

Basware A/S

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

Annual report for the year ended 31 December 2016

Approved at the annual general meeting of shareholders on *19 June* 2017

As chairman, Vesa Tapio Tykkyläinen:

DocuSigned by:
Vesa Tykkyläinen
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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 2016.


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 2016 and of the results of the company's operations for the financial year 1 January - 31 December 2016.

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

Herlev, 19 June 2017

Executive board :

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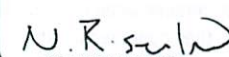
Henrik Stanley - Madsen,
Managing Director

Supervisory board :


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Vesa Tapio Tykkyläinen,
Chairman

DocuSigned by:

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Niclas Rosenlew

DocuSigned by:

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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 2016, which comprise an income statement, balance sheet, statement of changes in equity 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 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 about 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.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent auditor's report

- 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 conclusion is 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.

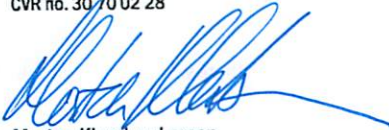
Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 19 June 2017

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Morten Klarskov Larsen

State Authorised

Public Accountant

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 2016 was 659.046 DKK as compared to profit of 1.933.102 DKK for fiscal year end 2015.

Assets as of 31 December 2016 were 23.050.675 DKK compared to 19.556.775 DKK as of 31 December 2015. Total assets included 171.696 DKK of fixed assets (licences, IT and office equipment) as of 31 December 2016 compared to 230.868 DKK as of 31 December 2015.

Equity as of 31 December 2016 was 2.199.908 DKK compared to (8.035.190) DKK as of 31 December 2015. This increase is explained by the equity restructuring that occurred in fiscal year 2016. A debt amounts to 9.500.000 DKK out of a loan of 14.204.222 DKK had been waived to the benefit of Basware A/S.

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;
- our inability to successfully implement our strategic plans could have a negative impact on our growth and profitability;
- our failure to protect our reputation could have a material adverse effect on our brand;

- our business could suffer if our information technology systems are disrupted or cease to operate effectively;
- 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;
- fluctuations in foreign currency exchange rates could adversely impact our financial condition and results of operations;
- our litigation exposure could have a material adverse effect on our financial condition and results of operations;
- 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;
- fluctuations in our tax obligations and effective tax rate may result in volatility in our operating results;
- 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;
- the impact of war or acts of terrorism could have a material adverse effect on our operating results and financial condition;
- changes in the regulatory or compliance landscape could adversely affect our business and results of operations; and,
- 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 2017

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

Income statement
1 January - 31 December

	Notes	2016 DKK	2015 DKK
Gross margin		18 735 186	20 365 650
Staff costs	3	17 840 880	17 517 114
Depreciation, amortisation and impairment losses	4	138 095	168 858
Profit / Loss before net financials		756 211	2 679 678
Financial income	5	68 651	29 625
Financial expenses	6	674 747	776 201
Financial profit / loss		(606 096)	(746 576)
Profit before taxes		150 115	1 933 102
Tax for the year	7	508 931	0
Net profit for the year		659 046	1 933 102
Appropriation of profit			
Profit to be appropriated:			
Retained earnings		(8 459 138)	(10 468 292)
Net profit of the year		659 046	1 933 102
Available for appropriation		(7 800 092)	(8 535 190)

Balance sheet
1 January - 31 December

	Notes	<u>2016</u> DKK	<u>2015</u> DKK
ASSETS			
Fixed assets			
Licences, patents and trademark rights, etc.		2 857	9 714
Intangible assets		<u>2 857</u>	<u>9 714</u>
IT equipment		85 868	89 913
Office equipment		82 971	131 241
Tangible assets		<u>168 839</u>	<u>221 154</u>
Total fixed assets		<u>171 696</u>	<u>230 868</u>
Non- current assets			
Other receivables		1 062 315	991 282
Receivables		<u>1 062 315</u>	<u>991 282</u>
Total Non Current assets		<u>1 062 315</u>	<u>991 282</u>
Current assets			
Trade receivables		7 077 469	7 707 719
Receivables from group enterprises		12 063 020	7 288 560
Prepayments		171 765	214 220
Income Tax		0	419 513
Other receivables		214 923	102 449
Deferred tax assets		508 931	0
Receivables		<u>20 036 108</u>	<u>15 732 462</u>
Bank and cash equivalents		<u>1 780 556</u>	<u>2 602 164</u>
Total Current assets		<u>21 816 664</u>	<u>18 334 625</u>
Total assets		<u>23 050 675</u>	<u>19 556 775</u>

