



basware

Simplify Operations, Spend Smarter.

INTERIM REPORT

January-March 2022

Q1/2022

Basware Interim Report January–March 2022: Strong order intake growth and profitability development

January-March 2022

- Cloud ARR order intake increased 40.5 percent to EUR 4.0 million (EUR 2.9 million), which amounted to 38.3 percent growth at constant currencies
- Net sales increased 3.0 percent to EUR 38,878 thousand (EUR 37,742 thousand), which amounted to 1.2 percent organic growth at constant currencies
- Cloud revenue increased 10.2 percent to EUR 31,997 thousand (EUR 29,043 thousand), which amounted to 8.1 percent organic growth at constant currencies
- EBIT increased 69.6 percent to EUR 2,339 thousand (EUR 1,380 thousand)
- Profit for the period was EUR 938 thousand (EUR -1,478 thousand)
- Earnings per share (diluted) were EUR 0.06 (EUR -0.10)

Key figures

EUR thousand	1-3/ 2022	1-3/ 2021	Change, %	2021
Net sales	38,878	37,742	3.0	153,155
Cloud revenue	31,997	29,043	10.2	119,996
Cloud ARR order intake	4,029	2,868	40.5	17,064
EBIT	2,339	1,380	69.6	7,144
EBITDA	6,533	5,225	25.0	22,828
Gearing, % ¹	73.0	47.6	53.3	72.5
Cash and cash equivalents ¹	28,637	43,080	-33.5	31,060
Cash flow from operating activities	2,390	6,358	-62.4	20,435
Earnings per share, diluted, EUR	0.06	-0.10	N/A	-0.99
Personnel ¹	1,360	1,334	1.9	1,347

¹At the end of the period.

The interim report is unaudited.

Guidance for 2022

Basware guides the following for the full year 2022:

- Order Intake to grow between 15 and 35 percent at organic constant currencies
- Net sales to grow between 3 and 6 percent at organic constant currencies
- EBIT between EUR 7 and 10 million

CEO Klaus Andersen:

“The first quarter of 2022 was a great start to the year for us. Our global sales execution was successful across all regions and the order intake grew with 38% y-o-y at organic constant currencies. Total net sales of EUR 38.9 million, up 1% y-o-y at organic constant currencies and Cloud revenue EUR 32.0 million, up 8% y-o-y at organic constant currencies. Consulting revenue of EUR 6.2 million, down 14% y-o-y at organic constant currencies. Cloud revenue growth was mainly driven by expansion business with existing customers and contribution from new logos was also significant. Enhanced activity in our implementation partner ecosystem, especially in North America, continued to impact our Consulting revenues. EBIT developed very positively to EUR 2.3 million for the quarter, bringing a substantial increase of 70% y-o-y. Profit for the period was EUR 0.9 million which was a significant milestone for us strategically. Our cash position remained strong and was EUR 28.6 million at the end of the quarter.

We experienced a more stable and slightly improved business environment in Q1, which combined with improvements in sales execution resulted in a substantial order intake growth of 38% y-o-y at organic constant currencies. The total order intake was EUR 4.0 million and the growth was mainly coming from new logo sales which increased by 156% y-o-y. A remarkable improvement was seen in North America, where several new customers were added to our portfolio such as TK Elevator, Kenan Advantage (KAG) and SPI Inc. Another notable customer was also acquired with South Australian Water. Expansion sales continued to grow, although more moderate than new logo sales. In Q1 new logos represented 47%, expansions 43% and transformations 10% of the total order intake. The share of partner influenced sales continued to grow both in absolute and relative terms y-o-y.

During the quarter we continued the development of our most recent technology innovation, Touchless Invoice Processing. Touchless Invoice Processing takes automation and efficiency to the next level and reduces further the manual effort required by our customers for invoice processing, all the way to the final approval of the invoice. During this quarter, we launched a Touchless Invoice Processing dashboard for selected pilot customers providing insight and guidance how to increase the touchless invoice processing ratio. An important enabler of touchless invoice processing is Smart Coding. During Q1, this feature was successfully validated by our pilot customers and will soon be available for all interested customers.

In Q1, the Executive team was strengthened in terms of responsibilities for Customer Support and Professional Services: two important areas for the company’s future growth and success. 1st of March, I was very pleased to announce Matthias Lippert as Chief Customer Support Officer and Mikko Lampi as Chief Professional Services Officer of Basware. These new internal promotions add valuable industry and Basware knowledge to the Executive team enabling us to take the next steps towards providing our customers with the best possible customer experience.

Major parts of the world are currently in a state of unrest. We at Basware highly condemn Russia’s military action against the sovereign nation of Ukraine. The direct business impact of the conflict on Basware has so far been insignificant, but the full effect of the indirect impact is still to be seen. In Q1 we saw indications of a slight change in the business environment with priorities changing, postponement of decisions and general caution, but not to any material extent. We are also aware of the increased risk of cyber-attacks, and we continue to monitor these risks with diligence. To demonstrate our support and help the victims of the war, Basware have donated financial aid for Ukraine refugees through the Red Cross in Romania.

