



Together creating
Finland's new
global success stories

2021

FINANCIAL REVIEW



Tesi

Together creating Finland's new global success stories.

- By financing growth companies, we raise Finland to the forefront of transformative economic growth.
- We invest in venture capital and private equity funds and directly in companies, as a minority owner.
- We invest profitably and responsibly, aiming for a positive societal impact.
- We develop Finland's venture capital and private equity market.
- We offer information and experience to companies, investors and decision-makers.
- We are a venture capital and private equity company, 100% owned by the Finnish state.



Annual Report 2021

Tesi's (Finnish Industry Investment Ltd) Annual Report comprises four sections. Business Overview, Financial Review, Corporate Governance Statement, and Remuneration Report. All sections of the Annual Report are available in Finnish and English and can be downloaded from our website tesi.fi.

- **Business Overview:**
Strategy, value creation, investment operations and corporate social responsibility
- **Financial Review:**
Board of Directors' report and Financial Statements
- **Corporate Governance Statement:**
Corporate governance, internal control and risk management systems
- **Remuneration Report:**
Remuneration principles, remuneration of the Board of Directors and the CEO



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This is the Financial Review, comprising Board of Directors' report and Financial Statements.

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Report by the Board of Directors

BUSINESS ENVIRONMENT

Fiscal year 2021 was exceptional due to the global corona pandemic. Strongly expansionary economic measures have boosted the global economy, and Finland's economy has recovered quickly from the pandemic-induced recession. The spread of a new virus variant, disruptions in global supply chains, and price rises have produced uncertainty and dulled growth.

Tesi's pulse surveys indicate that Finnish small and medium-sized enterprises (SMEs) have managed to cope with the pandemic better than expected. Companies' appetite for growth, liquidity, and willingness to invest are at a desirable level. There is a particularly strong drive for growth in companies backed by venture capital and private equity (VC & PE), and these companies also have the highest expectations for growth in investments. Most companies have transformed and permanently changed their operations in response to the pandemic.

Although the overall picture is strongly positive, the corona situation still hampers companies' operations, the situation varying from sector to sector. Labour shortages also hin-

der growth, obstructing normal operations of some companies. The pandemic is still causing widespread disruptions in supply chains, and disruptions increased during 2021.

The corona crisis had a less-than-anticipated impact on the VC & PE market during 2021, no systemic disruptions were identified, and market development continued extremely positive. International investors did not withdraw from the market, as happened in previous crises. Financing for Finnish SMEs improved, and start-ups raised a record amount of capital during the year.

Strongly expansionary monetary policy is reflected in a continued rise in valuation levels. At the end of the year, market uncertainty and inflation expectations depressed the prices of growth shares, particularly in the technology sector.

TESI'S ROLE

Tesi's mission is to promote the growth and internationalisation of Finnish companies, and to develop the venture capital and private equity market. Tesi's objective is to increase the supply of private capital by offering financing that supplements it. As a 100% state-owned

investment company, Tesi's operations are based on legislation, decrees, and corporate governance.

The supply of equity funding varies greatly in Finland, depending on the size of the financing requirement and the company's stage of growth. Market bottlenecks also change position over time. Being able to identify and alleviate these market bottlenecks and to adapt operations to prevailing market situations is of key importance to Tesi's operations.

In line with its mandate, Tesi operates on market terms and co-invests as a minority investor hand-in-hand with private investors, on the same terms and conditions. Tesi invests in growth companies directly and via funds, with no sector restrictions. Investments made on special grounds for furthering national industrial policy are allocated to sectors undergoing, or expected to undergo, major structural transformation.

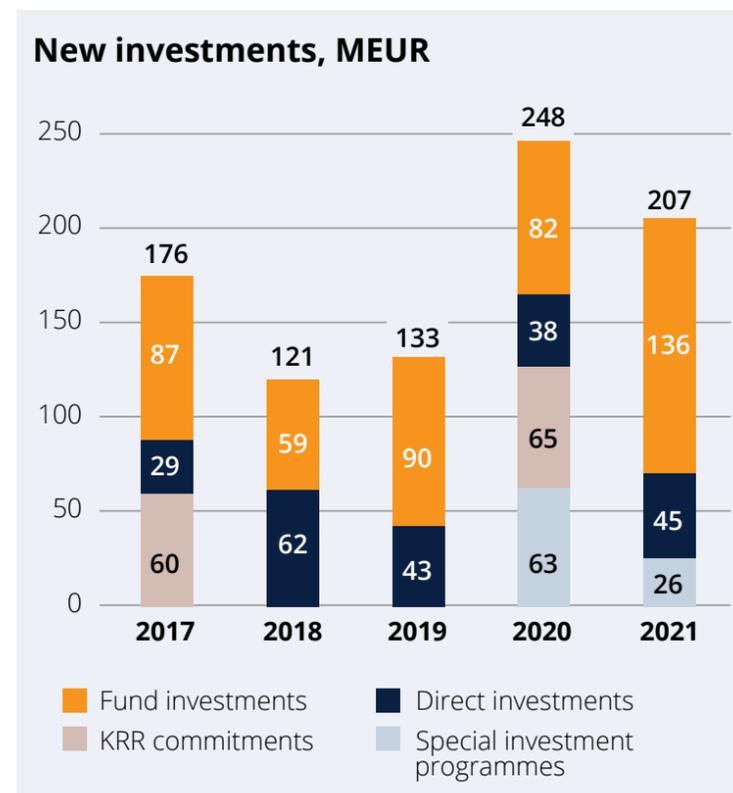
Tesi's operation must be commercially profitable over the long term. Tesi aims for a return on its investments and has an exit plan for its investments. To fulfil its trade and industrial policy mission, however, Tesi can accept a larger than usual risk or lower expected earnings

than usual in individual investment decisions.

Tesi wants to be a responsible player with a societal impact. Tesi's aim is to maximise its positive net impact by creating value in venture capital and private equity funds and in its portfolio companies, while promoting the sustainable business development of Finnish companies through its operations. Tesi has significantly improved its capability to produce insightful data and has systematically integrated corporate responsibility into its investment activities. During the corona crisis, Tesi has striven to help both SMEs and other partners with special investment programmes and by producing reviews of market conditions.

INVESTMENTS

Tesi co-invests, hand-in-hand with private investors, in venture capital and private equity funds and also directly in portfolio companies. Tesi made investments totalling EUR 207 million (MEUR 248) in 2021. This figure includes fund commitments, direct investments, pandemic-related Stabilisation and Venture Bridge financing, and the acquisition of Finnvera's venture capital operations. The Stabilisation programme and Venture Bridge, as temporary



special investment programmes, differ from Tesi's normal investment activities. The programmes are treated separately in Tesi's IFRS consolidated financial statements.

Fund investments are focused on venture capital funds investing in early-stage technology companies pursuing international expansion, and also on growth and buyout funds supporting the growth and renewal of more traditional SMEs. Tesi acts as a long-term an-

chor investor in its portfolio funds.

In 2021, Tesi made investment commitments to 18 funds and bought one fund equity, all amounting to EUR 136 million (MEUR 82). Tesi made commitments to 11 venture capital funds of which four were international. In addition, Tesi made commitments to seven buyout and growth funds. Tesi paid out capital calls totalling EUR 117 million (MEUR 74) to its portfolio funds.

Because of the transfer of Finnvera's remaining venture capital operations, Tesi acquired a 19.71% share in Innovestor's Kasvurahasto I LP fund.

In addition to its own investment operations, Tesi manages the Kasvurahastojen Rahasto funds-of-funds (KRR, KRR II, KRR III and KRR IV). Established by Tesi and Finnish pension and insurance companies, the KRR are funds-of-funds that invest in Finnish venture capital, growth, and buyout funds. The KRR IV made four fund commitments in 2021.

The model for the KRR concept has proven to be highly successful over the last 13 years, while also having a positive impact on Finland's economy. During 2009–2021, the KRR funds-of-funds have committed capital to altogether 40 funds. These funds, in turn, have been ac-

celerating the growth and international expansion of over 300 Finnish companies.

Tesi makes **direct minority investments** in fast-growing Finnish technology companies, SMEs pursuing growth, M&As and buyouts, and industrial projects. Investment programmes promoting growth and the transformation of industrial structures form a base for direct investments. Investments are made hand-in-hand and on equal terms with private investors.

In 2021, Tesi made direct venture capital and private equity investments of altogether EUR 44.7 million (MEUR 38) in 36 companies under its normal operations. Of these, initial investments were made in 27 companies with EUR 29.3 million and follow-on investments amounting to EUR 15.4 million in nine companies. A total of almost EUR 233 million in new risk capital was channelled into these direct investments, roughly five times the amount invested by Tesi. Initial investments in our normal operations included: HEI Schools (Helsinki International School Group), an exporter of Finnish early education content; Virta (Liikennevirta), a provider of charging equipment and systems for electric vehicles; Puurakentajat (Puurakentajat Group), a specialist in timber construction; and Finnforel, a company utilis-

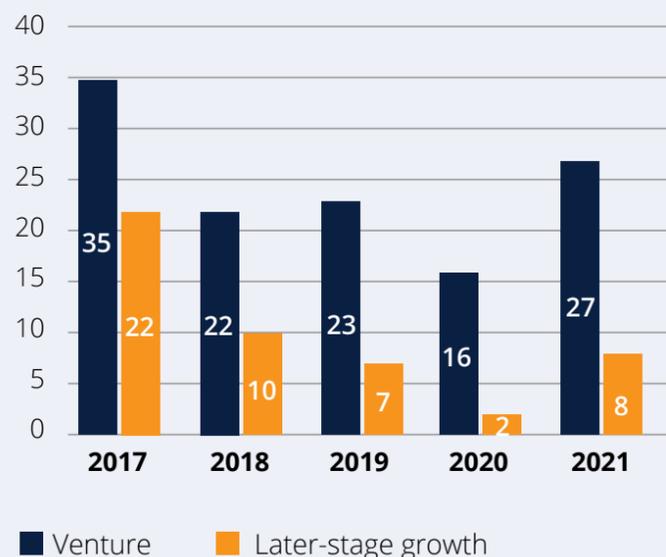


ing water recirculation in fish farming.

The transfer of Finnvera's remaining venture capital operations and acquisition of the **EAKR-Aloitusrahasto** fund significantly increased the number of Tesi's direct investments. At the time of the transaction, EAKR-Aloitusrahasto had investments in 23 portfolio companies, staying same for the rest of the year.

Alongside its normal investment activities, Tesi made Stabilisation and Venture Bridge in-

Growth in net sales of direct portfolio companies (% , median)



investments totalling EUR 26 million to mitigate the effects of the pandemic (MEUR 63 in 2020).

Tesi is an active investor and focuses strongly on skilled ownership and on portfolio companies' growth. Median growth in net sales of direct portfolio companies was 13% (10%). Median growth in the aggregated net sales of venture-capital phase companies was 27% (16%), and of later-stage companies 8% (2%).

The EUR 75 million **Circular Economy** investment programme was launched in 2018.

In 2021, initial investments were made from the programme in Finnforel, a company that utilises water recirculation in fish farming, and also follow-on investments in Swappie, an iPhone recycler, in FiFax, a water recirculating fish farmer, and in Endev, a processor of municipal waste sludge. An investment was also made in Pale Blue Dot I fund, which specialises in investments that advance sustainable development. At the end of 2021, Tesi had made fund commitments of altogether EUR 10.5 million and direct investments amounting to EUR 31.7 million under the programme.

The **European Investment Bank's** EFSI co-investment programme channels EFSI financing to Finnish companies, enabling them to participate in larger investment rounds. A maximum one-half of the financing comes from the EFSI programme and one-half from Tesi, and the remainder from private investors. In 2021, Tesi made three investments from the EFSI programme (Swappie, Wirepas and Finnforel) totalling EUR 11.2 million (MEUR 10). Altogether EUR 33.5 million has been invested in six companies under the programme.

Tesi's collaboration with the European Investment Bank (EIB) was extended at the end of the year when we signed up to a EUR 100

million co-investment facility for Finnish SMEs. The EIB financing falls under the European Guarantee Fund (EGF), with Tesi managing the co-investment facility that started at the beginning of 2022.

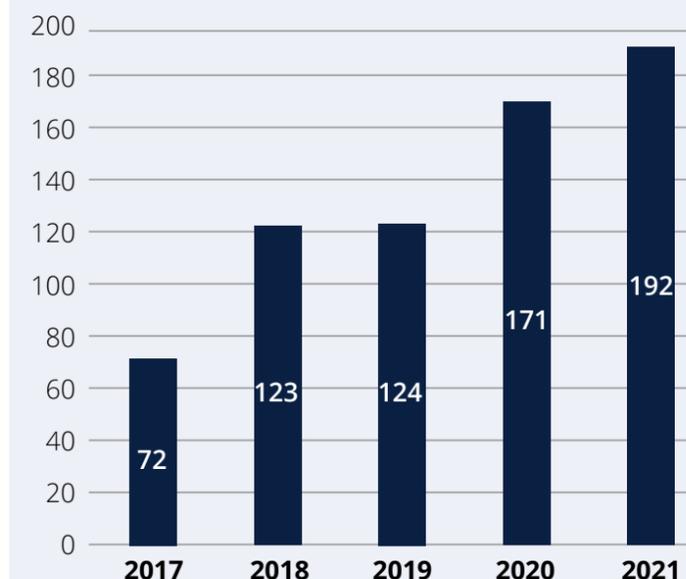
In 2020, Tesi launched two special investment programmes to ensure SMEs received financing through the corona crisis.