EQUITY AND LIABILITIES

	Notes	2016 DKK	2015 DKK
Share capital	8	600 000	500 000
Unrestricted equity reserve	8	9 400 000	0
Retained earnings		(8 459 138)	(10 468 292)
Profit / Loss current year		659 046	1 933 102
Total equity		2 199 908	(8 035 190)
Other provisions	9	621 662	0
Total Provisions		621 662	0
Investment loan	11	7 936 499	17 441 400
Other non-current accrued liabilities		1 238 778	1 193 825
Long-term liabilities other than provisions		9 175 277	18 635 225
Trade payables		1 347 889	1 268 748
Debt to group enterprises		3 154 537	1 455 754
Deferred income		1 396 598	68 022
Other payables		5 154 804	6 164 216
Short-term liabilities other than provisions		11 053 828	8 956 740
Total liabilities other than provisions		20 229 105	27 591 966
Total equity and liabilities		23 050 675	19 556 775

Accounting policies (note 1)

Company's primary activities (note 2)

Contingent liabilities (note 12)

Related parties (note 13)

Statement of changes in equity

	Share Capital	Unrestricted equity reserve	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity beginning of year	500 000	0	(8 535 190)	(8 035 190)
Increase in capital	100 000	9 400 000	0	9 500 000
Stock option - equity part	0	0	76 052	76 052
Profit / Loss current year	0	0	659 046	659 046
Equity end of year	600 000	9 400 000	(7 800 092)	2 199 908

Note 1.

Accounting policies

The annual report of Basware A/S for 2016 has been prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act.

The company has implemented the changes to the regulations of the Danish Financial Statement Act. The changes apply from January 1, 2016, according to law number 738 of June, 2015. The changes have not had any effect on the company's assets, liabilities or financial position at December 31, 2016, but only resulted in further information in the annual report.

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:

	<u>Useful life (years)</u>
Acquired IP rights	5

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. The expected useful lives of the assets are as follows:

	<u>Useful life (years)</u>
Other fixtures and fittings, tools and equipment	3-5
Leasehold improvements	5

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 lost 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	2016	2015
	DKK	DKK
Analysis of staff costs :		
Wages / Salaries	16 684 549	16 072 712
Pensions	1 143 555	1 246 816
Other social security costs	12 776	197 586
	<u>17 840 880</u>	<u>17 517 114</u>

The average of the employee is 25: 21 males and 4 females.

Note 4. Depreciation, amortisation and impairment losses	2016	2015
	DKK	DKK
Amortisation of intangible assets	6 857	6 857
Depreciation of property, plant and equipment	131 238	162 001
	<u>138 095</u>	<u>168 858</u>

Note 5. Financial income	2016	2015
	DKK	DKK
Interest receivable, group entities	339	16 438
Other financial income	68 312	13 187
	<u>68 651</u>	<u>29 625</u>

Note 6. Financial expenses	2016	2015
	DKK	DKK
Interest expenses, group entities	648 437	742 575
Other financial expenses	26 310	33 626
	<u>674 747</u>	<u>776 201</u>

Note 7. Tax for the year	2016	2015
	DKK	DKK
Change in deferred tax	508 931	0
	<u>508 931</u>	<u>0</u>

Note 8. Share capital	2016	2015
Analysis of share capital:	DKK	DKK
Pr./ At 1/1	500 000	500 000
Capital increase	<u>100 000</u>	<u>0</u>
Pr./ At 31/12	<u>600 000</u>	<u>500 000</u>

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

On 30 September 2016, the sole shareholder adopted a resolution to increase the share capital by a nominal share amount of DKK 100.000 from DKK 500.000 to nominal DKK 600.000 by conversion of debt pursuant to section 161 of the Danish Companies Act.

The debt amounts to DKK 9.500.000 out of a loan of DKK 14.204.221,51 (exclusive of interest) had been waived to the benefit of Basware A/S. The subscription of the new shares amounts to DKK 9.500.000 (9.500 shares for an individual amount of DKK 1.000) split into an increase in share capital of DKK 100.000 and an increase in unrestricted equity reserves of DKK 9.400.000.

The costs in connection with the capital increase amounted to DKK 31.200.

Note 9. Provisions

Analysis of provisions:

	<u>2016</u> <u>DKK</u>	<u>2015</u> <u>DKK</u>
Provision for restructuring	621 662	0
	<u>621 662</u>	<u>0</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 2016.

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

Long term loans with credit institutions.

	<u>DKK</u>
Total debt at 31 Dec. 2016	7 936 499
Repayment, next year	0
Long-term portion	7 936 499
Outstanding debt after 5 years	7 936 499

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

	<u>2016</u> <u>DKK</u>	<u>2015</u> <u>DKK</u>
To be paid during the next financial period	210 024	202 072
To be paid after 1 up to 5 years	241 640	154 672
To be paid after 5 years	0	0
	<u>451 664</u>	<u>356 744</u>

Contractual liabilities (Rent commitments)

	<u>2016</u> <u>DKK</u>	<u>2015</u> <u>DKK</u>
To be paid during the next financial period	561 155	550 052
To be paid after 1 up to 5 years	112 875	660 570
To be paid after 5 years	0	0
	<u>674 030</u>	<u>1 210 622</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 121.005.

There were one delivery during 2016 for Basware A/S employees.