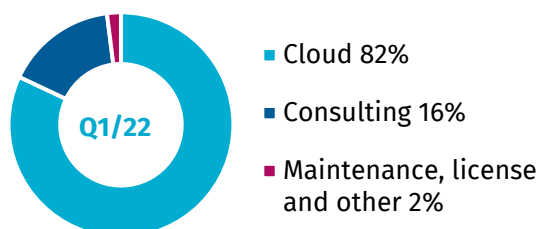
The outlook of the year for Basware remains as communicated at the beginning of the year. In 2022 our focus remains on accelerating sustainable growth and continuing to improve our profitability. Strong global sales execution is high on our agenda and supported by the results for the first quarter of 2022, we are confident our full year goals are within reach.”

Net sales

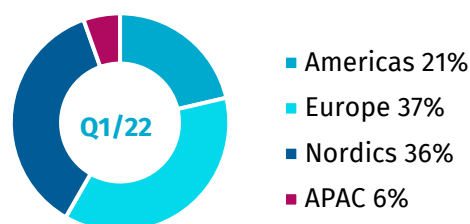
Net sales by revenue type, EUR thousand	1-3/ 2022	1-3/ 2021	Change, %	2021
Cloud	31,997	29,043	10.2	119,996
Consulting	6,238	7,185	-13.2	26,942
Maintenance, license and other	643	1,514	-57.5	6,216
Total	38,878	37,742	3.0	153,155

Net sales by customer location, EUR thousand	1-3/ 2022	1-3/ 2021	Change, %	2021
Americas	8,300	8,338	-0.5	33,641
Europe	14,364	13,276	8.2	54,767
Nordics	14,103	14,153	-0.3	56,904
APAC	2,110	1,975	6.8	7,843
Total	38,878	37,742	3.0	153,155

Net sales by revenue type



Net sales by customer location



Basware's net sales for the first quarter amounted to EUR 38,878 thousand (EUR 37,742 thousand), an increase of 3.0 percent. This equated to 1.2 percent organic growth at constant currencies.

Cloud revenues continued to grow during the first quarter. Cloud revenues in the first quarter were EUR 31,997 thousand (EUR 29,043 thousand), up by 10.2 percent, equating to 8.1 percent organic growth at constant currencies and accounted for 82.3 percent (77.0%) of net sales.

In the first quarter consulting revenues decreased 13.2 percent, equating to 14.3 percent organic decrease at constant currencies. Enhanced activity in the implementation partner ecosystem, especially in North America, continued to impact Consulting revenues.

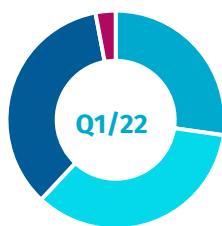
Maintenance and license revenues declined in line with expectations as Basware transitions customers to the cloud and discontinues some of Basware's legacy services. In the first quarter maintenance, license and other revenues decreased 57.5 percent, equating to 57.8 percent organic decrease at constant currencies. The accelerated decline in maintenance is due to end of life of some of Basware's legacy on-premise products triggered on 1st of January 2021.

Basware's net sales for the first quarter from the Americas was positively impacted by the development of US dollar against the Euro. At constant currencies net sales for the first quarter from Americas declined by 7% percent y-o-y. Net sales from Americas for the first quarter was negatively impacted by continued, significantly enhanced partner implementation activity.

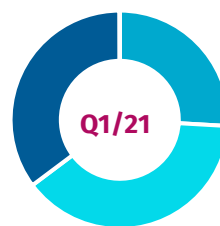
Cloud order intake

Order intake by type, EUR thousand	1-3/ 2022	1-3/ 2021	Change, %	2021
New logo	1,820	711	156.0	6,045
Expansion	1,810	1,691	7.0	8,378
Transformation	399	467	-14.6	2,641
Total	4,029	2,868	40.5	17,064

Cloud order intake by customer location in Q1/2022 and Q1/2021



- Americas 27%
- Europe 35%
- Nordics 35%
- APAC 3%



- Americas 26%
- Europe 39%
- Nordics 35%
- APAC 0%

Basware's total cloud annual recurring revenue (ARR) gross order intake in the first quarter amounted to EUR 4,029 thousand (EUR 2,868 thousand), an increase of 40.5 percent from corresponding period last year. This equated to 38.3 percent growth on an organic constant currency basis. The substantial order intake growth was a result of a more stable and slightly improved business environment in the first quarter, combined with improvements in sales execution. The order intake growth was mainly coming from new logo sales.

Basware has reported from Q4 2021 onwards the distribution of cloud order intake into new logo, expansion and transformation order intake types. New logo means a new customer to Basware with whom it does not have prior significant business.

Out of total cloud order intake, new logo increased substantially by 156.0 percent for the first quarter compared to corresponding quarter last year and amounted to EUR 1,820 thousand (EUR 711 thousand). Expansion increased by 7.0 percent for the first quarter and amounted to EUR 1,810 thousand (EUR 1,691 thousand). In the first quarter new logos represented 45%, expansions 45% and transformations 10% of the total cloud order intake.

There will be a time lag before order intake is visible in net sales. Historically, around one quarter of the full year's new ARR order intake converts into revenues in the same year, with roughly fifty to sixty percent converting to revenues in the following 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 Key Indicators and Alternative Performance Measures.

