

ANNUAL REPORT 2021



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 (European Single Electronic Format) regulation. [Financial statements \(xHTML\)](#) >>
 compliant with the ESEF is available from the investor relations websites.



ENABLING VISIBLE COMMERCE

Visible Commerce is a state where transparency and data lead to more effective and ethical trade decision making. At Basware, we believe that a world of transparent exchange of money, goods and services, enabled by the ready availability of data, empowers people to make better business decisions, leading to a better world economy for everyone.

A global leader in Accounts Payable with the largest open e-invoicing network in the world

We offer the most advanced Accounts Payable automation solution to our internationally diversified customer base. Our more than 1,340 professionals in 14 countries help our customers to automate their invoice processes, create visibility and control over their spend, as well as reduce CO₂ emissions by increasing the use of electronic invoices and reducing the need for paper invoices. The open Basware Network has users in 180 countries and connects over 2 million buyers and suppliers globally.

Purchase-to-Pay markets driven by global megatrends

Purchase-to-Pay markets are driven by global megatrends: digitalization and automation, increased regulation especially around compliance requirements, rapid technological development, and sustainability. Covid-19 and a best of breed approach are also driving the demand for modern cloud-based SaaS solutions. The current spend in Basware's core Purchase-to-Pay markets is estimated to be EUR 4.3 billion per year. The annual market growth is expected to be slightly over 8% from 2022 onwards, amounting to EUR 6.2 billion of spend by 2025.

Strategic priorities refined

Basware's strategy 2020-2022 is focused on sustainable growth and profitability. At the end of 2021, Basware refined its strategic priorities for the last year of the current strategy period. The Must-Win Battle Delivery Capabilities was completed during 2021, and only five Must-Win Battles to be continued in 2022. The Must-Win Battle Transformations now and after was renamed to Ignite Growth and reflects the shift in focus from moving Basware's customers to the Cloud to now generating sustainable growth through accelerated new logo and expansion business.

Basware's journey to cloud essentially completed

In 2021, Basware essentially completed its Cloud transformation journey with almost 80% of revenues coming from recurring Cloud software services and 18% of attached professional services at the end of 2021. Cloud revenue grew with 8.8% yoy and amounted to EUR 120.0 million (EUR 110.3 million). Cloud order intake amounted to EUR 17.1 million (EUR 19.3 million). Cloud gross margin was 68.3% in 2021, which is a margin expansion of 0.6 percentage point compared to 2020.

Continuous improvements in profitability

Basware's profitability improved every quarter in 2021 as a result of systematic strategy execution. For the full year 2021, Basware's EBIT grew with 53.1% and amounted to EUR 7.1 million (EUR 4.7 million).

CEO'S REVIEW

Consistent and strong financial performance despite the uncertainty in the business environment

Who would have thought at this time last year that all of 2021 would also be a year significantly influenced by the global pandemic? In many aspects it was a continuation of the year before with uncertainty and rapid changing conditions. Businesses got more settled operating in this environment. Yet the pandemic lingered, almost as a mist, making it difficult for businesses to navigate in a straight line towards long-term goals.

At Basware, we continued executing our strategy of sustainable growth and profitability throughout all of 2021, with due respect to health and safety of all Baswareans, partners and customers. We progressed well with solid cloud revenue growth, continuous profitability improvements and cloud margin expansion.

Our strategy is all about scalability in everything we do and operating on a solid financial foundation is a core enabler. 2021 clearly demonstrates that we have successfully turned our profitability around for good and we are running a very scalable

business. We essentially completed the Cloud transformation journey which means we are now a 100% Cloud company ready to embark on the next phase of the journey which is accelerated growth and continuous improvements.

We are operating in a growth market, and we aim at outperforming the market. I am confident we are well positioned for this acceleration. We will continue to operate under the headline of sustainable growth and profitability because we aim to achieve long-lasting growth in a profitable manner that we are able to continue long term.

Higher quality net sales, continuous positive trend in profitability

During our journey to cloud, the quality of our net sales has considerably improved, and we have made a profitability turnaround. Our significantly improved financial position made it possible to renegotiate our existing debt facility during 2021 which significantly lowered the cost of our debt facility and



further strengthened our financial foundation. At the end of 2021, Cloud revenue formed the majority, almost 80% of net sales, with Consulting revenue constituting 18% and License and Maintenance revenue the rest. During 2021 Basware's total net sales increased 1% on an organic constant currency basis to EUR 153.2 million. Cloud revenue grew 9% on an organic constant currency basis to EUR 120.0 million. Our profitability continued to develop consistently well during 2021 and our EBIT amounted to EUR 7.1 million, which is an increase of 53% compared to 2020. Cloud gross margin was 68.3% in 2021, which is 0.6 percentage points higher than in 2020.

Order intake back to growth in Q4, full year order intake challenged by the business environment

In 2021 the pandemic, and derived effects, also influenced the business environment. Cloud order intake amounted to EUR 17.1 million in 2021, a decrease compared to last year. In the latter part of the year, we again saw indications of normalization and in the last quarter of the year the order intake was back to growth and new logo acquisition was up by 36% compared to the same quarter last year, supported by our partner channels. Despite the distressed business environment many new customers decided to digitalize and automate their Purchase-to-Pay and invoicing processes using Basware Cloud services in 2021. More than one third of the order intake was coming from new logo acquisitions and one of the most significant new logo enterprise agreements signed this year was with a large North American fast-food chain however it was not included in our reported order intake numbers because of the contract structure. Order intake from this agreement will be visible in the future as the implementation progresses. We also successfully continued geographical and functional expansions with our existing customers. Expansion business represented almost half of the order intake for 2021 and transformations from on-premise to cloud also continued but with significantly less relative contribution compared to previous years.

Optimizing our Go-To-Market and Services set-up

During 2021 we made several improvements in our global sales setup to adjust our Go-to-Market organization to better align with the fact that we are now a 100% Cloud business. Among other things we appointed Alwin Schauer as the new Chief Revenue Officer of Basware, bringing a lot of Cloud business experience into Basware from previous leadership roles with Salesforce and Software AG. With many customers having benefitted from our cloud services now for a number of years, we are optimizing how we manage renewals, how we engage with different customer segments during the entire lifecycle and how we deliver services that continuously increase the value for our existing customers. During the latter part of 2021 we increased our focus on and investments in demand generation and started the implementation of a more scalable Go-To-Market organization, from business development through to new logo and expansion sales as well as inside sales and partner channels. All activities that will increase our Go-To-Market capacity as well as our sales efficiency.

Momentum in innovations

We delivered many new innovative enhancements to our advanced Networked Purchase-to-Pay solutions in 2021. Deployment and actual usage of our exciting innovations - SmartPDF AI and AP Pro - gained strong momentum. Invoices processed through SmartPDF quadrupled and the number of customers doubled during 2021. We moved more than 80% of our professional AP users to the next generation user interface, AP Pro, and the demand for our next generation procurement solution grew steadily during the year, reaching 40% growth in number of customers with production usage at the end of the year. In 2021 we also continued to help our customers manage global compliance regulation and e-invoicing requirements with our network services. Today we support compliant e-invoicing in more than 60 countries.

Improvement in ESG

While we are focused on our business achievements, we also take a responsible approach to the environment, social aspects, and good corporate governance. In 2021, we received external recognition for our efforts in ESG: We improved our scoring in the annual CDP survey and received the Green Supply Chain Award for the second year in a row.

Our focus on sustainable growth continues

Throughout 2021 we continued our mission to enable our customers to simplify their operations and spend smarter by automating their finance and procurement processes. Our position as the best in class networked Accounts Payable solution for enterprise customers continued to be reinforced by market and industry analysts and our momentum within the procurement area clearly shows that we are steadily moving towards becoming best in class, not only in Networked Accounts Payable, but the wider Networked Purchase-to-Pay space.

Hopefully this will be the last annual report where the global pandemic will take up so much space. In 2021 it caused challenges for all of us. We navigated well through it all and ended the year as a stronger company well positioned to accelerate our sustainable growth and profitability.



Klaus Andersen
Chief Executive Officer



STRATEGY 2020–2022

Basware's current strategy period has been effective since 2020, lasting until 2022. Based on the current strategy, the company's focus is on sustainable growth and profitability with three guiding principles: scalability, increased operational efficiency in the strategic business and simplifying operations and cleaning up legacy.

Basware's long-term ambition is to become the networked Purchase-to-Pay vendor of choice for large global enterprises. Basware moves forward with its vision through six Must-Win Battles, which define strategic priorities for 2021–2022. During 2021, Basware successfully completed one of the original six Must-Win Battles, with five Must-Win Battles to be continued in 2022.

Happy Customers – the foundation for sustainable success

The Must-Win Battle *Happy Customers* relates to customer satisfaction from first contact to project delivery, production and support. The priority in 2019 and 2020 was the transformation phase where Basware's customers moved from on-premise to SaaS Cloud solutions, where focus is more about continuous improvements and value creation for the customer. Long lasting customer relationships are fundamental to Basware because it drives future growth, keeps churn rate low and facilitates new logo and expansion business both short and long-term.

At the end of 2021 essentially all Basware's customers used Basware's SaaS Cloud

solutions. As a modern SaaS Cloud solution provider Basware needs to ensure that customers are continuously getting more value from the services that Basware provides. With a portfolio of ambitious customers aiming for increased operational excellence, business agility and value-add real-time intelligence, Basware needs to continuously adopt and adjust the Cloud products and the services.

Happy Customers as a Must-Win Battle aims for creating value and success for Basware's customers continuously, with Customer Centricity becoming an even stronger part of the DNA of Basware.

Delivery Capabilities – completed in 2021

The Must-Win Battle, *Delivery Capabilities*, describes the way Basware is delivering the products and services to its clients. This Must Win Battle directly impacted customer satisfaction and future growth and therefore was set in 2019 as an area of focus. The priority was also set to ensure that Basware's professional services received enough attention and that, as a business line, it was contributing positively to the profitability of the company. Enhancing delivery capabilities



across all functions internally and alongside delivery partners was paramount to onboarding customers more effectively and with scale.

The targets set in 2019 for Delivery Capabilities was clearly reached in 2021: the onboarding of Basware's customers is performed professionally and efficiently and at the same time, the company has succeeded in expanding the ecosystem of delivery partners.

Procurement - next generation full Purchase-to-Pay offering

Basware enables Visible Commerce to its customers by offering a full networked Purchase-to-Pay solution. The Must-Win Battle *Procurement* was originally initiated to further strengthen Basware's procurement capabilities and the visibility of the Procurement solution in the market as part of the full Purchase-to-Pay offering from Basware.

Basware's Purchase-to-Pay solution helps procurement teams digitize and control the buying process for businesses and connecting buyers and suppliers across the world. During 2021, the number of active clients using Basware's next generation full Purchase-to-Pay solution was 129, an increase of 40% compared to 2020. Moreover, the spend under management in

Basware's Procurement solution grew by more than 120% in 2021.

Procurement represents a significant upsell potential for Basware as well as increased competitiveness in the full Purchase-to-Pay space. Go-To-Market initiatives for Basware's Procurement solution continue, and Procurement remains a Must-Win Battle in 2022.

Growing with Partners - proven strategy

With the Must-Win battle, Growing with Partners, Basware seeks to increase the company's Go-To-Market capacity, have more geographical reach, and accelerate Cloud growth. In this strategic focus area, Basware has been creating strong relationships with advisory partners and expanding business with the largest reseller partners.

In 2021, approximately over 30% of the order intake was generated either indirectly or together with partners. From the new logo wins over 50% were closed with a partner. In 2021, Basware also added delivery partners to the partner ecosystem and launched the Partner Center of Excellence to enable high quality partner implementations.

In 2022, Basware will continue executing its partner strategy on multiple fronts and

Growing with partners remains a Must-Win Battle for Basware in 2022.

Transformations now and after - renamed to Ignite growth

For Must-Win Battle, *Transformations now and after*, Basware aimed to complete the last phase in the customer cloud transformation, sunset non-strategic solutions and reallocate resources to long-term strategic areas.

Transformations are essentially completed and the company's focus is now on ensuring that the change of Go-To-Market approach from transformation business to new logo and expansion business is managed successfully. In 2021, the Must-Win Battle was renamed to Ignite growth to underline the shift in focus from transformations to accelerated growth in new logo acquisition and expansion sales through effective sales and marketing execution.

Network Business Momentum - compliance drives growth

Network Business Momentum is about accelerating Basware's unique Network business as a Must-Win battle from 2021 onwards, when the strategic priority was originally set. The Must-Win Battle was initially set to create more momentum in and focus on the

network business, with digitalization and mandatory e-invoicing regulation driving demand. Currently, many global customers are looking into ways to outsource the e-invoicing compliance complexity which will drive growth in Basware's network business in the future. The Artificial Intelligence powered SmartPDF AI solution will also drive network volumes up, especially in regions with lower e-invoicing maturity, such as North America.

In 2021, over 152 million invoice documents were processed through Basware's network, an increase of 13% compared to 2020.

Due to the significant potential in Basware's Network business, the Must-Win Battle remains a focus area also in 2022. Improving the Network business Go-To-Market scalability, global compliance, Artificial Intelligence PDF handling and taking customer centricity to the next level through enhanced self-service are some of the focus areas for this Must-Win Battle in 2022.





CORPORATE RESPONSIBILITY (ESG)

Basware, as a publicly listed company with global operations, is committed to responsible operations related to the environment, social and governance. As a global leader in cloud based SaaS solutions for Purchase-to-Pay and e-invoicing, Basware aims to foster responsibility and environmental awareness among its employees, customers, suppliers and partners.

Improvement in CDP scoring in 2021

Basware discloses its climate change impact through CDP, a global non-profit organization that runs the world's leading environmental disclosure platform. Over 13,000 companies with over 64% of global market capitalization disclosed environmental data through CDP in 2021.

In 2021, Basware improved its Management level score from 'B-' in 2020 to a score of 'B'. Reaching a score 'B' brought Basware to the Europe regional average, higher than the IT & software development sector average of 'C' and the Global average 'B-'. Basware was especially praised for its efforts in emission reduction initiatives, good governance and the level of risk disclosure related to climate change matters. Read the full [Basware's CDP disclosure >>](#) (requires registration).



Maintaining AA rating in MSCI ESG assessment

Basware maintained its AA rating in MSCI ESG assessment in 2021, for the second year in a row. The rating AA or above was only given to 25% of the companies in the Software and Services sector in 2021. Learn more about [MSCI ratings. >>](#)



Donating trees to India since 2016

Basware has been donating trees to India for **the Earth Day Network's Canopy Project** >> already from 2016 with company's employees joining to the decision-making since 2020.



Employee engagement is important to Basware, and the company also engages its employees by including environmental matters. Engagement is measured on an annual basis with an employee engagement survey running since 2017. For 2021, the response rate for the annual employee engagement survey was an impressive 93%.

As part of the survey, Baswareans can select a charity project to which Basware will donate. For a second year in a row, Basware employees voted for planting trees in India as part of a global reforestation program, to fight climate change. With one vote, two trees were planted in recognition of each survey response.

Green Supply Chain Award for the second year in a row

Supply & Demand Chain Executive>>, the only publication covering the entire global

supply chain, named Basware to its 2021 Green Supply Chain award, for the second year in a row. Supply & Demand Chain Executive recognizes companies that prioritize sustainability to be a core part of its supply chain strategy.

Basware helps enterprises decrease their carbon footprint by providing a variety of sustainable solutions, such as e-invoicing, Purchase-to-Pay automation and holistic digitization of organizations' processes. By removing paper from finance and procurement processes, Basware decreases greenhouse gas emissions globally. As part of the Basware Analytics KPI overview dashboard, Basware also provides a carbon footprint index, which is calculated based on the environmental impact of different invoice receiving methods. Through the

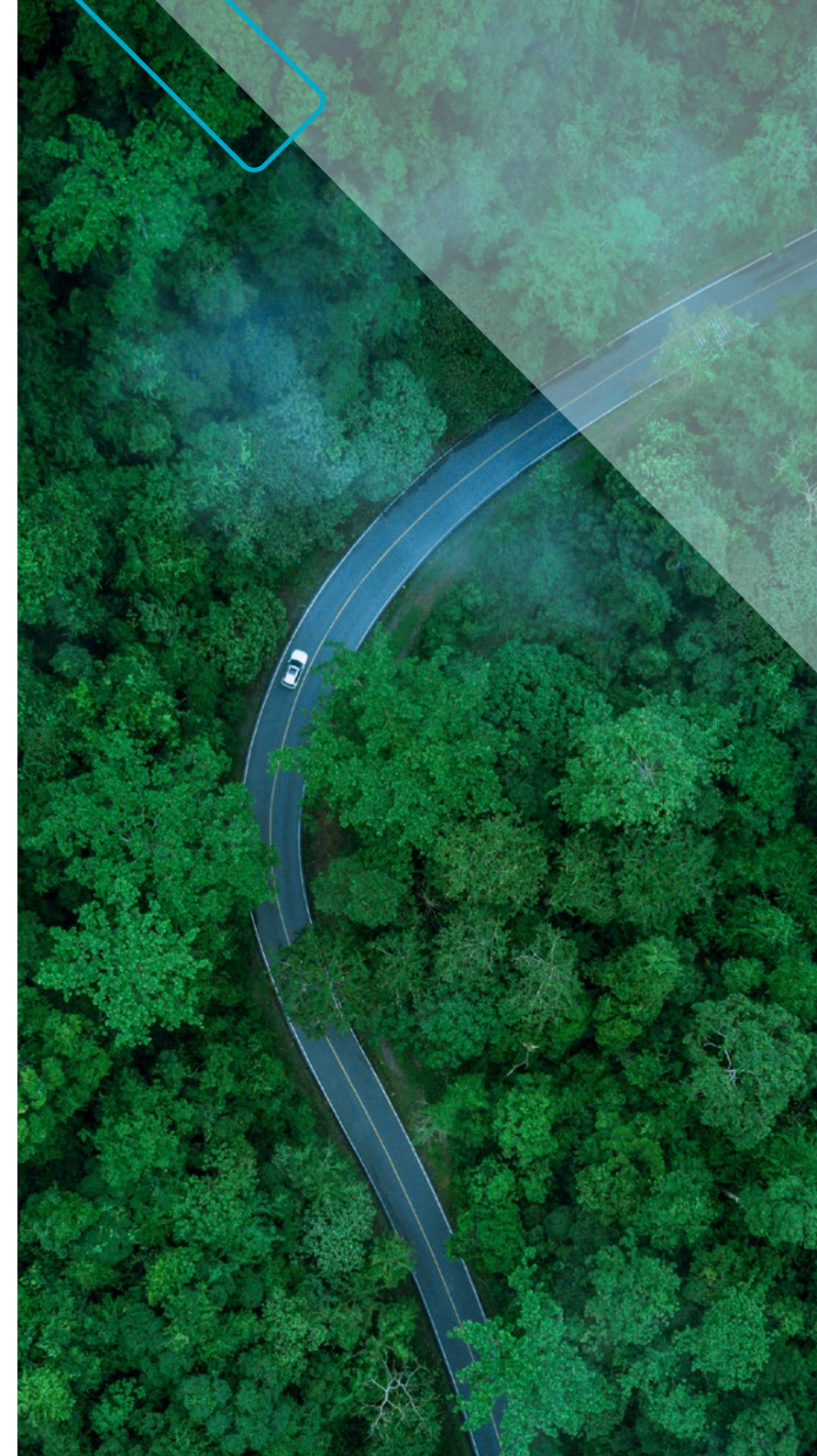


dashboard, companies can track the development of their own CO₂ index over time and gain visibility of further improvement potential.

