Simplify Operations, Spend Smarter.

Annual Report 2018: Building the future with cloud growth

Global leader in networked Source-to-Pay

Basware is the global leader in networked Source-to-Pay solutions. Our 1,400 employees in 14 countries help companies to simplify their operations and spend smarter. Already 2,500 companies in over 100 countries are using our solutions to solve their inefficient invoice processes, create cashflow visibility and put all spend under management.

Cloud revenues 63% of net sales

Basware's net sales in 2018 were EUR 141 million (EUR 149 million in 2017). Cloud revenues amounted to 63% of total revenue and increased 11% from previous year's level. Non-cloud revenue declined in line with expectations as customers moved to cloud-based solutions.

Cloud order intake EUR 21.5 million

In 2018 Basware's total cloud annual recurring revenue (ARR) gross order intake amounted to EUR 21.5 million, increasing 20% from previous year's level. Typically 25% of new ARR order intake converts into revenue in the year that it is won, roughly 50-60% in the second year and the remainder thereafter.

A huge market opportunity

The current annual spend in Source-to-Pay market globally is estimated to be EUR 5 billion per year. However, as every organization in the world can benefit from Basware's solutions, the market opportunity is worth EUR 15 billion per year. As the leading networked Source-to-Pay provider, Basware is in a great position to capture the market demand.

CEO's Review

Building the future with cloud growth.

In 2018 Basware took big steps forward in its transition to a pure cloud company. Already 63 percent of our revenue came from cloud business. We are approaching the final stage of our transition journey at good speed. During the past year, we continued to streamline our operations with divestments, partnerships and new customer service model among others. Now we are in a better position to capture the market opportunities and focus our full attention on the global cloud-based strategy.

Basware's mission is to help our customers to simplify operations and spend smarter. There is a huge market opportunity ahead of us, worth EUR 15 billion annually. According to our report based on research from the Hackett Group, less than half of US companies are prepared to manage rogue spend. As the industry leader in networked source-to-pay solutions, more than 2,500 companies have chosen us to solve their inefficient invoice processes, create cashflow visibility and put all spend under management.

Basware was again recognized as a leader in source-to-pay by an industry analyst, with a particular emphasis on our customer focus. Throughout the year, we continued to deliver customer value beyond expectations by releasing new innovations and enhancements to our solutions. We launched new innovations such as Basware's SmartPDF, which makes data capturing from machine readable PDF invoices more efficient and accurate, and Basware virtual assistant in procurement, a chatbot feature that tangibly improves the user experience and reduces the need for customer training.

In 2018, our net sales were EUR 141 million, of which EUR 89.5 million came from cloud business. Basware's annually recurring cloud order intake amounted to EUR 21.5 million, increasing 20 percent from the previous year's level. Our key strategic priority is scalable cloud revenue growth, and we were able to reach an organic cloud growth rate of 16 percent at constant currencies. Our recently established partnering function had a great start in widening both partner and customer base.

We still have a lot of work to be done in order to reach the mid-term target of accelerating annual organic cloud growth to more than 20 percent by 2022. We are working towards that goal through four sources of growth: new customer acquisitions, particularly in our key growth markets; customer expansion through extra services and geographical coverage; customer transformations from license to cloud and increasing our net sales via partners. I believe that Basware is well positioned to capture the market opportunities.

Today we connect more than 1.5 million organizations to our e-invoicing network, while more than 2,500 companies are using our purchase-to-pay solutions. It has been an exciting growth journey that would not have been possible without a number of people. I would like to take this opportunity to warmly thank our customers for the trust in our solutions and services, our partners for the excellent cooperation and finally, our employees of the great work and dedication in striving toward our strategic goals.

Cloud-focused strategy

Basware's vision is to deliver the best global solution for networked purchasing, invoicing and paying.

In 2018 Basware took big steps forward in the transformation to a pure cloud company. Basware divested two non-core, non-cloud businesses and finished the out-sourcing partnership of scanning services to Xerox. The move to a functional organization in June 2018 further simplified our operations in addition to establishing a dedicated partnering function. The foundation is now in place to focus on accelerating cloud growth.

Strategic focus areas

Be the undisputed market leader

Focus on

- New customer acquisitions
- Customer expansions
- Customer transformations
- Partnering ecosystem

Key achievements in 2018:

- Further strengthened its leadership position by acquiring new customers such as Neogen and Voith
- Basware's partner network grew and had strong success in signing new deals
- Basware recognized as a market leader in Procure-to-Pay Suites by an industry analyst with highest score for global deployment strategy

Simplify global trade interactions

Focus on

- Continue to deliver Source-to-Pay innovations
- Maximizing open network
- World-class customer experience

Key achievements in 2018:

- New analytics dashboard launched in Purchase-to-Pay
- New machine learning and AI capabilities introduced across the Source-to-Pay offering, such as SmartCoding and SmartSearch
- SmartPDF and Dun & Bradstreet supplier data enrichment maximize the value of Basware's open network for customers
- Virtual assistant in procurement transformed user experience through natural language processing and AI capabilities

Deliver customer value beyond expectations

Focus on

- Investing in customer success
- Helping customers achieve business outcomes
- Global and scalable customer service operations

Key achievements in 2018:

- Optimized customer services with ServiceNow
- Basware customer engagement model introduced for largest accounts globally
- Building the foundation to deepen customer relationships

Focus on accelerating growth

Basware's growth vision is to become an EUR 1 billion revenue company. Megatrends such as digitalization, automation and artificial intelligence drive the growth in demand for source-to-pay solutions.

The cloud business model that Basware is transforming to is very scalable. This means that as revenues grow, the cost of sales does not grow as quickly, improving Basware's gross margin over time. As a general cost philosophy, Basware will continuously reallocate spending from less productive to more productive areas.

Basware's mid-term target is to accelerate annual organic cloud growth to more than 20% by 2022. Basware has four sources of cloud revenue growth: new customer acquisitions, customer expansions, customer transformations, and partnering:

- Basware's key growth markets are the US, UK, Germany and France, where we see the greatest opportunity to win new customers.
- Our top 200 key customers bring on average approximately EUR 200 thousand annual recurring cloud revenue. With our investments in account management, customer service and customer satisfaction, we believe that we can significantly increase the average revenue from our key customers.
- Basware is focused on actively transforming the largest on-premise customers to cloud. When our customers transform to the cloud they benefit from a modern, more useable, constantly updated solution and as a result typically the revenues from each of these customers more than double.
- Previously Basware was mainly focused on direct sales, but with the launch of the new partnering function, Basware aims to increase the percentage of cloud revenues from partners to 20% in the long run.

Solutions and services

Helping our customers realize tomorrow's financial goals today.

Through 30 years of work and innovations in electronic sourcing, procurement, invoicing and invoice automation, Basware has made over 2,500 companies' everyday more efficient by optimizing their spend and cash flow. By simplifying operations and automating procurement and finance processes, we have helped our customers to achieve their tomorrow's financial goals today.

With Basware's solutions our customers can

- Go completely paperless in their Order-to-cash and Source-to-pay processes by moving to e-orders and e-invoices through the Basware Network, the largest open network in the world
- Buy right things at the right price from the preferred suppliers, and automate their whole accounts payable process, through our industry-leading Source-to-Pay solutions and services in the cloud
- Optimize their cash flows and improve efficiency using innovative value-added services in the Basware Network

Industry-leading expertise and solution capabilities

In 2018, Basware was again named as a global market leader by an independent industry analyst. We were recognized for our completeness of vision and ability to execute. Combined with recognitions in analytics and our best-in-class solution capabilities, Basware continues to be the preferred choice for demanding, global customers.

Our mission is to help our customers simplify operations and spend smarter

2018 was the year of innovation. We introduced number of innovations around procurement, including Guided purchasing and Virtual assistant. We leveraged machine learning throughout our solutions: by introducing SmartCoding and SmartSearch, making daily tasks all the easier for users of Basware solutions.

For the Accounts Payable customers we introduced Basware SmartPDF for businesses to easily turn email-based invoices from suppliers into true electronic invoices. And we kept providing more and more new analytics capabilities for supplier spend, comprehensive committed spend and payment plan.

Basware continues to lead industry innovation. **Read more**: solutions and services.

Baswareans

1,400 employees in 14 countries are the cornerstone of Basware's success. Therefore, employee engagement and competence development are high priorities for us.

Basware values and rewards its employees, as well as encourages a friendly and productive working environment. In 2018, Basware took steps to improve its employee engagement, performance culture and career development.

Basware organizes YourVoice employee engagement survey annually and follows up the results through action points each year. In 2018 the survey had a response rate of 90% and the results showed improvements from previous year in several areas from visible company culture to managers' leadership. Employee engagement was measured through questions on recommendation, motivation, pride and commitment. For example, 72% of Basware's employees agreed that "they would recommend a friend" to work at Basware.

As a thank you for the feedback Basware planted 1,384 trees to mach each of the survey responses

Basware's employees are living our four core values: 'Lead the way', 'Drive customer success', 'Strive for Excellence' and 'Inspire and be inspired'. On average approximately 90% of our employees responded either positively or neutral on statements about our values in the annual survey. The responses showed that Basware succeeds best in 'Leading the way' by striving for continuous improvement and having immediate managers with good leadership skills.

In 2018 Basware took steps to further improve its performance culture by adding peer-to-peer feedback to employees' performance review discussions, organizing a webinar on performance and feedback as well as encouraging employees to identify and celebrate high performing colleagues through internal communication channels.

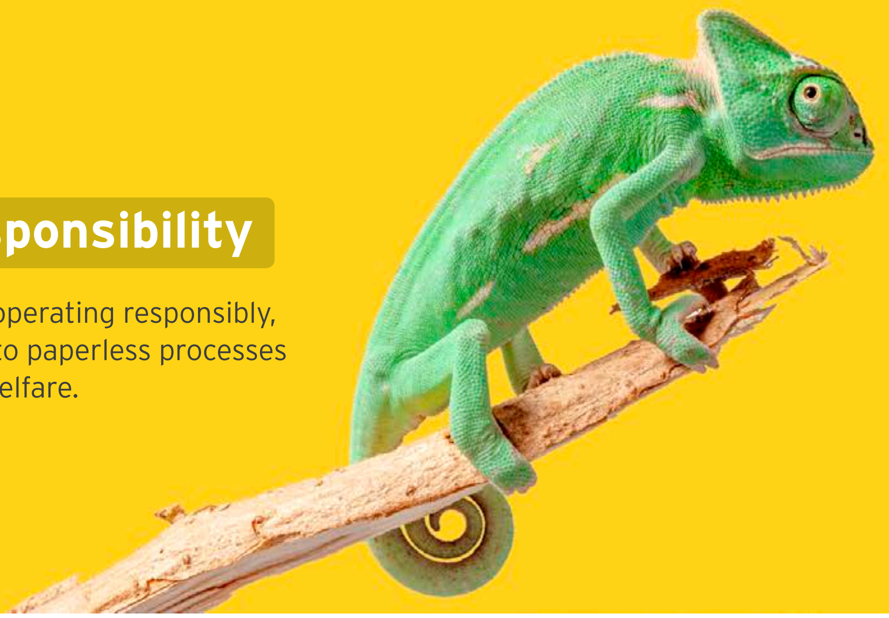
Basware launched a career workshop program to provide its employees an opportunity to discuss and get feedback on their career plans and development. The workshops, organized in all Basware's locations in 14 countries, received great feedback from the participants. Workshops' group discussions helped employees to define the next steps for their careers and identify areas of improvement to reach their career objectives.

In addition, Basware continued to offer development opportunities by organizing several training sessions globally with focus on leadership, project management and facilitation, expertise skills, coaching and communication.

Read more: Basware careers

Corporate responsibility

Basware is committed to operating responsibly, helping companies move to paperless processes and fostering employee welfare.



Basware's digital solutions and services provide our customers environmental benefits by automating their financial processes with cloud-based software, thus reducing the use and distribution of paper and reliance on separate, company-specific data centres. Furthermore, Basware's automated invoicing processes reduce emissions from accounts payable employee commuting and computing. According to our estimates, replacing old paper-based invoicing processes with Basware's automated invoice solutions reduces global carbon emissions by roughly 40% per invoice.

Basware's corporate environmental responsibility is incorporated into the company's business strategy and operations. Basware has set goals to improve its environmental awareness and footprint in its Environmental Policy. Greenhouse gas emissions are calculated annually and reported to CDP. Basware is focused on reducing its energy consumption at offices as well as emissions from business travel and commuting.

Basware complies with several international and local standards, legislations and policies to ensure that human and labor rights are respected. We support diversity in the workforce and are committed to equal opportunity in the workplace. Basware's values and Code of Conduct are the foundation of responsible business operations. 99% of Basware's employees had completed a Code of Conduct training by the end of 2018.

Basware is committed to foster employee welfare. 72% of Basware's employees globally "would recommend Basware as a great place to work" according to our employee engagement survey in 2018. Both of Basware's US locations were awarded with 'Best place to work' for the second consecutive year, which shows that we have the benefits, policies and practices in place to create a productive and friendly working environment. Basware encourages its employees to volunteer through its #GiveBack initiative. In 2018 our employees took part in various events from planting trees to preparing food for the people in need.

Since 2000, Basware has supported young artists by organizing international "Art of Basware" competition, in which the winning artwork gets purchased to Basware's collection. In 2018, artists submitted more than 380 paintings, drawings, sculptures, photographs, and video works reflecting the theme "Every Action Counts".

Read more: Baswareans, Report of the Board of Directors

Corporate Governance Statement

Corporate Governance Statement contains information on Basware's governing principles, the composition and responsiblities of the Board of Directors and Executive Team as well as information on governing bodies, risk management and internal control.

Basware Corporation ("the Company") is a public listed company registered in Finland, with its headquarters located in Espoo, Finland. Basware Group ("Basware" or "the Group") is comprised of the parent company Basware Corporation and its Finnish and foreign subsidiaries. Decision-making and governance of the Group comply with the Company's Articles of Association, the Finnish Companies Act, and other applicable legislation. In addition, the Company complies with the Nasdaq Helsinki Ltd's Guidelines for Insiders. The Company's subsidiaries comply with local legislation.

This Corporate Governance Statement has been composed in accordance with Chapter 7, Section 7 of the Finnish Securities Markets Act and the reporting requirements of the Finnish Corporate Governance Code 2015 issued by the Finnish Securities Market Association (available at www.cgfinland.fi/en/). Basware complies with the Code with no deviations.

The Corporate Governance Statement is issued separately from the Report of the Board of Directors. Both the report and this statement are included in the Company's e-annual report.

Description of the Company's Governance

The General Meeting of Shareholders, Board of Directors and CEO are responsible for the management of Basware Corporation, and their tasks are determined as specified in the Finnish Companies Act. The CEO is responsible for Group-level operational activity, assisted by the Group's Executive Team.

Annual General Meeting

The Annual General Meeting is the highest decision-making body of the Company. The Annual General Meeting is arranged once a year on the date determined by the Board of Directors and held within six (6) months of the end of the financial period. Extraordinary General Meetings can be arranged during the year, if necessary.

In accordance with the Articles of Association, the Annual General Meeting is held in a place determined by the Board of Directors, either in Espoo, Helsinki or Vantaa. The Annual General Meeting deals and takes decisions on proposals to the Annual General Meeting and other matters in accordance with the Finnish Companies Act and the Company's Articles of Association, which are available at Company's investor pages.

All shareholders registered by the record date in the Company's list of shareholders maintained by Euroclear Finland Ltd have the right to attend the General Meeting.

In 2018, the Annual General Meeting was held in Helsinki on March 15, 2018.

Board of Directors

In accordance with the Articles of Association, the Company's Board of Directors has a minimum of four (4) and a maximum of eight (8) regular members. The Board members are elected by the

Annual General Meeting for one term of office at a time. The term of office begins at the end of the General Meeting that elected the Board and expires at the end of the first Annual General Meeting following the election. The Articles of Association place no restrictions on the power of the General Meeting to elect members for the Board of Directors. The Board of Directors elects a Chairman and a Vice chairman from among its members, and the Board of Directors is deemed to have a quorum present when more than half of its members are present.

The Board of Directors of Basware Corporation is responsible for the Company's management and the appropriate arrangement of its operations. The Board supervises the Company's operations and management and decides on significant matters concerning the company strategy, organization, financing and investments. The duties and responsibilities of the Board are defined primarily by the Articles of Association and the Finnish Companies Act. The Board annually ratifies rules of procedure that specify the meeting procedures of the Board and its tasks. The rules of procedure are published in its entirety on the Company's investor pages.

The Board of Directors assesses the independence of the board members and reports who are independent of the Company and who are independent of its significant shareholders. All current members of Board of Directors are independent of the Company and all members except David Bateman are independent of major shareholders.

Diversity Principles of the Board

The Board of Directors of Basware has in its meeting on December 13, 2016, defined and approved the diversity principles for the Board of Directors. The diversity principles can be found on the Company's investor pages.

According to the diversity principles, both genders shall be represented on the Board of Directors and the aim of the Company is to strive towards an appropriately balanced gender distribution. Both genders are currently represented on the Board of Directors and its composition aligns with the goals set in the diversity principles in 2016. The mix of diverse financial and technical backgrounds of Board Members and extensive international experience in various leadership and board positions gives good foundation to the diversity of the Board of Directors. The duration of office of the Board Members is also divided so that the mix of new and long term Board members is balanced.

Board of Directors on December 31, 2018

In 2018, Basware's Board of Directors had six members: Ilkka Sihvo (Chairman of the Board), Michael Ingelög (Vice Chairman of the Board), David Bateman, Tuija Soanjärvi, Daryl Rolley and Asko Schrey.

Ilkka Sihvo (b. 1962)

- Chairman of the Board of Directors
- Member of the Remuneration Committee
- MSc in Economics and MSc in Technology (Engineering)
- CEO, Solaforce Oy and CEO, Softaforce Oy
- Independent of the company and its significant shareholders
- Own and controlled corporations' ownership: 885,300 shares

Michael Ingelög (b. 1971)

- Vice Chairman of the Board of Directors
- Chairman of the Remuneration Committee
- Economics and Business Administration studies at Uppsala University, Sweden
- Entrepreneur and a private investor in to Financial Technology and Venture Capital with several board memberships
- Independent of the company and its significant shareholders
- Own and controlled corporations' ownership: 5,000 shares

David Bateman (b. 1974)

- Member of the Board of Directors
- Member of the Remuneration Committee and Audit Committee
- BA and MA in Management Studies from Cambridge University
- Senior Advisor, Alternative Finance, Arrowgrass and CEO and founder, Captec Systems Ltd
- Independent of the company and dependent of its significant shareholder
- Own and controlled corporations' ownership: 0 shares

Tuija Soanjärvi (b. 1955)

- Member of the Board of Directors
- Chairman of the Audit Committee
- MSc in Economics
- Several board memberships
- Independent of the company and its significant shareholders
- Own and controlled corporations' ownership: 2,149 shares

Daryl Rolley (b. 1967)

- Member of the Board of Directors
- Member of the Audit Committee
- BS in Chemical Engineering and MBA
- Chief Commercial Officer, PRX Global, Inc.
- Independent of the company and its significant shareholders
- Own and controlled corporations' ownership: 297 shares

Asko Schrey (b. 1957)

- Member of the Board of Directors
- Member of the Audit Committee
- MSc in Industrial Economics and LLM
- President and CEO, Accountor Group
- Independent of the company and its significant shareholders
- Own and controlled corporations' ownership: 1,297 shares

Meetings of the Board in 2018

The Board primarily meets on a monthly basis, however no meetings are scheduled during a few months. Additional meetings are held when necessary. In 2018, the current Board of Directors held 15 meetings.

	Attendance (%)	Meetings attended
Ilkka Sihvo (Chairman)	100	15/15
Michael Ingelög (Vice Chairman)	100	15/15
David Bateman	87	13/15
Tuija Soanjärvi	93	14/15
Daryl Rolley	87	13/15
Asko Schrey	80	12/15

Committees of the Board of Directors

The Board of Directors has established among its members the Audit Committee and the Remuneration Committee to assist the full Board in its work. Considering the scope and nature of Company's operations, as well as Board's working methods, it has not been deemed necessary to establish other committees.

Audit Committee

The Committee will oversee the financial reporting process to ensure the balance, transparency and integrity of published financial information. The Committee will also review the effectiveness of the company's internal financial control and risk management systems, the Company's audit functions and the Company's process for monitoring compliance with laws and regulations affecting financial reporting and, if applicable, its code of business conduct. The Audit Committee works in accordance with its charter confirmed by the Board of Directors, and the Committee reports to the Board on each meeting. The charter is published in its entirety on the Company's investor pages.

The Audit Committee consists of a minimum of two (2) members of the Board. The Board elects the members and the Chairman of the Audit Committee from among its members at the organizational meeting for a term of one (1) year. The majority of the members of the Audit Committee shall be independent of the Company and at least one (1) member shall be independent of significant shareholders. Each member shall have the qualifications necessary to perform the responsibilities of the Committee and at least one (1) member must have accounting, book-keeping or auditing or related financial expertise.

In 2018, the Audit committee consisted of four (4) members of the Board of Directors: Tuija Soanjärvi was elected as the Chairman and Daryl Rolley, Asko Schrey and David Bateman (as of July 1, 2018) as the members of the Committee.

Meetings of the Audit Committee in 2018

The Audit Committee meets at minimum four (4) times during its term and additionally as necessary. In 2018, the Audit Committee has held three (3) meetings and one (1) meeting still during its term in January 2019.

	Attendance (%)	**Meetings attended**
Tuija Soanjärvi (Chairperson)	100	3/3
Daryl Rolley	100	3/3
Asko Schrey	100	3/3
David Bateman	100	3/3

Remuneration Committee

The Remuneration Committee will prepare the nomination of the CEO and shall identify successor candidates. The Committee further discusses with CEO and gives guidance on Executive Team member appointment succession.

The Committee evaluates the activities of CEO and Executive Team, prepares salaries and other benefits of the company's CEO, gives guidance to CEO on Executive Team members salaries and benefits and overall prepares matters concerning the company's compensation schemes, long-term incentive schemes, including planning of share-based, option-based and other incentive schemes.

The Remuneration Committee works in accordance with its charter confirmed by the Board of Directors, and the Committee reports to the Board on each meeting. The charter is published in its entirety on the Company's investor pages.

The Committee will comprise at least two (2) members. The Board shall appoint the Committee members and the Chairman of the Committee for a term of one (1) year. The majority of members shall be independent of the Company and at least one (1) member shall be independent of significant shareholder.

Each member shall have the qualifications necessary to perform the responsibilities of the Committee.

In 2018, the Remuneration Committee consisted of three (3) members of the Board of Directors: Michael Ingelög was elected as the Chairman and David Bateman and Ilkka Sihvo as the members of the Committee.

Meetings of the Remuneration Committee in 2018

Meetings shall convene as necessary by invitation of its chairman or the request of the Board of Directors or the CEO. In 2018, the Remuneration Committee has held four (4) meetings.

	Attendance (%)	Meetings attended
Michael Ingelög (Chairman)	100	4/4
David Bateman	100	4/4
Ilkka Sihvo	100	4/4

Shareholders' Nomination Board

The Annual General meeting, held on March 15, 2016, decided to establish a permanent Shareholders' Nomination Board in accordance with the proposal of the Board of Directors. The Nomination Board shall be responsible for preparing and presenting proposals covering the remuneration and number of members of the Company's Board of Directors as well as the proposal on the members of the Board of Directors to Annual General Meeting and, where needed, to an Extraordinary General Meeting. The Nomination Board shall also be responsible for identifying successors for existing Board members.

The Nomination Board consists of four (4) members, three (3) of which are appointed by the Company's three (3) largest shareholders. The chairman of the Company's Board of Directors serves as the fourth member.

The Company's largest shareholders entitled to appoint members to the Nomination Board shall be determined annually on the basis of the registered holdings in the Company's shareholders' register held by Euroclear Finland Ltd as of the first weekday in September in the year concerned, or on the basis of separate shareholding information presented by nominee registered shareholders.