Financial performance

EUR thousand	1-3/ 2022	1-3/ 2021	Change, %	2021
Net sales	38,878	37,742	3.0	153,155
Cost of sales	-16,898	-16,415	2.9	-66,837
Gross profit	21,980	21,326	3.1	86,317
Sales and marketing	-9,131	-9,242	-1.2	-38,286
Research and development	-7,043	-6,830	3.1	-27,928
General and administration	-3,278	-3,761	-12.9	-13,038
Total operating expenses	-19,452	-19,833	-1.9	-79,252
Other operating income and expenses	-189	-113	66.6	79
EBIT	2,339	1,380	69.6	7,144
EBITDA	6,533	5,225	25.0	22,828

In the first quarter, cost of sales amounted to EUR 16,898 thousand (EUR 16,415 thousand), an increase of 2.9 percent. The cloud gross margin was 69 percent in the first quarter, up 1 percentage point in comparison to the first quarter of 2021.

Out of the total operating expenses, sales and marketing expenses combined decreased 1.2 percent, research and development expenses increased 3.1 percent and general and administration expenses decreased 12.9 percent during the first quarter. Marketing expenses increased significantly due to continued, increased investments into demand generation activities, whereas sales expenses decreased even more driven by lower incentive costs, which together led to sales and marketing expenses decrease compared with the previous year. Research and development costs increased in comparison to corresponding period last year mainly due to higher amortizations of completed development projects. General and administration costs decreased in comparison to corresponding period last year mainly because of refinancing project related expenses booked in Q1 2021.

Basware's research and development investments including capitalizations but excluding amortizations totalled EUR 6,609 thousand (EUR 6,203 thousand), or 17.0 percent (16.4%) of net sales during the quarter.

Basware's EBITDA was EUR 6,533 thousand (EUR 5,225 thousand) and adjusted EBITDA was EUR 6,611 thousand (EUR 5,278 thousand) in the first quarter. The adjustments to EBITDA totalled EUR 79 thousand (EUR 53 thousand) in the quarter. Other operating income and expenses amounted to EUR -189 thousand (EUR -113 thousand).

Basware's EBIT for the quarter amounted to EUR 2,339 thousand (EUR 1,380 thousand).

Basware's profit before taxes was EUR 823 thousand (EUR -1,405 thousand) and profit for the quarter EUR 938 thousand (EUR -1,478 thousand). Taxes for the quarter impacted the result by EUR 114 thousand (EUR -72 thousand). Finance income and expenses for the quarter amounted to EUR -1,516 thousand (EUR -2,785 thousand).

Diluted earnings per share were EUR 0.06 (EUR -0.10) for the quarter.

Cash flow, financing and investments

Cash flow from operating activities were EUR 2,390 thousand (EUR 6,358 thousand) during the first quarter. Seasonal fluctuation in trade receivables and paid interests impacted cash flow from operating activities. EUR 897 thousand of Covid-19 payment deferrals are remaining to be repaid by the end of 2022.

Basware's cash and cash equivalents including short-term deposits totalled EUR 28,637 thousand (EUR 43,080 thousand) at the end of the quarter. Cash balance decreased in comparison mainly because of the refinancing related payments in the third quarter of last year.

Basware's total assets on the balance sheet at the end of the quarter were EUR 222,847 thousand (EUR 231,349 thousand). Net cash flow from investments was EUR -2,668 thousand (EUR -1,865 thousand) in the quarter.

The equity ratio was 33.7 percent (36.8%) and gearing 73.0 percent (47.6%). Gearing increased because of lower cash balance and decreased equity attributable to the refinancing transaction in the third quarter of last year as expected. The Company's interest-bearing liabilities excluding leasing liabilities totalled EUR 70,868 thousand (EUR 69,020 thousand), of which current liabilities accounted for EUR 177 thousand (EUR 2,173 thousand). The return on investment was 6.9 percent (1.8%) and return on equity 5.1 percent (-7.0%) in the quarter.

Personnel

Personnel on average by area	1-3/ 2022	1-3/ 2021	Change, %	2021
Americas	92	104	-11.5	98
Europe	393	377	4.2	380
Nordics	407	419	-3.0	416
APAC	464	429	8.2	446
Total	1,355	1,329	2.0	1,339

Basware employed 1,355 (1,329) people on average during the quarter and 1,360 (1,334) at the end of the quarter.

On 31 March 2022, 12.4 percent (13.1%) of the personnel worked in sales and marketing, 32.4 percent (32.2%) in R&D, production and products, 44.1 percent (44.1%) in consulting and customer services and 11.2 percent (10.6%) in administration.

Basware's personnel expenses were EUR 21,700 thousand (EUR 22,298 thousand) in the quarter.

