

Basware A/S

Kirkebjerg Allé 84, 2605 Brøndbyvester

CVR No. 26 40 47 03

Annual report for the year ended 31 December 2019

Approved at the annual general meeting of shareholders on

DocuSigned by:
Klaus Andersen Chairman
BA38841703C54A0...

As chairman, Klaus Andersen:

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 Matti Nurminen Sami Takila
Executive board	Anders Erik Juhlin, 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 2019.

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 2019 and of the results of the company's operations for the financial year 1 January - 31 December 2019.

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

Herlev, 26 August 2020

Executive board :

DocuSigned by:
Anders Juhlin
1797CE495AB240C...

Anders Erik Juhlin,
Managing Director

Supervisory board :

DocuSigned by:
Klaus Andersen Chairman
BA38841703C54A0...

DocuSigned by:
Martti Nurminen
0CD550FB4D71469...

DocuSigned by:
Sami Takila
B9642D726E78447...

Klaus Andersen
Chairman

Martti Nurminen

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 2019, 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 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019 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.



**Building a better
working world**

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, 26 August 2020
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

A handwritten signature in blue ink, appearing to read 'Morten Klarskov Larsen', is written over a horizontal line.

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

Profit for fiscal year end 2019 was 617.952 DKK as compared to a loss of 552.046 DKK for fiscal year end 2018. The profit for the year was mainly driven by an increase in other operating income during 2019.

Assets as of 31 December 2019 were 25.828.923 DKK compared to 21.524.866 DKK as of 31 December 2018.

Equity as of 31 December 2019 was 4.663.254 DKK compared to 2.674.865 DKK as of 31 December 2018. This increase is mainly explained by the share part of stock options for fiscal year end 2019.

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

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 in 2020. Basware will though continue to develop its existing focus areas with full force and with an even stronger focus on profitability. The board remains confident that Basware A/S in 2020 will show a solid profit.

Expected development in 2020

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	2019 DKK	2018 DKK
Gross margin		24,902,536	18,488,535
Staff costs	2	23,215,339	18,675,754
Depreciation, amortisation and impairment losses	3	30,185	78,524
Profit / (loss) before net financials		1,657,012	(265,743)
Financial income	4	21,225	25,556
Financial expenses	5	330,488	336,983
Financial profit / (loss)		(309,263)	(311,427)
Profit / (loss) before taxes		1,347,749	(577,170)
Tax for the year	6	(729,797)	25,124
Net profit / (loss) for the year		617,952	(552,046)
Appropriation of profit / (loss)			
Profit / (loss) to be appropriated:			
Net profit / (loss) of the year		617,952	(552,046)

Balance sheet
1 January - 31 December

	Notes	<u>2019</u> <u>DKK</u>	<u>2018</u> <u>DKK</u>
ASSETS			
Fixed assets			
IT equipment		3,080	25,052
Office equipment		-	8,213
Tangible assets		<u>3,080</u>	<u>33,265</u>
Total fixed assets		<u>3,080</u>	<u>33,265</u>
Non- current assets			
Other receivables		789,231	1,195,527
Receivables		<u>789,231</u>	<u>1,195,527</u>
Total Non Current assets		<u>789,231</u>	<u>1,195,527</u>
Current assets			
Trade receivables		4,873,950	5,141,769
Receivables from group enterprises		19,120,300	10,622,186
Prepayments		72,637	321,097
Income Tax		-	372
Other receivables		674,142	768,566
Deferred tax assets		10,418	276,312
Receivables		<u>24,751,447</u>	<u>17,130,302</u>
Bank and cash equivalents		<u>285,165</u>	<u>3,165,772</u>
Total Current assets		<u>25,036,612</u>	<u>20,296,074</u>
Total assets		<u><u>25,828,923</u></u>	<u><u>21,524,866</u></u>