As regards individual persons as shareholders, their direct ownership and ownership of corporations over which he/she exercises control as well as ownership of his/her spouse and children, will be taken into account in the determination. If a shareholder who has distributed his/her holdings e.g. into several funds and has an obligation under the Finnish Securities Markets Act to take these holdings into account when disclosing changes in share of ownership makes a written request to such effect to the Chairman of the Board of Directors no later than on the weekday prior to the first weekday in September such shareholder's holdings in several funds or registers will be combined when calculating the shares which determine the nomination right. A nominee registered shareholder shall, within the same time limit, present to the Chairman of the Company's Board of Directors a sufficient evidence on the amount of shareholding of such nominee registered shareholder as well as a request that such shareholding would be taken into account in connection with the appointment of Nomination Board members.

The Chairman of the Company's Board of Directors shall request each of the three (3) largest shareholders established on this basis to appoint one (1) member to the Nomination Board. In the event that a shareholder does not wish to exercise their right to appoint a member, it shall pass to the next-largest shareholder that would not otherwise be entitled to appoint a member. In case two (2) shareholders have an equal number of shares and votes and the representatives of both such shareholders cannot be appointed to the Nomination Board, the decision between them shall be made by drawing lots.

The Nomination Board serves until further notice, unless the General Meeting decides otherwise. Its members shall be elected annually and their term of office shall end when new members are elected to replace them.

The following members were nominated to the Nomination Board of the Company as of September 7, 2018:

Andrew Billett (b. 1975), Arrowgrass Capital Partners (Major shareholder)

- BA (Hons) International History and Politics
- Partner, Arrowgrass Capital Partners

Hannu Vaajoensuu (b. 1961), Major shareholder of Basware

- MSc in Economics
- Several board chairman/vice chairmanships or memberships

Annika Ekman (b. 1977), Ilmarinen (Major shareholder)

- M.Sc. (Econ.)
- Head of Direct Equity Investments, Ilmarinen Mutual Pension Insurance Company

Ilkka Sihvo (b. 1962), Chairman of Basware's Board of Directors

- MSc in Economics and MSc in Technology (Engineering)
- CEO, Solaforce Oy and CEO, Softaforce Oy

Meetings of the Shareholders Nomination Board

The Shareholders' Nomination Board held one (1) meeting during its term in January 2019.

	Attendance (%)	Meetings attended
Andrew Billett (Chairman)	100	1/1
Hannu Vaajoensuu	100	1/1
Annika Ekman	100	1/1
Ilkka Sihvo	100	1/1

CEO and Executive Team

CEO

The Board of Directors appoints the CEO. The CEO is in charge of the management of the Company's business operations and governance in accordance with the Articles of Association, the Finnish Companies Act and the instructions given by the Board. Pursuant to Finnish Companies Act, as his general duties, the CEO is responsible for arranging the executive management of the company in accordance with the instructions and orders given by the Board of Directors. Further, according to the Finnish Companies Act, the CEO is responsible for arranging that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Executive Team

The Executive Team supports the CEO in managing the Company's business, but it does not have any authority based on legislation or the Articles of Association. The Executive Team comprises of the CEO (Chairman) and persons appointed at the proposal of the CEO. All Executive Team members report to the Group's CEO.

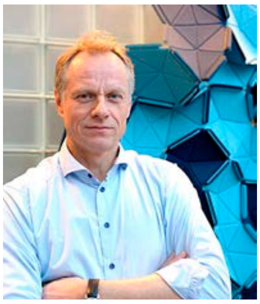
Basware Executive Team on December 31, 2018

Vesa Tykkyläinen (b. 1960)

- Chief Executive Officer of Basware
- BSc in Telecommunications
- Own and controlled corporations' ownership: 16,135 shares

Niclas Rosenlew (b. 1972)

- Chief Financial Officer
- MSc in Finance
- Own and controlled corporations' ownership: 9,476 shares



Klaus Andersen (b. 1964)

- Chief Technology Officer
- MSc in Engineering
- Own and controlled corporations' ownership: 0 shares

Jane Broberg (b. 1966)

- Senior Vice President, Human Resources
- Business studies
- Own and controlled corporations' ownership: 1,706 shares

Lars Madsen (b. 1974)

- Chief Marketing Officer
- MSc in Business & Quality Management
- Own and controlled corporations' ownership: 2,863 shares

Ilari Nurmi (b. 1975)

- Senior Vice President, Business Development and Alliances
- MSc in Engineering
- Own and controlled corporations' ownership: 12,382 shares

Mikko Pilkama (b. 1972)

- Senior Vice President, Products
- MSc in International Economics
- Own and controlled corporations' ownership: 1,881 shares

Paul Taylor (b. 1957)

- Senior Vice President, Global Sales
- Business studies
- Own and controlled corporations' ownership: 2,817 shares

Jussi Vasama (b. 1974)

- Senior Vice President, Customer Services
- MSc in Technology
- Own and controlled corporations' ownership: 1,943 shares

Eric Wilson (b. 1975)

- Senior Vice Precident, North America
- BS in Business Administration
- Own and controlled corporations' ownership: 5,771 shares

Description of internal control procedures and the main features of risk management systems

Overview of the risk management system

General principles of the risk management and relationship with internal control

Risk management is an integral part of internal control. The Group's risk management is guided by legal requirements, business requirements set by the shareholders as well as the expectations of customers, personnel and other important stakeholders. Risk management refers to identification, assessment, measurement, monitoring and mitigating of risks that are fundamentally related to or part of the Company's business.

The aim of the risk management is to identify the risks relevant to the Company's business operations and to define the measures, responsibilities and time schedules required for effective risk management. The risk management process is aligned with other governance and management processes and the results achieved are used systematically as part of operative planning.

Risk management is carried out and risks are reported in accordance with the Company's risk management policy and risk management process. The evaluations of risks reviews are performed annually and risks and activities are being followed up on periodically in Board and Audit Committee meetings.

The steering and monitoring of business operations is based on the reporting and business planning system covering the entire Group. The CEO and the CFO give both the Board and the Executive Team meetings presentations of the Group's situation and development in monthly reports.

Overview of the Company's internal control

The aim of internal control and risk management is to ensure that the Company's operations are efficient and productive, that information is reliable, and that regulations and operating principles are followed throughout the Group.

Main features of the Company's internal control framework

The Board is responsible for internal control and the Board's Audit Committee is responsible for monitoring the efficiency of the Company's internal control, internal audit, and risk management systems. The Board shall ensure that the Company has determined operating principles for internal control and that the Company monitors the effectiveness of the control procedures. Moreover, the Board shall ensure that planning, information and control systems used for risk management are sufficient and support the Company's business objectives. The CEO and the CFO are responsible for the practical arrangement of control procedures.

The Group's centralized finance function and group accounting as well as controlling function, operating under the CFO, are responsible for the overall control system for financial reporting. Harmonized methods of financial reporting are applied in all Group companies, utilizing a uniform ERP system and harmonized account scheme, and also software for electronic procurement management, purchase invoices and travel expense reports and financial management. The entire Group applies International Financial Reporting Standards (IFRS) in its financial reporting.

Main features of the monitoring mechanisms for the Company's operations and controls

Monitoring refers to the process to assess Basware's internal control system and its performance in the long term. Basware also continuously monitors its operations through various assessments, such as internal and external audits. Basware's management monitors internal control as part of routine management work. The business management is responsible for ensuring that all operations comply with applicable laws and regulations. The Group's financial and controller functions monitor compliance with the financial reporting processes and control. The financial and controller functions also monitor the correctness of external and internal financial reporting. The Board of Directors assesses and ensures the appropriateness and effectiveness of Basware's internal control and risk management.

Operating principles for internal control

The correctness and reliability of financial reporting are ensured through compliance with the Group policies and guidelines. Controls that ensure the correctness of financial reporting include controls related to accounting transactions, controls related to the selection of and compliance with the accounting principles, information system controls and fraud controls. The high automation rate of the Group's shared information systems and the systems' integrated control points facilitate an efficient internal control process with an audit trail for financial reporting. The Group's centralized finance functions continuously develop global reliable, harmonized, scalable and efficient operating methods.

The result of business operations and attainment of annual goals is assessed monthly by the Executive Team and approximately monthly in Board meetings. Monthly management and Board reporting includes both actual and forecast data compared to the goals and actual results of previous periods. Financial reports generated for use by the business management monitor certain key indicators associated with the business progress on a regular basis.

Main features of the practical application of the Company's internal control

The internal control processes include internal guidelines, reporting, various technical systems and procedures relating to operations. They help ensure that management directives are followed and that activities are taken to achieve the Group's objectives. The daily tasks include management reviews and audits and operational reviews and audits, carrying out checks that are suitable for each function, country or business area.

The purpose of management reporting is to produce aptly timed and essential information for making decisions. The controlling function provides the guidelines on monthly reporting for the entire organization and is in charge of special reporting instructions associated with forecasting. The Group's financial administration internally distributes information on financial reporting-related processes and procedures on a regular basis and the personnel perform their internal control tasks according to such information. When necessary, financial administration also arranges targeted training for the rest of the organization on the procedures associated with financial reporting and changes in them.

The Group's Investor Relations function maintains the guidelines on the disclosure of financial information in cooperation with financial administration and the legal department.

Other information to be provided in the Corporate Governance Statement

Overview of the Company's internal audit

The Company does not have its own separate internal audit function. Internal audits are performed by external expert advisor, selected and appointed by the Board of Directors annually. Internal audit assists the Board of Directors and Audit Committee in assessing and ensuring the appropriateness and effectiveness of Basware's internal control and risk management. Internal audits are performed for the Group's functions and units. Internal audits are performed annually based on a long term internal audit plan. The long term internal audit plan is approved by the Board of Directors. The management and Board of Directors review the observations and recommendations of the internal audits.

Decision-making procedure for related party transactions

The Company has a process for identifying parties that are related to the Company and continuously assesses and monitors related party transactions. The Company evaluates and monitors transactions to be concluded between the Company and its related parties to ensure that any conflicts of interest are duly taken into account in the Company's decision-making. Any related party transactions are only entered into, when they are useful to the Company on the whole and serve the interests of the Company. Decisions on entering into related party transactions shall always be based on careful preparatory work. Any preparatory work, decision-making, and the evaluation and approval of individual transactions is subject to disqualifying potentially conflicted persons from such work. Related party transactions are appropriately identified and followed up by the Company's Audit Committee and reported in accordance with the Company's reporting practices.

Main procedures relating to insider administration

In insider matters, Basware complies with the applicable legislation, the standards of the Finnish Financial Supervisory Authority as well as Nasdaq Helsinki's Guidelines for Insiders. Inside information refers to all information of a precise nature, which has not been made public and relates, directly or indirectly, to one or more issuers or to one or more financial instruments and which, if made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments. Basware discloses any possible inside information concerning the Company as soon as possible as a stock exchange release. However, the Company may, on its own responsibility and on a case-by-case basis, delay disclosure of inside information to the public in accordance with the conditions outlined in the Market Abuse Regulation ((EU) No 596/2014). Should the Company decide to delay disclosure, the Company documents and continuously monitors the preconditions of delayed disclosure.

The Company notifies the Finnish Financial Supervisory Authority of the delayed disclosure immediately after the information has been publicly disclosed.

Basware does not maintain a list of permanent insiders, but establishes project-specific insider lists following the identification of a specific issue as inside information by the Company's Board of Directors and the Board's decision to establish an insider list relating to the identified issue. The Company maintains its project-specific insider lists in the insider list service provided by Euroclear Finland Ltd.

Trading restrictions

Persons discharging managerial responsibilities in the company may not trade in any financial instruments in the company during a closed period of 30 calendar days before the publishing of the company's annual financial statements, half-year report or Q1 and Q3 interim reports. In addition to persons discharging managerial responsibilities in the company, the trading restriction applies to the company's employees participating in the preparation, drawing-up, and disclosure of the company's financial reports.

Audit

The Company's audit shall be performed by an authorized auditor or audit firm. The Audit Committee makes a recommendation to the Board, who is responsible for making a formal proposal to the Annual General Meeting of for audit firm to be selected. The audit firm selected has overall responsibility for co-ordination of audits for the whole group (audit plans for each Group company) and their cost, together with the CFO of Basware Corporation. Moreover, if required, a local authorized audit firm can be selected to carry out the audit required by local legislation with a prior approval by the CFO.

The Annual General Meeting elects an authorized auditor as the Company's auditor. In 2018, Authorized Public Accountant Firm Ernst & Young Oy was elected as the Company's auditor, with Terhi Mäkinen, Authorized Public Accountant, as the principal auditor. The auditor's term expires after the conclusion of the next Annual General Meeting following the election.

In 2018, the auditor was paid remuneration of EUR 259 000 for audit services and EUR 0 (zero) for non-audit services.

Remuneration Report

Remuneration Report describes the decision-making procedure and main principles of remuneration of members of the Board of Directors, CEO and the Executive Team and contains information on the remuneration paid in 2018.

Management of compensation

The Annual General Meeting, held on March 15, 2016, decided to establish a permanent Shareholders' Nomination Board. The Nomination Board shall be responsible for preparing and presenting proposals covering the remuneration of members of the company's Board of Directors to Annual General Meeting and, where needed, to an Extraordinary General Meeting.

The Board of Directors has in its meeting on March 15, 2018 decided to establish a Remuneration Committee. The Remuneration Committee will prepare the nomination of the CEO and shall identify successor candidates. The Committee further discusses with CEO and gives guidance on Executive Team member appointments succession. The Committee evaluates the activities of CEO and Executive Team, prepares salaries and other benefits of the company's CEO, gives guidance to CEO on Executive Team members salaries and benefits and overall prepares matters concerning the company's compensation schemes, long-term incentive schemes, including planning of share-based, option-based and other incentive schemes.

The compensation principles of the top management are decided by the Board. The Board decides on the service terms and conditions of the CEO, specified in writing. The Board annually approves the personnel incentive scheme.

Remuneration of the Board of Directors

The General Meeting decides on the remuneration paid to the Board of Directors.

The Annual General Meeting resolved on March 15, 2018, to compensate the members of the Board according to the following:

- members of the Board of Directors and committee members EUR 31,350 per year
- Vice Chairman of the Board of Directors and the Chairman of the Audit Committee EUR 36,480 per year
- Chairman of the Board of Directors EUR 62,700 per year

In addition, Chairmen of the Board of Directors and its committees shall receive EUR 855 per attended meeting and members of the Board of Directors and its committees EUR 570 per attended meeting. Further, a member of Board of Directors or a committee member, whose travel to the Board or committee meeting requires international travel time of over 6 hours but less than 12 hours, shall be paid an additional remuneration of EUR 1,000 per attended meeting. Similarly, should the travel time of a member of Board or committee member to attend a meeting involve intercontinental travel and exceed 12 hours, an additional remuneration of EUR 3,000 per attended meeting will be paid.

Out of the annual remuneration to be paid to the Board members, 40 percent of total gross compensation amount will be used to purchase Basware Corporation's shares at trading on regulated market organized by Nasdaq Helsinki Ltd. However, this only concerns Board members whose ownership of Basware Corporation is less than 5,000 shares.

The purchase of shares will take place as soon as possible after the decision by the Annual General Meeting. Shares received as remuneration may not be sold or otherwise transferred during a period of two (2) years. This restriction does not concern persons who are no longer Board members. Travel expenses of the members of the Board of Directors are reimbursed in accordance with the company's travel policy.

Remuneration of the CEO

The Board decides on the service terms and conditions of the CEO, specified in writing. Currently the CEO has:

- 3 months' period of notice and salary for the period of notice should the Company give notice, in addition to which he is entitled to severance pay equivalent of 12 months' fixed salary;
- 3 months' period of notice and salary for the period of notice should the person resign himself, no additional compensation is paid;
- 12-month prohibition of competition as of the termination of employment on the part of the Company;
- 24-month prohibition of competition as of the termination of employment on the part of the CEO; and
- retirement age and pension benefits pursuant to the Employees' Pensions Act (TyEL).

The short-term remuneration of the CEO is comprised of salary, fringe benefits and a possible annual bonus based on performance. The CEO's long-term remuneration consists of a share-based incentive scheme. The annual bonus is determined on the basis of the attainment of goals related to the company's growth and profitability according to its strategy as well as personal objectives. The Board of Directors monitors the fulfillment of the performance and result criteria of the incentive scheme twice a year and approves the bonus to be paid.

The salary of the CEO Vesa Tykkyläinen for the period January 1-December 31, 2018, including benefits, was EUR 360,684 (EUR 374,777 in January 1-December 31, 2017). Salary in money was EUR 347,700 (EUR 359,217 in January 1-December 31, 2017) and fringe benefits EUR 12,984 (EUR 15,560 in January 1-December 31, 2017). Tykkyläinen was paid a bonus of EUR 125,544 in 2018 (EUR 0 in January 1-December 31, 2017). In 2018, Tykkyläinen was not conveyed any shares on the basis of the incentive schemes. (During 2017, Tykkyläinen was granted a total of 1,500 shares on the basis of the incentive schemes. Of these, 750 shares were conveyed to Tykkyläinen, the value of which was approximately EUR 25,524 based on the average share price of the payment days, and EUR 25,524 was paid in cash to cover the withholding tax.)

The accrued pension costs of Vesa Tykkyläinen amounted to EUR 92,584 (EUR 81,670 in January 1-December 31, 2017). The CEO's pension plan is pursuant to the employment pension legislation.

Remuneration of the Executive Team

The compensation principles of the top management are decided by the Board. The short-term remuneration of the top management consists of salary, fringe benefits and a possible annual bonus based on performance. The top management's long-term remuneration consists of a share-based incentive scheme. The bonus based on performance is no more than 50 percent of annual basic salary. The bonus is determined on the basis of the attainment of goals supporting to the company's growth and profitability according to its strategy and personal objectives. The Board of Directors monitors the fulfillment of the performance and result criteria of the incentive scheme twice a year and approves the bonus to be paid.

For the period January 1 - December 31, 2018, the members of Executive Team, excluding CEO, were paid in salaries and fringe benefits total of EUR 1,746,278 (EUR 1,573,993 in 2017). Salary in money was EUR 1,683,489 (EUR 1,535,001 in 2017) and fringe benefits totaled EUR 62,789 (EUR 38,992 in 2017). In addition, EUR 546,031 (EUR 44,275 in 2017) was paid as bonus payments and EUR 531,609 (EUR 403,520 in 2017) on the basis of the long-term incentive scheme.

Remuneration of Executive Team in 2018:

	Salary	Fringe benefits	Bonus payments	Share-based payments	Total
CEO Vesa Tykkyläinen	347,700	12,984	125,544	0	**486,228**
Other members of the Executive Team	1,683,489	62,789	546,031	531,609	**2,823,917**
In total	**2,031,189**	**75,773**	**671,574**	**531,609**	**3,310,145**

Incentive schemes

The compensation principles of the top management are decided annually by the Board. The Executive Team members' performance bonus is no more than 50 percent of annual basic salary. The performance bonus percentage is not limited in the CEO's contract of employment. The bonus is determined on the basis of the attainment of personal objectives and goals supporting the company's growth and profitability according to its strategy. The Board of Directors monitors the fulfillment of the performance and result criteria of the incentive scheme and approves the bonus. In addition to the annual bonus based on performance, the long-term remuneration of the top management consists of share-based incentive schemes, decided by the Board.

Matching Share Plan 2018-2020

The Board of Directors resolved on July 17, 2018 to establish a new matching share plan for 2018-2020 for the Group's key employees.

The prerequisite for receiving reward on the basis of the matching share plan is that the plan member acquires Basware shares. The plan member will, as a reward, receive matching shares for each share subject to the share ownership prerequisite after a matching period of three (3) years. Receipt of matching shares is contingent on the continuation of employment or service and on the plan member holding the acquired shares upon reward payment.

The rewards to be paid in aggregate to plan members on the basis of the matching share plan correspond to the value of a maximum total of 77,714 Basware Corporation shares, including also the proportion to be paid in cash.

The plan as a whole entails an aggregate share ownership interest of approximately 116,571 shares for the plan members, via personal share acquisitions and the right to future share ownership through the matching share plan.

Matching Share Plan 2017-2019

The Board of Directors resolved on March 1, 2017 to establish a matching share plan for 2017-2019 for Basware Executive Team members.

The prerequisite for receiving reward on the basis of the matching share plan is that the member of the Basware Executive Team in question acquires Basware shares. The Basware Executive Team member will, as a reward, receive matching shares for each share subject to the share ownership prerequisite after a matching period of three (3) years. Receipt of matching shares is contingent on the continuation of employment or service upon reward payment and that the shares in question are still held by the member.

The Board of Directors resolved that the rewards to be paid in aggregate to the Basware Executive Team on the basis of the matching share plan correspond to the value of a maximum total of 75,000 Basware Corporation shares, including also the proportion to be paid in cash.

Members of Basware Executive Team acquired or allocated a total of 35,017 Basware Corporation shares in the beginning of the plan. The rewards to be paid to Basware Executive Team members on the basis of the plan thus corresponds to a maximum of 70,034 Basware Corporation shares, including also the proportion to be paid in cash.

Performance Share Plan 2017-2019

The Board of Directors resolved on March 1, 2017 to establish a performance share plan for 2017-2019 for key employees.

The performance share plan includes three performance periods, calendar years 2017-2018, 2018-2019 and 2019-2020. The Board of Directors decides on the performance criteria and on the required performance levels for each criterion at the beginning of each performance period.

The potential reward from the performance period 2017-2018 is based on Group's key performance measures in 2017 and 2018. During 2018 management modified the performance criteria for the 2017-2018 performance periods. For 2017 measurement period target for Total Shareholder Return (TSR) was modified to be more beneficial to the employees, and for 2018 measurement period TSR criteria was removed and replaced with Order Intake. As TSR is a market condition, the aforementioned modifications resulted in an increase in fair value.

The rewards to be paid on the basis of the performance period 2017-2018 correspond to the value of a maximum total of 156,000 Basware Corporation shares, including also the proportion to be paid in cash. The plan is directed to approximately 60 key employees, including the members of the Basware Executive Team.

The potential reward for the performance period 2018-2019 will be based on the Group's key performance measures in 2018. The rewards to be paid on the basis of the performance period 2018-2019 correspond to the value of a maximum total of 156,000 Basware Corporation shares, including also the proportion to be paid in cash. The plan is directed to approximately 75 key employees, including the members of the Basware Executive Team.

In June 2018, 2,128 shares were conveyed on a directed share issue related to the reward payment for the performance period 2017-2018 of the performance share plan 2017-2019.

At the end of 2018, the performance share plan included 50 employees for the performance period 2017-2018 and 70 employees for the performance period 2018-2019.

Restricted Share Plan 2017

The Board of Directors resolved on March 1, 2017 to establish a restricted share plan for 2017. The restricted share plan is directed to selected key employees at Basware. Receipt of the reward is contingent on the continuation of employment or service upon reward payment.

The reward from the restricted share plan will be paid after a vesting period of one to three years. The total rewards to be allocated on the basis of the plan amount to a maximum of 20,000 Basware Corporation shares, including also the proportion to be paid in cash.

At the end of 2017, the restricted share plan 2017 included 6 key employees. The rewards paid on the basis of the plan in May 2018 corresponded to a total of 5,750 Basware Corporation shares, including also the proportion to be paid in cash.

Matching Share Plan 2015-2018

The Board of Directors resolved on March 23, 2015 to establish a matching share plan for 2015-2018. The matching share plan was directed to selected key employees at Basware and the total rewards to be allocated on the basis of the plan amounted to a maximum total value of 11,000 Basware Corporation shares. In addition to the share reward, employees included in the plan were also paid a cash portion to cover the taxes resulting from the reward.

The prerequisite for receiving reward on the basis of the matching share plan was that the employee in question acquired Basware Corporation shares at the beginning of the plan. The participating employee could, as a reward, receive matching shares for each share subject to the share ownership prerequisite after a matching period of three (3) years. Receipt of matching shares was contingent on the continuation of employment or service upon reward payment and that the shares in question were still held by the participating employee.

In 2017, the matching share plan 2015-2018 included four Basware key employees. The rewards paid on the basis of the plan corresponded to a total value of 5,148 Basware Corporation shares. The plan ended in January 2018.