Share and shareholders

Share Indicators	1-3/2022	1-3/2021	2021
Share price performance, EUR			
- lowest price	20.10	33.10	28.25
- highest price	23.10	43.85	43.85
- average price	21.73	39.55	37.43
- closing price	21.45	36.65	30.25
Market capitalization at end of period ¹ , EUR	310,081,050	529,789,237	437,293,788
Number of shares ¹			
- at end of the period	14,455,993	14,455,368	14,455,993
- average during the period	14,445,823	14,415,903	14,445,824
- average during the period, diluted	14,553,424	14,556,138	14,580,596
Number of traded shares (share issue adjusted) in Nasdaq Helsinki	665,413	1,026,558	4,162,965
% of average number of shares	4.6%	7.1%	28.6%
Treasury shares held by the Company at end of the period	7,943	8,568	7,943
% of total shares	0.1%	0.1%	0.1%
Share capital, EUR	3,528,368	3,528,368	3,528,368
Earnings per share, undiluted, EUR	0.06	-0.10	-0.99
Earnings per share, diluted, EUR	0.06	-0.10	-0.99
Adjusted earnings per share, undiluted, EUR	0.07	-0.10	-0.96
Adjusted earnings per share, diluted, EUR	0.07	-0.10	-0.96
Equity per share, EUR	5.19	5.90	5.06
Price per earnings (P/E)	330.58	-357.55	-30.70

¹ Excluding treasury shares

Basware had 11,930 (11,726) shareholders at the end of the quarter, including nominee-registers. Nominee-registered holdings accounted for 53.4 percent (56.6%) of the total number of shares.

Flagging notifications

During 2022, Basware Corporation has not received notifications from major shareholders.

Annual General Meeting and authorizations of the Board of Directors

Basware Corporation's Annual General Meeting 2022 was held on 22 March 2022. The Annual General Meeting adopted the annual accounts for the financial period ended on 31 December 2021. The remuneration report was approved, and the members of the Board of Directors as well as the CEO were discharged from liability for the financial period ended on 31 December 2021. The Annual General Meeting resolved that no dividend will be paid for the year 2021.

The Annual General Meeting decided the number of members of the Board of Directors to be five. Mr. Carl Farrell, Mr. Michael Ingelög, Mr. Jonathan Meister, Mr. Daryl Rolley and Ms. Minna Smedsten were re-elected as members of the Board of Directors. Basware Corporation's Board of Directors elected in its organizing meeting Michael Ingelög as the Chairperson and Minna Smedsten as the Vice Chairperson of the Board of Directors. Minna Smedsten was elected as the Chairperson of the Audit Committee and Jonathan Meister and Michael Ingelög as its members. Daryl Rolley was elected as the Chairperson of the Remuneration Committee and Carl Farrell and Michael Ingelög as its members.

Ernst & Young Oy, Authorized Public Accounting Firm, was elected as the company's auditor. Ernst & Young Oy has advised that it will appoint Mr. Anders Svennas, Authorized Public Accountant, as the principally responsible auditor of the company.

The Annual General Meeting decided to authorize the Board of Directors to decide on repurchase of company's own shares in accordance with the proposal of the Board of Directors. By virtue of the authorization, the Board of Directors is entitled to decide on repurchasing a maximum of 1,446,000 company's own shares. The company's own shares shall be repurchased otherwise than in proportion to the holdings of the shareholders by using the non-restricted equity through trading on regulated market organized by Nasdaq Helsinki Ltd at the market price prevailing at the time of acquisition. The shares shall be repurchased for use as consideration in possible acquisitions or other arrangements related to the company's business, as financing for investments or as part of the company's incentive program or to be held by the company, to be conveyed by other means or to be cancelled. The Board of Directors shall decide on other terms and conditions related to the repurchase of the company's own shares. The repurchase authorization shall be valid for 18 months and it shall revoke the previous authorizations for repurchasing the company's own shares.

The Annual General Meeting decided to authorize the Board of Directors to decide on issuing new shares and/or conveying the company's own shares held by the company and/or granting special rights entitling to shares. A total maximum of 1,446,000 new shares may be issued and/or company's own shares held by the company may be conveyed. The number of shares to be issued to the company itself together with the shares repurchased by the company on basis of the repurchase authorization shall be at the maximum of 1,446,000 shares. The subscription price of the new shares and the consideration payable for the company's own shares shall be recorded under the invested non-restricted equity fund. The Board of Directors shall decide on all other terms and conditions related to the authorizations. The authorizations shall be valid for 18 months.

On 22 March 2022 Basware announced a stock exchange release of 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/governance/annual-general-meeting>.

Strategy

Basware is a global market leader in networked Procure-to-Pay with the largest open e-invoicing network in the world. The market growth is estimated to be slightly over 8 percent from 2022 onwards. In 2021, the Procure-to-Pay core markets that Basware addresses were estimated to be worth EUR 4.3 billion and these markets are expected to grow to EUR 6.2 billion by 2025. Procure-to-Pay markets are driven by global megatrends such as digitalization and automation, increased regulation, rapid technological development and sustainability. Basware is focused on sustainable growth and profitability, increasing operational efficiency in the strategic business and simplifying operations.

Basware's key growth markets are 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 330 thousand annual recurring cloud revenue in 2021. Through add-on sales and geographical expansions, there is potential to increase the average revenue from existing customers.

Once Basware wins a new customer they typically stay with the company for many years. In 2021 Basware's gross renewal rate was 96 percent and net renewal rate was 104 percent. The gross margin for cloud revenues in 2021 was 68 percent. Together these make the lifetime value of customer contracts high. In 2021 Basware had a customer lifetime value to customer acquisition cost ratio of approximately seven times.

