



**Financial Statement Bulletin**  
for January 1-December 31

**Q4/2019**

## Basware Financial Statement Bulletin January 1 – December 31, 2019: Profitability improved; cloud revenues exceed EUR 100 million

### October-December 2019:

- Net sales EUR 39,264 thousand (EUR 36,488 thousand): increase of 7.6 percent, organic growth at constant currencies 7.3 percent
- Organic cloud revenue growth at constant currencies 13.9 percent, amounting to 69.8 percent (65.5%) of net sales
- Cloud ARR order intake amounted to EUR 6.9 million (EUR 5.9 million)
- Adjusted EBITDA EUR 2,480 thousand (EUR -826 thousand)
- Adjusted operating profit/loss EUR -1,430 thousand (EUR -3,419 thousand)
- Operating profit/loss EUR -1,516 thousand (EUR -3,850 thousand)
- Adjusted earnings per share (diluted) amounted to EUR -0.27 (EUR -0.28) and earnings per share (diluted) were EUR -0.28 (EUR -0.31)

### January-December 2019:

- Net sales EUR 148,302 thousand (EUR 141,417 thousand): increase of 4.9 percent, organic growth at constant currencies 5.9 percent
- Organic cloud revenue growth at constant currencies 12.9 percent, amounting to 68.4 percent (63.3%) of net sales
- Cloud ARR order intake amounted to EUR 23.7 million (EUR 21.5 million)
- Adjusted EBITDA 5,185 thousand (EUR -4,364 thousand)
- Adjusted operating profit/loss EUR -10,756 thousand (EUR -15,052 thousand)
- Operating profit/loss EUR -14,537 thousand (EUR -1,471 thousand)
- Adjusted earnings per share (diluted) amounted to EUR -1.37 (EUR -1.44) and earnings per share (diluted) were EUR -1.63 (EUR -0.49)

### Key figures

EUR thousand	10-12/ 2019	10-12/ 2018	Change, %	1-12/ 2019	1-12/ 2018	Change, %
Net sales	39,264	36,488	7.6	148,302	141,417	4.9
Cloud revenue	27,390	23,916	14.5	101,442	89,482	13.4
Cloud ARR order intake	6,873	5,942	15.7	23,694	21,474	10.3
EBITDA	2,395	-1,257		1,403	9,217	-84.8
Adjusted EBITDA	2,480	-826		5,185	-4,364	
Operating profit/loss	-1,516	-3,850	60.6	-14,537	-1,471	
Adjusted operating profit/loss	-1,430	-3,419	58.2	-10,756	-15,052	28.5
Gearing, % <sup>1</sup>	48.9	14.9		48.9	14.9	
Cash and cash equivalents <sup>1</sup>	31,672	40,747	-22.3	31,672	40,747	-22.3
Free cash flow metric	-4,774	-4,076	-17.1	-23,829	-19,829	-20.2
Earnings per share, diluted, EUR	-0.28	-0.31	-10.7	-1.63	-0.49	
Adjusted earnings per share, diluted, EUR	-0.27	-0.28	-3.4	-1.37	-1.44	-5.0
Personnel <sup>1</sup>	1,325	1,412	-6.2	1,325	1,412	-6.2

<sup>1</sup>At 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 fourth quarter of 2019 totalled EUR 1,155 thousand and EUR 4,704 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 1,246 thousand in the fourth quarter of 2019. Year-to-date the payments of lease liabilities totalled EUR 4,372 thousand.
- Interest expenses recognized from lease liabilities totalled EUR 223 thousand in the fourth quarter of 2019 and EUR 888 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 2020

For 2020, Basware expects the following:

- Net Sales to grow at around the same rate as in 2019 on an organic basis at constant currencies
- Positive EBIT

Constant currencies mean that the effects of any changes in currencies are eliminated by calculating the figures for the period using 2019 exchange rates. Organic means that the figures are adjusted to remove the effects of any acquisitions or disposals within the past 12 months.

## CEO Klaus Andersen:

"The productivity programme actions implemented throughout the year improved Basware's profitability in 2019. Adjusted EBITDA amounted to EUR 5.2 million for the full year and EUR 2.5 million for the quarter. Total revenue in 2019 was EUR 148 million, of which cloud amounted to EUR 101 million. Cloud revenue growth was 13 percent and total revenue growth was 6 percent both on an organic basis at constant currencies. Revenue growth was in line with our expectations and profitability slightly better than guidance.

In the last quarter of the year, Basware signed deals with new customers such as Tillman Infrastructure Inc and Millennium Physician Group, both based in the US. Order intake for the quarter amounted to EUR 6.9 million.

For the fifth time in a row Forrester, an independent industry analyst, named Basware as a Leader in eProcurement, with the top scores in the product strategy, globalization and invoice processing criteria. We were recognized for our innovations in accounts payable automation and procurement, particularly in leveraging Artificial Intelligence. As industry leader we are also pleased that Basware solutions are now featured on the SAP App Center.

Basware's open API architecture approach has been well received by customers and key stakeholders alike. During the quarter we announced the first application partnership with SirionLabs, which is the best in class vendor for Contract Lifecycle Management. We look forward to cooperating with selected specialist vendors to cover key functionalities of the Source-to-Pay cycle with seamless integration to Basware solutions."



