

# Financial Review

Dare to grow.

Tesi

## Tesi

- We work for the success of Finnish growth companies
- We develop and serve all of Finland's venture capital and private equity market
- We want to raise Finland to the forefront of transformative economic growth
- We invest in private equity and venture capital funds, and directly in growth companies
- We operate on market terms, as a minority owner
- We advance sustainability both in venture capital and private equity industry and in companies
- Our goal is to maximise our positive social impact through our operations
- We offer information and experience to companies, investors and policymakers
- We are an investment company 100% owned by the Finnish state

# Annual Report 2022

Tesi's (Finnish Industry Investment Ltd's) Annual Report consists of four sections. All sections of the Annual Report are available in Finnish and English and can be downloaded from our website [tesi.fi](https://www.tesi.fi).

- **Business Overview:**  
Strategy, value creation, investment operations and sustainability
- **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 CEO



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Tesi's Annual Report 2022 consists of four sections. This is the Financial Review, which covers Board of Directors' report and Financial Statements.

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# Report by the Board of Directors

## BUSINESS ENVIRONMENT

The period of exceptional circumstances stretched into 2022 when Russia launched its war of aggression against Ukraine. The sharp uptick in the global economy, and also in Finland's, at the start of the year was short-lived. Rising costs, the return of inflation, higher interest rates and a decline in asset valuations changed the underlying economic framework, and a mild recession is now expected in Finland in 2023.

Tesi's Growth Company Pulse Survey at the end of 2022 showed that unlisted Finnish companies entered 2023 in a relatively advantageous position: growth is expected to continue, and the business community is focused on R & D and on investment. The challenges are workforce availability, supply chain disruptions and soaring prices.

In 2022, the venture capital and private equity (VC & PE) sector experienced a decline in the valuations of startups and growth companies, complications in funds' fundraising, and a slowdown in the IPO market. Despite the challenging year, international investors stayed in Finland, and preliminary estimates show Finnish startups and growth companies likely succeeded in continuing to raise record volumes of growth financing. Startups are now looking more at

improving profitability rather than strong growth.

The energy crisis has boosted sustainability and the green transition while also widening their dimensions, just as geopolitical uncertainty and Europe's security have enhanced the importance of secure supplies and defence industry. The changing business climate will increase the demand for up-to-date market insights, patient capital, and skilled ownership.

## TESI'S ROLE

Tesi's mission is to promote the growth and internationalisation of Finnish companies, and to develop Finland's VC & PE 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 Finnish laws, decrees, and ownership steering.

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 is of key importance to Tesi's operations.

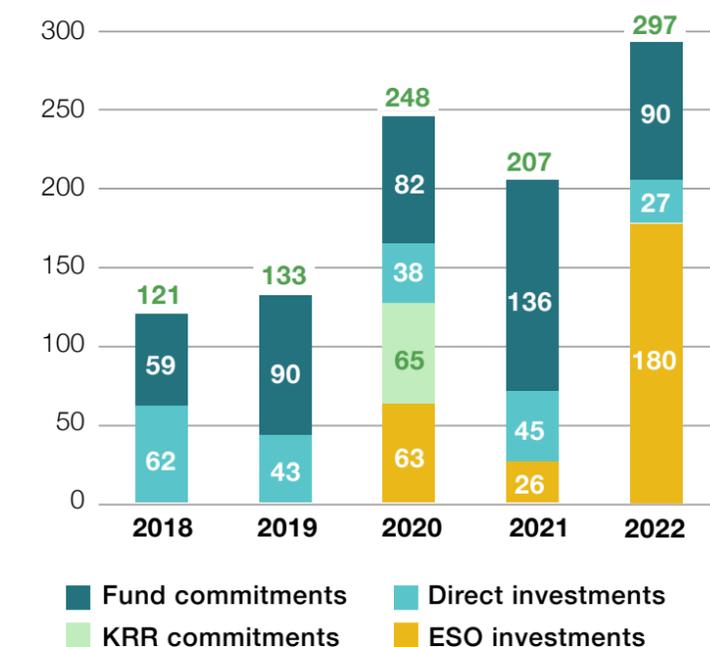
Per its mandate, Tesi operates on market terms and

as a minority investor hand-in-hand with private investors on the same terms and conditions. Tesi invests in growth-stage companies via funds and directly with no sector restrictions but with full regard to the principles of responsible investment. Investments made on special grounds for furthering national industrial policy are allocated to sectors undergoing, or expected to undergo, 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. In order to fulfil its trade and industrial policy mission, however, in individual investment decisions Tesi can accept a larger than usual risk or lower expected earnings than usual.

