

Basware Interim Report January 1 – September 30, 2019: Significant improvement in profitability, strong order intake from key markets

July-September 2019:

- Net sales EUR 36,823 thousand (EUR 33,991 thousand): increase of 8.3 percent, organic growth at constant currencies 7.7 percent
- Organic cloud revenue growth at constant currencies 10.7 percent, amounting to 67.9 percent (66.0%) of net sales
- Cloud ARR order intake amounted to EUR 5.5 million (EUR 4.5 million)
- Adjusted EBITDA EUR 4,702 thousand (EUR -877 thousand)
- Adjusted operating profit/loss EUR 729 thousand (EUR -3,600 thousand)
- Operating profit/loss EUR 940 thousand (EUR -3,787 thousand)
- Adjusted earnings per share (diluted) amounted to EUR -0.14 (EUR -0.21) and earnings per share (diluted) were EUR -0.13 (EUR -0.22)

January-September 2019:

- Net sales EUR 109,038 thousand (EUR 104,929 thousand): increase of 3.9 percent, organic growth at constant currencies 5.5 percent
- Organic cloud revenue growth at constant currencies 12.5 percent, amounting to 67.9 percent (62.5%) of net sales
- Cloud ARR order intake amounted to EUR 16.8 million (EUR 15.5 million)
- Adjusted EBITDA EUR 2,705 thousand (EUR -3,538 thousand)
- Adjusted operating profit/loss EUR -9,326 thousand (EUR -11,633 thousand)
- Operating profit/loss EUR -13,022 thousand (EUR 2,379 thousand)
- Adjusted earnings per share (diluted) amounted to EUR -1.09 (EUR -1.14) and earnings per share (diluted) were EUR -1.35 (EUR -0.18)

Key figures

EUR thousand	7-9/ 2019	7-9/ 2018	Change, %	1-9/ 2019	1-9/ 2018	Change, %	2018
Net sales	36,823	33,991	8.3	109,038	104,929	3.9	141,417
Cloud revenue	25,018	22,440	11.5	74,052	65,566	12.9	89,482
Cloud ARR order intake	5,455	4,483	21.7	16,821	15,531	8.3	21,474
EBITDA	4,913	-1,064		-991	10,474		9,217
Adjusted EBITDA	4,702	-877		2,705	-3,538		-4,364
Operating profit/loss	940	-3,787		-13,022	2,379		-1,471
Adjusted operating profit/loss	729	-3,600		-9,326	-11,633	-19.8	-15,052
Gearing, % ¹	45.4	9.6		45.4	9.6		14.9
Cash and cash equivalents ¹	30,640	46,235	-33.7	30,640	46,235	-33.7	40,747
Free cash flow metric	-1,445	-3,129	53.8	-19,055	-15,753	-21.0	-19,829
Earnings per share, diluted, EUR	-0.13	-0.22	42.9	-1.35	-0.18		-0.49
Adjusted earnings per share, diluted, EUR	-0.14	-0.21	32.4	-1.09	-1.14	4.8	-1.44
Personnel ¹	1,299	1,736	-25.2	1,299	1,736	-25.2	1,412

¹At the end of the period.

Notes on comparability

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

- Depreciation expenses have increased significantly and correspondingly rent expenses decreased significantly. Depreciation expenses for right-of-use-assets in the third quarter of 2019 totalled EUR 1,179 thousand and EUR 3,549 thousand year-to-date. The aforementioned improves reported EBITDA compared to 2018.
- Balance sheet totals on January 1, 2019 have increased by EUR 17,012 thousand due to recognition of right-of-use-assets and lease liabilities.
- Principal payments of lease liabilities are separately presented in the cash flow from financing activities and totalled EUR 1,093 thousand in the third quarter of 2019. Year-to-date the payments of lease liabilities totalled EUR 3,126 thousand.
- Interest expenses recognized from lease liabilities totalled EUR 216 thousand in the third quarter of 2019 and EUR 666 thousand year-to-date.
- Notes information in 2019 for commitments and contingent liabilities does not include lease liabilities that are recognized as lease liabilities on the balance sheet.
- IFRS 16 impacts comparability for key figures that are calculated based on balance sheet totals or interest-bearing liabilities.

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

The interim report is unaudited.

Guidance for 2019

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

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

- Cloud revenues to grow at approximately 15 percent
- Total revenues to grow at approximately 5 percent
- Adjusted EBITDA to be EUR 3 million or better

CEO Klaus Andersen:

"Basware had strong cloud order intake in the US for the third quarter in a row. Overall our performance in the key markets was good. Quarterly order intake increased 21.7 percent and amounted to EUR 5.5 million. During the quarter amongst others we signed a significant new deal with a North American department store chain. We continued to sign new expansion projects with our existing customers such as Freeport Minerals Corporation and Lisi Aerospace as well as the UK public sector.

In the third quarter, cloud revenue increased 11.5 percent and total revenue increased 8.3 percent. The consulting business showed signs of improvement. As a result of the strong execution of the productivity programme, Basware's profitability improved. Adjusted EBITDA amounted to EUR 4.7 million and operating profit reached positive EUR 0.9 million for the quarter. We are in a great place as a company to continue our focus on customer success and profitable growth.

I am particularly pleased about the fact that the average deal size from new customers has been increasing steadily in the first three quarters of the year as we make more deals with large international companies. As an independent industry analyst Gartner has assessed¹, Basware is "well suited to multinational organizations moving to digital procurement and looking to automate invoice processing." It is part of our core strategy and creates a great foundation for our expansion business."