[Read more about Basware's Corporate Responsibility \(ESG\) from the Report of the Board of Directors, \(the Non-financial statement\).](#) >>

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SOLUTIONS AND SERVICES



PHILOSOPHY OF AN OPEN PLATFORM AND TOUCHLESS INVOICE PROCESSING ARE DRIVING BASWARE'S INNOVATIONS

Interview with Chief Product Officer of Basware, Perttu Nihti

You have been part of Basware for almost 10 years. What does the journey in Basware look like to you?

I joined Basware in 2012 and started my career in strategy. After that I moved on to managing our network cloud operations where I got lots of hands-on experience of the ongoing service delivery to our customers. Next, I headed up Product Management on the network business and later the Purchase-to-Pay business. In 2019 I took on the responsibility of Product Management across all business lines in Basware and in 2020 I was promoted to CPO and joined Basware's Executive Team. During this decade with Basware I have gained a good, holistic understanding of our product portfolio and our customers' businesses. When looking back at the journey, I think we at Basware have succeeded in the transition from on-premise solutions, where many of the invoices of our customers were manually validated, to a Cloud-based business model, where we truly offer a highly automated comprehensive Cloud service to our clients.

You lead Basware's product management and strategy organization. What is the core philosophy in Basware's product strategy?

We have an ongoing dialogue inside our organization about our starting point: our core promise and company vision. We promise to simplify our customers' operations and help them spend smarter. We enable visible commerce and our vision is to empower global trade through data driven insight. We are constantly looking for ways to make it easier for our customers to obtain full visibility into their financial processes and trading partners, provide them with tools to analyze their spend, and to make smarter business decisions and automate their processes.

Could you briefly describe the product portfolio of Basware?

Firstly, we have our unique, global, and open Basware Network which connects buyers and suppliers and enables them to exchange invoices and purchase orders electronically in a seamless and efficient manner across the whole Purchase-to-Pay process. Secondly, we offer our world leading Accounts Payable



automation solution that enables our customers to reach touchless invoice processing. Thirdly, we have our leading procurement solution that enables a smooth purchasing experience and like the rest of our products, enables our customers to get 100% of their spend under management. Finally, we offer the data and analytics capabilities to access spend and insights for the full Purchase-to-Pay processes of our customers.

What is Basware's open platform?

This is the core of our ecosystem thinking and philosophy. We have adopted an approach where we ensure that our core platform is extendable through modern Application Programming Interfaces (APIs). This means we are working with other leading vendors in the wider Source-to-Pay ecosystem to ensure our customers can get the best Return on Investment (ROI) and tap into the latest innovations across the ecosystem. When it comes to rollouts of Purchase-to-Pay solutions, an open approach has its benefits in terms of ease: we can peacefully co-exist with competitor solutions, easily integrate with new, innovative products as well as existing, custom solutions that may already be in place and extend our network reach through interoperability partnerships we have with other business network providers.

Can you elaborate more about the consulting services that Basware offers?

We offer the traditional implementation and support services as a software provider.

Over the past years we have put more and more emphasis on helping our customers achieve their business objectives: reaching a certain level of efficiency or visibility, for example. We want to provide services that really help our customers to get most value out of the Basware solutions.

What kind of customers are best suited to Basware's products?

We serve a very diverse set of customers ranging from different industries to different geographies and company sizes. We offer solutions in networked Purchase-to-Pay ranging from mid-sized customers to the largest corporations in the world. Where we are truly unique is in our ability to serve large international companies with a high volume of purchase orders and invoices, and operations across the globe.

What is the most important element in Basware's products for the customer?

Besides what we promise to deliver – automation and visibility – I think our products are very suitable for the global compliance requirements now driving companies to move their invoices into electronic format and processing. Our answer to these regulatory requirements is our open network which helps ease the complexity around the different compliance frameworks that countries are individually creating to combat the "grey economy" and boost e-invoicing.

Let's talk about SmartPDF AI then – a differentiator for Basware. What is so special about it?

Firstly, the product will automatically, without human interaction, pick the best extraction channel to process a customer's invoice. Secondly, SmartPDF AI is extremely easy to onboard for suppliers as they don't have to change their processes to take the solution in to use. The only change for the suppliers is a new email address to send their invoices to. Thirdly, the level of accuracy of processing the invoices via SmartPDF AI is very high. Thus, the solution is very easy to use: suppliers send their PDF invoices via email after which Basware will automatically process the invoice either through mapping, Artificial Intelligence or manual validation.

Today we have 85 customers using SmartPDF with approximately 3.4 million of invoices processed through this solution annually. The solution handles today approximately 55% of all incoming documents without human validation.

What excites me the most in SmartPDF AI is that the solution can learn from the invoice data that it validates, further improving invoice automation and accuracy.

How much monetary potential is there in the SmartPDF AI for Basware?

There is tremendous potential in SmartPDF AI for Basware. We still have a considerable number of invoices going through human

validation which could go through automatic mapping or Artificial Intelligence instead. This shift means better quality and more efficient operations to our customers as well as happier customers for us. We offer SmartPDF AI to our existing customers on an on-going basis, but we also see a great potential to engage more new customers around this solution.

What kind of product innovations are coming in the future? Should we expect something exciting in 2022?

In 2022, the touchless processing of invoices is a number one theme for us: it offers our clients the experience of complete avoidance of manually processing and approving invoices. We will also introduce Predictive analytics to show the level of touchless Predictive Analytics to our customers and to recommend ways to reach even higher levels of automation in this area. In addition, we strive to improve our Procurement solution especially in spend visibility and spend management. Compliance to regulatory requirements also continues to be a main focus area as compliance requirements continue to evolve rapidly across the globe.



BASWAREANS

What set us apart from others? At Basware we embrace a growth mindset, we empower through accountability, we dare to try, and we value everyone as individuals. Basware's company culture is supporting and inspiring everyone to learn and grow. We also believe that having trust, flexibility and autonomy will bring out the best in every one of us and ensure that we continue to grow on our individual career paths and collectively grow Basware successfully.

Starting in 1985, when Basware was founded by entrepreneurial individuals, we have wanted to maintain the culture of doing things better, smarter and in the most current fashion: we dare to be bold and innovative. While working as a team, we embrace each person as an individual - having our talents recognized and efforts rewarded, not forgetting having lots of fun together while we strive for the best results.

Towards sustainable growth with open and transparent dialogue

We maintain an open dialogue at Basware to foster and develop the collaborative approach for learning and growing together, enabling us to shape our future and evolve our company culture. Our open dialogue is fostered by a feedback loop, whereby Baswareans are given the opportunity to provide their voice through an annual employee engagement survey. In 2021, the results demonstrated improvement in all areas with three highlights: feedback received from others, reward and recognition as well as career opportunities.

We care for the environment

While maintaining the spirit of growth, we at Basware also care about our planet and the environment. As part of the annual engagement survey, Basware sponsors a charity project which is selected by Baswareans. Basware has participated in the Earth Day Network's Canopy Project in India, a global reforestation program established to fight climate change since 2016. Basware also maintains and develops sustainable ways of working, in the office or remotely.

Flexible ways of working at Basware

The way we work reflects the high amount of trust, flexibility and autonomy that is given to our employees. As a result of the continued pandemic, we at Basware wanted to ensure the right balance between the personal and professional flexibility for Baswareans and at the same time, retain our unique, collaborative company culture. The introduction of the flexible hybrid working model in 2021 is one example.



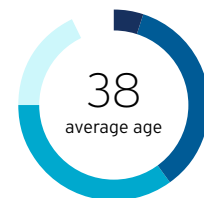
The painting in the picture is part of Art of Basware collection: Maria Kyrö, Astronaut, 2008.

PERSONNEL BY GENDER



34% Female 66% Male

PERSONNEL BY AGE GROUP



5% Under 25 18% 45-54
35% 25-34 7% Over 55
35% 35-44

PERSONNEL BY NATIONALITY TOP TEN



33% Indian 3% German
22% Finnish 2% Swedish
17% Romanian 2% Dutch
6% American 2% Norwegian
5% British 1% French



In the working model, Baswareans are offered to select a number of days, up to three days a week, to work remotely.

Diversity and inclusion - foundation for innovations

We value diversity and engage our employees to foster our constant innovations and support our future growth. In 2021, Basware's 1347 employees worked across 14 countries and represented over 34 different nationalities. During 2021, we celebrated diversity through Movember, Diwali, and World Hispanic Month, to name a few. In

2021, Basware also launched the Women at Work and Young Professionals mentoring programs.

Defying the pandemic with internal interaction

In 2021 the pandemic continued to create limitations for Baswareans to gather. However, the abnormal circumstances made it possible to come up with several innovative, internal forums globally and locally for us to connect and collaborate. The year got started with a brand new Basware Kick-off 2021 in January. In the

kick-off, strategic themes for the year were shared and discussed with almost 70% of personnel participating in the session. The event was a success – as one Basware employee put it: *"I was just amazed of the arrangements, professionalism of the hosts, all presenters, moderators and panelists and how smoothly everything went. Getting the whole company together like this makes us One Basware."*

Baswareans continued to catch up throughout the year with delightful results in employee engagement. During the year, Basware orga-

nized several internal virtual sessions related to learning and development, mental and physical health, quarterly results and strategy execution updates. We closed the year 2021 with traditional, virtual Christmas concert and enjoyed some of the classical, seasonal songs, ready to start 2022 full of energy and excitement.



CORPORATE GOVERNANCE STATEMENT



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INTRODUCTION

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

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

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

statement are included in the Company's annual report, which is available at Basware [investor website](#). This Corporate Governance Statement has been reviewed at the meeting of the Audit Committee of Basware's Board of Directors on 24 November 2021.

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 2021, the Annual General Meeting was held in Espoo on 18 March 2021.

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 Chair and a Vice Chair 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. All members of the Board of Directors are independent of major shareholders.

Diversity Principles of the Board

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

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

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

BOARD OF DIRECTORS ON 31 DECEMBER 2021

In 2021, Basware's Board of Directors had five members until March 2021: Michael Ingelög (Chair of the Board), Ilkka Sihvo (Vice Chair of the Board), Daryl Rolley, Asko Schrey, and Minna Smedsten. From March 2021, Basware's Board of Directors had six members: Michael Ingelög (Chair of the Board), Ilkka Sihvo (Vice Chair of the Board), Daryl Rolley, Minna Smedsten, Carl Farrell and Jonathan Meister.



Michael Ingelög

(b. 1971)

- Chair of the Board of Directors
- Member of the Remuneration Committee, the Audit Committee and the Nomination Board
- Swedish citizen
- Economics and Business Administration studies
- Entrepreneur and a private investor in Financial Technology and Venture Capital with several board memberships
- Board member at IAR Systems AB
- Independent of the company and its significant shareholders
- Own and controlled corporations' ownership: 8,347 shares



Ilkka Sihvo

(b. 1962)

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



Minna Smedsten

(b. 1976)

- Member of the Board of Directors
- Chair of the Audit Committee
- Finnish citizen
- MSc in Economics
- CFO, Taaleri Plc
- Board member at Municipality Finance Plc
- Independent of the company and its significant shareholders
- Own and controlled corporations' ownership: 1,135 shares



Daryl Rolley

(b. 1967)

- Member of the Board of Directors
- Member of the Remuneration Committee
- US citizen
- BSc in Chemical Engineering
- MBA, The Wharton School of the University of Pennsylvania
- CEO, Mediat LLC
- Advisory Board Member, DDD Foundation
- Independent of the company and its significant shareholders
- Own and controlled corporations' ownership: 3,786 shares

BOARD OF DIRECTORS ON 31 DECEMBER 2021



Carl Farrell

from 18 March 2021

(b. 1961)

- Member of the Board
- Member of the Audit Committee
- British and Canadian citizen
- Wulfrun College Wolverhampton, England
- Audit Chair and Board member at Sabio Inc.
- Remuneration Chair and Board member at CloudCall
- Board Member at Dalet S.A.
- Independent of the company and its significant shareholders
- Own and controlled corporations' ownership: 538 shares



Jonathan Meister

from 18 March 2021

(b. 1966)

- Member of the Board
- Member of the Audit Committee
- American citizen
- BSc in Finance and Marketing
- Chair of the Board, Make a Difference Ministries/Camp Highland
- Independent of the company and its significant shareholders
- Own and controlled corporations' ownership: 538 shares

MEETINGS OF THE BOARD AND ITS COMMITTEES IN 2021

The Board meets generally on a monthly basis. Additional meetings are held when necessary. In 2021, the Board of Directors held 18 meetings, the Audit Committee 4 meetings and the Remuneration Committee 7 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	Vice Chair (18/18)		Chair (7/7)
Michael Ingelög	Yes	Yes	Chair (18/18)	Member (4/4)	Member (7/7)
Asko Schrey	Yes	Yes	Member (3/3)	Member until 18 March 2021 (0/1)	
Daryl Rolley	Yes	Yes	Member (18/18)	Member until 18 March 2021 (0/1)	Member (7/7)
Minna Smedsten	Yes	Yes	Member (17/18)	Chair (4/4)	
Carl Farrell	Yes	Yes	Member as of 18 March 2021 (15/18)	Member as of 18 March 2021 (3/4)	
Jonathan Meister	Yes	Yes	Member as of 18 March 2021 (15/18)	Member as of 18 March 2021 (3/4)	

Committees of the Board of Directors

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

Audit Committee

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

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

Audit committee in 2021

In 2021, the Audit committee consisted of four (4) members of the Board of Directors: Minna Smedsten was elected as the Chair and Carl Farrell, Jonathan Meister and Michael Ingelög as members of the Committee. Minna Smedsten acted as the Chair of the Audit Committee and Asko Schrey and Daryl Rolley as members of the Committee until 18 March 2021.

The Audit Committee meets at minimum four (4) times during its term and additionally as necessary. In 2021 the Audit Committee has held three (3) meetings and one (1) meeting still during its term in January 2022.

Remuneration Committee

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

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

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

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

Remuneration committee in 2021

In 2021, the Remuneration Committee consisted of three (3) members of the Board of Directors: Ilkka Sihvo was elected as the Chair and Daryl Rolley and Michael Ingelög as the members of the committee. Ilkka Sihvo acted as the Chair and Michael Ingelög and Daryl Rolley as members of the Committee until 18 March 2021.

Meetings shall convene as necessary by invitation of its chair or the request of the Board of Directors or the CEO. In 2021, the Remuneration Committee held seven (7) meetings.

Shareholders' Nomination Board

The Annual General meeting, held on 15 March 2016, decided to establish a permanent Shareholders' Nomination Board in accordance with the proposal of the Board of Directors. The Nomination Board shall be responsible for preparing and presenting proposals covering the remuneration and number of members of the Company's Board of Directors as well as the proposal on the members of the Board of Directors to Annual General Meeting and, where needed, to an Extraordinary General Meeting. The Nomination Board shall also be responsible for identifying successors for existing Board members.

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

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

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

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

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

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

Composition of the Shareholders' Nomination Board in 2021

In 2021, the Nomination Board consisted of the following members:

- **Brian Nelson**, Long Path Partners LP
- **Hjalmar Ek**, Lannebo Fonder AB
- **Ilkka Sihvo**
- **Michael Ingelög**, Chair of the Board of Directors of Basware Corporation

MEMBERS	Shareholders Nomination Board (Meeting attendance)
Brian Nelson	Chair (4/4)
Hjalmar Ek	Member (4/4)
Ilkka Sihvo	Member (4/4)
Michael Ingelög	Member (4/4)

CEO and Executive Team

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

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

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

EXECUTIVE TEAM ON 31 DECEMBER 2021



Klaus Andersen

(b. 1964)

- Chief Executive Officer
- Danish citizen
- MSc in Engineering
- Key professional experience:
Executive Vice President, Global Engineering, Itiviti AB, 2015–2018
Senior Vice President, SimCorp, and Managing Director of SimCorp Coric Ltd, 2014–2015
Senior Vice President, SimCorp, and Managing Director of SimCorp UK Ltd, 2008–2014
- Positions of trust: Chairman of the board, Tacton AB, 2021–
- Own and controlled corporations' ownership: 18,984 shares



Martti Nurminen

(b. 1979)

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



Jane Broberg

(b. 1966)

- Chief Human Resources Officer
- UK citizen
- Business studies
- Key professional experience:
Vice-president, Human Resources, Global Sales, Marketing and Financing Services, Basware, 2013–2015
VP Human Resources, Professional Services, Basware, 2011–2013
Human Resources Director, Europe, Basware 2010–2011
Senior Programme Lead Resource & Capability, British Petroleum Plc, 2008–2011
Senior HR Manager, SAP UKI Ltd, 2006–2008
- Own and controlled corporations' ownership: 5,482 shares



Lars Madsen

(b. 1974)

- Chief Marketing Officer
- Danish citizen
- MSc in Business & Quality Management
- Key professional experience:
Marketing Director, Canon UK & Ireland, 2014–2016
Program Director, EMEA Corporate Transformation Programme, Canon Europe, 2014–2014
Business Strategy & Development Director EMEA, Canon Europe, 2009–2014
Strategic Planning Manager EMEA, Canon Europe, 2007–2009
- Own and controlled corporations' ownership: 7,896 shares

EXECUTIVE TEAM ON 31 DECEMBER 2021



Perttu Nihti

(b. 1974)

- Chief Product Officer
- Finnish citizen
- MSc in Engineering
- Key professional experience:
 - Senior Vice President, Head of Products, Basware, 2019–2020
 - Vice President, Product Management, Basware, 2014–2019
 - Vice President, Strategy, Basware, 2012–2014
 - Manager, August Associates, 2011–2012
 - Head of Strategy/Operations, Nokia MeeGo Computers, 2009–2011
- Own and controlled corporations' ownership: 2,197 shares



Mogens Pedersen

(b. 1969)

- Chief Technology Officer
- Danish citizen
- MSc in Engineering
- Key professional experience:
 - Head of Cloud Centre of Excellence, SimCorp Denmark, 2018–2020
 - Various management positions in Denmark and abroad
- Own and controlled corporations' ownership: 1,500 shares



Alwin Schauer

from 1 September 2021

(b. 1976)

- Chief Revenue Officer
- German citizen
- Dipl. in Engineering (University of Applied Sciences)
- Key professional experience:
 - Chair of the Management Board and Senior Vice President: Germany, Austria and Switzerland, Software AG, 2020–2021
 - Area Vice President Cloud sales: EMEA, Salesforce, 2017–2020
 - Senior Regional Vice President Cloud Sales: Emerging markets, ESMB, Germany, Benelux and Nordics, Salesforce, 2016
 - Regional Vice President Cloud Sales: Germany, Benelux and Nordics, Salesforce, 2015
 - Senior Account Executive: Austria and Switzerland, Salesforce, 2013–2014
- Own and controlled corporations' ownership: 0 shares

In 2021, Paul Taylor (until 31 March 2021) and Jussi Vasama (until 23 June 2021) were members of the Basware Executive Team.

