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BASWARE INTERIM REPORT JANUARY 1 - SEPTEMBER 30, 2016 (IFRS)**SUMMARY****Basware SaaS revenues more than doubled, overall growth behind expectations****January-September 2016:**

- Net sales EUR 108 369 thousand (EUR 104 200 thousand): growth 4.0 percent
- Organic revenue growth 1.6 percent at constant currencies
- Adjusted EBITDA EUR -1 598 thousand (EUR 5 337 thousand)
- Cloud revenue 43.7 percent (35.6 %) of net sales
- Recurring revenue 73.6 percent (68.2 %) of net sales
- Operating result EUR -9 932 thousand (EUR 371 thousand)
- Earnings per share (diluted) EUR -0.78 (0.01)

July-September 2016:

- Net sales EUR 35 295 thousand (EUR 33 569 thousand): growth 5.1 percent
- Organic revenue growth -0.4 percent at constant currencies
- Adjusted EBITDA EUR 1 381 thousand (EUR 3 540 thousand)
- Cloud revenue 46.6 percent (39.5 %) of net sales
- Recurring revenue 77.4 percent (72.2 %) of net sales
- Operating result EUR -2 218 thousand (EUR 996 thousand)
- Earnings per share (diluted) EUR -0.26 (0.09)

The Interim Report is unaudited.

Basware is targeting accelerated revenue growth during its strategy period 2017-2020. In 2016, Basware is accelerating its growth-related investments primarily focused on its cloud business, sales and marketing and related supporting activities as well as in the rollout of Basware's Financing Services offering. For 2016, Basware expects flat organic revenue growth at constant currencies, and temporary pressure on margins driven by accelerated growth investments resulting in adjusted EBITDA around breakeven.

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GROUP KEY FIGURES

EUR thousand	7-9/ 2016	7-9/ 2015	Change, %	1-9/ 2016	1-9/ 2015	Change, %	1-12/ 2015
Net sales	35 295	33 569	5.1 %	108 369	104 200	4.0 %	143 410
Organic revenue growth*	-0.4 %			1.6 %			
EBITDA	-33	2 823		-3 771	5 678		11 902
Adjusted EBITDA	1 381	3 540		-1 598	5 337		12 121
Operating result	-2 218	996		-9 932	371		4 676
% of net sales		3.0 %			0.4 %		3.3 %
Result before tax	-3 928	1 488		-13 323	282		3 563
Result for the period	-3 711	1 249		-11 196	129		3 083
Return on equity, %	-10.8 %	3.6 %		-10.8 %	0.1 %		2.2 %
Return on investment, %	-0.5 %	3.8 %		-6.6 %	1.2 %		3.6 %
Cash and cash equivalents	12 951	36 824		12 951	36 824		33 238
Gearing, %	1.7 %	-25.5 %		1.7 %	-25.5 %		-22.4 %
Equity ratio, %	68.5 %	77.4 %		68.5 %	77.4 %		79.1 %
Earnings per share							
Undiluted, EUR	-0.26	0.09		-0.78	0.01		0.22
Diluted, EUR	-0.26	0.09		-0.78	0.01		0.22
Equity per share, EUR	9.44	9.73	-3.0 %	9.44	9.73	-3.0 %	9.97

*at constant currencies

BUSINESS OPERATIONS

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

CEO Vesa Tykkyläinen:

In the third quarter the growth of Basware's cloud business was strong. However, it was offset by the decline in license, maintenance and consulting services revenues as well as weak performance, especially in the UK. Basware will in the coming months initiate further actions to strengthen the focus on execution of the strategy and its significant growth potential in cloud revenues.

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Basware's SaaS revenues continued to grow strongly in the third quarter with a total growth of 118.7 percent and organic growth of 53.2 percent, compared to the third quarter of 2015. Basware's network continued to grow with transaction volumes up 13.8 percent compared to the third quarter of 2015. However overall transaction growth did not fully meet our expectations and the significant potential there is for e-invoicing. Financing Services has been focused on maturing the solutions and will not contribute materially to net sales in the near term, although there continues to be strong demand from customers for the services. Professional Services has been delivering more with 28 Alusta go-lives in the third quarter compared to 16 in the third quarter of 2015. Revenues from consulting services have however been impacted by the transition to SaaS.

The results in our key markets were mixed but strong order intake across our key markets in the third quarter points to a brighter outlook. In the UK, uncertainty around the EU referendum has continued to impact decision making in both the public and private sector, resulting weaker than expected results. We believe the long term potential is solid in the UK. In Germany growth has been held back by delays in hiring salespeople, as a result of the competitive local job market. However, these hires have now been completed.

Basware has continued to invest in sales and marketing in line with its strategy. Headcount for sales and marketing has increased by 25 percent compared to the third quarter of 2015, with the majority of the new hires coming in our key markets of UK, US and Germany. The majority of our geographically allocated marketing spending has been made in our key markets. The positive impact of these investments has however not yet been seen in net sales given the lead time for new salespeople to become productive.

Basware is a great company and I am very excited at having been given the opportunity to lead the company forward into its next phase of growth. Basware's vision, view on the significant future potential of our markets and our ability to capture that opportunity is unchanged. However, what is required now is more focus on execution and customers. Since taking on the role of CEO on 26 September, I have identified a number of action points to boost growth, simplify our operations and improve our productivity. More details of these are provided in the strategy section below.

NET SALES

Basware Group's net sales year to date amounted to EUR 108 369 thousand (EUR 104 200 thousand), a growth of 4.0 percent. This equated to 1.6 percent organic growth at constant currencies.