Basware's long-term ambition is to become the networked Procure-to-Pay vendor of choice for large global enterprises. 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, procurement solution, growing with partners, igniting growth and Network business. The first Must-Win relates to customer satisfaction, which is a priority across all functions, from first contact to project delivery, products and support. With

the second Must-Win battle Basware's aim is to further strengthen its procurement solution and entire Source-to-Pay offering through partnerships and open API architecture. With the number three Must-Win, Basware aims to accelerate cloud growth through partnering. For number four Must Win Battle, Ignite Growth, Basware is focusing on accelerating growth in its business as the cloud transformations for Basware's clients have essentially been completed. With the fifth Must Win Battle, Basware aims at accelerating and creating momentum for its' unique Network business.

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 an optimized pricing model with 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 fully 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 45 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. Political risks may have a negative effect on Basware. This includes the uncertainty around the status of the UK in relation to the European Union which may have a negative impact on Basware's business in the UK, and additionally the uncertainty related to taxation and legislation in India which may have a negative impact on Basware's business in India.

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 which could be as a result of 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.

The Covid-19 pandemic may have an impact on the timing of organisations' IT project decisions and implementations and on the global volume of invoices sent and received. This may impact Basware's order intake, revenues, operating profit and cash flow. Basware has a business continuity plan in place including extensive remote working capabilities across all functions, however, should the Covid-19 situation materially affect employees' ability to work, this may disturb Basware's ability to serve its customers.

Basware announced on May 2021 that the Basware quality management system has been certified according to the International Organisation for Standardisation (ISO) 9001:2015 standard, the most widely recognised international quality management standard. In 2021, Basware also started a project to certify its global information security management system (ISMS) according to ISO27001 standard.

Based on the current analysis, the conflict in Ukraine does not create a material direct impact on Basware's business. Basware has taken into account that it has a few very small customers in Russia and will continue to provide services for these customers for the time being due to the fact that they are subsidiaries of multinational companies and are not Russian origin. Basware has also considered the safety of its employees in Russia and performed the needed actions for this. Basware has no employees in Ukraine and two employees in Russia. The company is aware of the increased risk of cyber-attacks and these risks are being monitored with an increased level of attention. Basware has begun to analyze its supply chain to the extent possible and the derived impacts of the sanctions introduced. Basware will continue to monitor the situation in Ukraine closely and the impacts of the conflict in the medium and long-term for the company.

Increased inflation and labour cost pressure will negatively impact Basware's profitability in the short to medium term.

Other events of the quarter

On 1 March, the company announced that Matthias Lippert has been appointed as Chief Customer Support Officer and Mikko Lampi as Chief Professional Services Officer of Basware. Changes were effective as of 1 March 2022 when Mr. Lippert and Mr. Lampi became members of the Basware Executive team reporting to Chief Executive Officer, Klaus Andersen.

Events after the quarter

On 14 April Basware announced that it has entered into a combination agreement with Sapphire BidCo Ltd regarding a voluntary recommended public cash tender offer for all the issued and outstanding shares in Basware that are not held by Basware or its subsidiaries. The cash consideration of EUR 40.10 per share represents a total equity value of approximately 619.91 million (including the warrants). The share offer price represents a premium of approximately 94.7 per cent compared to the closing price of the shares on Nasdaq Helsinki Ltd on 13 April 2022, the last trading day immediately preceding the announcement of the tender offer.

Following successful completion of the tender offer, Basware will be indirectly wholly owned by a consortium of investors comprising Accel-KKR Capital Partners VI, LP, Long Path Holdings 1, LP, and Briarwood Capital Partners LP through Sapphire BidCo Ltd, a newly-formed private limited liability company established for the purposes of the tender offer and incorporated and existing under the laws of Finland.

The Board of Directors of Basware has unanimously decided to recommend that the shareholders and warrant holders of Basware accept the tender offer.

Future outlook

Themes affecting net sales and EBIT

Basware considers the following key drivers affecting net sales and EBIT in 2022:

- Gradual improvements in the business environment throughout the year
- Gradual improvements in demand generation and sales execution throughout the year, and the timing in the ramp-up of Sales and Marketing capacity and spending
- Cloud revenues impacted by cloud order intake volume and timing, churn and network transaction volume driven revenues. Over fifty percent of Basware's network transaction services revenues are subscription based
- Consulting services revenue is driven primarily by new logo wins, expansion sales, services adoption and efficiency projects for existing customers, as well as the level of partner delivered implementations

- Revenues from maintenance and license will continue to decline approximately at the same relative rate as in 2021
- Improvements in scalability and operational efficiency are expected to continue
- Inflation and labour costs

Guidance for 2022

Basware guides the following for the full year 2022:

- Order Intake to grow between 15 and 35 percent at organic constant currencies
- Net sales to grow between 3 and 6 percent at organic constant currencies
- EBIT between EUR 7 and 10 million

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

Basware Corporation's financial calendar for 2022

- 21 July 2022 at 8.45 a.m. EEST
Half-Year Financial Report for 1 January–30 June 2022
- 25 October 2022 at 8.45 a.m. EEST
Interim Report for 1 January–30 September 2022