Tesi wants to be a responsible player making a positive social impact. Tesi's aim is to maximise its positive impact on society by creating value in VC & PE funds and in its portfolio companies, while promoting the sustainable business development of Finnish companies. Tesi has significantly enhanced its capability for producing market insights and has systematically integrated sustainability (responsibility and impact) into its investment operations. In 2023, Tesi will actively make its market insights available to market players.

## New investments, MEUR



## INVESTMENT OPERATIONS

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 297 million in 2022 (207 in 2021). This figure includes fund commitments, direct investments,

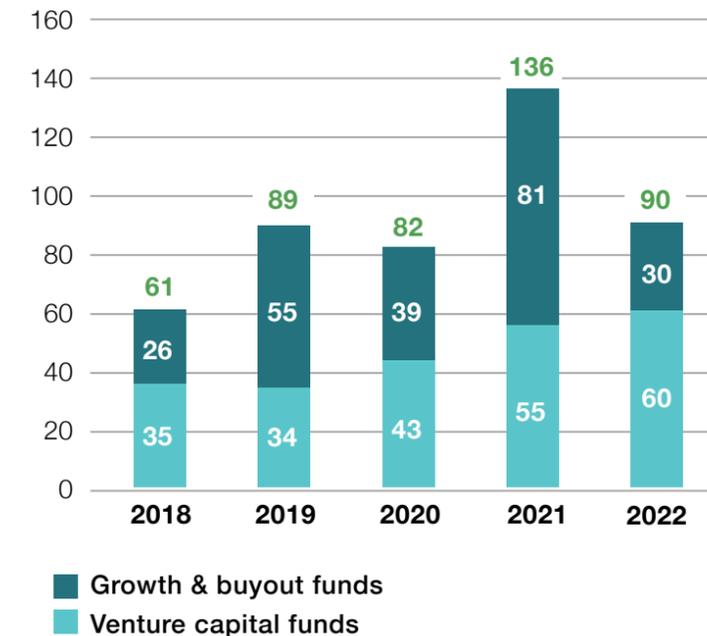
and also pandemic-era Stabilisation and Venture Bridge financing. The Stabilisation and Venture Bridge programmes, as temporary special investment programmes to mitigate impacts of the coronavirus pandemic, differ from Tesi's normal investment activities. The programmes are treated separately in Tesi's IFRS consolidated financial statements, and they were closed to initial investments at the end of March 2022.

**Fund investments** are focused on venture capital as well as on growth and buyout funds. Tesi acts as a long-term anchor investor in its portfolio funds. The high-priority themes in 2022, alongside speeding up growth, were improving the availability of financing for companies in the healthtech, environmental technology and deeptech sectors, development of the early-stage market, and supporting collaboration between VC & PE investors and angel investors.

In 2022, Tesi made investment commitments amounting to EUR 90 (136) million to altogether 13 VC & PE funds (18 in 2021). In the venture capital arena, Tesi made commitments totalling EUR 60 (55) million to nine (11) funds. Of these, four (4) were international venture capital funds. In the growth and buyout arena, Tesi made commitments totalling EUR 30 (81) million to four (7) funds. Tesi paid out capital calls totalling EUR 110 (117) million to its portfolio funds.