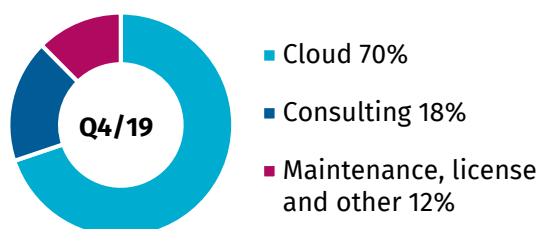
## Net sales

Net sales by revenue type, EUR thousand	10-12/ 2019	10-12/ 2018	Change, %	1-12/ 2019	1-12/ 2018	Change, %
Cloud	27,390	23,916	14.5	101,442	89,482	13.4
Consulting	6,978	6,063	15.1	24,962	23,567	5.9
Maintenance, license and other	4,897	6,508	-24.8	21,899	28,368	-22.8
<b>Total</b>	<b>39,264</b>	<b>36,488</b>	<b>7.6</b>	<b>148,302</b>	<b>141,417</b>	<b>4.9</b>

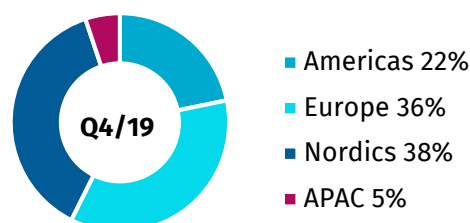
  

Net sales by customer location, EUR thousand	10-12/ 2019	10-12/ 2018	Change, %	1-12/ 2019	1-12/ 2018	Change, %
Americas	8,543	7,080	20.7	31,796	26,741	18.9
Europe	13,977	12,440	12.4	50,687	47,709	6.2
Nordics	14,733	14,982	-1.7	57,441	59,754	-3.9
APAC	2,012	1,985	1.4	8,379	7,214	16.1
<b>Total</b>	<b>39,264</b>	<b>36,488</b>	<b>7.6</b>	<b>148,302</b>	<b>141,417</b>	<b>4.9</b>

### Net sales by revenue type



### Net sales by customer location



Basware's net sales for the fourth quarter amounted to EUR 39,246 thousand (EUR 36,488 thousand), an increase of 7.6 percent. This equated 7.3 percent organic growth at constant currencies.

Basware's net sales in 2019 amounted to EUR 148,302 thousand (EUR 141,417 thousand), an increase of 4.9 percent. This equated to 5.9 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 fourth quarter. Cloud revenues in the fourth quarter were EUR 27,390 thousand (EUR 23,916 thousand), up by 14.5 percent, and accounted for 69.8 percent (65.5%) of net sales. This equated to 13.9 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 license revenues declined in line with expectations as Basware transitions customers to the cloud. In the fourth quarter maintenance, license and other revenue decreased 24.8 percent, which equated to 24.4 percent organic decrease at constant currencies.

In the fourth quarter consulting revenues increased 15.1 percent, which equated to 15.1 percent organic increase at constant currencies. The increase was mainly due to strong order intake, particularly from new customers.

## Cloud order intake

EUR thousand	10-12/ 2019	10-12/ 2018	Change, %	1-12/ 2019	1-12/ 2018	Change, %
Cloud	6,873	5,942	15.7	23,694	21,474	10.3

Basware's total cloud annual recurring revenue (ARR) gross order intake in the fourth quarter amounted to EUR 6,873 thousand (EUR 5,942 thousand), an increase of 15.7 percent. This equated to 14.9 percent growth on an organic constant currency basis.

Basware's cloud order intake in 2019 amounted to EUR 23,694 thousand (EUR 21,474 thousand), an increase of 10.3 percent. This equated to 9.0 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 negatively impacted 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 Definitions of Alternative Performance Measures and Key Indicators.

## Financial performance

EUR thousand	10-12/ 2019	10-12/ 2018	Change, %	1-12/ 2019	1-12/ 2018	Change, %
<b>Net sales</b>	<b>39,264</b>	<b>36,488</b>	<b>7.6</b>	<b>148,302</b>	<b>141,417</b>	<b>4.9</b>
<b>Cost of sales</b>	<b>-18,294</b>	<b>-17,026</b>	<b>7.5</b>	<b>-71,493</b>	<b>-69,620</b>	<b>2.7</b>
<b>Gross profit</b>	<b>20,970</b>	<b>19,462</b>	<b>7.8</b>	<b>76,810</b>	<b>71,797</b>	<b>7.0</b>
Sales and marketing	-11,798	-11,969	-1.4	-45,190	-43,041	5.0
Research and development	-6,597	-6,848	-3.7	-26,815	-27,222	-1.5
General and administration	-3,716	-4,061	-8.5	-14,572	-16,247	-10.3
<b>Total operating expenses</b>	<b>-22,111</b>	<b>-22,878</b>	<b>-3.4</b>	<b>-86,577</b>	<b>-86,510</b>	<b>0.1</b>
Other operating income and expenses	-374	-433	-13.5	-4,770	13,242	
<b>Operating profit/loss</b>	<b>-1,516</b>	<b>-3,850</b>	<b>60.6</b>	<b>-14,537</b>	<b>-1,471</b>	
<b>Adjusted EBITDA</b>	<b>2,480</b>	<b>-826</b>		<b>5,185</b>	<b>-4,364</b>	

In the fourth quarter, cost of sales amounted to EUR 18,294 thousand (EUR 17,026 thousand), an increase of 7.5 percent.