Espoo, Finland, on Wednesday, 20 April 2022

BASWARE CORPORATION

Board of Directors

Klaus Andersen, CEO

SUMMARY OF FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS JANUARY 1 – MARCH 31, 2022
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	1-3/ 2022	1-3/ 2021	Change, %	2021
NET SALES	38,878	37,742	3.0	153,155
Cost of sales	-16,898	-16,415	2.9	-66,837
GROSS PROFIT	21,980	21,326	3.1	86,317
Sales and marketing	-9,131	-9,242	-1.2	-38,286
Research and development	-7,043	-6,830	3.1	-27,928
General and administration	-3,278	-3,761	-12.9	-13,038
Total operating expenses	-19,452	-19,833	-1.9	-79,252
Other operating income and expenses	-189	-113	66.6	79
OPERATING PROFIT	2,339	1,380	69.6	7,144
Finance income and expenses	-1,516	-2,785	-45.6	-20,565
PROFIT/LOSS BEFORE TAXES	823	-1,405	N/A	-13,421
Income taxes	114	-72	N/A	-812
PROFIT/LOSS FOR THE PERIOD	938	-1,478	N/A	-14,233
Other comprehensive income				
Other comprehensive income that will not be reclassified to profit or loss				
Remeasurement of employee benefits	11	23	-51.1	-33
Other comprehensive income that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	1,043	3,386	-69.2	4,977
Cash flow hedges	-216	519	N/A	808
Income tax relating to components of other comprehensive income	-47	-73	-35.7	-131
Other comprehensive income for the year net of tax	792	3,855	-79.5	5,621
TOTAL COMPREHENSIVE INCOME	1,730	2,377	-27.2	-8,612
Profit/loss attributable to:				
Equity holders of the parent company	938	-1,478	N/A	-14,233
Total comprehensive income attributable to:				
Equity holders of the parent company	1,730	2,377	-27.2	-8,612
Earnings per share				
undiluted, EUR	0.06	-0.10	N/A	-0.99
diluted, EUR	0.06	-0.10	N/A	-0.99

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	Mar 31, 2022	Mar 31, 2021	Change, %	Dec 31, 2021
ASSETS				
Non-current assets				
Intangible assets	38,308	41,395	-7.5	38,786
Goodwill	80,902	79,065	2.3	80,257
Tangible assets	1,319	936	40.9	1,366
Right-of-use assets	11,485	13,510	-15.0	11,470
Non-current financial assets	13	13	0.0	13
Other receivables	7,999	3,321	140.9	8,133
Contract assets	0	1	N/A	0
Deferred tax assets	12,216	10,888	12.2	11,673
Non-current assets	152,242	149,129	2.1	151,697
Current assets				
Trade receivables	31,571	28,280	11.6	27,407
Other receivables	9,718	9,755	-0.4	9,471
Contract assets	399	851	-53.1	639
Income tax receivables	280	253	10.8	445
Cash and cash equivalents	28,637	43,080	-33.5	31,060
Current assets	70,605	82,220	-14.1	69,023
ASSETS	222,847	231,349	-3.7	220,720

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	Mar 31, 2022	Mar 31, 2021	Change, %	Dec 31, 2021
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
Invested unrestricted equity fund	110,290	110,290	0.0	110,290
Other reserves	743	775	-4.1	1,006
Translation differences	-7,162	-9,796	-26.9	-8,205
Retained earnings	-33,535	-20,755	61.6	-34,843
Shareholders' equity	75,051	85,230	-11.9	72,963
Non-current liabilities				
Deferred tax liability	6,118	5,295	15.5	5,960
Interest-bearing liabilities	70,692	66,848	5.8	70,227
Leasing liabilities, interest-bearing	8,855	11,103	-20.2	8,986
Contract liabilities	1,715	2,534	-32.3	2,133
Liabilities from employee benefits	502	410	22.6	509
Non-current liabilities	87,882	86,189	2.0	87,814
Current liabilities				
Interest-bearing liabilities	177	2,173	-91.9	1,175
Leasing liabilities, interest-bearing	3,714	3,554	4.5	3,560
Trade payables and other liabilities	30,186	29,973	0.7	34,930
Contract liabilities	25,460	24,040	5.9	19,965
Income tax liabilities	376	189	99.0	313
Current liabilities	59,913	59,930	0.0	59,943
EQUITY AND LIABILITIES	222,847	231,349	-3.7	220,720

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, 2022	3,528	1,187	0	110,290	1,006	-8,205	-34,843	72,963
Comprehensive income						1,043	938	1,981
Share based payments							358	358
Defined benefit plan							11	11
Cash flow hedges					-263			-263
SHAREHOLDERS' EQUITY Mar 31, 2022	3,528	1,187	0	110,290	743	-7,162	-33,535	75,051

EUR thousand	Share capital	Share premium account	Treasury shares	Inv. un-restricted equity	Other reserves	Translation differences	Retained earnings	Total
SHAREHOLDERS' EQUITY Jan 1, 2021	3,528	1,187	0	110,290	289	-13,137	-19,600	82,557
Comprehensive income						3,341	-1,474	1,868
Share based payments							296	296
Defined benefit plan							23	23
Cash flow hedges					487			487
SHAREHOLDERS' EQUITY Mar 31, 2021	3,528	1,187	0	110,290	775	-9,796	-20,755	85,230