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

Overview of the risk management systems

General principles of the risk management and relationship of risk management process 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 process. The evaluations of risks are performed annually, and risks and activities are being followed up on periodically in Board and Audit Committee meetings.

The steering and monitoring of business operations is based on the reporting and business planning system covering the entire Group. The CEO and the CFO give both the Board meetings 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 operative 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 and reliable, harmonized, scalable as well as efficient operating methods.

The result of business operations and attainment of annual goals is assessed monthly by the Executive Team and approxi-

mately monthly in Board meetings. Monthly management and Board reporting include both actual and forecast data compared to the goals and actual results of previous periods. Financial reports generated for use by the business management monitor certain key indicators associated with the business progress on a regular basis.

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 to 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. The disclosure policy of the Company is available on the Company's [investor pages](#).

OTHER INFORMATION TO BE PROVIDED IN THE CORPORATE GOVERNANCE STATEMENT

Overview of the Company's internal audit

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

Decision-making procedure for related party transactions

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

to disqualifying potentially conflicted persons from such work. Related party transactions are appropriately identified and followed up by the Company's Audit Committee and reported in accordance with the Company's reporting practices.

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

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

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 with access to management reporting and employees participating in the preparation, drawing-up, and disclosure of the company's financial reports.

Audit

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

The Annual General Meeting elects an authorized auditor as the Company's auditor. In 2021, 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 2021, the auditor was paid remuneration for audit services EUR 277 thousand, for tax consultancy services EUR 1 thousand and for non-audit services EUR 5 thousand.



REMUNERATION REPORT 2021

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INTRODUCTION

Basware's remuneration policy for governing bodies was presented to the Annual General Meeting on June 4th, 2020 and it was resolved to approve.

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

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

In 2021, there were no deviations from the remuneration policy, nor any clawback of remuneration in 2021. Pursuant to the Finnish Corporate Governance Code 2020 for Listed Companies published by the Finnish Securities Market Association, the remuneration report from the financial year 2021 will be presented for the advisory vote of the general meeting. Any actions arising from the advisory vote will be taken into account and reported in the remuneration report 2022.

Basware's remuneration report for the year 2020 was presented for advisory vote in the Basware's Annual General Meeting on March 18th, 2021 and was approved. No actions related to 2020 remuneration arose from the general meeting.

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

ees and to the company's financial development over the preceding five financial years (2017–2021):

EUR THOUSAND	2021	2020	2019	2018	2017
Remuneration of BoD	379	298	311	234	209
% of Net Sales	0.25%	0.20%	0.21%	0.17%	0.14%
Remuneration of CEO	1,145	519	1,190	486	426
% of Net Sales	0.75%	0.34%	0.80%	0.34%	0.29%
Remuneration of employees, average	52.1	54.6	54.5	45.6	43.4
% of Net Sales	0.034%	0.036%	0.037%	0.032%	0.029%
Staff remuneration, total	69,794	72,897	73,514	76,508	79,807
% of Net Sales	45.6%	48.1%	49.6%	54.1%	53.5%
Net Sales	153,155	151,579	148,302	141,417	149,167
Growth of Net Sales, %	1.0%	2.2%	4.9%	-5.2%	0.4%
Number of employees, average	1,339	1,334	1,349	1,676	1,838
Change in number of employees, %	0.4%	-1.1%	-19.5%	-8.8%	1.5%
CEO-to-employee pay ratio	5.97-to-1	6.19-to-1	6.04-to-1	5.81-to-1	

Notes:

Remuneration of two (2) CEOs in 2019

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

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

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

Total Staff and average employee remuneration = Total cash and share-based remuneration excluding BoD, CEO and Executive Team. Restated for years 2017–2020.

CEO-to-employee pay ratio: based on fixed salaries, excluding short- and long-term incentives for CEO and employees

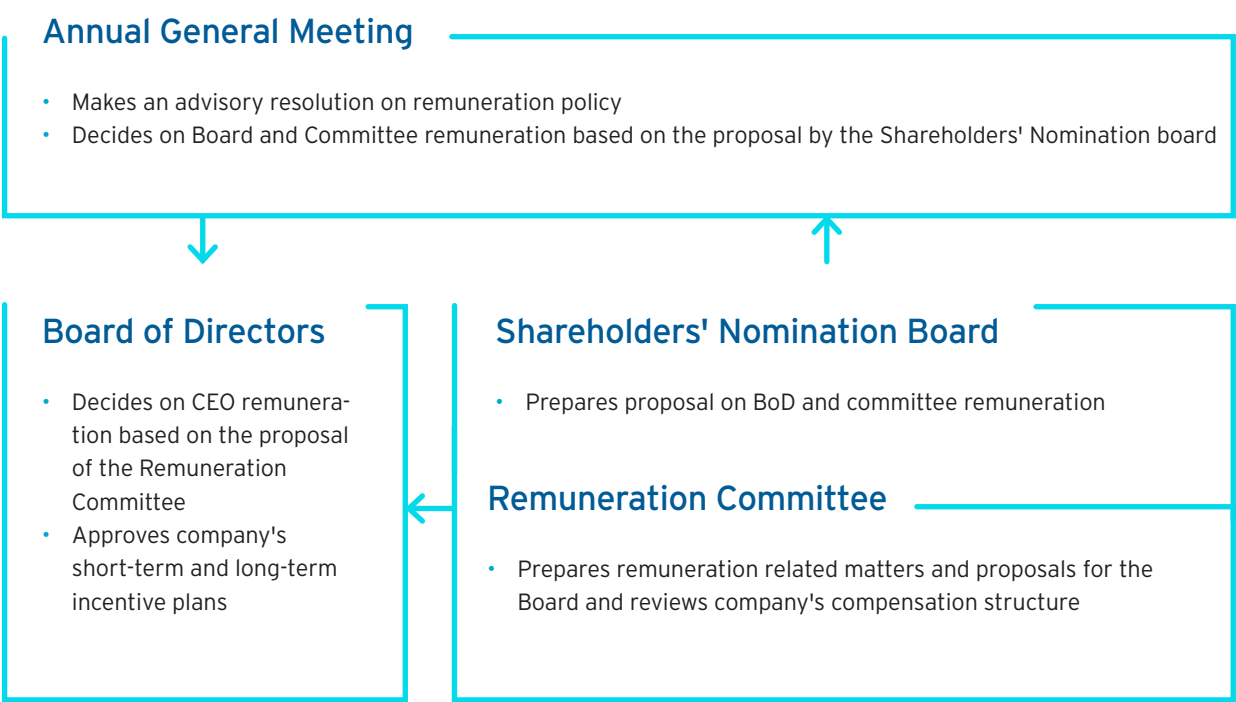
Management of remuneration

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

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

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

Remuneration decision-making process as per the approved remuneration policy



Remuneration of the Board of Directors

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

The Annual General Meeting resolved on 18 March 2021, to compensate the members of the Board according to the following:

- members of the Board of Directors and committee members EUR 40,000 per year;
- Vice Chair of the Board of Directors and the Chairs of Committees EUR 50,000 per year and
- Chair of the Board of Directors EUR 100,000 per year.

In addition, Chair of the Board of Directors and its committees shall receive EUR 855 per attended meeting and members of the Board of Directors and its committees EUR 570 per attended meeting. If a member of Board of Directors or a committee member, whose travel to the Board or committee

meeting requires international travel time of over three (3) hours but less than six (6) hours, 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 six (6) hours, an additional remuneration of EUR 3,000 per attended meeting will be paid.

In addition, an extra meeting fee of 1,500 EUR per meeting shall be paid to a member who participates to the meeting outside of office hours, more than three (3) time zones from Helsinki time zone (Eastern European time zone, EET).

Out of the annual remuneration to be paid to the Board members, 50 percent of total gross compensation amount will be used to purchase Basware Corporation's shares at trading on regulated market organized by Nasdaq Helsinki Ltd. However, this only concerns Board members whose ownership of Basware Corporation is less than 10,000 shares

and Chairperson and Vice Chairperson of the Board, whose ownership of Basware Corporation is less than 15,000 shares. The purchase of shares will take place as soon as possible after the decision by the Annual General Meeting. Shares received as remuneration may not be sold or otherwise transferred during a period of two (2) years. This restriction does not concern persons who are no longer Board members. Travel expenses of the members of the Board of Directors are reimbursed in accordance with the company's travel policy.

Annual Remuneration and meeting related fees paid to Board members in 2021

EUR THOUSAND	Annual fees	Meeting fees	Travel fees**)	Total remuneration	Number of shares delivered *)
Michael Ingelög	100	16		116	1,347
Ilkka Sihvo	50	13		63	
Daryl Rolley	40	11		51	538
Minna Smedsten	50	10		60	673
Carl Farrell (from Mar 18th 21)	40			40	538
Jonathan Meister (from Mar 18th 21)	40			40	538
Asko Schrey (until Mar 18th 21)		9		9	
Total	320	59		379	3,634

*) 50% of annual fees paid in shares, until ownership of shares equals 5,000 shares

**) All meetings for the past period held virtually due to Covid 19 travel restrictions

Remuneration of the CEO and the Executive Team

Remuneration of the CEO

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

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

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

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

to the company's growth and profitability according to its strategy as well as personal objectives. The Board of Directors monitors the fulfilment of the performance and result criteria of the incentive scheme twice a year and approves the bonus to be paid.

Total fixed salary of the CEO Klaus Andersen for the period January 1 - December 31, 2021 was EUR 411 thousand (EUR 410 thousand January 1 - December 31, 2020). Salary in money was EUR 391 thousand (EUR 391 thousand), and fringe benefits were EUR 20 thousand (EUR 19 thousand). Additionally, Andersen was paid a bonus of EUR 123 thousand from the financial year 2020 (EUR 99 thousand in 2020 from the financial year 2019).

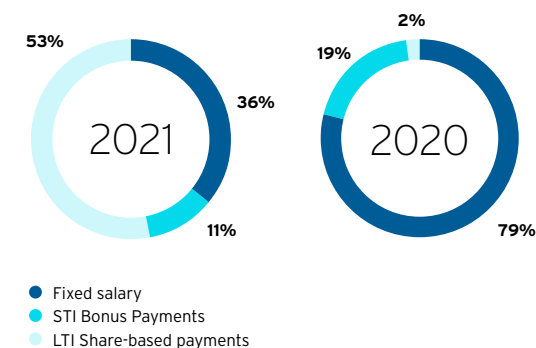
Andersen was also given a total of 16,657 shares (354 shares in 2020) on the basis of the share-based incentive schemes. Of these, 8,329 shares (177 shares in 2020) were conveyed to Andersen, the value of which was approximately EUR 305 thousand (EUR 5 thousand) based on the average share price of the payment days, and EUR 305 thousand (EUR 5 thousand) was paid in cash to cover the withholding tax. The accrued pension cost of Klaus Andersen amounted to EUR 64 thousand (61 thousand in 2020). The CEO's pension plan is pursuant to the employment pension legislation.

In 2021, the total remuneration to CEO Klaus Andersen consisted of fixed salary 36% (79% in 2020) and variable salary 64% (21%) of which 11% (19%) was paid on annual bonus plan and 53% (2%) on share-based incentive plan.

CEO Klaus Andersen Total Remuneration in 2021 and 2020

EUR THOUSAND	2021	2020
Salary	391	391
Fringe benefits	20	19
Fixed Salary	411	410
STI Bonus payments	123	99
LTI Share-based payments	611	10
Total remuneration	1 145	519

CEO KLAUS ANDERSEN TOTAL REMUNERATION



Short-term incentive plan 2020 (paid in 2021) for CEO Klaus Andersen

Measure	Level of achievement
Total revenue	Below target
Order intake new ARR	Below target
Employee engagement	Above target
Referenceable customers	Above target
Free cashflow metric	Below target
EBIT	Above target

The short-term incentive plan for 2020 consisted of six (6) measures, with weighting of 10-30% each. The total level of achievement was between minimum and target. The accrued incentives for the year 2020 were paid in April 2021.

Long-term incentive plan - Performance Share Plan 2017–2019 - Performance Period 2019–2020 (paid in 2021) for CEO Klaus Andersen

Measure	Level of achievement
Total Shareholder Return (TSR)	Below target
Group's total revenue	Above target
ARR order intake	Below target
Adjusted EBITDA	Below target

The Performance Period 2019–2020 of Performance Share Plan 2017–2019 consisted of four (4) measures. The achieved performance of 2019–2020 was evaluated and confirmed by the Board of Directors at the beginning of 2021. The accrued incentives of the plan were paid in March 2021.

Short-term incentive plan 2021 (payable in 2022) for CEO Klaus Andersen

Measure	Level of achievement
Total revenue	To be confirmed
Order intake new ARR	
Employee engagement	
Referenceable customers	
Days Sales Outstanding	
EBIT	

The short-term incentive plan for 2021 consisted of six (6) measures, with weighting of 10-30% each. The achieved performance of 2021 is evaluated and confirmed by the Board of Directors at the beginning of 2022. The accrued incentives for the year 2021 will be paid in April 2022.

Long-term incentive plan - Performance Share Plan 2020–2021 (payable in 2022) for CEO Klaus Andersen

Measure	Level of achievement
Total Shareholder Return (TSR)	To be confirmed
Group's total revenue	
ARR order intake	

The Performance Share Plan 2020–2021 consisted of three (3) measures. The achieved performance of the plan will be evaluated and confirmed by the Board of Directors at the beginning of 2022. The accrued incentives of the plan will be paid in April 2022.

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. In principle, the bonus based on performance is no more than 50 percent of annual basic salary. The bonus is determined on the basis of the attainment of goals supporting to the company's growth and profitability according to its strategy and personal objectives. The Board of Directors monitors the 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, 2021, the members of Executive Team, excluding CEO, were paid in salaries and fringe benefits a total of EUR 1,288 thousand (EUR 1,149 thousand in 2020). Salary in money was EUR 1,200 thousand (EUR 1,066 thousand in 2020) and fringe benefits totalled EUR 88 thousand (EUR 83 thousand in 2020). In addition, EUR 458 thousand (EUR 204 thousand in 2020) was paid as bonus payments and EUR 395 thousand (EUR 513 thousand in 2020) on the basis of the long-term incentive scheme.

Remuneration of Executive Team in 2021

EUR THOUSAND	CEO Klaus Andersen	Other Executive Team Members	TOTAL
Salary	391	1,200	1,592
Fringe benefits	20	88	108
Fixed Salary	411	1,288	1,699
STI Bonus payments	123	458	581
LTI Share-based payments	611	395	1,006
Total remuneration	1,145	2,141	3,286

Share-based incentive schemes

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

Matching Share Plan 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 was that the

plan member acquired Basware shares. The plan member would, as a reward, receive two (2) matching shares for each share subject to the share ownership prerequisite after a matching period of three (3) years.

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

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

The 32 Group's key employees eligible for receiving a reward based on the plan had acquired or allocated a total of 29,336 Basware Corporation shares based on the plan. The rewards paid to the key employees on the basis of the plan thus corresponded to 58,672 Basware Corporation shares, including also the proportion to be paid in cash.

The reward was conveyed, and the plan ended in March 2021.

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 included three performance periods, calendar years 2017–2018, 2018–2019 and 2019–2020. The Board of Directors decided on the performance criteria and on the required performance levels for each criterion at the beginning of each performance period.

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

In March 2021, 10,572 shares were conveyed on a directed share issue related to the reward payment for the performance period 2019–2020 of the performance share plan 2017–2019, closing the final performance period 2019–2020 of the plan. The rewards paid on the basis of the plan in 2020 corresponded to a total of 21,140 Basware Corporation shares, including also the proportion to be paid in cash.

The plan ended in March 2021.

Performance Share Plan 2020-2021

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

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

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

At the end of 2021, the performance share plan included 45 key employees.

Restricted Share Plan 2020

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

In September 2021, 625 shares were conveyed on a directed share issue related to the reward payment for the restricted share plan 2020. The rewards paid on the basis of the plan in 2021 corresponded to a total of 1,250 Basware Corporation shares, including also the proportion paid in cash.

At the end of 2021 the restricted share plan included three (3) key employees.

Performance Share Plan 2022-2024

The Board of Directors resolved on December 16, 2021 to establish a performance share plan 2022-2024 for key employees.

The Performance Share Plan includes one performance period, calendar years 2022-2023 and one additional vesting period, the calendar year 2024.

The potential reward from the performance period 2022-2023 will be based on the company's Total Shareholder Return (TSR), the Group's total revenue and ARR order intake during calendar years 2022-2023. The rewards to be paid based on the plan correspond to the value of a maximum total of 315,600 Basware Corporation shares, including also the proportion to be paid in cash.

The Board of Directors have resolved on the performance criteria at the required performance levels for each criterion. The plan is directed to approximately 60 key employees, including the members of the Basware Executive Team.

Restricted Share Plan 2022-2025

The Board of Directors resolved on December 16, 2021 to establish a restricted share plan 2022. The restricted share plan is directed to selected key contributors. 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.

Employee Share Savings Plan

The Board of Directors resolved on November 23, 2021 to establish a new long-term share savings plan for the employees of Basware Corporation and its subsidiaries.

The objective of the Employee Share Savings Plan is to offer all employees at Basware a favorable opportunity to invest a part of their salary in Basware shares, increasing alignment of interests between employees and shareholders in Basware's long-term value creation.

The first plan period will commence on 1st of April 2022 and end on 31st of March 2025. Shares will be acquired in the market quarterly in four tranches based on the savings amount. The first tranche will be acquired after the publication of the Q2 2022 interim report.

Each participant shall receive one matching share free of charge for each two savings shares acquired during the first saving period (April 2022-March 2023). The delivery of matching shares will be subject to the participant still owning the acquired savings shares and continued employment at the end of the plan period.

The cost of the plan is a factor of the number of participants, the number of shares acquired in the plan and the share price development. The total savings for the first saving period (April 2022-March 2023) are expected to be between 0.6 and 1.0 million euros. The Board has the possibility to adjust the total savings amount before the plan period commences.

	MSP 2018–2020	PP 2019–2020	PSP 2020–2021	RSP 2020	TOTAL
Maximum number of shares	77,714	60,225	320,000	10,000	467,939
Initial grant date	18.7.2018	20.6.2019	18.12.2019	18.12.2019	
Vesting date	31.3.2021	31.3.2021	31.3.2022	12-36 month restriction period	
Vesting conditions	Share ownership and employment	Group's key performance measures and employment	Group's key performance measures (Total Shareholder Return (TSR), Group's total revenue and ARR order intake) and employment	Employment	
Number of persons (December 31, 2021 or at reward payment)	32	40	45	3	
Payment method	Shares and cash payments				

TOTAL					TOTAL
Rewards paid in shares including cash portion in 2021	58,672	21,140	0	1,250	81,062
Outstanding rewards in shares including cash portion (Dec 31, 2021)	0	0	288,260	3,900	292,160
CEO Klaus Andersen					
Rewards paid in shares including cash portion in 2021	12,944	3,713	0	0	16,657
Outstanding rewards in shares including cash portion (Dec 31, 2021)	0	0	54,868	0	54,868
Executive Team					
Rewards paid in shares including cash portion in 2021	1,498	8,385	0	1,000	10,883
Outstanding rewards in shares including cash portion (Dec 31, 2021)	0	0	82,928	3,500	86,428
Other key employees					
Rewards paid in shares including cash portion in 2021	44,230	9,042	0	250	53,522
Outstanding rewards in shares including cash portion (Dec 31, 2021)	0	0	150,464	400	150,864



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REPORT OF THE BOARD OF DIRECTORS FROM 2021

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. Our technology empowers organizations with 100% spend visibility by enabling the capture of all financial data across procurement, finance, accounts payable and accounts receivable functions. Basware's solutions play an important role in transitioning to a lower-carbon economy by enabling the digitalization and automation of Purchase-to-Pay enterprise processes that rely on paper. Basware is a global company doing business in more than 100 countries and is traded on Nasdaq Helsinki.