The **stabilisation programme** offers fast-track assistance to mid-sized companies facing an acute cash crisis caused by the coronavirus pandemic. Portfolio companies must have the potential to overcome financial problems caused by the coronavirus crisis through additional financing. Tesi offers stabilisation financing either as an equity investment or as a convertible loan. The size of an individual investment ranges between EUR 1–10 million. Demand for stabilisation financing was initially brisk when the programme was launched and has been moderate since then. In 2021, Tesi made investments from the programme of altogether EUR 10.8 million (MEUR 51) in six companies. Altogether, investments totalling EUR 61.7 million had been made from the programme in 14 companies by the end of 2021.

The purpose of the **Venture Bridge** programme is to compensate for the possible

decrease in international investor's activity in Finland caused by the corona pandemic. Launched in June 2020, the programme focuses on innovative growth companies seeking international expansion that need financing for their next impending investment round. Investments are made hand-in-hand and on equal terms with professional VC investors. The size of an individual investment ranges between EUR 0.5–2 million, and investments are made as convertible loans. Investments

Channelling of international capital into Finland, MEUR



from the programme ensure a company has adequate financing for at least one year until its next financing round. In 2021, Tesi made investments from the programme of altogether EUR 15.6 million (MEUR 12.4) in 20 companies. Altogether, investments totalling EUR 27.9 million had been made from the programme in 33 companies by the end of 2021.

Channelling international capital, expertise and networks

One of Tesi's objectives is to internationalise Finland's venture capital and private equity market. Investors also provided Finnish companies with valuable international business expertise as well as networks, in addition to capital. In 2021, Tesi's international investor partners invested altogether EUR 192 million in Finnish growth companies, of which EUR 76 million came from Tesi's international portfolio funds.

Exits

In 2021 we received capital returned from funds of some EUR 186 million (MEUR 63), and we also received some EUR 66 million from dividends, earnouts and exits. Kotkamills Group was officially transferred to the Austrian Mayr-Meinhof Group, and Tesi sold its shares

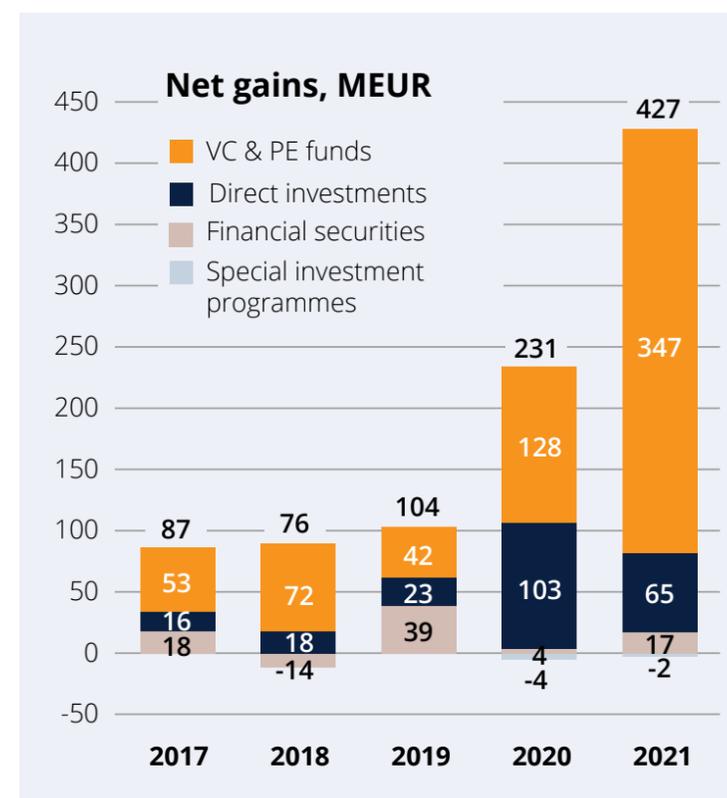
in LeadDesk Plc in an accelerated book-building to a limited number of institutional investors. Other exits included HopLop, Viafin Service, Verto Analytics (bankruptcy) and Zervant. Exits produce returns that create a base for our future investment operations.

Number of investees

Tesi invests in Finnish companies through Finnish and international venture capital and private equity funds. Tesi also makes direct investments hand-in-hand with private investors. As the venture capital and private equity market is international by nature, foreign companies become Tesi's investees via funds. At the end of 2021, there were altogether 1,121 companies in Tesi's investment portfolio, of which 993 were through funds and 119 were direct investments. Some 491 of these target companies were Finnish, in which Tesi invested EUR 979 million, or, 72% of Tesi's invested capital. Correspondingly, 621 were foreign target companies, in which Tesi invested EUR 388 million, or, 28% of Tesi's invested capital.

Of the portfolio companies of Finnish investment funds, 355 were Finnish and 251 foreign. Of the target companies of international funds, 17 were Finnish and 370 foreign. Tesi's interna-

tional fund investments are mainly in venture capital funds, which are typically broad-based portfolios consisting of early-stage investee companies. The number of companies in these portfolios is very high, but the amount of capital invested per company is correspondingly low. Tesi's holding in these international funds is much smaller than its typical holding in Finnish funds.



GROUP'S FINANCIAL PERFORMANCE

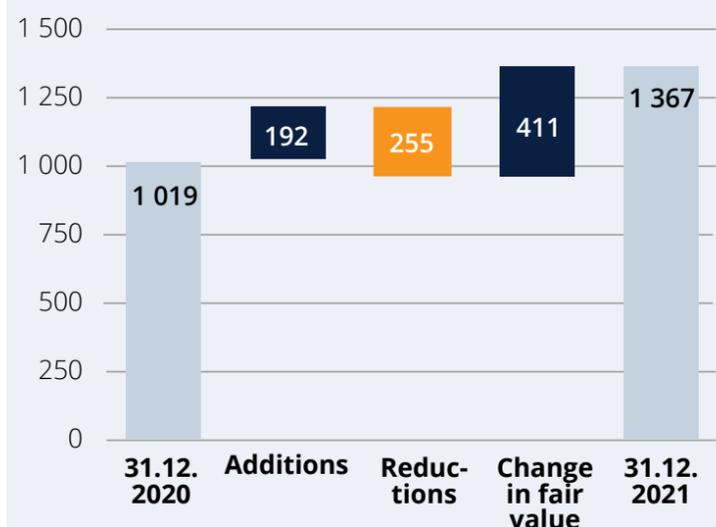
Consolidated profit

The venture capital and private equity investment sector did not experience the disruption anticipated from the pandemic. In the venture capital arena, in particular, growth companies raised investment rounds of record size and company valuations are high. This was also reflected in Tesi's strong profit for the fiscal year, which amounted to EUR 337.6 million (MEUR 179). Tesi's profit derived from realised gains from venture capital and private equity investments during the fiscal year of EUR 110 million (MEUR 46) and gains in fair value of investments of EUR 288 million (MEUR 180) recognised in line with IFRS principles.

The Group's net gains in 2021 totalled EUR 427 million (MEUR 231). Net gains from venture capital and private equity funds amounted to EUR 347 million (MEUR 128). Net gains from direct venture capital and private equity investments totalled EUR 65 million (MEUR 103). Growth in net gains was mostly due to a rise in valuations of companies and to successful exits.

Net gains from the Stabilisation and Venture Bridge special investment programmes

Change in venture capital and private equity investments 1.1.2021–31.12.2021, MEUR



amounted to EUR -2 million (MEUR -4).

Other operating income includes net gains from financial securities amounting to EUR 17 million (MEUR 4).

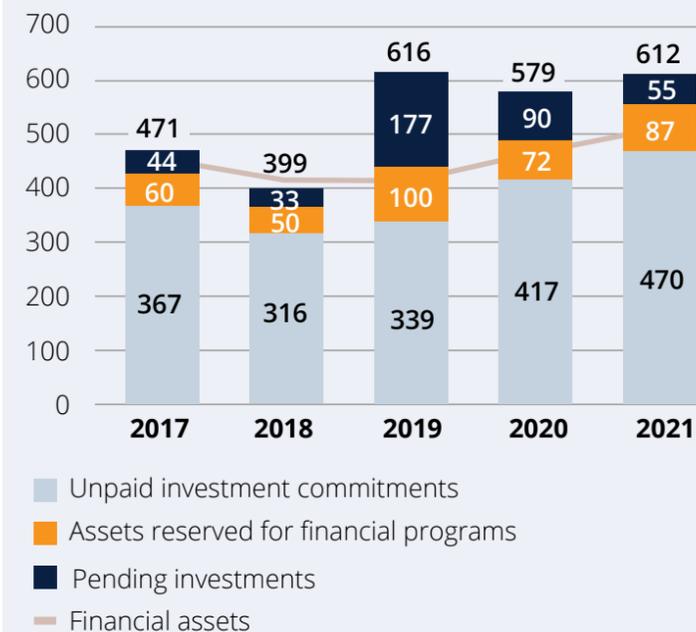
Other operating expenses were EUR 10.0 million (MEUR 9.7), a rise of 3.0% on the previous year. The ratio of operating expenses to investments under management was 0.4% (0.5% in 2020). Operating profit was EUR 419 million (MEUR 222).

Balance sheet and financial position

Non-current assets were EUR 1,415 million (MEUR 1,063) at the end of the year, of which EUR 1,367 million (MEUR 1,019) consisted of venture capital and private equity investments recognised at fair value in the statement of comprehensive income. Of the venture capital and private equity investments at the end of the fiscal year, EUR 836 million (MEUR 558) was in funds, EUR 446 million (MEUR 402) was in direct VC & PE investments, and EUR 85 million (MEUR 59) was in special investment programmes. The fair value of investments grew by EUR 348 million. Of the change in fair value, EUR 110 million (MEUR 46) was recognised through profit and loss. More detailed information about the determination of fair value is given in [Note 4](#) of the Notes to the consolidated financial statements.

The figure for current assets of EUR 475 million (MEUR 436) includes financial securities of EUR 410 million (MEUR 339) recognised at fair value in the statement of comprehensive income. The figure for non-current assets also includes EUR 28 million (MEUR 25) of financial securities recognised at fair value in the statement of comprehensive income. Financial securities consist of fixed income investments

Financial assets and unpaid commitments, MEUR



EUR 334 million (MEUR 265), listed equity investments EUR 67 million (MEUR 49), and other investments EUR nine million (MEUR 51).

Financial securities safeguard continuity in the company's investment operations and its ability to meet unpaid investment commitments. At the end of 2021 unpaid investment commitments totalled EUR 470 million (MEUR 417), including EUR 17 million (MEUR 3) in com-

mitments to special investment programmes. Unpaid investment commitments consist almost entirely of commitments given to venture capital and private equity funds with an average payment period of over four years. In addition, some EUR 87 million (MEUR 72) has been set aside for implementing the company's current investment programmes. Investment decisions made by the company's Board of Directors but not implemented by year's end amounted to EUR 55 million (MEUR 90).

The Group's balance sheet total as at 31 December 2021 was EUR 1,890 million (MEUR 1,499). Shareholders' equity grew to EUR 1,755 million as a result of the net profit of EUR 338 million for the fiscal year. The Group's equity ratio was 92.9% (94.5%). The Group did not hold any interest-bearing liabilities at the end of the fiscal year.

Risks and risk management

Tesi's operations are governed by a special law and a government decree relating to it, which define the company's main principles for risk-taking. Tesi's mission is to promote the development of Finland's private equity and venture capital market as well as the growth and internationalisation of Finnish companies.

The company's operations therefore involve bearing higher than usual risks in certain geographic areas and specific sectors. The company's investment activities must nevertheless be managed as a whole in a way that ensures investments are adequately diversified and that does not legally jeopardise the primary obligation for profitable operation over the long term.

Tesi has a risk management policy, updated in 2021 and confirmed by the Board of Directors. The policy sets out the principles for risk management, specifies risk definitions and risk classifications and also defines the main roles and divisions of responsibilities as well as the monitoring and reporting procedures. The goal for risk management is to ensure that risks borne by the company are commensurate with its risk-bearing capability. The aim is to ensure that the risks attached to the company's business operations are identified and assessed, that the company responds to those risks, and that they are managed and monitored.

