



ANNUAL REPORT 2017







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iLOQ

in brief

iLOQ is a Finnish technology company undergoing rapid growth and internationalization, transforming mechanical locking into digital access management. iLOQ provides self-powered digital locking and access management that revolutionizes the locking industry. The company's solutions are based on technologies developed and patented by iLOQ, which enable electronic locking without batteries or cables.

In 2007, iLOQ introduced the world's first and only electronic locking system which harvests the needed energy from key insertion. The management of access rights with the digital iLOQ S10 locking system is easier and more secure than with mechanical systems. Its maintenance and life cycle expenses are significantly lower than those of mechanical or battery-operated electromechanical locking systems. In 2018, the company is set to launch to market the S40 NFC range, which utilizes the latest NFC-technology and your smart phone to replace the key all together.



Founded:
2003

Headquarters:
Oulu,
Finland



Subsidiaries:
Sweden
Norway

Denmark
Germany
The Netherlands

Network of
approx.

600
international
resellers

12 technology
patents

More than
100 local
patents

86
employees

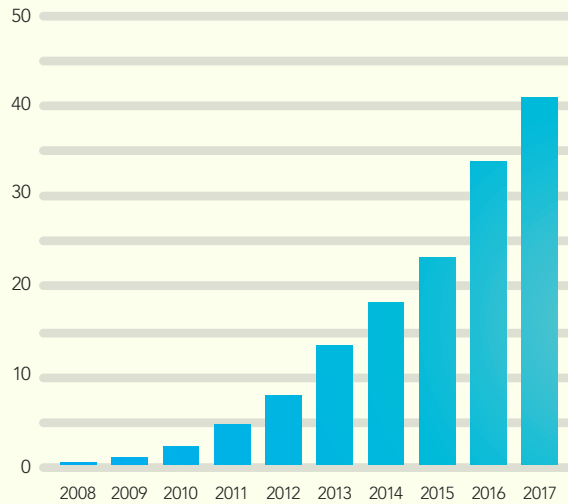


Product portfolio:

S10 (launched 2007)
 S40 NFC (set to launch 2018)

Net sales

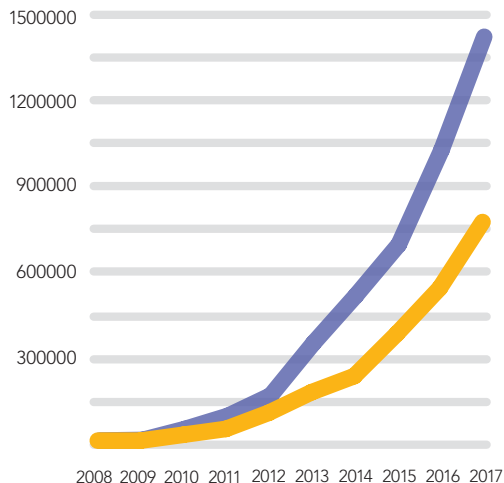
(M€)



ISO certifications:

ISO 9001:2015 Quality Certificate
 ISO 14001:2015 Environmental Certificate

Cumulative deliveries



KEYS

- 57% in Residential buildings
- 18% in Public and Educational buildings
- 20% in Commercial buildings
- 4% in Healthcare
- 1% in Infrastructure

LOCKS

- 49% in Residential buildings
- 26% in Public and Educational buildings
- 18% in Commercial buildings
- 6% in Healthcare
- 1% in Infrastructure



My mission is to support our technological excellence and bring a new marketing and sales focused mindset to iLOQ.

These truly are exciting times, not only for me personally, but also for iLOQ and the entire digital access management industry, which is in strong transition. Future success is up for grabs, and we are in a strong position to seize the opportunity.

It has been an honour, a challenge and also the fulfilment of a personal dream, to step into the CEO position here at iLOQ. This is a new and exciting opportunity for me, which allows me to utilise my long experience in international business in this energised and innovative Finnish technology company. Since starting at my new position at the beginning of August 2017, I have had the opportunity to not only become acquainted with the dedicated staff we have, but I have also made it a priority to meet with as many stakeholders, clients and even competitors as possible.

Passing the baton to someone coming from not only outside the organization, but from a completely different field of business and industry took great courage from the founders who have invested so much of themselves into this business. I am truly humbled by the trust they have placed in me. iLOQ has laid a strong foundation in the past years, but for me this exciting new journey is just beginning.



CEO's greetings:

We are living in exciting times

Heikki Hiltunen, CEO, iLOQ

Ushering in a new era

Before embarking on this journey, I had been following the progress of iLOQ for some 5 years. Both my predecessors Mika Pukari and Esa Myllylä, whom are both still actively involved in the company, have done a stellar job. It is now my turn to continue on the course they have set out. Just last year we opened new offices in Oslo, Norway and expanded our operations in Oulu, Finland, where we plan to continue on our path of strong product development and R&D, to ensure our technological leadership moving ahead into the future. Perhaps the greatest validation for our efforts last year was receiving The Internationalization Award of the President of the Republic of Finland. We were all extremely proud to receive this recognition from President Sauli Niinistö on the centenary year of Finland's independence.

My mission is to support our technological excellence and bring a new marketing and sales focused mindset to iLOQ. I see the great potential for international growth that can be achieved by building further on our strong brand. We are pioneers and true thought leaders in digital access management and should stand out from the competition as such. I am very pleased to say that people

have embraced my new approach and thinking, and have given me their unconditional support in steering iLOQ in a new direction.

Grabbing new opportunities

We are currently exporting iLOQ solutions to some 20 or so countries where we want to continue to expand, strengthen our position and open new opportunities and build new relationships. We are currently focusing mainly on the large metropolitan cities and growth centres of Northern and Central Europe. This is not to say that we are excluding the possibilities presented by Asia or North America, but our primary focus is still firmly based in Europe.

The demand and market in Europe's well-established big cities is based on both the amount of new building and development taking place and the renovation and refurbishment needs facing much of the valuable old real estate. We saw growth during the last quarter of 2017 in Central Europe, while the Northern European market also started picking up towards the end of the year. This puts us in a good starting position for 2018.



Clear and defined focus

It is of vital importance for us to keep our focus clear in the markets we serve today. We need to continue to concentrate on achieving excellence in our chosen customer segments. In addition to solutions for residential properties, we will continue to focus on serving end customers in the commercial and public building sector from office towers to university campuses and hospital wards, with smart and secure digital access management that caters to their specific needs.

I also want us to focus internally on nurturing our culture of relentless ambition and forward-thinking innovation. Attracting the best people to work for us will be a key factor in maintaining our technology and thought leadership position in the future. We should continuously be looking for people who share our passion for this field, and who want to make their mark in this rapidly growing organization. This too, is one of the reasons we must place priority in building our brand to ensure our attractiveness as an employer.

It's a brave new world

The world around us is changing at great speed, and we at iLOQ embrace that change. We are now living in an era of strong digital transformation. Our rapidly growing cities are also becoming increasingly smart cities. There is general interest in all things digital, especially in smart home technologies that are designed to bring added value throughout the value chain and improve the quality of life for end users. These are exactly the type of solutions that iLOQ has set out to create from the very beginning.

Both digitalization and urbanization also create challenges and threats. We believe that the issues that technology has created, technology can also help solve. While the spread of readily available 3D printing technology for

instance, has made the duplication of traditional mechanical keys easier than ever before, with intelligent programmable solutions such as the iLOQ S10 we can bring back the feeling of safety and security to key-holders virtually instantaneously, even when you've lost your keys.

And as population growth and urbanization are both putting pressure on our environment, we are doing our small part to alleviate that pressure with digital solutions that require no external power sources, wiring or batteries. This means zero energy consumption and zero emissions from daily use. Also, when locks and keys can be easily reprogrammed and reused, we can really talk about long-term sustainable solutions.



It is an exciting time of transition for the entire locking industry and iLOQ is well-positioned to take full advantage of the new opportunities that the digital world presents.

We were born digital

The way I look at it, we are in a unique position in the modern market – We were born digital. In essence, we've had a 10-year head start on the traditional mechanical lock and key companies that are just now in the midst of this transformation, while we are true natives to digital access management. It has been flattering to see the big, traditional players in the industry following our lead. This is proof to us that we are doing something right.

