

Basware A/S

Generatorvej 8D, 2. sal., 2860 Søborg
CVR No. 26 40 47 03

Annual report for the year ended 31 December 2017

Approved at the annual general meeting of shareholders on 23 May 2018

As chairman, Vesa Tapio Tykkyläinen:

Company details

Address, Postal code, City

Generatorvej 8D, 2. sal., 2860 Søborg

CVR-Nr.

26 40 47 03

Homepage

www.basware.com

Supervisory board

Vesa Tapio Tykkyläinen, Chairman
Niclas Rosenlew
Sami Takila

Executive board

Henrik Stanley-Madsen, Managing Director

Auditors

Ernst & Young, Godkendt Revisionspartnerselskab
Osvold Helmuths Vej 4, 2000 Frederiksberg, Denmark

Bankers

Nordea Bank Denmark A/S

Statement by management on the annual report

Today, management has discussed and approved the annual report of Basware A/S for the financial year 1 January - 31 December 2017.

The annual report is prepared in accordance with the Danish Financials Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2017 and of the results of the company's operations for the financial year 1 January - 31 December 2017.

We recommend the adoption of the annual report at the annual general meeting.

Herlev, 23 May 2018

Executive board :

DocuSigned by:
Stanley-Madsen, Henrik
932EB06199F9400...

Henrik Stanley - Madsen,
Managing Director

Supervisory board :

DocuSigned by:
Tykkyläinen, Vesa
C4D0A9B8FC79461...

Vesa Tapio Tykkyläinen,
Chairman

DocuSigned by:
Rosenlew, Niclas
492EA66A566045E...

Niclas Rosenlew

DocuSigned by:
Takila, Sami
B9642D726E78447...

Sami Takila

Independent auditor's report

To the shareholders of Basware A/S

Opinion

We have audited the financial statements of Basware A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines 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, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



Independent auditor's report

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism 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 Company'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 Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 23 May 2018

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Morten Klarskov Larsen

State Authorised

Public Accountant

MNE no.: mne32736

Management commentary

Primary activities

Basware is a leading supplier of e-Invoicing and Purchase-to-pay solutions. The Company's principal activity is the sale and installation of e-commerce software and consultancy together with the provision of related product maintenance.

Development in activities and finances

Profit for fiscal year end 2017 was 871.642 DKK as compared to profit of 659.046 DKK for fiscal year end 2016.

Assets as of 31 December 2017 were 21.366.860 DKK compared to 23.050.675 DKK as of 31 December 2016. Total assets included 111.789 DKK of fixed assets (licences, IT and office equipment) as of 31 December 2017 compared to 171.696 DKK as of 31 December 2016.

Equity as of 31 December 2017 was 3.094.852 DKK compared to 2.199.908 DKK as of 31 December 2016. This increase is mainly explained by the profit for fiscal year end 2017.

Uncertainty relating to recognition and measurement

Basware has no areas where there is material uncertainty in recognition and measurement, other than what's disclosed in the paragraph related to principal risks and uncertainties.

Unusual circumstances affecting recognition and measurement

There have been no unusual circumstances that have impacted recognition and measurement.

Principal risks and uncertainties

Forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. The following factors, among others, could affect our financial performance and could cause actual results to differ materially from those expressed or implied in any of the forward-looking statements:

-) changes in global economic and financial conditions, and the resulting impact on consumer confidence and consumer spending, as well as other changes in consumer discretionary spending habits, could have a material adverse effect on our business, results of operations and liquidity;
-) our market share may be negatively impacted by increasing competition and pricing pressures from companies with products competitive with ours;
-) our ability to conduct business in international markets may be adversely affected by legal, regulatory, political and economic risks;

