Capnor Weasel Bidco Oyj

Financial Statement 1.1.2020 - 31.12.2020

Contents

ANNUAL REPORT OF THE BOARD OF DIRECTORS 2020

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's subsidiary, iLOQ, is a Finnish rapidly expanding and internationalising technology company that transforms mechanical locking into digital access management.

The company's subsidiary iLOQ's technological solutions enable electronic locking without batteries or cables. The Company's products are sold through iLOQ's distribution channel providing professional installation and maintenance services. The Company has more than 1,000 resellers globally. Revenue increased steadily during the financial period 2020 in both the oval and DIN lock cylinder markets. The manufacturing of the products is based on outsourced, flexibly scalable production, distributed by the iLOQ-managed distribution centre. In addition, the company has a small-scale production unit to support product development needs.

In accordance with its growth strategy, the company's subsidiary iLOQ continued in 2020 to strengthen its organisation to support the Company's long-term internationalisation and growth targets. The most significant investments were focused particularly on strengthening the company's international sales and marketing as well as product development. In accordance with its growth strategy, iLOQ continued in 2020 to strengthen its organisation to support the Company's long-term internationalisation and growth targets. iLOQ opened a subsidiary company in Canada at the end of 2020. The company has subsidiaries in Sweden, Norway, Denmark, Germany, the Netherlands, France, Spain, UK and Canada.

The company's subsidiary iLOQ launched iLOQ S5 in the Nordic countries in fall 2019 and in Central Europe in spring 2020. With the publication of iLOQ S5, the company utilises even further the opportunities offered by digitalisation and the Internet of Things in improving safety, decreasing administration and reducing lifecycle costs.

The company's subsidiary iLOQ also made strong investments in improving the transaction experience of its reseller network and end customers by introducing the iLOQ partner portal and by enhancing the effectiveness of expert support processes and tools. In addition to expanding its reseller network, the company established significant cooperation with Cellnex Telecom during the financial year. iLOQ also started cooperation with the ski resort Levi and Vaasa Hospital's H new construction project and continued its cooperation with Sato, Hoas and the student housing foundation in Vaasa. In addition, in order to increase the brand and awareness of iLOQ, a number of measures have been implemented and started aiming at achieving good visibility among the main target groups in key market areas in Central and Northern Europe.

BUSINESS ACTIVITIES DURING THE FINANCIAL PERIOD

This is the first 12-month financial year of Capnor Weasel Bidco Oyj. In the previous financial year, the company carried out the purchases of iLOQ Group and Hailuoto Development Oy. In the seventh consecutive year, the subsidiary iLOQ of Capnor Weasel Bidco Oyj made a strong positive result despite strong growth and significant investments in internationalisation.

The turnover of the iLOQ Group (FAS) for the financial year 2020 was EUR 74.1 million (2019: EUR 61.1 million) and it increased 21.4 % compared to the corresponding period of the previous year. The net sales of Central Europe operations increased by 42.5% from the previous year to EUR 14.9 (10.5) million. The turnover of Northern Europe's operations was EUR 59.2 (50.6) million, which was 17.0% higher than in the previous year. In Northern Europe, growth was the strongest in terms of euros in Sweden. The profitability of the iLOQ Group (FAS) developed positively with all key indicators during the financial year 2020. Strong growth strengthened gross margin, which increased 22.7 % from the previous year and was 55.6 % of turnover (54.9 %). In 2020, EBITDA was EUR 13.6 million (2019: EUR 9.7 million). The costs for 2019 included one-off costs related to the work related to the company's strategic options survey of approximately EUR 0.1 million. At the end of the year, the number of ILOQ Group personnel was 187 (152) people, which increased by 23% from the end of the previous year. Operating profit (EBIT) was EUR 11.1 (7.6) million, or 15.0 % (12.5 %) of turnover. The profit of the ILOQ Group for the financial year 2020 was EUR 6.6 (5.9) million. The above-mentioned FAS figures for the iLOQ Group are unaudited and presented for comparability purposes.

FINANCIAL IFRS INDICATORS OF CAPNOR WEASEL BIDCO OYJ

	1.1.-31.12.2020	**4.10.-31.12.2019**
Financial indicators		
Revenue (1,000 €)	74,125	7,112
Operating profit (1,000 €)	5,089	-3,992
Operating profit, %	6.9%	-56.1%
Return on equity, % (ROE)	0.4%	-62.2%
Equity ratio, % 60.5%	60.5%	61.0%
Other indicators		
Wages and salaries (1,000 €)	12,680	661
Pension costs (1,000 €)	1,613	87
Other indirect personnel costs (1,000 €)	1,181	60
Total (1,000 €)	15,474	808
Average number of employees in the financial year	170	152

REPORT ON THE SCOPE OF RESEARCH AND DEVELOPMENT ACTIVITIES

The Group’s subsidiary iLOQ has invested in the development of new products and the further development of the properties and manufacturing methods of existing products. The most important development projects have been the development of the mechanics, electronics and software of the iLOQ S50 locking system introduced to the market during the last financial year and the iLOQ S5 access control system launched in the Nordic countries in the autumn. In the financial year, research and development expenditure has been activated to the balance sheet for a total of EUR 2,833 thousand.

COMPANY’S FINANCIAL POSITION

At the end of the financial year 2020, the company’s liquidity and financial position were good. The consolidated balance sheet total at the end of the review period was EUR 229,697 thousand and the equity ratio was 60.5%.

FINANCIAL ARRANGEMENTS AND SPECIAL RIGHTS

On 11 December 2019, Capnor Weasel Bidco Oyj acquired the shares of the iLOQ Group and Hailuoto Development Oy. In December 2019, Capnor Weasel Bidco Oyj issued a bond worth EUR 55 million. The bond is secured and is subject to a coupon of 3 months Euribor plus 5.375 percentage points. The bond was listed in Nasdaq Stockholm and trading started on 8 September 2020. The bond is due on 12 June 2025. The company has no special rights.

STRUCTURAL ARRANGEMENTS

During the financial year, the company merged its subsidiary Hailuoto Development Oy into iLOQ Oy.

LOANS TO RELATED PARTIES AND RESPONSIBILITIES

The Company does not have related party loans at the end of the financial period. The subsidiary iLOQ Oy is the guarantor of the EUR 55 million bond issued by the company. In addition, the subsidiary iLOQ Oy is jointly and severally guarantor of the 15 million credit lines. The credit line was not in use at the end of the financial year on 31 December 2020.

ASSESSMENT OF LIKELY FUTURE DEVELOPMENTS

The Company's management predicts that the revenue will grow in the current market areas also in 2021, thanks to development measures that accelerate growth. It is predicted that profitability will remain good despite growth investments. The company management estimates that any prolongation of the COVID-19 pandemic will affect the Group's business at least in the first half of 2021.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL PERIOD

In January 2021, the Group's subsidiary iLOQ Oy announced its expansion to the UK. Ulf Jonasson, who has extensive experience in managing international business and also in the field of locking, has been appointed UK Country Manager of iLOQ Oy. Ulf, working outside London, is responsible for establishing local commercial operations and developing strong partners and customer base.