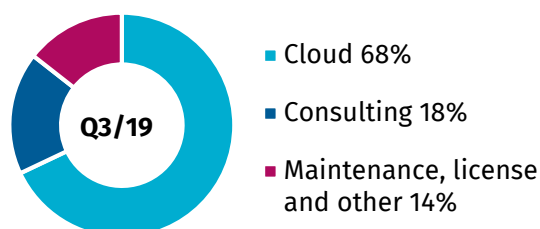
¹ Gartner, Magic Quadrant for Procure-to-Pay Suites, Magnus Bergfors, William McNeill, et al., 31 July 2019.

Net sales

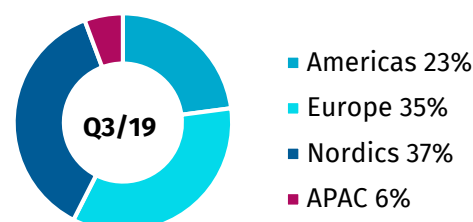
Net sales by revenue type, EUR thousand	7-9/ 2019	7-9/ 2018	Change, %	1-9/ 2019	1-9/ 2018	Change, %	2018
Cloud	25,018	22,440	11.5	74,052	65,566	12.9	89,482
Consulting	6,491	4,966	30.7	17,984	17,504	2.7	23,567
Maintenance, license and other	5,314	6,585	-19.3	17,003	21,860	-22.2	28,368
Total	36,823	33,991	8.3	109,038	104,929	3.9	141,417

Net sales by customer location, EUR thousand	7-9/ 2019	7-9/ 2018	Change, %	1-9/ 2019	1-9/ 2018	Change, %	2018
Americas	8,434	6,954	21.3	23,253	19,661	18.3	26,741
Europe	12,731	11,673	9.1	36,710	35,268	4.1	47,709
Nordics	13,561	13,526	0.3	42,709	44,771	-4.6	59,754
APAC	2,096	1,838	14.0	6,366	5,228	21.8	7,214
Total	36,823	33,991	8.3	109,038	104,929	3.9	141,417

Net sales by revenue type



Net sales by customer location



Basware's net sales for the third quarter amounted to EUR 36,823 thousand (EUR 33,991 thousand), an increase of 8.3 percent. This equated to 7.7 percent organic growth at constant currencies.

Basware's net sales year-to-date amounted to EUR 109,038 thousand (EUR 104,929 thousand), an increase of 3.9 percent. This equated to 5.5 percent organic growth at constant currencies. The difference between the reported and the organic constant currency growth rate arises mainly from the sale of Banking and Financial Performance Solutions in 2018.

Cloud revenues continued to grow during the third quarter. Cloud revenues in the third quarter were EUR 25,018 thousand (EUR 22,440 thousand), up by 11.5 percent, and accounted for 67.9 percent (66.0%) of net sales. This equated to 10.7 percent organic growth at constant currencies. As part of the productivity programme, Basware has not continued non-strategic unprofitable contracts which impacted the cloud growth rate.

Maintenance and licence revenues declined in line with expectations as Basware transitions customers to the cloud. Maintenance, license and other revenue decreased 19.3 percent, which equated to 19.1 percent organic decrease at constant currencies. The revenue decline rate increased from the first half of the year as wanted churn increased due to license solutions going into end-of-life.

Consulting revenues increased 30.7 percent, which equated to 29.7 percent organic increase at constant currencies. Consulting revenues was impacted positively by the timing of project deliveries during the third quarter particularly in the US.

Cloud order intake

EUR thousand	7-9/ 2019	7-9/ 2018	Change, %	1-9/ 2019	1-9/ 2018	Change, %	2018
Cloud	5,455	4,483	21.7	16,821	15,531	8.3	21,474

Basware's total cloud annual recurring revenue (ARR) gross order intake in the third quarter amounted to EUR 5,455 thousand (EUR 4,483 thousand), an increase of 21.7 percent. This equated to 19.2 percent growth on an organic constant currency basis.

Basware's cloud order intake year-to-date amounted to EUR 16,821 thousand (EUR 15,531 thousand), an increase of 8.3 percent. This equated to 6.8 percent growth on an organic constant currency basis. From mid-November 2018 until end of February 2019, Basware was subject to market speculation around a potential tender offer. This reduced order intake in the fourth quarter of 2018 and first quarter of 2019, which will impact 2019 cloud revenues.

There will be a time lag before order intake is visible in net sales. Typically, around one quarter of new ARR order intake converts into revenues in the year that it is won, with roughly fifty to sixty percent converting to revenues in the second year and the remainder thereafter. Further information on the definition of annual recurring revenue gross order intake is included in the section on Definition of Alternative Performance Measures.

Financial performance

EUR thousand	7-9/ 2019	7-9/ 2018	Change, %	1-9/ 2019	1-9/ 2018	Change, %	2018
Net sales	36,823	33,991	8.3	109,038	104,929	3.9	141,417
Cost of sales	-16,550	-16,101	2.8	-53,198	-52,595	1.1	-69,620
Gross profit	20,273	17,890	13.3	55,840	52,335	6.7	71,797
Sales and marketing	-9,809	-10,759	-8.8	-33,392	-31,072	7.5	-43,041
Research and development	-5,906	-6,599	-10.5	-20,218	-20,374	-0.8	-27,222
General and administration	-3,576	-4,003	-10.7	-10,856	-12,185	-10.9	-16,247
Total operating expenses	-19,292	-21,361	-9.7	-64,466	-63,631	1.3	-86,510
Other operating income and expenses	-42	-361	-86.7	-4,396	13,675		13,242
Operating profit/loss	940	-3,787		-13,022	2,379		-1,471
Adjusted EBITDA	4,702	-877		2,705	-3,538		-4,364

The execution of the productivity programme (announced in April 2019) has reduced total costs in the third quarter.

In the third quarter, cost of sales amounted to EUR 16,550 thousand (EUR 16,101 thousand), an increase of 2.8 percent.