Out of total operating expenses, sales and marketing expenses decreased 1.4 percent, research and development expenses decreased 3.7 percent and general and administration expenses decreased 8.5 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 7,019 thousand (EUR 7,568 thousand), or 17.9 percent (20.7%) of net sales during the quarter.

Basware's adjusted EBITDA was EUR 2,480 thousand (EUR -826 thousand) in the fourth quarter. The adjustments to EBITDA totalled EUR 85 thousand (EUR 431 thousand) in the quarter. Profitability was lower in the fourth quarter compared to the third quarter mainly due to costs seasonality. Other operating income and expenses amounted to EUR -374 thousand (EUR -433 thousand).

Basware's operating profit/loss for the quarter amounted to EUR -1,516 thousand (EUR -3,850 thousand).

In 2019 Basware's adjusted EBITDA was EUR 5,185 thousand (EUR -4,364 thousand) and operating profit/loss EUR -14,537 thousand (EUR -1,471 thousand). The sale of Banking and Financial Performance Solutions improved Basware's operating profit in 2018.

Basware's loss before tax was EUR -4,275 thousand (EUR -4,282 thousand) and loss for the quarter

EUR -4,023 thousand (EUR -4,518 thousand). Taxes for the quarter impacted the result by EUR 251 thousand (EUR -236 thousand).

Diluted earnings per share were EUR -0.28 (EUR -0.31) 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 Definitions of Alternative Performance Measures and Key Indicators.

EUR thousand	10-12/ 2019	10-12/ 2018	Change, %	1-12/ 2019	1-12/ 2018	Change, %
EBITDA	2,395	-1,257		1,403	9,217	-84.8
Capitalizations	-2,588	-2,277	13.7	-10,617	-10,933	-2.9
Finance expenses	-2,722	-567		-9,091	-2,080	
Taxes, excl. deferred taxes	-825	-302		-1,341	-961	39.5
Payment of lease liabilities <sup>1</sup>	-1,246	0		-4,372	-	
Share based compensation, share part	212	327	-35.2	188	1,229	-84.7
Gain/loss on sale of assets	0	0		0	-16,300	
<b>Free cash flow metric</b>	<b>-4,774</b>	<b>-4,076</b>	<b>-17.1</b>	<b>-23,829</b>	<b>-19,829</b>	<b>-20.2</b>

<sup>1</sup> 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 -4,774 thousand (EUR -4,076 thousand) in the fourth 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 December 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 4,724 thousand (EUR -2,840 thousand) in the fourth quarter. The improvement in cash flows was mainly due to higher profitability and some improvement in working capital.

Basware's cash and cash equivalents including short-term deposits totalled EUR 31,672 thousand (EUR 40,747 thousand) at the end of the quarter.

Basware's total assets on the balance sheet at the end of the quarter were EUR 224,581 thousand (EUR 215,688 thousand). Net cash flows from investments were EUR -2,461 thousand (EUR -2,483 thousand) in the quarter.

The equity ratio was 41.9 percent (51.3%) and gearing 48.9 percent (14.9%). The company's interest-bearing liabilities excluding leasing liabilities totalled EUR 60,885 thousand (EUR 57,206 thousand), of which current liabilities accounted for EUR 1,996 thousand (EUR 17,089 thousand). The return on investment was -3.6 percent (-8.7%) and return on equity -16.7 percent (-16.0%) in the quarter.

## Personnel

Personnel on average by area	10-12/ 2019	10-12/ 2018	Change, %	1-12/ 2019	1-12/ 2018	Change, %
Americas	107	145	-26.2	121	139	-13.2
Europe	368	385	-4.4	374	442	-15.3
Nordics	420	468	-10.2	437	490	-10.9
APAC	421	403	4.5	417	605	-31.0
<b>Total</b>	<b>1,316</b>	<b>1,402</b>	<b>-6.1</b>	<b>1,349</b>	<b>1,676</b>	<b>-19.5</b>

Basware employed 1,316 (1,402) people on average during the quarter and 1,325 (1,412) at the end of the quarter.

On December 31, 2019, 13.9 percent (15.4%) of the personnel worked in sales and marketing, 33.7 percent (35.6%) in R&D and production and products, 42.4 percent (38.9%) in customer services and 10.0 percent (10.1%) in administration.

Basware's personnel expenses were EUR 22,714 thousand (EUR 21,584 thousand) in the quarter.

## Share and shareholders

Share Indicators	1-12/2019	1-12/2018
Share price performance, EUR		
- lowest price	16.76	19.75
- highest price	41.10	47.60
- average price	23.61	34.00
- closing price	23.75	39.50
Market capitalization at end of period <sup>1</sup> , EUR	341,943,926	567,633,802
Number of shares <sup>1</sup>		
- at end of the period	14,397,639	14,370,476
- average during the period	14,388,469	14,367,829
- average during the period, diluted	14,473,519	14,461,175
Number of traded shares (share issue adjusted)	4,204,444	3,005,479
% of average number of shares	29.2%	20.9%
Treasury shares held by the Company	4,297	31,460
% of total shares	0.0%	0.2%
Share capital, EUR	3,528,368	3,528,368
Earnings per share, undiluted, EUR	-1.63	-0.49
Earnings per share, diluted, EUR	-1.63	-0.49
Adjusted earnings per share, undiluted, EUR	-1.37	-1.44
Adjusted earnings per share, diluted, EUR	-1.37	-1.44
Equity per share, EUR	6.53	7.71
Price per earnings (P/E)	-14.58	-80.20

<sup>1</sup> Excluding treasury shares

Basware had 14,615 (11,508) shareholders at the end of the year, including nominee-registers. Nominee-registered holdings accounted for 52.4 percent (52.2%) of the total number of shares.

