

ANNUAL REPORT 2020

Financials

basware

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COMPANIES HOUSE

VISIBLE COMMERCE

With the world's largest open business network and an open technology ecosystem, Basware is uniquely positioned to deliver Visible Commerce, which provides organisations with complete transparency into the flows of money, goods, and services around the world, enabling them to make better business decisions.

2M+

BUYERS AND SUPPLIERS

NET SALES

152 M€

CLOUD GROSS MARGIN

68 %

5

BILLION €

15

BILLION €

Global leader in networked Purchase-to-Pay

Our more than 1,300 professionals in 14 countries help our customers to solve their inefficient invoice processes, create cashflow visibility and put all spend under management. Basware Network has users in 175 countries, and it connects over 2 million buyers and suppliers globally.

Cloud revenues 73% of net sales

Basware's net sales in 2020 were EUR 152 million (EUR 148 million in 2019). Cloud revenues amounted to 73% of total revenue and cloud revenue growth was 9%. Cloud order intake amounted to EUR 19.3 million (EUR 23.7 million). Economic uncertainty caused by Covid-19 pandemic had a negative impact on new customer acquisition.

Profitability improved

Basware's strategy is focused on sustainable growth and profitability. In 2020 Basware's EBIT amounted to EUR 4.7 million (EUR -14.5 million in 2019). Cloud gross margin at the end of the year was 68%, which is a 3-percentage point improvement to end of 2019.

A huge market opportunity

The current spend in Purchase-to-Pay market globally is estimated to be EUR 5 billion per year. However, as every organization in the world can benefit from Basware's solutions, the market potential is worth EUR 15 billion per year. As the leading networked Purchase-to-Pay provider, Basware is in a great position to capture the market demand.

Basware 2020

CEO's Review

Strategy

Enabling business continuity
Solutions and Services

AP Pro

Baswareans

Corporate Governance Statement

Board of Directors

Executive Team

Compensation Report

Decision-making related to remuneration

Remuneration of the Board of Directors

Remuneration of the CEO

Financial Statements

Report of the Board of Directors

Consolidated Statement of Comprehensive Income (IFRS)

Consolidated Statement of Financial Position (IFRS)

Consolidated Statement of Cash Flows (IFRS)

Consolidated Statement of Changes in Equity (IFRS)

Notes to the Consolidated Statements (IFRS)

Parent Company Income Statement (FAS)

Parent Company Statement of Financial Position (FAS)

Parent Company Cash Flows (FAS)

Notes to the Parent Company Financial Statements (FAS)

Auditor's Report

Key Figures

Share Indicators

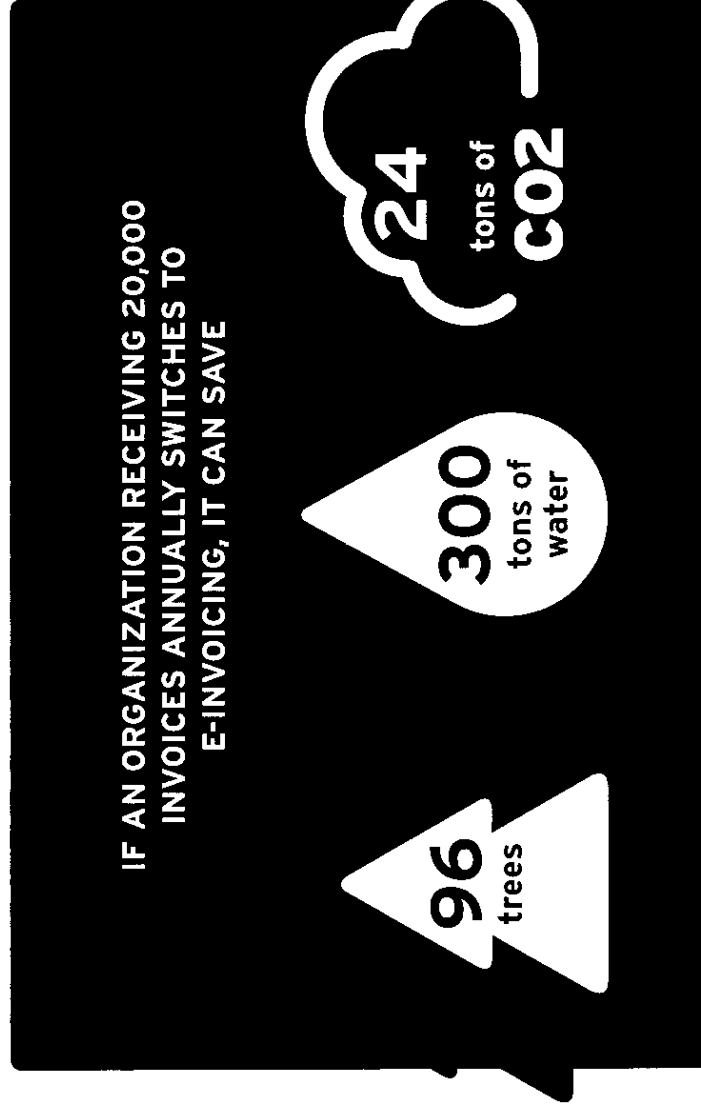
Calculation of Key Indicators

Share and Shareholders

For Shareholders

Save trees with e-invoicing

In 2020 Basware introduced Carbon footprint index in Analytics dashboard, which allows companies to follow the development of their own environmental impact from invoice processing over time, as well as benchmark against the average carbon footprint within the Basware network. The dashboard estimates how many trees, or how much water, a company has saved or can save if they onboard more suppliers to e-invoicing. [Read more >>](#)



Basware has sponsored Earth Day Network's Canopy Project - a global reforestation program for five consecutive years as part of its annual employee engagement survey. As a thank you for each of the Basware employees responding to the survey, a total of 9,496 trees have been planted in Uganda and India since 2016. In 2020 Basware's donations were directed to an orchard in Saklana region, India.

CEO'S REVIEW

Continued positive development in sustainable growth and profitability

Our strategy is focused on delivering sustainable growth and profitability; today, tomorrow, and long-term. I am pleased with how both our cloud revenue and operating profit developed in the past year considering the extraordinary circumstances.

EBIT amounted to EUR 4.7 million, which is an improvement of EUR 19.2 million compared to 2019. Cloud gross margin was 68 percent at the end of the year, which is three percentage points higher than at the end of 2019. We increased scalability in our cloud solutions and improved productivity in all business functions. Increasing efficiency across the company and streamlining global operations enabled us to scale down our cost base and we still have significant potential for further improvements. The results from continuous and consistent productivity development will come through more gradually over the coming years.

Net sales increased 3 percent on an organic constant currency basis to EUR 152 million

of which cloud revenue amounted to EUR 110 million. Cloud revenue growth was 10 percent on an organic constant currency basis.

Revenue growth in transaction services from Basware Network was impacted by the global economic uncertainty as companies limited their spend particularly in the first months of the pandemic.

Due to the economic uncertainty caused by the pandemic, there was some cautiousness from especially large enterprises in starting large IT projects. Basware's cloud order intake amounted to EUR 19.3 million in 2020, a decrease of 19 percent. Nonetheless, several companies invested in digitalizing and automating their Purchase-to-Pay processes with either new solutions or geographical and functional expansions. In the past year, companies such as Drlv Automotive, Eastman Kodak Company and Groupe Dubreuil chose Basware's market leading networked Purchase-to-Pay solutions.



SmartPDF AI and AP Pro – with embedded artificial intelligence and machine learning

We at Basware are very proud of our innovative networked accounts payable automation solutions, that have been rated by industry analysts as the best in the market year after year. Our product and research and development teams were reinforced with appointments of Mogens Pedersen as Chief Technology Officer and Perttu Nihti as Chief Product Officer to the Executive Team. They are working closely together to deliver the next generation networked Purchase to Pay solutions. In 2020, we announced two exciting innovations: SmartPDF AI and AP Pro.

The next generation of our PDF invoice processing service SmartPDF AI was launched to pilot customers. SmartPDF AI uses machine learning to capture invoice data in a fully automated setup. Unlike optical character recognition (OCR) technology that relies on capturing data from images, SmartPDF AI automatically extracts data from invoices via a state-of-the-art machine learning model. I believe it will be a game changer in bringing a machine-readable PDF invoice almost on par with fully electronic invoices both in ease and speed of handling as well as data accuracy.

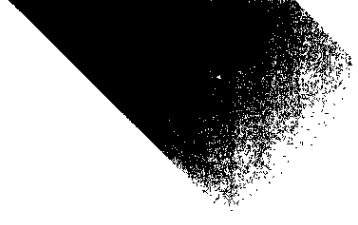
AP Pro is a completely new and innovative user experience to our accounts payable solution based on latest technology. It has new, additional functionalities around invoice processing and exception handling, which makes our customers' work easier and faster. We designed AP Pro together with our customers and further enhanced it during the pilot customer phase. It is a great example of our customer-focused product innovation.

Great progress in strategy execution

In 2020 we began executing on our three-year strategy towards becoming the networked Purchase-to-Pay vendor of choice. With the hard work of 1,336 Baswareans across 14 countries, we were able to reach important milestones in our five must-win battles. Ensuring high customer satisfaction is our top priority and we completed over 90 initiatives, which, among others, improved support satisfaction scores, reduced resolution times, and significantly increased the number of customers in our loyalty programme. Considering the great progress in other must-win battles as well, I am confident that we will finish the strategy period 2020-2022 as a more efficient, scalable, and streamlined cloud company.

It is safe to say that the past year has been exceptional for everyone. Ensuring the safety and well-being of employees, customers, and partners has been top priority for business leaders around the world during this pandemic. With our swift and diligent response, we succeeded in retaining business momentum while keeping all Baswareans safe and in good spirits.

Klaus Andersen
CEO



STRATEGY

Basware achieved significant improvements in scalability and profitability in 2020. At the heart of Basware's strategy for 2020-2022 are must-win battles, which support Basware's long-term goals of realizing its growth potential and enabling Visible Commerce.



Basware's strategy has three main principles, which guide the activities across all business functions towards sustainable growth and profitability. The first is ensuring scalability in everything we do. The second is increasing operational efficiency in the strategic business. The third is simplifying our business operations.

Basware's long-term ambition is to become the networked Purchase-to-Pay vendor of choice for large global enterprises. We have defined six must-win battles for the three-year strategy period, which are crucial for the success of the strategy execution. The most important one is "Happy customers". In 2020 we completed over 90 improvement initiatives and made great progress despite the challenges caused by the pandemic.

Our second must-win, "Delivery capabilities", seeks to ensure that together with our partners we have the right competencies and capacity in the right geographies and time-zones to deliver projects successfully on a continuous basis.

The third must-win "Procurement" relates to strengthening our procurement capabilities and visibility in the market.

Fourthly, Basware aims to accelerate cloud growth through partnering. Basware's strategy includes an ecosystem approach, in which Basware's solutions can be seamlessly integrated via open API's to Best of Breed specialist systems and seamlessly delivered by system integration partners.

Basware's fifth must-win is to complete the remaining customer cloud transformations and reallocate resources to long-term strategic areas.

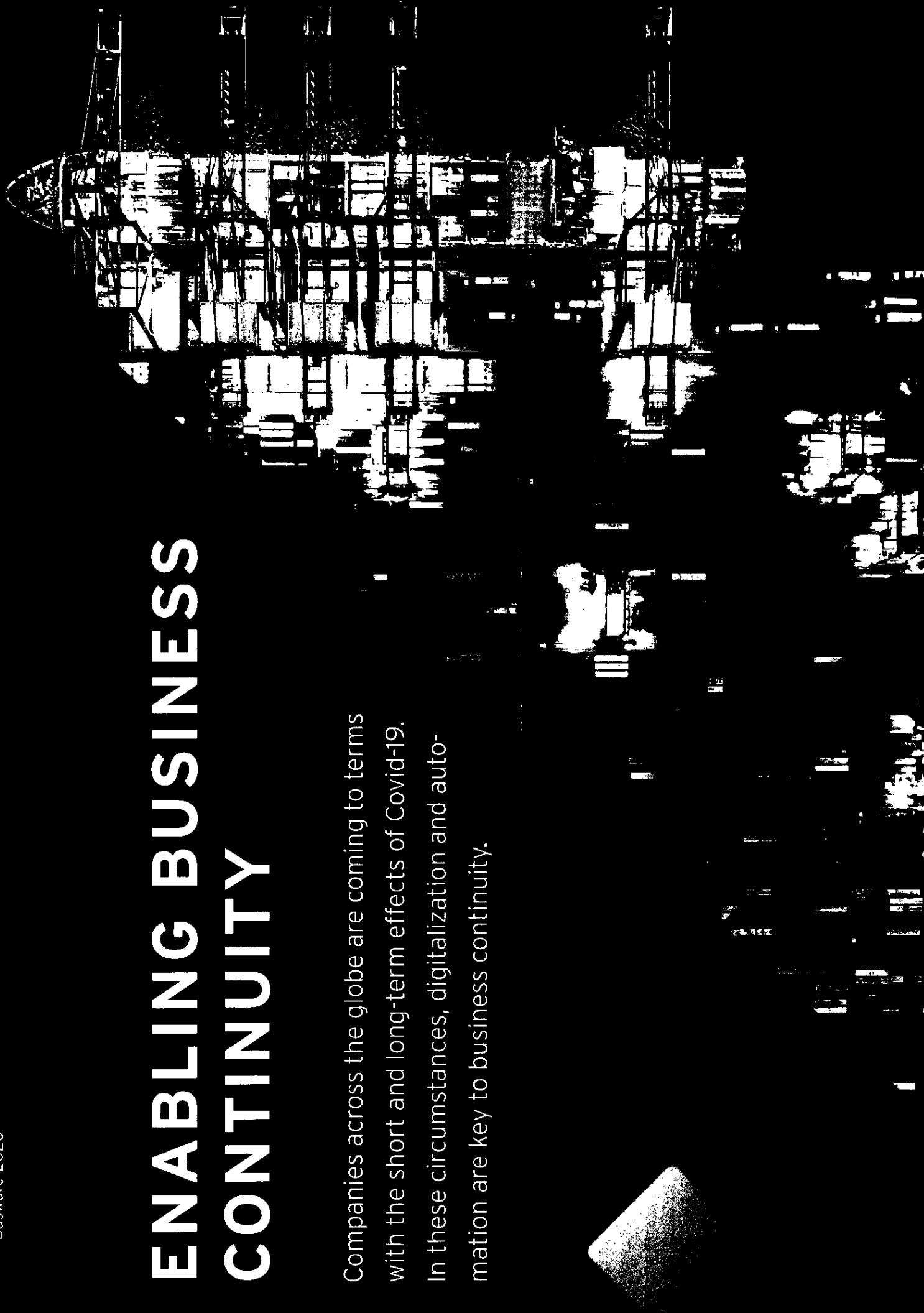
Finally, as part of the 2020 to 2021 strategy review process, Basware also identified accelerating Network business as an additional key strategic focus area from 2021 onwards.

Through the must-win battles, we aim to realize the future growth potential. Basware operates in a large, global and growing market that is estimated to be worth EUR 5 billion annually - with potential to grow up to EUR 15 billion per year. With the world's largest open business network and an open technology ecosystem, we are uniquely positioned to deliver value to our customers and shareholders.



ENABLING BUSINESS CONTINUITY

Companies across the globe are coming to terms with the short and long-term effects of Covid-19. In these circumstances, digitalization and automation are key to business continuity.



SMOOTH TRANSITION TO DIGITAL OPERATIONS

As the Covid-19 crisis escalated to a pandemic in March 2020, the focus at Basware was on prioritizing the safety of our employees, customers and partners and providing continued, best-in-class services to our customers and their suppliers. All employees were encouraged to work from home and to follow local health authority guidelines. As a cloud technology provider with established procedures and processes for remote work, Basware was less vulnerable to this type of disruption. Basware was able to continue business operations as normal with complete service capabilities in our networked Purchase-to-Pay products, with the exception of a temporary capacity issue in our third-party Scan and Capture services.

Before the pandemic, digitalizing manual business processes has been a gradual journey for most companies. Almost overnight, the importance of being able to operate remotely without paper became clear for all organizations. Future-proofed business operations have minimal reliance on paper and manual work in their finance processes, and that is why Basware's networked Purchase-to-Pay solutions are at the heart of enabling business continuity. Digital and automated Purchase-to-Pay processes are crucial for cash flow management and optimizing spend, as well as for enabling remote work. In addition, electronic invoicing has significant benefits due to its fast, scalable and cost-efficient processing. Demand for networked Purchase-to-Pay solutions remains highly attractive.

Helping our customers adapt to new operating environment

Finance teams can make a substantial impact on the overall success of their company's stability and resilience exiting the Covid-19 pandemic. One way is to activate a contingency plan that reduces administrative tasks and improves efficiencies through AP automation.

Without a proper accounts payable automation process in place, it may be tough to find a way to

manage slow payment cycles and gain visibility of what has been paid, and what payments are currently due or upcoming. By receiving invoices electronically, companies benefit from full visibility into their financial data - resulting in improved agility.

Automation and digitalization megatrends are likely to accelerate, as companies improve their resilience against similar shocks by removing manual processes and inefficiencies. Artificial intelligence and machine-learning can unlock new capabilities, and lead to further automation and data insights.



SOLUTIONS AND SERVICES

Through more than 30 years of work and innovations in electronic procurement and invoice automation, Basware has made thousands of companies' everyday more efficient by providing them 100% spend visibility and actionable data.



HOW VISIBLE COMMERCE COMES TO LIFE THROUGH BASWARE SOLUTIONS AND SERVICES

SmartPDF AI

We are moving to a world of advanced automation that simplifies operations and builds a complete data set for analysis. Basware strives to deliver the most sophisticated tools so our customers can remove more manual tasks and collect more data. With Basware Purchase-to-Pay solutions companies can automate the entire workflow from catalogue management to purchase order, invoice receiving and approval.

Spent Plans

Organisations can only save money, spend smarter, and build a resilient, low risk supply chain if they know exactly how much money they are spending, who they are spending that money with, and what they are buying. True spend visibility can only happen when you capture 100% of your data. Basware provides a holistic view into 100% suppliers and spend from a single location to enable companies to make better business decisions.

Basware Network

We have the world's largest global e-invoicing network with users in 175 countries. In 2020 we had more than 150 million transactions flow through our network, for a total of 1 trillion euros of spend. The Basware Network connects over 2 million buyers and suppliers together and is interoperable with 230 partner networks.

Market-leading innovations

SmartPDF AI uses machine learning to automatically convert machine-readable PDFs to e-invoices with high data accuracy. SmartPDF AI extracts data from historical invoices and learns over time, which significantly reduces manual handling and results in faster invoice processing time with better accuracy.

Spend plans deliver significant benefits for recurring payments that may not have invoices already associated with them. Basware AP Automation easily identifies recurring payments and automates them, whether they are based on schedules, budgets, or amounts.

Predictive analytics leverages historical data, machine learning, statistics, and analytics to create a predictive model to help forecast future events. With analytics, our customers can prevent late payments, capture more early payment discounts, increase e-invoice rates and resolve process bottlenecks.





Basware AP Pro, a new generation of AP Automation solution, is now available

In 2020 Basware launched AP Pro, completely new and improved user interface of our existing Accounts Payable Automation solution, with additional functional enhancements. AP Pro delivers a completely new user interface allowing easy tracking of invoices in all stages of processing. Submitting, processing, and paying invoices electronically is easier and faster with AP Pro.

Customer needs are the core of Basware's research and development projects. AP Pro's design is based on input from customers and further features were added after feedback from pilot customers. The AP Pro design features customizable dashboard with improved search functionality and a one-stop-shop experience for all key AP tasks.

User interface in AP Pro is based on latest technology, with additional functionality around invoice processing and exception handling. The new AP Pro is designed for professional users and shared service centers with high invoice volumes.

Process-owners can easily monitor and allocate AP team tasks, which facilitates workload balancing and minimizes the need for manual oversight over AP staff.

AP Pro allows easy tracking of invoices, ensures that AP professionals stay on top of their workload, and speeds up the invoice processing cycle. Machine learning and artificial intelligence based predictive analytics can further alert to process bottlenecks and potential late payments, enabling clients to accelerate payments to key suppliers.

BASWAREANS

Our most precious and largest asset is our people and together we want to achieve growth through a people centric culture.

Basware's core values:

LEAD THE WAY

DRIVE CUSTOMER SUCCESS

STRIVE FOR EXCELLENCE

INSPIRE AND BE INSPIRED



An essential part of our culture at Basware is the high amount of trust we put into our employees – we want everyone to make a difference. We strive towards simplicity, ensuring real focus on less to gain more.

We embrace change, enable innovation and encourage every-day learning. We want Baswareans to feel empowered to take accountability and drive initiatives forward with passion, while experiencing a culture of performance recognition, where success is readily celebrated and rewarded. We offer flexibility and autonomy in how employees work, giving them the freedom and support to deliver their best results.

Baswareans appreciate our company culture, good team spirit, diverse workforce, smooth collaboration and Basware's focus towards employee wellbeing. We encourage two-way dialogue by organizing YourVoice employee engagement survey annually and follow up the results through action points each year. In addition to our annual survey topics, we asked about the success of our measures to support employees during the Covid-19 pandemic and the results were extremely

positive. Baswareans were able to organize their workday in a flexible and family-friendly way and felt supported and valued by the management.

We embrace diversity. Basware's 1,336 employees work across 14 countries serving customers in more than 100 geographies. The combination of different backgrounds, gender and age ensures diverse capabilities. In 2020 our employees represented 33 different nationalities. Women account for 32 percent of all employees and 29 percent of all managers. During the past year, we have been celebrating Diversity and Inclusion through various activities such as Pride month, Diwali, Black History month, and launched Women@work mentoring programme.

Our goal is to create a productive and friendly working environment, where our employees can embrace innovation and cutting-edge technologies, continuously improve their skills, and collaborate with great colleagues around the world.

Read more: [Join the Basware team](#)

Keeping our team together during the pandemic

Basware reacted quickly to the changed circumstances and made sure all employees were able to work from home with full equipment. In addition, guidelines were issued on how to successfully work remotely, and on leading from a distance. Basware organized webinars and discussions on managing stress during a pandemic, fun competitions on its internal social network to keep the spirit up and continued its wellbeing program.

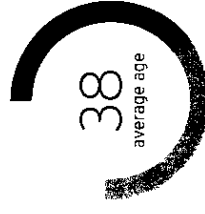


PERSONNEL BY GENDER



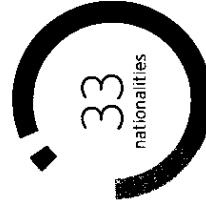
32% Female 68% Male

PERSONNEL BY AGE GROUP



4% Under 25 18% 45-54
36% 25-34 6% Over 55
37% 35-44

PERSONNEL BY NATIONALITY TOP TEN



32% Indian 3% German
23% Finnish 3% Swedish
15% Romanian 3% Dutch
7% American 2% Norwegian
5% British 1% French



CORPORATE GOVERNANCE STATEMENT 2020



INTRODUCTION

Basware Corporation (“the Company”) is a public listed company registered in Finland, with its headquarters located in Espoo, Finland. Basware Group (“Basware” or “the Group”) is comprised of the parent company Basware Corporation and its Finnish and foreign subsidiaries. Decision-making and governance of the Group comply with the Company's Articles of Association, the Finnish Companies Act, and other applicable legislation. In addition, the Company complies with the Nasdaq Helsinki Ltd's Guidelines for Insiders. The Company's subsidiaries comply with local legislation.

This Corporate Governance Statement has been composed in accordance with Chapter 7, Section 7 of the Finnish Securities Markets Act and the reporting requirements of the Finnish Corporate Governance Code 2020 issued by the Finnish Securities Market Association (available at www.cgfinaand.fi/). Basware complies with the Code.

The Corporate Governance Statement is issued separately from the report of Board of Directors. Both the report and this

statement are included in the Company's annual report, which is available at Basware [investor website](http://investor.basware.com). This Corporate Governance Statement has been reviewed at the meeting of the Audit Committee of Basware's Board of Directors on November 23, 2020.

DESCRIPTION OF THE COMPANY'S GOVERNANCE

The General Meeting of Shareholders, Board of Directors and CEO are responsible for the management of Basware Corporation and their tasks are determined as specified in the Finnish Companies Act. The CEO is responsible for Group-level operational activity, assisted by the Group's Executive Team.

Annual General Meeting

The Annual General Meeting is the highest decision-making body of the Company. The Annual General Meeting is arranged

once a year on the date determined by the Board of Directors and held within six (6) months of the end of the financial period. Extraordinary General Meetings can be arranged during the year, if necessary.

In accordance with the Articles of Association, the Annual General Meeting is held in a place determined by the Board of Directors, either in Espoo, Helsinki or Vantaa. The Annual General Meeting deals with and takes decisions on proposals to the Annual General Meeting and other matters in accordance with the Finnish Companies Act and the Company's Articles of Association, which are available at Company's investors pages.

A shareholder registered by the record date in the Company's list of shareholders maintained by Euroclear Finland Ltd have the right to attend the General Meeting.

In 2020, the Annual General Meeting was held in Espoo on June 4, 2020.

Board of Directors

In accordance with the Articles of Association, the Company's Board of Directors has a minimum of four (4) and a maximum of eight (8) regular members. The Board members are elected by the Annual General Meeting for one term of office at a time. The term of office begins at the end of the General Meeting that elected the Board and expires at the end of the first Annual General Meeting following the election. The Articles of Association place no restrictions on the power of the General Meeting to elect members for the Board of Directors. The Board of Directors elects a Chairman and a Vice chairman from among its members, and the Board of Directors is deemed to have a quorum present when more than half of its members are present.

