



BASWARE 2019

GOVERNANCE

FINANCIALS

# ANNUAL REPORT 2019



basware

# VISIBLE COMMERCE

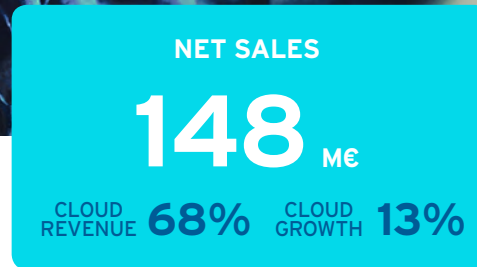
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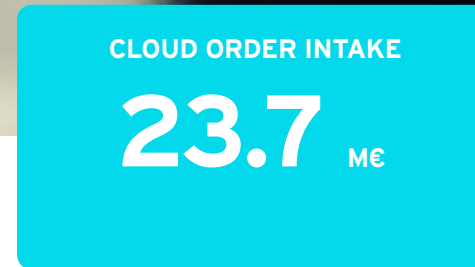
## Global leader in networked Purchase-to-Pay

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. More than 1.5 million buyers and suppliers in over 100 countries are using our open commerce network.



## Cloud revenues 68% of net sales

Basware's net sales in 2019 were EUR 148 million (EUR 141 million in 2018). Cloud revenues amounted to 68% of total revenue and increased 13% from previous year's level. Adjusted EBITDA amounted to EUR 5.2 million. Basware's strategic priority is profitable cloud growth.



## Cloud order intake EUR 23.7 million

In 2019 Basware's total cloud annual recurring revenue (ARR) gross order intake amounted to EUR 23.7 million, increasing 10% from previous year's level. Order intake growth was particularly strong in the US, where we signed several new customer deals.



## 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 opportunity 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 2019** ..... 2

CEO's Review ..... 4

Strategy ..... 5

Solutions and Services ..... 6

Baswareans ..... 7

**Corporate Governance Statement** ..... 8

Board of Directors ..... 10

Executive Team ..... 14

**Remuneration Report** ..... 19

**Financial Statements**

Report of the Board of Directors ..... 24

Consolidated Statement of Comprehensive Income ..... 34

Consolidated Statement of Financial Position ..... 35

Consolidated Statement of Cash Flows ..... 37

Consolidated Statement of Changes in Equity ..... 38

Notes to the Consolidated Statements ..... 39

Parent Company Income Statement ..... 75

Parent Company Balance Sheet ..... 75

Parent Company Cash Flow Statement ..... 76

Notes to the Parent Company Financial Statements ..... 77

Auditor's Report ..... 86

Key Figures ..... 90

Share Indicators ..... 91

Calculation of Key Indicators ..... 92

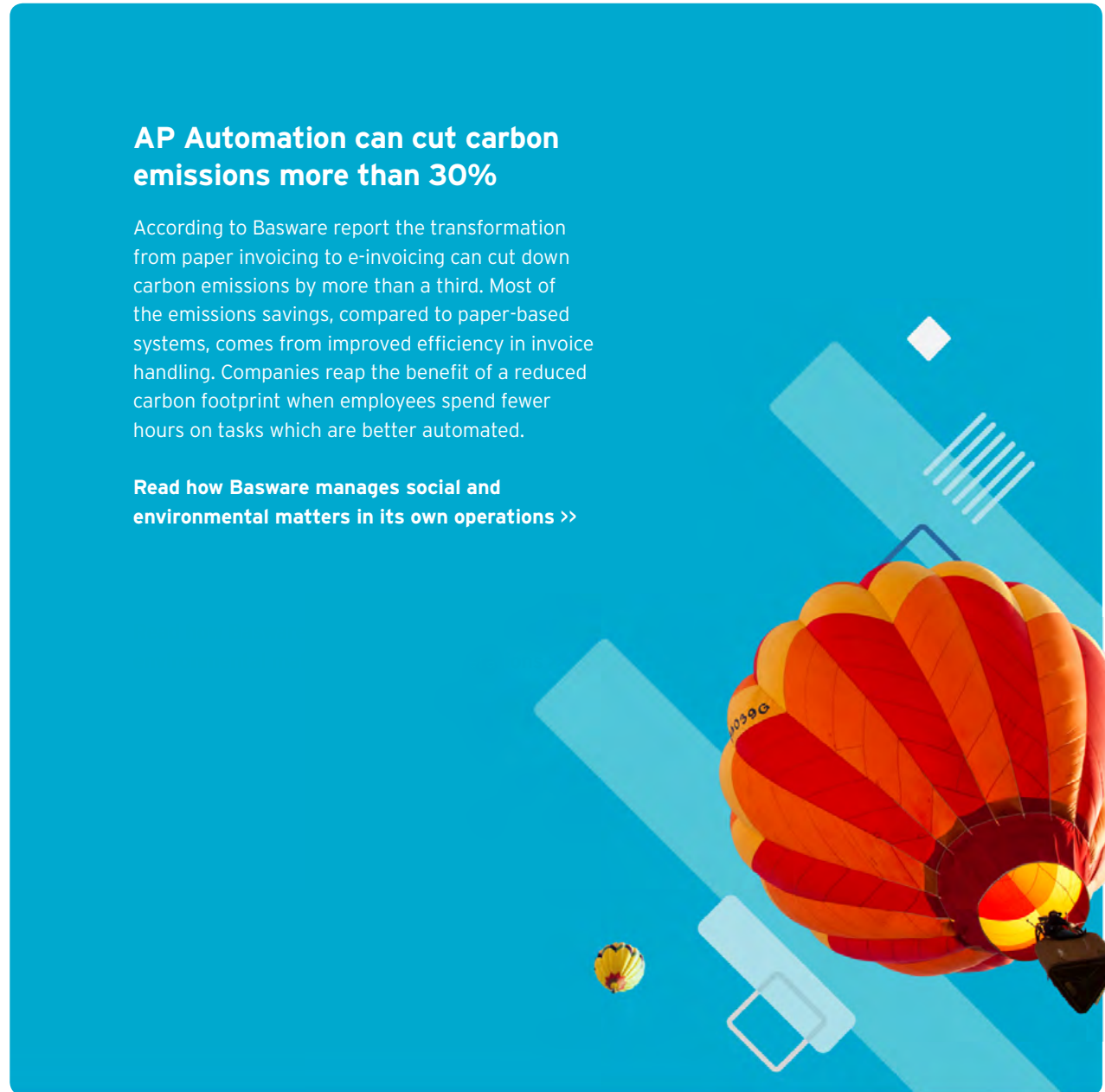
Share and Shareholders ..... 93

For Shareholders ..... 95

## AP Automation can cut carbon emissions more than 30%

According to Basware report the transformation from paper invoicing to e-invoicing can cut down carbon emissions by more than a third. Most of the emissions savings, compared to paper-based systems, comes from improved efficiency in invoice handling. Companies reap the benefit of a reduced carbon footprint when employees spend fewer hours on tasks which are better automated.

**Read how Basware manages social and environmental matters in its own operations >>**



## CEO'S REVIEW

### Profitability and strong cloud growth



In the past years Basware's focus has been on driving cloud sales, establishing new ways to serve our customers and changing the company mindset to fully embrace the cloud. Basware services and solutions have been focused on what we do best: networked Purchase-to-Pay. When I started as the CEO of Basware, the longest part of the transformation journey had already been completed. What Basware needed next was to change gears in order to become a more scalable and mature cloud company.

In April we launched a productivity programme to consolidate our product offering, streamline global operations and increase efficiency in all functions. The positive results are already visible in our bottom line. We still have significant opportunities to mature our processes, consolidate systems, optimize spending and drive efficiency in the coming years. I am confident that the strong execution of the productivity

programme combined with a growing global market will set a good foundation for cloud growth and profitability.

#### Financial development in 2019

Basware's profitability improved in 2019 and adjusted EBITDA amounted to EUR 5.2 million. Total revenue in 2019 was EUR 148 million, of which cloud amounted to 68 percent. Cloud revenue growth was 13 percent on an organic basis at constant currencies. In particular, Basware performed well in the US and France. We took actions to improve productivity in consulting business, which will continue to be a priority in coming years. Cloud order intake for full year amounted to EUR 23.7 million. FirstGroup America, HunterDouglas, Sony Music Entertainment, Innio, Holcim and Texas Roadhouse, among others, chose Basware as their vendor.

#### Delivering 100% visibility to customers with our leading solutions

With our Purchase-to-Pay solutions and the world's largest open business network, our customers can maximize efficiency and get smart about spending. Basware's open API philosophy enables us to co-exist with other systems, providers and specialist solutions and still ensure full data capture and 100% spend visibility. At Basware we believe in a future of Visible Commerce - where complete transparency into the flow of money, goods, and services around the world enables better business decisions.

Two leading international industry analysts have again evaluated Basware as best of breed in networked Purchase-to-Pay and eProcurement. Basware's position in the Leaders quadrant is attributed to our open global network, our comprehensive integration capabilities and our core Purchase-to-Pay functionality's ease of use. Basware's eProcurement solution was evaluated to be the leading choice for CFOs who hope to achieve more than 90% automation in their purchase-to-pay process, and particularly excelling in automating invoice capture and processing.

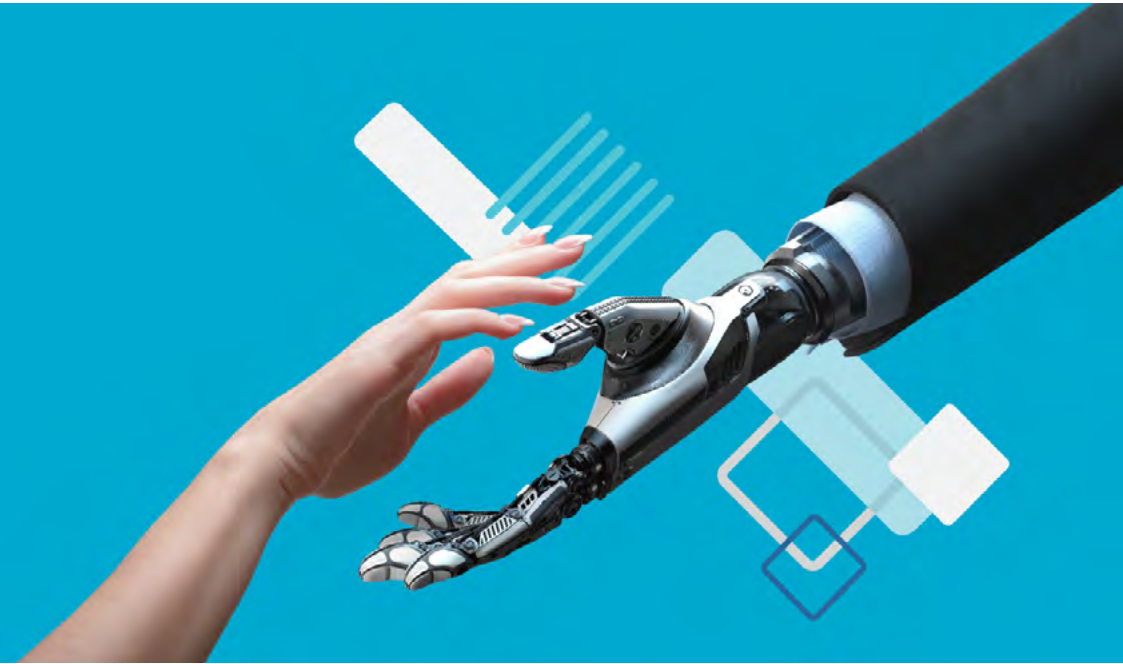
#### Looking ahead

I am thrilled to be leading such a diverse and innovative team of professionals, who are working in 14 countries supporting customers in more than a hundred countries around the world. Basware has over 30 years of experience and innovations in invoicing, accounts payable automation and procurement. I look forward to building on that foundation to make Basware the networked Source-to-Pay vendor of choice with a strong focus on profitable growth.

Klaus Andersen  
CEO

## STRATEGY

Today, Basware's total revenue is more than two thirds cloud, which means that the largest part of transformation journey is behind us. We are focusing next on scalable growth and profitability, increasing efficiency and streamlining business operations.



Basware's long-term target is to become the networked Source-to-Pay vendor of choice. We have defined five must-win battles for next three years that are crucial for the strategy execution. #1 Happy Customers: Customer satisfaction is a top priority for us across every customer touchpoint. #2 Delivery Capabilities: We have right competency and capacity on project deliveries to make our customers successful. #3 Procurement: Further strengthening our procurement solution. #4 Sell with Advisory Partners: We increase sales scalability via win-win partnerships. #5 Transformations; now and after: Our aim is to complete the remaining customer cloud transformations and reallocate resources to long-term strategic areas.

Through these 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 Visible Commerce to our customers.

Read more on strategy in [Board of Directors' report >>](#)

### MUST-WIN BATTLES 2020-2022

- #1 - Happy Customers
- #2 - Delivery Capabilities
- #3 - Procurement
- #4 - Sell with Advisory Partners
- #5 - Transformations; now and after

### LONG TERM

- Realize growth potential
- Enable Visible Commerce

**Basware is a global leader in the growing Source-to-Pay market**

## SEE MORE, DO MORE, WITH 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.

### HOW VISIBLE COMMERCE COMES TO LIFE THROUGH BASWARE SOLUTIONS AND SERVICES

#### Automation

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. Here are some examples:

- Touchless Processing
  - SmartPDF
  - Best-fit Matching
  - Smart Coding
  - Payment Plans
- Integration Capabilities for over 250 ERPs
- 100% User Adoption

#### Visibility

Organizations can only save money, spend smarter, and build a resilient, low risk supply chain if they know exactly how much money they're spending, who they're spending that money with, and what they're buying. True spend visibility can only happen when you capture 100% of your data.

- 100% data capture
- Advanced analytics
- Optimize supply chain

#### Basware Network

We have the world's largest global open commerce network, supporting customers in more than a hundred countries. In 2019 we had more than 150 million transactions flow through our network, for a total of 800 billion euros of spend. The Basware Network is free and easy for suppliers to join and offers:

- Largest e-invoicing network in the world
- Interoperability with 230 other networks
- 100% supplier connectivity
- Global compliance

# BASWAREANS

Our most precious and largest asset is our people. 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



### Baswareans enjoying bubble football on Sports Day

Basware organized a global well-being programme, which focused on improving the health and happiness of all Baswareans. Among others, employees competed in sporty challenges against their global colleagues, received objective feedback and personal tips from Hints a Better Life survey and participated in educational webinars on health and well-being.

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.

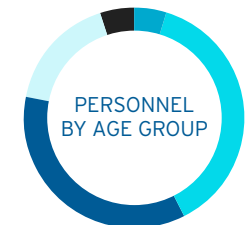
Baswareans appreciate our company culture, good team spirit, supportive ways of working, diverse workforce and smooth collaboration across organizations. We encourage two-way dialogue by organizing YourVoice employee engagement survey annually and follow up the results through action points each year. Based on the results of the previous survey, we have created a cross-functional leadership team to improve

collaboration and focus on strategy execution, launched several well-being campaigns and increased access to global learning and development opportunities.

We embrace diversity. Basware's 1,325 employees work across 14 countries serving customers in more than 100 geographies. The combination of different backgrounds, gender and age ensures diverse capabilities. In 2019 our employees represented 29 different nationalities, of which Indian, Finnish and Romanian were the largest. Women account for 31 percent of all employees and 26 percent of all managers.

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 >>](#)



# CORPORATE GOVERNANCE STATEMENT 2019



## 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 2015 issued by the Finnish Securities Market Association (available at [www.cgfinland.fi/en/](http://www.cgfinland.fi/en/)). Basware complies with the Code with the exception of

temporarily deviating from Recommendation 8 regarding diversity of Board members.

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 <https://investors.basware.com/en>.

## 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 2019, the Annual General Meeting was held in Helsinki on March 14, 2019.

## 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.

Originally, the Board elected by the Annual General Meeting of 2019 fulfilled the diversity requirements and the requirements of the Corporate Governance Code, recommendation 8 that both genders need to be represented at the Board. From August 22, 2019 onwards, after Tuija Soanjärvi's resignation, the Basware Board of Directors has not fulfilled the diversity principles of the Board. Therefore, Basware has deviated from recommendation 8 of the Corporate Governance Code. The Basware Board of Directors and the Shareholders' Nomination Board have acknowledged the matter and will take it into consideration in the Board composition proposals to be made to the Annual General Meeting of 2020.