Out of total operating expenses, sales and marketing expenses decreased 8.8 percent, research and development expenses decreased 10.5 percent and general and administration expenses decreased 10.7 percent. Sales and marketing expenses decreased due to integrating Business Development and Alliances to direct sales.

Basware's research and development investments including capitalizations but excluding amortizations totalled EUR 6,121 thousand (EUR 6,815 thousand), or 16.6 percent (20.0%) of net sales during the quarter.

Basware's adjusted EBITDA was EUR 4,702 thousand (EUR -877 thousand) in the third quarter. The adjustments to EBITDA totalled EUR -211 thousand (EUR 187 thousand) in the quarter. Other operating income and expenses amounted to EUR -42 thousand (EUR -361 thousand). The adjustments to EBITDA were negative due to the reversal of accrued costs related to the productivity programme, as actual costs were lower than provisioned.

Basware's operating profit/loss for the quarter amounted to EUR 940 thousand (EUR -3,787 thousand).

Basware's adjusted EBITDA was EUR 2,705 thousand (EUR -3,538 thousand) and operating profit/loss EUR -13,022 thousand (EUR 2,379 thousand) year-to-date.

Basware's loss before tax was EUR -2,008 thousand (EUR -4,274 thousand) and loss for the quarter EUR -1,839 thousand (EUR -3,299 thousand). Taxes for the quarter impacted the result by EUR 169 thousand (EUR 1,045 thousand).

Diluted earnings per share were EUR -0.13 (EUR -0.22) for the quarter.

Free cash flow metric, financing and investments

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

EUR thousand	7-9/ 2019	7-9/ 2018	Change, %	1-9/ 2019	1-9/ 2018	Change, %	2018
EBITDA	4,913	-1,064		-991	10,474		9,217
Capitalizations	-2,072	-2,102	-1.4	-8,029	-8,656	-7.2	-10,933
Finance expenses	-2,933	-386		-6,369	-1,513		-2,080
Taxes, excl. deferred taxes	-152	-271	-43.9	-516	-659	-21.7	-961
Payment of lease liabilities ¹	-1,093	-		-3,126	-		-
Share based compensation, share part	-108	693		-24	902		1,229
Gain/loss on sale of assets	0	0		0	-16,300		-16,300
Free cash flow metric	-1,445	-3,129	53.8	-19,055	-15,753	-21.0	-19,829

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

The free cash flow metric amounted to EUR -1,445 thousand (EUR -3,129 thousand) in the third quarter. Finance expenses increased as a result of the financing agreement entered in March 2019.

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

In connection with the Loan, Bregal Milestone received without consideration 1,000 freely transferable warrants convertible into 1,000,000 shares in the Company, representing approximately 6.5 percent of the fully diluted shares of the Company (6.9 percent of the current number of shares in the Company). The cash subscription price for each Warrant Share is EUR 29.9158, which represents the average of the five daily volume weighted average prices from March 13 to March 19, 2019. The subscription price will be subject to adjustments for any dividends as well as customary anti-dilution adjustments resulting from, among other things, any share issues, pursuant to the terms and conditions of the warrants. The warrants were issued to Bregal Milestone at the drawdown of the Loan, on April 2, 2019. The subscription period of the Warrant Shares commenced immediately upon the issue of the warrants and will expire on August 22, 2024. The Board of Directors of Basware decided to issue the warrants on the basis of authorization granted by the annual general meeting of Basware held on March 15, 2018.

Cash flows from operating activities were EUR 1,474 thousand (EUR -2,676 thousand) in the third quarter. The improvement in cash flows was mainly due to higher profitability, which was partly off-set by changes in working capital.

Basware's cash and cash equivalents including short-term deposits totalled EUR 30,640 thousand (EUR 46,235 thousand) at the end of the quarter. In September 2019 Basware repaid its EUR 30 million club loan, of which EUR 20 million was due in 2020. This had a negative impact on the company's cash position.

Basware's total assets on the balance sheet at the end of the quarter were EUR 224,034 thousand (EUR 219,252 thousand). Net cash flows from investments were EUR -2,146 thousand (EUR -1,489 thousand) in the quarter.

The equity ratio was 43.7 percent (52.3%) and gearing 45.4 percent (9.6%). The company's interest-bearing liabilities excluding leasing liabilities totalled EUR 58,556 thousand (EUR 57,202 thousand), of which current liabilities accounted for EUR 1,996 thousand (EUR 17,089 thousand). The return on investment was 2.0 percent (-9.2%) and return on equity -7.5 percent (-11.2%) in the quarter.

Personnel

Personnel on average by area	7-9/ 2019	7-9/ 2018	Change, %	1-9/ 2019	1-9/ 2018	Change, %	2018
Americas	107	138	-22.5	125	137	-8.6	139
Europe	367	457	-19.6	376	461	-18.4	442
Nordics	427	473	-9.7	442	497	-11.1	490
APAC	410	658	-37.7	416	673	-38.2	605
Total	1,311	1,727	-24.0	1,360	1,768	-23.1	1,676

Basware employed 1,311 (1,727) people on average during the quarter and 1,299 (1,736) at the end of the quarter.

On September 30, 2019 14.5 percent (12.4%) of the personnel worked in sales and marketing, 33.9 percent (48.6%) in R&D and production and products, 41.4 percent (31.0%) in customer services and 10.2 percent (8.0%) in administration.

Basware's personnel expenses were EUR 19,840 thousand (EUR 22,045 thousand) in the quarter.