Basware's results in 2021

Key figures

EUR THOUSAND	2021	2020	Change, %
Net sales	153,155	151,579	1.0
Cloud revenue	119,996	110,312	8.8
Cloud ARR order intake	17,064	19,250	-11.4
EBIT	7,144	4,667	53.1
EBITDA	22,828	20,207	13.0
Gearing, % ¹	72.5	53.0	36.8
Cash and cash equivalents ¹	31,060	40,461	-23.2
Cash flow from operating activities	20,435	25,252	-19.1
Earnings per share, diluted, EUR	-0.99	-0.51	-93.7
Personnel ¹	1,347	1,336	0.8

¹ At the end of the period.

Net sales

NET SALES BY REVENUE TYPE, EUR THOUSAND	2021	2020	Change, %
Cloud	119,996	110,312	8.8
Consulting	26,942	26,875	0.2
Maintenance, license and other	6,216	14,392	-56.8
Total	153,155	151,579	1.0
NET SALES BY CUSTOMER LOCATION, EUR THOUSAND	2021	2020	Change, %
Americas	33,641	35,013	-3.9
Europe	54,767	52,176	5.0
Nordics	56,904	56,428	0.8
APAC	7,843	7,962	-1.5
Total	153,155	151,579	1.0

Basware's net sales for the year 2021 amounted to EUR 153,155 thousand (EUR 151,579 thousand), an increase of 1.0 percent. This equated to 0.9 percent organic growth at constant currencies.

In 2021 cloud revenues amounted to EUR 119,996 thousand (EUR 110,312 thousand), up by 8.8 percent, equating to 8.6 percent organic growth at constant currencies and accounted for 78 percent (73%) of net sales.

Consulting revenues amounted to EUR 26,942 thousand (EUR 26,875 thousand), an increase of 0.2 percent, equating to 0.1 percent organic at constant currencies. Maintenance and license revenues declined in line with expectations as Basware transitions customers to the cloud and discontinues some of Basware's legacy services. Maintenance, license and other revenues amounted to EUR 6,216 thousand (EUR 14,392 thousand), a decrease of 56.8 percent. This equated 57.1 percent organic decrease at constant currencies. The accelerated decline in maintenance is due to end of life of some of Basware's legacy on-premise products triggered on January 1st 2021.

Americas accounted for 22.0 percent (23.1%), Europe 35.8 percent (34.4%), Nordics 37.2 percent (37.2%) and Asia-Pacific area for 5.1 percent (5.3%) of total revenues. Basware's net sales for the full year 2021 from Americas was negatively impacted by the development of US dollar against Euro. At constant currencies net sales from Americas in 2021 declined by 0.9 percent year on year. A list of Basware Corporation's subsidiaries is in Note 25 of the Financial Statements.

Cloud order intake

ORDER INTAKE BY TYPE, EUR THOUSAND	2021	2020	Change, %
New logo	6,045	6,065	-0.3
Expansion	8,378	9,357	-10.5
Transformation	2,641	3,828	-31.0
Total	17,064	19,250	-11.4

Basware's cloud order intake for the year 2021 amounted to EUR 17,064 thousand (EUR 19,250 thousand), a decrease of 11.4 percent. This equated to 11.2 percent decline on an organic constant currency basis. Full year order intake performance was impacted by uncertainty in the business environment primarily caused by the pandemic. Based on the systematic actions to improve sales execution throughout the year, order intake returned to growth in Q4 2021. For the year 2021, order intake consisted of 35 percent new logo, 49 percent expansion, and 15 percent transformation order intake types. New logo means a new customer to Basware with whom it does not have prior of significant business.

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

Financial performance

EUR THOUSAND	2021	2020	Change, %
Net sales	153,155	151,579	1.0
Cost of sales	-66,837	-65,941	1.4
Gross profit	86,317	85,638	0.8
Sales and marketing	-38,286	-40,001	-4.3
Research and development	-27,928	-25,930	7.7
General and administration	-13,038	-14,096	-7.5
Total operating expenses	-79,252	-80,027	-1.0
Other operating income and expenses	79	-944	N/A
EBIT	7,144	4,667	53.1
EBITDA	22,828	20,207	13.0

Basware's profitability development was positive throughout the year. In 2021 Basware's operating profit was EUR 7,144 thousand (EUR 4,667 thousand), an increase of 53.1 percent.

In 2021, cost of sales amounted to EUR -66,837 thousand (EUR -65,941 thousand), an increase of 1.4 percent.

Out of the total operating expenses, sales and marketing expenses decreased 4.3 percent, research and development expenses increased 7.7 percent and general and administration expenses decreased 7.5 percent in 2021. Sales and marketing costs reduced in comparison with 2020 due to lower labor costs and incentives. Research and Development expenses increased in comparison to 2020 mainly due to a lower level of capitalization of R&D expenses, and a higher amortization of previously capitalized expenses.

Basware's loss before taxes was EUR -13,421 thousand (EUR -6,985 thousand) and loss for the period EUR -14,233 thousand (EUR -7,329 thousand) in 2021. Finance income and expenses amounted to EUR -20,565 thousand (EUR -11,652 thousand). Finance expenses for 2021 were negatively impacted by the refinancing related one-off expenses of EUR 11,210 thousand in the third quarter 2021. Taxes impacted the result by EUR -812 thousand (EUR 345 thousand).

Diluted earnings per share were EUR -0.99 (EUR -0.51).

Adjusted operating result and adjusted EBITDA

EUR THOUSAND	2021	2020	Change, %
EBIT	7,144	4,667	53.1
Adjustments:			
Acquisition, disposal and restructuring income (-) and expenses (+)	-75	-301	75.1
Efficiency related expenses	432	453	-4.6
Total adjustments	357	152	134.9
Adjusted EBIT	7,501	4,819	55.7
Depreciation and amortization	15,685	15,540	0.9
Adjusted EBITDA	23,186	20,359	13.9
% of net sales	15.1%	13.4%	

Cash flows, financing and investments

Cash flows from operating activities were EUR 20,435 thousand (EUR 25,252 thousand).

Basware's cash and cash equivalents including short-term deposits were EUR 31,060 thousand (EUR 40,461 thousand) at the end of the year. Cash balance decreased in comparison mainly because of the refinancing related payments in the third quarter 2021.

Basware's total assets on the balance sheet at the end of the year were EUR 220,720 thousand (EUR 224,862 thousand). Net cash flows from investments were EUR -13,408 thousand (EUR -9,464 thousand) in 2021.

The equity ratio was 33.1 percent (36.7%) and gearing 72.5 percent (53.0%). Gearing increased because of lower cash balance and decreased equity driven by the loss for the period, both attributable to the refinancing transaction as expected. The company's interest-bearing liabilities excluding leasing liabilities EUR 71,402 thousand (EUR 68,837 thousand), of which current liabilities accounted for EUR 1,175 thousand (EUR 2,173 thousand). The return on investment was 4.3 percent (3.1%) and return on equity -18.3 percent (-8.3%).

Research and development

In 2021 Basware's research and development focused on meeting the global regulatory compliance requirements for e-invoicing with Basware's network offering, developing Artificial Intelligence in SmartPDF AI solution, development of user experience in Basware Purchase solution and improving the user environment in AP Pro solution.

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

In 2021 Basware's research and development investments including capitalizations but excluding amortizations were EUR 25,235 thousand (EUR 24,819 thousand). Research and development investments were 16.5 percent (16.4%) of net sales in 2021. A total of 237 (273) people worked in research and development at the end of 2021.

Personnel

PERSONNEL BY AREA, ON AVERAGE	2021	2020	Change, %
Americas	98	106	-7.6
Europe	380	373	1.9
Nordics	416	425	-2.3
APAC	446	430	3.7
Total	1,339	1,334	0.4

Basware employed 1,339 (1,334) people on average during 2021 and 1,347 (1,336) at the end of 2021. On 31 December 2021, 12.0 percent (13.6%) of the personnel worked in sales and marketing, 31.8 percent (33.2%) in R&D, production and products, 44.8 percent (42.4%) in consulting and customer services and 11.4 percent (10.7%) in administration.

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

Share and shareholders

SHARE INDICATORS	2021	2020
Share price performance, EUR		
- lowest price	28.25	15.66
- highest price	43.85	42.85
- average price	37.43	29.58
- closing price	30.25	42.00
Market capitalization at end of period ¹ , EUR	437,293,788	605,449,320
Number of shares ¹		
- at end of the period	14,455,993	14,415,460
- average during the period	14,445,824	14,407,595
- average during the period, diluted	14,580,596	14,638,935
Number of traded shares (share issue adjusted) in Nasdaq Helsinki	4,162,965	4,817,685
% of average number of shares	28.6%	33.4%
Treasury shares held by the Company at end of the period	7,943	5,476
% of total shares	0.1%	0.0%
Share capital, EUR	3,528,368	3,528,368
Earnings per share, undiluted, EUR	-0.99	-0.51
Earnings per share, diluted, EUR	-0.99	-0.51
Adjusted earnings per share, undiluted, EUR	-0.96	-0.50
Adjusted earnings per share, diluted, EUR	-0.96	-0.50
Equity per share, EUR	5.06	5.73
Price per earnings (P/E)	-30.70	-82.56

¹ Excluding treasury shares

Basware had 11,533 (11,864) shareholders at the end of 2021, including nominee-registers. Nominee-registered holdings accounted for 54.1 percent (56.4%) of the total number of shares. More information on Basware's share and shareholders in sections Key figures and Information for shareholders.

Flagging notifications in 2021

During 2021 Basware Corporation received the following notifications from major shareholders:

ANNOUNCEMENT DATE	Shareholder	Threshold	Total holding, %
9 February	Arrowgrass Master Fund Ltd	Below 15%	14.3%
23 February	Long Path Partners LP	Over 10%	10.11%
15 April	Arrowgrass Master Fund Ltd	Below 10%	9.2%
20 July	Arrowgrass Master Fund Ltd	Below 5%	4.4%

More information in the section Share indicators in the Financial statements and Information for 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 2021 was held on March 18, 2021. The Annual General Meeting adopted the annual accounts for the financial period ending on 31 December 2020. The remuneration report was approved, and the members of the Board of Directors as well as the CEO were discharged from liability for the financial period ending on 31 December 2020. The Annual General Meeting resolved in accordance with the proposal of the Board of Directors that no dividend will be paid for the year 2020.

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

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

The Annual General Meeting decided to authorize the Board of Directors to decide on repurchase of company's own shares in accordance with the proposal of the Board of Directors. By virtue of the authorization, the Board of Directors is entitled to decide on repurchasing a maximum of 1,446,000 company's own shares. The company's own shares shall be repurchased otherwise than in proportion to the holdings of the shareholders by using the non-restricted equity through trading on regulated market organized by Nasdaq Helsinki Ltd at the market price prevailing at the time of acquisition. The repurchase authorization shall be valid for 18 months and it shall revoke the previous authorizations for repurchasing the company's own shares.

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

On 18 March 2021 Basware announced a stock exchange release of the resolutions of the Annual General Meeting. The resolutions from Annual General Meetings are available on Basware's investor website at <https://investors.basware.com/en/governance/annual-general-meeting>.

Changes in the Executive Team

On 23 March 2021 Basware announced that Chief Revenue Officer Paul Taylor has decided to step down from Basware's Executive Team to take the role of Country Manager for United Kingdom and Ireland. In March 2021, Basware also started the recruiting process of a new Chief Revenue Officer. Basware's Chief Executive Officer Klaus Andersen acted as an interim Chief Revenue Officer during the recruitment period. The changes were effective as of 1 April 2021.

On 24 June 2021 Basware announced that Chief Customer Officer Jussi Vasama has decided to step down from Basware's Executive Team. The changes were effective as of 24 June 2021. Selected members of the senior management team within the Basware Services organization assumed the responsibilities for Professional Services and Customer Support, reporting to Chief Executive Officer, Klaus Andersen.

On 24 August 2021 Basware announced that Alwin Schauer has been appointed as the Chief Revenue Officer of Basware and member of the Executive Team, reporting to Klaus Andersen,

Chief Executive Officer of Basware. Klaus Andersen continued as the company's interim CRO until Mr. Schauer started in his position on 1 September 2021.

Other events of the period

Loan arrangement with Macquarie Capital Principal Finance

On 12 July 2021 Basware announced that it has completed an amendment agreement of its debt facility with Macquarie Principal Financing PTY Limited, effective 12 July 2021. As a result of the improved terms, the Company will realize a cash benefit of minimum EUR 12 million over the remaining duration of the Loan, compared with the original debt facility. The renegotiated Loan reflects Basware's improved financial performance and significantly decreases Basware's cost of debt. Under the amendment, the debt facility is upsized to a EUR 66 million senior secured Loan which will be due September 2024 in line with the facility's original maturity and has a non-call of 24 months. The Loan amount of EUR 66 million consists of EUR 50 million related to the original debt facility, EUR 11 million related to previously capitalized interest (PIK interest) and EUR 5 million upsizing to enhance the Company's overall liquidity position.

Share issue to the company itself without consideration

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

Conveyances of Basware Corporation's own shares

On 19 March 2021 Basware announced that The Board of Directors of Basware Corporation has decided on 18 March 2021 on a directeds for the reward payment of Basware Corporation's Performance Share Plan 2019-2020 and Matching Share Plan 2018-2020. In the share issue, 39,908 Basware Corporation shares were issued and conveyed without consideration to the key persons participating in the plans according to the terms and conditions of the incentive schemes. After the transfer of the shares, the company held a total of 8,568 own shares.

As a result of the share issue, the Board of Directors also decided upon the adjustment of the number of shares that can be subscribed on the basis of the 1,000 freely transferable warrants issued by the company originally to Bregal Milestone in March 2019 and subsequently

transferred to Briarwood Chase Management LLC in October 2020. Following the adjustment resolved on 18 March 2021, the warrants entitle their holder to subscribe for a total of 1,003,000 shares in the company (before this adjustment, 1,001,000 shares) at an adjusted subscription price of EUR 29.7939 per share (before the adjustment, the subscription price per share was EUR 29.8764). To increase the number of shares that may be subscribed for with the warrants, the Board of Directors exercised on 18 March 2021 the authorization granted by the Annual General Meeting of shareholders held on 18 March 2021 by deciding upon issuance of special rights that entitle their holder to subscribe for 2,000 new shares in the company. These adjustments to the terms and conditions of the warrants became effective upon registration with the Finnish Trade Register.

On 23 September 2021 Basware announced that The Board of Directors of Basware Corporation has decided on 22 September 2021 a directed share issue for the reward payment of Basware Corporation's Restricted Share Plan 2020. In the share issue, 625 Basware Corporation shares were issued and conveyed without consideration to the key persons participating in the plan according to the terms and conditions of the plan. After the directed share issue, the company held 7,943 own shares.

As a result of the share issue, the Board of Directors also decided upon the adjustment of the subscription price to be utilized when subscribing the 1,000 freely transferable warrants belonging to Briarwood Chase Management LLC. Following the adjustment, the warrants entitle their holder to subscribe for a total of 1,003,000 shares in the company at an adjusted subscription price of EUR 29.7926 per share (before the adjustment, the subscription price per share was EUR 29.7939).

Events after the period

There were no significant events after the period.

Strategy

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

Basware's key growth markets are US, UK, Germany and France, where the company sees the greatest opportunity to win new customers. Each of Basware's top 200 key customers brought on average approximately EUR 330 thousand annual recurring cloud revenue in 2021. Through add-on sales and geographical expansions, there is potential to increase the average revenue from existing customers.

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

Basware's long-term ambition is to become the networked Purchase-to-Pay vendor of choice for large global enterprises. Basware moves forward to its vision through six Must-Wins, which define strategic priorities for the period 2020–2022. The Must-Wins relate to customer satisfaction, project delivery capabilities, procurement solution, growing with partners, cloud transformations and Network business. The first Must-Win relates to customer satisfaction, which is a priority across all functions, from first contact to project delivery, products and support. The second Must-Win is enhancing delivery capabilities internally and together with partners to meet customer needs for continuous improvement and change agility. With the number three Must-Win, Basware's aim is to further strengthen its procurement solution and entire Source-to-Pay offering through partnerships and open API architecture. For number four, Basware aims to accelerate cloud growth through partnering. The fifth Must-Win battle is to complete the last phase in customer cloud transformations and reallocate resources to long-term strategic areas. Basware has identified accelerating its Network business as the sixth Must-Win battle from 2021 onwards.

The second Must-Win Battle Delivery Capabilities was completed in 2021 and will be left out from the Must-Win Battles, leaving five Must-Win Battles from 2022 onwards. Transformations now and after, which was defined as the fifth Must-Win Battle for year 2021, is renamed to Ignite Growth. With the Must-Win battle Ignite Growth Basware is focusing on accelerating growth in its business as the cloud transformations for Basware's clients have essentially been completed. Ignite Growth will be effective from 2022 onwards.

Risks and uncertainty factors

Basware operates in a market where technological innovation plays a key role. While Basware is recognized as a leader within its segments by independent analysts, it is critical that Basware

continues to innovate and develop its offering. Basware invests in product development to ensure the competitiveness of its product portfolio and good end-to-end quality, which impacts customer satisfaction, customer retention and expansion.

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

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

The fact that more than 45 percent of the company's sales are expected to come from non-euro countries exposes the Group's net sales growth to foreign exchange rate movements. In case there is a significant movement of USD, GBP, NOK, SEK or AUD against the euro, reported net sales may be affected. In addition, a proportion of Basware's costs are denominated in INR and RON. Political risks may have a negative effect on Basware. This includes the uncertainty around the status of the UK in relation to the European Union which may have a negative impact on Basware's business in the UK, and additionally the uncertainty related to taxation and legislation in India which may have a negative impact on Basware's business in India.

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

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

The Covid-19 pandemic may have an impact on the timing of organisations' IT project decisions and implementations and on the global volume of invoices sent and received. This may impact

Basware's order intake, revenues, operating profit and cash flow. Basware has a business continuity plan in place including extensive remote working capabilities across all functions, however, should the Covid-19 situation materially affect employees' ability to work, this may disturb Basware's ability to serve its customers.

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

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/governance/statements-and-policies>.

Non-financial statement

Basware is a supplier of networked purchase-to-pay solutions and e-invoicing services; and has the largest open business network in the world. Basware's technology empowers organisations with 100% spend visibility by enabling the capture of all financial data across procurement, finance, accounts payable and accounts receivable functions. Basware operates globally and has 1,347 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.

Social responsibility and respect for human rights

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

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

	2021	2020
Code of Conduct training completion rate	99%	100%

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 2021 Basware's employees were of 34 different nationalities, of which three largest were Indian, Finnish and Romanian.