## BOARD OF DIRECTORS ON DECEMBER 31, 2019

In 2019, Basware’s Board of Directors had six members: Ilkka Sihvo (Chairman of the Board), Michael Ingelög (Vice Chairman of the Board), Daryl Rolley, Asko Schrey, David Bateman (until November 11, 2019) and Tuija Soanjärvi (until August 22, 2019).



**Ilkka Sihvo**  
(b. 1962)

- Chairman of the Board of Directors
- Member of the Remuneration Committee
- 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



**Michael Ingelög**  
(b. 1971)

- Vice Chairman of the Board of Directors
- Chairman of the Remuneration Committee
- Economics and Business Administration studies
- Entrepreneur and a private investor in Financial Technology and Venture Capital with several board memberships
- Independent of the company and its significant shareholders
- Own and controlled corporations’ ownership: 7,000 shares



**Daryl Rolley**  
(b. 1967)

- Member of the Board of Directors
- Member of the Audit Committee
- 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: 2,854 shares



**Asko Schrey**  
(b. 1957)

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

**Tuija Soanjärvi**  
(b. 1955)

- Member of the Board of Directors and Chairman of the Audit Committee until August 22, 2019.

**David Bateman**  
(b. 1974)

- Member of the Board of Directors and Member/Chairman of the Audit Committee until November 11, 2019.

## MEETINGS OF THE BOARD AND ITS COMMITTEES IN 2019

The Board meets generally on a monthly basis. Additional meetings are held when necessary. In 2019, the Board of Directors held 22 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	Chairman (22/22)		Member (5/5)
Michael Ingelög	Yes	Yes	Vice Chairman (21/22)		Chairman (5/5)
Asko Schrey	Yes	Yes	Member (17/22)	Member/ Chairman as of Nov 19, 2019 (4/4)	
Daryl Rolley	Yes	Yes	Member (22/22)	Member (4/4)	
Tuija Soanjärvi (until August 21, 2019)	Yes	Yes	Member (13/18)	Chairman until Aug 21, 2019 (2/2)	
David Bateman (until November 11, 2019)	Yes	No <sup>1</sup>	Member (18/20)	Member/ Chairman Aug 21-Nov 11, 2019 (3/3)	Member until Nov 11, 2019 (3/3)

<sup>1</sup> David Bateman is considered dependent of major shareholders due to his affiliation with Arrowgrass Capital Partners LLP which holds approximately 25% of the total number of shares in Basware.

### 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 two (2) members of the Board. The Board elects the members and the Chairman 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, book-keeping or auditing or related financial expertise.

### Audit committee in 2019

In 2019, the Audit committee consisted of four (4) members of the Board of Directors: Tuija Soanjärvi was elected as the Chairman (until August 22, 2019) and Daryl Rolley, Asko Schrey and David Bateman as the members of the Committee. David Bateman has acted as the Chairman of the Audit Committee from August 22, 2019 until November 11, 2019 and Asko Schrey has acted as the Chairman as of November 19, 2019.

The Audit Committee meets at minimum four (4) times during its term and additionally as necessary. In 2019, the Audit Committee has held four (4) meetings and will hold one (1) meeting still during its term in January 2020.

### 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 Chairman 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 2019

In 2019, the Remuneration Committee consisted of three (3) members of the Board of Directors: Michael Ingelög was elected as the Chairman and David Bateman (until November 11, 2019) and Ilkka Sihvo as the members of the Committee.

Meetings shall convene as necessary by invitation of its chairman or the request of the Board of Directors or the CEO. In 2019, 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 chairman 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 Chairman 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 shareholder shall, within the same time limit, present to the Chairman 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 Chairman 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 2019:

**David Bateman (b. 1974), Arrowgrass Capital Partners, Major shareholder (representative Andrew Billett (b. 1975) in September 3 - October 10, 2019)**

- BA and MA in Management Studies from Cambridge University
- Senior Advisor, Alternative Finance, Arrowgrass and CEO, Founder, Captec Systems Ltd

**Hannu Vaajoensuu (b. 1961), Major shareholder of Basware**

- MSc in Economics
- Several board chairman/vice chairmanships or memberships

**Kirsi Eräkangas (b. 1965), Major shareholder of Basware**

- MSc in Economics, EMBA
- Several board chairman/vice chairmanships or memberships

**Ilkka Sihvo (b. 1962), Chairman of Basware's Board of Directors**

- MSc in Economics and MSc in Technology (Engineering)
- CEO, Solaforce Oy and CEO, Softaforce Oy

## 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 (Chairman) and persons appointed at the proposal of the CEO.

Vesa Tykkyläinen (CEO until March 10, 2019), Niclas Rosenlew, Ilari Nurmi, Mikko Pilkama and Eric Wilson left the company and the Executive Team during 2019.

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

### MEMBERS

#### Shareholders Nomination Board (Meeting attendance)

Ilkka Sihvo	Chairman (3/3)
Andrew Billett (until October 10, 2019)	Member (2/2)
David Bateman (as of October 10, 2019)	Member (2/2)
Kirsi Eräkangas	Member (3/3)
Hannu Vaajoensuu	Member (3/3)

## EXECUTIVE TEAM ON DECEMBER 31, 2019



**Klaus Andersen**  
(b. 1964)

- Chief Executive Officer
- 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: 10,478 shares



**Martti Nurminen**  
(b. 1979)

- Chief Financial Officer
- 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
- 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 UKI Ltd, 2006-2008
- Own and controlled corporations' ownership: 2,920 shares

## EXECUTIVE TEAM ON DECEMBER 31, 2019



**Lars Madsen**  
(b. 1974)

- Chief Marketing Officer
- 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: 4,589 shares



**Paul Taylor**  
(b. 1957)

- Chief Revenue Officer
- 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: 4,543 shares



**Jussi Vasama**  
(b. 1974)

- Chief Customer Officer
- 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: 2,842 shares

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

### General principles of the risk management and relationship with internal control

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 policy and risk management process. The evaluations of risks reviews 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 includes 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.

**Main features of the practical application of the Company's internal control**

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 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 administration**

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. 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. The Company maintains its project-specific insider lists in the insider list service provided by Euroclear Finland Ltd.

#### Trading restrictions

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 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 2019, 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 2019, the auditor was paid remuneration for audit services EUR 291 thousand and for non-audit services EUR 0 (zero).

# REMUNERATION REPORT 2019



## MANAGEMENT OF COMPENSATION

The Annual General Meeting, held on March 15, 2016, decided to establish a permanent Shareholders' Nomination Board. The Nomination Board shall be responsible for preparing and presenting proposals covering the remuneration of members of the company's Board of Directors to Annual General Meeting and, where needed, to an Extraordinary General Meeting. The Board of Directors has in its meeting on March 15, 2018 decided to establish a Remuneration Committee. 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. The compensation principles of the top management are decided by the Board. The Board decides on the service terms and conditions of the CEO, specified in writing. The Board annually approves the personnel incentive scheme.

### Remuneration of the Board

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

The Annual General Meeting resolved on March 14, 2019, to compensate the members of the Board according to the following:

- members of the Board of Directors and committee members EUR 31,350

- the Vice Chairman of the Board of Directors and the Chairmen of the Board Committees EUR 36,480
- the Chairman of the Board of Directors EUR 62,700.

In addition, the chairmen 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 shall receive 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 per cent 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.

## 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 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 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 fulfillment 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 Vesa Tykkyläinen for the period January 1 - December 31, 2019 were EUR 836 thousand (EUR 486 thousand in January 1-December 31, 2018). Salary in money including salary for 3-months' notice period was EUR 161 thousand (EUR 361 thousand), including fringe benefits of EUR 4 thousand (EUR 13 thousand). Severance pay was EUR 360 thousand. Tykkyläinen was paid a bonus of EUR 156 thousand from the financial year 2018 (EUR 126 thousand in 2018 from the financial year 2017).

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. (During 2018, no shares were conveyed based on incentive schemes.) The accrued pension cost of Vesa Tykkyläinen amounted to EUR 56 thousand (EUR 93 thousand in January 1-December 31, 2018).

Klaus Andersen commenced in the position of Basware CEO on March 11, 2019. Total salary for the period March 11 - December 31 was EUR 354 thousand. Salary in money was EUR 318 thousand, including fringe benefits of EUR 15 thousand. Andersen was paid a bonus of EUR 5 thousand from the financial year 2018.

In 2019, Andersen was conveyed a total of 1,500 shares on the basis of incentive schemes. Of these, 750 shares were conveyed to Andersen, the value of which was approximately EUR 15 thousand based on the average share price of the payment days, and EUR 16 thousand was paid in cash to cover the withholding tax. The accrued pension cost of CEO Klaus Andersen amounted to EUR 35 thousand. The CEO's pension plan is pursuant to the employment pension legislation.

## Remuneration 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. 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 fulfillment 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, 2019, the members of Executive Team, excluding CEO, were paid in salaries and fringe benefits total of EUR 1,611,481 (EUR 1,746,278 in 2018). Salary in money was EUR 1,547,621 (EUR 1,683,489 in 2018) and fringe benefits totaled EUR 63,860 (EUR 62,789 in 2018). In addition, EUR 395,221 (EUR 546,031 in 2018) was paid as bonus payments and EUR 470,010 (EUR 531,609 in 2018) on the basis of the long-term incentive scheme.

## Remuneration of Executive Team in 2019:

	Salary	Fringe benefits	Bonus payments	Share-based payments	Total
Vesa Tykkyläinen (until March 10)	517,781	3,586	155,809	159,125	836,301
Klaus Andersen (as of March 11)	302,881	14,626	5,217	31,273	353,997
<b>CEO total</b>	<b>820,663</b>	<b>18,212</b>	<b>161,026</b>	<b>190,398</b>	<b>1,190,299</b>
Other executive team members	1,547,621	63,860	395,221	470,010	2,476,711
<b>Total</b>	<b>2,368,283</b>	<b>82,073</b>	<b>556,246</b>	<b>660,408</b>	<b>3,667,010</b>

## Incentive schemes

The compensation principles of the top management are decided annually by the Board. The Executive Team members' performance bonus is no more than 50 percent of annual basic salary. The performance bonus percentage is not limited in the CEO's contract of employment. The bonus is determined on the basis of the attainment of personal objectives and goals supporting the company's growth and profitability according to its strategy. The Board of Directors monitors the fulfillment of the performance and result criteria of the incentive scheme and approves the bonus. In addition to the annual bonus based on performance, the long-term remuneration of the top management consists of share-based incentive schemes, decided by the Board.

### Matching Share Plan 2015-2018

The Board of Directors resolved on March 23, 2015 to establish a new matching share plan for 2015-2018. The restricted share plan was directed to selected key employees at Basware and the total rewards to be allocated on the basis of the plan amounted to a maximum total value of 11,000 Basware Corporation shares. In addition to the share reward, employees included in the plan will also be paid a cash portion to cover the taxes resulting from the reward.

The prerequisite for receiving reward on the basis of the matching share plan is that the employee in question acquires Basware Corporation shares at the beginning of the plan. The participating employee can, as a reward, receive matching shares for each share subject to the share ownership prerequisite after a matching period of three 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 participating employee.

In 2018, the matching share plan 2015-2018 included four Basware key employees. The rewards to be paid on the basis of the plan corresponded to a maximum total value of 5,148 Basware Corporation shares. The plan ended in January 2018.

### 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.

### 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 34,278 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 68,556 Basware Corporation shares, including also the proportion to be paid in cash.

**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 from the performance period 2017-2018 was based on Group's key performance measures in 2017-2018. The rewards to be paid on the basis of the performance period 2017-2018 corresponded to the value of a maximum total of 156,000 Basware Corporation shares, including also the proportion to be paid in cash. The plan was directed to approximately 60 key employees, including the members of the Basware Executive Team.

In May 2019, 26,413 shares were conveyed on a directed share issue related to the reward payment for the performance period 2017-2018 of the performance share plan 2017-2019, closing performance period 2017-2018 of the plan.

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

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 2019, the performance share plan included 53 employees for the performance period 2018-2019 and 45 employees for the performance period 2019-2020.

**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 May 2019, 750 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 May 2018 corresponded to a total of 5,750 Basware Corporation shares, including also the proportion to be paid in cash.

At the end of 2019, the restricted share plan 2017 included 2 key employees.

**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).

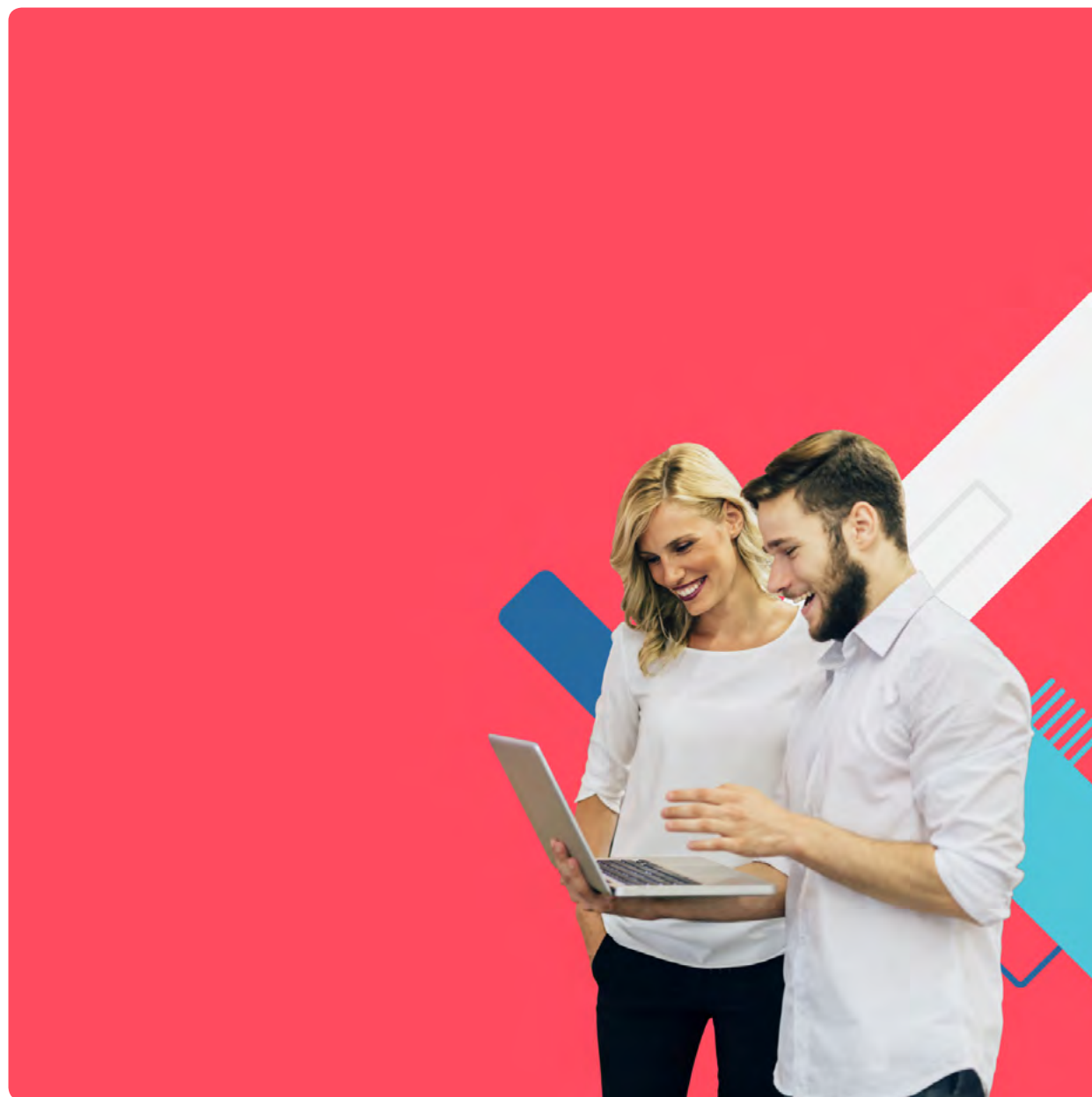
**Restricted Share Plan 2020**

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.