Financial Statements

Report of the Board of Directors

January 1 - December 31, 2018

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.

Key figures

EUR thousand

	2018	2017	Change, %
Net sales	141,417	149,167	-5.2
Cloud revenue	89,482	80,332	11.4
Cloud order intake*	21,474	17,943	19.7
EBITDA	9,217	599	
Adjusted EBITDA	-4,364	3,294	
Operating profit/loss	-1,471	-9,509	84.5
Adjusted operating profit/loss	-15,052	-6,814	-120.9
Profit/loss before tax	-3,526	-12,276	71.3
Profit/loss for the period	-7,077	-11,524	38.6
Cash and cash equivalents	40,747	20,683	97
Earnings per share, diluted, EUR	-0.49	-0.8	38.6
Adjusted earnings per share, diluted, EUR	-1.44	-0.61	-133.8

**From Q2 2018 onwards cloud order intake is the key order intake figure reported.*

The calculation of key figures is presented in the section 'Calculation of Key Indicators'.

Net sales

Basware's net sales in 2018 amounted to EUR 141,417 thousand (EUR 149,167 thousand) decreasing 5.2 percent. Organic net sales growth at constant currencies amounted to 5.4 percent. The net sales in 2018 were impacted by the sale of Banking and Financial Performance Solutions in February 2018 as well as foreign exchange movements, especially US dollar.

Net sales by type

EUR thousand

	2018	2017	Change, %
Cloud Revenue			
SaaS	40,282	34,808	15.7
Transaction services	44,163	39,689	11.3
Other cloud revenue	5,036	5,835	-13.7
Cloud Revenue total	**89,482**	**80,332**	**11.4**
Non-Cloud Revenue			
Maintenance	26,111	37,026	-29.5
License sales	2,251	4,192	-46.3
Consulting services	23,567	27,746	-15.1
Other non-cloud revenue	6	-129	
Non-Cloud Revenue Total	**51,935**	**68,836**	**-24.6**
Total	**141,417**	**149,167**	**-5.2**

In 2018 cloud revenue growth on organic basis at constant currencies was 15.6 percent. Cloud revenues accounted for 63 percent (54%) of net sales.

SaaS revenues grew 16 percent and transaction services 11 percent compared to the previous year.

In non-cloud revenues, maintenance and consulting revenues declined in line with expectations as Basware transitions customers to the cloud.

In 2018, Americas accounted for 19 percent (16%), Europe 34 percent (30%), Nordics 42 percent (48%) and Asia-Pacific area for 5 percent (5%) of total revenues. A list of Basware Corporation's subsidiaries is in Note 26 of the Financial Statements.

Annual recurring revenue gross order intake

In 2018, Basware's total cloud annual recurring revenue (ARR) gross order intake amounted to EUR 21.5 million increasing 20 percent from the previous year's level. Typically, around one quarter of the new ARR order intake converts into revenues in the year that it is won, with roughly fifty to sixty percent converting to revenues in the second year and the remainder thereafter.

Annual recurring revenue gross order intake

EUR thousand

	2018	2017	Change, %
Cloud	21,474	17,943	19.7

Financial performance

Basware's adjusted EBITDA was EUR -4,364 thousand (EUR 3,294 thousand) in 2018. The operating loss for the year amounted to EUR -1,471 thousand (EUR -9,509 thousand).

Adjusted operating profit/loss and adjusted EBITDA

EUR thousand

	2018	2017	Change, %
Operating result	**-1,471**	**-9,509**	**84.5**
Adjustments:			
Acquisition, disposal and restructuring income (-)	-17,852	-133	
Acquisition, disposal and restructuring expenses (+)	2,996	416	620.2
Efficiency related expenses	1,275	2,023	-37
Settlements		389	
Total adjustments	**-13,581**	**2,695**	
Adjusted operating profit/loss	**-15,052**	**-6,814**	**-120.9**
Depreciation and amortization	10,688	10,108	5.7
Adjusted EBITDA	**-4,364**	**3,294**	

Basware's profitability in 2018 has been impacted by the disposals that closed in the first quarter and increased spending on sales and marketing, both of which are in line with Basware's strategy. The disposed businesses contributed roughly EUR 8 million of EBITDA in 2017. Basware spent an additional EUR 6.6 milion in sales and marketing overall in 2018 compared to 2017.

In 2018, Basware's cost of sales was EUR 69,620 thousand (EUR 75,891 thousand) and total operating expenses including depreciation and amortization EUR 86,510 thousand (EUR 80,194 thousand). Out of total operating expenses, sales and marketing expenses were EUR 43,041 thousand (EUR 36,455 thousand), research and development expenses EUR 27,222 thousand (EUR 29,629 thousand) and general and administration expenses EUR 16,247 thousand (EUR 14,110 thousand). Other operating income and expenses were EUR 13,242 thousand (EUR -2,593 thousand).

The company's net finance expenses were EUR -1,902 thousand (EUR -1,719 thousand) for 2018.

In 2018, Basware's profit/loss before tax was EUR -3,526 thousand (EUR -12,276 thousand) and profit/loss for the period EUR -7,077 thousand (EUR -11,524 thousand).

Diluted earnings per share were EUR -0.49 (EUR -0.80) for the financial year.

Financing and investments

Cash flows from operating activities were EUR -6,261 thousand (EUR -4,001 thousand) in 2018. Basware's operating cash flows are seasonal as a relatively large part of payments for annual maintenance are made in the first quarter.

Basware's cash and cash equivalents including short-term deposits totalled EUR 40,747 thousand (EUR 20,683 thousand) at the end of 2018. In addition to cash and cash equivalents, Basware has an undrawn revolving credit facility of EUR 10 million, bringing total available liquidity at the end of the year to EUR 50,747 thousand (EUR 30,683 thousand).

Basware's total assets on the balance sheet at the end of the year were EUR 215,688 thousand (EUR 214,811 thousand). Net cash flows from investments were EUR 18,469 thousand (EUR -12,485 thousand) in 2018.

The equity ratio was 51.3 percent (52.7%) and gearing 14.9 percent (25.2%) in 2018. The company's interest-bearing liabilities totalled EUR 57,206 thousand (EUR 49,282 thousand), of which current liabilities accounted for EUR 17,089 thousand (EUR 1,996 thousand). The return on investment was -0.9 percent (-5.8%) and return on equity -6.3 percent (-9.4%) in 2018.

Acquisitions and disposals

Basware signed an agreement on February 2, 2018 to sell its Financial Performance Solutions and Banking businesses to Verdane Capital. The divestments were completed on February 28, 2018 and starting from March 1, 2018 Basware Group has not consolidated these businesses in its consolidated financial statements. Group recognized a gain on sale of assets amounting to EUR 16.3 million in the first quarter 2018 as a result of the disposals. The combined sale price of the two businesses was EUR 35.0 million, and after purchase price adjustments related mainly to net working capital, the net cash proceeds from the divestments are estimated to be EUR 30.1 million. In addition, EUR 14.0 million of consolidated goodwill has been allocated to the divested businesses, and EUR 4.8 million of fixed assets, mainly capitalized research and development expenses, was written down.

Basware made no acquisitions in 2018.

Research and development

In 2018 Basware's research and development focused on improving the performance, resilience and scalability capabilities of Basware's Source-to-Pay solutions and developed seamless user interfaces that provide the best customer experience. For example, in 2018 Basware moved services to Amazon Web Services, launched a new analytics dashboard and optimized user experience in procurement by introducing a virtual assistant with artificial intelligence (AI) capabilities and natural language processing.

In general, the focus of Basware's R&D activities is to strengthen the Source-to-Pay offering by extending the business coverage and the underlying system intelligence with AI in addition to continuous development of an integrated user experience across the individual business solutions.

Basware's research and development investments amounted to EUR 30,093 thousand (EUR 34,251 thousand), of which EUR 8,862 thousand were capitalised. Research and development investments were 21.3 percent (23.0%) of net sales during 2018. A total of 295 (410) people worked in research and development at the end of 2018.

Personnel

Basware employed 1,676 (1,838) people on average during 2018 and 1,412 (1,829) at the end of the year. Following the partnership with Xerox announced in the third quarter, 387 employees transferred from Basware to Xerox in the fourth quarter.

Average number of personnel

	2018	2017	Change, %
Americas	139	131	6.4
Europe	442	475	-6.9
Nordics	490	558	-12.3
APAC	605	673	-10.1
Group total	**1,676**	**1,838**	**-8.8**

At the end of the year 15 percent of Basware's employees worked in sales and marketing, 36 percent in R&D and production and products, 39 percent in customer services and 10 percent in administration.

The average age of employees is 37.3 (35.3) years. Women account for 29 percent (28%) of employees, men for 71 percent (72%).

Information about salaries and employee benefits in Note 5 of the Financial Statements.

Share and shareholders

Basware Corporation's share capital amounted to EUR 3,528,369 (3,528,369) at the end of the year and the number of shares was 14,401,936 (14,401,936). Basware Corporation holds 31,460 (42,233) of its own shares, corresponding to approximately 0.2 percent (0.3%) of the total number of shares.

Basware had 11,508 (11,682) shareholders on December 31, 2018 including nominee registers. Nominee-registered holdings accounted for 52.2 percent (46.7%) of the total number of shares.

Flagging notifications in 2018

Announcement date	Shareholder	Threshold	Total holding, %
January 31, 2018	Op Rahastoyhtiöt Oy	Below 5%	4.60 %
February 2, 2018	Massachusetts Mutual Life Insurance Company	Above 5%	5.00 %
April 26, 2018	Massachusetts Mutual Life Insurance Company*	Above 5%	6.90 %
April 26, 2018	Ilmarinen Mutual Pension Insurance Company	Below 5%	4.60 %

* Massachusetts Mutual Life Insurance Company has made this filing to identify the holdings of the portfolio Oppenheimer Global Opportunities Fund per new guidance. OppenheimerFunds, Inc., is an investment manager that independently exercises their respective voting power on behalf of the clients and investment funds whose assets they are managing.

More information in sections 'Share indicators' and 'Share and shareholders'. See also Remuneration report for information on Basware's share-based incentive plans.

Annual General Meeting and authorizations of the Board of Directors

Basware Corporation’s Annual General Meeting 2018 was held on March 15, 2018. The Annual General Meeting adopted the financial statements and discharged the responsible parties from liability for the financial period January 1-December 31, 2017. The Annual General Meeting decided that no dividend will be paid for the year 2017.

The Annual General Meeting decided the number of members of the Board of Directors to be six. Mr. Ilkka Sihvo, Mr. David Bateman, Mr. Michael Ingelög and Mrs. Tuija Soanjärvi were re-elected as members of the Board of Directors. Mr. Daryl Rolley and Mr. Asko Schrey were elected as new members of the Board of Directors. In its organizing meeting, the Board of Directors elected Ilkka Sihvo as the Chairman and Michael Ingelög as the Vice Chairman of the Board. Tuija Soanjärvi was elected as the Chairperson of the Audit Committee and Daryl Rolley and Asko Schrey as its members. The Board of Directors also decided to establish a Remuneration Committee. Michael Ingelög was elected as the Chairman of the Remuneration Committee and David Bateman and Ilkka Sihvo as its members.

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

The Board of Directors was authorized to decide on repurchasing a maximum of 1,420,000 company’s own shares. The company’s own shares shall be repurchased otherwise than in proportion to the holdings of the shareholders by using the nonrestricted equity through trading on regulated market organized by Nasdaq Helsinki Ltd at the market price prevailing at the time of acquisition.

The Board of Directors was also authorized to issue a maximum of 2,840,000 new shares and convey a maximum of 1,457,085 of the company's own shares held by the company. The number of shares to be issued to the company itself together with the shares repurchased by the company on basis of the repurchase authorization shall be at the maximum of 1,420,000 shares.

The Board of Directors may grant special rights, which carry the right to receive, against payment, new shares of the company or the company’s own shares held by the company. The maximum number of new shares that may be subscribed by virtue of the special rights granted by the company is in total 1,000,000 shares which number shall be included in the maximum number of new shares stated above. The subscription price of the new shares and the consideration payable for the company’s own shares shall be recorded under the invested non-restricted equity fund. The Board of Directors shall decide on all other terms and conditions related to the authorizations. The authorizations shall be valid until June 30, 2019 and shall revoke the previous authorizations for share issues and granting of stock options and other special rights entitling to shares.

Basware announced via stock exchange release on March 15, 2018 the resolutions of the Annual General Meeting. The resolutions are available at Basware’s investor website.

Corporate Governance Statement

The Corporate Governance Statement is issued separately from the Report of Board of Directors. Basware Corporation's Corporate Governance Statement is available on the company's investor website.

Other events of the period

Move to a functional organization

On May 24, 2018, Basware announced that it will move to a functional organizational structure and establish three new functions: Products, R&D and Production, and Business Development and Alliances as of June 1, 2018. As part of the change, Basware created a new Chief Technology Officer (CTO) position to lead its R&D development.

New Matching Share Plan for key employees

On July 18, 2018, Basware announced its Board of Directors’ decision to establish a new Matching Share Plan 2018-2020 for the Group’s key employees. The aim of the plan is to further align the objectives of shareholders and key employees, to retain key employees at the company, and to offer them competitive reward plans based on acquiring and holding the company’s shares.

The prerequisite for receiving reward on the basis of the Matching Share Plan is that the plan member acquires Basware shares. The plan member will, as a reward, receive matching shares for each share subject to the share ownership prerequisite after a matching period of three (3) years. Receipt of matching shares is contingent on the continuation of employment or service and on the plan member holding the acquired shares upon reward payment. The rewards to be paid in aggregate to plan members correspond to the value of a maximum total of 77,714 Basware Corporation shares, including also the proportion to be paid in cash.

Outsourcing partnership with Xerox on scan and capture services

On July 12, 2018 Basware announced that it had chosen Xerox to operate its scan and capture operations. As part of the outsourcing partnership, 387 employees transferred from Basware to Xerox in the fourth quarter of 2018.

Basware participated in new multi-issuer bond

On September 7, 2018 Basware announced that it participated in a EUR 82 million multi-issuer bond guaranteed by Garantia Insurance Company Ltd with EUR 10 million loan share. The bond's maturity is five years and its issue date is September 14, 2018. The offering was sold to institutional and other professional investors. The bond bears a fixed coupon interest of 1.375 per cent per annum and the issue price is 99.918 per cent. In addition to coupon interest, Basware pays an annual guarantee fee to Garantia. The proceeds from the loan share will be used for Basware's general corporate purposes.

Non-binding and highly conditional indicative proposal for a possible tender offer

Basware disclosed on November 16, 2018 and November 20, 2018 that it had been approached by Tradeshift Holdings Inc with a non-binding and highly conditional indicative proposal for a possible tender offer for the entire share capital of Basware. On December 7, 2018, Basware further confirmed that pursuant to the Indicative Proposal, Tradeshift Holdings Inc.'s intention is to launch a recommended public tender offer of EUR 48 per share in cash for the entire issued share capital of Basware on a fully diluted basis. Basware shareholders were reminded that there is no assurance that the Indicative Proposal will result in a tender offer or any transaction.

Changes in Basware's Executive Team

Eric Wilson was appointed as Senior Vice President, North America and as a member of the Executive Team as of January 4, 2018.

Klaus Andersen was appointed as CTO and a member of the Executive Team as of September 2018.

Strategy

Basware's vision is to deliver the best global solution for purchasing, invoicing and paying. Driven by digitalization, automation, and artificial intelligence megatrends, the market opportunity is estimated to be worth EUR 15 billion annually. Basware's long-term growth vision is to reach EUR 1 billion revenues. Basware moves forward to its vision through three strategic focus areas: be the undisputed market leader, simplify global trade interactions and deliver customer value beyond expectations.

The cloud business model that Basware is transforming to is very scalable. This means that as revenues grow, the cost of sales does not grow as quickly, improving Basware's gross margin over time. As a general cost philosophy, Basware will continuously reallocate spending from less productive to more productive areas.

Basware's mid-term target is to accelerate annual organic cloud growth to more than 20% by 2022. Basware will increase its investments significantly into sales and marketing during the strategy period 2019 to 2022 in order to grow cloud order intake. Basware has four sources of cloud revenue growth: new customer acquisitions, customer expansions, customer transformations, and partnering:

- Basware's key growth markets are the US, UK, Germany and France, where we see the greatest opportunity to win new customers.
- Our top 200 key customers bring on average approximately EUR 200 thousand annual recurring cloud revenue. With our investments in account management, customer service and customer satisfaction, we believe that we can significantly increase the average revenue from our key customers.
- Basware is focused on actively transforming the largest on-premise customers to cloud. When our customers transform to the cloud they benefit from a modern, more useable, constantly updated solution and as a result typically the revenues from each of these customers more than double.
- Previously Basware was mainly focused on direct sales, but with the launch of the new partnering function, Basware aims to increase the percentage of cloud revenues from partners to 20% in the long run.

Risks and uncertainty factors

Basware has a growth strategy with high net sales growth expectations for the cloud business. Executing the strategy requires significant investments in sales and marketing and related resources as well as continued investments in product development. At the same time, the industry transformation from an on-premise license-based business model to a SaaS model will accelerate the decline of certain Basware revenue streams, including license sales and maintenance. The transformation will also make consulting revenues more volatile. Until the transformation is complete, this will act as a drag on Group net sales growth.

Additionally, even higher than expected pace in the license to SaaS transformation would have a negative impact on expected net sales in the short term. In addition to SaaS, Basware expects high growth rates in its network-based transaction services which will, besides successful sales effort, also require an efficient supplier onboarding process. Sales from Value Added Services are dependent on Basware's ability to bring innovative and attractive products to the market according to its planned timetable and move customers quickly to a phase where they are using the services extensively enough to provide meaningful revenue to Basware.

The fact that more than 50 percent of the company's sales are expected to come from non-euro countries exposes the Group's net sales growth to foreign exchange rate movements. In case there is a significant movement of GBP, USD, NOK, SEK or AUD against the euro, reported net sales may be affected. In addition, a proportion of Basware's costs are denominated in INR and RON. The uncertainty around the status of the UK in relation to the European Union may have a negative impact on Basware's ability to do business in the UK.

Execution of the growth strategy and going through constant change puts new demands on the organization as well as its management and leadership capabilities. The company's ability to attract, retain and develop the right type of talent to deliver on its strategy is critical as well as management focus and ability to drive change. In order to execute the growth strategy, Basware needs access to financing.

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

The cloud transformation process requires cash investment. The company's ability to secure financing for this transformation may affect its ability to deliver on the strategy.

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

Basware operates in a market where technological and business model innovation play a key role. While Basware is recognized as a leader within its segments by independent analysts, it is critical that Basware continues to innovate and develop its offering.

In the fourth quarter of 2018, Basware was subject to market speculation around a potential tender offer. This negatively impacted order intake in the fourth quarter of 2018 which will feed through to a negative impact on future cloud revenues. If market speculation about Basware as the subject of a potential takeover approach continues, this may have a negative impact on order intake and customer retention, and may also have a negative impact on employee retention.

Non-financial statement 2018

This statement describes how Basware manages social and environmental challenges in its business operations. Basware is committed to operating responsibly and sustainably, helping customers move to paperless processes, fostering employee welfare and taking care of cybersecurity and data privacy. This statement has been compiled in order to fulfil the reporting requirements on non-financial information as outlined in Chapter 3a, Sections 1-6 of the Finnish Accounting Act.

Business operations

Basware is the global leader in networked source-to-pay solutions, including e-invoicing and value-added 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 their 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.

Basware is comprised of the Group's parent company, Basware Corporation, and its subsidiaries. Basware Corporation is a public listed company domiciled in Espoo, Finland. Basware Corporation's shares are listed on Nasdaq Helsinki Ltd. All Basware companies comply with local legislation and other applicable guidelines and requirements.

Basware operates globally and has offices in 14 countries. In 2018, the company's average number of employees was 1,676 (1,838). At the end of 2018, 27 percent (35%) of the company's employees worked in India, 26 percent (24%) in Finland, 34 percent (32%) in rest of Europe and 13 percent (9%) in Americas and APAC.

Social responsibility

Social and employee matters

Employees are Basware's most important resource. Operating globally, Basware complies with the standards of the International Labour Organization as well as with all relevant local employment legislation. In addition, Basware is committed to acting in accordance with the United Nations' Universal Declaration of Human Rights and the principles of the United Nations' Global Compact. Basware has a global Code of Conduct that applies to all Basware employees globally. The Code of Conduct describes the principles according to which Basware operates and expects its suppliers and partners to operate. 99 percent (94%) of Basware's employees had completed Code of Conduct training by the end of 2018.

Basware's ability to attract, retain and develop the right type of talent at all levels is critical for the company's success. Basware organizes YourVoice employee engagement survey annually and follows up the results through action points each year. In 2018 the survey had a response rate of 90% and the results showed improvements from previous year in several areas from visible company culture to managers' leadership. Basware promotes learning and development at an organizational, team and individual level and is committed to a safe and healthy workplace.

Women account for 29 percent (28%) and men for 71 percent (72%) of employees. The company's employees' average years of service is 4.6 years (4.9) and the attrition rate 13.7 percent (15.3%). 99 percent (98%) of the company's employees are permanent employees and 97 percent (98%) work full-time. The average age of employees is 37.3 (35.3) years. The company's CEO-to-employee pay ratio based on base salary is 5.8-to-1 (5-to-1).

Basware supports diversity in the workforce and is committed to equal opportunity in the workplace. Basware does not tolerate any discrimination based on race, color, sex, religion, age, political affiliation, sexual orientation, or origin.

As part of Basware's commitment to conducting its business in an honest and ethical manner, Basware takes a zero-tolerance approach to bribery and corruption, and upholds all relevant laws to countering bribery and corruption in all jurisdictions it operates in. Basware has an Anti-Bribery and Corruption Policy, which sets out the responsibilities of Basware employees in observing and upholding the company's position on bribery and corruption and provides guidance for Basware employees on how to recognize and deal with bribery and corruption issues. No bribery or corruption incidents were reported to the company in 2018.

Cyber and information security

Providing digital, cloud-based services and solutions, Basware operates in an industry characterized by a high information security and data privacy risk. Basware takes any threats to its own or its customers' information systems and data very seriously. Information security risks are integrated into the company's multi-disciplinary risk assessment. To manage risks arising from information security breaches, Basware has a continuous information security model, which includes tracking and follow-up of any security incidents for mitigation and corrective actions. As part of this model, Basware continuously assesses its systems, support processes and personnel and analyzes implications of any security incidents. Personnel training and certification play a key role in assuring the integrity of the company's systems and the quality of the company's customer promise. In addition, Basware's service integrity control environments are externally audited at regular intervals.

Whilst using Basware's services, customers transmit orders, invoices and other business data to the company's applications for further processing. In processing customers' business contact data identifying individuals Basware complies with all relevant legal requirements governing the protection of personal data.

Environmental responsibility

Basware's corporate environmental responsibility is incorporated into the company's business strategy and operations. In its day-to-day activities, Basware complies with all applicable environmental laws and regulations and expects all its suppliers and partners to obey all relevant legal and industry-specific environmental requirements.

Basware's most material environmental exposures are energy consumption at our office locations and third-party data centres and the impact of business travel and commuting. Basware tracks its greenhouse gas emissions annually and reports them to CDP. Basware has committed to reduce its emissions footprint and to improve the energy efficiency of its office locations. Basware aims to reduce its office based per employee greenhouse gas emissions by 20% by 2020 from 2016 levels. Company employees are encouraged to reduce the need for business travel by using collaborative technologies and online meeting tools.

The direct environmental impact of Basware's services is estimated to be immaterial to moderate due to the nature of

Basware's business. Basware's digital solutions and services have the potential to provide Basware's customers with environmental benefits by automating their financial processes by provision of cloud-based software, thus reducing the use of paper and the reliance on separate, company-specific data centres. Basware is working towards a clearer understanding of the environmental impacts of its solutions and services and is committed to full transparency in communicating about the environmental benefits and burdens of its business.

