Capnor Weasel Bidco Oyj

Financial Statements and Annual Report
1 January 2023 - 31 December 2023

Contents

ANNUAL REPORT OF THE BOARD OF DIRECTORS 2023

Capnor Weasel Bidco Oyj was established in 2019. It is a limited liability company domiciled in Helsinki and its main business area is management consultancy. The company employs one person.

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 sells products to over thirty countries. In 2023, revenue grew despite a clear decline in new construction and renovation activities particularly in the Nordic countries during the financial year. The prevailing geopolitical risks associated with Russia's war of aggression on Ukraine and the resulting increase in energy prices as well as the similarly elevated interest rate environment had a negative impact on the market activity of construction and renovation during 2023. The negative market activity was particularly evident in new construction, which accounts for only a small part of iLOQ's revenue. In repair construction, decision-making related to investment in locking systems was either delayed or deferred, which had a negative impact on iLOQ Oy's demand in 2023. The sales of the S50 product line aimed at critical infrastructure customers continued strong.

iLOQ's management believes, however, that the market's long-term growth potential and drivers will remain unchanged despite the short-term slowdown caused by delayed investments by customer and that iLOQ will have a good chance to continue to grow its business even during periods of weaker market activity.

The manufacturing of iLOQ's products is based on outsourced, flexibly scalable production, and the products are distributed by the iLOQ-managed distribution centre in Oulu. In addition, the firm has a small-scale production unit in Oulu to support product development needs.

In accordance with its growth strategy, in 2023, company subsidiary iLOQ Oy continued to strengthen its organisation to support its 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 2023, iLOQ established subsidiaries iLOQ Oceania Pte LTD and iLOQ Middle-East FZ-LCC. In addition to these, the iLOQ Group operates subsidiaries in Sweden, Norway, Denmark, Germany, the Netherlands, France, Spain, the United Kingdom, Canada, Poland, the United States and Singapore.

The company's subsidiary iLOQ Oy's iLOQ 5 Series locking system allows the user to choose the type of key they want to use: the physical iLOQ S5 key, the NFC-enabled iLOQ S50 smartphone key (iOS or Android), the iLOQ S50 fob, the iLOQ S5 RFID or a PIN code. No batteries or additional cabling is required. Whether based on physical smart keys or smartphones, the solutions are managed through a single, flexible, customisable and easy-to-use platform. Having all devices utilise two-way communication every time before making the decision to open helps ensure maximum security and minimise management costs. Any lost, stolen or unreturned keys can easily be removed from the system or reprogrammed.

In March 2023, the company's subsidiary iLOQ Oy concluded a global Master Supply Agreement with Honeywell, a global supplier of industry specific solutions. Honeywell Building Technologies operates in over 75 countries and is supported by a global channel partner network. Its solutions and services are used in more than 10 million buildings worldwide. Commercial building owners and operators are dealing with Honeywell Building Technologies to create safe, efficient and productive facilities.

The company's subsidiary iLOQ Oy introduced its battery-free product range to the North American apartment block market. iLOQ's solution is the world's first lock cylinder that collects the energy required for unlocking from the NFC field produced by the smartphone. This enables a keyless, battery-free and external wiring-free locking system that maximises security, is maintenance-free and brings significant cost savings to its users without generating battery waste.

During the financial year, the company's subsidiary iLOQ Oy announced that its science-based emission targets were validated in the Science Based Target initiative (SBTi). iLOQ is committed to measuring and reducing its Scope 3 emissions and to achieving the NetZero target by 2050. iLOQ is already NetZero in Scopes 1 and 2. As part of its announced targets, iLOQ is committed to reducing its total emissions by 90% from the 2022 baseline by 2050.

GROUP BUSINESS ACTIVITIES DURING THE FINANCIAL YEAR

This is the fourth 12-month financial year for Capnor Weasel Bidco Oyj. Business activities developed well during the operating period between 1 January 2023 and 31 December 2022.

Capnor Weasel Bidco Oyj's subsidiary iLOQ Oy again achieved a positive result, despite the difficult market situation and significant investments made in international expansion, most importantly the expansion to the US market. Capnor Weasel Bidco Group's revenue in financial year 2023 reached EUR 141.3 million (133.0 million in 2022). The increase in revenue was 6%, resulting from sales growth mainly outside the Nordic countries. The management of the company believe that the company has succeeded in increasing its market share during financial year 2023, and its market share is expected to also show growth at the outset of the 2024 financial year. In financial year 2023, EBITDA totalled EUR 31.4 million (EUR 31.4 million in 2022). The operating profit for financial year 2023 reached EUR 20.5 million (EUR 21.9 million in 2022). The development of the company's EBITDA and operating profit was negatively influenced by future international growth investments entered as expenses, most importantly the expansion to the US market.

In financial year 2023, the operative cash flow of business operations was EUR 11.2 million (EUR 8.6 million in 2022). iLOQ has succeeded in mitigating the supply chain disruptions in the market caused by international component shortages in order to meet customer demand. This has required high-level stock, which has burdened iLOQ's operative cash flow in 2023. However, the stocks decreased significantly during the seasonally strong fourth quarter. This improved the operative cash flow compared to the previous quarters. Nevertheless, working capital remained relatively high, as large delivery volumes increased sales receivables, which are expected to come in as usual during the first quarter of 2024.

FINANCIAL INDICATORS OF THE CAPNOR WEASEL BIDCO GROUP

	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022	1 Jan - 31 Dec 2021
Financial indicators			
Revenue (1,000 €)	141.318	132.948	102.921
Operating profit (1,000 €)	20.493	21.853	14.382
Operating profit, %	14.5%	16.4%	14.0%
Return on equity, % (ROE)	6.7%	8.9%	5.9%
Equity ratio, %	62.2%	61.5%	60.9%
Other indicators			
Wages and salaries (1,000 €)	21.804	21.070	18.062
Pension expenses (1,000 €)	3.481	3.011	2.328
Other indirect personnel costs (1,000 €)	1.623	2.110	1.680
Total (1,000 €)	26.908	26.191	22.071
Average number of employees in the financial year	302	252	212

FINANCIAL INDICATORS OF CAPNOR WEASEL BIDCO OYJ (FAS)

	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022	1 Jan - 31 Dec 2021
Financial indicators			
Revenue (1,000 €)	619	1182	747
Operating profit (1,000 €)	-16	39	-39
Equity ratio, %	71.0%	71.6%	71.8%

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 development of the mechanics, electronics and software of the ANSI standard locking system aimed at the US market and the migration of the company's cloud services to the AWS environment

The most important development projects during the two preceding years have been the development of iLOQ HOME introduced to the market, the development of the mechanics, electronics and software of the iLOQ S50 locking system, as well as the development of the DIN version of the iLOQ S5 access control system and the digital iLOQ HOME access control system.

