Capnor Weasel Bidco Oyj

Financial Statements and Annual Report
1 January 2021 - 31 December 2021

Contents

ANNUAL REPORT OF THE BOARD OF DIRECTORS 2021

Capnor Weasel Bidco Oyj was established in 2019. It is a limited liability company domiciled in Helsinki. Its business operation consists of administration services to its subsidiary.

Its subsidiary iLOQ Oy, of which it has 100% ownership, is a rapidly expanding and global Finnish technology company that transforms mechanical locking into digital access management.

The technological solutions of the company's subsidiary, iLOQ Oy, enable electro-mechanic locking without batteries or cables. The company's products are sold through iLOQ's distribution channels, providing professional installation and maintenance services. The company has more than 1,300 resellers globally. Its revenue grew steadily during financial year 2021, both in the Nordic oval cylinder market and the Central European DIN lock cylinder market. iLOQ production is based on outsourced, flexibly scalable production, and its distribution is operated in the iLOQ-managed distribution centre in Oulu. In addition, the firm has a small-scale production unit in Oulu to support product development needs.

In accordance with its growth strategy, company subsidiary iLOQ continued in 2021 to strengthen its organisation to support the company's long-term geographic expansion and growth targets. The most significant investments were focused particularly on strengthening the company's international sales and marketing as well as product development. iLOQ opened a subsidiary in the United Kingdom in 2021. The Group operates subsidiaries in Sweden, Norway, Denmark, Germany, the Netherlands, France, Spain, the United Kingdom and Canada.

In 2019, with the announcement of iLOQ S5, the company has been able to utilise even further the opportunities offered by digitalisation and the Internet of Things in improving safety, decreasing administration and reducing lifecycle costs. The S5 electro-magnetic locking system can be supplemented with iLOQ's other products such as the successful world's first mobile access management solution utilising NFC technology, iLOQ S50, thus providing a holistic digital access management solution.

The iLOQ S50 mobile access management solution, which utilises NFC technology, is aimed at electricity and distribution companies, telephone network services, IT server centres, water treatment plants, property maintenance services and transport services. For instance, iLOQ has signed a significant international framework agreement to supply the S50 mobile access management solution to Cellnex Telecom, a leading mobile telecommunications and broadcasting infrastructure operator in Europe. Cellnex offers its services in Spain, Portugal, Italy, the Netherlands, the United Kingdom, France, Switzerland, Ireland, Austria, Denmark, Sweden and Poland.

The company's subsidiary iLOQ also made strong investments in improving the transaction experience of its reseller network and end customers by introducing the iLOQ partner portal, as well as by enhancing the effectiveness of expert support processes and tools.

BUSINESS ACTIVITIES DURING THE FINANCIAL PERIOD

This is the second 12-month financial year of Capnor Weasel Bidco Oyj. In its eighth consecutive year, subsidiary iLOQ as part of Capnor Weasel Bidco Oyj achieved a strong positive result, despite dynamic growth and significant investments in internationalisation.

Capnor Weasel Bidco Oyj's revenue in financial year 2021 reached EUR 102.9 million (74.1 million in 2020). The increase in the revenue was 39% and resulted from the strengthening of all market areas. The management of the company believe that the company has succeeded in raising its market share during financial year 2021, and market share is expected to show growth also at the outset of 2022, the starting financial year. In financial year 2021, EBITDA totalled EUR 22.6 million (EUR 12.6 million in

2020). Also in financial year 2021, operating profit reached EUR 14.4 million (EUR 5.1 million in 2020). The growth of EBITDA and operating profit were mainly the result of growth in revenue and relative profitability.

In financial year 2021, the operative cash flow was EUR 7.3 million (EUR 8.0 million in 2020). The negative change in the cash flow was caused by the growth of inventory, which was the result of preparedness for possible distribution disturbances to the supply chain. The company estimates that the inventory will remain at a higher than normal level also in 2022, the starting financial year, until global component availability improves.

FINANCIAL INDICATORS OF THE CAPNOR WEASEL BIDCO GROUP

	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Financial indicators		
Revenue (1,000 €)	102,921	74,125
Operating profit (1,000 €)	14,382	5,089
Operating profit, %	14.0%	6.9%
Return on equity, % (ROE)	5.9%	0.4%
Equity ratio, %	60.9%	60.5%
Other indicators		
Wages and salaries (1,000 €)	18,062	12,680
Pension expenses (1,000 €)	2,328	1,613
Other indirect personnel costs (1,000 €)	1,680	1,181
Total (1,000 €)	22,071	15,474
Average number of employees in the financial year	212	170

FINANCIAL INDICATORS OF CAPNOR WEASEL BIDCO OYJ (FAS)

	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Financial indicators		
Revenue (1,000 €)	747	541
Operating profit (1,000 €)	-39	-325
Equity ratio, %	71.8%	71.7%

REPORT ON THE SCOPE OF RESEARCH AND DEVELOPMENT ACTIVITIES

The company has no research and development activities of its own, but subsidiary iLOQ has invested in the development of new products and the further development of the properties and manufacturing methods related to existing products. The most important development projects have been the further development of the iLOQ S50 locking system mechanics, electronics and software, and the development of the DIN version of the iLOQ S50 access management solution. During the financial year, iLOQ developed and later launched the iLOQ HOME digital access management solution, which thoroughly changes the way we live by means of an access management solution.

The most important development projects have been the development of the mechanics, electronics and software of the iLOQ S50 locking system, introduced to the market over the past two years, as well as the iLOQ S5 access control system, launched in the Nordic countries in 2020.

During the completed financial year, research and development expenditure reached EUR 4,395 thousand (5,269 thousand), and its relative proportion of the total expenditure totalled 5.5% (8.6%). The relative proportion of research and development expenditure of the total expenditure did not, during the two years presented, essentially deviate from the company's relative amount in previous years.

ACCOUNT OF OTHER THAN FINANCIAL INFORMATION

In practice, the Group's business operation is focused on iLOQ, and the report thus discusses information related to iLOQ. From the beginning, iLOQ's story has reflected sustainable development. The aim of the company's first technological innovation was to design and introduce a digital access management solution to the market that eliminates the need for batteries and extensive wiring. This resource efficiency ideology has always been sensible, both for business and with respect to sustainable values. On this foundation, iLOQ has later developed its business operation into the current one. iLOQ is a sustainable technology company that provides digital cloud-based access management solutions round the world.

iLOQ's Sustainability Strategy

As a result of iLOQ's 2021 materiality assessment on sustainability, five essential themes were recognised. They function as the basis of iLOQ's Sustainability Strategy. The Board accepted the Strategy in October 2021. iLOQ's Sustainability Strategy focuses on the following themes:

- We do good through sustainable development

Sustainable development creates growth and better business value for iLOQ, its partners and customers.

- We plan according to the principles of sustainable development.

  We develop our current and new products and services as based on the circular economy.

- We develop our ESG impact together.

  We actively manage our value chain and collaboration with stakeholders

- We strengthen the significance and experience of our employees

  We value various viewpoints and continuously develop our ability to build sustainable business.

- We recognise the requirements

  We ensure capacity development in the changing requirements of sustainable development.

iLOQ operates on the basis of sustainable business operation models and promotes the sustainable operation of its employees with shared rules and values, and by ensuring that all employees commit to them. The operating principles of iLOQ are built on the company's Code of Conduct and Corporate Governance, which defines the company's ethical and sustainable business operations. iLOQ's Code of Conduct entails the ten principles of the UN Global Compact initiative referring to human rights, business life, the environment, and efforts against corruption. All employees must comply with the company's Code of Conduct in their daily work and decision-making that concerns business operations.

In addition to the Code of Conduct and Corporate Governance, the following guidelines in various areas apply, among others:

- principles against bribery and corruption
- information reporting and announcement policies
- principles affecting bribes
- information security and data protection policy
- acquisitions policy
- tax policy

Complying with the guidelines is secured by using various monitoring procedures such as requiring that all employees complete compliance training. iLOQ's online training on the Code of Conduct is compulsory for all employees.

The purpose of the general Code of Conduct, Code of Conduct for Suppliers, and iLOQ guidelines and policies is to detect malpractice and stop inappropriate or illegal activity. Suspected malpractice can be notified anonymously through internal and external reporting channels. iLOQ uses an external notification channel online that is maintained by a third party. The link to the notification channel is available on iLOQ’s web page and the intranet.

We take care of the environment

iLOQ's key environmental impacts are caused by supply chain greenhouse gas emissions that result particularly during acquisitions and production, as well as emissions connected with supply. iLOQ’s direct (Scope 1) and indirect (Scope 2 and 3) greenhouse gas emissions were 45.52 CO2 kilotonnes in total in 2021 (35.02 in 2020). The absolute amount increased, but the relative intensity of emissions improved by 0.57 kg GHG/EUR. All 100% iLOQ emissions were caused indirectly through the supply chain (Scope 3) and 0% from iLOQ's own operations (Scope 1 and 2), because iLOQ’s own operations do not produce greenhouse gas emissions, and the electricity used is either green or supplied through a lessor (Scope 3). iLOQ’s own energy consumption totalled 0.018778 GWh in 2021.

In 2022, we are starting collaboration with our supply chains, also outside our business operations, in order to reach our climate goals. So that we are able to ensure the scientific basis of our climate actions, we calculate iLOQ's annual emissions in the entire supply chain as based on the Greenhouse Gas Protocol (GHG) standards. This also supports recognising the effects of climate change in our business operations, open reporting, and comparable emission tracking in future years.

We take care of our staff

Valuing our staff is one of the five main themes of iLOQ's Sustainability Strategy, and iLOQ is committed to promoting equality and providing an inspiring workplace with excellent development prospects. iLOQ’s Code of Conduct defines the general ethical principles and the company's responsibilities as an employer. iLOQ does not accept discrimination, harassment or bullying at work. iLOQ provides equal opportunities to all employees and secures equal treatment and remuneration, as well as good working conditions.

Employees’ professional development, motivation, creativity and commitment are promoted by, for example, regular performance appraisals. In 2021, approximately 90% of employees had regular performance appraisals with their superiors. The satisfaction of employees is also mapped out annually with a Siqni Trend survey. SiqniTrend is a survey questionnaire that helps track development – in other words, whether the development plans compiled by teams have influenced the employee experience or not. In September 2021, 94% (87% in 2020) of iLOQ employees responded to the survey. The results are measured on various scales. The employees’ total satisfaction of iLOQ as an employer on a scale of 0-100 was 84 (83 in 2020), and the eNPS was 52 (53 in 2020). iLOQ's gender ratio was as follows: the proportion of women in management was 11% and 18% in the entire staff in 2021.

Supply chain and work against bribery and corruption

In iLOQ’s operating principles against bribery and corruption, the rules and maximum values for receiving and giving gifts, entertainment and hospitality are defined, as is the process of applying for additional approval. Exceptions are official instances: in their case, giving or receiving a gift always requires separate permission.

The Code of Conduct for Suppliers is an integral part of iLOQ's acquisitions and purchasing, and it covers selecting, evaluating and monitoring suppliers. In order to be selected as a supplier for iLOQ, a new supplier must accept the Code of Conduct for Suppliers as a part of iLOQ’s acquisitions requirement, a process that transfers to the contract.

Risks related to non-financial perspectives

iLOQ has not yet recognised risks related to non-financial perspectives, but researches risks related to the environment, social and HR matters, human rights and work against corruption and bribery as a part of the implementation of its Sustainability Strategy during this year.

Taxonomy reporting

The grounds for reporting other than financial information is Swedish law applied on the basis of the company's location, but the requirement does not include EU taxonomy reporting, because the company’s total number of staff does not exceed 500.

COMPANY'S FINANCIAL POSITION

At the end of financial year 2021, the company's liquidity and financial position were good. The consolidated balance sheet total at the end of the review period was EUR 242,626 thousand and the equity ratio was 60.9 %.