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 around 80% of ILOQ's turnover, which is why the prolonged decrease in the renovation market in Northern Europe in particular could have a negative impact on the growth and profitability of ILOQ. In 2020, significant measures were taken in all iLOQ markets to curb the spread of COVID-19 by restricting people's mobility and business operations. Despite the fact that the pandemic did not have a significant impact on the business of iLOQ in 2020, further deterioration or the imposition or prolongation of new restrictions to mitigate the pandemic could have a negative impact on the demand for iLOQ products and services in 2021. 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 have 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, particular focus has been placed on ensuring the availability of components so that the company's capacity to honour supply contracts can be secured.

Due to the nature of the company's security products, product-related risks are prevented through 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 not aware of any judicial or credit loss risks that would substantially affect the company's performance.

At the beginning of 2020, the Board of Directors of Capnor Weasel Bidco Oyj has assessed the impact of an outbreak and rapidly expanded virus epidemic on the Group's market environment and business operations. So far, the virus epidemic has not had a significant impact on the Group, because, among other things, measures to mitigate the potential supply chain disturbances caused by COVID-19 continued successfully. The company's Board of Directors and management closely monitor the development of the coronavirus situation and update their assessment of the effects of the epidemic as the situation progresses. As a result of COVID-19, the company's subsidiary iLOQ Oy has a remote work recommendation in force, and during the financial year, for example, the logistics functions were changed to two shifts if necessary to protect the health of employees.

Financial risks

The main financial risks to which the group is exposed are market risk (foreign exchange and interest rate risk), liquidity risk and credit risk. The Group's management assesses the risks and acquires the necessary instruments for hedging risks. In its risk management, the Group uses credit insurance for sales receivables and, where appropriate, foreign exchange forwards. The Group has no financial risk concentration. In December 2019, the Group issued a bond with a nominal value of EUR 55,000.000. The loan includes performance and indebtedness covenant terms. The covenant conditions were met during the financial year ended 31 December 2020.

Damage risks

iLOQ's business operations depend on the operational reliability, quality and reliability of suppliers, 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 the business of iLOQ. 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 that are scaled to the extent of the business. In addition to these, the company has a special global cover covering personal injury and property damage caused by the iLOQ locks used by consumers and personal injury caused by business locks.

QUALITY AND ENVIRONMENT

Capnor Weasel Bidco Oyj does not have a quality system, but the group's iLOQ Oy has a certified ISO 9001:2015 quality system and ISO 14001:2015 environmental management system. The Company's iLOQ S10/S50 SaaS service is produced by Fujitsu Services Oy, whose information security management system has been certified in accordance with ISO 27001:2013.

SHARES OF THE COMPANY

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

OWN SHARES

The company does not hold any own shares.

BOARD OF DIRECTORS' PROPOSAL FOR PROFIT DISTRIBUTION

The distributable equity of Capnor Weasel Bidco Oyj on 31 December 2020 was EUR 139,828,101.75, of which the loss for the financial year was EUR 1,384,420.64. The company's distributable assets are divided into an invested unrestricted equity fund of EUR 142,980 221.00 and earnings of EUR -3,152,119.25.

The Board of Directors proposes to the Annual General Meeting that the profit for the financial year 2020 is transferred to the profit and loss account and that no dividends are paid out.

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

AUDITING

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	01/01/-31/12/2020	04/10-31/12/2019
Revenue	4	**74 125**	**7 112**
Other income		1	0
Materials and services	6	-33 789	-3 306
Employee benefit expenses	7	-15 474	-808
Depreciation and amortisation	8	-7 545	-447
Other operating expenses	9	-12 229	-6 542
Operating profit		**5 089**	**-3 992**
Financial income	10	133	10
Financial expenses	10	-4 067	-565
Net financial expenses		**-3 934**	**-554**
Profit (loss) before taxes		**1 155**	**-4 546**
Income taxes	11	-637	-472
Profit (loss) for the financial year		**518**	**-5 017**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Translation differences		-15	0
Other comprehensive income (-loss), net of tax		-15	0
Total comprehensive income		**503**	**-5 017**

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

Undiluted earnings per share (EUR)		5 181	-872
Dilution adjusted earnings per share (EUR)	17	5 181	-872

Undiluted and diluted earnings per share for 2019 have been annualised for the entire year.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	Note	31.12.2020	31.12.2019
ASSETS			
Non-current assets			
Intangible assets	12	102 650	104 843
Business value	5	91 672	91 672
Property, plant and equipment	13	4 519	3 954
Deferred tax assets	11	478	392
Total non-current assets		**199 319**	**200 861**
Current assets			
Inventories	14	10 246	8 473
Trade and other receivables	15	12 119	10 820
Cash and cash equivalents	16	8 013	5 784
Total current assets		**30 378**	**25 076**
Total assets		**229 697**	**225 938**
EQUITY			
Share capital	17	80	142 778
Invested unrestricted equity fund	17	142 980	0
Translation differences	17	15	0
Retained earnings	17	-4 568	-5 017
Total equity		**138 507**	**137 761**
LIABILITIES			
Non-current liabilities			
Financial liabilities	20	54 218	54 046
Non-current lease liabilities	23	731	781
Non-current provisions	24	1 026	460
Deferred tax liabilities	11	18 743	19 669
Total non-current liabilities		**74 719**	**74 956**
Current liabilities			
Account payables and other liabilities	21	13 569	11 318
Current lease liabilities	23	1 017	958
Current provisions	24	460	314
Tax liabilities based on taxable income for the financial year	11	1 425	630
Total current liabilities		**16 471**	**13 221**
Total liabilities		**91 190**	**88 177**
Total equity and liabilities		**229 697**	**225 938**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Basic information about the Group

Capnor Weasel Bidco Oyj is a Finnish limited liability company operating under Finnish law. Since 11 December 2019, iLOQ Oy's parent company has been Capnor Weasel Bidco Oyj, which prepares consolidated financial statements. The parent company is based in Helsinki. A copy of the consolidated financial statements is available from the iLOQ Oy headquarters at Yrttipellontie 10, FI-90230 Oulu, Finland. The company is part of the Capnor Weasel Topco group, which compiles the FAS consolidated financial statements. The party exercising ultimate control over the company is Nordic Capital IX Limited.

On 11 December 2019, Capnor Weasel Bidco Oyj acquired ownership of the iLOQ Group and Hailuoto Develoment Oy. Hailuoto Development Oy merged with iLOQ Oy on 1 November 2020. Industrial business is 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 land companies are located in Sweden, Denmark, Norway, Germany, the Netherlands, France, the United Kingdom and Canada.

At its meeting of 18 March 2021, 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.

Note 2 Basis for preparing the financial statements

The consolidated financial statements for the 2020 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 2020 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 2020 have had no impact on the Group's financial statements. From 11 December 2019, the figures of the parent company and its subsidiaries (together the 'Group') have been consolidated into the consolidated financial statements for the financial year 2020. This is the first consolidated financial statements for the entire financial year and the accounting period presented as comparative data is therefore not comparable. In addition to the parent company, the group includes 10 subsidiaries.

