1 – JUNE 30, 2019
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	4-6/ 2019	4-6/ 2018	Change, %	1-6/ 2019	1-6/ 2018	Change, %	2018
NET SALES	36,320	34,969	3.9	72,215	70,939	1.8	141,417
Cost of sales	-18,502	-18,580	-0.4	-36,649	-36,493	0.4	-69,620
GROSS PROFIT	17,819	16,389	8.7	35,566	34,445	3.3	71,797
Sales and marketing	-12,207	-10,434	17.0	-23,582	-20,313	16.1	-43,041
Research and development	-6,908	-6,964	-0.8	-14,312	-13,775	3.9	-27,222
General and administration	-2,673	-4,315	-38.1	-7,280	-8,183	-11.0	-16,247
Total operating expenses	-21,788	-21,712	0.4	-45,174	-42,270	6.9	-86,510
Other operating income and expenses	-2,211	-1,006		-4,354	13,991		13,242
OPERATING PROFIT/LOSS	-6,181	-6,329	2.3	-13,962	6,166		-1,471
Finance income and expenses	-2,799	-382		-3,419	-983		-1,902
Share of profit/loss of a joint venture	0	0		0	-153		-153
PROFIT/LOSS BEFORE TAX	-8,981	-6,712	-33.8	-17,381	5,030		-3,526
Income tax	-432	966		-196	-4,359		-3,551
PROFIT/LOSS FOR THE PERIOD	-9,413	-5,746	-63.8	-17,577	671		-7,077
Other comprehensive income							
Other comprehensive income that will not be reclassified to profit or loss							
Remeasurement of employee benefits	-18	18		-16	18		57
Other comprehensive income that may be reclassified subsequently to profit or loss							
Exchange differences on translating foreign operations	-1,716	1,811		354	1,151	-82.0	1,169
Cash flow hedges	-137	54	14.4	28	36		240
Income tax relating to components of other comprehensive income	71	-83		-74	-49	-21.7	-73
Other comprehensive income for the year net of tax	-1,799	1,800		293	1,157	-74.6	1,393
TOTAL COMPREHENSIVE INCOME	-11,212	-3,946	-184.1	-17,284	1,827		-5,684
Profit/loss attributable to:							
Equity holders of the parent company	-9,413	-5,746	-63.8	-17,577	671		-7,077
Total comprehensive income attributable to:							
Equity holders of the parent company	-11,212	-3,946	-184.1	-17,284	1,827		-5,684
Earnings per share							
undiluted, EUR	-0.65	-0.40	-63.6	-1.22	0.05		-0.49
diluted, EUR	-0.65	-0.40	-63.6	-1.22	0.05		-0.49

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	June 30, 2019	June 30, 2018	Change, %	Dec 31, 2018
ASSETS				
Non-current assets				
Intangible assets	44,919	45,713	-1.7	45,097
Goodwill	79,231	78,910	0.4	78,939
Tangible assets	1,111	1,053	5.5	792
Right-of-use assets	16,522	0		0
Non-current financial assets	38	38	0.0	38
Other receivables	3,840	3,863	-0.6	4,055
Contract assets	482	1,823	-73.5	1,052
Deferred tax assets	8,166	6,464	26.3	7,810
Non-current assets	154,309	137,864	11.9	137,784
Current assets				
Trade receivables	27,199	28,527	-4.7	24,992
Other receivables	8,391	7,000	19.9	9,289
Contract assets	2,702	3,045	-11.3	2,298
Income tax receivables	688	186	269.2	579
Cash and cash equivalents	63,373	41,413	53.0	40,747
Current assets	102,352	80,171	27.7	77,905
ASSETS	256,661	218,035	17.7	215,688

