Capnor Weasel Bidco Oyj

Financial Statements and Annual Report
1 January 2022 - 31 December 2022

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ANNUAL REPORT OF THE BOARD OF DIRECTORS 2022

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 internationalising Finnish technology company that transforms mechanical locking into digital access management.

The technological solutions of the company’s subsidiary iLOQ Oy enable electro-mechanical locking without batteries or cables. The company’s products are sold through iLOQ’s distribution channel, providing professional installation and maintenance services. The company has more than 1,300 resellers globally. Revenue increased steadily during the financial period 2022 in both the Nordic oval and Central European DIN lock cylinder markets. Sales of the S50 product line aimed at critical infrastructure customers were strong. The manufacture of iLOQ products is based on outsourced, flexibly scalable production, and distribution takes place from the Oulu distribution centre managed by iLOQ. In addition, the firm has a small-scale production unit in Oulu to support product development needs.

In accordance with its growth strategy, in 2022, company subsidiary iLOQ continued to strengthen its organisation to support the company’s long-term internationalisation and growth targets. The most significant investments were focused particularly on strengthening the company’s international sales and marketing as well as product development. In 2022, iLOQ strengthened its organisation to support the company’s long-term internationalisation and growth targets. In 2022, iLOQ established subsidiaries in Poland and Singapore. The iLOQ Group operates subsidiaries in Finland, Sweden, Norway, Denmark, Germany, the Netherlands, France, Spain, the United Kingdom, the United States, Canada, Poland and Singapore.

In 2019, with the publication 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 as released 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 mobile access management solution utilising NFC technology, iLOQ S50, is aimed at electricity production and distribution companies, telecommunications network services, data centres, water facilities, property maintenance services and transportation services.

In early 2022, iLOQ launched the iLOQ HOME solution for smartphones. iLOQ HOME is a revolutionary access management solution enabling residents to manage keys and access rights in a way that is entirely new in residential buildings. iLOQ HOME extends the digital iLOQ S5 access management system and the iLOQ 5 Series platform. Getting rid of the traditional lock and key and their management limitations, iLOQ HOME is designed to give residents freedom, security and flexibility to live the way they want. The iLOQ HOME solution offers several unique benefits. Residents themselves can precisely control who has keys to their apartment. This way, the security risks posed by unauthorised users are averted. Temporary access can be quickly granted to, e.g. maintenance staff in emergencies, or if one of the residents forgets or loses their key. Residents can now immediately remove the lost or stolen key themselves. Using the NFC connection of their smartphone, they can also order new keys or update keys’ access rights.

iLOQ has also concluded a global framework agreement with one of Europe’s leading residential property companies, Heimstaden. Heimstaden is one of Europe’s leading residential property companies, and their portfolio comprises ca. 150,000 apartments in 10 countries. Their goal is to create pleasant homes globally. In the coming years, the company aims to actively repair the mechanical locking systems in their properties, and to equip new buildings with the latest iLOQ 5 Series software platform, which includes the newly launched iLOQ HOME solution.

The company's subsidiary iLOQ continued to make 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 third 12-month financial year of Capnor Weasel Bidco Oyj. For the ninth consecutive year, Capnor Weasel Bidco Oyj subsidiary iLOQ achieved a strong positive result, despite dynamic growth and significant investments in internationalisation.

Capnor Weasel Bidco Oyj's revenue in financial year 2022 reached EUR 133.0 million (102.9 million in 2021). The increase in revenue was 29%, resulting from sales growth in all market areas. The management of the company believe that the company has succeeded in increasing its market share during financial year 2022, and its market share is expected to also show growth at the outset of the 2023 financial year. In financial year 2022, EBITDA totalled EUR 31.4 million (EUR 22.6 million in 2021). Also in financial year 2022, operating profit reached EUR 21.9 million (EUR 14.4 million in 2021). The growth of EBITDA and operating profit were mainly the result of growth in revenue and relative profitability.

In financial year 2022, the operative cash flow was EUR 8.6 million (EUR 7.3 million in 2021). 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 2023, the starting financial year, until global component availability improves.

FINANCIAL INDICATORS OF THE CAPNOR WEASEL BIDCO GROUP

	1 January to 31 December 2022	1 January to 31 December 2021	1 January to 31 December 2020
Financial indicators			
Revenue (1,000 €)	132,948	102,921	74,125
Operating profit (1,000 €)	21,853	14,382	5,089
Operating profit, %	16.4 %	14.0 %	6.9%
Return on equity, % (ROE)	8.9 %	5.9 %	0.4 %
Equity ratio, %	61.5 %	60.9 %	60.5 %
Other indicators			
Wages and salaries (1,000 €)	21,070	18,062	12,680
Pension expenses (1,000 €)	3,011	2,328	1,613
Other personnel expenses (1,000 €)	2,110	1,680	1,181
Total (1,000 €)	26,191	22,071	15,474
Average number of employees in the financial year	252	212	170

FINANCIAL INDICATORS (FAS) OF CAPNOR WEASEL BIDCO OYJ

	1 January to 31 December 2022	1 January to 31 December 2021	1 January to 31 December 2020
Financial indicators			
Revenue (1,000 €)	1882	747	541
Operating profit (1,000 €)	39	-39	-325
Equity ratio, %	71.6 %	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 its 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 mechanics, electronics and software of the iLOQ S50 locking system, the development of the DIN version of the iLOQ S5 access control system, and the development of the iLOQ HOME digital access management solution.

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

During the completed financial year, research and development expenditure reached EUR 6,596 thousand (4,395 thousand), and its relative proportion of the total expenditure totalled 6.4% (5.5%). The relative proportion of research and development expenditure of the total expenditure did not, during the two years presented, significantly 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:

- Code of Conduct
- principles against bribery and corruption
- information reporting and announcement policies
- principles concerning bribes
- information security and data protection policy
- environmental policy
- procurement policy and sales policy
- internal reporting channel (whistleblowing)
- 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 53.9 CO_2 kilotonnes in total in 2022 (45.52 in 2021). 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 0.0186 GWh in 2022 (0.0188 GWh in 2021).

In 2022, we started collaboration with our supply chains also outside our business operations, in order to reach our climate goals. 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 2022, 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. In September 2022, 91% (94% in 2021) 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 (84 in 2021), and the eNPS was 51 (52 in 2021). iLOQ's gender ratio was as follows: the proportion of women in the management group was 36% (11% in 2021) and 18% in the entire staff in 2022 (18% 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 aspects

The assessment of risks related to non-financial aspects, mainly the environment, social and personnel aspects, human rights, and the prevention of corruption and bribery, is continuous at iLOQ. We regularly and comprehensively assess the risks and opportunities related to all our functions and stakeholders, including ESG aspects. The two most significant identified risks in the risk analysis of non-financial aspects were the organisation’s ESG competence and our stakeholders not adhering to iLOQ’s ethical principles. The assessment of risks related to the planning and production of projects and products is integrated as part of the company’s project management. Considering our sector, the assessment of information security risks in all our operations is especially important to us.