FINANCIAL ARRANGEMENTS AND SPECIAL RIGHTS

On 11 December 2019, Capnor Weasel Bidco Oyj acquired the shares of the iLOQ Group and Hailuoto Development Oy. In December 2019, Capnor Weasel Bidco Oyj issued a bond worth EUR 55 million. €. The bond is secured and is subject to a coupon of three months Euribor plus 5.375 percentage points. The bond was listed in Nasdaq Stockholm and trading started on 8 September 2020. The bond is due on 12 June 2025. The company has no special rights.

STRUCTURAL ARRANGEMENTS

During the financial year, Axtuator Oy under its control has been merged with iLOQ Oy.

LOANS TO RELATED PARTIES AND RESPONSIBILITIES

The Company does not have related party loans as of the end of the financial period. Subsidiary iLOQ Oy is the guarantor of the EUR 55 million bond issued by the company. In addition, subsidiary iLOQ Oy is jointly and severally guarantor of the 15 million credit line. The credit line was not in use at the end of the financial year on 31 December 2021.

ASSESSMENT OF LIKELY FUTURE DEVELOPMENTS

The Company's management predicts that the revenue will grow in the current market areas also in 2022, thanks to development measures that accelerate growth. It is predicted that profitability will remain good, despite growth investments. The company management estimates that any prolongation of the COVID-19 pandemic will affect the Group's business mainly as a global shortage of components, at least during the first half of 2022.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL PERIOD

The company's subsidiary iLOQ Oy launched iLOQ HOME after the financial period. iLOQ HOME is a solution that makes the visibility of residents and key management possible in a new way not offered before in the housing sector.

The solution is an extension to the iLOQ S5 digital locking system and the iLOQ 5 series platform. By removing the traditional limitations of lock and key and their usual management, iLOQ HOME is designed to give residents more freedom, security and flexibility to live as they choose.

Erja Sankari has been appointed to iLOQ Oy starting 1 February, acting as Executive Vice President and Chief Operating Officer. She will also become a member of the Management Team, replacing Esa Myllylä, who will retire in spring 2022. Before iLOQ, Sankari worked as Vice President of Global Supply Chain at Nokia Oyj.

iLOQ Group founded a new subsidiary in Poland in February 2022.

As the crisis in Ukraine escalates, the company has continued with actions to minimise business operation risks in the area and to move materials to Hungary. In addition, suppliers in the Far East are ready to raise capacity in order to secure deliverability.

BUSINESS RISKS

Strategic risks

Economic cycles and especially the level of activity in the renovation market affect the demand for iLOQ products and services. The countries of Northern Europe account for about 77% of ILOQ's turnover, which is why the prolonged decrease in the renovation market in Northern Europe in particular could exert a negative impact on the growth and profitability of ILOQ. In 2020, significant measures were taken in all iLOQ markets to curb the spread of COVID-19 by restricting people's mobility and business operations. This continued throughout 2021. Despite the fact that the pandemic has not had a significant impact on iLOQ's business in 2020-2021, further deterioration or the imposition/prolongation of new restrictions to mitigate the pandemic could result in a negative impact on the demand for iLOQ products and services in 2022. The global component shortage that started in 2021 may affect iLOQ's service security negatively, despite the company management's strategic actions to secure it. Technical failure to meet the requirements of end-user, unexpected changes in the supply or regulatory provisions of competitors, and a significant consolidation of iLOQ distributors could also exert a negative impact on the iLOQ's competitiveness.

Operational risks

The Group operates with a network business model in the manufacture and distribution of products. The aim is to prevent business risks by identifying risks. In 2020 and 2021, particular focus has been placed on ensuring the availability of components, so that the company's capacity to honour supply contracts can be assured.

Due to the nature of the company's security products, product-related risks are prevented via thorough product testing – both internally and by external testing institutions – as well as high-quality operations at all stages of product development and manufacturing.

The above-mentioned and other business risks are also covered by insurance policies, in addition to the development of operational processes. The Board of Directors is unaware of any judicial or credit loss risks that would substantially affect the company's performance.

Capnor Weasel Bidco Corporation's Board of Directors assessed the effect on the Group's market environment and business of the coronavirus pandemic that broke out and rapidly spread at the beginning of 2020. So far, the pandemic has not had a significant impact on the Group, in part because measures to mitigate potential supply chain disruptions caused by COVID-19 have continued successfully. The company's Board of Directors and management continue to closely monitor the development of the situation and will update their assessments of the impact of the pandemic as the situation progresses. Due to COVID-19, the company's subsidiary - iLOQ Ltd - has a remote-work recommendation in force, and, during the financial year, for example, logistics operations were changed when necessary to two shifts to protect the health and safety of employees.

Financial risks

The main financial risks to which the Group is exposed are market risk (foreign exchange and interest rate risk), liquidity risk, and credit risk. The Group's management assesses the risks and acquires the necessary instruments for hedging risks. In its risk management, the Group uses credit insurance for sales receivables and, where appropriate, foreign exchange forwards. The Group has no financial risk concentration. In December 2019, the Group issued a bond with a nominal value of EUR 55,000.000. The loan includes performance and indebtedness covenant terms. The covenant conditions were met during the financial year which ended 31 December 2021.

Damage risks

iLOQ's business operations depend on the operational reliability, quality and reliability of suppliers as well as those of subcontractors, procurement channels and logistics processes. Potential damage to individuals or communities caused by the uninterrupted functionality of iLOQ products and their functionality may also have a negative impact on the business of iLOQ. Information technology and information security in particular play an important role in the activities of iLOQ. This exposes iLOQ to IT interference and potential cyber security risks. Potential fires in the iLOQ premises or its subcontracting or supply chain, political extreme phenomena, exceptional weather phenomena, or similar difficult to predict phenomena could also have negative impacts on the business of iLOQ or its suppliers. Litigation with significant claims for compensation and other possible legal or regulatory events may also have a negative impact on iLOQ's business. In addition to normal risk management within the company, iLOQ is prepared for the risks presented above by means of global property, personnel and interruption insurance programmes scaled to the extent of the business. In addition to these, the company has special global insurance cover of personal injury and property damage caused by iLOQ locks used by consumers.

QUALITY AND ENVIRONMENT

iLOQ Oy has an ISO 27001 certificate acquired this financial year for creating, implementing, maintaining and continuously improving information security. In addition, the company has a certified ISO 9001:2015 quality system and ISO 14001:2015 environmental management system. The Company's iLOQ S10/S50 SaaS service is produced by Fujitsu Services Oy, whose information security management system has been certified in accordance with ISO 27001:2013.

SHARES OF THE COMPANY

The company has only one class of shares, a total of 100. All shares have the same right to dividend and company assets.

OWN SHARES

The company does not hold any own shares.

BOARD OF DIRECTORS' PROPOSAL FOR PROFIT DISTRIBUTION

The distributable equity of Capnor Weasel Bidco Oyj on 31 December 2021 was EUR 140,662,973.44, of which the profit for the financial year was EUR 834,871.69. The company's distributable assets are divided into an invested unrestricted equity fund of EUR 142,980,221 and earnings of EUR -2,317,247.56.

The Board of Directors proposes to the Annual General Meeting that the profit for the financial year 2021 be transferred to the profit and loss account and that no dividends are paid out.

Since the end of the financial period, there have been no material changes in the company's financial position. The company's liquidity is good.

AUDITING

The Company's auditor has been auditing firm KPMG Oy Ab, Authorised Public Accountants, with Tapio Raappana, APA, as the principal auditor.

Calculation formulas and purpose or alternative key figures

EBITDA

= Profit before depreciation and write-down

EBITDA is a measure that indicates the internal productivity of the Group.

Operative cash flow of business operations

= EBITDA plus change in receivables, change in inventory, change in debt, provisions and net cash flow from investments.

Operative cash flow of business operations %

= Operative cash flow of business operations / Revenue

The operative cash flow of business operations is used for monitoring EBITDA. It also recognises investments and change in net working capital.

Own capital production %

= Profit (loss) for the financial year (12 months) / Own capital in total (average of the period's start and end dates)

Measures the earnings of a financial year in relation to own capital. The key figure describes the company's ability to make profit on the owner's investment.

Equity ratio %

= Total equity in total / Assets in total minus received advances

Equity ratio helps indicate risk levels related to funding and also describes the Group's relative capital in business operations as compared to company assets.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Revenue	4	**102 921**	**74 125**
Other income		0	1
Materials and services	6	-44 459	-33 789
Employee benefit expenses	7	-22 072	-15 474
Depreciation and amortisation	8	-8 207	-7 545
Other expenses	9	-13 802	-12 229
Operating profit		**14 382**	**5 089**
Finance income	10	73	133
Finance expenses	10	-3 947	-4 067
Net financial expenses		**-3 874**	**-3 934**
Profit (loss) before taxes		**10 507**	**1 155**
Income taxes	11	-2 014	-637
Profit (loss) for the financial year		**8 493**	**518**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Translation differences		-19	15
Other comprehensive income (-loss), net of tax		-19	15
Total comprehensive income		**8 474**	**533**

Total comprehensive income is distributed to parent company shareholders

Earnings per share calculated on the profit to the owners of the parent company, EUR

Undiluted earnings per share (EUR)		84 933	5 181
Dilution adjusted earnings per share (EUR)	17	84 933	5 181

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Intangible assets	12	101 313	102 650
Goodwill	5	91 672	91 672
Property, plant and equipment	13	4 983	4 519
Deferred tax assets	11	494	478
Total non-current assets		**198 461**	**199 319**
Current assets			
Inventories	14	19 804	10 246
Trade and other receivables	15	16 770	12 119
Current tax receivables for the financial year	11	55	0
Cash and cash equivalents	16	7 536	8 013
Total current assets		**44 165**	**30 378**
Total assets		**242 626**	**229 697**
EQUITY			
Share capital	17	80	80
Invested unrestricted equity fund	17	143 240	142 980
Translation differences	17	-5	15
Retained earnings	17	3 949	-4 568
Total equity		**147 265**	**138 507**
LIABILITIES			
Non-current liabilities			
Financial liabilities	20	54 400	54 218
Non-current lease liabilities	23	680	731
Non-current provisions	24	807	1 026
Deferred tax liabilities	11	17 919	18 743
Total non-current liabilities		**73 805**	**74 719**
Current liabilities			
Account payables and other liabilities	21	18 132	13 569
Current lease liabilities	23	933	1 017
Current provisions	24	1 009	460
Tax liabilities based on taxable income for the financial year	11	1 484	1 425
Total current liabilities		**21 557**	**16 471**
Total liabilities		**95 362**	**91 190**
Total equity and liabilities		**242 626**	**229 697**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	Note	Jan - 31 Dec 2021	Jan - 31 Dec 2020
Cash flows from operating activities			
Profit (loss) for the financial year		8 493	518
Adjustments:			
Depreciation and amortisation	8	8 207	7 545
Unrealised exchange gains and losses		9	-150
Finance income	10	-73	-133
Finance expenses	10	3 947	4 067
Taxes	11	2 014	637
Other adjustments		0	186
Change in net working capital:			
Change in trade and other receivables	15	-4 651	-1 255
Change in inventory	14	-9 557	-1 774
Change in trade and other payables	21	4 528	2 580
Change in provisions	24	330	712
Interest paid		-3 181	-3 261
Interest received		12	1
Income taxes paid		-2 868	-1 050
Other financial items		-200	-319
Net cash flows from operating activities		**7 012**	**8 304**
Cash flows from investing activities			
Investments in intangible assets	12	-4 406	-3 671
Investments in tangible assets	13	-1 495	-1 210
Net cash flows from investing activities		**-5 900**	**-4 881**
Cash flows from financing activities			
Merger of the company under same authority		6	0
Payments of short-term liabilities		0	-10 000
Payments of lease liabilities		-1 204	-1 027
Proceeds from short-term liabilities		0	10 000
Net cash flows from financing activities		**-1 198**	**-1 027**
Change in cash flows		**-87**	**2 397**
Cash and cash equivalents on 1 January		8 013	5 784
Net effect of changes in exchange rates on financial assets		-391	-167
Cash and cash equivalents on 31 December	16	7 536	8 013