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	1-3/ 2022	1-3/ 2021	2021
Cash flow from operating activities			
Profit/loss for the period	938	-1,478	-14,233
Adjustments for profit:			
Depreciation and amortisation	4,193	3,845	15,685
Unrealised foreign exchange gains and losses	275	28	310
Financial income and expenses	1,244	2,725	20,217
Tax on income from operations	-114	72	812
Other adjustments	388	572	-512
Total adjustments	5 985	7,242	36,513
Changes in working capital:			
Increase (-) / decrease (+) in trade and other receivables	-3,998	-1,600	749
Increase (+) / decrease (-) in trade and other payables	1,322	2,821	2,807
Increase / decrease in provisions	0	4	0
Total changes in working capital	-2,676	1,225	3,556
Financial items in operating activities	-1,588	-247	-3,899
Income taxes paid (-) / received (+)	-269	-384	-1,502
Cash flow from operating activities	2,390	6,358	20,435
Cash flow used in investing activities			
Purchase of tangible and intangible assets	-2,689	-1,865	-8,441
Net proceeds from sale of tangible and intangible assets	21	0	33
Movements in short-term deposits and fixed deposits	0	0	-5,000
Cash flow from investing activities	-2,668	-1,865	-13,408
Cash flow from financing activities			
Repayment of current borrowings	-988	-998	-1,996
Payment related to financing	0	0	-9,886
Payment of lease liabilities	-1,000	-1,065	-4,267
Cash flow from financing activities	-1,998	-2,063	-16,149
Net change in cash and cash equivalents	-2,275	2,430	-9,122
Cash and cash equivalents at the beginning of period	31,060	40,461	40,461
Net foreign exchange difference	-148	188	-279
Cash and cash equivalents at the end of period	28,637	43,080	31,060

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, 2022. The new standards and amendments had no impact on Group figures.

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 judgement 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.

Adjusted EBIT and EBITDA

EUR thousand	1-3/ 2022	1-3/ 2021	Change, %	2021
EBIT	2,339	1,380	69.6	7,144
Adjustments:				
Acquisition, disposal and restructuring income (-) and expenses (+)	0	-4	N/A	-75
Efficiency related expenses	79	57	39.3	432
Total adjustments	79	53	48.7	357
Adjusted EBIT	2,418	1,433	68.8	7,501
Depreciation and amortization	4,193	3,845	9.0	15,685
Adjusted EBITDA	6,611	5,278	25.3	23,186
% of net sales	17.0%	14.0%		15.1%

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	1-3/ 2022	1-3/ 2021	Change, %	Change, % ¹	2021
Cloud Revenue					
SaaS	17,766	15,612	13.8	11.4	65,227
Transaction services	12,943	12,237	5.8	4.4	49,844
Other cloud revenue	1,288	1,195	7.8	3.3	4,926
Cloud Revenue total	31,997	29,043	10.2	8.1	119,996
Non-Cloud Revenue					
Maintenance	722	1,382	-47.8	-48.1	6,051
License sales	7	64	-89.6	-89.6	136
Consulting services	6,238	7,185	-13.2	-14.3	26,942

Other non-cloud revenue	-85	67	N/A	N/A	30
Non-Cloud Revenue total	6,881	8,698	-20.9	-21.8	33,158
Total	38,878	37,742	3.0	1.2	153,155

¹Organic at constant currencies.

Fair values of financial assets and liabilities

EUR thousand	Mar 31, 2022		Mar 31, 2021		Dec 31, 2021	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets						
Non-current:						
Non-current financial assets	13	13	13	13	13	13
Non-current trade and other receivables	6,120	6,120	1,311	1,311	6,138	6,138
Current:						
Current trade receivables	31,571	31,571	28,280	28,280	27,407	27,407
Current other receivables	1,235	1,235	1,090	1,090	1,192	1,192
Cash and cash equivalents	28,637	28,637	43,080	43,080	31,060	31,060
Financial liabilities						
Non-current:						
Financial liabilities valued at amortized acquisition cost:						
Loans from financial institutions, interest-bearing	70,692	77,141	66,848	77,263	70,227	78,151
Leasing liabilities, interest-bearing	8,855	8,855	11,103	11,103	8,986	8,986
Current:						
Loans from financial institutions, interest-bearing	177	177	2,173	2,173	1,175	1,175
Leasing liabilities, interest-bearing	3,714	3,714	3,554	3,554	3,560	3,560
Trade payables and other liabilities	9,130	9,130	9,005	9,005	12,207	12,207

Financial assets arising from derivative financial instruments of EUR 235 thousand are classified as level 2 and unquoted equity shares of EUR 13 thousand as level 3 in the fair value measurement hierarchy.