Taxonomy reporting

On the basis of the company’s domicile, the grounds for reporting non-financial information is Swedish law, 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 2022, the company’s liquidity and financial position were good. The consolidated balance sheet total at the end of the review period was EUR 263,245 thousand and the equity ratio was 61.5 %.

FINANCIAL ARRANGEMENTS AND SPECIAL RIGHTS

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, the entire share capital of IT-Salonen Oy was acquired.

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 2022.

ASSESSMENT OF LIKELY FUTURE DEVELOPMENTS

The Company's management predicts that the revenue will grow in the current market areas also in 2023, thanks to development measures that accelerate growth. It is predicted that profitability will remain good, despite growth investments. The Company's management predicts that the global component shortage will continue at least into the first half of 2023.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL PERIOD

In January 2023, iLOQ announced the manufacture of a smart and secure access management solution in the turn handles of outdoors-use cases and telecommunications cabinets in collaboration with EMKA Group. EMKA Group is one of the global market leaders in locking systems, bolts, hinges and sealings used in switchboard and control cabinets. The solution used is iLOQ's S50 half cylinder lock, which is fully integrated in the turn handle. The lock is opened using power from an NFC-compatible smartphone, so it's a battery-free solution. The access rights to open the lock are sent to the application on the smartphone. They can be updated or revoked remotely, in real-time. This key-free solution eliminates the risks related to physical keys getting lost or stolen, provides optimal protection against weather conditions and vandalism, and ensures that only the right people get to the right places at the right time.

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 70 % 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 2023.

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. In addition, inflation in the euro area budding in 2022, combined with rising interest rates, as well as the geopolitical situation in Europe, may negatively influence the decisions of iLOQ customers, and thus may negatively influence the demand for iLOQ products in 2023. Technical failure to meet the requirements of final customers, 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 decline in 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 2020-2022, 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.

At the beginning of 2020, the Board of Directors of Capnor Weasel Bidco Oyj assessed the impact of a viral outbreak and rapidly expanded related epidemic on the Group's market environment and business operations. The measures to mitigate potential disruptions in the supply chain, decided on at that time, have continued successfully. The current geopolitical situation in Europe may negatively affect the operations of the company's contract manufacturer in Ukraine, and company management are closely monitoring the situation. The company has prepared for the security of supply risk by sourcing equivalent products from other contract manufacturers and by warehousing products manufactured in Ukraine across the border in Hungary.

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. During the financial year 2022, foreign exchange forwards were not used. The Group has no financial risk concentration. In December 2019, the Group issued a bond with a nominal value of EUR 55,000.000, maturing on 12 June 2025. The loan includes performance and indebtedness covenant terms. The covenant conditions were met during the financial year which ended 31 December 2022.

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 cover covering personal injury and property damage caused by iLOQ locks used by consumers, as well as personal injury caused by business locks.

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 and Amazon Web Services, whose information security management systems have 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 2022 was EUR 140,344,805.31, of which the loss for the financial year was EUR 318,168.13. The company's distributable assets are divided into an invested unrestricted equity fund of EUR 142,980,221.00 and earnings of EUR -2,635,415.69.

The Board of Directors proposes to the Annual General Meeting that the profit for the financial year 2022 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	I Jan - 31 Dec 2022	Jan- 31 Dec 2021
Revenue	4	**132 948**	**102 921**
Materials and services	6	-56 846	-44 459
Employee benefit expenses	7, 25	-26 191	-22 072
Depreciation and amortisation	8	-9 525	-8 207
Other expenses	9	-18 533	-13 802
Operating profit		**21 853**	**14 382**
Finance income	10	122	73
Finance expenses	10	-4 599	-3 947
Net financial expenses		**-4 478**	**-3 874**
Profit (loss) before taxes		**17 376**	**10 507**
Income taxes	11	-3 648	-2 014
Profit (loss) for the financial year		**13 728**	**8 493**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Translation differences		12	-19
Other comprehensive income (-loss), net of tax		12	-19
Total comprehensive income		**13 740**	**8 474**

Total comprehensive income is distributed to parent company shareholders in full.

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

Undiluted earnings per share (EUR)		137 280	84 933
Dilution adjusted earnings per share (EUR)	17	137 280	84 933

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	Note	December 2022	December 2021
ASSETS			
Non-current assets			
Intangible assets	12	102 774	101 313
Business value	5,12	92 412	91 672
Property, plant and equipment	13	7 334	4 983
Deferred tax assets	11	447	494
Total non-current assets		**202 967**	**198 461**
Current assets			
Inventories	14	26 117	19 804
Trade and other receivables	15	30 022	16 770
Current tax receivables for the financial year	11	51	55
Cash and cash equivalents	16	4 087	7 536
Total current assets		**60 277**	**44 165**
Total assets		**263 245**	**242 626**
EQUITY			
Share capital	17	80	80
Invested unrestricted equity fund	17	143 240	143 240
Translation differences	17	7	-5
Retained earnings	17	17 658	3 949
Total equity		**160 986**	**147 265**
LIABILITIES			
Non-current liabilities			
Financial liabilities	19	54 899	54 400
Non-current lease liabilities	22	1 499	680
Non-current provisions	23	574	807
Deferred tax liabilities	11	17 246	17 919
Total non-current liabilities		**74 219**	**73 805**
Current liabilities			
Account payables and other liabilities	20	24 185	18 132
Current lease liabilities	22	1 559	933
Current provisions	23	704	1 009
Tax liabilities based on taxable income for the financial year	11	1 593	1 484
Total current liabilities		**28 040**	**21 557**
Total liabilities		**102 259**	**95 362**
Total equity and liabilities		**263 245**	**242 626**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	Note	Jan - 31 Dec 2022	Jan - 31 Dec 2021
Cash flows from operating activities			
Profit (loss) for the financial year		13 728	8 493
Adjustments:			
Depreciation and amortisation	8	9 525	8 207
Unrealised exchange gains and losses		38	9
Finance income	10	-122	-73
Finance expenses	10	4 599	3 947
Taxes	11	3 648	2 014
Change in net working capital:			
Change in trade and other receivables	15	-13 341	-4 651
Change in inventory	14	-6 303	-9 557
Change in trade and other payables	20	6 057	4 528
Change in provisions	23	-537	330
Interest paid		-3 356	-3 181
Interest received			12
Income taxes paid		-4 341	-2 868
Other financial items		-294	-200
Net cash flows from operating activities		**9 302**	**7 012**
Cash flows from investing activities			
Income from sale of property, plant and equipment		31	
Investments in intangible non-current assets	12	-6 937	-4 406
Investments in property, plant and equipment	13	-1 750	-1 495
Acquisition of subsidiary minus cash and cash equivalents at the time of acquisition	5	-1 716	
Net cash flows from investing activities		**-10 371**	**-5 900**
Cash flows from financing activities			
Merger of the company under same authority			6
Payments of short-term liabilities		-6	
Payments of lease liabilities	22	-1 697	-1 204
Net cash flows from financing activities		**-1 703**	**-1 198**
Change in cash flows		**-2 772**	**-87**
Cash and cash equivalents on 1 January		7 536	8 013
Net effect of changes in exchange rates on financial assets		-677	-391
Cash and cash equivalents on 31 December	16	4 087	7 536

