



**basware**

Simplify Operations, Spend Smarter.

# FINANCIAL STATEMENT BULLETIN

January-December 2020

Q4/2020

## Basware Financial Statement Bulletin January-December 2020: Consistent business performance, profitability and revenue in line with guidance

### October-December 2020

- Cloud ARR order intake amounted to EUR 5.9 million (EUR 6.9 million)
- Net sales decreased 1.2 percent to EUR 38,793 thousand (EUR 39,264 thousand), which amounted to 0.8 percent organic growth at constant currencies
- Cloud revenue increased 4.6 percent to EUR 28,660 thousand (EUR 27,390 thousand), which amounted to 6.9 percent organic growth at constant currencies
- EBIT amounted to EUR 1,213 thousand (EUR -1,516 thousand)
- Earnings per share (diluted) were EUR -0.13 (EUR -0.28)

### January-December 2020

- Cloud ARR order intake amounted to EUR 19.3 million (EUR 23.7 million)
- Net sales increased 2.2 percent to EUR 151,579 thousand (EUR 148,302 thousand), which amounted to 3.2 percent organic growth at constant currencies
- Cloud revenue increased 8.7 percent to EUR 110,312 thousand (EUR 101,442 thousand), which amounted to 9.8 percent organic growth at constant currencies
- EBIT amounted to EUR 4,667 thousand (EUR -14,537 thousand)
- Earnings per share (diluted) were EUR -0.51 (EUR -1.63)

### Key figures

| EUR thousand                           | 10-12/<br>2020 | 10-12/<br>2019 | Change,<br>% | 1-12/<br>2020 | 1-12/<br>2019 | Change,<br>% |
|--|----------------|----------------|--------------|---------------|---------------|--------------|
| Net sales                              | 38,793         | 39,264         | -1.2         | 151,579       | 148,302       | 2.2          |
| Cloud revenue                          | 28,660         | 27,390         | 4.6          | 110,312       | 101,442       | 8.7          |
| Cloud ARR order intake                 | 5,899          | 6,873          | -14.2        | 19,250        | 23,694        | -18.8        |
| EBIT                                   | 1,213          | -1,516         |              | 4,667         | -14,537       |              |
| EBITDA                                 | 5,044          | 2,395          |              | 20,207        | 1,403         |              |
| Gearing, % <sup>1</sup>                | 53.0           | 48.9           | 8.4          | 53.0          | 48.9          | 8.4          |
| Cash and cash equivalents <sup>1</sup> | 40,461         | 31,672         | 27.8         | 40,461        | 31,672        | 27.8         |
| Cash flows from operating activities   | 5,633          | 4,742          | 18.8         | 25,252        | 4,159         |              |
| Free cash flow metric                  | -1,503         | -4,774         | 68.5         | -6,590        | -23,829       | 72.3         |
| Earnings per share, diluted, EUR       | -0.13          | -0.28          | 54.8         | -0.51         | -1.63         | 68.8         |
| Personnel <sup>1</sup>                 | 1,336          | 1,325          | 0.8          | 1,336         | 1,325         | 0.8          |

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

The financial statement bulletin is unaudited.

### Guidance for 2021

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

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

## CEO Klaus Andersen:

“Order intake increased from the third quarter, but due to the economic uncertainty caused by the pandemic, we continued to see some cautiousness from especially new enterprise customers in starting large IT projects. Order intake amounted to EUR 5.9 million in the fourth quarter and EUR 19.3 million for the full year. Among others Ingersoll Rand, US-based industrial equipment manufacturer, joined our customer base and we signed a significant customer expansion deal from a global industrial company. In the quarter we have started to gradually reinstate our investments in marketing towards more normal levels.

Strong performance in profitability and operating cash flow continued during the last quarter of 2020. EBIT amounted to EUR 1.2 million for the quarter and EUR 4.7 million for the year, which is EUR 19.2 million improvement compared to year 2019. Operating cash flow amounted to EUR 5.6 million for the quarter. Net sales increased 3 percent on organic constant currency basis and amounted to EUR 152 million for the year.

Throughout the past year we have been executing our strategy to deliver sustainable growth and profitability. In addition, we have successfully improved scalability and productivity in our cloud business. When we win a new customer, they typically continue to use our solutions for a long period of time and expand their original contract with additional services or geographical expansions. In 2020 Basware's gross renewal rate was 94 percent and net renewal rate was 104 percent. Cloud gross margin was 68 percent at the end of 2020, which is three percentage points higher than at the end of 2019. Our customer lifetime value to customer acquisition cost ratio (LTV/CAC) was 5 times in 2020.

For 2021, in line with our strategy, Basware expects to continue to grow profitably. We anticipate the networked Purchase-to-Pay market to continue recovering from the economic uncertainty caused by the pandemic. There is a strong demand for especially networked AP automation solutions and Basware is well positioned to capture the market opportunity now as well as in the future.”

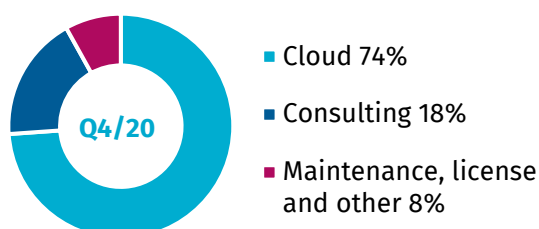
## Net sales

| Net sales by revenue type, EUR thousand | 10-12/<br>2020 | 10-12/<br>2019 | Change,<br>% | 1-12/<br>2020  | 1-12/<br>2019  | Change,<br>% |
|---|----------------|----------------|--------------|----------------|----------------|--------------|
| Cloud                                   | 28,660         | 27,390         | 4.6          | 110,312        | 101,442        | 8.7          |
| Consulting                              | 7,002          | 6,978          | 0.3          | 26,875         | 24,962         | 7.7          |
| Maintenance, license and other          | 3,131          | 4,897          | -36.1        | 14,392         | 21,899         | -34.3        |
| <b>Total</b>                            | <b>38,793</b>  | <b>39,264</b>  | <b>-1.2</b>  | <b>151,579</b> | <b>148,302</b> | <b>2.2</b>   |

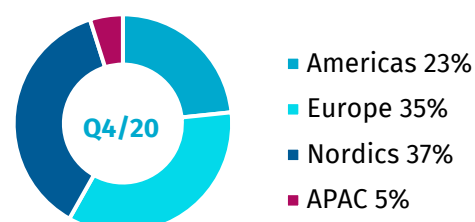
  

| Net sales by customer location, EUR thousand | 10-12/<br>2020 | 10-12/<br>2019 | Change,<br>% | 1-12/<br>2020  | 1-12/<br>2019  | Change,<br>% |
|--|----------------|----------------|--------------|----------------|----------------|--------------|
| Americas                                     | 9,060          | 8,543          | 6.1          | 35,013         | 31,796         | 10.1         |
| Europe                                       | 13,503         | 13,977         | -3.4         | 52,176         | 50,687         | 2.9          |
| Nordics                                      | 14,338         | 14,733         | -2.7         | 56,428         | 57,441         | -1.8         |
| APAC   | 1,892          | 2,012          | -5.9         | 7,962          | 8,379          | -5.0         |
| <b>Total</b>                                 | <b>38,793</b>  | <b>39,264</b>  | <b>-1.2</b>  | <b>151,579</b> | <b>148,302</b> | <b>2.2</b>   |

### Net sales by revenue type



### Net sales by customer location



Basware's net sales for the fourth quarter amounted to EUR 38,793 thousand (EUR 39,264 thousand), a decrease of 1.2 percent. This equated to 0.8 percent organic growth at constant currencies.