The Board of Directors confirms the company's strategy and action plan, in which the priorities and targets for different investment allocations are specified. In order to reduce risks, investments are deconcentrated to dif-

IMPACT OF CHANGES IN VALUE OF VC & PE INVESTMENTS ON VALUE OF INVESTMENT PORTFOLIO (MEUR 1,367)					
Direct investments (fair value MEUR 532)	Fund investments (fair value MEUR 836)				
	0%	-5%	-10%	-15%	-20%
0 %	0	-42	-84	-125	-167
-10 %	-53	-95	-137	-179	-220
-20 %	-106	-148	-190	-232	-273
-30 %	-159	-201	-243	-285	-327
-40 %	-212	-254	-296	-338	-380

ferent allocation classes, different industries, and also distributed geographically, while taking into account the company's social mission. The Board makes the company's investment decisions and supervises the implementation of investments. The Board of Directors has authorised the Management Team to make investment decisions regarding special investment programmes.

Risk management supports achievement of the goals set in the company's strategy and action plan by monitoring that the risks taken are commensurate with risk-bearing capability. Risk-bearing capability is managed by carefully planning investment operations and by

managing investments with the aim of assuring achievement of the targets set for return on capital and profitability.

Tesi's main risks are related to private equity and venture capital investments, and to financial securities. Both involve various investment risks, including valuation risks, market risks, liquidity risks, financing risks, credit risks, currency risks, interest risks, such as risks related to corporate responsibility.

The value of private equity and venture capital investments at the end of the fiscal year amounted to EUR 1,367 million (MEUR 1,019). Investments are subject to the risks stated above that, if they were realised, could substan-

tially affect the future value of the investments. The table presents the possible euro-denominated impacts of relative changes in valuations on the value of the private equity and venture capital investment portfolio.

The risks related to each private equity and/or venture capital investment are managed by predictive generation of the deal flow, careful analysis in the screening phase, participating through board work in the business development of portfolio companies, proactive interaction with managers of private equity and venture capital funds, and positive action in the exit stage.

Managing financing risks ensures that the company always has adequate financing available for its business operations (unpaid investment commitments). The company's liquidity and cash flows are continuously monitored. When preparing new investments, the effect of the investments on liquidity and financial position is addressed. Most of the company's cash flows and investments are denominated in euros.

Investments in financial securities are diversified and made at the selected risk level in compliance with the investment policy confirmed by the company's Board of Directors.

Investments in financial securities aim to ensure adequate assets for private equity investing and other payment transactions. Investments in financial securities are spread mainly between investments in fixed income funds, investments in equity funds, and alternative investments. The market volatility of financial securities is regularly monitored. The counterparty risk attached to investing in financial securities is managed with a thorough partner selection procedure.

Other risks to which Tesi is exposed include strategic risks, operational risks, including hazard risks, as well as corporate responsibility and reputational risks attached to both Tesi's own operations and those of its investees. Strategic risks are managed by regularly evaluating the company's operations and operating environment. Operational risks are managed both by good corporate governance and with internal instructions, and these risks are covered by, for instance, good management and interaction, by taking care of the personnel's knowhow and wellbeing, by appropriate processes and by insurance.

The responsible operation of companies and investors is being subjected to closer public scrutiny nowadays. The operations of port-

folio funds and companies may also have a significant indirect impact on Tesi's reputation. In Tesi, a corporate responsibility and ESG assessment is conducted as part of the due diligence processes preceding an investment decision, and the development of responsibility aspects is regularly monitored as a part of the processes for managing and monitoring investees. During 2021, formal evaluation of the current ESG status of all individual target companies was adopted, and preliminary goals for developing responsibility were defined. More on ESG matters [in the Business Overview section](#).

More detailed information about risks and risk management is given in [Note 3](#) of the Notes to the consolidated financial statements.

CORPORATE GOVERNANCE

Group structure

The Group's subsidiaries are FEFSI Management Oy, Tesi Fund Management Oy, Tesi Industrial Management Oy (all wholly-owned), EAKR-Aloitusrahasto Oy and also Aker Arctic Technology Inc. (ownership 66.4%).

Organisation and development of operations

At Tesi's Annual General Meeting on 22 March 2021, the following were elected members of the Board of Directors: Chair, Kimmo Jyllilä (MSc (Econ), born 1972); Mia Folkesson (MSc (Econ), born 1980); Anniina Heinonen (MSc (Econ), born 1981); Minna Helppi (MBA, born 1967); Riku Huttunen (M.Pol.Sc. (Economics), born 1966); and Pauli Kariniemi (Lic.Sc. (Econ), MSc (Econ), born 1970). In addition, Jacob af Forselles (MSc (Econ), LL.M., born 1973) started on the Board of Directors on 3 June 2021, appointed at a meeting of the company's owners. The Board of Directors convened 23 times in 2021, and attendance was 98.2%.

Tesi's CEO was Jan Sasse (MSc (Econ), born 1967). The parent company employed an average 44 people during the fiscal year. Ten new employees were recruited to permanent positions during the fiscal year. One person resigned from the company. At year's end 14 women and 28 men were permanent Tesi employees, two men were on a fixed-term and one man was on a part-time contract, in addition to two trainees.

Tesi conducts personal development interviews (PDIs) twice a year. Venture capital and private equity investing, and our strategic objec-

tives demand solid expertise. The focus for skills development in 2021 was on improving interaction skills, on utilising our data models and analysis, and on enhancing management.

Priorities for development in Tesi's own activities in 2021 were corporate culture, psychological safety, and internal communications. In our personnel survey, Tesi as employer received a rating of 4.4 and the meaningfulness of work at Tesi 4.2 (on a scale of 1–5, 4/2021). There is still room for improvement in, for instance, putting new matters into practice and in fully achieving equality in practice. According to employee questionnaires arranged at the end of 2021, almost all respondents felt that hybrid work was proceeding well (96%) and that internal communications had improved (89%).

Tesi follows the guidelines issued by the Prime Minister's Office regarding remuneration in state-owned companies. Salaries and emoluments in 2021 totalled EUR 5.0 million (MEUR 4.6). The remuneration system is developed in line with evolving company objectives, in order to effectively support our business operations. More details about remuneration practices are given in the company's [Remuneration Report](#).

Shares and share capital

The company has one class of share and 43,160 shares. The share capital is EUR 438,992,200.

Board's proposal for the distribution of profit

The parent company's distributable funds (according to FAS financial statements) on 31 December 2021 amounted to EUR 551,959,172.7. No significant changes in the company's financial position have occurred since the end of the fiscal year. The Board proposes to the Annual General Meeting that no dividend be distributed for fiscal year 2021. The company's financial resources will be targeted at private equity and venture capital investments that boost the growth and internationalisation of Finnish companies and promote the development of Finland's venture capital and private equity market.

EVENTS AFTER THE FISCAL YEAR

The first Finnish technology company to list on the US Stock Exchange via a SPAC arrangement made headlines in early 2022 when Angel Pond Holdings announced it had bought MariaDB, an open-source database company. Tesi first invested in the company in 2012.

After the end of the review period, Tesi has

made the first investment from the co-investment programme with the European Investment Bank, agreed at the end of 2021. Tesi has also made three new Venture Bridge investments, one investment from the Stabilisation programme and one fund commitment.

FUTURE PROSPECTS

In late February, Russia launched a full-scale invasion of Ukraine, causing significant humanitarian, geopolitical, ecological, and economical ripples, the scales of which remain unknown at the time of composing this report.

Before the Ukraine crisis, Finland's economy was forecast to grow, although the rate of growth will slacken in the near-term as the country's aging population slows the motors of longer-term growth. Finland's general government debt has grown because of the corona crisis, and the Bank of Finland predicts a significantly higher debt-to-GDP ratio for 2024 than before the pandemic.

Economic development is subject to many unpredictable factors in addition to the Ukraine crisis. Over the next few years, in particular, progress may be slower than forecast.

Inflation accelerated in Finland in 2021, continuing to do so in the beginning of 2022. In-

flation and interest rate rise expectations have unsettled the capital markets, which in early 2022 saw remarkable falls in stock prices, particularly in technology companies. Tesi's investments possess valuation risks which can significantly affect their future performance and, hence, Tesi's balance sheet as well as result and financial situation. The valuation risks have increased in significance as a consequence of the general elevation of the valuation levels in recent years.

Finnish SMEs started the year with positive growth expectations, although the corona situation still disrupted business. Tesi's Growth Company Pulse Survey published in January 2022 shows that for some companies a labour shortage is an obstacle not only to growth but also to normal operation.

In 2022, Tesi continues to follow its strategy, prioritising responsible operation and positive social impact, value creation, internationalisation, and the dissemination of information and expertise aimed at developing the venture capital and private equity market. As one part of its action plan, Tesi has formulated various market scenarios. Pan-European regulation has also made progress in the field of sustainable financing, and the venture capital and pri-

vate equity sector is developing its operations accordingly.

Tesi will continue to use its fund investment activities to promote the long-term development and internationalisation of Finland's investment industry. Tesi spars and otherwise helps Finnish fund management teams create networks and internationalise. Our international fund operations will supplement Finland's own venture capital and private equity market. With direct investments, Tesi aims for shorter-term impact by spreading risks with private investors. The Stabilisation and Venture Bridge programmes created to mitigate COVID pandemic impacts will continue according to need. When screening potential direct investments, Tesi will pay greater attention to the positive net social impact of potential investees. Tesi will continue to collaborate closely with the European Investment Bank and channel capital to Finnish growth companies through its co-investment programme.

The strong financial performance of recent years, combined with the expertise and networks the organisation has accumulated, provides Tesi with a sound framework for promoting Finnish companies' growth and internationalisation well into the future.

KEY FIGURES

KEY FIGURES, GROUP	IFRS 2021	IFRS 2020	IFRS 2019	IFRS 2018	IFRS 2017
Profit/loss for the financial year, MEUR	337.6	179.2	77.8	54.6	65.7
Shareholders' equity, MEUR	1,755.1	1,417.4	1,088.2	996.0	978.2
Balance sheet total, MEUR	1,889.9	1,499.3	1,129.7	1,030.5	1,020.3
Unpaid commitments, MEUR	469.6	414.0	339.0	316.0	367.4
Investments at acquisition price, MEUR	840.9	761.8	639.3	545.1	496.0
Investments at acquisition price and commitments, MEUR	1,310.5	1,175.8	978.3	861.1	863.4
Investments at book value, MEUR	1,367.1	1,019.1	710.9	605.6	560.1
Ratio of investments and commitments to shareholders' equity	1.0	1.0	1.0	0.9	0.9
New commitments during financial year, MEUR	206.5	248.4	132.7	120.8	148.8
Return on equity	21.3%	14.3%	7.5%	5.5%	6.9%
Equity ratio	92.9%	94.5%	96.3%	96.6%	95.9%
Assets under management, MEUR	2,352.4	1,861.4	1,333.7	1,208.9	1,173.4
Expenses per investments under management	0.4%	0.5%	0.7%	0.8%	0.6%
Personnel, average	44	35	37	36	32
Salaries and fees for the financial year, MEUR	5.0	4.6	4.2	3.9	3.7
Fund investments, total number	109	97	92	87	91
Funds, number of portfolio companies	993	767	665	712	660
Parent company, number of portfolio companies	94	73	51	45	37
EAKR Aloisurahasto Oy, number of portfolio companies	23	0	0	0	0
Tesi Industrial Management Oy, number of portfolio companies	2	3	3	3	5
Portfolio companies, total number	1,112	843	719	760	702
of which domestic companies	491	337	271	302	263
of which foreign companies	621	503	448	458	439

IFRS consolidated financial statements

2021



Consolidated statement of comprehensive income

EUR THOUSANDS	NOTE	2021	2020
Net gains from VC & PE equity funds	5	346,689	127,596
Net gains from direct VC & PE investments	5	65,497	102,688
Net gains from special investment programmes	5	-1,567	-3,987
Net gains from investments, total		410,619	226,297
Net gains from financial securities		16,868	3,732
Income from fund management		1,308	1,300
Other operating income, total		18,175	5,032
Employee benefit costs	6	-5,907	-5,348
Depreciation and impairment		-540	-502
Other operating expenses	7	-3,542	-3,873
Operating profit / loss		418,806	221,606
Financial income		227	89
Financial expenses		-1,153	-496
Profit / loss before income tax		417,880	221,199
Income taxes	8	-80,252	-41,962
Profit / loss for the financial year		337,628	179,237
Total comprehensive income for the financial year		337,628	179,237
Profit for the financial year attributable to:			
Shareholders of the parent company		337,628	179,237

Consolidated statement of financial position

EUR THOUSANDS	NOTE	31.12.2021	31.12.2020
ASSETS			
Non-current assets			
Venture capital & private equity investments			
VC & PE funds	4	835,531	557,845
Direct VC & PE investments	4	446,569	402,098
Special investment programmes	4	84,990	59,123
Venture capital & private equity investments, total		1,367,089	1,019,066
Intangible and tangible assets	9	638	1,168
Deferred tax assets	11	19,096	17,584
Financial securities	4	28,294	25,430
Non-current assets, total		1,415,117	1,063,248
Current assets			
Receivables		710	602
Financial securities	4	409,679	339,356
Cash & cash equivalents, special investment programmes		57,634	86,607
Cash & cash equivalents		6,793	9,487
Current assets, total		474,816	436,052
Assets, total		1,889,933	1,499,300