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR thousand	Note	Share capital	Share premium fund	Invested unrestricted equity fund	Translation differences	Retained earnings	Total
		Equity attributable to shareholders of the parent company					
Equity on 1 January 2022	17	**80**	**0**	**143 240**	**-4**	**3 949**	**147 265**
Adjustment for previous year's retained earnings						-18	-18
Comprehensive income							
Profit for the financial year						13 728	13 728
Translation differences					12	0	12
Total comprehensive income		**0**	**0**	**0**	**12**	**13 728**	**13 740**
Equity on 31 December 2022	17	**80**	**0**	**143 240**	**8**	**17 659**	**160 986**

EUR thousand	Note	Share capital	Share premium fund	Invested unrestricted equity fund	Translation differences	Retained earnings	Total
		Equity attributable to shareholders of the parent company					
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						8 493	8 493
Translation differences				0	-19	0	-19
Total comprehensive income		**0**	**0**	**0**	**-19**	**8 493**	**8 474**
Transactions with shareholders							
Merger of the company under	17			260			260
same authority						0	0
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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basic information about the Group

Capnor Weasel Bidco Oyj (hereafter also ”company”) is a Finnish public limited company, which operates under Finnish law and whose bond is publicly traded in Sweden. 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. FAS is short for Finnish Accounting Standards. 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. 8 July 2022, iLOQ Oy acquired IT-Salonen 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 direct customers of the infrastructure segment, which provides professional installation, repair and maintenance services. The iLOQ Group’s regional subsidiaries are located in Sweden, Denmark, Norway, Germany, the Netherlands, France, Spain, Poland, the United Kingdom, Canada and the United States.

At its meeting on 16 March 2023, 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 2022 financial periods have been prepared in compliance with the International Financial Reporting Standards (IFRS), adhering to the IAS and IFRS standards and SIC and IFRIC interpretations valid on 31 December 2022 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, as well as 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 standards that entered into force at the beginning of 2022 have had no impact on the Group’s financial statements. The financial statements of the parent company and its subsidiaries (together the ‘Group’) have been consolidated into the consolidated financial statements for financial year 2022. These are the third consolidated financial statements for a complete financial year. In addition to the parent company, the group includes 13 subsidiaries. In addition, the Group has one non-operational subsidiary.

3. Accounting policies to the consolidated financial statements

3.1 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 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 significant situations involving management discretion and estimates relate to the following parts of the financial statements:

- estimates of future business development and the assumptions used for impairment testing on uncompleted development projects,
- recognition and measurement of assets arising from the acquisition of businesses
- the depreciation periods for tangible and intangible assets
- estimates of the amount of warranty provisions
- recognition of deferred tax assets from taxational losses, and

  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.

3.2 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.

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.

3.3 Consolidation of businesses

Acquisitions of businesses are handled using the acquisition method. Goodwill arising from business mergers 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, such as expert fees, 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 minus 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.

3.4 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. The figures in brackets refer to the corresponding date or period in 2021, unless stated otherwise.

Foreign-currency denominated transactions

Transactions in foreign currencies are recognised in each company’s 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 of the final day of the reporting period.

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 comprehensive income as items affecting operating profit for items related to business operations, whilst financial items are recognised on the consolidated statement of comprehensive income under financial income and expenses.

The income and expense items on the statements of comprehensive 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.

3.5 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, minus estimated variable charges, i.e. 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 at a singular time 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.

3.6 Employee benefits

Short-term employee benefits

Salaries, wages and fees, as well as benefits, annual leave and bonuses are included in short-term employee benefits They are recognised in the period when the work in question is performed.

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.

3.7 Operating profit

Operating profit consists of revenues and other operating income minus the costs of materials and services adjusted for change in inventories, the costs of employee benefits and other operating costs, as well as depreciation and impairment losses.

Taxes based on taxable income for the financial year 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.

3.8. Intangible assets and business value

Intangible assets are recognised on the balance sheet only if the item fulfils the definition of intangible asset, 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.

Development costs are recognised only if the unfinished asset fulfils development cost capitalisation requirements. 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 comprehensive income under other operating costs.

Business value

On 11 December 2019, the company acquired the entire share capital of iLOQ Oy and Hailuoto Development Oy. During the financial year 2022, iLOQ Oy acquired the entire share capital of IT-Salonen 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 comprehensive 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 minus 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.

Cloud service arrangements

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 comprehensive income under other operating income and losses are recognised under other operating costs.

3.9 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 minus accumulated 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 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 the method 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.

3.10 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 control the use of a specified 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 start of the lease agreement, the lessee recognises the leased asset on its balance sheet as a property, plant and equipment item. 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. Depreciation of the property, plant and equipment item is recognised over 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., assets with lease terms not exceeding 12 months, or assets with minor value, are not recognised on the balance sheet. These charges are recognised as expenses in the statement of comprehensive income over the term of the lease.

3.11 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 sales price that could be received for the sale of the inventory under normal business operations minus estimated necessary expenses to realise the sale.

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.

3.12 Financial assets and liabilities

Recognition and classification of financial assets and liabilities

Financial assets

The Group's financial assets are classified as follows:

- assets measured at 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 book valueof trade receivables and other receivables is assumed to essentially correspond to their 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 so-called simplified approach, 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

The Group's financial liabilities are classified as follows:

- liabilities measured at amortised cost, and
- liabilities measured at fair value through profit or loss

At the end of the reporting period 2022 or 2021, the Group had no financial liabilities measured at fair value through profit or loss.

Financial liabilities are initially recognised at fair value. Transaction costs are included in the original carrying value of the financial liabilities. Subsequently, all financial liabilities of the Group 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.