But this also means that we can't just lean back and relax. We must make sure to keep pushing the industry forward through technological development and a strong



focus on R&D. While the emergence of competition is a healthy thing for the market, it must serve us as a constant reminder to keep up the momentum we have gathered. This not only means the launch of the NFC S40 solution that works through your smart mobile device, eliminating the need for a physical key, but also the continued development and evolution of our existing S10 solution to the next product generation.



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Launching the next big thing

The first half of 2018 will see the long-awaited commercial launch of the S40 product range based on the latest NFC technology. Field testing has gone well during the past year, and we are now ready to bring yet another industry-first to market. The iLOQ S40 will be the first NFC access management solution on the market with a self-powered lock. Again, the lock cylinder we have designed and built

requires no built-in power source, eliminating the need for wiring or batteries. And now that your smart phone gives you the power to open doors, even the physical key is obsolete.

We expect the S40 NFC to become the second strong cornerstone for our business in the coming years. The market is ready and waiting, and the product shows great promise. We plan to bring the new product out initially targeting the industrial segment, for which this mobile access management solution provides numerous significant benefits. Large organizations with numerous sites and expansive premises can now enjoy completely keyless access management with the possibility of sharing access rights remotely over the air. Also, eliminating the keyhole in the locking mechanism means a fully enclosed solution that is unaffected by all environmental factors from dirt and dust to freezing temperatures.

Looking ahead

With our gazes strongly fixed on the future, things are looking promising. It is an exciting time of transition for the entire locking industry and iLOQ is well-positioned to take full advantage of the new opportunities that the digital world presents. I feel both lucky and privileged to be a part of this industry and especially this company. I look forward to a successful year 2018 for iLOQ. 



Technology review:

We're in the business of opening new doors

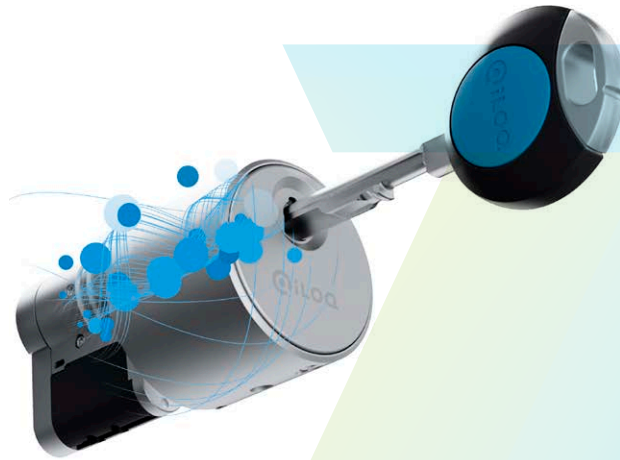
Mika Pukari

Founder & Member of the board, iLOQ

Technological innovations can only be called great when they create added value for the customer. This is something that was clear to us from the very beginning, and it is still to this day a principle that guides us forward. iLOQ was created to address the challenges related to mechanical locking and improve on digital access management solutions out on the market. We believe we have done just that.

Everything must start with focusing on the end customer and their needs. With clear and defined segmentation and an understanding of the challenges of each target group we have focused on, we have been able to create innovative solutions that bring true added value. iLOQ was founded on the premise that by bringing together the opportunities that the latest technologies have

to offer and an insight into the world of our customers, we can revolutionize the traditional lock and key industry and usher in the era of efficient digital access management. That ambition and industry leadership combined with hard work and humility has brought us where we are today.



We released the world's first completely self-powered, battery-free electronic locking system to market over ten years ago. This unique solution that harvests the needed energy to operate from key insertion, is still to this day an industry benchmark that others strive towards. The iLOQ S10 locking system is economical, ecological and perhaps most importantly offers a great user experience for installers, building owners and managers and key-holders alike. No wiring, no batteries and no energy consumption; the solution is easy to commission and provides considerable savings over the solution life cycle. This proven solution and the efforts of our dedicated personnel have been the foundation for iLOQ's consistent growth over the years. To be able to continue on this upward trajectory in this time of digital transformation, we will need to remain humble, keep up to date and stay proactive and light on our feet.

“ Everything must start with focusing on the end customer and their needs.

We at iLOQ see the NFC technology and mobile app world we are pioneering, as the future of the lock and key. The iLOQ S40 NFC solution we are preparing to bring to market is a natural continuation on the path we set out on in the early days. It utilizes the latest available technologies to bring simple and secure solutions for access man-

agement. I suspect that just as the wallet in your pocket is slowly becoming obsolete in the time of smart phones and rapid digitalization, so too will eventually happen to the traditional key. We recognize that technological innovations will keep opening new doors in the future, and we at iLOQ always welcome change. We are well positioned for the inevitable jump to a fully wireless and keyless future and look forward to new markets and business opportunities opening up in the years ahead.

“ We see the NFC technology and mobile app world we are pioneering, as the future of the lock and key.

Whatever the future brings, our business and operations are fully scalable and quick to adapt. Our software solution is secure in the cloud and hardware production is in the hands of our trusted and flexible contract partners. Just as much as we are grateful for the trust our existing long-term customers have shown us through continued repeat business, we are equally excited to continue on our path of growth and international expansion. With Heikki Hiltunen at the helm, I believe we are set to take another big leap forward in terms of developing our business. Looking at the company I founded in Oulu, Finland some 15 years ago, I am proud of where we are today, and excited for everything that is yet to come. 🌐

While the majority of the replies came from our Nordic strong-hold markets, we did receive input from a total of 18 countries across Europe. As is to be expected, the target groups showed variation in what they found to be of the most importance. However, trust-related themes were high on the list of factors throughout. Being able to count on the safety and security aspects of the locking solution is paramount, but for retailers and end customers alike, having a partner they trust also plays an important role in why we have been successful. When the average NPS in these surveys is at 41, iLOQ's NPS from retailers was a staggering 70, and an impressive 59 among end users.

Consumers want a brand you can trust

For consumers the security of a locking system is a primary concern. Almost equally important to the daily key user is the user experience; the usability and functional reliability of the solution. A vast majority of the consumers that took the survey had been using the key for less than a year. The feedback we received does show that changing over from a mechanical key to a digital solution does seem to take some time and require getting used to, but understanding the benefits of using a digital locking system outweigh any initial challenges.

In the consumers' eyes iLOQ has been successful in delivering and communicating the benefits of digital access management. iLOQ's reputation and level of recognition were among the discovered success factors among consumers. The consumers in this study associated the iLOQ brand with being safe, easy, modern and reliable.

→ 73% of retailers predict that purchases from iLOQ will increase in 2018.

Retailers appreciate a partner to count on

For the retailers, who are our primary customers that in most cases sell and distribute our technologies forward, the quality of our products is obviously of the most

→ Almost half of end users anticipate an increase in purchases from iLOQ in the next year.

importance. In the opinion of the retailers interviewed for this survey, a good locking system is one that takes the customer and their needs into consideration, delivering high quality and reliability. Our retailers described us as innovative, flexible and reliable.

According to the survey the three most successful factors of co-operation with iLOQ were centred around how we serve our customers. The service-mindedness and friendliness of our staff received top marks, as did the reliability and accuracy of our deliveries. The expertise of our staff and the general smoothness of co-operation were also among the top factors contributing to our success according to retailers. 73% of retailers predicted that purchases from iLOQ will increase in the next year. Also, around 25% expect purchasing will remain on the current level, while less than 2% anticipate a decrease in volume of orders.

iLOQ's continues to score high in NPS among its core customers

End customers demand quality and usability

Our end customers, building owners, managers, operators etc., are positioned between the consumer and retailers also in their opinions and desires. The importance of quality of products is equalled by the importance of the usability. iLOQ's success in addressing these factors was rated quite high, second only to factors relating to reliable and professional service. The reliability and accuracy of our deliveries was rated as our most successful factor among those rated in the survey. Our sales staff was highly rated in terms of both service mentality and expertise.

While minor issues are always bound to come up, in general iLOQ was described as innovative, easy, reliable and safe by the end users participating in the survey. The same end users reported security, reliability and safety as the most important factors for any locking system. All in all, this would suggest that while there is always room for improvement, we seem to be hitting many of the right marks as of today. @

Giving bright young minds the keys to better living

CASE: HOAS – The Foundation for Student Housing in Helsinki

Over half of the student tenants living in HOAS housing are already enjoying the benefits of iLOQ digital access management solutions. HOAS believes that the solution makes for an improved customer experience, but also sees the potential for great savings through a reduction in costs related to administration, maintenance and dealing with lost and unreturned keys.