- J our inability to successfully implement our strategic plans could have a negative impact on our growth and profitability;
- J our failure to protect our reputation could have a material adverse effect on our brand;
- J our business could suffer if our information technology systems are disrupted or cease to operate effectively;
- J we may be exposed to risks and costs associated with cyber-attacks, credit card fraud and identity theft that would cause us to incur unexpected expenses and reputation loss;
- J fluctuations in foreign currency exchange rates could adversely impact our financial condition and results of operations;
- J our litigation exposure could have a material adverse effect on our financial condition and results of operations;
- J our inability or failure to adequately protect our trademarks could have a negative impact on our brand image and limit our ability to penetrate new markets;
- J fluctuations in our tax obligations and effective tax rate may result in volatility in our operating results;
- J our facilities, systems and store are vulnerable to natural disasters, pandemic disease and other unexpected events, any of which could result in an interruption to our business and adversely affect our operating results;
- J the impact of war or acts of terrorism could have a material adverse effect on our operating results and financial condition;
- J changes in the regulatory or compliance landscape could adversely affect our business and results of operations; and,
- J compliance with changing regulations and standards for accounting, corporate governance and public disclosure could adversely affect our business, results of operations and reported financial results.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Expected development in 2018

There are no significant changes planned in the Company's operations in the foreseeable future.

Income statement
1 January - 31 December

	Notes	2017 DKK	2016 DKK
Gross margin		17.203.838	18.735.186
Staff costs	3	15.568.224	17.840.880
Depreciation, amortisation and impairment losses	4	93.068	138.095
Profit / Loss before net financials		1.542.546	756.211
Financial income	5	35.721	68.651
Financial expenses	6	345.573	674.747
Financial profit / loss		(309.852)	(606.096)
Profit before taxes		1.232.694	150.115
Tax for the year	7	-361.053	508.931
Net profit for the year		871.641	659.046
Appropriation of profit			
Profit to be appropriated:			
Retained earnings		(7.776.790)	(8.459.138)
Net profit of the year		871.641	659.046
Available for appropriation		(6.905.149)	(7.800.092)

Balance sheet
1 January - 31 December

	Notes	<u>2017</u> <u>DKK</u>	<u>2016</u> <u>DKK</u>
ASSETS			
Fixed assets			
Licences, patents and trademark rights, etc.		-	2.857
Intangible assets		<u>-</u>	<u>2.857</u>
IT equipment		66.197	85.868
Office equipment		45.592	82.971
Tangible assets		<u>111.789</u>	<u>168.839</u>
Total fixed assets		<u>111.789</u>	<u>171.696</u>
Non- current assets			
Other receivables		1.151.576	1.062.315
Receivables		<u>1.151.576</u>	<u>1.062.315</u>
Total Non Current assets		<u>1.151.576</u>	<u>1.062.315</u>
Current assets			
Trade receivables		5.860.400	7.077.469
Receivables from group enterprises		11.565.516	12.063.020
Prepayments		588.834	171.765
Income Tax		1.408	-
Other receivables		388.289	214.923
Deferred tax assets		147.878	508.931
Receivables		<u>18.552.325</u>	<u>20.036.108</u>
Bank and cash equivalents		<u>1.551.170</u>	<u>1.780.556</u>
Total Current assets		<u>20.103.495</u>	<u>21.816.664</u>
Total assets		<u>21.366.860</u>	<u>23.050.675</u>

EQUITY AND LIABILITIES

	Notes	2017 DKK	2016 DKK
Share capital	8	600.000	600.000
Unrestricted equity reserve	8	9.400.000	9.400.000
Retained earnings		(7.776.790)	(8.459.138)
Profit / Loss current year		871.641	659.046
Total equity		3.094.851	2.199.908
Other provisions	9	183.891	621.662
Total Provisions		183.891	621.662
Investment loan	11	7.933.723	7.936.499
Other non-current accrued liabilities		1.262.080	1.238.778
Long-term liabilities other than provisions		9.195.803	9.175.277
Trade payables		1.176.342	1.347.889
Debt to group enterprises		3.326.784	3.154.537
Deferred income		15.756	1.396.598
Other payables		4.373.433	5.154.804
Short-term liabilities other than provisions		8.892.315	11.053.828
Total liabilities other than provisions		18.088.118	20.229.105
Total equity and liabilities		21.366.860	23.050.675