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

Cloud revenues continued to grow during the fourth quarter. Cloud revenues in the fourth quarter were EUR 28,660 thousand (EUR 27,390 thousand), up by 4.6 percent, and accounted for 73.9 percent (69.8%) of net sales. This equated to 6.9 percent organic growth at constant currencies. Basware has not continued some non-strategic SaaS contracts which increased the cloud churn rate, and which has an effect on the cloud revenue growth rate. The cloud revenue growth rate was also negatively impacted by the change in transaction volume mix towards more electronic invoicing and less paper invoicing as a result of the Covid-19 situation.

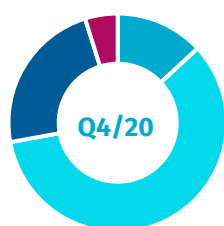
In the fourth quarter consulting revenues increased 0.3 percent, which equated to 2.0 percent organic growth at constant currencies.

Maintenance and license revenues declined in line with expectations as Basware transitions customers to the cloud. In the fourth quarter maintenance, license and other revenue decreased 36.1 percent, which equated to 35.3 percent organic decrease at constant currencies.

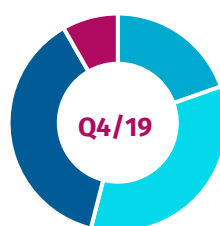
### Cloud order intake

| EUR thousand | 10-12/<br>2020 | 10-12/<br>2019 | Change,<br>% | 1-12/<br>2020 | 1-12/<br>2019 | Change,<br>% |
|--------------|----------------|----------------|--------------|---------------|---------------|--------------|
| Cloud        | 5,899          | 6,873          | -14.2        | 19,250        | 23,694        | -18.8        |

### Cloud order intake by customer location in Q4/2020 and Q4/2019



- Americas 13%
- Europe 59%
- Nordics 23%
- APAC 5%



- Americas 20%
- Europe 34%
- Nordics 38%
- APAC 8%

Basware's total cloud annual recurring revenue (ARR) gross order intake in the fourth quarter amounted to EUR 5,899 thousand (EUR 6,873 thousand), a decrease of 14.2 percent. This equated to 16.2 percent decline on an organic constant currency basis. Due to the economic uncertainty caused by the pandemic, there continued to be some cautiousness from especially new enterprise customers in starting large IT projects. Customer expansion sales formed the majority of the order intake in the quarter and increased significantly in comparison with the last quarter of 2019.

Basware's cloud order intake for the year 2020 amounted to EUR 19,250 thousand (EUR 23,694 thousand), a decrease of 18.8 percent. This equated to 19.6 percent decline on an organic constant currency basis.

There will be a time lag before order intake is visible in net sales. Historically, around one quarter of new ARR order intake converts into revenues in the year that it is won, with roughly fifty to sixty percent converting to revenues in the second year and the remainder thereafter. Further information on the definition of annual recurring revenue gross order intake is included in the section on Definitions of Alternative Performance Measures and Key Indicators.



## Financial performance

| EUR thousand                        | 10-12/<br>2020 | 10-12/<br>2019 | Change,<br>% | 1-12/<br>2020  | 1-12/<br>2019  | Change,<br>% |
|-------------------------------------|----------------|----------------|--------------|----------------|----------------|--------------|
| <b>Net sales</b>                    | <b>38,793</b>  | <b>39,264</b>  | <b>-1.2</b>  | <b>151,579</b> | <b>148,302</b> | <b>2.2</b>   |
| <b>Cost of sales</b>                | <b>-16,474</b> | <b>-18,294</b> | <b>-9.9</b>  | <b>-65,941</b> | <b>-71,493</b> | <b>-7.8</b>  |
| <b>Gross profit</b>                 | <b>22,318</b>  | <b>20,970</b>  | <b>6.4</b>   | <b>85,638</b>  | <b>76,810</b>  | <b>11.5</b>  |
| Sales and marketing                 | -10,853        | -11,798        | -8.0         | -40,001        | -45,190        | -11.5        |
| Research and development            | -6,692         | -6,597         | 1.4          | -25,930        | -26,815        | -3.3         |
| General and administration          | -3,565         | -3,716         | -4.1         | -14,096        | -14,572        | -3.3         |
| <b>Total operating expenses</b>     | <b>-21,111</b> | <b>-22,111</b> | <b>-4.5</b>  | <b>-80,027</b> | <b>-86,577</b> | <b>-7.6</b>  |
| Other operating income and expenses | 5              | -374           |              | -944           | -4,770         | -80.2        |
| <b>EBIT</b>                         | <b>1,213</b>   | <b>-1,516</b>  |              | <b>4,667</b>   | <b>-14,537</b> |              |
| <b>Adjusted EBITDA</b>              | <b>5,098</b>   | <b>2,480</b>   |              | <b>20,359</b>  | <b>5,185</b>   |              |

In the fourth quarter, cost of sales amounted to EUR 16,474 thousand (EUR 18,294 thousand), a decrease of 9.9 percent. The cloud gross margin was 68 percent in the fourth quarter, up 3 percent points in comparison to the fourth quarter of 2019.

Out of total operating expenses, sales and marketing expenses decreased 8.0 percent, research and development expenses increased 1.4 percent and general and administration expenses decreased 4.1 percent. Sales and marketing costs reduced in comparison to 2019 as a result of actions taken due to Covid-19.

Basware's research and development investments including capitalizations but excluding amortizations totalled EUR 6,196 thousand (EUR 7,019 thousand), or 16.0 percent (17.9%) of net sales during the quarter.

Basware's adjusted EBITDA was EUR 5,098 thousand (EUR 2,480 thousand) in the fourth quarter. The adjustments to EBITDA totalled EUR 53 thousand (EUR 85 thousand) in the quarter. Other operating income and expenses amounted to EUR 5 thousand (EUR -374 thousand).

Basware's EBIT for the quarter amounted to EUR 1,213 thousand (EUR -1,516 thousand).