During the completed financial year, research and development expenditure totalled EUR 11,348 thousand (6,596 thousand), and its relative share of the total business expenditure was 10.3% (6.4%). Regarding research and development activities, a total of EUR 1,501 thousand (1,666 thousand) has been recognised in the result, and a total of EUR 9,848 thousand (4,935 thousand) has been activated in the balance sheet. The relative share of research and development expenditure of the total expenditure increased during the completed financial year.

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
iLOQ has adopted a comprehensible, 360-degree approach to sustainability. This requires examining all environmental, social and corporate governance (ESG) factors. The approach covers both the day-to-day operations of the company and the entire supply chain as well as the life cycle of the products. Continuous development of the circular economy and sustainable performance form an integral part of iLOQ's strategy.
More information on iLOQ's Sustainability Strategy is available in the Sustainability Report published on the iLOQ website at https://www.iloq.com/en/sustainability/.

We take care of the environment

iLOQ's key environmental impacts are caused by supply chain greenhouse gas emissions that are generated particularly during acquisitions and production, as well as emissions connected with the distribution of products. iLOQ's direct (Scope 1) and indirect (Scopes 2 and 3) greenhouse gas emissions totalled 60.7 CO_2 kilotonnes in 2023 (53.9 in 2022). The absolute amount increased, but the relative intensity of the emissions was improved by 0.43 kg GHG/EUR (0.57 kg GHG/EUR). All 100% of iLOQ's emissions were caused indirectly through the supply chain (Scope 3) and 0% from iLOQ's own operations (Scopes 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 2.66 GWh in 2023 (2.24 GWh in 2022).

The collaboration with our supply chain that began in 2022 was continued and deepened in 2023 in order to achieve 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.

During the financial year, the company's subsidiary iLOQ Oy announced that its science-based emission targets were validated in the Science Based Target initiative (SBTi). iLOQ is committed to measuring and reducing its Scope 3 emissions and to achieving the NetZero target by 2050. iLOQ is already NetZero in Scopes 1 and 2. As part of its announced targets, iLOQ is committed to reducing its total emissions by 90% from the 2022 baseline by 2050.

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 2023, 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 2023, 91% (91% in 2022) 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 83 (82 in 2022), and the eNPS was 51 (51 in 2022). iLOQ's gender ratio was as follows: the proportion of women in 2023 was 36% in the management group (36% in 2022) and 20% in the entire staff (18% in 2022).

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 Group’s total number of staff does not exceed 500.

COMPANY’S FINANCIAL POSITION

At the end of financial year 2023, the company’s liquidity and financial position were good. The consolidated balance sheet total at the end of the review period was EUR 276,526 thousand and the equity ratio was 62.2%.

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, iLOQ Oy's subsidiary IT-Salonen Oy was merged with iLOQ Oy.

LOANS TO RELATED PARTIES AND RESPONSIBILITIES

At the end of the financial year, the company had a related party loan of EUR 1,236 thousand from its subsidiary iLOQ Oy. Subsidiary iLOQ Oy is the guarantor of the EUR 55 million bond issued by the company. The company has a credit agreement worth EUR 10 million, which was not being used at the end of the financial year 2023.

ASSESSMENT OF LIKELY FUTURE DEVELOPMENTS

The company’s management predicts that the revenue will continue to grow moderately in the current market areas also in 2024, 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 weak activity of the construction market in the Nordic countries will continue at least into the first half of 2024.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

On 6 March 2024, Capnor Weasel Bidco Oyj announced refinancing. The company issues a new EUR 55,000 secured variable interest rate bond. The loan will be paid variable interest on Euribor three (3) months + 4.00%. The capital will fall due in March 2029.

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 60 % 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.

The inflation in the eurozone budding in 2022, combined with rising interest rates, as well as the geopolitical situation in Europe, may continue to influence the decisions of iLOQ customers, and thus may continue to negatively influence the demand for iLOQ products in 2024. 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 2020-2023, 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.

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. The Group has no financial risk concentration. In December 2019, the Group issued a bond with a nominal value of EUR 55,000.000. The loan includes performance and indebtedness covenant terms. The covenant conditions were met during the financial year which ended 31 December 2023.

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 2023 was EUR 138,483,554.32, of which the loss for the financial year was EUR 1,861,250.99. The company's distributable assets are divided into an invested unrestricted equity fund of EUR 142,980,221.00 and earnings of EUR -4,496,666.68.

The Board of Directors proposes to the Annual General Meeting that the profit for the financial year 2023 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 Juho Rautio, APA, as the principal auditor.

Calculation formulas and purpose of alternative indicators

EBITDA

= Profit before depreciation and write-down

EBITDA is a measure that indicates the internal productivity of the

Group. Operative cash flow of business operations

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

Operative cash flow of business operations %

= Operative cash flow of business operations / Revenue

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

Own capital production %

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

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

Equity ratio %

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Revenue	4	**141 318**	**132 948**
Other income		35	
Materials and services	6	-59 724	-56 846
Employee benefit expenses	7, 25	-26 908	-26 191
Depreciation and amortisation	8	-10 873	-9 525
Other expenses	9	-23 355	-18 533
Operating profit		**20 493**	**21 853**
Finance income	10	278	122
Finance expenses	10	-6 330	-4 599
Net financial expenses		**-6 051**	**-4 478**
Profit (loss) before taxes		**14 442**	**17 376**
Income taxes	11	-3 338	-3 648
Profit (loss) for the financial year		**11 104**	**13 728**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Translation differences		25	12
Other comprehensive income (-loss), net of tax		25	12
Total comprehensive income		**11 129**	**13 740**

