

BASWARE INTERIM REPORT JANUARY 1 – MARCH 31, 2017 (IFRS)**SUMMARY****Strong cloud order intake in the first quarter****January-March 2017:**

- Net sales EUR 36 801 thousand (EUR 34 125 thousand): growth 7.8 percent
- Cloud revenue growth of 28.8 percent, amounting to 50.3 percent (42.1 %) of net sales
- Adjusted EBITDA EUR -1 602 thousand (EUR -517 thousand)
- Adjusted operating result EUR -4 194 thousand (EUR -2 366 thousand)
- Adjusted earnings per share (diluted) EUR -0.29 (-0.17)
- Operating result EUR -5 092 thousand (EUR -2 716 thousand)
- Earnings per share (diluted) EUR -0.37 (-0.21)

The Interim Report is unaudited.

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

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GROUP KEY FIGURES

EUR thousand	1-3/ 2017	1-3/ 2016	Change, %	1-12/ 2016
Net sales	36 801	34 125	7.8 %	148 580
EBITDA	-2 500	-867	188.2 %	-5 394
Adjusted EBITDA	-1 602	-517	209.9 %	2 063
Operating result	-5 092	-2 716	87.5 %	-13 946
% of net sales				
Adjusted operating result	-4 194	-2 366	77.3 %	-6 490
Result before tax	-6 086	-3 773	61.3 %	-16 256
Result for the period	-5 380	-2 957	82.0 %	-14 318
Return on equity, %	-16.6 %	-8.5 %		-10.5 %
Return on investment, %	-11.8 %	-6.9 %		-9.5 %
Cash and cash equivalents	32 281	54 654	-40.9 %	35 755
Gearing, %	6.3 %	-28.9 %		8.7 %
Equity ratio, %	55.9 %	66.3 %		58.5 %
Earnings per share				
Diluted, EUR	-0.37	-0.21	78.4 %	-1.00
Adjusted earnings per share, diluted	-0.29	-0.17	74.9 %	-0.45
Equity per share, EUR	8.85	9.64	-8.2 %	9.26

BUSINESS OPERATIONS

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

CEO Vesa Tykkyläinen:

As both a shareholder and the CEO of Basware, I am pleased to report that Basware made strong progress in the first quarter of 2017 towards its strategic priority of cloud revenue growth. Cloud revenues grew well and Basware laid the foundations for strong future cloud growth with a significant increase in subscription annual recurring revenue order intake compared to the first quarter of 2016.

At Basware, our mission is to help customers simplify operations and spend smarter. We help customers make all their purchasing processes paperless and we differentiate ourselves with the Basware Network,

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the largest e-invoicing network in the world. There is a huge market opportunity for Basware's services, worth EUR 15 billion annually in Europe and North America.

Basware won a number of significant new customers in the first quarter. A great example of a large customer operating in multiple jurisdictions that was won in the first quarter is Vinci Energies. It was also a strong quarter for order intake in the US with Intertape Polymer Group being a good example of a win there against the US competition. Other notable wins in the quarter included Danske Bank and Falck.

Successfully delivering our solutions to customers is key to both customer satisfaction and cloud revenue growth so I am pleased to be able to say that we delivered twenty one SaaS deals in the first quarter of 2017 compared to twelve in the first quarter of 2016.

Within cloud, Basware's SaaS revenues continued to be strong, more than doubling compared to the first quarter of 2016. The Basware Network is a key differentiator with customers as well as a huge data asset. It had its strongest ever month in March with 10.7 million transactions processed and transaction volume growth was 20 percent compared to the first quarter of 2016.

Since I became CEO of Basware some seven months ago, we have made significant operational improvements. In the first quarter of 2017 we decided to combine Basware's Network and Financing Services business areas in order to more effectively use research and development resources and focus on getting the most out of the data in our network. We have appointed a new SVP to head this team who will begin in the second quarter of 2017. These changes come on top of the initiatives begun already in the fourth quarter of 2016, including a productivity programme, the combination of Customer Services and Professional Services into a single unit, and the appointment of new sales heads in the US and Germany. We have a clear plan which we have started to execute. It will take time for the changes to be visible and we are only just beginning to see the positive effects of these changes.

In the first quarter, we announced new share incentive plans that equate in total to two percent of Basware's share capital. Not only will management receive Basware shares as part of their compensation, but they will also commit their own capital to buy Basware shares. As a result of these measures, management is now even more aligned with shareholders' interests than it has been in the past.

Basware is a global market leader as recognised by key industry analysts and continues to win the trust of new customers. Combined with the actions we are taking to further improve our operations, I am very confident that Basware is well positioned to capture the huge market opportunity ahead of it.

NET SALES

Basware Group's net sales for the first quarter amounted to EUR 36 801 thousand (EUR 34 125 thousand), a growth of 7.8 percent. This equated to -0.1 % percent organic growth at constant currencies. Adjustments for organic growth included deducting net sales from businesses acquired within the 12 months before the end of the first quarter of 2017.