EUR THOUSANDS	NOTE	31.12.2021	31.12.2020
EQUITY AND LIABILITIES			
Equity attributable to the shareholders of parent company			
Share capital		438,992	438,992
Share premium account		215,855	215,855
Invested unrestricted equity fund		164,500	164,500
Retained earnings		598,098	418,861
Profit for the financial year		337,628	179,237
Shareholders' equity, total	10	1,755,074	1,417,446
Liabilities			
Non-current liabilities			
Lease liabilities		259	610
Deferred tax liabilities	11	129,418	77,215
Non-current liabilities, total		129,677	77,825
Current liabilities			
Accounts payable and other liabilities	12	5,183	4,030
Current liabilities, total		5,183	4,030
Liabilities, total		134,860	81,854
Equity and liabilities, total		1,889,933	1,499,300

Consolidated statement of changes in equity

EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF PARENT COMPANY

EUR THOUSANDS	Share capital	Share premium account	Invested unrestricted equity fund	Retained earnings	Shareholders' equity, total
1.1.2020	438,992	215,855	14,500	418,861	1,088,209
Profit for the financial year				179,237	179,237
Total comprehensive income for the financial year				179,237	179,237
Transactions with owners in their capacity as owners					
Invested unrestricted equity fund			150,000		150,000
Shareholders' equity 31.12.2020	438,992	215,855	164,500	598,098	1,417,446

EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF PARENT COMPANY

EUR THOUSANDS	Share capital	Share premium account	Invested unrestricted equity fund	Retained earnings	Shareholders' equity, total
1.1.2021	438,992	215,855	164,500	598,098	1,417,446
Profit for the financial year				337,628	337,628
Total comprehensive income for the financial year				337,628	337,628
Shareholders' equity 31.12.2021	438,992	215,855	164,500	935,726	1,755,074

Consolidated statement of cash flows

EUR THOUSANDS	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Capital calls paid to venture capital & private equity funds	-117,000	-73,565
Cash flows received from venture capital & private equity funds	185,832	62,714
Direct venture capital & private equity investments paid	-44,687	-38,628
Repayments of direct VC & PE investments and sales proceeds	61,057	25,842
Investments paid under special investment programmes	-31,008	-63,275
Cash flows received from investments under special investment programmes	3,574	165
Interest received from VC & PE investments	1,474	1,909
Dividends received from VC & PE investments	3,183	2,995
Cash flow from VC & PE investments, total	62,425	-81,843
Payments for financial securities	-223,385	-162,805
Sales proceeds from financial securities	164,836	201,518
Payments received from other operating income	1,479	1,300
Payments made for operating expenses	-9,663	-9,605
Cash flow from operating activities before taxes	-4,307	-51,435
Direct taxes paid	-27,333	-5,840
Cash flow from operations (A)	-31,640	-57,275

EUR THOUSANDS	2021	2020
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for tangible and intangible assets	-28	0
Cash flow from investing activities (B)	-28	0
CASH FLOW FROM FINANCING ACTIVITIES		
Invested unrestricted equity fund	0	150,000
Cash flow from financing activities (C)	0	150,000
Change in cash & cash equivalents (A+B+C) increase (+)/decrease (-)	-31,668	92,725
Cash & cash equivalents at beginning of period	96,094	3,369
Cash & cash equivalents at end of period	64,427	96,094
Cash & cash equivalents at end of period comprise:		
Cash & cash equivalents, special investment programmes	57,634	86,607
Cash & cash equivalents	6,793	9,487

1. Summary of significant accounting policies

GENERAL INFORMATION ABOUT THE GROUP

Finnish Industry Investment Ltd ("Tesi", "the Company") is a state-owned investment company. Tesi's mission is not only to be commercially profitable but also to develop Finland's venture capital and private equity market as well as to promote Finnish business and Finland's economic growth.

Tesi is domiciled in Helsinki, and the address of its registered office is Porkkalankatu 1, 00180 Helsinki, Finland. Copies of the consolidated financial statements are available at the aforementioned address, as well as on the website: www.tesi.fi. Tesi's Board of Directors, in their meeting on 3 March 2021, authorised these financial statements for issue. According to Finland's Limited Liability Companies Act, the Annual General Meeting has the power to subsequently amend the financial statements.

Tesi invests in Finnish companies both directly and through private equity and venture capital funds. Our investments are focused on rapid growth, internationalisation, spin-offs and major industrial investments, as well as on sectoral, corporate and ownership restructurings.

To mitigate the damage caused to businesses and companies by the COVID-19 pandem-

ic that erupted at the beginning of 2020, Tesi launched two special investment programmes during the first quarter. In April, Tesi launched a Stabilisation financing programme aimed at helping SMEs facing temporary and acute financial difficulties through the pandemic. In June, Tesi launched the Venture Bridge programme, to enable early-stage growth companies raise financing in their next larger fundraising rounds in the unstable circumstances caused by the pandemic. The investment operations of these special investment programmes continued during 2021.

Tesi is a part of a national innovation system that seeks to stimulate Finnish industry and promote the development and deployment of new technology while creating new growth companies, jobs and wellbeing. A central element in Tesi's investment operations is to produce a positive social and environmental impact that promotes sustainable development. Tesi contributes to innovation system services by providing venture capital and private equity financing to companies. The Company's key principle is to conduct its operations responsibly and on market terms, together with Finnish and international investors and hand-in-hand

with them, thereby increasing risk-taking ability while boosting the availability of funding, investment expertise and networks.

Since 1995, Tesi has made venture capital and private equity investments amounting to 1.8 billion euros in total. Currently, Tesi has investments in over 1,000 companies, directly or through funds. The continuity and growth of our investment operations have been secured with government recapitalisation as well as with financing from the Company's own income.

Tesi's operations are regulated by legislation (Act on State-Owned Company Suomen Teollisuussijoitus Oy) and government decree (Government Decree on State-Owned Company Suomen Teollisuussijoitus Oy). The law allows Tesi to accept a higher risk or a lower expected return when making individual investment decisions in order to pursue the Company's mission in terms of trade and industrial policy. By law, the Company's operations must be profitable over the long term.

ACCOUNTING POLICIES

Tesi's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and they

comply with IAS and IFRS standards, as well as SIC and IFRIC interpretations, that are effective as at 31 December 2021 and are endorsed for application in the European Union. In the Finnish Accounting Act and regulations issued by virtue of it, "IFRS" refers to standards and interpretations that have been endorsed by the EU in accordance with the procedure defined in the EU regulation (EY) No 1606/2002. The notes to the financial statements also meet the requirements of the Finnish accounting legislation and company law that are complementary to the requirements in the IFRS.

The primary measurement basis applied in the preparation of the financial statements is fair value, as almost all financial assets are measured at fair value. Other items are measured at cost or at amortised cost. The figures in the accounts are presented in euros, which is Tesi's operational currency. The figures are given in thousands of euros, unless otherwise stated.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting pol-

icies. The most significant estimates and judgments are disclosed under accounting policies, in [Note 2. Critical accounting estimates and judgments](#).

NEW AND UPDATED STANDARDS APPLICABLE IN FISCAL YEAR 2021

IFRS standards, and amendments to them, published by the closing date have not had any impact on the Group's profit/loss for the fiscal year, financial position or presentation of the financial statements.

ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Subsidiaries are companies over which the Group has control. Control arises when the Group has existing rights, from its involvement with the investee, that give it the ability to direct the activities that affect the investee's returns, or is entitled to variable returns and has the ability to use its power over the investee to affect the amount of the investee's returns. Acquired subsidiaries are combined with the consolidated financial statements on the date the Group receives control, and assigned subsidiaries are combined until the date that control ceases. All the Group's internal transactions,

receivables, liabilities and unrealised gains, as well as its internal distribution of profit, are eliminated in the consolidated financial statements.

ACCOUNTING POLICY FOR INVESTMENT ENTITIES

Tesi's management has determined that Tesi meets the definition of investment entity in IFRS 10 Consolidated Financial Statements. Therefore, Tesi records the investees under its control at fair value through profit or loss, except for operating subsidiaries whose operations relate to investment activities or which provide investment management services, unless those subsidiaries themselves meet the criteria for an investment entity.

In other words, the subsidiaries combined with the consolidated financial statements are companies that produce fund management services and which are regarded as an extension of the parent company's business operations. Investment entities to be recognised at fair value through profit or loss are subsidiaries through which Tesi makes its own investments. The Group's subsidiaries and their treatment in consolidated financial statements are specified in more detail in [Note 15](#).

Tesi also recognises investees in which it has significant influence at fair value through profit or loss.

ITEMS DENOMINATED IN FOREIGN CURRENCY

Business transactions in foreign currencies are recorded at the equivalent amounts of the operational currency at the rates of exchange valid on the transaction date. Exchange rate differences are charged or credited to the income statement. Realised and unrealised exchange rate differences arising from VC & PE investments and financial securities recognised at fair value through profit or loss are recorded as a part of their change in fair value. Exchange rate differences relating to cash & cash equivalents are presented as financial income or expenses in the income statement.

FINANCIAL ASSETS

Recognition and measurement of financial assets

Tesi's financial assets comprise venture capital and private equity investments, financial securities and cash & cash equivalents. Financial assets are classified, according to the business

model followed in the management of the Group's financial assets and based on their contractual cash flow attributes, into groups that determine their valuation principles. Financial assets are classified into financial assets recognised at fair value through profit or loss, financial assets recognised at fair value in other items of comprehensive income, and financial assets measured at amortised cost. At the time of publication, the Group only had financial assets recognisable at fair value through profit or loss. All purchases and sales of financial assets are recognised on the transaction date.

Financial assets are derecognised when the rights to receive cash flows from financial assets have expired or have been transferred to another party so that the risks and rewards have been transferred.

Financial assets at fair value through profit or loss

Venture capital and private equity investments as well as financial securities are classified at initial recognition explicitly as financial assets to be recognised at fair value through profit or loss, because they are managed and their performance is monitored by Tesi on the basis of fair value (application of the 'fair value option').

Venture capital and private equity investments are in most cases non-current investments and are presented in the statement of financial position under non-current assets. Financial securities consist mainly of investments in fixed income funds and equity funds, which are presented under current assets because of their nature and purpose.

Financial assets are initially recognised at fair value. Transaction costs are recorded as expenses immediately. After initial recognition, financial assets are measured at fair value at each reporting date, and both realised and unrealised changes in fair value are recognised in profit or loss in the period in which they arise. The net movements in the fair value of venture capital and private equity investments are presented in the income statement under “Net gains from venture capital & private equity investments”, and the movements in the fair value of financial securities are presented under “Net gains from financial securities”. Interest income and dividend income are included in the net movement in fair value. The basis for the determination of fair value is disclosed in [Note 4. Determination of fair value](#).

Cash & cash equivalents

Cash and cash equivalents comprise cash and on-demand deposits.

FINANCIAL LIABILITIES

Tesi has minor amounts of current financial liabilities (accounts payable), which are classified for measurement at amortised cost. Financial liabilities are presented in the statement of financial position as current liabilities if they fall due within 12 months from the last day of the reporting period.

TANGIBLE AND INTANGIBLE ASSETS

Tangible assets comprise machinery and equipment as well as leasehold improvements, and they are carried in the balance sheet at cost less accumulated depreciation with any impairment losses. Tangible assets are depreciated over their useful lives using the straight-line method. The estimated useful lives by class of assets are as follows:

- Machinery and equipment 3–5 years
- Leasehold improvements 5–10 years

Intangible assets include intangible rights consisting of computer software. Intangible assets with a definite useful life are recognised at cost less accumulated amortisation. Intangible as-

sets are amortised over their useful lives on a straight-line basis. The estimated useful life of software is five years.

Tangible assets also include leases, in which Tesi is lessee, as right-of-use assets according to IFRS 16. Right-of-use assets are depreciated over their contract periods.

Impairment of tangible and intangible assets

The Group assesses on the final date of each reporting period whether there are indications of impairment on any asset. If indications are detected, the amount recoverable from that asset is estimated. An impairment loss is charged when the carrying amount of an individual asset is higher than the amount recoverable from it. An impairment loss is charged to the income statement.

RECEIVABLES

Receivables consist mainly of deferred expenses and accrued income.

LEASES

IFRS 16 leases

IFRS 16 requires lessees to recognise the lease agreements on the balance sheet as lease liabilities and right-of-use assets related to them. There are two transition provisions that relate to either short term contracts in which the lease term is 12 months or less, or to low value items i.e. assets of about EUR 5,000 in value or less. Tesi has applied the latter provision both at the point of transition and in subsequent fiscal years.