Basware Group's net sales for the third quarter amounted to EUR 35 295 thousand (EUR 33 569 thousand), a growth of 5.1 percent. This equated to -0.4 percent organic growth at constant currencies. Adjustments for organic growth in the quarter included deducting alliance fees in its comparison period, and deducting net sales from businesses acquired within the 12 months before the third quarter of 2016.

Net sales of the P2P business area amounted to EUR 17 285 thousand (EUR 14 624 thousand) in the third quarter, up 18.2 percent. P2P business area net sales were driven by strong organic growth in SaaS being offset by the decline in license sales, maintenance and consulting. The addition of Verian contributed to the growth. Net sales of the Network business area amounted to EUR 11 232 thousand (EUR 11 372 thousand), down 1.2 percent. The Network business area revenues were negatively impacted by the weak performance of the UK business.

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Information on net sales by business area

Net sales by business area EUR thousand	7-9/ 2016	7-9/ 2015	Change, %	1-9/ 2016	1-9/ 2015	Change, %	1-12/ 2015
Network	11 232	11 372	-1.2	34 437	34 156	0.8	47 656
P2P	17 285	14 624	18.2	50 981	45 467	12.1	62 304
Professional Services	6 779	7 573	-10.5	22 951	24 577	-6.6	33 450
Group total	35 295	33 569	5.1	108 369	104 200	4.0	143 410

Cloud and recurring revenues grew strongly during the quarter as Basware's transformation to a cloud and SaaS based revenue company continued. Cloud revenues were EUR 16 455 thousand (46.6 % of net sales), up 24.2 percent from the third quarter 2015. Recurring revenues were EUR 27 319 thousand (77.4 % of net sales), up 12.7 percent from the third quarter of 2015.

26.4 million transactions were processed via Basware's network (23.2 million transactions), up 3.2 million, an increase of 13.8 percent compared to the third quarter of 2015. Transactions services revenues grew 9.0 percent. The difference between transaction volume growth and transaction services revenue growth was mainly driven by the decline of start-up fees.

SaaS revenues grew significantly compared to the third quarter of 2015 with total growth of 118.7 percent and organic growth of 53.2 percent. Overall this year the SaaS transformation has happened more quickly than expected both in terms of license and maintenance decline, and in terms of stronger than expected SaaS growth. The net effect has been slightly negative on organic growth.

The decline of certain subscription based revenues in the UK, recorded as part of Other revenue, resulted in a negative impact on cloud revenues. The transition of the Professional Services delivery model from license to SaaS has negatively impacted consulting revenues. In addition, as there were a number of large delivery projects in the third quarter of 2015, this has hurt the comparison of consulting revenues compared to this quarter.

Information on net sales by type

Net sales by revenue type EUR thousand	7-9/ 2016	7-9/ 2015	Change, %	1-9/ 2016	1-9/ 2015	Change, %	1-12/ 2015
Transaction services	8 523	7 817	9.0	25 844	23 857	8.3	33 256
SaaS	6 336	2 897	118.7	15 802	8 596	83.8	11 811
Consulting services	7 439	7 895	-5.8	25 029	25 301	-1.1	35 616
Maintenance	10 168	10 316	-1.4	30 685	31 277	-1.9	41 664
License sales	1 137	2 050	-44.5	5 226	7 524	-30.5	10 921
Other revenue	1 692	2 594	-34.8	5 781	7 645	-24.4	10 143
Group total	35 295	33 569	5.1	108 369	104 200	4.0	143 410

The international share of Basware's net sales was 68.3 percent (67.3 %) in the quarter.

FINANCIAL PERFORMANCE

Basware's adjusted EBITDA amounted to EUR -1 598 thousand (EUR 5 337 thousand), and EBITDA EUR -3 771 thousand (EUR 5 678 thousand) year-to-date. The operating result for the first three quarters of 2016 amounted to EUR -9 932 thousand (EUR 371 thousand).

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Adjusted EBITDA amounted to EUR 1 381 thousand (EUR 3 540 thousand), and reported EBITDA EUR -33 thousand (EUR 2 823 thousand) in the quarter. The adjustments in EBITDA in the quarter included revenues related to alliance fees in its comparison period, expenses related to the Verian acquisition, settlement of a contract dispute, certain employee costs and other efficiency related measures totaling EUR 1 414 thousand (EUR 717 thousand).

Basware's operating result for the quarter amounted to EUR -2 218 thousand (EUR 996 thousand).

The company's operating expenses including employee benefits, depreciations and amortizations as well as other operating expenses were EUR 33 937 thousand (EUR 28 719 thousand) in the quarter, and have increased by 18.2 percent from the corresponding period the previous year. Personnel expenses made up 70.9 percent (67.0 %) or EUR 24 070 thousand (EUR 19 238 thousand) of the operating expenses.

The company's net finance expenses were EUR -1 116 thousand (EUR 522 thousand) for the quarter. Basware's share of the results of the joint venture with Arrowgrass Capital Partners LLP totaled EUR -544 thousand (EUR -205 thousand).

Basware's result before tax was EUR -3 928 thousand (EUR 1 488 thousand) and result for the quarter was EUR -3 711 thousand (EUR 1 249 thousand). Taxes for the quarter impacted the result by EUR 217 thousand (EUR -240 thousand).

Undiluted earnings per share were EUR -0.26 (EUR 0.09) for the third quarter.

FINANCING AND INVESTMENTS

Cashflows from operating activities were 3 790 EUR thousand (EUR 12 407 thousand) year-to-date.

Cashflows from operating activities were EUR -5 479 thousand in the third quarter (EUR -7 340 thousand). Basware's cashflows are seasonal as a relatively large part of payments for annual maintenance are made in the first quarter. Basware's cash and cash equivalents including short-term deposits totaled EUR 12 951 thousand (EUR 36 824 thousand) at the end of the quarter. These decreased mainly due to acquisitions and growth investments.