Future outlook

Operating environment and market outlook

All organisations need to manage their purchasing processes from procurement through to handling invoices and paying them. Currently many organisations only have unsophisticated or partial tools to manage these processes and as a result many are faced with unmanaged spending, inefficient manual and paper-based processes and poor visibility of cashflows. Basware offers a uniquely complete solution for these challenges that is differentiated by the Basware Network, the largest e-invoicing network in the world, and enables customers to manage 100 percent of their spending and make their purchasing processes completely paperless.

Basware expects the demand for networked purchase to pay services to continue to grow. The total potential market for networked purchase to pay services is estimated to be worth EUR 15 billion in annual revenues.

Outlook for 2019

Basware is the global leader in providing networked source-to-pay, e-invoicing and value-added services. Basware's key strategic priority for the strategy period 2018-2020 is cloud revenue growth. The company continues to strengthen its leading market position in order to grow scalable cloud revenue.

For 2019 Basware expects the following on an organic basis at constant currencies:

- Cloud revenues to grow at approximately 15 percent
- Total revenues to grow at approximately 5 percent
- Adjusted EBITDA to be at breakeven or better

Constant currencies means that the effects of any changes in currencies are eliminated by calculating the figures for the period using 2018 exchange rates. Organic means that the figures are adjusted to remove the effects of any acquisitions or disposals within the past 12 months.

Board of Directors's proposal for dividend

On December 31, 2018, the Group's parent company's distributable funds were EUR 70 066 thousand. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for 2018.

Basware Corporation's Annual General Meeting is planned to be held on Thursday, March 14, 2019 in Helsinki, Finland.

Espoo, Finland, Wednesday, January 30, 2019

BASWARE CORPORATION

Board of Directors

Consolidated Statement of Comprehensive Income (IFRS)

	Notes	1.1.-31.12.2018	1.1.-31.12.2017
NET SALES	**2**	**141,416**	**149,167**
Cost of sales		-69,620	-75,891
GROSS PROFIT		71,797	73,276
Sales and marketing		-43,041	-36,455
Research and development		-27,222	-29,629
General and administration		-16,247	-14,110
Total operating expenses		**-86,510**	**-80,194**
Other operating income	4	17,852	134
Other operating expenses	6	4,610	2,727
OPERATING PROFIT/LOSS		**-1,471**	**-9,509**
Finance income	7	178	672
Finance expenses	7	-2,080	-2,391
Share of profit/loss of a joint venture		-153	-1,048
PROFIT/LOSS BEFORE TAX		**-3,526**	**-12,276**
Income tax	8	-3,551	752
PROFIT/LOSS FOR THE PERIOD		**-7,077**	**-11,524**
Other comprehensive income			
Other comprehensive income that will not be reclassified to profit or loss			
Remeasurement of employee benefits	17	57	155
Other comprehensive income that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		1,169	-6,743
Income tax relating to components of other comprehensive income	8	-73	290
Cash flow hedges		240	0
Other comprehensive income for the year net of tax		**1,393**	**-6,299**
TOTAL COMPREHENSIVE INCOME		**-5,684**	**-17,823**
Profit/loss attributable to:			
Equity holders of the parent company		-7,077	-11,524
Total comprehensive income attributable to:			
Equity holders of the parent company		-5,684	-17,823
Earnings per share			
undiluted, EUR		-0.49	-0.8
diluted, EUR		-0.49	-0.8

Consolidated Statement of Financial Position (IFRS)

	Notes	Dec 31, 2018	Dec 31, 2017 Restated	Jan 1, 2017 Restated
ASSETS				
Non-current assets				
Intangible assets	10	45,097	49,039	47,325
Goodwill	3	78,939	91,961	96,811
Tangible assets	11	792	1,291	1,585
Share of investment in joint venture	13	0	153	1,201
Non-current financial assets	14	38	38	38
Trade and other receivables	15	4,055	3,617	2,588
Contract assets	2	1,052	2,450	2,474
Deferred tax assets	8	7,810	10,362	8,403
Non-current assets		**137,784**	**158,910**	**160,425**
Current assets				
Trade receivables	15	24,992	24,534	24,638
Other receivables	15	9,289	6,880	6,243
Contract assets	2	2,298	3,446	2,964
Income tax receivables	8	579	358	126
Cash and cash equivalents	16	40,747	20,683	35,755
Current assets		**77,905**	**55,900**	**69,726**
TOTAL ASSETS		**215,688**	**214,811**	**230,150**

	Notes	Dec 31, 2018	Dec 31, 2017 Restated	Jan 1, 2017 Restated
EQUITY AND LIABILITIES				
Shareholder's equity				
Share capital	19	3,528	3,528	3,528
Share premium account	19	1,187	1,187	1,187
Own shares	19	-638	-841	-1,043
Invested unrestricted equity fund	19	110,928	111,132	111,333
Other reserves	19	832	592	540
Translation differences	19	-10,131	-11,229	-4,776
Retained earnings	19	5,042	8,920	19,687
Shareholders' equity		**110,749**	**113,289**	**130,456**
Non-current liabilities				
Deferred tax liabilities	8	4,660	4,569	4,904
Interest-bearing liabilities	22	40,117	47,286	36,732
Other non-current financial liabilities	20	100	1,693	1,555
Contract liabilities	2	2,458	2,374	4,979
Liabilities from defined benefit plan	17	327	434	506
Non-current liabilities		**47,662**	**56,357**	**48,676**
Current liabilities				
Interest-bearing liabilities	22	17,089	1,996	10,503
Trade payables and other payables	20	28,040	31,409	23,822
Contract liabilities	2	11,852	10,656	10,984
Income tax liabilities	8	98	177	637
Current provisions	21	198	928	5,072
Current liabilities		**57,277**	**45,165**	**51,018**
TOTAL EQUITY AND LIABILITIES		**215,688**	**214,811**	**230,150**

Consolidated Statement of Cash Flows (IFRS)

	1.1.-31.12.2018	1.1.-31.12.2017
Cash flows from operating activities		
Profit/loss for the period	**-7,077**	**-11,524**
Adjustments for profit:		
Depreciation and amortisation	10,688	10,108
Share of profit/loss of a joint venture	153	1,048
Gain (-) / loss (+) on disposals of assets	-16,276	0
Unrealised foreign exchange gains and losses	204	764
Financial income and expenses	1,694	1,002
Tax on income from operations	3,551	-752
Other adjustments	2,551	642
Total adjustments	**2,564**	**12,812**
Changes in working capital:		
Increase (-) / decrease (+) in trade and other receivables	-841	-3,123
Increase (+) / decrease (-) in trade and other payables	2,122	4,766
Increase (+) / decrease (-) in provisions	-763	-4,141
Total changes in working capital	**518**	**-2,499**
Financial items in operating activities	-1,419	-958
Income taxes paid (-) / received (+)	-848	-1,832
Cash flows from operating activities	**-6,261**	**-4,001**
Cash flows used in investing activities		
Purchase of tangible and intangible assets	-11,178	-12,485
Net proceeds from sale of tangible and intangible assets*	29,647	0
Cash flows from investing activities	**18,469**	**-12,485**
Cash flows from financing activities		
Repayment of current borrowings	-1,996	-27,998
Proceeds from non-current borrowings	9,923	30,000
Cash flows from financing activities	**7,927**	**2,002**
Net change in cash and cash equivalents	**20,135**	**-14,484**
Cash and cash equivalents at the beginning of period	20,683	35,755
Net foreign exchange difference	-71	-588
Cash and cash equivalents at the end of period	**40,747**	**20,683**

*Includes proceeds and disbursements directly attributable to the divestments made in Q1 2018

Consolidated Statement of Changes in Equity (IFRS)

	Share capital	Share premium account	Treasury shares	Invested unrestricted equity	Other reserves	Translation differences	Retained earnings	Total
SHAREHOLDERS' EQUITY Jan 1, 2018	**3,528**	**1,187**	**-841**	**111,131**	**592**	**-11,229**	**8,920**	**113,289**
Effect of IFRS 9 restatement - bad debt provision							-128	-128
Effect of IFRS 2 amendment							1,043	1,043
SHAREHOLDERS' EQUITY Jan 1, 2018 (restated)	**3,528**	**1,187**	**-841**	**111,131**	**592**	**-11,229**	**9,835**	**114,204**
Comprehensive income						1,096	-7,079	-5,983
Share based payments			204	-204			2,229	2,229
Cash flow hedges					240			240
Defined benefit plans						2	57	59
SHAREHOLDERS' EQUITY Dec 31, 2018	**3,528**	**1,187**	**-638**	**110,928**	**832**	**-10,131**	**5,042**	**110,749**

	Share capital	Share premium account	Treasury shares	Invested unrestricted equity	Other reserves	Translation differences	Retained earnings	Total
SHAREHOLDERS' EQUITY Jan 1, 2017	**3,528**	**1,187**	**-1,043**	**111,333**	**540**	**-4,863**	**22,182**	**132,864**
Effect of IFRS 15 restatement to revenue						86	-2,495	-2,409
SHAREHOLDERS EQUITY Jan 1, 2017 (restated)	**3,528**	**1,187**	**-1,043**	**111,333**	**540**	**-4,776**	**19,687**	**130,455**
Effect of IFRS15 restatements to revenue							7	7
Comprehensive income						-6,451	-11,531	-17,982
Share based payments			202	-202			602	602
Adjustment to previous years					52			52
Defined benefit plans							155	155
SHAREHOLDERS' EQUITY Dec 31, 2017	**3,528**	**1,187**	**-841**	**111,131**	**592**	**-11,228**	**8,920**	**113,289**

Notes to the Consolidated Financial Statements (IFRS)

The presentation of group accounting principles, key estimations and judgements has been made more informative by moving accounting principles to be part of the notes.

Basic information of the Group

Basware is a leading supplier of e-Invoicing and Purchase-to-pay solutions. Parent company Basware Oyj is a public Finnish company founded under Finnish law. Business ID of Basware Oyj is 0592542-4 and company's domicile is Espoo, Finland. The shares of the parent company Basware Corporation have been listed on NASDAQ Helsinki Ltd. since 2000.

The consolidated financial statements for the year ended 31 December 2018 were authorized for issue in accordance with a resolution of the Board of directors on January 30th, 2019. Shareholders may adopt or reject the financial statements at the Annual General Meeting. Basware's financial statements, Board of Directors' report as well as the Auditor's report are available on the Internet at www.basware.com/investors or parent company's head office at Linnoitustie 2, 02601 Espoo.

1. Accounting principles

Basis of preparation

Basware Corporation's consolidated financial statements have been prepared according to the International Financial Reporting Standards (IFRS), approved for use in EU countries, in accordance with the IAS and IFRS standards, as well as IAS and IFRIC interpretations valid on December 31, 2017. The Group's Financial Statements are presented in euros, which is the primary and reporting currency of the Group's parent company, and they are based on acquisition costs unless otherwise stated in the accounting principles.

The amounts presented in the financial statements are rounded, so the sum of individual figures may differ from the sum reported.

Basware has adopted IFRS 15 Revenue from Contracts with Customers as of January 1, 2018 (mandatory application), with full retrospective application. In connection with the IFRS 15 application, the Group has also made certain changes to revenue allocation between Cloud and Non-cloud. Comparatives for 2017 presented in the financial statements have been updated to include IFRS 15 restatements and revenue reallocations. The effects of IFRS15 are described in more detail below in section 'New and revised standards and interpretations.' Due to retrospective application of IFRS 15 the Group has presented a third balance sheet 1.1.2017.

During 2018, Basware has made certain changes in the presentation of its financial information. The company has adopted a functional income statement showing the company's cost of sales, gross profit and operating expenses by function.

In February 2018 Basware completed the divestment of Financial Performance Solutions and Banking businesses. Divestments decrease both revenues and profitability, and it is important to take into account the effects of divestments when comparing 2018 financials to 2017 financials. In 2017, the combined net sales of Financial Performance Solutions and Banking businesses were approximately EUR 15 million and combined direct costs approximately EUR 7 million.

New and revised standards and interpretations

As of January 1, 2018, the Group has applied the following new and revised standards and interpretations with the following impacts to Group financial statements:

- Basware has adopted IFRS 15 Revenue from Contracts with Customers (mandatory application), with full retrospective application. Revenue for different revenue types are recognized over time except for licenses which is recognized at a point in time. As the new standard affected only a minority of the Group's customer contracts, the impact of the standard on the Group's 2017 restated total revenue is not material, being EUR -74 thousand in total. However, as a result of the application of the standard, part of Cloud revenue will be recognized later and part of Non-cloud revenue earlier compared to the previous revenue recognition standard. Due to this, 2017 restated IFRS 15 Cloud revenue is EUR 1 667 thousand lower and Non-cloud revenue EUR 1 596 thousand higher compared to the reported revenue.

  In connection with the IFRS 15 application, the Group has made certain changes in the revenue allocation between Cloud and Non-cloud.

Revenues related to dedicated customer services as part of SaaS subscriptions will now be allocated as Cloud revenues. This reallocation does not impact total Group revenue. However, for 2017 a total of EUR 2 830 thousand of revenues reported as part of Non-cloud is now recorded as Cloud revenue.

The total net impact of IFRS 15 restatements and the changes in revenue allocation between Cloud and Non-cloud for full year 2017 is EUR -74 thousand on Group level, with Cloud revenue increasing EUR 1 163 thousand and Non-cloud revenue decreasing EUR 1 236 thousand. As a result, the share of Cloud revenue of the Group's total 2017 revenue has increased slightly.

IFRS 15 restatements increased the Group's non-current assets on December 31, 2017 by EUR 2 082 thousand, current assets by EUR 1 181 thousand, non-current liabilities by EUR 2 374 thousand, current liabilities by EUR 3 525 thousand, and decreased equity by EUR 2 636 thousand. IFRS 15 restatements had no material impact on basic or diluted EPS, and no impact on cash flows.

- Amendments to IFRS 2 share-based payment (effective date January 1, 2018). The amendment concerns incentive schemes with "net settlement" features to cover withholding tax obligations and where the employer has an obligation to withhold tax from the received benefit of the share-based payment in the country in question. From 2018 onwards, a compensation cost pursuant to IFRS 2 will be recognized for such payments, based on the entire scheme being an equity-settled payment. The impact of implementation has been presented in the statement of changes in equity and in note 5 of Group financial statements.
- IFRS 9 Financial Instruments (effective date January 1, 2018), which replaced the previous IAS 39 Financial Instruments: Recognition and Measurement. The main impact of IFRS 9 concerns the timing of recording expected credit losses. IFRS 9 includes new guidance on financial instruments classification, measurement, impairment and hedging. Group has updated the classification of financial assets and liabilities accordingly. Reclassifications did not impact carrying values. Below table illustrates classifications of financial assets and liabilities under IFRS 9 and IAS 39. IFRS 9 has not been applied retrospectively. The impact of implementation has been presented in the statement of changes in equity.

IFRS9 measurement category

EUR thousand

IAS 39 measurement category	EUR thousand	IFRS 9: Fair value through profit or loss	IFRS 9: Amortized costs	IFRS 9: Fair value through OCI
Loans and other receivables	1,582	-	1,582	-
Trade receivables *	24,534	-	24,406	-
Long-term investments	38	-	-	38
Total		-	**25,988**	**38**

* The change in carrying amount is a result of additional impairment allowance.

As of January 1, 2018, the Group has applied the following new and revised standards and interpretations which did not materially impact Group reporting:

- Interpretation: IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective date January 1, 2018). The interpretation clarifies the exchange rate to be used in receipt or in payment of advance consideration and in recognizing equivalent non-monetary asset or non-monetary liability arising from the receipt or payment of advance consideration. The non-monetary asset or liability is valued by using the exchange rate when the non-monetary balance sheet item is recognized.
- Annual Improvements to IFRS 2014-2016. Minor, non-urgent amendments to standards are collected and adopted in the annual improvement procedure once a year. The effects of the changes vary by standard. The amendments concern the following standards: IFRS 1, IAS 28 and IFRS 12.

Amendments that will enter into force during the financial year 2019 or later

In addition to the standards and interpretations presented in the financial statements for 2018, the Group will adopt the following standards, interpretations and amendments to standards published by the IASB during financial periods beginning on or after January 1, 2019. The Group will adopt each standard on the effective date, or if the effective date is not the first day of a reporting period, as of the beginning of the following reporting period, provided that they are approved by the EU.

- IFRS 16 Leases (estimated effective date January 1, 2019). The EU has approved the standard. IFRS 16 specifies the requirements for recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model. IFRS 16's approach to lessor accounting is substantially unchanged from current standards. As a general rule, all leases with a term of over 12 months are recognized in the balance sheet unless the underlying asset has a low value. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index).
- The Group has elected to use modified retrospective approach in implementing IFRS16, and accordingly will not restate comparative figures. Instead, the Group will recognize the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings and other related balance sheet items. The Group will elect to use the exemptions applicable to the standard on short-term lease contracts (lease period less than 12 months), and for lease contracts for which the underlying asset is of low value.
- During 2018 the Group has performed detailed impact assessment. In summary, the estimated impact of IFRS 16 adoption to 2019 financials will be:
  - Opening balance sheet for 2019 will increase by estimated EUR 17,5 - 19,5 million due to increase in lease liabilities and right-of-use assets.
  - Operating profit will increase due to increase in interest expenses
  - Depreciation will increase significantly and correspondingly rent expenses will decrease significantly
  - Reclassifications within cash flow statement as the principal payments of lease liabilities is presented in the cash flow from financing activities
- Annual improvements to IFRS 2015-2017 (estimated effective date January 1, 2019). The EU has not yet approved the changes. The Minor, non-urgent amendments to standards are collected and adopted in the annual improvement procedure once a year. The effects of the changes vary by standard. The amendments concern the following standards: IFRS 3, IFRS 11, IAS 12 and IAS 23. According to the Group's current estimate, the amendments will have no impact on the Group's future financial statements, and it is continuing its assessment of the impact of the amendments.
- Interpretation: IFRIC 23 Uncertainty over Income Tax Treatments (estimated effective date January 1, 2019). The interpretation clarifies the requirements of IAS 12 Income Taxes in situations, where there is uncertainty over income tax treatments under IAS 12. The interpretation addresses the following issues:
  - Whether the entity should consider each tax treatment independently or whether tax treatments should be considered collectively
  - The entity's assumptions for taxation authorities' actions and information concerning uncertain tax positions
  - How the entity considers uncertain tax positions when determining taxable profit (or loss), tax bases, unused tax losses and credits and tax rates
  - How the entity accounts for changes in facts and circumstances

According to the Group's current estimate, the interpretation will have no impact on the Group's future financial statements, and it is continuing its assessment of the impact of the interpretation.

- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (estimated effective date January 1,2019). The EU has not yet approved the amendments. The amendments address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. According to the Group's current estimate, the amendments will have no material impact on the Group's future financial statements, and it is continuing its assessment of the impact of the amendments.
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective date January 1,2019). The amendments address accounting treatment for debt instruments in financial assets in cases of early termination of the contract. According to the Group's current estimate, the amendments will have no material impact on the Group's future financial statements, and it is continuing its assessment of the impact of the amendments.

Basis of consolidation

The consolidated financial statements comprise the parent company Basware Corporation and the subsidiaries controlled by it at the end of reporting period. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Being in control means the power to govern the financial and operating policies of the company to obtain benefits from its activities. The subsidiaries have been included in the Group financial statements as of the acquisition date. Intra-group holding is eliminated using the acquisition cost method. Acquired companies are accounted for using the purchase method according to which the assets and liabilities of the acquired company are measured at their fair value when it has been possible to determine the value reliably. Deferred taxes of the acquisition cost adjustments are recognized according to the valid tax rate and the remainder is recognized as goodwill on the balance sheet. When circumstances indicate that there are changes in elements of control the consolidation is re-assessed.

Intra-group business transactions, internal liabilities and receivables, and internal profit distribution are eliminated in the Group financial statements.

Basware has a 50 percent interest in a joint venture which was established with Arrowgrass Capital Partners LLP in the UK. Basware has determined its interest in the joint venture to be accounted for using the equity method. Basware’s share of results of the joint venture is presented as a separate line item in the financial items of the consolidated statement of comprehensive income and in investments in the consolidated statement of financial position. The Group does not have interests in other joint ventures or associates.

Transactions in foreign currencies

Transactions in foreign currencies are recorded in the operating currency at the approximate exchange rates prevailing at the transaction dates. Monetary items in foreign currencies have been translated into the operating currency using the exchange rates at the end of the reporting period. Non-monetary items denominated in foreign currencies are carried at the exchange rate at the date of the transaction.

In the Group financial statements, the income statements of foreign subsidiaries are translated into euros at the average rate for the financial period and balance sheets at the exchange rate of the balance sheet date. Average rate difference due to different exchange rates on the statement of comprehensive income and balance sheet are entered in other comprehensive income. Translation differences arising from the elimination of foreign subsidiaries and translation of equity items accumulated after the acquisition are entered in other comprehensive income. Foreign currency gains and losses from monetary items part of the net investment in a foreign unit are recognized in other comprehensive income and entered on the statement of comprehensive income when the foreign unit is divested.

Segment information

Basware reports one operating segment. The reported segment is comprised of the entire Group, and the segment figures are consistent with the Group figures. Entity-wide disclosures are presented in Note 2 and Note 12.

Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received. The grants received are recognized as offsetting items of the expenses incurred. When the grant relates to capitalized R&D projects it will reduce the carrying amount of the asset, and they are recognized in profit and loss by way of lower depreciation charge over the useful life of the intangible asset.

Research and development costs

Research expenses are booked as an expense as they are incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- its intention to complete and its ability and intention to use or sell the asset
- how the asset will generate future economic benefits
- the availability of resources to complete the asset
- the ability to measure reliably the expenditure during development.

Costs related to the adoption of new technology or development of a new generation of products are capitalized and recognized and amortized over the useful life of 3–5 years. In determining the useful life, the obsolescence of technology and the typical life cycle of products in the industry are taken into consideration. Amortization begins when development is complete, the asset is available for use and the product is ready for commercial utilization. Maintenance of existing products and minor enhancements are expensed when they are incurred. Government grants related to research and development are recognized through profit or loss in the periods during which the corresponding costs are recognized as expenses.

Leases

Leases on property, plant and equipment are classified as finance leases if they transfer substantially the risks and rewards incidental to ownership to the Group. Finance leases are capitalized at the beginning of the lease as assets and liabilities at the lower of the fair value of the leased asset and the present value of the minimum lease payments. A leased asset is depreciated over the useful life of the asset. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance lease liability is presented in current and non-current interest-bearing financial liabilities.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Contract costs

The incremental costs of obtaining a contract with a customer including significant sales commissions related to long-term

service contracts are capitalized if the recognition criteria are satisfied and the entity expects to recover those costs. The capitalized costs are amortized on a straight-line basis over the contract term in which the services are transferred and the revenue is recognized.

Accounting principles requiring management's judgement and key uncertainties relating to the use of estimates

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

- Goodwill, note 3
- Development expenses, note 10
- Trade receivables, note 15
- Deferred tax assets, note 8
- Share-based payments, note 5
- Financial risk management, note 18

Alternative performance measures

Basware presents the following financial measures to supplement its Consolidated Financial Statements which are prepared in accordance with IFRS. These measures are designed to measure growth and provide insight into the company's underlying operational performance. The Group has applied the recent guidance from ESMA (the European Securities and Markets Authority) on Alternative Performance Measures which is applicable as of July 3, 2016 and defined alternative performance measures as follows.

Cloud revenue includes net sales from SaaS and other subscription revenues, transactions services and financing services excluding alliance fees. Non-cloud revenue includes net sales from licences, maintenance and consulting, as well as alliance fees.

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

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

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

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

EBITDA is calculated as operating result plus depreciation and amortization.

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

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

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

Subscription annual recurring revenue gross order intake is calculated by summing the total order intake in the period expressed as an annual contract value. This includes SaaS and other subscription types. Transaction revenue is not included. Gross new order intake covers new cloud customers, add-ons and renewal uplifts but excludes churn. There will be a time lag before this order intake is visible in net sales.

2. Revenue and contract balances

Accounting principles

Net sales

Net sales are presented net of discounts and exchange rate differences of foreign currency sale.