In 2020, Basware's adjusted EBITDA was EUR 20,359 thousand (EUR 5,185 thousand) and operating profit EUR 4,667 thousand (EUR -14,537 thousand).

Basware's loss before tax was EUR -2,188 thousand (EUR -4,275 thousand) and loss for the quarter EUR -1,821 thousand (EUR -4,023 thousand). Taxes for the quarter impacted the result by EUR 367 thousand (EUR 251 thousand).

Diluted earnings per share were EUR -0.13 (EUR -0.28) for the quarter.

## Cash flows, financing and investments

Cash flows from operating activities developed strongly during the fourth quarter and were EUR 5,633 thousand (EUR 4,724 thousand). The improvement in cash flows compared to 2019 was mainly due to higher profitability and improved working-capital practices. Cash flows from operating activities were negatively impacted by the net repayment of approximately EUR 2.3 million of a number of payment deferral opportunities offered by different entities as a result of the Covid-19 situation. EUR 1 million of payment deferrals are remaining to be repaid. The net impact on full year 2020 was not significant and did not impact the income statement.

Due to the uncertainty related to the market environment the company has reviewed the bad debt provision.

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

Basware's total assets on the balance sheet at the end of the quarter were EUR 224,862 thousand (EUR 224,581 thousand). Net cash flows from investments were EUR -1,989 thousand (EUR -2,461 thousand) in the quarter.

The equity ratio was 36.7 percent (41.9%) and gearing 53.0 percent (48.9%). The company's interest-bearing liabilities excluding leasing liabilities totalled EUR 68,837 thousand (EUR 60,885 thousand), of which current liabilities accounted for EUR 2,173 thousand (EUR 1,996 thousand). The return on investment was 2.9 percent (-3.6%) and return on equity -8.7 percent (-16.7%) in the quarter.

### Free cash flow metric

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

| EUR thousand                         | 10-12/<br>2020 | 10-12/<br>2019 | Change,<br>% | 1-12/<br>2020 | 1-12/<br>2019  | Change,<br>% |
|--------------------------------------|----------------|----------------|--------------|---------------|----------------|--------------|
| EBITDA                               | 5,044          | 2,395          |              | 20,207        | 1,403          |              |
| Capitalizations                      | -2,150         | -2,588         | -16.9        | -9,877        | -10,617        | -7.0         |
| Finance expenses                     | -3,411         | -2,722         | 25.3         | -12,271       | -9,091         | 35.0         |
| Taxes, excl. deferred taxes          | -28            | -825           | -96.6        | -951          | -1,341         | -29.1        |
| Payment of lease liabilities         | -1,086         | -1,246         | -12.8        | -4,257        | -4,372         | -2.6         |
| Share based compensation, share part | 128            | 212            | -39.6        | 560           | 188            |              |
| <b>Free cash flow metric</b>         | <b>-1,503</b>  | <b>-4,774</b>  | <b>68.5</b>  | <b>-6,590</b> | <b>-23,829</b> | <b>72.3</b>  |

The free cash flow metric amounted to EUR -1,503 thousand (EUR -4,774 thousand) in the fourth quarter. The free cash flow metric improved in comparison to the fourth quarter of 2019 mainly due to improved profitability.

### Personnel

| Personnel on average by area | 10-12/<br>2020 | 10-12/<br>2019 | Change,<br>% | 1-12/<br>2020 | 1-12/<br>2019 | Change,<br>% |
|------------------------------|----------------|----------------|--------------|---------------|---------------|--------------|
| Americas                     | 105            | 107            | -1.6         | 106           | 121           | -12.2        |
| Europe                       | 376            | 368            | 2.1          | 373           | 374           | -0.4         |
| Nordics                      | 422            | 420            | 0.5          | 425           | 437           | -2.7         |
| APAC                         | 430            | 421            | 2.1          | 430           | 417           | 3.1          |
| <b>Total</b>                 | <b>1,333</b>   | <b>1,316</b>   | <b>1.3</b>   | <b>1,334</b>  | <b>1,349</b>  | <b>-1.1</b>  |

Basware employed 1,333 (1,316) people on average during the quarter and 1,336 (1,325) at the end of the quarter.

On December 31, 2020, 13.6 percent (13.9%) of the personnel worked in sales and marketing, 33.2 percent (33.7%) in R&D and production and products, 42.4 percent (42.4%) in consulting and customer services and 10.7 percent (10.0%) in administration.

Basware's personnel expenses were EUR 22,624 thousand (EUR 22,714 thousand) in the quarter.