Basware Group's total assets on the balance sheet at the end of the quarter were EUR 197 765 thousand (EUR 177 836 thousand). Net cash flows from investments were EUR -37 138 thousand (EUR 207 thousand) year-to-date. These investments included EUR 24 205 thousand net cash consideration for the Verian acquisition and EUR 1 994 thousand to a joint venture.

The equity ratio was 68.5 percent (77.4 %) and gearing 1.7 percent (-25.5 %). The company's interest-bearing liabilities totaled EUR 15 300 thousand (EUR 1 667 thousand), of which current liabilities accounted for EUR 0 (EUR 1 667 thousand). The return on investment was in the quarter -0.5 percent (3.8 %) and return on equity -10.8 percent (3.6 %).

Gross investments including acquisitions and capitalized research and development costs totaled EUR 47 416 thousand (EUR 34 855 thousand) year to date.

RESEARCH AND DEVELOPMENT

Basware's research and development expenses totaled 17 429 thousand (EUR 14 654 thousand), or 16.1 percent (14.1%) of net sales year-to-date. The research and development costs included in the

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result totaled EUR 9 730 thousand (EUR 8 789 thousand), or 9.0 percent (8.4 %) of net sales year-to-date.

Basware's research and development expenses totaled EUR 6 066 thousand (EUR 4 707 thousand), or 17.2 percent (14.0 %) of net sales during the quarter. The expenses increased by 28.9 percent compared to the corresponding quarter in the previous year. Research and development expenses capitalized during the quarter amounted to EUR 2 639 thousand (EUR 1 951 thousand). Research and development expenses have increased to support Basware's growth strategy and have focused on Financing Services and further development of Basware's procurement capabilities as well as continued expansion of Basware's network. The research and development costs included in the result for the quarter totaled EUR 3 427 thousand (EUR 2 756 thousand), or 9.7 percent (8.2 %) of net sales. A total of 427 (371) people worked in R&D at the end of the quarter.

PERSONNEL

Basware employed 1 869 (1 646) people on average during the quarter and 1 881 (1 653) at the end of the quarter.

Geographical division of personnel:

Personnel Employed, on average	7-9/ 2016	7-9/ 2015	Change, %	1-9/ 2016	1-9/ 2015	Change, %	1-12/ 2015
Finland	505	484	4.4	501	478	4.8	479
EMEA & Russia	610	552	10.6	591	520	13.7	514
India	584	532	9.7	569	521	9.2	522
Americas & APAC	170	78	117.9	123	75	64.0	76
Group total	1 869	1 646	13.6	1 784	1 594	11.9	1 591

At the end of the quarter, the international share of Basware's personnel was 73.1 percent (70.4 %). 12.6 percent (11.4 %) of the personnel work in sales and marketing, 57.4 percent (58.8 %) in professional services, production and customer care, 22.7 percent (22.7 %) in research and development, and 7.4 percent (7.1 %) in administration.

The average age of employees is 35.4 (35.0) years. Women account for 26.8 percent (26.2 %) of employees, men for 73.2 percent (73.8 %).

OTHER EVENTS OF THE QUARTER

Vesa Tykkyläinen succeeded Esa Tihilä as new CEO of Basware

Vesa Tykkyläinen commenced as new CEO of Basware on September 26, 2016, after Esa Tihilä stepped down from his position. Vesa Tykkyläinen was previously Senior Vice President of the Network business area and a member of the Executive Team at Basware, having joined the company in January 2016. Payment to Esa Tihilä has been included in the results of the third quarter.

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EVENTS AFTER THE QUARTER

Refinements to Basware's strategy targets and focus on execution

Basware announced on February 2, 2016 its strategy for 2016 to 2018. On October 19, 2016 we announced refinements to our strategy targets and additional actions to improve execution and boost future growth:

Basware is the global leader in providing networked purchase-to-pay solutions, including e-invoicing and financing services. Basware has passed a tipping point in its transition from a license-dominated software company to a cloud-based services provider. Cloud revenue growth is Basware's primary objective and Basware will continue to strengthen its leading market position in order to grow cloud revenue.

Clarification of priorities and vision

Basware's vision of the significant growth potential in the markets it operates in and Basware's ability to capture that opportunity is unchanged.

Vesa Tykkyläinen was appointed as CEO of Basware on 26th September, 2016. Since taking on the role of CEO, in conjunction with the Basware executive team and Board, he has undertaken a review of Basware's business and has concluded that more focus and simplicity are needed in order to better execute the strategy.

Cloud revenue growth is Basware's primary objective and where long term value in our business will be created. Cloud revenues are comprised of revenues from SaaS, other subscriptions, network transactions and financing services.

Enabling execution of Basware's strategy

Since announcing its strategy in February, Basware has invested in operating investments to accelerate growth. This has included a 25 percent increase in sales and marketing headcount. The positive effects of these investments will take time to be visible in increased net sales.

As part of the review of the business conducted since Vesa Tykkyläinen became CEO, an additional set of actions to boost future growth, simplify our operations and improve our productivity have been identified. These actions will mainly be targeted at:

- Continuing to strengthen sales and marketing to drive cloud revenue growth
- Focusing on Customer Success by further improving customer satisfaction and experience
- Continuing to grow and monetize the network and data assets with financing and other value added services, focusing on product development and partnerships
- Increasing productivity by simplifying our operations and increasing scalability
- Evolving our culture and way of working to focus more on performance

As before, organic growth is the key focus and this will be supported by a disciplined acquisition strategy.

Refinements to strategy targets

The CEO review of Basware's business concluded that the long term opportunity remains intact. However there will be a timing shift in achieving the original targets outlined in February 2016. Basware is therefore moving the horizon for its strategy period from 2018 to 2020.