EMPLOYEE BENEFIT COSTS

Tesi's pension plans are classified as defined contribution plans. Under a defined contribution plan, the Company pays, into publicly or privately administered pension insurances, contributions that may be mandatory and contractual. Tesi has no obligations to make any payments apart from these contributions. The contributions paid are recorded as employee benefits when they are due. Contributions paid in advance are recognised as an asset to the extent that a cash refund or a reduction of future payments is available.

All the Company's personnel are included in

the bonus scheme. In 2019, the Company's personnel established a personnel fund in which they can invest the bonuses they earn from the company's bonus scheme.

INCOME TAXES

The income tax charge in the income statement includes both current and deferred tax. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. The amount is adjusted by any taxes relating to prior periods. Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that are enacted or substantively enacted at the balance sheet date and

that are expected to be applied when the related deferred tax asset is realised or the deferred tax liability settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed annually and assessed in relation to the Group's ability to generate sufficient taxable profit in the future. Deferred tax liabilities are entered in full.

NEW AND UPDATED STANDARDS

APPLICABLE IN FUTURE YEARS

Upcoming amendments to, or interpretations of, standards published by the closing date are not expected to have any substantial impact on the Company's consolidated financial statements.

2. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that have an effect on the amounts reported in the consolidated financial statements and in the Notes. Actual outcomes may differ from these estimates. Furthermore, judgment is needed in the application of accounting policies. Estimates and assumptions made by management are based on historical experience and forecasts for the future and are continually evaluated.

APPLICATION OF THE INVESTMENT ENTITY EXCEPTION

Tesi's management has determined that Tesi is an investment entity as defined in IFRS 10, because it meets the criteria of an investment entity. Tesi's business mission is to invest solely for returns from capital appreciation and investment income. Although the objective of Tesi's operations is also the development of, and support for, business activity in Finland, this ob-

jective is pursued solely by means of investing in venture capital and private equity, and thus the Company's earnings are obtained from capital appreciation and other investment income. Venture capital and private equity funds have, by nature of the funds and the life cycle model, an exit strategy for their investments. There is also a documented exit strategy for each direct investment. Management monitors the development of investments on the basis of fair values, and fair values are determined at least once in every six months. According to assessment by the management, the following characteristics support the classification of Tesi as an investment entity: It has more than one investment, and its investments are mainly in the form of equity holdings. An investment entity ordinarily has more than one investor. Tesi's principal investor is the Finnish state, representing the interests of a wider group of investors. Furthermore, Tesi manages funds in which pension funds and the European Invest-

ment Bank are acting as investors. These organisations are unrelated to Tesi, which is also one of the typical characteristics of an investment entity.

DETERMINATION OF FAIR VALUE

The most critical area in the financial statements that involves uncertainty relating to estimates and assumptions is the determination of the fair value of venture capital and private equity investments. Because of the degree of uncertainty involved in the measurement and the stability of values of non-liquid venture capital and private equity investments, the fair values of those investments are not necessarily representative of the price that would be obtained from the realisation of the investments. The fair values of venture capital and private equity investments are described in more detail in [Note 4. Determination of fair value](#).

INCOME TAXES

Deferred tax assets and liabilities are recognised for temporary differences arising between the carrying amounts of assets and liabilities in the balance sheet and their tax bases. The most significant temporary differences relate to the difference between the fair value and tax bases of venture capital and private equity investments and financial securities. Other temporary differences arise, for example, from tax losses carried forward, for which the Company assesses opportunities for setting them off against future taxable profits. Assumptions about the future used in this assessment involve uncertainty relating to matters such as the exit values of investments, the timing of the exits and final tax impacts. More information is presented in [Note 8. Income tax](#) and in [Note 11. Deferred taxes](#).

3. Risk management

GENERAL INFORMATION AND AREAS OF RISK

The company has a risk management policy approved by the Board of Directors. The policy sets out the principles for risk management, specifies risk definitions and risk classifications and also defines the main roles and divisions of responsibilities as well as the monitoring and reporting procedures. The risk management policy was updated during 2021. The goal for risk management is to ensure that risks borne by the company are commensurate with its risk-bearing capability. Exposure to risk is managed by carefully planning investment operations and by managing investments. The objective of risk management is to ensure that the risks attached to the Company's business operations are identified and assessed, that the Company responds to those risks, and that they are managed and monitored. Risk management supports achievement of the goals set for profitability in the Company's strategy and action plan.

The Company's Board of Directors confirms the Company's strategy and action plan, in which the targets for different investment allocation classes are specified. In order to reduce risks, investments are deconcentrated to dif-

ferent allocation classes, different industries, different stages of development of investees, different time perspectives and also geographically, particularly with regard to investments in financial securities. Operative management is responsible for preparing and implementing investments. The Board makes investment decisions and supervises the implementation of investments.

Tesi's main risks are related to private equity and venture capital investments, and to financial securities. Both involve various investment risks, including business risks attached to venture capital and private equity investments, liquidity risks, market risks and credit risks. The most significant uncertainty regarding the accuracy of the Company's financial statements relates to the inclusion of different investment risks in the measurement of venture capital and private equity investments (valuation risk). The process for the determination of fair values of venture capital and private equity investments is described separately in [Note 4. Determination of fair value](#). The table below shows the fair values of the Company's investment allocation at 31 December 2020 and at 31 December 2021.

Distribution of fair values of financial assets and cash & cash equivalents

MEUR	31.12.2021	%	31.12.2020	%
Venture capital & private equity funds	840	45%	558	38%
Venture capital	498	27%	288	19%
Later stage	172	9%	147	10%
Funds-of-funds	166	9%	123	8%
Special investment programme funds	4	0%	0	0%
Direct VC & PE investments	527	28%	461	31%
Venture capital	249	13%	206	14%
Later stage	197	11%	196	13%
Special investment programmes	81	5%	59	4%
Financial securities	438	23%	365	25%
Fixed income funds	335	18 %	265	18%
Equity funds	71	4%	49	3%
Other investments	32	2%	51	3%
Cash & cash equivalents	64	3%	96	6%
Total	1,869	100%	1,480	100%

Other risks to which Tesi is exposed include strategic risks, operational risks, including hazard risks, as well as corporate responsibility and reputational risks attached to both Tesi's own operations and those of its investees. Strategic risks are managed by regularly evaluating the Company's operations and business environment. Operational risks are managed both by good corporate governance and with internal instructions, and these risks are covered by, for instance, good management and interaction, by taking care of the wellbeing and knowhow of the personnel, by adequate handling processes and by insurance. Tesi's own corporate responsibility and reputational risks are also managed through good corporate governance. The corresponding risks of investees are managed by evaluating the risks at the investment screening stage and by actively monitoring the development of investees' corporate responsibility over the investment period.

BUSINESS RISK ATTACHED TO VENTURE CAPITAL & PRIVATE EQUITY INVESTMENTS

The Company's venture capital and private equity investments, whether through venture capital funds or private equity funds or as direct investments, are mainly made in unquoted

companies in the starting phase or in growth companies. The development of the value of these small and medium-sized portfolio companies is often affected by company-specific risks rather than by the general market risk described in the following paragraph.

The operations of companies that are in the starting phase, so-called venture capital allocation companies, typically generate negative cash flows. These companies often pursue strong international growth based on new innovations and/or revenue generation models and enabled by risk capital financing from venture capital and private equity investors. It is characteristic of high-risk venture capital investments that not all starting-phase portfolio companies succeed because of the realisation of risks relating to technology, business models, strategies, commercialisation, competitors, key personnel or obtaining further financing.

Companies in the growth phase allocation have normally achieved positive profitability, and the aforementioned risks relating to the venture phase are typically lower. However, active ownership by venture capital and private equity investors aimed at creating value clearly raises the target level of business growth strategies of these companies through, for

example, stronger internationalisation, structural arrangements, new capital investments or well-considered utilisation of debt leverage and thus increases the companies' overall risk profile. Furthermore, the development of the macroeconomic environment has, on average, a more direct impact on the business activities of more mature companies.

The responsible operation of companies and investors is being subjected to closer public scrutiny nowadays. The operations of portfolio companies may therefore also have a significant indirect impact on Tesi's reputational risk. A corporate responsibility and ESG assessment is made of portfolio companies as part of the due diligence processes preceding an investment decision, and the development of responsibility aspects is regularly monitored as a part of the processes for managing and monitoring investees. During 2021, formal evaluation of the current ESG status of all individual aspects was adopted and preliminary goals for developing responsibility were defined.

Business risks attached to venture capital and private equity investments also comprise the counterparty risk for Tesi's co-investors, which refers to uncertainties relating to individual co-investors in situations such as follow-on

financing of portfolio companies. The management of this co-investor risk is emphasised in Tesi's operating model as it always co-operates with private investors such that in any individual financing case, private investments cover at least 50% of the financing. As an exception to the above, Tesi can finance companies with a convertible loan also without co-investors within the scope of the stabilisation programme launched in 2020. In equity investments under the stability programme, Tesi's share of an investment can be as high as 70%, provided that other new investors take part in the investment round. In the case of co-investments with pre-existing owners only, Tesi's share of the investment will be at most 50%.

Tesi manages the investment-specific risks relating to its venture capital and private equity investment targets through predictive generation of deal flow, careful analysis in the screening phase, selective choosing of investees and co-investors, monitoring of investments, active interaction towards managers of venture capital and private equity funds, administrative participation in the development of the business activities of direct portfolio companies, and active participation in the exit phase of investments.

LIQUIDITY RISK

Liquidity risk management ensures that the Company has adequate funding available for its venture capital and private equity investment activities (unpaid commitments). The development of cash flows related to the Company's liquidity, financial securities and venture capital and private equity investments is continuously monitored. When preparing new investments, the effect of the investments on liquidity and financial position is addressed.

The special investment programmes started in 2020 due to the coronavirus pandemic are wholly financed through recapitalisation by the Finnish state. This recapitalisation will be repaid to the state as and when repayments from the special investment programmes accrue.

By 31 December 2021, the Company was recapitalised with a EUR 150 million gratuitous investment in the Company's invested unrestricted equity fund, to be used for special investment programmes. In addition to this, the Finnish state has committed to recapitalising the Company with EUR 250 million in total, to be disbursed in number of tranches up until 31 December 2022. As at 31 December 2021, funds amounting to EUR 58 million were available from the recapitalisation of EUR 150 million

intended for special investment programmes, and they were invested in the Company's cash & cash equivalents owing to the expected short nature of their investment horizon. The figure for available funds includes EUR eight million already returned from the programmes.

Investments in financial securities are made at the selected risk level in compliance with the investment policy confirmed by the Company's Board of Directors. Investments in financial securities aim to ensure adequate assets for private equity investing and other payment transactions. Operative management is responsible for investment operations within limits set by the existing investment plans.

Investments in financial securities are spread mainly between investments in fixed income funds, investments in equity funds, and investments on the financial market. The market volatility of financial securities is regularly monitored. Investing activities relating to financial securities have mostly been outsourced with a discretionary mandate to asset managers supervised by Finland's Financial Supervisory Authority. The counterparty risk attached to investing in financial securities is managed with a thorough partner selection procedure.

At 31 December 2021, the fair value of the

Company's cash & cash equivalents and financial securities amounted to EUR 445 million (EUR 374 million) and the amount of unpaid investment commitments (A) was EUR 453 million (EUR 414 million), excluding the cash & cash equivalents of EUR 58 million relating to special investment programmes and unpaid commitments of EUR 14 million. Unpaid investment commitments consist almost entirely of commitments given to venture capital and private equity funds with an average payment period of over four years. In addition to this, the strategic investment programme (B) ongoing as at 31 December 2021 included unpaid capital of EUR 87 million (EUR 72 million), and investment decisions (C) made by the company's Board of Directors and as yet not implemented totalled EUR 55 million (EUR 90 million). The total of A+B+C was EUR 595 million (EUR 571 million), after adjustment for overlap.

MARKET RISK

Market risk refers to the impact of general market fluctuations (such as stock market, fixed income market and currency market fluctuations) in the value and value trends of investments. Besides the direct exposure to market risk relating to the Company's investments in fi-

ancial securities, general market fluctuations may also have an indirect impact on the fair values of direct portfolio companies and funds in the Company's venture capital and private equity allocation.

Market risks are mitigated by spreading the investments between different allocation classes (different market risk categories) for both the Company's financial securities and venture capital and private equity investments. Furthermore, important methods of risk management to mitigate general cyclical fluctuations for venture capital and private equity investments include a time-driven diversification of investments, acquisition of non-cyclic target companies, avoidance of over-aggressive debt structures and the continuous development of portfolio companies.

The Company's fixed-interest investments had a fair value of EUR 338 million as at 31 December 2021, representing the largest portion of the Company's EUR 438 million financial securities portfolio. The market risks that affect the value of fixed income investments consist of the risks associated with changes in general market interest rates and also of the spread risk. The computational weighted duration of the Company's fixed-interest investment port-

folio at 31 December 2021 was 1.9 years, and a hypothetical increase in the general interest rate level by one percentage point would decrease the fair value of the Company's fixed income investments by an estimated amount of EUR 8 million.