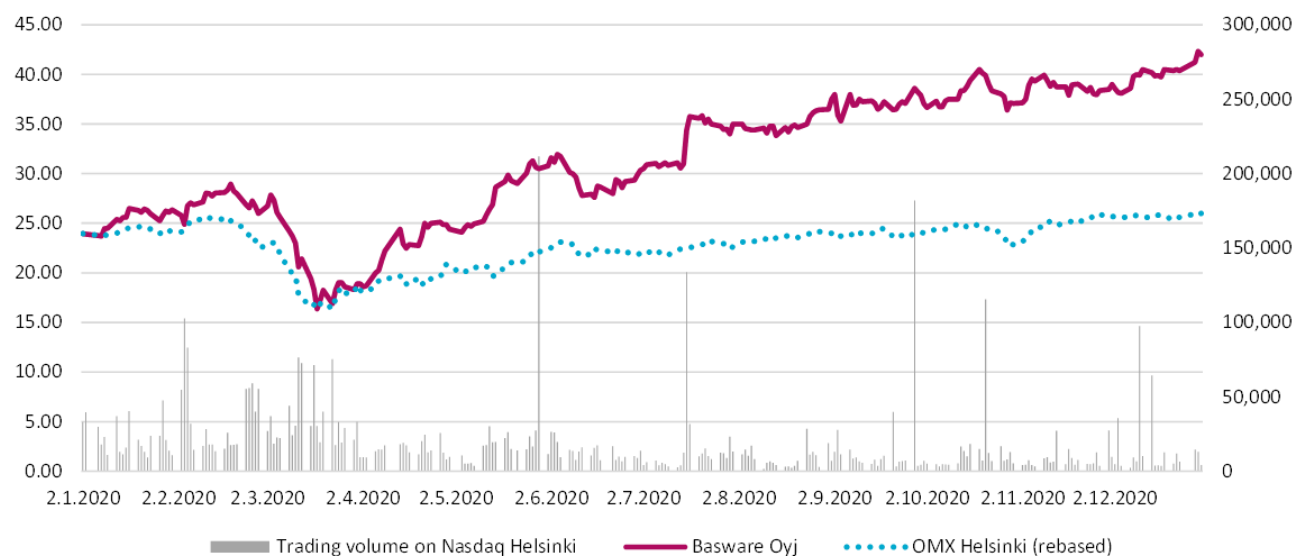
## Share and shareholders

| Share Indicators  | 1-12/2020   | 1-12/2019   |
|---|-------------|-------------|
| Share price performance, EUR                                      |             |             |
| - lowest price  | 15.66       | 16.76       |
| - highest price   | 42.85       | 41.10       |
| - average price   | 29.58       | 23.61       |
| - closing price   | 42.00       | 23.75       |
| Market capitalization at end of period <sup>1</sup> , EUR         | 605,449,320 | 341,943,926 |
| Number of shares <sup>1</sup>                                     |             |             |
| - at end of the period  | 14,415,460  | 14,397,639  |
| - average during the period                                       | 14,407,595  | 14,388,469  |
| - average during the period, diluted                              | 14,638,935  | 14,473,519  |
| Number of traded shares (share issue adjusted) in Nasdaq Helsinki | 4,817,685   | 4,204,444   |
| % of average number of shares                                     | 33.4%       | 29.2%       |
| Treasury shares held by the Company at end of the period          | 5,476       | 4,297       |
| % of total shares   | 0.0%        | 0.0%        |
| Share capital, EUR  | 3,528,368   | 3,528,368   |
| Earnings per share, undiluted, EUR                                | -0.51       | -1.63       |
| Earnings per share, diluted, EUR                                  | -0.51       | -1.63       |
| Adjusted earnings per share, undiluted, EUR                       | -0.50       | -1.37       |
| Adjusted earnings per share, diluted, EUR                         | -0.50       | -1.37       |
| Equity per share, EUR   | 5.73        | 6.53        |
| Price per earnings (P/E)  | -82.56      | -14.58      |

<sup>1</sup> Excluding treasury shares

Basware had 11,864 (14,615) shareholders at the end of the year, including nominee-registers. Nominee-registered holdings accounted for 56.4 percent (52.4%) of the total number of shares.

## Share price development and trading January 1 – December 31, 2020



(Source: Investis Digital)

## Flagging notifications

During 2020, Basware Corporation received the following notifications from major shareholders:

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

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

## Annual General Meeting and authorizations of the Board of Directors

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

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

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

The Board of Directors was authorized to decide on repurchasing a maximum of 1,420,000 company's own shares. The company's own shares shall be repurchased otherwise than in proportion to the holdings of the shareholders by using the non-restricted equity through trading on regulated market organized by Nasdaq Helsinki Ltd at the market price prevailing at the time of acquisition. The repurchase authorization shall be valid for 18 months and it shall revoke the previous authorizations for repurchasing the company's own shares.

The Board of Directors was authorized to decide on issuing new shares or conveying the company's own shares held by the company or granting special rights entitling to shares. The Board of Directors may grant special rights, which carry the right to receive, against payment, new shares of the company or the company's own shares held by the company. A total maximum of 260,000 new shares may be issued or company's own shares held by the company may be conveyed for the purposes of company's incentive program, and in addition, a total maximum of 720,000 new shares may be issued or company's own shares held by the company may be conveyed for other purposes than company's incentive program. The subscription price of the new shares and the consideration payable for the company's own shares shall be recorded under the invested non-restricted equity fund. The Board of Directors shall decide on all other terms and conditions related to the authorizations. The authorizations shall be valid until for 18 months.

On June 4, 2020 Basware announced via stock exchange release the resolutions of the Annual General Meeting. The resolutions from Annual General Meetings are available on Basware's investor website at <https://investors.basware.com/en/annual-general-meeting>.



## Strategy

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

Basware's key growth markets are the US, UK, Germany and France, where the company sees the greatest opportunity to win new customers. Each of Basware's top 200 key customers brought on average approximately EUR 300 thousand annual recurring cloud revenue in 2020. Through add-on sales and geographical expansions, there is potential to increase the average revenue from customers.

Once Basware wins a new customer they typically stay with the company for many years. In 2020 Basware's gross renewal rate was 94 percent and net renewal rate was 104 percent. The gross margin for cloud revenues at the end of 2020 was 68 percent. Together these make the lifetime value of customer contracts high. In 2020 Basware had a customer lifetime value to customer acquisition cost ratio of 5 times.

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

## Risks and uncertainty factors

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

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

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

The fact that more than 50 percent of the company's sales are expected to come from non-euro countries exposes the Group's net sales growth to foreign exchange rate movements. In case there is a significant

movement of USD, GBP, NOK, SEK or AUD against the euro, reported net sales may be affected. In addition, a proportion of Basware's costs are denominated in INR and RON. Political risks may have a negative effect on Basware. This includes the uncertainty around the status of the UK in relation to the European Union which may have a negative impact on Basware's business in the UK, and additionally the uncertainty related to taxation and legislation in India which may have a negative impact on Basware's business in India.