Cloud and recurring revenues grew strongly during the first quarter. Cloud revenues in the first quarter were EUR 18 497 thousand (EUR 14 358 thousand), up 28.8 percent and accounted for 50.3 % of net sales.

SaaS revenues grew significantly compared to the first quarter of 2016 with total growth of 108.2 percent and organic growth of 47.4 percent. In the first quarter, transaction volumes grew by 19.7 percent whilst

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transactions services revenues grew 14.3 percent. If adjusting for accruals related to other periods, transaction revenue growth would have been in line with volume growth.

Information on net sales by type

Net sales by revenue type EUR thousand	1-3/ 2017	1-3/ 2016	Change, %	1-12/ 2016
Cloud Revenue				
SaaS	7 417	3 563	108.2	22 975
Transaction services	9 637	8 430	14.3	35 996
Other cloud revenue	1 442	2 365	-39.0	7 270
Cloud Revenue total	18 497	14 358	28.8	66 242
Non-Cloud Revenue				
Maintenance	9 849	10 132	-2.8	40 761
License sales	900	1 501	-40.0	7 188
Consulting services	7 482	8 117	-7.8	34 389
Other non-cloud revenue	73	17	325.8	0
Non-Cloud Revenue total	18 304	19 767	-7.4	82 338
Group Total	36 801	34 125	7.8	148 580

The international share of Basware's net sales was 67.9 percent (64.3 %) in the quarter.

SUBSCRIPTION ORDER INTAKE

Order intake is an important metric for understanding the performance of the Basware sales force as well as an indicator of future cloud revenue growth. From the first quarter of 2017 onwards Basware will therefore report subscription annual recurring revenue gross order intake. In the first quarter of 2017, this amounted to EUR 2.8 million, up from EUR 1.0 million in the first quarter of 2016, an increase of 170.8% percent. In addition, future cloud revenues will be driven by order intake for transaction services, which is not included in this number. There will be a time lag before order intake is visible in net sales. Further information on the definition of subscription annual recurring revenue gross order intake is included in the section on Alternative Performance Measures.

FINANCIAL PERFORMANCE

Adjusted EBITDA amounted to EUR -1 602 thousand (EUR -517 thousand) in the first quarter. The adjustments to EBITDA totaled EUR 898 thousand (EUR 350 thousand) in the quarter and were mainly related to efficiency related expenses. Basware's operating result for the quarter amounted to EUR -5 092 thousand (EUR -2 716 thousand).

The company's operating expenses including employee benefits, depreciations and amortizations as well as other operating expenses were EUR 38 159 thousand (EUR 33 230 thousand) in the first quarter, and have increased by 14.8 percent from the corresponding period the previous year. The growth in first quarter costs was driven by investments in sales and marketing personnel in 2016, as well as the inclusion of Verian costs not present in the first quarter of 2016. The effects of the productivity programme announced in the fourth quarter of 2016 are not yet visible. Personnel expenses made up 69.3 percent (71.8 %) or EUR 26 459 thousand (EUR 23 848 thousand) of the operating expenses.

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The company's net finance expenses were EUR -512 thousand (EUR -431 thousand) for the quarter. Basware's share of the results of the joint venture with Arrowgrass Capital Partners LLP totaled EUR -482 thousand (EUR -626 thousand).

Basware's result before tax was EUR -6 086 thousand (EUR -3 773 thousand) and result for the quarter was EUR -5 380 thousand (EUR -2 957 thousand). Taxes for the quarter impacted the result by EUR 706 thousand (EUR 816 thousand).

Diluted earnings per share were EUR -0.37 (EUR -0.21) for the first quarter.

FINANCING AND INVESTMENTS

Cash flows from operating activities were EUR 7 471 thousand in the first quarter (EUR 12 234 thousand). Basware's operating cash flows 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 32 281 thousand (EUR 54 654 thousand) at the end of the quarter. EUR 15.3 million of the cash position in the first quarter of 2016 related to borrowing for the Verian acquisition, which was drawn down before the end of the quarter prior to the closing of the acquisition on 1 April 2016. In addition to cash and cash equivalents, Basware has an undrawn revolving credit facility of EUR 10 million, bringing total available liquidity at the end of the first quarter of 2017 to EUR 42 281 thousand.

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

Basware Group's total assets on the balance sheet at the end of the quarter were EUR 227 077 thousand (EUR 205 838 thousand). Net cash flows from investments were EUR -3 936 thousand (EUR -4 057 thousand) year-to-date.

The equity ratio was 55.9 percent (66.3 %) and gearing 6.3 percent (-28.9 %). The company's interest-bearing liabilities totaled EUR 40 280 thousand (EUR 15 300 thousand), of which current liabilities accounted for EUR 22 096 (EUR 0 thousand). The return on investment was in the quarter -11.8 percent (-6.9 %) and return on equity -16.6 percent (-8.5 %).