**Financial Statements**

Report of the Board of Directors .....	24
Consolidated Statement of Comprehensive Income .....	34
Consolidated Statement of Financial Position .....	35
Consolidated Statement of Cash Flows .....	37
Consolidated Statement of Changes in Equity .....	38
Notes to the Consolidated Statements .....	39
Parent Company Income Statement .....	75
Parent Company Balance Sheet .....	75
Parent Company Cash Flow Statement .....	76
Notes to the Parent Company Financial Statements .....	77
Auditor's Report .....	86
Key Figures .....	90
Share Indicators .....	91
Calculation of Key Indicators .....	92
Share and Shareholders .....	93
For Shareholders .....	95



## REPORT OF THE BOARD OF DIRECTORS

### JANUARY 1 - DECEMBER 31, 2019

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 2019

Figures in brackets, unless otherwise stated, refer to the comparison period, i.e. the same period of the previous year. Basware has adopted IFRS 16 'Leases' as of January 1, 2019 with modified retrospective method of application, and accordingly the comparative information has not been restated. IFRS 16 impacts comparability for the following financial information:

- Depreciation expenses have increased significantly and correspondingly rent expenses decreased significantly. Depreciation expenses for right-of-use-assets totalled EUR 4,704 thousand in 2019. The aforementioned improves reported EBITDA compared to 2018.
- Balance sheet totals on January 1, 2019 have increased by EUR 17,012 thousand due to recognition of right-of-use-assets and lease liabilities.
- Principal payments of lease liabilities are separately presented in the cash flow from financing activities and totalled EUR 4,372 thousand in 2019.
- Interest expenses recognized from lease liabilities totalled EUR 888 thousand in 2019.
- Notes information in 2019 for commitments and contingent liabilities does not include lease liabilities that are recognized as lease liabilities on the balance sheet.
- IFRS 16 impacts comparability for key figures that are calculated based on balance sheet totals or interest-bearing liabilities.

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

#### Key figures

EUR THOUSAND	2019	2018	Change, %
Net sales	148,302	141,417	4.9
Cloud revenue	101,442	89,482	13.4
Cloud ARR order intake	23,694	21,474	10.3
EBITDA	1,403	9,217	-84.8
Adjusted EBITDA	5,185	-4,364	
Operating profit/loss	-14,537	-1,471	
Adjusted operating profit/loss	-10,756	-15,052	28.5
Gearing, % <sup>1</sup>	48.9	14.9	
Cash and cash equivalents <sup>1</sup>	31,672	40,747	-22.3
Free cash flow metric	-23,829	-19,829	-20.2
Earnings per share, diluted, EUR	-1.63	-0.49	
Adjusted earnings per share, diluted, EUR	-1.37	-1.44	-5.0
Personnel <sup>1</sup>	1,325	1,412	-6.2

<sup>1</sup> At the end of the period.



## Net sales

<b>NET SALES BY REVENUE TYPE, EUR THOUSAND</b>	<b>2019</b>	<b>2018</b>	<b>Change, %</b>
Cloud	101,442	89,482	13.4
Consulting	24,962	23,567	5.9
Maintenance, license and other	21,899	28,368	-22.8
<b>Total</b>	<b>148,302</b>	<b>141,417</b>	<b>4.9</b>

<b>NET SALES BY CUSTOMER LOCATION, EUR THOUSAND</b>	<b>2019</b>	<b>2018</b>	<b>Change, %</b>
Americas	31,796	26,741	18.9
Europe	50,687	47,709	6.2
Nordics	57,441	59,754	-3.9
APAC	8,379	7,214	16.1
<b>Total</b>	<b>148,302</b>	<b>141,417</b>	<b>4.9</b>

Basware's net sales in 2019 amounted to EUR 148,302 thousand (EUR 141,417 thousand), an increase of 4.9 percent. This equated to 5.9 percent organic growth at constant currencies. The difference between the reported and the organic constant currency growth rate arises mainly from the sale of Banking and Financial Performance Solutions in 2018.

In 2019 cloud revenue amounted to EUR 101,442 thousand (EUR 89,482 thousand), an increase of 13.4 percent. This equated to 12.9 percent organic growth at constant currencies. As part of the productivity programme, Basware has not continued non-strategic unprofitable contracts which impacted the cloud growth rate. Cloud revenues accounted for 68 percent (63%) of total revenue.

Consulting revenues amounted to EUR 24,962 thousand (EUR 23,567 thousand), an increase of 5.9 percent.

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 21,899 thousand (EUR 28,368 thousand), a decrease of 22.8 percent.

Americas accounted for 21.4 percent (18.9%), Europe 34.2 percent (33.7%), Nordics 38.7 percent (42.3%) and Asia-Pacific area for 5.6 percent (5.1%) of total revenues. A list of Basware Corporation's subsidiaries is in Note 26 of the Financial Statements. During the year Basware liquidated Basware UK Ltd, Basware Supplier Solutions Ltd, Procsolve Solutions Ltd and Procsolve Services Ltd of its UK subsidiaries.

## Cloud order intake

<b>EUR THOUSAND</b>	<b>2019</b>	<b>2018</b>	<b>Change, %</b>
Cloud	23,694	21,474	10.3

Basware's total cloud annual recurring revenue (ARR) gross order intake in 2019 amounted to EUR 23,694 thousand (EUR 21,474 thousand), an increase of 10.3 percent. This equated to 9.0 percent growth on an organic constant currency basis.

From mid-November 2018 until end of February 2019, Basware was subject to market speculation around a potential tender offer. This reduced order intake in the fourth quarter of 2018 and first quarter of 2019, which negatively impacted cloud revenues in 2019.

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.

## Financial performance

<b>EUR THOUSAND</b>	<b>2019</b>	<b>2018</b>	<b>Change, %</b>
<b>Net sales</b>	<b>148,302</b>	<b>141,417</b>	<b>4.9</b>
<b>Cost of sales</b>	<b>-71,493</b>	<b>-69,620</b>	<b>2.7</b>
<b>Gross profit</b>	<b>76,810</b>	<b>71,797</b>	<b>7.0</b>
Sales and marketing	-45,190	-43,041	5.0
Research and development	-26,815	-27,222	-1.5
General and administration	-14,572	-16,247	-10.3
<b>Total operating expenses</b>	<b>-86,577</b>	<b>-86,510</b>	<b>0.1</b>
Other operating income and expenses	-4,770	13,242	
<b>Operating profit/loss</b>	<b>-14,537</b>	<b>-1,471</b>	

In 2019, cost of sales amounted to EUR -71,493 thousand (EUR -69,620 thousand), an increase of 2.7 percent.

Out of total operating expenses, sales and marketing expenses increased 5.0 percent, research and development expenses decreased 1.5 percent and general and administration expenses decreased 10.3 percent.

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

Basware's loss before tax was EUR -23,663 thousand (EUR -3,526 thousand) and loss for the financial year EUR -23,440 thousand (EUR -7,077 thousand). Taxes for the year impacted the result by EUR 223 thousand (EUR -3,551 thousand).

Diluted earnings per share were EUR -1.63 (EUR -0.49).

#### Adjusted operating profit/loss and adjusted EBITDA

EUR THOUSAND	2019	2018	Change, %
<b>Operating profit/loss</b>	<b>-14,537</b>	<b>-1,471</b>	
<b>Adjustments:</b>			
Acquisition, disposal and restructuring income (-)	-313	-17,852	-98.2
Acquisition, disposal and restructuring expenses (+)	1,323	2,996	-55.9
Efficiency related expenses	2,772	1,275	
<b>Total adjustments</b>	<b>3,781</b>	<b>-13,581</b>	
<b>Adjusted operating profit/loss</b>	<b>-10,756</b>	<b>-15,052</b>	<b>28.5</b>
Depreciation and amortization	-15,941	-10,688	49.2
<b>Adjusted EBITDA</b>	<b>5,185</b>	<b>-4,364</b>	
% of net sales	3.5		

#### Free cash flow metric, financing and investments

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

EUR THOUSAND	2019	2018	Change, %
EBITDA	1,403	9,217	-84.8
Capitalizations	-10,617	-10,933	-2.9
Finance expenses	-9,091	-2,080	
Taxes, excl. deferred taxes	-1,341	-961	39.5
Payment of lease liabilities <sup>1</sup>	-4,372	-	
Share based compensation, share part	188	1,229	-84.7
Gain/loss on sale of assets	0	-16,300	
<b>Free cash flow metric</b>	<b>-23,829</b>	<b>-19,829</b>	<b>-20.2</b>

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

The free cash flow metric amounted to EUR -23,829 thousand (EUR -19,829 thousand) in 2019. Finance expenses increased as a result of the financing agreement entered in March 2019.

On March 20, 2019, Basware entered into a loan totalling EUR 50 million with Bregal Milestone LLP due September 2024. The loan is senior unsecured with a 5.5-year maturity that significantly extends Basware's average debt maturity. The facility was drawn on April 2, 2019 and the proceeds were EUR 45 million. The loan has an exit fee which accrues over the loan period. The value of the exit fee at maturity equals to 40 percent of the loan amount. The cash interest margin on the loan is 8.75 percent annually. The company has the option to utilise PIK interest as an alternative to cash pay interest at the rate of 11.25 percent annually.

In connection with the Loan, Bregal Milestone received without consideration 1,000 freely transferable warrants convertible into 1,000,000 shares in the Company, representing approximately 6.5 percent of the fully diluted shares of the Company (6.9 percent of the current number of shares in the Company). The cash subscription price for each Warrant Share is EUR 29.9158, which represents the average of the five daily volume weighted average prices from March 13 to March 19, 2019. The subscription price will be subject to adjustments for any dividends as well

as customary anti-dilution adjustments resulting from, among other things, any share issues, pursuant to the terms and conditions of the warrants. The warrants were issued to Bregal Milestone at the drawdown of the Loan, on April 2, 2019. The subscription period of the Warrant Shares commenced immediately upon the issue of the warrants and will expire on August 22, 2024. The Board of Directors of Basware decided to issue the warrants on the basis of authorization granted by the annual general meeting of Basware held on March 15, 2018.

Cash flows from operating activities were EUR 4,159 thousand (EUR -6,261 thousand). The improvement was driven by higher profitability and positive changes in working capital in 2019.

Basware's cash and cash equivalents including short-term deposits totalled EUR 31,672 thousand (EUR 40,747 thousand) at the end of the year. In September 2019 Basware repaid its EUR 30 million club loan, of which EUR 20 million was due in 2020.

Basware's total assets on the balance sheet at the end of the year were EUR 224,581 thousand (EUR 215,688 thousand). Net cash flows from investments were EUR -10,541 thousand (EUR 18,469 thousand).

The equity ratio was 41.9 percent (51.3%) and gearing 48.9 percent (14.9%). The company's interest-bearing liabilities excluding leasing liabilities totalled EUR 60,885 thousand (EUR 57,206 thousand), of which current liabilities accounted for EUR 1,996 thousand (EUR 17,089 thousand). The return on investment was -8.6 percent (-0.9%) and return on equity -22.9 percent (-6.3 %).

### Research and development

In 2019 Basware's research and development focused on improving Source-to-Pay offering user experience and integration capabilities in the cloud. During the year, Basware consolidated its procurement product offering and streamlined its R&D operations to key strategic products.

In general, the focus of Basware's R&D activities is to strengthen the Source-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 2019 Basware's research and development investments including capitalizations but excluding amortizations totalled EUR 27,967 thousand (EUR 30,093 thousand). Research and development investments were 18.9 percent (21.3%) of net sales during 2019. A total of 283 (295) people worked in research and development at the end of 2019.

### Personnel

PERSONNEL ON AVERAGE BY AREA	2019	2018	Change, %
Americas	121	139	-13.2
Europe	374	442	-15.3
Nordics	437	490	-10.9
APAC	417	605	-31.0
<b>Total</b>	<b>1,349</b>	<b>1,676</b>	<b>-19.5</b>

Basware employed 1,349 (1,676) people on average during 2019 and 1,325 (1,412) at the end of the year. At the end of the year 13.9 percent (15.4%) of the personnel worked in sales and marketing, 33.7 percent (35.6%) in R&D and production and products, 42.4 percent (38.9%) in customer services and 10.0 percent (10.1%) in administration.

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

## Share and shareholders

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

<sup>1</sup> Excluding treasury shares

Basware had 14,615 (11,508) shareholders on December 31, 2019, including nominee-registers. Nominee-registered holdings accounted for 52.4 percent (52.2%) of the total number of shares.

### Flagging notifications in 2019

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

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

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

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

<sup>3</sup> Disposal and demerger from OppenheimerFunds, Inc.

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

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

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

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

The Annual General Meeting on March 15, 2018 decided to authorize the Board of Directors to decide on issuing new shares and/or conveying the company's own shares held by the company and/or granting special rights entitling to shares. 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. The maximum number of new shares that may be subscribed by virtue of the special rights granted by the company is in total 1,000,000 shares which number shall be included in the maximum number of new shares stated above. The subscription price of the new shares and the consideration payable for the company's own shares shall be recorded under the invested non-restricted equity fund. The Board of Directors shall decide on all other terms and conditions related to the authorizations. The authorizations were valid until June 30, 2019 and revoked the previous authorizations for share issues and granting of stock options and other special rights entitling to shares.

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

### Changes in Board of Directors

On August 21, 2019 Tuija Soanjärvi resigned from the Board of Directors due to personal reasons and on November 11, 2019 David Bateman resigned from the Board due to his commitments to Arrowgrass Capital Partners. After the changes, the Board of Directors of Basware consists of four members. Askö Schrey was appointed as the Chairman of the Audit committee on November 19, 2019.

### Changes in Executive Team

Vesa Tykkyläinen (CEO until March 10), Niclas Rosenlew, Ilari Nurmi, Mikko Pilkama and Eric Wilson left the company and the Executive Team in 2019. Martti Nurminen started as Chief Financial Officer and a member of the Executive team on December 2. At the end of the year, the composition of Basware's Executive Team is as follows:

Chief Executive Officer, Klaus Andersen (As of March 11)  
Chief Financial Officer, Martti Nurminen  
Chief Technology Officer, Klaus Andersen (Acting)  
Chief Revenue Officer, Paul Taylor  
Chief Marketing Officer, Lars Madsen  
Chief Customer Officer, Jussi Vasama  
Chief HR Officer, Jane Broberg

## Other events of the period

### Termination of discussions with Tradeshift Holdings Inc

On February 28, 2019, Basware announced that it had terminated discussions with Tradeshift in relation to a possible cash tender offer by Tradeshift for all shares in Basware. Tradeshift informed Basware that it was unable to proceed given conditions in the capital markets and on this basis, the Board of Directors of Basware terminated the discussions.

### Productivity programme

On April 30, 2019, Basware announced that it was planning to launch a productivity programme aimed at improving profitability and cashflow. The company identified potential annual run rate net cost savings of approximately EUR 10 million in comparison to costs in the first quarter of 2019. In conjunction with the productivity programme, Basware also announced that it expects to reach positive EBIT in 2020 and positive free cashflow on a run rate basis by the end of 2020.

Majority of the productivity programme actions were implemented in the second quarter. Programme focus areas included focusing investments on long-term strategic products and consolidating product portfolio, aligning global organization with unified operating model and improving profitability of professional services among others. Organizational changes and optimization as part of the programme resulted in a headcount reduction of 64 employees globally.

### New share-based long-term incentive structure

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

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

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

## Strategy

Basware is a global market leader in networked Purchase-to-Pay with the largest e-invoicing network in the world. The market opportunity is estimated to be worth EUR 15 billion annually and is driven by global megatrends such as digitalization and automation, increased regulation, rapid technological development and sustainability. Basware is focused on scalable growth and profitability, increasing operational efficiency in the strategic business and simplifying operations.