Share and shareholders

Share Indicators	1-9/2019	1-9/2018	2018
Share price performance, EUR			
- lowest price	16.76	30.20	19.75
- highest price	41.10	47.60	47.60
- average price	24.39	40.88	34.00
- closing price	22.00	35.60	39.50
Market capitalization at end of period ¹ , EUR	316,748,058	513,828,898	567,633,802
Number of shares ¹			
- at end of the period	14,397,639	14,433,396	14,370,476
- average during the period	14,385,542	14,436,935	14,367,829
- average during the period, diluted	14,455,764	14,436,935	14,461,175
Number of traded shares (share issue adjusted)	2,423,629	1,545,773	3,005,479
% of average number of shares	16.8%	10.7%	20.9%
Treasury shares held by the Company	4,297	31,460	31,460
% of total shares	0.0%	0.2%	0.2%
Share capital, EUR	3,528,368	3,528,368	3,528,368
Earnings per share, undiluted, EUR	-1.35	-0.18	-0.49
Earnings per share, diluted, EUR	-1.35	-0.18	-0.49
Adjusted earnings per share, undiluted, EUR	-1.09	-1.15	-1.44
Adjusted earnings per share, diluted, EUR	-1.09	-1.14	-1.44
Equity per share, EUR	6.81	7.94	7.71
Price per earnings (P/E)	-16.30	200.88	-80.20

¹ Excluding treasury shares

Basware had 13,762 (11,467) shareholders at the end of the quarter, including nominee-registers. Nominee-registered holdings accounted for 55.5 percent (51.8%) of the total number of shares.

Flagging notifications

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

Announcement date	Shareholder	Threshold	Total holding, %
February 4	Arrowgrass Capital Partners LLP	Above 25%	25.00%
March 20	Bregal Milestone LP	Above 5%	6.94% ¹
May 27	Invesco Ltd	Above 5%	7.69% ²
May 27	Massachusetts Mutual Life Insurance Company	Below 5%	0.0% ³
May 28	Amerprice Financial, Inc	Below 5%	4.998%

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

² Acquisition and Merger with OppenheimerFunds Inc.

³ The holding of Massachusetts Mutual Life Insurance Company decreased to zero due to disposal and demerger of OppenheimerFunds, Inc.

Annual General Meeting and authorizations of the Board of Directors

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

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

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

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

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

Risks and uncertainty factors

Basware operates in a market where technological innovation plays a key role. While Basware is recognized as a leader within its segments by independent analysts, it is critical that Basware continues to innovate and develop its offering. Basware invests in product development to ensure the competitiveness of its product portfolio and good end-to-end quality, which impacts customer satisfaction, customer retention and expansion.

Basware has a growth strategy with high net sales growth expectations for the cloud business. Executing the strategy requires significant investments in sales and marketing and related resources in addition to optimized pricing model and efficient customer delivery. At the same time, the industry transformation from an on-premise license-based business model to a SaaS model will accelerate the decline of certain Basware revenue streams, including license sales and maintenance. The transformation will also make consulting revenues more volatile. Until the transformation is complete, this will act as a drag on Group net sales growth. The churn rate may increase as Basware consolidates its product portfolio to focus on strategic high gross margin business.

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

The fact that more than 50 percent of the company's sales are expected to come from non-euro countries exposes the Group's net sales growth to foreign exchange rate movements. In case there is a significant movement of USD, GBP, NOK, SEK or AUD against the euro, reported net sales may be affected. In addition, a proportion of Basware's costs are denominated in INR and RON. The uncertainty around the status of the UK in relation to the European Union may have a negative impact on Basware's ability to do business in the UK.

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

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

Other events of the period

On August 22, Basware announced that Mrs. Tuija Soanjärvi decided to reduce her board memberships due to personal reasons and has resigned from the Board of Directors of Basware. David Bateman was appointed as the new chairman of Audit Committee.

On September 3, Basware announced the composition of its Nomination Board:

- Andrew Billett, Arrowgrass Capital Partners LLP
- Hannu Vaaajoensuu, major shareholder
- Kirsi Eräkangas, major shareholder
- Ilkka Sihvo, Chairman of the Board of Directors of Basware

Changes in Executive Team

Basware appointed Martti Nurminen as the CFO of Basware on June 28, 2019. Basware expects Nurminen to start in December 2019.

The composition of Basware Executive Team is as follows:

Chief Executive Officer, Klaus Andersen
Chief Financial Officer, Tuija Mäntyniemi (Acting)
Chief Technology Officer, Klaus Andersen (Acting)

Chief Revenue Officer, Paul Taylor
Chief Marketing Officer, Lars Madsen
Chief Customer Officer, Jussi Vasama
Chief HR Officer, Jane Broberg

Future outlook

Operating environment and market outlook

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

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

Outlook for 2019

Basware is the global leader in providing networked source-to-pay, e-invoicing and value-added services. Basware's key strategic priority for the strategy period 2018-2022 is scalable cloud revenue growth. The company continues to strengthen its leading market position in order to grow scalable cloud revenue.

Themes affecting revenues in 2019:

- Cloud revenues are expected to continue to grow strongly.
- Consulting revenues are affected by the cloud transition and more standardised implementations.
- Legacy revenues from maintenance and license will continue to decline as Basware transitions existing customers to cloud services.
- Revenues, particularly for non-cloud are affected by the divestments completed in February 2018.