Gross investments including acquisitions and capitalized research and development costs totaled EUR 3 954 thousand (EUR 4 004 thousand) year to date.

RESEARCH AND DEVELOPMENT

Basware is modifying its reporting of research and development expenses to focus on the actual investments made during the period. As a result, depreciation will be excluded from the reported numbers.

Basware's research and development investments totaled EUR 6 136 thousand (EUR 5 187 thousand), or 16.7 percent (15.2 %) of net sales during the quarter. The expenses increased by 18.3 percent compared to the corresponding quarter in the previous year. Research and development expenses have increased to support Basware's growth strategy. The effects of the productivity programme announced in the fourth quarter of 2016, which included the consolidation of research and development centres, are

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not yet visible. The research and development costs excluding depreciation included in the result for the quarter totaled EUR 3 282 thousand (EUR 2 922 thousand), or 8.9 percent (8.6 %) of net sales. Research and development expenses capitalized during the quarter amounted to EUR 2 854 thousand (EUR 2 265 thousand). A total of 407 (400) people worked in research and development at the end of the quarter.

PERSONNEL

Basware employed 1 856 (1 712) people on average during the quarter and 1 856 (1 713) at the end of the quarter.

Geographical division of personnel:

Personnel Employed, on average	1-3/ 2017	1-3/ 2016	Change, %	1-12/ 2016
Finland	460	494	-6.9	500
EMEIA	608	575	5.7	599
India	627	562	11.7	577
Americas & APAC	162	82	96.4	135
Group total	1 856	1 712	8.4	1 811

At the end of the quarter, the international share of Basware's personnel was 75.5 percent (71.0 %). 10.9 percent (10.0 %) of the personnel work in sales and marketing, 60.3 percent (59.0 %) in professional services, production and customer care, 21.9 percent (23.4 %) in research and development, and 6.8 percent (7.6 %) in administration.

The average age of employees is 35.0 (35.5) years. Women account for 26.3 percent (26.6 %) of employees, men for 73.7 percent (73.4 %).

OTHER EVENTS OF THE PERIOD

Basware Corporation's Annual General Meeting on March 16, 2017

The Annual General Meeting of Basware Corporation held on March 16, 2017 adopted the annual accounts for the financial period ended on December 31, 2016. The members of the Board of Directors as well as the CEOs were discharged from liability for the financial period ended on December 31, 2016.

The Annual General Meeting resolved in accordance with the proposal of the Board of Directors that no dividend will be paid for the year 2016.

The Annual General Meeting decided the number of members of the Board of Directors to be six. Mr. Hannu Vaajoensuu, Mr. Ilkka Sihvo, Mr. David Bateman, Mr. Michael Ingelög, Mrs. Tuija Soanjärvi and Mr. Anssi Vanjoki were elected as members of the Board of Directors.

The Annual General Meeting decided that the remuneration for the members of the Board of Directors will be paid as follows: to the members of the Board of Directors and committee members EUR 27,500, to the vice chairman of the Board of Directors and the Chairman of the Audit Committee EUR 32,000 and to the chairman of the Board of Directors EUR 55,000. In addition, the chairmen of the Board of Directors and its committees shall receive EUR 700 per attended meeting and members of the Board of

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Directors and its committees shall receive EUR 500 per attended meeting. Out of the annual remuneration to be paid to the Board members, 40 percent of total gross compensation amount will be used to purchase Basware Corporation's shares at trading on regulated market organized by Nasdaq Helsinki Ltd. However, this only concerns Board members whose ownership of Basware Corporation is less than 5,000 shares. The purchase of shares will take place as soon as possible after the decision by the General Meeting. Shares received as remuneration may not be sold or otherwise transferred during a period of two years. This restriction does not concern persons who are no longer Board members. Travel expenses of the members of the Board of Directors are reimbursed in accordance with the company's travel policy.

Ernst & Young Oy, Authorized Public Accounting Firm, was elected as the company's auditor. Ernst & Young Oy has advised that it will appoint Ms. Terhi Mäkinen, Authorized Public Accountant, as the principally responsible auditor of the company. It was decided that the remuneration of the auditor is paid according to reasonable invoice and that travel expenses of the auditor are reimbursed in accordance with the company's travel policy.

Authorizing the Board of Directors to decide on the repurchase of the company's own shares

The Annual General Meeting decided to authorize the Board of Directors to decide on repurchase of company's own shares in accordance with the proposal of the Board of Directors. By virtue of the authorization, the Board of Directors is entitled 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 shares shall be repurchased and paid for in accordance with the rules of Nasdaq Helsinki Ltd and Euroclear Finland Ltd. The shares shall be repurchased for use as consideration in possible acquisitions or other arrangements related to the company's business, as financing for investments or as part of the company's incentive program or to be held by the company, to be conveyed by other means or to be cancelled. The Board of Directors shall decide on other terms and conditions related to the repurchase of the company's own shares. The Repurchase Authorization shall be valid until June 30, 2018 and shall revoke the previous authorizations for repurchasing the company's own shares.