Digital access management for student housing

In early 2015, iLOQ and HOAS, The Foundation for Student Housing in Helsinki, Finland announced their extensive co-operation agreement that has allowed iLOQ solutions to be implemented across more than half of the foundation's real estate portfolio thus far. This percentage of coverage can be expected to grow further. With more than 18 000 tenants spread across Helsinki and the surrounding metropolitan area (including Espoo, Vantaa and Kauniainen), HOAS set out to simplify and streamline the process of managing access, and the vast number of keys involved, to their numerous properties.

The iLOQ digital access management solution has been implemented into all new buildings completed



since 2015, and mechanical locks are being replaced in older buildings as the existing locking solutions begin nearing the end of their scheduled life cycle. "We feel that the iLOQ solution is an investment into the future, which is why we have even accelerated the pace of replacements in older properties," explains **Kim Lindholm**, Real Estate and Facility Director at HOAS.

An investment into the future

Kim Lindholm also emphasizes that the benefits of the iLOQ solution are just now starting to make an impact on HOAS processes as the solution has been implemented into over 50% of all of the foundation's properties. "Overall, working with iLOQ has been easy and flexible. The solution has been steadily developed over time, and I'm sure both sides have learnt a lot. We have not encountered any major issues, and we look forward to further utilizing the possibilities iLOQ's digital access management offers, now that we are reaching a higher coverage with the solution." For an organization like HOAS, our digital access management solution can deliver significant savings in terms of time and effort, and subsequently money.

When you sign approximately 10 000 new rental agreements each year, including new tenants and tenants moving from one HOAS apartment to another, this type of solution can really have a relieving impact on administrative and maintenance work, especially dur-



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ing the peak seasons when new semesters are starting for most students. "In the future our new tenants will be able to sign their rental agreements online without having to line up at our offices. The iLOQ solution already supports this future plan. We can program the keys to start working at a specific time on the day that the agreement states and send the keys to the new tenant already ahead of time. No more on-the-day pickup of keys required either," Kim Lindholm explains.


A better service for tenants

But it's not just HOAS that benefits from the solution. There are clear upsides involved for the tenants living in student housing. **Matti Tarhio**, Managing Director of HOAS explained these mutual benefits. "If a student loses his or her key, it can be deactivated and replaced very quickly and at a fraction of the cost of replacing a mechanical locking system. And thanks to the possibility of rapid digital deactivation, losing one's key no longer poses the same kind of security risk. These clear benefits to the tenants also mean easier management of keys in circulation and improved security for HOAS."

At the same time HOAS can manage tenants' access to other building facilities on an individual basis, giving access to communal leisure spaces, laundry rooms, bike storage, car parks and the all-important sauna facilities. All the necessary access rights can

be coded into the same key that opens the door to the tenant's apartment. It's a matter of ease and convenience, but also security and traceability. In individual cases the key log data can even be used to identify misconduct or misuse of facilities. Improved safety and security has been an important factor from the very beginning. "If security and responsible and sustainable practices would not have been of the highest standard, we wouldn't be working with iLOQ," Kim Lindholm sums up. "iLOQ has so far fulfilled all the expectations we have placed on them."

Moving forward with iLOQ

HOAS has had a good experience working in co-operation with iLOQ over the past three or so years, and they are currently installing our digital access management solutions into all of their new builds. Over the coming years they will also continue to replace old mechanical locking systems in existing real estate. Real-time information and digital management of keys in circulation will inevitably make life easier for both building management and tenants. Over the solution life cycle economic benefits will comprise of a great reduction in time spent on administration and maintenance as well as the saving on the costs incurred by lost or unreturned keys. Intelligent digital access management solutions are just one way to create smarter homes for smart young people. 

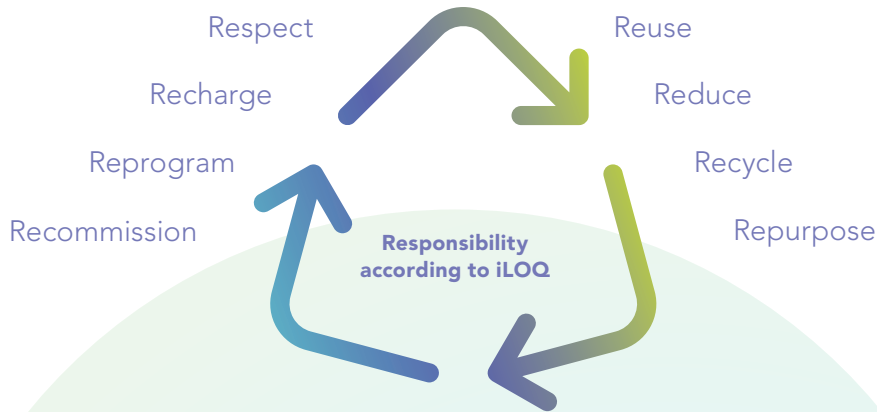
Innovation and dedication supports environmental performance

iLOQ's environmental programme emphasizes the conservation of natural resources and the environment. This respect for the environment is inherently built in into the company's products and solutions. These values are also a part of the way iLOQ employees work. We operate sustainably in accordance to the ISO 14001:2015 environmental certificate.



The self-powering feature of our lock cylinders is an environmentally friendly innovation in itself. Not only do our programmable electronic locks work entirely without consuming energy produced outside of the kinetic energy generated by key insertion, but our technological advances have considerably reduced the consumption of batteries throughout the locking solution. Our S10 products on the market use the greenest energy available; the natural movement of the human body.

The electronic keys we use are fully reusable and reprogrammable. This means that both our locks and keys can be returned to their factory settings and recommissioned for use in a completely new locking system. In addition to the possibility for repurposing locks and keys, our solutions are manufactured with components like cylinders, keys, fittings, installation materials and thumb turns, all made of materials suited for metal recycling. We hold



We invest in responsible recycling.

ISO certifications:

ISO 9001:2015 Quality Certificate
ISO 14001:2015 Environmental Certificate




suppliers and partners alike, to the same high standards that we choose to follow.

We actively participate in and promote the appropriate recycling of products containing electronics or circuit boards, such as net boxes, key switches, relay cards and key readers at the correct electrical and electronic waste collection points. The same attention to recyclability that we employ in the manufacturing of our products, applies to other aspects of our business as well. We strive to minimise the production of waste in everything we do and favour ecological material selections throughout our process, including fully recyclable packaging for our out-bound shipments.

The producer responsibility regarding product recycling requirements set by EU directives are all fulfilled through memberships to the following organizations; The Environmental Register of Packaging (RINKI Ltd.),

The Electrical and Electronics Equipment Producers Association (SELT) and the producer organization for portable batteries and accumulators (Recser Ltd.).

Also, we utilise the opportunities presented by ever-increasing digitalisation to further improve our environmental performance. Using the secure cloud for data storage decreases the need for a considerable amount of physical hardware. At the same time, we are continuously developing advanced services that significantly improve the customer experience and reduce the need for travelling, and subsequent carbon emissions, for example by enabling flexible distribution of access rights to keys remotely.

iLOQ harnesses both the commitment of our people and the latest technological innovations to ensure that what we produce and sell, and how we go about doing it, always happens in the most responsible and sustainable way possible. 

iLOQ Executive Board

1.1–31.12.2017

Heikki Hiltunen **CEO and President**

b. 1962, B. Sc. in Computer Science
CEO and President since August 2017.

Earlier worked at Senior Vice President and Head of Global Sales, Marketing and Service at Danfoss Drives 2014–2017, Executive Vice President and Deputy to the CEO, Vacon Plc. 2002–2014, Vice President for Europe, Middle-East and Africa, and CEO for Tellabs Ltd. in Finland, Tellabs Inc. 2000–2002, a range of international management and leadership positions at Honeywell inc. during 1986–2002 in Finland, Germany and USA.

Current key positions of trust are Chairman of Board SM-Liiga Oy and Chairman of Board Hockey-Team Vaasan Sport Oy.

Esa Myllylä **Chief Operating Officer**

b. 1958, Bachelor of Science in Engineering,
Telecommunication technology

Previously served iLOQ as CEO 1.3.–31.7.2017, Executive Vice President, Deputy CEO 2015–2017 and General Manager 2014–2015.