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

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

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

## Events after the quarter

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

## Future outlook

### Themes affecting revenues and EBIT

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

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

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

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

### Guidance for 2021

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

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

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

### Board of Directors' proposal for dividend

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

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

Espoo, Finland, on Wednesday, February 3, 2021

BASWARE CORPORATION

Board of Directors

Klaus Andersen, CEO

## SUMMARY OF FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS JANUARY 1 – DECEMBER 31, 2020

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| EUR thousand  | 10-12/<br>2020 | 10-12/<br>2019 | Change,<br>% | 1-12/<br>2020  | 1-12/<br>2019  | Change,<br>% |
|---|----------------|----------------|--------------|----------------|----------------|--------------|
| <b>NET SALES</b>  | <b>38,793</b>  | <b>39,264</b>  | <b>-1.2</b>  | <b>151,579</b> | <b>148,302</b> | <b>2.2</b>   |
| Cost of sales   | -16,474        | -18,294        | -9.9         | -65,941        | -71,493        | -7.8         |
| <b>GROSS PROFIT</b>   | <b>22,318</b>  | <b>20,970</b>  | <b>6.4</b>   | <b>85,638</b>  | <b>76,810</b>  | <b>11.5</b>  |
| Sales and marketing   | -10,853        | -11,798        | -8.0         | -40,001        | -45,190        | -11.5        |
| Research and development  | -6,692         | -6,597         | 1.4          | -25,930        | -26,815        | -3.3         |
| General and administration  | -3,565         | -3,716         | -4.1         | -14,096        | -14,572        | -3.3         |
| <b>Total operating expenses</b>   | <b>-21,111</b> | <b>-22,111</b> | <b>-4.5</b>  | <b>-80,027</b> | <b>-86,577</b> | <b>-7.6</b>  |
| Other operating income and expenses   | 5              | -374           |              | -944           | -4,770         | -80.2        |
| <b>OPERATING PROFIT/LOSS</b>  | <b>1,213</b>   | <b>-1,516</b>  |              | <b>4,667</b>   | <b>-14,537</b> |              |
| Finance income and expenses   | -3,401         | -2,759         | 23.3         | -11,652        | -9,125         | 27.7         |
| <b>PROFIT/LOSS BEFORE TAX</b>   | <b>-2,188</b>  | <b>-4,275</b>  | <b>48.8</b>  | <b>-6,985</b>  | <b>-23,663</b> | <b>70.5</b>  |
| Income tax  | 367            | 251            | 46.0         | -345           | 223            |              |
| <b>PROFIT/LOSS FOR THE PERIOD</b>   | <b>-1,821</b>  | <b>-4,023</b>  | <b>54.7</b>  | <b>-7,329</b>  | <b>-23,440</b> | <b>68.7</b>  |
| <b>Other comprehensive income</b>   |                |                |              |                |                |              |
| <b>Other comprehensive income that will not be reclassified to profit or loss</b>         |                |                |              |                |                |              |
| Remeasurement of employee benefits  | -4             | 9              |              | -5             | -2             |              |
| <b>Other comprehensive income that may be reclassified subsequently to profit or loss</b> |                |                |              |                |                |              |
| Exchange differences on translating foreign operations                                    | -472           | -234           |              | -4,964         | 1,974          |              |
| Cash flow hedges  | -187           | -260           | -28.0        | -435           | -162           |              |
| Income tax relating to components of other comprehensive income                           | 27             | 77             | -65.4        | 112            | -86            |              |
| Other comprehensive income for the year net of tax  | -636           | -408           | -56.0        | -5,292         | 1,723          |              |
| <b>TOTAL COMPREHENSIVE INCOME</b>   | <b>-2,458</b>  | <b>-4,431</b>  | <b>44.5</b>  | <b>-12,621</b> | <b>-21,716</b> | <b>41.9</b>  |
| <b>Profit/loss attributable to:</b>   |                |                |              |                |                |              |
| Equity holders of the parent company  | -1,821         | -4,023         | 54.7         | -7,329         | -23,440        | 68.7         |
| <b>Total comprehensive income attributable to:</b>  |                |                |              |                |                |              |
| Equity holders of the parent company  | -2,458         | -4,431         | 44.5         | -12,621        | -21,716        | 41.9         |
| <b>Earnings per share</b>   |                |                |              |                |                |              |
| undiluted, EUR  | -0.13          | -0.28          | 54.8         | -0.51          | -1.63          | 68.8         |
| diluted, EUR  | -0.13          | -0.28          | 54.8         | -0.51          | -1.63          | 68.8         |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

| EUR thousand                 | Dec 31, 2020   | Dec 31, 2019   | Change, %   |
|------------------------------|----------------|----------------|-------------|
| <b>ASSETS</b>                |                |                |             |
| <b>Non-current assets</b>    |                |                |             |
| Intangible assets            | 41,927         | 44,402         | -5.6        |
| Goodwill                     | 76,676         | 80,345         | -4.6        |
| Tangible assets              | 1,023          | 1,075          | -4.8        |
| Right-of-use assets          | 14,322         | 15,842         | -9.6        |
| Non-current financial assets | 13             | 38             | -65.4       |
| Other receivables            | 3,541          | 4,193          | -15.5       |
| Contract assets              | 6              | 168            | -96.3       |
| Deferred tax assets          | 10,592         | 9,654          | 9.7         |
| <b>Non-current assets</b>    | <b>148,101</b> | <b>155,716</b> | <b>-4.9</b> |
| <b>Current assets</b>        |                |                |             |
| Trade receivables            | 26,602         | 27,424         | -3.0        |
| Other receivables            | 8,714          | 7,842          | 11.1        |
| Contract assets              | 818            | 1,561          | -47.6       |
| Income tax receivables       | 166            | 366            | -54.7       |
| Cash and cash equivalents    | 40,461         | 31,672         | 27.8        |
| <b>Current assets</b>        | <b>76,761</b>  | <b>68,865</b>  | <b>11.5</b> |
| <b>ASSETS</b>                | <b>224,862</b> | <b>224,581</b> | <b>0.1</b>  |



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

| EUR thousand                          | Dec 31, 2020   | Dec 31, 2019   | Change, %    |
|---------------------------------------|----------------|----------------|--------------|
| <b>EQUITY AND LIABILITIES</b>         |                |                |              |
| <b>Shareholders' equity</b>           |                |                |              |
| Share capital                         | 3,528          | 3,528          | 0.0          |
| Share premium account                 | 1,187          | 1,187          | 0.0          |
| Treasury shares                       | 0              | -98            | -100.0       |
| Invested unrestricted equity fund     | 110,290        | 110,388        | -0.1         |
| Other reserves                        | 289            | 653            | -55.8        |
| Translation differences               | -13,137        | -8,226         | 59.7         |
| Retained earnings                     | -19,600        | -13,347        | 46.9         |
| <b>Shareholders' equity</b>           | <b>82,557</b>  | <b>94,086</b>  | <b>-12.3</b> |
| <b>Non-current liabilities</b>        |                |                |              |
| Deferred tax liability                | 5,071          | 5,003          | 1.4          |
| Interest-bearing liabilities          | 66,665         | 58,889         | 13.2         |
| Leasing liabilities, interest-bearing | 11,647         | 13,412         | -13.2        |
| Contract liabilities                  | 2,791          | 3,184          | -12.3        |
| Liabilities from employee benefits    | 388            | 377            | 2.9          |
| <b>Non-current liabilities</b>        | <b>86,562</b>  | <b>80,864</b>  | <b>7.0</b>   |
| <b>Current liabilities</b>            |                |                |              |
| Interest-bearing liabilities          | 2,173          | 1,996          | 8.9          |
| Leasing liabilities, interest-bearing | 3,727          | 3,392          | 9.9          |
| Trade payables and other liabilities  | 30,470         | 28,468         | 7.0          |
| Contract liabilities                  | 19,177         | 15,260         | 25.7         |
| Income tax liabilities                | 196            | 249            | -21.5        |
| Current provisions                    | 0              | 266            | -100.0       |
| <b>Current liabilities</b>            | <b>55,743</b>  | <b>49,631</b>  | <b>12.3</b>  |
| <b>EQUITY AND LIABILITIES</b>         | <b>224,862</b> | <b>224,581</b> | <b>0.1</b>   |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

| EUR thousand                             | Share capital | Share premium account | Treasury shares | Inv. Un-restricted equity | Other reserves | Translation differences | Retained earnings | Total          |
|--|---------------|-----------------------|-----------------|---------------------------|----------------|-------------------------|-------------------|----------------|
| <b>SHAREHOLDERS' EQUITY Jan 1, 2019</b>  | <b>3,528</b>  | <b>1,187</b>          | <b>-638</b>     | <b>110,928</b>            | <b>832</b>     | <b>-10,131</b>          | <b>5,042</b>      | <b>110,749</b> |
| Comprehensive income                     |               |                       |                 |                           |                | 1,905                   | -23,442           | -21,536        |
| Share based payments                     |               |                       | 540             | -540                      |                |                         | 362               | 362            |
| Defined benefit plan                     |               |                       |                 |                           |                |                         | -2                | -2             |
| Cash flow hedges                         |               |                       |                 |                           | -178           |                         |                   | -178           |
| Warrants                                 |               |                       |                 |                           |                |                         | 4,691             | 4,691          |
| <b>SHAREHOLDERS' EQUITY Dec 31, 2019</b> | <b>3,528</b>  | <b>1,187</b>          | <b>-98</b>      | <b>110,388</b>            | <b>653</b>     | <b>-8,226</b>           | <b>-13,347</b>    | <b>94,086</b>  |