Authorizing the Board of Directors to decide on share issue as well as on the issuance of options and other special rights entitling to shares

The Annual General Meeting 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 pursuant to Chapter 10, Section 1 of the Finnish Companies Act in accordance with the proposal of the Board of Directors.

New shares may be issued and the company's own shares may be conveyed to the company's shareholders in proportion to their current shareholdings in the company or by waiving the shareholder's pre-emption right, through a directed share issue if the company has a weighty financial reason to do so, such as using the shares as consideration in possible acquisitions or other arrangements related to the company's business, as financing for investments or as part of the company's incentive program. The new shares may also be issued in a free share issue to the company itself.

New shares may be issued and the company's own shares held by the company may be conveyed either against payment or for free. A directed share issue may be free only if there is an especially weighty financial reason both for the company and with regard to the interests of all shareholders in the company.

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Based on the authorization, the Board of Directors may decide to issue a maximum of 2,840,000 new shares and convey a maximum of 1,466,792 of the company's own shares held by the company. The number of shares to be issued to the company itself together with the shares repurchased by the company on basis of the repurchase authorization shall be at the maximum of 1,420,000 shares.

The Board of Directors may grant special rights referred to in Chapter 10, Section 1 of the Finnish Companies Act, which carry the right to receive, against payment, new shares of the company or the company's own shares held by the company. The right may also be granted to the company's creditor in such a manner that the right is granted on a condition that the creditor's receivable is used to set off the subscription price (convertible bond). The maximum number of new shares that may be subscribed by virtue of the special rights granted by the company is in total 1,000,000 shares which number shall be included in the maximum number of new shares stated above.

The subscription price of the new shares and the consideration payable for the company's own shares shall be recorded under the invested non-restricted equity fund. The Board of Directors shall decide on all other terms and conditions related to the authorizations. The authorizations shall be valid until June 30, 2018 and shall revoke the previous authorizations for share issues and granting of stock options and other special rights entitling to shares.

Clarifying the Charter of the Shareholders' Nomination Board

The Annual General meeting decided to approve the proposal regarding the clarification of the Charter of the Nomination Board in accordance with the proposal of the Nomination Board, i.e. so that also the shareholdings of nominee registered shareholders may be taken into account when determining the composition of the Nomination Board.

First meeting of the Board of Directors

In its first meeting held after the Annual General Meeting, the Board of Directors elected Hannu Vaajoensuu as the Chairman and Ilkka Sihvo as the Vice Chairman of the Board. Tuija Soanjärvi was elected as the Chairman of the Audit Committee, and Michael Ingelög and Ilkka Sihvo as its members.

A new long-term incentive structure

The Board of Directors of Basware Corporation established a new long-term incentive plan structure for the Group key employees; the company informed on the new plans on March 2, 2017. The renewed structure entails three share based plans:

- a Matching Share Plan 2017-2019, where Basware Executive Team members personally invest in Basware shares and have their investments matched by Basware,
- a Performance Share Plan 2017-2019, which steers key employees toward realizing established strategic objectives and increasing shareholder value, and
- a Restricted Share Plan 2017, for selected key contributors in key markets.

The aim of the new plans is to further align the objectives of shareholders and key employees, to retain key employees at the company, and to offer them competitive reward plans based on acquiring, receiving and holding the company's shares.

Additional information on the incentive plans is available on the company's investor site at www.basware.com/investors.

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Mikko Pilkama appointed as Basware's head of Network and Financing Services

Mr. Mikko Pilkama was appointed as Senior Vice President, Network and Financing Services and as a member of the Executive Team at Basware. He will join Basware on or before June 5, 2017 and will report to Vesa Tykkyläinen, CEO, Basware Corporation.

RISKS AND UNCERTAINTY FACTORS

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

Basware's net sales growth might fall below expectations if the company is not able to add qualified resources according to its planned timetable. 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. Sales from Value Added Services, including Financing Services, are dependent on Basware's ability to bring innovative and attractive products to the market according to its planned timetable and move customers quickly to a phase where they are using the services extensively enough to provide meaningful revenue to Basware.

The fact that close to 50 percent of the company's sales are expected to come from non-euro countries exposes the Group's net sales growth to foreign exchange rate movements. In case there is a significant depreciation of GBP, USD, NOK, SEK or AUD against the euro, reported net sales may be affected, despite good performance in local currencies. 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.

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.