3.13 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 minus 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.

3.14 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 comprehensive 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.

3.15 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 2022 or 2021.

3.16 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.

3.17 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 at the effective date.

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 regional subsidiaries are located in Sweden, Denmark, Norway, Germany, the Netherlands, France, Spain, Poland, the United Kingdom, Canada and the United States.

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 one external client, the revenue wherefrom exceeds 10 per cent of the income of the company. The Group's most significant non-current assets are located in the domicile state of the parent company.

Revenue

The revenue of iLOQ consists of digital locking and access management systems. The Group's products and services consist of supplied locks and 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. The Group's customers are locking product resellers and partners, and there is one direct customer in the 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 23 *Provisions* .

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

EUR thousand	2022		2021	
Finland	51 219	39 %	44 859	44 %
Other Northern Europe	42 109	32 %	34 218	33 %
Other world	39 620	30 %	23 844	23 %
Total	**132 948**	**100 %**	**102 921**	**100 %**

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

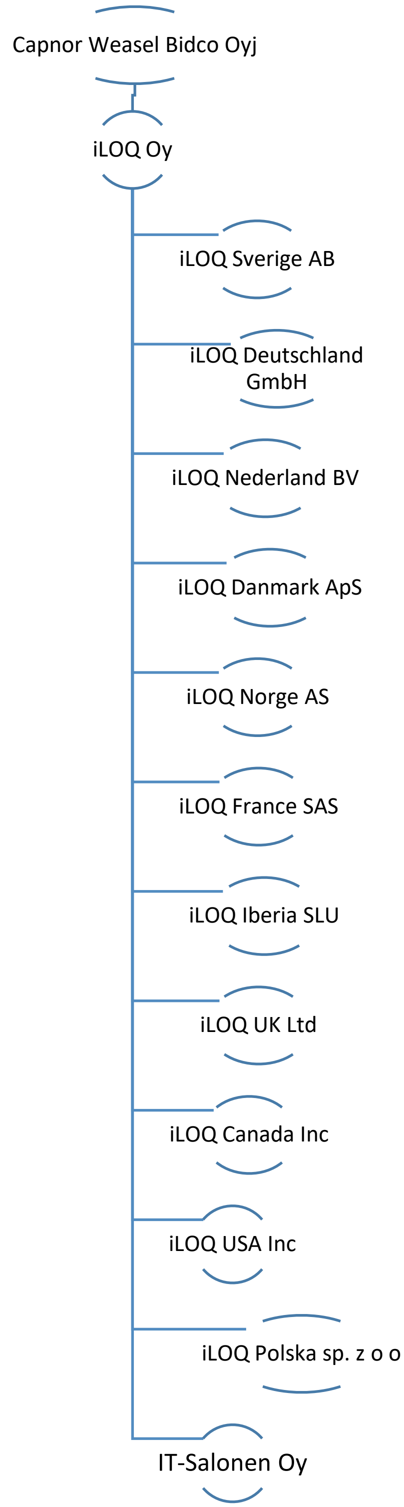
EUR thousand	2022		2021	
Revenue is recognised at a point in time	130 369	98 %	101 250	98 %
Revenue is recognised over time	2 579	2 %	1 671	2 %
Total	**132 948**	**100 %**	**102 921**	**100 %**

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
	iLOQ USA Inc	United States	100
	iLOQ Polska sp. z o o	Poland	100
	IT-Salonen Oy	Finland	100

In the financial year 2022, the Group acquired IT-Salonen Oy, established the subsidiary iLOQ Polska sp. z o o, and launched operations under subsidiary iLOQ USA Inc. In 2021, the Group merged Axtuator Oy under their control with iLOQ Oy. There were no changes in the shareholding of the subsidiaries in 2022.

In addition, the Group has the subsidiary Singapore Pte Ltd, which does not have operations.

Business acquisitions 2022

iLOQ Oy acquired the entire share capital of IT-Salonen Oy on 8 July 2022.

With this acquisition, iLOQ aims to bolster its digital competence and to utilise the technology by enabling new functionalities in the iLOQ HOME product line.

At the moment of acquisition, IT-Salonen Oy had 7 employees. The head office is located in Oulu, Finland.

The acquisition price of EUR 1,820 thousand was paid in cash at the realisation of the transaction.

The following table presents the cash flows related to the acquisition of IT-Salonen Oy.

Cash flow

EUR thousand	
Cash consideration at acquisition	1 820
Cash raised	-104
Cash flow	**1 716**

The table below shows the fair values of the net assets acquired at the time of acquisition and the resulting Goodwill:

EUR thousand	
Technology	1 160
Machinery and equipment	314
Other non-current assets	22
Total non-current assets	**1 496**
Inventories and other receivables	81
Cash and cash equivalents	104
Total current assets	**185**
Total assets	**1 682**
Interest-bearing financial liabilities	313
Total non-current liabilities	**313**
Account payables and other liabilities	117
Deferred tax liabilities	172
Total current liabilities	**289**
Total liabilities	**602**
Net assets	**1 079**
Remuneration	**1 820**
Business value	**741**

The fair value of intangible assets identified in the acquisition was EUR 1,160 thousand at the time of acquisition, consisting of technology. The book value of the sales receivables acquired was EUR 71 thousand and is expected to be fully recoverable.

The business value is EUR 741 thousand. Business value is not deductible for taxation. The business value consists of personnel and anticipated synergy benefits. Acquisition costs, EUR 51 thousand, are included in Other operating

The acquired business accumulated during the period 8 July to 31 December 2022 accrued EUR 0.4 million revenue and EUR 0.1 million operating profit for Capnor Weasel Bidco Group. If the acquisition had been carried out on 1 January 2022, the turnover of the Capnor Weasel Bidco Group would have been EUR 133.2 million and the operating profit would have been EUR 21.8 million.