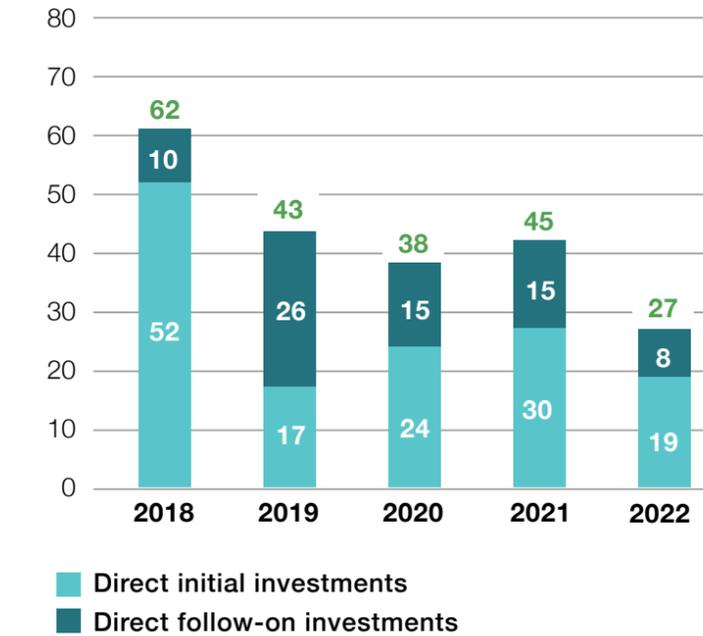
In addition to its own investment operations, Tesi manages the Kasvurahastojen Rahasto funds-of-

**Tesi's fund commitments, MEUR**



funds (the KRR, KRR II, KRR III and KRR IV growth funds). Established by Tesi and Finnish pension and insurance investors, the KRR funds are funds-of-funds that invest in Finnish venture capital and growth and buyout funds. The KRR IV fund-of-funds made commitments to seven (4) Finnish venture capital and private equity funds in 2022. The model for the KRR concept has proven to be highly successful over the last 14 years, while also having a positive impact on Finland's national economy. Between 2009–2022,

**Direct initial and follow-on investments\* 2018–2022, MEUR**

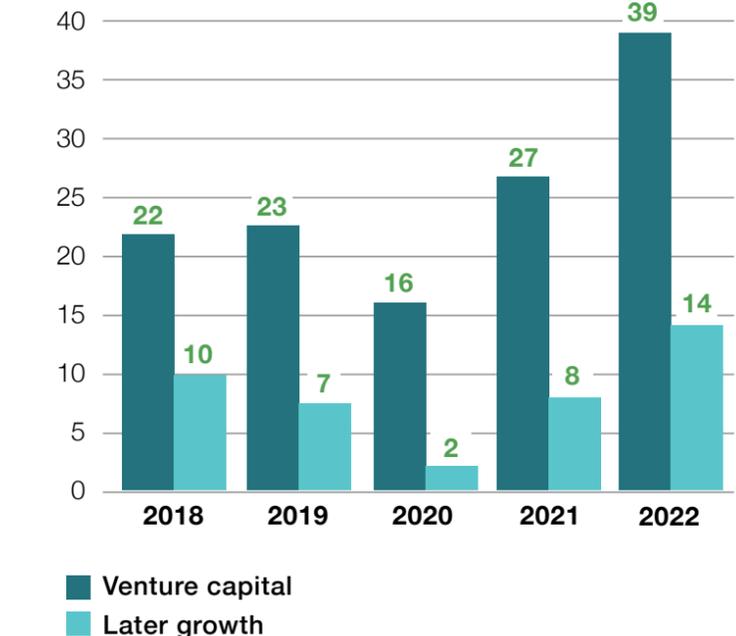


\*Normal investment operations

the KRR funds-of-funds have committed capital to altogether 44 funds. These funds, in turn, have been accelerating the growth and international expansion of almost 350 Finnish companies.

Tesi makes **direct minority investments** in fast-growing Finnish technology companies, SMEs pursuing growth, M&As and buyouts, and industrial projects. Promoting growth and the transformation of industrial structures are at the hub of direct investments. Tesi is an active VC & PE investor, using its

**Growth in net sales of direct investments (% , median)**



own networks and expertise to benefit the investees in its portfolio. Investments are made hand-in-hand and on equal terms with a private lead investor or investors.

In 2022, Tesi's normal operations included direct venture capital and private equity investments of altogether EUR 26.7 (44.7) million in 14 (36) companies. Of these, initial investments of EUR 18.9 (29.3) million were made in seven (27) companies and follow-on investments amounting to EUR 7.8 (15.4) million in seven (9) companies.