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Simplifying Basware's operations begins with rationalizing its targets. For the period from 2017 to 2020, Basware will focus on three key metrics aimed at boosting cloud revenues:

- Cloud revenues to increase by more than 20% CAGR on an organic basis
- Annual net sales greater than EUR 220 million
- Recurring revenue approximately 80% of net sales

At the same time Basware will continue to improve underlying profitability (excluding growth related investments) over the period.

Financing services and similar value added services based on Basware's significant network data asset continue being a core part of Basware's growth strategy. As the market is nascent and exact revenues difficult to forecast, a specific financing services revenue forecast is not included in the revised strategy goals.

These refined strategy targets provide clarity of mission and focus Basware on the areas of our business where most value will be created for the company and its shareholders.

With these actions, Basware looks forward to further strengthening its global leadership position in networked purchase-to-pay and to driving cloud revenue growth.

RISKS AND UNCERTAINTY FACTORS

Basware has a growth strategy with high net sales growth expectations especially for 2017-2020. Executing the strategy for 2017-2020 requires significant investments in sales and marketing and related resources as well as continued investments in product development. At the same time the industry transformation from an on-premise license-based business model to a SaaS model will accelerate the decline of certain Basware revenue streams, including license sales and maintenance. The transformation will also make Professional Services revenues more volatile. Until the transformation is complete, this will act as a drag on net sales growth.

Basware's net sales growth might fall below expectations if the company is not able to add qualified sales and marketing resources according to its planned timetable. This applies especially to Basware's highest growth markets in the US, the UK and Germany. Additionally, even higher than expected pace in the license to SaaS transformation would have a negative impact on expected net sales in the short term. In addition to SaaS, Basware expects high growth rates in its network-based transaction services which will, besides successful sales effort, also require an improved onboarding process and fast entry into the small and medium business segment. Sales from Basware's third growth business area, Financing Services, are dependent on Basware's ability to bring innovative and attractive products to the market according to its planned timetable and move customers quickly to a phase where they are using the services extensively enough to provide meaningful revenue to Basware.

The fact that close to 50 percent of the company's sales are expected to come from non-euro countries exposes the Group's net sales growth to foreign exchange rate movements. In case there is a significant depreciation of GBP, USD, NOK, SEK or AUD against the euro, reported net sales may be affected, despite good performance in local currencies. The result of the referendum held in June 2016 to determine if the UK will remain in the EU has had an impact on the GBP to EUR exchange rate. In addition, there is a risk that the uncertainty caused by this event leads to UK public sector bodies and UK private companies delaying decisions to implement P2P and Network services.

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

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

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

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

FUTURE OUTLOOK

Operating environment and market outlook

Companies of all sizes globally are under pressure to improve their cash flows, find new innovative payment strategies, and automate their financial processes and functions. The company expects this to continue and the demand for services to remain at a favorable level among its customers.

Consolidation is expected to continue within the industry, also with the role of services as an industry standard growing in companies' portfolios. According to industry research, e-invoicing has become more common and the number of e-invoices has grown substantially in Europe and the rest of the world. Public sector e-commerce initiatives, launched particularly across the EU and the US, are expected to drive further adoption of e-invoicing. The growing e-invoicing market and companies' interest in other payment and financing added value solutions will offer excellent growth opportunities in future years.

Outlook 2016

Basware's transition to a cloud company has progressed at a fast pace. Our SaaS revenues have been growing very strongly both organically and in total, and are expected to continue to do so. However, although our organic SaaS growth has been faster than indicated in our strategy, it has not yet fully offset the faster than expected decline in revenues from license sales and maintenance. The transition to SaaS has also impacted our consulting revenues which have been more negative than expected in 2016.

Transaction volumes in our network have grown at a reasonable rate in 2016, however transaction revenues have been impacted by the decline of start-up fees. Overall the growth in transaction revenues has not yet been sufficient to offset the drags on our business caused by the SaaS transformation and decline of consulting revenues.

Basware has faced headwinds in its key markets in 2016. In the UK, uncertainty caused by the EU referendum has led to delays in decision making by both public and private sector customers. In

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Germany, the ramp up of the sales force has been held back by the competitive job market which has made it difficult to attract high quality hires within the desired timeframe.

Basware's organic revenue growth at constant currencies in 2016 was expected to be 5 percent or more. The company now expects its growth trajectory to be delayed because of the revenue mix effects outlined above. As a result, organic growth at constant currencies is expected to be flat for 2016.

Revenues from SaaS and Basware's network are expected to continue to grow for the rest of 2016.

Adjusted EBITDA for 2016 is expected to be around breakeven, in line with original guidance.

The growth related operating investments are expected to amount to approximately 20 million euros in 2016 including Verian.