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)		111 039	137 280
Dilution adjusted earnings per share (EUR)	17	111 039	137 280

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	Note	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Intangible assets	12	107 750	102 774
Business value	5.12	92 467	92 412
Property, plant and equipment	13	6 989	7 334
Deferred tax assets	11	395	447
Total non-current assets		**207 601**	**202 967**
Current assets			
Inventories	14	24 477	26 117
Trade and other receivables	15	36 908	30 022
Current tax receivables for the financial year	11	143	51
Cash and cash equivalents	16	7 397	4 087
Total current assets		**68 925**	**60 277**
Total assets		**276 526**	**263 245**
EQUITY			
Share capital	17	80	80
Invested unrestricted equity fund	17	143 240	143 240
Translation differences	17	33	7
Retained earnings	17	27 972	17 658
Total equity		**171 325**	**160 986**
LIABILITIES			
Non-current liabilities			
Financial liabilities	19	54 979	54 899
Non-current lease liabilities	22	1 716	1 499
Non-current provisions	23	880	574
Deferred tax liabilities	11	16 316	17 246
Total non-current liabilities		**73 891**	**74 219**
Current liabilities			
Account payables and other liabilities	20	27 462	24 185
Current lease liabilities	22	1 597	1 559
Current provisions	23	386	704
Tax liabilities based on taxable income for the financial year	11	1 864	1 593
Total current liabilities		**31 309**	**28 040**
Total liabilities		**105 201**	**102 259**
Total equity and liabilities		**276 526**	**263 245**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	Note	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Cash flows from operating activities			
Profit (loss) for the financial year		11 104	13 728
Adjustments:			
Depreciation and amortisation	8	10 873	9 525
Unrealised exchange gains and losses		-306	38
Finance income	10	-278	-122
Finance expenses	10	6 330	4 599
Taxes	11	3 338	3 648
Other adjustments		-817	
Change in net working capital:			
Change in trade and other receivables	15	-6 886	-13 341
Change in inventory	14	1 640	-6 303
Change in trade and other payables	20	-1 417	6 057
Change in provisions	23	-12	-537
Interest paid		-5 127	-3 356
Interest received		35	
Income taxes paid		-4 117	-4 341
Other financial items		-138	-294
Net cash flows from operating activities		**14 223**	**9 302**
Cash flows from investing activities			
Income from sale of property, plant and equipment		18	31
Investments in intangible non-current assets	12	-12 892	-6 937
Investments in property, plant and equipment	13	-621	-1 750
Acquisition of subsidiary minus cash and cash equivalents at the time of acquisition	5		-1 716
Net cash flows from investing activities		**-13 496**	**-10 371**
Cash flows from financing activities			
Proceeds from short-term liabilities		8 365	
Payments of short-term liabilities		-3 365	-6
Payments of lease liabilities	22	-1 851	-1 697
Proceeds from long-term liabilities		0	
Payments of long-term liabilities		-62	
Net cash flows from financing activities		**3 087**	**-1 703**
Change in cash flows		**3 814**	**-2 772**
Cash and cash equivalents on 1 January		4 087	7 536
Net effect of changes in exchange rates on financial assets		-504	-677
Cash and cash equivalents on 31 December	16	7 397	4 087

Other adjustments relate to adjustments to the previous year's bonus and commission accruals, which have been adjusted through earnings retained from the previous financial years.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to shareholders of the parent company

EUR thousand	Note	Share capital	Share premium fund	Invested unrestricted equity fund	Translation differences	Retained earnings	Total
Equity on 01 January 2023	17	**80**	**0**	**143 240**	**8**	**17 659**	**160 986**
Adjustment for previous year’s retained earnings						-790	-790
Comprehensive income							
Profit for the financial year						11 104	11 104
Translation differences					25	0	25
Total comprehensive income		**0**	**0**	**0**	**25**	**11 104**	**11 129**
Equity on 31 December 2023	17	**80**	**0**	**143 240**	**33**	**27 973**	**171 325**

EUR thousand	Note	Share capital	Share premium fund	Invested unrestricted equity fund	Translation differences	Retained earnings	Total
Equity on 01 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**

The adjustment for previous year's retained earnings is related to the adjustment for the previous year's bonus and commission accruals.

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 the consolidated financial statements. The parent company is based 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 Develoment Oy. Hailuoto Development Oy merged with iLOQ Oy on 1 November 2020. In addition, on 30 November 2011, Capnor Weasel Topco Oy's subsidiary Axtuator Oy merged with ILOQ Oy. On 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 providing professional installation, repair and maintenance services, and to direct customers of the infrastructure segment. The iLOQ Group’s regional subsidiaries are located in Sweden, Denmark, Norway, Germany, the Netherlands, France, Spain, the United Kingdom, Poland, Canada, the United States, Australia, United Arab Emirates and Singapore.

At its meeting of 11 April 2024, 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 2023 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 2023 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 standard changes that entered into force at the beginning of 2023 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 2023.. These are the third consolidated financial statements for a complete financial year. In addition to the parent company, the group includes 14 subsidiaries.

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 business functions are handled using the acquisition method. Goodwill arising from business combinations is recognised in the amount by which the consideration disposed of, the share of non-controlling interests in the acquiree and the previously held interest, summed up, exceed the fair value of the net assets acquired. Acquisition costs, 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 or groups of entities in the Group that are expected to benefit from business combinations. In Capnor Weasel Bidco, the goodwill is mainly attributed to the iLOQ group. The cash-generating entity shall be subject to the impairment tests on an annual basis, or more frequently if there are indications of impairment. If the recoverable amount of the cash-generating entity 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 entity. The impairment of goodwill is recognised in profit or loss. The impairment loss recognised in goodwill shall not be reversed in subsequent financial years. The recoverable amount is the fair value of the asset less costs of disposal or the value of use, whichever is higher. Use value refers to the estimated future net cash flows available from the asset or cash generating unit and discounted to its present value.

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 parentheses refer to the corresponding date or period in 2022, 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 of 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, less estimated variable charges, which are any applicable annual discounts. The operation and maintenance agreement specifies the maintenance fees for the locking service. The total price of the service depends on the number of locks and the services selected by the customer. The agreements do not include significant financing components.