The Board of Directors of Basware Corporation is responsible for the Company's management and the appropriate arrangement of its operations. The Board supervises the Company's operations and management and decides on significant matters concerning the company strategy, organization, financing and investments. The duties and responsibilities of the Board are defined primarily by the Articles of Association and the Finnish Companies Act. The Board annually ratifies rules of procedure that specify the meeting procedures of the Board and its tasks. The rules of procedure are published in its entirety on the Company's investors pages.

The Board of Directors assesses the independence of the board members and reports who are independent of the Company and who are independent of its significant shareholders. All current members of Board of Directors are independent of the Company and all members are independent of major shareholders.

Diversity Principles of the Board

The Board of Directors of Basware has in its meeting on December 13, 2016, defined and approved the diversity principles for the Board of Directors. The diversity principles can be found on the [Company's investors pages](#).

According to the diversity principles, both genders shall be represented on the Board of Directors and the aim of the Company is to strive towards an appropriately balanced gender distribution. The mix of diverse financial and technical backgrounds of Board Members and extensive international experience in various leadership and board positions gives good foundation to the diversity of the Board of Directors. The duration of office of the Board Members is also divided so that the mix of new and long-term Board members is balanced.

The educational backgrounds and experience of the Board members represent multiple disciplines and diversity, and several members also have experience in international business operations. Both genders are represented in Basware Board of Directors.

BOARD OF DIRECTORS ON DECEMBER 31, 2020

In 2020, Basware's Board of Directors had five members: Michael Ingelöf (Chair of the Board), Ilkka Sihvo (Vice Chair of the Board), Daryl Rolley, Asko Schrey, and Minna Smedsten.



Michael Ingelöf
(b. 1971)

- Chair of the Board of Directors
- Member of the Remuneration Committee and Member of the Audit Committee
- Swedish citizen
- Economics and Business Administration studies
- Entrepreneur and a private investor in Financial Technology and Venture Capital with several board memberships
- Board member at IAR Systems AB
- Independent of the company and its significant shareholders
- Own and controlled corporations' ownership: 7,000 shares



Ilkka Sihvo
(b. 1962)

- Vice Chair of the Board of Directors
- Chair of the Remuneration Committee
- Finnish citizen
- MSc in Economics and MSc in Technology (Engineering)
- CEO, Solaforce Oy and CEO Softaforce Oy
- Independent of the company and its significant shareholders
- Own and controlled corporations' ownership: 887,300 shares



Daryl Rolley
(b. 1967)

- Member of the Board of Directors
- Member of the Remuneration Committee
- US citizen
- BS in Chemical Engineering and MBA
- Chief Commercial Officer, PRX Global, Inc.
- Independent of the company and its significant shareholders
- Own and controlled corporations' ownership: 3,248 shares



Asko Schrey
(b. 1957)

- Member of the Board of Directors
- Member of the Audit Committee
- Finnish citizen
- MSc in Industrial Economics and LLM
- Board member at Accountor Group
- Independent of the company and its significant shareholders
- Own and controlled corporations' ownership: 7,854 shares



Minna Smedsten
(b. 1976)

- Member of the Board of Directors
- Chair of the Audit Committee
- Finnish citizen
- MSc in Economics
- CFO, Taaleri Plc
- Board member at VAPO OY and Havsfrun Investment AB
- Independent of the company and its significant shareholders
- Own and controlled corporations' ownership: 462

MEETINGS OF THE BOARD AND ITS COMMITTEES IN 2020

The Board meets generally on a monthly basis. Additional meetings are held when necessary. In 2020, the Board of Directors held 19 meetings, the Audit Committee 4 meetings and the Remuneration Committee 5 meetings.

MEMBERS	Independence of the Company	Independence of major shareholders	Board (Meeting attendance)	Audit Committee (Meeting attendance)	Remuneration Committee (Meeting attendance)
Ilkka Sihvo	Yes	Yes	Chair until June 4, 2020, Vice Chair as of June 4, 2020 (19/19)	Member, Chair as of June 4, 2020 (5/5)	Member, Chair as of June 4, 2020 (5/5)
Michael Ingelög	Yes	Yes	Vice Chair until June 4, 2020, Chair as of June 4, 2020 (19/19)	Member as of June 4, 2020 (1/2)	Chair until June 4, 2020, member (5/5)
Asko Schrey	Yes	Yes	Member (17/19)	Chair until June 4, 2020, member (4/4)	
Daryl Rolley	Yes	Yes	Member (19/19)	Member until June 4, 2020 (2/2)	Member (3/5)
Minna Smedsten (as of June 4, 2020)	Yes	Yes	Member as of June 4, 2020 (10/10)	Chair as of June 4, 2020 (2/2)	

Committees of the Board of Directors

The Board of Directors has established among its members the Audit Committee and the Remuneration Committee to assist the full Board in its work. Considering the scope and nature of Company's operations, as well as Board's working methods, it has not been deemed necessary to establish other committees.

Audit Committee

The Audit Committee will oversee the financial reporting process to ensure the balance, transparency and integrity of published financial information. The Committee will also review the effectiveness of the company's internal financial control and risk management systems, the Company's audit functions and the Company's process for monitoring compliance with laws and regulations affecting financial reporting and, if applicable, its code of business conduct. The Audit Committee works in accordance with its charter confirmed by the Board of Directors, and the Committee reports to the Board on each meeting. The charter is published in its entirety on the Company's investors pages.

The Audit Committee consists of a minimum of three (3) members of the Board. The Board elects the members and the Chair of the Audit Committee from among its members at the organizational meeting for a term of one (1) year. The majority of the members of the Audit Committee shall be independent of the Company and at least one (1) member shall be independent of significant shareholders. Each member shall have the qualifications necessary to perform the responsibilities of the Committee and at least one (1) member must have accounting or auditing expertise.

Audit committee in 2020

In 2020, the Audit committee consisted of three (3) members of the Board of Directors: Asko Schrey was elected as the Chair (until June 4, 2020) and Daryl Rolley as the member of the Committee (until June 4, 2020). Minna Smedsten has acted as the Chair of the Audit Committee from June 4, 2020 and Asko Schrey and Michael Ingelög as members of the Committee.

The Audit Committee meets at minimum four (4) times during its term and additionally as necessary. In 2020 the Audit Committee has held four (4) meetings and one (1) meeting still during its term in January 2021.

Remuneration Committee

The Remuneration Committee will prepare the nomination of the CEO and shall identify successor candidates. The Committee further discusses with CEO and gives guidance on Executive Team member appointments and succession.

The Committee evaluates the activities of CEO and Executive Team, prepares salaries and other benefits of the company's CEO, gives guidance to CEO on Executive Team members' salaries and benefits and overall prepares matters concerning the company's compensation schemes, including planning of share-based, option-based and other incentive schemes.

The Remuneration Committee works in accordance with its charter confirmed by the Board of Directors, and the Committee reports to the Board on each meeting. The charter of the Remuneration Committee is published in its entirety on the Company's investors pages.

The Committee will comprise of at least two (2) members. The Board shall appoint the Committee members and the Chair of the Committee for a term of one (1) year at its organizational meeting. The majority of members shall be independent of the Company and at least one (1) member shall be independent of significant shareholder. Each member shall have the qualifications necessary to perform the responsibilities of the Committee.

Remuneration committee in 2020

In 2020, the Remuneration Committee consisted of three (3) members of the Board of Directors: Michael Ingelög was elected as the Chair and Ilkka Sihvo as the member of the committee. Ilkka Sihvo has acted as the Chair from June 4, 2020 and Michael Ingelög and Daryl Rolley as members of the Committee.

Meetings shall convene as necessary by invitation of its chair or the request of the Board of Directors or the CEO. In 2020, the Remuneration Committee held five (5) meetings.

Shareholders' Nomination Board

The Annual General meeting, held on March 15, 2016, decided to establish a permanent Shareholders' Nomination Board in accordance with the proposal of the Board of Directors.

The Nomination Board shall be responsible for preparing and presenting proposals covering the remuneration and number of members of the Company's Board of Directors as well as the proposal on the members of the Board of Directors to Annual General Meeting and, where needed, to an Extraordinary General Meeting. The Nomination Board shall also be responsible for identifying successors for existing Board members.

The Nomination Board consists of four (4) members, three (3) of which are appointed by the Company's three (3) largest shareholders. The chair of the Company's Board of Directors serves as the fourth member.

The Company's largest shareholders entitled to appoint members to the Nomination Board shall be determined annually on the basis of the registered holdings in the Company's shareholders' register held by Euroclear Finland Ltd as of the first weekday in September in the year concerned, or on the basis of separate shareholding information presented by nominee registered shareholders.

As regards individual persons as shareholders, their direct ownership and ownership of corporations over which he/she exercises control as well as ownership of his/her spouse and children, will be taken into account in the determination. If a shareholder who has distributed his/her holdings e.g. into several funds and has an obligation under the Finnish Securities Markets Act to take these holdings into account when disclosing changes in share of ownership makes a written request to such effect to the Chair of the Board of Directors no later than on the weekday prior to the first weekday in September such shareholder's holdings in several funds or registers will be combined when calculating the shares which determine the nomination right. A nominee registered share-

holder shall, within the same time limit, present to the Chair of the Company's Board of Directors a sufficient evidence on the amount of shareholding of such nominee registered shareholder as well as a request that such shareholding would be taken into account in connection with the appointment of Nomination Board members.

The Chair of the Company's Board of Directors shall request each of the three (3) largest shareholders established on this basis to appoint one (1) member to the Nomination Board. In the event that a shareholder does not wish to exercise their right to appoint a member, it shall pass to the next-largest shareholder that would not otherwise be entitled to appoint a member. In case two (2) shareholders have an equal number of shares and votes and the representatives of both such shareholders cannot be appointed to the Nomination Board, the decision between them shall be made by drawing lots.

The Nomination Board serves until further notice, unless the General Meeting decides otherwise. Its members shall be elected annually and their term of office shall end when new members are elected to replace them.

Composition of the Shareholders' Nomination Board in 2020

In 2020, the Nomination Board consisted of the following members:

- David Bateman, Arrowgrass Capital Partners, Major shareholder of Basware
- Brian Nelson, Partner and Portfolio Manager at Long Path Partners LP, Major shareholder of Basware
- Robert Blatt, Senior Analyst at Briarwood Chase Management LLC, Major shareholder of Basware
- Michael Ingelög, Chair of Basware's Board of Directors

MEMBERS

- David Bateman
 - Brian Nelson
 - Robert Blatt
 - Michael Ingelög
- Chair (6/6)
- Member (6/6)
- Member (6/6)
- Member (6/6)

Shareholders Nomination Board (Meeting attendance)

CEO and Executive Team

The Board of Directors appoints the CEO. The CEO oversees the management of the Company's business operations and governance in accordance with the Articles of Association, the Finnish Companies Act and the instructions given by the Board. Pursuant to Finnish Companies Act, as his general duties, the CEO is responsible for arranging the executive management of the company in accordance with the instructions and orders given by the Board of Directors. Further, according to the Finnish Companies Act, the CEO is responsible for arranging that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

The Executive Team supports the CEO in managing the Company's business, but it does not have any authority based on legislation or the Articles of Association. The Executive Team comprises of the CEO (Chair) and persons appointed at the proposal of the CEO.

All Basware Executive Team members report to the CEO of Basware Corporation.

EXECUTIVE TEAM ON DECEMBER 31, 2020



Mikael Andersen
(b. 1964)

- Chief Executive Officer
- Danish citizen
- MSc in Engineering.
- Key professional experience:
- Executive Vice President, Global Engineering, Itiviti AB, 2015-2018
- Senior Vice President, SimCorp, and Managing Director of SimCorp Coric Ltd, 2014-2015
- Senior Vice President, SimCorp, and Managing Director of SimCorp UK Ltd, 2008-2014
- Own and controlled corporations' ownership: 10,655 shares



Martti Nurminen
(b. 1979)

- Chief Financial Officer
- Finnish citizen
- MSc in Finance
- Key professional experience:
- Chief Financial Officer, Solteq Plc, 2018-2019
- Chief Financial Officer, Affecto Plc, 2016-2017
- Finance director, Johnson Controls Inc, 2013-2015
- Group Controller, IBM Global Technology Services (GTS) Europe, 2011-2012
- Own and controlled corporations' ownership: 0 shares



Jane Broberg
(b. 1966)

- Chief Human Resources Officer
- UK citizen
- Business studies
- Key professional experience:
- Vice-president, Global HR, Basware, 2013-2015
- HR Director Europe - Global Professional Services, Basware, 2010-2013
- Senior Programme Lead Capability & Resource, BP Plc, 2008-2010
- Senior HR Manager - Professional Services, SAP UK Ltd, 2006-2008
- Own and controlled corporations' ownership: 4,554 shares



Lars Madsen
(b. 1974)

- Chief Marketing Officer
- Danish citizen
- MSc in Business & Quality Management
- Key professional experience:
- Marketing Director, Canon UK & Ireland, 2014-2016
- Program Director - EMEA Corporate Transformation Programme, Canon Europe, 2014-2014
- Business Strategy & Development Director EMEA, Canon Europe, 2009-2014
- Strategic Planning Manager EMEA, Canon Europe, 2007-2009
- Own and controlled corporations' ownership: 6,968 shares

EXECUTIVE TEAM ON DECEMBER 31, 2020



Perttu Nihi
(b. 1974)

- Chief Product Officer
- Finnish citizen
- MSc in Engineering
- Key professional experience:
 - Senior Vice President, Head of Products, Basware, 2019 - 2020
 - Vice President, Product Management, Basware, 2014 - 2019
 - Vice President, Strategy, Basware, 2012 - 2014
 - Manager, August Associates, 2011 - 2012
 - Head of Strategy/Operations, Nokia MeeGo Computers, 2009 - 2011
- Own and controlled corporations' ownership: 1,262 shares



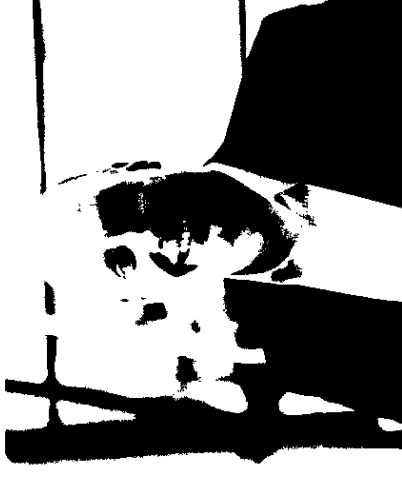
Mogens Pedersen
(b. 1969)

- Chief Technology Officer
- Danish citizen
- MSc in Engineering
- Key professional experience:
 - Head of Cloud Centre of Excellence, SimCorp Denmark, 2018-2020
 - Head of Technology and Architecture, SimCorp Denmark, 2012-2018
 - Head of System Environment, SimCorp Denmark, 2007-2012
 - Head of Product Support, SimCorp Denmark, 2004-2007
 - Head of Fund Accounting, SimCorp Germany, 2001-2004
- Own and controlled corporations' townership: 1,000 shares



Paul Taylor
(b. 1957)

- Chief Revenue Officer
- UK citizen
- Business studies
- Key professional experience:
 - Senior Vice President International Business, AspenTech, 2008-2016
 - Vice President & General Manager EMEA, Borland, 2006-2008
 - Senior Vice President Worldwide Sales Ops, Vitria Technology, 2002-2006
 - Senior Vice President & General Manager EMEA, Commerce One, 1999-2002
- Own and controlled corporations' ownership: 7,559 shares



Jussi Vasama
(b. 1974)

- Chief Customer Officer
- Finnish citizen
- MSc in Technology
- Key professional experience:
 - Country Manager, Finland & Vice-president, Customer Services, Basware, 2014-2017
 - Vice-president, Post-Delivery Services, Basware, 2013-2014
 - Vice-president, Extended Support, Basware, 2012-2013
 - Director, Extended Professional Services, Basware, 2010-2012
- Own and controlled corporations' ownership: 4,472 shares

DESCRIPTION OF INTERNAL CONTROL PROCEDURES AND THE MAIN FEATURES OF RISK MANAGEMENT SYSTEMS

Overview of the risk management systems

Risk management is an integral part of internal control. The Group's risk management is guided by legal requirements, business requirements set by the shareholders as well as the expectations of customers, personnel and other important stakeholders. Risk management refers to identification, assessment, measurement, monitoring and mitigating of risks that are fundamentally related to or part of the Company's business.

The aim of the risk management is to identify the risks relevant to the Company's business operations and to define the measures, responsibilities and time schedules required for effective risk management. The risk management process is aligned with other governance and management processes and the results achieved are used systematically as part of operative planning.

Risk management is carried out and risks are reported in accordance with the Company's risk management process. The evaluations of risks are performed annually and risks and activities are being followed up on periodically in Board and Audit Committee meetings.

The steering and monitoring of business operations is based on the reporting and business planning system covering the entire Group. The CEO and the CFO give both the Board and the Executive Team meetings presentations of the Group's situation and development in monthly reports.

Overview of the Company's internal control

The aim of internal control and risk management is to ensure that the Company's operations are efficient and productive, that information is reliable, and that regulations and operating principles are followed throughout the Group.

Main features of the Company's internal control framework

The Board is responsible for internal control and the Board's Audit Committee is responsible for monitoring the efficiency of the Company's internal control, internal audit, and risk management systems. The Board shall ensure that the Company has determined operating principles for internal control and that the Company monitors the effectiveness of the control procedures. Moreover, the Board shall ensure that planning, information and control systems used for risk management are sufficient and support the Company's business objectives. The CEO and the CFO are responsible for the practical arrangement of control procedures.

The Group's centralized finance function and group accounting as well as controlling function, operating under the CFO, are responsible for the overall control system for financial reporting. Harmonized methods of financial reporting are applied in all Group companies, utilizing a uniform ERP system and harmonized account scheme, and also software for

electronic procurement management, purchase invoices and travel expense reports and financial management. The entire Group applies International Financial Reporting Standards (IFRS) in its financial reporting.

Main features of the monitoring mechanisms for the Company's operations and controls

Monitoring refers to the process to assess Basware's internal control system and its performance in the long term. Basware also continuously monitors its operations through various assessments, such as internal and external audits. Basware's management monitors internal control as part of routine management work. The business management is responsible for ensuring that all operations comply with applicable laws and regulations. The Group's financial and controller functions monitor compliance with the financial reporting processes and control. The financial and controller functions also monitor the correctness of external and internal financial reporting. The Board of Directors assesses and ensures the appropriateness and effectiveness of Basware's internal control and risk management.

Operating principles for internal control

The correctness and reliability of financial reporting are ensured through compliance with the Group policies and guidelines. Controls that ensure the correctness of financial reporting include controls related to accounting transactions, controls related to the selection of and compliance with the accounting principles, information system controls and fraud controls. The high automation rate of the Group's shared information systems and the systems' integrated control points facilitate an efficient internal control process with an audit trail for financial reporting. The Group's centralized finance functions continuously develop global reliable, harmonized, scalable and efficient operating methods.

The result of business operations and attainment of annual goals is assessed monthly by the Executive Team and approximately monthly in Board meetings. Monthly management and Board reporting include both actual and forecast data compared to the goals and actual results of previous periods. Financial reports generated for use by the business management monitor certain key indicators associated with the business progress on a regular basis.

Internal control and management reporting

The internal control processes include internal guidelines, reporting, various technical systems and procedures relating to operations. They help ensure that management directives are followed and that activities are taken to achieve the Group's objectives. The daily tasks include management reviews and audits and operational reviews and audits, carrying out checks that are suitable for each function, country or business area.

The purpose of management reporting is to produce aptly timed and essential information for making decisions. The controlling function provides the guidelines on monthly reporting for the entire organization and is in charge of special reporting instructions associated with forecasting. The Group's financial administration internally distributes information on financial reporting-related processes and procedures on a regular basis and the personnel perform their internal control tasks according to such information. When necessary, financial administration also arranges targeted training for the rest of the organization on the procedures associated with financial reporting and changes in them.

The Group's Investor Relations function maintains the guidelines on the disclosure of financial information in cooperation with financial administration and the legal department.

OTHER INFORMATION TO BE PROVIDED IN THE CORPORATE GOVERNANCE STATEMENT

Overview of the Company's internal audit

The Company does not have its own separate internal audit function. Internal audits are performed by external expert advisor, selected and appointed by the Board of Directors annually. Internal audit assists the Board of Directors and Audit Committee in assessing and ensuring the appropriateness and effectiveness of Basware's internal control and risk management. Internal audits are performed for the Group's functions and units. Internal audits are performed annually based on a long-term internal audit plan. The long-term internal audit plan is approved by the Board of Directors. The management and Board of Directors review the observations and recommendations of the internal audits.

Decision making procedure for related party transactions

The Company has a process for identifying parties that are related to the Company and maintaining a list of such parties. The Company continuously assesses and monitors related party transactions. The Company evaluates and monitors transactions to be concluded between the Company and its related parties to ensure that any conflicts of interest are duly taken into account in the Company's decision-making. Any related party transactions are only entered into, when they are useful to the Company on the whole and serve the interests of the Company. Decisions on entering into related party transactions shall always be based on careful preparatory work. Any preparatory work, decision-making, and the evaluation and approval of individual transactions is subject to disqualifying potentially conflicted persons from such work.

Related party transactions are appropriately identified and followed up by the Company's Audit Committee and reported in accordance with the Company's reporting practices.

Main procedures relating to insider information

In insider matters, Basware complies with the applicable legislation, the standards of the Finnish Financial Supervisory Authority as well as Nasdaq Helsinki's Guidelines for Insiders. Basware Board of Directors has confirmed specific Inside Information and Insider Trading Policy complementing applicable legislation, standards of the Finnish Financial Supervisory Authority and Nasdaq Helsinki's Guidelines. Inside information refers to all information of a precise nature, which has not been made public and relates, directly or indirectly, to one or more issuers or to one or more financial instruments and which, if made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments. Basware discloses any possible inside information concerning the Company as soon as possible as a stock exchange release. However, the Company may, on its own responsibility and on a case-by-case basis, delay disclosure of inside information to the public in accordance with the conditions outlined in the Market Abuse Regulation (EU) No 596/2014). Should the Company decide to delay disclosure, the Company documents and continuously monitors the preconditions of delayed disclosure. The Company notifies the Finnish Financial Supervisory Authority of the delayed disclosure immediately after the information has been publicly disclosed.

Basware does not maintain a list of permanent insiders, but establishes project-specific insider lists following the identification of a specific issue as inside information by the Company's Board of Directors and the Board's decision to establish an insider list relating to the identified issue.

Discharging responsibilities

Persons discharging managerial responsibilities in the Company may not trade in any financial instruments in the company during a closed period of 30 calendar days before the announcement of the Company's half-year report, annual financial statements, or Q1 and Q3 interim reports. In addition to persons discharging managerial responsibilities in the Company, the trading restriction applies to the Company's employees with access to management reporting and employees participating in the preparation, drawing-up, and disclosure of the company's financial reports.

Audit

The Company's audit shall be performed by an authorized auditor or audit firm. The Audit Committee makes a recommendation to the Board, who is responsible for making a formal proposal to the Annual General Meeting of for audit firm to be selected. The audit firm selected has overall responsibility for co-ordination of audits for the whole group (audit plans for each Group company) and their cost, together with the CFO of Basware Corporation. Moreover, if required, a local authorized audit firm can be selected to carry out the audit required by local legislation with a prior approval by the CFO.

The Annual General Meeting elects an authorized auditor as the Company's auditor. In 2020, Authorized Public Accountant Firm Ernst & Young Oy was elected as the Company's auditor, with Terhi Mäkinen, Authorized Public Accountant, as the principal auditor. The auditor's term expires after the conclusion of the next Annual General Meeting following the election.

In 2017 Basware's Audit Committee conducted a competitive procurement process of the company's audit in accordance with the EU Audit Regulation. According to the evaluation of the Audit Committee, of the tenderers Ernst & Young Oy best fulfilled the selection criteria that had been determined in advance. In addition to the knowledge and competences, the Committee considered the quality and expense risk related to the change of the auditor and, on the other hand, the integrity of the auditor. Ernst & Young were first appointed as auditors by the Annual General Meeting on February 14, 2008.

In 2020, the auditor was paid remuneration for audit services EUR 258 thousand and for non-audit services EUR 4 thousand.

REMUNERATION REPORT 2020



INTRODUCTION

Basware's remuneration policy for governing bodies was presented to the Annual General Meeting on June 4th, 2020 and it was resolved to approve. The remuneration policy was complied with in the remuneration of management throughout the financial year 2020, also in the remuneration of two new members of the Basware Executive Team in autumn 2020.

Basware's remuneration is targeted to promote Basware's business strategy and long-term financial success. Basware's performance management ensures the alignment of actions with strategy and the remuneration encourages employees to create value for the company and its shareholders.

The performance measures of the incentive plans are linked to the execution of the business strategy and creating long-term shareholder value. Alignment of interest between executive management and shareholders is supported through long-term incentive programs with stock awards. For alignment of interest, also members of Board of Directors receive part of their compensation in shares until their ownership of shares equals 5,000 shares.

In 2020, there were no deviations from the remuneration policy, nor any clawback of remuneration in 2020. Pursuant to the new Finnish Corporate Governance Code 2020 for Listed Companies published by the Finnish Securities Market Association, the remuneration report from the financial year 2020 is the first one to be presented for the advisory vote of the general meeting. Any actions arising from the advisory vote will be taken into account and reported in the remuneration report 2021.