## Flagging notifications

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

Announcement date	Shareholder	Threshold	Total holding, %
February 4	Arrowgrass Capital Partners LLP	Above 25%	25.00%
March 20	Bregal Milestone LP	Above 5%	6.94% <sup>1</sup>
May 27	Invesco Ltd	Above 5%	7.69% <sup>2</sup>
May 27	Massachusetts Mutual Life Insurance Company	Below 5%	0.0% <sup>3</sup>
May 28	Ameriprise Financial, Inc	Below 5%	4.998%
October 25	Invesco Ltd	Below 5%	4.90%
December 16	Long Path Partners LP	Above 5%	5.28%

<sup>1</sup> Basware Corporation entered into a senior, unsecured loan totalling EUR 50 million due December 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.

<sup>2</sup> Acquisition and Merger with OppenheimerFunds Inc.

<sup>3</sup> Disposal and demerger from 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>

## Strategy

Basware is a global market leader in networked Purchase-to-Pay with the largest e-invoicing network in the world. The market opportunity is estimated to be worth EUR 15 billion annually and its driven by global megatrends such as digitalization and automation, increased regulation, rapid technological development



and sustainability. Basware is focused on scalable growth and profitability, increasing operational efficiency in the strategic business and simplifying operations.

Basware's key growth markets are the US, UK, Germany and France, where the company sees the greatest opportunity to win new customers. Each of Basware's top 200 key customers brought on average approximately EUR 250 thousand annual recurring cloud revenue in 2019. Through add-on sales and geographical expansions, there is potential to increase the average revenue from customers.

Once Basware wins a new customer they typically stay with the company for many years. In 2019 Basware's gross renewal rate was 95 percent and net renewal rate was 104 percent. The gross margin for cloud revenues at the end of 2019 was 65 percent. Together these make the lifetime value of customer contracts high. In 2019 Basware had a customer lifetime value to customer acquisition cost ratio of 7 times.

Basware's long-term goal is to become the networked Source-to-Pay vendor of choice. Basware moves forward to its vision through five Must-Wins, which define strategic priorities for the period 2020-2022. The Must-Wins relate to customer satisfaction, project delivery capabilities, procurement solution, selling with advisory partners and cloud transformations. First Must-Win relates to customer satisfaction, which is a priority across all functions, from first contact to project delivery, products and support. Second Must-Win is enhancing delivery capabilities: each project should have the optimal resources for a timely customer delivery. Basware also needs to support the continuous improvement and change programs of customers. Thirdly, Basware's aim is to further strengthen its procurement solution and entire Source-to-Pay solution through partnerships and open API architecture. Fourthly, Basware aims to accelerate cloud growth through "sell with" advisory partners. Finally, the last Must-Win battle is to complete the last phase in customer cloud transformations and reallocate resources to long-term strategic areas.

## 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 quarter

On November 11, 2019, David Bateman resigned from the Board due to his commitments to Arrowgrass Capital Partners. Asko Schrey was appointed as the Chairman of the Audit committee on November 19, 2019.

On December 2, 2019, Martti Nurminen started as Chief Financial Officer of Basware and a member of the Executive Team.

On December 19, 2019, Basware announced that its Board of Directors had decided to establish a new share-based long-term incentive structure for key employees. The renewed structure entails two share-based plans: Performance Share Plan 2020-2021 for approximately 45 key employees including the Executive Team and Restricted Share Plan 2020 for selected key contributors.

The potential reward from the Performance Share Plan will be based on the company's relative Total Shareholder Return (TSR), the Group's total revenue and ARR order intake during 2020–2021. The rewards to be paid on the basis of the performance period 2020–2021 correspond to the value of a maximum total of 320,000 Basware Corporation shares (including also the proportion to be paid in cash). The new Performance Share Plan 2020-2021 replaced earlier Performance Share Plan 2017-2019.

The reward from the Restricted Share Plan 2020 will be paid after a vesting period of one to three years. The total rewards to be allocated on the basis of the plan will amount to a maximum of 10,000 Basware Corporation shares (including also the proportion to be paid in cash).

## **Future outlook**

### **Themes affecting revenues and EBIT**

Basware aims for consistent cloud revenue growth. Cloud revenues are impacted by cloud order intake and churn. Cloud churn continues to be affected by non-strategic contracts which are not renewed.

Overall improvements in scalability and operational efficiency are expected to continue.

Consulting business productivity is expected to improve as a result of actions taken as part of the productivity programme launched in April 2019.

Revenues from maintenance and license will continue to decline as Basware transitions existing licence customers to cloud services. The rate of decline has been increased by end-of-life actions taken during 2019.