The fair value of equity investments included in financial securities as at 31 December 2021 was EUR 71 million. A decrease of 10% in share prices would decrease the value of equity investments by EUR 7 million.

Most of the Company's cash flows and investments are denominated in euros. The

Company does not hedge its currency risks.

The table below presents the distribution of venture capital and private equity investments, financial securities and cash & cash equivalents by currency, and also a sensitivity analysis of the currency risk if a currency were to change by 10% against the euro. When examining the sensitivity analysis, it should be noted that currency-denominated fair values of venture capital and private equity funds are presented in euro amounts equivalent to the reporting currency of the fund. The direct effect on profit or loss caused by a change in the exchange rate

is calculated based on these, assuming no variation in other factors. Funds can also make investments denominated in other currencies than the reporting currency. Furthermore, variations in exchange rates can also have an effect on the fair value of fund investments if exchange rates impact the profit or loss of portfolio companies and their valuations.

Additionally, when examining the Company's currency risks, the Company's unpaid currency-denominated investment commitments to venture capital and private equity funds should be taken into account.

CREDIT RISK

The Company's objective is to manage credit risk by actively monitoring the risk/reward ratio and also to ensure through regular reporting that the risk management policy is adhered to.

The credit risk for the Company's venture capital and private equity investments is mainly related to direct investments made in portfolio companies by using debt instruments. These are typically fixed-interest mezzanine instruments. The fair value of debt instruments included in direct venture capital and private equity investments at 31 December 2021 was EUR 94 million, representing some 7% of the

total fair value of venture capital & private equity investments.

The Company's objective is to manage the aforementioned risk/reward ratio of credit risks through active monitoring of investments and by typically participating in board work to develop the business of direct portfolio companies. The Company's risks are reported regularly to the auditing committee and to the Board of Directors.

Correspondingly, credit risk relating to financial securities arises from investments in publicly-quoted fixed income funds, such as government and corporate bonds.

The Company's objective is to manage the credit risk of financial securities by investing in very dispersed fixed income fund portfolios, so the credit risk relating to individual governments, industries or enterprises is relatively small. The asset management of financial securities is outsourced to asset managers whose performance is evaluated monthly. Asset management contracts are subjected to competitive bidding on a regular basis.

31.12.2021	EURO MEUR	USD MEUR	SEK MEUR	DKK MEUR	GBP MEUR	Others MEUR	Total MEUR
Venture capital & private equity funds	682	105	37	10	6	0	840
Financial securities and cash & cash equivalents	518					9	527
Direct investments	432	36	2	1	5	26	502
Total	1,633	141	39	11	10	35	1,869
Sensitivity analysis							
Impact of 10% change in exchange rate on profit		13	4	1	1	3	22
Unpaid commitments to venture capital and private equity funds	418	3	9	0	2		432

CAPITAL MANAGEMENT AND INVESTMENT RETURNS

The Company is financed by equity. The Company does not have a specified policy for distributing dividends. Repayments of capital for special investment programmes to the Finnish state are described in the section on liquidity risk above.

Debt leverage is used in the financing structures of some portfolio companies but not in the Company's venture capital and private equity funds at fund level. The Company is not subject to any specific solvency requirements, but it has internally set risk limits for the ratio of unpaid commitments to liquid assets (maximum), and to the ratio of the aggregate amount of liquid assets and the fair value of venture capital and private equity investments to unpaid commitments (minimum). Liquid assets comprise financial securities and cash & cash equivalents.

The statutory objective of the Company is to be commercially profitable over the long-term, taking into account the imposed economic and social impact goals. The table below contains the Company's investment returns (fair value changes) before taxes and operating costs from its venture capital & private equity and financial securities allocations for the fiscal years 2014-2021. As the Company's venture capital & private equity investments are long-term by nature, the Company's financial performance is also better evaluated over a longer time period.

The state's investment in the Company's shareholders' equity amounted to EUR 819 million at the end of 2021. Consolidated shareholders' equity at the end of 2021 totalled EUR 1,755 million. The Company's cumulative profit from operations, including the figure for the 2021 fiscal year, amounted to EUR 936 million.

Gains before taxes from tesi's investment activities and company's expenses 2014–2021 (gains = changes in fair value)

ALLOCATION / FINANCIAL YEAR	2014	2015	2016	2017	2018	2019	2020	2021	Total 2014–2021
Gains from VC & PE investments (MEUR)	-40	109	46	69	90	65	226	411	975
Gains from financial securities (MEUR)	14	6	17	18	-14	39	4	17	101
Total (MEUR)	-25	115	63	87	75	103	230	427	1,076
Gains from VC & PE investments (%)*	-9.5%	24.9%	9.3%	12.7%	15.4%	9.8%	26.2%	34.4%	18.8%
Gains from financial securities (%)*	6.4%	1.9%	4.1%	4.2%	-3.3%	9.6%	1.0%	4.2%	3.3%
Total	-3.9%	14.9%	6.9%	9.0%	7.5%	9.7%	18.4%	26.8%	13.1%

* Percentages for gains of allocations are calculated by dividing the gain for the year by the average capital invested. Capital invested is calculated as an average of the fair values at the start and end of the year.

4. Determination of fair value

BASIS FOR DETERMINATION OF FAIR VALUE FOR VC & PE INVESTMENTS

In accordance with industry practice, the Private Equity and Venture Capital Valuation Guidelines (IPEVG) are applied in the determination of the fair value of the Company's venture capital & private equity investments. Due to the nature of typically illiquid venture capital and private equity investments, the determination of the fair value of investments requires Tesi's management to use judgment and make estimates.

According to the fundamental principle of IPEVG, fair value reflects the price that would be received in an orderly arm's length transaction on an active market between hypothetical participants on the measurement date. Accordingly, fair value does not reflect the price that would be received in a so-called forced sale. Fair value measurement uses either one most suitable valuation technique or several complementary methods that are widely recognised in the industry. When determining fair values, the Company pays special attention to the estimated future profitability and business risks attached to the portfolio companies, especially relating to the financial condition of the companies.

INVESTMENTS IN VC & PE FUNDS

The starting point for the determination of the fair values of the Company's investments in venture capital and private equity funds, i.e. the fair values of the holdings in the funds, are the latest available values reported by fund managers (so-called net asset value or NAV). Fund managers derive the values for the holdings from the fair values determined by the fund in accordance with IPEVG for its investments in target companies, adding/deducting any other assets/liabilities of the fund. The determination of the fair values of holdings in the funds excludes unpaid fund commitments relating to the holdings, to which the Company is legally committed together with other investors of the funds.

Holdings in funds are typically more illiquid financial instruments than the direct venture capital or private equity investments. The Company's fundamental investment strategy is not to buy or sell holdings in funds during the term of the funds.

The measurement of the holdings in funds may deviate from the amounts reported by fund managers, if the fair value reported by the managers is not considered to reflect the real

fair value of the investments or if the reported fair value refers to a different point of time. Deviation from the value reported by the fund manager is always based on fair value testing performed by the Company. Fair value is always tested for funds classified to a risk listing determined by the Company. The risk listing comprises those funds whose investment operations have, according to a risk review performed, not developed as originally determined and the results of whose investment operations are expected to clearly fall short of the targets set previously.

DIRECT VC & PE INVESTMENTS

Depending on the varying overall status of the portfolio companies, the determination of the fair value of the Company's direct venture capital and private equity investments is based on either on the one most suitable valuation techniques or a combination of several complementary methods. The techniques applied comply with IPEVG and include recent transactions in the portfolio companies' own instruments, valuation multiples of peer companies and discounted cash flows. Both the selection of techniques and the actual valuation per-

formed by using the techniques requires substantial use of estimates and judgment by the management of the Company.

The fair values of the Company's investments in debt instruments are typically estimated through the viewpoint of the value of the portfolio companies' businesses (fair value without liabilities, i.e. enterprise value), because, in the Company's venture capital and private equity investments, debt instruments are often an integral part of the total investment in the portfolio companies together with the Company's investments in equity instruments.

THE FAIR VALUE DETERMINATION PROCESS FOR VC & PE INVESTMENTS

Fair values of the Company's venture capital and private equity investments are determined by the responsible investment teams. Thereafter, valuation proposals prepared by investment teams are assessed within a separate risk management function before the valuations are introduced to the Management Group for approval. After the Management Group, the values are considered by the audit committee and finally approved by the Board of Directors.

FAIR VALUE HIERARCHY FOR FINANCIAL ASSETS MEASURED AT FAIR VALUE

Tesi's venture capital and private equity investments include a minor amount of quoted equity securities. Investments in venture capital and private equity funds classified as financial securities are quoted, their market prices are observable and there is an active secondary market for the fund units. The fair values of all other equity and debt investments as well as investments in venture capital and private equity funds are determined using valuation techniques that to a significant degree rely on company-specific, unobservable inputs.

Fair value hierarchy and related input levels are defined by IFRS 13 as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

At the highest level in the fair value hierarchy are quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1 inputs), and at the lowest level are unobservable inputs (level 3 inputs). A quoted price in an active market is the most reliable evidence of fair value and it shall, as a rule, be used in the determination of fair value whenever available.

When the inputs to be used to measure the fair value of an asset or a liability are categorised within different levels of the fair value hierarchy, the item is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The tables below show an analysis of the hierarchy of fair value measurements.

The tables below show an analysis of the hierarchy of fair value measurements of financial assets

EUR THOUSANDS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
2021				
Venture capital & private equity funds				
Venture capital			497,597	497,597
Later stage			171,515	171,515
Funds-of-funds			166,419	166,419
Direct venture capital & private equity investments				
Venture capital	5,891		243,428	249,319
Later stage	30,371		166,879	197,250
Special investment programmes				
Venture capital			30,104	30,104
Later stage			54,886	54,886
Financial securities				
Fixed income funds	338,477			338,477
Equity funds	71,201			71,201
Other investments	28,294			28,294
Total	474,234	0	1,330,828	1,805,062

Direct VC & PE comprise equity investments EUR 425 million and debt investments EUR 22 million. Special investment programmes comprise fund investments EUR 4 million, equity investments EUR 8 million and debt investments EUR 72 million.

The content of investments is specified in more detail in [Note 3. Risk management](#).

EUR THOUSANDS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
2020				
Venture capital & private equity funds				
Venture capital			288,012	288,012
Later stage			147,324	147,324
Funds-of-funds			122,509	122,509
Direct venture capital & private equity investments				
Venture capital	22,811		179,945	202,755
Later stage	11,348		187,995	199,343
Special investment programmes				
Venture capital			12,590	12,590
Later stage			46,534	46,534
Financial securities				
Fixed income funds	264,702			264,702
Equity funds	49,463			49,463
Other investments	50,620			50,620
Total	398,944	0	984,908	1,383,852

Direct VC & PE investments comprise equity investments EUR 371 million and debt investments EUR 31 million. Special investment programmes comprise equity investments EUR 1 million and debt investments EUR 58 million.

Changes in level 3 financial assets measured at fair value:

EUR THOUSANDS	1.1.2021	Total gains and losses recognised in the income statement	Additions	Decreases	31.12.2021
INVESTMENT CLASSIFICATION					
Venture capital & private equity funds					
Venture capital	288,012	241,628	50,485	-82,528	497,597
Later stage	147,324	56,092	46,042	-77,944	171,515
Funds-of-funds	122,509	48,969	20,374	-25,432	166,419
Direct venture capital & private equity investments					
Venture capital	179,945	42,279	30,331	-9,126	243,428
Later stage	187,995	20,621	10,356	-52,092	166,879
Special investment programmes					
Venture capital	12,590	1,951	15,564	0	30,104
Later stage	46,534	-3,517	15,444	-3,574	54,886
Total	984,908	408,022	188,595	-250,697	1,330,828
Change in unrealised gains and losses recognised in income statement under net gains from VC & PE investments for Level 3 assets held at the end of period:					291,587

EUR THOUSANDS	1.1.2020	Total gains and losses recognised in the income statement	Additions	Decreases	31.12.2020
INVESTMENT CLASSIFICATION					
Venture capital & private equity funds					
Venture capital	211,142	76,643	28,267	-28,039	288,012
Later stage	124,148	17,501	26,711	-21,035	147,324
Funds-of-funds	84,109	33,452	18,587	-13,639	122,509
Direct venture capital & private equity investments					
Venture capital	107,713	67,827	35,562	-31,158	179,945
Later stage	167,909	16,444	11,153	-7,511	187,995
Special investment programmes					
Venture capital		240	12,350	0	12,590
Later stage		-4,226	50,925	-165	46,534
Total	695,021	207,879	183,555	-101,548	984,908
Change in unrealised gains and losses recognised in income statement under net gains from VC & PE investments for Level 3 assets held at the end of period:					179,921

Sensitivity analysis for level 3 financial assets

INVESTMENT CLASSIFICATION	Fair value 31.12.2021 EUR thousands	Valuation model	Non-observable input or implicit valuation parameters	Applied input or implicit valuation parameters (weighted average)	Change in measurement if input changes +/- 20%
Venture capital & private equity funds					
Venture capital	497,597	Fair value	Values reported by fund management companies +/- adjustments made as a result of value testing made by the Company*		99,519
Later stage	171,515			34,303	
Funds-of-funds	166,419			33,284	
Direct venture capital & private equity investments					
Venture capital	243,428	Portfolio company instrument transactions / Peer group	Valuation multiples**	EV/Net sales 2021 (9.3x)	39,382
Later stage	166,879			EV/EBITDA 2021 (6.7x)	22,122
Special investment programmes					
Venture capital	30,104	Fair value	Values are determined with various methods (EV-based, credit risk assessment, and valuations of external management companies) depending on the instruments.		6,021
Later stage	54,886			10,977	

INVESTMENT CLASSIFICATION	Fair value 31.12.2020 EUR thousands	Valuation model	Non-observable input or implicit valuation parameters	Applied input or implicit valuation parameters (weighted average)	Change in measurement if input changes +/- 20%
Venture capital & private equity funds					
Venture capital	288,012	Fair value	Values reported by fund management companies +/- adjustments made as a result of value testing made by the Company*		57,602
Later stage	147,324			29,465	
Funds-of-funds	122,509			24,502	
Direct venture capital & private equity investments					
Venture capital	179,945	Portfolio company instrument transactions / Peer group	Valuation multiples**	EV/Net sales 2020 (6.1x)	25,639
Later stage	187,995			EV/EBITDA 2020 (7.1x)	21,676
Special investment programmes					
Venture capital	12,590	Fair value	Values are determined with various methods (EV-based, credit risk assessment, and valuations of external management companies) depending on the instruments.		2,518
Later stage	46,534			9,307	

* Fair value testing of venture capital and private equity funds performed by the Company resulted in a fair value that was, in total, EUR 10 million lower than the values reported by fund management companies as at 31.12.2021.