The table below shows the comparison of the development of the fees of the board of directors and managing director to the development of the average remuneration of employees

and to the company's financial development over the preceding five financial years (2016-2020):

EUR THOUSAND	2020	2019	2018	2017	2016
Remuneration of BoD	298	311	234	209	196
% of Net Sales	0.20%	0.21%	0.17%	0.14%	0.13%
Remuneration of CEO	519	1,190	486	426	493
% of Net Sales	0.34%	0.80%	0.34%	0.29%	0.33%
Remuneration of employees, average	56.7	57.4	47.8	45.0	48.4
% of Net Sales	0.037%	0.039%	0.034%	0.030%	0.033%
Staff remuneration, total	75,577	77,488	80,048	82,663	87,623
% of Net Sales	49.9%	52.3%	56.6%	55.4%	59.0%
Net Sales	151,579	148,302	141,417	149,167	148,580
Growth of Net Sales, %	2.2%	4.9%	-5.2%	0.4%	3.6%
Number of employees, average	1,334	1,349	1,676	1,838	1,811
Change in number of employees, %	-1.1%	-19.5%	-8.8%	1.5%	13.8%
CEO-to-employee pay ratio	6.9-to-1	6.04-to-1	5.81-to-1		

Notes:

Remuneration of 2 CEOs in 2019 and 2016

2019: Vesa Tykkyläinen (until March 10, 2019) 836 and Klaus Andersen (from March 11, 2019) 354

2016: Esa Tihlilä (until 25 September 2016) 403 and Vesa Tykkyläinen (from 26 September 2016) 90

2019 outsourcing of services to Xerox with significant impact on headcount and average employee remuneration

Increase in BoD remuneration from 2019 driven by higher number of meetings, in particular due to establishment of Remuneration and Audit committee

Staff and employee remuneration= Total cash and share-based remuneration excluding BoD, CEO and Executive Team

Management of remuneration

The General Meeting decides on the remuneration paid to the Board of Directors based on the proposal by the Shareholders' Nomination Board.

The Board of Directors decides on the compensation principles of the top management, as well as the service terms and conditions of the CEO, specified in writing. The Board annually approves the personnel incentive scheme. When shares, options, or other special rights entitling to shares are issued as part of the remuneration, the decisions are by the Board of Directors pursuant to an authorisation from the General Meeting.

The Remuneration Committee prepares the nomination of the CEO and shall identify successor candidates. The Committee further discusses with CEO and gives guidance on Executive Team member appointments succession. The Committee evaluates the activities of CEO and Executive Team, prepares salaries and other benefits of the company's CEO, gives guidance to CEO on Executive Team members salaries and benefits, and overall prepares matters concerning the company's compensation schemes, long-term incentive schemes, including planning of share-based, option-based, and other incentive schemes.

Remuneration decision-making process as per the approved remuneration policy

Annual General Meeting

- Makes an advisory resolution on remuneration policy
- Decides on Board and Committee remuneration based on the proposal by the Shareholders' Nomination board

Board of Directors

- Decides on CEO remuneration based on the proposal of the Remuneration Committee
- Approves company's short-term and long-term incentive plans

Shareholders' Nomination Board

- Prepares proposal on BoD and committee remuneration

Remuneration Committee

- Prepares remuneration related matters and proposals for the Board and reviews company's compensation structure

Remuneration of the Board of Directors

The General Meeting decides on the remuneration paid to the Board of Directors.

The Annual General Meeting resolved on June 4, 2020, to compensate the members of the Board according to the following:

members of the Board of Directors and committee members EUR 31,350 per year;
Vice Chair of the Board of Directors and the Chairs of Committees EUR 36,480 per year and
Chair of the Board of Directors EUR 62,700 per year.

In addition, Chair of the Board of Directors and its committees shall receive EUR 855 per attended meeting and members of the Board of Directors and its committees EUR 570 per attended meeting. Further, a member of Board of Directors or a committee member, whose travel to the Board or committee meeting requires international travel time of over 6 hours but

less than 12 hours, shall be paid an additional remuneration of EUR 1,000 per attended meeting. Similarly, should the travel time of a member of Board or committee member to attend a meeting involve intercontinental travel and exceed 12 hours, an additional remuneration of EUR 3,000 per attended meeting will be paid.

Out of the annual remuneration to be paid to the Board members, 40 percent of total gross compensation amount will be used to purchase Basware Corporation's shares at trading on regulated market organized by Nasdaq Helsinki Ltd. However, this only applies to Board members whose ownership of Basware Corporation is less than 5,000 shares. The purchase of shares will take place as soon as possible after the decision by the Annual General Meeting. Shares received as remuneration may not be sold or otherwise transferred during a period of two (2) years. This restriction does not concern persons who are no longer Board members. Travel expenses of the members of the Board of Directors are reimbursed in accordance with the company's travel policy.

Annual remuneration and meeting related fees paid to Board members in 2020

	Annual fees	Meeting fees	Travel fees	Total remuneration	Number of shares delivered *)
Michael Ingelög	63	17		80	
Ilkka Sihvo	36	23		59	
Daryl Rolley	31	15	27	74	394
Asko Schrey	31	13		44	
Minna Smedsten (from June 4, 2020)	37			37	462
Tuija Soanjärvi (until August 21, 2019)		4		4	
Total	198	72	27	298	856

*) 40% of annual fees paid in shares, until ownership of shares equals 5,000 shares

Remuneration of the CEO and the Executive Team

Remuneration of the CEO

The Board decides on the service terms and conditions of the CEO, specified in writing. Currently CEO Klaus Andersen has:

- 3 months' period of notice and salary for the period of notice should the Company give notice, in addition to which he is entitled to severance pay equivalent of 12 months' fixed salary
- 3 months' period of notice and salary for the period of notice should the person resign himself, no additional compensation is paid
- 12-month prohibition of competition as of the termination of the service contract
- retirement age and pension benefits pursuant to the employment pension legislation in country of residence (Denmark)

The short-term remuneration of the CEO is comprised of salary, fringe benefits and a possible annual bonus based on performance. The CEO's long-term remuneration consists of a share-based incentive scheme.

The performance bonus percentage is not limited in the CEO's contract of employment. The current CEO's annual bonus on-target earning is 50% of annual salary. The annual bonus is determined on the basis of the attainment of goals related to the company's growth and profitability according to its

strategy as well as personal objectives. The Board of Directors monitors the fulfilment of the performance and result criteria of the incentive scheme twice a year and approves the bonus to be paid.

Total salaries and benefits of the CEO Klaus Andersen for the period January 1 - December 31, 2020 were EUR 519 thousand (EUR 354 thousand in March 11-December 31, 2019). Salary in money was EUR 410 thousand (EUR 318 thousand), including fringe benefits of EUR 19 thousand (EUR 15 thousand).

Andersen was paid a bonus of EUR 99 thousand from the financial year 2019 (EUR 5 thousand in 2019 from the financial year 2018).

In 2020, Andersen was given a total of 354 shares (1,500 shares in 2019) on the basis of the share-based incentive schemes. Of these, 177 shares (750 shares in 2019) were conveyed to Andersen, the value of which was approximately EUR 5 thousand (EUR 15 thousand) based on the average share price of the payment days, and EUR 5 thousand (EUR 16 thousand) was paid in cash to cover the withholding tax.

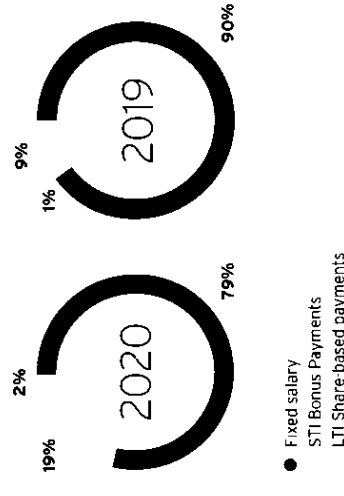
The accrued pension cost of Klaus Andersen amounted to EUR 61 thousand (EUR 35 thousand in March 11 - December 31, 2019). The CEO's pension plan is pursuant to the employment pension legislation.

In 2020, the total remuneration to CEO Klaus Andersen consisted of fixed salary 79 % (90 % in 2019) and variable salary 21 % (10%) of which 19 % (1 %) was paid on annual bonus plan and 2 % (9 %) on share-based incentive plan.

CEO Klaus Andersen Total Remuneration 2020 and 2019

EUR THOUSAND	2020	2019
Salary	391	303
Fringe benefits	19	15
Fixed Salary	410	318
STI Bonus payments	99	5
LTI Share-based payments	10	31
Total remuneration	519	354

CEO KLAUS ANDERSEN TOTAL REMUNERATION



Short-term incentive plan 2019 (paid in 2020) for CEO Klaus Andersen	Short-term incentive plan 2020 (payable in 2021) for CEO Klaus Andersen	
	Measure Total revenue Order intake new ARR Customer NPS, A&A+ score Employee engagement, BET leadership Net cashflow (excluding M&A and financing) EBIT Level of achievement Between minimum and target	Measure Total revenue Order intake new ARR Employee engagement Referenceable customers Free cashflow metric EBIT Level of achievement To be confirmed
Short-term incentive plan 2019 consisted of six measures, with weighting of 10-30 % each. The total level of achievement was between minimum and target. The accrued incentives for the year 2019 were paid in April 2020.	The short-term incentive plan for 2020 consisted of six measures, with weighting of 10-30 % each. The achieved performance of 2020 is evaluated and confirmed by the Board of Directors at the beginning of 2021. The accrued incentives for the year 2020 will be paid in April 2021.	
	Measure Relative Total Shareholder Return (TSR) Group's total revenue ARR order intake Level of achievement Between minimum and target	Measure Total revenue Group's total revenue ARR order intake Level of achievement To be confirmed
Long-term incentive plan - Performance Share Plan 2017-2019 (Performance Period 2018-2019) (paid in 2020) for CEO Klaus Andersen	Long-term incentive plan - Performance Share Plan 2017-2019 (Performance Period 2019-2020 (payable in 2021) for CEO Klaus Andersen	
	Measure Relative Total Shareholder Return (TSR) Group's total revenue ARR order intake Level of achievement Between minimum and target	Measure Total revenue Group's total revenue ARR order intake Level of achievement To be confirmed
The Performance Period 2018-2019 of Performance Share Plan 2017-2019 consisted of 3 measures. The total level of achievement was between minimum and target. The accrued incentives of the plan were paid in June 2020.	The Performance Period 2019-2020 of Performance Share Plan 2017-2019 consisted of 3 measures. The achieved performance of 2020 is evaluated and confirmed by the Board of Directors at the beginning of 2021. The accrued incentives of the plan will be paid in April 2021.	

Compensation of the Executive Team

The compensation principles of the top management are decided by the Board. The short-term remuneration of the top management consists of salary, fringe benefits and a possible annual bonus based on performance. The top management's long-term remuneration consists of a share-based incentive scheme. In principle, the bonus based on performance is no more than 50 percent of annual basic salary. The bonus is determined on the basis of the attainment of goals supporting to the company's growth and profitability according to its strategy and personal objectives. The Board of Directors monitors the fulfilment of the performance and result criteria of the incentive scheme twice a year and approves the bonus to be paid.

For the period January 1 - December 31, 2020, the members of Executive Team, excluding CEO, were paid in salaries and fringe benefits total of EUR 1,149 thousand (EUR 1,611 thousand in 2019). Salary in money was EUR 1,066 thousand (EUR 1,548 thousand in 2019) and fringe benefits totalled EUR 83 thousand (EUR 64 thousand in 2019). In addition, EUR 204 thousand (EUR 395 thousand in 2019) was paid as bonus payments and EUR 513 thousand (EUR 470 thousand in 2019) on the basis of the long-term incentive scheme.

Remuneration of Executive Team in 2020

EUR THOUSAND	Klaus Andersen	CEO	Other Executive Team Members	TOTAL
Salary	391		1,066	1,456
Fringe benefits	19		83	102
Fixed Salary	410		1,149	1,558
STI Bonus payments	99		204	303
LTI Share-based payments	10		513	523
Total remuneration	519		1,866	2,385

Long-term Incentive Scheme

For alignment of interest between executive management and the shareholders, the long-term remuneration of the top management consists of share-based incentive schemes, decided by the Board. The current share-based incentive schemes include matching share plans, restricted share plans and performance share plans.

Matching Share Plan 2017-2019

The Board of Directors resolved on March 1, 2017 to establish a matching share plan for 2017-2019 for Basware Executive Team members.

The prerequisite for receiving reward on the basis of the matching share plan was that the member of the Basware Executive Team in question acquired Basware shares. The Basware Executive Team member would, as a reward, receive matching shares for each share subject to the share ownership prerequisite after a matching period of three (3) years.

Receipt of matching shares was contingent on the continuation of employment or service upon reward payment and that the shares in question were still held by the member. The Board of Directors resolved that the rewards to be paid in aggregate to the Basware Executive Team on the basis of the matching share plan corresponded to the value of a maximum total of 75,000 Basware Corporation shares, including also the proportion to be paid in cash.

Members of Basware Executive Team had acquired or allocated a total of 7,752 Basware Corporation shares based on the plan. The rewards to be paid to Basware Executive Team members on the basis of the plan thus corresponded to a maximum of 15,504 Basware Corporation shares, including also the proportion to be paid in cash.

The plan ended in March 2020.

Matching Share Plan 2018-2020

The Board of Directors resolved on July 17, 2018 to establish a matching share plan for 2018-2020 for the Group's key employees.

The prerequisite for receiving reward on the basis of the matching share plan is that the plan member acquires Basware shares. The plan member will, as a reward, receive matching shares for each share subject to the share ownership prerequisite after a matching period of three (3) years. Receipt of matching shares is contingent on the continuation of employment or service and on the plan member holding the acquired shares upon reward payment.

The rewards to be paid in aggregate to plan members on the basis of the matching share plan correspond to the value of a maximum total of 77,714 Basware Corporation shares, including also the proportion to be paid in cash.

The Group's key employees acquired or allocated a total of 32,178 Basware Corporation shares based on the plan. The rewards to be paid to the key employees on the basis of the plan thus correspond to a maximum of 64,356 Basware Corporation shares, including also the proportion to be paid in cash.

At the end of 2020, the matching share plan included 34 key employees.

Restricted Share Plan 2017

The Board of Directors resolved on March 1, 2017 to establish a restricted share plan for 2017. The restricted share plan was directed to selected key employees at Basware. Receipt of the reward was contingent on the continuation of employment or service upon reward payment. The reward from the restricted share plan would be paid after a vesting period of one to three years.

The total rewards to be allocated on the basis of the plan amounted to a maximum of 20,000 Basware Corporation shares, including also the proportion to be paid in cash.

In June 2020, 1,000 shares were conveyed on a directed share issue related to the reward payment for the restricted share plan 2017. In October 2020, 1,000 shares were conveyed on a directed share issue related to the reward payment for the restricted share plan 2017. The rewards paid on the basis of the plan in 2020 corresponded to a total of 4,000 Basware Corporation shares, including also the proportion to be paid in cash.

The plan ended in 2020.

Performance Share Plan 2017-2019

The Board of Directors resolved on March 1, 2017 to establish a performance share plan for 2017-2019 for key employees.

The performance share plan includes three performance periods, calendar years 2017-2018, 2018-2019 and 2019-2020. The Board of Directors decides on the performance criteria and on the required performance levels for each criterion at the beginning of each performance period.

The potential reward for the performance period 2018-2019 was based on the Group's key performance measures in 2018. The rewards to be paid on the basis of the performance period 2018-2019 corresponded to the value of a maximum total of 116,950 Basware Corporation shares, including also the proportion to be paid in cash. The plan was directed to approximately 75 key employees, including the members of the Basware Executive Team.

In June 2020, 8,069 shares were conveyed on a directed share issue related to the reward payment for the performance period 2018-2019 of the performance share plan 2017-2019, closing the performance period 2018-2019 of the plan. The rewards paid on the basis of the plan in 2020 corresponded to a total of 16,135 Basware Corporation shares, including also the proportion to be paid in cash.

The potential reward for the performance period 2019-2020 is based on the Group's key performance measures in 2019. The rewards to be paid on the basis of the performance period 2019-2020 correspond to the value of a maximum total of 60,225 Basware Corporation shares, including also the proportion to be paid in cash. The plan is directed to approximately 45 key employees, including the members of the Basware Executive Team.

At the end of 2020, the performance share plan included 44 key employees for the performance period 2019-2020.

Performance Share Plan 2020-2021

The Board of Directors resolved on December 18, 2019 to establish a performance share plan for 2020-2021 for key employees.

The Performance Share Plan includes one performance period, calendar years 2020-2021.

The Board of Directors have resolved on the performance criteria at the required performance levels for each criterion. The plan is directed to approximately 45 key employees, including the members of the Basware Executive Team.

The potential reward from the performance period 2020-2021 will be based on the company's 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).

At the end of 2020, the performance share plan included 53 key employees.

Restricted Share Plan 2020

The Board of Directors resolved on December 18, 2019 to establish a restricted share plan 2020. The restricted share plan is directed to selected for selected key contributors in key markets. Receipt of the reward is contingent on the continuation of employment or service upon reward payment.

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

At the end of 2020, the restricted share plan included 3 key employees.

* Maximum amount of the plan is 320 000 shares (gross), 10% forfeiture rate is assumed before vesting date

Financial Statements

Report of the Board of Directors

Consolidated Statement of Comprehensive Income (IFRS)	1
Consolidated Statement of Financial Position (IFRS)	2
Consolidated Statement of Cash Flows (IFRS)	3
Consolidated Statement of Changes in Equity (IFRS)	4
Notes to the Consolidated Statements (IFRS)	5
Parent Company Income Statement (FAS)	6
Parent Company Statement of Financial Position (FAS)	7
Parent Company Cash Flows (FAS)	8
Notes to the Parent Company Financial Statements (FAS)	9
Auditor's Report	10

Key Figures

Share Indicators

Calculation of Key Indicators

Share and Shareholders

For Shareholders



REPORT OF THE BOARD OF DIRECTORS: JANUARY 1 – DECEMBER 31, 2020

Basware offers the largest open business network in the world and is the global leader in providing networked purchase-to-pay solutions and e-invoicing services. Basware's technology empowers organisations with 100% spend visibility by enabling the capture of all financial data across procurement, finance, accounts payable and accounts receivable functions. Basware is a global company doing business in more than 100 countries and is traded on the Helsinki exchange.

Basware's results in 2020

in millions

EUR THOUSAND	2020	2019	Change, %
Net sales	151,579	148,302	2.2
Cloud revenue	110,312	101,442	8.7
Cloud ARR order intake	19,250	23,694	-18.8
EBIT	4,667	-14,537	
EBITDA	20,207	1,403	
Gearing, % ¹	53.0	48.9	8.4
Cash and cash equivalents ¹	40,461	31,672	27.8
Cash flows from operating activities	25,252	4,159	
Free cash flow metric	-6,590	-23,829	72.3
Earnings per share, diluted, EUR	-0.51	-1.63	68.8
Personnel ¹	1,336	1,325	0.8

¹ At the end of the period.

Net sales

NET SALES BY REVENUE TYPE, EUR THOUSAND	2020	2019	Change, %
Cloud	110,312	101,442	8.7
Consulting	26,875	24,962	7.7
Maintenance, license and other	14,392	21,899	-34.3
Total	151,579	148,302	2.2

NET SALES BY CUSTOMER LOCATION, EUR THOUSAND

	2020	2019	Change, %
Americas	35,013	31,796	10.1
Europe	52,176	50,687	2.9
Nordics	56,428	57,441	-1.8
APAC	7,962	8,379	-5.0
Total	151,579	148,302	2.2

Basware's net sales for the year 2020 amounted to EUR 151,579 thousand (EUR 148,302 thousand), an increase of 2.2 percent. This equated to 3.2 percent organic growth at constant currencies.

In 2020 cloud revenue amounted to EUR 110,312 thousand (EUR 101,442 thousand), an increase of 8.7 percent. This equated to 9.8 percent organic growth at constant currencies. The cloud revenue growth rate was negatively impacted by the change in transaction volume mix towards more electronic invoicing and less paper invoicing as a result of the Covid-19 situation. Basware has not continued some non-strategic SaaS contracts which increased the cloud churn rate, and which also has an effect on the cloud revenue growth rate. Cloud revenues accounted for 73 percent (68%) of total revenue.

Consulting revenues amounted to EUR 26,875 thousand (EUR 24,962 thousand), an increase of 7.7 percent. This equated to 8.8 percent organic growth at constant currencies.

Maintenance, license and other revenue declined in line with expectations as Basware transitions customers to the cloud. Maintenance, license and other revenue amounted to EUR 14,392 thousand (EUR 21,899 thousand), a decrease of 34.3 percent. This equated to 33.6 percent organic decrease at constant currencies.

Americas accounted for 23.4 percent (21.4%), Europe 34.8 percent (34.2%), Nordics 37.0 percent (38.7%) and Asia-Pacific area for 4.9 percent (5.6%) of total revenues. A list of Basware Corporation's subsidiaries is in Note 26 of the Financial Statements.

Cloud

EUR THOUSAND	2020	2019	Change, %
Cloud	19,250	23,694	-18.8

Basware's total cloud annual recurring revenue (ARR) gross order intake in 2020 amounted to EUR 19,250 thousand (EUR 23,694 thousand), a decrease of -18.8 percent. This equated to 19.6 percent decline on an organic constant currency basis. Due to the economic uncertainty caused by the pandemic, there continued to be some cautiousness from especially new enterprise customers in starting large IT projects. This had a negative impact on new customer acquisition and therefore on the order intake.

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.

Operating profit/loss

EUR THOUSAND	2020	2019	Change, %
Net sales	151,579	148,302	2.2
Cost of sales	-65,941	-71,493	-7.8
Gross profit	85,638	76,810	11.5
Sales and marketing	-40,001	-45,190	-11.5
Research and development	-25,930	-26,815	-3.3
General and administration	-14,096	-14,572	-3.3
Total operating expenses	-80,027	-86,577	-7.6
Other operating income and expenses	-944	-4,770	-80.2
Operating profit/loss	4,667	-14,537	

Basware's profitability development was positive throughout the year. In 2020 Basware's operating profit was EUR 4,667 thousand (EUR -14,537 thousand).

In 2020, cost of sales amounted to EUR -65,941 thousand (EUR -71,493 thousand), a decrease of 7.8 percent.

Out of total operating expenses, sales and marketing expenses decreased 11.5 percent, research and development expenses decreased 3.3 percent and general and administration expenses decreased 3.3 percent. Sales and marketing costs reduced in comparison to 2019 as a result of actions taken due to Covid-19.

Basware's loss before tax was EUR -6,985 thousand (EUR -23,663 thousand) and loss for the financial year EUR -7,329 thousand (EUR -23,440 thousand). Taxes for the year impacted the result by EUR -345 thousand (EUR 223 thousand).

Diluted earnings per share were EUR -0.51 (EUR -1.63).

Adjusted operating profit/loss and adjusted EBITDA

EUR THOUSAND	2020	2019	Change, %
Operating profit/loss	4,667	-14,537	
Adjustments:			
Acquisition, disposal and restructuring income (-) and expenses (+)	-301	1,009	
Efficiency related expenses	453	2,772	-83.7
Total adjustments	152	3,781	-96.0
Adjusted operating profit/loss	4,819	-10,756	
Depreciation and amortization	15,540	15,941	-2.5
Adjusted EBITDA	20,359	5,185	
% of net sales	13.4	3.5	

Cash flows, financing and investments

Cash flows from operating activities were EUR 25,252 thousand (EUR 4,159 thousand). The improvement was driven by higher profitability and improved working-capital practices in 2020.

Basware's cash and cash equivalents including short-term deposits were EUR 40,461 thousand (EUR 31,672 thousand) at the end of the year.

Basware's total assets on the balance sheet at the end of the year were EUR 224,862 thousand (EUR 224,581 thousand). Net cash flows from investments were EUR -9,464 thousand (EUR -10,541 thousand).

The equity ratio was 36.7 percent (41.9 %) and gearing 53.0 percent (48.9 %). The company's interest-bearing liabilities excluding leasing liabilities EUR 68,837 thousand (EUR 60,885 thousand), of which current liabilities accounted for EUR 2,173 thousand (EUR 1,996 thousand). The return on investment was 3.1 percent (-8.6%) and return on equity -8.3 percent (-22.9%).

Free cash flows, 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 published free cash flow metric on a quarterly basis to enable investors to track the progress towards the expectation that Basware reaches positive free cash flow on a run-rate basis by the end of 2020. The definition for free cashflow metric is disclosed in Definition of Alternative Performance Measures.

EUR THOUSAND	2020	2019	Change, %
EBITDA	20,207	1,403	
Capitalizations	-9,877	-10,617	-7.0
Finance expenses	-12,271	-9,091	35.0
Taxes, excl. deferred taxes	-951	-1,341	-29.1
Payment of lease liabilities	-4,257	-4,372	-2.6
Share based compensation, share part	560	188	
Free cash flow metric	-6,590	-23,829	72.3

The free cash flow metric amounted to EUR -6,590 thousand (EUR -23,829 thousand) in 2020.

The free cash flow metric improved in comparison to 2019 mainly due to improved profitability.

Research and development

In 2020 Basware's research and development focused on improving scalability in networked AP solution and user experience in Procurement. In addition, Basware developed its data platform and REST API-based integrations.

In general, the focus of Basware's R&D activities is to strengthen the networked Purchase-to-Pay offering by extending the business coverage and the underlying system intelligence with AI in addition to continuous development of an integrated user experience across the individual business solutions.

In 2020 Basware's research and development investments including capitalizations but excluding amortizations were EUR 24,819 thousand (EUR 27,967 thousand). Research and development investments were 16.4 percent (18.9%) of net sales in 2020. A total of 273 (283) people worked in research and development at the end of 2020.