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	June 30, 2019	June 30, 2018	Change, %	Dec 31, 2018
EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	3,528	3,528	0.0	3,528
Share premium account	1,187	1,187	0.0	1,187
Treasury shares	-98	-638	-84.7	-638
Invested unrestricted equity fund	110,388	110,928	-0.5	110,928
Other reserves	806	628	28.2	832
Translation differences	-9,797	-10,124	-3.2	-10,131
Retained earnings	-8,228	10,836		5,042
Shareholders' equity	97,786	116,347	-16.0	110,749
Non-current liabilities				
Deferred tax liability	4,907	4,686	4.7	4,660
Interest-bearing liabilities	75,311	43,738	72.2	40,117
Leasing liabilities, interest-bearing	13,651	0		0
Other non-current financial liabilities	9	146	-93.7	100
Contract liabilities	2,696	2,769	-2.6	2,458
Liabilities from employee benefits	372	452	-17.8	327
Non-current liabilities	96,947	51,790	87.2	47,662
Current liabilities				
Interest-bearing liabilities	11,996	4,539	163.9	17,089
Leasing liabilities, interest-bearing	3,606	0		0
Trade payables and other liabilities	24,593	25,614	-4.0	28,040
Contract liabilities	20,118	18,837	6.8	11,852
Income tax liabilities	97	69	41.0	98
Current provisions	1,518	806	88.4	198
Current liabilities	61,928	49,864	24.2	57,277
Interest-free liabilities held for sale	0	34	-100.0	0
EQUITY AND LIABILITIES	256,661	218,035	17.7	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						335	-17,577	-17,241
Share based payments			540	-540			-370	-370
Defined benefit plan							-16	-16
Cash flow hedges					-26			-26
Warrants							4,691	4,691
SHAREHOLDERS' EQUITY June 30, 2019	3,528	1,187	-98	110,388	806	-9,797	-8,228	97,786

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						1,102	671	1,773
Share based payments			204	-204			314	314
Defined benefit plan						2	18	20
Cash flow hedges					36			36
SHAREHOLDERS' EQUITY June 30, 2018	3,528	1,187	-638	110,928	628	-10,124	10,836	116,347

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	4-6/ 2019	4-6/ 2018	1-6/ 2019	1-6/ 2018	2018
Cash flows from operating activities					
Profit/loss for the period	-9,413	-5,746	-17,577	671	-7,077
Adjustments for profit:					
Depreciation and amortisation	3,936	2,742	8,057	5,372	10,688
Share of profit/loss of a joint venture	0	0	0	153	153
Gain (-) / loss (+) on disposals of assets	0	0	0	-16,276	-16,276
Unrealised foreign exchange gains and losses	83	-216	-42	-35	204
Financial income and expenses	2,802	510	3,474	922	1,694
Tax on income from operations	432	-966	196	4,359	3,551
Other adjustments	-1,595	1,557	-54	729	2,551
Total adjustments	5,659	3,628	11,632	-4,776	2,564
Changes in working capital:					
Increase (-) / decrease (+) in trade and other receivables	3,029	880	-934	-2,791	-841
Increase (+) / decrease (-) in trade payables	-3,920	-6,855	5,109	7,421	2,122
Increase / decrease in provisions	1,544	787	1,369	-65	-763
Total changes in working capital	653	-5,188	5,544	4,565	518
Financial items in operating activities	-219	-458	-1,157	-873	-1,419
Income taxes paid (-) / received (+)	-344	-92	-481	-332	-848
Cash flows from operating activities	-3,665	-7,856	-2,039	-745	-6,261
Cash flows used in investing activities					
Purchase of tangible and intangible assets	-2,947	-3,667	-5,956	-6,515	-11,178
Net proceeds from sale of tangible and intangible assets ¹	22	-1,466	22	28,955	29,647
Cash flows from investing activities	-2,925	-5,133	-5,934	22,440	18,469
Cash flows from financing activities					
Repayment of current borrowings	-7,754	0	-11,298	-998	-1,996
Proceeds from non-current borrowings	43,880	0	43,880	0	9,923
Payment of lease liabilities	-1,080	0	-2,032	0	0
Cash flows from financing activities	35,046	0	30,549	-998	7,927
Net change in cash and cash equivalents	28,456	-12,988	22,577	20,698	20,135
Cash and cash equivalents at the beginning of period	35,117	54,183	40,747	20,683	20,683
Net foreign exchange difference	-201	218	49	32	-71
Cash and cash equivalents at the end of period	63,373	41,413	63,373	41,413	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 IFRS 16 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 second quarter of 2019 totalled EUR 1,120 thousand and in the first half of the year EUR 2,371 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 1,080 thousand during the second quarter of 2019. In the first half of 2019 the payments of lease liabilities totalled EUR 2,032 thousand.
- Interest expenses recognized from lease liabilities totalled EUR 231 thousand in the second quarter and EUR 449 thousand in the first half of the year.
- 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.