Revenue recognition

Basware reports net sales by type. Net sales by type is divided into two groups: cloud and con-cloud revenue. Cloud revenue consists of net sales from SaaS and other subscription types and transaction revenue and non-cloud revenue includes net sales from licences, maintenance and consulting. SaaS and transaction services are sold together with consulting services and e-invoicing services include also work related to set-up activities which are charged separately as Start up fee.

Basware has adopted IFRS 15 Revenue from Contracts with Customers as of January 1, 2018 with full retrospective application. IFRS 15 Revenue from Contracts with Customers is based on the principle that sales are recognized when the control of the goods or service is transferred to the customer. According to IFRS 15 the contract qualifies as a customer contract when each party's general and specific rights and obligations are decsribed, contract is approved by the parties, each party's enforecable rights and obligations exists, the contract has commercial substance and it is probable that the consideration to which the entity is entitled to in exchange for the goods or services will be collected. Group does not have a significant financing components in its contracts with customers or sale with a right of return.

Basware revenue for different revenue types are recognized over time except for licenses which is recognized at a point in time. SaaS and transaction services fees are fixed and are invoiced monthly or annual basis, or monthly basis based on user and transaction volumes. Both fees are recognized monthly basis over the term of the contract. Revenue from set up activities are deferred and recognized over time throughout the contract term.

Revenue from the license sales is recognized when contractual criteria of IFRS 15 has been fulfilled and when license has been delivered to the customer. Maintenance services which includes new versio releases and customer support are recognized over the contract period.

Revenue of professional services are recognized during the reporting period in which service is provided. Revenue of fixed-price consulting projects are recognized as revenue and expenditure on the basis of the percentage of completion when the outcome of the project can be reliably estimated. If the resulting costs and recognized profits exceed the amount invoiced for the transaction, the difference is presented in “contract assets” on the balance sheet. If the resulting costs and recognized profits are lower the invoicing for the transaction, the difference is presented in “contract liabilities” on the balance sheet. When it is likely that the total costs required for completing the project exceed the total revenue from the transaction, the expected loss is recognized as an expense immediately.

Basware reports geographical areas Americas, Europe, Nordics and APAC. Americas includes business operations in North and South America. Europe includes operations in Europe and Russia, excluding the Nordic countries (Denmark, Finland, Norway and Sweden), which are reported separately. APAC includes operations in Asia and the Pacific region.

Net Sales by type

EUR thousand

	Timing of revenue recognition	1.1.-31.12.2018	1.1.-31.12.2017 Restated
Cloud Revenue			
SaaS	Over time	40,282	34,808
Transaction services	Over time	44,163	39,689
Other cloud revenue	Over time	5,036	5,835
Cloud Revenue total		**89,482**	**80,332**
Non-Cloud Revenue			
Maintenance	Over time	26,111	37,026
License sales	At a point in time	2,251	4,192
Consulting services	Over time	23,567	27,746
Other non-cloud revenue	Over time	6	-129
Non-Cloud Revenue Total		**51,935**	**68,836**
Total		**141,417**	**149,167**

Net sales by customer location

EUR thousand

	1.1.-31.12.2018	1.1.-31.12.2017 Restated
Americas	26,741	24,403
Europe	47,709	45,401
Nordics	59,754	71,818
APAC	7,214	7,545
Total	**141,417**	**149,167**

Net sales by currency

% of total

	1.1.-31.12.2018	1.1.-31.12.2017 Restated
EUR	52.7	54.9
USD	18.4	16.3
GBP	8.6	8.4
Other	20.3	20.4
Total	**100**	**100**

Contract assets and liabilities

The timing of invoicing may differ from the timing of revenue recognition. The Group recognizes an contract asset when revenue is recognized prior to invoicing, and an contract liability when revenue is recognized subsequent to invoicing.

Revenue of professional services are recognized during the reporting period in which service is provided. Revenue of fixed-price consulting projects are recognized as revenue and expenditure on the basis of the percentage of completion when the outcome of the project can be reliably estimated. If the resulting costs and recognized profits exceed the amount invoiced for the transaction, the difference is presented in “contract assets” on the balance sheet. If the resulting costs and recognized profits are lower the invoicing for the transaction, the difference is presented in “contract liabilities” on the balance sheet.

The majority of contract liabilities arise from:

- SaaS and Transactions services invoiced in advance and recognized as revenue on monthly basis over the contract term
- setup activities invoiced in advance and recognized as revenue during the contract period
- maintenance revenue invoiced in advance and recognized as revenue over the maintenance period

Summary of contract balances

EUR thousand

	Dec 31, 2018	Dec 31, 2017 restated	Jan 1, 2017 restated
Trade receivables	**24,992**	**24,534**	**24,638**
Contract assets:			
Non-current	1,052	2,450	2,474
Current	2,298	3,446	2,964
Contract liabilities:			
Non-current	2,458	2,374	4,979
Current	11,852	10,656	10,984

During 2017-2018 Group has not recognized significant impairment losses on contract assets.

Disposals in contract liabilities due to divestments of Banking and Financial Performance Solutions businesses amounted to EUR 4310 thousands. Out of this balance EUR 575 thousand has been included in contract liabilities at the end of 2017, and EUR 3 735 thousand has not been included in contract liabilities at the end of 2017 but had been recognized from maintenance invoicing made during 2018.

Set out below is the amount of revenue recognized from amounts included in contract liabilities at the beginning of period:

	1.1.-31.12.2018	1.1.-31.12.2017
Revenue recognized from amounts included in contract liabilities at the beginning of the period	8,861	8,693

The Group has elected to use the practical expedient in IFRS 15.121 in disclosing the transaction price allocated to remaining performance obligations as its related performance obligations are a part of a contract that have a original expected duration of less than one year, or the revenue recognition from performance obligations is done according to IFRS 15.B16.

3. Goodwill

Accounting principles

Goodwill is measured as the excess of the cost of the acquisition over the Group's share of the fair values of the acquiree's net assets at the time of the acquisition. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill impairment testing

Goodwill is not amortised, but is tested for impairment annually, and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash generating unit (CGU) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. An asset's recoverable amount is the higher of CGU's fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the entity specific risks. Impairment losses relating to goodwill cannot be reversed in future periods.

Goodwill

EUR thousand

	2018	2017
Acquisition cost Jan 1	91,961	96,811
Translation difference	998	-4,850
Business disposals	-14,020	0
Acquisition cost Dec 31	**78,939**	**91,961**
Book value Dec 31	**78,939**	**91,961**

Goodwill is tested according to IAS 36. Basware does not possess any other intangible assets. Goodwill that has indefinite economical life. Unfinised intangible assets are also subjected to impairment testing during reporting period. Impairment testing is carried out at Group level as the Basware has centralised steering model and reporting structure. Goodwill is monitored at group level internally.
Goodwill has been tested for impairment in the last quarter of 2017. The recoverable amounts from the cash generating unit (CGU) are determined based on value-in-use calculations. The calculations are prepared on a discounted cash flow method basis, derived from the management approved estimates for the following year and subsequent development derived from the strategic plans.

Cash flows beyond the 5-year period are calculated using the terminal value method. The terminal growth rate of 2.5 percent (2.0%) used in projections is based on management's assessment on conservative long term growth. Key driver for the valuation is the revenue growth based on group's performance and future strategic growth plans, market position as well as the potential in key markets.

The applied discount rate is the weighted average pre-tax cost of capital (WACC). The components of the WACC are risk-free rate, market risk premium, company specific factor, and industry specific beta, cost of debt and debt/equity ratio. The WACC of 12.8 percent (10.5 %) has been used in the calculations.

As a result of the impairment test, no impairment loss for the CGU were recognized for the financial periods ended 31 December 2018 and 2017 respectively. The recoverable amount exceeds the total carrying amount of fixed assets.

A sensitivity analysis was conducted and there is no indication that the changes in the assumptions could be so substantial that the carrying amount would exceed the recoverable amount. In the future impairment testing is influenced by how the Group will meet the targets set for year 2020 and beyond. In a sensitivity analysis the impacts of substantial changes to the most significant assumptions like revenue growth, EBIT-margin percentage and the discount rate was assessed. Terminal year revenue should decrease more than 65 percentage, pre-tax discount rate should increase more than 8 percentage points or the terminal year EBIT-margin should decrease more than 9 percentage points for an impairment to take place.

4. Other operating income

Accounting principles

Other operating income includes proceeds from the sale of business operations and property, plant and equipment and rental income.

	1.1.-31.12.2018	1.1.-31.12.2017
Gain on sale of assets	16,276	0
Other operating income	1,576	134
Other operating income	**17,852**	**134**

Group recognized a gain on sale of assets amounting to EUR 16.3 million in the first quarter 2018 as a result of to the sale of Banking and Financial Performance Solutions businesses. The combined sale price of the two businesses was EUR 35.0 million, and after purchase price adjustments related mainly to net working capital, the net cash proceeds from the divestments are estimated to be EUR 30.1 million. In addition, EUR 14.0 million of consolidated goodwill has been allocated to the divested businesses, and EUR 4.8 million of fixed assets, mainly capitalized research and development expenses, was written down.

Other operating income EUR 1.5 million consists of other proceeds related to divestment.

5. Personnel and employee benefits

Accounting principles

The Group has exclusively defined contribution pension arrangements, and the related payments are expensed in the year they are incurred.The Group has exclusively defined contribution pension arrangements, and the related payments are expensed in the year they are incurred.

Group also has a defined benefit based incentive scheme to commit personnel in accordance with local regulations and practices in India. The calculations for defined benefit plan are done according to same principles as defined benefit plans for pensions and they predispose the Group to actuary risks like payroll risk, interest risk and risk related to expected lifetime. Amounts of the defined benefit plans are based on the yearly calculations submitted by independent actuaries. The present value of the defined benefit obligations is determined by discounting the estimated future cash flows using interest rates of Government issued bonds, if interest rate of high quality-corporate bonds is not available. The plan is unfunded and more information on the defined benefit plan is presented in Note 17.

Average number of personnel

	1.1.-31.12.2018	1.1.-31.12.2017
Americas	139	131
Europe	442	475
Nordics	490	558
APAC	605	673
Total	**1,676**	**1,838**

In the first quarter of 2018 Basware sold its Financial Performance Solutions and Banking businesses. Divestment concerned a total of 95 employees in Finland and India. In July Basware announced the outsourcing of scanning services to Xerox. Outsourcing process to Xerox was closed in October and the deal had an effect on 387 employees in Romania, India and Finland.

Employee benefits expenses

EUR thousand

	1.1.-31.12.2018	1.1.-31.12.2017
Salaries and fees	-77,680	-81,505
Share-based incentive plans	-2,372	-1,161
Expenses from defined benefit plans	-41	-114
Pension expenses, defined benefit plans	-6,194	-6,809
Other employee benefits	-7,350	-9,494
Total	**-93,637**	**-99,083**

Management and Board salaries, fees and benefits

Group's key employees are defined as CEO, members of the Board of Directors and Executive team.

EUR thousand

	1.1.-31.12.2018	1.1.-31.12.2017
CEO of parent company		
Vesa Tykkyläinen	-486	-426
Compensation of the members of the Board of Directors		
Ilkka Sihvo	-70	-39
Michael Ingelög	-44	-35
Daryl Rolley	-32	0
Asko Schrey	-32	0
Tuija Soanjärvi	-44	-40
Hannu Vaajoensuu	-7	-62
Anssi Vanjoki	-5	-33
Total	**-720**	**-635**

Key management employee benefits

EUR thousand

	1.1.-31.12.2018	1.1.-31.12.2017
Salaries and other short-term employee benefits	-2,779	-1,618
Post-employment benefits	0	-629
Share-based payments	-532	-403
Total	**-3,310**	**-2,650**

The salary of the CEO Vesa Tykkyläinen for the period January 1-December 31, 2018, including benefits, was EUR 486 thousand (EUR 426 thousand). Salary in money was EUR 361 thousand (EUR 359 thousand), including fringe benefits of EUR 13 thousand (EUR 16 thousand). Tykkyläinen was paid a bonus EUR 126 thousand from the financial year 2017 (no bonus from the financial year 2016).

In 2018, Tykkyläinen was not conveyed any shares on the basis of the incentive schemes. (During 2017, Tykkyläinen was granted a total of 1,500 shares on the basis of the incentive schemes. Of these, 750 shares were conveyed to Tykkyläinen, the value of which was approximately EUR 26 thousand based on the average share price of the payment days, and EUR 26 thousand was paid in cash to cover the withholding tax.)

The accrued pension costs of Vesa Tykkyläinen amounted to EUR 93 thousand (EUR 82 thousand). The CEO's pension plan is pursuant to the employment pension legislation. The CEO has 3 months' period of notice, in addition to which he is entitled to severance pay equivalent of 12 months' fixed salary.

Share-based payments

Accounting principles

On January 1, 2018 Group implemented amendments to IFRS 2. The amendment concerned incentive schemes with "net settlement features" to cover withholding tax obligations and where the employer has an obligation to withhold a tax from the received benefit of the share-based payment in the country in question. Group has solely share-based incentive schemes that contain a net settlement feature. Within these share-based incentive schemes the employees are awarded with net number of shares and the proportion paid in cash is withheld to cover tax obligations. The previous IFRS 2 treatment required the entity to divide these payments into an equity-settled component and a cash-settled component.

Starting from beginning of 2018, a compensation cost pursuant to IFRS 2 has been recognized for share-based schemes based on the entire scheme being an equity-settled payment. Share-based incentive schemes are valued at fair value on the grant date based on the gross number of shares awarded, recognized as an expense in the consolidated statement of comprehensive income during the period in which the conditions are met (the vesting period) and with a corresponding adjustment to the equity. The withholding paid by the company to the tax authority is recognized directly in equity.

The previous IFRS 2 treatment, in 2017 and earlier periods, required share-based incentives to be valued at fair value on the grant date, recognized as an expense in the consolidated statement of comprehensive income during the period in which the conditions were met (the vesting period) and with a corresponding adjustment to the equity or liability. The liability of the part settled in cash was revalued at each balance sheet date with changes in fair value recognized in the consolidated statement of comprehensive income. In connection with implementation of IFRS 2 amendment, the previously recognized liability for the part to be settled in cash and withheld for tax obligations, has been transferred from liabilities to equity on 1.1.2018.

Matching Share Plan 2015-2018

The Board of Directors resolved on March 23, 2015 to establish a new matching share plan for 2015-2018. The restricted share plan was directed to selected key employees at Basware and the total rewards to be allocated on the basis of the plan amounted to a maximum total value of 11,000 Basware Corporation shares. In addition to the share reward, employees included in the plan will also be paid a cash portion to cover the taxes resulting from the reward.

The prerequisite for receiving reward on the basis of the matching share plan is that the employee in question acquires Basware Corporation shares at the beginning of the plan. The participating employee can, as a reward, receive matching shares for each share subject to the share ownership prerequisite after a matching period of three years. Receipt of matching shares is contingent on the continuation of employment or service upon reward payment and that the shares in question are still held by the participating employee.

In 2018, the matching share plan 2015-2018 included four Basware key employees. The rewards to be paid on the basis of the plan corresponded to a maximum total value of 5,148 Basware Corporation shares. The plan ended in January 2018.

Matching Share Plan 2017-2019

The Board of Directors resolved on March 1, 2017 to establish a matching share plan for 2017-2019 for Basware Executive Team members.

The prerequisite for receiving reward on the basis of the matching share plan is that the member of the Basware Executive Team in question acquires Basware shares. The Basware Executive Team member will, as a reward, receive matching shares for each share subject to the share ownership prerequisite after a matching period of three years. Receipt of matching shares is contingent on the continuation of employment or service upon reward payment and that the shares in question are still held by the member.

The Board of Directors resolved that the rewards to be paid in aggregate to the Basware Executive Team on the basis of the matching share plan correspond to the value of a maximum total of 75,000 Basware Corporation shares, including also the proportion to be paid in cash.

Members of Basware Executive Team acquired or allocated a total of 35,017 Basware Corporation shares in the beginning of the plan. The rewards to be paid to Basware Executive Team members on the basis of the plan thus corresponds to a maximum of 70,034 Basware Corporation shares, including also the proportion to be paid in cash.

Matching Share Plan 2018-2020

The Board of Directors resolved on July 17, 2018 to establish a new matching share plan for 2018-2020 for the Group's key employees.

The prerequisite for receiving reward on the basis of the matching share plan is that the plan member acquires Basware shares. The plan member will, as a reward, receive matching shares for each share subject to the share ownership prerequisite after a matching period of three years. Receipt of matching shares is contingent on the continuation of employment or service and on the plan member holding the acquired shares upon reward payment.

The rewards to be paid in aggregate to plan members on the basis of the matching share plan correspond to the value of a maximum total of 77,714 Basware Corporation shares, including also the proportion to be paid in cash.

The plan as a whole entails an aggregate share ownership interest of approximately 116,571 shares for the plan members, via personal share acquisitions and the right to future share ownership through the matching share plan.

Restricted Share Plan 2017

The Board of Directors resolved on March 1, 2017 to establish a restricted share plan for 2017. The restricted share plan is directed to selected key employees at Basware. Receipt of the reward is contingent on the continuation of employment or service upon reward payment.

The reward from the restricted share plan will be paid after a vesting period of one to three years. The total rewards to be allocated on the basis of the plan amount to a maximum of 20,000 Basware Corporation shares, including also the proportion to be paid in cash.

At the end of 2017, the restricted share plan 2017 included 6 key employees. The rewards paid on the basis of the plan in May 2018 corresponded to a total of 5,750 Basware Corporation shares, including also the proportion to be paid in cash.

Performance Share Plan 2017-2019

The Board of Directors resolved on March 1, 2017 to establish a performance share plan for 2017-2019 for key employees.

The performance share plan includes three performance periods, calendar years 2017-2018, 2018-2019 and 2019-2020. The Board of Directors decides on the performance criteria and on the required performance levels for each criterion at the beginning of each performance period.

The potential reward from the performance period 2017-2018 is based on Group's key performance measures in 2017 & 2018. During 2018 management modified the performance criteria for the 2017-2018 performance periods. For 2017 measurement period target for Total Shareholder Return (TSR) was modified to be more beneficial to to the employees, and for 2018 measurement period TSR criteria was removed and replaced with Order Intake. As TSR is a market condition, the aforementioned modifications resulted in a increase in fair value. The increase in fair value is recognized as an expense during the remaining vesting period.

The rewards to be paid on the basis of the performance period 2017-2018 correspond to the value of a maximum total of 156,000 Basware Corporation shares, including also the proportion to be paid in cash. The plan is directed to approximately 60 key employees, including the members of the Basware Executive Team.

The potential reward for the performance period 2018-2019 will be based on the Group's key performance measures in 2018. The rewards to be paid on the basis of the performance period 2018-2019 correspond to the value of a maximum total of 156,000 Basware Corporation shares, including also the proportion to be paid in cash. The plan is directed to approximately 75 key employees, including the members of the Basware Executive Team.

In June 2018, 2,128 shares were conveyed on a directed share issue related to the reward payment for the performance period 2017-2018 of the performance share plan 2017-2019.

At the end of 2018, the performance share plan included 50 employees for the performance period 2017-2018 and 70 employees for the performance period 2018-2019.

Effect on the profit for the period on the financial position in 2018

EUR thousand

	Matching Share Plan 2015 - 2018	Matching Share Plan 2017 - 2019	Matching Share Plan 2018-2020
Expense for the reporting period	-11	667	359
Recognized in equity 2018	-11	667	359

	Restricted Share Plan 2017	Performance Period 2017-2018	Performance Period 2018-2019
Expense for the reporting period	53	987	315
Recognized in equity 2018	-65	961	315

Information on share-based incentive plans

EUR thousand

	Matching Share Plan 2015 - 2018	Matching Share Plan 2017 - 2019	Matching Share Plan 2018-2020
Maximum number of shares	11,000	75,000	77,714
Initial grant date	23.3.2015	2.3.2017	18.7.2018
Vesting date	31.1.2018	31.3.2020	31.3.2021
Vesting conditions	Share ownership and employment	Share ownership and employment	Share ownership and employment
Maximum contractual life, years	2.9	3.1	2.7
Remaining contractual life, years	0	1.2	2.2
Number of persons at 31.12.2018	0	8	40
Payment method	Shares & Cash	Shares & Cash	Shares & Cash

	Restricted Share Plan 2017	Performance Period 2017-2018	Performance Period 2018-2019
Maximum number of shares	20,000	156,000	116,950
Initial grant date	2.3.2017	2.3.2017	1.2.2018
Vesting date	16.3.2018	31.3.2019	16.3.2018
Vesting conditions	Employment	Group's key performance measures and employment	Group's key performance measures and employment
Maximum contractual life, years	1	2.1	2.2
Remaining contractual life, years	0	0.2	1.2
Number of persons at 31.12.2018	0	61	73
Payment method	Shares & Cash	Shares & Cash	Shares & Cash

Changes in 2018

EUR thousand

	Matching Share Plan 2015-2018	Matching Share Plan 2017-2019	Matching Share Plan 2018-2020
Outstanding at the beginning of the period	5,148	70,034	0
Granted	0	0	71,532
Forfeited	0	0	0
Exercised	5,148	0	0
Outstanding at the end of the period	**0**	**70,034**	**71,532**

	Restricted Share Plan 2017	Performance Period 2017-2018	Performance Period 2018-2019
Outstanding at the beginning of the period	5,750	109,610	0
Granted	0	0	116,950
Forfeited	0	3,070	0
Exercised	5,750	4,256	0
Outstanding at the end of the period	**5,750**	**102,283**	**116,950**

6. Other operating expenses

Other operating expenses

EUR thousand

	1.1.-31.12.2018	1.1.-31.12.2017
Impairment losses on trade receivables	-339	121
Acquisition, disposal and restructuring expenses	-2,996	-416
Efficiency related expenses	-1,275	-2,023
Other operating expenses	0	-409
Total	**-4,610**	**-2,727**

7. Finance income and expenses

Accounting principles

The company recognizes borrowing costs as an expense in the period during which they are incurred.

Finance income and expenses

EUR thousand

	1.1.-31.12.2018	1.1.-31.12.2017
Finance income		
Interest income	17	28
Other financial income	161	644
Total	**178**	**672**
Finance expenses		
Interest expenses	-2,048	-967
Other finance expenses	-32	-1,423
Total	**-2,080**	**-2,391**
Finance income and expenses total	**-1,902**	**-1,719**

Other finance income is comprised of the proceeds of fund investments and realized exchange gains and other finance expenses are mainly comprised of realized exchange losses.

Exchange differences recognized on income statement

EUR thousand

	1.1.-31.12.2018	1.1.-31.12.2017
Exchange differences included in net sales	7	-129
Exchange differences included in purchases and expenses	-35	-19
Foreign exchange gains	54	541
Foreign exchange losses	-163	-1,419
Exchange differences recognized on income statement	**-137**	**-1,026**

8. Income tax and deferred taxes

Income taxes

Accounting principles

Income taxes comprise of tax recognized on the taxable income for the financial year and deferred taxes. Taxes are recognized in the statement of comprehensive income except for the expenses entered directly to shareholders' equity when they are entered on the balance sheet as part of shareholders' equity.

Taxes based on taxable income are recorded according to the local tax rules of each country using the tax rate in force.

When uncertainty is included to interpretation of income tax rules, Group estimates, if a company is able to fully utilize the tax position that is stated in income tax computation. If necessary, tax bookings are adjusted to reflect the changes in tax position. At reporting date booked income tax amounts reflect the estimates of future tax payments.