The capitalisation of lock deliveries does not meet the criteria for capitalisation over time, so they are capitalised 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 Group will be eliminated in 20 years. Depreciation of a commodity is recognised 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 stock 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 financial years, other intangible assets are measured at acquisition cost minus recognised depreciation and impairment. 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 methods of depreciation are evaluated at the end of each reporting period and adjusted if necessary to reflect changes in the expected economic benefit.

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

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:

- liabilities 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 value of 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 2023 or 2022, 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 less sales costs or its value in use, whichever is greater. The value in use is determined by discounting the estimated future cash flows generated by the asset.

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

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 2023 or 2022.

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 new and amended standards or interpretations published 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, Singapore, United Arab Emirates, 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 direct customers of 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 location is presented below.

EUR thousand	2023		2022	
Finland	44 284	31 %	51 192	39 %
Other Northern Europe	40 892	29 %	42 109	32 %
Other world	56 143	40 %	39 647	30 %
Total	**141 318**	**100 %**	**132 948**	**100 %**

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

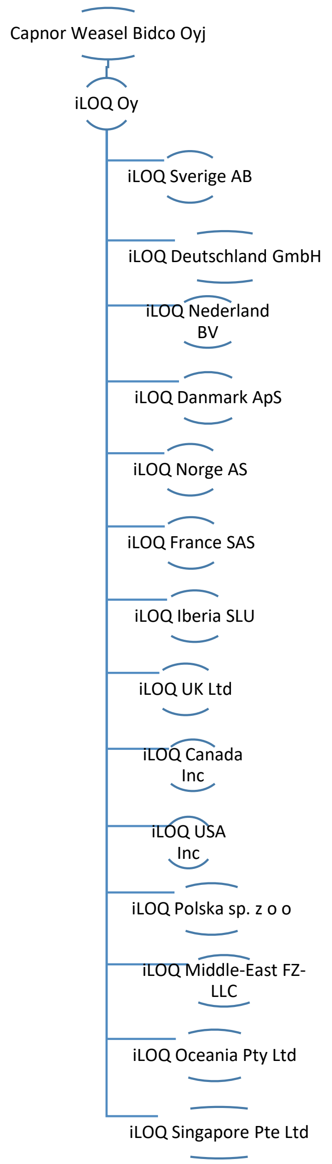
EUR thousand	2023		2022	
Revenue is recognised at a point in time	113 186	96 %	130 369	98 %
Revenue is recognised over time	4 132	4 %	2 579	2 %
Total	**117 318**	**100 %**	**132 948**	**100 %**

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
	iLOQ Middle-East FZ-LLC	United Arab Emirates	100
	iLOQ Oceania Pty Ltd	Australia	100
	iLOQ Singapore Pte Ltd	Singapore	100

During the financial year 2023, the Group established its subsidiary iLOQ Oceania Pty Ltd. In 2022, the Group acquired IT-Salonen Oy, established the subsidiary iLOQ Polska sp. z o o, and launched operations under subsidiary iLOQ USA Inc. IT-Salonen Oy was merged with iLOQ Oy in 2023. There were no changes in the shareholding of the subsidiaries in 2023.

Business acquisitions 2023

The Group did not make business acquisitions in 2023.

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 expenses in the consolidated income statement and cash flows in the cash flow statement.

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	2023	2022
Purchases of materials and services	54 217	59 557
Change in inventories	1 632	-6 305
Warranties	664	750
External services	3 212	2 843
Total	**59 724**	**56 846**

Note 7 Employee benefit expenses

EUR thousand	2023	2022
Salaries and wages	21 804	21 070
Pension costs – defined-contribution schemes	3 481	3 011
Other personnel expenses	1 623	2 110
Total	**26 908**	**26 191**

	2023	2022
Average number of employees for the financial year:	302	252
Number of employees at the end financial year:	310	277

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	2023	2022
Intangible rights	1 118	1 110
Development expenses and other intangible assets	6 796	5 601
Total	**7 914**	**6 711**

Property, plant and equipment

EUR thousand		
Machinery and equipment	1 144	1 109
Other property, plant and equipment	70	103
Fixed Assets	1 745	1602
Total	**2 958**	**2 814**
Total depreciation and impairment	**10 872**	**9 525**

Note 9 Other expenses

EUR thousand	2023	2022
Expenses relating to office premises and vehicles	1 853	1 249
Computer and program expenses	3 855	3 144
Machinery and equipment expenses	414	493
Sales and marketing expenses	7 333	5 477
Research and development expenses	1 501	1 666
Administrative expenses	6 623	5 221
Other expenses	1 777	1 283
Total	**23 355**	**18 533**

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 2023, expenses relating to office premises and vehicles include short-term (less than 12 months) lease expenses in the amount of EUR 59 thousand (EUR 69 thousand in 2022) and EUR 20 thousand (EUR 18 thousand in 2022) of minor lease expenses. Computer and program expenses include EUR 9 thousand of minor lease expenses in the financial year 2023 (EUR 11 thousand in 2022).

Auditor’s fees

EUR thousand	2023	2022
Audit	166	112
Tax services	28	45
Other services	38	6
Total	**232**	**162**

Note 10 Financial income and expenses

Recognised through profit or loss

Finance income

EUR thousand	2023	2022
Other finance income	278	122
Total	**278**	**122**

Finance expenses

EUR thousand	2023	2022
Interest expenses on lease liabilities	-115	-112
Other interest expenses	-4 996	-3 471
Other finance expenses	-1 219	-1 017
Total	**-6 329**	**-4 599**
Net financial expenses	**-6 051**	**-4 478**

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	2023	2022
Current tax for the reporting year	4 255	4 440
Current tax adjustments for prior years	-31	6
Change in deferred taxes	-886	-798
Total	**3 338**	**3 648**

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

EUR thousand	2023	2022
Profit before tax	**14 442**	**17 376**
Tax calculated using Finnish tax rate (20%)	-2 889	-3 475
Derogating tax rates of foreign subsidiaries	71	4
Unrecognised deferred tax assets on tax losses	-14	-10
Non-deductible expenses	-533	-183
Current tax adjustments for prior years	0	6
Other differences	27	11
Income taxes in the statement of comprehensive income	**-3 338**	**-3 648**

Taxes are not recognised in other comprehensive income.