Espoo, Finland, Wednesday, October 19, 2016

BASWARE CORPORATION
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SUMMARY OF FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS JANUARY 1 – SEPTEMBER 30, 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	1.7.- 30.9.2016	1.7.- 30.9.2015	Change, %	1.1.- 30.9.2016	1.1.- 30.9.2015	Change, %	1.1.- 31.12.2015
NET SALES	35 295	33 569	5.1	108 369	104 200	4.0	143 410
Other operating income	0	-3		1	19	-96.7	104
Materials and services	-3 576	-3 852	-7.2	-11 146	-12 298	-9.4	-16 396
Employee benefit expenses	-24 070	-19 238	25.1	-76 986	-63 270	21.7	-85 726
Depreciation and amortization	-2 185	-1 827	19.6	-6 162	-5 306	16.1	-7 226
Other operating expenses	-7 682	-7 654	0.4	-24 008	-22 973	4.5	-29 490
Operating result	-2 218	996		-9 932	371		4 676
Finance income	2 554	609	319.3	4 456	1 632	173.0	2 187
Finance expenses	-3 720	87		-6 050	-1 073	464.1	-1 677
Share of results of a joint venture	-544	-205	165.3	-1 797	-648	177.3	-1 623
Result before tax	-3 928	1 488		-13 323	282		3 563
Income taxes	217	-240		2 127	-154		-481
RESULT FOR THE PERIOD	-3 711	1 249		-11 196	129		3 083
Other comprehensive income							
Other comprehensive income to be reclassified to profit or loss in subsequent periods:							
Exchange differences on translating foreign operations	187	-2 606		-2 363	-1011	133.7	-513
Income tax relating to components of other comprehensive income	40	145	-72.4	254	-202		-278
Other comprehensive income, net of tax	227	-2 641		-2 109	-1213	73.9	-791
TOTAL COMPREHENSIVE INCOME	-3 484	-1 212	187.4	-13 305	-1 084	1 127.1	2 292
Result attributable to:							
Equity holders of the parent company	-3 711	1 249		-11 196	129		3 083
	-3 711	1 249		-11 196	129		3 083
Total comprehensive income attributable to:							
Equity holders of the parent company	-3 484	-1 212	187.4	-13 305	-1 084	1 127.1	2 292
	-3 484	-1 212	187.4	-13 305	-1 084	1 127.1	2 292
Earnings per share							
undiluted, EUR	-0.26	0.09		-0.78	0.01		0.22
diluted, EUR	-0.26	0.09		-0.78	0.01		0.22

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	30.09.2016	30.09.2015	Change, %	31.12.2015
ASSETS				
Non-current assets				
Intangible assets	45 355	33 863	33.9	36 309
Goodwill	95 204	69 176	37.6	69 262
Tangible assets	1 535	1 439	6.7	1 445
Share of investment in a joint venture	1 574	577	172.8	334
Available-for-sale investments	38	37	0.4	38
Trade and other receivables	2 590	1 104	134.6	2 080
Deferred tax assets	8 360	5 458	53.2	4 832
Non-current assets	154 655	111 655	38.5	114 300
Current assets				
Inventories	0	26		30
Trade receivables	22 940	22 704	1.0	23 692
Other receivables	7 020	4 981	40.9	5 789
Income tax receivables	195	1 646	-88.2	1 498
Cash and cash equivalents	12 951	36 824	-64.8	33 238
Current assets	43 105	66 181	-34.9	64 246
ASSETS	197 760	177 836	11.2	178 545

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	30.09.2016	30.09.2015	Change, %	31.12.2015
EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	3 528	3 528		3 528
Share premium account	1 187	1 187		1 187
Treasury shares	-1 043	-1 108	-5.9	-1 108
Invested unrestricted equity fund	111 333	104 334	6.7	104 334
Other reserves	540	540		540
Translation differences	-5 820	-4 134	40.8	-3 712
Retained earnings	25 675	33 328	-23.0	36 378
Shareholders' equity	135 400	137 675	-1.7	141 147
Non-current liabilities				
Deferred tax liability	4 479	4 206	6.5	4 545
Interest-bearing liabilities	15 300	0		0
Other non-current financial liabilities	1 585	582	172.5	730
Non-current liabilities	21 364	4 788	346.3	5 276
Current liabilities				
Interest-bearing liabilities	0	1 667		1 667
Trade payables and other liabilities	39 852	33 444	19.2	29 470
Income tax liabilities	1 143	263	334.2	986
Current liabilities	40 998	35 374	15.9	32 123
EQUITY AND LIABILITIES	197 760	177 836	11.2	178 545

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR thousand	Share capital	Share premium account	Treasury shares	Inv. un-restricted equity	Other reserves	Translation differences	Retained earnings	Total
SHAREHOLDERS' EQUITY 1.1.2016	3 528	1 187	-1 108	104 334	540	-3 712	36 378	141 147
Comprehensive income						-2 109	-11 196	-13 305
Share based payments			65	-65			493	493
Share issue				7 065				7 065
SHAREHOLDERS' EQUITY 30.9.2016	3 528	1 187	-1 043	111 333	540	-5 820	25 675	135 400

EUR thousand	Share capital	Share premium account	Treasury shares	Inv. un-restricted equity	Other reserves	Translation differences	Retained earnings	Total
SHAREHOLDERS' EQUITY 1.1.2015	3 528	1 187	-1 156	104 381	540	-2 921	34 184	139 745
Comprehensive income						-1 213	129	-1 084
Dividend distribution							-1 415	-1 415
Share based payments							430	430
Treasury shares issued*			48	-48				0
SHAREHOLDERS' EQUITY 30.9.2015	3 528	1 187	-1 108	104 334	540	-4 134	33 328	137 675