Earlier worked at Head of Oulu factory, Nokia Siemen Networks 2007–2013, Several management positions, Nokia Network 1995–2007, Production Director, Jutron Oy 1994–1995 and Financial Manager, Production Manager, Development Engineer, Rautaruukki New Technologies 1985–1994.

Tomi Karjalainen **Chief Sales Officer Nordics**

b. 1978, The Vocational Qualification
in Business and Administration (QBA)

Previously served as Chief Sales and Marketing Officer 2015–2017 and Head of Sales Finland 2012–2015, Sales Manager 2009–2012.

Earlier worked at Sales Director, Building construction 2006–2008 and Sales Manager, Lukkoexpert Oy 2002–2006.

Jyrki Kananen **Chief Technology Officer, Mechanics R&D**

b. 1964, B. Sc. in Computer Science

Previously served as Director Operations 2008–2016 and Operation Manager 2007–2008.

Earlier worked at CEO and VP Project Management, Remec Oy (Powerwave Oy) 2005–2007 and Site Manager and VP Program Management 2001–2005.

Seppo Lohiniva **Chief Technology Officer, SW and Electronics R&D**

b. 1961, M. Sc., engineering

Previously served as Director, Software Services 2008–2014 and SW Engineer 2006–2008.

Earlier worked at Customer Support Engineer, Nestix Oy 1996–2006 and System Designer 1989–1996.

Joni Lampinen **Chief Marketing Officer (since 2018)**

b. 1977, MBA and BBA (marketing)

Earlier worked at Vice President, Marketing, Danfoss A/S 2015–2017 and Director, Brand and Marketing Communications, Vacon Plc 2012–2014.



Sirpa Sallanko
Chief Financial Officer (CFO)

b. 1963, Master of Science Economics, Bachelor of Science Information Processing Science

Earlier worked at Financial Manager Logistep Oy, 2007–2009, Financial Manager, Pohjolan Tekniikka Oy, 2005–2007, Office Manager, Merikoski Vocational Training Centre 2003–2005, Consultant and Teacher 2002–2003, Financial Manager, Thermo Radiometrie Oy, 1997–2002, Financial Planner Rautaruukki Oyj –1996.

Veli-Pekka Autio
Chief Production Officer (since 2017)

b. 1970, Bachelor of Science, Machine Automation

Earlier worked at Transportation/Control Tower and Merge Point manager, Nokia, Oulu 2015–2016 HUB Manager, Global-Europe HUB, Nokia The Netherlands 2012–2015, Production Manager, NPI and Ramp Up production, NSN Oulu 2010–2012, Manufacturing Engineering Manager, NSN India 2008–2010, Production Manager, SMD and Ramp ups, Nokia Oulu 2005–2008 and in various positions, Nokia Oulu 1997–2005.

Pauli Pukari
Chief Sales Officer Central Europe,

iLOQ from 1.4.2018

b. 1982, Executive MBA in International Business Management, Senior Constable

Previously served as Head of Sales, Finland 2015–2017 and Sales Manager 2009–2015.

Earlier worked at Senior Detective Constable, Tampere Police Department 2009, Senior Detective Constable, The National Bureau of Investigation, Oulu office 2008–2009, Senior Detective Constable, Oulu Police Department 2007–2008 and Senior Detective Constable, The National Bureau of Investigation, headquarter 2006–2007.

iLOQ Board of Directors

1.1–31.12.2017

Veijo Karppinen **Chairman of the Board**

b. 1950, M. Sc.

Member of the Board since 2010.

Has served as Chairman of the Board since 2012.

Current key positions of trust are Chairman of the Board of Wapice Oy, Member of Board of Cajo Technologies Oy, Elcoflex Oy, BtB Plaza Oy and Gasek Oy.

Previously served as founder and partner VNT Management Oy 2002–2015, CEO and founder Vacon Oy 1993–2002, in various positions in ABB 1974–1993 (Product development engineer, Product development Manager, Head of the Business unit).

Jorma J. Takanen

b. 1946, engineer

Member of the Board since 2009.

Current key positions of trust are CEO Jussi Invest Oy, Chairman of the Board of Jussi Capital Oy, deputy Member of the Board of Sievi Capital Oyj, Member of the Board of Hapella Oy and Member of the Nomination Committee of Apetit Oyj.

Previously served as founder Scanfil Oyj (1976), the President and CEO for over 30 years.



Mika Pukari

b. 1964, engineer

Member of the Board since 2003.

Current key positions of trust are founder and CEO iLOQ Oy 2003–28.2.2017 excluding 6-month sabbatical, CEO Axtuator Oy.

Previously served as CEO and entrepreneur Salpalukko Pukari Oy / Falck Security Oy 1994–2003, Automation engineer Nokia Maillefer Oy 1991–1994 and NewProject Oy 1989–1991.

Johan Flykt

b. 1965, MBA

Member of the Board since 2016.

Current key positions Director DNA Oyj since 2010.

Previously served as Vice President Sanoma Oyj 2008–2010, CEO Tampereen Tietoverkko Oy 2007–2008, Director Sonera Oyj 2001–2007 and Managing Director Sonera Plaza Nederland B.V 2000–2001.

Harri Tapio Takanen

b. 1968, M. Sc.

Member of the Board since 2014.

Professional Board Member.

Current key positions of trust are Chairman of the Board of Titanium Oyj, Chairman of the Board of Scanfil Oyj, Member of the Board of Finelcomp Oy and Jussi Capital Oy.

Previously served as CEO of Sievi Capital Oyj 2013–2015, CEO of Scanfil Oyj 2012–2013 and CEO of Sievi Capital Oyj 2007–2012.

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Earlier worked at Sales Director, Building construction 2006–2008 and Sales Manager, Lukkoexpert Oy 2002–2006.

Jyrki Kananen **Chief Technology Officer, Mechanics R&D**

b. 1964, B. Sc. in Computer Science

Previously served as Director Operations 2008–2016 and Operation Manager 2007–2008.

Earlier worked at CEO and VP Project Management, Remec Oy (Powerwave Oy) 2005–2007 and Site Manager and VP Program Management 2001–2005.

Seppo Lohiniva **Chief Technology Officer, SW and Electronics R&D**

b. 1961, M. Sc., engineering

Previously served as Director, Software Services 2008–2014 and SW Engineer 2006–2008.

Earlier worked at Customer Support Engineer, Nestix Oy 1996–2006 and System Designer 1989–1996.

Joni Lampinen **Chief Marketing Officer (since 2018)**

b. 1977, MBA and BBA (marketing)

Earlier worked at Vice President, Marketing, Danfoss A/S 2015–2017 and Director, Brand and Marketing Communications, Vacon Plc 2012–2014.



Sirpa Sallanko
Chief Financial Officer (CFO)

b. 1963, Master of Science Economics, Bachelor of Science Information Processing Science

Earlier worked at Financial Manager Logistep Oy, 2007–2009, Financial Manager, Pohjolan Tekniikka Oy, 2005–2007, Office Manager, Merikoski Vocational Training Centre 2003–2005, Consultant and Teacher 2002–2003, Financial Manager, Thermo Radiometrie Oy, 1997–2002, Financial Planner Rautaruukki Oyj –1996.

Veli-Pekka Autio
Chief Production Officer (since 2017)

b. 1970, Bachelor of Science, Machine Automation

Earlier worked at Transportation/Control Tower and Merge Point manager, Nokia, Oulu 2015–2016 HUB Manager, Global-Europe HUB, Nokia The Netherlands 2012–2015, Production Manager, NPI and Ramp Up production, NSN Oulu 2010–2012, Manufacturing Engineering Manager, NSN India 2008–2010, Production Manager, SMD and Ramp ups, Nokia Oulu 2005–2008 and in various positions, Nokia Oulu 1997–2005.

Pauli Pukari
Chief Sales Officer Central Europe,

iLOQ from 1.4.2018

b. 1982, Executive MBA in International Business Management, Senior Constable

Previously served as Head of Sales, Finland 2015–2017 and Sales Manager 2009–2015.

Earlier worked at Senior Detective Constable, Tampere Police Department 2009, Senior Detective Constable, The National Bureau of Investigation, Oulu office 2008–2009, Senior Detective Constable, Oulu Police Department 2007–2008 and Senior Detective Constable, The National Bureau of Investigation, headquarter 2006–2007.