Basware organizes YourVoice employee engagement survey annually and follows up the outcome with interactive employee sessions resulting in action points each year. In 2021 the survey had a response rate of 93 percent. Survey results in questions measuring employee engagement remained on par with the previous year's level, while the other areas improved with three highlights: feedback received from others, reward and recognition as well as career opportunities.

EMPLOYEE METRICS	2021	2020
Women, of total employees	34%	32%
Women, of managers	30%	29%
Full-time employees	98%	98%
Permanent employees	99%	99%
Employees average years of service	5.5	5.5
Attrition rate	17.7%	7.1%
CEO-to-employee pay ratio	5.97-to-1	6.19-to-1

EMPLOYEES BY AGE GROUP	2021	2020
Under 25	5%	4%
25-34	35%	36%
35-44	35%	37%
45-54	18%	18%
Over 55	7%	6%

Prevention of corruption and bribery

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

	2021	2020
Reported bribery or corruption incidents	0	0

Whistle-blowing practice

Basware encourages its employees to report any suspected misconduct related to Basware operations immediately. Employees may contact their line manager or Human Resources team for any concerns. Where the Employee prefers not to raise the issue with his/her line manager or the Human Resources Team for any reason, they can 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

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

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

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

Awareness training play a key role in assuring security. Employees are regularly educated through mandatory Global Security e-learning for all employees. In 2021 an extensive update to the internal Security e-learning was completed and a continuous gamified phishing training service was introduced for all employees protecting the information of Basware and its’ customers.

Data privacy

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

Basware conducts an extensive data privacy program, which is led by the Global Data Protection Officer (DPO) and reviewed within the Privacy Steering Committee. The program identifies personal data processing activities, maintains the mandatory privacy process register, performs impact assessments, builds compliance documentation, and follows up on compliance improvement actions. As part of the data privacy program, Basware performs specific impact assessments to ensure that its transfer of personal data from the EU to its affiliates and subcontractors outside the EU is compliant with the GDPR. These assessments are performed based by the Schrems II judgment of the EU Court of Justice (2020) and related recommendations from the EU Data Protection Board (2021).

Basware also ensures that employees who process personal data are trained to comply with the privacy policy and guidelines.

Environmental responsibility

Basware’s corporate environmental responsibility is incorporated into the company’s operations, including the company’s Code of Conduct. In its day-to-day activities, Basware complies with all applicable environmental laws and regulations and expects all employees, suppliers and partners to comply with all relevant legal and industry-specific environmental requirements.

Basware’s main material environmental challenges relate to energy consumption at their office locations, business travel and responsible 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 set an emission target for 2016–2020 on its office-based CO₂ emissions per employee to decrease with 20%. The target was clearly reached, and CO₂ emissions dropped with 70% during the period. Covid-19 had a significant impact on reduced CO₂ emissions for Basware. In addition, the company executed emission reduction initiatives in its’ offices globally. Basware is committed to setting new energy targets for mid-term and to communicate on the progress made in energy saving through its external reporting and annual CDP survey.

Basware has made good progress in reducing its emissions from business travel since 2018. Basware strives to continue the work in reducing the energy and fuel consumption levels also in the long-term, by implementing responsible business travel guidelines and monitoring the business travel of the employees. Basware aims to reduce the need for business travel by using collaborative technologies and online meeting tools.

The direct, positive environmental impact of Basware’s services is estimated to be moderate due to the nature of Basware’s business. Basware’s digital solutions and services provide Basware’s customers with environmental benefits by automating their financial processes by provision of cloud-based software and reducing the use of paper. By moving from paper invoices into electronic invoices, the savings from logistics of sending the paper to a preferred location can also be achieved. Basware is working towards a clearer understanding of the environmental impacts of its solutions and services and is committed to transparency in communicating about the environmental benefits and burdens of its business.

	2021	2020	Change, %
Air travel emissions, CO ₂ e ton	89	669	-87%

Sustainable activities of Basware based on EU Taxonomy

Basware Corporation has analyzed its economic activity according to Taxonomy Regulation of European Union (EU 2020/852) and related Technical Screening Criteria for climate change mitigation and climate change adaptation. Basware's economic activities can be identified from the regulation. Basware Corporation’s activities are eligible according to the Technical Screening Criteria for climate change mitigation in section 8.2. “Data-driven solutions for GHG emissions reductions”.

Basware’s eligible activities cover the Purchase-to-Pay process by which Basware’s customers can reduce their CO₂ emissions and get insight into their GHG emissions from their finance processes when needed. The eligible activities represent 82% of total net sales of Basware.

Taxonomy-eligible Capital Expenditure at Basware includes mainly research and development of eligible activities and facility improvements to some extent, which amounts to 95% of total CapEx. Taxonomy-eligible Operating Expenditure includes mainly research and development costs and purchases of taxonomy-aligned activities to some extent. Share of eligible activities is 75% of the OpEx as defined in Taxonomy Regulation.

Due to the nature of Basware's Cloud business, the capital expenditure and operational expenditure for research and development is relatively high, and this has impacted the reported figures based on EU Taxonomy Regulation.

Basware's eligible activities will be screened for taxonomy-alignment during the year 2022.

EU TAXONOMY KPI	2021
Net sales	82%
Capital Expenditure	95%
Operating Expenditure	75%

Future outlook

Themes affecting revenues and EBIT

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

- Gradual improvements in the business environment throughout the year
- Gradual improvements in demand generation and sales execution throughout the year, and the timing in the ramp-up of Sales and Marketing capacity and spending
- Cloud revenues impacted by cloud order intake volume and timing, churn and network transaction volume driven revenues. Approximately fifty percent of Basware's network transaction services revenues are subscription based.
- Consulting services revenue is driven primarily by new logo wins, expansion sales, services adoption and efficiency projects for existing customers, as well as the level of partner delivered implementations
- Revenues from maintenance and license will continue to decline approximately at the same rate as in 2021
- Improvements in scalability and operational efficiency are expected to continue
- Inflation and labor costs

Guidance for 2022

Basware guides the following for the full year 2022:

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

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

Board of Directors' proposal for dividend

On 31 December 2021, the Group's parent company's distributable funds were EUR 12,533 thousand. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for 2021.

Basware Corporation's Annual General Meeting is planned to be held on 22 March 2022.

Espoo, Finland, on Wednesday, 2 February 2022

BASWARE CORPORATION

Board of Directors

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

EUR THOUSAND	Notes	1.1.-31.12.2021	1.1.-31.12.2020	EUR THOUSAND	Notes	1.1.-31.12.2021	1.1.-31.12.2020
NET SALES	2	153,155	151,579	Other comprehensive income			
Cost of sales		-66,837	-65,941	Other comprehensive income that will not be reclassified to profit or loss			
GROSS PROFIT		86,317	85,638	Remeasurement of employee benefits	17	-33	-5
Sales and marketing		-38,286	-40,001	Other comprehensive income that may be reclassified subsequently to profit or loss			
Research and development		-27,928	-25,930	Exchange differences on translating foreign operations		4,977	-4,964
General and administration		-13,038	-14,096	Cash flow hedges	18	808	-435
Total operating expenses		-79,252	-80,027	Income tax relating to components of other comprehensive income	8	-131	112
Other operating income	4	75	309	Other comprehensive income for the year net of tax		5,621	-5,292
Other operating expenses	6	3	-1,253	TOTAL COMPREHENSIVE INCOME		-8,612	-12,621
OPERATING PROFIT/LOSS		7,144	4,667	Profit/loss attributable to:			
Finance income	7	832	619	Equity holders of the parent company		-14,233	-7,329
Finance expenses	7	-21,398	-12,271	Total comprehensive income attributable to:			
PROFIT/LOSS BEFORE TAX		-13,421	-6,985	Equity holders of the parent company		-8,612	-12,621
Income tax	8	-812	-345	Earnings per share			
PROFIT/LOSS FOR THE PERIOD		-14,233	-7,329	undiluted, EUR	9	-0.99	-0.51
				diluted, EUR	9	-0.99	-0.51

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

EUR THOUSAND	Notes	31.12.2021	31.12.2020
ASSETS			
Non-current assets			
Intangible assets	10	38,786	41,927
Goodwill	3	80,257	76,676
Tangible assets	11	1,366	1,023
Right-of-use assets	11	11,470	14,322
Non-current financial assets	14	13	13
Other receivables	15	8,133	3,541
Contract assets	2	0	6
Deferred tax assets	8	11,673	10,592
Non-current assets		151,697	148,101
Current assets			
Trade receivables	15	27,407	26,602
Other receivables	15	9,471	8,714
Contract assets	2	639	818
Income tax receivables	8	445	166
Cash and cash equivalents	16	31,060	40,461
Current assets		69,023	76,761
TOTAL ASSETS		220,720	224,862

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

EUR THOUSAND	Notes	31.12.2021	31.12.2020
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	19	3,528	3,528
Share premium account	19	1,187	1,187
Treasury shares	19	0	0
Invested unrestricted equity fund	19	110,290	110,290
Other reserves	19	1,006	289
Translation differences	19	-8,205	-13,137
Retained earnings	19	-34,843	-19,600
Shareholders' equity		72,963	82,557
Non-current liabilities			
Deferred tax liabilities	8	5,960	5,071
Interest-bearing liabilities	22	70,227	66,665
Leasing liabilities, interest-bearing	22	8,986	11,647
Contract liabilities	2	2,133	2,791
Liabilities from employee benefits	17	509	388
Non-current liabilities		87,814	86,562
Current liabilities			
Interest-bearing liabilities	22	1,175	2,173
Leasing liabilities, interest-bearing	22	3,560	3,727
Trade payables and other payables	20	34,930	30,470
Contract liabilities	2	19,965	19,177
Income tax liabilities	8	313	196
Current provisions	21	0	0
Current liabilities		59,943	55,743
TOTAL EQUITY AND LIABILITIES		220,720	224,862

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

EUR THOUSAND	1.1.-31.12.2021	1.1.-31.12.2020	EUR THOUSAND	1.1.-31.12.2021	1.1.-31.12.2020
Cash flows from operating activities			Cash flows used in investing activities		
Profit/loss for the period	-14,233	-7,329	Purchase of tangible and intangible assets	-8,441	-9,470
Adjustments for profit:			Net proceeds from sale of tangible and intangible assets	33	7
Depreciation and amortisation	15,685	15,540	Movements in short-term deposits and fixes deposits	-5,000	0
Unrealised foreign exchange gains and losses	310	690	Cash flows from investing activities	-13,408	-9,464
Financial income and expenses	20,217	11,068			
Tax on income from operations	812	345	Cash flows from financing activities		
Other adjustments	-512	1,566			
Total adjustments	36,513	29,208	Proceeds from current borrowings	0	176
Changes in working capital:			Repayment of current borrowings	-1,996	-1,996
Increase (-) / Decrease (+) in trade and other receivables	749	810	Payment related to financing	-9,886	0
Increase (+) / Decrease (-) in trade and other payables	2,807	5,069	Payment of lease liabilities	-4,267	-4,257
Increase (+) / Decrease (-) in provisions	0	-211	Cash flows from financing activities	-16,149	-6,076
Total changes in working capital	3,556	5,668			
Financial items in operating activities	-3,899	-1,301	Net change in cash and cash equivalents	-9,122	9,712
Income taxes paid (-) / received (+)	-1,502	-994			
Cash flows from operating activities	20,435	25,252	Cash and cash equivalents at the beginning of period	40,461	31,672
			Net foreign exchange difference	-279	-922
			Cash and cash equivalents at the end of period	31,060	40,461

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

EUR THOUSAND	Share capital	Share premium account	Treasury shares	Invested unrestricted equity	Other reserves	Translation differences	Retained earnings	Total
SHAREHOLDERS' EQUITY Jan. 1, 2021	3,528	1,187	0	110,290	289	-13,137	-19,600	82,557
Comprehensive income						4,932	-14,229	-9,297
Share based payments							-982	-982
Defined benefit plans							-33	-33
Cash flow hedges					717			717
SHAREHOLDERS' EQUITY Dec. 31, 2021	3,528	1,187	0	110,290	1,006	-8,205	-34,843	72,963

EUR THOUSAND	Share capital	Share premium account	Treasury shares	Invested unrestricted equity	Other reserves	Translation differences	Retained earnings	Total
SHAREHOLDERS' EQUITY Jan. 1, 2020	3,528	1,187	-98	110,388	653	-8,226	-13,347	94,086
Comprehensive income						-4,912	-7,340	-12,253
Share based payments			98	-98			1,092	1,092
Defined benefit plans							-5	-5
Cash flow hedges					-363			-363
SHAREHOLDERS' EQUITY Dec. 31, 2020	3,528	1,187	0	110,290	289	-13,137	-19,600	82,557

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 form 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, 2021 were authorized for issue in accordance with a resolution of the Board of directors on February 2, 2022. 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 SIC and IFRIC interpretations valid on December 31, 2021. 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.

New and revised standards and interpretations

As of January 1, 2021, the Group has applied the following new and revised standards and interpretations which did not materially impact Group reporting:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2 (Effective for annual periods beginning on or after January 1, 2021). On 27 August 2020, the IASB published Interest Rate Benchmark Reform - Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced

with an alternative nearly risk-free interest rate (RFR). The amendments had no impact on the Group's financial statements.

- Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets). In April 2021, IFRS Interpretations Committee published their final agenda decision on the accounting of configuration and customization costs in a cloud computing arrangement (IAS 38 Intangible Assets). In this agenda decision, the Committee considered when an intangible asset can be recognized in relation to configuration and customization of an application software. As the IFRIC agenda decisions do not have a date when they enter into force, they are expected to be applied as soon as possible. Basware has cloud computing arrangements and has analysed whether this agenda decision has an impact on the accounting principles related to costs in implementing cloud computing arrangements. As a result of the analysis, it was concluded that the IFRIC agenda decision has an impact on the earlier accounting treatment related to costs in cloud computing arrangements. As an outcome of the analysis, Basware has expensed cloud computing related costs which had a minor impact during the fourth quarter.

Amendments that will enter into force during the financial year 2022 or later

In addition to the standards and interpretations presented in the financial statements for 2021, 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, 2022. 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 IFRS3 Business Combinations - Reference to the Conceptual Framework (Effective for annual periods beginning on or after 1 January 2022). The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements. According to the Group's current estimate, the amendments will have no impact on the Group's future financial statements, and it is continuing its assessment of the impact of the amendments.
- Amendments to IAS 37 Onerous Contracts - Costs of Fulfilling a Contract (Effective for annual periods beginning on or after 1 January 2022). In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. According to the Group's current estimate, the amendments will have no impact on the Group's future financial statements, and it is continuing its assessment of the impact of the amendments.

- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16 (Effective for annual periods beginning on or after 1 January 2022). The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. According to the Group's current estimate, the amendments will have no impact on the Group's future financial statements, and it is continuing its assessment of the impact of the amendments.
- IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities: As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.
- Definition of Accounting Estimates - Amendments to IAS 8: In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2: In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amend-

ments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

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. Gross order intake covers new cloud customers, add-ons and renewal uplifts but excludes churn. There will be a time lag before this order intake is visible in net sales.

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

2. Revenue and contract balances

Accounting principles

Net sales

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

Revenue recognition

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

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

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

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

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

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

Net sales by type

EUR THOUSAND		Timing of revenue recognition	1.1.-31.12.2021	1.1.-31.12.2020
Cloud Revenue				
SaaS	Over time		65,227	58,344
Transaction services	Over time		49,844	47,272
Other cloud revenue	Over time		4,926	4,696
Cloud Revenue total			119,996	110,312
Non-Cloud Revenue				
Maintenance	Over time		6,051	14,687
License sales	At a point in time		136	348
Consulting services	Over time		26,942	26,875
Other non-cloud revenue	Over time		30	-644
Non-Cloud Revenue Total			33,158	41,267
Group total			153,155	151,579

Net sales by customer location

EUR THOUSAND	1.1.-31.12.2021	1.1.-31.12.2020
Americas	33,641	35,013
Europe	54,767	52,176
Nordics	56,904	56,428
APAC	7,843	7,962
Group total	153,155	151,579

Net sales by currency

%	1.1.-31.12.2021	1.1.-31.12.2020
EUR	54.1	52.8
USD	20.5	21.3
GBP	7.3	7.2
Other	18.0	18.6
Group total	100	100

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	31.12.2021	31.12.2020
Trade receivables	27,407	26,602
Contract assets:		
Non-current	0	6
Current	639	818
Contract liabilities:		
Non-current	2,133	2,791
Current	19,965	19,177

During 2020-2021 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.-31.12.2021	1.1.-31.12.2020
Revenue recognized from amounts included in contract liabilities at the beginning of the period:	17,349	15,203

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	31.12.2021	31.12.2020
Acquisition cost Jan. 1	76,676	80,345
Translation difference	3,580	-3,669
Business disposals	0	0
Acquisition cost Dec. 31	80,257	76,676
Book value Dec. 31	80,257	76,676

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 2021. The recoverable amounts from the cash generating unit (CGU) are determined based on value-in-use calculations. The calculations are prepared on a discounted cash flow method basis, derived from the board approved estimates for the following year and subsequent development derived from the strategic plans, covering five years. Terminal year value has been defined based on the long term strategic financials.

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

The applied discount rate is the weighted average pre-tax cost of capital (WACC). The components of the WACC are risk-free rate, market risk premium, company specific factor, and industry specific beta, cost of debt and debt/equity ratio. The WACC of 11.1% percent (11.2%) 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 2021 and 2020 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 2022 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 900 percentage points, pre-tax discount rate should increase more than 20 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.

EUR THOUSAND	1.1.-31.12.2021	1.1.-31.12.2020
Gain on sale of assets	44	26
Other operating income	31	283
Other operating income	75	309

In financial year 2020, 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 actuarial risks like payroll risk, interest risk and risk related to expected lifetime. Amounts of the defined benefit plans are based on the yearly calculations submitted by independent actuaries. The present value of the defined benefit obligations is determined by discounting the estimated future cash flows using interest rates of Government issued bonds, if interest rate of high quality-corporate bonds is not available. The plan is unfunded and more information on the defined benefit plan is presented in Note 17.

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

AVERAGE NUMBER OF PERSONNEL	1.1.-31.12.2021	1.1.-31.12.2020
Americas	98	106
Europe	380	373
Nordics	416	425
APAC	446	430
Total	1,339	1,334

Employee benefits expense

EUR THOUSAND	1.1.-31.12.2021	1.1.-31.12.2020
Salaries and fees	-72,925	-74,171
Share-based incentive plans	-534	-1,409
Expenses from defined benefit plans	-114	-74
Pension expenses, defined contribution plans	-6,407	-5,690
Other employee benefits	-6,441	-6,268
Employee benefits expense, total	-86,420	-87,613

Management and Board salaries, fees and benefits

Group's key employees are defined as CEO, members of the Board of Directors and Executive team, including appointed interim positions. No loans, guarantees or other collaterals have been given on behalf of group's key employees.