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

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

Basware's long-term goal is to become the networked Source-to-Pay vendor of choice. Basware moves forward to its vision through five Must-Wins, which define strategic priorities for the period 2020-2022. The Must-Wins relate to customer satisfaction, project delivery capabilities, procurement solution, selling with advisory partners and cloud transformations. First Must-Win relates to customer satisfaction, which is a priority across all functions, from first contact to project delivery, products and support. Second Must-Win is enhancing delivery capabilities: each project should have the optimal resources for a timely customer delivery. Basware also needs

to support the continuous improvement and change programs of customers. Thirdly, Basware's aim is to further strengthen its procurement solution and entire Source-to-Pay solution through partnerships and open API architecture. Fourthly, Basware aims to accelerate cloud growth through "sell with" advisory partners. Finally, the last Must-Win battle is to complete the last phase in customer cloud transformations and reallocate resources to long-term strategic areas.

## Risks and uncertainty factors

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

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

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

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

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

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

### 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 offers 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 approximately 1,325 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. In 2019, Basware has made changes to its Non-financial reporting to improve disclosure on employee diversity and environmental matters by reporting gender diversity in manager positions and annual air travel emissions. The comparison period figure was not available for all the new key performance indicators.

#### Social 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. Basware's Code of Conduct was updated in 2019 to include compliance with anti-money laundering and import, export and trade compliance; to clarify

terminology regarding anti-discrimination and anti-harassment; and to include health and safety in workplace environment. The mandatory Code of Conduct training was also renewed and sent for completion to all employees in October 2019. Basware aims to reach 100% completion rate by January 2020.

	2019	2018
Code of Conduct training completion rate	95%	99%

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 2019 Basware's employees were of 29 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 2019 the survey had a response rate of 88%. Survey results in questions measuring employee engagement were on previous years' level.

EMPLOYEE AND SOCIAL METRICS	2019	2018
Women, of total employees	31%	29%
Women, of managers	26%	N/A
Full-time employees	98%	99%
Permanent employees	99%	97%
Employees average years of service	4.9	4.6
Attrition rate	15.3%	13.7%
CEO-to-employee pay ratio	6.04-to-1	5.81-to-1

EMPLOYEES BY AGE GROUP	2019	2018
Under 25	5%	4%
25-34	38%	38%
35-44	36%	38%
45-54	17%	16%
Over 55	5%	4%

**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.

	2019	2018
Reported bribery or corruption incidents	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.

**Cyber and information security**

Providing digital, cloud-based services and solutions, Basware operates in an industry characterized by a higher information security and data privacy requirements and risk. Basware takes any threats to its own or its customers’ information systems and data very seriously and continuously develops measures, processes and technologies to meet the increasing requirements and mitigate the risks. Information security risks are integrated into the company’s multi-disciplinary risk assessment. During 2019 Basware has focused also on improving customer visibility on Basware security.

Basware has an Information Security Management System (ISMS), which focuses on the tracking and follow-up of security risks, threats and vulnerabilities in order to mitigate against them. It also oversees the development initiatives in the security domain. Basware has established notification and reporting processes for information security event and incident monitoring to address and analyze their implications.

Basware’s service control environments are externally audited in ISAE 3402 standard at regular intervals and the results are shared to customers upon request. Basware co-operates with a leading security services company to carry out penetration testing annually and follows-up

on identified issues. Basware has established a Responsible Disclosure channel for security researchers to report any found issues in Basware services.

Personnel training and certification play a key role in assuring the integrity of company systems and the quality of Basware’s customer delivery. Basware has a mandatory Global Security e-learning for all employees.

Whilst using Basware’s services, customers transmit orders, invoices and other business data to the company’s applications for further processing. In processing customers’ business contact data identifying individuals Basware complies with all relevant legal requirements governing the protection of personal data.

**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. 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.

	2019	2018
Air travel emissions, CO2e ton	2,483	N/A



## Future outlook

### Themes affecting revenues and EBIT

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

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

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

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

### Guidance for 2020

For 2020, Basware expects the following:

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

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

## Board of Directors' proposal for dividend

On December 31, 2019 Basware Corporation's distributable funds were EUR 42,029 thousand. The Board of Directors proposes to the Annual General Meeting that that no dividend be paid for 2019.

Basware Corporation's Annual General Meeting is planned to be held on Thursday, March 19, 2020 in Helsinki, Finland.

Espoo, Finland, Monday, February 3, 2020

BASWARE CORPORATION  
Board of Directors

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

EUR THOUSAND	Notes	1.1.-31.12.2019	1.1.-31.12.2018	EUR THOUSAND	Notes	1.1.-31.12.2019	1.1.-31.12.2018
<b>NET SALES</b>	<b>2</b>	<b>148,302</b>	<b>141,417</b>	<b>Other comprehensive income</b>			
Cost of sales		-71,493	-69,620	<b>Other comprehensive income that will not be reclassified to profit or loss</b>			
<b>GROSS PROFIT</b>		<b>76,810</b>	<b>71,797</b>	Remeasurement of employee benefits	17	-2	57
Sales and marketing		-45,190	-43,041	<b>Other comprehensive income that may be reclassified subsequently to profit or loss</b>			
Research and development		-26,815	-27,222	Exchange differences on translating foreign operations		1,974	1,169
General and administration		-14,572	-16,247	Income tax relating to components of other comprehensive income	8	-86	-73
<b>Total operating expenses</b>		<b>-86,577</b>	<b>-86,510</b>	Cash flow hedges	18	-162	240
Other operating income	4	398	17,852	Other comprehensive income for the year net of tax		1,723	1,393
Other operating expenses	6	-5,168	-4,610	<b>TOTAL COMPREHENSIVE INCOME</b>		<b>-21,716</b>	<b>-5,684</b>
<b>OPERATING PROFIT/LOSS</b>		<b>-14,537</b>	<b>-1,471</b>	<b>Profit/loss attributable to:</b>			
Finance income	7	665	178	Equity holders of the parent company		-23,440	-7,077
Finance expenses	7	-9,790	-2,080	<b>Total comprehensive income attributable to:</b>			
Share of profit/loss of a joint venture		0	-153	Equity holders of the parent company		-21,716	-5,684
<b>PROFIT/LOSS BEFORE TAX</b>		<b>-23,663</b>	<b>-3,526</b>	<b>Earnings per share</b>			
Income tax	8	223	-3,551	undiluted, EUR	9	-1.63	-0.49
<b>PROFIT/LOSS FOR THE PERIOD</b>		<b>-23,440</b>	<b>-7,077</b>	diluted, EUR	9	-1.63	-0.49

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

EUR THOUSAND	Notes	31.12.2019	31.12.2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	10	44,402	45,097
Goodwill	3	80,345	78,939
Tangible assets	11	1,075	792
Right-of-use assets	11	15,842	0
Non-current financial assets	14	38	38
Other receivables	15	4,193	4,055
Contract assets	2	168	1,052
Deferred tax assets	8	9,654	7,810
<b>Non-current assets</b>		<b>155,716</b>	<b>137,784</b>
<b>Current assets</b>			
Trade receivables	15	27,424	24,992
Other receivables	15	7,842	9,289
Contract assets	2	1,561	2,298
Income tax receivables	8	366	579
Cash and cash equivalents	16	31,672	40,747
<b>Current assets</b>		<b>68,865</b>	<b>77,905</b>
<b>TOTAL ASSETS</b>		<b>224,581</b>	<b>215,688</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

EUR THOUSAND	Notes	31.12.2019	31.12.2018
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholder's equity</b>			
Share capital	19	3,528	3,528
Share premium account	19	1,187	1,187
Treasury shares	19	-98	-638
Invested unrestricted equity fund	19	110,388	110,928
Other reserves	19	653	832
Translation differences	19	-8,226	-10,131
Retained earnings	19	-13,347	5,042
<b>Shareholders' equity</b>		<b>94,086</b>	<b>110,749</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	8	5,003	4,660
Interest-bearing liabilities	22	58,889	40,117
Leasing liabilities, interest-bearing	12	13,412	0
Other non-current financial liabilities	20	0	100
Contract liabilities	2	3,184	2,458
Liabilities from employee benefits	17	377	327
<b>Non-current liabilities</b>		<b>80,864</b>	<b>47,662</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	22	1,996	17,089
Leasing liabilities, interest-bearing	12	3,392	0
Trade payables and other payables	20	28,468	28,040
Contract liabilities	2	15,260	11,852
Income tax liabilities	8	249	98
Current provisions	21	266	198
<b>Current liabilities</b>		<b>49,631</b>	<b>57,277</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>224,581</b>	<b>215,688</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

EUR THOUSAND	1.1.-31.12.2019	1.1.-31.12.2018	EUR THOUSAND	1.1.-31.12.2019	1.1.-31.12.2018
<b>Cash flows from operating activities</b>			<b>Cash flows used in investing activities</b>		
<b>Profit/loss for the period</b>	<b>-23,440</b>	<b>-7,077</b>	Purchase of tangible and intangible assets	-10,587	-11,178
<b>Adjustments for profit:</b>			Net proceeds from sale of tangible and intangible assets*	46	29,647
Depreciation and amortisation	15,941	10,688	<b>Cash flows from investing activities</b>	<b>-10,541</b>	<b>18,469</b>
Share of profit/loss of a joint venture	0	153	<b>Cash flows from financing activities</b>		
Gain (-) / loss (+) on disposals of assets	0	-16,276	Repayment of current borrowings	-22,296	-1,996
Unrealised foreign exchange gains and losses	-12	204	Proceeds from non-current borrowings	43,880	9,923
Financial income and expenses	9,088	1,694	Repayment of non-current borrowings	-20,000	0
Tax on income from operations	-223	3,551	Payment of lease liabilities	-4,372	0
Other adjustments	635	2,551	<b>Cash flows from financing activities</b>	<b>-2,788</b>	<b>7,927</b>
<b>Total adjustments</b>	<b>25,428</b>	<b>2,564</b>	<b>Net change in cash and cash equivalents</b>	<b>-9,170</b>	<b>20,135</b>
<b>Changes in working capital:</b>			Cash and cash equivalents at the beginning of period	40,747	20,683
Increase (-) / Decrease (+) in trade and other receivables	557	-841	Net foreign exchange difference	94	-71
Increase (+) / Decrease (-) in trade and other payables	4,794	2,122	<b>Cash and cash equivalents at the end of period</b>	<b>31,672</b>	<b>40,747</b>
Increase (+) / Decrease (-) in provisions	123	-763			
<b>Total changes in working capital</b>	<b>5,474</b>	<b>518</b>			
Financial items in operating activities	-2,472	-1,419			
Income taxes paid (-) / received (+)	-832	-848			
<b>Cash flows from operating activities</b>	<b>4,159</b>	<b>-6,261</b>			

\*Includes proceeds and disbursements directly attributable to the divestments made in Q1 2018

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

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

## 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, 2019 were authorized for issue in accordance with a resolution of the Board of directors on February 3, 2020. 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

#### 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, 2019. 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.

In February 2018, Basware completed the divestment of Financial Performance Solutions and Banking businesses. From March 1, 2018 Basware Group has not consolidated these businesses in its consolidated financial statements, thus the financial years 2018 and 2019 are not entirely comparable.

#### New and revised standards and interpretations

**As of January 1, 2019, the Group has applied the following new and revised standards and interpretations with the following impacts to Group financial statements:**

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

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

IFRS 16 impacts comparability for the following financial information:

- Depreciation expenses have increased significantly and correspondingly rent expenses decreased significantly. Depreciation expenses for right-of-use-assets totalled EUR 4,704 thousand for the year. The aforementioned improves reported EBITDA compared to 2018.
- Balance sheet totals on January 1, 2019 have increased by EUR 17,012 thousand due to recognition of right-of-use-assets and lease liabilities.
- Principal payments of lease liabilities are separately presented in the cash flow from financing activities and totalled EUR 4,372 thousand during the year.
- Interest expenses recognized from lease liabilities totalled EUR 888 thousand year-to-date.
- Notes information in 2019 for commitments and contingent liabilities does not include lease liabilities that are recognized as lease liabilities on the balance sheet.
- IFRS 16 impacts comparability for key figures that are calculated based on balance sheet totals or interest-bearing liabilities.

**As of January 1, 2019, the Group has applied the following new and revised standards and interpretations which did not materially impact Group reporting:**

- Interpretation: IFRIC 23 Uncertainty over Income Tax Treatments. The interpretation clarifies the requirements of IAS 12 Income Taxes in situations, where there is uncertainty over income tax treatments under IAS 12.

The interpretation addresses the following issues:

- Whether the entity should consider each tax treatment independently or whether tax treatments should be considered collectively.
- The entity's assumptions for taxation authorities' actions and information concerning uncertain tax positions.
- How the entity considers uncertain tax positions when determining taxable profit (or loss), tax bases, unused tax losses and credits and tax rates.
- How the entity accounts for changes in facts and circumstances.

The Interpretation did not have an impact on the consolidated financial statements of the Group.

- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement. The amendments address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. When accounting for defined benefit plans under IAS 19, the standard generally requires entities to measure the current service cost using actuarial assumptions determined at the start of the annual reporting period. Similarly, the net interest is generally calculated by multiplying the net defined benefit liability (asset) by the discount rate, both as determined at the start of the annual reporting period. The amendments had no impact on the consolidated financial statements of the Group.
- Amendments to IFRS 9: Prepayment Features with Negative Compensation. The amendments address accounting treatment for debt instruments in financial assets in cases of early termination of the contract. Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group.
- Annual improvements to IFRS 2015-2017: The Minor, non-urgent amendments to standards are collected and adopted in the annual improvement procedure once a year. The effects of

the changes vary by standard. The amendments concern the following standards: IFRS 3, IFRS 11, IAS 12 and IAS 23. These amendments had no impact on the consolidated financial statements of the Group.

#### Amendments that will enter into force during the financial year 2020 or later

In addition to the standards and interpretations presented in the financial statements for 2019, 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, 2020. 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 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). 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 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. 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 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. 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.

#### Basis 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. For the subscription order intake this includes SaaS and other purchase-to-pay subscription types and excludes transaction revenue. Gross order intake covers new cloud customers, add-ons and renewal uplifts but excludes churn. There will be a time lag before this order intake is visible in net sales.

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

## 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 con-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.

Basware has adopted IFRS 15 Revenue from Contracts with Customers as of January 1, 2018 with full retrospective application. 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.-31.12.2019	1.1.-31.12.2018
<b>Cloud Revenue</b>			
SaaS	Over time	49,133	40,282
Transaction services	Over time	47,876	44,163
Other cloud revenue	Over time	4,434	5,036
<b>Cloud Revenue total</b>		<b>101,442</b>	<b>89,482</b>
<b>Non-Cloud Revenue</b>			
Maintenance	Over time	20,720	26,111
License sales	At a point in time	1,202	2,251
Consulting services	Over time	24,962	23,567
Other non-cloud revenue	Over time	-23	6
<b>Non-Cloud Revenue Total</b>		<b>46,861</b>	<b>51,935</b>
<b>Group total</b>		<b>148,302</b>	<b>141,417</b>

### Net sales by customer location

EUR THOUSAND	1.1.-31.12.2019	1.1.-31.12.2018
Americas	31,796	26,741
Europe	50,687	47,709
Nordics	57,441	59,754
APAC	8,379	7,214
<b>Group total</b>	<b>148,302</b>	<b>141,417</b>

### Net sales by currency

%	1.1.-31.12.2019	1.1.-31.12.2018
EUR	51.5	52.7
USD	20.8	18.4
GBP	7.7	8.6
Other	20.0	20.3
<b>Group total</b>	<b>100</b>	<b>100</b>

#### Contract assets and liabilities

The timing of invoicing may differ from the timing of revenue recognition. The Group recognizes a 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	31.12.2019	31.12.2018
<b>Trade receivables</b>	<b>27,424</b>	<b>24,992</b>
<b>Contract assets:</b>		
Non-current	168	1,052
Current	1,561	2,298
<b>Contract liabilities:</b>		
Non-current	3,184	2,458
Current	15,260	11,852

During 2018-2019 the Group has not recognized significant impairment losses on contract assets.