A total of almost EUR 200 (233) million in new capital was channelled into these direct investments, roughly 7.5 times the amount invested by Tesi. Median growth in net sales of direct portfolio companies was 22% (13%). Median growth in the aggregated net sales of VC-backed companies was 39% (27%), and of later-stage companies 14% (8%).

EAKR-Aloitusrahassto Ltd, whose investment operations were transferred from Finnvera to Tesi in 2021, had investments in 22 portfolio companies at the end of 2022, the same number as in autumn 2021 when its operations were transferred to Tesi.

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 2022, Tesi made one (3) follow-on investment of EUR 2.4 (11.2) million from the EFSI programme. Altogether EUR 36 million has been invested from the programme in six companies. Tesi's collaboration with the European Investment Bank (EIB) was extended at the end of 2021 by an agreed EUR 100 million co-investment facility for Finnish SMEs. The EIB's share of the financing (50%) will come from the European Guarantee Fund (EGF). Tesi manages the co-investment facility, which was launched at the start of 2022.

In 2022, Tesi made three investments from the EGF programme (Haltian Oy, Human Engineering Health Oy; two initial investments and one follow-on investment) totalling EUR three million.

Tesi made numerous initial investments in its normal operations in, for example: plant-based protein manufacturer Meeat Food Tech; oncolytic immunotherapies developer TILT Biotherapeutics; solar energy solutions provider Solnet Green Energy; weekly grocery deliverer Ruokaboksi, and the aforementioned enabler of blood glucose tracking, Human Engineering Health (Veri). An initial investment was also made from the Circular Economy investment programme in building textile recycler Rester and a fund commitment was given to the Environmental Technologies IV fund.

**Alongside its normal investment activities**, Tesi made investments from the Stabilisation and Venture Bridge special investment programmes, created in 2020 to mitigate the effects of the pandemic, totalling EUR 179.8 (26.4) million. The programmes were closed to initial investments at the end of March 2022. Overall, a total of EUR 269 million was invested from the programmes in altogether 63 companies by the end 2022 and returns amounting to EUR 21.1 million were received during the year.

The **Stabilisation programme** offers fast-track assistance to mid-sized companies facing an acute cash

crisis caused by the coronavirus pandemic. In 2022, Tesi made investments from the programme of altogether EUR 169.5 (10.8) million in five (6) companies. Altogether, investments totalling EUR 231.2 million had been made from the programme in 17 companies by the end of 2022.

Investments from the **Venture Bridge programme** are focused on innovative growth companies seeking international expansion that need financing for their next investment round. In 2022, Tesi made investments from the programme amounting to EUR 10.3 (15.6) million in 17 (20) companies. Altogether, invest-

ments totalling EUR 38.2 million had been made from the programme in 46 companies by the end of 2022.

### Channelling international capital, expertise and networks

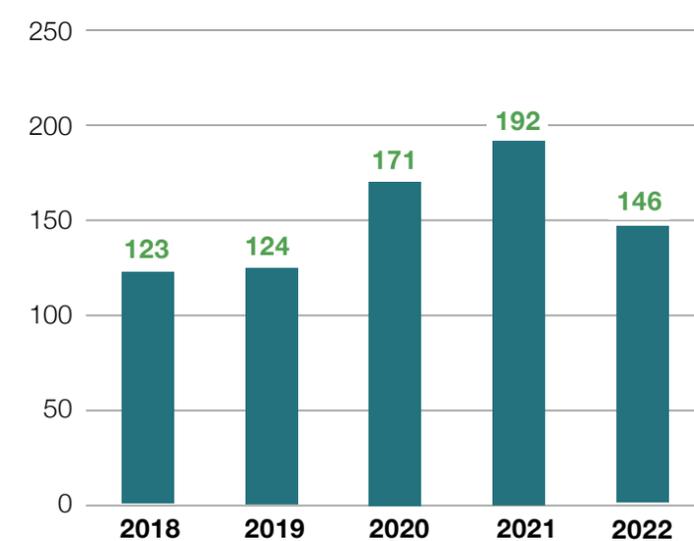
One of Tesi's objectives is to internationalise Finland's venture capital and private equity industry. International investors also provide Finnish companies with highly valuable expertise in international business management and with contact networks, alongside investment capital. In 2022 Tesi's international investor partners invested altogether EUR 146 million in Finnish growth companies, of which EUR 28 million came from Tesi's international portfolio funds.