** The weighted EV-based valuation multiple calculations include only the impact from those portfolio companies to which applying multiples as a valuation metric is reasonable. For example, in the venture capital allocation, the impacts of those portfolio companies which generate still only very limited net sales and of later-stage portfolio companies with negative EBITDA are not included.

Note. EV = Enterprise Value = debt-free value of portfolio company's business; EBITDA = operating margin.

4.1 VENTURE CAPITAL & PRIVATE EQUITY FUNDS

COMPANY	DOMICILE	HOLDING %	ORIGINAL INVESTMENT COMMITMENT EUR
Aboa Venture III Ky	Turku	30.8%	3,500,000
Alder II AB	Sweden	6.6%	9,731,887
Armada Fund V Ky	Helsinki	4.8%	10,000,000
Armada Mezzanine Fund III Ky	Helsinki	11.4%	10,000,000
Armada Mezzanine Fund IV Ky	Helsinki	4.9%	5,000,000
Atomico IV (Guernsey), L.P.	Guernsey	5.3%	6,626,612
Atomico V SCSp	Luxembourg	0.6%	4,450,774
Balderton Capital V, L.P.	Delaware, USA	3.1%	6,831,892
Balderton Capital VI, S.L.P.	Luxembourg	2.3%	7,448,300
CapMan Buyout IX Fund A L.P.	Guernsey	3.4%	10,000,000
CapMan Buyout VIII Fund A L.P.	Guernsey	2.8%	10,000,000
CapMan Buyout X Fund B Ky	Helsinki	13.9%	10,000,000
CapMan Buyout XI SCSp	Luxembourg	10.5%	20,000,000
CapMan Equity VII A L.P.	Guernsey	6.4%	10,000,000
CapMan Growth Equity Fund 2017 Ky	Helsinki	3.5%	3,000,000
CapMan Growth Equity Fund II Ky	Helsinki	4.1%	4,000,000
CapMan Life Science IV Fund L.P.	Guernsey	18.5%	10,000,000
Capman Mezzanine V Fund FCP-SIF	Luxembourg	15.8%	15,000,000
CapMan Technology Fund 2007 L.P.	Guernsey	10.3%	10,000,000
Conor Technology Fund I Ky	Espoo	40.0%	8,000,000
Conor Technology Fund II Ky	Espoo	20.0%	10,000,000
Creandum II LP	Guernsey	10.4%	5,000,277
Creandum III LP	Guernsey	5.6%	7,500,000
Creandum IV, L.P.	Guernsey	4.4%	8,000,000
Creandum V, L.P.	Guernsey	1.9%	5,000,000
DevCo Partners III Ky	Helsinki	2.8%	5,000,000
DN Capital - Global Venture Capital III LP	Jersey	2.1%	3,000,000
EduImpact Fund Ky	Helsinki	27.1%	15,000,000
Environmental Technologies Fund 3, L.P.	United Kingdom	3.0%	5,547,235

COMPANY	DOMICILE	HOLDING %	ORIGINAL INVESTMENT COMMITMENT EUR
EQT Ventures (No. 1) SCSp	Luxembourg	1.8%	7,500,000
Evolver Fund I Ky	Mariehamn	18.6%	10,000,000
Folmer Equity Fund II Ky	Helsinki	16.1%	10,000,000
GOS Private Debt I Ky	Helsinki	50.0%	5,000,000
Heartcore Capital Fund I K/S	Denmark	7.5%	7,044,897
Icebreaker Fund II Ky	Helsinki	14.2%	14,175,000
Innovestor Kasvurahasto I Ky	Helsinki	19.7%	16,358,492
Intera Fund I Ky	Helsinki	8.0%	10,000,000
Intera Fund III Ky	Helsinki	4.0%	10,000,000
Intera Fund IV Ky	Helsinki	3.0%	10,000,000
Inveni Life Sciences Fund I Ky	Helsinki	33.7%	10,000,000
Inventure Fund II Ky	Helsinki	11.5%	8,000,000
Inventure Fund III Ky	Helsinki	8.6%	10,000,000
Inventure Fund Ky	Helsinki	24.2%	9,850,000
IPR.VC Fund II Ky	Helsinki	15.5%	10,000,000
Juuri Rahasto I Ky	Helsinki	6.1%	5,000,000
Juuri Rahasto II Ky	Helsinki	8.0%	10,000,000
Karma Ventures II SCSp	Luxembourg	5.0%	5,000,000
Kasvurahastojen Rahasto II Ky	Helsinki	46.2%	60,000,000
Kasvurahastojen Rahasto III Ky	Helsinki	40.0%	60,000,000
Kasvurahastojen Rahasto IV Ky	Helsinki	37.1%	65,000,000
Kasvurahastojen Rahasto Ky	Helsinki	40.0%	54,000,000
Korona Fund IV Ky	Helsinki	6.3%	5,000,000
Life Sciences Partners 6 C.V.	Netherlands	1.0%	5,000,000
Life Sciences Partners III B.V.	Netherlands	13.8%	10,000,000
Life Sciences Partners IV B.V.	Netherlands	21.8%	10,000,000
Life Sciences Partners V C.V.	Netherlands	2.0%	5,000,000

4.1 VENTURE CAPITAL & PRIVATE EQUITY FUNDS

COMPANY	DOMICILE	HOLDING %	ORIGINAL INVESTMENT COMMITMENT EUR
Lifeline Ventures Fund I Ky	Helsinki	10.4%	3,000,000
Lifeline Ventures Fund III Ky	Helsinki	17.5%	10,000,000
Lifeline Ventures Fund IV Ky	Helsinki	7.7%	10,000,000
LSP Health Economics Fund 2 C.V.	Netherlands	5.5%	10,000,000
MAKI.VC Fund I Ky	Helsinki	12.5%	10,000,000
MAKI.VC Fund II Ky	Helsinki	15.0%	15,000,000
MB Equity Fund IV Ky	Helsinki	3.9%	10,000,000
MB Equity Fund V Ky	Helsinki	3.2%	7,500,000
Midinvest Fund II Ky	Jyväskylä	25.6%	15,000,000
MVM IV LP	United Kingdom	3.4%	6,627,198
Nest Capital 2015 Fund Ky	Helsinki	10.0%	10,000,000
Nest Capital Fund III Ky	Helsinki	10.0%	10,000,000
Nexit Infocom II L.P.	Guernsey	17.7%	15,000,000
Northzone VI L.P.	Jersey	5.8%	7,500,000
Northzone VII L.P.	Jersey	3.0%	7,500,000
Northzone VIII L.P.	Jersey	2.9%	10,000,000
Northzone IX L.P.	Jersey	1.1%	5,000,000
Open Ocean Fund 2015 Ky	Espoo	6.3%	5,000,000
Open Ocean Fund 2020 Ky	Helsinki	13.6%	15,000,000
Open Ocean Fund Three Ky	Espoo	11.2%	5,000,000
Open Ocean Opportunity Fund I Ky	Helsinki	12.8%	3,000,000
Pale Blue Dot I Equity AB	Sweden	8.6%	5,000,000
Power Fund II Ky	Vaasa	23.9%	15,000,000
Power Fund III Ky	Vaasa	13.0%	10,000,000
Saari I Ky	Helsinki	26.2%	11,000,000
Sentica Buyout III Ky	Helsinki	13.0%	15,000,000
Sentica Buyout IV Ky	Helsinki	8.0%	10,000,000
Sentica Buyout V Ky	Helsinki	8.1%	15,000,000

COMPANY	DOMICILE	HOLDING %	ORIGINAL INVESTMENT COMMITMENT EUR
Sentica Kasvurahasto II Ky	Helsinki	23.7%	10,000,000
Sponsor Fund IV Ky	Helsinki	5.0%	10,000,000
Sponsor Fund V Ky	Helsinki	5.0%	10,000,000
Superhero Venture Fund 2020 Ky	Helsinki	24.8%	9,600,000
TCEE Fund IV SCA SICAR	Luxembourg	**	15,000,000
Vaaka Partners Buyout Fund II Ky	Helsinki	6.7%	10,000,000
Vaaka Partners Buyout Fund III Ky	Helsinki	5.3%	12,000,000
Vendep Capital Fund II Ky	Helsinki	20.9%	7,500,000
Vendep Capital Fund III Ky	Espoo	23.3%	10,000,000
Verdane Capital IX (E) AB	Sweden	5.7%	9,797,657
Verdane Capital VII K/S	Denmark	7.2%	9,963,317
Verdane Capital VIII K/S	Denmark	3.0%	6,860,750
Verdane Capital X (E) AB	Sweden	2.8%	4,787,209
Verdane Edda (E) AB	Sweden	10.9%	10,015,624
Verdane Edda II (E) AB	Sweden	2.9%	5,000,000
Verdane Idun I (E) AB	Sweden	4.2%	5,000,000
Verdane NVP II SPV K/S	Denmark	10.9%	10,015,624
Verso Fund II Ky	Helsinki	9.9%	5,000,000
Verso Fund III Ky	Helsinki	15.0%	15,000,000
VisionPlus Fund I Ky	Helsinki	9.9%	5,000,000
Nordic fund*		8.0%	5,000,000
Nordic fund*		14.2%	20,000,000
Nordic fund*		48.5%	4,000,000
			1,160,232,744

* Fund details to be published after final closing of fund.

** Fund size to be published after final closing of fund.

Under the provisions of paragraph 3 of Chapter 2 Section 9 of Finland's Accounting Ordinance, some of the information (funds' financial statements) referred to in paragraph 1 of Chapter 2 Section 9 is not presented. In the case of a fund where holdings in it have been sold, the ownership at the closing date of the corresponding part of the investment commitment is presented as the original investment commitment.