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

EUR THOUSAND	1.1.-31.12.2019	1.1.-31.12.2018
Revenue recognized from amounts included in contract liabilities at the beginning of the period:	9,678	8,861

#### 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	31.12.2019	31.12.2018
Acquisition cost Jan. 1	78,939	91,961
Translation difference	1,405	998
Business disposals	0	-14,020
<b>Acquisition cost Dec. 31</b>	<b>80,345</b>	<b>78,939</b>
<b>Book value Dec. 31</b>	<b>80,345</b>	<b>78,939</b>

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 2019. 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 management approved estimates for the following year and subsequent development derived from the strategic plans. 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 11.3 percent (13.4%) 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 2019 and 2018 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 2020 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 30 percentage points, pre-tax discount rate should increase more than 10 percentage points or the average EBIT-margin during the forecast period should decrease more than 13 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 and rental income.

EUR THOUSAND	1.1.-31.12.2019	1.1.-31.12.2018
Gain on sale of assets	48	16,276
Other operating income	350	1,576
<b>Other operating income</b>	<b>398</b>	<b>17,852</b>

In the first quarter of 2018, the Group recognized a gain on sale of assets amounting to EUR 16.3 million as a result to the sale of Banking and Financial Performance Solutions businesses. The combined sale price of the two businesses was EUR 35.0 million, and after purchase price adjustments related mainly to net working capital, the net cash proceeds from the divestments are estimated to be EUR 30.1 million. In addition, EUR 14.0 million of consolidated goodwill has been allocated to the divested businesses, and EUR 4.8 million of fixed assets, mainly capitalized research and development expenses, was written down.

In financial years 2018 and 2019 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.

AVERAGE NUMBER OF PERSONNEL	1.1.-31.12.2019	1.1.-31.12.2018
Americas	121	139
Europe	374	442
Nordics	437	490
APAC	417	605
<b>Personnel, total</b>	<b>1,349</b>	<b>1,676</b>

In the first quarter of 2018 Basware sold its Financial Performance Solutions and Banking businesses. Divestment concerned a total of 95 employees in Finland and India. In July 2018 Basware announced the outsourcing of scanning services to Xerox. Outsourcing process to Xerox was closed in October 2018 and the deal had an effect on 387 employees in Romania, India and Finland.

### Employee benefits expense

EUR THOUSAND	1.1.-31.12.2019	1.1.-31.12.2018
Salaries and fees	-76,578	-77,680
Share-based incentive plans	-914	-2,372
Expenses from defined benefit plans	-122	-41
Pension expenses, defined contribution plans	-6,187	-6,194
Other employee benefits	-6,474	-7,350
<b>Employee benefits expense, total</b>	<b>-90,275</b>	<b>-93,637</b>

### 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.-31.12.2019	1.1.-31.12.2018
<b>CEO of the parent company</b>		
Vesa Tykkyläinen (until March 10, 2019)	-836	-486
Klaus Andersen (from March 11, 2019)	-354	0
<b>Compensation of the members of the Board of Directors</b>		
Ilkka Sihvo	-83	-70
Michael Ingelög	-52	-44
Daryl Rolley	-81	-32
Asko Schrey	-44	-32
Tuija Soanjärvi (until August 21, 2019)	-52	-44
Hannu Vaajoensuu (until March 15, 2018)	0	-7
Anssi Vanjoki (until March 15, 2018)	0	-5
<b>Total</b>	<b>-1,501</b>	<b>-720</b>

## Key management employee benefits

EUR THOUSAND	1.1.-31.12.2019	1.1.-31.12.2018
Salaries and other short-term employee benefits	-2,378	-2,779
Benefits in connection with termination of employment	-629	0
Share-based payments	-660	-532
<b>Total</b>	<b>-3,667</b>	<b>-3,310</b>

Total salaries and benefits of the CEO Vesa Tykkyläinen for the period January 1 - December 31, 2019 were EUR 836 thousand (EUR 486 thousand). Salary in money including salary for 3-months' notice period was EUR 161 thousand (EUR 361 thousand), including fringe benefits of EUR 4 thousand (EUR 13 thousand). Severance pay was EUR 360 thousand. Tykkyläinen was paid a bonus of EUR 156 thousand from the financial year 2018 (EUR 126 thousand).

In 2019, Tykkyläinen was conveyed 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. (During 2018, no shares were conveyed based on incentive schemes.)

The accrued pension cost of Vesa Tykkyläinen amounted to EUR 56 thousand (EUR 93 thousand). The CEO's pension plan is pursuant to the employment pension legislation. CEO Vesa Tykkyläinen had 3 months' period of notice, in addition to which he was entitled to severance pay equivalent of 12 months' fixed salary.

Klaus Andersen commenced in the position of Basware CEO on March 11, 2019. Total salary for the period March 11 - December 31, 2019 was EUR 354 thousand. Salary in money was EUR 318 thousand, including fringe benefits of EUR 15 thousand. Andersen was paid a bonus of EUR 5 thousand from the financial year 2018.

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

The accrued pension cost of CEO Klaus Andersen amounted to EUR 35 thousand. The CEO's pension plan is pursuant to the employment pension legislation. CEO Klaus Andersen has 3

months' period of notice, in addition to which he is entitled to severance pay equivalent of 12 months' fixed salary.

## Share-based payments

### Accounting principles

Starting from beginning of 2018, a compensation cost pursuant to IFRS 2 has been recognized for share-based schemes based on the entire scheme being an equity-settled payment. 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 2015-2018

The Board of Directors resolved on March 23, 2015 to establish a new matching share plan for 2015-2018. The restricted share plan was directed to selected key employees at Basware and the total rewards to be allocated on the basis of the plan amounted to a maximum total value of 11,000 Basware Corporation shares. In addition to the share reward, employees included in the plan will also be paid a cash portion to cover the taxes resulting from the reward.

The prerequisite for receiving reward on the basis of the matching share plan is that the employee in question acquires Basware Corporation shares at the beginning of the plan. The participating employee can, as a reward, receive matching shares for each share subject to the share ownership prerequisite after a matching period of three 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 participating employee.

In 2018, the matching share plan 2015-2018 included four Basware key employees. The rewards to be paid on the basis of the plan corresponded to a maximum total value of 5,148 Basware Corporation shares. The plan ended in January 2018.

### 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.

**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 34,278 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 68,556 Basware Corporation shares, including also the proportion to be paid in cash.

**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 May 2019, 750 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 May 2018 corresponded to a total of 5,750 Basware Corporation shares, including also the proportion to be paid in cash.

At the end of 2019, the restricted share plan 2017 included 2 key employees.

**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 from the performance period 2017-2018 was based on Group's key performance measures in 2017-2018. The rewards to be paid on the basis of the performance period 2017-2018 corresponded to the value of a maximum total of 156,000 Basware Corporation shares, including also the proportion to be paid in cash. The plan was directed to approximately 60 key employees, including the members of the Basware Executive Team.

In May 2019, 26,413 shares were conveyed on a directed share issue related to the reward payment for the performance period 2017-2018 of the performance share plan 2017-2019, closing performance period 2017-2018 of the plan.

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

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 2019, the performance share plan included 53 employees for the performance period 2018-2019 and 45 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).

### 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.

## Effect on the result for the period and on the financial position in 2019

### Effect of Share-based Incentives on the result and financial position during the period

Expenses for the financial year, share-based payments	913,989
Liabilities arising from share-based payments December 31, 2019	77,939
Future cash payment to be paid to the tax authorities from share-based payments, estimated at the end of the period	1,372,900

### Valuation parameters for instruments granted during the period

	MSP 2018-2020	Performance Period 2019-2020	RSP 2017
Share price at grant	19.76	18.68	20.13
Share price at December 31, 2019	23.75	23.75	23.75
Expected dividends	0	0	0
Fair value at December 31, 2019	281,106	111,780	38,920

### Information on share-based incentive plans

	Matching Share Plan 2017-2019	Matching Share Plan 2018-2020	Restricted Share Plan 2017
Maximum number of shares	75,000	77,714	20,000
Initial grant date	2.3.2017	18.7.2018	2.3.2017
Vesting date	31.3.2020	31.3.2021	12 month Restriction Period
Vesting conditions	Share ownership and employment	Share ownership and employment	Employment
Maximum contractual life, years	3.1	2.7	-
Remaining contractual life, years	0.2	1.2	-
Number of persons at December 31, 2019	4	36	2
Payment method	Shares & Cash	Shares & Cash	Shares & Cash

**Performance share plans:**

	<b>Performance Period 2017-2018</b>	<b>Performance Period 2018-2019</b>	<b>Performance Period 2019-2020</b>
Maximum number of shares	156,000	116,950	60,225
Initial grant date	2.3.2017	1.2.2018	20.6.2019
Vesting date	31.3.2019	31.3.2020	31.3.2021
Vesting conditions	Group's key performance measures and employment	Group's key performance measures and employment	Group's key performance measures and employment
Maximum contractual life, years	2.1	2.2	1.8
Remaining contractual life, years	0	0.2	1.2
Number of persons at December 31, 2019	0	53	45
Payment method	Shares & Cash	Shares & Cash	Shares & Cash

**Performance share plans:**

	<b>Performance Period 2017-2018</b>	<b>Performance Period 2018-2019</b>	<b>Performance Period 2019-2020</b>
Outstanding at January 1, 2019	102,283	116,950	0
Granted	0	0	60,225
Forfeited	-4,325	-52,250	0
Expired	-45,138		
Exercised, gross	-52,820	0	0
Outstanding December 31, 2019	0	64,700	60,225

**Changes in 2019**

	<b>Matching Share Plan 2017-2019</b>	<b>Matching Share Plan 2018-2020</b>	<b>Restricted Share Plan 2017</b>
Outstanding at January 1, 2019	70,034	71,532	1,500
Granted	0	14,226	4,000
Forfeited	-54,530	-17,202	0
Exercised, gross	0	0	-1,500
Outstanding December 31, 2019	15,504	68,556	4,000

## 6. Other operating expenses

EUR THOUSAND	1.1.-31.12.2019	1.1.-31.12.2018
Impairment losses on trade receivables	-933	-339
Acquisition, disposal and restructuring expenses	-1,408	-2,996
Efficiency related expenses	-2,772	-1,275
Other operating expenses	-56	0
<b>Other operating expenses total</b>	<b>-5,168</b>	<b>-4,610</b>

## 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.-31.12.2019	1.1.-31.12.2018
<b>Finance income</b>		
Interest income on instruments valued at amortized cost	30	17
Foreign exchange gain on instruments valued at amortized cost	549	54
Other financing income	87	107
<b>Total</b>	<b>665</b>	<b>178</b>
<b>Finance expenses</b>		
Interest expenses on debt instruments valued at amortized cost	-8,315	-2,048
Foreign exchange loss on instruments valued at amortized cost	-586	-163
Interest expenses on lease liabilities	-888	0
Other financing expenses	0	131
<b>Total</b>	<b>-9,790</b>	<b>-2,080</b>
<b>Finance income and expenses total</b>	<b>-9,125</b>	<b>-1,902</b>

## Exchange differences recognized on income statement

EUR THOUSAND	1.1.-31.12.2019	1.1.-31.12.2018
Exchange differences included in net sales	-23	7
Exchange differences included in purchases and expenses	39	-35
Foreign exchange gains	549	54
Foreign exchange losses	-586	-163
<b>Exchange differences recognized on income statement</b>	<b>-22</b>	<b>-137</b>

## 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.

## Direct taxes

EUR THOUSAND	1.1.-31.12.2019	1.1.-31.12.2018
Income tax on operations	-1,293	-721
Tax for previous accounting periods	-48	-240
Change in deferred tax liabilities and tax assets	1,564	-2,589
<b>Income tax total</b>	<b>223</b>	<b>-3,551</b>

## Tax rate reconciliation

EUR THOUSAND	1.1.-31.12.2019	1.1.-31.12.2018
Profit/loss before taxes	-23,663	-3,526
Tax calculated at domestic tax rate	4,733	705
Tax for previous years	-48	-240
Effect of different tax rates of foreign subsidiaries	-543	-418
Effect of change in tax rate	0	7
Non-deductible expenses	-1,166	-3,801
Losses for which no deferred tax asset is recognised	-3,751	0
Other	-18	-228
Income not subject to tax	0	193
Taxable profit not included in the accounting profit	-180	10
Utilization of previous year losses	574	221
Previous year losses for which deferred tax asset is booked	622	0
<b>Income taxes</b>	<b>223</b>	<b>-3,551</b>

## Taxes relating to other comprehensive income

EUR THOUSAND	1.1.-31.12.2019	1.1.-31.12.2018
Taxes on foreign exchange gains from net investments	-71	-73
Taxes on derivatives	15	0

## Income tax receivables and payables

EUR THOUSAND	31.12.2019	31.12.2018
Income tax receivables	366	579
Income tax liabilities	249	98

## Deferred taxes

### 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 2019

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
<b>Total</b>	<b>7,810</b>	<b>1,844</b>	<b>0</b>	<b>0</b>	<b>9,654</b>

### Deferred tax assets 2018

EUR THOUSAND	1.1.2018	Recognized in profit or loss	Business acquisitions / disposals	Period change booked in equity	31.12.2018
Tax losses	8,777	-3,786	0	0	4,991
Deferred expenses	1,132	1,123	0	0	2,254
Other items	453	112	0	0	565
<b>Total</b>	<b>10,362</b>	<b>-2,552</b>	<b>0</b>	<b>0</b>	<b>7,810</b>

### Deferred tax liabilities 2019

EUR THOUSAND	1.1.2019	Recognized in profit or loss	Exchange rate differ- ences	Business acquisitions / disposals	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
<b>Total</b>	<b>4,660</b>	<b>277</b>	<b>50</b>	<b>15</b>	<b>5,003</b>

### Deferred tax liabilities 2018

EUR THOUSAND	1.1.2018	Recognized in profit or loss	Exchange rate differ- ences	Business acquisitions / disposals	31.12.2018
Allocation of fair value on purchases	4,569	173	40	-123	4,660
<b>Total</b>	<b>4,569</b>	<b>173</b>	<b>40</b>	<b>-123</b>	<b>4,660</b>

The Group has recognised total of EUR 5,613 thousand (EUR 4,991 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 24,993 thousand of tax losses and EUR 6,626 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.

EUR THOUSAND	1.1.-31.12.2019	1.1.-31.12.2018
Profit/loss for the period	-23,440	-7,077
<b>Average number of shares (1,000)</b>		
Undiluted	14,388	14,368
Diluted	14,474	14,461
<b>Earnings per share (EUR)</b>		
Undiluted	-1.63	-0.49
Diluted	-1.63	-0.49

## 10. Intangible assets

### Accounting principles

Other intangible assets are measured at cost less accumulated amortization 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. Amortization 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

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
<b>Acquisition cost Dec. 31</b>	<b>64,741</b>	<b>48,068</b>	<b>2,858</b>	<b>8,118</b>	<b>123,785</b>
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
<b>Cumulative amortisation Dec. 31</b>	<b>-39,003</b>	<b>-39,401</b>	<b>-980</b>	<b>0</b>	<b>-79,384</b>
<b>Book value Dec. 31, 2019</b>	<b>25,739</b>	<b>8,667</b>	<b>1,878</b>	<b>8,118</b>	<b>44,402</b>

## Intangible assets 2018

EUR THOUSAND	Development costs	Intangible rights	Other long-term investments	Assets, unfinished projects	Total
Acquisition cost Jan. 1	49,211	46,398	1,101	12,359	109,069
Translation difference (+/-)	-7	105	-11	14	100
Additions	227	813	0	9,712	10,751
Disposals	-4,507	-36	0	-1,675	-6,218
Reclassifications between items	6,413	0	0	-6,413	0
<b>Acquisition cost Dec. 31</b>	<b>51,338</b>	<b>47,278</b>	<b>1,090</b>	<b>13,995</b>	<b>113,701</b>
Cumulative amortisation Jan. 1	-27,685	-31,775	-568	0	-60,029
Translation difference (+/-)	9	21	12	0	42
Cumulative amortisation on disposals and reclassifications	1,335	25	0	0	1,360
Amortisation	-5,611	-4,223	-143	0	-9,977
<b>Cumulative amortisation Dec. 31</b>	<b>-31,953</b>	<b>-35,952</b>	<b>-699</b>	<b>0</b>	<b>-68,604</b>
<b>Book value Dec. 31, 2018</b>	<b>19,385</b>	<b>11,327</b>	<b>391</b>	<b>13,995</b>	<b>45,097</b>

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.