Financial Statements and Annual Report 2017

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Board of Directors' Report 2017

iLOQ is a Finnish, rapidly expanding and internationalising technology company that transforms mechanical locking into digital access management. iLOQ's technological solutions enable electronic locking without batteries or cables.

The company's founder and long-time CEO Mika Pukari changed responsibilities at his own request. In the future, he will support the company's strategy through the Board of Directors. Pukari resigned from the position of CEO at the end of February 2017. In the beginning of August 2017, the company's current CEO Heikki Hiltunen took up the position. From the beginning of March to the end of July, the current Vice President of the company, Esa Myllylä, was responsible for the CEO's duties.

The company's products are sold through iLOQ's distribution channel providing professional installation and maintenance services. The company has approximately 600 resellers globally.

In 2017, iLOQ continued to expand in export markets and established new country offices in Norway. The company has country offices also in Sweden, Denmark, Germany, and the Netherlands. Growth in sales was emphasised in the second half of the year. Sales increased in both the oval and DIN lock cylinder markets.

iLOQ continued its long-term product development based on self-powered technology and at the same time increased the number of its product development personnel. 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 2017, the company was once again granted external recognition when it received the Internationalisation Award of the President of the Republic. The criteria include a strong will to develop and evolve and thus promote Finnish business activities in both good and bad times.

BUSINESS ACTIVITIES DURING THE FINANCIAL PERIOD

iLOQ turned a profit for the fifth consecutive year, despite strong growth and large investments in internationalisation. iLOQ Group's net sales grew by 20% and operating profit by 79% compared to the previous year. Net sales

for 2017 amounted to EUR 40.3 million (EUR 33.7 million in 2016), and operating profit for 2017 was EUR 9.1 million (EUR 5.1 million in 2016). The highest growth rates were achieved in Germany and Denmark.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL PERIOD

Since the end of the financial period, there have been no material changes in the company's operations and financial position.

ASSESSMENT OF LIKELY FUTURE DEVELOPMENTS

The company's management predicts that net sales will grow also in 2018, thanks to development measures in current market areas. The company invests in international growth by developing its sales concept and product offering and by strengthening its personnel. Profitability is projected to remain at the current level despite investments in growth.

FINANCIAL ARRANGEMENTS AND SPECIAL RIGHTS

The Annual General Meeting on 22 March 2017 authorised the Board of Directors to decide on a share issue. Under the authorisation granted, the Board of Directors has decided to issue a maximum of 70,000 series K shares. By 31 December 2017, 51,000 shares of the issue were subscribed for.

The Annual General Meeting on 30 March 2016 authorised the Board of Directors to decide on the issuance of special rights entitling to shares. Under the authorisation, a maximum of 50,000 series K shares could be issued. No options have been issued for the open authorisation.

In 2013, to engage personnel, the Board of Directors of iLOQ Oy decided to issue a stock option plan for the Group's entire personnel. By 31 December 2017, a total of 39,250 options have been issued under the stock option plan, 30,460 of which have been subscribed for.

LOANS TO RELATED PARTIES AND RESPONSIBILITIES

The company has issued related party loans to engage key personnel. The loans amount to a total of EUR 2,292,000. The loan period is 10 years and the interest rate is 12-month Euribor +1.5%. The shares subscribed

for with the loans by key personnel are used as loan collateral.

FINANCIAL POSITION OF THE COMPANY

The company's financial position and liquidity were at an excellent level at the end of the financial period.

REPORT ON THE SCOPE OF RESEARCH AND DEVELOPMENT ACTIVITIES

The company has invested in the development of new products and the further development of the features and manufacturing processes of existing products. The most important development project has been the development of mechanics, electronics, and software for the iLOQ S40 NFC locking system.

R&D expenses in the company totalled EUR 2,597 thousand in 2017, of which EUR 1,028 thousand were capitalised (EUR 2,241 thousand in 2016, of which EUR 771 were capitalised).

BUSINESS RISKS

The company operates with a network business model in the manufacture and distribution of products. The aim is to prevent business risks by identifying risks and by providing an alternative supplier for critical and slowly substitutable parts and components.

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.

KEY INDICATORS OF ILOQ FINANCIAL POSITION, RESULTS OF OPERATIONS AND PERSONNEL

	2017	2016
Net sales, EUR 1,000	40.345	33.741
Profit, EUR 1,000	9.116	5.106
Profit of net sales, %	22,6%	15,1%
Return on equity, %	44,4%	38,3%
Equity ratio, %	69,8%	57,2%
Personnel, average	78	62
Wages and salaries, EUR 1,000	5.634	5.119

QUALITY AND ENVIRONMENT

The company uses a certified ISO 9001:2015 quality management system and ISO 14001:2015 environmental management system. The iLOQ S10 SaaS service is produced

by Fujitsu Services Oy. The information security management system of Fujitsu Services is ISO 27001:2013 certified.

BOARD OF DIRECTORS' PROPOSAL FOR PROFIT DISTRIBUTION

Profit for the financial period, EUR 7,190,852.93, is recognised in the retained earnings account. The company's distributable funds on 31 December 2017 total EUR 17,814,296.00, of which the amount of retained earnings is EUR 7,699,434.38 and the distributable funds in the invested unrestricted equity fund are EUR 12,463,697.00. The distributable funds are reduced by capitalised development expenses totalling EUR 2,348,835.38.

The Board of Directors proposes to the Annual General Meeting that of the distributable earnings totalling EUR 7,699,434.38, a dividend of EUR 1.45 be distributed per each outstanding series K share registered by the time of the decision. In addition, the Board of Directors proposes to the General Meeting that EUR 6.70 of capital repayment from the invested unrestricted equity fund be distributed per each outstanding series K share registered by the time of the General Meeting's decision on capital repayment.

The Board of Directors proposes that the dividend and capital repayment be paid on 12 April 2018.

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 and, in the view of the Board of Directors, the proposed distribution of profits and capital repayment will not endanger the company's solvency.

SHARES OF THE COMPANY

The company's share capital is divided as follows:

	2017	2016
K share	1 220 124	1 165 284
A share	0	0

All shares have equal rights to dividends and company assets. Both series of shares are subject to the redemption clause of the Articles of Association.

OWN SHARES

The company does not have any holdings of its own shares on 31 December 2017.

AUDITING

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

iLOQ Group

2017



iLOQ GROUP
INCOME STATEMENT

	Note	1.1.2017-31.12.2017	1.1.2016-31.12.2016
Net sales		40,345,410.62	33,740,651.91
Other operating income			24,734.63
Materials and services		-17,891,884.37	-17,086,156.86
Personnel expenses	1	-6,981,727.20	-6,015,994.91
Depreciation and impairment	2	-984,717.28	-1,293,714.84
Other operating expenses		-5,370,994.91	-4,263,583.27
Operating profit		9,116,086.86	5,105,936.66
Financial income	3	137,970.73	91,558.64
Financial expenses	3	-343,160.07	-93,620.53
Profit before appropriations and taxes		8,910,897.52	5,103,874.77
Income taxes		-1,750,665.01	-1,298,949.71
Profit for the financial period		7,160,232.51	3,804,925.06

iLOQ GROUP
BALANCE SHEET

	Note	31.12.2017	31.12.2016
ASSETS			
Non-current assets			
Intangible assets	4	5,052,846.10	4,497,772.81
Tangible assets	5	720,676.19	534,034.72
Non-current assets, total		5,773,522.29	5,031,807.53
Current assets			
Inventories		3,500,603.38	2,094,244.99
Long-term receivables	7	2,292,000.00	
Long-term deferred tax assets		66,205.31	205,306.53
Short-term receivables	8	6,664,287.70	5,299,461.83
Short-term deferred tax assets		77,289.25	67,730.99
Cash at bank and in hand		10,871,071.29	8,235,096.01
Current assets, total		23,471,456.93	15,901,840.35
ASSETS, TOTAL		29,244,979.22	20,933,647.88
EQUITY AND LIABILITIES			
Equity			
	9		
Share capital		1,000,015.60	1,000,015.60
Share premium reserve		380,164.40	380,164.40
Invested unrestricted equity fund		12,717,157.00	10,315,227.00
Retained earnings		-952,550.55	-3,583,922.40
Profit for the financial period		7,160,232.51	3,804,925.06
Equity, total		20,305,018.96	11,916,409.66
Liabilities			
Long-term liabilities	10		
Interest-bearing liabilities			1,306,680.00
Short-term liabilities	11		
Interest-bearing liabilities			519,200.00
Interest-free liabilities		8,939,960.26	7,191,358.22
Liabilities, total		8,939,960.26	9,017,238.22
EQUITY AND LIABILITIES, TOTAL		29,244,979.22	20,933,647.88