Change in deferred tax

2023

EUR thousand	01 January 2023	Business acquisitions	Recognised through profit or loss	31 December 2023
Deferred tax assets				
Deprecation not deducted in taxation	0	0	0	**0**
Tax losses carried forward	44	0	-44	**0**
Expected credit losses	24	0	10	**34**
Provisions	256	0	-3	**253**
Lease liabilities	612	0	51	**663**
Right of use assets	-600	0	-49	**-650**
Total leases	11	0	2	**13**
Other temporary differences	112	0	-17	**95**
Total	**447**	**0**	**-52**	**395**

2022

EUR thousand	01 January 2022	Business acquisitions	Recognised through 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**
Lease liabilities	322	0	289	**612**
Right of use assets	-315	0	-286	**-600**
Total leases	8	0	3	**11**
Other temporary differences	0	0	112	**112**
Total	**493**	**0**	**-44**	**447**

On 31 December 2023 the confirmed losses of the Group amounted to EUR 0 (EUR 120 thousand on 31 December 2022), 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.

2023

EUR thousand	01 January 2023	Business acquisitions	Recognised through profit or loss	31 December 2023
Deferred tax liabilities				
Valuation of intangible assets at their fair value	17 164	0	-932	**16 232**
Other temporary differences	82	0	2	**83**
Total	**17 246**	**0**	**-930**	**16 316**

2022

EUR thousand	01 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	**17 919**	**172**	**-844**	**17 246**

Note 12 Intangible assets

Intangible assets 2023

EUR thousand	**Technology**	**Intangible rights**	**Brand**	**Business value**	**Other intangible assets**	**Customer relations**	**Unfinished intangible assets**	**Total**
Acquisition cost on 01 January 2023	83 066	1 727	12 865	92 412	2 767	12 142	9 246	214 224
Adjustment for previous year's value				56	39		-41	54
Additions	1 239	525	0		0	0	9 764	11 528
Transfers	1 437	0	0	0	1 394	0	-1 468	1 364
Acquisition cost on 31 December 2023	**85 742**	**2 253**	**12 865**	**92 467**	**4 200**	**12 142**	**17 501**	**227 170**
Accumulated depreciation and impairment on 01 January 2023	12 634	461	2 622	0	849	2 472	0	19 039
Depreciation for the financial year	5 099	260	858	0	888	809	0	7 914
Impairments	0	0	0	0	0	0	0	0
Accumulated depreciation and impairment on 31 December 2023	**17 733**	**722**	**3 480**	**0**	**1 737**	**3 281**	**0**	**26 953**
Book value on 01 January 2023	**70 432**	**1 266**	**10 243**	**92 412**	**1 918**	**9 670**	**9 246**	**195 186**
Book value on 31 December 2023	**68 010**	**1 531**	**9 385**	**92 467**	**2 463**	**8 861**	**17 501**	**200 217**

EUR thousand	**Technology**	**Intangible rights**	**Brand**	**Business value**	**Other intangible assets**	**Customer relations**	**Unfinished intangible assets**	**Total**
Acquisition cost on 01 January 2022	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 December 2022	**83 066**	**1 727**	**12 865**	**92 412**	**2 767**	**12 142**	**9 246**	**214 224**
Accumulated depreciation and impairment on 01 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 01 January 2022	**72 093**	**1 138**	**11 101**	**91 672**	**490**	**10 490**	**6 013**	**192 986**
Book value on 31 December 2022	**70 433**	**1 266**	**10 243**	**92 412**	**1 918**	**9 670**	**9 246**	**195 186**

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 14,492 thousand at the end of 2023 (EUR 8,029 thousand at the end of 2022). In 2023, an addition of EUR 9,848 thousand of product development expenditures was recognised on the balance sheet (EUR 4,935 thousand in 2022). Unfinished intangible assets include advance payments related to the development of systems, a total of EUR 2,450 thousand for the financial year 2023 (EUR 1,215 thousand in total in 2022).

Impairment testing for unfinished product development expenditures

The Group has carried out impairment testing for unfinished product development expenditures at 31 December 2023 and 31 December 2022. 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 2023, EUR 238,470 (225,780) thousand. The cash flow present value of the acquired assets is determined by calculating the discounted present value of the forecast cash flows. The use value calculation based on future cash flow estimates used in impairment testing is based on the iLOQ Group strategy approved by the Group's management. The cash flow estimates used are based on the next five years' financial plans for the iLOQ Group. The business growth assumptions used in the cash flow estimates and the assumptions for price and cost development are based on the company's management estimates of demand and market developments compared with external information sources. In the context of impairment testing, cash flows in later years or the so-called residual year have been carefully estimated at 1.7% growth assumption. The parameters of the risk-free interest rate, the risk factor (Beta) and the risk premium used to determine the discount rate are based on market data. The recoverable amount has been validated by comparing the result of the comparison with the market value obtained by the valuation factors of the listed comparison companies. On the basis of impairment testing, no impairment losses were recorded in the profit and loss account. A sensitivity analysis was carried out in connection with the impairment testing, in which the predicted gross margin level was reduced by 1–4.5 percentage points and the discount rates increased by 1–3 percentage points. On the basis of the sensitivity analysis, the management has estimated that any possible change in any of the key variables used in the calculations would not result in an impairment loss being recognised. The recoverable amount resulting from impairment testing was 2.6 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 11.35% (11.4%)

Note 13 Property, plant and equipment

EUR thousand	Owned property, plant and equipment in 2023: Machinery and equipment	Work in progress	Other tangible assets	Use right assets in 2023: Cars	Premises	Total
Acquisition cost on 01 January 2023	5 862	811	438	2 587	4 325	14 022
Additions	146	1 989	20	490	1 515	4 161
Reductions	-94	-64	0	-14	0	-172
Transfer between items	588	-1 964	0	0	0	-1 376
Acquisition cost on 31 December 2023	**6 501**	**773**	**458**	**3 063**	**5 840**	**16 635**
Accumulated depreciation and impairment on 01 January 2023	2 591	0	188	1 650	2 260	6 688
Depreciation for the financial year	1 144	0	70	620	1 125	2 958
Impairments	0	0	0	0	0	0
Accumulated depreciation and impairment on 31 December 2023	**3 734**	**0**	**257**	**2 270**	**3 384**	**9 646**
Book value on 01 January 2023	**3 271**	**811**	**250**	**937**	**2 065**	**7 334**
Book value on 31 December 2023	**2 767**	**773**	**200**	**793**	**2 456**	**6 989**