Accounting policies (note 1)

Company's primary activities (note 2)

Contingent liabilities (note 12)

Related parties (note 13)

Share-based payments (note 14)

Statement of changes in equity

	Share Capital	Unrestricted equity reserve	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity beginning of year	600.000	9.400.000	(7.800.092)	2.199.908
Increase in capital	-	-	-	-
Stock option - equity part	-	-	23.302	23.302
Profit / Loss current year	-	-	871.641	871.641
Equity end of year	600.000	9.400.000	(6.905.149)	3.094.851

Note 1. Accounting policies

The annual report of Basware A/S for 2017 has been prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date.

Receivables and payables and other monetary items denominated in foreign currencies are translated into Danish kroner at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Net revenue

Net revenue from sale of software licenses and supply services is recognized in revenue at the time of delivery and when the risk passes to the buyer. The invoiced amounts are thus fully accrued over the part of the contract period that relates to the invoices amounts. Net revenue is recognized exclusive of VAT, duties and less discounts related to the sale.

Gross margin

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue', 'Cost of sale', 'Other external expenses' and 'Other operating income' are consolidated into one item designated 'Gross margin'.

Other external costs

Other external costs include the year's expenses relating to the entity's core activities including costs relating to distribution, sales, advertising, administration, premises, loss on bad debts, operating lease expenses and similar expenses.

Staff costs

Staff costs include costs to salaries and wages, commissions, pensions and other costs to staff, board of executives and board of directors. The item is net of refunds made by public authorities.

Depreciation, amortization and impairment losses

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment. Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value. The estimated useful lives for intangible assets are as follows:

Useful life:

- Acquired IP rights, 5 years
- Property, plant and equipment are depreciated on a straight-line basis over the expected useful life of each individual asset. The depreciation basis is the cost.
- Leasehold improvements, 5 years.
- Other fixtures and fittings, tools and equipment, 3-5 years.

Financial income and expenses

Financial income and expenses are recognized in the income statement at the amounts that relate to the financial year. Financial income and expenses include interest income and expenses, realized and unrealized gains and losses arising from current investments, debt and transactions in foreign currencies, amortization of mortgage credit loans as well as charges and allowances under the tax-on-account scheme etc.

Tax for the year

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that can be attributed to the profit for the year.

Balance Sheet

Intangible assets

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

Tangible fixed assets

Other plants, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Impairment of fixed assets

Every year, intangible assets and property, plants and equipment are reviewed for impairment. Where

there is indication for impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price for the asset or the group of assets (recoverable amount) if it is lower than the carrying amount. Where an impairment loss is recognised on a group of assets, a loss must first be allocated to goodwill and then to the other assets in a pro rata basis.

Deferred tax

Deferred tax is calculated from all temporary differences between the carrying amount and taxable value at the tax rates confirmed at the reporting date. The most significant temporary difference arise from unused tax losses. It could also arise from depreciation of property, plant and equipment and adjustments for fair values in connection with acquisitions. 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.

Accounts receivables

Accounts receivable are measured at amortized cost. Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. Provisions are made to the lower of the net realizable value and the carrying amount.

Accruals

Accruals recognized as assets include costs incurred relating to the subsequent financial year.

Provisions

A provision is recognized when the Company 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.

Deferred income

Deferred income recognized as liabilities includes income relating to the subsequent financial year.

Cash and cash equivalents

Cash comprises cash balances and bank balances.

Note 2. Company's primary activities

Basware A/S sells and implements software solutions, automation and optimization of financial processes within enterprise Purchase to Pay.