EUR THOUSAND	1.1.-31.12.2021	1.1.-31.12.2020
CEO of the parent company		
Klaus Andersen	-1,145	-519
Compensation of the members of the Board of Directors		
Michael Ingelög	-116	-80
Ilkka Sihvo	-63	-59
Daryl Rolley	-51	-74
Minna Smedsten (from June 4, 2020)	-60	-37
Carl Farrell (from Mar 18, 2021)	-40	0
Jonathan Meister (from Mar 18, 2021)	-40	0
Asko Schrey (until Mar 18, 2021)	-9	-44
Tuija Soanjärvi (until August 21, 2019)	0	-4
Total	-1,524	-817

Key management employee benefits

EUR THOUSAND	1.1.-31.12.2021	1.1.-31.12.2020
Salaries and other short-term employee benefits	-1,746	-1,862
Share-based payments	-395	-523
Total	-2,141	-2,385

Total fixed salary of the CEO Klaus Andersen for the period January 1 - December 31, 2021 was EUR 411 thousand (EUR 410 thousand January 1 - December 31, 2020). Salary in money was EUR 391 thousand (EUR 410 thousand), and fringe benefits were EUR 20 thousand (EUR 19 thousand). Additionally, Andersen was paid a bonus of EUR 123 thousand from the financial year 2020 (EUR 99 thousand in 2020 from the financial year 2019).

Andersen was also given a total of 16,657 shares (354 shares in 2020) on the basis of the share-based incentive schemes. Of these, 8,329 shares (177 shares in 2020) were conveyed to Andersen, the value of which was approximately EUR 305 thousand (EUR 5 thousand) based on the average share price of the payment days, and EUR 305 thousand (EUR 5 thousand) was paid in cash to cover the withholding tax.

The accrued pension cost of Klaus Andersen amounted to EUR 64 thousand (61 thousand in 2020). 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 should the company give notice.

Share-based payments

Accounting principles

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

Matching Share Plan 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 was that the plan member acquired Basware shares. The plan member will, as a reward, receive two (2) matching shares for each share subject to the share ownership prerequisite after a matching period of three (3) years.

Receipt of matching shares was contingent on the continuation of employment or service 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 corresponded to the value of a maximum total of 77,714 Basware Corporation shares, including also the proportion to be paid in cash.

The 32 Group's key employees eligible for receiving a reward based on the plan had acquired or allocated a total of 29,336 Basware Corporation shares based on the plan. The rewards to be paid to the key employees on the basis of the plan thus corresponded to 58,672 Basware Corporation shares, including also the proportion to be paid in cash. The reward was conveyed, and the plan ended in March 2021.

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

In March 2021, 10,572 shares were conveyed on a directed share issue related to the reward payment for the performance period 2019-2020 of the performance share plan 2017-2019, closing the final performance period 2019-2020 of the plan. The rewards paid on the basis of

the plan in 2020 corresponded to a total of 21,140 Basware Corporation shares, including also the proportion to be paid in cash.

The plan ended in March 2021.

Performance Share Plan 2020-2021

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

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

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

At the end of 2021, the performance share plan included 45 key employees.

Restricted Share Plan 2020

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

In September 2021, 625 shares were conveyed on a directed share issue related to the reward payment for the restricted share plan 2020. The rewards paid on the basis of the plan in 2021 corresponded to a total of 1,250 Basware Corporation shares, including also the proportion paid in cash.

At the end of 2021, the restricted share plan included 3 key employees.

Performance Share Plan 2022-2024

The Board of Directors resolved on December 16, 2021 to establish a performance share plan 2022-2024 for key employees.

The Performance Share Plan includes one performance period, calendar years 2022–2023 and one additional vesting period, the calendar year 2024.

The potential reward from the performance period 2022–2023 will be based on the company’s Total Shareholder Return (TSR), the Group’s total revenue and ARR order intake during calendar years 2022–2023. The rewards to be paid based on the plan correspond to the value of a maximum total of 315,600 Basware Corporation shares (including also the proportion to be paid in cash).

The Board of Directors have resolved on the performance criteria at the required performance levels for each criterion. The plan is directed to approximately 60 key employees, including the members of the Basware Executive Team.

Restricted Share Plan 2022

The Board of Directors resolved on December 16, 2021 to establish a restricted share plan 2022. The restricted share plan is directed to selected key contributors. 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.

Employee Share Savings Plan

The Board of Directors resolved on November 23, 2021 to establish a new long-term share savings plan for the employees of Basware Corporation and its subsidiaries. The objective of the Employee Share Savings Plan (ESSP) is to offer all employees at Basware a favorable opportunity to invest a part of their salary in Basware shares, increasing alignment of interests between employees and shareholders in Basware’s long-term value creation.

The first plan period will commence on 1st of April 2022 and end on 31st of March 2025. Shares will be acquired in the market quarterly in four tranches based on the savings amount. The first tranche will be acquired after the publication of the Q2 2022 interim report.

Each participant shall receive one matching share free of charge for each two savings shares acquired during the first saving period (April 2022-March 2023). The delivery of matching shares will be subject to the participant still owning the acquired savings shares and continued employment at the end of the plan period.

The cost of the plan is a factor of the number of participants, the number of shares acquired in the plan and the share price development. The total savings for the first saving period (April 2022-March 2023) are expected to be between 0.6 and 1.0 million euros. The Board has the possibility to adjust the total savings amount before the plan period commences.

Effect on the result for the period and on the financial position in 2021

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

Expenses for the financial year, share-based payments	533,517
Liabilities arising from share-based payments December 31, 2021	2,409
Future cash payment to be paid to the tax authorities from share-based payments, estimated at the end of the period	58,988

Valuation parameters for instruments granted during the period

Share price at grant	38.69
Share price at December 31, 2021	30.25
Expected dividends	0
Fair value at December 31, 2021	135,425

Information on share-based incentive plans

	Matching Share Plan 2018-2020	Restricted Share Plan 2020
Maximum number of shares	77,714	10,000
Initial grant date	18.7.2018	19.12.2019
Vesting date	31.3.2021	12-36 month Restriction Period
Vesting conditions	Share ownership and employment	Employment
Maximum contractual life, years	2.7	-
Remaining contractual life, years	0.0	-
Number of persons at December 31, 2021	0	3
Payment method	Shares & Cash	Shares & Cash

	Performance share plans:	
	Performance Period 2019-2020	Performance Period 2020-2021
Maximum number of shares	60,225	320,000
Initial grant date	20.6.2019	19.12.2019
Vesting date	31.3.2021	31.5.2022
Vesting conditions	Group's key performance measures and employment	Group's key performance measures and employment
Maximum contractual life, years	1.8	2.4
Remaining contractual life, years	0.0	0.4
Number of persons at December 31, 2021	0	45
Payment method	Shares & Cash	Shares & Cash

Changes in 2021

	Matching Share Plan 2018-2020	Restricted Share Plan 2020
Outstanding at January 1, 2021	64,356	1,650
Granted	0	3,500
Forfeited	-5,684	0
Exercised, gross	-58,672	-1,250
Outstanding December 31, 2021	0	3,900

	Performance share plans:	
	Performance Period 2018-2019	Performance Period 2019-2020
Outstanding at January 1, 2021	59,409	354,100
Granted	0	0
Forfeited	-38,269	-65,840
Exercised, gross	21,140	0
Outstanding December 31, 2021	0	288,260

6. Other operating expenses

EUR THOUSAND	1.1.-31.12.2021	1.1.-31.12.2020
Impairment losses on trade receivables	463	-745
Acquisition, disposal and restructuring expenses	-8	-8
Efficiency related expenses	-432	-453
Other operating expenses	-20	-47
Other operating expenses total	3	-1,253

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.-31.12.2021	1.1.-31.12.2020
Finance income		
Interest income on instruments valued at amortized cost	7	25
Foreign exchange gain on instruments valued at amortized cost	510	548
Other financing income	316	46
Total	832	619
Finance expenses		
Interest expenses on debt instruments valued at amortized cost	-19,515	-10,196
Foreign exchange loss on instruments valued at amortized cost	-1,117	-1,167
Interest expenses on lease liabilities	-762	-881
Other financing expenses	-4	-27
Total	-21,398	-12,271
Finance income and expenses total	-20,566	-11,652

Exchange differences recognized on income statement

EUR THOUSAND	1.1.-31.12.2021	1.1.-31.12.2020
Exchange differences included in net sales	30	-644
Exchange differences included in purchases and expenses	-27	-5
Foreign exchange gains	510	548
Foreign exchange losses	-1,117	-1,167
Exchange differences recognized on income statement	-604	-1,267

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.-31.12.2021	1.1.-31.12.2020
Income tax on operations	-942	-1,027
Tax for previous accounting periods	-352	76
Change in deferred tax liabilities and tax assets	482	607
Income tax total	-812	-345

Tax rate reconciliation

EUR THOUSAND	1.1.-31.12.2021	1.1.-31.12.2020
Profit/loss before taxes	-13,421	-6,985
Tax calculated at domestic tax rate	2,684	1,397
Tax for previous years	-352	76
Effect of different tax rates of foreign subsidiaries	-298	-384
Effect of change in tax rate	0	0
Non-deductible expenses	-3,390	-2,099
Losses for which no deferred tax asset is recognised	0	0
Other	-130	528
Income not subject to tax	3	65
Taxable profit not included in the accounting profit	0	0
Utilization of previous year losses	1,159	839
Previous year losses for which deferred tax asset is booked	-488	-766
Income taxes	-812	-345

Taxes relating to other comprehensive income

EUR THOUSAND	1.1.-31.12.2021	1.1.-31.12.2020
Taxes on foreign exchange gains from net investments	-41	41
Taxes on derivatives	-90	72

Income tax receivables and payables

EUR THOUSAND	31.12.2021	31.12.2020
Income tax receivables	445	166
Income tax liabilities	313	196

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 2021

EUR THOUSAND	1.1.2021	Recognized in profit or loss	Business acquisitions / disposals	Period change booked in equity	31.12.2021
Tax losses	4,848	-502	0	0	4,345
Deferred expenses	5,168	1,851	0	0	7,019
Other items	576	603	0	0	1,180
Total	10,592	1,952	0	0	12,544

Deferred tax assets 2020

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

The Group has recognised total of EUR 4,345 thousand (EUR 4,848 thousand) of deferred tax assets for unused tax losses, of which EUR 632 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 offset deferred taxes EUR 871 thousand from the same source. The Group has total of EUR 21,207 thousand of tax losses and EUR 21,802 thousand of non-deductible interests for 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.

Deferred tax liabilities 2021

EUR THOUSAND	1.1.2021	Recognized in profit or loss	Exchange rate differences	Period change booked in equity	31.12.2021
Allocation of fair value on purchases	5,127	596	203	0	5,926
Fair valuation of derivatives	-56	0	0	90	34
Other items	0	871	0	0	871
Total	5,071	1,467	203	90	6,831

Deferred tax liabilities 2020

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

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.-31.12.2021	1.1.-31.12.2020
Profit/loss for the period	-14,233	-7,329
Average number of shares (1,000)		
Undiluted	14,446	14,408
Diluted	14,581	14,639
Earnings per share (EUR)		
Undiluted	-0.99	-0.51
Diluted	-0.99	-0.51

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 amortization 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 amortized over the useful life.

Intangible assets 2021

EUR THOUSAND	Develop- ment costs	Intangible rights	Other long-term investments	Assets, unfinished projects	Total
Acquisition cost Jan. 1	66,802	47,716	2,617	14,246	131,380
Translation difference (+/-)	20	971	147	1	1,138
Additions	313	391	111	7,191	8,007
Disposals	-6,337	-7,134	-303	0	-13,774
Reclassifications between items	5,701	0	0	-5,885	-184
Acquisition cost Dec. 31	66,498	41,944	2,572	15,552	126,566
Cumulative amortization Jan. 1	-47,175	-41,023	-1,256	0	-89,453
Translation difference (+/-)	-38	-677	-77	0	-792
Cumulative amortiza- tion on disposals and reclassifications	6,246	7,134	286	0	13,666
Amortization	-9,265	-1,643	-293	0	-11,201
Cumulative amortization Dec. 31	-50,231	-36,210	-1,339	0	-87,781
Book value Dec. 31, 2021	16,267	5,734	1,233	15,552	38,785

Intangible assets 2020

EUR THOUSAND	Develop- ment costs	Intangible rights	Other long-term investments	Assets, unfinished projects	Total
Acquisition cost Jan. 1	64,741	48,068	2,858	8,118	123,785
Translation difference (+/-)	-36	-1,003	-241	0	-1,280
Additions	692	650	0	7,578	8,920
Disposals	0	0	0	-46	-46
Reclassifications between items	1,405	0	0	-1,405	0
Acquisition cost Dec. 31	66,802	47,716	2,617	14,246	131,380
Cumulative amortization Jan. 1	-39,003	-39,401	-980	0	-79,384
Translation difference (+/-)	48	658	92	0	799
Cumulative amortiza- tion on disposals and reclassifications	0	0	0	0	0
Amortization	-8,220	-2,280	-368	0	-10,868
Cumulative amortization Dec. 31	-47,175	-41,023	-1,256	0	-89,453
Book value Dec. 31, 2020	19,627	6,693	1,361	14,246	41,927

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 2021

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	21,088	2,148	10,651	152	34,040
Translation difference (+/-)	444	-2	95		536
Additions	3,778	504	470		4,752
Disposals	-3,091	-50	-3,177		-6,318
Reclassifications between items			184		184
Acquisition cost Dec. 31	22,218	2,600	8,222	152	33,193
Cumulative depreciation Jan. 1	-7,567	-1,347	-9,780	0	-18,694
Translation difference (+/-)	-209	2	-81		-288
Cumulative depreciation on disposals and reclassifications	0	0	3,177		3,177
Depreciation	-3,706	-521	-326		-4,552
Cumulative depreciation Dec. 31	-11,483	-1,866	-7,009	0	-20,357
Book value Dec. 31, 2021	10,736	735	1,213	152	12,836

Tangible assets 2020

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

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 exposed to potential cash outflows that are not reflected in the measurement of lease liabilities. The Group has committed to enter into a lease agreement with expected cash outflows during the coming year.

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

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

EUR THOUSAND	1.1.-31.12.2021	1.1.-31.12.2020
Depreciation expense of right-of-use assets	-4,227	-4,203
Interest expense on lease liabilities	-762	-881
Expense relating to leases of low-value assets	-643	-530
Total amount recognised in profit or loss	-5,631	-5,613

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.-31.12.2021	1.1.-31.12.2020
Finland	53,909	51,834
Americas	30,707	28,895
Europe	42,884	43,828
Nordics	9,369	9,292
APAC	3,156	3,661
Group total	140,025	137,509

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	31.12.2021	31.12.2020
Acquisition cost Jan. 1	13	13
Acquisition cost Dec. 31	13	13

Non-current financial assets include unquoted equity shares.

15. Current trade and other receivables

Accounting principles - Expected credit losses on trade receivables

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

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

EUR THOUSAND	31.12.2021	31.12.2020
Non-current receivables		
Contract assets	0	6
Capitalized contract costs	1,996	2,854
Other non-current receivables	1,138	688
Pledged bank account	5,000	0
Non-current trade and other receivables total	8,133	3,547
Current receivables		
Trade receivables	27,407	26,602
Contract assets	639	818
Capitalized contract costs	2,600	3,271
Other receivables	6,871	5,443
Current receivables total	37,518	36,134

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	31.12.2021	31.12.2020
Capitalized contract costs, opening balance	6,125	6,636
Capitalized during the period	2,063	3,204
Recognized as an expense during the period	-3,590	-3,715
Capitalized contract costs, ending balance	4,598	6,125

The aging analysis of trade receivables and impairment loss

EUR THOUSAND	2021	Impairment provision	Net 2021	2020	Impairment provision	Net 2020
Not due	20,693	-9	20,684	20,026	-9	20,017
Overdue						
1-180 days	6,844	-74	6,770	7,009	-70	6,939
181-360 days	681	-305	376	454	-212	242
Over 360 days	87	-210	-123	577	-574	4
Additional provision	0	-300	-300	0	-600	-600
Total	28,306	-898	27,407	28,066	-1,464	26,602

In addition to the standard company practice of provisioning for credit losses the Group estimates an additional provision of EUR 300 thousand related to increased uncertainty of economic conditions in countries where the Group operates due to Covid-19 pandemic.

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

16. Cash and short-term deposits

Accounting principles

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

EUR THOUSAND	31.12.2021	31.12.2020
Cash and cash equivalents	31,060	40,461
Cash and short-term deposits	31,060	40,461

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	1.1.-31.12.2021	1.1.-31.12.2020
Opening value Jan. 1 - liability	388	377
Amounts recognised in profit and loss		
Service cost, benefits earned during the year	64	70
Interest expense (+) / income (-)	26	25
Changes due to currency fluctuation	34	-43
Amounts recognised in other comprehensive income		
Actuarial losses (+) / gains (-)	33	4
Other changes		
Benefits paid	-36	-46
Ending value Dec. 31 - liability	509	388
The most significant actuarial assumptions		
Discount rate (%)	6.9%	6.6%
Increase of wages (%)	7.0%	7.0%

18. Management of financial risk

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

Foreign currency risk

The Group's main currency is euro, accounting for approximately 54 percent of net sales in 2021 (approximately 53% in 2020). Total Net sales were 153 (152) million EUR. 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.

Net sales by currency

%	1.1.-31.12.2021	1.1.-31.12.2020
EUR	54.1	52.8
USD	20.5	21.3
GBP	7.3	7.2
Other	18.0	18.6
Group total	100	100

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 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 US dollar, Indian Rupee and Romanian Leu. The Group hedged substantial foreign currency items in the financial period according to the Treasury 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. The hedged exposures consist of future forecasted contracted cash flows in next 12 months. The Group hedges also balance sheet risk arising from foreign currency denominated items on the balance sheet. Foreign currency cash flow hedges are conducted at parent company level. Foreign currency forward and non-deliverable forward contracts are used for Hedging.

Accounting principles are presented in Note 22. The effective portion of changes in the fair values of hedge accounted derivatives are recognized in other comprehensive income. The changes of non-hedge accounted derivatives are recognized in profit and loss statement. The table below presents the fair values of foreign currency derivatives at year-end.

EUR THOUSAND	2021				2020			
	Nominal value	Positive fair value	Negative fair value	Net fair value	Nominal value	Positive fair value	Negative fair value	Net fair value
Foreign-currency derivatives	28,958	794	-54	740	14,162	55	-413	-358

The sensitivity of foreign currency exposure on revenue and operating profit has been estimated using 10 percent change to all currencies the company is exposed to. Revenue impact is calculated using the total group net revenue for the reporting period. Operating profit sensitivity includes all line items as per profit and loss statement excluding hedge accounted derivatives. Foreign exchange sensitivity is estimated by recalculating the reporting period result using changed average rates. Sensitivity analysis of the operative items as well as the financial instruments have been changed since the annual report 2020 and are not comparable. Comparison year has been recalculated here using the new method.