iLOQ GROUP
CASH FLOW STATEMENT

EUR 1,000	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES		
Profit (loss) before taxes	8,910	5,104
Adjustments:		
Planned depreciation	928	933
Impairment of non-current assets	57	361
Unrealised exchange rate gains and losses	-39	-36
Financial income and expenses	205	2
Other adjustments	-6	-28
Cash flow before change in working capital	10,055	6,336
Change in working capital:		
Increase (-)/decrease (+) in short-term interest-free trade receivables	-1,327	-1,740
Increase (-)/decrease (+) in inventories	-1,406	-406
Increase (+)/decrease (-) in short-term interest-free liabilities	1,158	2,213
Cash flow from operating activities before financial items and taxes	8,480	6,403
Interest paid and payments on other financial expenses	-355	-94
Interest received from operating activities	119	91
Direct taxes paid	-999	-290
Cash flow before extraordinary items	7,245	6,110
Cash flow from operating activities (A)	7,245	6,110
CASH FLOW FROM INVESTMENT ACTIVITIES		
Investments in tangible and intangible assets	-1,726	-923
Loans granted	-2,292	
Repayments of loan receivables		79
Cash flow from investment activities (B)	-4,018	-844
CASH FLOW FROM FINANCING ACTIVITIES		
Share issue against payment	2,402	181
Repayments of short-term loans	-519	
Proceeds from long-term loans		381
Repayments of long-term loans	-1,307	-421
Paid dividends and other profit distribution	-1,167	
Cash flow from financing activities (C)	-591	141
CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	2,636	5,407
Cash and cash equivalents at the beginning of the financial period	8,235	2,828
Cash and cash equivalents at the end of the financial period	10,871	8,235

iLOQ Oy

2017



iLOQ OY
INCOME STATEMENT

	Note	1.1.2017-31.12.2017	1.1.2016-31.12.2016
Net sales		40,345,410.62	33,740,651.92
Other operating income			24,734.63
Materials and services		-17,833,720.45	-17,077,396.78
Personnel expenses	1	-4,115,118.14	-3,837,093.56
Depreciation and impairment	2	-979,590.87	-1,286,482.46
Other operating expenses		-8,452,154.22	-6,577,079.74
Operating profit		8,964,826.94	4,987,334.01
Financial income	3	185,311.58	140,126.23
Financial expenses	3	-337,102.36	-90,466.35
Profit before appropriations and taxes		8,813,036.16	5,036,993.89
Taxes		-1,622,183.23	-1,210,875.07
Profit for the financial period		7,190,852.93	3,826,118.82

iLOQ OY
BALANCE SHEET

	Note	31.12.2017	31.12.2016
ASSETS			
Non-current assets			
Intangible assets	4	5,052,846.10	4,497,771.81
Tangible assets	5	712,394.02	521,148.88
Investments	6	1,122,990.00	1,119,701.00
Non-current assets, total		6,888,230.12	6,138,621.69
Current assets			
Inventories		3,500,603.38	2,094,244.99
Long-term receivables	7	3,267,125.82	937,042.19
Short-term receivables	8	6,578,593.22	5,279,122.99
Cash at bank and in hand		10,321,346.66	7,670,276.96
Current assets, total		23,667,669.08	15,980,687.13
ASSETS, TOTAL		30,555,899.20	22,119,308.82
EQUITY AND LIABILITIES			
Equity			
Share capital		1,000,015.60	1,000,015.60
Share premium reserve		380,164.40	380,164.40
Invested unrestricted equity fund		12,717,157.00	10,315,227.00
Retained earnings		508,581.45	-2,150,053.37
Profit for the financial period		7,190,852.93	3,826,118.82
Equity, total		21,796,771.38	13,371,472.45
Liabilities			
Long-term liabilities			
Interest-bearing liabilities			1,306,680.00
Interest-free liabilities			
Short-term liabilities			
Interest-bearing liabilities			519,200.00
Interest-free liabilities		8,759,127.82	6,921,956.37
Liabilities, total		8,759,127.82	8,747,836.37
EQUITY AND LIABILITIES, TOTAL		30,555,899.20	22,119,308.82

iLOQ OY
CASH FLOW STATEMENT

EUR 1,000	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES		
Profit (loss) before taxes	8,813	5,037
Adjustments:		
Planned depreciation	923	925
Impairment of non-current assets	57	361
Unrealised exchange rate gains and losses	-39	-36
Financial income and expenses	151	-50
Cash flow before change in working capital	9,905	6,237
Change in working capital:		
Increase (-)/decrease (+) in short-term interest-free trade receivables	-1,261	-1,028
Increase (-)/decrease (+) in inventories	-1,406	-405
Increase (+)/decrease (-) in short-term interest-free liabilities	1,245	1,422
Cash flow from operating activities before financial items and taxes	8,483	6,226
Interest paid and payments on other financial expenses	-349	-90
Interest received from operating activities	166	140
Direct taxes paid	-999	-289
Cash flow before extraordinary items	7,301	5,987
Cash flow from operating activities (A)	7,301	5,987
CASH FLOW FROM INVESTMENT ACTIVITIES		
Investments in tangible and intangible assets	-1,726	-921
Loans granted	-2,330	
Repayments of loan receivables		79
Acquired shares in subsidiaries	-3	-7
Cash flow from investment activities (B)	-4,059	-849
CASH FLOW FROM FINANCING ACTIVITIES		
Share issue against payment	2,402	181
Repayments of short-term loans	-519	
Proceeds from long-term loans		381
Repayments of long-term loans	-1,307	-421
Paid dividends and other profit distribution	-1,167	
Cash flow from financing activities (C)	-591	141
CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	2,651	5,279
Cash and cash equivalents at the beginning of the financial period	7,670	2,391
Cash and cash equivalents at the end of the financial period	10,321	7,670



Notes to the financial statements

2017

Accounting principles for the financial statements

GENERAL

The financial statements have been prepared in accordance with Finnish Accounting Standards (FAS). The financial statement data are presented in euros, with the exception of the cash flow statement, which is presented in thousands of euros.

SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS

iLOQ Group comprises the parent company and the subsidiaries iLOQ Sverige AB (100% holding, domiciled in Stockholm), iLOQ Deutschland GmbH (100% holding, domiciled in Dusseldorf), iLOQ Benelux B.V. (100% holding, domiciled in Eindhoven), iLOQ Danmark ApS (100% holding, domiciled in Aarhus), and iLOQ Norge AS (100% holding, domiciled in Oslo).

All Group companies have been consolidated in the consolidated financial statements. Intra-group transactions, mutual receivables, and liabilities have been eliminated. The income statements of foreign Group companies have been converted into Finnish currency at the average exchange rate for the financial period and balance sheets at the exchange rate on the date of closure of the accounts. The exchange rate differences from the conversion and the conversion differences from the conversions of the foreign subsidiaries' equities are presented under item "Retained earnings".

INTANGIBLE AND TANGIBLE ASSETS

Intangible and tangible assets are recognised in the balance sheet at acquisition cost less planned depreciation. Acquisition cost includes variable expenses. Planned depreciation is calculated with the straight line method over the useful lives of intangible and tangible assets. Grants received are recognised as deductions from acquisition costs.

Development expenses for 2017 have been entered in the balance sheet at acquisition cost. Due to the change in the Finnish Accounting Act, the R&D expenses capitalised in 2015 have been reclassified from the category of other intangible assets to the category of development expenses in the financial period 2016. Depreciation of these will be initiated as planned straight-line depreciation when the R&D project has been completed.