*Reward of the share-based incentive plan for Basware's key personnel

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CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	1.7.- 30.9.2016	1.7.- 30.9.2015	1.1.- 30.9.2016	1.1.- 30.9.2015	1.1.- 31.12.2015
Cash flows from operating activities					
Result for the period	-3 711	1 249	-11 196	129	3 083
Adjustments	3 707	1 728	7 927	5 728	9 103
Working capital changes	-5 297	-10 174	6 932	7 472	952
Financial items in operating activities	-77	-53	-347	-10	-34
Income taxes paid/received	-102	-89	473	-912	543
Cash flows from operating activities	-5 479	-7 340	3 790	12 407	13 648
Cash flows used in investing activities					
Purchase of tangible and intangible assets	-4 541	-2 424	-11 204	-8 059	-12 391
Acquisition of subsidiaries and businesses	1 308	37	-22 897	-20 389	-20 248
Investment made to a joint venture	0	-1 226	-3 037	-1 226	-1 957
Repayment of loan receivables	0	0	0	29 881	29 881
Cash flows used in investing activities	-3 234	-3 614	-37 138	207	-4 716
Cash flows from financing activities					
Proceeds from current borrowings	0	0	0	12 500	12 500
Repayment of current borrowings	0	-14 167	-1 667	-14 167	-14 167
Repayments of non-current borrowings	0	0	0	-1 667	-1 667
Proceeds from non-current borrowings	0	0	15 300	0	0
Dividends paid	0	0	0	-1 415	-1 415
Cash flows from financing activities	0	-14 167	-13 633	-4 748	-4 748
Net change in cash and cash equivalents	-8 713	-25 120	-19 714	7 866	4 184
Cash and cash equivalents at the beginning of period	21 799	62 570	33 238	28 954	28 954
Net foreign exchange difference	-136	-626	-573	3	100
Cash and cash equivalents at the end of period	12 951	36 824	12 951	36 824	33 238

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ACCOUNTING PRINCIPLES

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

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

The amounts presented in the income statement and balance sheet are Group figures. The amounts presented in the release are rounded, so the sum of individual figures may differ from the sum reported.

DEFINITIONS OF KEY PERFORMANCE INDICATORS

The same principles have been followed as in the annual financial statements with the following amendments.

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

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

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

Organic revenue growth is calculated by comparing net sales between comparison periods in constant currencies excluding alliance fees as well as net sales from acquisitions that have taken place in the past 12 months. Net sales in constant currencies is calculated by eliminating the impact of changes in currencies by calculating the net sales for the period by using the comparable period's exchange rates.

Gross investments are total investments made to non-current assets including acquisitions and capitalized R&D costs.

Other capital expenditure consists of investments in property, plant & equipment and intangible assets excluding acquisitions and capitalized R&D costs.

EBITDA is defined as operating profit + depreciation and amortization.

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

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Adjusted EBITDA	7-9/	7-9/	Change,	1-9/	1-9/	Change,	1-12/
EUR thousand	2016	2015	%	2016	2015	%	2015
EBITDA	-33	2 823		-3 771	5 678		11 902
Adjustments:							
Alliance fees	0	-54		0	-3 162		-3 216
Acquisition, disposal and restructuring expenses	125	478	-73.9	771	2 044	-62.3	2 049
Efficiency related expenses	614	293	109.9	727	778	-6.5	1 386
Settlements	675	0		675	0		0
Total adjustments	1 414	717	97.2	2 173	-340		219
Adjusted EBITDA	1 381	3 540	-61.0	-1 598	5 337		12 121

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BUSINESS COMBINATIONS

Basware signed an agreement on March 31, 2016 to acquire all membership interest of US based Verian Technologies LLC ("Verian"). The acquisition of Verian, a leading cloud-based e-procurement solution provider in the US, closed on April 1, 2016. The acquired business has been consolidated into Basware's result from the acquisition date. The acquisition price was EUR 31 557 thousand. Part of the acquisition price was paid in cash EUR 24 493 thousand and part EUR 7 065 thousand in the form of shares of Basware, and Basware issued 180,707 new shares to the major owners of Verian at a subscription price of EUR 39.09 per share. The acquired net assets amount to approximately EUR 6 098 thousand, including the cash reserves of EUR 281 thousand. Approximately EUR 4 240 thousand associated with customer relationships have been allocated to intangible assets and EUR 315 thousand to order backlog. The value associated with customer relationships will be amortized in 10 years, starting from the second quarter of 2016 and the value associated with order backlog in three years. The goodwill of EUR 27 784 thousand is recognized primarily to be attributing to the expected revenue synergies between Verian's and Basware's cloud businesses. The calculation concerning the allocation of the purchase price is expected to be confirmed during last quarter.

The values of acquired assets and liabilities as at the date of acquisition were:

EUR thousand	Fair value
Intangible assets	4 558
Tangible assets	1 598
Trade and other receivables	3 822
Cash and cash equivalents	281
Total assets	10 260
Trade and other payables	7 183
Total liabilities	7 183
Net assets	3 773
Goodwill	27 784
Consideration	31 557

Analysis of cash flows on acquisition:

EUR thousand	Fair value
Consideration	-31 577
Cash and cash equivalents in Verian	281
Transaction costs	-415
Net cash flow on acquisition	-31 691

The net sales of the acquired business included in the Group income statement since acquisition date were EUR 5 267 thousand and result for the period was EUR 109 thousand. The Group net sales would have totaled EUR 110 466 thousand and result for the period EUR -12 069 thousand, if the business combination had taken place at the beginning of the year.

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SEGMENT REPORTING

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

INFORMATION ON PRODUCTS AND SERVICES

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

Net sales by revenue type

Net sales by revenue type EUR thousand	7-9/ 2016	7-9/ 2015	Change, %	1-9/ 2016	1-9/ 2015	Change, %	1-12/ 2015
Transaction services	8 523	7 817	9.0	25 844	23 857	8.3	33 256
SaaS	6 336	2 897	118.7	15 802	8 596	83.8	11 811
Consulting services	7 439	7 895	-5.8	25 029	25 301	-1.1	35 616
Maintenance	10 168	10 316	-1.4	30 685	31 277	-1.9	41 664
License sales	1 137	2 050	-44.5	5 226	7 524	-30.5	10 921
Other revenue	1 692	2 594	-34.8	5 781	7 645	-24.4	10 143
Group total	35 295	33 569	5.1	108 369	104 200	4.0	143 410

Basware also reports revenues by business area.