Note 3 Accounting policies to the consolidated financial statements

Accounting policies requiring management discretion and uncertainty factors relating to estimates

Preparing consolidated financial statements in accordance with IFRS requires the company's management to exercise discretion, use estimates and make assumptions that affect the application of the accounting policies, the reporting of assets and liabilities, and the amounts of income and expenses. These estimates are based on the management's best insight at the present time, but it is possible that actual results may ultimately deviate from the estimates made. The restrictions related to the COVID-19 pandemic had an impact on the Group's business in the current reported financial year, though the impact of the COVID-19 pandemic on business has not been significant in general. The company's management estimates that, despite this, the COVID-19 pandemic will exert an impact on the Group's business at least during the first half of 2021, as set out in these financial statements.

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

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

- Estimates of future business development and the assumptions used for impairment testing on development projects
- Recognition and measurement of assets arising from the acquisition of business activities

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

Consolidation principles behind the consolidated financial statements

Subsidiaries

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

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

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

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

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

Business combination

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

Conversion of items denominated in foreign currencies

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

Foreign-currency denominated transactions

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

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

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

Financial statements of foreign subsidiaries

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

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

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

Principles of revenue recognition

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

The Group's customers are retailers. Customer contracts typically consist of a partnership agreement and each confirmed product order.

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

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

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

Employee benefits

Pension obligations

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

Share-based payments

The Group has not had any accounts for share-based payments in the financial years to be presented.

Operating profit

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

Recognition of income taxes and deferred taxes

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

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

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

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

Intangible assets

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

Research and development expenditure

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

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

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

Business value

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

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

Other intangible assets

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

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

The estimated useful lives of assets are as follows:

- Technology 5-10 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 evaluated at the end of each reporting period and adjusted if necessary.

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

Property, plant and equipment

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

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

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

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

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

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

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

Leases – the Group as the lessee

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

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

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

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

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

Inventories

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

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

Financial assets and liabilities

Recognition and classification of financial assets and liabilities

Financial assets

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

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

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

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

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

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

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

Financial liabilities

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

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

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

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

Derivative financial instruments

The Group uses derivatives such as foreign currency forward contracts to hedge against the risks of exchange rate fluctuations. Derivatives are classified as financial assets or liabilities to be recognised at fair value through profit or loss. These financial instruments are originally entered into the accounts at fair value on the date when the Group becomes a party to the contract, and they are subsequently measured at fair value.

Changes in fair value are recognised through profit or loss. Derivatives are presented on the balance sheet under assets if the fair value is positive on the reporting date and under liabilities if the fair value is negative.

Changes in the fair values of foreign currency derivatives are recognised under other operating costs.

The Group has not had any derivative instruments during the financial year or at the end of the reporting period.

Impairments and impairment testing

Assets not belonging to financial assets

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

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

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

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

Provisions and contingent liabilities

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

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

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

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

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

Public grants

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

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

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

Equity

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

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	Note	01/01-31/12/2020	04/10-31/12/2019
Cash flows from operating activities			
Profit (loss) for the financial year		518	-5 017
Adjustments:			
Depreciation and amortisation	8	7 545	447
Unrealised exchange gains and losses		-150	0
Financial income	10	-133	-10
Financial expenses	10	4 067	564
Taxes	11	637	472
Other adjustments		186	0
Change in net working capital:			
Change in trade and other receivables	15	-1 255	-1 465
Change in inventory	14	-1 774	1 026
Change in trade and other payables	21	2 580	594
Change in provisions	24	712	-58
Interest paid		-3 261	-1 225
Interest received		1	10
Income taxes paid		-1 050	0
Other financial items		-319	0
Net cash flows from operating activities		**8 304**	**-4 662**
Cash flows from investing activities			
Investments in tangible assets	12	-3 671	-231
Investments in intangible assets	13	-1 210	-130
Business acquisitions	5	0	6 162
Net cash flows from investing activities		**-4 881**	**5 801**
Cash flows from financing activities			
Paid-up equity increase		0	3 365
Proceeds from long-term liabilities	20	0	55 000
Payments of short-term liabilities		-10 000	-53 663
Payments of lease liabilities		-1 027	-58
Proceeds from short-term liabilities		10 000	0
Net cash flows from financing activities		**-1 027**	**4 645**
Change in cash flows		**2 397**	**5 784**
Cash and cash equivalents on 1 January		5 784	0
Net effect of changes in exchange rates on financial assets		-167	0
Cash and cash equivalents on 31 December	16	8 013	5 784

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 amount**
Equity on 1 January 2020	17	**0**	**0**	**142 778**		**-5 017**	**137 761**
Adjustment for previous year's retained earnings						-69	**-69**
Comprehensive income							
Profit for the financial year		0			15	518	533
Total comprehensive income		**0**	**0**	**0**	**15**	**518**	**533**
Transactions with shareholders							
Unmatched investment	17	0		282		0	282
Fund increase		80		-80			0
Total transactions with shareholders		80	0	202	0	0	282
Equity on 31 December 2020	17	**80**	**0**	**142 980**	**15**	**-4 568**	**138 507**

		Equity attributable to shareholders of the parent company				
EUR thousand	**Note**	**Share capital**	**Share premium fund**	**Invested unrestricted equity fund**	**Retained earnings**	**Total amount**
Equity on 4 October 2019	17	**0**	**0**	**0**	**0**	**0**
Comprehensive income						
Profit for the financial year					-5 017	-5 017
Total comprehensive income		**0**	**0**	**0**	**-5 017**	**-5 017**
Transactions with shareholders						
Issue of shares	17			142 778		142 778
Total transactions with shareholders		0	0	142 778	0	142 778
Equity on 31 December 2019	17	**0**	**0**	**142 778**	**-5 017**	**137 761**

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. Industrial business is 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 land companies are located in Sweden, Denmark, Norway, Germany, the Netherlands, France, the United Kingdom and Canada.

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

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

Revenue

The revenue of iLOQ consists of digital locking and access management systems. The Group's products consist of supplied locks, as well as lock operation and maintenance services. The Group's customers are retailers and partners of locking products.

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. ExWorks Incoterms delivery term is generally used on the delivery of products. For one significant customer, performance obligation is satisfied at the time of the delivery, and for these deliveries Delivered Duty Paid -Incoterms are applied. Revenue from maintenance and repair services is recognized over time as the customer receives the benefits simultaneously as the service is provided.

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

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

EUR thousand	**2020**		**2019**	
Northern Europe	59 226	80 %	6 347	89 %
Central Europe and other regions	14 899	20 %	765	11 %
Total amount	**74 125**	**100 %**	**7 112**	**100 %**

The proportion of Finland's revenue of the revenue from Northern Europe was EUR 37,414 thousand (EUR 33,206 thousand in 2019).