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FUTURE OUTLOOK

Operating environment and market outlook

All organisations need to manage their purchasing processes from procurement through to handling invoices and paying them. Currently many organisations only have unsophisticated or partial tools to manage these processes and as a result many are faced with unmanaged spending, inefficient manual and paper-based processes and poor visibility of cashflows. Basware offers a uniquely complete solution for these challenges that is differentiated by the Basware network, the largest e-invoicing network in the world, and enables customers to manage 100% of their spending and make their purchasing processes completely paperless.

Basware expects the demand for networked purchase to pay services to continue to grow. The total potential market for networked purchase to pay services is estimated to be worth EUR 15 billion in annual revenues in Europe and North America.

Outlook 2017

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

Espoo, Finland, Friday, April 21, 2017

BASWARE CORPORATION
Board of Directors

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SUMMARY OF FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS JANUARY 1 – MARCH 31, 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	1.1.-31.3.2017	1.1.-31.3.2016	Change, %	1.1.-31.12.2016
NET SALES	36 801	34 125	7.8	148 580
Other operating income	0	0		4
Materials and services	-3 734	-3 611	3.4	-15 746
Employee benefit expenses	-26 459	-23 848	11.0	-104 600
Depreciation and amortization	-2 592	-1 848	40.2	-8 552
Other operating expenses	-9 108	-7 533	20.9	-33 631
Operating result	-5 092	-2 716	87.5	-13 946
Finance income	459	164*	179.9	746*
Finance expenses	-971	-595*	63.2	-887*
Share of results of a joint venture	-482	-626	-23.1	-2 170
Result before tax	-6 086	-3 773	61.3	-16 256
Income taxes	706	816	-13.5	1 939
RESULT FOR THE PERIOD	-5 380	-2 957	82.0	-14 318
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Remeasurement of defined benefit plan	-35	0		-94
Exchange differences on translating foreign operations	-520	-2 228	-76.6	-1 463
Income tax relating to components of other comprehensive income	30	215	-86.1	311
Other comprehensive income, net of tax	-526	-2 012	-73.9	-1 245
TOTAL COMPREHENSIVE INCOME	-5 905	-4 969	18.8	-15 563
Result attributable to:				
Equity holders of the parent company	-5 380	-2 957	82.0	-14 318
	-5 380	-2 957	82.0	-14 318
Total comprehensive income attributable to:				
Equity holders of the parent company	-5 905	-4 969	18.8	-15 563
	-5 905	-4 969	18.8	-15 563
Earnings per share				
undiluted, EUR	-0.37	-0.21		-1.00
diluted, EUR	-0.37	-0.21		-1.00

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	31.3.2017	31.3.2016	Change, %	31.12.2016
ASSETS				
Non-current assets				
Intangible assets	47 922	37 038	29.4	47 325
Goodwill	96 337	67 971	41.7	96 811
Tangible assets	2 203	1 394	58.1	1 585
Share of investment in a joint venture	720	751	-4.2	1 201
Available-for-sale investments	38	38	-0.6	38
Trade and other receivables	3 007	2 196	36.9	2 789
Deferred tax assets	9 721	6 189	57.1	8 403
Non-current assets	159 947	115 578	38.4	158 152
Current assets				
Inventories	0	23		0
Trade receivables	27 055	26 650	1.5	24 638
Other receivables	7 732	8 705	-11.2	8 372
Income tax receivables	62	228	-72.9	126
Cash and cash equivalents	32 281	54 654	-40.9	35 755
Current assets	67 130	90 259	-25.6	68 891
ASSETS	227 077	205 838	10.3	227 043

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	31.3.2017	31.3.2016	Change, %	31.12.2016
EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	3 528	3 528		3 528
Share premium account	1 187	1 187		1 187
Treasury shares	-899	-1 101	-18.3	-1 043
Invested unrestricted equity fund	111 189	104 326	6.6	111 333
Other reserves	540	540		540
Translation differences	-5 350	-5 724	-6.5	-4 863
Retained earnings	16 805	33 637	-50.0	22 182
Shareholders' equity	127 000	136 394	-6.9	132 864
Non-current liabilities				
Deferred tax liability	5 184	4 119	25.9	4 904
Interest-bearing liabilities	18 184	15 300	18.8	36 732
Other non-current financial liabilities	982	876	12.2	1 555
Liabilities from defined benefit plan	587	0		506
Non-current liabilities	24 937	20 295	22.9	43 697
Current liabilities				
Interest-bearing liabilities	22 096	0		10 548
Trade payables and other liabilities	49 007	47 886	2.3	34 225
Income tax liabilities	254	1 263	-79.9	637
Current provisions	3 782	0		5 072
Current liabilities	75 140	49 149	52.9	50 482
EQUITY AND LIABILITIES	227 077	205 838	10.3	227 043