Direct taxes

EUR thousand

	1.1.-31.12.2018	1.1.-31.12.2017
Income tax on operations	-721	-1,169
Tax for previous accounting periods	-240	-276
Change in deferred tas liabilities and tax assets	-2,589	2,196
Income tax total	**-3,551**	**752**

Tax rate reconciliation

EUR thousand

	1.1.-31.12.2018	1.1.-31.12.2017
Profit before taxes	-3,526	-12,276
Tax calculated at domestic tax rate	705	2,455
Tax for previous years	-240	-276
Effect of different tax rates of foreign subsidiaries	-418	-414
Effect of change in tax rate	7	-183
Non-deductible expenses	-3,801	-85
Other	-228	-139
Income not subject to tax	193	27
Profit not included in the accounting profit	10	15
Unrecognized deferred tax assets from tax losses	221	-439
Share of profit of a joint venture	0	-210
Income taxes	**-3,551**	**752**

Taxes relating to other comprehensive income

EUR thousand

	1.1.-31.12.2018	1.1.-31.12.2017
Taxes on foreign exchange gains from net investments	-73	289

Deferred taxes

Accounting principles

Deferred taxes are 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 depreciation of property, plant and equipment, unused tax losses, and adjustments for fair values in connection with acquisitions. Deferred tax is not recognized for non-tax deductible goodwill. In respect of deductible temporary differences associated with investments in subsidiaries, and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised. Deferred tax is not recognized for non-distributed profits of subsidiaries in so far as the difference is not likely to be discharged in the foreseeable future. Deferred tax assets are recognised for all other deductible temporary differences. 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.

Income tax receivables and payables

EUR thousand

	1.1.-31.12.2018	1.1.-31.12.2017
Income tax receivables	579	358
Income tax liabilities	98	177

Deferred tax assets 2018

EUR thousand

	Jan 1, 2018	In income statement	Business acquisitions/disposals	Period change booked in equity	Dec 31, 2018
Tax losses	8,777	-3,786	0	0	4,991
Deferred expenses	1,132	1,123	0	0	2,254
Other items	453	112	0	0	565
Total	**10,362**	**-2,552**	**0**	**0**	**7,810**

Deferred tax liabilities 2018

EUR thousand

	Jan 1, 2018	In income statement	Exchange rate differences	Business acquisitions and disposals	Dec 31, 2018
Allocation of fair value on purchases	4,569	173	40	-123	4,660
Total	**4,569**	**173**	**40**	**-123**	**4,660**

Deferred tax assets 2017

EUR thousand

	Jan 1, 2017	In income statement	Business acquisitions	Period change booked in equity	Dec 31, 2017
Tax losses *	8,118	659	0	0	8,777
Deferred expenses *	91	1,041	0	0	1,132
Other items	195	258	0	0	453
Total	**8,404**	**1,958**	**0**	**0**	**10,362**

* In connection with preparation of 2017 tax return, Basware Plc decided to defer research and development expenses in taxation causing a temporary difference. Notes information for comparative period has been restated to reflect the change. This change does not affect the total amount of deferred tax assets or balance sheet totals.

Deferred tax liabilities 2017

EUR thousand

	Jan 1, 2017	In income statement	Exchange rate differences	Business acquisitions and disposals	Dec 31, 2017
Allocation of fair value on purchases	4,885	-207	-109	0	4,569
Other temporary differences	19	-19	0	0	0
Total	**4,904**	**-226**	**-109**	**0**	**4,569**

The Group has a total of EUR 4 991 thousand (EUR 8 777 thousand) of deferred tax assets for unutilized tax losses, of which EUR 1 928 thousand will expire during 2026–2028, while the rest have no expiry period. According to the transfer pricing principle, subsidiaries accumulate taxable income against which confirmed losses can be utilized in the future. The Group has total of EUR 6 362 thousand of tax losses from which deferred tax asset has not been recognized. The Group will reassess the amount of deferred tax assets if there are changes in the expectations for accumulation of future taxable profit.

During the fourth quarter of 2017 United States and Belgium enacted new corporate income tax rates for 2018 onwards. In 2017 Basware measured its deferred tax liabilities and deferred tax assets applying the enacted, reduced tax rates. The reduction of corporate income tax rates did not have a material impact on Group’s income tax expenses in 2017 or 2018.

9. Earnings per share

Earnings per share

EUR thousand

	1.1.-31.12.2018	1.1.-31.12.2017
Result for the period	-7,077	-11,451
Average sharenumber, 1,000 pieces		
undiluted	14,368	14,357
diluted	14,461	14,407
Earnings per share		
Undiluted, EUR	-0.49	-0.80
Diluted, EUR	-0.49	-0.79

10. Intagible assets

Accounting principles

Other intangible assets are measured at cost less accumulated amortization and possible impairment. Government grants related to the acquisition of an intangible asset are deducted from the acquisition cost of the asset and recognized as income by reducing the depreciation charge of the asset they are related to. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of intangible assets are 3–10 years. Each financial year end useful lives are reviewed and adjusted prospectively, if appropriate.

Customer relationships and technology acquired through business combinations are measured at fair value at the time of acquisition and depreciated over the useful life.

Intangible assets 2018

EUR thousand

	Development costs	Intangible rights *	Other long-term investments	Assets, unfinished projects	Total
Acquisition cost Jan 1	49,211	46,398	1,101	12,359	109,069
Translation difference (+/-)	-7	105	-11	14	100
Additions	227	813	-	9,712	10,751
Disposals	-4,507	-36	-	-1,675	-6,218
Reclassifications between items	6,413	0	-	-6,413	0
Acquisition cost Dec 31	**51,338**	**47,278**	**1,090**	**13,995**	**113,701**
Cumulative amortization Jan 1	-27,685	-31,775	-568	0	-60,029
Translation difference (+/-)	9	21	12	-	42
Other	1,335	25	-	-	1,360
Amortization	-5,611	-4,223	-143	-	-9,977
Cumulative amortization Dec 31	**-31,953**	**-35,952**	**-699**	**0**	**-68,604**
Book value Dec 31, 2018	**19,385**	**11,327**	**391**	**13,995**	**45,097**

Intangible assets 2017

EUR thousand

	Development costs	Intangible rights *	Other long-term investments	Assets, unfinished projects	Total
Acquisition cost Jan 1	30,005	45,754	1,005	22,297	99,061
Translation difference (+/-)	-68	-1,238	-69	-	-1,375
Additions	2,005	2,132	331	7,338	11,806
Disposals	-110	0	-166	-	-276
Reclassifications between items	17,379	-250	-	-17,276	-147
Acquisition cost Dec 31	**49,211**	**46,398**	**1,101**	**12,359**	**109,069**
Cumulative amortization Jan 1	-23,006	-28,187	-543	0	-51,736
Translation difference (+/-)	68	561	35	-	664
Cumulative amortisation on disposals	-51	208	74	-	231
Amortization	-4,696	-4,357	-135	-	-9,188
Cumulative amortization Dec 31	**-27,685**	**-31,775**	**-568**	**0**	**-60,029**
Book value Dec 31, 2017	**21,526**	**14,623**	**533**	**12,359**	**49,040**

Goodwill is presented in Note 3.

11. Tangible assets

Accounting principles

Tangible assets are measured at cost less accumulated depreciation and possible impairment. The useful lives of tangible assets are 3–10 years. The useful life of an asset is reviewed at least at the end of each financial year and adjusted, if appropriate. Sales gains and losses on disposal or transfer of tangible assets are presented in other operating income and expenses. Sales gains or losses are calculated as the difference between the sales price and the remaining acquisition cost.

Tangible assets 2018

EUR thousand

	Machinery and equipment	Machinery and equipment, finance lease	Other tangible assets	Total
Acquisition cost Jan 1	12,328	127	133	12,588
Translation difference (+/-)	-19	1	-	-18
Additions	169	-	13	182
Decreases	-1,137	-40	0	-1,177
Acquisition cost Dec 31	**11,341**	**88**	**145**	**11,575**
Cumulative amortization Jan 1	-11,170	-127	0	-11,297
Translation difference (+/-)	19	-1	-	18
Decreases	1,110	40	-	1,149
Amortization	-652	-	-	-652
Cumulative amortization Dec 31	**-10,695**	**-88**	**0**	**-10,783**
Book value Dec 31, 2018	**646**	**0**	**145**	**792**

Tangible assets 2017

EUR thousand

	Machinery and equipment	Machinery and equipment, finance lease	Other tangible assets	Total
Acquisition cost Jan 1	11,903	130	133	12,166
Translation difference (+/-)	-204	-3	-	-207
Additions	691	-	-	691
Decreases	-108	-	-	-108
Reclassifications	46	-	-	46
Acquisition cost Dec 31	**12,328**	**127**	**133**	**12,588**
Cumulative amortization Jan 1	-10,451	-130	0	-10,581
Translation difference (+/-)	157	3	-	160
Other	-8	-	-	-8
Decreases	52	-	-	52
Amortization	-920	-	-	-920
Cumulative amortization Dec 31	**-11,170**	**-127**	**0**	**-11,297**
Book value Dec 31, 2017	**1,158**	**0**	**133**	**1,291**

12. Entity-wide disclosures

Of the entity-wide information assets are shown by their location.

Assets presented below consists mainly of goodwill, intangible assets and other non-current receivables.

Non-current assets based on the locations of the assets

EUR thousand

	Dec 31, 2018	Dec 31, 2017
America	32,218	31,912
Europe	40,958	43,049
Nordics	54,622	72,185
APAC	2,176	1,403
Total	**129,973**	**148,548**

The sales shown by the location of customers is presented in Note 2.

Basware Group doesn't have customers whose share of the revenue exceeds 10 % of total revenue.

13. Shares in joint ventures

Accounting principles

Basware has determined its interest in the joint venture with Arrowgrass Capital Partners LLP:n to be accounted for using the equity method. Basware’s share of results (50 %) of the joint venture is presented as a separate line item in the financial items of the consolidated statementof comprehensive income and in investments in the consolidated statement of financial position.

During 2018 Basware decided to write down its share of the joint venture Clear Funding Limited. The loss impact of the joint venture Clear Funding Limited totalled EUR -153 thousand for 2018. Basware does not expect to recognize any further gains from the joint venture in the coming years.

The joint ventures' financial information presented below is based on the financial statements of Clear Funding Limited for 2018.

Shares in joint ventures

EUR thousand

	Dec 31, 2018	Dec 31, 2017
Non-current assets	0	5
Current assets	0	201
Long-term liabilities	0	854
Short-term liabilities	0	110
Net Sales	0	0
Result for the period	**760**	**-2,097**

Joint ventures Dec 31, 2018

Name	Registered location	Share of ownership (%)
Clear Funding Limited	London, United Kingdom	50

14. Non-current financial assets

Non-current assets include shares of unlisted companies.

Non-current assets

EUR thousand

	Dec 31, 2018	Dec 31, 2017
Investments available for sale	38	38
Total	**38**	**38**

15. Trade and other receivables

Accounting principles - expected credit losses on trade receivables

In the beginning of 2018 the Group implemented IFRS 9 which had an impact on recognition of impairment provision for trade receivables. The Group recognizes loss allowances for expected credit losses (ECL) on trade receivables in accordance with IFRS 9. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL. For measurement of ECL for trade receivables the Group uses a provision matrix. The provision matrix is based on historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. Expected credit losses have not been recorded from the value added tax that is included in trade receivables.

Loss allowances for ECL are presented in the statement of financial position as a deduction from the gross carrying amount of the assets. In profit or loss, the amount of ECL (or reversal) is recognised as an impairment gain or loss in other operating expenses category.

Trade and other receivables

EUR thousand

	Dec 31, 2018	Dec 31, 2017 Restated	Jan 1, 2017 Restated
Non-current receivables			
Contract assets	1,052	2,450	2,474
Capitalized contract costs	3,265	2,585	1,577
Other non-current receivables	790	1,032	1,011
Total	**5,107**	**6,067**	**5,062**
Current receivables			
Trade receivables	24,992	24,534	24,638
Contract assets	2,298	3,446	2,964
Capitalized contract costs	2,429	1,604	1,474
Other receivables	6,859	5,277	4,769
Total	**36,579**	**34,860**	**33,845**

The fair values of financial assets and liabilities are presented in Note 22 and definitions for contract assets presented in Note 2.

Accounting principles - Contract costs

The incremental costs of obtaining a contract with a customer includes sales commissions related to long-term service contracts. Contracts costs are capitalized if the recognition criteria are satisfied and the entity expects to recover those costs. The capitalized costs are amortized on a straight-line basis over the contract term in which the services are transferred and the revenue is recognized.

Below table describes the changes in capitalized contract costs.

Capitalized contract costs

EUR thousand

	2018	2017
Capitalized contract costs Jan 1	4,189	3,051
Capitalized during the period	3,549	2,417
Recognized as an expense during the period	-1,821	-1,279
Disposals*	-222	0
Capitalized contract costs Dec 31	**5,695**	**4,189**

* Capitalized sales commission related to divestments of Banking and Financial Performance Solutions businesses.

The ageing analysis of trade receivables and impairment loss

EUR thousand

	2018	Impairment provision	Net 2018	2017	Impairment provision	Net 2017
Non-overdue sales receivables	16,195	-7	16,188	16,565	0	16,565
Overdue sales receivables						
1-180 days	7,879	-70	7,809	7,891	0	7,891
181- 360 days	1,119	-250	869	404	-300	104
Over 360 days	703	-577	126	247	-274	-27
Total	**25,896**	**-904**	**24,992**	**25,108**	**-574**	**24,534**

In addition to the provision for credit losses which is netted off against trade receivables, Group has recognized additional provisions related to trade receivables amounting to EUR 418 thousand which are recognized on the balance sheets short-term liabilities.

No significant concentrations of credit risk are associated with the receivables. The balance sheet values equal the best to the maximum amount of the credit risk. Principles of the Group's credit risk management are presented in note 18.

16. Cash and cash equivalents

Accounting principles

Cash and cash equivalents consist of cash, short-term bank deposits that can be withdrawn on demand and other current highly liquid investments that can be exchanged to an amount of cash assets that is known in advance, and with a low risk of changes in value. Items classified as cash and cash equivalents have a maximum maturity of three months from acquisition.

Cash and short-term deposits

EUR thousand

	Dec 31, 2018	Dec 31, 2017
Cash and cash equivalents	40,747	20,683
Total	**40,747**	**20,683**

17. Defined benefit plans

Accounting principles

The calculations for defined benefit plans are done according to same principles as defined benefit plans for pensions and they predispose the Group to actuary risks like wage risk, interest risk and risk related to expected lifetime. These plans are unfunded.

Group has in Indian subsidiary an incentive scheme to commit employees, where benefit is paid to the employee after five years in service, in case the employment is ending.

Defined benefit plans

EUR thousand

	2018	2017
Opening value Jan 1	**434**	**506**
Amounts recognised in Profit & Loss		
Service cost, benefits earned during the year	64	102
Interest expense (+)/income (-)	31	33
	-18	-31
Amounts recognised in other comprehensive income		
Acturial losses (+)/gains (-)	-57	-155
Other changes		
Benefits paid	-127	-22
Ending value Dec 31	**327**	**433**
The most significant actuarial assumptions		
Discount interest (%)	7,6 %	7,5 %
Increase of wages (%)	7,0 %	9,0 %

In July 2018 Group announced the outsourcing of scanning services to Xerox. The deal closed at the beginning of October and 387 employees transferred to Xerox from Basware during the fourth quarter of 2018. In connection with the transfer of employees Basware paid out the defined benefit liability related to tranferred employees.

18. Management of financial risks

Accounting principles

The company's international business involves customary financial risks. The management of financial risks and monitoring together with the limitations of the risks is defined in the Treasury policy. The objectives of the risk management are ensuring the availability of sufficient funding and hedging of the foreign currency and interest rate risk cost-efficiently. Risk management is centralized in the Group's finance department.

Foreign currency risk

Basware's net sales increased by 5,4 percent (1,5 %) in organic constant currencies during 2018.

The Group's main currency is euro, accounting for approximately 53 percent of net sales in 2018 (approximately 55% in 2017). In addition to the euro area, Basware has net sales in various areas, the most significant being the United States, the United Kingdom, Sweden and Norway. In addition, Basware has internal operations in India and Romania.

Sales in subsidiaries are carried out mainly in local currencies and thus do not expose the Group to significant foreign currency transaction risk. Investments and purchases are carried out both in Euro and foreign currencies. The currency risk exposures arising from non-euro purchases are considered significant and part of forecasted future net cashflows are hedged. The currency risk arises mainly from external purchases in foreign currencies (transaction risk), net investment to foreign subsidiaries (translation risk) as well as foreign currency differences in the balance sheet. In addition, the Group is exposed to the currency risk through intra-company trade.

The company hedged substantial foreign currency cashflows in the financial period. In the foreign currency cash flow hedging and in applying of the hedge accounting the company uses mainly foreign currency forward contracts which ensures economic relationship between the hedged item and the hedging instrument and full effectiveness as the values of these items move in the opposite directions because of the common underlying. The hedged exposures consist of future forecasted contracted cash flows in next 12 months. During 2018 the company did not use derivatives to hedge the net investments in subsidiaries denominated in other currency than euro. Accounting principles are presented in Note 22.

The table below presents the fair values of foreign currency derivatives at year-end which are recognized to other comprehensive income.

Foreign-currency derivatives 2018 and 2017

EUR thousand

	2018				2017			
	Nominal value	**Positive fair value**	**Negative fair value**	**Net fair value**	**Nominal value**	**Positive fair value**	**Negative fair value**	**Net fair value**
Foreign-currency derivatives	13,977	266	-26	240	-	-	-	-

According to IFRS 7 sensitivity analysis of currency risk there would have had an impact of EUR -/+ 0.7 million (EUR -/+ 0.3 million) on the profit before tax at the closing date, assuming currency rates change of +/- 5 percentage against the euro. Other variables are assumed to remain unchanged. The calculation includes foreign currency trade payables and accounts receivables and internal loans to subsidiaries.

A sensitivity analysis on currency risk in foreign currency denominated net investments loans and foreign currency hedges would have had an impact of -/+ EUR 0.9 million (EUR 0.6 million) on other comprehensive income. Other variables are assumed to remain unchanged.

	Profit & Loss		Other Comprehensive income	
2018	**5 %**	**-5 %**	**5 %**	**-5 %**
EUR/USD	-337	337	-275	275
EUR/GBP	-251	251	-131	131
EUR/SEK	-22	22	0	0
EUR/NOK	-5	5	0	0
EUR/INR	4	-4	-226	226
EUR/RON	-30	30	-240	240
Other currencies	-49	49	-22	22
	-691	**691**	**-893**	**893**
2017	**5 %**	**-5 %**	**5 %**	**-5 %**
EUR/USD	-225	225	-350	350
EUR/GBP	-121	121	-186	186
EUR/SEK	52	-52	0	0
EUR/NOK	34	-34	0	0
EUR/INR	-25	25	0	0
EUR/RON	23	-23	-7	7
Other currencies	-13	13	-53	53
	-276	**276**	**-596**	**596**

The effective portion of changes in the fair values of derivatives are recognized in other comprehensive income. Any ineffective portion of hedging is recognized as gain or loss in the income statement and classified within finance expenses.

Foreign currency-denominated assets and liabilities translated into the euro at the exchange rates of the closing date are as follows:

Nominal values 2018

EUR thousand

	USD	AUD	GBP	SEK	DKK	NOK	RON	INR
Non-current assets	29,511	535	641	1,248	159	509	142	1,579
Current assets								
Cash and cash equivalents	2,617	697		1,664	424	3,229	1,234	312
Trade and other receivables	7,187	1,579	2,424	1,908	811	1,352	314	354
Current liabilities								
Non-interest bearing liabilities	7,968	1,262	3,383	1,443	766	1,717	626	747

Nominal values 2017

EUR thousand

	USD	AUD	GBP	SEK	DKK	NOK	RON	INR
Non-current assets	28,590	433	1,887	1,194	170	759	198	395
Current assets								
Cash and cash equivalents	1,997	169	667	430	208	950	677	479
Trade and other receivables	5,572	994	2,914	1,980	918	1,247	360	458
Current liabilities								
Non-interest bearing liabilities	5,802	857	3,390	1,162	748	1,168	727	1,407

Interest rate risk

The objective of the risk management with regard to interest rate risk is to diminish the negative impacts of changes in interest rates on the company's financial performance. Changes in market rates have an impact to the rates of loan portfolio as well as interest-bearing payables and receivables.

The company is exposed to a cash flow interest rate risk through its loan portfolio which arises from floating rate loans. In order to manage and diversify the risk the company has both fixed and floating rate loans and possibility to apply interest rate derivatives for hedging. In the last financial period the company has not use derivatives against the interest rate risk.

On 31 December the company had a total of EUR 57.2 million (EUR 49.3 million) interest-bearing liabilities of which a total of EUR 40.3 million variable-rate loans. At the closing date all external loans have been in Euro with the average interest rate of 3.17 percent (2.85) and average maturity of 2.2 years.

According to IFRS 7 standard calculated sensitivity analysis represents the effect of variable rate interest-bearing liabilities on profit before taxes if interest rate would have increased or decreased by 1 percentage with all other variables constant. For interest rate analysis the impact would have been -0.3/+0.0 million (+/-0.4 million) euros. At the closing date the company didn't have significant interest-bearing assets or other financial investments that would be exposed to the market rate changes.

The following table illustrates the effect of a sensitivity analysis on interest rates.

Change in interest rates

EUR thousand

	2018		2017	
	+1%	**-1%**	**+1%**	**-1%**
Interest-bearing liabilities	-285.9	0	-431.6	431.6

Liquidity risk and refinancing risk

The liquidity risk is managed by securing the availability of long-term funding and maintaining sufficient cash reserves. The refinancing risk is managed by using various funding sources and by distributing the maturities of loans. The company maintains sufficient liquidity through centralized Group-level cash management, payments, and committed facilities.

In the end of the financial period the company had the unused EUR 10 million revolving credit facility. In the third quarter of 2018, in order to extend the debt maturity profile, the company participated in a guaranteed multi-issuer bond with a loan share totaling EUR 10 million. The bond carries a fixed rate and its maturity is five years.

Below is presented changes in the company's loans in the financial year.

Changes in the company's loans 2018

EUR thousand

	2017	Cash flow (+/-)	Non-cash flow (+/-)	2018
Loans from financial institutions, non current	47,286		-17,096	30,190
Bond		9,992	-65	9,927
Loans from financial institutions, current	1,996	-1,996	17,096	17,096
Total	**49,282**			**57,213**

The Group's liquidity remained good during the financial year. The cloud transformation process requires cash investment. The company's ability to secure financing for this transformation may affect its ability to deliver on the strategy. The tables below describe a maturity structure of financial contracts. The figures have not been discounted and they included loan rate and repayments of capital.

Maturity distribution of financial liabilities 2018

EUR thousand

	Balance sheet value	Cash flow	0-6 months	6 months - 1 year	1-5 year
Interest-bearing liabilities	57,213	62,224	4,619	14,693	42,912
Foreign currency derivatives	240	240	152	87	0
Trade and other payables	12,478	12,478	12,478	0	0
Total	**69,931**	**74,942**	**17,249**	**14,780**	**42,912**

Maturity distribution of financial liabilities 2017

EUR thousand

	Balance sheet value	Cash flow	0-6 months	6 months - 1 year	1-5 year
Interest-bearing liabilities	49,282	53,505	1,709	1,708	50,088
Foreign currency derivatives					
Trade and other payables	12,532	12,532	11,862	670	0
Total	**61,814**	**66,037**	**13,571**	**2,378**	**50,088**

Credit risks

The Group's sales receivables are spread to a vast clientele and do not include significant concentration of credit risks. Business management regularly monitors the payment of sales receivables as part of the management of customer accounts. The Group has not used surety bonds to secure sales receivables.

Impairment losses recognized during the financial period and the age distribution of accounts receivables are presented in Note 15.

Capital management

Shareholders' equity reported in the Group balance sheet is managed as capital. The company's capital management aims to ensure the continuity of the company's operations (going concern) and increase the value of shareholder's investment.

The capital structure can be adjusted by decisions on, e.g. distribution of dividend, share repurchase and share issues. The resolutions of the Annual General Meeting and the authorizations of the Board of Directors are presented in the Board of Directors' Report. Additional information on the share and share issue is presented under Share and Shareholders.

The group continuously monitors the actual values of the financial covenants as a part of its business and strategy planning. In order to ensure sufficient headroom in relation to the covenant thresholds and maximum levels the group forecasts the future values and provide the management with the information on the financial and risk position. Any covenant was not breached in the financial period ending 31 December 2018.