Note 6 Materials and services

EUR thousand	2022	2021
Purchases of materials and services	59 557	50 528
Change in inventories	-6 305	-9 557
Warranties	750	749
External services	2 843	2 738
Total	**56 846**	**44 459**

Note 7 Employee benefit expenses

EUR thousand	2022	2021
Salaries and wages	21 070	18 062
Pension costs – defined-contribution schemes	3 011	2 328
Other personnel expenses	2 110	1 681
Total	**26 191**	**22 072**

	2022	2021
Average number of employees for the financial year:	252	212
Number of employees at the end financial year:	277	225

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

Information concerning key management's employment benefits is presented in note 25 *Related party transactions.*

Note 8 Depreciation and amortisation

Depreciation, amortisation and impairment by asset category

Depreciation by asset category

Intangible assets

EUR thousand	2022	2021
Intangible rights	1 110	917
Development expenses and other intangible assets	5 601	5 193
Total	**6 711**	**6 111**

Property, plant and equipment

EUR thousand		
Machinery and equipment	1 109	831
Other property, plant and equipment	103	45
Fixed Assets	1 602	1 220
Total	**2 814**	**2 097**
Total depreciation and impairment	**9 525**	**8 207**

Note 9 Other expenses

EUR thousand	2022	2021
Expenses relating to office premises and vehicles	1 249	1 153
Computer and program expenses	3 144	1 843
Machinery and equipment expenses	493	468
Sales and marketing expenses	5 477	4 195
Research and development expenses	1 666	1 371
Administrative expenses	5 221	2 742
Other expenses	1 283	2 030
Total	**18 533**	**13 802**

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 2022, expenses related to office premises and vehicles include short-term (less than 12 months) lease expenses in the amount of EUR 69 thousand euros (EUR 97 thousand in 2021) and EUR 18 thousand (EUR 15 thousand in 2021) of minor lease expenses. Computer and program expenses include EUR 11 thousand of minor lease expenses in the financial year 2022 (EUR 24 thousand in 2021).

Auditor's fees

EUR thousand	2022	2021
Audit	112	107
Tax services	45	40
Other services	6	4
Total	**162**	**151**

Note 10 Financial income and expenses

Recognised through profit or loss

Finance income

EUR thousand	2022	2021
Other finance income	122	73
Total	**122**	**73**

Finance expenses

EUR thousand	2022	2021
Interest expenses on lease liabilities	-112	-58
Other interest expenses	-3 471	-3 236
Other finance expenses	-1 017	-653
Total	**-4 599**	**-3 947**
Net financial expenses	**-4 478**	**-3 874**

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	2022	2021
Current tax for the reporting year	4 440	2 855
Current tax adjustments for prior years	6	0
Change in deferred taxes	-798	-840
Total	**3 648**	**2 014**

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

EUR thousand	2022	2021
Profit before tax	**17 376**	**10 507**
Tax calculated using Finnish tax rate (20%)	-3 475	-2 102
Derogating tax rates of foreign subsidiaries	4	-3
Unrecognised deferred tax assets on tax losses	-10	197
Non-deductible expenses	-183	-156
Current tax adjustments for prior years	6	0
Other differences	11	50
Income taxes in the statement of comprehensive income	**-3 648**	**-2 014**

Taxes are not recognised in other comprehensive income.

Change in deferred tax

2022

EUR thousand	**1 January 2022**	**Business acquisitions**	**Recognised in profit or loss**	**31 December 2022**
Deferred tax assets				
Deprecation not deducted in taxation	12	0	-12	**0**
Tax losses carried forward	90	0	-45	**44**
Expected credit losses	19	0	5	**24**
Provisions	363	0	-108	**256**
Leases	8	0	3	**11**
Other temporary differences	0		112	**112**
Total	**493**	**0**	**-44**	**447**

2021

EUR thousand	**1 January 2021**	**Business acquisitions**	**Recognised in profit or loss**	**31 December 2021**
Deferred tax assets				
Deprecation not deducted in taxation	31	0	-19	**12**
Tax losses carried forward	145	0	-55	**90**
Expected credit losses	0	0	19	**19**
Provisions	297	0	66	**363**
Leases	4	0	4	**8**
Total	**478**	**0**	**15**	**493**

On 31 December 2022 the confirmed losses of the Group amounted to EUR 120 thousand (EUR 172 thousand on 31 December 2021), 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.

2022 **EUR thousand**	**1 January 2022**	**Business acquisitions**	**Recognised in profit or loss**	**31 December 2022**
Deferred tax liabilities				
Valuation of intangible assets				
at their fair value	17 798	172	-806	**17 164**
Other temporary differences	121	0	-38	**82**
Total	**17 917**	**172**	**-844**	**17 246**

2021

EUR thousand	**1 January 2021**	**Business acquisitions**	**Recognised in profit or loss**	**31 December 2021**
Deferred tax liabilities				
Valuation of intangible assets				
at their fair value	18 587	0	-788	**17 798**
Other temporary differences	157	0	-36	**121**
Total	**18 743**	**0**	**-824**	**17 918**

Note 12 Intangible assets

Intangible assets 2022

EUR thousand	Technology	Intangible rights	Brand	Business value	Other intangible assets	Customer relations	Unfinished intangible assets	Total
Acquisition cost on 1 January 20	80 423	1 346	12 865	91 672	851	12 142	6 013	205 312
Acquisitions through business combination	1 160	0	0	740	8	0	0	1 908
Additions	731	381	0	0	906	0	4 987	7 005
Transfers	752	0	0	0	1 002	0	-1 754	0
Acquisition cost on 31 Decembeı	**83 066**	**1 728**	**12 865**	**92 412**	**2 767**	**12 142**	**9 246**	**214 224**
Accumulated depreciation and impairment on 1 January 2022	8 330	209	1 764	0	361	1 663	0	12 327
Depreciation for the financial year	4 304	252	858	0	488	809	0	6 711
Impairments	0	0	0	0	0	0	0	0
Accumulated depreciation and impairment on 31 December 2022	**12 634**	**461**	**2 622**	**0**	**849**	**2 472**	**0**	**19 039**
Book value on 1 January 2022	**72 093**	**1 138**	**11 101**	**91 672**	**490**	**10 479**	**6 013**	**192 986**
Book value on 31 December 202	**70 433**	**1 267**	**10 243**	**92 412**	**1 918**	**9 670**	**9 246**	**195 186**

Intangible assets 2021

EUR thousand	Technology	Intangible rights	Brand	Business value	Other intangible assets	Customer relations	Unfinished intangible assets	Total
Acquisition cost on 1 January 20	79 698	772	12 865	91 672	288	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	463	0	0	541	0	-1 094	0
Acquisition cost on 31 Decembeı	**80 423**	**1 346**	**12 865**	**91 672**	**851**	**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	163	858	0	199	809	0	6 111
Impairments	0	0	0	0	0	0	0	0
Accumulated depreciation and impairment on 31 December 2021	**8 330**	**209**	**1 764**	**0**	**361**	**1 663**	**0**	**12 327**
Book value on 1 January 2021	**75 447**	**726**	**11 959**	**91 672**	**126**	**11 288**	**3 103**	**194 321**
Book value on 31 December 202	**72 094**	**1 138**	**11 101**	**91 672**	**490**	**10 479**	**6 013**	**192 986**

Group’s intangible rights consist of patents and licenses related to IT software.