On 12 July 2021, Basware made an agreement of its debt facility with Macquarie Principal Financing PTY Limited, effective 12th of July 2021. The debt facility is a EUR 66 million senior secured loan which will be due September 2024 and has a non-call of 24 months. The loan amount of EUR 66 million consists of EUR 50 million related to the debt facility drawn in 2019, EUR 11 million related to previously capitalized interest (PIK interest) and EUR 5 million upsizing to enhance the Company's overall liquidity position. The annual interest margin of the loan has decreased from 6.00 per cent to 5.75 per cent during the first quarter of 2022. The decrease is due to the improved financial performance of Basware, and the related terms and conditions of the loan. The annual loan margin was 8.75 per cent in Q1 2021.

Commitments and contingent liabilities

EUR thousand	Mar 31, 2022	Mar 31, 2021	Dec 31, 2021
Own guarantees			
Guarantees	793	1,239	1,052
Business mortgage	86,200	0	86,200
Commitments on behalf of subsidiaries			
Guarantees	862	864	862
Other commitments			
Maturing in less than 1 year	2,278	3,363	2,831
Maturing in 1-5 years	646	2,158	572
Maturing later than 5 years	0	0	2
Total	2,924	5,520	3,405
Total commitments and contingent liabilities	90,779	7,624	91,518

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. The group does not have pledges, mortgages or guarantees on behalf of external parties.

On July 12, Basware completed an amendment agreement of its debt facility with Macquarie Principal Financing PTY Limited, effective 12th of July 2021. Under the amendment, the debt facility type was changed to a senior secured debt facility which will be due September 2024 in line with the facility's original maturity and has a non-call of 24 months. As a security for the debt facility mortgage notes with a total nominal of EUR 86.2 million were pledged to the lender.

In addition, Basware has an asset of EUR 5,000 thousand in a pledged bank account that is related to the guarantee the Company has from Garantia for its multi-issuer bond.

The Group's Indian subsidiary is in receipt of Show Cause Notice pertaining to Indian financial year 2017-2018 and 2018-2019 for goods and service tax liability and if services are considered to be Intermediary services or export of services. This issue is related to a substantial number of global IT companies operating in India. As a result of the analysis made based on the recent circular No. 159/15/2021 dated 20 September 2021 issued by Central Board of Indirect Taxes (CBIC), it has been concluded by the Group that software development services provided by Basware India to Basware Corporation would qualify as export of services. The Group has not recorded any provision related to the Notice as the Group considers it to be more likely than not that it will not realize.

Definitions of Key Indicators and Alternative Performance Measures

Earnings per share (EPS)

Profit for the period

Adjusted average number of shares during the period

Diluted earnings per share (EPS)

Profit for the period

Adjusted average number of shares during the period + dilutive shares

Alternative Performance Measures

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 (EBIT) 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 (EBIT) 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 profit (Adjusted EBIT) is calculated from operating profit 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. 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).

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

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

QUARTERLY INCOME STATEMENT

EUR thousand	1-3/2022	10-12/2021	7-9/2021	4-6/2021	1-3/2021
NET SALES	38,878	39,742	37,100	38,571	37,742
Cost of sales	-16,898	-17,275	-16,010	-17,137	-16,415
GROSS PROFIT	21,980	22,467	21,090	21,434	21,326
Sales and Marketing	-9,131	-11,162	-8,768	-9,113	-9,242
Research and Development	-7,043	-7,030	-7,190	-6,879	-6,830
General and Administration	-3,278	-3,077	-2,774	-3,427	-3,761
Total operating expenses	-19,452	-21,269	-18,732	-19,418	-19,833
Other operating income and expenses	-189	333	74	-215	-113
OPERATING PROFIT	2,339	1,532	2,432	1,800	1,380
% of net sales	6.0	3.9	6.6	4.7	3.7
Finance income and expenses	-1,516	-1,833	-12,934	-3,012	-2,785
Profit/loss before taxes	823	-302	-10,503	-1,212	-1,405
Income taxes	114	-349	-195	-195	-72
PROFIT/LOSS FOR THE PERIOD	938	-650	-10,698	-1,407	-1,478

KEY INDICATORS

EUR thousand	1-3/ 2022	1-3/ 2021	2021
Cloud ARR order intake	4,029	2,868	17,064
Net sales	38,878	37,742	153,155
Net sales growth, %	3.0%	-1.3%	1.0%
Organic net sales growth, %	1.2%	0.0%	0.9%
EBIT	2,339	1,380	7,144
% of net sales	6.0%	3.7%	4.7%
EBITDA	6,533	5,225	22,828
% of net sales	16.8%	13.8%	14.9%
Adjusted EBITDA	6,611	5,278	23,186
Return on equity, %	5.1%	-7.0%	-18.3%
Return on investment, %	6.9%	1.8%	4.3%
Interest-bearing liabilities excl. leasing liabilities	70,868	69,020	71,402
Cash and cash equivalents	28,637	43,080	31,060
Cash flow from operating activities	2,390	6,358	20,435
Gearing, %	73.0%	47.6%	72.5%
Gross investments	2,672	1,945	8,554
% of net sales	6.9%	5.2%	5.6%
R&D expenses excluding amortizations	4,244	4,399	17,666
R&D costs, capitalised	2,365	1,804	7,569
R&D investments, total	6,609	6,203	25,235
% of net sales	17.0%	16.4%	16.5%
Depreciation and amortization	4,193	3,845	15,685
Other capitalised expenditure	306	141	985
Personnel at end of period	1,360	1,334	1,347