Personnel

PERSONNEL ON AVERAGE BY AREA	2020	2019	Change, %
Americas	106	121	-12.2
Europe	373	374	-0.4
Nordics	425	437	-2.7
APAC	430	417	3.1
Total	1,334	1,349	-1.1

Basware employed 1,334 (1,349) people on average during 2020 and 1,336 (1,325) at the end of the year. On December 31, 2020, 13.6 percent (13.9%) of the personnel worked in sales and marketing, 33.2 percent (33.7%) in R&D and production and products, 42.4 percent (42.4%) in consulting and customer services and 10.7 percent (10.0%) in administration.

Information about salaries and employee benefits in Note 5 of the Financial Statements and other employee related metrics in the Non-financial statement.

Basware shareholdings

SHARE INDICATORS

	2020	2019
Share price performance, EUR		
- lowest price	15.66	16.76
- highest price	42.85	41.10
- average price	29.58	23.61
- closing price	42.00	23.75
Market capitalization at end of period ¹ , EUR	605,679,312	341,943,926
Number of shares ¹		
- at end of the period	14,415,460	14,397,639
- average during the period	14,407,595	14,388,469
- average during the period, diluted	14,638,935	14,473,519
Number of traded shares (share issue adjusted) in Nasdaq Helsinki	4,817,685	4,204,444
% of average number of shares	33.4%	29.2%
Treasury shares held by the Company	5,476	4,297
% of total shares	0.0%	0.0%
Share capital, EUR	3,528,368	3,528,368
Earnings per share, undiluted, EUR	-0.51	-1.63
Earnings per share, diluted, EUR	-0.51	-1.63
Adjusted earnings per share, undiluted, EUR	-0.50	-1.37
Adjusted earnings per share, diluted, EUR	-0.50	-1.37
Equity per share, EUR	5.73	6.53
Price per earnings (P/E)	-82.56	-14.58

¹ Excluding treasury shares

Basware had 11,864 (14,615) shareholders at the end of the year, including nominee-registers.

Nominee-registered holdings accounted for 56.4 percent (52.4%) of the total number of shares.

More information on share-based key figures, Basware share and shareholders available in sections Share Indicators, Calculation of Key Indicators, and Share and Shareholders of the Financial Statements.

Flagging notifications in 2020

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

ANNOUNCEMENT DATE	Shareholder	Threshold	Total holding, %
February 11	Briarwood Chase Management LLC	Above 5%	5.00%
September 3	Arrowgrass Capital Partners LLP	Below 25%	22.6%
October 9	Bregal Milestone LP	Below 5%	0.0%
October 9	Briarwood Chase Management LLC	Above 10%	14.43%
October 22	Lannebo Fonder AB	Above 5%	7.48%
October 23	Arrowgrass Capital Partners LLP	Below 20%	18.5%
December 11	Briarwood Chase Management LLC	Below 5% ¹	11.35%

¹ Briarwood Chase Management LLC's direct holding of shares decreased below 5% threshold but total holding through both shares and warrants remained above 10% threshold.

More information in sections 'Share indicators' and 'Share and shareholders'. See also Remuneration report for information on Basware's share-based incentive plans.

Annual General Meeting and authorizations of the Board of Directors

Basware Corporation's Annual General Meeting 2020 was held on June 4, 2020. The Annual General Meeting adopted the financial statements and discharged the responsibility of the Board of Directors for the financial period January 1-December 31, 2019. The remuneration policy was adopted, and the Annual General Meeting decided that no dividend will be paid for the year 2019.

The Annual General Meeting decided the number of members of the Board of Directors to be five. Mr. Ilkka Sihvo, Mr. Michael Ingelög, Mr. Daryl Rolley and Mr. Asko Schrey were re-elected as members of the Board of Directors and Ms. Minna Smedsten was elected as a new member. In its organizing meeting, the Board of Directors elected Michael Ingelög as the Chair and Ilkka Sihvo as the Vice Chair of the Board. Minna Smedsten was elected as the Chair of the Audit Committee and Asko Schrey and Michael Ingelög as its members. Ilkka Sihvo was elected as the Chair of the Remuneration Committee and Daryl Rolley and Michael Ingelög as its members.

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 for 18 months and it shall revoke the previous authorizations for repurchasing the company's own shares.

The Board of Directors was authorized to decide on issuing new shares or conveying the company's own shares held by the company or granting special rights entitling to shares. The Board of Directors may grant special rights, which carry the right to receive, against payment, new shares of the company or the company's own shares held by the company. A total maximum of 260,000 new shares may be issued or company's own shares held by the company may be conveyed for the purposes of company's incentive program, and in addition, a total maximum of 720,000 new shares may be issued or company's own shares held by the company may be conveyed for other purposes than company's incentive program. 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 June 4, 2020 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>

On August 13, 2020, Basware announced that it had appointed Mogens Pedersen as Chief Technology Officer and Perttu Nihti as Chief Product Officer. Appointments were effective as of September 1, 2020 when both became members of the Executive Team, reporting to the CEO Klaus Andersen.

Changes in Executive Team

On August 13, 2020, Basware announced that it had appointed Mogens Pedersen as Chief Technology Officer and Perttu Nihti as Chief Product Officer. Appointments were effective as of September 1, 2020 when both became members of the Executive Team, reporting to the CEO Klaus Andersen.

Other events of the period

Share issue to the company itself without consideration

On June 4, 2020 Basware announced that the Board of Directors had resolved on an issue of 19,000 new shares in the company to the company itself without consideration. The new shares to be issued are of the same class as the existing shares in the company. The total number of

the company's shares after the share issue is 14,420,936 shares, of which 23,297 shares in total are held by the company. The new shares issued to the company will be used for reward payments under the company's incentive programs.

As a result of the share issue, the Board of Directors also decided upon the adjustment of the number of shares that can be subscribed on the basis of the 1,000 freely transferable warrants issued by the company to Bregal Milestone in March 2019. Following such adjustment, the warrants entitle their holder to subscribe for a total of 1,001,000 shares in the company (before the adjustment, 1,000,000 shares) at an adjusted subscription price of EUR 29.8764 per share (before the adjustment, the subscription price per share was EUR 29.9158). To increase the number of shares that may be subscribed for with the warrants, the Board of Directors exercised the authorization granted by the Annual General Meeting of shareholders by deciding upon issuance of special rights that entitle their holder to subscribe for 1,000 new shares in the company. These adjustments to the terms and conditions of the warrants became effective upon registration with the Finnish Trade Register, which took place on June 17, 2020.

Conveyances of Basware Corporation's own shares

On June 23, 2020 Basware announced that the Board of Directors decided on a directed share issue for the reward payment of Basware Corporation's Performance Share Plan 2017-2019, Matching Share Plan 2017 and Restricted Share Plan 2017. In the share issue 16,821 Basware Corporation shares were issued and conveyed without consideration to the key persons participating in the plans according to the terms and conditions of the incentive schemes. After the directed share issue, the company held 6,476 own shares.

On October 8, 2020, Basware announced that the Board of Directors decided on a directed share issue for the reward payment of Basware Corporation's Restricted Share Plan 2017. In the share issue 1,000 Basware Corporation shares were issued and conveyed without consideration to the key persons participating in the plan according to the terms and conditions of the plan. After the directed share issue, the company held 5,476 own shares.

Events after the period

Share issue to the company itself without consideration

On January 14, 2021, the Board of Directors of Basware Corporation has resolved on an issue of 43,000 new shares in the company to the company itself without consideration pursuant to the share issue authorization granted to it by the Annual General Meeting held on June 4, 2020. The new shares to be issued to the company will be used for reward payments under the company's incentive programs. The new shares to be issued are of the same class as the

existing shares in the company. The total number of the company's shares after the share issue is 14,463,936 shares, of which 48,476 shares in total are held by the company.

Strategy

Basware is a global market leader in networked Purchase-to-Pay with the largest open 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 sustainable 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 300 thousand annual recurring cloud revenue in 2020. 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 2020 Basware's gross renewal rate was 94 percent and net renewal rate was 104 percent. The gross margin for cloud revenues at the end of 2020 was 68 percent. Together these make the lifetime value of customer contracts high. In 2020 Basware had a customer lifetime value to customer acquisition cost ratio of 5 times.

Basware's long-term ambition is to become the networked Purchase-to-Pay vendor of choice for large global enterprises. Basware moves forward to its vision through six Must-Wins, which define strategic priorities for the period 2020-2022. The Must-Wins relate to customer satisfaction, project delivery capabilities, procurement solution, growing with partners, cloud transformations and Network business. 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 internally and together with partners to meet customer needs for continuous improvement and change agility. Thirdly, Basware's aim is to further strengthen its procurement solution and entire Source-to-Pay offering through partnerships and open API architecture. Fourthly, Basware aims to accelerate cloud growth through partnering. The fifth Must-Win battle is to complete the last phase in customer cloud transformations and reallocate resources to long-term strategic areas. Finally, as part of the 2020 strategy process, Basware also identified accelerating Network business as one of the key strategic focus areas from 2021 onwards.

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 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 Group's international business involves customary financial risks such as foreign exchange risk, interest rate risks, liquidity risks, refinancing risks and credit risks. The risk management principles are defined in the Treasury Policy approved by the Board of Directors. 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. 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 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.

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.

Corporate governance statement

The Corporate Governance Statement is issued separately from the Report of Board of Directors. Basware Corporation's Corporate Governance Statement is available on the company's investor website: <https://investors.basware.com/en>

Non-financial statement

Basware is a supplier of networked purchase-to-pay solutions and e-invoicing services; and has the largest open business network in the world. Basware's technology empowers organisations with 100% spend visibility by enabling the capture of all financial data across procurement, finance, accounts payable and accounts receivable functions. Basware operates globally and has 1,336 employees in 14 countries. Basware is committed to operating responsibly and sustainably, helping customers move to paperless processes, fostering employee welfare and taking care of cybersecurity and data privacy.

Human responsibility and respect of human rights

Employees are Basware's most important resource. Basware unconditionally supports and promotes human rights and is committed to act in accordance with the United Nations' Universal Declaration of Human Rights and the United Nations' Global Compact principles. Basware complies with the standards of the International Labour Organization as well as with all relevant local employment legislation. Basware does not tolerate in any context the use of servitude, child labor, forced labor, human trafficking, or slavery in our operations in any region we operate.

In addition, Basware has a global Code of Conduct that applies to all employees. The Code of Conduct describes the ethical principles according to which Basware operates and expects its suppliers and partners to operate. Code of Conduct training is mandatory for all employees.

	2020	2019
Code of Conduct training completion rate	100%	95%

Basware's ability to attract, retain and develop the right type of talent at all levels is critical for the company's success. People are employed based on the principle of equal opportunity and without distinction to race, color, gender, religion, affiliation or origin. In 2020 Basware's employees were of 33 different nationalities, of which three largest were Indian, Finnish and Romanian.

Basware organizes YourVoice employee engagement survey annually and follows up the results through action points each year. In 2020 the survey had a response rate of 94 percent. Survey results in questions measuring employee engagement increased significantly in comparison to previous year, particularly in questions measuring confidence in the Executive Team and consistent strategy execution.

EMPLOYEE AND SOCIAL METRICS

	2020	2019
Women, of total employees	32%	31%
Women, of managers	29%	26%
Full-time employees	98%	98%
Permanent employees	99%	99%
Employees average years of service	5.5	4.9
Attrition rate	7.1%	15.3%
CEO-to-employee pay ratio	6.19-to-1	6.04-to-1

EMPLOYEES BY AGE GROUP

	2020	2019
Under 25	4%	5%
25-34	36%	38%
35-44	37%	36%
45-54	18%	17%
Over 55	6%	5%

Prevention of corruption and bribery

As part of Basware's commitment to conducting its business in an honest and ethical manner, Basware takes a zero-tolerance approach to bribery and corruption, and upholds all relevant laws to countering bribery and corruption in all jurisdictions it operates in. Basware has an Anti-Bribery and Corruption Policy, which sets out the responsibilities of Basware employees in observing and upholding the company's position on bribery and corruption and provides guidance for Basware employees on how to recognize and deal with bribery and corruption issues. The policy was reviewed and updated in 2020.

Reported bribery or corruption incidents

2020	2019
0	0

Whistle blowing practice

Basware encourages its employees to report any violation of its Code of Conduct policies immediately. Employees may contact Basware Whistleblowing Committee, which will ensure that the identity of the person making the report will be confidential and known only to the people necessary to ensure case is handled properly. Any Basware employee who makes a whistleblowing report is protected from any repercussions, such as dismissal or other forms of reprisal.

Cloud-based service provider

As a cloud-based service provider, Basware recognizes cyber and information security risks related to its industry. Basware acknowledges responsibility to ensure confidentiality, integrity, and availability of customers data and Basware's information assets. Basware takes any threat to its customers' and its own information assets and data seriously and is continuously developing processes and technologies to meet the requirements and mitigate the risks. Information security risks are integrated into the company's multi-disciplinary risk assessment.

In 2020 the appointment of Director of Security (CISO) strengthened the information security management ensuring Cyber and Information security is handled and developed in accordance

with Basware strategy. The Director of Security develops and drives the global implementation and operationalization of the group-wide information security strategy, protecting Basware and its customers data and assets. Security governance forums oversee security activities, including potential escalations.

Basware has an Information Security Management System (ISMS) to oversee the development in the security domain. International standards and best practices are employed to structure Basware information security policy. The ISMS and cybersecurity programs are regularly enhanced to ensure that security policies and standards continuously follow emerging cyber threats, and evolving business and regulatory requirements.

Basware's service control environments are externally audited annually by the ISAE 3402 standard and the reports are available to customers upon request. Basware co-operates with a leading security company to carry out penetration testing annually and manages potentially identified threats accordingly. Basware has in place a Responsible Disclosure channel for security researchers to report any found issues in Basware services.

Awareness training play a key role in assuring security of its customers' and its own information assets and data. Employees are regularly educated through mandatory Global Security e-learning for all employees.

Basware is also committed to data privacy compliance across its operations. This means that Basware processes personal data of its employees, customers, and partners with due care and in accordance with the Global Data Protection Regulation (GDPR) and other applicable data protection laws.

Basware conducts an extensive data privacy program, which is led by the Global Data Protection Officer (DPO) and reviewed within the Privacy Steering Committee. The program identifies personal data processing activities, maintains the mandatory privacy process register, performs impact assessments, builds compliance documentation, and follows up on compliance improvement actions. Basware also ensures that employees who process personal data are trained to comply with the privacy policy and guidelines.

Environmental responsibility

Basware's corporate environmental responsibility is incorporated into the company's business strategy and operations. In its day-to-day activities, Basware complies with all applicable environmental laws and regulations and expects all its suppliers and partners to obey all relevant legal and industry-specific environmental requirements.

Basware's most material environmental exposures are energy consumption at our office locations, third-party data centres and the impact of business travel and commuting. Basware tracks its greenhouse gas emissions annually and reports them to CDP. Basware has committed to reduce its emissions footprint and to improve the energy efficiency of its office locations. Basware aims to reduce its office based per employee greenhouse gas emissions by 20% by 2020 from 2016 levels. At the time of publication, the emissions data was not yet available for the year 2020. Company employees are encouraged to reduce the need for business travel by using collaborative technologies and online meeting tools.

The direct environmental impact of Basware's services is estimated to be immaterial to moderate due to the nature of Basware's business. Basware's digital solutions and services have the potential to decrease customers carbon emissions by improving efficiency in invoice handling, which reduces required electricity and commuting. Basware is working towards a clearer understanding of the environmental impacts of its solutions and services and is committed to full transparency in communicating about the environmental benefits and burdens of its business.

	2020	2019
Air travel emissions, CO2e ton	669	2,483

Future outlook

Revenues, after tax revenue, and EBIT

Basware aims for consistent cloud revenue growth. Cloud revenues are impacted by cloud order intake, churn and network transaction volume driven revenues. Approximately thirty percent of Basware's network transaction services revenues are subscription based. Cloud churn continues to be affected by non-strategic contracts which are not renewed. Cloud order intake may be negatively affected by economic uncertainty caused by Covid-19, however in the long run the pandemic is expected to accelerate digitalisation megatrends which would support order intake for Basware.

Demand for consulting services is driven primarily by new customer wins and expansion sales to existing customers.

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

Overall improvements in scalability and operational efficiency are expected to continue. However due to the Covid-19 situation there may be some impact to the timing of these improvements.

Guidance for 2021

Basware expects uncertainty in the demand environment to continue in the first half of 2021 and guides the following for the full year 2021:

- Modest positive Net sales growth on an organic constant currency basis
- EBIT approximately at the same level or better than the previous year

Constant currencies mean that the effects of any changes in currencies are eliminated by calculating the figures for the period using 2020 exchange rates. Organic means that the figures are adjusted to remove the effects of any acquisitions or disposals within the past 12 months.

Board of Directors' proposal for dividend

On December 31, 2020, the Group's parent company's distributable funds were EUR 30,080 thousand. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for 2020.

Basware Corporation's Annual General Meeting is planned to be held on March 18, 2021.

Espoo, Finland, Wednesday, February 3, 2021

BASWARE CORPORATION

Board of Directors

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

EUR THOUSAND	Notes	1.1.-31.12.2020	1.1.-31.12.2019	Notes	1.1.-31.12.2020	1.1.-31.12.2019
NET SALES	2	151,579	148,302			
Cost of sales		-65,941	-71,493			
GROSS PROFIT		85,638	76,810			
Sales and marketing		-40,001	-45,190			
Research and development		-25,930	-26,815			
General and administration		-14,096	-14,572			
Total operating expenses		-80,027	-86,577			
Other operating income	4	309	398			
Other operating expenses	6	-1,253	-5,168			
OPERATING PROFIT/LOSS		4,667	-14,537			
Finance income	7	619	665			
Finance expenses	7	-12,271	-9,790			
PROFIT/LOSS BEFORE TAX		-6,985	-23,663			
Income tax	8	-345	223			
PROFIT/LOSS FOR THE PERIOD		-7,329	-23,440			
Other comprehensive income						
Other comprehensive income that will not be reclassified to profit or loss						
Remeasurement of employee benefits	17	-5	-2			
Other comprehensive income that may be reclassified subsequently to profit or loss						
Exchange differences on translating foreign operations		-4,964	1,974			
Cash flow hedges	18	-435	-162			
Income tax relating to components of other comprehensive income	8	112	-86			
Other comprehensive income for the year net of tax		-5,292	1,723			
TOTAL COMPREHENSIVE INCOME		-12,621	-21,716			
Profit/loss attributable to:						
Equity holders of the parent company		-7,329	-23,440			
Total comprehensive income attributable to:						
Equity holders of the parent company		-12,621	-21,716			
Earnings per share						
undiluted, EUR	9	-0.51	-1.63			
diluted, EUR	9	-0.51	-1.63			

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

EUR THOUSAND	Notes	31.12.2020	31.12.2019
ASSETS			
Non-current assets			
Intangible assets	10	41,927	44,402
Goodwill	3	76,676	80,345
Tangible assets	11	1,023	1,075
Right-of-use assets	11	14,322	15,842
Non-current financial assets	14	13	38
Other receivables	15	3,541	4,193
Contract assets	2	6	168
Deferred tax assets	8	10,592	9,654
Non-current assets		148,101	155,716
Current assets			
Trade receivables	15	26,602	27,424
Other receivables	15	8,714	7,842
Contract assets	2	818	1,561
Income tax receivables	8	166	366
Cash and cash equivalents	16	40,461	31,672
Current assets		76,761	68,865
TOTAL ASSETS		224,862	224,581

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

EUR THOUSAND	Notes	31.12.2020	31.12.2019
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	19	3,528	3,528
Share premium account	19	1,187	1,187
Treasury shares	19	0	-98
Invested unrestricted equity fund	19	110,290	110,388
Other reserves	19	289	653
Translation differences	19	-13,137	-8,226
Retained earnings	19	-19,600	-13,347
Shareholders' equity		82,557	94,086
Non-current liabilities			
Deferred tax liabilities	8	5,071	5,003
Interest-bearing liabilities	22	66,665	58,889
Leasing liabilities, interest-bearing	12	11,647	13,412
Contract liabilities	2	2,791	3,184
Liabilities from employee benefits	17	388	377
Non-current liabilities		86,562	80,864
Current liabilities			
Interest-bearing liabilities	22	2,173	1,996
Leasing liabilities, interest-bearing	12	3,727	3,392
Trade payables and other payables	20	30,470	28,468
Contract liabilities	2	19,177	15,260
Income tax liabilities	8	196	249
Current provisions	21	0	266
Current liabilities		55,743	49,631
TOTAL EQUITY AND LIABILITIES			
		224,862	224,581

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

EUR THOUSAND	1.1.-31.12.2020	1.1.-31.12.2019	EUR THOUSAND	1.1.-31.12.2020	1.1.-31.12.2019
Cash flows from operating activities			Cash flows used in investing activities		
Profit/loss for the period	-7,329	-23,440	Purchase of tangible and intangible assets	-9,470	-10,587
Adjustments for profit:			Net proceeds from sale of tangible and intangible assets	7	46
Depreciation and amortisation	15,540	15,941	Cash flows from investing activities	-9,464	-10,541
Unrealised foreign exchange gains and losses	690	-12			
Financial income and expenses	11,068	9,088	Cash flows from financing activities		
Tax on income from operations	345	-223	Proceeds from current borrowings	176	0
Other adjustments	1,566	635	Repayment of current borrowings	-1,996	-22,296
Total adjustments	29,208	25,428	Proceeds from non-current borrowings	0	43,880
Changes in working capital:			Repayment of non-current borrowings	0	-20,000
Increase (-) / Decrease (+) in trade and other receivables	810	557	Payment of lease liabilities	-4,257	-4,372
Increase (+) / Decrease (-) in trade and other payables	5,069	4,794	Cash flows from financing activities	-6,076	-2,788
Increase (+) / Decrease (-) in provisions	-211	123			
Total changes in working capital	5,668	5,474	Net change in cash and cash equivalents	9,712	-9,170
Financial items in operating activities	-1,301	-2,472	Cash and cash equivalents at the beginning of period	31,672	40,747
Income taxes paid (-) / received (+)	-994	-832	Net foreign exchange difference	-922	94
Cash flows from operating activities	25,252	4,159	Cash and cash equivalents at the end of period	40,461	31,672

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

EUR THOUSAND	Share capital	Share premium account	Treasury shares	Invested unrestricted equity	Other reserves	Translation differences	Retained earnings	Total
SHAREHOLDERS' EQUITY Jan. 1, 2020	3,528	1,187	-98	110,388	653	-8,226	-13,347	94,086
Comprehensive income							-7,340	-12,253
Share based payments			98	-98		-4,912	1,092	1,092
Defined benefit plans							-5	-5
Cash flow hedges					-363			-363
SHAREHOLDERS' EQUITY Dec. 31, 2020	3,528	1,187	0	110,290	289	-13,137	-19,600	82,557
EUR THOUSAND								
SHAREHOLDERS' EQUITY Jan. 1, 2019	3,528	1,187	-638	110,928	832	-10,131	5,042	110,749
Comprehensive income						1,905	-23,442	-21,536
Share based payments			540	-540			362	362
Defined benefit plans							-2	-2
Cash flow hedges					-178			-178
Warrants							4,691	4,691
SHAREHOLDERS' EQUITY Dec. 31, 2019	3,528	1,187	-98	110,388	653	-8,226	-13,347	94,086

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

Basic information of the Group

Basware Corporation is a leading supplier of e-Invoicing and Purchase-to-pay solutions. Parent company Basware Oyj is a public Finnish company founded under Finnish law. Business ID of Basware Oyj is 0592542-4 and company's domicile is Espoo, Finland. Basware Corporation and its subsidiaries for the Basware Group ("Basware" or "the Group"). The shares of the parent company Basware Corporation have been listed on NASDAQ Helsinki Ltd. since 2000.

The consolidated financial statements for the year ended December 31, 2020 were authorized for issue in accordance with a resolution of the Board of directors on February 3, 2021. Shareholders may adopt or reject the financial statements at the Annual General Meeting. Basware's financial statements, Board of Directors' report as well as the Auditor's report are available on the Internet at <https://investors.basware.com/en> or parent company's head office at Linnoitustie 2, 02601 Espoo.

1. Accounting principles

1.1 Basis of preparation

Basware's consolidated financial statements have been prepared according to the International Financial Reporting Standards (IFRS), approved for use in EU countries, in accordance with the IAS and IFRS standards, as well as IAS and IFRIC interpretations valid on December 31, 2020. The Group's Financial Statements are presented in euros, which is the primary and reporting currency of the Group's parent company, and they are based on acquisition costs unless otherwise stated in the accounting principles. The amounts presented in the financial statements are rounded, so the sum of individual figures may differ from the sum reported.

1.2 New and revised standards and interpretations

As of January 1, 2020, the Group has applied the following new and revised standards and interpretations which did not materially impact Group reporting:

Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (Effective for annual periods beginning on or after January 1, 2020): In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). The amendments had no impact on the Group's financial statements.

Amendments to IFRS 3 Definition of a Business (Effective for annual periods beginning on or after January 1, 2020): The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. The amendments had no impact on the Group's financial statements.

Amendments to IAS 1 and IAS 8 Definition of Material (Effective for annual periods beginning on or after January 1, 2020): The amendments aim to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments had no impact on the Group's financial statements.

Amendments to IFRS 16 Covid-19 Related Rent Concessions (Effective for annual periods beginning on or after June 1, 2020): The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. This amendment had no impact on the consolidated financial statements of the Group.

Amendments that will enter into force during the financial year 2021 or later

In addition to the standards and interpretations presented in the financial statements for 2020, the Group will adopt the following standards, interpretations and amendments to standards published by the IASB during financial periods beginning on or after January 1, 2021. The Group will adopt each standard on the effective date, or if the effective date is not the first day of a reporting period, as of the beginning of the following reporting period, provided that they are approved by the EU.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (Effective for annual periods beginning on or after January 1, 2021). On 27 August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2. Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). According to the Group's current estimate, the amendments will have no impact on the Group's future financial statements, and it is continuing its assessment of the impact of the amendments.

Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework (Effective for annual periods beginning on or after 1 January 2022). The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework

(the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements. According to the Group's current estimate, the amendments will have no impact on the Group's future financial statements, and it is continuing its assessment of the impact of the amendments. Amendments to IAS 37 Onerous Contracts - Costs of Fulfilling a Contract (Effective for annual periods beginning on or after 1 January 2022). In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. According to the Group's current estimate, the amendments will have no impact on the Group's future financial statements, and it is continuing its assessment of the impact of the amendments.

Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16 (Effective for annual periods beginning on or after 1 January 2022). The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. According to the Group's current estimate, the amendments will have no impact on the Group's future financial statements, and it is continuing its assessment of the impact of the amendments.

Scope of consolidation

The consolidated financial statements comprise the parent company Basware Corporation and the subsidiaries controlled by it at the end of reporting period. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Being in control means the power to govern the financial and operating policies of the company to obtain benefits from its activities. The subsidiaries have been included in the Group financial statements as of the acquisition date. Intra-group holding is eliminated using the acquisition cost method. Acquired companies are accounted for using the purchase method according to which the assets and liabilities of the acquired company are measured at their fair value when it has been possible to determine the value reliably. Deferred taxes of the acquisition cost adjustments are recognized according to the valid tax rate and the remainder is recognized as goodwill on the balance sheet. When circumstances indicate that there are changes in elements of control the consolidation is re-assessed.

Intra-group business transactions, internal liabilities and receivables, and internal profit distribution are eliminated in the Group financial statements.

Transactions in foreign currencies

Transactions in foreign currencies are recorded in the operating currency at the approximate exchange rates prevailing at the transaction dates. Monetary items in foreign currencies have been translated into the operating currency using the exchange rates at the end of the reporting period. Non-monetary items denominated in foreign currencies are carried at the exchange rate at the date of the transaction.

In the Group financial statements, the income statements of foreign subsidiaries are translated into euros at the average rate for the financial period and balance sheets at the exchange rate of the balance sheet date. Average rate difference due to different exchange rates on the statement of comprehensive income and balance sheet are entered in other comprehensive income. Translation differences arising from the elimination of foreign subsidiaries and translation of equity items accumulated after the acquisition are entered in other comprehensive income. Foreign currency gains and losses from monetary items part of the net investment in a foreign unit are recognized in other comprehensive income and entered on the statement of comprehensive income when the foreign unit is divested.

Segment information

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

Entity-wide disclosures are presented in Note 2 and 13.

Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received. The grants received are recognized as offsetting items of the expenses incurred. When the grant relates to capitalized R&D projects it will reduce the carrying amount of the asset, and they are recognized in profit and loss by way of lower depreciation charge over the useful life of the intangible asset.

Research and development costs

Research expenses are booked as an expense as they are incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

The technical feasibility of completing the intangible asset so that the asset will be available for use or sale

- Its intention to complete and its ability and intention to use or sell the asset
 - How the asset will generate future economic benefits
 - The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

Costs related to the adoption of new technology or development of a new generation of products are capitalized and recognized and amortized over the useful life of 3-5 years. In determining the useful life, the obsolescence of technology and the typical life cycle of products in the industry are taken into consideration. Amortization begins when development is complete, the asset is available for use and the product is ready for commercial utilization. Maintenance of existing products and minor enhancements are expensed when they are incurred. Government grants related to research and development are recognized through profit or loss in the periods during which the corresponding costs are recognized as expenses.

Accounting principles requiring management's judgement and key uncertainties relating to the use of estimates

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

More information on the most significant items requiring management's judgement:

Goodwill (Note 3)
Development expenses (Note 10)
Leases (Note 12)
Trade receivables (Note 15)
Deferred tax assets (Note 8)
Share-based payments (Note 5)
Financial risk management (Note 18)
Warrants (Note 19)

Alternative performance measures

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

Cloud revenue includes net sales from SaaS and other subscription revenues, transactions

services and financing services excluding alliance fees.

Organic revenue growth is calculated by comparing net sales between comparison periods in constant currencies excluding alliance fees as well as net sales from acquisitions and 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 comparable period by using the current 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 and equipment and intangible assets excluding acquisitions and capitalized research and development costs.

EBITDA is calculated as operating result plus depreciation and amortization.

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

Adjusted operating 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.

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

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

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

2. Revenue and contract balances

Accounting principles

Net sales

Net sales are presented net of discounts and exchange rate differences of foreign currency sales.

Revenue recognition

Basware reports net sales by type. Net sales by type is divided into two groups: cloud and non-cloud revenue. Cloud revenue consists of net sales from SaaS and other subscription types and transaction revenue and non-cloud revenue includes net sales from licences, maintenance and consulting. SaaS and transaction services are sold together with consulting services and e-invoicing services include also work related to set-up activities which are charged separately as Start up fee.

IFRS 15 Revenue from Contracts with Customers is based on the principle that sales are recognized when the control of the goods or service is transferred to the customer. According to IFRS 15 the contract qualifies as a customer contract when each party's general and specific rights and obligations are described, contract is approved by the parties, each party's enforceable rights and obligations exists, the contract has commercial substance and it is probable that the consideration to which the entity is entitled to in exchange for the goods or services will be collected. Group does not have a significant financing components in its contracts with customers or sale with a right of return.

Basware revenue for different revenue types is recognized over time except for licenses which is recognized at a point in time. SaaS and transaction service fees are fixed and are invoiced on a monthly or annual basis, or monthly based on user and transaction volumes. Both fees are recognized on a monthly basis over the term of the contract. Revenue from set up activities are deferred and recognized over time throughout the contract term.

Revenue from the license sales is recognized when contractual criteria of IFRS 15 has been fulfilled and when license has been delivered to the customer. Maintenance services which includes new version releases and customer support are recognized over the contract period.

Revenue of professional services are recognized during the reporting period in which service is provided. Revenue of fixed-price consulting projects are recognized as revenue and expenditure on the basis of the percentage of completion when the outcome of the project can be reliably estimated. If the resulting costs and recognized profits exceed the amount invoiced for the transaction, the difference is presented in "contract assets" on the balance sheet. If the resulting costs and recognized profits are lower the invoicing for the transaction, the difference is presented in "contract liabilities" on the balance sheet. When it is likely that the total costs required for completing the project exceed the total revenue from the transaction, the expected loss is recognized as an expense immediately.

Basware reports geographical areas Americas, Europe, Nordics and APAC. Americas includes business operations in North and South America. Europe includes operations in Europe and Russia, excluding the Nordic countries (Denmark, Finland, Norway and Sweden), which are reported separately. APAC includes operations in Asia and the Pacific region.

Net sales, by type

EUR THOUSAND	Timing of revenue recognition	1.1.-31.12.2020	1.1.-31.12.2019
Cloud Revenue			
SaaS	Over time	58,344	49,133
Transaction services	Over time	47,272	47,876
Other cloud revenue	Over time	4,696	4,434
Cloud Revenue total		110,312	101,442
Non-Cloud Revenue			
Maintenance	Over time	14,687	20,720
License sales	At a point in time	348	1,202
Consulting services	Over time	26,875	24,962
Other non-cloud revenue	Over time	-644	-23
Non-Cloud Revenue Total		41,267	46,861
Group total		151,579	148,302

Revenue by customer location

EUR THOUSAND	1.1.-31.12.2020	1.1.-31.12.2019
Americas	35,013	31,796
Europe	52,176	50,687
Nordics	56,428	57,441
APAC	7,962	8,379
Group total	151,579	148,302

Summary of contract balances

%	1.1.-31.12.2020	1.1.-31.12.2019
EUR	52.8	51.5
USD	21.3	20.8
GBP	7.2	7.7
Other	18.6	20.0
Group total	100	100

Contract assets and liabilities

The timing of invoicing may differ from the timing of revenue recognition. The Group recognizes an contract asset when revenue is recognized prior to invoicing, and a contract liability when revenue is recognized subsequent to invoicing.

Revenue of professional services are recognized during the reporting period in which service is provided. Revenue of fixed-price consulting projects are recognized as revenue and expenditure on the basis of the percentage of completion when the outcome of the project can be reliably estimated. If the resulting costs and recognized profits exceed the amount invoiced for the transaction, the difference is presented in "contract assets" on the balance sheet. If the resulting costs and recognized profits are lower the invoicing for the transaction, the difference is presented in "contract liabilities" on the balance sheet.

The majority of contract liabilities arise from:

- SaaS and Transactions services invoiced in advance and recognized as revenue on monthly basis over the contract term
- setup activities invoiced in advance and recognized as revenue during the contract period
- maintenance revenue invoiced in advance and recognized as revenue over the maintenance period

Summary of contract balances

EUR THOUSAND	31.12.2020	31.12.2019
Trade receivables	26,602	27,424
Contract assets:		
Non-current	6	168
Current	818	1,561
Contract liabilities:		
Non-current	2,791	3,184
Current	19,177	15,260

During 2019-2020 the Group has not recognized significant impairment losses on contract assets.

Set out below is the amount of revenue recognized from amounts recognized on contract liabilities at the beginning of period:

EUR THOUSAND	1.1.-31.12.2020	1.1.-31.12.2019
Revenue recognized from amounts included in contract liabilities at the beginning of the period:	15,203	9,678

Transaction price allocated to the remaining performance obligations

The Group has elected to use the practical expedient in IFRS 15:121 in disclosing the transaction price allocated to remaining performance obligations as its related performance obligations are a part of a contract that have a original expected duration of less than one year, or the revenue recognition from performance obligations is done according to IFRS 15:B16.

3. Goodwill

Accounting principles

Goodwill is measured as the excess of the cost of the acquisition over the Group's share of the fair values of the acquiree's net assets at the time of the acquisition. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill impairment testing

Goodwill is not amortised, but is tested for impairment annually, and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash generating unit (CGU) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. An asset's recoverable amount is the higher of CGU's fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the entity specific risks. Impairment losses relating to goodwill cannot be reversed in future periods.

EUR THOUSAND	31.12.2020	31.12.2019
Acquisition cost Jan. 1	80,345	78,939
Translation difference	-3,669	1,405
Business disposals	0	0
Acquisition cost Dec. 31	76,676	80,345
Book value Dec. 31	76,676	80,345

Goodwill is tested according to IAS 36. The Group does not possess any other intangible assets than Goodwill that has indefinite economical life. Unfinished intangible assets are also subjected to impairment testing during reporting period. Impairment testing is carried out at group level as the Group has centralised steering model and reporting structure. Goodwill is monitored at group level internally.

Goodwill has been tested for impairment in the last quarter of 2020. The recoverable amounts from the cash generating unit (CGU) are determined based on value-in-use calculations. The calculations are prepared on a discounted cash flow method basis, derived from the board approved estimates for the following year and subsequent development derived from the strategic plans, covering five years. Terminal year value has been defined based on the long term strategic financials.

Cash flows beyond the 10-year period are calculated using the terminal value method. The terminal growth rate of 2.5 percent (2.5%) used in projections is based on management's assessment on conservative long term growth. Key driver for the valuation is the revenue growth based on the Group's performance and future strategic growth plans, market position as well as the potential in key markets.

The applied discount rate is the weighted average pre-tax cost of capital (WACC). The components of the WACC are risk-free rate, market risk premium, company specific factor, and industry specific beta, cost of debt and debt/equity ratio. The WACC of 11.2 percent (11.3%) has been used in the calculations.

As a result of the impairment test, no impairment loss for the CGU were recognized for the financial periods ended 31 December 2020 and 2019 respectively.

A sensitivity analysis was conducted and there is no indication that the changes in the assumptions could be so substantial that the carrying amount would exceed the recoverable amount. The impairment testing is influenced by how the Group will meet the targets set for year 2021 and beyond. In a sensitivity analysis the impacts of substantial changes to the most significant assumptions like terminal growth, average EBIT-margin and the discount rate was assessed. Terminal year growth should decrease more than 400 percentage points, pre-tax discount rate should increase more than 19 percentage points or the average EBIT-margin during the forecast period should decrease more than 10 percentage points for an impairment to take place. Value in use exceeds the carrying amount by more than 100 percent.

4. Other operating income

Accounting principles

Other operating income includes proceeds from the sale of business operations and property, plant and equipment.

EUR THOUSAND	1.1.-31.12.2020	1.1.-31.12.2019
Gain on sale of assets	26	48
Other operating income	283	350
Other operating income	309	398

In financial years 2019 and 2020 respectively, other operating income mainly consists of other proceeds related to divestment.

5. Personnel and employee benefits

Accounting principles

The Group has exclusively defined contribution pension arrangements, and the related payments are expensed in the year they are incurred.

The Group also has a defined benefit based incentive scheme to commit personnel in accordance with local regulations and practices in India. The calculations for defined benefit plan are done according to same principles as defined benefit plans for pensions and they predispose the Group to actuary risks like payroll risk, interest risk and risk related to expected lifetime. Amounts of the defined benefit plans are based on the yearly calculations submitted by independent actuaries. The present value of the defined benefit obligations is determined by discounting the estimated future cash flows using interest rates of Government issued bonds, if interest rate of high quality corporate bonds is not available. The plan is unfunded and more information on the defined benefit plan is presented in Note 17.

The Group's related parties include parent company (Basware Corporation) and its subsidiaries, the members of the Board of Directors, the members of the Corporate Executive Team, CEO and their family members and their controlled companies. Basware Corporation's subsidiaries are disclosed in Note 25. No loans have been given to the related parties of the Group, except subsidiaries, and no guarantees or other collateral have been issued on their behalf.

Employee benefits expense

EUR THOUSAND	1.1.-31.12.2020	1.1.-31.12.2019
Salaries and fees	-74,171	-76,578
Share-based incentive plans	-1,409	-914
Expenses from defined benefit plans	-74	-122
Pension expenses, defined contribution plans	-5,690	-6,187
Other employee benefits	-6,268	-6,474
Employee benefits expense, total	-87,613	-90,275

Management and Board salaries, fees and benefits

Group's key employees are defined as CEO, members of the Board of Directors and Executive team.

EUR THOUSAND	1.1.-31.12.2020	1.1.-31.12.2019
CEO of the parent company		
Vesa Tykkyläinen (until March 10, 2019)		-836
Klaus Andersen (from March 11, 2019)	-519	-354

Compensation of the members of the Board of Directors

Michael Ingelög	-80	-52
Ilkka Sihvo	-59	-83
Daryl Rolley	-74	-81
Asko Schrey	-44	-44
Minna Smedsten (from June 4, 2020)	-37	
Tuija Soanjärvi (until August 21, 2019)	-4	-52
Total	-817	-1,501

AVERAGE NUMBER OF PERSONNEL	1.1.-31.12.2020	1.1.-31.12.2019
Americas	106	121
Europe	373	374
Nordics	425	437
APAC	430	417
Personnel, total	1,334	1,349

Key Management Personnel Employee Benefits

EUR THOUSAND	1.1.-31.12.2020	1.1.-31.12.2019
Salaries and other short-term employee benefits	-1,862	-2,378
Benefits in connection with termination of employment	0	-629
Share-based payments	-523	-660
Total	-2,385	-3,667

Total salaries and benefits of the CEO Klaus Andersen for the period January 1 - December 31, 2020 were EUR 519 thousand (EUR 354 thousand in March 11-December 31, 2019). Salary in money was EUR 410 thousand (EUR 318 thousand), including fringe benefits of EUR 19 thousand (EUR 15 thousand). Andersen was paid a bonus of EUR 99 thousand from the financial year 2019 (EUR 5 thousand in 2019 from the financial year 2018).

In 2020, Andersen was conveyed a total of 354 shares (1,500 shares in 2019) on the basis of the share-based incentive schemes. Of these, 177 shares (750 shares in 2019) were conveyed to Andersen, the value of which was approximately EUR 5 thousand (EUR 15 thousand) based on the average share price of the payment days, and EUR 5 thousand (EUR 16 thousand) was paid in cash to cover the withholding tax.

The accrued pension cost of Klaus Andersen amounted to EUR 61 thousand (EUR 35 thousand in March 11 - December 31, 2019). The CEO's pension plan is pursuant to the employment pension legislation. The CEO has 3 month period of notice, in addition to which he is entitled to severance pay equivalent of 12 months' fixed salary.

Vesa Tykkyläinen stepped down as the CEO of Basware Corporation on March 10, 2019. Total salaries and benefits of the Vesa Tykkyläinen for the period January 1 - December 31, 2019 were EUR 836 thousand. Salary in money including salary for 3 month notice period was EUR 161 thousand, including fringe benefits of EUR 4 thousand. Severance pay was EUR 360 thousand. Tykkyläinen was paid a bonus of EUR 156 thousand from the financial year 2018. In 2019, Tykkyläinen was conveyed a total of a total of 7,684 shares on the basis of the incentive schemes. Of these, 3,824 shares were conveyed to Tykkyläinen, the value of which was approximately EUR 79 thousand based on the average share price of the payment days, and EUR 80 thousand was paid in cash to cover the withholding tax.

Share-based payments

Accounting principles

Share-based incentive schemes are valued at fair value on the grant date based on the gross number of shares awarded, recognized as an expense in the consolidated statement of comprehensive income during the period in which the conditions are met (the vesting period) and with a corresponding adjustment to the equity. The withholding paid by the company to the tax authority is recognized directly in equity.

Matching Share Plan 2017-2019

The Board of Directors resolved on March 1, 2017 to establish a matching share plan for 2017-2019 for Basware Executive Team members.

The prerequisite for receiving reward on the basis of the matching share plan is that the member of the Basware Executive Team in question acquires Basware shares. The Basware Executive Team member will, as a reward, receive matching shares for each share subject to the share ownership prerequisite after a matching period of three (3) years.

Receipt of matching shares is contingent on the continuation of employment or service upon reward payment and that the shares in question are still held by the member. The Board of Directors resolved that the rewards to be paid in aggregate to the Basware Executive Team on the basis of the matching share plan correspond to the value of a maximum total of 75,000 Basware Corporation shares, including also the proportion to be paid in cash.

Members of Basware Executive Team have acquired or allocated a total of 7,752 Basware Corporation shares based on the plan. The rewards to be paid to Basware Executive Team members on the basis of the plan thus corresponds to a maximum of 15,504 Basware Corporation shares, including also the proportion to be paid in cash. The plan ended in March 2020.

Matching Share Plan 2018-2020

The Board of Directors resolved on July 17, 2018 to establish a new matching share plan for 2018-2020 for the Group's key employees.

The prerequisite for receiving reward on the basis of the matching share plan is that the plan member acquires Basware shares. The plan member will, as a reward, receive matching shares for each share subject to the share ownership prerequisite after a matching period of three (3)

years. Receipt of matching shares is contingent on the continuation of employment or service and on the plan member holding the acquired shares upon reward payment.

The rewards to be paid in aggregate to plan members on the basis of the matching share plan correspond to the value of a maximum total of 77,714 Basware Corporation shares, including also the proportion to be paid in cash.

The Group's key employees acquired or allocated a total of 32,178 Basware Corporation shares based on the plan. The rewards to be paid to the key employees on the basis of the plan thus corresponds to a maximum of 64,356 Basware Corporation shares, including also the proportion to be paid in cash. At the end of 2020, the matching share plan included 34 key employees.

Restricted Share Plan 2017

The Board of Directors resolved on March 1, 2017 to establish a restricted share plan for 2017. The restricted share plan is directed to selected key employees at Basware. Receipt of the reward is contingent on the continuation of employment or service upon reward payment. The reward from the restricted share plan will be paid after a vesting period of one to three years.

The total rewards to be allocated on the basis of the plan amount to a maximum of 20,000 Basware Corporation shares, including also the proportion to be paid in cash.

In June 2020, 3,000 shares were conveyed on a directed share issue related to the reward payment for the restricted share plan 2017. In October 2020, 1,000 shares were conveyed on a directed share issue related to the reward payment for the restricted share plan 2017. The rewards paid on the basis of the plan in 2020 corresponded to a total of 4,000 Basware Corporation shares, including also the proportion to be paid in cash. The plan ended in 2020.

Performance Share Plan 2017-2019

The Board of Directors resolved on March 1, 2017 to establish a performance share plan for 2017-2019 for key employees.

The performance share plan includes three performance periods, calendar years 2017-2018, 2018-2019 and 2019-2020. The Board of Directors decides on the performance criteria and on the required performance levels for each criterion at the beginning of each performance period.

The potential reward for the performance period 2018-2019 was based on the Group's key performance measures in 2018. The rewards to be paid on the basis of the performance period 2018-2019 corresponded to the value of a maximum total of 116,950 Basware Corporation

shares, including also the proportion to be paid in cash. The plan was directed to approximately 75 key employees, including the members of the Basware Executive Team.

In June 2020, 8,069 shares were conveyed on a directed share issue related to the reward payment for the performance period 2018-2019 of the performance share plan 2017-2019, closing the performance period 2018-2019 of the plan. The rewards paid on the basis of the plan in 2020 corresponded to a total of 16,135 Basware Corporation shares, including also the proportion to be paid in cash.

The potential reward for the performance period 2019-2020 is based on the Group's key performance measures in 2019. The rewards to be paid on the basis of the performance period 2019-2020 correspond to the value of a maximum total of 60,225 Basware Corporation shares, including also the proportion to be paid in cash. The plan is directed to approximately 45 key employees, including the members of the Basware Executive Team.

At the end of 2020, the performance share plan included 44 key employees for the performance period 2019-2020.

Performance Share Plan 2020-2021

The Board of Directors resolved on December 18, 2019 to establish a performance share plan for 2020-2021 for key employees.

The Performance Share Plan includes one performance period, calendar years 2020-2021. The Board of Directors have resolved on the performance criteria at the required performance levels for each criterion. The plan is directed to approximately 45 key employees, including the members of the Basware Executive Team.

The potential reward from the performance period 2020-2021 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).

At the end of 2020, the performance share plan included 53 key employees.

Restricted Share Plan 2020

The Board of Directors resolved on December 18, 2019 to establish a restricted share plan 2020. The restricted share plan is directed to selected for selected key contributors in key markets.

Receipt of the reward is contingent on the continuation of employment or service upon reward payment.

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

At the end of 2020, the restricted share plan included 3 key employees.

Effect on the result for the period and on the financial position in 2020

The effect on the result and on the financial and financial position during the period

Expenses for the financial year, share-based payments	1,409,287
Liabilities arising from share-based payments December 31, 2020	235,508
Future cash payment to be paid to the tax authorities from share-based payments, estimated at the end of the period	3,088,582

Additional parameters for restrictions granted during the period

	Performance Period 2020-2021	RSP 2020
Share price at grant	25.80	35.80
Share price at December 31, 2020	42.00	42.00
Expected dividends	0	0
Fair value at December 31, 2020	1,093,964	59,070

Information on share-based incentive plans

	Matching Share Plan 2017-2019	Matching Share Plan 2018-2020
Maximum number of shares	75,000	77,714
Initial grant date	2.3.2017	18.7.2018
Vesting date	31.3.2020	31.3.2021
Vesting conditions	Share ownership and employment	Share ownership and employment
Maximum contractual life, years	3.1	2.7
Remaining contractual life, years	0.0	0.2
Number of persons at December 31, 2020	0	34
Payment method	Shares & Cash	Shares & Cash
	Restricted Share Plan 2017	Restricted Share Plan 2020
Maximum number of shares	20,000	10,000
Initial grant date	2.3.2017	19.12.2019
Vesting date	12 month Restriction	12-36 month Restriction
Vesting conditions	Period Employment	Period Employment
Maximum contractual life, years	-	-
Remaining contractual life, years	-	-
Number of persons at December 31, 2020	0	3
Payment method	Shares & Cash	Shares & Cash

Changes in 2020

	Performance share plans:				Matching Share Plan 2017 - 2019	Matching Share Plan 2018-2020
	Performance Period 2018-2019	Performance Period 2019-2020	Performance Period 2020-2021			
Maximum number of shares	116,950	60,225	320,000			
Initial grant date	1.2.2018	20.6.2019	19.12.2019		15,504	68,556
Vesting date	31.3.2020	31.3.2021	31.5.2022		0	0
	Group's key performance measures and employment	Group's key performance measures and employment	Group's key performance measures and employment		0	-4,200
Vesting conditions					-15,504	0
					0	64,356
Maximum contractual life, years	2.2	1.8	2.4			
Remaining contractual life, years	0.0	0.2	1.4			
Number of persons at December 31, 2020	0	44	53			
Payment method	Shares & Cash	Shares & Cash	Shares & Cash			
				Outstanding at January 1, 2020	4,000	0
				Granted	0	1,650
				Forfeited	0	0
				Exercised, gross	-4,000	0
				Outstanding December 31, 2020	0	1,650

Performance share plans:

	Performance Period 2018-2019	Performance Period 2019-2020	Performance Period 2020-2021
Outstanding at January 1, 2020	64,700	60,225	0
Granted	0	584	354,100
Forfeited	-48,565	-1,400	0
Exercised, gross	16,135	0	0
Outstanding December 31, 2020	0	59,409	354,100

6. Other operating expenses

EUR THOUSAND	1.1.-31.12.2020	1.1.-31.12.2019
Impairment losses on trade receivables	-745	-933
Acquisition, disposal and restructuring expenses	-8	-1,408
Efficiency related expenses	-453	-2,772
Other operating expenses	-47	-56
Other operating expenses total	-1,253	-5,168

7. Finance income and expenses

Accounting principles

The Group recognizes borrowing costs as an expense in the period during which they are incurred.