### 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	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
<b>Acquisition cost Dec. 31</b>	<b>18,778</b>	<b>1,865</b>	<b>11,069</b>	<b>152</b>	<b>31,865</b>
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
Amortisation	-4,015	-689	-645	0	-5,350
<b>Cumulative amortisation Dec. 31</b>	<b>-4,024</b>	<b>-689</b>	<b>-10,147</b>	<b>0</b>	<b>-14,860</b>
<b>Book value Dec. 31, 2019</b>	<b>14,755</b>	<b>1,087</b>	<b>923</b>	<b>152</b>	<b>16,917</b>

### Tangible assets 2018

EUR THOUSAND	Machinery and equipment	Machinery and equipment, finance lease	Other tangible assets	Total
Acquisition cost Jan. 1	12,328	127	133	12,588
Translation difference (+/-)	-19	1	0	-18
Additions	169	0	13	182
Disposals	-1,137	-40	0	-1,177
<b>Acquisition cost Dec. 31</b>	<b>11,341</b>	<b>88</b>	<b>145</b>	<b>11,575</b>
Cumulative amortisation Jan. 1	-11,170	-127	0	-11,297
Translation difference (+/-)	19	-1	0	18
Cumulative amortisation on disposals and reclassifications	1,110	40	0	1,149
Amortisation	-652	0	0	-652
<b>Cumulative amortisation Dec. 31</b>	<b>-10,695</b>	<b>-88</b>	<b>0</b>	<b>-10,783</b>
<b>Book value Dec. 31, 2018</b>	<b>646</b>	<b>0</b>	<b>145</b>	<b>792</b>

## 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.

The impact of the adoption in the 2019 opening balance has been presented in the table below.

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018, as follows:

### EUR THOUSAND

Operating lease commitments as at December 31, 2018	18,799
Weighted average incremental borrowing rate as at January 1, 2019	5.2 %
Discounted operating lease commitments as at January 1, 2019	17,865
Less:	
Commitments relating to short-term leases	-67
Commitments relating to leases of low-value assets	-786
<b>Lease liabilities as at January 1, 2019</b>	<b>17,012</b>

The following are the amounts recognised in profit or loss:

EUR THOUSAND	1.1.-31.12.2019
Depreciation expense of right-of-use assets	-4,704
Interest expense on lease liabilities	-888
Expense relating to leases of low-value assets	-528
<b>Total amount recognised in profit or loss:</b>	<b>-6,120</b>

### 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.

#### Non-current assets based on the location of the assets

EUR THOUSAND	1.1.-31.12.2019	1.1.-31.12.2018
Americas	32,844	32,218
Europe	46,958	40,958
Nordics	61,972	54,622
APAC	4,288	2,176
<b>Group total</b>	<b>146,062</b>	<b>129,973</b>

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	31.12.2019	31.12.2018
Acquisition cost Jan. 1	38	38
<b>Acquisition cost Dec. 31</b>	<b>38</b>	<b>38</b>

Non-current financial assets include shares of unlisted companies.

## 15. Current trade and other receivables

### Accounting principles - expected credit losses on trade receivables

In the beginning of 2018 the Group implemented IFRS 9 which had an impact on recognition of impairment provision for 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	31.12.2019	31.12.2018
<b>Non-current receivables</b>		
Contract assets	168	1,052
Capitalized contract costs	3,335	3,265
Other non-current receivables	857	790
<b>Non-current trade and other receivables total</b>	<b>4,361</b>	<b>5,107</b>
<b>Current receivables</b>		
Trade receivables	27,424	24,992
Contract assets	1,561	2,298
Capitalized contract costs	3,300	2,429
Other receivables	4,542	6,859
<b>Current receivables total</b>	<b>36,827</b>	<b>36,579</b>

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	31.12.2019	31.12.2018
Capitalized contract costs, opening balance	5,695	4,189
Capitalized during the period	3,819	3,549
Recognized as an expense during the period	-2,878	-1,821
Disposals*	0	-222
<b>Capitalized contract costs, ending balance</b>	<b>6,636</b>	<b>5,695</b>

\* Capitalized sales commission related to divestments of Banking and Financial Performance Solutions businesses

## The aging analysis of trade receivables and impairment loss

EUR THOUSAND	2019	Impairment provision	Net 2019	2018	Impairment provision	Net 2018
Not due	18,441	-8	18,433	16,195	-7	16,188
Overdue						
1-180 days	8,394	-100	8,293	7,879	-70	7,809
181-360 days	873	-378	495	1,119	-250	869
Over 360 days	879	-677	202	703	-577	126
<b>Total</b>	<b>28,587</b>	<b>-1,164</b>	<b>27,424</b>	<b>25,896</b>	<b>-904</b>	<b>24,992</b>

In addition to the provision for credit losses which is netted off against trade receivables, the Group has recognized an additional provision related to trade receivables amounting to EUR 474 thousand which are recognized on short-term liabilities.

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	31.12.2019	31.12.2018
Cash and cash equivalents	31,672	40,747
<b>Cash and short-term deposits</b>	<b>31,672</b>	<b>40,747</b>

## 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	31.12.2019	31.12.2018
Opening value Jan. 1 - liability	327	434
Amounts recognised in profit and loss		
Service cost, benefits earned during the year	70	64
Interest expense (+) / income (-)	27	31
Changes due to currency fluctuation	-3	-18
Amounts recognised in other comprehensive income		
Actuarial losses (+) / gains (-)	2	-57
Other changes		
Benefits paid	-47	-127
<b>Ending value Dec. 31 - liability</b>	<b>377</b>	<b>327</b>
<b>The most significant actuarial assumptions</b>		
Discount rate (%)	7.2 %	7.6 %
Increase of wages (%)	7.0 %	7.0 %

In July 2018 the Group announced the outsourcing of scanning services to Xerox. The deal closed at the beginning of October 2018 and 387 employees transferred to Xerox from the Group during the fourth quarter of 2018. In connection with the transfer of employees the Group paid out the defined benefit liability related to transferred employees.

## 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.

### Foreign currency risk

Basware's net sales increased by 5.9 percent (5.4%) in organic constant currencies in 2019. The Group's main currency is euro, accounting for approximately 52 percent of net sales in 2019 (approximately 53% in 2018). 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 2019 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	2019				2018			
	Nominal value	Positive fair value	Negative fair value	Net fair value	Nominal value	Positive fair value	Negative fair value	Net fair value
<b>Foreign-currency derivatives</b>	14	144	-66	77	14	266	-26	240

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 2019. According to IFRS 7 sensitivity analysis of currency risk there would have had an impact of EUR -0.4/+0.4 million (EUR -0.7/+0.7 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 0.4 million (EUR 0.9 million) on other comprehensive income. The most important currency pairs are disclosed in the table below.

EUR THOUSAND	Profit & Loss		Other comprehensive income	
	+5%	-5 %	+5%	-5 %
<b>2019</b>				
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
	<b>-410</b>	<b>410</b>	<b>-43</b>	<b>43</b>
<b>2018</b>				
EUR/USD	-337	337	-275	275
EUR/GBP	-251	251	-131	131
EUR/SEK	-22	22	0	0
EUR/NOK	-5	5	0	0
EUR/INR	4	-4	-226	226
EUR/RON	-30	30	-240	240
Other currencies	-49	49	-22	22
	<b>-691</b>	<b>691</b>	<b>-893</b>	<b>893</b>

Foreign currency-denominated assets and liabilities translated into the euros at the exchange rates of the closing date are as follows:

### Nominal values 2019

EUR THOUSAND	USD	AUD	GBP	SEK	DKK	NOK	RON	INR
<b>Non-current assets</b>	30,085	443	3,535	1,156	446	603	667	3,783
<b>Current assets</b>								
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
<b>Current liabilities</b>								
Non-interest bearing liabilities	8,119	1,647	2,773	1,540	1,009	2,124	897	862

### Nominal values 2018

EUR THOUSAND	USD	AUD	GBP	SEK	DKK	NOK	RON	INR
<b>Non-current assets</b>	29,511	535	641	1,248	159	509	142	1,579
<b>Current assets</b>								
Cash and cash equivalents	2,617	697	2,426	1,664	424	3,229	1,234	312
Trade and other receivables	7,187	1,579	2,424	1,908	811	1,352	314	354
<b>Current liabilities</b>								
Non-interest bearing liabilities	7,968	1,262	3,383	1,443	766	1,717	626	747

### 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, 2019 the Group had a total of EUR 65.0 million (EUR 57.2 million) interest-bearing liabilities, excluding leasing-liabilities, of which a total of EUR 50.0 million variable-rate loans. At the closing date all external loans have been in Euro with the average interest rate of 9.3 percent (3.17%) and average maturity of 4.4 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 -0.3/+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	2019		2018	
	+1%	-1%	+1%	-1%
Interest-bearing liabilities	-338	0	-286	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 31.7 million on 31 December 2019.

In March, 2019 the Group and Bregal Milestone entered into a financing agreement of a total amount EUR 50 million and maturity of 5.5 years. With the loan the Group extended its maturity profile in order to execute its long-term strategy.

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

EUR THOUSAND	2018	Cash flow (+/-)	Non-cash flow (+/-)	2019	
<b>Non-current</b>	Loans from financial institutions	30,190	23,880	-5,123	48,947
	Bond	9,927	0	16	9,943
<b>Current</b>	Loans from financial institutions	17,096	-22,296	7,196	1,996
	Leasing liabilities	0	-4,372	21,176	16,804
<b>Total</b>	<b>57,213</b>			<b>77,690</b>	

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.



### Maturity distribution of financial liabilities 2019

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
<b>Total</b>	<b>88,764</b>	<b>148,800</b>	<b>17,574</b>	<b>18,244</b>	<b>108,744</b>	<b>4,238</b>

### Maturity distribution of financial liabilities 2018

EUR THOUSAND	Balance sheet value	Cash flow	less than 1 year	1-3 years	3-5 years	over 5 years
Loans, interest-bearing	57,213	62,224	19,335	31,261	11,628	0
Foreign currency derivatives	240	240	240	0	0	0
Trade and other payables	12,478	12,478	12,478	0	0	0
<b>Total</b>	<b>69,931</b>	<b>74,942</b>	<b>32,053</b>	<b>31,261</b>	<b>11,628</b>	<b>0</b>

### 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 2019.

The Group aims to maintain a strong equity ratio and a moderate gearing ratio. At the end of 2019 the equity ratio was 41.9 percent (51.3%) and gearing ratio 48.9 percent (14.9%). Gearing ratio excluding leasing liabilities was 31.1 percent.

## 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 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			-540		540	0
Transactions that do not affect the number of shares / Cash flow hedges				-178		-178
<b>31.12.2019</b>	<b>3,528</b>	<b>1,187</b>	<b>110,388</b>	<b>653</b>	<b>-98</b>	<b>115,659</b>

### Shareholders' equity 2018

EUR THOUSAND	Shareholders' equity	Share premium account	Invested non-restricted equity	Other reserves	Own shares	Total
1.1.2018	3,528	1,187	111,132	592	-842	115,597
Decrease of treasury shares			-204		204	0
Transactions that do not affect the number of shares / Cash flow hedges				240		240
<b>31.12.2018</b>	<b>3,528</b>	<b>1,187</b>	<b>110,928</b>	<b>832</b>	<b>-638</b>	<b>115,837</b>

### Number of shares

	2019	2018
Number of outstanding shares Jan. 1	14,370,476	14,359,703
Incentive plan (+)	27,163	10,773
<b>Number of outstanding shares Dec. 31</b>	<b>14,397,639</b>	<b>14,370,476</b>
Treasury shares Jan. 1	31,460	42,233
Incentive plan (-)	27,163	10,773
<b>Treasury shares Dec. 31</b>	<b>4,297</b>	<b>31,460</b>

### 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. The management used judgement in valuing the warrants at fair value. The loan is calculated at amortized cost applying EIR. The warrants have a fixed price (29.9158 eur) and they entitle to a fixed number of shares of Basware (1 000 000 warrant shares). 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 2019 (2018: 0 euros per share).

## 20. Trade and other liabilities

EUR THOUSAND	31.12.2019	31.12.2018
<b>Long-term trade and other liabilities</b>		
Contract liabilities	3,184	2,458
Other liabilities	0	100
<b>Long-term trade and other liabilities total</b>	<b>3,184</b>	<b>2,558</b>
<b>Short-term trade and other liabilities</b>		
Trade liabilities	7,600	8,354
Contract liabilities	15,260	11,852
Other Liabilities	20,867	19,686
<b>Short-term trade and other liabilities total</b>	<b>43,727</b>	<b>39,893</b>

Accrued expenses include personnel related expenses EUR 14,739 thousand (EUR 13,057 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.

EUR THOUSAND	31.12.2019	31.12.2018
Opening balance Jan. 1	198	928
Additions	1,656	1,116
Disposals	-1,588	-1,846
<b>Closing balance Dec. 31</b>	<b>266</b>	<b>198</b>

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.

### Derivates

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 613 thousand in the income statement and the balance sheet impact (OCI) was EUR 77 thousand at the end of 2019.

EUR THOUSAND	Note	Derivatives, hedge accounting	Fair value through profit or loss	Amortized cost	2019 Carrying amount	2019 Fair value
<b>Financial assets non-current</b>						
Unlisted share investments	14		38		38	38
Other receivables	14			857	857	857
<b>Financial assets current</b>						
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
<b>Financial assets</b>					<b>60,353</b>	<b>60,353</b>
<b>Financial liabilities non-current</b>						
Loans, interest-bearing				58,889	58,889	70,059
Leasing liabilities, interest-bearing				13,412	13,412	13,412
<b>Financial liabilities current</b>						
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
<b>Financial liabilities</b>					<b>88,678</b>	<b>99,848</b>

EUR THOUSAND	Note	Derivatives, hedge accounting	Fair value through profit or loss	Amortized cost	2018 Carrying amount	2018 Fair value
<b>Financial assets non-current</b>						
Unlisted share investments	14		38		38	38
Other receivables	14			790	790	790
<b>Financial assets current</b>						
Trade and other receivables	15			24,985	24,985	24,985
Derivatives	18	266				
Cash and cash equivalents	16			40,747	40,747	40,747
<b>Financial assets</b>					<b>66,560</b>	<b>66,560</b>
<b>Financial liabilities non-current</b>						
Loans, interest-bearing				40,117	40,117	40,117
<b>Financial liabilities current</b>						
Loans, interest-bearing				17,096	17,096	17,096
Trade and other payables	20			12,452	12,452	12,452
Derivatives	18	26			26	26
<b>Financial liabilities</b>					<b>69,665</b>	<b>69,665</b>

**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 38 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 144 thousand are classified as level 2.

**Long-term financial liabilities**

Long-term loans from financial institutions consist of a loan from Bregal Milestone LLP and other institutions. Fair value of the loan from Bregal Milestone LLP 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, 2019 would approximately be 70.5 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 66 thousand are classified as level 2.

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



## 23. Auditor fees

EUR THOUSAND	1.1.-31.12.2019	1.1.-31.12.2018
Audit fees	-291	-259
Tax consultancy	0	0
Other fees and services	0	0
<b>Auditor fees total</b>	<b>-291</b>	<b>-259</b>

## 24. Commitments and contingent liabilities

EUR THOUSAND	1.1.-31.12.2019	1.1.-31.12.2018
Own guarantees		
Guarantees	1,149	1,106
Commitments on behalf of subsidiaries		
Guarantees	298	327
Other commitments		
Maturing in less than 1 year	3,173	7,856
Maturing in 1-5 years	4,899	11,279
Maturing later	0	2,800
<b>Total</b>	<b>8,072</b>	<b>21,934</b>
<b>Commitments and contingent liabilities total</b>	<b>9,518</b>	<b>23,367</b>

Other commitments include leases and other rental not in scope of IFRS 16, as well as commitments arising from license agreements. Obligations from long term service agreements are not included. The group does not have pledges, mortgages or guarantees on behalf of external parties.

## 25. Related party transactions

### Accounting principles

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 26 and Shares and key management compensations are disclosed in Note 5.

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.