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Equity attributable to shareholders of the parent company					
EUR thousand	**Note**	**Share capital**	**Share premium fund**	**Invested unrestricted equity fund**	**Translation differences**	**Retained earnings**	**Total**
Equity on 1 January 2021	17	**80**	**0**	**142 980**	**15**	**-4 568**	**138 507**
Adjustment for previous year's retained earnings						23	23
Comprehensive income							
Profit for the financial year					-19	8 493	8 474
Total comprehensive income		**0**	**0**	**0**	**-19**	**8 493**	**8 474**
Transactions with shareholders							
Merger of the company under same authority				260			260
Total transactions with shareholders		0	0	260	0	0	260
Equity on 31 December 2021	17	**80**	**0**	**143 240**	**-4**	**3 949**	**147 265**

		Equity attributable to shareholders of the parent company					
EUR thousand	**Note**	**Share capital**	**Share premium fund**	**Invested unrestricted equity fund**	**Translation differences**	**Retained earnings**	**Total**
Equity on 1 January 2020	17	**0**	**0**	**142 778**		**-5 017**	**137 761**
Adjustment for previous year's retained earnings						-69	**-69**
Comprehensive income							
Profit for the financial year					15	518	533
Total comprehensive income		**0**	**0**	**0**	**15**	**518**	**533**
Transactions with shareholders							
Unmatched investment				282			282
Fund increase	17	80		-80			0
Total transactions with shareholders		80	0	202	0	0	282
Equity on 31 December 2020	17	**80**	**0**	**142 980**	**15**	**-4 568**	**138 507**

Capnor Weasel Bidco Oyj
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basic information about the Group

Capnor Weasel Bidco Oyj is a Finnish limited liability company operating under Finnish law. Since 11 December 2019, ILOQ Oy's parent company has been Capnor Weasel Bidco Oyj, which prepares consolidated financial statements. The parent company is domiciled in Helsinki. A copy of the consolidated financial statements is available from iLOQ Oy headquarters at Elektroniikkatie 10, FI-90590 Oulu, Finland. The company is part of the Capnor Weasel Topco Group, which compiles the FAS consolidated financial statements. The party exercising ultimate control over the company is Nordic Capital IX Limited.

On 11 December 2019, Capnor Weasel Bidco Oyj acquired ownership of the iLOQ Group and Hailuoto Development Oy. Hailuoto Development Oy merged with iLOQ Oy on 1 November 2020. In addition, on 31 November 2011, Capnor Weasel Topco Oy's subsidiary Axtuator Oy merged with ILOQ Oy. The industrial business is concentrated in the iLOQ Group, which offers electronic locking solutions. The iLOQ Group operates with a network business model in the manufacture and distribution of products. The iLOQ Group's products are sold through the iLOQ retail channel and to direct customers of the infrastructure segment, which provides professional installation, service and maintenance services. The iLOQ Group's country companies are located in Sweden, Denmark, Norway, Germany, the Netherlands, France, Spain, the United Kingdom and Canada.

At its meeting of 10 March 2022, the Board of Directors of Capnor Weasel Bidco Oyj approved the financial statements for publication. In accordance with the Finnish Limited Liability Companies Act, shareholders have the opportunity to accept or reject the financial statements at an Annual General Meeting to be held after the statements have been published. The Annual General Meeting can also vote to alter the financial statements.

2. Basis for preparing the financial statements

The consolidated financial statements for the 2021 financial periods have been prepared in compliance with the International Financial Reporting Standards (IFRS), adhering to the IAS and IFRS standards as well as the SIC and IFRIC interpretations valid on 31 December 2021 for application in the EU. 'International financial reporting standards' refers to the standards approved for application in the Finnish Accounting Act and the provisions laid down pursuant to the Act in accordance with the procedures laid down in Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards, in addition to the interpretations of these standards. The notes to the consolidated financial statements also conform to the Finnish accounting and company legislation supplementing the IFRS standards.

The standard changes that entered into force at the beginning of 2021 have had no impact on the Group's financial statements. The figures of the parent company and its subsidiaries (together the 'Group') have been consolidated into the consolidated financial statements for financial year 2021.

3. Accounting policies to the consolidated financial statements

Accounting policies requiring management discretion and uncertainty factors relating to estimates

Preparing consolidated financial statements in accordance with IFRS requires the company's management to exercise discretion, use estimates and make assumptions that affect the application of the accounting policies, the reporting of assets and liabilities, and the amounts of income and expenses. These estimates are based on the management's best insight at the present time, but it is possible that actual results may ultimately deviate from the estimates made. The restrictions related to the COVID-19 pandemic exerted an impact on the Group's business also in the financial year reported, though the impact of the COVID-19 pandemic on business has not been significant in general. The company's management estimates that, despite this, the COVID-19 pandemic will still exert an impact on the Group's business in 2022, as set out in these financial statements.

The Group regularly monitors the realisation of estimates and assumptions, as well as the changes occurring in the background. Changes in the estimates and assumptions are entered into the accounts in the financial period during which the changes occur, as well as in all subsequent periods.

The most common and significant circumstances where the management is called upon to exercise discretion and make estimates are related to the following decisions:

- Estimates of future business development and the assumptions used for impairment testing on development projects
- Recognition and measurement of assets arising from the acquisition of business activities
- The depreciation periods for tangible and intangible assets
- Estimates of the amount of warranty provisions
- Recognition of deferred tax assets for losses
- Definition of a lease agreement term: As regards lease agreements in which the term has been defined to be until further notice, the expected lease term based on the consideration of the management is applied. When determining the expected lease term, the impact of the sanctions included in the lease agreement relating, for example, to a premature termination of the agreement, are also considered.

Consolidation principles behind the consolidated financial statements

Subsidiaries

The consolidated financial statements include the parent company and all of the subsidiaries under the control of the Group's parent company. Control arises when the Group's participation in the entity exposes the Group to the entity's variable income or entitles it to variable income, and the Group is able to influence this income by exercising its control over the entity. The Group's control over an entity is based on voting rights. All of the subsidiaries included in the consolidated financial statements are wholly owned.

Subsidiaries are consolidated from the date of acquisition until the date when the parent company no longer has control over the subsidiary.

Intra-Group transactions, receivables, liabilities, unrealised profits and internal distribution of profit are eliminated in the consolidated financial statements.

During consolidation, the accounting policies applied to the subsidiaries are altered if necessary to correspond to the accounting policies used for the consolidated financial statements.

Acquisitions of business functions are handled using the acquisition method. Depreciation of business values is not recorded but tested for possible impairment on an annual basis and whenever there is any indication that the value may be impaired.

Business combination

Goodwill arising from business combinations is recognised in the amount by which the consideration disposed of, the share of non-controlling interests in the acquiree and the previously held interest, summed up, exceed the fair value of the net assets acquired. Acquisition costs, excluding those arising from the issue of debt or equity securities, shall be recognised as expenses. For the purpose of impairment testing, goodwill is allocated to those cash-generating entities in the Group or to the Group that are expected to benefit from business combinations. In Capnor Weasel Bidco, the total goodwill is attributed to the iLOQ group. The cash-generating unit shall be subject to impairment tests on an annual basis, or more frequently if there are indications of impairment. If the recoverable amount of the cash-generating unit is below its carrying amount, the impairment is recognised first in goodwill and then in accordance with the relative carrying amount of the other assets of the cash-generating unit. The impairment of goodwill is recognised in profit or loss. The impairment loss recognised in goodwill shall not be reversed in subsequent financial years. The recoverable amount is the fair value of the asset less costs of disposal or the value of use, whichever is higher. Use value refers to the estimated future net cash flows available from the asset or cash generating unit and discounted to its present value.

Conversion of items denominated in foreign currencies

The figures for the income and financial position of the Group's units are given in the currency primarily used in the company's operating environment (the 'operating currency'). The consolidated financial statements are presented in euros, which is the functional and presentation currency of the Group's parent company. The figures presented in the financial statements are rounded to the nearest thousand euros unless otherwise stated. For this reason, the sums of individual figures may differ from the totals stated.

Foreign-currency denominated transactions

Transactions in foreign currencies are recognised in the Group companies' operating currencies at the exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are converted to the operating currency at the exchange rates prevailing on the balance sheet date.

Non-monetary assets and liabilities denominated in foreign currencies and measured at fair value are converted to the operating currency at the exchange rates prevailing on the measurement date. Non-financial items denominated in foreign currencies and valued at original acquisition cost are translated using the exchange rates prevailing on the date of transaction.

The gains and losses arising from translations of transactions and monetary items denominated in foreign currencies are recognised through profit or loss.

Financial statements of foreign subsidiaries

The assets and liabilities of foreign subsidiaries are converted to euros at the exchange rates prevailing on the final day of the reporting period. Exchange rate gains or losses from the conversion of assets and liabilities denominated in foreign currencies are recognised on the consolidated statement of income as items affecting operating profit for items related to business operations, whilst financial items are recognised on the statement of income under financial income and expenses.

The income and expense items on the statements of income of the Group subsidiaries that operate in currencies other than the euro are converted into euros at the average exchange rate during the reporting period.

Converting the income for the financial period and the comprehensive income at different exchange rates on the balance sheet gives rise to a translation difference recognised under equity, and changes to the translation difference are recognised under other items of comprehensive income.

Principles of revenue recognition

Sales revenues are recognised in the amount that the Group expects to be entitled to receive on the basis of contracts with customers. The Group's sales revenues accrue from digital locking and access management systems, and they are recognised when control over the goods or services is transferred to the customer.

The customers of the Group are retailers and direct customers of the infrastructure segment. Customer contracts typically consist of a partnership agreement and each confirmed product order.

The contracts identify the separate performance obligations, which consist of supplied locks, as well as lock operation and maintenance services. The warranties related to the locks are identified as ordinary warranties that do not constitute a separate performance obligation. Instead, a warranty provision is made for them in accordance with the IAS 37 standard.

For locks, the transaction price consists of the price as per the price list, less estimated variable charges, which are any applicable annual discounts. The operation and maintenance agreement specifies the maintenance fees for the locking service. The total price of the service depends on the number of locks and the services selected by the customer. The agreements do not include significant financing components.

The capitalisation of lock deliveries does not meet the criteria for capitalisation over time, so they are capitalised when control is transferred on the basis of the delivery, when the risks and benefits have been transferred to retailers. Operation and maintenance agreements are capitalised over time as sales of services, because the end customer receives the benefit of the service when it has been provided.

Employee benefits

Pension obligations

Pension schemes are classed as defined-benefit or defined-contribution schemes. Under defined-contribution schemes, the Group pays fixed fees to a separate unit and the Group has no legal or actual obligations to make further payments. The contributions paid into defined-contribution schemes are recognised through profit or loss as charges arising from employee benefits in the period to which the contribution applies. The Group's pension schemes are classed as defined-contribution pension schemes.

Operating profit

Operating profit consists of revenues and other operating income less the costs of materials and services, the costs of employee benefits and other operating costs, as well as depreciation and impairment losses.

Recognition of income taxes and deferred taxes

Income taxes consist of taxes based on the taxable income for the financial period, adjustments related to prior financial periods, and deferred taxes. The taxes based on taxable income for the period are calculated from the taxable income at the applicable tax rate in each country or at the tax rate that was approved in practice by the reporting date. The Group offsets the tax assets and liabilities based on the taxable income for the period against each other only when the Group has a legally enforceable entitlement to offset the tax assets and liabilities based on the taxable income for the period against each other, and it intends either to make the payment on a net basis or realise an asset item and settle the liabilities simultaneously.