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.

Free cash flow metric 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.

Free cash flow metric

EUR thousand	4-6/ 2019	1-3/ 2019	10-12/ 2018	7-9/ 2018	4-6/ 2018	1-3/ 2018
EBITDA	-2,245	-3,660	-1,257	-1,064	-3,587	15,125
Capitalizations	-2,964	-2,993	-2,277	-2,102	-3,706	-2,848
Finance expenses	-2,786	-650	-567	-386	-508	-619
Taxes, excl. deferred taxes	-269	-95	-302	-271	-85	-304
Payment of lease liabilities	-1,080	-953	0	0	0	0
Share based compensation, share part	-450	534	327	693	99	110
Gain/loss on sale of assets	0	0	0	0	0	-16,300
Free cash flow metric	-9,794	-7,816	-4,076	-3,129	-7,787	-4,836

¹ Payment of lease liabilities in 2018 are included in EBITDA. 2019 reflects changes from IFRS 16 accounting principles.

Adjusted operating profit/loss and adjusted EBITDA

EUR thousand	4-6/ 2019	4-6/ 2018	Change, %	1-6/ 2019	1-6/ 2018	Change, %	2018
Operating profit/loss	-6,181	-6,329	2.3	-13,962	6,166		-1,471
Adjustments:							
Acquisition, disposal and restructuring income (-)	-168	-697	75.9	-168	-17,205	99.0	-17,852
Acquisition, disposal and restructuring expenses (+)	100	809	-87.6	1,257	2,082	-39.6	2,996
Efficiency related expenses	2,100	801	162.2	2,903	924	214.2	1,275
Total adjustments	2,032	913	122.6	3,992	-14,199	-128.1	-13,581
Adjusted operating profit/loss	-4,149	-5,416	23.4	-9,970	-8,033	-24.1	-15,052
Depreciation and amortization	-3,936	-2,742	43.5	-8,057	-5,372	50.0	10,688
Adjusted EBITDA	-213	-2,674	92.0	-1,913	-2,661	28.1	-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	4-6/ 2019	4-6/ 2018	Change, %	Change, % ¹	1-6/ 2019	1-6/ 2018	Change, %	Change, % ¹	2018
Cloud Revenue									
SaaS	11,838	9,663	22.5	20.4	23,225	19,239	20.7	21.0	40,282
Transaction services	11,777	10,900	8.0	7.6	23,494	21,376	9.9	9.4	44,163
Other cloud revenue	1,137	1,220	-6.8	-6.9	2,315	2,511	-7.8	-8.5	5,036
Cloud Revenue total	24,752	21,783	13.6	12.4	49,034	43,126	13.7	13.4	89,482
Non-Cloud Revenue									
Maintenance	5,401	6,226	-13.3	-13.2	11,113	14,062	-21.0	-12.6	26,111
License sales	215	646	-66.7	-66.7	597	1,189	-49.8	-45.1	2,251
Consulting services	6,052	6,201	-2.4	-3.0	11,493	12,538	-8.3	-5.1	23,567
Other non-cloud revenue	-100	114			-22	25			6
Non-Cloud Revenue total	11,569	13,186	-12.3	-12.5	23,181	27,813	-16.7	-10.6	51,935
Total	36,320	34,969	3.9	3.0	72,215	70,939	1.8	4.3	141,417

¹Organic at constant currencies.

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

EUR thousand	June 30, 2019		June 30, 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	781	781	1,216	1,216	790	790
Current:						
Current trade receivables	27,199	27,199	28,527	28,527	24,992	24,992
Current other receivables	261	261	64	64	260	260
Cash and cash equivalents	63,373	63,373	41,413	41,413	40,747	40,747
Financial liabilities						
Non-current:						
Financial liabilities valued at amortized acquisition cost:						
Loans from financial institutions, interest-bearing ¹	75,311	86,202	43,738	43,738	40,117	40,117
Leasing liabilities, interest-bearing	13,651	13,651	0	0	0	0

Current:

Loans from financial institutions, interest-bearing	11,996	11,996	4,546	4,546	17,096	17,096
Leasing liabilities, interest-bearing	3,606	3,606	0	0	0	0
Trade payables and other liabilities	9,915	9,915	10,362	10,362	12,478	12,478

¹ Fair value of loan from Bregal Milestone LLP is measured to reflect the amount Basware would need to pay if it would repay the loan in full at the end of reporting period. The loan has an exit fee which accrues over the loan period. The value of the exit fee at maturity equals 40 percent of the loan amount.