### Exits

In 2022, Tesi received returns from its normal operations amounting to some EUR 137 million (252 million in 2021), of which capital returned from funds was roughly EUR 120 (186) million. Tesi also received some EUR 17 (66) million from dividends, earnouts and exits. Returns from exits create a solid base for Tesi's investment operations in coming years.

Tesi exited from its investments in the following companies: home-care service provider Stella Care; semiconductor pioneer Picosun; artificial intelligence and gamification purchasing platform Blidz; processor developer Minima Processor; medical imaging software

Channelling of international capital, MEUR



developer Disior, and Finnish restaurant group NoHo Partners. Multitouch screen producer MultiTaction and Zsar Outlet Village filed for bankruptcy.

Tesi also received the first returns of capital from its special investment programmes for mitigating pandemic impacts; EUR 17.4 million from four companies. Tesi repays the capital returning from special investment programmes for mitigating pandemic impacts to the Finnish state.

Prevailing market conditions have to some extent complicated international exits, by lengthening processes and increasing uncertainty throughout the investment industry.

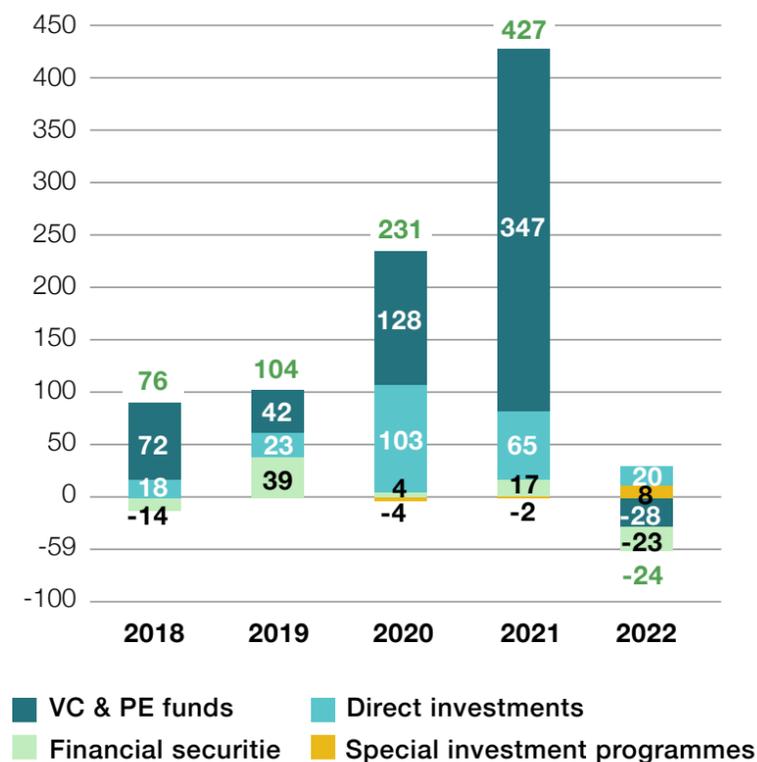
### Number of investees

Tesi invests in Finnish companies through both Finnish and international venture capital and private equity funds and also makes direct investments hand-in-hand with private investors. Owing to the international nature of the venture capital and private equity market, foreign companies also become Tesi's investees via investment funds. At the end of 2022, there were altogether 1,188 (1,112 at the end of 2021) companies in Tesi's investment portfolio, of which 1,060 (993) were through funds and 128 (119) were direct investments. Some 497 (491) of these portfolio companies were Finnish, in which Tesi invested EUR 1,145 (979) million, or 76% (72%) of Tesi's invested capital. Correspond-

ingly, 691 (621) were international portfolio companies, in which Tesi invested EUR 380 (388) million, or 25% (28%) of Tesi's invested capital.