Deferred taxes are calculated from the temporary differences between the carrying value and the taxable value using the tax rates enacted or approved in practice by the reporting date.

Deferred tax liabilities are recognised for all temporary differences between the carrying value and the taxable value. Deferred tax assets are recognised for all deductible temporary differences and for losses that can be deducted in tax up to the probable amount of taxable income in the future against which the temporary difference can be utilised. The criteria for recognising deferred tax assets are estimated on the final day of each reporting period.

The Group offsets deferred tax assets and liabilities against each other only when the Group has a legally enforceable right to offset the tax assets and liabilities based on the taxable income for the period and when the deferred tax assets and liabilities relate to the income tax levied by the same tax authority on the same entity or different entities, which either intend to offset tax assets and liabilities based on taxable income for the period or to settle them simultaneously.

Intangible assets

Intangible assets are recognised on the balance sheet only if the acquisition cost can be reliably determined and it is likely that the financial benefit derived from the asset will accrue to the Group.

Research and development expenditure

Research and development expenditure is recognised as a cost in the period during which it arises.

Research and development expenditure is only recognised on the balance sheet if an asset in progress meets the requirements of IAS 38 concerning the capitalisation of development expenditure. Development costs will be eliminated during the period of economic impact in 5–10 years. The technology acquired in connection with the acquisition of the iLOQ will be removed in 20 years. Depreciation of a commodity is recorded as soon as the product development project has been completed and the commodity resulting from the development is ready for use or sale. Other research and development expenditure is recognised as a cost. Research and development expenditure that has previously been recognised as a cost cannot be capitalised in later periods.

Research and development expenditure recognised as a cost is included in the consolidated statement of income under other operating costs.

Goodwill

On 11 December 2019, the company acquired the entire stock of iLOQ Oy and Hailuoto Development Oy. Procurements are processed according to the procurement method. The goodwill represents the amount at which the acquisition cost exceeds the fair value of the identifiable assets and liabilities of the acquired companies at the time of acquisition. Business value typically reflects the value of acquired market share, business skills and synergies. The book value of the goodwill is tested by impairment tests.

The Group assesses the book value of goodwill annually or more frequently if there are indications of a possible impairment. The cash flow present value of the acquired assets is determined by calculating the discounted present value of the forecasted cash flows. The forecasted cash flows are based on management estimates, mainly the confirmed five-year strategy. The parameters of the risk-free interest rate, the risk factor (Beta) and the risk premium used to determine the discount rate are based on market data. Any impairment loss on goodwill is immediately recognised in the income statement. The previously recognised goodwill impairment loss is not refunded.

Other intangible assets

Other intangible assets are recognised on the balance sheet at acquisition cost. In subsequent periods, other intangible assets are measured at acquisition cost less recognised depreciation. The original acquisition cost includes the immediate expenses due to the acquisition of the asset.

Other tangible assets with a finite useful life are depreciated on a straight-line basis over the estimated useful life of the asset. Changes to the useful life of an asset, the method of depreciation, and the residual value are treated as changes in an accounting estimate.

The accounting procedure of cloud service arrangements depends on whether the cloud service-based software is a service contract or an intangible asset. The user right payments related to cloud service-based software are recognised in other expenditures only if it is a service contract, and it will be activated as an intangible asset only if the company has control of the software. If the configuration and tailoring services related to cloud service arrangements are performed by the cloud service provider and are inseparable from the cloud service, the configuration and tailoring expenditure is recognised in the same way as the cloud service user right payments. As regards configuration and tailoring expenditure that is separable from the cloud service arrangements, an examination will be conducted to determine whether the company has control over the configuration and tailoring arrangements, and whether they thus form intangible assets for the company. If the configuration and tailoring expenditures separable from the cloud service form an intangible asset, the expenditure will be activated in the balance sheet. If not, the configuration and tailoring expenditure will be recognised as other expenses when the company receives the services.

The estimated useful lives of assets are as follows:

- Technology 5-20 years
- Intangible rights: 5–10 years
- Other intangible assets: 5–10 years
- Brand 15 years
- Customer relations 15 years

The useful lives of assets and methods of depreciation are examined at the end of each reporting period and adjusted if necessary.

Gains on disposals of intangible assets are recognised on the statement of income under other operating income and losses are recognised under other operating costs.

Property, plant and equipment

Property, plant and equipment are recognised on the balance sheet only when it is likely that the Group will enjoy future financial benefits derived from the asset and the acquisition cost can be reliably determined.

Property, plant and equipment are measured at acquisition cost less depreciation and impairment. Acquisition cost includes the costs directly incurred in acquiring the property, plant and equipment.

Property, plant and equipment are depreciated on a straight-line basis over the estimated service life of each asset.

The methods of depreciation used and the estimated useful lives of assets are as follows:

- Machinery and equipment: five (5) years
- Furnishings and other moveable property: five (5) years
- Other tangible assets: five (5) years

The useful lives and methods of depreciation are evaluated at the end of each reporting period and adjusted if necessary to reflect changes in the expected economic benefit.

Property, plant and equipment are derecognised from the balance sheet when they are disposed of or when no future financial benefits can be expected from the use or disposal of the asset. Gains and losses on disposals of property, plant and equipment are recognised through profit or loss and presented under other operating income or costs.

Leases – the Group as the lessee

An evaluation is made at the start of a lease agreement as to whether the agreement is a lease agreement or whether it includes a lease agreement. A lease agreement is an agreement or part of an agreement that grants the right to use an asset for a specific period of time against compensation. At the time the agreement enters into force, the Group separates the lease agreement and the non-lease component.

At the time the agreement enters into force, the Lessee recognises the lease agreement on the balance sheet as a right-of-use asset and a corresponding lease agreement liability. The right-of-use asset is originally valued at acquisition cost. This corresponds to the original amount of the lease agreement liability adjusted by lease payments made in advance, lease incentives, direct expenses at the initial phase, as well as by the estimated expenses that the lessee incurs as a result of reverting the asset to the conditions required under the terms and conditions of the lease agreement.
The use right asset is derecognised during the term of the lease.

The lease liability is recognised at originally the unpaid lease payments at the time the agreement enters into force discounted by the internal interest of the lease agreement, or if this cannot be determined, by the interest rate of the lessee's additional interest. When determining the lease agreement-specific discount interest rate, the criteria used are asset class, geographical location, currency, maturity of risk-free interest, as well as the lessee's credit risk premium.

The lease agreement liabilities are measured at amortised cost using the effective interest method. The lease payments included in lease liabilities are fixed or variable payments that depend on an index or an interest rate. Options relating to continuation periods are included in the term of the lease if it is relatively certain that they will be exercised. The lease agreements in force until further notice are included for the period during which in the management's estimation it is relatively certain that the agreement will not be terminated.

The Group applies two exemptions allowed by the Standard, i.e., lease agreements with lease terms not exceeding 12 months, or lease agreements with minor value, are not recognised on the balance sheet. These agreements are recognised as expenses in the statement of income over the term of the lease.

Inventories

Inventories are measured in accordance with the average price principle at either the determined acquisition cost or the net realisation value, whichever is lower. The net realisation value is the estimated sale price that could be received under normal business operations.

The acquisition cost includes the direct costs of acquiring the asset incurred by transferring the inventory to the location and state that it was in when reviewed.

Financial assets and liabilities

Recognition and classification of financial assets and liabilities

Financial assets

Pursuant to IFRS 9, the Group's financial assets are classified into the following categories:

- Amortised cost, and
- Assets measured at fair value through profit or loss.

Classification is performed on the basis of the goal of the business model and the contractual cash flows of investments, or by applying the fair value alternative in conjunction with the original acquisition.

Transaction costs are included in the original carrying value of financial assets for items that are not measured at fair value through profit or loss. All purchases and sales of financial assets are recognised on the transaction date.

The Financial assets carried at amortised cost group is for trade receivables, loan receivables, and other receivables that are not included in derivative assets. The assets classified in this group are measured at amortised cost using the effective interest method. The carrying value of trade and other current receivables is assumed to be the same as the fair value. For expected credit losses, the Group recognises a deduction item from the asset item belonging to financial assets, and this is measured at amortised cost.

For trade receivables, the Group estimates its expected credit losses using the simplified approach permitted by IFRS 9, whereby credit losses are recognised in an amount corresponding to the expected credit losses throughout the entire period of validity. The credit losses that are recognised are based on historical information about the failure to pay receivables.

The category of financial assets recognised at fair value through profit or loss includes financial asset items that were acquired to be held for trading or that are classified as assets recognised at fair value through profit or loss when they were originally recognised. Financial assets held for trading were primarily acquired with a view to profiting over the short or long term, and they are presented under either current or non-current financial assets.

Financial liabilities

Pursuant to IFRS 9, the Group's financial liabilities are classified into the following categories:

- Amortised cost, and
- Assets measured at fair value through profit or loss

At the end of the reporting period, the Group had no financial liabilities measured at fair value through profit or loss.

Financial liabilities measured at amortised cost are initially recognised at fair value. Transaction costs are included in the original carrying value of the financial liabilities. Subsequently, all financial liabilities, with the exception of derivative liabilities, are measured at amortised cost using the effective interest method. Items measured at amortised cost can include current and non-current liabilities, accounts payable, and other liabilities. Loans maturing in under 12 months are presented under current liabilities.

Impairments and impairment testing

Assets not belonging to financial assets

On the final day of each reporting period, the Group assesses whether there is any indication that the value of an asset item not belonging to financial assets has decreased. If such an indication is found, the recoverable amount of cash for the asset in question is estimated.

Annual impairment testing is conducted on research and development projects in progress. In addition, the company monitors internal and external indications of asset impairment. If any internal or external indications are found, the company conducts an impairment test by estimating the recoverable amount of an asset item.

The recoverable amount of a non-current asset is the asset's fair value less sales costs or its value in use, whichever is greater. The value in use is determined by discounting the estimated future cash flows generated by the asset.

An impairment loss is recognised through profit or loss when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are reversed if the estimates used to determine the recoverable amount from the asset have changed. However, impairment losses are not reversed by more than the carrying value that the asset would have had without the recognition of the impairment loss. The impairment loss recognised in goodwill is not reversed.

Provisions and contingent liabilities

Provisions are recognised when the Group has, due to a past event, a legal or constructive obligation and it is probable that resources providing a financial benefit will need to be transferred out of the company in the future to settle the obligation and when the amount of the obligation can be reliably estimated.

If the time value of money has a substantial effect, the amount of the provision is the present value of the expenses that are expected to be required to fulfil the obligation.

A provision is recognised for future warranty obligations based on the warranty costs that have previously been realised.

The amount of provisions is evaluated on every balance sheet date and the amount is adjusted to represent the best estimate at the time of review. Changes in provisions are entered into the statement of income under other operating expenses.

Contingent liabilities are potential obligations arising due to prior events, and the existence of these obligations can only be confirmed upon the realisation of an uncertain event that is beyond the control of the Group. Contingent obligations also include existing obligations that are not likely to require the fulfilment of a payment obligation or that are of a magnitude that cannot be reliably determined. Contingent liabilities are presented in the notes to the financial statements.

Public grants

Public grants are recognised when it is reasonably certain that they will be received and that the Group meets the conditions for receiving a grant.

Public grants related to costs are recognised systematically through profit or loss in the periods when the entity recognises a cost item for expenditure that is covered by the intended purpose of the grant.

Public grants related to acquisitions of property, plant and equipment are recognised as deductions in the asset's acquisition cost and they are capitalised in the form of lower depreciation charges over the asset's service life. The Group has not received any public grants during the reporting period.