### Loans from related parties

EUR THOUSAND	31.12.2019	31.12.2018
Arrowgrass Master Fund LTD	0	10,000

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

## 26. Shares in subsidiaries

	Domicile	Country	Group 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 UK Ltd.*	Staffordshire	Great Britain	100
Basware Shared Services Ltd.	London	Great Britain	100
Basware Supplier Solutions Ltd.*	London	Great Britain	100
Procsolve Solutions Ltd.*	London	Great Britain	100
Procsolve Services Ltd.*	London	Great Britain	100

\* Companies have been liquidated during financial year 2019.

### Foreign branches

The parent company has branches in India, Chandigarh (reg. no F03347) and Russia, Moscow (reg. no 16926.1).

Basware UK subsidiaries, Basware Holdings Ltd. and Basware Shared Services Ltd. sub-group entities 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).

## 27. Events after the reporting period

After the balance sheet date, no significant events have taken place within the Group.

## Parent company income statement (FAS)

EUR	Note	1.1.-31.12.2019	1.1.-31.12.2018
<b>NET SALES</b>	<b>2</b>	<b>76,190,873.76</b>	<b>74,873,566.53</b>
Other operating income	3	237,475.36	31,850,652.07
Materials and services	4	-18,205,324.20	-13,111,401.18
Employee benefits expenses	5	-28,327,442.68	-29,639,875.86
Depreciation and amortization	6	-8,855,304.69	-7,898,332.15
Other operating expenses	7	-42,491,162.05	-48,525,951.61
<b>Operating profit/loss</b>		<b>-21,450,884.50</b>	<b>7,548,657.80</b>
Financial income	8	1,375,862.55	1,494,780.51
Financial expenses	8	-8,712,567.29	-2,589,057.70
Dividend from group companies		2,380,429.88	0.00
Impairment on investments	12	0.00	-4,994,437.11
<b>Profit/loss before appropriation and taxes</b>		<b>-26,407,159.36</b>	<b>1,459,943.50</b>
Income tax expense	9	0.00	-107.81
<b>PROFIT/LOSS FOR THE PERIOD</b>		<b>-26,407,159.36</b>	<b>1,459,835.69</b>

## Parent company balance sheet (FAS)

EUR	Note	31.12.2019	31.12.2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	10	37,406,093.16	36,731,296.73
Tangible assets	11	819,306.74	268,100.14
Investments	12	113,964,386.64	118,272,437.28
Long-term trade and other receivables	13	1,005,066.23	1,365,272.13
<b>Non-current assets</b>		<b>153,194,852.77</b>	<b>156,637,106.28</b>
<b>Current assets</b>			
Short-term trade and other receivables	14	25,841,027.28	30,142,877.04
Cash and cash equivalents		21,481,183.60	27,729,941.31
<b>Current assets</b>		<b>47,322,210.88</b>	<b>57,872,818.35</b>
<b>TOTAL ASSETS</b>		<b>200,517,063.65</b>	<b>214,509,924.63</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital		3,528,368.70	3,528,368.70
Share premium account		1,118,161.00	1,118,161.00
Fair value reserve		77,322.04	239,759.99
Other reserves		116,036,928.54	111,885,545.04
Retained earnings		-8,839,837.94	-10,839,775.63
Result for the period		-26,407,159.36	1,459,835.69
<b>Shareholders' equity</b>	<b>15</b>	<b>85,513,782.98</b>	<b>107,391,894.79</b>
Current provisions	16	0.00	106,488.00
<b>Liabilities</b>			
Long-term liabilities	17	59,066,354.54	40,485,225.53
Short-term liabilities	18	55,936,925.98	66,526,316.31
<b>Total liabilities</b>		<b>115,003,280.52</b>	<b>107,011,541.84</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>200,517,063.65</b>	<b>214,509,924.63</b>

## Parent company cash flow statement (FAS)

EUR	1.1.-31.12.2019	1.1.-31.12.2018	EUR	1.1.-31.12.2019	1.1.-31.12.2018
<b>Cash flow from operating activities</b>			<b>Cash flow from investing activities</b>		
Result for the period	-26,407,159.36	6,629,154.04	Repayment of current borrowings	-22,295,972.00	-1,995,972.00
Adjustments for result			Addition / deduction of current borrowings	5,688,827.57	-1,336,697.99
Planned depreciations	8,855,304.69	7,898,332.15	Proceeds from borrowings	43,879,726.76	9,923,103.33
Proceeds from sale of non-current assets	0.00	-30,301,484.00	Repayment of non-current borrowings	-20,000,000.00	0.00
Unrealized exchange gains and losses	-278,222.43	-70,810.05	<b>Net cash used in financing activities</b>	<b>7,272,582.33</b>	<b>6,590,433.34</b>
Finance income and expenses	5,185,653.32	1,164,231.30	<b>Net change in cash and cash equivalents</b>	<b>-6,248,757.71</b>	<b>13,463,743.16</b>
Income taxes	0.00	-174,773.43	Cash and cash equivalents at the beginning of period	27,729,941.31	14,266,198.15
Other non-cash items	-94,818.79	441,578.58	<b>Cash and cash equivalents at the end of period</b>	<b>21,481,183.60</b>	<b>27,729,941.31</b>
Working capital changes	-1,973,293.44	244,536.60			
Interest paid	-1,258,435.10	-1,154,921.02			
Dividends received	1,880,813.74	353.07			
Interest received	974,902.50	785,061.35			
Other financial items in operating activities	-517,874.02	-374,286.56			
Income taxes paid	0.00	-107.81			
<b>Net cash from operating activities</b>	<b>-13,633,128.89</b>	<b>-14,913,135.78</b>			
<b>Cash flow from investing activities</b>					
Purchase of tangible and intangible assets	-10,056,028.22	-9,875,794.73			
Proceeds from sale of tangible and intangible assets*	-16,659.09	29,646,540.38			
Acquired subsidiaries	0.00	0.00			
Proceeds from repayments of loans	4,501,767.59	0.00			
Addition / deduction of cash equivalents	5,682,708.57	2,015,699.95			
<b>Net cash used in investing activities</b>	<b>111,788.85</b>	<b>21,786,445.60</b>			
Cash flow before financing activities	-13,521,340.04	6,873,309.82			

\*Includes proceeds and disbursements directly attributable to the divestments made in Q1,2018

# Notes to the parent company financial statements (FAS)

## 1. Accounting principles

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

In February 2018 Basware Corporation sold its Financial Performance Solutions and Banking businesses and harmonised revenue recognition principles with the Group in accordance with the Finnish Accounting Rules, thus the financial years 2018 and 2019 are not entirely comparable.

### 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 Basware group. Revenue recognition principles of Basware 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.

### Pensions

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

### Net 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.-31.12.2019	1.1.-31.12.2018
<b>Cloud revenue</b>		
SaaS	29,919	24,690
Transaction services	25,731	24,767
Other cloud revenue	46	125
<b>Cloud revenue total</b>	<b>55,696</b>	<b>49,583</b>
<b>Non-cloud revenue</b>		
Maintenance	13,010	17,170
License sales	736	1,481
Consulting services	6,678	6,595
Other non-cloud revenue	71	45
<b>Other than cloud revenue total</b>	<b>20,495</b>	<b>25,291</b>
<b>Revenue total</b>	<b>76,191</b>	<b>74,874</b>

### Net sales by location of customer

EUR THOUSAND	1.1.-31.12.2019	1.1.-31.12.2018
Finland	35,300	37,903
Export	40,891	36,971
<b>Total</b>	<b>76,191</b>	<b>74,874</b>

## 3. Other operating income

EUR THOUSAND	1.1.-31.12.2019	1.1.-31.12.2018
Gain on sale of assets	0	30,301
Other operating income	237	1,550
<b>Other operating income, total</b>	<b>237</b>	<b>31,851</b>

In the first quarter of 2018 Parent company recognized a gain on sale of assets amounting to EUR 30.3 million as a result of the sale of Banking and Financial Performance Solutions businesses.

In 2018 and 2019, other operating income mainly consists of other proceeds related to divestment.

## 4. Materials and services

EUR THOUSAND	1.1.-31.12.2019	1.1.-31.12.2018
Purchases during the financial period	-17,074	-12,007
Services purchased	-1,132	-1,104
<b>Total</b>	<b>-18,205</b>	<b>-13,111</b>

## 5. Personnel and employee benefits

### Personnel expenses

EUR THOUSAND	1.1.-31.12.2019	1.1.-31.12.2018
Salaries paid to CEO and the Board of Directors	-1,501	-720
Salaries paid to other personnel	-22,304	-23,943
Pension expenses	-3,732	-4,023
Other personnel expenses	-790	-954
<b>Total</b>	<b>-28,327</b>	<b>-29,640</b>

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

## Number of personnel

	1.1.-31.12.2019	1.1.-31.12.2018
Personnel average for the period	353	392
Personnel at the end of the period	341	374

## 6. Depreciation and amortization

EUR THOUSAND	1.1.-31.12.2019	1.1.-31.12.2018
Intangible assets	-8,631	-7,715
Tangible assets	-224	-184
<b>Total</b>	<b>-8,855</b>	<b>-7,898</b>

## 7. Other operating expenses

EUR THOUSAND	1.1.-31.12.2019	1.1.-31.12.2018
Rents	-1,162	-1,286
Non-statutory employee benefits	-451	-448
Travelling	-843	-1,177
Marketing	-3,598	-3,765
IT and telephone	-1,007	-1,109
Auditor fees	-206	-165
Other expenses	-35,224	-40,576
<b>Other operating expenses total</b>	<b>-42,491</b>	<b>-48,526</b>
Audit fees	-206	-165
Tax consultancy	0	0
Other fees and services	0	0
<b>Audit fees total</b>	<b>-206</b>	<b>-165</b>

## 8. Finance income and expenses

EUR THOUSAND	1.1.-31.12.2019	1.1.-31.12.2018
<b>Other interest and financial income</b>		
From group companies	1,233	1,366
From others	143	129
<b>Other interest and financial income</b>	<b>1,375</b>	<b>1,494</b>
<b>Interest and financial expenses</b>		
To group companies	-297	-587
From others	-8,416	-2,002
Impairment on investments	0	-4,994
<b>Other interest and financial expenses total</b>	<b>-8,713</b>	<b>-7,583</b>
<b>Total</b>	<b>-7,337</b>	<b>-6,089</b>

## 9. Direct taxes

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

EUR THOUSAND	1.1.-31.12.2019	1.1.-31.12.2018
Income taxes from previous financial periods	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

The deferred tax asset arising from accumulated losses total of 6.9 million euros, and from non-deductible interests total of 6.6 million euros, has not been recognized on the balance sheet.

## 10. Intangible assets

### Intangible assets 2019

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
<b>Acquisition cost Dec. 31</b>	<b>63,503</b>	<b>17,846</b>	<b>17,625</b>	<b>288</b>	<b>8,118</b>	<b>107,380</b>
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
<b>Cumulative amortisation Dec. 31</b>	<b>-37,551</b>	<b>-14,726</b>	<b>-17,625</b>	<b>-72</b>	<b>0</b>	<b>-69,973</b>
<b>Book value Dec. 31</b>	<b>25,952</b>	<b>3,119</b>	<b>0</b>	<b>217</b>	<b>8,118</b>	<b>37,406</b>

### Intangible assets 2018

EUR THOUSAND	Development costs	Intangible rights	Goodwill/merger loss	Other long-term investments	Assets, unfinished projects	Total
Acquisition cost Jan. 1	47,755	16,635	17,625	64	12,358	94,436
Additions	392	813	0	0	8,626	9,831
Disposals	-4,507	-11	0	0	-1,675	-6,193
Reclassifications between items	6,413	0	0	0	-6,413	0
<b>Acquisition cost Dec. 31</b>	<b>50,053</b>	<b>17,437</b>	<b>17,625</b>	<b>64</b>	<b>12,895</b>	<b>98,074</b>
Cumulative amortization Jan. 1	-26,232	-11,067	-17,625	-43	0	-54,967
Cumulative amortisation on disposals and reclassifications	1,335	0	0	0	0	1,335
Amortisation	-5,611	-2,095	0	-5	0	-7,711
<b>Cumulative amortisation Dec. 31</b>	<b>-30,508</b>	<b>-13,162</b>	<b>-17,625</b>	<b>-48</b>	<b>0</b>	<b>-61,343</b>
<b>Book value Dec. 31</b>	<b>19,545</b>	<b>4,275</b>	<b>0</b>	<b>16</b>	<b>12,895</b>	<b>36,731</b>



## 11. Tangible assets

### Tangible assets 2019

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
<b>Acquisition cost Dec. 31</b>	<b>6,954</b>	<b>152</b>	<b>7,107</b>
Cumulative amortization Jan. 1	-6,073	0	-6,073
Cumulative amortisation on disposals and reclassifications	10	0	10
Amortization	-224	0	-224
<b>Cumulative amortization Dec. 31</b>	<b>-6,287</b>	<b>0</b>	<b>-6,287</b>
<b>Book value Dec. 31</b>	<b>667</b>	<b>152</b>	<b>819</b>

### Tangible assets 2018

EUR THOUSAND	Machinery and equipment	Other tangible assets	Total
Acquisition cost Jan. 1	6,234	133	6,367
Additions	32	13	45
Disposals	-71	0	-71
<b>Acquisition cost Dec. 31</b>	<b>6,196</b>	<b>145</b>	<b>6,341</b>
Cumulative amortization Jan. 1	-5,936	0	-5,936
Cumulative amortisation on disposals and reclassifications	46	0	46
Amortization	-184	0	-184
<b>Cumulative amortization Dec. 31</b>	<b>-6,073</b>	<b>0</b>	<b>-6,073</b>
<b>Book value Dec. 31</b>	<b>123</b>	<b>145</b>	<b>268</b>

## 12. Investments

EUR THOUSAND	1.1.-31.12.2019	1.1.-31.12.2018
<b>Shares in group companies</b>		
Book value Jan. 1	98,075	98,075
<b>Book value Dec. 31</b>	<b>98,075</b>	<b>98,075</b>
<b>Balance sheet value Dec. 31</b>	<b>98,075</b>	<b>98,075</b>
<b>Other shares</b>		
Book value Jan. 1	38	38
<b>Book value Dec. 31</b>	<b>38</b>	<b>38</b>
<b>Share of investment in a joint venture*</b>		
Book value Jan. 1	0	4,994
Impairment	0	-4,994
<b>Book value Dec. 31</b>	<b>0</b>	<b>0</b>
<b>Receivables from group companies</b>		
Loan receivables from group companies	15,852	20,160
<b>Investments total</b>	<b>113,965</b>	<b>118,272</b>

\* During the financial year 2018 Basware decided to write down its shares of the joint venture Clear Funding Limited. The loss impact totalled 4.9 million EUR.

## Subsidiary shares

	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 UK Ltd.*	Staffordshire	Great Britain	100
Basware Shared Services Ltd.	London	Great Britain	100
Basware Supplier Solutions Ltd.*	London	Great Britain	100
Procsolve Solutions Ltd.*	London	Great Britain	100
Procsolve Services Ltd.*	London	Great Britain	100

\* Companies have been liquidated during financial year 2019.

## Foreign branches

The parent company has branches in India, Chandigarh (reg.no. F03347) and Russia, Moscow (reg.no. 16926.1).

Basware UK subsidiaries, Basware Holdings Ltd and Basware Shared Services Ltd. sub-group entities 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).