10% change in the average foreign exchange rates	
Revenue Impact	Operating profit impact
Change in EUR revenue would be 4.6% (4.7%)	Change in EUR operating profit is smaller than change in revenue

A sensitivity analysis of financial instruments as required by IFRS 7, include the following items: foreign currency cash and cash equivalents, currency derivatives, foreign currency leasing debt, foreign currency internal loans and net investment loans. The next table presents the effects, net of taxes, of a +/- 10 percent change in EUR foreign exchange rates:

TUHATTA EUROA	Tuloslaskelma		Laajan tuloslaskelman erät	
2021	+10%	-10%	+10%	-10%
EUR/USD	1,790	-136	1,926	-1,926
EUR/GBP	237	-95	332	-332
EUR/SEK	267	-62	328	-328
EUR/NOK	359	-153	511	-511
EUR/INR	762	-161	923	-923
EUR/RON	612	-170	782	-782
Muut valuutat	593	-140	728	-728
	4,620	-917	5,531	-5,531

TUHATTA EUROA	Tuloslaskelma		Laajan tuloslaskelman erät	
2021	+10%	-10%	+10%	-10%
EUR/USD	2,174	541	1,633	-1,633
EUR/GBP	774	45	729	-729
EUR/SEK	204	-118	322	-322
EUR/NOK	44	-463	507	-507
EUR/INR	229	-194	423	-423
EUR/RON	484	-30	514	-514
Muut valuutat	339	-167	465	-465
	4,248	-386	4,593	-4,593

Changes in the other comprehensive income are caused by net investment loans and foreign currency contracts relating to and designated in cash flow hedge accounting.

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, 2021 the Group had a total of EUR 71.4 million (EUR 68.8 million) interest-bearing liabilities, excluding leasing-liabilities, of which a total of EUR 60.2 million variable-rate loans. At the closing date all external loans have been in Euro with the average cost of debt of 10.8 percent (14.2%) and average maturity of 2.6 years. Cost of debt calculation for 2021 excluded one time costs relating to the amendment of the Macquarie debt facility in July 2021.

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 (-0.2/+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	2021		2020	
Change in interest rates	+1%	-1%	+1%	-1%
Interest-bearing liabilities	-300	0	-237	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 is 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 31.1 million on 31 December 2021.

On July 12, Basware completed an amendment agreement of its debt facility with Macquarie Principal Financing PTY Limited, effective 12th of July 2021. As a result of the improved terms, the Company will realize a cash benefit of minimum EUR 12 million over the remaining duration of the Loan, compared with the original debt facility. The renegotiated Loan reflects Basware's improved financial performance and significantly decreases Basware's cost of debt. Under the amendment, the debt facility is upsized to a EUR 66 million senior secured Loan which will be due September 2024 in line with the facility's original maturity and has a non-call of 24 months. The Loan amount of EUR 66 million consists of EUR 50 million related to the original debt facility, EUR 11 million related to previously capitalized interest (PIK interest) and EUR 5 million upsizing to enhance the Company's overall liquidity position.

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

EUR THOUSAND		2020	Cash flow (+/-)	Non-cash flow (+/-)	2021
Non-current	Loans from financial institutions	56,706	-9,886	13,432	60,253
	Bond	9,958		16	9,974
Current	Loans from financial institutions	2,173	-1,996	998	1,175
	Leasing liabilities	15,374	-4,267	2,191	13,298
Total		84,212			84,700

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 2021

EUR THOUSAND	Balance sheet value	Cash flow	less than 1 year	1-3 years	3-5 years	over 5 years
Loans, interest-bearing	71,402	90,292	5,266	85,026	0	0
Leasing liabilities, interest-bearing	13,298	14,513	4,203	6,537	3,773	0
Foreign currency derivatives	54	54	54	0	0	0
Trade and other payables	12,207	12,207	12,207	0	0	0
Total	96,961	117,066	21,730	91,563	3,773	0

Maturity distribution of financial liabilities 2020

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

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. No covenant was breached in the financial period ending 31 December 2021.

The Group aims to maintain a strong equity ratio and a moderate gearing ratio. At the end of 2021 the equity ratio was 33.0 percent (36.7%) and gearing ratio 73.4 percent (53.0%). Gearing ratio excluding leasing liabilities was 55.2 percent (34.4%).

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 2021

EUR THOUSAND	Share-holders' equity	Share premium account	Invested un-restricted equity	Other reserves	Own shares	Total
Jan 1, 2021	3,528	1,187	110,290	290	0	115,296
Decrease of treasury shares						
Transactions that do not affect the number of shares / Cash flow hedges				717		717
Dec 31, 2021	3,528	1,187	110,290	1,006	0	116,013

Shareholders' equity 2020

EUR THOUSAND	Share-holders' equity	Share premium account	Invested un-restricted equity	Other reserves	Own shares	Total
Jan 1, 2020	3,528	1,187	110,388	653	-98	115,659
Decrease of treasury shares			-98		98	0
Transactions that do not affect the number of shares / Cash flow hedges				-363		-363
Dec 31, 2020	3,528	1,187	110,290	290	0	115,296

The nominal value of one share is not determined.

Number of shares

	2021	2020
Number of outstanding shares Jan. 1	14,415,460	14,397,639
Incentive plan (+)	0	17,821
Number of outstanding shares Dec. 31	14,415,460	14,415,460
Treasury shares Jan. 1	5,476	4,297
Share issue without consideration (+)	19,000	19,000
Incentive plan (-)	-17,821	-17,821
Treasury shares Dec. 31	6,655	5,476

Other reserves

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

Treasury shares

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

Warrants

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

The management used judgement in valuing the warrants at fair value. The loan is calculated at amortized cost applying EIR. As a result of the share issue decided by the Board of Directors on 22 September 2021, the Board of Directors also decided upon the adjustment of the subscription price to be utilized when subscribing the 1,000 freely transferable warrants belonging to Briarwood Chase Management LLC. Following the adjustment, the warrants entitle their holder to subscribe for a total of 1,003,000 shares in the company at an adjusted subscription price of EUR 29.7926 per share. 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 2021 (2020: 0 euros per share).

20. Trade and other liabilities

EUR THOUSAND	31.12.2021	31.12.2020
Long-term trade and other liabilities		
Contract liabilities	2,133	2,791
Long-term trade and other liabilities total	2,133	2,791
Short-term trade and other liabilities		
Trade liabilities	7,796	6,178
Contract liabilities	19,965	19,177
Other Liabilities	27,134	24,292
Short-term trade and other liabilities total	54,895	49,648

Accrued expenses include personnel related expenses EUR 17,137 thousand (EUR 17,054 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	31.12.2021	31.12.2020
Opening balance Jan. 1	0	266
Additions	0	0
Disposals	0	-266
Closing balance Dec. 31	0	0

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 amortized 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 amortized 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 amortized 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 derecognized 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 amortized 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 amortized cost. Financial liabilities are classified as non-current liabilities if they mature in more than 12 months. Liabilities maturing in less than 12 months are classified as current.

Derivatives

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

The Group applies hedge accounting for foreign currency cash flow hedging. For foreign exchange forwards and swaps not qualifying for hedge accounting changes in fair values are recognized 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 exists 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 recognized through other comprehensive income (OCI) to hedge reserve within equity. When the hedged transaction affects the income statement the hedging instruments recognized in OCI are transferred to income statement. Accumulated changes in fair values within equity are recognized 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 of 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 76 thousand in the income statement and the balance sheet impact (OCI) was EUR 450 thousand at the end of 2021.

EUR THOUSAND	Note	Derivatives, hedge accounting	Fair value through profit or loss	Amortized cost	2021 Carrying amount	2021 Fair value
Financial assets non-current						
Unlisted share investments	14		13		13	13
Other receivables	15			6,138	6,138	6,138
Financial assets current						
Trade and other receivables	15			28,600	28,600	28,600
Derivatives	18	471	323		794	794
Cash and cash equivalents	16			31,060	31,060	31,060
Financial assets					66,605	66,605
Financial liabilities non-current						
Loans, interest-bearing				70,227	70,227	78,151
Leasing liabilities, interest-bearing				8,986	8,986	8,986
Financial liabilities current						
Loans, interest-bearing				1,175	1,175	1,175
Leasing liabilities, interest-bearing				3,560	3,560	3,560
Trade and other payables	20			12,207	12,207	12,207
Derivatives	18	21	33		54	54
Financial liabilities					96,209	104,133

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

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

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

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

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

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

Long-term financial assets

Long-term financial assets consist of unlisted share investments and other receivables. Unquoted equity shares of EUR 13 thousand are classified as level 3 in the fair value measurement hierarchy.

Short-term financial assets

Trade and other receivables are measured at amortized cost less impairment losses. Financial assets arising from derivative financial instruments of EUR 794 thousand are classified as level 2.

Long-term financial liabilities

Long-term loans from financial institutions consist of a loan from Macquarie Principal Finance PTY Limited, UK Branch and other institutions. The terms of the debt facility with Macquarie Principal Financing PTY Limited was ammended effective 12th of July 2021. Fair value of the loan from Macquarie Principal Finance PTY is measured to reflect the amount the Group would need to pay if it would repay the loan in full at the end of reporting period. The loan is classified as level 2 in the fair value measurement hierarchy. The value of the loan as of 31 December, 2021 would approximately be 68.2 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 amortized cost. Financial liabilities arising from derivative financial instruments of EUR 54 thousand are classified as level 2.

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

23. Auditor fees

EUR THOUSAND	1.1.-31.12.2021	1.1.-31.12.2020
Audit fees	-277	-258
Tax consultancy	-1	0
Other fees and services	-5	-4
Auditor fees total	-283	-262

24. Commitments and contingent liabilities

EUR THOUSAND	31.12.2021	31.12.2020
Own guarantees		
Guarantees	1,052	1,262
Business mortgage	86,200	0
Commitments on behalf of subsidiaries		
Guarantees	862	822
Other commitments		
Maturing in less than 1 year	2,831	3,455
Maturing in 1-5 years	572	2,876
Maturing later than 5 years	2	0
Total	3,405	6,331
Commitments and contingent liabilities total	91,518	8,415

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

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

The Group has committed to enter into a lease agreement with expected cash outflows during the coming year. When this occurs, the Group is exposed to potential cash outflows that are not now disclosed in the measurement of rental liabilities or other commitments.

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

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

25. 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 Shared Services Ltd.	London	Great Britain	100

Foreign branches

The parent company has a branch office in Russia, Moscow (reg.no. 16926.1).

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

26. Events after the reporting period

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

Parent company income statement (FAS)

EUR	Note	1.1.-31.12.2021	1.1.-31.12.2020
NET SALES	2	75,308,359.44	76,404,254.64
Other operating income	3	15,536.52	104,306.00
Materials and services	4	-16,325,836.33	-16,603,144.76
Employee benefits expenses	5	-28,612,352.29	-27,577,060.55
Depreciation and amortization	6	-10,199,482.36	-9,754,876.74
Other operating expenses	7	-20,929,989.17	-24,205,080.20
Operating profit/loss		-743,764.19	-1,631,601.61
Financial income	8	834,932.24	886,438.27
Financial expenses	8	-20,290,644.39	-11,530,950.03
Dividend from group companies		794,821.86	200,000.00
Impairment on investments	8	0.00	-17,884.00
Profit/loss before appropriation and taxes		-19,404,654.48	-12,093,997.37
Income tax expense	9	0.00	0.00
PROFIT/LOSS FOR THE PERIOD		-19,404,654.48	-12,093,997.37

Parent company balance sheet (FAS)

EUR	Note	31.12.2021	31.12.2020
ASSETS			
Non-current assets			
Intangible assets	10	34,389,564.65	36,566,585.97
Tangible assets	11	653,149.67	677,978.80
Investments	12	103,515,446.52	107,583,005.73
Long-term trade and other receivables	13	5,987,351.20	645,316.57
Non-current assets		144,545,512.04	145,472,887.07
Current assets			
Short-term trade and other receivables	14	21,808,245.72	23,008,460.06
Cash and cash equivalents		22,111,900.02	32,370,471.67
Current assets		43,920,145.74	55,378,931.73
TOTAL ASSETS		188,465,657.78	200,851,818.80
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		3,528,368.70	3,528,368.70
Share premium account		1,118,161.00	1,118,161.00
Fair value reserve		450,412.66	-357,511.42
Other reserves		115,939,220.13	115,939,220.13
Retained earnings		-47,243,286.26	-35,149,288.89
Result for the period		-19,404,654.48	-12,093,997.37
Shareholders' equity	15	54,388,221.75	72,984,952.15
Liabilities			
Long-term liabilities	16	70,958,990.48	68,901,805.96
Short-term liabilities	17	63,118,445.55	58,965,060.69
Total liabilities		134,077,436.03	127,866,866.65
TOTAL EQUITY AND LIABILITIES		188,465,657.78	200,851,818.80

Parent company cash flow statement (FAS)

EUR	1.1.-31.12.2021	1.1.-31.12.2020
Cash flow from operating activities		
Result for the period	-19,404,654.48	-12,093,997.37
Adjustments for result		
Planned depreciations	10,199,482.36	9,754,876.74
Proceeds from sale of non-current assets	0.00	46,177.46
Unrealized exchange gains and losses	100,286.43	810,886.35
Finance income and expenses	18,540,986.58	9,684,729.72
Other non-cash items	-465,602.69	-766,477.46
Working capital changes	759,165.79	-8,736,187.40
Interest paid	-2,839,758.57	-72,669.22
Dividends received	795,398.82	700,000.00
Interest received	156,022.23	381,335.11
Other financial items in operating activities	-338,048.50	-426,385.25
Net cash from operating activities	7,503,277.97	-717,711.32
Cash flow from investing activities		
Purchase of tangible and intangible assets	-8,092,503.40	-8,816,475.72
Proceeds from sale of tangible and intangible assets	0.00	6,500.00
Investments in group companies	-1,100,000.00	0.00
Proceeds from repayments of loans	5,168,220.28	6,356,996.74
Movements in short-term deposits and fixes deposits	-5,000,000.00	0.00
Addition / deduction of cash equivalents	169,522.16	817,979.14
Net cash used in investing activities	-8,854,760.96	-1,634,999.84
Cash flow before financing activities	-1,351,482.99	-2,352,711.16

EUR	1.1.-31.12.2021	1.1.-31.12.2020
Cash flow from financing activities		
Repayment of current borrowings	-1,995,972.00	-1,995,972.00
Addition / deduction of current borrowings	4,263,928.51	13,791,066.35
Proceeds from borrowings	0.00	1,446,904.88
Repayment of non-current borrowings	-11,175,045.17	0.00
Net cash used in financing activities	-8,907,088.66	13,241,999.23
Net change in cash and cash equivalents	-10,258,571.65	10,889,288.07
Cash and cash equivalents at the beginning of period	32,370,471.67	21,481,183.60
Cash and cash equivalents at the end of period	22,111,900.02	32,370,471.67

The company includes intra-group accounts in the financing activities.

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.

Transactions in foreign currencies

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

Revenue recognition

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

Other operating income

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

Research and development costs

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

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 amortization 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 amortization 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 are 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 a 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	1.1-31.12.2021	1.1-31.12.2020
Cloud revenue		
SaaS	39,485	35,349
Transaction services	23,614	23,871
Other cloud revenue	83	60
Cloud revenue total	63,182	59,281
Non-cloud revenue		
Maintenance	4,459	9,682
License sales	74	193
Consulting services	7,457	7,518
Other non-cloud revenue	136	-269
Other than cloud revenue total	12,127	17,124
Revenue total	75,308	76,404

Net sales by location of customer

EUR THOUSAND	1.1-31.12.2021	1.1-31.12.2020
Finland	36,633	36,315
Export	38,675	40,089
Total	75,308	76,404

3. Other operating income

EUR THOUSAND	1.1.-31.12.2021	1.1.-31.12.2020
Gain on sale of assets	7	23
Other operating income	8	81
Other operating income total	15	104

4. Materials and services

EUR THOUSAND	1.1.-31.12.2021	1.1.-31.12.2020
Purchases during the financial period	-15,754	-15,614
Services purchased	-571	-989
Total	-16,326	-16,603

5. Personnel and employee benefits

Personnel expenses

EUR THOUSAND	1.1-31.12.2021	1.1-31.12.2020
Salaries paid to CEO and the Board of Directors	-1,524	-817
Salaries paid to other personnel	-22,233	-22,715
Pension expenses	-3,996	-3,139
Other personnel expenses	-859	-906
Total	-28,612	-27,577

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.-31.12.2021	1.1.-31.12.2020
Personnel average for the period	340	347
Personnel at the end of the period	335	346

6. Depreciation and amortization

EUR THOUSAND	1.1.-31.12.2021	1.1.-31.12.2020
Intangible assets	-10,005	-9,565
Tangible assets	-195	-190
Total	-10,199	-9,755

7. Other operating expenses

EUR THOUSAND	1.1.-31.12.2021	1.1.-31.12.2020
Rents	-1,425	-1,376
Non-statutory employee benefits	-412	-387
Travelling	-137	-313
Marketing	-4,824	-3,531
IT and telephone	-920	-904
Auditor fees	-198	-171
Other expenses	-13,013	-17,523
Other operating expenses total	-20,930	-24,205
Audit fees	-193	-167
Tax consultancy	0	0
Other fees and services	-5	-4
Audit fees total	-198	-171

8. Finance income and expenses

EUR THOUSAND	1.1.-31.12.2021	1.1.-31.12.2020
Other interest and financial income		
From group companies	358	845
From others	477	41
Other interest and financial income	835	886
Interest and financial expenses		
To group companies	-623	-1,283
To others	-19,668	-10,248
Impairment on investments	0	-18
Other interest and financial expenses total	-20,291	-11,549
Total	-19,456	-10,663

9. Direct taxes

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

EUR THOUSAND	1.1.-31.12.2021	1.1.-31.12.2020
Income taxes from previous financial periods	0	0
Total	0	0

The deferred tax asset arising from accumulated losses total of 5.6 (6.4) million euros has not been recognized on the balance sheet. In addition, the company has non-deductible interests in total of 26.1 (17.2) million euros for which deferred tax asset has not been recognized on the balance sheet. The postponed R&D amortizations 7.0 (5.2) million euros are booked as deferred tax asset on the Group balance sheet.