Equity

The Group classifies financial instruments under equity when the instruments are issued by the Group and do not include a contractual obligation to transfer cash or cash equivalents to another entity or to exchange financial assets or liabilities with another entity in the event of circumstances that are unfavourable to the issuer, and when the instruments indicate an entitlement to a share of the Group's assets after all of its liabilities have been deducted. The share capital consists of ordinary shares. If the Group buys back its equity instruments, the acquisition cost is deducted from equity.

New and updated standards and interpretations for application at a later date

The Group will adopt the new and updated standards and interpretations published by IASB as of the effective date of each standard and interpretation or, if the effective date is other than the first day of the financial period, as of the beginning of the financial period following the effective date.

The following amended standards that enter into force at the start of 2020 are not expected to affect the consolidated financial statements.

Note 4 Revenue and segment reporting

Segment reporting

The Capnor Weasel Bidco group is a Finnish group comprising the parent company Capnor Weasel Bidco Corporation and the iLOQ group. The business operations of Capnor Weasel Bidco Oyj consist of providing internal administration services in the Group. Industrial business is concentrated in the iLOQ Group, which offers electronic locking solutions. The iLOQ Group operates with a network business model in the manufacture and distribution of products. The iLOQ Group's products are sold through the iLOQ retail channel, which provides professional installation, service and maintenance services. The iLOQ Group's country companies are located in Sweden, Denmark, Norway, Germany, the Netherlands, France, Spain, the United Kingdom and Canada.

The Group's business operations are managed and monitored as one entirety. Country companies are sales companies whose turnover consists of commission charges from the parent companies of the iLOQ group. Based on the similarity of business operations, products, services and production process, the Group has only one operating segment. The Executive Board is the chief operative decision-maker of the iLOQ Group. The Group's Executive Board evaluates the performance of the company and the use of resources as a whole.

Composition of Group's turnover and geographical distribution is presented with the notes related to turnover. The Group has no external customers with net sales over 10% of the Group's total net sales. The Group's most significant non-current assets are located in the domicile state of the parent company.

Revenue

The revenue of Capnor Weasel Bidco consists of digital locking and access management systems. The Group's products consist of supplied locks, software, as well as lock operation and maintenance services. Provided locking systems are capitalised at the moment of delivery, but the operation and maintenance services are capitalised over time. Group customers are locking product resellers and partners, and there is one direct customer of an infrastructure segment.

Revenue is recognised when control over the goods or the service is transferred to the customer. Lock deliveries are capitalised when control is transferred on the basis of the delivery of the products, when the risks and benefits have been transferred to retailers. Product delivery mainly complies with ExWorks Incoterms delivery terms, and in some cases Delivered Duty Paid delivery terms. Operation and maintenance services are capitalised over time, because the end customer receives the benefit of the service when it has been provided.

Sales contracts are made with the regular payment terms. A yearly discount can be granted to customers for products sold. Revenue recognition principles are presented in note 3 *Accounting policies for the consolidated financial statements*. Warranty clauses related to the products sold are presented in note 24 *Provisions.*

The Group's revenue by geographical area is presented below.

EUR thousand	**2021**		**2020**
Finland	44 859	44 %	36 094
Other Northern Europe	34 218	33 %	23 218
Other world	23 844	23 %	14 813
Total	**102 921**	**100 %**	**74 125**

The classification of revenue according to the timing of product deliveries and service production is presented below.

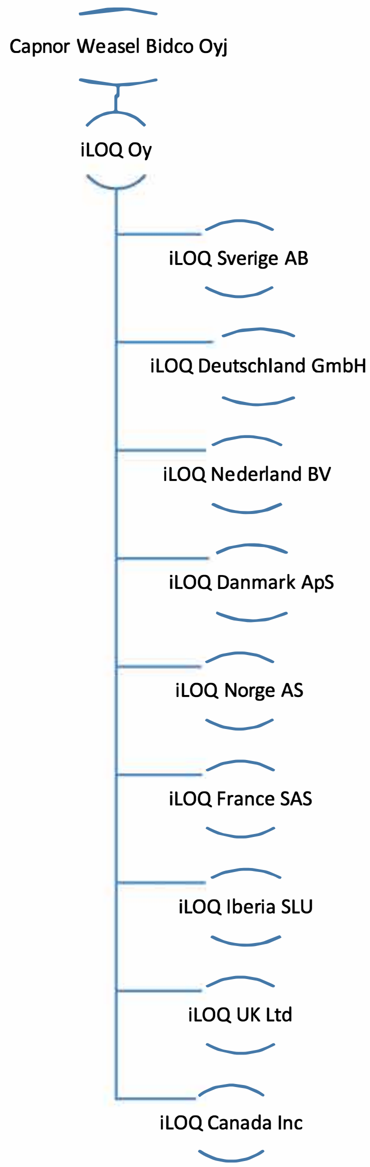
EUR thousand	**2020**		**2020**
Revenue is recognised at a point in time	101 250	98 %	73 102
Revenue is recognised over time	1 671	2 %	1 023
Total	**102 921**	**100 %**	**74 125**

Credit losses recognised during the financial year and a description of the trade receivables are presented in Note 15.

The amount of debt recognised over time in customer contracts is presented in Note 20 in line "Advances received for operation and maintenance contracts".

Note 5 **Group structure and business combinations**

The group structure of the Capnor Weasel Bidco group is described below:



Subsidiaries included in the consolidated financial statements:

Name of the subsidiary:		Domicile	Shareholding %
iLOQ Oy		Finland	**100**
	iLOQ Sverige AB	Sweden	100
	iLOQ Deutschland GmbH	Germany	100
	iLOQ Nederland BV	Netherlands	100
	iLOQ Denmark ApS	Denmark	100
	iLOQ Norge AS	Norway	100
	iLOQ France SAS	France	100
	iLOQ Iberia SLU	Spain	100
	iLOQ UK Ltd	UK	100
	iLOQ Canada Inc	Canada	100

The Group did not have any business acquisitions or sold business operations in 2021. The Group merged its subsidiary Hailuoto Development Oy into iLOQ Oy during 2020. In 2021, the Group merged Axtuator Oy under their control with iLOQ Oy. There were no changes in the shareholding of the subsidiaries in 2021.

The Group also owns subsidiaries iLOQ USA Inc and iLOQ Singapore Pte Ltd. They do not have any operations.

Note 6 Materials and services

EUR thousand	2021	2020
Purchases of materials and services	50 528	33 036
Change in inventories	-9 557	-1 774
Warranties	749	995
External services	2 738	1 531
Total	**44 459**	**33 789**

Note 7 Employee benefit expenses

EUR thousand	2021	2020
Salaries and wages	18 062	12 680
Pension costs – defined-contribution schemes	2 328	1 611
Other personnel expenses	1 681	1 182
Total	**22 072**	**15 474**

	2021	2020
Average number of employees for the financial year:	212	169
Number of employees at the end financial year:	225	198

In both tables, part-time employees have been converted into full-time employees.

Information concerning key management's employment benefits is presented in note 24 *Related party transactions*.

Note 8 Depreciation and amortisation

Depreciation, amortisation and impairment by asset category

Depreciation by asset category

Intangible assets

EUR thousand	2021	2020
Intangible rights	917	902
Development expenses and other intangible assets	5 193	4 962
Total	**6 111**	**5 864**

Property, plant and equipment

EUR thousand		
Machinery and equipment	831	616
Other property, plant and equipment	45	37
Use right assets	1 220	1 029
Total	**2 097**	**1 681**
Total depreciation and impairment	**8 207**	**7 545**

Note 9 Other expenses

EUR thousand	2021	2020
Expenses relating to office premises and vehicles	1 153	823
Computer and program expenses	1 843	1 334
Machinery and equipment expenses	468	371
Sales and marketing expenses	4 195	3 327
Research and development expenses	1 371	2 274
Administrative expenses	2 742	2 628
Other expenses	2 030	1 471
Total	**13 802**	**12 228**

The Group applies exemptions allowed by the Standard IFRS16, i.e., lease agreements with lease terms not exceeding 12 months, or lease agreements with minor value, are not recognised on the balance sheet. In 2021, expenses related to office premises and vehicles include short-term (less than 12 months) lease expenses in the amount of EUR 191 thousand euros (EUR 76 thousand in 2020) and EUR 5 thousand (EUR 5 thousand in 2020) of minor lease expenses. Computer and program expenses include EUR 20 thousand (EUR 21 thousand in 2020) of minor lease expenses in the financial year 2021.

Auditor's fees

EUR thousand	2021	2020
Audit	107	98
Tax services	40	17
Other services	4	0
Total	**151**	**115**

Note 10 Financial income and expenses

Recognised through profit or loss

Finance income

EUR thousand	2021	2020
Other finance income	73	133
Total	**73**	**133**

Finance expenses

EUR thousand	2020	2020
Interest expenses on lease liabilities	-58	-47
Other interest expenses	-3 236	-3 416
Other finance expenses	-653	-604
Total	**-3 947**	**-4 067**
Net financial expenses	**-3 874**	**-3 934**

The amount of lease liabilities is presented in Note 18 and the maturity in Note 22.

Note 11 Income taxes

Current tax for the reporting year

EUR thousand	2021	2020
Current tax for the reporting year	2 855	1 843
Current tax adjustments for prior years	0	-4
Change in deferred taxes	-840	-1 202
Total	**2 014**	**637**

Reconciliation between income tax expense in profit or loss and tax expense calculated by the Finnish tax rate

EUR thousand	2021	2020
Profit before tax	**10 507**	**1 155**
Tax calculated using Finnish tax rate (20%)	-2 102	-231
Derogating tax rates of foreign subsidiaries	-3	0
Unrecognised deferred tax assets on tax losses	197	-5
Unrecognised deferred tax	0	-34
Non-deductible expenses	-156	-195
Current tax adjustments for prior years	0	4
Postponed amortisation in taxation and other differences	50	-175
Income taxes in the statement of comprehensive income	**-2 014**	**-637**

Taxes are not recognised in other comprehensive income.

Change in deferred tax

2021

EUR thousand	**1 January 2021**	**Business acquisitions**	**Recognised in profit or loss**	**Recognised in equity**	**31 December 2021**
Deferred tax assets					
Postponed amortisation in taxation	31	0	-19	0	**12**
Tax losses carried forward	145	0	-55	0	**90**
Expected credit losses	0	0	19		**19**
Provisions	297	0	66	0	**364**
Leases	4	0	4	0	**8**
Total	**478**	**0**	**15**	**0**	**494**

2020

EUR thousand	**1 January 2020**	**Business acquisitions**	**Recognised in profit or loss**	**Recognised in equity**	**31 December 2020**
Deferred tax assets					
Postponed amortisation in taxation	55	0	-24	0	**31**
Tax losses carried forward	178	0	-33	0	**145**
Provisions	155	0	142	0	**297**
Leases	4	0	0	0	**4**
Total	**392**	**0**	**85**	**0**	**478**

On 31 December 2021 the confirmed losses of the Group amounted to EUR 172 thousand (EUR 206 thousand on 31 December 2020), on which no deferred tax assets have been recognised because the Group unlikely generates taxable income against which the losses could be utilised before expiring. The losses will expire in the year 2023. In addition, Capnor Weasel Bidco Oyj has confirmed losses of EUR 952 thousand, for which deferred tax assets are not recognised.