THE DEPRECIATION PERIODS ARE:

Intangible rights	5–10 years
Other intangible assets	5–10 years
Machinery and devices	5 years
Equipment and other movable items	5 years

INVENTORIES

Inventories are presented in accordance with the average price principle at acquisition cost or lower probable selling price. Variable expenses are included in the value of inventories.

iLOQ
NOTES TO THE INCOME STATEMENT

	2017	2016	2017	2016
1. PERSONNEL EXPENSES	iLOQ Group	iLOQ Group	iLOQ Oy	iLOQ Oy
Wages, salaries and fees	5,634,407.70	5,110,340.40	3,277,485.92	3,117,790.26
Pension expenses	1,025,510.44	731,820.99	707,037.10	553,231.33
Other indirect personnel expenses	321,809.06	173,833.51	130,595.12	166,071.97
Total	6,981,727.20	6,015,994.91	4,115,118.14	3,837,093.56
Average number of personnel	78	62	52	46

	2017	2016	2017	2016
2. DEPRECIATION AND IMPAIRMENT	iLOQ Group	iLOQ Group	iLOQ Oy	iLOQ Oy
Planned depreciation	927,791.69	932,610.50	922,665.28	925,378.12
Impairment of non-current asset items	56,925.59	361,104.34	56,925.59	361,104.34
Total	984,717.28	1,293,714.84	979,590.87	1,286,482.46

	2017	2016	2017	2016
3. FINANCIAL INCOME AND EXPENSES	iLOQ Group	iLOQ Group	iLOQ Oy	iLOQ Oy
Financial income				
Intra-group interest income			47,370.36	48,630.93
Other financial income	137,970.73	91,558.64	137,941.22	91,495.30
Total	137,970.73	91,558.64	185,311.58	140,126.23
Financial expenses				
Interest expenses	22,780.98	26,755.64	22,780.98	26,755.64
Other financial expenses	320,379.09	66,864.90	314,321.38	63,710.71
Total	343,160.07	93,620.54	337,102.36	90,466.35

iLOQ
NOTES TO BALANCE SHEET ASSETS

	2017	2016	2017	2016
	iLOQ Group	iLOQ Group	iLOQ Oy	iLOQ Oy
4. INTANGIBLE ASSETS				
DEVELOPMENT EXPENSES				
Acquisition cost on 1 Jan	1,320,376.75		1,320,376.75	
Increases	1,028,458.63	734,624.50	1,028,458.63	734,624.50
Transfers between items		585,752.25		585,752.25
Acquisition cost on 31 Dec	2,348,835.38	1,320,376.75	2,348,835.38	1,320,376.75
Book value on 31 Dec	2,348,835.38	1,320,376.75	2,348,835.38	1,320,376.75
INTELLECTUAL PROPERTY RIGHTS				
Acquisition cost on 1 Jan	857,761.08	743,844.88	857,683.08	743,766.88
Increases	125,822.92	115,791.20	125,822.92	115,791.20
Decreases		-1,875.00		-1,875.00
Acquisition cost on 31 Dec	983,584.00	857,761.08	983,506.00	857,683.08
Accumulated depreciation and impairment on 1 Jan	379,669.78	296,512.80	379,592.78	296,435.80
Depreciation for the financial period	97,632.93	83,156.98	97,632.93	83,156.98
Accumulated depreciation and impairment on 31 Dec	477,302.71	379,669.78	477,225.71	379,592.78
Book value on 31 Dec	506,281.29	478,091.30	506,280.29	478,090.30
OTHER INTANGIBLE ASSETS				
Acquisition cost on 1 Jan	6,842,066.81	7,400,844.56	6,842,066.81	7,400,844.56
Increases	199,643.94	26,974.50	199,644.94	26,974.50
Transfers between items		-585,752.25		-585,752.25
Acquisition cost on 31 Dec	7,041,710.75	6,842,066.81	7,041,711.75	6,842,066.81
Accumulated depreciation and impairment on 1 Jan	4,142,762.05	3,100,703.81	4,142,762.05	3,100,703.81
Depreciation for the financial period	647,935.36	680,953.90	647,935.36	680,953.90
Impairment	53,283.91	361,104.34	53,283.91	361,104.34
Accumulated depreciation and impairment on 31 Dec	4,843,981.32	4,142,762.05	4,843,981.32	4,142,762.05
Book value on 31 Dec	2,197,729.43	2,699,304.76	2,197,730.43	2,699,304.76
Intangible assets, total	5,052,846.10	4,497,772.81	5,052,846.10	4,497,771.81

iLOQ
NOTES TO BALANCE SHEET ASSETS

	2017	2016	2017	2016
	iLOQ-konserni	iLOQ-konserni	iLOQ Oy	iLOQ Oy
5. PROPERTY, PLANT AND EQUIPMENT				
MACHINERY AND EQUIPMENT				
Acquisition cost on 1 Jan	981,981.28	952,264.95	946,970.35	920,267.02
Increases	259,582.14	58,410.15	258,933.89	55,397.15
Decreases		-28,693.82		-28,693.82
Acquisition on 31 Dec	1,241,563.42	981,981.28	1,205,904.24	946,970.35
Accumulated depreciation and impairment on 1 Jan	499,033.38	330,245.08	476,908.29	315,641.05
Depreciation for the financial period	182,348.91	168,788.30	177,096.99	161,267.24
Impairment	3,641.68		3,641.68	
Accumulated depreciation and impairment on 31 Dec	685,023.97	499,033.38	657,646.96	476,908.29
Book value on 31 Dec	556,539.45	482,947.90	548,257.28	470,062.06
FIXED ASSETS IN PROGRESS				
Acquisition cost on 1 Jan	51,086.82	32,370.00	51,086.82	32,370.00
Increases	243,290.53	51,086.82	243,290.53	51,086.82
Decreases	-130,240.61	-32,370.00	-130,240.61	-32,370.00
Acquisition cost on 31 Dec	164,136.74	51,086.82	164,136.74	51,086.82
Book value on 31 Dec	164,136.74	51,086.82	164,136.74	51,086.82
Fixed assets in progress, total	164,136.74	51,086.82	164,136.74	51,086.82
Tangible assets, total	720,676.19	534,034.72	712,394.02	521,148.88

	2017	2016	2017	2016
	iLOQ Group	iLOQ Group	iLOQ Oy	iLOQ Oy
6. INVESTMENTS				
Holdings in Group companies				
Acquisition cost on 1 Jan			1,119,701.00	1,119,701.00
Increases			3,289.00	
Acquisition cost on 31 Dec			1,122,990.00	1,119,701.00

iLOQ
NOTES TO BALANCE SHEET ASSETS

	2017	2016	2017	2016
	iLOQ Group	iLOQ Group	iLOQ Oy	iLOQ Oy
7. LONG-TERM RECEIVABLES				
Long-term receivables from others				
Loan receivables	2,292,000.00		2,292,000.00	
Total	2,292,000.00		2,292,000.00	
Long-term receivables from Group companies				
Loan receivables			65,125.82	27,042.19
Subordinated loan receivables			910,000.00	910,000.00
Total			975,125.82	937,042.19
Long-term receivables, total	2,292,000.00		3,267,125.82	937,042.19

Long-term receivables from others are related party loans to key personnel of the company's management. The loan period is 10 years and the interest rate is 12-month Euribor +1.5%. Shares issued with loans by key personnel are used as loan collateral.

	2017	2016	2017	2016
	iLOQ Group	iLOQ Group	iLOQ Oy	iLOQ Oy
8. SHORT-TERM RECEIVABLES				
Short-term receivables from other companies				
Trade receivables	6,349,195.68	5,132,215.80	6,349,195.68	5,132,215.80
Tax assets	82,106.26	37,620.83	26,237.05	26,237.05
Other receivables	22,091.34	16,949.00	230.00	6,830.00
Accrued income	210,894.42	112,676.20	156,910.34	68,116.00
Total	6,664,287.70	5,299,461.83	6,532,573.07	5,233,398.85
Short-term receivables from Group companies				
Accrued income			46,020.15	45,724.14
Total			46,020.15	45,724.14
Short-term receivables, total	6,664,287.70	5,299,461.83	6,578,593.22	5,279,122.99
Deferred tax assets				
From timing differences and temporary differences	143,494.56	273,037.52		
	143,494.56	273,037.52	0.00	0.00

The subsidiaries iLOQ Sverige AB, iLOQ Deutschland GmbH, and iLOQ Benelux BV have losses confirmed in taxation totalling EUR 1,456,186.62 from the previous financial years, of which no deferred tax assets are recognised in the consolidated balance sheet in accordance with the precautionary principle.