EUR THOUSAND	1.1.-31.12.2020	1.1.-31.12.2019
Operating income		
Interest income on instruments valued at amortized cost	25	30
Foreign exchange gain on instruments valued at amortized cost	548	549
Other financing income	46	87
Total	619	665

Finance expenses

Interest expenses on debt instruments valued at amortized cost	-10,196	-8,315
Foreign exchange loss on instruments valued at amortized cost	-1,167	-586
Interest expenses on lease liabilities	-881	-888
Other financing expenses	-27	0
Total	-12,271	-9,790

Finance income and expenses total	-11,652	-9,125
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Exchange differences recognized on income statement

EUR THOUSAND	1.1.-31.12.2020	1.1.-31.12.2019
Exchange differences included in net sales	-644	-23
Exchange differences included in purchases and expenses	-5	39
Foreign exchange gains	548	549
Foreign exchange losses	-1,167	-586
Exchange differences recognized on income statement	-1,267	-22

8. Income taxes

Accounting principles

Income taxes comprise of tax recognized on the taxable income for the financial year and deferred taxes. Taxes for the items recognised in the income statement are included in taxes in the income statement. For items recognised directly in equity or other comprehensive income, the income tax effect is similarly recognised.

Taxes based on taxable income are recorded according to the local tax rules of each country using the applicable tax rate.

When uncertainty is included in interpretation of income tax rules, the Group estimates, if a company is able to fully utilize the tax position that is stated in income tax computation. If necessary, tax bookings are adjusted to reflect the changes in tax position. At reporting date booked income tax amounts reflect the estimates of future tax payments.

Income taxes

Income tax receivables and payables

EUR THOUSAND	1.1.-31.12.2020	1.1.-31.12.2019
Income tax on operations	-1,027	-1,293
Tax for previous accounting periods	76	-48
Change in deferred tax liabilities and tax assets	607	1,564
Income tax total	-345	223

EUR THOUSAND	31.12.2020	31.12.2019
Income tax receivables	166	366
Income tax liabilities	196	249

Deferred taxes

Accounting principles

EUR THOUSAND	1.1.-31.12.2020	1.1.-31.12.2019
Profit/loss before taxes	-6,985	-23,663
Tax calculated at domestic tax rate	1,397	4,733
Tax for previous years	76	-48
Effect of different tax rates of foreign subsidiaries	-384	-543
Effect of change in tax rate	0	0
Non-deductible expenses	-2,099	-1,166
Losses for which no deferred tax asset is recognised	0	-3,751
Other	528	-18
Income not subject to tax	65	0
Taxable profit not included in the accounting profit	0	-180
Utilization of previous year losses	839	574
Previous year losses for which deferred tax asset is booked	-766	622
Income taxes	-345	223

Accounting principles

Deferred taxes are calculated from all temporary differences between the carrying amount and taxable value at the corporate income tax rates prevailing at the reporting date. The most significant temporary differences arise from depreciation of property, plant and equipment, unused tax losses, research and development adjustments, and adjustments for fair values in connection with acquisitions. Deferred tax is not recognized for goodwill that is permanently non-taxable. Deferred tax is not recognized for non-distributed profits of subsidiaries in so far as the difference is not likely to be discharged in the foreseeable future. Deferred tax assets are recognised for all other deductible temporary differences. A deferred tax asset is recognized to the extent that it is likely that there will be future taxable income against which it is deductible. The requirements for the recognition of deferred tax assets are reassessed at each reporting date.

Deferred tax assets 2020

EUR THOUSAND	1.1.-31.12.2020	1.1.-31.12.2019
Taxes on foreign exchange gains from net investments	41	-71
Taxes on derivatives	72	15

EUR THOUSAND	1.1.2020	Recognized In profit or loss	Business acquisitions / disposals	Period change booked in equity	31.12.2020
Tax losses	5,613	-766	0	0	4,848
Deferred expenses	3,516	1,652	0	0	5,168
Other items	525	51	0	0	576
Total	9,654	938	0	0	10,592

Taxes relating to other comprehensive income

EUR THOUSAND	1.1.-31.12.2020	1.1.-31.12.2019
Taxes on foreign exchange gains from net investments	41	-71
Taxes on derivatives	72	15

Deferred tax liabilities

EUR THOUSAND	1.1.2019	Recognized in profit or loss	Business acquisitions / disposals	Period change booked in equity	31.12.2019
Tax losses	4,991	622	0	0	5,613
Deferred expenses	2,254	1,262	0	0	3,516
Other items	565	-40	0	0	525
Total	7,810	1,844	0	0	9,654

Deferred tax assets

EUR THOUSAND	1.1.2020	Recognized in profit or loss	Exchange rate differences	Period change booked in equity	31.12.2020
Allocation of fair value on purchases	4,987	335	-195	0	5,127
Fair valuation of derivatives	15	0	0	-72	-56
Total	5,003	335	-195	-72	5,071

Deferred tax liabilities

EUR THOUSAND	1.1.2019	Recognized in profit or loss	Exchange rate differences	Period change booked in equity	31.12.2019
Allocation of fair value on purchases	4,660	277	50	0	4,987
Fair valuation of derivatives	0	0	0	15	15
Total	4,660	277	50	15	5,003

The Group has recognised total of EUR 4,848 thousand (EUR 5,613 thousand) of deferred tax assets for unused tax losses, of which EUR 1,928 thousand will expire during 2026-2028, while the rest have no expiry period. According to the transfer pricing principle, subsidiaries accumulate taxable income against which confirmed losses can be utilized in the future. The Group has total of EUR 22,197 thousand of tax losses and EUR 17,198 thousand of non-deductible interests from which deferred tax asset has not been recognized. The Group will reassess the amount of deferred tax assets if there are changes in the expectations for accumulation of future taxable profit.

9. Earnings per share

Accounting principles

Undiluted earnings per share is calculated by dividing the profit for the period attributable to the owners of the parent company by the weighted average number of shares outstanding during the year. The average number of shares has been adjusted with the treasury shares. Diluted earnings per share reflect the impact of the share-based incentive plans.

	1.1.-31.12.2020	1.1.-31.12.2019
EUR THOUSAND		
Profit/loss for the period	-7,329	-23,440
Average number of shares (1,000)		
Undiluted	14,408	14,388
Diluted	14,639	14,474
Earnings per share (EUR)		
Undiluted	-0.51	-1.63
Diluted	-0.51	-1.63

10. Intangible assets

Accounting principles

Other intangible assets are measured at cost less accumulated amortisation and possible impairment. Government grants related to the acquisition of an intangible asset are deducted from the acquisition cost of the asset and recognized as income by reducing the depreciation charge of the asset they are related to. Amortisation is calculated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of intangible assets are 3-10 years. Each financial year end useful lives are reviewed and adjusted prospectively, if appropriate.

Assets relating to customer relationships and technology that are acquired through business combinations are measured at fair value at the time of acquisition and depreciated over the useful life.

Intangible assets 2019

Intangible assets 2019

EUR THOUSAND	Development costs	Intangible rights	Other long-term investments	Assets, unfinished projects	Total
Acquisition cost Jan. 1	64,741	48,068	2,858	8,118	123,785
Translation difference (+/-)	-36	-1,003	-241	0	-1,280
Additions	692	650	0	7,578	8,920
Disposals	0	0	0	-46	-46
Reclassifications between items	1,405	0	0	-1,405	0
Acquisition cost Dec. 31	66,802	47,716	2,617	14,246	131,380

Cumulative amortisation Jan. 1	-39,003	-39,401	-980	0	-79,384
Translation difference (+/-)	48	658	92	0	799
Cumulative amortisation on disposals and reclassifications	0	0	0	0	0
Amortisation	-8,220	-2,280	-368	0	-10,868
Cumulative amortisation Dec. 31	-47,175	-41,023	-1,256	0	-89,453

Book value Dec. 31, 2020	19,627	6,693	1,361	14,246	41,927
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EUR THOUSAND	Development costs	Intangible rights	Other long-term investments	Assets, unfinished projects	Total
Acquisition cost Jan. 1	51,338	47,278	1,090	13,995	113,701
Translation difference (+/-)	-3	410	-10	12	409
Additions	2,738	380	459	6,098	9,676
Disposals	0	-1	0	0	-1
Reclassifications between items	10,668	0	1,319	-11,987	0
Acquisition cost Dec. 31	64,741	48,068	2,858	8,118	123,785

Cumulative amortisation Jan. 1	-31,953	-35,952	-699	0	-68,604
Translation difference (+/-)	-7	-200	-4	0	-211
Cumulative amortisation on disposals and reclassifications	0	28	0	0	28
Amortisation	-7,043	-3,278	-276	0	-10,597
Cumulative amortisation Dec. 31	-39,003	-39,401	-980	0	-79,384

Book value Dec. 31, 2019	25,739	8,667	1,878	8,118	44,402
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Goodwill is presented in Note 3.

11. Tangible assets

Accounting principles

Tangible assets are measured at cost less accumulated depreciation and possible impairment. The useful lives of tangible assets are 3-10 years. The useful life of an asset is reviewed at least at the end of each financial year and adjusted, if appropriate. Sales gains and losses on disposal or transfer of tangible assets are presented in other operating income and expenses. Sales gains or losses are calculated as the difference between the sales price and the remaining acquisition cost.

Condware AG 2020

Tangible assets 2019

EUR THOUSAND	Right-of-use-assets, buildings	Right-of-use-assets, machinery and equipment	Machinery and equipment	Other tangible assets	Total
Acquisition cost Jan. 1	18,778	1,865	11,069	152	31,865
Translation difference (+/-)	-501	4	-121	0	-617
Additions	2,990	298	435	0	3,723
Disposals	-180	-19	-732	0	-931
Acquisition cost Dec. 31	21,088	2,148	10,651	152	34,040
Cumulative amortisation Jan. 1	-4,024	-689	-10,147	0	-14,860
Translation difference (+/-)	146	-4	122	0	264
Cumulative amortisation on disposals and reclassifications	0	0	714	0	714
Depreciation	-3,689	-654	-469	0	-4,812
Cumulative amortisation Dec. 31	-7,567	-1,347	-9,780	0	-18,694
Book value Dec. 31, 2020	13,521	802	871	152	15,346

EUR THOUSAND	Right-of-use-assets, buildings	Right-of-use-assets, machinery and equipment	Machinery and equipment	Other tangible assets	Total
Acquisition cost Jan. 1	15,826	1,186	11,341	145	28,499
Translation difference (+/-)	145	-1	13	0	157
Additions	3,152	841	934	7	4,935
Disposals	-345	-161	-1,220	0	-1,725
Acquisition cost Dec. 31	18,778	1,865	11,069	152	31,865
Cumulative amortisation Jan. 1	0	0	-10,695	0	-10,695
Translation difference (+/-)	-8	-1	-9	0	-18
Cumulative amortisation on disposals and reclassifications	0	0	1,203	0	1,203
Depreciation	-4,015	-689	-645	0	-5,350
Cumulative amortisation Dec. 31	-4,024	-689	-10,147	0	-14,860
Book value Dec. 31, 2019	14,755	1,087	923	152	16,917

12. Leases

Accounting principles

The group has lease contracts for office spaces, vehicles and various items of office equipment (e.g., coffee machines, copy machines, water machines, servers etc). All Group's real estate contracts and car leasing contracts were analyzed to belong in the scope IFRS 16. The Group has 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. The Group is not subleasing any of its leased assets.

There are several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to extend or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the extension or termination. The Group applied the following practical expedients in determining lease period:

- if both parties have the right to terminate the contract on a certain date and after this certain date the contract is valid until further notice the contract is interpreted to be terminated on the date when both parties have right to terminate the contract;
- if the Group has right to terminate the contract before the lessor, each contract is separately analyzed: what is the most likely outcome taking into consideration the future prospects and investments made to the premises.

The Group is not exposed to any potential cash outflows that are not reflected in the measurement of lease liabilities.

The carrying amounts of right-of-use assets recognised and the movements during the period are presented in Note 11. Tangible Assets.

The maturity analysis of lease liabilities is disclosed in Note 18. Management of financial risk.

EUR THOUSAND	1.1.-31.12.2020	1.1.-31.12.2019
Depreciation expense of right-of-use assets	-4,203	-4,704
Interest expense on lease liabilities	-881	-888
Expense relating to leases of low-value assets	-530	-528
Total amount recognised in profit or loss:	-5,613	-6,120

13. Entity-wide disclosures

Of the entity-wide information assets are shown by their location.

Assets presented below consists mainly of goodwill, intangible assets, right-of-use assets and other non-current receivables.

The table below is based on the location of the assets.

EUR THOUSAND	1.1.-31.12.2020	1.1.-31.12.2019
Finland	51,834	53,380
Americas	28,895	32,844
Europe	43,828	46,958
Nordics	9,292	8,592
APAC	3,661	4,288
Group total	137,509	146,062

The sales shown by the location of customers is presented in Note 2.

The Group doesn't have customers whose share of the revenue exceeds 10% of total revenue.

14. Non-current financial assets

EUR THOUSAND	31.12.2020	31.12.2019
Acquisition cost Jan. 1	13	38
Acquisition cost Dec. 31	13	38

Non-current financial assets include unquoted equity shares.

15. Current trade and other receivables

Accounting principles - Expected credit losses on trade receivables

The Group recognizes loss allowances for expected credit losses (ECL) on trade receivables in accordance with IFRS 9. For analyzing and recognition of ECL regarding trade receivables, the simplified approach for determining the expected credit losses of IFRS 9 is applied. In this approach the credit losses are based on predetermined credit loss rates by category. The rates are determined by past events and external sources. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL. For measurement of ECL for trade receivables the Group uses a provision matrix. The provision matrix is based on historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates specific to the geographic region and the economic environment. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. Expected credit losses have not been recorded from the value added tax that is included in trade receivables.

Loss allowances for ECL are presented in the statement of financial position as a deduction from the gross carrying amount of the assets. In profit or loss, the amount of ECL (or reversal) is recognised as an impairment gain or loss in other operating expenses category.

EUR THOUSAND	31.12.2020	31.12.2019
Non-current receivables		
Contract assets	6	168
Capitalized contract costs	2,854	3,335
Other non-current receivables	688	857
Non-current trade and other receivables total	3,547	4,361
Current receivables		
Trade receivables	26,602	27,424
Contract assets	818	1,561
Capitalized contract costs	3,271	3,300
Other receivables	5,443	4,542
Current receivables total	36,134	36,827

The fair values of financial assets and liabilities are presented in Note 22 and definitions for contract assets presented in Note 2.

Contract costs

The incremental costs of obtaining a contract with a customer includes sales commissions related to long-term service contracts. Contracts costs are capitalized if the recognition criteria are satisfied and the entity expects to recover those costs. The capitalized costs are amortized on a straight-line basis over the contract term in which the services are transferred and the revenue is recognized. Below table describes the changes in capitalized contract costs.

EUR THOUSAND	31.12.2020	31.12.2019
Capitalized contract costs, opening balance	6,636	5,695
Capitalized during the period	3,204	3,819
Recognized as an expense during the period	-3,715	-2,878
Capitalized contract costs, ending balance	6,125	6,636

for adding and/or loss of trade receivables and impairment losses

EUR THOUSAND	2020	Impairment provision	Net 2020	2019	Impairment provision	Net 2019
Not due	20,026	-9	20,017	18,441	-8	18,433
Overdue						
1-180 days	7,009	-70	6,939	8,394	-100	8,293
181-360 days	454	-212	242	873	-378	495
Over 360 days	577	-574	4	879	-677	202
Additional provision		-600	-600			
Total	28,066	-1,464	26,602	28,587	-1,164	27,424

In addition to the standard company practice of provisioning for credit losses the Group estimates an additional provision of EUR 600 thousand related to increased uncertainty of economic conditions in countries where the Group operates due to Covid-19 pandemic.

No significant concentrations of credit risk are associated with the receivables. The balance sheet values equal the best to the maximum amount of the credit risk. Principles of the Group's credit risk management are presented in Note 18.

16. Cash and short-term deposits

Accounting principles

Cash and cash equivalents consist of cash, short-term bank deposits that can be withdrawn on demand and other current highly liquid investments that can be exchanged to an amount of cash assets that is known in advance, and with a low risk of changes in value. Items classified as cash and cash equivalents have a maximum maturity of three months from acquisition.

EUR THOUSAND	31.12.2020	31.12.2019
Cash and cash equivalents	40,461	31,672
Cash and short-term deposits	40,461	31,672

17. Defined benefit plans

The Group has in Indian subsidiary an incentive scheme to commit employees, where benefit is paid to the employee after five years in service, in case of the employment is ending.

The calculations for defined benefit plans are done according to same principles as defined benefit plans for pensions and they predispose the Group to actuary risks like wage risk, interest risk and risk related to expected lifetime. These plans are unfunded.

EUR THOUSAND	31.12.2020	31.12.2019
Opening value Jan. 1 - liability	377	327
Amounts recognised in profit and loss		
Service cost, benefits earned during the year	70	70
Interest expense (+) / income (-)	25	27
Changes due to currency fluctuation	-43	-3
Amounts recognised in other comprehensive income		
Actuarial losses (+) / gains (-)	4	2
Other changes		
Benefits paid	-46	-47
Ending value Dec. 31 - liability	388	377

The most significant actuarial assumptions

Discount rate (%)	6.6 %	7.2 %
Increase of wages (%)	7.0 %	7.0 %

18. Management of financial risk

The Group's international business involves customary financial risks such as foreign exchange risk, interest rate risks, liquidity risks and credit risks. The risk management principles are defined in the Treasury Policy approved by the Board of Directors. Basware Treasury is responsible for the centralized management of the financial risk.

Basware's currency risk

Basware's net sales increased by 3.2 percent (5.9%) in organic constant currencies in 2020. The Group's main currency is euro, accounting for approximately 53 percent of net sales in 2020 (approximately 52% in 2019). In addition to the euro area, Basware has sales in various areas, the most significant being the United States, the United Kingdom, Sweden and Norway. In addition, Basware has internal operations in India and Romania.

Sales in subsidiaries are carried out mainly in local currencies and do not expose the Group to significant foreign currency transaction risk. Operational expenses, such as IT services, and other purchases that takes the place in non-functional currency expose the Group to foreign exchange risk, and is considered as significant risk to profit and loss statement. In addition, the Group is exposed to foreign currency risk through intra-company trade and funding. Internal loans are primarily in the functional currency of the subsidiary letting the parent company to carry the foreign exchange risk. All outstanding interest-bearing liabilities on the reporting date were in Euros. The most relevant transaction risk exposures arising from business operations are in US dollar and the British pound. The Group hedged substantial foreign currency items in the financial period according to the Policy.

The Group strategy is to hedge foreign exchange exposures of contractual and other highly probable recurring expenses and sales according to guidelines set within the treasury policy. Foreign currency cash flow hedges are conducted at parent company level. For hedging is mainly used foreign currency forward and non-deliverable forward contracts. The hedged exposures consist of future forecasted contracted cash flows in next 12 months. During 2020 the Group did not hedge translation risk. Accounting principles are presented in Note 22.

The effective portion of changes in the fair values of derivatives are recognized in other comprehensive income.

Currency risk arises mainly from external purchases in foreign currencies (transaction risk), net investment to foreign subsidiaries (translation risk) as well as foreign currency denominated items on the balance sheet.

The table below presents the fair values of foreign currency derivatives at year-end which are recognized to Other Comprehensive Income (OCI) within equity.

EUR THOUSAND	2020				2019			
	Nominal value	Positive		Negative	Nominal value	Positive		Negative
		fair value	value			fair value	value	
Foreign-currency derivatives	14,162	55	-413	-358	14,044	144	-66	77

The foreign exchange risk sensitivity analysis shows the impact of a change in the foreign exchange rates of 5 percent against euro on income statement and balance sheet at the end of 2020. According to IFRS 7 sensitivity analysis of currency risk there would have had an impact of EUR -0.4/+0.4 million (EUR -0.4/+0.4 million) on the profit before tax at the closing date. The calculation includes foreign currency trade payables and accounts receivables and internal loans to subsidiaries.

Changes in the equity are caused by net investment loans and foreign currency contracts relating to and designated in cash flow hedge accounting. The sensitivity analysis on foreign currency would have the impact of +/- EUR 0.03 million (EUR 0.04 million) on other comprehensive income. The most important currency pairs are disclosed in the table below.

Foreign currency-denominated assets and liabilities translated into the euros at the exchange rates of the closing date are as follows:																	
Nominal values, 2020																	
EUR THOUSAND		Profit & Loss		Other comprehensive income													
2020		+5%	-5%	+5%	-5%												
EUR/USD		-103	103	-204	204												
EUR/GBP		-236	236	-20	20												
EUR/SEK		-11	11	0	0												
EUR/NOK		-1	1	0	0												
EUR/INR		86	-86	-10	10												
EUR/RON		-13	13	-11	11												
Other currencies		-135	135	211	-211												
		-413	413	-34	34												
2019		+5%	-5%	+5%	-5%												
EUR/USD		-275	275	-357	357												
EUR/GBP		-131	131	-46	46												
EUR/SEK		-26	26	0	0												
EUR/NOK		-36	36	0	0												
EUR/INR		89	-89	-11	11												
EUR/RON		-2	2	-11	11												
Other currencies		-29	29	382	-382												
		-410	410	-43	43												
Nominal values, 2019																	
EUR THOUSAND		USD		AUD		GBP		SEK		DKK		NOK		RON		INR	
Non-current assets		26,369		823		2,713		1,362		336		1,158		415		2,907	
Current assets																	
Cash and cash equivalents		3,791		1,201		1		13		40		188		1,719		204	
Trade and other receivables		6,394		1,507		4,331		2,016		885		1,293		155		661	
Current liabilities																	
Non-interest bearing liabilities		7,463		1,959		4,230		1,265		1,593		1,682		984		820	
EUR THOUSAND		USD		AUD		GBP		SEK		DKK		NOK		RON		INR	
Non-current assets		30,085		443		3,535		1,156		446		603		667		3,783	
Current assets																	
Cash and cash equivalents		3,277		2,774		2		1,912		38		295		1,255		176	
Trade and other receivables		7,663		1,506		3,239		2,096		770		1,865		315		563	
Current liabilities																	
Non-interest bearing liabilities		8,119		1,647		2,773		1,540		1,009		2,124		897		862	

Interest rate risk

The objective of the risk management with regard to interest rate risk is to diminish the negative impacts of changes in interest rates on the Group's financial performance. Changes in market rates are impacting interest rates of loan portfolio as well as interest-bearing payables and receivables.

The Group is exposed to cash flow interest rate risk through its loan portfolio which arises from floating rate loans. In order to manage and diversify the risk the Group has both fixed and floating rate loans and possibility to apply interest rate derivatives for hedging. In the last financial period the Group has not used derivatives against the interest rate risk.

On December 31, 2020 the Group had a total of EUR 68.8 million (EUR 65.0 million) interest-bearing liabilities, excluding leasing-liabilities, of which a total of EUR 55.7 million variable-rate loans. At the closing date all external loans have been in Euro with the average cost of debt of 14.16 percent (12.16 %) and average maturity of 3.5 years.

According to IFRS 7 standard calculated sensitivity analysis represents the effect of variable rate interest-bearing liabilities on profit before taxes if interest rate would have increased or decreased by 1 percentage with all other variables constant. For interest rate analysis the impact would have been -0.2/+0.0 million euros (-0.3/+0.0 million). At the closing date the Group didn't have significant interest-bearing assets or other financial items that would be exposed to market rate changes.

The following table illustrates the effect of a sensitivity analysis on interest rates.

EUR THOUSAND	2020	2019
Change in interest rates	+1%	+1%
Interest-bearing liabilities	-237	-338
	0	0
	-1%	-1%
	0	0

Liquidity risk and refinancing risk

Liquidity risk is the risk that current funds and existing loan facilities are insufficient which may affect the Group's ability to deliver on the long-term strategy. Liquidity risk managed by securing the availability of long-term funding and maintaining sufficient cash reserves. The refinancing risk is managed by using various funding sources and distributing maturities of loans. The Group maintains sufficient liquidity and its cash and cash equivalents was EUR 40.5 million on 31 December 2020.

Below is presented changes in the Group's debt portfolio in the financial year.

EUR THOUSAND	2019	Cash flow (+/-)	Non-cash flow (+/-)	2020
Non-current				
Loans from financial institutions	48,947		7,760	56,706
Bond	9,943		16	9,958
Current				
Loans from financial institutions	1,996	-1,819	1,996	2,173
Leasing liabilities	16,804	-4,257	2,827	15,374
Total	77,690			84,212

The Group's liquidity remained stable during the financial year. The Group's ability to secure financing may affect its ability to deliver on the strategy. The tables below describe the maturity structure of the interest-bearing liabilities. The figures are revealed with inclusion of interest and principal repayment, figures have not been discounted.

Details of the Allocation of Financial Resources 2020

EUR THOUSAND	Balance sheet value	Cash flow	less than 1 year	1-3 years	3-5 years	over 5 years
Loans, interest-bearing	68,837	115,881	5,148	22,728	88,005	0
Leasing liabilities, interest-bearing	15,374	17,875	4,608	6,925	4,351	1,990
Foreign currency derivatives	357	357	357	0	0	0
Trade and other payables	10,196	10,196	10,196	0	0	0
Total	94,765	144,309	20,309	29,654	92,356	1,990

Allocation of Financial Resources 2020

EUR THOUSAND	Balance sheet value	Cash flow	less than 1 year	1-3 years	3-5 years	over 5 years
Loans, interest-bearing	60,885	118,163	2,334	11,965	103,863	0
Leasing liabilities, interest-bearing	16,804	19,562	4,165	6,279	4,880	4,238
Foreign currency derivatives	77	77	77	0	0	0
Trade and other payables	10,998	10,998	10,998	0	0	0
Total	88,764	148,800	17,574	18,244	108,744	4,238

Credit risk

The sales receivables of the Group are widely spread among a customer base and do not include significant concentration of credit risks. Business management regularly monitors the payment of sales receivables as part of the management of customer accounts. The Group has not used surety bonds to secure sales receivables.