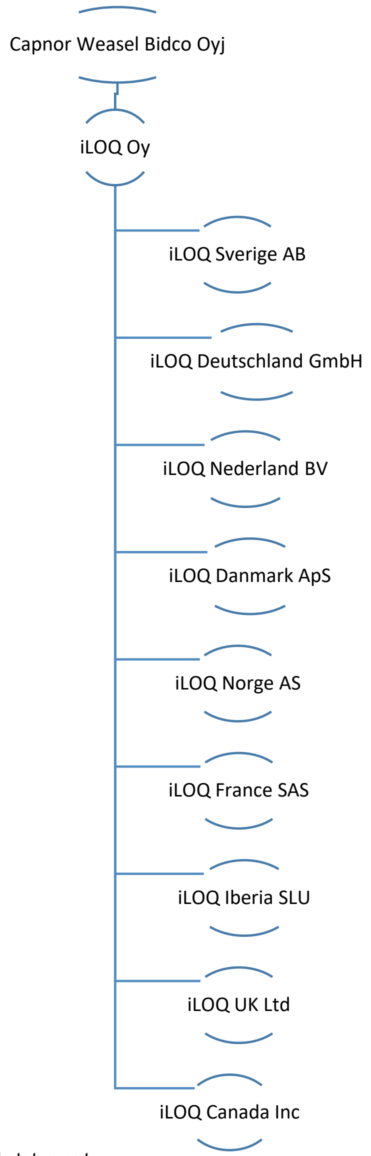
The classification of revenue according to the timing of product deliveries and service production is presented below.

EUR thousand	**2020**		**2019**	
Revenue is recognised at a point in time	73 102	99 %	7 067	99 %
Revenue is recognised over time	1 023	1 %	45	1 %
Total amount	**74 125**	**100 %**	**7 112**	**100 %**

During the financial years presented there were no recognised credit losses on sales. Trade receivables are presented in note 15 *Trade and other receivables* .

Note 5 Group structure and business combinations

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



Subsidiaries included in the consolidated financial statements:

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

The Group did not have any business acquisitions or sold business operations in 2020. The Group merged its subsidiary Hailuoto Development Oy into iLOQ Oy during 2020.

In addition, the Group also has a subsidiary iLOQ USA Inc. This subsidiary does not have any operations.

Business acquisitions 2019

Capnor Weasel Bidco Oy completed the acquisition of iLOQ and its subsidiaries on 11 December 2019 after approval by the competition authorities.

ILOQ aims to move from traditional locks to patented digital access control solutions. ILOQ solutions are used in different buildings where daily human flows are large. Examples are composed of residential properties, including student homes, educational institutions, health care and offices.

ILOQ has more than 150 employees at its sites in nine countries (Finland, Sweden, Denmark, Norway, Germany, the Netherlands, France, Spain and the United Kingdom). The head office is located in Oulu, Finland. In addition to foreign offices, iLOQ has over 800 resellers across Europe.

The purchase price of EUR 185.7 million was paid in cash in connection with the realisation of the transaction.
The table below shows the cash flows associated with the acquisition of iLOQ.
In connection with the procurement, the cash consideration has been paid by Capnor Weasel Topco Oy and Capnor Weasel Midco Oy, which is why the amount shown in the cash flow statement differs from that shown here.

Cash flow

EUR thousand	
Cash consideration at acquisition	185 668
Cash raised	-2 240
Cash flow	**183 428**

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

EUR thousand	
Intangible assets	105 000
Tangible assets	2 140
Use right assets	1 778
Deferred tax assets	178
Total non-current assets	**109 096**
Inventories	9 499
Trade and other receivables	8 926
Accrued income	398
Cash and cash equivalents	2 240
Total current assets	**21 063**
Total assets	**130 159**
Interest-bearing financial liabilities	450
Provisions	460
Lease liabilities	809
Deferred tax liabilities	19 572
Total non-current liabilities	**21 291**
Current interest-bearing financial liabilities	2 207
Account payables and other liabilities	10 733
Lease liabilities	988
Tax liabilities based on taxable income for the financial year	630
Provisions	314
Total current liabilities	**14 872**
Total liabilities	**36 163**
Net assets	**93 996**
Remuneration	**185 668**
Business value	**91 672**

At the time of acquisition, the fair value of the intangible assets identified in the procurement was EUR 105.0 million, consisting mainly of technology (EUR 79.4 million), customer relationships (EUR 12.1 million) and the brand (EUR 12.9 million).

The nominal value of the sales receivables acquired was EUR 8.8 million and is expected to be fully recoverable.

The operating value is EUR 91.7 million. Business value is not deductible for taxation. Business value consists of labour, market position, geographical coverage, and expected future profits.

Acquisition costs, EUR 5.2 million, 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 11 December - 31 December 2019 accrued EUR 7.1 million revenue and EUR 1.2 million operating profit for Capnor Weasel Bidco Group.

If the acquisition had been carried out on 1 January 2019, the turnover for the Capnor Weasel Bidco Group would have been EUR 61.1 million and the operating loss would have been EUR 4.9 million.

Note 6 Materials and services

EUR thousand	2020	2019
Purchases of materials and services	33 036	2 295
Change in inventories	-1 774	1 027
Warranties	995	-116
External services	1 531	100
Total amount	**33 789**	**3 306**

Note 7 Employee benefit expenses

EUR thousand	2020	2019
Salaries and wages	12 680	661
Pension costs – defined-contribution schemes	1 611	87
Other personnel expenses	1 182	60
Total	**15 474**	**808**

	2020	2019
Average number of employees for the financial year:	169	152
Number of employees at the end financial year:	198	152

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

Information concerning key management's employment benefits is presented in note 26 *Related party transactions.*

Note 8 Depreciation and amortisation

Depreciation, amortisation and impairment by asset category

Depreciation by asset category

Intangible assets

EUR thousand	2020	2019
Intangible rights	902	8
Development expenses and other intangible assets	4 962	346
Total	**5 864**	**354**

Property, plant and equipment

EUR thousand		
Machinery and equipment	616	34
Other property, plant and equipment	37	1
Right-of-use assets	1 029	59
Total	**1 681**	**94**
Total depreciation and impairment	**7 545**	**447**

Note 9 Other operating expenses

EUR thousand	2020	2019
Expenses relating to office premises and vehicles	823	36
Computer and program expenses	1 334	50
Machinery and equipment expenses	371	78
Sales and marketing expenses	3 327	105
Research and development expenses	2 274	131
Administrative expenses	2 628	977
Other expenses	1 471	5 167
Total	**12 228**	**6 542**

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 2020, expenses related to office premises and vehicles include short-term (less than 12 months) lease expenses in the amount of EUR 76 thousand and EUR 5 thousand of minor lease expenses. Computer and program expenses include EUR 21 thousand of minor lease expenses in the financial year 2020.

In 2020, administrative expenses include EUR 420 thousand (in 2019, other expenses include EUR 4,927 thousand) of expenses related to business acquisition.

Auditor's fees

EUR thousand	2020	2019
Audit	98	2
Other assurance services	0	0
Tax services	17	0
Other services	0	6
Total	**115**	**8**

Note 10 Financial income and expenses

Recognised through profit or loss

Financial income

EUR thousand	2020	2019
Other finance income	133	10
Total	**133**	**10**

Financial expenses

EUR thousand	2020	2019
Interest expenses on lease liabilities	-47	-3
Other interest expenses	-3 416	-156
Other finance expenses	-604	-406
Total	**-4 067**	**-565**
Net financial expenses	**-3 934**	**-554**

Other finance expenses include EUR 187 thousand in 2020 (EUR 384 thousand in 2019) to organise financing-related fees.