### **Guidance for 2020**

For 2020, Basware expects the following:

- Net Sales to grow at around the same rate as in 2019 on an organic basis at constant currencies
- Positive EBIT

Constant currencies mean that the effects of any changes in currencies are eliminated by calculating the figures for the period using 2019 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, February 3, 2020

BASWARE CORPORATION  
Board of Directors

Klaus Andersen, CEO, Basware Corporation

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	10-12/ 2019	10-12/ 2018	Change, %	1-12/ 2019	1-12/ 2018	Change, %
<b>NET SALES</b>	<b>39,264</b>	<b>36,488</b>	<b>7.6</b>	<b>148,302</b>	<b>141,417</b>	<b>4.9</b>
Cost of sales	-18,294	-17,026	7.5	-71,493	-69,620	2.7
<b>GROSS PROFIT</b>	<b>20,970</b>	<b>19,462</b>	<b>7.8</b>	<b>76,810</b>	<b>71,797</b>	<b>7.0</b>
Sales and marketing	-11,798	-11,969	-1.4	-45,190	-43,041	5.0
Research and development	-6,597	-6,848	-3.7	-26,815	-27,222	-1.5
General and administration	-3,716	-4,061	-8.5	-14,572	-16,247	-10.3
<b>Total operating expenses</b>	<b>-22,111</b>	<b>-22,878</b>	<b>-3.4</b>	<b>-86,577</b>	<b>-86,510</b>	<b>0.1</b>
Other operating income and expenses	-374	-433	-13.5	-4,770	13,242	
<b>OPERATING PROFIT/LOSS</b>	<b>-1,516</b>	<b>-3,850</b>	<b>60.6</b>	<b>-14,537</b>	<b>-1,471</b>	
Finance income and expenses	-2,759	-432		-9,125	-1,902	
Share of profit/loss of a joint venture	0	0		0	-153	
<b>PROFIT/LOSS BEFORE TAX</b>	<b>-4,275</b>	<b>-4,282</b>	<b>0.2</b>	<b>-23,663</b>	<b>-3,526</b>	
Income tax	251	-236		223	-3,551	
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>-4,023</b>	<b>-4,518</b>	<b>10.9</b>	<b>-23,440</b>	<b>-7,077</b>	
<b>Other comprehensive income</b>						
<b>Other comprehensive income that will not be reclassified to profit or loss</b>						
Remeasurement of employee benefits	9	39	-77.5	-2	57	
<b>Other comprehensive income that may be reclassified subsequently to profit or loss</b>						
Exchange differences on translating foreign operations	-234	-333	-29.8	1,974	1,169	68.9
Cash flow hedges	-260	319		-162	240	
Income tax relating to components of other comprehensive income	77	-13		-86	-73	18.2
Other comprehensive income for the year net of tax	-408	9		1,723	1,393	23.7
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-4,431</b>	<b>-4,509</b>	<b>1.7</b>	<b>-21,716</b>	<b>-5,684</b>	
<b>Profit/loss attributable to:</b>						
Equity holders of the parent company	-4,023	-4,518	10.9	-23,440	-7,077	
<b>Total comprehensive income attributable to:</b>						
Equity holders of the parent company	-4,431	-4,509	1.7	-21,716	-5,684	
<b>Earnings per share</b>						
undiluted, EUR	-0.28	-0.31	-10.7	-1.63	-0.49	
diluted, EUR	-0.28	-0.31	-10.7	-1.63	-0.49	

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

EUR thousand	Dec 31, 2019	Dec 31, 2018	Change, %
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	44,402	45,097	-1.5
Goodwill	80,345	78,939	1.8
Tangible assets	1,075	792	35.8
Right-of-use assets	15,842	0	
Non-current financial assets	38	38	0.0
Other receivables	4,193	4,055	3.4
Contract assets	168	1,052	-84.0
Deferred tax assets	9,654	7,810	23.6
<b>Non-current assets</b>	<b>155,716</b>	<b>137,784</b>	<b>13.0</b>
<b>Current assets</b>			
Trade receivables	27,424	24,992	9.7
Other receivables	7,842	9,289	-15.6
Contract assets	1,561	2,298	-32.1
Income tax receivables	366	579	-36.8
Cash and cash equivalents	31,672	40,747	-22.3
<b>Current assets</b>	<b>68,865</b>	<b>77,905</b>	<b>-11.6</b>
<b>ASSETS</b>	<b>224,581</b>	<b>215,688</b>	<b>4.1</b>



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

EUR thousand	Dec 31, 2019	Dec 31, 2018	Change, %
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	3,528	3,528	0.0
Share premium account	1,187	1,187	0.0
Treasury shares	-98	-638	-84.7
Invested unrestricted equity fund	110,388	110,928	-0.5
Other reserves	653	832	-21.5
Translation differences	-8,226	-10,131	-18.8
Retained earnings	-13,347	5,042	
<b>Shareholders' equity</b>	<b>94,086</b>	<b>110,749</b>	<b>-15.0</b>
<b>Non-current liabilities</b>			
Deferred tax liability	5,003	4,660	7.4
Interest-bearing liabilities	58,889	40,117	46.8
Leasing liabilities, interest-bearing	13,412	0	
Other non-current financial liabilities	0	100	
Contract liabilities	3,184	2,458	29.5
Liabilities from employee benefits	377	327	15.2
<b>Non-current liabilities</b>	<b>80,864</b>	<b>47,662</b>	<b>69.7</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	1,996	17,089	-88.3
Leasing liabilities, interest-bearing	3,392	0	
Trade payables and other liabilities	28,468	28,040	1.5
Contract liabilities	15,260	11,852	28.7
Income tax liabilities	249	98	155.5
Current provisions	266	198	34.7
<b>Current liabilities</b>	<b>49,631</b>	<b>57,277</b>	<b>-13.4</b>
<b>EQUITY AND LIABILITIES</b>	<b>224,581</b>	<b>215,688</b>	<b>4.1</b>