Note 3. Staff costs	2017	2016
	DKK	DKK
Analysis of staff costs :		
Wages / Salaries	14.474.571	16.684.549
Pensions	899.226	1.143.555
Other social security costs	194.427	12.776
	<u>15.568.224</u>	<u>17.840.880</u>

The average of the employee is 25: 21 male and 4 female (2016: 25: 21 male and 4 female)

Note 4. Depreciation, amortisation and impairment losses	2017	2016
	DKK	DKK
Amortisation of intangible assets	2.857	6.857
Depreciation of property, plant and equipment	90.211	131.238
	<u>93.068</u>	<u>138.095</u>

Note 5. Financial income	2017	2016
	DKK	DKK
Interest receivable, group entities	16	339
Other financial income	35.705	68.312
	<u>35.721</u>	<u>68.651</u>

Note 6. Financial expenses	2017	2016
	DKK	DKK
Interest expenses, group entities	317.458	648.437
Other financial expenses	28.115	26.310
	<u>345.573</u>	<u>674.747</u>

Note 7. Tax for the year	2017	2016
	DKK	DKK
Change in deferred tax	-361.053	508.931
	<u>-361.053</u>	<u>508.931</u>

Note 8. Share capital

Analysis of share capital:

	2017	2016
	DKK	DKK
Pr./ At 1/1	600.000	500.000
Capital increase	-	100.000
Pr./ At 31/12	<u>600.000</u>	<u>600.000</u>

The company's share capital was increased by DKK 100.000 to DKK 600.000 previous year.
600 class A Share(s) of DKK 1.000 each amounting for DKK 600.000.

Note 9. Provisions

Analysis of provisions:

	2017	2016
	DKK	DKK
Provision for restructuring	183.891	621.662
	<u>183.891</u>	<u>621.662</u>

The provision for restructuring is only compound of personal costs.

Note 10. Security of loans

The company has not placed any assets or other as security for loans at 31 December 2017.

Note 11. Investment loan**Non-current liabilities other than provisions:**

Long term loans with credit institutions.

	DKK
Total debt at 31 Dec. 2017	7.933.723
Repayment, next year	-
Long-term portion	7.933.723
Outstanding debt after 5 years	7.933.723

Note 12. Contingent liabilities**Other contingent liabilities (Leasing commitments)**

	2017	2016
	DKK	DKK
To be paid during the next financial period	347.030	210.024
To be paid after 1 up to 5 years	304.757	241.640
To be paid after 5 years	-	-
	<u>651.787</u>	<u>451.664</u>

Contractual liabilities (Rent commitments)

	2017	2016
	DKK	DKK
To be paid during the next financial period	122.673	561.155
To be paid after 1 up to 5 years	7.256	112.875
To be paid after 5 years	-	-
	<u>129.929</u>	<u>674.030</u>

Note 13. Related parties

Basware A/S' related parties comprise the following:

Parties exercising control :

Basware Oyj (parent company)

Ownership

The following shareholder is registered in the Company's register of shareholders as holding 100% of the share capital:

Basware Corporation
Linnoitustie 2B
02600 Espoo
Finland

Consolidated financial statements

The company is included in the Group Annual Report of the Parent Company Basware Oyj.

The Group Annual Report of Basware Oyj may be obtained at the following address :

Linnoitustie 2, 02600 Espoo, Finland

Note 14. Share-based payments

For years 2015-2017 Basware Group has share-based incentive plan directed to a group of key personnel. The system comprises annual earning periods of 2015-2017. The Board of Directors decides on the earnings criteria and related targets separately for each annual earning period at the beginning of the earning period. There are employment-related conditions for eligibility for reward payment. In 2015-2016 there was one participant employed by Basware A/S.

In the share-based incentive plans the payment are made either as in equity instruments or in cash. For the equity instruments is used Basware Oyj shares. Share-based incentive schemes are valued at fair value on the grant date, recognised as a expense in the profit and loss statement during the period in which the conditions are met (the vesting period) and which corresponding adjustment to the equity or liability. The expenses is recognised in staff costs in the profit and loss statement, and amount to 46 604.

There were one delivery during 2017 for Basware A/S employees.