At the end of the financial year 2023, the amount of work in progress, EUR 773 thousand (EUR 811 thousand at the end of 2022), mainly consists 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 2022: Machinery and equipment	Work in progress	Other tangible assets	Use right assets in 2022: Cars	Premises	Total
Acquisition cost on 01 January 2022	4 194	586	195	1 869	2 012	8 857
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 2022	**5 862**	**811**	**438**	**2 587**	**4 325**	**14 022**
Accumulated depreciation and impairment on 01 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 01 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.

Note 14 Inventories

EUR thousand	2023	2022
Products	23 928	25 071
Products in transit	548	1 046
Total	**24 477**	**26 117**

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

In 2021, the company's Board of Directors 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 usual at the end of the financial year 2022. The weakened market situation in Finland and Sweden had a negative influence on the company's working capital and cash flow for the financial year 2023, as the company had prepared for significantly higher delivery volumes in this market.

Note 15 Trade and other receivables

Current receivables

EUR thousand	2023	2022
Current receivables from others		
Trade receivables	35 566	28 903
Other receivables	89	443
Accrued income	1 253	676
Total	**36 908**	**30 022**

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

Age distribution of trade receivables

EUR thousand		2023	Expected credit losses %	2022	Expected credit losses %
Not past due		27 599	0,00 %	23 551	0,00 %
Past due					
	Less than one month	6 501	0,00 %	4 498	0,00 %
	One to three months	834	3,00 %	573	0,00 %
	More than three months	632	35,00 %	282	30,00 %
	Total past due	7 967		5 353	
Total		**35 566**		**28 903**	

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 171 thousand in the financial year 2023 (EUR 120 in 2022). 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 Allianz 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	2023	2022
Cash and cash equivalents	7 397	4 087
Cash on the balance sheet	**7 397**	**4 087**

At the end of financial year the Group has a withdrawable credit facility amounting to EUR 15 million.
The credit facility was not being used at the end of financial year on 31 December 2023.

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.

2023	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**

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**

Dividends

The parent company's loss for the financial year, EUR 1,861,250.99, is recognised in the retained earnings account. The parent company's distributable assets per 31 December 2023 amount to a total of EUR 138,483,554.32, of which the amount of retained earnings is EUR - 4,496,666.68. The amount of distributable assets in the invested unrestricted equity fund is EUR 142,980,221.00.

The Board of Directors proposes to the Annual General Meeting that the profit for the financial year 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.

	2023	2022
Profit attributable to owners of the parent company (EUR 1,000)	11 104	13 728
Weighted average number of shares during the financial year	100	100
Earnings per share, undiluted (EUR/share)	111 039	137 280

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. In the financial years 2023 and 2022, all financial assets and liabilities of the Group have been measured at amortised cost using the effective interest method.

31 December 2023

EUR thousand	Note	Book value
Financial assets that are not measured at fair value		
Trade and other receivables	15	36 908
Cash and cash equivalents	16	7 397
Total		**44 305**
Financial liabilities that are not measured at fair value		
Bond	19	54 795
Product development loan		246
Account payables and other liabilities	20	27 401
Total		**82 442**

31 December 2022

EUR thousand	Note	Book value
Financial assets that 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
Total		**79 084**

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 financial year 2023 or 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 2022 and 31 December 2023. The loan is classified at the amortised acquisition price and the balance sheet value was EUR 54,795 thousand for the financial year ending 31 December 2023. In the financial year ending 31 December 2023, the Group also has a product development loan of EUR 246 thousand from the State Treasury.

On 6 March 2024, Capnor Weasel Bidco Oyj announced refinancing. The company issues a new EUR 55,000 thousand secured variable interest rate bond. The loan will be paid variable interest on Euribor three (3) months + 4.00%. The capital will fall due in March 2029.

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* .
For more information on refinancing, see Note 26, *Subsequent events* .

Note 20 Account payables and other liabilities

Current liabilities to others

EUR thousand	2023	2022
Advances received for operation and maintenance contracts	2 438	1 425
Accounts payable	10 116	10 438
Other liabilities	7 482	3 216
Accrued expenses	7 426	9 106
Total	**27 462**	**24 185**

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

Main items of accrued expenses

EUR thousand	2023	2022
Accrued expenses		
Accrual of personnel expenses	5 456	7 218
Other	1 971	1 888
Total	**7 426**	**9 106**

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 (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. 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 local currencies of its subsidiaries. The most significant foreign currencies for the Group are US dollar, Swedish krona, Danish krone and Norwegian krone. During the financial year 2023, 36.06% (33.8% in 2022) of the Group's sales were currency-denominated, and of purchases, including variable and fixed costs, 55.6% (47.7% in 2022).

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 2023

EUR thousand	SEK	DKK	NOK	USD	GBP	CAD	PLN	AUD
Trade receivables	6 376	3 341	1 630	2 733	83	50	28	0
Cash and cash equivalents	2 984	775	195	40	45	81	77	5
Accounts payable	55	30	40	22	28	3	1	0
Net balance sheet exposure	9 305	4 086	1 786	2 751	100	129	104	5
Net exposure	9 305	4 086	1 786	2 751	100	129	104	5

Sensitivity analysis by currency
31 December 2023

EUR thousand	SEK	DKK	NOK	USD	GBP	CAD	PLN	AUD
+10% movement	846	371	303	250	9	12	9	0
-10% movement	-1 034	-454	-26	-306	-11	-14	-12	-1