**CONSOLIDATED STATEMENT OF CASH FLOWS**

| EUR thousand   | 10-12/<br>2020 | 10-12/<br>2019 | 1-12/<br>2020 | 1-12/<br>2019  |
|--|----------------|----------------|---------------|----------------|
| <b>Cash flows from operating activities</b>                |                |                |               |                |
| Profit/loss for the period                                 | -1,821         | -4,023         | -7,329        | -23,440        |
| <b>Adjustments for profit:</b>                             |                |                |               |                |
| Depreciation and amortisation                              | 3,831          | 3,911          | 15,540        | 15,941         |
| Unrealised foreign exchange gains and losses               | 688            | 51             | 690           | -12            |
| Financial income and expenses                              | 2,806          | 2,751          | 11,068        | 9,088          |
| Tax on income from operations                              | -367           | -251           | 345           | -223           |
| Other adjustments  | 1,146          | -46            | 1,566         | 635            |
| <b>Total adjustments</b>                                   | <b>8,104</b>   | <b>6,415</b>   | <b>29,208</b> | <b>25,428</b>  |
| <b>Changes in working capital:</b>                         |                |                |               |                |
| Increase (-) / decrease (+) in trade and other receivables | 54             | 1,006          | 810           | 557            |
| Increase (+) / decrease (-) in trade and other payables    | -173           | 2,287          | 5,069         | 4,794          |
| Increase / decrease in provisions                          | 20             | -166           | -211          | 123            |
| <b>Total changes in working capital</b>                    | <b>-99</b>     | <b>3,127</b>   | <b>5,668</b>  | <b>5,474</b>   |
| Financial items in operating activities                    | -243           | -383           | -1,301        | -2,472         |
| Income taxes paid (-) / received (+)                       | -308           | -412           | -994          | -832           |
| <b>Cash flows from operating activities</b>                | <b>5,633</b>   | <b>4,724</b>   | <b>25,252</b> | <b>4,159</b>   |
| <b>Cash flows used in investing activities</b>             |                |                |               |                |
| Purchase of tangible and intangible assets                 | -1,989         | -2,462         | -9,470        | -10,587        |
| Net proceeds from sale of tangible and intangible assets   | 0              | 0              | 7             | 46             |
| <b>Cash flows from investing activities</b>                | <b>-1,989</b>  | <b>-2,461</b>  | <b>-9,464</b> | <b>-10,541</b> |
| <b>Cash flows from financing activities</b>                |                |                |               |                |
| Proceeds from current borrowings                           | 0              | 0              | 176           | 0              |
| Repayment of current borrowings                            | 0              | 0              | -1,996        | -22,296        |
| Proceeds from non-current borrowings                       | 0              | 0              | 0             | 43,880         |
| Repayment of non-current borrowings                        | 0              | 0              | 0             | -20,000        |
| Payment of lease liabilities                               | -1,086         | -1,246         | -4,257        | -4,372         |
| <b>Cash flows from financing activities</b>                | <b>-1,086</b>  | <b>-1,246</b>  | <b>-6,076</b> | <b>-2,788</b>  |
| <b>Net change in cash and cash equivalents</b>             | <b>2,558</b>   | <b>1,016</b>   | <b>9,712</b>  | <b>-9,170</b>  |
| Cash and cash equivalents at the beginning of period       | 38,427         | 30,640         | 31,672        | 40,747         |
| Net foreign exchange difference                            | -524           | 15             | -922          | 94             |
| Cash and cash equivalents at the end of period             | 40,461         | 31,672         | 40,461        | 31,672         |

## ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34. The same accounting principles have been followed as in the annual financial statements except for the adoption of new standards and amendments effective as of January 1, 2020.

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

The amounts presented in the income statement and balance sheet are Group figures. The amounts presented in the release are rounded, so the sum of individual figures may differ from the sum reported. Percentage changes for net figures are shown on an absolute basis.

### Free cash flow metric

| EUR thousand                         | 10-12/<br>2020 | 7-9/<br>2020 | 4-6/<br>2020  | 1-3/<br>2020  | 10-12/<br>2019 |
|--------------------------------------|----------------|--------------|---------------|---------------|----------------|
| EBITDA                               | 5,044          | 5,936        | 5,156         | 4,070         | 2,395          |
| Capitalizations                      | -2,150         | -2,010       | -2,605        | -3,111        | -2,588         |
| Finance expenses                     | -3,411         | -2,974       | -2,865        | -3,021        | -2,722         |
| Taxes, excl. deferred taxes          | -28            | -188         | -107          | -628          | -825           |
| Payment of lease liabilities         | -1,086         | -967         | -1,030        | -1,174        | -1,246         |
| Share based compensation, share part | 128            | -11          | 158           | 285           | 212            |
| <b>Free cash flow metric</b>         | <b>-1,503</b>  | <b>-214</b>  | <b>-1,293</b> | <b>-3,579</b> | <b>-4,774</b>  |

### Adjusted operating profit/loss and adjusted EBITDA

| EUR thousand  | 10-12/<br>2020 | 10-12/<br>2019 | Change,<br>% | 1-12/<br>2020 | 1-12/<br>2019  | Change,<br>% |
|---|----------------|----------------|--------------|---------------|----------------|--------------|
| <b>Operating profit/loss</b>  | <b>1,213</b>   | <b>-1,516</b>  |              | <b>4,667</b>  | <b>-14,537</b> |              |
| <b>Adjustments:</b>   |                |                |              |               |                |              |
| Acquisition, disposal and restructuring income (-) and expenses (+) | -161           | -32            |              | -301          | 1,009          |              |
| Efficiency related expenses   | 214            | 116            | 84.5         | 453           | 2,772          | -83.7        |
| <b>Total adjustments</b>  | <b>53</b>      | <b>85</b>      | <b>-37.8</b> | <b>152</b>    | <b>3,781</b>   | <b>-96.0</b> |
| <b>Adjusted operating profit/loss</b>                               | <b>1,266</b>   | <b>-1,430</b>  |              | <b>4,819</b>  | <b>-10,756</b> |              |
| Depreciation and amortization                                       | 3,831          | 3,911          | -2.0         | 15,540        | 15,941         | -2.5         |
| <b>Adjusted EBITDA</b>  | <b>5,098</b>   | <b>2,480</b>   |              | <b>20,359</b> | <b>5,185</b>   |              |
| % of net sales  | 13.1           | 6.3            |              | 13.4          | 3.5            |              |