4.2 DIRECT VENTURE CAPITAL AND PRIVATE EQUITY INVESTMENTS

PORTFOLIO COMPANY NAME	HOLDING %	PORTFOLIO COMPANY NAME	HOLDING %	PORTFOLIO COMPANY NAME	HOLDING %
9Solutions Oy **	7.5%	GRK Infra Oy	8.7%	Puurakentajat Group Oy	14.3%
3 Step IT Group Oy	7.2%	Helsinki International Schools Group Oy	21.2%	Rauma Marine Constructions Oy *	21.3%
Aidon Oy	17.3%	ICEYE Oy	5.9%	Relais Group Oyj	2.6%
Airmodus Oy **	20.1%	Injeq Oy **	19.1%	Rocsole Oy **	16.5%
Aker Arctic Technology Inc. *	66.4%	IQM Finland Oy	8.5%	Savroc Oy **	21.3%
Aquaminerals Finland Oy **	2.6%	KotiCap Oy (Renoa Group Oy)	13.7%	Smartcom Labs Oy	2.2%
Aranda Pharma Oy **	36.0%	Lamor Corporation Ab	7.0%	Stella Care Oy	14.5%
Aurealis Therapeutics AG **	11.8%	Liikennevirta Oy	6.1%	Surveypal Oy **	17.2%
Aurelias Pharma AG **	8.0%	Loihde Oyj	4.6%	Swappie Oy	5.4%
BC Platforms AG	13.4%	MariaDB Corporation Ab	5.0%	Tamturbo Oyj **	7.6%
BCBM Holding Oy	20.8%	Mekitec Oy	18.8%	Thirdpresence Oy	18.2%
Bioretec Oy **	4.3%	MetGen Oy	11.7%	Traplight Oy **	5.9%
BMH Technology Oy	24.8%	M-Files Oy	13.2%	Unikie Oy	7.7%
Bone Index Finland Oy **	38.0%	Midaxo Oy	22.0%	Unisport-Saltex Group Oy	11.0%
Cajo Technologies Oy **	8.5%	MultiTaction Oy	4.0%	UpCloud Oy	7.1%
Coronaria Oy	4.5%	Nanocomp Oy Ltd **	10.1%	Ursviken Group Oy	24.6%
Dassiet Oy	1.8%	Nanol Technologies Ab Oy **	6.4%	Vaadin Oy	21.5%
Den Group Oy	9.9%	Netled Oy **	19.6%	Valmet Automotive Oy	37.0%
Dispelix Oy	8.1%	Newlcon Oy	5.6%	Varjo Technologies Oy	3.8%
Endev Oy	17.9%	Nordic Rescue Group Oy	25.7%	Vexve Armatury Group Oy ***	-
FiFax Oyj	14.3%	Norsepower Oy Ltd **	18.2%	Wirepas Oy	11.6%
Finnchat Oy **	10.8%	Nosto Solutions Oy	9.8%	VRT Finland Oy **	15.7%
Finnforel Oy	8.3%	Optomed Oyj	4.3%	Zsar Oy	7.5%
Fira Group Oy	6.6%	Oura Health Oy	3.9%		
Foamit Group Oy	31.3%	Pesmel Oy	2.4%		
Forenom Group Oy	15.5%	Picosun Oy	3.6%		
GasEK Oy **	13.3%	Primex Pharmaceuticals Oy **	5.4%		

* Ownership through Tesi Industrial Management Oy.

** Ownership through EAKR-Aloitusrahoitus Oy.

*** Debt instrument, no ownership.

4.3 INVESTMENTS UNDER SPECIAL INVESTMENT PROGRAMMES

Venture capital & private equity funds

COMPANY	DOMICILE	HOLDING %	ORIGINAL INVESTMENT COMMITMENT EUR
Capman Special Situations I Ky	Helsinki	19.9%	10,550,000
Nordia Kasvu Ky	Helsinki	29.6%	2,500,000
			13,050,000

Investments under Venture Bridge programme

PORTFOLIO COMPANY NAME	HOLDING %
Akkurate Oy *	-
Altum Technologies Oy *	-
Alvar Pet Oy *	-
Aurora Propulsion Technologies Oy *	-
Basemark Oy *	-
BioMensio Oy	4.2%
Blidz Oy *	-
Blok Enterprises Oy *	-
Disior Oy *	-
Emberion Oy	20.4%
Fake Production Oy	8.5%
Flexound Systems Oy *	-
Geyser Batteries Oy *	-
Iiwari Tracking Solutions Oy *	-
Maas Global Oy *	-
Minima Processor Oy *	-
Monidor Oy *	-
Naava Group Oy	4.8%

PORTFOLIO COMPANY NAME	HOLDING %
Not a Hotel Venture Limited (Bob W) *	-
ONEiO Cloud Oy *	-
Phaver Oy *	-
Rentle Oy *	-
Revonte Oy *	-
Rocsole Oy	2.8%
Safegrid Oy *	-
Seaber Oy *	-
Shark Punch, Inc. "Matchmade" *	-
Singa Oy *	-
TactoTek Oy *	-
TimeGate Instruments Oy *	-
uFactory Oy *	-
Valpas Enterprises Oy *	-
ZenRobotics Oy *	-

* Debt instrument, no ownership.

Investments had been made from the Stabilisation programme in 12 portfolio companies by the end of 2021. Owing to contractual confidentiality, only the aggregated data of the programme is reported.

5. Net gains from VC & PE investments

EUR THOUSANDS	2021	2020
Venture capital & private equity funds		
Venture capital	241,628	76,643
Later stage	56,092	17,501
Funds-of-funds	48,969	33,452
Direct venture capital & private equity investments		
Venture capital	37,375	81,027
Later stage	28,122	21,662
Special investment programmes		
Venture capital	1,951	240
Later stage	-3,517	-4,226
Total	410,619	226,297
Net gains from VC & PE investments consist of changes in fair value:		
Realised	109,538	46,376
Unrealised	301,081	179,921
Total	410,619	226,297

Net gains from venture capital and private equity investments comprise realised and unrealised changes in fair value, including interest income and dividend income from direct investments.

6. Employee benefit costs

EUR THOUSANDS	2021	2020
Salaries and fees	5,006	4,622
Pension expenses	733	622
Other personnel expenses	168	104
Total	5,907	5,348
Average number of personnel employed by the company during the financial year	44	35
MANAGEMENT TEAM		
Salaries and other short-term employee benefits	1,478	1,438
Total	1,478	1,438
CEO		
Salaries and other short-term employee benefits	294	290
Total	294	290
Emoluments for Board of Directors	166	133

The Board of Directors decides on the pay principles, total pay and bonus scheme for the CEO and other members of the parent company's Management Team. The company's Management Team comprised the CEO and on average five other members during the financial year.

All the company's personnel were included in the bonus scheme during fiscal year 2021. At the end of 2019, the company's personnel established a personnel fund in which they can invest the bonuses they earn from the company's bonus scheme.

The pension plan for the CEO complies with the Finnish Employee Pension Act. The CEO has a six month period of notice in addition to which the individual is, under certain conditions, entitled to a reimbursement equivalent to six months' salary.

7. Other operating expenses

EUR THOUSANDS	2021	2020
Other employee benefit costs	515	660
Travel and hospitality expenses	26	40
External services	1,360	1,497
Other expenses	1,641	1,676
Total	3,542	3,873

Other operating expenses include auditors' fees by type of services provided:

EUR THOUSANDS	2021	2020
Audit fees	42	39
Tax advice		
Other services	112	26
Total	154	65

8. Income taxes

EUR THOUSANDS	2021	2020
Current income tax for the financial year	-29,250	-7,018
Adjustments relating to previous years	-310	873
Deferred taxes *)		
Temporary differences originated and reversed	-50,691	-35,818
Income tax presented in the income statement	-80,252	-41,962

*) A more detailed specification of deferred taxes is given in [Note 11](#)

Reconciliation between income tax expense and tax calculated at the domestic tax rate of 20%.

EUR THOUSANDS	2021	2020
Profit before taxes	417,880	221,199
Tax calculated at domestic tax rate	-83,576	-44,240
Income not subject to tax	1,637	1,613
Expenses not deductible for tax purposes	-1	-4
Difference between net income from VC & PE funds and taxable income	1,998	-205
Adjustments relating to previous years	-310	873
Income tax presented in the income statement	-80,252	-41,962

9. Intangible and tangible assets

The carrying amount of tangible and intangible assets at 31 December 2021 was EUR 638 thousand (2020: EUR 1,168 thousand). This includes EUR 554 thousand of items classified as non-current assets as per IFRS 16 (2020: EUR 935 thousand). Depreciation and amortisation charged according to plan for 2021 was EUR 540 thousand (2020: EUR 502 thousand).

10. Notes concerning shareholders' equity

EUR THOUSANDS	Share capital (no.)	Share capital	Share premium account	Invested unrestricted equity fund	Retained earnings	Profit/loss for the period	Total
31.12.2020	43,160	438,992	215,855	164,500	418,861	179,237	1,417,446
31.12.2021	43,160	438,992	215,855	164,500	598,098	337,628	1,755,074

Finnish Industry Investment Ltd has one class of share, and each share carries entitlement to a dividend. Each share entitles the right to one vote at the Annual General Meeting. The shares have no nominal value. All the shares issued are fully paid up.

The invested unrestricted equity fund includes EUR 150 million recapitalisation by the Finnish state effected in 2020 through the special Stabilisation investment programme established to mitigate the coronavirus pandemic. The recapitalisation will be repaid to the state as and when repayments from the special investment programmes accrue. The state's recapitalisation investment was also used in 2021 to make investments totalling EUR 15.6 million under the Venture Bridge special investment programme. The Finnish state made a decision to invest EUR 250 million in the Company's invested unrestricted equity fund for the special investment programme and for expansion of the stabilisation programme, as well as to ensure viable financing arrangements for startups, growth-stage and mid-cap companies and VC & PE funds. The investment can be effected in a number of tranches up until 31 December 2022.

11. Deferred taxes

EUR THOUSANDS	Changes in fair values of VC & PE funds	Changes in fair values of direct investments	Changes in fair values of financial securities	Other items	Total
Deferred tax assets					
1.12.2020	2,563	10,331	124	5	13,024
Recognised in income statement	1,052	3,575	-61	-5	4,560
31.12.2020	3,615	13,906	63	0	17,584
Recognised in income statement	-342	1,630	224	0	1,512
31.12.2021	3,273	15,536	287	0	19,096

EUR THOUSANDS	Changes in fair values of VC & PE funds	Changes in fair values of direct investments	Changes in fair values of financial securities	Total
Deferred tax liabilities				
1.1.2020	17,593	15,634	3,610	36,837
Recognised in income statement	20,472	20,213	-306	40,378
31.12.2020	38,065	35,846	3,304	77,215
Recognised in income statement	45,127	7,282	-206	52,203
31.12.2021	83,192	43,128	3,098	129,418

12. Current liabilities

EUR THOUSANDS	2021	2020
Accounts payable	455	221
Accruals relating to employee benefits	1,702	1,600
Tax liabilities	2,246	1,588
Other	780	621
Total	5,183	4,030

13. Commitments

Outstanding commitments at end of year

EUR THOUSANDS	2021	2020
Venture capital & private equity funds	423,301	410,309
Portfolio companies	29,615	3,661
Special investment programmes	16,713	3,400
Total	469,629	417,370

14. Related parties

Related parties of the Group comprise the parent company and its subsidiaries. Related parties also comprise the members of the Board of Directors, CEO and other members of the Management Team as well as their next of kin.

Salaries and fees of management are disclosed in [Note 6. Employee benefit costs](#).

Transactions with related parties:

Finnish Industry Investment Ltd charged a consulting fee from its subsidiaries of EUR 1,349 thousand in 2021 (EUR 1,179 thousand in 2020).

Finnish Industry Investment Ltd had no investment commitments to its subsidiaries as at 31 December 2021.

15. Subsidiaries

The following table presents the parent company and companies in which the group has control as at 31 December 2021.

PARENT	Country of registration	Nature of business	Holding by parent (%)	Holding by Group (%)	Treatment in consolidated financial statements
Finnish Industry Investment Ltd	Finland	VC & PE investment			
SUBSIDIARIES					
Tesi Fund Management Oy	Finland	Management company	100%	100%	Consolidated
FEFSI Management Oy	Finland	Management company	100%	100%	Consolidated
EAKR-Aloitusrahasto Oy	Finland	VC & PE investment	100%	100%	At fair value through profit or loss
Tesi Industrial Management Oy	Finland	VC & PE investment	100%	100%	At fair value through profit or loss
Aker Arctic Technology Inc.	Finland	1)	66.4%	66.4%	At fair value through profit or loss
Aker Arctic Canada Inc	Canada	1)		66.4%	At fair value through profit or loss
Aker Arctic Technology LLC	Russia	1)		66.4%	At fair value through profit or loss

1) Company specialised in the design of and technical consultation for icebreakers and other ships operating in the Arctic areas.

16. Events after the financial year

The first Finnish technology company to list on the US Stock Exchange via a SPAC arrangement made headlines in early 2022 when Angel Pond Holdings announced it had bought MariaDB, an open source database company. Tesi first invested in the company in 2012.

Since the end of the review period, Tesi has made the first investment from the new co-investment facility with European Investment Bank, announced in late 2021. Also, Tesi has made one stabilisation and three Venture Bridge investments, in addition to one new fund commitment.

Signatures for the Board Of Directors' Report and Financial Statements

Helsinki, 3 March 2022

Kimmo Jyllilä
Chair

Anniina Heinonen

Minna Helppi

Pauli Kariniemi

Riku Huttunen

Mia Folkesson

Jacob af Forselles

Jan Sasse
CEO

Auditor's Report has been issued today.

Helsinki, 4 March 2022

KPMG Oy Ab
Audit firm

Juha-Pekka Mylén
Authorised Public Accountant, KHT

Auditor's Report

TO THE ANNUAL GENERAL MEETING OF FINNISH INDUSTRY INVESTMENT LTD Report on the Audit of the Financial Statements

OPINION

We have audited the financial statements of Finnish Industry Investment Ltd (business identity code 1007806-3) for the year ended 31 December, 2021. 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.

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. 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

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 pro-

vide 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.

OTHER REPORTING REQUIREMENTS

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 and the information included in the Annual Report but does not include the financial statements and our auditor's report thereon. 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, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 4 March 2022
KPMG OY AB

Juha-Pekka Mylén
Authorised Public Accountant, KHT