The Network business area is responsible for Basware's network business, aimed at accelerating growth of transactions in Basware's network, the largest open business commerce network in the world. Reported within the Network business area, Financing Services business area is responsible for selling and implementing Basware's innovative financing services, providing the customers with new, real-time alternatives to manage their working capital on Basware's network.

The Purchase to Pay (P2P) business area is responsible for Basware's software business, extending the company's global leadership in purchase to pay solutions and driving the growth in cloud-based services.

Professional Services is a global unit serving all Basware's customers, including project management, delivery, business consulting and related operations and development across the business areas.

Net sales by business area

Net sales by business area EUR thousand	7-9/ 2016	7-9/ 2015	Change, %	1-9/ 2016	1-9/ 2015	Change, %	1-12/ 2015
Network	11 232	11 372	-1.2	34 437	34 156	0.8	47 656
P2P	17 285	14 624	18.2	50 981	45 467	12.1	62 304
Professional Services	6 779	7 573	-10.5	22 951	24 577	-6.6	33 450
Group total	35 295	33 569	5.1	108 369	104 200	4.0	143 410

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GEOGRAPHICAL INFORMATION

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

Net sales by the location of customer

Net sales EUR thousand	7-9/ 2016	7-9/ 2015	Change, %	1-9/ 2016	1-9/ 2015	Change, %	1-12/ 2015
Finland	11 203	10 992	1.9	36 766	35 646	3.1	49 238
EMEIA & Russia	16 704	17 692	-5.6	52 173	55 129	-5.4	75 810
Americas & APAC	7 389	4 885	51.3	19 430	13 425	44.7	18 363
Group total	35 295	33 569	5.1	108 369	104 200	4.0	143 410

Geographical information by the location of assets

Net sales EUR thousand	7-9/ 2016	7-9/ 2015	Change, %	1-9/ 2016	1-9/ 2015	Change, %	1-12/ 2015
Finland	17 526	17 518	0.0	56 456	57 166	-1.2	78 116
EMEIA & Russia	19 229	15 712	22.4	56 482	49 189	14.8	67 541
Americas & APAC	9 908	4 888	102.7	18 997	12 835	48.0	17 586
Between areas	-11 368	-4 549	149.9	-23 566	-14 991	57.2	-19 833
Group total	35 295	33 569	5.1	108 369	104 200	4.0	143 410

Operating result EUR thousand	7-9/ 2016	7-9/ 2015	Change, %	1-9/ 2016	1-9/ 2015	Change, %	1-12/ 2015
Finland	-3 198	-308	937.9	-12 738	-1 685	656.0	-1 432
EMEIA & Russia	998	1 387	-28.1	3 080	2 460	25.2	6 099
Americas & APAC	345	248	39.5	715	643	11.1	1 327
Between areas	-363	-331	9.8	-989	-1 047	-5.5	-1 316
Group total	-2 218	996		-9 932	371		4 676

Personnel Employed, on average	7-9/ 2016	7-9/ 2015	Change, %	1-9/ 2016	1-9/ 2015	Change, %	1-12/ 2015
Finland	505	484	4.4	501	478	4.8	479
EMEIA & Russia	610	552	10.6	591	520	13.7	514
India	584	532	9.7	569	521	9.2	522
Americas & APAC	170	78	117.9	123	75	64.0	76
Group total	1 869	1 646	13.6	1 784	1 594	11.9	1 591

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FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

EUR thousand	30.09.2016 Book value	30.09.2016 Fair value	30.09.2015 Book value	30.09.2015 Fair value	31.12.2015 Book Value	31.12.2015 Fair value
Financial assets						
Non-current:						
Available-for-sale financial assets	38	38	38	38	38	38
Non-current trade and other receivables	2 590	2 590	1 104	1 104	1 130	1 130
Current:						
Current trade receivables	22 940	22 940	22 586	22 586	23 692	23 692
Current other receivables	7 020	7 020	4 981	4 981	224	224
Cash and cash equivalents	12 951	12 951	36 824	36 824	33 238	33 238
Financial liabilities						
Non-current:						
Financial liabilities valued at amortized acquisition cost:						
Loans from financial institutions, interest-bearing	15 300	15 300	0	0	0	0
Current:						
Financial liabilities at fair value through profit or loss						
Interest rate derivatives*	0	0	0	0	1	1
Loans from financial institutions, interest-bearing	0	0	1 667	1 667	1 667	1 667
Trade payables and other liabilities	39 852	39 852	33 444	33 444	8 740	8 740

*not in hedge accounting, level 2

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COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand	30.09.2016	30.09.2015	31.12.2015
Own guarantees			
Business mortgages of own debts	1 200	1 200	1 200
Guarantees	288	205	336
Commitments on behalf of subsidiaries and group companies			
Guarantees	37	37	37
Other own guarantees			
Lease liabilities			
Current lease liabilities	1 066	1 016	1 116
Lease liabilities maturing in 1–5 years	1 214	1 224	1 398
Total	2 281	2 241	2 514
Other rental liabilities			
Current rental liabilities	4 949	5 540	5 767
Rental liabilities maturing in 1–5 years	8 978	7 581	7 155
Rental liabilities maturing later	255	1 273	1 019
Total	14 182	14 393	13 941
Other own contingent liabilities, total			
	16 462	16 634	16 455
Total commitments and contingent liabilities			
	17 988	18 076	18 027

RELATED PARTY TRANSACTIONS

EUR thousand	30.09.2016	30.09.2015	31.12.2015
Joint venture:			
Sales	644	291	824
Trade receivables	11	202	417
Softaforce:			
Purchases of services	0	117	117
Trade payables	0	0	0

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GROUP QUARTERLY INCOME STATEMENT