### Information on products and services

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

Basware reports revenues by type. Cloud revenue includes SaaS, Transaction services (consisting of e-invoicing, scan and capture services, printing services and network start-up fees) and Other cloud revenue. Non-cloud revenue includes Maintenance, License sales, Consulting services (consisting of professional services and customer services management) and Other non-cloud revenue.

| EUR thousand                   | 10-12/<br>2020 | 10-12/<br>2019 | Change,<br>% | Change,<br>% <sup>1</sup> | 1-12/<br>2020  | 1-12/<br>2019  | Change,<br>% | Change,<br>% <sup>1</sup> |
|--------------------------------|----------------|----------------|--------------|---------------------------|----------------|----------------|--------------|---------------------------|
| <b>Cloud Revenue</b>           |                |                |              |                           |                |                |              |                           |
| SaaS                           | 15,173         | 13,769         | 10.2         | 13.1                      | 58,344         | 49,133         | 18.7         | 20.1                      |
| Transaction services           | 12,127         | 12,556         | -3.4         | -2.1                      | 47,272         | 47,876         | -1.3         | -0.6                      |
| Other cloud revenue            | 1,361          | 1,065          | 27.8         | 33.1                      | 4,696          | 4,434          | 5.9          | 7.3                       |
| <b>Cloud Revenue total</b>     | <b>28,660</b>  | <b>27,390</b>  | <b>4.6</b>   | <b>6.9</b>                | <b>110,312</b> | <b>101,442</b> | <b>8.7</b>   | <b>9.8</b>                |
| <b>Non-Cloud Revenue</b>       |                |                |              |                           |                |                |              |                           |
| Maintenance                    | 3,341          | 4,738          | -29.5        | -28.7                     | 14,687         | 20,720         | -29.1        | -28.4                     |
| License sales                  | 94             | 240            | -61.0        | -60.7                     | 348            | 1,202          | -71.0        | -71.1                     |
| Consulting services            | 7,002          | 6,978          | 0.3          | 2.0                       | 26,875         | 24,962         | 7.7          | 8.8                       |
| Other non-cloud revenue        | -304           | -81            |              |                           | -644           | -23            |              |                           |
| <b>Non-Cloud Revenue total</b> | <b>10,132</b>  | <b>11,874</b>  | <b>-14.7</b> | <b>-13.4</b>              | <b>41,267</b>  | <b>46,861</b>  | <b>-11.9</b> | <b>-11.0</b>              |
| <b>Total</b>                   | <b>38,793</b>  | <b>39,264</b>  | <b>-1.2</b>  | <b>0.8</b>                | <b>151,579</b> | <b>148,302</b> | <b>2.2</b>   | <b>3.2</b>                |

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

### Net sales by currency

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

| % of total net sales | 1-12/<br>2020 | 1-12/<br>2019 |
|----------------------|---------------|---------------|
| EUR                  | 52.8          | 51.5          |
| USD                  | 21.3          | 20.8          |
| GBP                  | 7.2           | 7.7           |
| Other                | 18.6          | 20.0          |
| <b>Group total</b>   | <b>100.0</b>  | <b>100.0</b>  |

### Fair values of financial assets and liabilities

| EUR thousand   | Dec 31, 2020 |            | Dec 31, 2019 |            |
|--|--------------|------------|--------------|------------|
|  | Book value   | Fair value | Book value   | Fair value |
| <b>Financial assets</b>  |              |            |              |            |
| Non-current:   |              |            |              |            |
| Non-current financial assets                                     | 13           | 13         | 38           | 38         |
| Non-current trade and other receivables                          | 688          | 688        | 857          | 857        |
| Current:   |              |            |              |            |
| Current trade receivables  | 26,602       | 26,602     | 27,424       | 27,424     |
| Current other receivables  | 1,205        | 1,205      | 305          | 305        |
| Cash and cash equivalents  | 40,461       | 40,461     | 31,672       | 31,672     |
| <b>Financial liabilities</b>                                     |              |            |              |            |
| Non-current:   |              |            |              |            |
| Financial liabilities valued at amortized acquisition cost:      |              |            |              |            |
| Loans from financial institutions, interest-bearing <sup>1</sup> | 66,665       | 77,299     | 58,889       | 70,059     |
| Leasing liabilities, interest-bearing                            | 11,647       | 11,647     | 13,412       | 13,412     |



**Current:**

|   |        |        |        |        |
|---|--------|--------|--------|--------|
| Loans from financial institutions, interest-bearing | 2,173  | 2,173  | 1,996  | 1,996  |
| Leasing liabilities, interest-bearing               | 3,727  | 3,727  | 3,392  | 3,392  |
| Trade payables and other liabilities                | 10,196 | 10,196 | 10,998 | 10,998 |

<sup>1</sup> Fair value of the loan from is measured to reflect the amount Basware would need to pay if it would repay the loan in full at the end of reporting period. The loan has an exit fee which accrues evenly over the loan period. The value of the exit fee at maturity equals 40 percent of the loan amount.

Financial liabilities arising from derivative financial instruments of EUR 358 thousand are classified as level 2 and unquoted equity shares of EUR 13 thousand as level 3 in the fair value measurement hierarchy.

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

On November 23, 2020 the loan was transferred to Macquarie Principal Finance PTY Limited, UK Branch. No changes were made to the terms and conditions of the loan.

In connection with the Loan, Bregal Milestone received without consideration 1,000 freely transferable warrants convertible into 1,001,000 shares in the Company (before the share issue adjustment, 1,000,000 shares), representing approximately 6.5 percent of the fully diluted shares of the Company. As a result of the share issue in June 2020 the warrants were adjusted to entitle their holder to subscribe for a total of 1,001,000 shares in the company (before the adjustment, 1,000,000 shares) at an adjusted subscription price of EUR 29.8764 per share (before the adjustment, the subscription price per share was EUR 29.9158). These adjustments to the terms and conditions of the warrants became effective upon registration with the Finnish Trade Register on June 17, 2020.

The warrants were issued to Bregal Milestone at the drawdown of the Loan, on April 2, 2019. The subscription period of the Warrant Shares commenced immediately upon the issue of the warrants and will expire on August 22, 2024. The cash subscription price will be subject to adjustments for any dividends as well as customary anti-dilution adjustments resulting from, among other things, any share issues, pursuant to the terms and conditions of the warrants.

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.