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

- Cloud revenues to grow at approximately 15 percent
- Total revenues to grow at approximately 5 percent
- Adjusted EBITDA to be EUR 3 million or better

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

Espoo, Finland, on Monday, October 21, 2019

BASWARE CORPORATION
Board of Directors

Klaus Andersen, CEO, Basware Corporation

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

EUR thousand	7-9/ 2019	7-9/ 2018	Change, %	1-9/ 2019	1-9/ 2018	Change, %	2018
NET SALES	36,823	33,991	8.3	109,038	104,929	3.9	141,417
Cost of sales	-16,550	-16,101	2.8	-53,198	-52,595	1.1	-69,620
GROSS PROFIT	20,273	17,890	13.3	55,840	52,335	6.7	71,797
Sales and marketing	-9,809	-10,759	-8.8	-33,392	-31,072	7.5	-43,041
Research and development	-5,906	-6,599	-10.5	-20,218	-20,374	-0.8	-27,222
General and administration	-3,576	-4,003	-10.7	-10,856	-12,185	-10.9	-16,247
Total operating expenses	-19,292	-21,361	-9.7	-64,466	-63,631	1.3	-86,510
Other operating income and expenses	-42	-316	-86.7	-4,396	13,675		13,242
OPERATING PROFIT/LOSS	940	-3,787		-13,022	2,379		-1,471
Finance income and expenses	-2,947	-487		-6,366	-1,470		-1,902
Share of profit/loss of a joint venture	0	0		0	-153		-153
PROFIT/LOSS BEFORE TAX	-2,008	-4,274	53.0	-19,388	756		-3,526
Income tax	169	1,045	-83.9	-28	-3,314	-99.2	-3,551
PROFIT/LOSS FOR THE PERIOD	-1,839	-3,229	43.0	-19,416	-2,558		-7,077
Other comprehensive income							
Other comprehensive income that will not be reclassified to profit or loss							
Remeasurement of employee benefits	5	0		-11	18		57
Other comprehensive income that may be reclassified subsequently to profit or loss							
Exchange differences on translating foreign operations	1,853	350		2,207	1,502	47.0	1,169
Cash flow hedges	69	-112		97	-76		240
Income tax relating to components of other comprehensive income	-89	-11		-163	-60		-73
Other comprehensive income for the year net of tax	1,838	227		2,131	1,384	54.0	1,393
TOTAL COMPREHENSIVE INCOME	-1	-3,002		-17,285	-1,175		-5,684
Profit/loss attributable to:							
Equity holders of the parent company	-1,839	-3,229	43.0	-19,416	-2,558		-7,077
Total comprehensive income attributable to:							
Equity holders of the parent company	-1	-3,002		-17,285	-1,175		-5,684
Earnings per share							
undiluted, EUR	-0.13	-0.22	42.9	-1.35	-0.18		-0.49
diluted, EUR	-0.13	-0.22	42.9	-1.35	-0.18		-0.49

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	Sep 30, 2019	Sep 30, 2018	Change, %	Dec 31, 2018
ASSETS				
Non-current assets				
Intangible assets	44,468	45,299	-1.8	45,097
Goodwill	80,521	79,129	1.8	78,939
Tangible assets	1,212	923	31.4	792
Right-of-use assets	15,645	0		0
Non-current financial assets	38	38	0.6	38
Other receivables	3,831	3,530	8.5	4,055
Contract assets	256	1,404	-81.8	1,052
Deferred tax assets	8,493	7,821	8.6	7,810
Non-current assets	154,464	138,144	11.8	137,784
Current assets				
Trade receivables	27,663	24,617	12.4	24,992
Other receivables	8,428	6,820	23.6	9,289
Contract assets	2,410	3,076	-21.6	2,298
Income tax receivables	428	361	18.7	579
Cash and cash equivalents	30,640	46,235	-33.7	40,747
Current assets	69,570	81,108	-14.2	77,905
ASSETS	224,034	219,252	2.2	215,688

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	Sep 30, 2019	Sep 30, 2018	Change, %	Dec 31, 2018
EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	3,528	3,528	0.0	3,528
Share premium account	1,187	1,187	0.0	1,187
Treasury shares	-98	-638	-84.7	-638
Invested unrestricted equity fund	110,388	110,928	-0.5	110,928
Other reserves	861	516	66.8	832
Translation differences	-8,022	-9,781	-18.0	-10,131
Retained earnings	-9,750	8,868		5,042
Shareholders' equity	98,095	114,609	-14.4	110,749
Non-current liabilities				
Deferred tax liability	4,993	4,734	5.5	4,660
Interest-bearing liabilities	56,560	40,113	41.0	40,117
Leasing liabilities, interest-bearing	13,145	0		0
Other non-current financial liabilities	0	127	-100.0	100
Contract liabilities	2,987	2,996	-0.3	2,458
Liabilities from employee benefits	386	361	6.9	327
Non-current liabilities	78,071	48,331	61.5	47,662
Current liabilities				
Interest-bearing liabilities	1,996	17,089	-88.3	17,089
Leasing liabilities, interest-bearing	3,385	0		0
Trade payables and other liabilities	22,740	23,276	-2.3	28,040
Contract liabilities	19,172	15,575	23.1	11,852
Income tax liabilities	139	109	28.0	98
Current provisions	436	264	65.2	198
Current liabilities	47,868	56,313	-15.0	57,277
EQUITY AND LIABILITIES	224,034	219,252	2.2	215,688

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR thousand	Share capital	Share premium account	Treasury shares	Inv. un-restricted equity	Other reserves	Translation differences	Retained earnings	Total
SHAREHOLDERS' EQUITY Jan 1, 2019	3,528	1,187	-638	110,928	832	-10,131	5,042	110,749
Comprehensive income						2,110	-19,414	-17,304
Share based payments			540	-540			-60	-60
Defined benefit plan							-11	-11
Cash flow hedges					30			30
Warrants							4,691	4,691
SHAREHOLDERS' EQUITY Sep 30, 2019	3,528	1,187	-98	110,388	862	-8,021	-9,750	98,095