The company's objective is to maintain a strong equity ratio and a moderate gearing ratio. The company's equity ratio is 51.3 % (52.7 %) and gearing ratio is 14.9 % (24.7 %).

19. Shareholders' equity

Accounting principles

Costs related to the issue or purchase of equity instruments are recorded as a reduction of shareholders' equity. Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity.

Shareholders' equity 2018

EUR thousand

	Shareholders' equity	Share premium account	Invested non-restricted equity	Other reserves	Own shares	Total
Jan 1, 2018	3,528	1,187	111,132	592	-842	115,597
Decrease of treasury shares			-204		204	0
Transactions that do not affect the number of shares / Cash flow hedges				240		240
Dec 31, 2018	**3,528**	**1,187**	**110,928**	**832**	**-638**	**115,837**

Shareholders' equity 2017

EUR thousand

	Shareholders' equity	Share premium account	Invested non-restricted equity	Other reserves	Own share	Total
Jan 1, 2017	3,528	1,187	111,334	540	-1,044	115,545
Share issue						0
Decrease of treasury shares			-202		202	0
Transactions that doesn't affect the number of shares				52		52
Dec 31, 2017	**3,528**	**1,187**	**111,132**	**592**	**-842**	**115,597**

Number of shares 2018

	2018	2017
Number of outstanding shares Jan 1	14,359,703	14,343,314
Incentive plan (+)	10,773	16,389
Number of outstanding shares Dec 31	**14,370,476**	**14,359,703**
Treasury shares Jan 1	42,233	58,622
Incentive plan (-)	10,773	16,389
Treasury shares Dec 31	**31,460**	**42,233**

Other reserves

Other reserves include the fair value reserve, which includes the increase in the value of the Analyste deal shares between the publication and realization of the deal in 2006.

Treasury shares

The treasury shares reserve includes the acquisition cost of own shares held by the Group.

Dividends

The Annual General Meeting resolved in accordance with the proposal of the Board of Directors that no dividend will be paid for the year 2018 (2017: 0 euros per share). No substantial changes has taken place in the company's financial position after the end of the financial period.

20. Trade and other liablities

Trade and other liabilities

EUR thousand

	Dec 31, 2018	Dec 31, 2017
Long-term trade and other liabilities		
Contract liabilities	2,458	2,374
Other liabilities	100	1,693
Long-term trade and other liabilities total	**2,558**	**4,068**
Short-term trade and other liabilities		
Trade liabilities	8,354	8,284
Contract liabilities	11,852	10,656
Other Liabilities	19,686	23,125
Short-term trade and other liabilities total	**39,893**	**42,065**

Accrued expenses includes personnel related expenses EUR 13,057 thousand (EUR 16,064 thousand).

The fair values of financial assets and liabilities are presented in Note 22 and definitions for contract liabilities presented in Note 2.

21. Current provisions

Accounting principles

A provision is recognized when the Group 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.

Reorganisation provision

EUR thousand

	2018	2017
Opening balance Jan 1	**928**	**5,072**
Additions	1,116	0
Disposals	-1,846	-4,144
Closing balance Dec 31	**198**	**928**

Basware announced on May 24, 2018 that the company would move to a functional organizational structure as of June 1, 2018. Restructuring included personnel reductions and concerned a total of 30 employees globally.

At the end of financial year 2017 group announced a productivity program in order to simplify operations and improve productivity. The measures announced included also personnel reductions and concerned a total of 130 employees globally. Both negotiations with employees have been carried out in accordance with local legislation in each affected location.

22. Financial assets and liabilities

Accounting principles

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

The financial assets are categorized as follows:

- financial asset measured at amortised cost
- financial asset measured at fair value through other comprehensive income
- financial asset measured at fair value through profit or loss"

A financial asset is measured at amortised cost when both of the following conditions are met:

- the objective is to hold financial assets to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income when both of the following conditions are met:

- the objective is to collect contractual cash flows and to sell financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. On initial recognition of an equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment by investment basis.

Financial assets held by the Group are:

- Long-term financial assets
- Long-term other receivables
- Short-term other receivables
- Cash equivalents

The categorization is based on the purpose of the acquisition of the financial assets and it is performed in connection with the original acquisition. Financial assets are classified as non-current assets if they mature in more than 12 months. If they are to be held for less than 12 months financial assets are disclosed as current assets.

All purchases and sales of financial assets are recognized at the transaction date, which is the date on which the Group commits to purchase or sell the financial instruments. A financial asset is derecognised when the rights to receive cash flows from the asset have expired the Group has transferred substantially all the risks and rewards of the asset.

Impairment of financial assets

Trade receivables are measured at amortised cost less impairment losses. The principles for impairment of trade receivables are presented in note 15. For the other financial assets, the impairments are recognized based on Expected Credit Losses. In addition, the Group assesses at each reporting date whether there is objective evidence that a financial asset is impaired.

Financial liabilities

Group's financial liabilities include trade and other payables and financial liabilities that are measured at amortised cost. Financial liabilities are classified as non-current liabilities if they mature in more than 12 months. Liabilities maturing in less than 12 months are classified as current.

Derivates

Derivative contracts are recognized at fair value. Gains and losses resulting from fair value measurement are treated in accounting as specified by the purpose of the derivative contract.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting, the risk management objective and the hedging strategy. For cash flow hedges the effective portion of changes in the fair value of hedging instruments are recognised in the hedge reserve in other comprehensive income (OCI). Hedging instruments recognised in OCI are recognised to profit or loss when the hedged transaction affects the income statement. Any ineffective portion or derivatives outside the hedge accounting are recognised immediately in the income statement.

Financial assets and liabilities

EUR thousand

	Note	2018 Book value	2018 Fair value	2017 Book value	2017 Fair value
Financial assets non-current					
Unlisted share investments	14	38	38	38	38
Other receivables	14	790	790	1,400	1,400
Financial assets current					
Trade and other receivables	15	25,251	25,251	24,716	24,716
Cash and cash equivalents	16	40,747	40,747	20,683	20,683
Financial liabilities non-current					
Loans, interest-bearing		40,117	40,117	47,286	47,286
Financial liabilities current					
Loans, interest-bearing		17,096	17,096	1,996	1,996
Trade and other payables	20	12,478	12,478	12,532	12,532

In determining the fair values of the financial assets and liabilities, the following price quotations, assumptions and valuation models have been used.

Long-term financial assets

Long-term financial assets consist of unlisted share investments valued at cost less any impairment. Unlisted shares do not have an active market and therefore the fair value of the investments cannot be specified reliably. Financial assets arising from derivative financial instruments of EUR 240 thousand are classified as level 2 and unquoted equity shares of EUR 38 thousand as level 3 in the fair value measurement hierarchy.

Trade and other receivables

Trade and other receivables are measured at amortized cost less impairment losses.

Trade payables, other liabilities and financial liabilities

All bank loans are at floating rate and the fair values of is considered to correspond to the book values. Trade payables and other liabilities are measured at amortised cost.

The maturity distribution of financial liabilities is presented in Note 18.

23. Auditor fees

Auditor fees

EUR thousand

	2018	2017
Audit fees	-259	-216
Tax consultancy	0	0
Other fees and services	0	-207
Auditor fees total	**-259**	**-423**

24. Commitments and contingent liabilities

Commitments and contingent liabilities

EUR thousand

	Dec 31, 2018	Dec 31, 2017
Own guarantees		
Business mortgage of own debt	0	1,200
Guarantees	1,106	202
Commitments on behalf of subsidiaries		
Guarantees	327	100
Other own contingent liabilities		
Lease liabilities		
Current lease liabilities	943	850
Lease liabilities maturing in 1- 5 years	981	847
Total	**1,924**	**1,697**
Rental liabilities *		
Current rental liabilities	6,913	6,424
Rental liabilities maturing in 1- 5 years	10,298	11,368
Rental liabilities maturing over 5 years	2,800	180
Total	**20,010**	**17,973**
Other own contingent liabilities total	**21,934**	**19,670**
Commitments and contingent liabilities total	**23,367**	**21,172**

*Value added tax is only included in vehicle leasing liabilities. The other liabilities are exclusive of value added tax. The lease agreements are ordinary lease agreements. The finance lease agreements are ordinary finance lease agreements and have no associated leaseback clauses. The Group does not have pledges, mortgages or guarantees on behalf of external parties.

25. Related party transactions

Basware Group’s related parties include the subsidiaries, joint venture Clear Fund Ltd and the co-owner of joint venture, Arrowgrass Capital Partners LLP. In addition, the related parties of Basware include the members of the Board of Directors, the members of the Corporate Executive Team, CEO and their family members and their controlled companies. Basware Corporation's subsidiaries are disclosed in Note 26, key management compensations are disclosed in Note 5 and shares in joint ventures are disclosed in Note 13.

No loans have been given to the related parties of the group, except subsidiaries, and no guarantees or other collateral have been issued on their behalf.

Loans from related parties

EUR thousand

	Dec 31, 2018	Dec 31, 2017
Arrowgrass Master Fund LTD	10,000	10,000

Loans from related parties includes the share of Arrowgrass Master Fund LTD of the Group's term loan financing signed in September 2017 and totaling EUR 30 million. The other lenders are Nordea Bank AB, OP Corporate Bank Plc and Ilmarinen Mutual Pension Insurance Company. Loans from related parties have been provided at commercial interest rates.

26. Shares in subsidiaries

Shares in subsidiaries

	Domicile	Country	Group holding, %
Basware International Oy	Espoo	Finland	100
Basware GmbH	Düsseldorf	Germany	100
Basware AB	Stockholm	Sweden	100
Basware B.V.	Amsterdam	Netherlands	100
Basware A/S	Herlev	Denmark	100
Basware, Inc.	Delaware	United States	100
Basware SAS	Paris	France	100
Basware AS	Oslo	Norway	100
Basware Pty Ltd	Chatswood	Australia	100
Basware SRL	Iasi	Romania	100
Basware India Private Limited	Chandigarh	India	100
Basware Belgium NV	Aalst	Belgium	100
Basware Holdings Ltd.	London	Great Britain	100
Basware UK Ltd.	Staffordshire	Great Britain	100
Basware Shared Services Ltd.	London	Great Britain	100
Basware Supplier Solutions Ltd.	London	Great Britain	100
Procserve Solutions Ltd.	London	Great Britain	100
Procserve Services Ltd.	London	Great Britain	100
Basware Technology LLC*	Fort Mill	United States	100

* Basware Technology LLC has been merged to Basware Inc as of October 1, 2018.

Foreign branches

The parent company has branches in India, Chandigarh (reg. no F03347) and Russia, Moscow (eg. no 16926.1).

Basware UK subsidiaries, Basware UK Ltd and Basware Holdings Ltd sub-group entities have applied exemption from the local statutory audit requirements under section 479A of the Companies Act 2006.

Basware GmbH is exempt from the duty of corporations to audit and disclose financial statements pursuant to German legislation (§ 264 III HGB).

27. Events after the reporting period

After the balance sheet date, no significant events have taken place within the Group.

Parent Company Income Statement (FAS)

EUR thousand

	Note	1.1.-31.12.2018	1.1.-31.12.2017
NET SALES	**2**	**74,874**	**82,909**
Other operating income	3	31,851	0
Materials and services	4	-13,111	-12,762
Employee benefits expenses	5	-29,640	-33,508
Depreciation and amortization	6	-7,898	-7,139
Other operating expenses	7	-48,526	-43,328
Operating profit/loss		**7,549**	**-13,827**
Financial income	8	1,495	1,818
Financial expenses	8	-2,589	-3,273
Impairment on investments	12	-4,994	0
Profit/loss before appropriation and taxes		**1,460**	**-15,282**
Income tax expense	9	0	-187
PROFIT/LOSS FOR THE PERIOD		**1,460**	**-15,469**

During the financial year 2018, Basware Oy aligned its revenue recognition principles with the Group in accordance with Finnish Accounting Rules.Due to the change in the recognition principles the figures for financial year 2018 and 2017 are not comparable. The impact on net sales and balance sheet figures are presented in Note 2 and the effect on equity in Note 15.

Parent Company Balance Sheet (FAS)

EUR thousand	Note	Dec 31, 2018	Dec 31, 2017
ASSETS			
Non-current assets			
Intangible assets	10	36,731	39,470
Tangible assets	11	268	431
Investments	12	118,272	123,133
Long-term trade and other receivables *	13	1,365	1,709
Non-current assets		**156,637**	**164,743**
Current assets			
Short-term trade and other receivables*	14	30,143	29,421
Cash and cash equivalents		27,730	14,266
Current assets		**57,873**	**43,687**
TOTAL ASSETS		**214,510**	**208,430**

EUR thousand	Note	Dec 31, 2018	Dec 31, 2017
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		3,528	3,528
Share premium account		1,118	1,118
Fair value reserve		240	0
Other reserves		111,886	112,089
Retained earnings *		-10,840	4,426
Result for the period		1,460	-15,469
Shareholders' equity	**15**	**107,392**	**105,692**
Current provisions	16	106	201
Liabilities			
Long-term liabilities*	17	40,485	48,156
Short-term liabilities*	18	66,526	54,380
Total liabilities		**107,012**	**102,537**
TOTAL EQUITY AND LIABILITIES		**214,510**	**208,430**

*During the financial year 2018, Basware Oy aligned its revenue recognition principles with the Group in accordance with Finnish Accounting Rules. Due to the changes in the recognition principles the figures for financial year 2018 and 2017 are not comparable. The impact on net sales and balance sheet figures are presented in Note 2 and the effect on equity in Note 15.

Parent Company Cash Flow Statement (FAS)

	1.1.-31.12.2018	1.1.-31.12.2017
Cash flow from operating activities		
Result for the period	**6,629**	**-15,469**
Adjustments for result		
Planned depreciations	7,898	7,139
Proceeds from sale of non-current assets	-30,301	-6
Unrealized exchange gains and losses	-71	1,233
Finance income and expenses	1,164	260
Income taxes	-175	187
Other non-cash items	442	105
Working capital changes	**245**	**-2,424**
Interest paid	-1,155	-714
Dividends received	0	0
Interest received	785	1,017
Other financial items in operating activities	-374	-312
Income taxes paid	0	-187
Net cash from operating activities	**-14,913**	**-9,170**
Cash flow from investing activities		
Purchase of tangible and intangible assets	-9,876	-11,550
Proceeds from sale of tangible and intangible assets*	29,647	0
Acquired subsidiaries	0	133
Proceeds from repayments of loans	0	7,141
Addition / deduction of cash equivalents	2,016	-1,208
Net cash used in investing activities	**21,786**	**-5,484**
Cash flow before financing activities	**6,873**	**-14,654**
Cash flow from investing activities		
Repayment of current borrowings	-1,996	-27,998
Addition / deduction of current borrowings	-1,337	1,435
Proceeds from borrowings	9,923	30,000
Net cash used in financing activities	**6,590**	**3,437**
Net change in cash and cash equivalents	**13,464**	**-11,217**
Cash and cash equivalents at the beginning of period	14,266	25,483
Cash and cash equivalents at the end of period	**27,730**	**14,266**

*Includes proceeds and disbursements directly attributable to the divestments made in the first quarter of 2018

Notes to the Parent Company Financial Statements (FAS)

1. Accounting principles

Basware Corporation's financial statements have been prepared in accordance with the Finnish Accounting Act.

In February 2018 Basware Corporation sold its Financial Performance Solutions and Banking businesses and harmonised revenue recognition principles with the Group in accordance with the Finnish Accounting Rules. Due to changes the figures for the financial year 2018 and 2017 are not comparable.

Transactions in foreign currencies

Transactions in foreign currencies are recorded at the exchange rates prevailing at the transaction dates. At the end of the accounting period, the unsettled balances on foreign currency receivables and liabilities are valued at the rates of exchange prevailing at the end of the accounting period. Foreign exchange gains and losses related to normal business operations are entered in the appropriate income statement account before operating profit and foreign exchange gains and losses associated with financing are entered as a net amount under financial income and expenses.

Revenue recognition

Parent company applies the same revenue recognition principles as Basware group. Revenue recogniton principles of Basware Group are presented in note 2.

Other operating income

Other operating income includes proceeds from the sale of business operations and property, plant and equipment and rental income.

Research and development costs

Research expenses are booked as an expense as they are incurred. Costs related to the adoption of new technology or development of a new generation of projects are capitalized and recognized and amortized over the useful life of 3-5 years. In determining the useful life, the obsolescence of technology and the typical life cycle of products in the industry are taken into consideration. Amortization starts once the product is ready for commercial utilization. Maintenance of existing products and minor enhancements are recognized as they are incurred. Public subsidies related to research and development are recognized through profit or loss in the periods during which the corresponding costs are recognized as expenses.

Pensions

The statutory pension coverage for employees is provided through insurance policies taken out with a pension institution. The statutory pension expenses are recognized as expenses in the year they are incurred.

Intangible assets

Intangible assets are recognized at the original acquisition cost less accumulated depreciation according to plan and possible impairment. Public subsidies related to the acquisition of an intangible asset are deducted from the acquisition cost of the asset and recognized as income by reducing the depreciation charge of the asset they are related to. The expected useful lives of intangible assets are 3–10 years. The useful lives are reviewed at the end of each financial year and are adjusted if needed.

Tangible assets

Tangible assets are recognized in the balance sheet at the original acquisition cost less accumulated depreciation. The useful lives of tangible assets are 3-5 years.

Investments

The company's subsidiary shares and other shares in the investments in non-current assets are valued at acquisition cost or, if lower, at fair value.

Financial instruments

Financial instruments are recognized at fair value in accordance with Accounting Act section 5: 2a. The accounting principles of hedge accounting are presented in Note 18 and Note 22 of Group Financial Statements.

Provisions

A provision is recognized when the Group 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.

Leases

Leasing payments are recognized as annual expenses.

Income taxes

Income taxes have been recognized in accordance with the Finnish tax legislation.

Income taxes include the income tax payments for the period based on the profit for the period, taxes for prior periods and tax refunds. Deferred taxes are not included in the parent's income statement and balance sheet.

2. Net sales

Net sales by revenue type

Below is breakdown of revenue by type. Revenue by type is not directly comparable with group revenue because figures reported by parent company include intra-group revenue.

EUR thousand

	1.1.-31.12.2018	1.1.-31.12.2017
Cloud revenue		
SaaS	24,690	20,510
Transaction services	24,767	22,715
Other cloud revenue	125	430
Cloud revenue total	**49,583**	**43,656**
Non-cloud revenue		
Maintenance	17,170	26,374
License sales	1,481	2,605
Consulting services	6,595	10,341
Other non-cloud revenue	45	-67
Non-cloud revenue total	**25,291**	**39,253**
Revenue total	**74,874**	**82,909**

Net sales by location of customer

EUR thousand

	1.1-31.12.2018	1.1-31.12.2017
Finland	37,903	47,604
Export	36,971	35,305
Total	**74,874**	**82,909**

3. Other operating income

EUR thousand

	1.1.-31.12.2018	1.1.-31.12.2017
Gain on sale of assets	30,301	0
Other operating income	1,550	0
Other operating income, total	**31,851**	**0**

Parent company recognized a gain on sale of assets amounting to EUR 30.3 million in the first quarter 2018 as a result of the sale of Banking and Financial Performance Solutions businesses.

Other operating income EUR 1.5 million consists of other proceeds related to divestment.

4. Materials and services

EUR thousand

	1.1.-31.12.2018	1.1.-31.12.2017
Purchases during the financial period	-12,007	-10,661
Services purchased	-1,104	-2,101
Total	**-13,111**	**-12,762**

5. Personnel and employee benefits

Personnel expenses

EUR thousand

	1.1.-31.12.2018	1.1.-31.12.2017
Salaries paid to CEO and the Board of Directors	-720	-634
Salaries paid to other personnel	-23,943	-26,923
Pension expenses	-4,023	-4,498
Other personnel expenses	-954	-1,453
Total	**-29,640**	**-33,508**

Salaries and fees paid to each member of the management are detailed in Note 5 to the Consolidated Financial Statements.

Number of personnel

	1.1.-31.12.2018	1.1.-31.12.2017
Personnel average for the period	392	449
Personnel at the end of the period	374	439

6. Depreciation and amortization

EUR thousand

	1.1.-31.12.2018	1.1.-31.12.2017
Intangible assets	-7,715	-6,858
Tangible assets	-184	-280
Total	**-7,898**	**-7,139**

7. Other operating expenses

EUR thousand

	1.1.-31.12.2018	1.1.-31.12.2017
Rents	-1,286	-1,563
Non-statutory employee benefits	-448	-570
Travelling	-1,177	-1,010
Marketing	-3,765	-3,597
IT and telephone	-1,109	-1,102
Auditor fees	-165	-367
Other expenses	-40,576	-35,118
Other operating expenses total	**-48,526**	**-43,328**
Audit fees	-165	-160
Tax consultancy	0	0
Other fees and services	0	-207
Audit fees total	**-165**	**-367**

8. Financial income and expenses

EUR thousand

	1.1.-31.12.2018	1.1.-31.12.2017
Other interest and financial income		
From group companies	1,366	1,648
From others	129	170
Other interest and financial income	**1,494**	**1,818**
Interest and financial expenses		
To group companies	-587	-2,202
From others	-2,002	-1,071
Impairment on investments	-4,994	0
Other interest and financial expenses total	**-7,583**	**-3,273**
Total	**-6,089**	**-1,455**

9. Direct taxes

EUR thousand

	1.1.-31.12.2018	1.1.-31.12.2017
Income taxes from previous financial periods	0	-187
Total	**0**	**-187**

The deferred tax asset arising from accumulated losses, total of EUR 2.7 million, has not been recognized on the balance sheet.

10. Intangible assets

Intangible assets 2018

EUR thousand

	Development costs	Intangible rights	Goodwill/merger loss	Other long-term investments	Assets, unfinished projects	Total
Acquisition cost Jan 1	47,755	16,635	17,625	64	12,358	94,436
Additions	392	813	-	-	8,626	9,831
Disposals	-4,507	-11	-	-	-1,675	-6,193
Reclassifications between items	6,413	-	-	-	-6,413	0
Acquisition cost Dec 31	**50,053**	**17,437**	**17,625**	**64**	**12,895**	**98,074**
Cumulative amortization Jan 1	-26,232	-11,067	-17,625	-43.02	-	-54,967
Cumulative amortization on disposals and reclassifications	1,335	-	-	-	-	1,335
Amortisation	-5,611	-2,095	-	-5	-	-7,711
Cumulative amortisation Dec 31	**-30,508**	**-13,162**	**-17,625**	**-48**	**0**	**-61,343**
Book value Dec 31	**19,545**	**4,275**	**0**	**16**	**12,895**	**36,731**

Intangible assets 2017

EUR thousand

	Development costs	Intangible rights	Goodwill/merger loss	Other long-term investments	Assets, unfinished projects	Total
Acquisition cost Jan 1	28,541	14,574	17,625	64	22,297	83,100
Additions	2,005	2,103	-	-	7,338	11,446
Decreases	-110	-	-	-	-	-110
Reclassifications between items	17,319	-42	-	-	-17,277	0
Acquisition cost Dec 31	**47,755**	**16,635**	**17,625**	**64**	**12,358**	**94,436**
Cumulative amortization Jan 1	-21,551	-8,905	-17,625	-38	-	-48,119
Amortization	-4,681	-2,162	-	-5	-	-6,848
Cumulative amortization Dec 31	**-26,232**	**-11,067**	**-17,625**	**-43**	**0**	**-54,967**
Book value Dec 31	**21,523**	**5,568**	**0**	**21**	**12,358**	**39,469**

11. Tangible assets 2018

EUR thousand

	Machinery and equipment	Other tangible assets	Total
Acquisition cost Jan 1	6,234	133	6,367
Additions	32	13	45
Disposals	-71	-	-71
Acquisition cost Dec 31	**6,196**	**145**	**6,341**
Cumulative amortization Jan 1	-5,936	0	-5,936
Cumulative amortisation on disposals and reclassifications	46	-	46
Amortization	-184	-	-184
Cumulative amortization Dec 31	**-6,073**	**0**	**-6,073**
Book value Dec 31	**123**	**145**	**268**

Tangible assets 2017

EUR thousand

	Machinery and equipment	Other tangible assets	Total
Acquisition cost Jan 1	6,165	133	6,298
Additions	69		69
Acquisition cost Dec 31	**6,234**	**133**	**6,367**
Cumulative amortization Jan 1	-5,656	0	-5,656
Amortization	-280	-	-280
Cumulative amortization Dec 31	**-5,936**	**0**	**-5,936**
Book value Dec 31	**298**	**133**	**431**

12. Investments

EUR thousand

	2018	2017
Shares in group companies		
Book value Jan 1	98,075	97,621
Increase	-	453
Disposals	-	-
Book value Dec 31	**98,075**	**98,075**
Balance sheet value Dec 31	**98,075**	**98,075**
Other shares		
Book value Jan 1	38	38
Book value Dec 31	**38**	**38**
Share of investment in a joint venture*		
Book value Jan 1	4,994	4,994
Impairment	-4,994	0
Book value Dec 31	**0**	**4,994**
Receivables from group companies		
Loan receivables from group companies	20,160	20,026
Investments total	**118,272**	**123,133**

* During the financial year Basware decided to write down its share of the joint venture Clear Funding Limited. The loss impact totalled EUR 4.9 million.