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

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

INTEREST RATE RISK

The Group generates interest rate risk from the Group's variable interest rate bond. The loan has an interest rate floor, the minimum interest is 5.375%. At the end of the financial year, the interest rate was 9.325%. If interest rates were to rise by one percentage point, interest expenses would increase by approximately EUR 550 thousand after taxes. 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 an Allianz credit insurance policy for trade receivables from customers. Credit insurance is used to prepare for possible credit loss risks on a customer-specific basis, and therefore the Group's financial management makes a customer-specific assessment on the need for credit insurance and insures the receivables from customers as based on this assessment. 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 2023, the Group had a bond with balance sheet value of EUR 54,795 thousand (EUR 54,592 thousand). At the end of the financial year 2023, the cash and cash equivalents of the Group totalled EUR 7,397 thousand (EUR 4,087 thousand). The Group aims to ensure the availability and flexibility of funding through an overdraft facility. On 31 December 2023, the Group maintains a credit facility of EUR 15.0 million, which was not in use at the end of the financial year. The credit facility was used during the financial years 1 January 2023 – 31 December 2023 and 1 January 2022 – 31 December 2022.

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

31 December

EUR thousand	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Non-derivative financial liabilities						
Liabilities from credit institutions	5 191	57 627	62	62	0	0
Account payables and other liabilities	20 791	0	0	0	0	0
Total	25 982	57 627	62	62	0	0

31 December

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

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 4.5 at the end of the financial year on 31 December 2023. The covenant rule was clearly fulfilled in the financial year. EUR 5 million of the credit facility was being used at the end of the financial year on 31 December 2023. The credit facility contract contains a financial covenant clause related to the equity ratio that the Group has fulfilled well in the financial year 2023.

On 6 March 2024, Capnor Weasel Bidco Oyj announced refinancing. The company issues a new EUR 55,000 thousand secured variable interest rate bond. The loan will be paid variable interest on Euribor three (3) months + 4.00%. The capital will fall due in March 2029.

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 62.2 % (61.5% in 2022) at the end of reporting period 2023.

Note 22 Maturity of lease liability

EUR thousand	2023	2022
Within 12 months	3 284	1 620
Within one to five years	3 913	1 443
Total	**7 197**	**3 063**

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	2023	2022
Non-current provision	386	574
Current provision	880	704
Total	**1 266**	**1 278**

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

EUR thousand	Warranty provision
Warranty provision on 01 January 2023	**1 278**
Increase of warranty provision during the period	2 173
Cancellation of warranty provision (over 2 years)	-704
Realised warranty costs	-1 481
Warranty provision on 31 December 2023	**1 266**

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**

Note 24 Contingent liabilities and assets

Collaterals and contingent liabilities

EUR thousand	2023	2022
Contingent liabilities		
Credit facility	15 000	15 000
Lease guarantee	204	249
Delivery guarantee	664	32
Corporate credit card	140	84
Total	16 008	15 365

EUR 15 million of the credit facility was not being used at the end of the financial year 2023.

EUR thousand	2023	2022
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 4.5 at the end of the financial year on 31 December 2023. The covenant rule was clearly fulfilled in the financial year.

The credit facility was not in use at the end of the financial year on 31 December 2023. The credit facility contract contains a financial covenant clause related to the equity ratio that the Group has fulfilled well in the financial year 2023.

Legal proceedings

The Group has not had any outstanding legal proceedings in 2023.

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	2023	2022
Short-term employee benefits	2 888	2 613
Benefits paid after the end of employment relationship	554	533
Total	**3 442**	**3 145**

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

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

Note 26 Subsequent events

On 6 March 2024, Capnor Weasel Bidco Oyj announced a successful refinancing. The company issues a new EUR 55,000,000 secured variable interest rate bond with a five-year maturity period. The loan will be paid a variable interest Euribor three (3) months + 4.00% per year, and the final maturity will be in March 2029. The company intends to apply for the listing of the new bond on the Nasdaq Stockholm bond list.

Capnor Weasel Bidco Oyj

(€ 1,000)

PARENT COMPANY INCOME STATEMENT	Note	**01/01/2023-31/12/2023**	**01/01/2022-31/12/2022**
Revenue		**619**	**1 182**
Personnel expenses		-563	-1 074
Other expenses		-72	-69
Operating profit		**-16**	**39**
Finance income		0	0
Finance expenses	1	-4 861	-3 318
Profit before extraordinary items		**-4 877**	**-3 280**
Profit before appropriations and taxes		**-4 877**	**-3 280**
Group contributions received		3 016	2 961
Profit for the financial period		**-1 861**	**-318**

Capnor Weasel Bidco Oyj
(€ 1,000)

PARENT COMPANY BALANCE SHEET	Note	31 December 2023	31 December 2022
ASSETS			
NON-CURRENT ASSETS			
Investments	2	195 107	195 107
Non-current assets, total		**195 107**	**195 107**
CURRENT ASSETS			
Current receivables	3	93	992
Cash at bank and in hand		26	2
Total current assets		**120**	**994**
TOTAL ASSETS		**195 227**	**196 101**
EQUITY AND LIABILITIES			
EQUITY	4		
Share capital		80	80
Invested unrestricted equity fund		142 980	142 980
Profit for the prior financial periods		-2 635	-2 317
Profit for the financial period		**-1 861**	**-318**
Total equity		**138 564**	**140 425**
LIABILITIES	5		
Long-term liabilities			
Interest-bearing liabilities		55 000	55 000
Short-term liabilities			
Interest-free liabilities		1 663	676
Liabilities, total		**56 663**	**55 676**
EQUITY AND LIABILITIES, TOTAL		**195 227**	**196 101**

Capnor Weasel Bidco Oyj

(€ 1,000)