iLOQ
NOTES TO BALANCE SHEET ASSETS

	2017	2016	2017	2016
	iLOQ Group	iLOQ Group	iLOQ Oy	iLOQ Oy
9. EQUITY				
Restricted equity				
Share capital on 1 Jan	1,000,015.60	1,000,015.60	1,000,015.60	1,000,015.60
Share capital on 31 Dec	1,000,015.60	1,000,015.60	1,000,015.60	1,000,015.60
Share premium reserve on 1 Jan	380,164.40	380,164.40	380,164.40	380,164.40
Share premium reserve on 31 Dec	380,164.40	380,164.40	380,164.40	380,164.40
Restricted equity, total	1,380,180.00	1,380,180.00	1,380,180.00	1,380,180.00
Rights issue on 1 Jan				
Change	253,460.00		253,460.00	
Rights issue on 31 Dec	253,460.00		253,460.00	
Invested unrestricted equity fund on 1 Jan	10,315,227.00	10,134,077.00	10,315,227.00	10,134,077.00
Change	2,148,470.00	181,150.00	2,148,470.00	181,150.00
Invested unrestricted equity fund on 31 Dec	12,463,697.00	10,315,227.00	12,463,697.00	10,315,227.00
Retained earnings on 1 Jan	216,084.65	-3,583,634.72	1,676,065.45	-2,150,053.37
Retained earnings on 31 Dec	216,084.65	-3,583,634.72	1,676,065.45	-2,150,053.37
Conversion difference	-1,151.20	-287.68		
Dividend distribution	-1,167,484.00		-1,167,484.00	
Profit for the financial period	7,160,232.51	3,804,925.06	7,190,852.93	3,826,118.82
Unrestricted equity, total	18,924,838.96	10,536,229.66	20,416,591.38	11,991,292.45
Equity, total	20,305,018.96	11,916,409.66	21,796,771.38	13,371,472.45

In accordance with the authorisations given by the General Meetings on 1 March 2013 and 22 March 2017, the Board of Directors has decided on a stock option plan and a share issue against payment. The shares subscribed on the basis of the stock option and the share issue have been registered in the current financial period, and the assets included in the rights issue account on the date of closure of the accounts have been entered in the invested unrestricted equity fund.

	2017	2016
	iLOQ Oy	iLOQ Oy
CALCULATION OF DISTRIBUTABLE EQUITY		
Retained earnings	1,676,065.45	-2,150,053.37
Dividend distribution	-1,167,484.00	
Profit for the financial period	7,190,852.93	3,826,118.82
Invested unrestricted equity fund	12,463,697.00	10,315,227.00
Activated development expenses	-2,348,835.38	-1,320,376.75
Total	17,814,296.00	10,670,915.70

The share capital is EUR 1,000,015.60, paid in full. The number of shares is 1,220,124.

iLOQ
NOTES TO BALANCE SHEET ASSETS

	2017	2016	2017	2016
	iLOQ Group	iLOQ Group	iLOQ Oy	iLOQ Oy
10. LONG-TERM LIABILITIES				
Long-term interest-bearing liabilities to other companies				
Loans from financial institutions		1,306,680.00		1,306,680.00
Total	0.00	1,306,680.00	0.00	1,306,680.00
Long-term interest-bearing liabilities, total	0.00	1,306,680.00	0.00	1,306,680.00

	2017	2016	2017	2016
	iLOQ Group	iLOQ Group	iLOQ Oy	iLOQ Oy
11. SHORT-TERM LIABILITIES				
Short-term interest-bearing liabilities to other companies				
Loans from financial institutions		519,200.00		519,200.00
Total	0.00	519,200.00	0.00	519,200.00
Short-term interest-bearing liabilities, total	0.00	519,200.00	0.00	519,200.00

Short-term interest-free liabilities to other companies				
Advances received	137,114.01	88,104.04	137,114.01	88,104.04
Trade payables	3,586,544.90	2,514,550.15	3,466,069.19	2,443,203.61
Other creditors	920,419.57	639,827.45	632,892.83	639,827.45
Accrued expenses				
Amortisation of personnel expenses	1,501,223.01	1,678,577.87	1,183,441.12	1,316,835.35
Amortisation of operating expenses	1,257,830.90	1,229,762.78	1,257,830.90	1,229,762.78
Other accrued expenses	99,786.79	226,294.21	73,826.03	33,017.60
Deferred tax liabilities based on taxable income for the financial period	1,437,041.08	814,241.72	1,437,041.08	814,241.72
Total	8,939,960.26	7,191,358.22	8,188,215.16	6,564,992.55
Short-term liabilities to Group companies				
Trade payables			570,912.66	356,963.82
Total			570,912.66	356,963.82
Short-term interest-free liabilities, total	8,939,960.26	7,191,358.22	8,759,127.82	6,921,956.37

12. AMOUNTS PAID FOR LEASING AGREEMENTS	2017	2016	2017	2016
	iLOQ Group	iLOQ Group	iLOQ Oy	iLOQ Oy
Payable in the following financial period	290,836.99	169,150.71	35,747.84	17,634.68
Payable later	275,173.64	195,587.96	42,316.90	19,374.46
Total	566,010.63	364,738.67	78,064.74	37,009.14

13. AMOUNTS OF OTHER CONTINGENT LIABILITIES	2017	2016	2017	2016
	iLOQ Group	iLOQ Group	iLOQ Oy	iLOQ Oy
Credit limit		1,000,000.00		1,000,000.00
Standby letter of credit	1,266,998.90	1,451,519.25	1,266,998.90	1,451,519.25
Lease liabilities	176,715.89	112,088.35	148,509.96	77,904.56
Company credit cards	32,488.30	10,062.69	24,473.63	10,062.69
Total	1,476,203.09	2,573,670.29	1,439,982.49	2,539,486.50

The company has issued a collateral of EUR 13,632.94 on behalf of iLOQ Sverige AB relating to the office lease of the subsidiary. In addition, the company has issued a guarantee of EUR 168,816.31 on behalf of iLOQ Sverige AB, a guarantee of EUR 102,839.12 on behalf of iLOQ Danmark ApS, and a guarantee of EUR 59,696.05 on behalf of iLOQ Norge AS. The guarantees relate to car leasing contracts. Additionally, the company has overdraft facilities of EUR 1,000,000, which have not been used during the financial years 1 January 2016 – 31 December 2016 and 1 January 2017 – 31 December 2017.

14. COLLATERALS ISSUED	2017	2016	2017	2016
	iLOQ Group	iLOQ Group	iLOQ Oy	iLOQ Oy
Collaterals issued	3,800,000.00	3,800,000.00	3,800,000.00	3,800,000.00
Total	3,800,000.00	3,800,000.00	3,800,000.00	3,800,000.00

**SIGNATURES
TO THE FINANCIAL STATEMENTS AND ANNUAL REPORT**

SIGNATURES OF THE BOARD OF DIRECTORS

In Oulu, 22th February 2018



Veijo Karppinen
Chair of the Board of Directors



Jorma Takanen
Member of the Board



Mika Pukari
Member of the Board



Harri Takanen
Member of the Board



Johan Flykt
Member of the Board

AUDITOR'S NOTE

A report has been issued today on the audit performed.

In Oulu, 23th February 2018

KPMG Oy Ab



Tapio Raappana
Authorised Public Accountant

LIST OF ACCOUNTING LEDGERS AND RECORDS

Accounting ledgers	Storage method
Financial statements and annual report	On paper
Balance sheet specifications	Electronically as a PDF file
Journal and general ledger	Electronically as a PDF file
Accounts receivable ledger	Electronically as a PDF file
Accounts payable ledger	Electronically as a PDF file
Accounts receivable vouchers	Electronically as a PDF file
Accounts payable vouchers	Electronically as a PDF file
Bank and cash vouchers	Paper vouchers
Memo vouchers	Paper vouchers
Note voucher	Paper vouchers

Report on the Audit of Financial Statements

OPINION

We have audited the financial statements of iLOQ Oy (business identity code 1842821-6) for the year ended 31 December 2017. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

In our opinion, the financial statements give a true and fair view of the group's and the 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.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report. We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial

statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES IN THE AUDIT OF FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

Other reporting requirements

OTHER INFORMATION

The Board of Directors and the Managing Director are responsible for the other information. The other information that we have obtained prior to the date of this auditor's report is 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. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

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

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

Oulu, Finland, 23 February 2018

KPMG OY AB

Tapio Raappana
Authorised Public Accountant, KHT



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