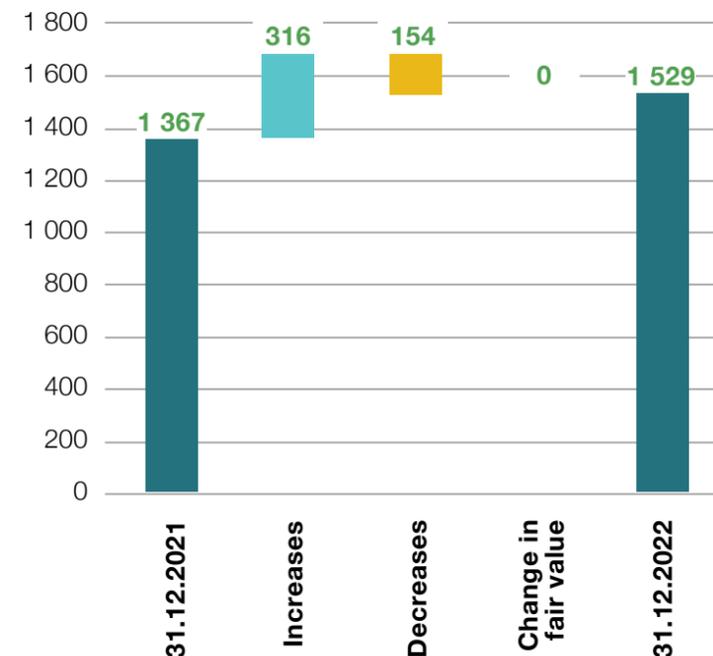
Of the portfolio companies of Finnish investment funds, 346 (355) were Finnish and 197 (251) foreign. Correspondingly, 25 (17) of the portfolio companies of international investment funds were Finnish and 492 (370) foreign. Tesi's international fund investments are

**Net gains, MEUR**



mainly 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.

**Change in VC & PE investments 1.1.2022–31.12.2022, MEUR**



## GROUP'S FINANCIAL PERFORMANCE

### Consolidated profit

Russia's war of aggression in Ukraine, the return of inflation, rising interest rates and a decline in asset valuations were reflected in the venture capital and private equity market. This impacted Tesi's financial performance, resulting in a net loss after many years of profitable operation. Tesi's net loss for the fiscal year was EUR -26 million (337.6 million in 2021). Tesi's loss for the fiscal year derived mainly from gains from VC & PE investments realised during the year EUR 83 (110) million and losses/gains in fair value of investments EUR -83 (228) million recognised in line with IFRS principles.

The Group's net loss/profit for 2022 was altogether EUR -24 (427) million. Net losses/gains from venture capital and private equity funds amounted to EUR -28 (347) million. Net gains from direct venture capital and private equity investments totalled EUR 20 (65) million. The negative trend in asset valuations was the main cause of the net loss.

Net gains/losses from the Stabilisation and Venture Bridge special investment programmes amounted to EUR eight (-2) million.

Other operating income includes net losses from financial securities amounting to EUR -23 million (17). Other operating expenses were EUR 11.7 (10.0) million, rising 17% on the previous year. The ratio of operating

expenses to investments under management was 0.5% (0.4%). Operating profit was EUR -33 million (419).

### Balance sheet and financial position

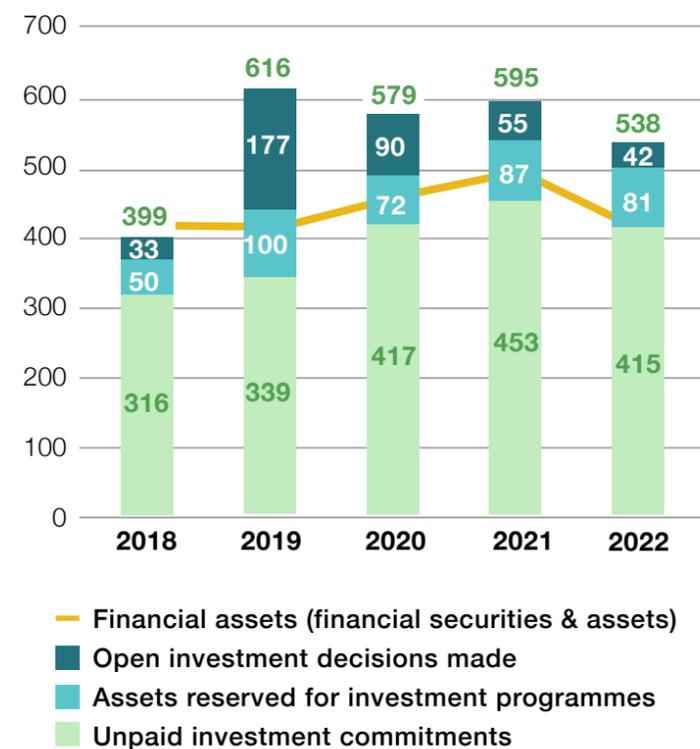
Non-current assets were EUR 1,588 million at the end of the fiscal year (MEUR 1,415 at the end of 2021), of which EUR 1,529 (1,367) million consisted of venture