**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
<b>SHAREHOLDERS' EQUITY Jan 1, 2019</b>	<b>3,528</b>	<b>1,187</b>	<b>-638</b>	<b>110,928</b>	<b>832</b>	<b>-10,131</b>	<b>5,042</b>	<b>110,749</b>
Comprehensive income						1,905	-23,442	-21,536
Share based payments			540	-540			362	362
Defined benefit plan							-2	-2
Cash flow hedges					-178			-178
Warrants							4,691	4,691
<b>SHAREHOLDERS' EQUITY Dec 31, 2019</b>	<b>3,528</b>	<b>1,187</b>	<b>-98</b>	<b>110,388</b>	<b>653</b>	<b>-8,226</b>	<b>-13,347</b>	<b>94,086</b>

EUR thousand	Share capital	Share premium account	Treasury shares	Inv. Un-restricted equity	Other reserves	Translation differences	Retained earnings	Total
<b>SHAREHOLDERS' EQUITY Jan 1, 2018</b>	<b>3,528</b>	<b>1,187</b>	<b>-841</b>	<b>111,131</b>	<b>592</b>	<b>-11,229</b>	<b>8,920</b>	<b>113,289</b>
Effect of IFRS 9 restatement – bad debt provision							-128	-128
Effect of IFRS 2 amendment							1,043	1,043
<b>SHAREHOLDERS' EQUITY Jan 1, 2018 (restated)</b>	<b>3,528</b>	<b>1,187</b>	<b>-841</b>	<b>111,131</b>	<b>592</b>	<b>-11,229</b>	<b>9,835</b>	<b>114,204</b>
Comprehensive income						1,096	-7,079	-5,983
Share based payments			204	-204			2,229	2,229
Defined benefit plan						2	57	59
Cash flow hedges					240			240
<b>SHAREHOLDERS' EQUITY Dec 31, 2018</b>	<b>3,528</b>	<b>1,187</b>	<b>-638</b>	<b>110,928</b>	<b>832</b>	<b>-10,131</b>	<b>5,042</b>	<b>110,749</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**

EUR thousand	10-12/ 2019	10-12/ 2018	1-12/ 2019	1-12/ 2018
<b>Cash flows from operating activities</b>				
Profit/loss for the period	-4,023	-4,518	-23,440	-7,077
<b>Adjustments for profit:</b>				
Depreciation and amortisation	3,911	2,593	15,941	10,688
Share of profit/loss of a joint venture	0	0	0	153
Gain (-) / loss (+) on disposals of assets	0	0	0	-16,276
Unrealised foreign exchange gains and losses	51	63	-12	204
Financial income and expenses	2,751	418	9,088	1,694
Tax on income from operations	-251	236	-223	3,551
Other adjustments	-46	1,280	635	2,551
<b>Total adjustments</b>	<b>6,415</b>	<b>4,590</b>	<b>25,428</b>	<b>2,564</b>
<b>Changes in working capital:</b>				
Increase (-) / decrease (+) in trade and other receivables	1,006	-2,701	557	-841
Increase (+) / decrease (-) in trade payables	2,287	190	4,794	2,122
Increase / decrease in provisions	-166	-80	123	-763
<b>Total changes in working capital</b>	<b>3,127</b>	<b>-2,591</b>	<b>5,474</b>	<b>518</b>
Financial items in operating activities	-383	-41	-2,472	-1,419
Income taxes paid (-) / received (+)	-412	-281	-832	-848
<b>Cash flows from operating activities</b>	<b>4,724</b>	<b>-2,840</b>	<b>4,159</b>	<b>-6,261</b>
<b>Cash flows used in investing activities</b>				
Purchase of tangible and intangible assets	-2,462	-2,488	-10,587	-11,178
Net proceeds from sale of tangible and intangible assets <sup>1</sup>	0	6	46	29,647
<b>Cash flows from investing activities</b>	<b>-2,461</b>	<b>-2,483</b>	<b>-10,541</b>	<b>18,469</b>
<b>Cash flows from financing activities</b>				
Repayment of current borrowings	0	0	-22,296	-1,996
Proceeds from non-current borrowings	0	0	43,880	9,923
Repayment of non-current borrowings	0	0	-20,000	0
Payment of lease liabilities	-1,246	0	-4,372	0
<b>Cash flows from financing activities</b>	<b>-1,246</b>	<b>0</b>	<b>-2,788</b>	<b>7,927</b>
<b>Net change in cash and cash equivalents</b>	<b>1,016</b>	<b>-5,323</b>	<b>-9,170</b>	<b>20,135</b>
Cash and cash equivalents at the beginning of period	30,640	46,235	40,747	20,683
Net foreign exchange difference	15	-166	94	-71
Cash and cash equivalents at the end of period	31,672	40,747	31,672	40,747

<sup>1</sup>Includes 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 fourth quarter of 2019 totalled EUR - 1,155 thousand and EUR 4,704 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 1,246 thousand during the fourth quarter of 2019. The payments of lease liabilities totalled EUR 4,372 thousand year-to-date.



- Interest expenses recognized from lease liabilities totalled EUR 223 thousand in the fourth quarter and EUR 888 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.