EQUITY AND LIABILITIES

	Notes	2019 DKK	2018 DKK
Share capital	7	600,000	600,000
Unrestricted equity reserve	7	9,400,000	9,400,000
Retained earnings		(5,954,698)	(6,773,089)
Profit / Loss current year		617,952	(552,046)
Total equity		4,663,254	2,674,865
Investment loan	9	7,241,040	7,943,439
Other non-current accrued liabilities		2,579,197	1,174,858
Long-term liabilities other than provisions		9,820,237	9,118,297
Trade payables		400,259	927,804
Debt to group enterprises		3,286,282	3,265,293
Income Tax payable		462,387	140,557
Deferred income		837,132	588,060
Other payables	10	6,359,372	4,809,990
Short-term liabilities other than provisions		11,345,432	9,731,704
Total liabilities other than provisions		21,165,669	18,850,001
Total equity and liabilities		25,828,923	21,524,866

Accounting policies (note 1)

Security of loans (note 8)

Other payables (note 10)

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	(7,325,135)	2,674,865
Stock option - equity part	-	-	1,370,437	1,370,437
Profit / Loss current year	-	-	617,952	617,952
Equity end of year	600,000	9,400,000	(5,336,746)	4,663,254

Note 1. Accounting policies

The annual report of Basware A/S for 2019 has been prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act.

Changes in accounting policies;

The accounting policies applied to prepare the annual report for 2019 are similar to the ones used for 2018.

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, share based payments and other costs to staff, board of executives and board of directors. The item is net of refunds made by public authorities.

Depreciation and impairment losses

The item comprises depreciation of 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 are as follows:

- 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

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, 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 differences 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	2019 DKK	2018 DKK
Analysis of staff costs :		
Wages/ Salaries	18,671,497	15,595,436
Share based payments	2,697,271	1,665,751
Pensions	1,471,430	1,091,295
Other social security costs	375,141	323,272
	<u>23,215,339</u>	<u>18,675,754</u>

The average of the employee is 18: 3 male and 15 female (2018: 19: 16 male and 3 female)

Note 3. Depreciation, amortisation and impairment losses

	2019 DKK	2018 DKK
Depreciation of property, plant and equipment	30,185	78,524
	<u>30,185</u>	<u>78,524</u>

Note 4. Financial income

	2019 DKK	2018 DKK
Interest receivable, group entities	-	466
Other financial income	21,225	25,090
	<u>21,225</u>	<u>25,556</u>

Note 5. Financial expenses

	2019 DKK	2018 DKK
Interest expenses, group entities	318,211	318,766
Other financial expenses	12,277	18,217
	<u>330,488</u>	<u>336,983</u>

Note 6. Tax for the year

	2019 DKK	2018 DKK
Change in deferred tax	(265,894)	128,434
Current income tax for the fiscal year	(462,387)	(103,310)
Tax for Previous accounting periods	(1,516)	-
	<u>(729,797)</u>	<u>25,124</u>

Note 7. Share capital

Analysis of share capital:

	2019	2018
	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. Security of loans

The Company has not placed any assets or other as security for loans at 31 December 2019.

Note 9. Investment loan**Non-current liabilities other than provisions:**

Long term loans with credit institutions.

	DKK
Total debt at 31 Dec. 2019	7,241,040
Repayment, next year	-
Long-term portion	7,241,040
Outstanding debt after 5 years	7,241,040

Note 10. Other payables

	2019	2018
	DKK	DKK
Accrued expenses	2,594,334	976,658
Taxes and social security contributions	3,189,425	3,833,332
Provision for holiday entitlement	575,613	-
	<u>6,359,372</u>	<u>4,809,990</u>

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

	2019	2018
	DKK	DKK
To be paid during the next financial period	48,310	347,030
To be paid after 1 up to 5 years	38,604	304,757
To be paid after 5 years	-	-
	<u>86,914</u>	<u>651,787</u>

Contractual liabilities (Rent commitments)

	2019	2018
	DKK	DKK
To be paid during the next financial period	606,567	122,673
To be paid after 1 up to 5 years	1,920,796	7,256
	<u>2,527,363</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

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 2018-2019 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, share based payments amount to 2.697.271 and other social security costs amount to 137.264 (2018: shared based payments : 1.665.751 and other social security costs : 141.974).

There were one delivery during 2019 for Basware A/S employees.