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR thousand	Share capital	Share premium account	Treasury shares	Inv. un-restricted equity	Other reserves	Translation differences	Retained earnings	Total
SHAREHOLDERS' EQUITY 1.1.2017	3 528	1 187	-1 043	111 333	540	-4 863	22 182	132 864
Comprehensive income						-487	-5 380	-5 867
Share based payments			144	-144			41	41
Defined benefit plans							-38	-38
SHAREHOLDERS' EQUITY 31.3.2017	3 528	1 187	-899	111 189	540	-5 350	16 805	127 000

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						-2 012	-2 957	-4 969
Dividend distribution								0
Share based payments			7	-7			216	216
SHAREHOLDERS' EQUITY 31.3.2016	3 528	1 187	-1 101	104 326	540	-5 724	33 637	136 394

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CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	1.1.- 31.3.2017	1.1.-31.3.2016	1.1.-31.12.2016
Cash flows from operating activities			
Result for the period	-5 380	-2 957	-14 318
Adjustments	3 078	2 323	9 528
Working capital changes	10 681	12 231	3 268
Financial items in operating activities	-296	-268	-487
Income taxes paid/received	-612	904	234
Cash flows from operating activities	7 471	12 234	-1 774
Cash flows used in investing activities			
Purchase of tangible and intangible assets	-3 936	-3 013	-12 660
Proceeds from sale of tangible and intangible assets	0	0	11
Acquisition of subsidiaries and businesses	0	0	-25 013
Investment made to a joint venture	0	-1 044	-3 037
Cash flows used in investing activities	-3 936	-4 057	-40 698
Cash flows from financing activities			
Proceeds from current borrowings	0	0	10 548
Repayment of current borrowings	-7 000	-1 667	-1 667
Proceeds from non-current borrowings	0	15 300	36 732
Cash flows from financing activities	-7 000	13 633	45 613
Net change in cash and cash equivalents	-3 464	21 810	3 141
Cash and cash equivalents at the beginning of period	35 755	33 238	33 238
Net foreign exchange difference	-10	-394	-624
Cash and cash equivalents at the end of period	32 281	54 654	35 755

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ACCOUNTING PRINCIPLES

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

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

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

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 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.

Non-cloud revenue includes net sales from licences, maintenance and consulting, as well as alliance fees.

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

Gross investments are total investments made to non-current assets including acquisitions and capitalized research and development costs.

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

EBITDA is defined as operating profit + depreciation and amortization.

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

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

Adjusted earnings per share (Adjusted EPS) is calculated by excluding from the result any adjustments related to alliance fees, acquisitions and disposals, restructuring and efficiency measures, impairment losses and litigation fees and settlements.

Subscription annual recurring revenue gross order intake is calculated by summing the total order intake in the period expressed as an annual contract value. This includes SaaS and other subscription types. Per transaction cloud revenue is not included. Gross new order intake covers new cloud customers, add-ons and renewal uplifts but excludes churn. There will be a time lag before this order intake is visible in net sales.

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Adjusted EBITDA

Adjusted EBITDA EUR thousand	1-3/ 2017	1-3/ 2016	Change, %	1-12/ 2016
EBITDA	-2 500	-867	188.2	-5 394
Adjustments:				
Acquisition, disposal and restructuring expenses	98	291	-66.3	894
Efficiency related expenses	800	59	1255.9	5 888
Settlements	0	0		675
Total adjustments	898	350	156.6	7 456
Adjusted EBITDA	-1 602	-517	209.9	2 063

Adjusted Operating Result

Adjusted Operating Result EUR thousand	1-3/ 2017	1-3/ 2016	Change, %	1-12/ 2016
Operating Result	-5 092	-2 716	87.5	-13 946
Adjustments:				
Acquisition, disposal and restructuring expenses	98	291	-66.3	894
Efficiency related expenses	800	59	1255.9	5 888
Settlements	0	0		675
Total adjustments	898	350	156.6	7 456
Adjusted Operating Result	-4 194	-2 366	77.3	-6 490

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BUSINESS COMBINATIONS

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

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

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SEGMENT REPORTING

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

INFORMATION ON PRODUCTS AND SERVICES

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

Net sales by revenue type

Net sales by revenue type EUR thousand	1-3/ 2017	1-3/ 2016	Change, %	1-12/ 2016
Cloud Revenue				
SaaS	7 417	3 563	108.2	22 975
Transaction services	9 637	8 430	14.3	35 996
Other cloud revenue	1 442	2 365	-39.0	7 270
Cloud Revenue total	18 497	14 358	28.8	66 242
Non-Cloud Revenue				
Maintenance	9 849	10 132	-2.8	40 761
License sales	900	1 501	-40.0	7 188
Consulting services	7 482	8 117	-7.8	34 389
Other non-cloud revenue	73	17	325.8	0
Non-Cloud Revenue total	18 304	19 767	-7.4	82 338
Group Total	36 801	34 125	7.8	148 580