Shares in subsidiaries

	Domicile	Country	Parent company holding, %
Basware International Oy	Espoo	Finland	100
Basware GmbH	Düsseldorf	Germany	100
Basware UK Ltd.	Staffordshire	United Kingdom	100
Basware AB	Stockholm	Sweden	100
Basware B.V.	Amsterdam	The Netherlands	100
Basware A/S	Herlev	Denmark	100
Basware, Inc.	Delaware	United States	100
Basware SAS	Paris	France	100
Basware AS	Oslo	Norway	100
Basware Pty Ltd	Chatswood	Australia	100
Basware India Private Limited	Iasi	India	99
Basware Belgium NV	Chandigarh	Belgium	99
Basware SRL	Aalst	Romania	100
Basware Holdings Ltd.	London	Great Britain	100
Basware Shared Services Ltd.	London	Great Britain	100
Basware Supplier Solutions Ltd.	London	Great Britain	100
Procserve Solutions Ltd.	London	Great Britain	100
Procserve Services Ltd.	London	Great Britain	100

Foreign branches

The parent company has branches in India, Chandigarh (reg.no. F03347) and Russia, Moscow (reg.no. 16926.1).

Basware UK subsidiaries, Basware Holdings Ltd and Basware Shared Services Ltd. sub-group entities have applied exemption from the local statutory audit requirements under section 479A of the Companies Act 2006.

Basware GmbH is exempt from the duty of corporations to audit and disclose financial statements pursuant to German legislation (§ 264 III HGB).

13. Non-current receivables

EUR thousand

	Dec 31, 2018	Dec 31, 2017
Rent deposits	401	423
Accrued employee expenses and other prepaid expenses	964	1,287
Total	**1,365**	**1,710**

14. Current receivables

EUR thousand

	Dec 31, 2018	Dec 31, 2017
Accounts receivables	61,589	7,546
Receivables from group companies		
Accounts receivables	6,378	5,802
Interest receivables	150	153
Loan receivables	6,817	8,833
Other receivables	5,526	3,206
Total	**18,871**	**17,994**
Prepaid expenses and accrued income	4,481	3,707
Other receivables	632	174
Total	**5,113**	**3,881**
Current receivables total	**30,143**	**29,421**
Prepaid expenses and accrued income		
Accrued employee expenses	552	344
Other prepaid expenses and accrued income	3,929	3,363
Total	**4,481**	**3,707**

15. Shareholders' equity

EUR thousand

	2018	2017
Share capital Jan 1	3,528	3,528
Share capital Dec 31	**3,528**	**3,528**
Share premium account Jan 1	1,118	1,118
Share premium account Dec 31	**1,118**	**1,118**
Fair value reserve Jan 1	0	0
Increase	240	0
Fair value reserve Dec 31	**240**	**0**
Restricted Equity Dec 31	**4,887**	**4,647**
Invested non-restricted equity Jan 1	112,089	112,291
Decrease of treasury shares	-204	-202
Invested non-restricted equity Dec 31	**111,885**	**112,089**
Retained earnings Jan 1	-11,043	5,762
Decrease of treasury shares	204	202
Profit for the period	1,460	-15,469
Retained earnings Dec 31	**-9,379**	**-9,505**
Changes in accounting principles	0	-1,538
Retained earnings Dec 31 changed	**-9,379**	**-11,043**
Non-restricted equity Dec 31	**102,506**	**101,046**
Shareholders' equity Dec 31	**107,392**	**105,693**
Specification of distributable funds		
Profit for the period	1,460	-15,469
Retained earnings	-10,840	5,964
Other distributable funds	111,885	112,089
Change in accounting principles	0	-1,538
Development expenses, capitalized**	-32,440	-33,881
Distributable funds	**70,065**	**67,165**

* During the financial year 2018 Basware Corporation aligned its revenue recognition principles with the Group in accordance with Finnish Accounting Rules and changed accounting principle of bad debt provisions. The effect of the change in sales recognition principle on equity is EUR -1,540 thousand and the effect of the change in bad debt calculation is EUR +2 thousand.

** According to Accounting Act 5:8 capitalized development expenses are deducted from distributable funds.

16. Provisions

EUR thousand

	2018	2017
Opening balance Jan 1	201	1,199
Additions	469	0
Disposals	-564	-998
Closing balance Dec 31	**106**	**201**

Reorganisation provision are detailed in Note 21 to the Consolidated Financial Statements.

17. Non-current liabilities

EUR thousand

	Dec 31, 2018	Dec 31, 2017
Loans from financial institutions	40,117	47,286
Deferred income	191	694
Debts to group companies	177	177
Non-current liabilities total	**40,485**	**48,157**

18. Current liabilities

EUR thousand

	Dec 31, 2018	Dec 31, 2017
Accounts payable	5,455	5,643
Liabilities to group companies		
Accounts payable	1,072	450
Other debts	31,842	32,947
Total	**32,914**	**33,397**
Loans from financial institutions	17,101	1,996
Other debts	1,236	1,980
Accrued expenses and deferred income	9,820	11,364
Total	**28,157**	**15,340**
Current liabilities total	**66,526**	**54,380**
Accrued expenses and deferred income		
Accrued exployee expenses	6,396	8,452
Deferred income	1,698	1,529
Other accrued expenes	1,726	1,383
Total	**9,820**	**11,364**

19. Commitments and contingent liabilities

EUR thousand

	Dec 31, 2018	Dec 31, 2017
Own guarantees		
Business mortgages of own debt	0	1,200
Guarantees	367	202
Commitments on behalf of subsidiaries		
Guarantees	327	100
Other own contingent liabilities		
Leasing liabilities		
Current lease liabilities	240	182
Lease liabilities maturing in 1-5 years	340	229
Total	**581**	**411**
Rental liabilities		
Current rental liabilities	4,315	3,567
Rental liabilities maturing in 1-5 years	6,458	6,705
Rental liabilities maturing over 5 years	2,800	0
Total	**13,573**	**10,272**
Other own contingent liabilities total	**14,154**	**10,683**
Commitments and Contingent Liabilities total	**14,848**	**12,185**

Value added tax is only included in vehicle leasing liabilities. The other liabilities are exclusive of value added tax. The lease agreements are ordinary lease agreements. The finance lease agreements are ordinary finance lease agreements and have no associated leaseback clauses. The group does not have pledges, mortgages or guarantees on behalf of external parties.

Auditor's Report

(Translation of the Finnish original)

To the Annual General Meeting of Basware Corporation

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Basware Corporation (business identity code 0592542-4) for the year ended 31 December, 2018. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion,

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5 (1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in 23 to the consolidated financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Valuation of Goodwill

We refer to the Group's accounting policies and the note 3

At the balance sheet date 31 December 2018, the value of goodwill amounted to EUR 79 million representing 37 % of total assets and 71 % of total equity (2017: EUR 92 million, 43 % of total assets and 79 % of total equity). The annual impairment test was a key audit matter as:

- the management's annual impairment test is complex and involves judgments
- the annual impairment test is based on market and economical assumptions
- the goodwill balance is significant.

The cash flows of the cash generating unit is based on the value in use. Changes in the assumptions used can significantly impact the value in use. The value in use is dependent on several assumptions such as the revenue growth, operating profit, and discount rate used. Changes in these assumptions can lead to an impairment.

How our audit addressed the Key Audit Matter

Our audit procedures included, among others, involving valuation specialists to assist us in evaluating the assumptions and methodologies used by the group including those related to forecasted revenue, operating profit and the weighted average cost of capital used in discounting the cash flows.

We reviewed the sensitivity in the available headroom by cash generating unit and focused on whether any reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount.

We compared the historical forecasting of the group with actual outcome and we compared projections to the latest budgets approved by the board. We checked the mathematical accuracy of the underlying calculations.

We compared the groups' disclosures related to impairment tests in note 3 in the financial statements with presentation requirements in applicable accounting standards and we reviewed the information provided on sensitivity analysis.

Revenue Recognition

We refer to the Group's accounting policies and the note 2

Sales are recognized when the control of the goods or service is transferred to the customer.

Revenue is recognized at an amount that reflects the considerations to which the company expects to be entitled in exchange for transferring goods or services to a customer.

Revenue is recognized over time or at a point in time.

The group focuses on revenue as a key performance measure which could create an incentive for revenue to be recognized before the control have been transferred.

Revenue recognition was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2) due to the identified risk of material misstatement in timely revenue recognition.

How our audit addressed the Key Audit Matter

Our audit procedures, considering the significant risk of material misstatement related to revenue recognition, included amongst other:

- assessing the application of group's accounting policies over revenue recognition and comparing the group's accounting policies over revenue recognition with applicable accounting standards;
- identifying the nature of the revenues and identification of any unusual contract terms;
- testing the revenue recognized including testing of group's controls on revenue recognition, when applicable. Our testing included tracing the information to agreements and payments;
- assessing the revenue recognized with substantive analytical procedures and
- assessing the group's disclosures on revenue recognition.

Deferred tax assets

We refer to the Group's accounting policies and the note 8

At the balance sheet date 31 December 2018, the deferred tax assets on unused tax losses amounted to EUR 5 million.

The deferred tax assets was a key audit matter as the management's assumptions used to determine the recognition criteria as well as the probability on utilizing the tax losses in the future are judgmental and depending on the future market and economical situation. The deferred tax assets is a significant balance.

How our audit addressed the Key Audit Matter

During the audit of the deferred tax assets we assessed the evidence that there will be future taxable income available to utilize the deferred tax assets.

Our assessment focused on loss generating group companies and we focused on:

- the reasons for the losses;
- the key assumptions used by the management and we concentrated on the future economical development;
- the future taxable income available considering any restrictions in the local tax legislation impacting the utilization; and
- assessing the group's disclosures on deferred tax assets.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine 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, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on 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 good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 in accordance with good auditing practice, we exercise professional judgment 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 parent company's or the group'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 the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group'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 parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 14 February 2008, and our appointment represents a total period of uninterrupted engagement of 11 years.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, Finland, January 30, 2019

Ernst & Young Oy

Authorized Public Accountant Firm

Terhi Mäkinen

Authorized Public Accountant

Key Figures (IFRS)

Group Key Financial Performance Indicators

EUR thousand

	2018	2017	2016	2015	2014
Net sales	141,417	149,167	148,580	143,410	127,674
Growth of net sales, %	-5.20 %	0.40%*	3.60 %	12.30 %	3.50 %
Organic revenue growth	5.40 %	1.50%*	0.30 %		
EBITDA	9,217	599	-5,394	11,902	11,354
% of net sales	6.50 %	0.40 %	-	8.30 %	8.90 %
Adjusted EBITDA	-4,364	3,294	2,063	12,121	11,354
% of net sales	-	2.20 %	1.40 %	8.30 %	8.90 %
Operating profit	-1,471	-9,509	-13,946	4,676	4,325
% of net sales	-	-	-	3.30 %	3.40 %
Adjusted operating result	-15,052	-6,814	-6,490	4,894	4,325
% of net sales	-	-	-	3.40 %	3.40 %
Profit before tax	-3,526	-12,276	-16,256	3,563	4,328
% of net sales	-	-		2.50 %	3.40 %
Profit for the period	-7,077	-11,524	-14,318	3,083	2,959
% of net sales	-	-	-	2.10 %	2.30 %
Return on equity, %	-6.30 %	-9.40 %	-10.50 %	2.20 %	2.50 %
Return on investment, %	-0.90 %	-5.80 %	-6.80 %	3.60 %	4.40 %
Interest bearing liabilities	57,206	49,282	47,280	1,667	5,000
Cash assets	40,747	20,683	35,755	33,238	28,954
Gearing, %	14.90 %	25.20 %	8.70 %	-22.40 %	-38.60 %
Equity ratio, %	51.30 %	52.70 %	58.50 %	79.10 %	82.80 %
Total assets	215,688	214,811	227,043	178,545	168,781
Gross investments	10,933	12,498	51,882	39,971	5,821
% of net sales	7.70 %	8.40 %	34.90 %	27.90 %	4.60 %
Acquisitions	-	-	36,341	25,601	-
Investments in Joint Ventures	-	-	3,037	1,957	-
R&D investments, expensed**, ***	21,231	24,372	13,396	11,994	13,406
R&D costs, capitalised	8,862	9,879	10,878	8,754	4,274
R&D investments, total	30,093	34,251	24,274	20,748	17,680
% of net sales	21.30 %	23.00 %	16.30 %	14.50 %	13.80 %
Depreciation and amortization	10,688	10,108	8,552	7,226	7,029
Other capitalised expenditure	2,071	2,620	1,625	3,658	1,547
Personnel expenses	93,637	99,083	104,600	85,726	77,779
Personnel average for period	1,676	1,838	1,811	1,591	1,466
Personnel at end of period	1,412	1,829	1,889	1,648	1,493
Change in personnel from comparison period, %	-22.80 %	-3.20 %	14.60 %	10.40 %	1.40 %

* Based on IFRS15 restated revenue including reallocations for 2017 and reported revenue for 2016

** R&D expenses excluding depreciation

*** According to the new presentation income statement showing cost of sales and operating expenses

Group Share Indicators

	2018	2017	2016	2015	2014
Earnings per share, undiluted	-0.49	-0.8	-1	0.22	0.22
Earnings per share, diluted	-0.49	-0.8	-1	0.22	0.22
Adjusted earnings per share, undiluted (EUR)	-1.44	-0.61	-0.48	0.23	0.22
Adjusted earnings per share, diluted (EUR)	-1.44	-0.61	-0.48	0.23	0.22
Equity per share	7.71	7.89	9.26	9.97	9.88
Dividend per share	0*	0	0	0	0.1
Dividend per profit, %	0,00 %	0,00 %	0,00 %	0,00 %	45,10 %
Effective dividends, %	0,00 %	0,00 %	0,00 %	0,00 %	0,20 %
Price/Earnings ratio (P/E)	-80.2	-59.56	-36.24	171.31	184.31
Share price performance, share issue adjusted					
lowest share price	19.75	31.96	30.48	31.8	23.5
highest share price	47.6	47.5	40.9	47.8	42.21
average share price	34	38.84	36.22	39.2	35.65
closing share price	39.5	47.5	36.3	37.32	41.05
Market value of shares at end of period	567,633,802	682,085,892	520,662,298	530,736,266	577,640,124
Share issue adjusted number of traded shares	3,005,479	1,681,791	1 931 525	3,156,826	4,792,273
% of average share number	20.92 %	11.70 %	13.51 %	22.30 %	36.10 %
Number of shares**					
- end of the period	14,370,476	14,359,703	14 343 314	14,152,770	14,146,426
- average during the period	14,367,829	14,357,343	14 293 754	14,150,954	13,286,327
- average during the period, diluted	14,461,175	14,406,674	14,313,442	14,173,167	13,297,962

*) Board of Directors' proposal to the Annual General Meeting of Shareholders

**) Excluding treasury shares

Calculation of Key Indicators

Return on equity (ROE), %

(Profit or loss before taxes - taxes) x 100

Shareholders' equity (average)

Return on investment (ROI), %

(Profit before taxes + interest and other financial expenses) x 100

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

Gearing, %

(Interest-bearing liabilities - interest-bearing assets) x 100

Shareholders' equity

Equity ratio, %

Shareholders' equity x 100

Balance sheet total - advance payments received

Earnings per share

Profit for the period

Adjusted average number of shares during the period

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

Equity per share

Shareholders' equity

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

Dividend per share

Total dividend

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

Dividend/profit, %

Dividend per share x 100

Earnings per share

Effective dividend yield, %

Dividend per share x 100

Adjusted share price at the end of the financial period

Price-earnings ratio (P/E)

Adjusted share price at the end of the financial period

Earnings per share

Adjusted EBITDA

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

Operating profit

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

Adjusted operating result (Adjusted EBIT)

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

Gross investments

Total investments made to non-current assets including acquisitions and capitalized research and development costs.

Share and Shareholders

Share

Basware shares are listed on Nasdaq Helsinki Ltd. The company has one series of shares, with the trading code BAS1V. Basware has been listed on the Helsinki Stock Exchange (Nasdaq Helsinki Ltd.) since February 29, 2000. The listing price of the share was EUR 5.70.

At the end of 2018, the total number of shares issued by Basware was 14,401,936 (14,401,936). The book counter value per share is EUR 0.30. Each share confers one vote in the general meeting of shareholders, and all shares carry an equal right to dividend.

Share capital and trading

At the end of 2018, Basware Corporation's share capital was EUR 3,528,368.70 (EUR 3,528,368.70).

During 2018, the highest price of the share was EUR 47.60 (EUR 47.50), the lowest was EUR 19.75 (EUR 31.96) and the closing price of the period was EUR 39.50 (EUR 47.50). The average price of the share was EUR 34.00 (EUR 38.84) during the period.

A total of 3,005,479 (1,681,791) shares were traded during the period, corresponding to 20.9 percent (11.7%) of the average number of shares. Market capitalization with the period's closing price on December 31, 2018, was EUR 567,633,802 (EUR 682,085,892).

The total amount of own shares held by the company on December 31, 2018 was 31,460 shares (42,333 shares), representing approximately 0.2 percent (0.3 %) of all of outstanding shares.

Incentive schemes

Additional information on the company's share-based incentive schemes is available on the company's investor webpages and Remuneration report.

Shareholders

Basware had 11,508 (11,682) shareholders on December 31, 2018, of which 10 are nominee registers. Nominee registered holdings accounted for 52.2 percent (46.7%) of the total number of shares.

Distribution of holdings by number of shares, December 31, 2018

	Number of shareholders	% of shareholders	Number of shares	% of shares
1-100	9,581	83	232,687	1.6
101-1,000	1,728	15	462,795	3.2
1,001-10,000	158	1.4	407,107	2.8
10,001-100,000	24	0.2	982,553	6.8
100,001-	17	0.1	12,316,794	85.5
Total	**11,508**	**100**	**14,401,936**	**100**

Distribution by sector, December 31, 2018

	Number of holders	% of shareholders	Shares, pcs	% of shares
Private companies	392	3.4	451,305	3.1
Financial and insurance institutions	40	0.3	8,853,162	61.5
Public sector organizations	7	0.1	1,257,611	8.7
Non-profit organizations	32	0.3	62,005	0.4
Households	10,977	95	3,707,047	25.7
Non-Finnish shareholders	60	0.5	70,806	0.5
Total	**11,508**	**100**	**14,401,936**	**100**
Of which Nominee-registered	10	0.1	7,524,136	52.2

Major shareholders on December 31, 2018

	Shares, pcs	Shares, %
1. Sihvo Ilkka Juhani	885,300	6.1
2. Ilmarinen Mutual Pension Insurance Company	591,921	4.1
3. Vaajoensuu Hannu	575,857	4
Vaajoensuu Hannu	309,357	2.1
Havacment Oy	266,500	1.9
4. OP-Finland Value Fund	533,329	3.7
5. Eräkangas Kirsi Maria	434,876	3
6. Perttunen, Sakari	384,375	2.7
7. Veritas Pension Insurance Company Ltd.	367,392	2.6
8. The State Pension Fund	256,000	1.8
9. Pöllänen Antti	201,179	1.4
10. Eräkangas, Lotta	191,400	1.3
11. Swiss Life Luxembourg Sa	186,561	1.3
12. Perttunen, Meimi	145,107	1
13. OP-Finland Small Firms Fund	103,829	0.7
14. Danske Invest Finnish Institutional Equity Fund	100,000	0.7
15. Vaajoensuu Petra	83,800	0.6
16. Vaajoensuu, Matias	83,800	0.6
17. Vaajoensuu Sara	83,700	0.6
18. Nordea Pro Finland Fund	64,725	0.4
19. Danske Invest Finnish Small Cap Fund	60,000	0.4
20. Danske Invest Finland Opportunities	59,000	0.4
Total 20 shareholders	**5,968,008**	**41.4**
Nominee registered total	7,524,136	52.2
Total remaining	909,792	6.3
Total	**14,401,936**	**100**

Ownership of the Board of Directors and Executive Team

On December 31, 2018, the members of the Board of Directors and Executive Team held in total 949,017 company shares, accounting for 6.6% of the total number of shares and votes.

Holdings of the Board of Directors and Executive Team

	Number of shares	% of all shares
Ilkka Sihvo, Chairman	885,300	6.1
Michael Ingelög, Vice-Chairman	5,000	0
David Bateman	0	0
Daryl Rolley	297	0
Asko Schrey	1,297	0
Tuija Soanjärvi	2,149	0
Holdings of the Board of Directors in total	**894,043**	**6.2**
Vesa Tykkyläinen, CEO	16,135	0.1
Niclas Rosenlew, CFO	9,476	0.1
Klaus Andersen	0	0
Jane Broberg	1,706	0
Lars Madsen	2,863	0
Ilari Nurmi	12,382	0.1
Mikko Pilkama	1,881	0
Paul Taylor	2,817	0
Jussi Vasama	1,943	0
Eric Wilson	5,771	0
Holdings of Executive Team in total	**54,974**	**0.4**

For Shareholders

Basware share

Basware shares have been listed on the Helsinki Stock Exchange (Nasdaq Helsinki Ltd.) since February 29, 2000.

Trading code	BASV1
ISIN code	FI0009008403
Book-counter value	EUR 0.30
Listing price on February 29, 2000	EUR 5.70
Closing price on December 31, 2018	EUR 39.50

Annual General Meeting 2019

Annual General Meeting of Basware Corporation will be held on Thursday, March 14, 2019 at 10:00 AM in Kansallissali, Aleksanterinkatu 44 A, Helsinki, Finland.

A shareholder, who wishes to participate in the General Meeting, shall register for the meeting no later than 4:00 PM (Finnish time) on 6 March, 2019 by giving a prior notice of participation to the company. Such notice can be given:

- at Basware's investor webpages; or
- by telephone at +358 20 770 6867 on weekdays between 9:00 AM and 4:00 PM; or
- by regular mail to Basware Corporation, Annual General Meeting 2018, P.O. Box 97, 02601 Espoo, Finland.

Each shareholder, who is registered on 4 March, 2019 in the shareholders' register of the company held by Euroclear Finland Ltd, has the right to participate in the General Meeting.

The agenda and proposals for the Annual General Meeting are available on Basware's investor webpages.

Dividend

Board of Directors proposes to the Annual General Meeting that no dividend be paid for 2018.

Financial reporting in 2019

In 2019, Basware Corporation will publish financial information as follows:

- April 30, 2019 - Interim report for January 1 – March 31, 2019
- August 6, 2019 - Half-year financial report for January 1 – June 30, 2019
- October 22, 2019 - Interim report for January 1 – September 30, 2019

All interim reports and stock exchange releases are available on Basware's investor webpages.

Questions about the annual report?

Contact us if you have any questions or feedback:

IR@basware.com

www.basware.com/investors

Simplify Operations, Spend Smarter.