### Free cash flow metric

EUR thousand	10-12/ 2019	7-9/ 2019	4-6/ 2019	1-3/ 2019	10-12/ 2018
EBITDA	2,395	4,913	-2,245	-3,660	-1,257
Capitalizations	-2,588	-2,072	-2,964	-2,993	-2,277
Finance expenses	-2,722	-2,933	-2,786	-650	-567
Taxes, excl. deferred taxes	-825	-152	-269	-95	-302
Payment of lease liabilities <sup>1</sup>	-1,246	-1,093	-1,080	-953	0
Share based compensation, share part	212	-108	-450	534	327
Gain/loss on sale of assets	0	0	0	0	0
<b>Free cash flow metric</b>	<b>-4,774</b>	<b>-1,445</b>	<b>-9,794</b>	<b>-7,816</b>	<b>-4,076</b>

<sup>1</sup> 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	10-12/ 2019	10-12/ 2018	Change, %	1-12/ 2019	1-12/ 2018	Change, %
<b>Operating profit/loss</b>	<b>-1,516</b>	<b>-3,850</b>	<b>60.6</b>	<b>-14,537</b>	<b>-1,471</b>	
<b>Adjustments:</b>						
Acquisition, disposal and restructuring income (-)	-73	-94	-22.9	-313	-17,852	-98.2
Acquisition, disposal and restructuring expenses (+)	41	289	-85.7	1,323	2,996	-55.9
Efficiency related expenses	116	236	-50.7	2,772	1,275	
<b>Total adjustments</b>	<b>85</b>	<b>431</b>	<b>-80.2</b>	<b>3,781</b>	<b>-13,581</b>	
<b>Adjusted operating profit/loss</b>	<b>-1,430</b>	<b>-3,419</b>	<b>58.2</b>	<b>-10,756</b>	<b>-15,052</b>	<b>28.5</b>
Depreciation and amortization	-3,911	-2,593	50.8	-15,941	-10,688	49.2
<b>Adjusted EBITDA</b>	<b>2,480</b>	<b>-826</b>		<b>5,185</b>	<b>-4,364</b>	
% of net sales	6.3			3.5		

### 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.

## INFORMATION ON PRODUCTS AND SERVICES

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

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	10-12/ 2019	10-12/ 2018	Change, %	Change, % <sup>1</sup>	1-12/ 2019	1-12/ 2018	Change, %	Change, % <sup>1</sup>
<b>Cloud Revenue</b>								
SaaS	13,769	10,866	26.7	25.8	49,133	40,282	22.0	21.5
Transaction services	12,556	11,758	6.8	5.9	47,876	44,163	8.4	8.0
Other cloud revenue	1,065	1,292	-17.6	-13.3	4,434	5,036	-12.0	-12.5
<b>Cloud Revenue total</b>	<b>27,390</b>	<b>23,916</b>	<b>14.5</b>	<b>13.9</b>	<b>101,442</b>	<b>89,482</b>	<b>13.4</b>	<b>12.9</b>
<b>Non-Cloud Revenue</b>								
Maintenance	4,738	5,899	-19.7	-19.3	20,720	26,111	-20.6	-16.2
License sales	240	661	-63.7	-63.8	1,202	2,251	-46.6	-44.2
Consulting services	6,978	6,063	15.1	15.1	24,962	23,567	5.9	7.7
Other non-cloud revenue	-81	-52	55.0	51.1	-23	6		
<b>Non-Cloud Revenue total</b>	<b>11,874</b>	<b>12,571</b>	<b>-5.5</b>	<b>-5.3</b>	<b>46,861</b>	<b>51,935</b>	<b>-9.8</b>	<b>-6.4</b>
<b>Total</b>	<b>39,264</b>	<b>36,488</b>	<b>7.6</b>	<b>7.3</b>	<b>148,302</b>	<b>141,417</b>	<b>4.9</b>	<b>5.9</b>

<sup>1</sup> Organic at constant currencies.

## Net sales by currency

Basware reports a breakdown of net sales by currency due to its multi-currency operations.

% of total net sales	1-12/ 2019	1-12/ 2018
EUR	51.5	52.7
USD	20.8	18.4
GBP	7.7	8.6
Other	20.0	20.3
<b>Group total</b>	<b>100.0</b>	<b>100.0</b>

## FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

EUR thousand	Dec 31, 2019		Dec 31, 2018	
	Book value	Fair value	Book value	Fair value
<b>Financial assets</b>				
Non-current:				
Non-current financial assets	38	38	38	38
Non-current trade and other receivables	857	857	790	790
Current:				
Current trade receivables	27,424	27,424	24,992	24,992
Current other receivables	305	305	260	260

Cash and cash equivalents	31,672	31,672	40,747	40,747
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#### Financial liabilities

##### Non-current:

Financial liabilities valued at  
amortized acquisition cost:

Loans from financial institutions, interest-bearing <sup>1</sup>	58,889	70,059	40,117	40,117
Leasing liabilities, interest- bearing	13,412	13,412	0	0

##### Current:

Loans from financial institutions, interest-bearing	1,996	1,996	17,096	17,096
Leasing liabilities, interest- bearing	3,392	3,392	0	0
Trade payables and other liabilities	10,998	10,998	12,478	12,478

<sup>1</sup> 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.