EUR thousand	Share capital	Share premium account	Treasury shares	Inv. un-restricted equity	Other reserves	Translation differences	Retained earnings	Total
SHAREHOLDERS' EQUITY Jan 1, 2018	3,528	1,187	-841	111,131	592	-11,229	8,920	113,289
Effect of IFRS 9 restatement – bad debt provision							-128	-128
Effect of IFRS 2 amendment							1,043	1,043
SHAREHOLDERS' EQUITY Jan 1, 2018 (restated)	3,528	1,187	-841	111,131	592	-11,229	9,835	114,204
Comprehensive income						1,442	-2,564	-1,123
Share based payments			204	-204			1,580	1,580
Defined benefit plan						6	18	24
Cash flow hedges					-76			-76
SHAREHOLDERS' EQUITY Sep 30, 2018	3,528	1,187	-638	110,928	516	-9,781	8,868	114,609

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	7-9/ 2019	7-9/ 2018	1-9/ 2019	1-9/ 2018	2018
Cash flows from operating activities					
Profit/loss for the period	-1,839	-3,229	-19,416	-2,558	-7,077
Adjustments for profit:					
Depreciation and amortisation	3,973	2,723	12,030	8,095	10,688
Share of profit/loss of a joint venture	0	0	0	153	153
Gain (-) / loss (+) on disposals of assets	0	0	0	-16,276	-16,276
Unrealised foreign exchange gains and losses	-21	176	-63	-141	204
Financial income and expenses	2,863	354	6,337	1,276	1,694
Tax on income from operations	-169	-1,045	28	3,314	3,551
Other adjustments	734	542	680	1,271	2,551
Total adjustments	7,381	2,750	19,013	-2,026	2,564
Changes in working capital:					
Increase (-) / decrease (+) in trade and other receivables	485	4,651	-449	1,860	-841
Increase (+) / decrease (-) in trade payables	-2,602	-5,490	2,507	1,932	2,122
Increase / decrease in provisions	-1,080	-618	289	-683	-763
Total changes in working capital	-3,197	-1,457	2,347	3,108	518
Financial items in operating activities	-932	-505	-2,089	-1,378	-1,419
Income taxes paid (-) / received (+)	61	-235	-420	-567	-848
Cash flows from operating activities	1,474	-2,676	-564	-3,421	-6,261
Cash flows used in investing activities					
Purchase of tangible and intangible assets	-2,169	-2,174	-8,125	-8,689	-11,178
Net proceeds from sale of tangible and intangible assets ¹	24	686	46	29,641	29,647
Cash flows from investing activities	-2,146	-1,489	-8,080	20,952	18,469
Cash flows from financing activities					
Repayment of current borrowings	-10,998	-998	-22,296	-1,996	-1,996
Proceeds from non-current borrowings	0	9,923	43,880	9,923	9,923
Repayment of non-current borrowings	-20,000	0	-20,000	0	0
Payment of lease liabilities	-1,093	0	-3,126	0	0
Cash flows from financing activities	-32,091	8,925	-1,542	7,927	7,927
Net change in cash and cash equivalents	-32,763	4,760	-10,186	25,458	20,135
Cash and cash equivalents at the beginning of period	63,373	41,413	40,747	20,683	20,683
Net foreign exchange difference	30	63	79	94	-71
Cash and cash equivalents at the end of period	30,640	46,235	30,640	46,235	40,747

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

ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34. The same accounting principles have been followed as in the annual financial statements except for the adoption of new standards and amendments effective as of January 1, 2019.

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

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

New and amended IFRS standards

IFRS 16 Leases

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

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

The effect of adoption IFRS 16 as at January 1, 2019 is as follows:

Assets

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

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

IFRS 16 also impacts comparability for the following financial information:

- Depreciation expenses have increased significantly and correspondingly rent expenses decreased significantly. Depreciation expenses for right-of-use-assets in the third quarter of 2019 totalled EUR 1,179 thousand and EUR 3,549 thousand year-to-date. The aforementioned improves reported EBITDA compared to 2018.
- Balance sheet totals on January 1, 2019 have increased by EUR 17,012 thousand due to recognition of right-of-use-assets and lease liabilities.
- Principal payments of lease liabilities are now separately presented in the cash flow from financing activities and totalled EUR 1,093 thousand during the third quarter of 2019. The payments of lease liabilities totalled EUR 3,126 thousand year-to-date.

- Interest expenses recognized from lease liabilities totalled EUR 216 thousand in the third quarter and EUR 666 thousand year-to-date.
- Notes information in 2019 for commitments and contingent liabilities does not include lease liabilities that are recognized as lease liabilities on the balance sheet.
- IFRS 16 impacts key figures that are calculated based on balance sheet totals or interest-bearing liabilities.

DEFINITION OF ALTERNATIVE PERFORMANCE MEASURES

Basware presents the following financial measures to supplement its consolidated financial statements which are prepared in accordance with IFRS. These measures are designed to measure growth and provide insight into the company's underlying operational performance. The Group has applied the guidance from the European Securities and Markets Authority (ESMA) on Alternative Performance Measures which is applicable as of July 3, 2016, and defined alternative performance measures as follows:

Cloud revenue includes net sales from SaaS and other subscription types, transaction services and financing services.

Organic revenue growth is calculated by comparing net sales between comparison periods in constant currencies excluding alliance fees as well as net sales from acquisitions or disposals that have taken place in the past 12 months.

Net sales in constant currencies is calculated by eliminating the impact of exchange rate fluctuations by calculating the net sales for the current period by using the comparable period's exchange rates.

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

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

EBITDA is calculated as operating profit/loss plus depreciation and amortization.

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

Adjusted operating profit/loss (Adjusted EBIT) is calculated from operating profit/loss excluding any adjustments related to alliance fees, acquisitions and disposals, restructuring and efficiency measures, impairment losses and litigation fees and settlements.