## 13. Non-current receivables

EUR THOUSAND	31.12.2019	31.12.2018
Rent deposits	7	401
Accrued employee expenses and other prepaid expenses	998	964
<b>Total</b>	<b>1,005</b>	<b>1,365</b>

## 14. Current receivables

EUR THOUSAND	31.12.2019	31.12.2018
Accounts receivables	5,967	6,159
Receivables from group companies		
Accounts receivables	7,100	6,378
Interest receivables	0	150
Loan receivables	1,135	6,817
Other receivables	8,393	5,526
<b>Total</b>	<b>16,628</b>	<b>18,871</b>
Prepaid expenses and accrued income	2,867	4,481
Other receivables	380	632
<b>Total</b>	<b>3,247</b>	<b>5,113</b>
<b>Current receivables total</b>	<b>25,841</b>	<b>30,143</b>
<b>Prepaid expenses and accrued income</b>		
Accrued employee expenses	0	552
Other prepaid expenses and accrued income	2,867	3,929
<b>Total</b>	<b>2,867</b>	<b>4,481</b>

## 15. Shareholder's equity

EUR THOUSAND	31.12.2019	31.12.2018
Share capital Jan. 1	3,528	3,528
<b>Share capital Dec. 31</b>	<b>3,528</b>	<b>3,528</b>
Share premium account Jan. 1	1,118	1,118
<b>Share premium account Dec. 31</b>	<b>1,118</b>	<b>1,118</b>
Fair value reserve Jan. 1	240	0
Increase or decrease	-163	240
<b>Fair value reserve Dec. 31</b>	<b>77</b>	<b>240</b>
<b>Restricted Equity Dec. 31</b>	<b>4,724</b>	<b>4,887</b>
Invested non-restricted equity Jan. 1	111,885	112,089
Decrease of treasury shares	-540	-204
Warrants	4,691	0
<b>Invested non-restricted equity Dec. 31</b>	<b>116,037</b>	<b>111,885</b>
Retained earnings Jan. 1	-9,379	-11,043
Decrease of treasury shares	540	204
Profit for the period	-26,407	1,460
<b>Retained earnings Dec. 31</b>	<b>-35,246</b>	<b>-9,379</b>
<b>Non-restricted equity Dec. 31</b>	<b>80,790</b>	<b>102,506</b>
<b>Shareholders' equity Dec. 31</b>	<b>85,514</b>	<b>107,392</b>

EUR THOUSAND	31.12.2019	31.12.2018
<b>Specification of distributable funds</b>		
Profit for the period	-26,407	1,460
Retained earnings	-8,839	-10,840
Other distributable funds	116,037	111,885
Warrants	-4,691	0
Development expenses, capitalized*	-34,070	-32,440
<b>Distributable funds Dec. 31</b>	<b>42,029</b>	<b>70,065</b>

\* 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.-31.12.2019	1.1.-31.12.2018
Opening balance Jan. 1	106	201
Additions	767	469
Disposals	-873	-564
<b>Closing balance Dec. 31</b>	<b>0</b>	<b>106</b>

## 17. Non-current liabilities

EUR THOUSAND	31.12.2019	31.12.2018
Loans from financial institutions	58,889	40,117
Deferred income	0	191
Debts to group companies	177	177
<b>Non-current liabilities total</b>	<b>59,066</b>	<b>40,485</b>

## 18. Current liabilities

EUR THOUSAND	31.12.2019	31.12.2018
Accounts payable	5,338	5,455
<b>Liabilities to group companies</b>		
Accounts payable	1,881	1,072
Other debts	33,380	31,842
<b>Total</b>	<b>35,261</b>	<b>32,914</b>
Loans from financial institutions	2,001	17,101
Other debts	1,083	1,236
Accrued expenses and deferred income	12,253	9,820
<b>Total</b>	<b>15,338</b>	<b>28,157</b>
<b>Current liabilities total</b>	<b>55,937</b>	<b>66,526</b>
<b>Accrued expenses and deferred income</b>		
Accrued employee expenses	6,721	6,396
Deferred income	3,848	1,698
Other accrued expenses	1,684	1,726
<b>Total</b>	<b>12,253</b>	<b>9,820</b>

## 19. Commitments and contingent liabilities

EUR THOUSAND	31.12.2019	31.12.2018
<b>Own guarantees</b>		
Guarantees	398	367
<b>Commitments on behalf of subsidiaries</b>		
Guarantees	298	327
<b>Other own contingent liabilities</b>		
Leasing liabilities		
Current lease liabilities	297	240
Lease liabilities maturing in 1-5 years	341	340
<b>Total</b>	<b>638</b>	<b>581</b>
<b>Rental liabilities*</b>		
Current rental liabilities	3,998	4,315
Rental liabilities maturing in 1- 5 years	8,734	6,458
Rental liabilities maturing over 5 years	2,096	2,800
<b>Total</b>	<b>14,829</b>	<b>13,573</b>
<b>Other own contingent liabilities total</b>	<b>15,467</b>	<b>14,154</b>
<b>Commitments and Contingent Liabilities total</b>	<b>16,162</b>	<b>14,848</b>

\*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, 2020

Daryl Rolley  
*Board member*

Asko Schrey  
*Board member*

Michael Ingelög  
*Vice Chairman of the Board*

Ilkka Sihvo  
*Chairman of the Board*

Klaus Andersen  
*CEO*

### The Auditor's Note

Our Auditor's report has been issued today.

In Helsinki, February 3, 2020

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, 2019. 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 23 to the consolidated 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**

*We refer to the Group's accounting policies and the note 3*

At the balance sheet date 31 December 2019, the value of goodwill amounted to EUR 80 million representing 36% of total assets and 85% of total equity (2018: EUR 79 million, 37% of total assets and 71% 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 budgets 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**

*We refer to the Group's accounting policies and the note 2*

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 12 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 3.2.2020

Ernst & Young Oy  
Authorized Public Accountant Firm

Terhi Mäkinen  
Authorized Public Accountant

## CALCULATION OF KEY INDICATORS

EUR THOUSAND	2019	2018	2017	2016	2015
Cloud ARR order intake	23,694	21,474	-	-	-
Net sales	148,302	141,417	149,167	148,580	143,410
Growth of net sales, %	4.90%	-5.20%	0.40%*	3.60%	12.30%
Organic revenue growth, %	5.90%	5.40%	1.50%*	0.30%	-
Operating profit	-14,537	-1,471	-9,509	-13,946	4,676
EBITDA	1,403	9,217	599	-5,394	11,902
% of net sales	0.90%	6.50%	0.40%	-	8.30%
Adjusted EBITDA	5,185	-4,364	3,294	2,063	12,121
Return on equity, %	-22.90%	-6.30%	-9.36%	-10.50%	2.20%
Return on investment, %	-8.60%	-0.90%	-5.77%	-6.80%	3.60%
Interest-bearing liabilities excl. leasing liabilities	60,885	57,206	49,282	47,280	1,667
Cash and cash equivalents	31,672	40,747	20,683	35,755	33,238
Free cash flow metric	-23,829	-19,829	-	-	-
Gearing, %	48.90%	14.90%	25.24%	8.70%	-22.40%
Gross investments	10,617	10,933	12,498	51,882	39,971
% of net sales	7.20%	7.70%	8.40%	34.90%	27.90%
R&D expenses excluding amortizations	19,138	21,231	24,372**	13,396	11,994
R&D costs, capitalised	8,829	8,862	9,879**	10,878	8,754
R&D investments, total	27,967	30,093	34,251**	24,274	20,748
% of net sales	18.90%	21.30%	23.00%	16.30%	14.50%
Depreciation and amortization	15,941	10,688	10,108	8,552	7,226
Other capitalised expenditure	1,788	2,071	2,620	1,625	3,658
Personnel at end of period	1,325	1,412	1,829	1,889	1,648

\* 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

	2019	2018	2017	2016	2015
Earnings per share, undiluted	-1.63	-0.49	-0.80	-1.00	0.22
Earnings per share, diluted	-1.63	-0.49	-0.80	-1.00	0.22
Adjusted earnings per share, undiluted (EUR)	-1.37	-1.44	-0.61	-0.48	0.23
Adjusted earnings per share, diluted (EUR)	-1.37	-1.44	-0.61	-0.48	0.23
Equity per share	6.53	7.71	7.89	9.26	9.97
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)	-14.58	-80.20	-59.18	-36.24	171.31
<b>Share price performance, share issue adjusted</b>					
lowest share price	16.76	19.75	31.96	30.48	31.80
highest share price	41.10	47.60	47.50	40.90	47.80
average share price	23.61	34.00	38.84	36.22	39.20
closing share price	23.75	39.50	47.50	36.30	37.32
Market value of shares at end of period	341,943,926	567,633,802	682,085,892	520,662,298	530,736,266
Share issue adjusted number of traded shares	4,204,444	3,005,479	1,681,791	1,931,525	3,156,826
% of average share number	29.20%	20.92%	11.70%	13.50%	22.30%
<b>Number of shares**</b>					
- at end of the period	14,397,639	14,370,476	14,359,703	14,343,314	14,152,770
- average during the period	14,388,469	14,367,829	14,357,343	14,293,754	14,150,954
- average during the period, diluted	14,473,519	14,461,175	14,406,674	14,313,442	14,173,167

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

\*\*\*) Excluding treasury shares

## GROUP KEY FINANCIAL PERFORMANCE INDICATORS

**RETURN ON EQUITY (ROE), %**  $\frac{(\text{Profit or loss before taxes} - \text{taxes})}{\text{Shareholders' equity (average)}} \times 100$

**RETURN ON INVESTMENT (ROI), %**  $\frac{(\text{Profit before taxes} + \text{interest and other financial expenses})}{\text{Balance sheet total} - \text{non-interest bearing liabilities (average)}} \times 100$

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

**EQUITY RATIO, %**  $\frac{\text{Shareholders' equity}}{\text{Balance sheet total} - \text{advance payments received}} \times 100$

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

### ADJUSTED EARNINGS PER SHARE (EPS)

is calculated by excluding from the profit/loss any adjustments related to alliance fees, acquisitions and disposals, restructuring and efficiency measures, impairment losses and litigation fees and settlements.

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

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

**DIVIDEND/PROFIT, %**  $\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$

**EFFECTIVE DIVIDEND YIELD, %**  $\frac{\text{Dividend per share}}{\text{Adjusted share price at the end of the financial period}} \times 100$

**PRICE-EARNINGS RATIO (P/E)**  $\frac{\text{Adjusted share price at the end of the financial period}}{\text{Earnings per share}}$

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

### OPERATING PROFIT

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

**ADJUSTED OPERATING 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 BAS1V.

Trading code	BAS1V
ISIN code	FI0009008403
Book-counter value	EUR 0.30
Listing price on February 29, 2000	EUR 5.70
Closing price on December 31, 2019	EUR 23.75

At the end of 2019, the total number of shares issued by Basware was 14,401,936 (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 2019, Basware Corporation's share capital was EUR 3,528,368.70 (EUR 3,528,368.70).

During 2019, the highest price of the share was EUR 41.10 (EUR 47.60), the lowest was EUR 16.76 (EUR 19.75) and the closing price was EUR 23.75 (EUR 39.50). The average price of the share was EUR 23.61 (EUR 34.00) during the period.

A total of 4,204,444 (3,005,479) shares were traded on Nasdaq Helsinki stock exchange during the period, corresponding to 29.2 percent (20.9%) of the average number of shares. Market capitalization with the period's closing price on December 31, 2019, was EUR 341,943,926 (EUR 567,633,802).

The total amount of own shares held by the company on December 31, 2019 was 4,297 shares (31,460 shares), representing approximately 0.0 percent (0.2%) of all of outstanding shares.

### Incentive 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 14,615 (11,508) shareholders on December 31, 2019, of which 10 are nominee registers. Nominee registered holdings accounted for 52.4 percent (52.2%) of the total number of shares.

### Distribution of holdings by number of shares, December 31, 2019

NUMBER OF SHARES	Number of shareholders	% of shareholders	Number of shares	% of shares
1-100	11,354	77.7	317,765	2.2
101-1,000	2,924	20.0	890,412	6.2
1,001-10,000	299	2.1	754,398	5.2
10,001-100,000	23	0.2	940,595	6.5
100,001-	15	0.1	11,498,766	79.8
<b>Total</b>	<b>14,615</b>	<b>100</b>	<b>14,401,936</b>	<b>100</b>

### Distribution of holdings by sector as at December 31, 2019

NUMBER OF SHARES	Number of shareholders	% of shareholders	Number of shares	% of shares
Private companies	476	3.3	530,122	3.7
Financial and insurance institutions	31	0.2	8,040,330	55.8
Public sector organizations	7	0.1	1,073,573	7.5
Non-profit organizations	22	0.2	127,856	0.9
Households	14,013	95.9	4,584,590	31.8
Foreign shareholders	66	0.5	45,465	0.3
<b>Total</b>	<b>14,615</b>	<b>100</b>	<b>14,401,936</b>	<b>100</b>
Of which nominee-registered	10	0	7,544,325	52.38

## Major shareholders as at December 31, 2019

	Shares, pcs	% of shares
1. Sihvo Ilkka	887,300	6.2
2. Eräkangas Kirsi	626,055	4.3
Eräkangas Kirsi	434,655	3.0
Eräkangas Lotta	191,400	1.3
3. Vaajoensuu Hannu	575,857	4.0
Vaajoensuu Hannu	309,357	2.1
Havacment Oy	266,500	1.9
4. Ilmarinen Mutual Pension Insurance Company	420,830	2.9
5. Perttunen Sakari	384,375	2.7
6. Veritas Pension Insurance Company Ltd.	350,845	2.4
7. The State Pension Fund	256,000	1.8
8. Pöllänen Antti	198,033	1.4
9. Danske Invest Finnish Equity Fund	146,025	1.0
10. Perttunen Meimi	145,107	1.0
11. OP-Finland Small Firms Fund	94,922	0.7
12. Sijoitusrahasto Taaleritehdas Mikro Markka	90,000	0.6
13. Vaajoensuu Petra	83,800	0.6
14. Vaajoensuu Matias	83,800	0.6
15. Vaajoensuu Sara	83,700	0.6
16. Danske Invest Finnish Small Cap Fund	70,000	0.5
17. FIM Fenno Sijoitusrahasto	65,735	0.5
18. Kaloniemi Markku	62,905	0.4
19. Koripalloilun Tukisäätiö Sr	45,000	0.3
20. Valio Pension Fund	38,200	0.3
<b>Total 20 largest shareholders</b>	<b>4,708,489</b>	<b>32.7</b>
Nominee registered total	7,544,325	52.4
Total remaining	2,149,122	14.9
<b>Total</b>	<b>14,401,936</b>	<b>100.0</b>

According to Euroclear shareholder register.

## Holdings of the Board of Directors and Executive Team as at December 31, 2019

On December 31, 2019, the members of the Board of Directors and Executive Team held in total 930,380 company shares, accounting for 6.5 percent of the total number of shares and votes.

	Number of shares	% of all shares
Ilkka Sihvo, Chairman	887,300	6.2
Michael Ingelög, Vice-Chairman	7,000	0.0
Daryl Rolley	2,854	0.0
Asko Schrey	7,854	0.1
<b>Holdings of the Board of Directors in total</b>	<b>905,008</b>	<b>6.3</b>
Klaus Andersen, CEO	10,478	0.1
Martti Nurminen, CFO	0	0.0
Jane Broberg	2,920	0.0
Lars Madsen	4,589	0.0
Paul Taylor	4,543	0.0
Jussi Vasama	2,842	0.0
<b>Executive Team holdings in total</b>	<b>25,372</b>	<b>0.2</b>

## FOR SHAREHOLDERS

### Annual General Meeting

Annual General Meeting of Basware Corporation will be held on March 19, 2020 in Finlandia-hall, Helsinki, Finland.

Each shareholder, who is registered on March 9, 2020 in the shareholders' register of the company held by Euroclear Finland Ltd, has the right to participate in the General Meeting. A shareholder, who wishes to participate in the General Meeting, shall register for the meeting no later than March 11, 2020 at 4 pm (Finnish time) by giving a prior notice of participation to the company. Such notice can be given:

- at Basware's investor webpages <https://investors.basware.com/en>;
- by telephone at +358 20 770 6867 on weekdays between 9:00 AM and 4:00 PM; or
- by regular mail to Basware Corporation, Annual General Meeting 2020, P.O. Box 97, 02601 Espoo, Finland.

A holder of nominee registered shares is required to temporarily register into the shareholders' register held by Euroclear Finland Ltd at the latest by 16 March, 2020 by 10:00 AM in order to participate in the General Meeting.

### Dividend

Board of Directors proposes to the Annual General Meeting that no dividend be paid for 2019.

### Financial reporting in 2020

In 2020, Basware Corporation will publish financial information as follows:

April 21, 2020 - Interim report for January 1 - March 31, 2020

July 16, 2020 - Half-year financial report for January 1 - June 30, 2020

October 21, 2020 - Interim report for January 1 - September 30, 2020

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

basware

## Questions about the annual report?

Contact us if you have any questions or feedback:

**[IR@basware.com](mailto:IR@basware.com)**

**<https://investors.basware.com/en>**