Financial assets arising from derivative financial instruments of EUR 268 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	June 30, 2019	June 30, 2018	Dec 31, 2018
Own guarantees			
Guarantees	1,124	413	1,106
Commitments on behalf of subsidiaries			
Guarantees	130	327	327
Other commitments			
Maturing in less than 1 year	1,799	7,160	7,856
Maturing in 1-5 years	2,615	9,133	11,279
Maturing later	0	82	2,800
Total	4,415	16,375	21,934
Total commitments and contingent liabilities	5,669	17,115	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	June 30, 2019	June 30, 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	4-6/2019	1-3/2019	10-12/2018	7-9/2018	4-6/2018
NET SALES	36,320	35,895	36,488	33,991	34,969
Cost of sales	-18,502	-18,147	-17,026	-16,101	-18,580
GROSS PROFIT/LOSS	17,819	17,748	19,462	17,890	16,389
Sales and Marketing	-12,207	-11,375	-11,969	-10,759	-10,434
Research and Development	-6,908	-7,404	-6,848	-6,599	-6,964
General and Administration	-2,673	-4,607	-4,061	-4,003	-4,315
Total operating expenses	-21,788	-23,386	-22,878	-21,361	-21,712
Other operating income and expenses	-2,211	-2,142	-433	-316	-1,006
OPERATING PROFIT/LOSS	-6,181	-7,780	-3,850	-3,787	-6,329
% of net sales					
Finance income and expenses	-2,799	-620	-432	-487	-382
Share of results of a joint venture	0	0	0	0	0
Profit/loss before tax	-8,981	-8,400	-4,282	-4,274	-6,712
% of net sales					
Income taxes	-432	236	-236	1,045	966
PROFIT/LOSS FOR THE PERIOD	-9,413	-8,164	-4,518	-3,229	-5,746
% of net sales					

KEY INDICATORS

EUR thousand	4-6/2019	4-6/2018	1-6/2019	1-6/2018	2018
Cloud ARR order intake	6,429	6,392	11,365	11,049	21,474
Net sales	36,320	34,969	72,215	70,939	141,417
Growth of net sales, %	3.9%	-6.2%	1.8%	-4.3%	-5.2%
Organic revenue growth, %	3.0%	7.0%	4.3%	6.1%	5.4%
Operating profit	-6,181	-6,329	-13,962	6,166	-1,471
% of net sales				8.7%	
EBITDA	-2,245	-3,587	-5,905	11,538	9,217
% of net sales				16.3%	6.5%
Adjusted EBITDA	-213	-2,674	-1,913	-2,661	-4,364
Return on equity, %	-37.0%	-14.6%	-33.7%	1.2%	-6.3%
Return on investment, %	-13.1%	-12.1%	-15.1%	7.5%	-0.9%
Interest-bearing liabilities excl. leasing liabilities	87,307	48,277	87,307	48,277	57,206
Cash and cash equivalents	63,373	41,413	63,373	41,413	40,747
Free cash flow metric	-9,794	-7,787	-17,610	-12,624	-19,829
Gearing, %	42.1%	5.9%	42.1%	5.9%	14.9%
Gross investments	2,964	3,706	5,957	6,554	10,933
% of net sales	8.2%	10.6%	8.2%	9.2%	7.7%
R&D investments, expensed ¹	4,826	5,410	10,132	10,819	21,231
R&D costs, capitalised	2,246	2,343	4,695	4,892	8,862
R&D investments, total	7,072	7,753	14,828	15,711	30,093
% of net sales	19.5%	22.2%	20.5%	22.1%	21.3%
Depreciation and amortization	3,936	2,742	8,057	5,372	10,688
Other capitalised expenditure	718	1,246	1,262	1,545	2,071
Personnel at end of period	1,354	1,745	1,354	1,745	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.

Free cash flow metric

Free cash flow is calculated as follows: 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.