

Basware A/S

Kirkebjerg Allé 84, 2605 Brøndbyvester
CVR No. 26 40 47 03

Annual report for the year ended 31 December 2018

Approved at the annual general meeting of shareholders on 10 July 2019

As chairman, Klaus Andersen:

DocuSigned by:
Klaus Andersen Chairman
BA38841703C54A0

Company details

Address, Postal code, City	Kirkebjerg Allé 84, 2605 Brøndbyvester
CVR-Nr.	26 40 47 03
Homepage	www.basware.com
Supervisory board	Klaus Andersen, Chairman Tuija Irmeli Mäntyniemi 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 2018.

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 2018 and of the results of the company's operations for the financial year 1 January - 31 December 2018.

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

Herlev,

Executive board :

DocuSigned by:
Stanley-Madsen, Henrik
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Henrik Stanley -Madsen,
Managing Director

Supervisory board :

DocuSigned by:
Klaus Andersen Chairman
BA38841703C54A0...

Klaus Andersen
Chairman

DocuSigned by:
Tuija Mäntyniemi
E0E876F189904E6...

Tuija Irmeli Mäntyniemi

DocuSigned by:
Sami Takila
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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 2018, which comprise 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 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 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.

Horsens, 10 July 2019

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30700228

A handwritten signature in blue ink, appearing to read 'Morten Klarskov Larsen', is written over the printed name below.

Morten Klarskov Larsen

State Authorised

Public Accountant

mne32736

Management commentary

Primary activities

Basware is the global leader in networked purchase-to-pay solutions, including e-invoicing and financing services. Basware's commerce network connects businesses in over 100 countries and territories around the globe. As the largest open business network in the world, Basware provides scale and reach for organizations of all sizes, enabling them to grow their business and unlock value across their operations by simplifying and streamlining financial processes. Small and large companies around the world achieve significant cost savings, more flexible payment terms, greater efficiencies and closer relationships with their suppliers.

Development in activities and finances

Loss for fiscal year end 2018 was 522.046 DKK as compared to profit of 871.641 DKK for fiscal year end 2017. The loss for the year was mainly driven by a significant increase in share based compensation expenses during 2018.

Assets as of 31 December 2018 were 21.524.866 DKK compared to 21.366.860 DKK as of 31 December 2017. Total assets included 33.265 DKK of fixed assets (IT and office equipment) as of 31 December 2018 compared to 111.789 DKK as of 31 December 2017.

Equity as of 31 December 2018 was 2.674.865 DKK compared to 3.094.851 DKK as of 31 December 2017. This decrease is mainly explained by the loss for fiscal year end 2018.

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

Basware announced on April 30, 2019 that the group is launching a productivity program in order to improve productivity and cashflow. The productivity program will affect operations globally and might include personnel reductions during 2019 in Denmark. Negotiations with employees will be carried out in accordance with Danish legislation. No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Expected development in 2019

There are no significant changes planned, other than mentioned in the events after the balance sheet date that would impact Company's operations in the foreseeable future.

Income statement
1 January - 31 December

	Notes	2018 DKK	2017 DKK
Gross margin		18 488 535	17 203 838
Staff costs	2	18 675 754	15 568 224
Depreciation, amortisation and impairment losses	3	78 524	93 068
Profit / Loss before net financials		(265 743)	1 542 546
Financial income	4	25 556	35 721
Financial expenses	5	336 983	345 573
Financial profit / loss		(311 427)	(309 852)
Profit before taxes		(577 170)	1 232 694
Tax for the year	6	25 124	(361 053)
Net profit for the year		(552 046)	871 641
Appropriation of profit			
Profit to be appropriated:			
Net profit of the year		-552 046	871 641

Balance sheet
1 January - 31 December

	Notes	2018 DKK	2017 DKK
ASSETS			
Fixed assets			
IT equipment		25 052	66 197
Office equipment		8 213	45 592
Tangible assets		33 265	111 789
Total fixed assets		33 265	111 789
Non- current assets			
Other receivables		1 195 527	1 151 576
Receivables		1 195 527	1 151 576
Total Non Current assets		1 195 527	1 151 576
Current assets			
Trade receivables		5 141 769	5 860 400
Receivables from group enterprises		10 622 186	11 565 516
Prepayments		321 097	588 834
Income Tax		372	1 408
Other receivables		768 566	388 289
Deferred tax assets		276 312	147 878
Receivables		17 130 302	18 552 325
Bank and cash equivalents		3 165 772	1 551 170
Total Current assets		20 296 074	20 103 495
Total assets		21 524 866	21 366 860

EQUITY AND LIABILITIES

	Notes	2018 DKK	2017 DKK
Share capital	7	600 000	600 000
Unrestricted equity reserve	7	9 400 000	9 400 000
Retained earnings		(6 773 089)	(7 776 790)
Profit / Loss current year		(552 046)	871 641
Total equity		2 674 865	3 094 851
Other provisions	8	-	183 891
Total Provisions		-	183 891
Investment loan	10	7 943 439	7 933 723
Other non-current accrued liabilities		1 174 858	1 262 080
Long-term liabilities other than provisions		9 118 297	9 195 803
Trade payables		927 804	1 176 342
Debt to group enterprises		3 265 293	3 326 784
Income Tax payable		140 557	-
Deferred income		588 060	15 756
Other payables		4 809 990	4 373 433
Short-term liabilities other than provisions		9 731 704	8 892 315
Total liabilities other than provisions		18 850 001	18 088 118
Total equity and liabilities		21 524 866	21 366 860

Accounting policies (note 1)

Security of loans (note 9)

Contingent liabilities (note 11)

Related parties (note 12)

Share-based payments (note 13)

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	(6 905 149)	3 094 851
Increase in capital	-	-		-
Restatement in retained earning*	-	-	(591 575)	(591 575)
Stock option - equity part	-	-	723 635	723 635
Profit / Loss current year	-	-	(552 046)	(552 046)
Equity end of year	600 000	9 400 000	(7 325 135)	2 674 865

*Accounting policies (note 1) - Changes in accounting policies

Note 1. Accounting policies

The annual report of Basware A/S for 2018 has been prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act.