Derivative financial instruments of EUR 77 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	Dec 31, 2019	Dec 31, 2018
<b>Own guarantees</b>		
Guarantees	1,149	1,106
<b>Commitments on behalf of subsidiaries</b>		
Guarantees	298	327
<b>Other commitments</b>		
Maturing in less than 1 year	3,173	7,856
Maturing in 1-5 years	4,899	11,279
Maturing later	0	2,800
<b>Total</b>	<b>8,072</b>	<b>21,934</b>
<b>Total commitments and contingent liabilities</b>	<b>9,518</b>	<b>23,367</b>

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	Dec 31, 2019	Dec 31, 2018
Arrowgrass Master Fund LTD	0	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	10-12/2019	7-9/2019	4-6/2019	1-3/2019	10-12/2018
<b>NET SALES</b>	<b>39,264</b>	<b>36,823</b>	<b>36,320</b>	<b>35,895</b>	<b>36,488</b>
Cost of sales	-18,294	-16,550	-18,502	-18,147	-17,026
<b>GROSS PROFIT/LOSS</b>	<b>20,970</b>	<b>20,273</b>	<b>17,819</b>	<b>17,748</b>	<b>19,462</b>
Sales and Marketing	-11,798	-9,809	-12,207	-11,375	-11,969
Research and Development	-6,597	-5,906	-6,908	-7,404	-6,848
General and Administration	-3,716	-3,576	-2,673	-4,607	-4,061
<b>Total operating expenses</b>	<b>-22,111</b>	<b>-19,292</b>	<b>-21,788</b>	<b>-23,386</b>	<b>-22,878</b>
Other operating income and expenses	-374	-42	-2,211	-2,142	-433
<b>OPERATING PROFIT/LOSS</b>	<b>-1,516</b>	<b>940</b>	<b>-6,181</b>	<b>-7,780</b>	<b>-3,850</b>
% of net sales		2.6			
Finance income and expenses	-2,759	-2,947	-2,799	-620	-432
<b>Profit/loss before tax</b>	<b>-4,275</b>	<b>-2,008</b>	<b>-8,981</b>	<b>-8,400</b>	<b>-4,282</b>
% of net sales					
Income taxes	251	169	-432	236	-236
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>-4,023</b>	<b>-1,839</b>	<b>-9,413</b>	<b>-8,164</b>	<b>-4,518</b>
% of net sales					



## KEY INDICATORS

EUR thousand	10-12/ 2019	10-12/ 2018	1-12/ 2019	1-12/ 2018
Cloud ARR order intake	6,873	5,942	23,694	21,474
Net sales	39,264	36,488	148,302	141,417
Growth of net sales, %	7.6%	-7.0%	4.9%	-5.2%
Organic revenue growth, %	7.3%	4.1%	5.9%	5.4%
Operating profit	-1,516	-3,850	-14,537	-1,471
EBITDA	2,395	-1,257	1,403	9,217
% of net sales	6.1%		0.9%	6.5%
Adjusted EBITDA	2,480	-826	5,185	-4,364
Return on equity, %	-16.7%	-16.0%	-22.9%	-6.3%
Return on investment, %	-3.6%	-8.7%	-8.6%	-0.9%
Interest-bearing liabilities excl. leasing liabilities	60,885	57,206	60,885	57,206
Cash and cash equivalents	31,672	40,747	31,672	40,747
Free cash flow metric	-4,774	-4,076	-23,829	-19,829
Gearing, %	48.9%	14.9%	48.9%	14.9%
Gross investments	2,588	2,277	10,617	10,933
% of net sales	6.6%	6.2%	7.2%	7.7%
R&D expenses excluding amortizations	4,849	5,349	19,138	21,231
R&D costs, capitalised	2,170	2,219	8,829	8,862
R&D investments, total	7,019	7,567	27,967	30,093
% of net sales	17.9%	20.7%	18.9%	21.3%
Depreciation and amortization	-3,911	2,593	-15,941	10,688
Other capitalised expenditure	418	88	1,788	2,071
Personnel at end of period	1,325	1,412	1,325	1,412

## Definitions of Alternative Performance Measures and Key Indicators

**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.

**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)** 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.

**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.

**Cloud gross churn rate** is defined as the total amount of cloud revenues lost during the period, divided by the total cloud revenues at the beginning of the period.

**Cloud net churn rate** is defined as the total amount of cloud revenues lost during the period minus the new cloud ARR won from add-on sales to existing customers during the period, divided by the total cloud revenues at the beginning of the period.

**Cloud gross renewal rate** is defined as 100 percent minus the cloud gross churn rate.

**Cloud net renewal rate** is defined as 100 percent minus the cloud net churn rate.

**Customer lifetime** is defined as 1 divided by the cloud gross churn rate.

**Lifetime value of the order intake won during the period** is calculated by multiplying Cloud ARR order intake during the period by the cloud gross margin and dividing by the cloud gross churn rate.

**The customer acquisition cost** is defined as the total expenditure on sales and marketing for the 12 months prior to the period (to account for the lead time between new sales and marketing expenditure converting to order intake).

**Free cash flow metric** 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.

**Return on equity (ROE), %**

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

Shareholders' equity (average)

**Return on investment (ROI), %**

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

Balance sheet total – non-interest-bearing liabilities (average)

**Gearing, %**

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

Shareholders' equity

**Equity ratio, %**

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

Balance sheet total – advance payments received

**Earnings per share (EPS)**

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

Adjusted average number of shares during the period

**Adjusted earnings per share (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.

**Equity per share**

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

Adjusted number of shares at the end of the financial period - own shares

**Price-earnings ratio (P/E)**

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

Earnings per share