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GEOGRAPHICAL INFORMATION

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

Net sales by the location of customer

Net sales EUR thousand	1-3/ 2017	1-3/ 2016	Change, %	1-12/ 2016
Finland	11 813	12 178	-3.0	50 093
EMEIA	17 288	17 507	-1.3	71 163
Americas & APAC	7 700	4 441	73.4	27 324
Group total	36 801	34 125	7.8	148 580

Geographical information by the location of assets

Net sales EUR thousand	1-3/ 2017	1-3/ 2016	Change, %	1-12/ 2016
Finland	20 042	18 564	8.0	80 623
EMEIA	21 175	17 575	20.5	78 698
Americas & APAC	7 605	2 952	157.6	26 870
Between areas	-12 021	-4 965	142.1	-37 612
Group total	36 801	34 125	7.8	148 580

Operating result EUR thousand	1-3/ 2017	1-3/ 2016	Change, %	1-12/ 2016
Finland	-6 332	-4 937	28.2	-15 425
EMEIA	656	2 334	-71.9	436
Americas & APAC	762	172	343.6	2 006
Between areas	-178	-289	-38.3	-962
Group total	-5 092	-2 721	87.2	-13 946

Personnel Employed, on average	1-3/ 2017	1-3/ 2016	Change, %	1-12/ 2016
Finland	460	494	-6.9	500
EMEIA	608	575	5.7	599
India	627	562	11.7	577
Americas & APAC	162	82	96.4	135
Group total	1 856	1 712	8.4	1 811

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FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

EUR thousand	31.3.2017 Book value	31.3.2017 Fair value	31.3.2016 Book Value	31.3.2016 Fair value	31.12.2016 Book value	31.12.2016 Fair value
Financial assets						
Non-current:						
Available-for-sale financial assets	38	38	38	38	38	38
Non-current trade and other receivables	1 360	1 360	1 166	1 166	1 212	1 212
Current:						
Current trade receivables	27 055	27 055	26 650	26 650	24 838	24 838
Current other receivables	107	107	491	491	208	208
Cash and cash equivalents	32 281	32 281	54 654	54 654	35 755	35 755
Financial liabilities						
Non-current:						
Financial liabilities valued at amortized acquisition cost:						
Loans from financial institutions, interest-bearing	18 184	18 184	15 300	15 300	36 732	36 732
Current:						
Financial liabilities at fair value through profit or loss						
Interest rate derivatives*	0	0	1	1	0	0
Loans from financial institutions, interest-bearing	22 096	22 096	0	0	10 548	10 548
Trade payables and other liabilities	11 101	11 101	10 844	10 844	11 350	11 350

*not in hedge accounting, level 2

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COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand	31.3.2017	31.3.2016	31.12.2016
Own guarantees			
Business mortgages of own debts	1 200	1 200	1 200
Guarantees	257	320	273
Commitments on behalf of subsidiaries and group companies			
Guarantees	100	37	100
Other own guarantees			
Lease liabilities			
Current lease liabilities	1 124	1 145	1 169
Lease liabilities maturing in 1–5 years	1 162	1 484	1 362
Total	2 287	2 629	2 530
Other rental liabilities			
Current rental liabilities	6 010	5 267	4 989
Rental liabilities maturing in 1–5 years	11 694	7 067	9 421
Rental liabilities maturing later	0	1 495	41
Total	17 704	13 828	14 452
Other own contingent liabilities, total	19 991	16 457	16 983
Total commitments and contingent liabilities	21 548	18 014	18 555

RELATED PARTY TRANSACTIONS

EUR thousand	31.3.2017	31.3.2016	31.12.2016
Joint venture:			
Sales	0	423	784
Trade receivables	0	184	200

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GROUP QUARTERLY INCOME STATEMENT

EUR thousand	1-3/ 2017	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016	10-12/ 2015	7-9/ 2015	4-6/ 2015
NET SALES	36 801	40 211	35 295	38 948	34 125	39 210	33 569	36 590
Other operating income	0	4	0	0	0	85	-3	3
Materials and services	-3 734	-4 600	-3 576	-3 959	-3 611	-4 098	-3 852	-4 437
Employee benefit expenses	-26 459	-27 614	-24 070	-29 068	-23 848	-22 456	-19 238	-23 221
Depreciation and amortization	-2 592	-2 391	-2 185	-2 129	-1 848	-1 919	-1 827	-1 822
Other operating expenses	-9 108	-9 623	-7 682	-8 792	-7 533	-6 517	-7 654	-8 870
Operating result	-5 092	-4 014	-2 218	-4 999	-2 716	4 305	996	-1 757
%						11.0%	3.0%	
Finance income	459	379*	80*	122*	164*	556	609	458
Finance expenses	-971	-84*,**	-88*,**	-120*	-595*	-605	87	-319
Share of results of a joint venture	-482	-373	-544	-626	-626	-975	-205	-444
Result before tax	-6 086	-4 091**	-2 770**	-5 622	-3 773	3 281	1 488	-2 062
%						8.4%	4.4%	
Income taxes	706	43	-15	1 094	816	-327	-240	347
RESULT FOR THE PERIOD	-5 380	-4 048**	-2 785**	-4 528	-2 957	2 954	1 249	-1 715
%						7.5%	3.7 %	