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 8,029 thousand at the end of 2022 (EUR 5,527 at the end of 2021). In 2022, an addition of EUR 4,935 thousand of product development expenditures was recognised on the balance sheet (EUR 3,025 thousand in 2021). Unfinished intangible assets include advance payments related to the development of systems, a total of EUR 1,215 thousand for the financial year 2022 (EUR 489 thousand in total in 2021).

In the financial year 2021, an examination was completed on whether the configuration and tailoring expenses of cloud service arrangements cause an intangible asset to the company. Other intangible assets of the Group include those software development expenses that incur when they are used via cloud service arrangements. As a consequence of an agenda decision by the IFRS inquiry committee in spring 2021, a re-examination has been completed in the financial year on software becoming an intangible asset and expenses related to cloud service arrangements have been processed in the accounts. Expenses related to cloud service arrangements are noted in other expenses when the company has received the services.

Impairment testing for unfinished product development expenditures

The Group has carried out impairment testing for unfinished product development expenditures at 31 December 2022 and 31 December 2021. 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, which totalled, at the time of testing on 30 September 2022, EUR 225,780 (214,092) thousand. The cash flow present value of the acquired assets is determined by calculating the discounted present value of the forecasted 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 3 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 11.4% (11.5%)

Note 13 Property, plant and equipment

EUR thousand	Owned property, plant and equipment in 2022: Machinery and equipment	Work in progress	Other tangible assets	Use right assets in 2022: Cars	Premises	Total
Acquisition cost on 1 January 202	4 194	586	195	1 869	2 012	8 857
Acquisitions through business combination	297	0	0	0	0	297
Additions	681	1 090	241	718	2 313	5 043
Reductions	0	-60	0	0	0	-60
Transfer between items	689	-806	2	0	0	-115
Acquisition cost on 31 December	**5 862**	**811**	**438**	**2 587**	**4 325**	**14 022**
Accumulated depreciation and impairment on 1 January 2022	1 482	0	85	1 041	1 267	3 875
Depreciation for the financial year	1 109	0	103	610	993	2 814
Impairments	0	0	0	0	0	0
Accumulated depreciation and impairment on 31 December 2022	**2 591**	**0**	**188**	**1 650**	**2 260**	**6 688**
Book value on 1 January 2022	**2 712**	**586**	**110**	**828**	**745**	**4 982**
Book value on 31 December 2022	**3 271**	**811**	**250**	**937**	**2 065**	**7 334**

At the end of the financial year 2022, the amount of work in progress, EUR 811 thousand (EUR 586 thousand at the end of 2021), 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 2021: Machinery and equipment	Work in progress	Other tangible assets	Use right assets in 2021: Cars	Premises	Total
Acquisition cost on 1 January 202	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	**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**

Note 14 Inventories

EUR thousand	2022	2021
Products	25 071	19 237
Products in transit	1 046	566
Total	**26 117**	**19 804**

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

In 2021, the board of the company decided to increase stock levels above normal, and in 2022, to maintain them at such levels, in order to mitigate potential disruptions in supply chains. The stock levels were therefore higher than normal at the end of the financial year 2021, as well as at the end of 2022, which had a negative impact on the company’s working capital and cash flow.

Note 15 Trade and other receivables

Current receivables

EUR thousand	2022	2021
Current receivables from others		
Trade receivables	28 903	14 979
Other receivables	443	255
Accrued income	676	1537
Total	**30 022**	**16 770**

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

Age distribution of trade receivables

EUR thousand		2022	Expected credit losses %	2021	Expected credit losses %
Not past due		23 551	0,00 %	13 473	0,00 %
Past due					
	Less than one month	4 498	0,00 %	1 059	0,00 %
	One to three months	573	0,00 %	239	0,00 %
	More than three months	282	30,00 %	207	45,00 %
	Total past due	5 353		1 505	
Total		**28 903**		**14 979**	

Expected credit losses

The Group measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses (ECL). Based on history details of actual credit losses and the Group's experiential estimate calculation, the expected credit losses are EUR 120 thousand in the financial year 2022 (EUR 94 thousand in 2021). The calculation of expected credit losses is described in note 21.

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. The Group considers the need for credit insurance coverage on a customer-specific basis and insures the receivables from customers based on this estimate. Historically, the amount of actual credit losses for iLOQ has been very low.

The Group's financial risk management and credit risk are presented in Note 21.

Note 16 Cash and cash equivalents

EUR thousand	2022	2021
Cash and cash equivalents	4 087	7 536
Cash on the balance sheet	**4 087**	**7 536**

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 2022, 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.

2022	Number of shares	Total shares	Share capital	Invested unrestricted equity fund
1 January	100	100	80	143 240
31 December	**100**	**100**	**80**	**143 240**

2021	Number of shares	Total shares	Share capital	Invested unrestricted equity fund
1 January	100	100	80	142 980
Merger of the company under same authority	0	0	0	260
31 December	**100**	**100**	**80**	**143 240**

Dividends

The parent company's loss for the financial year is EUR 318,168.13 recognised in the retained earnings account. The parent company's distributable funds per 31 December 2022 amount to a total of EUR 140,344,805.31, of which the amount of retained earnings is EUR - 2,635,415.69. 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 2022 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.

	2022	2021
Profit attributable to owners of the parent company (EUR 1,000)	13 728	8 493
Weighted average number of shares during the financial year	100	100
Earnings per share, undiluted (EUR/share)	137 280	84 933

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 2022

		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	30 022
Cash and cash equivalents	16	4 087
Total		**34 109**
Financial liabilities that are not measured at fair value		
Bond	19	54 592
Product development loan		308
Account payables and other liabilities	20	24 185
Lease liabilities	22	3 058
Total		**82 142**

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	19	54 400
Account payables and other liabilities	20	18 132
Lease liabilities	22	1 612
Total		**74 144**

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 2022.

Note 19 Financial liabilities

In December 2019, the Group issued a bond with a nominal value of EUR 55,000 thousand. 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. Covenant terms were fulfilled in the financial years ending 31 December 2021 and 31 December 2022. The loan is classified at the amortised acquisition price and the balance sheet value was EUR 54,592 thousand for the financial year ending 31 December 2022. In addition, in the financial year ending 31 December 2022, the Group has a product development loan of EUR 308 thousand from the State Treasury.