Changes in accounting policies

Revenue recognition

Basware A/S has adopted new revenue recognition principles as of January 1, 2018 with modified retrospective application. The effects of the new revenue recognition principles are described in more detail below in section 'Income'.

Financial instruments

Basware A/S implemented new accounting policies which had an impact on recognition of impairment provision for trade receivables. Loss allowances for trade receivables are measured at an amount equal to lifetime of the expected credit losses. The measurement of the expected credit losses is based on historical default rates observed over the expected life of the trade receivables and is adjusted for forward-looking estimates.

Presentation of the retrospective impact

The January 1, 2018 impact of the implementations described above has been presented in the retained earnings.

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

SaaS and transaction services fees are fixed and are invoiced monthly or annual basis, or monthly basis based on actual user and transaction volumes. Both fees are recognized monthly basis over the term of the contract.

Revenue from the license sales is recognized when contractual criteria has been fulfilled and when license has been delivered to the customer. License revenue is recognized at a point in time.

Revenue from maintenance services, which includes new version releases and customer support, is recognized over the period of the contract on a straight-line basis (i.e., monthly). Pre-invoiced amounts are deferred and recognized according to the above main rule.

Revenue from set up activities are deferred and recognized over time throughout the contract term. Time and material-based professional service projects are invoiced monthly based on hours done to the projects. Revenue is recognized according to invoicing.

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 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 less impairment losses. The Company recognizes loss allowances for expected credit losses (ECL) on trade receivables. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL. Expected credit losses have not been recorded from the value added tax that is included in trade receivables.

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. Staff costs	2018	2017
	DKK	DKK
Analysis of staff costs :		
Wages / Salaries	17 261 187	14 474 571
Pensions	1 091 295	899 226
Other social security costs	323 272	194 427
	<u>18 675 754</u>	<u>15 568 224</u>

The average of the employee is 19: 16 male and 3 female (2017: 25: 21 male and 4 female)

Note 3. Depreciation, amortisation and impairment losses

	2018	2017
	DKK	DKK
Amortisation of intangible assets	-	2 857
Depreciation of property, plant and equipment	78 524	90 211
	<u>78 524</u>	<u>93 068</u>

Note 4. Financial income

	2018	2017
	DKK	DKK
Interest receivable, group entities	466	16
Other financial income	25 090	35 705
	<u>25 556</u>	<u>35 721</u>

Note 5. Financial expenses

	2018	2017
	DKK	DKK
Interest expenses, group entities	318 766	317 458
Other financial expenses	18 217	28 115
	<u>336 983</u>	<u>345 573</u>

Note 6. Tax for the year

	2018	2017
	DKK	DKK
Change in deferred tax	128 434	(361 053)
Current income tax for the fiscal year	-103 310	-
	<u>25 124</u>	<u>(361 053)</u>

Note 7. Share capital

Analysis of share capital:

	2018	2017
	DKK	DKK
Pr./ At 1/1	600 000	600 000
Capital increase	-	-
Pr./ At 31/12	<u>600 000</u>	<u>600 000</u>

600 class A Share(s) of DKK 1.000 each amounting for DKK 600.000

Note 8. Provisions

Analysis of provisions:

	2018	2017
	DKK	DKK
Provision for restructuring	-	183 891
	<u>-</u>	<u>183 891</u>

In prior year, the provision for restructuring was only compound of personal costs. This was fully reversed in the course of fiscal year 2018

Note 9. Security of loans

The company has not placed any assets or other as security for loans at 31 December 2018.

Note 10. Investment loan*Non-current liabilities other than provisions:*

Long term loans with credit institutions.

	DKK
Total debt at 31 Dec. 2018	7 943 439
Repayment, next year	-
Long-term portion	7 943 439
Outstanding debt after 5 years	7 943 439

Note 11. Contingent liabilities**Other contingent liabilities (Leasing commitments)**

	2018	2017
	DKK	DKK
To be paid during the next financial period	347 030	347 030
To be paid after 1 up to 5 years	304 757	304 757
To be paid after 5 years	-	-
	<u>651 787</u>	<u>651 787</u>

Contractual liabilities (Rent commitments)

	2018	2017
	DKK	DKK
To be paid during the next financial period	122 673	122 673
To be paid after 1 up to 5 years	7 256	7 256
To be paid after 5 years	-	-
	<u>129 929</u>	<u>129 929</u>

Note 12. 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 13. Share-based payments

The previous Matching Share Plan established for years 2015-2018 has ended in January 2018.

For years 2017-2020 Basware Group has share-based incentive plan directed to a group of key personnel. The system comprises annual earning periods of 2017-2020. 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 2017-2018 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 1.807.725 (2017: 46.604).

There were one delivery during 2018 for Basware A/S employees.