2021

EUR thousand	**1 January 2021**	**Business acquisitions**	**Recognised in profit or loss**	**Recognised in equity**	**31 December 2021**
Deferred tax liabilities					
Valuation of intangible assets and exchange					
assets at fair value	18 587	0	-788	0	**17 798**
Other temporary differences	157	0	-36	0	**120**
Total	**18 742**	**0**	**-825**	**0**	**17 918**

2020

EUR thousand	**1 January 2020**	**Business acquisitions**	**Recognised in profit or loss**	**Recognised in equity**	**31 December 2020**
Deferred tax liabilities					
Valuation of intangible assets and exchange					
assets at fair value	19 669	0	-1 082	0	**18 587**
Other temporary differences			-34	191	**157**
Total	**19 669**	**0**	**-1 117**	**191**	**18 742**

Note 12 Intangible assets

Intangible assets 2021

EUR thousand	Technology	Intangible assets	Brand	Goodwill	Other intangible assets	Customer relations	Unfinished intangible assets	Total
Acquisition cost on 1 January 2021	79 698	210	12 865	91 672	850	12 142	3 103	200 540
Additions	268	112	0	0	22	0	4 004	4 406
Merger	366	0	0	0	0	0	0	366
Transfers	91	0	0	0	1 003	0	-1 094	0
Acquisition cost on 31 December 2021	**80 423**	**322**	**12 865**	**91 672**	**1 875**	**12 142**	**6 013**	**205 312**
Accumulated depreciation and impairment on 1 January 2021	4 251	46	906	0	162	854	0	6 219
Depreciation for the financial year	4 079	59	858	0	302	809	0	6 111
Impairments	0	0	0	0	0	0	0	0
Accumulated depreciation and impairment on 31 December 2021	**8 330**	**105**	**1 764**	**0**	**464**	**1 663**	**0**	**12 327**
Book value on 1 January 2021	**75 447**	**164**	**11 959**	**91 672**	**688**	**11 288**	**3 103**	**194 321**
Book value on 31 December 2021	**72 094**	**216**	**11 101**	**91 672**	**1 411**	**10 479**	**6 013**	**192 986**

Intangible assets 2020

EUR thousand	Technology	Intangible assets	Brand	Goodwill	Other intangible assets	Customer relations	Unfinished intangible assets	Total
Acquisition cost on 1 January 2020	77 472	148	12 865	91 672	209	12 142	2 361	196 869
Error correction	-65	0	0	0	0	0	0	-65
Additions	2 834	62	0	0	641	0	200	3 737
Transfers	-542	0	0	0	0	0	542	0
Acquisition cost on 31 December 2020	**79 698**	**210**	**12 865**	**91 672**	**850**	**12 142**	**3 103**	**200 540**
Accumulated depreciation and impairment on 1 January 2020	220	2	48	0	39	45	0	354
Depreciation for the financial year	4 031	44	858	0	123	809	0	5 865
Impairments	0	0	0	0	0	0	0	0
Accumulated depreciation and impairment on 31 December 2020	**4 251**	**46**	**906**	**0**	**162**	**854**	**0**	**6 219**
Book value on 1 January 2020	**77 252**	**146**	**12 817**	**91 672**	**170**	**12 097**	**2 361**	**196 515**
Book value on 31 December 2020	**75 447**	**164**	**11 959**	**91 672**	**688**	**11 288**	**3 103**	**194 321**

Group's intangible rights consist of patents and licenses related to IT programs.

The Group has invested in the development of new products and the further development of the features and manufacturing processes of existing products. The carrying amount of unfinished product development expenditure was EUR 5,527 thousand at the end of 2021 (EUR 2,681 at the end of 2020). In 2021, an addition of EUR 3,025 thousand of product development expenditures was recognised on the balance sheet

(EUR 2,995 thousand in 2020). Unfinished intangible assets include advance payments related to the development of systems, a total of EUR 489 thousand for the financial year 2021 (EUR 641 thousand in total in 2020).

Impairment testing for unfinished product development expenditures

The Group has carried out impairment testing for unfinished product development expenditures at 31 December 2021 and 31 December 2020. The test is a comparison between the carrying amount of the development cost and the recoverable amount, which is defined as the present value of the future cash flows expected to be generated from the asset. Based on the impairment test, the Group's management did not recognise any indication for a recognition of an impairment loss.

Impairment testing

The Group assesses the book value of goodwill annually or more frequently if there are indications of a possible impairment. Impairment testing has tested business value created in iLOQ Group acquisitions and other assets transferred to the company or a so-called carrying amount, that was, at the time of testing on 30 September 2021, EUR 214,092 thousand in total (204,861). The cash flow present value of the acquired assets is determined by calculating the discounted present value of the forecast cash flows. The use value calculation based on future cash flow estimates used in impairment testing is based on the iLOQ Group strategy approved by the Group's management. The cash flow estimates used are based on the next five years' financial plans for the iLOQ Group. The business growth assumptions used in the cash flow estimates and the assumptions for price and cost development are based on the company's management estimates of demand and market developments compared with external information sources. In the context of impairment testing, cash flows in later years or the so-called residual year have been carefully estimated at 1.7% growth assumption. The parameters of the risk-free interest rate, the risk factor (Beta) and the risk premium used to determine the discount rate are based on market data. The recoverable amount has been validated by comparing the result of the comparison with the market value obtained by the valuation factors of the listed comparison companies. On the basis of impairment testing, no impairment losses were recorded in the profit and loss account. A sensitivity analysis was carried out in connection with the impairment testing, in which the predicted gross margin level was reduced by 1–4.5 percentage points and the discount rates increased by 1–3 percentage points. On the basis of the sensitivity analysis, the management has estimated that any possible change in any of the key variables used in the calculations would not result in an impairment loss being recognised. The recoverable amount resulting from impairment testing was 2 times higher than the book value of the corresponding assets. The discount rate used to determine the recoverable amount of money (Pre-tax WACC) was 11.5% (11.6%).

Note 13 Property, plant and equipment

EUR thousand	Owned property, plant and equipment in 2021			Use right assets in 2021		
	Machinery and equipment	Work in progress	Other tangible assets	Cars	Premises	Total
Acquisition cost on 1 January 2021	3 052	286	143	1 527	1 288	6 296
Additions	473	970	52	342	724	2 561
Reductions	0	0	0	0	0	0
Transfer between items	669	-670	0	0	0	0
Acquisition cost on 31 December 2021	**4 194**	**586**	**195**	**1 869**	**2 012**	**8 857**
Accumulated depreciation and impairment on 1 January 2021	651	0	39	513	575	1 778
Depreciation for the financial year	831	0	46	528	692	2 097
Impairments	0	0	0	0	0	0
Accumulated depreciation and impairment on 31 December 2021	**1 482**	**0**	**85**	**1 041**	**1 267**	**3 875**
Book value on 1 January 2021	**2 401**	**287**	**104**	**1 014**	**713**	**4 519**
Book value on 31 December 2021	**2 712**	**586**	**110**	**828**	**745**	**4 982**

At the end of the financial year 2021, the amount of work in progress, EUR 586 thousand (EUR 287 thousand at the end of 2020), mainly consist of advance payments for the production equipment of the new locks. Expenditures related to short-term leases of low value (lease period of maximum 12 months) are presented in Note 9. Information about lease contract debts related to right-of-use assets is presented in Notes 18 and 22, and recognised interests of lease contract debts in Note 10.

EUR thousand	Owned property, plant and equipment in 2020			Use right assets in 2020		
	Machinery and equipment	Work in progress	Other tangible assets	Cars	Premises	Total
Acquisition cost on 1 January 2020	1 613	553	105	835	943	4 049
Additions	1 439	736	38	692	345	3 250
Reductions	0	-1 002	0	0	0	-1 002
Acquisition cost on 31 December 2020	**3 052**	**286**	**143**	**1 527**	**1 288**	**6 296**
Accumulated depreciation and impairment on 1 January 2020	36	0	1	26	32	96
Depreciation for the financial year	615	0	38	487	542	1 682
Impairments	0	0	0	0	0	0
Accumulated depreciation and impairment on 31 December 2020	**651**	**0**	**39**	**513**	**575**	**1 778**
Book value on 1 January 2020	**1 577**	**554**	**104**	**809**	**911**	**3 954**
Book value on 31 December 2020	**2 401**	**287**	**104**	**1 014**	**713**	**4 519**

Note 14 Inventories

EUR thousand	2021	2020
Products	19 237	9 766
Products in transit	566	480
Total	**19 804**	**10 246**

Inventory consist of products i.e. materials related to locking products.

In spring 2020, the company's Board of Directors decided to raise stock levels above normal in order to mitigate possible supply chain disturbances caused by COVID-19. The stock levels were therefore also higher than normal at the end of the financial year 2021, which had a negative impact on the company's working capital and cash flow.

Note 15 Trade and other receivables

Current receivables

EUR thousand	2021	2020
Current receivables from others		
Trade receivables	14 979	11 471
Other receivables	255	225
Accrued income	1537	422
Total	**16 770**	**12 119**

The carrying amount of trade receivables and other receivables is a reasonable estimate of their fair value.

Age distribution of trade receivables

EUR thousand		2021	Expected credit losses %	2020	Expected credit losses %
Not past due		13 473	0,00 %	9 820	0,00 %
Past due					
	Less than one month	1 059	0,00 %	1 188	0,00 %
	One to three months	239	0,00 %	304	0,00 %
	More than three months	207	45,00 %	159	0,00 %
	Total past due	1 505		1 651	
Total		**14 979**		**11 471**	

Expected credit losses

The Group measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses (ECL). In the financial year 2021, the Group has recognised expected credit losses. Based on history details of actual credit losses and the Group's experiential estimate calculation, the expected credit losses are EUR 94 thousand in the financial year 2021 (EUR 0 in 2020). The calculation of expected credit losses is described in Note 22.

The carrying amount of trade receivables represent the maximum credit exposure on the reporting date. The Group also holds credit insurance provided by Euler Hermes to cover potential credit losses of trade receivables from customers. The Group considers the need for credit insurance coverage on a customer-specific basis and insures the receivables from customers based on this estimate. The insurance can also take into account the increased credit risk resulting from the COVID 19 pandemic on a case-by-case basis, though the impact of the COVID-19 pandemic on business has not been significant in general. Actua sales credit losses of the iLOQ Group have historically been very low.

Group's financial risk management and credit risk presented in Note 22.

Note 16 Cash and cash equivalents

EUR thousand	2021	2020
Cash and cash equivalents	7 536	8 013
Cash on the balance sheet	**7 536**	**8 013**

At the end of financial year the Group has a withdrawable credit facility amounting to EUR 15 million.
At the end of financial year on 31 December 2021, the limit is not in use.

Note 17 Notes relating to equity

Share capital

The share capital is EUR 80,000.

There is one set of shares. The shares have no nominal value. All shares have the same right to dividend and company assets.

The following table specifies changes in the numbers of shares and corresponding changes in Group's equity. The number of shares is presented as pieces and the total sums of invested non-restricted equity are presented in thousands of euros.

2021	Number of shares	Total shares	Share capital	Invested unrestricted equity fund
1 January	100	100	0	142 980
Merger of the company under same authority	0	0	0	260
31 December	**100**	**100**	**0**	**143 240**

2020	Number of shares	Total shares	Share capital	Invested unrestricted equity fund
1 January	100	100	0	142 778
Unmatched investment				282
Fund increase	0	0	0	-80
31 December	**100**	**100**	**0**	**142 980**

Dividends

The parent company's profit for the financial year is EUR 834,871.69 recognised in the retained earnings account. The parent company's distributable funds per 31 December 2021 amount to a total of EUR 140,662,973.44, of which the amount of retained earnings is EUR -2,317,247.56. The amount of distributable funds in the invested unrestricted equity fund is EUR 142,980,221.

The Board of Directors proposes to the Annual General Meeting that the profit for the financial year 2021 is transferred to the profit and loss account and that no dividends are paid out.

Invested unrestricted equity fund

Invested non-restricted equity fund includes other equity investments and the subscription price of shares, to the extent that it is not specifically decided to be recorded in share capital.

Translation differences

The reserve for translation differences comprises translation differences arising from the translation of financial statements of foreign operations. The Group's capital management is presented in note 21 *Risk management*.