Note 11 Income taxes

Current tax for the reporting year

EUR thousand	2020	2019
Current tax for the reporting year	1 843	589
Current tax adjustments for prior years	-4	0
Change in deferred taxes	-1 202	-117
Total	**637**	**472**

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

EUR thousand	2020	2019
Profit before tax	**1 155**	**-4 546**
Tax calculated using Finnish tax rate (20%)	-231	909
Unrecognised deferred tax assets on tax losses	-5	-6
Unrecognised deferred tax	-34	0
Non-deductible expenses	-195	-1 324
Current tax adjustments for prior years	4	0
Postponed amortisation in taxation and other differences	-175	-51
Income taxes in the statement of comprehensive income	**-637**	**-472**

Taxes are not recognised in other comprehensive income.

Change in deferred tax

2020

EUR thousand	**1.1.2020**	**Business acquisitions**	**Recognised in profit or loss**	**Recognised in equity**	**31.12.2020**
Deferred tax assets					
Postponed amortisation in taxation	55	0	-24	0	**31**
Tax losses carried forward	178	0	-33	0	**145**
Provisions	155	0	142	0	**297**
Leases	4	0	0	0	**4**
Total	**392**	**0**	**86**	**0**	**478**

2019

EUR thousand	**4.10.2019**		**Recognised in profit or loss**	**Recognised in equity**	**31.12.2019**
Deferred tax assets					
Postponed amortisation in taxation	0	55	0	0	**55**
Tax losses carried forward	0	178	0	0	**178**
Provisions	0	155	0	0	**155**
Leases	0	4	0	0	**4**
Total	**0**	**392**	**0**	**0**	**392**

On 31 December 2020 the confirmed losses of the Group amounted to EUR 206 thousand (EUR 234 thousand on 31 December 2019), on which no deferred tax assets have been recognised because the Group unlikely generates taxable income against which the losses could be utilised before expiring. The losses will expire in the year 2023.

EUR thousand	**1.1.2020**	**Business acquisitions**	**Recognised in profit or loss**	**Recognised in equity**	**31.12.2020**
Deferred t ax liabilities exchange					
Measurement of intangible assets and inventories at fair value	19 669	0	-1 082	0	**18 587**
Other temporary differences			-34	191	**156**
Total	**19 669**	**0**	**-1 117**	**191**	**18 743**

EUR thousand	**4.10.2019**	**0**	**Recognised in profit or loss**	**Recognised in equity**	**31.12.2019**
Deferred tax liabilities exchange					
Measurement of intangible assets and inventories at fair value	0	19 786	-117	0	**19 669**
Total	**0**	**19 786**	**-117**	**0**	**19 669**

Note 12 Intangible assets

Intangible assets 2020

EUR thousand	Technology	Intangible rights	Brand	Business value	Other intangible assets	Customer relations	Work in progress	Total
Acquisition cost on 1 Jan 2020	77 472	148	12 865	91 672	209	12 142	2 361	196 869
Correction of the previous year misstatement	-65	0		0	0		0	-65
Additions	2 834	62	0	0	641	0	200	3 736
Transfers	-542	0	0	0	0	0	542	0
Acquisition cost on 31 Dec 2020	**79 698**	**210**	**12 865**	**91 672**	**850**	**12 142**	**3 103**	**200 540**
Accumulated depreciation and impairment on 1 Jan 2020	220	2	48	0	39	45	0	354
Depreciation for the financial year	4 031	44	858	0	123	809	0	5 865
Impairments	0	0	0	0	0	0	0	0
Accumulated depreciation and impairment on 31 Dec 2020	**4 251**	**46**	**906**	**0**	**162**	**854**	**0**	**6 219**
Book value on 1 Jan 2020	**77 252**	**146**	**12 817**	**91 672**	**170**	**12 097**	**2 361**	**196 515**
Book value on 31 Dec 2020	**75 449**	**163**	**11 959**	**91 672**	**688**	**11 288**	**3 103**	**194 321**

Intangible assets 2019

EUR thousand	Technology	Intangible rights	Brand	Business value	Other intangible assets	Customer relations	Unfinished intangible assets	Total
Acquisition cost on 4 Oct 2019	0	0	0		0	0	0	0
Acquisitions through	77 392	136	12 865	91 672	187	12 142	2 244	196 638
business combination								0
Additions	80	12	0	0	22	0	117	231
Transfers	0	0	0	0	0	0	0	0
Acquisition cost on 31 Dec 2019	**77 472**	**148**	**12 865**	**91 672**	**209**	**12 142**	**2 361**	**196 869**
Accumulated depreciation and impairment on 4 Oct 2019	0	0	0	0	0	0	0	0
Depreciation for the financial year	220	2	48	0	39	45	0	354
Impairments	0	0	0	0	0	0	0	0
Accumulated depreciation and impairment on 31 Dec 2019	**220**	**2**	**48**	**0**	**39**	**45**	**0**	**354**
Book value on 04 Oct 2019	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Book value on 31 Dec 2019	**77 252**	**146**	**12 817**	**91 672**	**170**	**12 097**	**2 361**	**196 515**

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

The Group has invested in the development of new products and the further development of the features and manufacturing processes of existing products. The carrying amount of unfinished product development expenditure was EUR 2,681 thousand at the end of 2020 (EUR 2,067 at the end of 2019). In 2020, an addition of EUR 2,995 thousand of product development expenditures was recognised on the balance sheet (in 2019 EUR 160 thousand). Unfinished intangible assets include advance payments related to the development of systems, a total of EUR 641 thousand for the financial year 2020.

Impairment testing of unfinished product development expenditures

The Group has carried out impairment testing for unfinished product development expenditures as at 31 December 2020 and 31 December 2019. 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. In impairment testing, the goodwill arising from the acquisition of iLOQ Oy and the other book value of iLOQ Oy, or so-called adjusted amount, have been tested, totalling EUR 204,861 thousand. The cash flow present value of the acquired assets is determined by calculating the discounted present value of the forecasted cash flows. The use value calculation based on future cash flow estimates used in impairment testing is based on the iLOQ Group strategy approved by the Group's management. The cash flow estimates used are based on the next five years' financial plans for the iLOQ Group. The business growth assumptions used in the cash flow estimates and the assumptions for price and cost development are based on the company's management estimates of demand and market developments compared with external information sources. In the context of impairment testing, cash flows in later years 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 cash flows of the iLOQ Group were reduced by 1–24 per cent 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 1.5 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 11.6%.

Note 13 **Property, plant and equipment**

EUR thousand	Machinery and equipment	Work in progress	Other tangible assets	Cars	Premises	Total
	Owned property, plant and equipment in 2020			**Use right assets in 2020**		
Acquisition cost on 1 January 2020	1 613	553	105	835	943	4 049
Additions	1 439	736	38	692	345	3 250
Reductions	0	-1 002	0	0	0	-1 002
Transfer between items	0	0	0			0
Acquisition cost on 31 December 2020	**3 052**	**286**	**143**	**1 527**	**1 288**	**6 296**
Accumulated depreciation and impairment on 1 January 2020	36	0	1	26	32	96
Depreciation for the financial year	615	0	38	487	542	1 681
Impairments	0	0	0			0
Accumulated depreciation and impairment on 31 December 2020	**651**	**0**	**39**	**513**	**575**	**1 778**
Book value on 1 January 2020	**1 577**	**554**	**104**	**809**	**911**	**3 954**
Book value on 31 December 2020	**2 401**	**286**	**104**	**1 014**	**713**	**4 519**

At the end of the financial year 2020, the amount of work in progress, EUR 285 thousand (EUR 554 thousand at the end of 2019), mainly consist of advance payments for the production equipment of the new locks.