**Commitments and contingent liabilities**

| EUR thousand                                 | Dec 31, 2020 | Dec 31, 2019 |
|--|--------------|--------------|
| <b>Own guarantees</b>                        |              |              |
| Guarantees                                   | 1,262        | 1,149        |
| <b>Commitments on behalf of subsidiaries</b> |              |              |
| Guarantees                                   | 822          | 298          |
| <b>Other commitments</b>                     |              |              |
| Maturing in less than 1 year                 | 3,455        | 3,173        |
| Maturing in 1-5 years                        | 2,876        | 4,899        |

|   |              |              |
|---|--------------|--------------|
| <b>Total</b>  | <b>6,331</b> | <b>8,072</b> |
| <b>Total commitments and contingent liabilities</b> | <b>8,415</b> | <b>9,518</b> |

Other commitments include leases and other rental not in scope of IFRS 16, as well as commitments arising from license agreements. Obligations from long term service agreements are not included.

## Definitions of Alternative Performance Measures and Key Indicators

**Organic revenue growth** is calculated by comparing net sales between comparison periods in constant currencies excluding alliance fees as well as net sales from acquisitions or disposals that have taken place in the past 12 months.

**Net sales in constant currencies** is calculated by eliminating the impact of exchange rate fluctuations by calculating the net sales for the current period by using the comparable period's exchange rates.

**Gross investments** are total investments made to non-current assets including acquisitions and capitalized research and development costs.

**Other capitalized expenditure** consists of investments in property, plant & equipment and intangible assets excluding acquisitions and capitalized research and development costs.

**EBITDA** is calculated as operating profit/loss plus depreciation and amortization.

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

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

**Adjusted operating result (Adjusted EBIT)** is calculated from operating result excluding any adjustments related to alliance fees, acquisitions and disposals, restructuring and efficiency measures, impairment losses and litigation fees and settlements.

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

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

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

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

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

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

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

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

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

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

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

Shareholders' equity (average)

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

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

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

**Gearing, %**

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

Shareholders' equity

**Equity ratio, %**

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

Balance sheet total – advance payments received

**Earnings per share (EPS)**

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

Adjusted average number of shares during the period

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

**Equity per share**

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

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

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

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

Earnings per share

**QUARTERLY INCOME STATEMENT**

| EUR thousand                        | 10-12/2020     | 7-9/2020       | 3-6/2020       | 1-3/2020       | 10-12/2019     |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>NET SALES</b>                    | <b>38,793</b>  | <b>36,772</b>  | <b>37,769</b>  | <b>38,245</b>  | <b>39,264</b>  |
| Cost of sales                       | -16,474        | -15,405        | -16,589        | -17,473        | -18,294        |
| <b>GROSS PROFIT/LOSS</b>            | <b>22,318</b>  | <b>21,368</b>  | <b>21,180</b>  | <b>20,772</b>  | <b>20,970</b>  |
| Sales and Marketing                 | -10,853        | -8,885         | -9,496         | -10,767        | -11,798        |
| Research and Development            | -6,692         | -6,546         | -6,516         | -6,176         | -6,597         |
| General and Administration          | -3,565         | -3,702         | -3,253         | -3,575         | -3,716         |
| <b>Total operating expenses</b>     | <b>-21,111</b> | <b>-19,133</b> | <b>-19,265</b> | <b>-20,518</b> | <b>-22,111</b> |
| Other operating income and expenses | 5              | -165           | -631           | -153           | -374           |
| <b>OPERATING PROFIT/LOSS</b>        | <b>1,213</b>   | <b>2,069</b>   | <b>1,285</b>   | <b>100</b>     | <b>-1,516</b>  |
| % of net sales                      | 3.1            | 5.6            | 3.4            | 0.3            |                |
| Finance income and expenses         | -3,401         | -2,829         | -2,656         | -2,766         | -2,759         |
| <b>Profit/loss before tax</b>       | <b>-2,188</b>  | <b>-760</b>    | <b>-1,372</b>  | <b>-2,665</b>  | <b>-4,275</b>  |
| Income taxes                        | 367            | -64            | 334            | -981           | 251            |
| <b>PROFIT/LOSS FOR THE PERIOD</b>   | <b>-1,821</b>  | <b>-824</b>    | <b>-1,038</b>  | <b>-3,647</b>  | <b>-4,023</b>  |

## KEY INDICATORS

| EUR thousand   | 10-12/<br>2020 | 10-12/<br>2019 | 1-12/<br>2020 | 1-12/<br>2019 |
|--|----------------|----------------|---------------|---------------|
| Cloud ARR order intake                                 | 5,899          | 6,873          | 19,250        | 23,694        |
| Net sales  | 38,793         | 39,264         | 151,579       | 148,302       |
| Net sales growth, %                                    | -1.2%          | 7.6%           | 2.2%          | 4.9%          |
| Organic net sales growth, %                            | 0.8%           | 7.3%           | 3.2%          | 5.9%          |
| EBIT   | 1,213          | -1,516         | 4,667         | -14,537       |
| % of net sales   | 3.1%           |                | 3.1%          |               |
| EBITDA   | 5,044          | 2,395          | 20,207        | 1,403         |
| % of net sales   | 13.0%          | 6.1%           | 13.3%         | 0.9%          |
| Adjusted EBITDA  | 5,098          | 2,480          | 20,359        | 5,185         |
| Return on equity, %                                    | -8.7%          | -16.7%         | -8.3%         | -22.9%        |
| Return on investment, %                                | 2.9%           | -3.6%          | 3.1%          | -8.6%         |
| Interest-bearing liabilities excl. leasing liabilities | 68,837         | 60,885         | 68,837        | 60,885        |
| Cash and cash equivalents                              | 40,461         | 31,672         | 40,461        | 31,672        |
| Cash flows from operating activities                   | 5,633          | 4,724          | 25,252        | 4,159         |
| Free cash flow metric                                  | -1,503         | -4,774         | -6,590        | -23,829       |
| Gearing, %   | 53.0%          | 48.9%          | 53.0%         | 48.9%         |
| Gross investments                                      | 2,150          | 2,588          | 9,877         | 10,617        |
| % of net sales   | 5.5%           | 6.6%           | 6.5%          | 7.2%          |
| R&D expenses excluding amortizations                   | 4,320          | 4,849          | 16,447        | 19,138        |
| R&D costs, capitalised                                 | 1,876          | 2,170          | 8,372         | 8,829         |
| R&D investments, total                                 | 6,196          | 7,019          | 24,819        | 27,967        |
| % of net sales   | 16.0%          | 17.9%          | 16.4%         | 18.9%         |
| Depreciation and amortization                          | 3,831          | 3,911          | 15,539        | 15,941        |
| Other capitalised expenditure                          | 275            | 418            | 1,505         | 1,788         |
| Personnel at end of period                             | 1,336          | 1,325          | 1,336         | 1,325         |