10. Intangible assets

Intangible assets 2021

EUR THOUSAND	Development costs	Intangible rights	Goodwill/merger loss	Other long-term investments	Assets, unfinished projects	Total
Acquisition cost Jan. 1	65,652	18,496	17,625	288	14,044	116,104
Additions	321	391	0	28	7,178	7,919
Disposals	-6,337	-7,134	0	0	0	-13,471
Reclassifications between items	5,701	0	0	0	-5,701	0
Acquisition cost Dec. 31	65,337	11,753	17,625	317	15,520	110,552
Cumulative amortization Jan. 1	-45,771	-16,035	-17,625	-107	0	-79,538
Cumulative amortization on disposals and reclassifications	6,246	7,134	0	0	0	13,380
Amortization	-9,265	-706	0	-34	0	-10,005
Cumulative amortization Dec. 31	-48,790	-9,607	-17,625	-140	0	-76,163
Book value Dec. 31	16,547	2,146	0	176	15,520	34,389

Intangible assets 2020

EUR THOUSAND	Development costs	Intangible rights	Goodwill/merger loss	Other long-term investments	Assets, unfinished projects	Total
Acquisition cost Jan. 1	63,503	17,846	17,625	288	8,118	107,380
Additions	744	650	0	0	7,330	8,725
Disposals	0	0	0	0	0	0
Reclassifications between items	1,405	0	0	0	-1,405	0
Acquisition cost Dec. 31	65,652	18,496	17,625	288	14,044	116,104
Cumulative amortization Jan. 1	-37,551	-14,726	-17,625	-72	0	-69,973
Cumulative amortization on disposals and reclassifications	0	0	0	0	0	0
Amortization	-8,220	-1,309	0	-35	0	-9,565
Cumulative amortization Dec. 31	-45,771	-16,035	-17,625	-107	0	-79,538
Book value Dec. 31	19,881	2,460	0	182	14,044	36,566

11. Tangible assets

Tangible assets 2021

EUR THOUSAND	Machinery and equipment	Other tangible assets	Total
Acquisition cost Jan. 1	6,898	152	7,050
Additions	170	0	170
Disposals	-3,061	0	-3,061
Acquisition cost Dec. 31	4,007	152	4,159
Cumulative depreciation Jan. 1	-6,372	0	-6,372
Cumulative depreciation on disposals and reclassifications	3,061	0	3,061
Depreciation	-195	0	-195
Cumulative depreciation Dec. 31	-3,506	0	-3,506
Book value Dec. 31	501	152	653

Tangible assets 2020

EUR THOUSAND	Machinery and equipment	Other tangible assets	Total
Acquisition cost Jan. 1	6,954	152	7,107
Additions	49	0	49
Disposals	-106	0	-106
Acquisition cost Dec. 31	6,898	152	7,050
Cumulative depreciation Jan. 1	-6,287	0	-6,287
Cumulative depreciation on disposals and reclassifications	106	0	106
Depreciation	-190	0	-190
Cumulative depreciation Dec. 31	-6,372	0	-6,372
Book value Dec. 31	526	152	678

12. Investments

EUR THOUSAND	1.1.-31.12.2021	1.1.-31.12.2020
Shares in group companies		
Book value Jan. 1	98,075	98,075
Increase	3,352	0
Book value Dec. 31	101,427	98,075
Other shares		
Book value Jan. 1	13	13
Book value Dec. 31	13	13
Receivables from group companies		
Loan receivables from group companies	2,075	9,495
Investments total	103,515	107,583

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 Shared Services Ltd.	London	Great Britain	100

Foreign branches

The parent company has a branch office in Russia, Moscow (reg.no. 16926.1).

13. Non-current receivables

EUR THOUSAND	31.12.2021	31.12.2020
Rent deposits	7	7
Accrued employee expenses and other prepaid expenses	980	638
Pledged bank account	5,000	0
Total	5,987	645

14. Current receivables

EUR THOUSAND	31.12.2021	31.12.2020
Accounts receivables	6,463	5,662
Receivables from group companies		
Accounts receivables	7,275	10,262
Interest receivables	0	0
Loan receivables	147	317
Other receivables	2,887	2,910
Total	10,309	13,488
Prepaid expenses and accrued income	4,204	3,698
Other receivables	833	159
Total	5,036	3,858
Current receivables total	21,808	23,008
Prepaid expenses and accrued income		
Accrued employee expenses	2	7
Other prepaid expenses and accrued income	4,202	3,692
Total	4,204	3,698

15. Shareholders' equity

EUR THOUSAND	31.12.2021	31.12.2020
Share capital Jan. 1	3,528	3,528
Share capital Dec. 31	3,528	3,528
Share premium account Jan. 1	1,118	1,118
Share premium account Dec. 31	1,118	1,118
Fair value reserve Jan. 1	-358	77
Increase or decrease	808	-435
Fair value reserve Dec. 31	450	-358
Restricted Equity Dec. 31	5,097	4,289
Invested non-restricted equity Jan. 1	115,939	116,037
Decrease of treasury shares	0	-98
Invested non-restricted equity Dec. 31	115,939	115,939
Retained earnings Jan. 1	-47,243	-35,246
Decrease of treasury shares	0	98
Profit for the period	-19,405	-12,094
Retained earnings Dec. 31	-66,648	-47,243
Non-restricted equity Dec. 31	49,291	68,696
Shareholders' equity Dec. 31	54,388	72,985

EUR THOUSAND	31.12.2021	31.12.2020
Specification of distributable funds		
Profit for the period	-19,405	-12,094
Retained earnings	-47,243	-35,148
Other distributable funds	115,939	115,939
Warrants	-4,691	-4,691
Development expenses, capitalized*	-32,067	-33,925
Distributable funds Dec. 31	12,533	30,080

* 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. Non-current liabilities

EUR THOUSAND	1.1.-31.12.2021	1.1.-31.12.2020
Loans from financial institutions	70,227	66,665
Deferred income	555	613
Debts to group companies	177	1,624
Non-current liabilities total	70,959	68,902

17. Current liabilities

EUR THOUSAND	31.12.2021	31.12.2020
Accounts payable	6,220	5,145
Liabilities to group companies		
Accounts payable	1,291	2,345
Other debts	38,914	34,709
Total	40,205	37,054
Loans from financial institutions	998	1,996
Other debts	1,373	1,363
Accrued expenses and deferred income	14,323	13,408
Total	16,693	16,767
Current liabilities total	63,118	58,965
Accrued expenses and deferred income		
Accrued employee expenses	8,125	7,787
Deferred income	1,841	3,683
Other accrued expenses	4,357	1,938
Total	14,323	13,408

18. Commitments and contingent liabilities

EUR THOUSAND	31.12.2021	31.12.2020
Own guarantees		
Guarantees	399	398
Business mortgage	86,200	
Commitments on behalf of subsidiaries		
Guarantees	862	822

EUR THOUSAND	31.12.2021	31.12.2020
Other own contingent liabilities		
Leasing liabilities		
Current lease liabilities	306	299
Lease liabilities maturing in 1-5 years	344	190
Total	651	489
Rental liabilities*		
Current rental liabilities	3,719	4,380
Rental liabilities maturing in 1- 5 years	4,687	7,278
Rental liabilities maturing over 5 years	0	1,048
Total	8,407	12,706
Other own contingent liabilities total	9,057	13,196
Commitments and Contingent Liabilities total	96,518	14,416

*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.

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

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



SIGNATURES FOR THE BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

In Espoo, February 2, 2022

Michael Ingelög
Chair of the Board

Ilkka Sihvo
Vice Chair of the Board

Minna Smedsten
Member of the Board

Daryl Rolley
Member of the Board

Carl Farrell
Member of the Board

Jonathan Meister
Member of the Board

Klaus Andersen
CEO

The Auditor's Note

A report on the audit performed has been issued today.

Helsinki 2.2.2022

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 the Financial Statements

Opinion

We have audited the financial statements of Basware Corporation (business identity code 0592542-4) for the year ended 31 December, 2021. 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 the Financial Statements section of our report.

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

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we

have provided have been disclosed in note 23 to the consolidated financial statements and note 7 to the parent company financial statements.

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

Key Audit Matters

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

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

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

KEY AUDIT MATTER

Valuation of Goodwill

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

At the balance sheet date 31 December 2021, the value of goodwill amounted to EUR 80 million representing 36% of total assets and 110% of total equity (2020: EUR 77 million, 34% of total assets and 93% 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.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Our audit procedures included, among others, involving internal valuation specialist to assist us in evaluating the assumptions and methodologies used by the group including those related to forecasted revenue, operating profit and the weighted average cost of capital used in discounting the cash flows.

We reviewed the sensitivity in the available headroom by cash generating unit and focused on whether any reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount.

We compared the historical forecasting of the group with actual outcome and we compared projections to the latest estimates approved by the board. We checked the mathematical accuracy of the underlying calculations.

We compared the groups' disclosures related to impairment tests in note 3 in the financial statements with presentation requirements in applicable accounting standards and we reviewed the information provided on sensitivity analysis.

Revenue Recognition

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 the 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 14 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.

Other opinions on assignment of the Audit Committee

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the distributable funds shown in the financial statements is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki 2.2.2022

Ernst & Young Oy
Authorized Public Accountant Firm

Terhi Mäkinen
Authorized Public Accountant

GROUP KEY FINANCIAL PERFORMANCE INDICATORS

EUR THOUSAND	2021	2020	2019	2018	2017
Cloud ARR order intake	17,064	19,250	23,694	21,474	-
Net sales	153,155	151,579	148,302	141,417	149,167
Growth of net sales, %	1.00%	2.20%	4.90%	-5.20%	0.40%
Organic revenue growth, %	0.90%	3.20%	5.90%	5.40%	1.50%
Operating profit	7,144	4,667	-14,537	-1,471	-9,509
% of net sales	4.70%	3.10%			
EBITDA	22,828	20,207	1,403	9,217	599
% of net sales	14.90%	13.30%	0.90%	6.50%	0.40%
Adjusted EBITDA	23,186	20,359	5,185	-4,364	3,294
Return on equity, %	-18.30%	-8.30%	-22.90%	-6.30%	-9.36%
Return on investment, %	4.30%	3.10%	-8.60%	-0.90%	-5.77%
Interest-bearing liabilities excl. leasing liabilities	71,402	68,837	60,885	57,206	49,282
Cash and cash equivalents	31,060	40,461	31,672	40,747	20,683
Cash flows from operating activities	20,435	25,252	4,159	-6,261	-4,001
Gearing, %	72.50%	53.00%	48.90%	14.90%	25.24%
Gross investments	8,554	9,877	10,617	10,933	12,498
% of net sales	5.60%	6.50%	7.20%	7.70%	8.40%
R&D expenses excluding amortizations	17,666	16,447	19,138	21,231	24,372
R&D costs, capitalised	7,569	8,372	8,829	8,862	9,879
R&D investments, total	25,235	24,819	27,967	30,093	34,251
% of net sales	16.50%	16.40%	18.90%	21.30%	23.00%
Depreciation and amortization	15,685	15,539	15,941	10,688	10,108
Other capitalised expenditure	985	1,505	1,788	2,071	2,620
Personnel at end of period	1,347	1,336	1,325	1,412	1,829

GROUP SHARE INDICATORS

	2021	2020	2019	2018	2017
Earnings per share, undiluted	-0.99	-0.51	-1.63	-0.49	-0.80
Earnings per share, diluted	-0.99	-0.51	-1.63	-0.49	-0.80
Adjusted earnings per share, undiluted (EUR)	-0.96	-0.50	-1.37	-1.44	-0.61
Adjusted earnings per share, diluted (EUR)	-0.96	-0.50	-1.37	-1.44	-0.61
Equity per share	5.06	5.73	6.53	7.71	7.89
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)	-30.70	-82.56	-14.58	-80.20	-59.18
Share price performance, share issue adjusted					
lowest share price	28.25	15.66	16.76	19.75	31.96
highest share price	43.85	42.85	41.10	47.60	47.50
average share price	37.43	29.58	23.61	34.00	38.84
closing share price	30.25	42.00	23.75	39.50	47.50
Market value of shares at end of period**	437,293,788	605,449,320	341,943,926	567,633,802	682,085,892
Share issue adjusted number of traded shares	4,162,965	4,817,685	4,204,444	3,005,479	1,681,791
% of average share number	28.60%	33.40%	29.20%	20.92%	11.70%
Number of shares**					
- at end of the period	14,455,993	14,415,460	14,397,639	14,370,476	14,359,703
- average during the period	14,445,824	14,407,595	14,388,469	14,367,829	14,357,343
- average during the period, diluted	14,580,596	14,638,935	14,473,519	14,461,175	14,406,674

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

**) Excluding treasury shares

CALCULATION OF KEY INDICATORS

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

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

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

Alternative performance measures

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

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 $\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares at the end of the financial period} - \text{own shares}} \times 100$

DIVIDEND PER SHARE $\frac{\text{Total dividend}}{\text{Adjusted number of shares at the end of the financial period} - \text{own shares}} \times 100$

ADJUSTED EBITDA

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

OPERATING PROFIT

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

ADJUSTED OPERATING PROFIT (ADJUSTED EBIT)

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

GROSS INVESTMENTS

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

FREE CASH FLOW METRIC

Free cash flow is calculated as follows: EBITDA minus capitalizations, total debt service costs, tax and payments of lease liabilities, and excluding the share part of share-based compensation.



INFORMATION FOR SHAREHOLDERS



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, 2021	EUR 30.25

At the end of 2021, the total number of shares issued by Basware was 14,463,936 (14,420,936). 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 2021, Basware Corporation's share capital was EUR 3,528,368.70 (EUR 3,528,368.70).

During 2021, the highest price of the share was EUR 43.85 (EUR 42.85), the lowest was EUR 28.25 (EUR 15.66) and the closing price was EUR 30.25 (EUR 42.00). The average price of the share was EUR 37.43 (EUR 29.58) during the period.

A total of 4,162,965 (4,817,685) shares were traded on Nasdaq Helsinki stock exchange during the period, corresponding to 28.6 percent (33.4%) of the average number of shares. Market capitalization with the period's closing price on December 31, 2021, was EUR 437,293,788 (EUR 605,449,320).

The total amount of own shares held by the company on December 31, 2021 was 7,943 shares (5,476 shares), representing approximately 0.1 percent (0.0%) of all 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/governance/compensation>.

Shareholders

Basware had 11,533 (11,864) shareholders on December 31, 2021, of which 10 are nominee registers. Nominee registered holdings accounted for 54.0 percent (56.4%) of the total number of shares.

Distribution of holdings by country as at December 31, 2021

COUNTRY	Number of shareholders	% of shareholders	Number of shares	% of shares
Finland	11,375	98.6	6,095,464	42.1%
United States	37	0.3	4,085,870	28.2%
Sweden	17	0.1	1,844,118	12.7%
United Kingdom	14	0.1	432,138	3.0%
Germany	9	0.1	279,412	1.9%
Other	81	0.7	1,726,934	11.9%
Total	11,533	100.0	14,463,936	100

Distribution of holdings by sector as at December 31, 2021

	Number of shareholders	% of shareholders	Number of shares	% of shares
International institutions	10	0.1	7,812,930	54.0%
Finnish institutions	520	4.5	2,723,811	18.8%
Households	10,978	95.2	984,408	6.8%
Non-profit organizations	2	0.0	26,000	0.2%
Treasury	1	0.0	7,943	0.1%
Other	22	0.2	2,908,844	20.1%
Total	11,533	100	14,463,936	100
Of which nominee-registered	10	0.1	7,812,930	54.0

Major shareholders as at December 31, 2021

	Number of shares	% of shares
1. Long Path Partners	1,462,776	10.1
2. Lannebo Fonder	1,316,479	9.1
3. Ilkka Sihvo	887,300	6.1
4. Briarwood Chase Management	635,352	4.4
5. Hannu Vaajoensuu	560,446	3.9
6. Artisan Partners	492,073	3.4
7. Fourth Swedish National Pension Fund	469,873	3.3
8. Ilmarinen Mutual Pension Insurance Company	420,830	2.9
9. Janus Henderson Investors	420,508	2.9
10. Teton Capital	391,974	2.7
11. Kirsi Eräkangas	390,313	2.7
12. Capital Group	380,200	2.6
13. The State Pension Fund of Finland	306,000	2.1
14. Sakari Perttunen	301,121	2.1
15. Sp-Fund Management Company	290,612	2.0
16. Allianz Global Investors	276,231	1.9
17. Veritas Pension Insurance Company	241,102	1.7
18. OP Fund Management Company	189,333	1.3
19. Franklin Templeton	182,574	1.3
20. Antti Pöllänen	161,454	1.1
Total 20 largest shareholders	9,776,551	67.6
Nominee registered total	7,812,930	54.0
Total	14,463,936	100.0

Holdings of the Board of Directors and the Executive Team as at December 31, 2021

On December 31, 2021, the members of the Board of Directors and Executive Team held in total 937,703 company shares, accounting for 6.5 percent of the total number of shares and votes.

	Number of shares	% of all shares
Michael Ingelög, Chair	8,347	0.1
Ilkka Sihvo, Vice-Chair	887,300	6.1
Daryl Rolley	3,786	0.0
Minna Smedsten	1,135	0.0
Carl Farrel	538	0.0
Jonathan Meister	538	0.0
Holdings of the Board of Directors in total	901,644	6.2
Klaus Andersen, CEO	18,984	0.1
Martti Nurminen, CFO	0	0.0
Jane Broberg	5,482	0.0
Lars Madsen	7,896	0.1
Perttu Nihti	2,197	0.0
Mogens Pedersen	1,500	0.0
Alwin Schauer	0	0.0
Executive Team holdings in total	36,059	0.3

Source: Datablocks by Modular Finance AB. Compiled and processed data from various sources, including Euroclear Finland and Morningstar.

FOR SHAREHOLDERS

Annual General Meeting 2022

The Annual General Meeting of Basware Corporation will be held on 22 March 2022 at 3:00 p.m. EET. The meeting will be held under special arrangements without shareholders' or their proxy representatives' presence in the company's headquarters, at the address Linnoitustie 2, Building Cello, 02600 Espoo. The Board of Directors of the company has resolved on an exceptional meeting procedure based on the Act temporarily amending the Companies Act and certain other community laws (375/2021, the "Temporary Act"). In order to limit the spread of the Covid-19 pandemic, the Annual General Meeting will be held without shareholders' or their proxy representatives' presence at the meeting venue. This is necessary in order to organize the General Meeting in a predictable way while taking into account the health and safety of the company's shareholders, personnel and other stakeholders.

Each shareholder, who is registered on 10 March 2022 in the shareholders' register of the company held by Euroclear Finland Ltd, has the right to participate in the General Meeting. A shareholder, whose shares are registered on his/her personal Finnish book-entry account, is registered in the shareholders' register of the company. Registration for the meeting and advance voting begin on 17 February 2022 at 9:00 a.m. EET, when the deadline for delivering counterproposals has expired and the company has published the possible counterproposals to be put to a vote on the company's website. A shareholder entered in the company's shareholder register, who wishes to participate in the General Meeting by voting in advance, must register for the General Meeting and deliver his/her votes in advance on 16 March 2022 at 4:00 p.m. EET at the latest, by which time the notice of participation and the votes must be received.

Shareholders with a Finnish book-entry account can register and vote in advance on certain items on the agenda of the General Meeting during the period 17 February 2022 at 9:00 a.m. EET-16 March 2022 at 4:00 p.m. EET. Instructions regarding the voting are available to shareholders on the company's website at <http://investors.basware.com/en>.

A holder of nominee registered shares has the right to participate in the General Meeting by virtue of such shares, based on which he/she on the record date of the General Meeting, i.e. on 10 March 2022, would be entitled to be registered in the shareholders' register of the company held by Euroclear Finland Ltd. The right to participate in the Annual General Meeting requires, in addition, that the shareholder on the basis of such shares has been temporarily registered into the shareholders' register held by Euroclear Finland Ltd at the latest by 17 March 2022 by 10:00 a.m. EET. As regards nominee registered shares this constitutes due registration for the General Meeting.

Dividend for 2021

Board of Directors proposes to the Annual General Meeting that no dividend be paid for 2021.

Financial reporting in 2022

In 2022, Basware Corporation will publish financial information as follows:

April 21, 2022 - Interim report for January 1 – March 31, 2022
July 21, 2022 - Half-year financial report for January 1 – June 30, 2022
October 25, 2022 - Interim report for January 1 – September 30, 2022

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

Basware Investor Relations contacts

For investor relations questions or inquiries please contact IR@basware.com.

The Basware logo consists of the word "basware" in a white, lowercase, sans-serif font. It is centered within a light blue rounded rectangular box. The background of the entire slide is dark blue with abstract geometric shapes in a slightly lighter shade of blue, including a large triangle on the right and a parallelogram at the top.

basware

Simplify Operations, Spend Smarter.