Impairment losses recognized during the financial period and the age distribution of accounts receivables are presented in Note 15.

Capital management

Shareholders' equity reported in the Group balance sheet is managed as capital. The Group's capital management aims to ensure the continuity of its operations (going concern) and increase the value of shareholder's investment.

The capital structure can be adjusted by decisions on, e.g., distribution of dividend, share repurchase and share issues. The resolutions of the Annual General Meeting and the authorizations of the Board of Directors are presented in the Annual Report. Additional information on the share and share issue is presented under Share and Shareholders.

The Group monitors the financial covenants as part of its business and strategy planning. In order to ensure sufficient headroom in relation to covenant thresholds and maximum levels the group forecasts the future values and provide the management with the information on financial and risk positions. Any covenant was not breached in the financial period ending 31 December 2020.

The Group aims to maintain a strong equity ratio and a moderate gearing ratio. At the end of 2020 the equity ratio was 36.7 percent (41.9%) and gearing ratio 53.0 percent (48.9%). Gearing ratio excluding leasing liabilities was 34.4 percent (31.1%).

19. Shareholders' equity

Accounting principles

Costs related to the issue or purchase of equity instruments are recorded as a reduction of shareholders' equity. Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity.

Shareholders' equity 2020

EUR THOUSAND	Shareholders' equity	Share premium account	Invested non-restricted equity	Other reserves	Own shares	Total
1.1.2020	3,528	1,187	110,388	653	-98	115,659
Decrease of treasury shares						
Transactions that do not affect the number of shares /			-98		98	0
Cash flow hedges				-363		-363
31.12.2020	3,528	1,187	110,290	290	0	115,296

Shareholders' equity 2019

EUR THOUSAND	Shareholders' equity	Share premium account	Invested non-restricted equity	Other reserves	Own shares	Total
1.1.2019	3,528	1,187	110,928	832	-638	115,837
Decrease of treasury shares						
Transactions that do not affect the number of shares /			-540		540	0
Cash flow hedges				-178		-178
31.12.2019	3,528	1,187	110,388	653	-98	115,659

The nominal value of one share is not determined.

Number of shares

	2020	2019
Number of outstanding shares Jan. 1	14,397,639	14,370,476
Incentive plan (+)	17,821	27,163
Number of outstanding shares Dec. 31	14,415,460	14,397,639

Treasury shares Jan. 1	4,297	31,460
Share issue without consideration (+)	19,000	0
Incentive plan (-)	-17,821	-27,163
Treasury shares Dec. 31	5,476	4,297

Other reserves

Other reserves include the fair value reserve, which includes the cash flow hedges and the increase in the value of the Analyste deal shares between the publication and realization of the deal in 2006.

Treasury shares

The treasury shares reserve includes the acquisition cost of own shares held by the Group.

Warrants

Basware entered into a loan agreement with Bregal Milestone LLP with detachable warrants entered into at the same time (On November 23, 2020 the loan was transferred to Macquarie Principal Finance PTY Limited, UK Branch). On October 9, 2020, Basware received flagging notifications from Bregal Milestone and Briarwood Chase Management LLC according to which Briarwood Chase Management LLC had accrued all warrants from Bregal Milestone.

The management used judgement in valuing the warrants at fair value. The loan is calculated at amortized cost applying EIR. As a result of the share issue in June 2020 the warrants were adjusted to entitle their holder to subscribe for a total of 1,001,000 shares in the company (before the adjustment, 1,000,000 shares) at an adjusted subscription price of EUR 29.8764 per share (before the adjustment, the subscription price per share was EUR 29.9158). The warrants are exercisable at any time until 20 business days prior to the 19 September 2024.

Dividends

The Board of Directors proposes to the Annual General Meeting that no dividend will be paid for the year 2020 (2019: 0 euros per share).

20. Trade and other liabilities

EUR THOUSAND	31.12.2020	31.12.2019	EUR THOUSAND	31.12.2020	31.12.2019
Long-term trade and other liabilities					
Contract liabilities	2,791	3,184	Opening balance Jan. 1	266	198
Long-term trade and other liabilities total	2,791	3,184	Additions	0	1,656
Short-term trade and other liabilities					
Trade liabilities	6,178	7,600	Disposals	-266	-1,588
Contract liabilities	19,177	15,260	Closing balance Dec. 31	0	266
Other liabilities	24,292	20,867			
Short-term trade and other liabilities total	49,648	43,727			

Accrued expenses include personnel related expenses EUR 17,054 thousand (EUR 14,739 thousand).

The fair values of financial assets and liabilities are presented in Note 22 and definitions for contract liabilities presented in Note 2.

21. Provisions

Accounting principles

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the obligation will have to be settled, and the amount of the obligation can be reliably estimated. Provisions are measured at the present value required in order to cover the obligation. The present value factor used in the calculation of the present value is selected so that it represents the market insight into the time value of money and liability-related risks at the time of the assessment.

At the end of April 2019, Basware launched a productivity programme. Organizational changes and optimization resulted in a headcount reduction of 64 employees globally. Negotiations with employees have been carried out in accordance with local legislation in each location affected.

22. Financial assets and liabilities

Accounting principles

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

The financial assets are categorized as follows:

- financial asset measured at amortised cost
- financial asset measured at fair value through other comprehensive income
- financial asset measured at fair value through profit or loss

A financial asset is measured at amortised cost when both of the following conditions are met: the objective is to hold financial assets to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income when both of the following conditions are met: the objective is to collect contractual cash flows and to sell financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. On initial recognition of an equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment by investment basis.

The categorization is based on the purpose of the acquisition of the financial assets and it is performed in connection with the original acquisition. Financial assets are classified as non-current assets if they mature in more than 12 months. If they are to be held for less than 12 months financial assets are disclosed as current assets.

All purchases and sales of financial assets are recognized at the transaction date, which is the date on which the Group commits to purchase or sell the financial instruments. A financial asset

is derecognised when the rights to receive cash flows from the asset have expired the Group has transferred substantially all the risks and rewards of the asset.

Impairment of financial assets

Trade receivables are measured at amortised cost less impairment losses. The principles for impairment of trade receivables are presented in Note 15. For the other financial assets the impairments are recognized based on Expected Credit Losses. In addition, the Group assesses at each reporting date whether there is objective evidence that a financial asset is impaired.

Financial liabilities

The Group's financial liabilities include trade and other payables and financial liabilities that are measured at amortised cost. Financial liabilities are classified as non-current liabilities if they mature in more than 12 months. Liabilities maturing in less than 12 months are classified as current.

Derivatives

Derivative financial instruments are recognized at fair value on the trade date and subsequently revalued at the fair value on each reporting date. For all derivatives the fair value calculation is based on using the observable market data for foreign currency and interest rate price quotation on the reporting date. Derivatives are included in current assets or liabilities and on the reporting date, except derivatives maturities greater than 12 months after the balance sheet date, which are classified as non-current assets or liabilities.

The Group applies hedge accounting for foreign currency cash flow hedging. For foreign exchange forwards and swaps not qualifying for hedge accounting changes in fair values are recognised in income statement in financial income and expenses.

Hedge relationship qualifies for hedge accounting only if the specific requirements are met. At initiation the hedge relationships have to be formally documented and consist of eligible hedge instrument and hedged item(s). The documentation defines the relationship between the designated hedging instrument(s) and the designated hedged item(s), the nature of the risk being hedged with the company's risk management objective and strategy. The designated items have to be identifiable and reliably measurable. In addition, analysis of the sources for the ineffectiveness are documented.

The hedge effectiveness is assessed at inception and after that ongoing basis considering the economic relationship, credit risk and the hedge ratio. Effectiveness is assessed using qualitative methodology. In cash flow hedge accounting is used foreign currency forward and non-deliverable forward contracts to hedge exposures in foreign currency cash flows which ensures

economic relationship. Economic relationship exist between the designated hedged item and the designated hedging instrument which means that the values of these items move in the opposite directions because of the common underlying risk. Selecting appropriate stakeholders enables assessment of credit risk and ensuring that the effect of credit risk is not dominating the value changes in the fair values. The hedge ratio in hedge accounting is the same used for actual hedging.

Forward contracts are designated with the full fair value to hedge relationships, meaning spot and forward elements are not separated. For cash flow hedges the effective portion of changes in the fair value of hedging instruments are recognised through other comprehensive income (OCI) to hedge reserve within equity. When the hedged transaction affects the income statement the hedging instruments recognised in OCI are transferred to income statement. Accumulated changes in fair values within equity are recognised in income statement in adjustment of purchases or sales in the same period when the hedged item affects income statement.

Any ineffective portion of hedges under hedge accounting treatment are reclassified immediately to income statement in financial gain or expense. If hedging instrument designated in the cash flow hedge accounting is no longer valid or a hedge relationship doesn't meet the criteria for hedge accounting, the cumulative change in the fair value the hedging instrument will remain in the equity until a recognition of the hedged item in the income statement. The cumulative change in the fair value of the hedging instrument is reclassified to income statement to adjustment item immediately if the hedged cash flow is not firm or highly probable and not expected to realize in the future.

Changes in the fair values of foreign exchange derivatives are recognized in financing income and expenses if hedged items are recognized as assets or liabilities.

Cash flow hedging resulted in the net profit of EUR 23 thousand in the income statement and the balance sheet impact (OCI) was EUR 358 thousand at the end of 2020.

EUR THOUSAND	Note	Derivatives, hedge accounting	Fair value through profit or loss	Amortized cost	2020 Carrying amount	2020 Fair value
Financial assets non-current						
Unlisted share investments	14		13		13	13
Other receivables	14			688	688	688
Financial assets current						
Trade and other receivables	15			27,807	27,807	27,807
Derivatives	18	55			55	55
Cash and cash equivalents	16			40,461	40,461	40,461
Financial assets					69,024	69,024
Financial liabilities non-current						
Loans, interest-bearing						
Leasing liabilities, interest-bearing				66,665	66,665	77,299
				11,647	11,647	11,647
Financial liabilities current						
Loans, interest-bearing				2,173	2,173	2,173
Leasing liabilities, interest-bearing				3,727	3,727	3,727
Trade and other payables	20			10,196	10,196	10,196
Derivatives	18	413			413	413
Financial liabilities					94,821	105,455

EUR THOUSAND	Note	Derivatives, hedge accounting	Fair value through profit or loss	Amortized cost	2019 Carrying amount	2019 Fair value
Financial assets non-current						
Unlisted share investments	14		38		38	38
Other receivables	14			857	857	857
Financial assets current						
Trade and other receivables	15			27,642	27,642	27,642
Derivatives	18	144			144	144
Cash and cash equivalents	16			31,672	31,672	31,672
Financial assets					60,353	60,353
Financial liabilities non-current						
Loans, interest-bearing						
Leasing liabilities, interest-bearing				58,889	58,889	70,059
				13,412	13,412	13,412
Financial liabilities current						
Loans, interest-bearing				1,996	1,996	1,996
Leasing liabilities, interest-bearing				3,392	3,392	3,392
Trade and other payables	20			10,989	10,989	10,989
Derivatives	18	66			66	66
Financial liabilities					88,678	99,848

Financial instruments that are measured at fair value in the balance sheet are presented according to fair value measurement hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted price included within Level 1 that are observable for the assets or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3: inputs for the assets or liability that is not based on observable market data (unobservable inputs).

In determining the values of the financial assets and liabilities, the following price quotations, assumptions and valuation models have been used.

Long term financial assets

Long-term financial assets consist of unlisted share investments and other receivables.

Unquoted equity shares of EUR 13 thousand are classified as level 3 in the fair value measurement hierarchy.

Short term financial assets

Trade and other receivables are measured at amortized cost less impairment losses. Financial assets arising from derivative financial instruments of EUR 55 thousand are classified as level 2.

Long term financial liabilities

Long-term loans from financial institutions consist of a loan from Macquarie Principal Finance PTY Limited, UK Branch (the Loan was transferred from Bregal Milestone LLP on November 23, 2020 with no changes made to the terms and conditions of the loan) and other institutions.

Fair value of the loan from Macquarie Principal Finance PTY is measured to reflect the amount the Group would need to pay if it would repay the loan in full at the end of reporting period.

The loan is classified as level 2 in the fair value measurement hierarchy. 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. The value of the loan as of 31 December, 2020 would approximately be 76.7 million euros if calculated based on discounted cash flows. Other loans are at fixed or variable rate and their fair values are considered to correspond to the book values as divergences between the values are assessed as immaterial.

Short term financial liabilities

The fair values of short-term loans from financial institutions are considered to correspond to the book values. Trade payables and other liabilities are measured at amortised cost. Financial liabilities arising from derivative financial instruments of EUR 413 thousand are classified as level 2.

The maturity distribution of financial liabilities is presented in Note 18.

23. Auditor fees

EUR THOUSAND	1.1.-31.12.2020	1.1.-31.12.2019
Audit fees	-258	-291
Tax consultancy	0	0
Other fees and services	-4	0
Auditor fees total	-262	-291

24. Commitments and contingent liabilities

EUR THOUSAND	31.12.2020	31.12.2019
Own guarantees		
Guarantees	1,262	1,149
Commitments on behalf of subsidiaries		
Guarantees	822	298
Other commitments		
Maturing in less than 1 year	3,455	3,173
Maturing in 1-5 years	2,876	4,899
Total	6,331	8,072

Commitments and contingent liabilities total

8,415

9,518

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.

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. 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.

25. Related party transactions

	Domicile	Country	Parent company holding, %
Basware International Oy	Espoo	Finland	100
Basware GmbH	Düsseldorf	Germany	100
Basware AB	Stockholm	Sweden	100
Basware B.V.	Amsterdam	Netherlands	100
Basware A/S	Herlev	Denmark	100
Basware, Inc.	Delaware	United States	100
Basware SAS	Paris	France	100
Basware AS	Oslo	Norway	100
Basware Pty Ltd	Chatswood	Australia	100
Basware SRL	Iasi	Romania	100
Basware India Private Limited	Chandigarh	India	100
Basware Belgium NV	Aalst	Belgium	100
Basware Holdings Ltd.	London	Great Britain	100
Basware Shared Services Ltd.	London	Great Britain	100

Foreign branches

The parent company has branches in India, Chandigarh (reg. no F03347) and Russia, Moscow (reg. no 169261).

Basware UK subsidiaries, Basware Holdings Ltd. and Basware Shared Services Ltd. have applied exemption from the local statutory audit requirements under section 479A of the Companies Act 2006.

Basware GmbH is exempt from the duty of corporations to audit and disclose financial statements pursuant to German legislation (§ 264 III HGB).

26. Events after the reporting period

On January 14, 2021, the Board of Directors of Basware Corporation has resolved on an issue of 43,000 new shares in the company to the company itself without consideration pursuant to the share issue authorization granted to it by the Annual General Meeting held on June 4, 2020. The new shares to be issued to the company will be used for reward payments under the company's incentive programs. The new shares to be issued are of the same class as the existing shares in the company. The total number of the company's shares after the share issue is 14,463,936 shares, of which 48,476 shares in total are held by the company.

Parent company income statement (FAS)

EUR	Note	1.1.-31.12.2020	1.1.-31.12.2019
NET SALES	2	76,404,254.64	76,190,873.76
Other operating income	3	104,306.00	237,475.36
Materials and services	4	-16,603,144.76	-18,205,324.20
Employee benefits expenses	5	-27,577,060.55	-28,327,442.68
Depreciation and amortization	6	-9,754,876.74	-8,855,304.69
Other operating expenses	7	-24,205,080.20	-42,491,162.05
Operating profit/loss		-1,631,601.61	-21,450,884.50
Financial income	8	886,438.27	1,375,862.55
Financial expenses	8	-11,530,950.03	-8,712,567.29
Dividend from group companies		200,000.00	2,380,429.88
Impairment on investments	12	-17,884.00	0.00
Profit/loss before appropriation and taxes		-12,093,997.37	-26,407,159.36
Income tax expense	9	0.00	0.00
PROFIT/LOSS FOR THE PERIOD		-12,093,997.37	-26,407,159.36

Parent company balance sheet (FAS)

EUR	Note	31.12.2020	31.12.2019
ASSETS			
Non-current assets			
Intangible assets	10	36,566,585.97	37,406,093.16
Tangible assets	11	677,978.80	819,306.74
Investments	12	107,583,005.73	113,964,386.64
Long-term trade and other receivables	13	645,316.57	1,005,066.23
Non-current assets		145,472,887.07	153,194,852.77
Current assets			
Short-term trade and other receivables	14	23,008,460.06	25,841,027.28
Cash and cash equivalents		32,370,471.67	21,481,183.60
Current assets		55,378,931.73	47,322,210.88
TOTAL ASSETS		200,851,818.80	200,517,063.65
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		3,528,368.70	3,528,368.70
Share premium account		1,118,161.00	1,118,161.00
Fair value reserve		-357,511.42	77,322.04
Other reserves		115,939,220.13	116,036,928.54
Retained earnings		-35,149,288.89	-8,839,837.94
Result for the period		-12,093,997.37	-26,407,159.36
Shareholders' equity	15	72,984,952.15	85,513,782.98
Current provisions	16	0.00	0.00
Liabilities			
Long-term liabilities	17	68,901,805.96	59,066,354.54
Short-term liabilities	18	58,965,060.69	55,936,925.98
Total liabilities		127,866,866.65	115,003,280.52
TOTAL EQUITY AND LIABILITIES		200,851,818.80	200,517,063.65

Parent company cash flow statement (FAS)

EUR	1.1.-31.12.2020	1.1.-31.12.2019	EUR	1.1.-31.12.2020	1.1.-31.12.2019
Cash flow from operating activities					
Result for the period	-12,093,997.37	-26,407,159.36			
Adjustments for result					
Planned depreciations	9,754,876.74	8,855,304.69			
Proceeds from sale of non-current assets	46,177.46	0.00			
Unrealized exchange gains and losses	810,886.35	-278,222.43			
Finance income and expenses	9,684,729.72	5,185,653.32			
Other non-cash items	-766,477.46	-94,818.79			
Working capital changes	-8,736,187.40	-1,973,293.44			
Interest paid	-72,669.22	-1,258,435.10			
Dividends received	700,000.00	1,880,813.74			
Interest received	381,335.11	974,902.50			
Other financial items in operating activities	-426,385.25	-517,874.02			
Net cash from operating activities	-717,711.32	-13,633,128.89			
Cash flow from investing activities					
Purchase of tangible and intangible assets	-8,816,475.72	-10,056,028.22			
Proceeds from sale of tangible and intangible assets	6,500.00	-16,659.09			
Proceeds from repayments of loans	6,356,996.74	4,501,767.59			
Addition / deduction of cash equivalents	817,979.14	5,682,708.57			
Net cash used in investing activities	-1,634,999.84	111,788.85			
Cash flow before financing activities	-2,352,711.16	-13,521,340.04			
Cash flow from financing activities					
Repayment of current borrowings		-1,995,972.00			
Addition / deduction of current borrowings		13,791,066.35			
Proceeds from borrowings		1,446,904.88			
Repayment of non-current borrowings		0.00			
Net cash used in financing activities		13,241,999.23			
Net change in cash and cash equivalents		10,889,288.07			
Cash and cash equivalents at the beginning of period		21,481,183.60			
Cash and cash equivalents at the end of period		32,370,471.67			
The company includes intra-group accounts in the financing activities.					

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS (FAS)

3. Accounting principles

Basware Corporation's financial statements have been prepared in accordance with the Finnish Accounting Act.

Transactions in foreign currencies

Transactions in foreign currencies are recorded at the exchange rates prevailing at the transaction dates. The unsettled balances on foreign currency receivables and liabilities are valued at the rates of exchange prevailing at the end of the accounting period. Foreign exchange gains and losses related to normal business operations are entered in the appropriate income statement account before operating profit and foreign exchange gains and losses associated with financing are entered as a net amount under financial income and expenses.

Revenue recognition

Parent company applies the same revenue recognition principles as the Group. Revenue recognition principles of the Group are presented in Note 2.

Other operating income

Other operating income includes proceeds from the sale of business operations and property, plant and equipment and rental income.

Research and development costs

Research expenses are booked as an expense as they are incurred. Costs related to the adoption of new technology or development of a new generation of projects are capitalized, recognized and amortized over the useful life of 3-5 years. In determining the useful life, the obsolescence of technology and the typical life cycle of products in the industry are taken into consideration. Amortization starts once the product is ready for commercial utilization. Maintenance of existing products and minor enhancements are recognized as they are incurred. Public subsidies related to research and development are recognized through profit or loss in the periods during which the corresponding costs are recognized as expenses.

Employees

The statutory pension coverage for employees is provided through insurance policies taken out with a pension institution. The statutory pension expenses are recognized as expenses in the year they are incurred.

Intangible assets

Intangible assets are recognized at the original acquisition cost less accumulated depreciation according to plan and possible impairment. Public subsidies related to the acquisition of an intangible asset are deducted from the acquisition cost of the asset and recognized as income by reducing the depreciation charge of the asset they are related to. The expected useful lives of intangible assets are 3-10 years. The useful lives are reviewed at the end of each financial year and are adjusted if needed.

Tangible assets

Tangible assets are recognized in the balance sheet at the original acquisition cost less accumulated depreciation.

The useful lives of tangible assets are 3-5 years.

Investments

The company's subsidiary shares and other shares in the investments in non-current assets are valued at acquisition cost or, if lower, at fair value.

Financial instruments

Financial instruments are recognized at fair value in accordance with Accounting Act section 5: 2a. The accounting principles of hedge accounting are presented in Note 18 and Note 22 of group financial statements.

Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the obligation will have to be settled, and the amount of the obligation can be reliably estimated.

Leases

Leasing payments are recognized as annual expenses.

Income taxes

Income taxes have been recognized in accordance with Finnish tax legislation.

Income taxes include the income tax payments for the period based on the profit for the period, taxes for prior periods and tax refunds. Deferred taxes are not included in the parent's income statement and balance sheet.

2. Net sales

403 Sales by revenue type

Below is breakdown of revenue by type. Revenue by type is not directly comparable with group revenue because figures reported by parent company include intra-group revenue.

EUR THOUSAND	1.1.-31.12.2020	1.1.-31.12.2019
Cloud revenue		
SaaS	35,349	29,919
Transaction services	23,871	25,731
Other cloud revenue	60	46
Cloud revenue total	59,281	55,696
Non-cloud revenue		
Maintenance	9,682	13,010
License sales	193	736
Consulting services	7,518	6,678
Other non-cloud revenue	-269	71
Other than cloud revenue total	17,124	20,495
Revenue total	76,404	76,191

See Notes 5 to 6 to Consolidated Financials

EUR THOUSAND	1.1.-31.12.2020	1.1.-31.12.2019
Finland	36,315	35,300
Export	40,089	40,891
Total	76,404	76,191

3. Other operating income

EUR THOUSAND	1.1.-31.12.2020	1.1.-31.12.2019
Gain on sale of assets	23	0
Other operating income	81	237
Other operating income total	104	237

In 2019 and 2020, other operating income mainly consists of other proceeds related to divestment.

4. Materials and services

EUR THOUSAND	1.1.-31.12.2020	1.1.-31.12.2019
Purchases during the financial period	-15,614	-17,074
Services purchased	-989	-1,132
Total	-16,603	-18,205

5. Personnel and employee benefits

See Notes 6 and 7

EUR THOUSAND	1.1.-31.12.2020	1.1.-31.12.2019
Salaries paid to CEO and the Board of Directors	-817	-1,501
Salaries paid to other personnel	-22,715	-22,304
Pension expenses	-3,139	-3,732
Other personnel expenses	-906	-790
Total	-27,577	-28,327

Salaries and fees paid to each member of the management are detailed in Note 5 to the consolidated financial statement.

Financial performance

8. Finance income and expenses

	1.1.-31.12.2020	1.1.-31.12.2019
EUR THOUSAND		
Other interest and financial income		
From group companies	845	1,233
From others	41	143
Other interest and financial income	886	1,375
Interest and financial expenses		
To group companies	-1,283	-297
To others	-10,248	-8,416
Impairment on investments	-18	0
Other interest and financial expenses total	-11,549	-8,713
Total	-10,663	-7,337

9. Direct taxes

EUR THOUSAND	1.1.-31.12.2020	1.1.-31.12.2019
Income taxes from previous financial periods	0	0
Total	0	0

The deferred tax asset arising from accumulated losses total of 4.0 (6.9) million euros, and from non-deductible interests total of 17.2 (6.6) million euros, has not been recognized on the balance sheet. The postponed R&D amortizations are booked as deferred tax asset on the Group balance sheet.