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	**2022**	**2021**
Advances received for operation and maintenance contracts	1 425	889
Accounts payable	10 438	7 699
Other liabilities	3 216	2 482
Accrued expenses	9 106	7 063
Total	**24 185**	**18 132**

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

Main items of accrued expenses

EUR thousand	**2022**	**2021**
Accrued expenses		
Accrual of personnel expenses	7 218	6 145
Other	1 888	918
Total	**9 106**	**7 063**

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 at its discretion. 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 the parent company's operating currency, the Group's sales, purchases and other business transactions are carried out in the subsidiaries' local currencies. The most significant foreign currencies for the Group are US dollar, Swedish crown, Danish crown and Norwegian crown. During the financial period 2022, 33.8% (33.8% in 2021) of the Group's sales were currency-denominated and of purchases, including variable and fixed costs, 48.4% (44.3% in 2021).

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 2022

EUR thousand	SEK	DKK	NOK	USD	GBP	CAD	PLN
Trade receivables	6 742	2 227	1 124	103	63	18	0
Cash and cash equivalents	410	254	254	33	76	93	38
Accounts payable	194	5	9	3 232	3	7	3
Net balance sheet exposure	6 959	2 476	1 370	-3 096	135	104	36
Net exposure	6 959	2 476	1 370	-3 096	135	104	36

Sensitivity analysis by currency
31 December 2022

EUR thousand	SEK	DKK	NOK	USD	GBP	CAD	PLN
+ 10 % movement	633	225	125	206	12	9	3
-10% movement	-773	-275	-152	344	-15	-12	-4

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

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 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 2021. In addition, the Group has a product development loan with a fixed interest rate of 1%.

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 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. 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 2022, the Group had a bond with balance sheet value of EUR 54,592 thousand (EUR 54,400 thousand). At the end of the financial year 2022, the cash and cash equivalents of the Group totalled EUR 4,087 thousand (EUR 7,536 thousand). The Group aims 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 2022. The credit facility was used during the financial years 1 January 2022 to 31 December 2022 and 1 January 2021 to 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 2022.

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 2022

EUR thousand	2023	2024	2025	2026	2027	2028
Non-derivative financial liabilities						
Liabilities from credit institutions	4 113	4 113	57 088	62	62	0
Account payables and other liabilities	22 760	0	0	0	0	0
Total	26 872	4 113	57 088	62	62	0

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

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 61.5 % (60.9% in 2021) at the end of reporting period 2022.

Note 22 Maturity of lease liability

EUR thousand	2022	2021
Within 12 months	1 620	975
Within one to five years	1 443	700
Total	**3 063**	**1 675**

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	2022	2021
Non-current provision	574	807
Current provision	704	1 009
Total	**1 278**	**1 815**

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. Thanks to the quality development of products, warranty provisions have decreased from the previous year.

EUR thousand	Warranty provision
Warranty provision on 01 January 2022	**1 815**
Increase of warranty provision during the period	2 488
Cancellation of warranty provision (over 2 years)	-1 009
Realised warranty costs	-2 017
Warranty provision on 31 December 2022	**1 278**

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**

Note 24 Contingent liabilities and assets

Collaterals and contingent liabilities

EUR thousand	2022	2021
Contingent liabilities		
Credit facility	15 000	15 000
Lease guarantee	249	225
Delivery guarantee	32	0
Corporate credit card	84	149
Total	15 365	15 374

A credit facility of EUR 15,000,000 was used during the financial years 1 January 2022 to 31 December 2022 and 1 January 2021 to 31 December 2021.

EUR thousand	2022	2021
Collateral given for own commitments	**155 000**	**155 000**
Total	**155 000**	**155 000**

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 2022. 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 2022.

Legal proceedings

The Group has not had any outstanding legal proceedings in 2022.

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. The party exercising ultimate control over the company is Nordic Capital IX Limited.

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 Bidco Oyj. 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	2022	2021
Short-term employee benefits	2 613	2 281
Benefits paid after the end of employment relationship	533	465
Total	**3 145**	**2 746**

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

In January 2023, iLOQ announced the manufacture of a smart and secure access management solution in the turn handles of outdoors-use cases and telecommunications cabinets in collaboration with EMKA Group. EMKA Group is one of the global market leaders in locking systems, bolts, hinges and sealings used in switchboard and control cabinets. The collaboration is significant with regard to the development of the company's business.

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Capnor Weasel Bidco Oyj

(€ 1,000)

PARENT COMPANY INCOME STATEMENT	Note	01/01/2022-31/12/2022	01/01/2021-31/12/2021
Revenue		**1 182**	**747**
Personnel expenses		-1 074	-679
Other expenses		-69	-106
Operating profit		**39**	**-39**
Finance income		0	0
Finance expenses	1	-3 318	-3 116
Profit before extraordinary items		**-3 280**	**-3 155**
Profit before appropriations and taxes		**-3 280**	**-3 155**
Group contributions received		2 961	3 990
Profit for the financial period		**-318**	**835**

Capnor Weasel Bidco Oyj

(€ 1,000)

PARENT COMPANY BALANCE SHEET	Note	31 December 2022	31 December 2021
ASSETS			
NON-CURRENT ASSETS			
Investments	2	195 107	195 107
Non-current assets, total		**195 107**	**195 107**
CURRENT ASSETS			
Current receivables	3	992	845
Cash at bank and in hand		2	46
Total current assets		**994**	**891**
TOTAL ASSETS		**196 101**	**195 998**
EQUITY AND LIABILITIES			
EQUITY	4		
Share capital		80	80
Invested unrestricted equity fund		142 980	142 980
Profit for the prior financial periods		-2 317	-3 152
Profit for the financial period		**-318**	**835**
Total equity		**140 425**	**140 743**
LIABILITIES	5		
Long-term liabilities			
Interest-bearing liabilities		55 000	55 000
Short-term liabilities			
Interest-free liabilities		676	255
Liabilities, total		**55 676**	**55 255**
EQUITY AND LIABILITIES, TOTAL		**196 101**	**195 998**

Capnor Weasel Bidco Oyj
(€ 1,000)

PARENT COMPANY CASH FLOW STATEMENT (t€)	01/01/2022-31/12/2022	01/01/2021-31/12/2021
CASH FLOW FROM OPERATING ACTIVITIES		
Profit (loss) before taxes	-3 280	-3 155
Adjustments:		
Financial income and expenses	3 318	3 116
Extraordinary income	0	0
Cash flow before change in working capital	**38**	**-39**
Change in working capital:		
Increase (-)/decrease (+) in short-term interest-free trade receivables	-410	30
Increase (+)/decrease (-) in short-term interest-free liabilities	340	-75
Cash flow from operating activities before financial items and taxes	**-31**	**-84**
Interest paid and payments on other financial expenses	-3 237	-3 123
Interest received from operating activities	0	0
Cash flow before extraordinary items	**-3 268**	**-3 207**
Cash flow from operating activities (A)	**-3 268**	**-3 207**
CASH FLOW FROM INVESTMENT ACTIVITIES		
Investments in the subsidiary	0	0
Cash flow from investment activities (B)	**0**	**0**
CASH FLOW FROM FINANCING ACTIVITIES		
Group contributions received	3 224	3 169
Cash flow from financing activities (C)	**3 224**	**3 169**
CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	**-44**	**-38**
Cash and cash equivalents on 1 January	**46**	**84**
Cash and cash equivalents on 31 December	**2**	**46**