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 798 (836) million were in VC & PE funds, EUR 475 (446) million were in direct VC & PE investments, and EUR 256 (85) million were in special investment programmes. The fair value of VC & PE investments rose by EUR 161 million. 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 468 (475) million includes financial securities of EUR 356 (410) million recognised at fair value in the statement of comprehensive income. The figure for non-current assets also includes EUR 29 (28) million of financial securities recognised at fair value in the statement of comprehensive income. Financial securities consist of bond investments EUR 303 (338) million, listed equity investments EUR 53 (71) million, and other investments EUR 29 (28 million).

Financial securities safeguard continuity in the company's investment operations and its ability to meet unpaid investment commitments. At the end of 2022, unpaid investment commitments totalled EUR 429 (479) million, including EUR 14 (17) million in commitments to special investment programmes. Unpaid investment commitments consist almost entirely of

### Financial assets and unpaid commitments 2018–2022, MEUR



### IMPACT OF CHANGES IN VALUE OF VC & PE INVESTMENTS ON INVESTMENT PORTFOLIO (MEUR 1,529)

Direct investments (fair value MEUR 731)	Change in value of fund investments (fair value MEUR 798)				
	0%	-5%	-10%	-15%	-20%
0%	0	-40	-80	-120	-160
-10%	-73	-113	-153	-193	-233
-20%	-146	-186	-226	-266	-306
-30%	-219	-259	-299	-339	-379
-40%	-292	-332	-372	-412	-452

commitments given to venture capital and private equity funds with an average payment period of over four years. In addition, some EUR 81 (87) million 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 42 (55) million. The Group's balance sheet total as of 31 December 2022 was EUR 2,055 (1,890) million. Shareholders' equity grew to EUR 1,929 million as a result of the EUR 200 million recapitalisation by the Finnish state and the net loss/profit EUR -26 (338) million for the fiscal year. The Group's equity ratio was 93.9% (92.9%). 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, confirmed by the Board of Directors. The policy sets out the principles

for risk management, specifies risk definitions and classifications and also defines the main roles and divisions of responsibilities as well as the monitoring and reporting procedures. The goal is to ensure that risks borne by the company match 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 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 different allocation classes, different industries, and also distributed geographically, while taking into account the company's social mission. The Board mainly makes investment decisions and supervises the implementation of investments, and has authorised the Management Team to make investment decisions regarding special investment programmes and follow-on investments.

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 1,529 million (1,367 at the end of 2021). Investments are subject to the risks stated above that, if they were realised, could substantially 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.

In response to steeply rising inflation, central banks sharply increased their steering rates during 2022, bringing the long era of zero interest rates to an end. Rising interest rates lower expectations of returns from VC & PE investments and depress their valuations, the impact of which typically delays existing plans. Investors can also lose their appetite for VC & PE investment in relation to other higher-risk asset classes when higher interest rates make many conventional asset classes with a lower risk-return ratio more attractive investments. Furthermore, a climate of higher interest rates, combined with other market uncertainties, complicates the fundraising of VC & PE funds.

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 taken into account. 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 bond 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 in relation to the business environment and to stakeholders' expectations. Operational risks are managed by good corporate governance and internal instructions, and these risks are covered by, inter alia, sound supervisory work and interaction, and by providing for personnel expertise and wellbeing, as well as with appropriate procedures, processes and insurances.