EUR thousand	7-9/2016	4-6/2016	1-3/2016	10-12/2015	7-9/2015	4-6/2015	1-3/2015
NET SALES	35 295	38 948	34 125	39 210	33 569	36 590	34 041
Other operating income	0	0	0	85	-3	3	19
Materials and services	-3 576	-3 959	-3 611	-4 098	-3 852	-4 437	-4 009
Employee benefit expenses	-24 070	-29 068	-23 848	-22 456	-19 238	-23 221	-20 811
Depreciation and amortization	-2 185	-2 129	-1 848	-1 919	-1 827	-1 822	-1 658
Other operating expenses	-7 682	-8 792	-7 533	-6 517	-7 654	-8 870	-6 449
Operating result	-2 218	-4 999	-2 716	4 305	996	-1 757	1 132
%				11.0 %	3.0 %		3.3 %
Finance income	2 554	1 670	231	556	609	458	565
Finance expenses	-3 720	-1 668	-662	-605	87	-319	-841
Share of results of a joint venture	-544	-626	-626	-975	-205	-444	0
Result before tax	-3 928	-5 622	-3 773	3 281	1 488	-2 062	856
%				8.4 %	4.4 %		2.5 %
Income taxes	217	1 094	816	-327	-240	347	-261
RESULT FOR THE PERIOD	-3 711	-4 528	-2 957	2 954	1 249	-1 715	595
%				7.5 %	3.7 %		1.7 %

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GROUP KEY INDICATORS

EUR thousand	1-9/2016	1-9/2015	1-9/2014	1-12/2015
Net sales	108 369	104 200	93 010	143 410
Growth of net sales, %	4.0 %	12.0 %	3.0 %	12.3 %
Organic revenue growth*	1.6 %			
EBITDA	-3 771	5 678	7 918	11 902
% of net sales		5.4 %	8.5 %	8.3 %
Adjusted EBITDA	-1 598	5 337	7 918	12 121
% of net sales		5.1 %	8.5 %	8.6 %
Operating result	-9 932	371	2 624	4 676
% of net sales		0.4 %	2.8 %	3.3 %
Growth of operating result, %				8.1 %
Result before tax	-13 323	282	2 124	3 563
% of net sales		0.3 %	2.3 %	2.5 %
Result for the period	-11 196	129	1 505	3 083
% of net sales		0.1 %	1.6 %	2.1 %
Return on equity, %	-10.8 %	0.1 %	1.7 %	2.2 %
Return on investment, %	-6.6 %	1.2 %	3.1 %	3.6 %
Interest-bearing liabilities	15 300	1 667	5 072	1 667
Cash and cash equivalents**	12 951	36 824	60 156	33 238
Gearing, %	1.7 %	-25.5 %	-39.3 %	-22.4 %
Equity ratio, %	68.5 %	77.4 %	80.6 %	79.1 %
Total assets	197 760	177 836	173 739	178 545
Gross investments	47 416	34 855	3 872	39 971
% of net sales	43.8 %	33.5 %	4.2 %	27.9 %
Acquisitions	34 363	25 445	0	25 601
Investments in Joint Ventures	3 037	1 226	0	1 957
Research and development costs, expensed	9 730	8 789	9 977	11 994
Research and development costs, capitalised	7 699	5 865	2 853	8 754
Research and development costs, total	17 429	14 654	12 830	20 748
% of net sales	16.1 %	14.1 %	13.8 %	14.5 %
R&D personnel at end of period	427	371	330	373
Other capitalised expenditure	2 317	2 321	1 019	3 658
Personnel expenses	76 986	63 270	56 976	85 726
Personnel on average during the period	1 784	1 570	1 464	1 591
Personnel at end of period	1 881	1 653	1 480	1 648
Change in personnel, %	13.8 %	11.7 %	0.3 %	10.4 %

* at constant currencies

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

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Group Share Indicators	1-9/2016	1-9/2015	1-9/2014	1-12/2015
Earnings per share, undiluted	-0.78	0.01	0.11	0.22
Earnings per share, diluted	-0.78	0.01	0.11	0.22
Equity per share	9.44	9.73	9.90	9.97
Price per earnings (P/E)	-50.24	4 295.18	369.94	171.31
Share price performance				
lowest price	30.48	35.98	23.50	31.80
highest price	40.90	47.80	41.00	47.80
average price	36.27	40.32	34.89	39.20
closing price	39.40	39.09	39.35	37.32
Market capitalization at end of period*	565 126 572	555 907 842	556 661 863	530 736 266
Share issue adjusted number of traded shares	1 229 024	2 442 089	4 012 169	3 156 826
% of average number of shares	8.6 %	17.3 %	28.4 %	22.3 %
Number of shares*				
- at end of the period	14 343 314	14 152 703	14 221 229	14 152 770
- average during the period	14 277 228	14 150 374	14 146 294	14 150 954
- average during the period, diluted	14 290 368	14 170 127	14 130 135	14 173 167

*Excluding treasury shares

SHARE AND SHAREHOLDERS

Basware Corporation's share capital totaled EUR 3 528 369 (3 528 369) at the end of the quarter and the number of shares was 14 343 314 (14 152 703). Basware Corporation holds 58 622 (70 855) of its own shares, corresponding to approximately 0.4 percent (0.5 %) of the total number of shares.

Basware had 12 883 (13 116) shareholders at the end of the quarter, including 10 nominee-registered holdings (12). Nominee-registered holdings accounted for 35.2 percent (30.3 %) of the total number of shares.

The company's Annual General Meeting of March 15, 2016, authorized the Board of Directors to decide on the repurchase of the company's own shares and on share issue as well as on the issuance of options and other special rights entitling to shares.

Additional information on shareholdings of major shareholders is available on the company's investor site at www.basware.com/investors.