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	**2022**	**2021**
Salaries and wages	945	569
Pension costs	117	95
Other personnel expenses	13	15
Total	1 074	679
Average number of personnel	1	1

Financial income and expenses	**01/01/2022-31/12/2022**	**01/01/2021-31/12/2021**
Finance expenses		
Interest expenses	3 186	2 982
Other finance expenses	132	134
	3 318	3 116

Note 2 Investments

Investments	2022	2021
Holdings in Group companies		
Acquisition cost on 1 Jan	195 107	195 107
Acquisition cost on 31 Dec	195 107	195 107

Note 3 Long-term and short-term receivables

	2022	2021
Current receivables		
Short-term receivables from other companies		
Accrued income	2	0
Total	2	0
Short-term receivables from Group companies		
Trade receivables	431	24
Group accrued income	558	821
Total	990	845
Short-term receivables, total	992	845

Note 4 Equity and calculation of distributable equity

EQUITY	2022	2021
Restricted equity		
Share capital on 1 Jan	80	80
Share capital on 31 Dec	80	80
Restricted equity, total	80	80
Invested unrestricted equity fund on 1 Jan	142 980	142 980
Invested unrestricted equity fund on 31 Dec	142 980	142 980
Retained earnings on 1 Jan	-2 317	-3 152
Retained earnings on 31 Dec	-2 317	-3 152
Profit for the financial period	-318	835
Total unrestricted equity	140 345	140 663
Total equity	140 425	140 743

Calculation of distributable equity	2022	2021
Retained earnings	-2 317	-3 152
Profit for the financial period	-318	835
Invested unrestricted equity fund	142 980	142 980
Total	140 345	140 663

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	2022	2021
Interest-bearing liabilities		
Bond	55 000	55 000
Total non-current interest-bearing liabilities	55 000	55 000

In December 2019, Capnor Weasel Bidco Oyj issued a bond of EUR 55 million. The loan is secured. A coupon interest is paid to the loan, which is 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	2022	2021
Short-term interest-free liabilities to other companies		
Accounts payable	13	19
Accrued expenses		
Interest expenses	214	133
Other	449	103
Total	676	255
Short-term interest-free liabilities, total	676	255

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 2022.

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 2022, Capnor Weasel Bidco Oyj received a group grant from its subsidiary iLOQ Oy worth EUR 2,961,307 (EUR 3,990,000 in 2021). In addition, during the financial year of 2022, Capnor Weasel Bidco Oyj invoiced administrative services from its subsidiary iLOQ Oy worth EUR 1,181,754 (EUR 747,000 in 2021).

Capnor Weasel Bidco Oyj

BOARD OF DIRECTORS SIGNATURES

Copenhagen March 16, 2023

Karl Petersson
Member of the Board

Heikki Hiltunen
President & CEO

STATEMENT OF ACCOUNTS

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

KPMG Oy Ab

Oulu March 16, 2023

Tapio Raappana
Authorised Public Accountant

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This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's Report

To the Annual General Meeting of Capnor Weasel Bidco Oyj

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Capnor Weasel Bidco Oyj (3089585-3) for the year ended 31 December 2022. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

— the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

— the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Board of Directors.

Basis for Opinion

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

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

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 9 to the consolidated financial statements.

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

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

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

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Valuation of Goodwill and intangible assets related to business acquisition (Basis of Preparation for the consolidated financial statements as well as Note 12)	
— At the end of the financial year, the Group stated Goodwill in the amount of EUR 92.0 million and other intangible assets arising from the acquisitions in the amount of EUR 88.0 million in its consolidated balance sheet. Goodwill amounted to 57% of the balance of the consolidated equity and reserves and 35% of the consolidated total assets. — In accordance with the International Financial Reporting Standards (IFRS), no depreciation is recorded on the consolidated goodwill, but the goodwill asset is tested for impairment annually. Goodwill is allocated in its entirety to iLOQ Group, whose recoverable amount is determined based on value in use, which is derived from projected discounted cash flows. The method employed in impairment testing involves management estimates of e.g. long-term growth, profitability and discount rates applied. — Other intangible assets related to business acquisitions have limited economic lives. However, the management needs to update annually their estimate of the extent of the	— We have assessed the cash flow estimates employed in the impairment calculations, the appropriateness of the discount rate applied and the technical integrity of the calculations prepared. We have assessed critically the foundations and management assumptions underlying the future cash flow projections. — We have assessed the management assumptions employed in the calculations in comparison with market and industry data. — We have assessed the appropriateness of the depreciation periods allocated to other intangible assets related to business acquisitions (technology; brand name; and client relationships). — Additionally, we have assessed the appropriateness of notes to the accounts concerning impairment testing as well as the notes concerning other intangible assets.

economic lives of the assets and the depreciation periods implied.

— Resulting from elements of estimation uncertainty present in impairment testing and the significance of the book value of goodwill and other intangible assets related to business acquisitions, these assets are perceived as a key audit matter.

Valuation of shareholdings in subsidiary in the parent company financial statements (Note 2)

— The value of the shares of iLOQ Oy in the possession of the parent company as stated in the financial statements prepared on 31 December 2022 in accordance with the Finnish Accounting Standards amounted to EUR 195 million, which accounted for nearly 100% of total parent company assets.

— The review of valuation of shareholdings in subsidiary is interrelated with group impairment testing based on projected discounted cash flows.

— The parent company assets are almost entirely comprised of shareholdings in subsidiary, the valuation of which is subject to management judgment. Consequently, the valuation of shareholdings in subsidiary is considered a key audit matter.

— We have assessed the cash flow estimates employed in the impairment calculations, the appropriateness of the discount rate applied and the technical integrity of the calculations prepared. We have assessed critically the foundations and management assumptions underlying the future cash flow projections.

— We have assessed the management assumptions employed in the calculations in comparison with market and industry data.

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

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 3 February 2020, and our appointment represents a total period of uninterrupted engagement of 3 years. Capnor Weasel Bidco Oyj became a public interest entity on 8 September 2020. We have been the company's auditors since it became a public interest entity.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors. Our opinion on the financial statements does not cover the other information.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Oulu, 16 March 2023

KPMG OY AB

TAPIO RAAPPANA
Authorised Public Accountant, KHT