Earnings per share

Undiluted earnings per share are calculated by dividing the profit attributable to owners of the parent company by the average number of outstanding shares during the financial year.

	2021	**2020**
Profit attributable to owners of the parent company (EUR 1,000)	8 493	518
Weighted average number of shares during the financial year	100	100
Earnings per share, undiluted (EUR/share)	84 933	5 181

When calculating the diluted earnings per share, the dilutive effect of all dilutive potential ordinary shares is taken into account in the weighted average number of outstanding shares. The Group's dilutive potential ordinary shares consist of share-based incentive arrangements payable in shares.

Note 18 Classification of financial assets and liabilities

Classification and fair values

The table shows the classification and book values of financial assets and financial liabilities.

Fair values of financial assets and financial liabilities are not presented in the table, as far as the book value is a reasonable estimate of the fair value. The bond is presented using a method of effective interest and other sums are presented according to book value. Financial assets and financial liabilities are classified in accordance with the IFRS 9 standard.

31 December 2021

		Book value
EUR thousand	**Note**	**Financial assets and liabilities measured at amortised cost using the effective interest rate method**
Financial assets, which are not measured at fair value		
Trade and other receivables	15	16 826
Cash and cash equivalents	16	7 536
Total		**24 362**
Financial liabilities that are not measured at fair value		
Bond	20	54 400
Account payables and other liabilities	21	18 132
Lease liabilities	21	1 612
Total		**74 144**

31 December 2020

		Book value
EUR thousand	**Note**	**Financial assets and liabilities measured at amortised cost using the effective interest rate method**
Financial assets, which are not measured at fair value		
Trade and other receivables	15	12 119
Cash and cash equivalents	16	8 013
Total		**20 132**
Financial liabilities that are not measured at fair value		
Bond	20	54 218
Account payables and other liabilities	21	13 569
Lease liabilities	21	1 749
Total		**69 536**

Fair value measurement

Fair value of financial assets and liabilities is the price that would be received for selling an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The management assessed that the fair values of cash and cash equivalents, trade receivables, other receivables, trade payables and other liabilities do not materially deviate from their fair values, due to the short-term maturities of these instruments.

Derivative financial instruments

The Group did not have derivative instruments during the financial year 2021.

Note 19 Liabilities to credit institutions

In December 2019, the Group issued a bond with a nominal value of EUR 55,000.000. The loan will be paid variable interest on Euribor three (3) months + 5.375% and the capital will be due in June 2025. The loan includes performance and indebtedness covenant terms. The covenant conditions were met during the financial year ended 31 December 2021. The loan is classified at the amortised acquisition price and the balance sheet value was EUR 54,399,757 for the financial year ending 31 December 2021.

Additional information on the Group's exposure to interest risks and credit risks are presented in note 21 *Financial risk management*. The Group's credit limits and related central covenant conditions are described in Note 24 *Contingent liabilities*.

Note 20 Account payables and other liabilities

Current liabilities to others

EUR thousand	2021	2020
Advances received for operation and maintenance contracts	889	728
Accounts payable	7 699	5 743
Other liabilities	2 482	2 359
Accrued expenses	7 063	4 740
Total	**18 132**	**13 569**

The carrying amounts of account payables and other liabilities correspond to their fair values.
Material items in accrued expenses are presented in the table below.

Main items of accrued expenses

EUR thousand		2021	2020
Accrued expenses			
	Accrual of personnel expenses	6 145	3 810
	Other	918	930
Total		**7 063**	**4 740**

Note 21 Financial risk management

The objective of the Group's risk management is to identify and analyse the risks impacting the Group, to define appropriate risk levels and controls and to monitor the realisation of risks in relation to the risk levels. The objective of financial risk management is to decrease the volatility related to profit, financial positions and cash flows, as well as secure the Group's sufficient liquidity as well as efficient and competitive financing. The Board of Directors approve the general principles of risk management. The principles and policies of risk management are reviewed regularly to reflect changes in market conditions and the Group's operations.

The main financial risks to which the group is exposed are market risk (currency and interest rate risk), liquidity risk and credit risk. The Group's management assesses the risks and acquires the necessary instruments for hedging risks. For risk management, the Group uses currency forward contracts and credit insurance for trade receivables. The Group has no financial risk concentration.

MARKET RISK

Currency risk

Currency risk refers to the uncertainty in cash flows, income or financial position caused by changes in foreign exchange rates. The Group operates internationally and is thus exposed to risks due to fluctuations in foreign exchange rates. In addition, the Group is exposed to translation risks when investments in foreign subsidiaries are converted to parent company's functional currency (Euro).

The objective of the Group's currency risk management is to manage and control uncertainty in cash flows, income and financial position caused by fluctuations in foreign exchange rates. The Group is exposed to currency risk in its business operations as, in addition to its functional currency, the Group's sales and purchases and other business transactions are carried out in the subsidiaries' local currencies and in US dollars. The most significant foreign currencies for the Group are US dollar, Swedish crown, Danish crown and Norwegian crown. During the financial period 2021, 33.8% (31.1% in 2020) of the Group's sales were currency-denominated and of purchases, including variable and fixed costs, 44.3% (43.6% in 2020).

The transaction risk exposure by currency and the Group's sensitivity to changes in the exchange rates are described in the following table.

Transaction risk exposure by currency
31 December 2021

EUR thousand	SEK	DKK	NOK	USD	GBP	CAD
Trade receivables	4 425	1 229	545	134	4	13
Cash and cash equivalents	1 047	495	239	2	132	69
Accounts payable	104	0	18	3 151	2	0
Net balance sheet exposure	5 368	1 724	766	-3 016	135	82
Net exposure	5 368	1 724	766	-3 016	135	82

Sensitivity analysis by currency
31 December 2021

EUR thousand	SEK	DKK	NOK	USD	GBP	CAD
+ 10 % movement	488	157	515	-274	12	7
-10% movement	-596	-192	459	335	-15	-9

Transaction risk exposure by currency
31 December 2020

EUR thousand	SEK	DKK	NOK	USD	GBP	CAD
Trade receivables	2 267	767	279	0	0	0
Cash and cash equivalents	597	226	104	0	1	42
Accounts payable	39	0	15	2 914	0	0
Net balance sheet exposure	2 825	993	368	-2 914	1	42
Net exposure	2 825	993	368	-2 914	1	42

Sensitivity analysis by currency
31 December 2020

EUR thousand	SEK	DKK	NOK	USD	GBP	CAD
+ 10 % movement	257	90	33	-265	0	4
-10% movement	-314	-110	-41	324	0	-5

In addition, the Group is exposed to currency risk through net investments in foreign subsidiaries (translation risk). Foreign net investments are converted into the functional currency (Euro) of the Group's parent company. The Group's risk management principle is not to hedge against foreign exchange risk through net investments in foreign subsidiaries, because the risk exposure is considered of minor importance.

INTEREST RATE RISK

The Group generates interest rate risk from the Group's variable interest rate bond. The loan has an interest rate floor, the minimum interest is 5.375%. If interest rates were to increase by one (1) percentage point, interest expenses would increase by approximately 273 thousand euros after taxes. The interest percentage and the loan amount that influence the interest rate risk have not changed as compared to the comparison year, which means that the interest rate risk is similar to the one in 2020.

CREDIT RISK

Credit risk is a risk of financial loss if a counterparty to a financial instrument fails to meet his contractual obligations. The Group's credit risk arises principally from the Group's trade receivables from customers, which is determined by the open risk position and the counterparties' credit rating. The Group has no significant credit risk concentrations related to a certain client segment, because it has a broad clientele, which is geographically spread over a wide area.

The Group' credit risk policy defines the credit rating requirements for clients and other commercial contract parties. The Group regularly reviews clients' credit ratings and monitors its clients' payment behaviour. The credit risk is reduced and managed by taking out a Euler Hermes credit insurance policy for trade receivables from customers. Credit losses on customer-specific basis is provided for with the credit insurance, and therefore the Group's financial management makes a customer-specific assessment of the need for credit insurance and insures the receivables from customers as based on this estimate. The insurance can also take into account the increased credit risk resulting from the COVID 19 pandemic on a case-by-case basis, though the impact of the COVID-19 pandemic on business has not been significant in general. The age analysis of trade receivables is provided in note 15.

In addition, the Group is exposed to credit risk through its investment of cash in financial institutions and through the use of derivative contracts. The credit risk is managed by contracting with well-established financial institutions in accordance with the Group's risk management policy.

Assessment of expected credit losses

The Group uses an allowance matrix, a simplified approach allowed by IFRS 9, to measure expected credit losses for trade receivables from customers. The loss allowance is measured at an amount equal to lifetime expected credit losses for trade receivables. In this case, the Group measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses (ECL).

The Group uses its previous credit losses and historical credit loss experience for trade receivables to estimate the lifetime expected credit losses on financial assets. In addition, the economic conditions and Group's assessment on future development are taken into account in the estimate. The Group updates its follow-up data based on historical information and future estimates at each reporting date. Expected credit losses are determined based on fixed provision rates, depending on the number of days that a trade receivable is past due. Expected credit losses are thus calculated by multiplying the gross carrying amount of trade receivables with the fixed provision rate determined for a class of trade receivables. Changes in expected credit losses are recognised in profit or loss under other operating expenses.

Expected credit losses are described in note 15.

Based on historical experience, the Group has an insignificant amount of realised credit losses. Based on the Group's assessment, the gross carrying amount of a trade receivable is written off when the management estimates that the Group has no reasonable expectation of recovering the payment. Realised credit losses are recognised in profit or loss under other operating expenses.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities. The objective of managing liquidity risk is to continuously maintain an adequate level of liquidity and ensure that it will have sufficient financing for working capital and investment costs. As stated in the Group's risk management policy, the amount of financing required for business activities and liquidity forecasts are monitored in the Group. The management has not identified liquidity risk concentrations in its financial assets or sources of finance.

The Group's management estimates that the Group's liquidity is at a good level. At the end of the financial year 2021, the Group had a bond with balance sheet value of EUR 54,400 thousand. At the end of the financial year 2021, the cash and cash equivalents of the Group totalled EUR 7,536 thousand. The Group strives to ensure the availability and flexibility of funding through an overdraft facility. The Group maintains an undrawn credit facility totalling EUR 15,000 as of 31 December 2021. The Group's credit facility contract contains a financial covenant clause related to the equity ratio that the Group has fulfilled well in the financial year 2021.

The table below presents the maturity analysis of financial liabilities and derivative instruments. The amounts disclosed in the table are the contractual undiscounted cash flows that include both expected interests and repayments.

31 December 2021

EUR thousand	2022	2023	2024	2025	2026	2027
Non-derivative financial liabilities						
Liabilities from credit institutions	2 956	2 956	2 956	56 478	0	0
Account payables and other liabilities	17 243	0	0	0	0	0
Total	20 200	2 956	2 956	56 478	0	0

31 December 2020

EUR thousand	2021	2022	2023	2024	2025	2026
Non-derivative financial liabilities						
Liabilities from credit institutions	2 956	2 956	2 956	2 956	56 478	0
Account payables and other liabilities	12 841	0	0	0	0	0
Total	15 797	2 956	2 956	2 956	56 478	0

CAPITAL MANAGEMENT

The Group's objective in capital management is to maintain optimum capital structure in order to secure normal operating conditions and to increase shareholder value in the long term. The equity is mainly influenced through dividend distribution or share issue. The Group is not subject to externally imposed capital requirements. The Group management and the Board of Directors of the parent company monitor the Group's capital structure and the development of liquidity. The objective of this monitoring is to ensure the Group's liquidity and the flexibility of capital structure to realise the growth strategy and positive development of shareholder value.

The Group monitors the development of its capital structure based on the ratio of equity to balance sheet total (equity ratio). The equity ratio was 60.9% (60.5% in 2020) at the end of reporting period 2021.