EUR thousand	equipment	Work in progress	Other tangible assets	Cars	Premises	Total
	Owned property, plant and equipment in 2019			**Use right assets in 2019**		
Acquisition cost on 4 October 2019	0	0	0	0	0	0
Acquisitions through business combination	1 279	757	95	835	943	3 909
Additions	334	36	10	0	0	380
Reductions				0	0	0
Transfer between items	0	-240	0			-240
Acquisition cost on 31 December 2019	**1 613**	**553**	**105**	**835**	**943**	**4 049**
Accumulated depreciation and impairment on 4 October 2019	0	0	0			0
Depreciation for the financial year	36	0	1	26	32	96
Impairments	0	0	0			0
Accumulated depreciation and impairment on 31 December 2019	**36**	**0**	**1**	**26**	**32**	**96**
Book value on 4 October 2019	**0**	**0**	**0**	**0**	**0**	**0**
Book value on 31 December 2019	**1 577**	**554**	**104**	**809**	**911**	**3 954**

Note 14 Inventories

EUR thousand	2020	2019
Products	9 766	8 072
Products in transit	480	401
Total	**10 246**	**8 473**

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

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

Note 15 Trade and other receivables

Current receivables

EUR thousand	2020	2019
Current receivables from others		
Trade receivables	11 471	10 262
Other receivables	225	190
Accrued income	422	369
Total	**12 119**	**10 820**

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

Age distribution of trade receivables

EUR thousand		2020	2019
Not past due		9 820	7 959
Past due			
	Less than one month	1 188	1 833
	One to three months	304	313
	More than three months	159	157
	Total past due	1 651	2 303
Total		**11 471**	**10 262**

Expected credit losses

The Group measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses (ECL). No expected credit losses were recognised in reporting period 2020, because based on historical experience on realised impairment losses and calculation based on management's experience-based judgement, expected credit losses were 0 euros for reporting period 2020. The measurement of expected credit losses is presented in Note 22.

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

The actual credit losses of the iLOQ Group have historically been very limited and no actual credit losses of the sale have been recorded for the financial years presented in the financial statements.

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

Note 16 Cash and cash equivalents

EUR thousand	2020	2019
Cash and cash equivalents	8 013	5 784
Cash on the balance sheet	**8 013**	**5 784**

At the end of financial year the Group has a withdrawable credit facility amounting to EUR 15 million. At the end of financial year on 31 December 2020, the limit is not in use.

Note 17 Notes relating to equity

Share capital

The share capital is EUR 80,000.

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

The following table specifies changes in the numbers of shares and corresponding changes in Group's equity.

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

2019	**Number of shares**	**Total shares**	**Share capital**	**Invested unrestricted equity fund**
4 October	100	100	0	0
Issue of shares	0	0	0	142 778
31 December	**100**	**100**	**0**	**142 778**

Dividends

The parent company's loss for the financial year is EUR 1,374 420.64 recognised in the retained earnings account. The parent The parent company's loss for the financial year is EUR 1,374 420.64 recognised in the retained earnings account. The parent company's distributable funds per 31 December 2020 amount to a total of EUR 139,828,101.75 of which the amount of retained earnings is EUR - 3,152,119.25. The amount of distributable funds in the invested unrestricted equity fund is EUR 142,980,221.

The Board of Directors proposes to the Annual General Meeting that the profit for the financial year 2020 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 22 *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.

	2020	2019
Profit attributable to owners of the parent company (EUR 1,000)	518	-87 207
Weighted average number of shares during the financial year	100	100
Earnings per share, undiluted (EUR/share)	5 181	-872

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.

Undiluted and diluted earnings per share for 2019 have been annualised for the entire year.

Note 18 Share-based payments

The Group has not had any share-based commitment arrangements during 2020. Within the Group, iLOQ Oy had optional commitment arrangements in 2019, which were targeted at the Group’s personnel. The option rights encouraged key persons to work on a long-term basis in order to increase their ownership value and aimed at engaging key persons. As a result of the sale of the entire stock of iLOQ Oy in December 2019, all optimum incentive arrangements for which options for staff had been allocated expired. The cost effects of option based incentive arrangements that were in force before the sale of the stock on 11 December 2019 have been taken into account before the sale.

Note 19 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. Financial assets and financial liabilities are classified in accordance with the IFRS 9 standard.

31.12.2020

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

31.12.2019

EUR thousand	Note	Book value Financial assets and liabilities measured at amortised cost using the effective interest rate method
Financial assets, which are not measured at fair value		
Trade and other receivables	15	10 820
Cash and cash equivalents	16	5 784
Total		**16 604**
Financial liabilities that are not measured at fair value		
Bond	20	54 046
Account payables and other liabilities	21	11 318
Lease liabilities	21	1 739
Total		**67 103**

Fair value measurement

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

Derivative financial instruments

The Group did not have derivative instruments during the financial year 2020.

Note 20 Liabilities to credit institutions

In December 2019, the Group issued a bond with a nominal value of EUR 55,000.000. The loan will be paid variable interest on Euribor three (3) months + 5.375% and the capital will be due in June 2025. The loan includes performance and indebtedness covenant terms. The covenant conditions were met during the financial year ended 31 December 2020. The loan is classified at the amortised acquisition price and the balance sheet value was EUR 54,218,364 for the financial year ending 31 December 2020.

Additional information on the Group's exposure to interest risks and credit risks are presented in note 22 *Financial risk management* . The Group's credit facilities are presented in note 25 *Contingent liabilities* and the essential covenant terms related to credit facilities are presented in note *22* .

Note 21 Account payables and other liabilities

Current liabilities to others

EUR thousand	2020	2019
Advances received for operation and maintenance contracts	728	312
Accounts payable	5 743	5 816
Other liabilities	2 359	1 866
Accrued expenses	4 740	3 324
Total	**13 569**	**11 318**

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	2020	2019
Accrued expenses		
Accrual of personnel expenses	3 810	2 887
Other	930	437
Total	**4 740**	**3 324**

Note 22 Financial risk management

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

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

MARKET RISK

Currency risk

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

The objective of the Group's currency risk management is to manage and control uncertainty in cash flows, income and financial position caused by fluctuations in foreign exchange rates. The Group is exposed to currency risk in its business operations as, in addition to its functional currency, the Group's sales and purchases and other business transactions are carried out in the subsidiaries' local currencies and in US dollars. The most significant foreign currencies for the Group are US dollar, Swedish crown, Danish crown and Norwegian crown. During the financial period 2020, 31.1% (49.7% in 2019) of the Group's sales were currency-denominated and of purchases, including variable and fixed costs, 67.4% (50.0% in 2019). The Group utilises forward exchange contracts to hedge its exposure to foreign exchange risk. Hedge accounting in accordance with IFRS 9 is not applied to these derivatives, and thus changes in their fair value are recognised in the statement of profit or loss. The fair value and nominal value of derivatives are presented in the note 19.
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
31.12.2020