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

Annual recurring revenue gross order intake is calculated by summing the total order intake in the period expressed as an annual contract value. For cloud order intake this includes all SaaS and Network recurring revenues including transaction revenues. For the subscription order intake this includes SaaS and other purchase-to-pay subscription types and excludes transaction revenue. Gross order intake covers new cloud customers, add-ons and renewal uplifts but excludes churn. There will be a time lag before this order intake is visible in net sales.

Free cash flow metric is defined as EBITDA minus capitalizations, total debt service costs, tax and payment of lease liabilities, and excluding the share part of share-based compensation and any impact from acquisitions or disposals.

Free cash flow metric

EUR thousand	7-9/ 2019	4-6/ 2019	1-3/ 2019	10-12/ 2018	7-9/ 2018
EBITDA	4,913	-2,245	-3,660	-1,257	-1,064
Capitalizations	-2,072	-2,964	-2,993	-2,277	-2,102
Finance expenses	-2,933	-2,786	-650	-567	-386
Taxes, excl. deferred taxes	-152	-269	-95	-302	-271
Payment of lease liabilities ¹	-1,093	-1,080	-953	0	0
Share based compensation, share part	-108	-450	534	327	693
Gain/loss on sale of assets	0	0	0	0	0
Free cash flow metric	-1,445	-9,794	-7,816	-4,076	-3,129

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

Adjusted operating profit/loss and adjusted EBITDA

EUR thousand	7-9/ 2019	7-9/ 2018	Change, %	1-9/ 2019	1-9/ 2018	Change, %	2018
Operating profit/loss	940	-3,787		-13,022	2,379		-1,471
Adjustments:							
Acquisition, disposal and restructuring income (-)	-73	-553	-86.8	-241	-17,758	-98.6	-17,852
Acquisition, disposal and restructuring expenses (+)	109	625	-82.6	1,281	2,707	-52.7	2,996
Efficiency related expenses	-247	115		2,655	1,039	155.6	1,275
Total adjustments	-211	187		3,696	-14,012		-13,581
Adjusted operating profit/loss	729	-3,600		-9,326	-11,633	19.8	-15,052
Depreciation and amortization	-3,973	-2,723	45.9	-12,030	-8,095	48.6	10,688
Adjusted EBITDA	4,702	-877		2,705	-3,538		-4,364
% of net sales	12.8			2.5			

DIVESTMENTS

Basware signed an agreement on February 2, 2018 to sell its Financial Performance Solutions and Banking businesses to Verdane Capital. The divestments were completed on February 28, 2018 and starting from March 1, 2018 Basware Group has not consolidated these businesses in its consolidated financial statements.

In 2017, the combined net sales of Financial Performance Solutions and Banking businesses were approximately EUR 15 million and combined direct costs approximately EUR 7 million.

The combined sale price of the two businesses was EUR 35.0 million, and after purchase price adjustments related mainly to net working capital, the net cash proceeds from the divestments are estimated to be EUR 30.1 million. In addition, EUR 14.0 million of consolidated goodwill has been allocated to the divested businesses, and EUR 4.8 million of fixed assets, mainly capitalized research and development expenses, was written down. In total, the Group recognized a gain on sale of assets amounting to EUR 16.3 million in the first quarter as a result of the divestments. Tax impact of the divestments was covered by deferred tax assets recognized for accumulated tax losses.

SEGMENT REPORTING

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

INFORMATION ON PRODUCTS AND SERVICES

Basware reports revenues by type. Cloud revenue includes SaaS, Transaction services (consisting of e-invoicing, scan and capture services, printing services and network start-up fees) and Other cloud revenue. Non-cloud revenue includes Maintenance, License sales, Consulting services (consisting of professional services and customer services management) and Other non-cloud revenue.

EUR thousand	7-9/ 2019	7-9/ 2018	Change, %	Change, % ¹	1-9/ 2019	1-9/ 2018	Change, %	Change, % ¹	2018
Cloud Revenue									
SaaS	12,139	10,177	19.3	17.8	35,364	29,416	20.2	19.9	40,282
Transaction services	11,825	11,029	7.2	6.9	35,319	32,405	9.0	8.5	44,163
Other cloud revenue	1,053	1,233	-14.6	-13.6	3,369	3,744	-10.0	-10.2	5,036
Cloud Revenue total	25,018	22,440	11.5	10.7	74,052	65,566	12.9	12.5	89,482
Non-Cloud Revenue									
Maintenance	4,869	6,150	-20.8	-20.6	15,983	20,212	-20.9	-15.2	26,111
License sales	364	401	-9.1	-9.4	962	1,589	-39.5	-35.6	2,251
Consulting services	6,491	4,966	30.7	29.7	17,984	17,504	2.7	5.1	23,567
Other non-cloud revenue	80	34	134.7	133.9	58	59	-1.5	1.0	6
Non-Cloud Revenue total	11,805	11,551	2.2	1.9	34,986	39,364	-11.1	-6.8	51,935
Total	36,823	33,991	8.3	7.7	109,038	104,929	3.9	5.5	141,417

¹ Organic at constant currencies.

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

EUR thousand	Sept. 30, 2019		Sept. 30, 2018		Dec. 31, 2018	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets						
Non-current:						
Non-current financial assets	38	38	38	38	38	38
Non-current trade and other receivables	853	853	911	911	790	790
Current:						
Current trade receivables	27,663	27,663	24,617	24,617	24,992	24,992
Current other receivables	239	239	165	165	260	260
Cash and cash equivalents	30,640	30,640	46,235	46,235	40,747	40,747
Financial liabilities						
Non-current:						
Financial liabilities valued at amortized acquisition cost:						
Loans from financial institutions, interest-bearing ¹	56,560	67,562	40,113	40,113	40,117	40,117
Leasing liabilities, interest-bearing	13,145	13,145	0	0	0	0
Current:						
Loans from financial institutions, interest-bearing	1,996	1,996	17,096	17,096	17,096	17,096
Leasing liabilities, interest-bearing	3,385	3,385	0	0	0	0

Trade payables and other liabilities	9,506	9,506	9,952	9,952	12,478	12,478
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¹ Fair value of loan from Bregal Milestone LLP is measured to reflect the amount Basware would need to pay if it would repay the loan in full at the end of reporting period. The loan has an exit fee which accrues evenly over the loan period. The value of the exit fee at maturity equals 40 percent of the loan amount.