Note 22 Maturity of lease liability

EUR thousand	2021	2020
Within 12 months	975	1 032
Within one to five years	700	752
Total	**1 675**	**1 784**

The amounts in the table present the undiscounted repayments related to the lease contracts. The undiscounted amount of lease liabilities is presented in Note 18 and the interest expenses recognised from lease contract debts in Note 10.

Note 23 Provisions

EUR thousand	2021	2020
Non-current provision	807	1 026
Current provision	1 009	460
Total	**1 815**	**1 486**

The Group grants a warranty on the iLOQ products it delivers. The Group incurs costs for the repair, replacement and maintenance of locking systems, which are carried out at the Group's expense. The Group recognises a warranty provision for these warranty repairs. The warranty provision is based on previous years' experience of defective products.

EUR thousand	Warranty provision
Warranty provision on 01 January 2021	**1 486**
Increase of warranty provision during the period	1 278
Cancellation of warranty provision (over 2 years)	-460
Realised warranty costs	-489
Warranty provision on 31 December 2021	**1 815**

EUR thousand	Warranty provision
Warranty provision on 01 January 2020	**774**
Increase of warranty provision during the period	1 309
Cancellation of warranty provision (over 2 years)	-314
Realised warranty costs	-283
Warranty provision on 31 December 2020	**1 486**

Note 24 Contingent liabilities

Collaterals and contingent liabilities

EUR thousand		2021	2020
Contingent liabilities			
	Credit facility	15 000	15 000
	Standby letter of credit	0	0
	Lease guarantee	225	225
	Corporate credit card	149	32
Total		15 374	15 257

A credit facility of EUR 15,000,000 was used during the financial years 1 January 2021 to 31 December 2021 and 1 January 2020 to 31 December 2020.

EUR thousand		2021	2020
Collateral given for own commitments		155 000	155 000
Collateral given on behalf of others			
	Collateral	0	13
	Guarantee	1 021	766
Total		**156 021**	**155 780**

Covenants

Observing covenant terms of the bond, the relationship of the net debt is compared to the profit of the financial year corrected with deprecation. According to the covenant terms, the ratio must be smaller than five at the end of the accounting period of 31 December 2021. The covenant rule was clearly fulfilled in the financial year.

As regards the credit line, there is no covenant term if under 30 percent of the credit line is used at the end of the accounting period. The credit line was not in use at the end of the financial year on 31 December 2021.

Legal proceedings

The Group has not had any outstanding legal proceedings in 2021.

Note 25 Related party transactions

Related parties include the Group's parent company Capnor Weasel Midco Oy, Capnor Weasel Midco Oy's parent company, Capnor Weasel Topco Oy and its subsidiaries. The subsidiaries are listed in note 5. Moreover, members of the Board of Directors of Capnor Weasel Topco Oy, Capnor Weasel Midco Oy and Capnor Weasel Bidco Oy, as well as members of the Board of Directors of the iLOQ Group, the Managing Director and the members of the Group Management Team, in addition to the entities controlled by the above-mentioned persons and their family members are included in the related parties.

Employee benefits of the key management

Capnor Weasel Bidco Oyj has a CEO but no Group management. Decision-making related to the iLOQ Group is centralised to the Board of Capnor Weasel Topco Oy. The CEO, the Board of Capnor Weasel Topco Oy and the Group management have been paid the following salaries and payments including fringe benefits:

EUR thousand	2021	2020
Short-term employee benefits	2 281	1 655
Benefits paid after the end of employment relationship	465	343
Total	**2 746**	**1 999**

The figures presented equal to costs expensed during the financial period.

The total compensation for the Group's key management consists of salaries, non-monetary benefits and pension expenses for defined contribution plans. The members of the Group management do not have defined benefit-based pension plans.

Note 26 Subsequent events

On 12 January 2022, iLOQ HOME, a digital access control solution, was launched. It enables information about apartment key user rights and key management in a pioneering way that has not been published before within the housing sector.

Erja Sankari has been appointed Executive Vice President and Chief Operating Officer as of 1 February 2022. Erja Sankari will also become a part of the iLOQ management group and will replace Esa Myllylä, as he is retiring in 2022. Before iLOQ, Erja Sankari worked as the director of Nokia Global Supply Chain unit.

A new subsidiary in Poland was founded in the iLOQ Group in February 2022.

As the crisis in Ukraine escalates, the company has continued with actions to minimise business operation risks in the area and to move materials to Hungary. In addition, suppliers in the Far East are ready to increase capacity in order to secure deliverability.

Capnor Weasel Bidco Oyj

EUR thousand

PARENT COMPANY INCOME STATEMENT	Note	01/01/2021-31/12/2021	01/01/2020-31/12/2020
Revenue		**747**	**541**
Personnel expenses		-679	-491
Other expenses		-106	-374
Operating profit		**-39**	**-325**
Finance income		0	1
Finance expenses	1	-3 116	-3 423
Profit before extraordinary items		**-3 155**	**-3 747**
Profit before appropriations and taxes		**-3 155**	**-3 747**
Group contributions received		3 990	2 373
Profit for the financial period		**835**	**-1 374**

Capnor Weasel Bidco Oyj

EUR thousand

PARENT COMPANY BALANCE SHEET	Note	31 December 2021	31 December 2020
ASSETS			
NON-CURRENT ASSETS			
Investments	2	195 107	195 107
Non-current assets, total		**195 107**	**195 107**
CURRENT ASSETS			
Current receivables	3	845	53
Cash at bank and in hand		46	84
Total current assets		**891**	**138**
TOTAL ASSETS		**195 998**	**195 245**
EQUITY AND LIABILITIES			
EQUITY	4		
Share capital		80	80
Invested unrestricted equity fund		142 980	142 980
Retained earnings		-3 152	-1 778
Profit for the financial period		**835**	**-1 374**
Total equity		**140 743**	**139 908**
LIABILITIES	5		
Long-term liabilities			
Interest-bearing liabilities		55 000	55 000
Short-term liabilities			
Interest-free liabilities		255	337
Liabilities, total		**55 255**	**55 337**
EQUITY AND LIABILITIES, TOTAL		**195 998**	**195 245**

Capnor Weasel Bidco Oyj

EUR thousand

PARENT COMPANY CASH FLOW STATEMENT	01/01/2021-31/12/2021	01/01/2020-31/12/2020
CASH FLOW FROM OPERATING ACTIVITIES		
Profit (loss) before taxes	-3 155	-3 747
Adjustments:		
Financial income and expenses	3 116	3 422
Extraordinary income	0	0
Cash flow before change in working capital	**-39**	**-325**
Change in working capital:		
Increase (-)/decrease (+) in short-term interest-free trade receivables	30	-45
Increase (+)/decrease (-) in short-term interest-free liabilities	-75	157
Cash flow from operating activities before financial items and taxes	**-84**	**-213**
Interest paid and payments on other financial expenses	-3 123	-3 577
Interest received from operating activities	0	1
Cash flow before extraordinary items	**-3 207**	**-3 789**
Cash flow from operating activities (A)	**-3 207**	**-3 789**
CASH FLOW FROM INVESTMENT ACTIVITIES		
Investments in the subsidiary	0	-138
Cash flow from investment activities (B)	**0**	**-138**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from short-term liabilities	0	10 000
Payments of short-term liabilities	0	-10 000
Group contributions received	3 169	2 373
Cash flow from financing activities (C)	**3 169**	**2 373**
CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	**-38**	**-1 555**
Cash and cash equivalents on 1 January	**84**	**1 640**
Cash and cash equivalents on 31 December	**46**	**84**

Note 1 Accounting principles for the financial statements of the parent company

The financial statements of Capnor Weasel Bidco Oyj have been prepared in accordance with Finnish Accounting Standards (FAS). The financial statement is presented in thousands of euros.

Notes to the income statement

The company has one employee during the financial year.

Personnel expenses	**01/01/2021-31/12/2021**	**01/01/2020-31/12/2020**
Salaries and wages	569	454
Pension costs	95	31
Other personnel expenses	15	6
Total	679	491
Average number of personnel	1	1

Financial income and expenses

Finance expenses		
Interest expenses	2 982	3 172
Other finance expenses	134	251
	3 116	3 423

Note 2 Investments

Investments	**2021**	**2020**
Holdings in Group companies		
Acquisition cost	195 107	194 969
Additions	0	325
Reductions	0	-186
Acquisition cost on 31 Dec	195 107	195 107

The increase recorded during the financial year 2020 is related to the adjustment of the acquisition cost calculation prepared in 2019 by expert costs related to procurement implemented in 2020 and the VAT refund related to the procurement.

Note 3 Long-term and short-term receivables

	2021	2020
Current receivables		
Short-term receivables from other companies		
Accrued income	0	3
Total	0	3
Short-term receivables from Group companies		
Trade receivables	24	50
Group accrued income	821	0
Total	845	50
Short-term receivables, total	845	53

Note 4 Equity and calculation of distributable equity

EQUITY	2021	2020
Restricted equity		
Share capital on 1 Jan	80	0
Change	0	80
Share capital on 31 Dec	80	80
Restricted equity, total	80	80
Invested unrestricted equity fund on 1 Jan	142 980	142 778
Issue of shares	0	0
Unmatched investment	0	282
Transfers	0	-80
Invested unrestricted equity fund on 31 Dec	142 980	142 980
Retained earnings on 1 Jan	-3 152	-1 778
Retained earnings on 31 Dec	-3 152	-1 778
Profit for the financial period	835	-1 374
Total unrestricted equity	140 663	139 828
Total equity	140 743	139 908

Calculation of distributable equity	**2021**	**2020**
Retained earnings	-3 152	-1 778
Profit for the financial period	835	-1 374
Invested unrestricted equity fund	142 980	142 980
Total	140 663	139 828

Share capital

The company has a share capital of EUR 80,000, paid in full. The number of shares is 100.

Note 5 Liabilities

Long-term liabilities	2021	2020
Interest-bearing liabilities		
Bond	55 000	55 000
Total non-current interest-bearing liabilities	55 000	55 000

Capnor Weasel Bidco Oyj issued in December 2019 EUR 55 million bond.
The loan is secured. The loan is paid coupon interest of 3 months Euribor plus 5.375 percentage points and the loan is due on 12 June 2025. The bond can be redeemed before maturity.

Short-term liabilities	2021	2020
Short-term interest-free liabilities to other companies		
Accounts payable	19	2
Accrued expenses		
Interest expenses	133	140
Other	103	116
Tax liabilities based on taxable income for the financial year	0	0
Total	255	257
Short-term liabilities to Group companies		
Accounts payable	0	0
Other liabilities	0	80
Total	0	80
Short-term interest-free liabilities, total	255	337

Note 6 Liabilities and collateral

The company has a credit agreement of EUR 10,000,000, which has not been used during the financial year 2021.

The company has company mortgages worth EUR 150,000,000. The company has given a EUR 5,000,000 guarantee for iLOQ Oy credit line. In addition, the company has given 100 pcs of its own shares to iLOQ Oy as security, and the company has a security of 1,179,276 pcs of iLOQ Oy's shares.

Note 7 Related party transactions

During the financial year of 2021, Capnor Weasel Bidco Oyj received a group grant from its subsidiary iLOQ Oy worth EUR 3,990,000 (EUR 2,372,700 in 2020). In addition, during the financial year of 2021, Capnor Weasel Bidco Oyj invoiced administrative services from its subsidiary iLOQ Oy worth EUR 747,000 (EUR 540,681 in 2020).

Capnor Weasel Bidco Oyj

BOARD OF DIRECTORS SIGNATURES

Oulu 10 March 2022

Karl Petersson
Member of the Board

STATEMENT OF ACCOUNTS

An audit report on the audit carried out has been submitted today.

KPMG Oy Ab

Oulu 2022

Tapio Raappana
Authorised Public Accountant