EUR thousand	SEK	DKK	NOK	USD	GBP	CAD
Trade receivables	2 267	767	279	0	0	0
Cash and cash equivalents	597	226	104	0	1	42
Accounts payable	39	0	15	2 914	0	0
Net balance sheet exposure	2 825	993	368	-2 913	1	42
Forward exchange contracts	0	0	0	0	0	0
Net exposure	2 825	993	368	-2 913	1	42

Sensitivity analysis by currency
31.12.2020

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

Transaction risk exposure by currency
31.12.2019

EUR thousand	SEK	DKK	NOK	USD	GBP
Trade receivables	4 017	588	259	0	0
Cash and cash equivalents	726	180	142	66	1
Accounts payable	221	119	22	3 425	0
Net balance sheet exposure	4 522	650	379	-3 358	1
Forward exchange contracts	0	0	0	0	0
Net exposure	4 522	650	379	-3 358	1

Sensitivity analysis by currency
31.12.2019

EUR thousand	SEK	DKK	NOK	USD	GBP
+ 10 % movement	411	59	34	-305	0
-10% movement	-502	-72	-42	373	0

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.

INTREST RATE RISK

The Group generates interest rate risk from the Group's variable interest rate bond. The loan has an interest rate floor: if interest rates were to increase by one percentage point, interest expenses would increase by approximately 273 thousand euros after taxes.

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

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

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

Assessment of expected credit losses

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

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

Expected credit losses are described in ote 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 2020, the Group had a bond with balance sheet value of EUR 54,218 thousand. At the end of the financial year 2020, the cash and cash equivalents of the Group totalled EUR 8,013 thousand. The Group strives to ensure the availability and flexibility of funding through an overdraft facility. The Group maintains an undrawn credit facility totalling EUR 15,000 thousand on 31 December 2020. The Group's credit facility contract contains a financial covenant clause related to the equity ratio.

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

31.12.2020

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

31.12.2019

EUR thousand	2020	2021	2022	2023	2024	2025
Non-derivative financial liabilities						
Liabilities from credit institutions	2 956	2 956	2 956	2 956	2956	56 478
Account payables and other liabilities	11 318	0	0	0	0	0
Derivative financial instruments						
Forward exchange contracts	0	0	0	0	0	0
Total	14 274	2 956	2 956	2 956	2 956	56 478

CAPITAL MANAGEMENT

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

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

Note 23 Maturity of lease liability

EUR thousand	2020	2019
Within 12 months	1 032	987
Within one to five years	752	819
Total	**1 784**	**1 806**

Note 24 Provisions

EUR thousand	2020	2019
Non-current provision	1 026	460
Current provision	460	314
Total	**1 486**	**774**

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

EUR thousand	Warranty provision
Warranty provision on 1 January 2019	**1 024**
Increase of warranty provision during the period	460
Cancellation of warranty provision (over 2 years)	-407
Realised warranty costs	-303
Warranty provision on 31 December 2019	**774**

Note 25 Contingent liabilities

Collaterals and contingent liabilities

EUR thousand	2020	2019
Contingent liabilities		
Credit facility	15 000	15 000
Standby letter of credit	0	1 363
Lease guarantee	225	167
Corporate credit card	32	49
Total	15 257	16 579

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

EUR thousand	2020	2019
Collateral given for own commitments	155 000	155 000
Collateral given on behalf of others		
Collateral	13	13
Guarantee	766	361
Total	**155 780**	**155 374**

Covenants

The Group's covenant terms are presented in the note 22 *Risk Management.*

Legal proceedings

The Group has not had any outstanding legal proceedings in 2020.

Note 26 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, Capnor Weasel Topco Oy's subsidiary Axtuator Oy and its subsidiaries. The subsidiaries are listed in note 5. In addition to this, members of the Board of Directors of Capnor Weasel Topco Oy, Axtuator 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, as well as the entities controlled by the above-mentioned persons and their family members are included in the related parties.

Employee benefits of the key management

Capnor Weasel Bidco Oyj has a Managing Director, but not a Group Director.

During the financial year, salaries and fees including fringe benefits have been paid to the iLOQ CEO and Group management as follows:

EUR thousand	2020	2019
Short-term employee benefits	1 655	132
Benefits paid after the end of employment relationship	343	29
Total	**1 999**	**161**

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 27 In January Subsequent events

In January 2021, the Group's subsidiary iLOQ Oy announced its expansion to the UK. Ulf Jonasson, who has extensive experience in managing international business as well as in the field of locking, has been appointed UK Country Manager of iLOQ UK Ltd. Ulf, working outside London, is responsible for establishing local commercial operations and developing strong partners and customer base.

Capnor Weasel Bidco Oyj

INCOME STATEMENT, EUR thousand	Note	01/01/2020-31/12/2020	04/10/2019-31/12/2019
Revenue		**541**	**0**
Personnel costs		-491	0
Other operating expenses		-374	-284
Operating profit		**-325**	**-284**
Financial income		1	0
Financial expenses	28	-3 423	-1 494
Profit before extraordinary items		**-3 747**	**-1 778**
Profit before appropriations and taxes		**-3 747**	**-1 778**
Group contributions received		2 373	
Profit for the financial period		**-1 374**	**-1 778**

Capnor Weasel Bidco Oyj

BALANCE SHEET ASSETS, EUR thousand	Note	31.12.2020	31.12.2019
NON-CURRENT ASSETS			
Investments	2	195 107	194 969
Non-current assets, total CURRENT ASSETS		**195 107**	**194 969**
Non-current receivables	3	53	8
Cash at bank and in hand		84	1 640
Current assets, total		**138**	**1 647**
ASSETS, TOTAL		**195 245**	**196 616**
EQUITY AND LIABILITIES			
EQUITY	4		
Share capital		80	0
Invested unrestricted equity fund		142 980	142 778
Profit for the prior financial periods		-1 778	0
Profit for the financial period		**-1 374**	**-1 778**
Total equity		**139 908**	**141 001**
LIABILITIES	5		
Long-term liabilities			
Interest-bearing liabilities		55 000	55 000
Short-term liabilities			
Interest-free liabilities		337	616
Liabilities, total		**55 337**	**55 616**
EQUITY AND LIABILITIES, TOTAL		**195 245**	**196 616**