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

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

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GROUP KEY INDICATORS

EUR thousand	1-3/2017	1-3/2016	1-12/2016	1-12/2015
Net sales	36 801	34 125	148 580	143 410
Growth of net sales, %	7.8 %	0.2 %	3.6 %	12.3 %
Organic revenue growth*	-0,1%	3.5 %	0.3 %	
EBITDA	-2 500	-867	-5 394	11 902
% of net sales				8.3 %
Adjusted EBITDA	-1 602	-517	2 063	12 121
% of net sales			1.4 %	8.6 %
Operating result	-5 092	-2 716	-13 946	4 676
% of net sales				3.3 %
Adjusted operating result	-4 194	-2 366	-6 490	4 895
Result before tax	-6 086	-3 773	-16 256	3 563
% of net sales				2.5 %
Result for the period	-5 380	-2 957	-14 318	3 083
% of net sales				2.1 %
Return on equity, %	-16.6 %	-8.5 %	-10.5 %	2.2 %
Return on investment, %	-11.8 %	-6.9 %	-9.5%	3.6 %
Interest-bearing liabilities	40 280	15 300	47 280	1 667
Cash and cash equivalents**	32 281	54 654	35 755	33 238
Gearing, %	6.3 %	-28.9 %	8.7 %	-22.4 %
Equity ratio, %	55.9 %	66.3 %	58.5 %	79.1 %
Total assets	227 077	205 838	227 043	178 545
Gross investments	3 954	4 004	51 882	39 971
% of net sales	10.7 %	11.7 %	34.9 %	27.9 %
Acquisitions	0	0	36 341	25 601
Investments in Joint Ventures	0	1 044	3 037	1 957
Research and development investments, expensed***	3 282	2 922	12 146	9 383
Research and development costs, capitalised	2 854	2 265	10 878	8 754
Research and development investments, total	6 136	5 187	23 024	18 137
% of net sales	16.7 %	15.2 %	15.5 %	12.6 %
R&D personnel at end of period	407	400	419	373
Other capitalised expenditure	1 100	695	1 625	3 658
Personnel expenses	26 459	23 848	104 600	85 726
Personnel on average during the period	1 856	1 712	1 811	1 591
Personnel at end of period	1 856	1 713	1 889	1 648
Change in personnel, %	8.4 %	13.0 %	14.6 %	10.4 %

*at constant currencies

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

***R&D expenses modified excluding depreciation

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Group Share Indicators	1-3/2017	1-3/2016	1-3/2015	1-12/2016
Earnings per share, undiluted	-0.37	-0.21	0.04	-1.00
Earnings per share, diluted	-0.37	-0.21	0.04	-1.00
Adjusted earnings per share, undiluted	-0.29	-0.17	-0.12	-0.45
Adjusted earnings per share, diluted	-0.29	-0.17	-0.12	-0.45
Equity per share	8.85	9.64	9.89	9.26
Price per earnings (P/E)	-90.19	-183.34	951.43	-36.24
Share price performance				
lowest price	31.96	30.48	35.98	30.48
highest price	38.30	39.91	41.22	40.90
average price	35.35	34.40	38.95	36.22
closing price	33.80	38.30	40.00	36.30
Market capitalization at end of period*	485 305 301	544 673 071	566 006 760	520 662 298
Share issue adjusted number of				
traded shares	337 281	581 805	845 281	1 931 525
% of average number of shares	2.3 %	4.1 %	6.0 %	13.5 %
Number of shares				
- at end of the period	14 358 145	14 153 765	14 150 169	14 343 314
- average during the period	14 354 190	14 153 441	14 148 935	14 293 754
- average during the period, diluted	14 361 412	14 171 718	14 158 655	14 313 442

*Excluding treasury shares

SHARE AND SHAREHOLDERS

Basware Corporation's share capital totaled EUR 3 528 368 (3 528 368) at the end of the quarter and the number of shares was 14 401 936 (14 221 229). Basware Corporation holds 45 243 (67 464) of its own shares, corresponding to approximately 0.3 percent (0.5 %) of the total number of shares.

Basware had 12 405 (12 949) shareholders at the end of the quarter, including 9 nominee-registered holdings (12). Nominee-registered holdings accounted for 38.7 percent (32.0 %) of the total number of shares.

The company's Annual General Meeting of March 16, 2017, authorized the Board of Directors to decide on the repurchase of the company's own shares and on share issue as well as on the issuance of options and other special rights entitling to shares.

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