	1.1.-31.12.2020	1.1.-31.12.2019
Personnel average for the period	347	353
Personnel at the end of the period	346	341
5. Depreciation and amortization		
EUR THOUSAND	1.1.-31.12.2020	1.1.-31.12.2019
Intangible assets	-9,565	-8,631
Tangible assets	-190	-224
Total	-9,755	-8,855

7. Other operating expenses

EUR THOUSAND	1.1.-31.12.2020	1.1.-31.12.2019
Rents	-1,376	-1,162
Non-statutory employee benefits	-387	-451
Travelling	-313	-843
Marketing	-3,531	-3,598
IT and telephone	-904	-1,007
Auditor fees	-171	-206
Other expenses	-17,523	-35,224
Other operating expenses total	-24,205	-42,491
Audit fees	-167	-206
Tax consultancy	0	0
Other fees and services	-4	0
Audit fees total	-171	-206

10. Intangible assets

in thousands of Brazilian Reals

EUR THOUSAND	Development costs	Intangible rights	Goodwill/merger loss	Other long-term investments	Assets, unfinished projects	Total
Acquisition cost Jan. 1	63,503	17,846	17,625	288	8,118	107,380
Additions	744	650	0	0	7,330	8,725
Disposals	0	0	0	0	0	0
Reclassifications between items	1,405	0	0	0	-1,405	0
Acquisition cost Dec. 31	65,652	18,496	17,625	288	14,044	116,104
Cumulative amortisation Jan. 1	-37,551	-14,726	-17,625	-72	0	-69,973
Cumulative amortisation on disposals and reclassifications	0	0	0	0	0	0
Amortisation	-8,220	-1,309	0	-35	0	-9,565
Cumulative amortisation Dec. 31	-45,771	-16,035	-17,625	-107	0	-79,538
Book value Dec. 31	19,881	2,460	0	182	14,044	36,566
Intangible assets, total						
EUR THOUSAND	Development costs	Intangible rights	Goodwill/merger loss	Other long-term investments	Assets, unfinished projects	Total
Acquisition cost Jan. 1	50,053	17,437	17,625	64	12,895	98,074
Additions	2,782	408	0	224	5,890	9,306
Disposals	0	0	0	0	0	0
Reclassifications between items	10,668	0	0	0	-10,668	0
Acquisition cost Dec. 31	63,503	17,846	17,625	288	8,118	107,380
Cumulative amortization Jan. 1	-30,508	-13,161	-17,625	-48	0	-61,342
Cumulative amortisation on disposals and reclassifications	0	0	0	0	0	0
Amortisation	-7,043	-1,565	0	-24	0	-8,632
Cumulative amortisation Dec. 31	-37,551	-14,726	-17,625	-72	0	-69,973
Book value Dec. 31	25,952	3,119	0	217	8,118	37,406

11. Tangible assets

Amount in thousands (EUR)

EUR THOUSAND	Machinery and equipment	Other tangible assets	Total
Acquisition cost Jan. 1	6,954	152	7,107
Additions	49	0	49
Disposals	-106	0	-106
Acquisition cost Dec. 31	6,898	152	7,050
Cumulative amortization Jan. 1	-6,287	0	-6,287
Cumulative amortisation on disposals and reclassifications	106	0	106
Amortization	-190	0	-190
Cumulative amortization Dec. 31	-6,372	0	-6,372

Book value Dec. 31	526	152	678
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Amount in thousands (EUR)

EUR THOUSAND	Machinery and equipment	Other tangible assets	Total
Acquisition cost Jan. 1	6,196	145	6,341
Additions	771	7	778
Disposals	-13	0	-13
Acquisition cost Dec. 31	6,954	152	7,107
Cumulative amortization Jan. 1	-6,073	0	-6,073
Cumulative amortisation on disposals and reclassifications	10	0	10
Amortization	-224	0	-224
Cumulative amortization Dec. 31	-6,287	0	-6,287

Book value Dec. 31	667	152	819
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12. Investments

EUR THOUSAND

	1.1.-31.12.2020	1.1.-31.12.2019
Shares in group companies		
Book value Jan. 1	98,075	98,075
Book value Dec. 31	98,075	98,075
Other shares		
Book value Jan. 1	13	38
Book value Dec. 31	13	38
Receivables from group companies		
Loan receivables from group companies	9,495	15,852
Investments total	107,583	113,965

13. Non-current receivables

	EUR THOUSAND	31.12.2020	31.12.2019
Rent deposits		7	7
Accrued employee expenses and other prepaid expenses		638	998
Total		645	1,005

14. Current receivables

	EUR THOUSAND	31.12.2020	31.12.2019
Accounts receivables		5,662	5,967
Receivables from group companies			
Accounts receivables		10,262	7,100
Interest receivables		0	0
Loan receivables		37	1,135
Other receivables		2,910	8,393
Total		13,488	16,628
Prepaid expenses and accrued income		3,698	2,867
Other receivables		159	380
Total		3,858	3,247
Current receivables total		23,008	25,841

Prepaid expenses and accrued income			
Accrued employee expenses		7	0
Other prepaid expenses and accrued income		3,692	2,867
Total		3,698	2,867

	Domicile	Country	Parent company holding, %
Basware International Oy	Espoo	Finland	100
Basware GmbH	Düsseldorf	Germany	100
Basware AB	Stockholm	Sweden	100
Basware B.V.	Amsterdam	Netherlands	100
Basware A/S	Herlev	Denmark	100
Basware Inc.	Delaware	United States	100
Basware SAS	Paris	France	100
Basware AS	Oslo	Norway	100
Basware Pty Ltd	Chatswood	Australia	100
Basware SRL	Iasi	Romania	100
Basware India Private Limited	Chandigarh	India	99
Basware Belgium NV	Aalst	Belgium	99
Basware Holdings Ltd.	London	Great Britain	100
Basware Shared Services Ltd.	London	Great Britain	100

Foreign branches

The parent company has branches in India, Chandigarh (reg.no. F03347) and Russia, Moscow (reg.no. 169261).

Basware UK subsidiaries, Basware Holdings Ltd. and Basware Shared Services Ltd. have applied exemption from the local statutory audit requirements under section 479A of the Companies Act 2006.

Basware GmbH is exempt from the duty of corporations to audit and disclose financial statements pursuant to German legislation (§ 264 III HGB).

15. Shareholder's equity

EUR THOUSAND	31.12.2020	31.12.2019	EUR THOUSAND	31.12.2020	31.12.2019
Share capital Jan. 1	3,528	3,528	Specification of distributable funds		
Share capital Dec. 31	3,528	3,528			
Share premium account Jan. 1	1,118	1,118		-12,094	-26,407
Share premium account Dec. 31	1,118	1,118		-35,148	-8,839
Fair value reserve Jan. 1	77	240		115,939	116,037
Increase or decrease	-435	-163	Warrants	-4,691	-4,691
Fair value reserve Dec. 31	-358	77	Development expenses, capitalized*	-33,925	-34,070
			Distributable funds Dec. 31	30,080	42,029

* According to Accounting Act 5:8 capitalized development expenses are deducted from distributable funds.

Warrants are detailed in Note 19. Shareholders' equity in the consolidated financial statement.

16. Provisions

EUR THOUSAND	1.1.-31.12.2020	1.1.-31.12.2019
Opening balance Jan. 1	0	106
Additions	0	767
Disposals	0	-873
Closing balance Dec. 31	0	0

Non-restricted equity Dec. 31	68,696	80,790
Shareholders' equity Dec. 31	72,985	85,514

17. Non-current liabilities

EUR THOUSAND	31.12.2020	31.12.2019
Loans from financial institutions	66,665	58,889
Deferred income	613	0
Debts to group companies	1,624	177
Non-current liabilities total	68,902	59,066

18. Current liabilities

EUR THOUSAND	31.12.2020	31.12.2019
Accounts payable	5,145	5,338
Liabilities to group companies		
Accounts payable	2,345	1,881
Other debts	34,709	33,380
Total	37,054	35,261
Loans from financial institutions	1,996	2,001
Other debts	1,363	1,083
Accrued expenses and deferred income	13,408	12,253
Total	16,767	15,338

Current liabilities total	58,965	55,937
Accrued expenses and deferred income		
Accrued employee expenses	7,787	6,721
Deferred income	3,683	3,848
Other accrued expenses	1,938	1,684
Total	13,408	12,253

19. Commitments and contingent liabilities

EUR THOUSAND	31.12.2020	31.12.2019
Own guarantees		
Guarantees	398	398
Commitments on behalf of subsidiaries		
Guarantees	822	298
Other own contingent liabilities		
Leasing liabilities		
Current lease liabilities	299	297
Lease liabilities maturing in 1-5 years	190	341
Total	489	638
Rental liabilities*		
Current rental liabilities	4,380	3,998
Rental liabilities maturing in 1- 5 years	7,278	8,734
Rental liabilities maturing over 5 years	1,048	2,096
Total	12,706	14,829
Other own contingent liabilities total	13,196	15,467
Commitments and Contingent Liabilities total	14,416	16,162

*Value added tax is only included in vehicle leasing liabilities. The other liabilities are exclusive of value added tax. The lease agreements are ordinary lease agreements. The finance lease agreements are ordinary finance lease agreements and have no associated leaseback clauses. The group does not have pledges, mortgages or guarantees on behalf of external parties.

SIGNATURES FOR THE BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

In Espoo, February 3, 2021

Daryl Rolley
Board member

Asko Schrey
Board member

Minna Smedsten
Board member

Ilkka Sihvo
Vice Chairman of the Board

Michael Ingelöf
Chairman of the Board

Klaus Andersen
CEO

the Auditor's Note

A report on the audit performed has been issued today.

In Helsinki, February 3, 2021

Ernst & Young Oy
Authorized Public Accountant Firm

Terhi Mäkinen
Authorized Public Accountant

AUDITOR'S REPORT

(Translation of the Finnish original)

To the Annual General Meeting of Basware Corporation

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Basware Corporation (business identity code 0592542-4) for the year ended 31 December, 2020. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit

services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 23 to the consolidated financial statements and note 7 to the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of Goodwill <i>We refer to the Group's accounting policies and the note 3</i> At the balance sheet date 31 December 2020, the value of goodwill amounted to EUR 77 million representing 34 % of total assets and 93 % of total equity (2019: EUR 80 million, 36 % of total assets and 85 % of total equity). The valuation of goodwill was a key audit matter as: - the management's annual impairment test is complex and involves judgments; - the annual impairment test is based on market and economical assumptions; - the goodwill balance is significant. The cash flows of the cash generating unit is based on the value in use. Changes in the assumptions used can significantly impact the value in use. The value in use is dependent on several assumptions such as the revenue growth, operating profit and discount rate used. Changes in these assumptions can lead to an impairment.	Our audit procedures included, among others, involving internal valuation specialist to assist us in evaluating the assumptions and methodologies used by the group including those related to forecasted revenue, operating profit and the weighted average cost of capital used in discounting the cash flows. We reviewed the sensitivity in the available headroom by cash generating unit and focused on whether any reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount. We compared the historical forecasting of the group with actual outcome and we compared projections to the latest estimates approved by the board. We checked the mathematical accuracy of the underlying calculations. We compared the groups' disclosures related to impairment tests in note 3 in the financial statements with presentation requirements in applicable accounting standards and we reviewed the information provided on sensitivity analysis.
Revenue Recognition <i>We refer to the Group's accounting policies and the note 2</i> Sales are recognized when the control of the goods or service is transferred to the customer. Revenue is recognized at an amount that reflects the considerations to which the company expects to be entitled in exchange for transferring goods or services to a customer. Revenue is recognized over time or at a point in time. The group focuses on revenue as a key performance measure which could create an incentive for revenue to be recognized before the control have been transferred. Revenue recognition was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2) due to the identified risk of material misstatement in timely revenue recognition.	Our audit procedures, considering the significant risk of material misstatement related to revenue recognition, included amongst other: - assessing the application of group's accounting policies over revenue recognition and comparing the group's accounting policies over revenue recognition with applicable accounting standards; - identifying the nature of the revenues and identification of any unusual contract terms; - testing the revenue recognized including testing of group's controls on revenue recognition, when applicable. Our testing included tracing the information to agreements and payments. - assessing the revenue recognized with substantive analytical procedures and - assessing the group's disclosures on revenue recognition.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 14 February 2008, and our appointment represents a total period of uninterrupted engagement of 13 years.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 3.2.2021

Ernst & Young Oy
Authorized Public Accountant Firm

Terhi Mäkinen
Authorized Public Accountant

GROUP KEY FIGURES

EUR THOUSAND	2020	2019	2018	2017	2016
Cloud ARR order intake	19,250	23,694	21,474	-	-
Net sales	151,579	148,302	141,417	149,167	148,580
Growth of net sales, %	2.20 %	4.90%	-5.20%	0.40%*	3.60%
Organic revenue growth, %	3.20 %	5.90%	5.40%	1.50%*	0.30%
Operating profit	4,667	-14,537	-1,471	-9,509	-13,946
% of net sales	3.10 %				
EBITDA	20,207	1,403	9,217	599	-5,394
% of net sales	13.30 %	0.90%	6.50%	0.40%	-
Adjusted EBITDA	20,359	5,85	-4,364	3,294	2,063
Return on equity, %	-8.30%	-22.90%	-6.30%	-9.36%	-10.50%
Return on investment, %	3.10%	-8.60%	-0.90%	-5.77%	-6.80%
Interest-bearing liabilities excl. leasing liabilities	68,837	60,885	57,206	49,282	47,280
Cash and cash equivalents	40,461	31,672	40,747	20,683	35,755
Cash flows from operating activities	25,252	4,159	-6,261	-4,001	-1,774
Free cash flow metric	-6,590	-23,829	-19,829	-	-
Gearing, %	53.00%	48.90%	14.90%	25.24%	8.70%
Gross investments	9,877	10,617	10,933	12,498	51,882
% of net sales	6.50%	7.20%	7.70%	8.40%	34.90%
R&D expenses excluding amortizations	16,447	19,138	21,231	24,372**	13,396
R&D costs, capitalised	8,372	8,829	8,862	9,879**	10,878
R&D investments, total	24,819	27,967	30,093	34,251**	24,274
% of net sales	16.40%	18.90%	21.30%	23.00%	16.30%
Depreciation and amortization	15,539	15,941	10,688	10,108	8,552
Other capitalised expenditure	1,505	1,788	2,071	2,620	1,625
Personnel at end of period	1,336	1,325	1,412	1,829	1,889

* Based on IFRS15 restated revenue including reallocations for 2017 and reported revenue for 2016

** According to the new presentation income statement showing cost of sales and operating expenses by function, the definition of R&D expensed has changed and figures from 2017 onwards are revised.

GROUP SHARE INDICATORS

	2020	2019	2018	2017	2016
Earnings per share, undiluted	-0.51	-1.63	-0.49	-0.80	-1.00
Earnings per share, diluted	-0.51	-1.63	-0.49	-0.80	-1.00
Adjusted earnings per share, undiluted (EUR)	-0.50	-1.37	-1.44	-0.61	-0.48
Adjusted earnings per share, diluted (EUR)	-0.50	-1.37	-1.44	-0.61	-0.48
Equity per share	5.73	6.53	7.71	7.89	9.26
Dividend per share	0.00*	0.00	0.00	0.00	0.00
Dividend per profit, %	0.00%	0.00%	0.00%	0.00%	0.00 %
Effective dividends, %	0.00%	0.00%	0.00%	0.00%	0.00 %
Price/Earnings ratio (P/E)	-82.56	-14.58	-80.20	-59.18	-36.24

Share price performance, share issue adjusted

lowest share price	15.66	16.76	19.75	31.96	30.48
highest share price	42.85	41.10	47.60	47.50	40.90
average share price	29.58	23.61	34.00	38.84	36.22
closing share price	42.00	23.75	39.50	47.50	36.30

Market value of shares at end of period**	605,449,320	341,943,926	567,633,802	682,085,892	520,662,298
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Share issue adjusted number of traded shares	4,817,685	4,204,444	3,005,479	1,681,791	1,931,525
% of average share number	33.40%	29.20%	20.92%	11.70%	13.50%

Number of shares**

- at end of the period	14,415,460	14,397,639	14,370,476	14,359,703	14,343,314
- average during the period	14,407,595	14,388,469	14,367,829	14,357,343	14,293,754
- average during the period, diluted	14,638,935	14,473,519	14,461,175	14,406,674	14,313,442

*) Board's proposal to the Annual General Meeting of Shareholders

**) Excluding treasury shares

CALCULATION OF KEY INDICATORS

EARNINGS PER SHARE	Profit for the period Adjusted average number of shares during the period
DILUTED EARNINGS PER SHARE	Profit for the period Adjusted average number of shares during the period + dilutive shares
Adjusted average number of shares during the period =	
RETURN ON EQUITY (ROE), %	(Profit or loss before taxes - taxes) Shareholders' equity (average) x 100
RETURN ON INVESTMENT (ROI), %	(Profit before taxes + interest and other financial expenses) Balance sheet total - non-interest bearing liabilities (average) x 100
GEARING, %	(Interest-bearing liabilities - interest-bearing assets) Shareholders' equity x 100
EQUITY RATIO, %	Shareholders' equity Balance sheet total - advance payments received x 100
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	Shareholders' equity Adjusted number of shares at the end of the financial period - own shares
DIVIDEND PER SHARE	Total dividend Adjusted number of shares at the end of the financial period - own shares

DIVIDEND/PROFIT, %	Dividend per share Earnings per share x 100
EFFECTIVE DIVIDEND YIELD, %	Dividend per share Adjusted share price at the end of the financial period x 100
PRICE-EARNINGS RATIO (P/E)	Adjusted share price at the end of the financial period Earnings per share x 100
ADJUSTED EBITDA	Adjusted EBITDA is reported excluding any adjustments related to alliance fees, acquisitions and disposals, restructuring and efficiency measures, impairment losses and litigation fees and settlements.
OPERATING PROFIT	Operating profit is the net sum of operating income added to net sales, less cost of sales consisting of materials and services, less the costs resulting from employee benefits, depreciation and amortization as well as other operating expenses and any impairment. Exchange rate differences and gains or losses arising from changes in the fair value of derivatives are included in operating profit; provided that they result from items related to business operations; otherwise they are recognized under financing items. All other items of the consolidated statement of comprehensive income are presented after operating profit.
ADJUSTED OPERATING PROFIT (ADJUSTED EBIT)	Is calculated from operating result excluding any adjustments related to alliance fees, acquisitions and disposals, restructuring and efficiency measures, impairment losses and litigation fees and settlements.
GROSS INVESTMENTS	Total investments made to non-current assets including acquisitions and capitalized research and development costs.
FREE CASH FLOW METRIC	Free cash flow is calculated as follows: EBITDA minus capitalizations, total debt service costs, tax and payments of lease liabilities, and excluding the share part of share-based compensation and any impact from acquisitions or disposals.

SHARE AND SHAREHOLDERS

Share

Basware shares are listed on Nasdaq Helsinki Ltd. The company has one series of shares, with the trading code BASIV.

Trading code	BASIV
ISIN code	FI0009008403
Book-counter value	EUR 0.30
Listing price on February 29, 2000	EUR 5.70
Closing price on December 31, 2020	EUR 42.00

At the end of 2020, the total number of shares issued by Basware was 14,420,936 (14,401,936). Each share confers one vote in the general meeting of shareholders, and all shares carry an equal right to dividend.

Share capital and trading

At the end of 2020, Basware Corporation's share capital was EUR 3,528,368.70 (EUR 3,528,368.70).

During 2020, the highest price of the share was EUR 42.85 (EUR 41.10), the lowest was EUR 15.66 (EUR 16.76) and the closing price was EUR 42.00 (EUR 23.75). The average price of the share was EUR 29.58 (EUR 23.61) during the period.

A total of 4,817,685 (4,204,444) shares were traded on Nasdaq Helsinki stock exchange during the period, corresponding to 33.4 percent (29.2 %) of the average number of shares. Market capitalization with the period's closing price on December 31, 2020, was EUR 605,449,320 (EUR 341,943,926).

The total amount of own shares held by the company on December 31, 2020 was 5,476 shares (4,297 shares), representing approximately 0.0 percent (0.0%) of all outstanding shares.

Shareholder schemes

Additional information on the share-based incentive schemes is available on the Group's investor webpages at <https://investors.basware.com/en>.

Shareholders

Basware had 11,864 (14,615) shareholders on December 31, 2020, of which 11 are nominee registers. Nominee registered holdings accounted for 56.4 percent (52.4%) of the total number of shares.

Distribution of holdings by number of shares, December 31, 2020

NUMBER OF SHARES	Number of shareholders	% of shareholders	Number of shares	% of shares
1-100	9,837	82.9	243,067	1.7
101-1,000	1,816	15.3	515,840	3.6
1,001-10,000		1.5	452,919	3.1
10,001-100,000	19	0.2	666,939	4.6
100,001-	17	0.1	12,542,171	87.0
Total	11,864	100	14,420,936	100

Distribution of holdings by sector as at December 31, 2020

	Number of shareholders	% of shareholders	Number of shares	% of shares
Private companies	339	2.9	515,327	3.6
Financial and insurance institutions				
Public sector organizations	23	0.2	8,486,389	58.8
Non-profit organizations	7	0.1	980,092	6.8
Households	21	0.2	42,080	0.3
Foreign shareholders	11,412	96.2	3,747,138	26.0
	62	0.5	649,910	4.5
Total	11,864	100	14,420,936	100
Of which nominee-registered	11	0.1	8,126,987	56.4

Consolidated Statement of Financial Position as at December 31, 2020 (€)

Holdings of the Board of Directors and Executive Team as at December 31, 2020

	Number of shares	% of shares		Number of shares	% of all shares
1. Sihvo Ilkka	887,300	6.2	Michael Ingelög, Chair	7,000	0.0
2. Vaajoensuu Hannu Vaajoensuu Hannu Havacment Oy	562,702	3.9	Ilkka Sihvo, Vice-Chair	887,300	6.2
3. Eräkangas Kirsi Eräkangas Kirsi	301,272	2.1	Daryl Rolley	3,248	0.0
Eräkangas Lotta	261,430	1.8	Asko Schrey	7,854	0.1
4. Fjärde Ap Fonden	561,713	3.9	Minna Smedsten	462	0.0
5. Ilmarinen Mutual Pension Insurance Company	400,313	2.8			
6. Perttunen Sakari	161,400	1.1	Holdings of the Board of Directors in total	905,864	6.3
7. Danske Invest Finnish Equity Fund	469,873	3.3	Klaus Andersen, CEO	10,655	0.1
8. Veritas Pension Insurance Company Ltd.	420,830	2.9	Martti Nurminen, CFO	0	0.0
9. The State Pension Fund	332,375	2.3	Jane Broberg	4,554	0.0
10. Pöllänen Antti	270,000	1.9	Lars Madsen	6,968	0.0
11. Perttunen, Meimi	257,492	1.8	Perttu Nihti	1,262	0.0
12. Turret Oy Ab	256,000	1.8	Mogens Pedersen	1,000	0.0
13. Sijoitusrahasto Taaleritehdas Mikro Markka	173,282	1.2	Paul Taylor	7,559	0.1
14. Vaajoensuu Matias	145,107	1.0	Jussi Vasama	4,472	0.0
15. Vaajoensuu Petra	119,895	0.8	Executive Team holdings in total	36,470	0.3
16. Vaajoensuu Sara	90,000	0.6			
17. Kaloniemä Markku	83,800	0.6			
18. Valio Pension Fund	83,800	0.6			
19. OP-Finland Small Firms Fund	83,700	0.6			
20. Koripalloilun Tukisäätiö Sr	70,000	0.5			
Total 20 largest shareholders	4,969,071	34.5			
Nominee registered total	8,126,987	56.4			
Other owners	1,324,878	9.2			
Total	14,420,936	100.0			

According to Euroclear shareholder register.

On December 31, 2020, the members of the Board of Directors and Executive Team held in total 942,334 company shares, accounting for 6.5 percent of the total number of shares and votes.

FOR SHAREHOLDERS

Annual General Meeting

The Annual General Meeting of Basware Corporation will be held on 18 March, 2021 at 10:00 am EET. The meeting will be held under special arrangements without shareholders' or their proxy representatives' presence in the company's headquarters, at the address Linnoitustie 2, Building Cello, 02600 Espoo. The Board of Directors of the company has resolved on an exceptional meeting procedure based on the temporary legislation approved by the Finnish Parliament on 15 September 2020 (the "Temporary Act"). In order to limit the spread of the Covid-19 pandemic, the Annual General Meeting will be held without shareholders' or their proxy representatives' presence at the meeting venue. This is necessary in order to organize the General Meeting in a predictable way while taking into account the health and safety of the company's shareholders, personnel and other stakeholders.

Each shareholder, who is registered on 8 March, 2021 in the shareholders' register of the company held by Euroclear Finland Ltd, has the right to participate in the General Meeting. Registration for the meeting and advance voting begin on 18 February, 2021 at 9:00 am EET, when the deadline for delivering counterproposals has expired and the company has published the possible counterproposals to be put to a vote on the company's website. A shareholder entered in the Company's shareholder register, who wishes to participate in the General Meeting by voting in advance, must register for the General Meeting and deliver his/her votes in advance on 12 March, 2021 at 4:00 pm EET at the latest, by which time the notice of participation and the votes must be received.

Shareholders with a Finnish book-entry account can register and vote in advance on certain items on the agenda of the General Meeting during the period 18 February, 2021 at 9:00 am EET-12 March, 2021 at 4:00 pm EET. Instructions regarding the voting are available to all shareholders on the company's website at <http://investor.basware.com/en>.

A holder of nominee registered shares has the right to participate in the General Meeting by virtue of such shares, based on which he/she on the record date of the General Meeting, i.e. on 8 March, 2021, would be entitled to be registered in the shareholders' register of the company held by Euroclear Finland Ltd. The right to participate in the Annual General Meeting requires, in addition, that the shareholder on the basis of such shares has been temporarily registered into the shareholders' register held by Euroclear Finland Ltd at the latest by 15 March, 2021 by 10:00 am EET. As regards nominee registered shares this constitutes due registration for the General Meeting.

Dividend

Board of Directors proposes to the Annual General Meeting that no dividend be paid for 2020.

Financial reporting in 2021

In 2021, Basware Corporation will publish financial information as follows:

April 20, 2021 - Interim report for January 1 - March 31, 2021
 July 15, 2021 - Half-year financial report for January 1 - June 30, 2021
 October 19, 2021 - Interim report for January 1 - September 30, 2021

All interim reports and stock exchange releases are available on Basware's investor webpages at <https://investor.basware.com/en>.

basware

Questions about the annual report?