Capnor Weasel Bidco Oyj

CASH FLOW STATEMENT (EUR thousand)	01/01/2020-31/12/2020	04/10/2019-31/12/2019
CASH FLOW FROM OPERATING ACTIVITIES		
Profit (loss) before taxes	-3 747	-1 778
Adjustments:		
Financial income and expenses	3 422	1 494
Extraordinary income	0	0
Cash flow before change in working capital	**-325**	**-284**
Change in working capital:		
Increase (-)/decrease (+) in short-term interest-free trade receivables	-45	-8
Increase (+)/decrease (-) in short-term interest-free liabilities	157	290
Cash flow from operating activities before financial items and taxes	**-213**	**-2**
Interest paid and payments on other financial expenses	-3 577	-1 200
Interest received from operating activities	1	0
Cash flow before extraordinary items	**-3 789**	**-1 202**
Cash flow from operating activities (A)	**-3 789**	**-1 202**
CASH FLOW FROM INVESTMENT ACTIVITIES		
Incorporation of a subsidiary	0	-1 861
Investments in the subsidiary	-138	0
Cash flow from investment activities (B)	**-138**	**-1 861**
CASH FLOW FROM FINANCING ACTIVITIES		
Paid-up equity increase	0	3 365
Proceeds from short-term liabilities	10 000	0
Payments of short-term liabilities	-10 000	0
Proceeds from long-term liabilities	0	55 000
Payments of short-term liabilities	0	-53 663
Group contributions received	2 373	0
Cash flow from financing activities (C)	**2 373**	**4 703**
CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	**-1 555**	**1 640**
Cash and cash equivalents on 1 January	**1 640**	**0**
Cash and cash equivalents on 31 December	**84**	**1 640**

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 costs	**2020**	**2019**
Salaries and wages	454	0
Pension costs	31	0
Other personnel expenses	6	0
Total	491	0
Average number of personnel	1	0

Financial income and expenses	**01/01/2020-31/12/2020**	**4/10/2019-31/12/2019**
Financial income	1	0
Total	1	0
Financial expenses		
Interest expenses	3 172	156
Other finance expenses	251	1 338
	3 423	1 494

Note 2 Investments

Investments	2020	2019
Holdings in Group companies		
Acquisition cost	194 969	0
Additions	325	194 969
Reductions	-186	0
Acquisition cost on 31 Dec	195 107	194 969

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

Note 3 **Long-term and short-term receivables**

	2020	2019
Non-current receivables		
Short-term receivables from other companies		
Other receivables	0	8
Accrued income	3	0
Total	3	8
Short-term receivables from Group companies		
Trade receivables	50	0
Total	50	0
Short-term receivables, total	53	8

Note 4 Equity and calculation of distributable equity

EQUITY	2020	2019
Restricted equity		
Share capital on 1 Jan	0	0
Change	80	0
Share capital on 31 Dec	80	0
Restricted equity, total	80	0
Invested unrestricted equity fund on 1 Jan	142 778	0
Issue of shares	0	142 778
Unmatched investment	282	
Transfers	-80	0
Invested unrestricted equity fund on 31 Dec	142 980	142 778
Retained earnings on 1 Jan	-1 778	0
Retained earnings on 31 Dec	-1 778	0
Profit for the financial period	-1 374	-1 778
Unrestricted equity, total	139 828	141 001
Total equity	139 908	141 001

Calculation of distributable equity	2020
Retained earnings	-1 778
Profit for the financial period	-1 374
Invested unrestricted equity fund	142 980
Total	139 828

Share capital

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

Note 5 Liabilities

Long-term liabilities	**2020**	**2019**
Interest-bearing liabilities		
Bond	55 000	55 000
Total non-current interest-bearing liabilities	55 000	55 000

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

Short-term liabilities

	2020	2019
Short-term interest-free liabilities to other companies		
Accounts payable	2	282
Accrued expenses		
Interest expenses	140	156
Other	116	138
Tax liabilities based on taxable income for the financial year	0	0
Total	257	576
Short-term liabilities to Group companies		
Accounts payable	0	40
Other liabilities	80	0
Total	80	40
Short-term interest-free liabilities, total	337	616

Note 6 Liabilities and collateral

The company has a credit agreement of EUR 15,000,000, which has been used during the financial year 2020.
iLOQ Oy has granted a company mortgage of EUR 141,700,000 on behalf of Capnor Weasel Bidco Oyj.

Note 7 Related party transactions

During the financial year 2020, Capnor Weasel Bidco Oyj received, from the subsidiary iLOQ Oy Group, support totalling of EUR 2,372,700. In addition, during the financial year 2020, Capnor Weasel Bidco Oyj Invoiced iLOQ Oy for administrative services totalling EUR 540,681.

Capnor Weasel Bidco Oyj

BOARD OF DIRECTORS SIGNATURES

Helsinki, 8 March 2021

Karl Petersson
Member of the Board

AUDITOR’S NOTE

Our auditor’s report has been issued today.

KPMG Oy Ab

Oulu, 18 March 2021

Tapio Raappana
Authorized Public Accountant

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Kauppurienkatu 10 B
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This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's Report

To the Annual General Meeting of Capnor Weasel Bidco Oyj

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Capnor Weasel Bidco Oyj (3089585-3) for the year ended 31 December 2020. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

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

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

Basis for Opinion

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

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

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

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

Materiality

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

Key Audit Matters

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

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

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Valuation of Goodwill and intangible assets related to business acquisition (Basis of Preparation for the consolidated financial statements as well as Note 12)	
— At the end of the financial year, the Group stated Goodwill in the amount of EUR 92.0 million and other intangible assets arising from the acquisition of iLOQ Group in the amount of EUR 98.0 million in its consolidated balance sheet. Goodwill amounted to 66% of the balance of the consolidated equity and reserves and 40% of the consolidated total assets. — In accordance with the International Financial Reporting Standards (IFRS), no depreciation is recorded on the consolidated goodwill, but the goodwill asset is tested for impairment annually. Goodwill is allocated in its entirety to iLOQ Group, whose recoverable amount is determined based on value in use, which is derived from projected discounted cash flows. The method employed in impairment testing involves management estimates of e.g. long-term growth, profitability and discount rates applied. — Other intangible assets related to business acquisitions have limited economic lives. However, the management needs to update annually their estimate of the extent of the	— We have assessed the cash flow estimates employed in the impairment calculations, the appropriateness of the discount rate applied and the technical integrity of the calculations prepared. We have assessed critically the foundations and management assumptions underlying the future cash flow projections. — We have assessed the management assumptions employed in the calculations in comparison with market and industry data. — We have assessed the appropriateness of the depreciation periods allocated to other intangible assets related to business acquisitions (technology; brand name; and client relationships). — Additionally, we have assessed the appropriateness of notes to the accounts concerning impairment testing as well as the notes concerning other intangible assets.

economic lives of the assets and the depreciation periods implied.

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

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

- The value of the shares of iLOQ Oy in the possession of the parent company as stated in the financial statements prepared on 31 December 2020 in accordance with the Finnish Accounting Standards amounted to EUR 195 million, which accounted for nearly 100% of total parent company assets.
- The review of valuation of shareholdings in subsidiary is interrelated with group impairment testing based on projected discounted cash flows.
- The parent company assets are almost entirely comprised of shareholdings in subsidiary, the valuation of which is subject to management judgment. Consequently, the valuation of shareholdings in subsidiary is considered a key audit matter.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 3 February 2020, and our appointment represents a total period of uninterrupted engagement of 1 year. Capnor Weasel Bidco Oyj became a public interest entity on 8 September 2020. We have been the company's auditors since it became a public interest entity.

Other Information

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

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

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

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

Oulu, 18 March 2021

KPMG OY AB

TAPIO RAAPPANA
Authorised Public Accountant, KHT