Financial assets arising from derivative financial instruments of EUR 337 thousand are classified as level 2 and unquoted equity shares of EUR 38 thousand as level 3 in the fair value measurement hierarchy.

COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand	Sep 30, 2019	Sep 30, 2018	Dec 31, 2018
Own guarantees			
Guarantees	1,129	605	1,106
Commitments on behalf of subsidiaries			
Guarantees	181	327	327
Other commitments			
Maturing in less than 1 year	1,548	7,484	7,856
Maturing in 1-5 years	2,148	9,658	11,279
Maturing later	0	33	2,800
Total	3,696	17,174	21,934
Total commitments and contingent liabilities	5,005	18,106	23,367

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

RELATED PARTY TRANSACTIONS

Loans from related parties

EUR thousand	Sep 30, 2019	Sep 30, 2018	Dec 31, 2018
Arrowgrass Master Fund LTD	0	10,000	10,000

Loans from related parties included the share of Arrowgrass Master Fund LTD of the Group's EUR 30 million term loan financing, which was repaid in September 2019. The other lenders were Nordea Bank AB, OP Corporate Bank Plc and Ilmarinen Mutual Pension Insurance Company. Loans from related parties were provided at commercial interest rates.

QUARTERLY INCOME STATEMENT

EUR thousand	7-9/2019	4-6/2019	1-3/2019	10-12/2018	7-9/2018
NET SALES	36,823	36,320	35,895	36,488	33,991
Cost of sales	-16,550	-18,502	-18,147	-17,026	-16,101
GROSS PROFIT/LOSS	20,273	17,819	17,748	19,462	17,890
Sales and Marketing	-9,809	-12,207	-11,375	-11,969	-10,759
Research and Development	-5,906	-6,908	-7,404	-6,848	-6,599
General and Administration	-3,576	-2,673	-4,607	-4,061	-4,003
Total operating expenses	-19,292	-21,788	-23,386	-22,878	-21,361
Other operating income and expenses	-42	-2,211	-2,142	-433	-316
OPERATING PROFIT/LOSS	940	-6,181	-7,780	-3,850	-3,787
% of net sales	2.6				
Finance income and expenses	-2,947	-2,799	-620	-432	-487
Share of results of a joint venture	0	0	0	0	0
Profit/loss before tax	-2,008	-8,981	-8,400	-4,282	-4,274
% of net sales					
Income taxes	169	-432	236	-236	1,045
PROFIT/LOSS FOR THE PERIOD	-1,839	-9,413	-8,164	-4,518	-3,229
% of net sales					

KEY INDICATORS

EUR thousand	7-9/2019	7-9/2018	1-9/2019	1-9/2018	2018
Cloud ARR order intake	5,455	4,483	16,821	15,531	21,474
Net sales	36,823	33,991	109,038	104,929	141,417
Growth of net sales, %	8.3%	-5.1%	3.9%	-4.5%	-5.2%
Organic revenue growth, %	7.7%	5.2%	5.5%	5.8%	5.4%
Operating profit	940	-3,787	-13,022	2,379	-1,471
% of net sales	2.6%			2.3%	
EBITDA	4,913	-1,064	-991	10,474	9,217
% of net sales	13.3%			10.0%	6.5%
Adjusted EBITDA	4,702	-877	2,705	-3,538	-4,364
Return on equity, %	-7.5%	-11.2%	-24.8%	-3.0%	-6.3%
Return on investment, %	2.0%	-9.2%	-10.2%	1.8%	-0.9%
Interest-bearing liabilities excl. leasing liabilities	58,556	57,202	58,556	57,202	57,206
Cash and cash equivalents	30,640	46,235	30,640	46,235	40,747
Free cash flow metric	-1,445	-3,129	-19,055	-15,753	-19,829
Gearing, %	45.4%	9.6%	45.4%	9.6%	14.9%
Gross investments	2,072	2,102	8,029	8,656	10,933
% of net sales	5.6%	6.2%	7.4%	8.2%	7.7%
R&D expenses excluding amortizations	4,157	5,063	14,289	15,882	21,231
R&D costs, capitalised	1,964	1,751	6,659	6,643	8,862
R&D investments, total	6,121	6,815	20,948	22,526	30,093
% of net sales	16.6%	20.0%	19.2%	21.5%	21.3%
Depreciation and amortization	3,973	2,723	12,030	8,095	10,688
Other capitalised expenditure	108	438	1,370	1,983	2,071
Personnel at end of period	1,299	1,736	1,299	1,736	1,412

Calculation of key indicators

Return on equity (ROE), %

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

Return on investment (ROI), %

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

Gearing, %

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

Equity ratio, %

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

Earnings per share

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

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

Equity per share

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

Dividend per share

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

Dividend/profit, %

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

Effective dividend yield, %

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

Price-earnings ratio (P/E)

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

Adjusted EBITDA

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

Operating profit

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

Adjusted operating result (Adjusted EBIT)

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

Gross investments

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

Free cash flow metric

Free cash flow is calculated as follows: EBITDA minus capitalizations, total debt service costs, tax and payment of lease liabilities, and excluding the share part of share-based compensation and any impact from acquisitions or disposals.