PARENT COMPANY CASH FLOW STATEMENT (t€)	01/01/2023-31/12/2023	01/01/2022-31/12/2022
CASH FLOW FROM OPERATING ACTIVITIES		
Profit (loss) before taxes	-4 877	-3 280
Adjustments:		
Financial income and expenses	4 861	3 318
Extraordinary income	0	0
Cash flow before change in working capital	**-16**	**38**
Change in working capital:		
Increase (-)/decrease (+) in short-term interest-free trade receivables	340	-410
Increase (+)/decrease (-) in short-term interest-free liabilities	-306	340
Cash flow from operating activities before financial items and taxes	**19**	**-31**
Interest paid and payments on other financial expenses	-4 804	-3 237
Interest received from operating activities	0	0
Cash flow before extraordinary items	**-4 786**	**-3 268**
Cash flow from operating activities (A)	**-4 786**	**-3 268**
CASH FLOW FROM INVESTMENT ACTIVITIES		
Investments in the subsidiary	0	0
Cash flow from investment activities (B)	**0**	**0**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from short-term liabilities	1 236	0
Payments of short-term liabilities	0	0
Group contributions received	3 574	3 224
Cash flow from financing activities (C)	**4 810**	**3 224**
CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	**24**	**-44**
Cash and cash equivalents on 1 January	**2**	**46**
Cash and cash equivalents on 31 December	**26**	**2**

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	**2023**	**2022**
Salaries and wages	429	945
Pension costs	116	117
Other personnel expenses	17	13
Total	563	1 074
Average number of personnel	1	1

Financial income and expenses	**2023**	**2022**
Finance expenses		
Interest expenses	4 793	3 186
Other finance expenses	68	132
	4 861	3 318

Note 2 Investments

Investments	2023	2022
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

	2023	2022
Current receivables		
Short-term receivables from other companies		
Accrued income	9	2
Total	9	2
Short-term receivables from Group companies		
Trade receivables	84	431
Group accrued income	0	558
Total	84	990
Short-term receivables, total	93	992

Note 4 Equity and calculation of distributable equity

EQUITY	2023	2022
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	-2 635	-2 317
Retained earnings on 31 Dec	-2 635	-2 317
Profit for the financial period	-1 861	-318
Total unrestricted equity	138 484	140 345
Total equity	138 564	140 425

Calculation of distributable equity	**2022**	**2022**
Retained earnings	-2 635	-2 317
Profit for the financial period	-1 861	-318
Invested unrestricted equity fund	142 980	142 980
Total	138 483	140 345

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	2023	2022
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	2023	2022
Short-term interest-free liabilities to other companies		
Accounts payable	23	13
Accrued expenses		
Interest expenses	271	214
Other	134	449
Total	428	676
Short-term liabilities to Group companies		
Other liabilities	1 236	0
Total	1 236	0
Short-term interest-free liabilities, total	1 663	676

Note 6 Liabilities and collateral

The company has a credit agreement of EUR 10,000,000, which was not being used at the end of the financial year 2023.

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 2023, Capnor Weasel Bidco Oyj received a group grant from its subsidiary iLOQ Oy worth EUR 3,015,988 (EUR 2,961,307 in 2022). In addition, during the financial year 2023, Capnor Weasel Bidco Oyj invoiced administrative services from its subsidiary iLOQ Oy worth EUR 619,042 (EUR 1,181,754 in 2022).
At the end of the financial year, the company had a related party loan of EUR 1,236 thousand from its subsidiary iLOQ Oy.

Capnor Weasel Bidco Oyj

BOARD OF DIRECTORS SIGNATURES

Las Vegas, 11 April 2024

Magnus Hammarström	Heikki Hiltunen
Member of the Board	President & CEO

STATEMENT OF ACCOUNTS

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

KPMG Oy Ab

Las Vegas, 11 April 2024

Juho Rautio
Authorised Public Accountant

KPMG

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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 (business identity code 3089585-3) for the financial period 1.1.-31.12.2023. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including material accounting policy information, 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 IFRS Accounting Standards 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.

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 acquisition related intangible assets (Refer to consolidated accounting principles and note 12 to the financial statements)	
- At the end of the financial year, the Group had EUR 92 million of goodwill and EUR 82 million of other intangible assets related to acquisitions on its balance sheet. At the end of the financial year, goodwill represented 54% of the Group's equity and 33% of the Group's balance sheet total. - According to IFRS standards, goodwill is not amortised but tested annually for impairment. Goodwill is allocated entirely to the iLOQ Group, whose recoverable amount is determined using a value-in-use method based on estimated future discounted cash flows. The methodology used for the impairment test is based on management's estimates of, among other things, long-term growth, profitability and the discount rate used. - Other intangible assets related to acquisitions have a limited useful life. However, management is required to assess the useful life and the related amortisation period annually. - Due to the uncertainty of estimation associated with goodwill impairment testing and the significant balance sheet value of goodwill and other intangible assets related to acquisitions, we have considered them to be key audit matters.	- We have assessed the cash flow projections used in the impairment test calculations, the appropriateness of the discount rate used and the technical accuracy of the calculations. We have critically assessed the basis {data} and the assumptions of the management on which the cash flow projections for future years have been prepared. - We assessed the assumptions used in the calculations and compared the assumptions to market and industry data. - We have assessed the appropriateness of the amortisation period for other acquisition-related intangibles (technology, brand and customer relationships). - We have also assessed the appropriateness of the information provided on impairment testing and other intangible assets.

Revenue recognition in the consolidated financial statements (Refer to note 2 to the parent company's financial statements)

- The value of iLOQ Oy's shares held by the parent company in the financial statements as at 31 December 2023 according to Finnish accounting standards was EUR 195 million, which is almost 100% of the balance sheet total of the parent company.

- The valuation of subsidiary shares is reviewed as part of the Group's impairment testing based on discounted estimated cash flows.

- The assets on the parent company's balance sheet consist almost entirely of shares in subsidiaries, the valuation of which involves management judgement. In view of these factors, we have considered the valuation of subsidiary shares to be a key audit matter.

- In our audit of revenues, we have tested key controls related to sales and performed substantive audit procedures. We have assessed the accounting principles and practices for different revenue streams and evaluated the appropriateness of the revenue. We have assessed the cash flow assumptions used in the impairment test calculations, the appropriateness of the discount rate used and the technical accuracy of the calculations We have critically assessed the basis and management assumptions on which the cash flow projections for future years have been prepared.

- We have assessed the assumptions used in the calculations against market and industry-specific 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 accounting standard (IFRS Accounting Standards) 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 4 years. Capnor Weasel Bidco Plc became a public interest entity on 8 September 2020. We have acted as the company's auditor throughout its period as 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

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

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

Oulu, 12 April 2024

KPMG Oy Ab

[signature]

Juho Rautio

KHT