The responsible operation of companies and investors is being subjected to closer public scrutiny nowadays. The operations of portfolio funds and companies may also have a significant indirect impact on Tesi's reputation and on investment valuations. In Tesi, 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 overseeing investees. More information about ESG aspects is given in the [Business Overview](#). More detailed information about risks and risk management is given in [Note 3](#) of the Notes to the consol-

dated financial statements. Risk management is also described in the [Corporate Governance Statement section](#) of the Annual Report.

## CORPORATE GOVERNANCE

### Group structure

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

### Organisation and development of operations

At Tesi's Annual General Meeting on 22 March 2022, the following were elected members of the Board of Directors: Chair, Jacob af Forselles (MSc (Econ), LL.M., born 1973); Mia Folkesson (MSc (Econ), born 1980); Anniina Heinonen (MSc (Econ), born 1981); Minna Helppi (MBA, born 1967); Riku Huttunen (M.Pol.Sc., born 1966); Pauli Kariniemi (Lic.Sc. (Econ), born 1970), and Timo Leino (LL.M., born 1957). The Board of Directors convened 18 times in 2022, and attendance was 96%.

Tesi's CEO as from 1 January 2023 is Pia Santavirta (LL.M., born 1976). Tesi's CEO in 2022, up until 24 October 2022, was Jan Sasse (MSc (Econ), born 1967). Jussi Hattula (MSc (Tech), born 1968), Direc-

tor of Tesi's Growth & Industrial Investments team, handled the CEO's tasks during the end of 2022. The parent company employed an average 48 people during the fiscal year (44 in 2021). Four (11) new employees were recruited to permanent positions during the fiscal year. Two (1) people resigned from Tesi. At year's end, 16 (14) women and 32 (28) men were permanent Tesi employees, and one man was a trainee.

Tesi conducts personal development interviews (PDIs) twice a year. Venture capital and private equity investing and Tesi's strategic objectives demand solid expertise. In 2022, development of expertise was particularly focused on ESG expertise.

In our personnel survey, Tesi as employer received a rating on a scale of 1–5 of 4.3 (4.4) and the meaningfulness of work at Tesi 4.1 (4.2). There is still room for improvement in, for instance, clarifying targets, putting new matters into practice, and achieving non-discrimination. According to employee questionnaires conducted at the end of 2022, almost all respondents (98%) felt that hybrid work was proceeding well and that internal communications were improving (84%).

Tesi follows the guidelines issued by the Prime Minister's Office regarding remuneration in state-owned companies. Salaries and emoluments in 2022 totalled EUR 5.8 (5.0) million. 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.

### PROPOSAL FOR DISTRIBUTION OF FUNDS

The parent company's distributable funds (according to FAS financial statements) on 31 December 2022 amounted to EUR 783,972,124.01. The Board proposes to the Annual General Meeting that no dividend be distributed for fiscal year 2022. 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.

Since the end of the fiscal year, Tesi has received capital returns of EUR 80 million from the pandemic-era temporary special investment programmes. It has been agreed that Tesi will duly repay the recapitalisation it received for the pandemic-era special investment programmes to the Finnish state from the returns on investments made from the programmes. The Board of Directors proposes that EUR 90 million of the EUR 350 million recapitalisation for pandemic-era investment programmes be repaid to the Finn-

ish state from the invested unrestricted equity fund in spring 2023.

### EVENTS AFTER THE FISCAL YEAR

After the end of the review period, Pia Santavirta started as Tesi's CEO on 1 January 2023.

### PROSPECTS

Russia's war of aggression launched against Ukraine at the end of February 2022 has had, and will continue to have, a profound impact on people, geopolitics, the environment and national economies.

The Bank of Finland forecasts a mild economic recession and a contraction in Finnish GDP in 2023. The causes of the predicted recession are the energy crisis brought about by Russia's war of aggression and the rapid rise in living costs. A slow recovery in growth is forecast for 2024, as economic headwinds recede.

Even before Russia's war of aggression against Ukraine, a slowdown in Finland's economy was forecast in the near-term as the country's aging population slows the motors of longer-term growth. A higher national debt combined with rising interest rates will burden Finland's economy and weaken the country's ability to maintain a welfare state. More than ever, Finland needs successful companies and new hubs of expertise, alongside the country's world-renowned

video game industry, as well as more investment in research, product development and innovation.

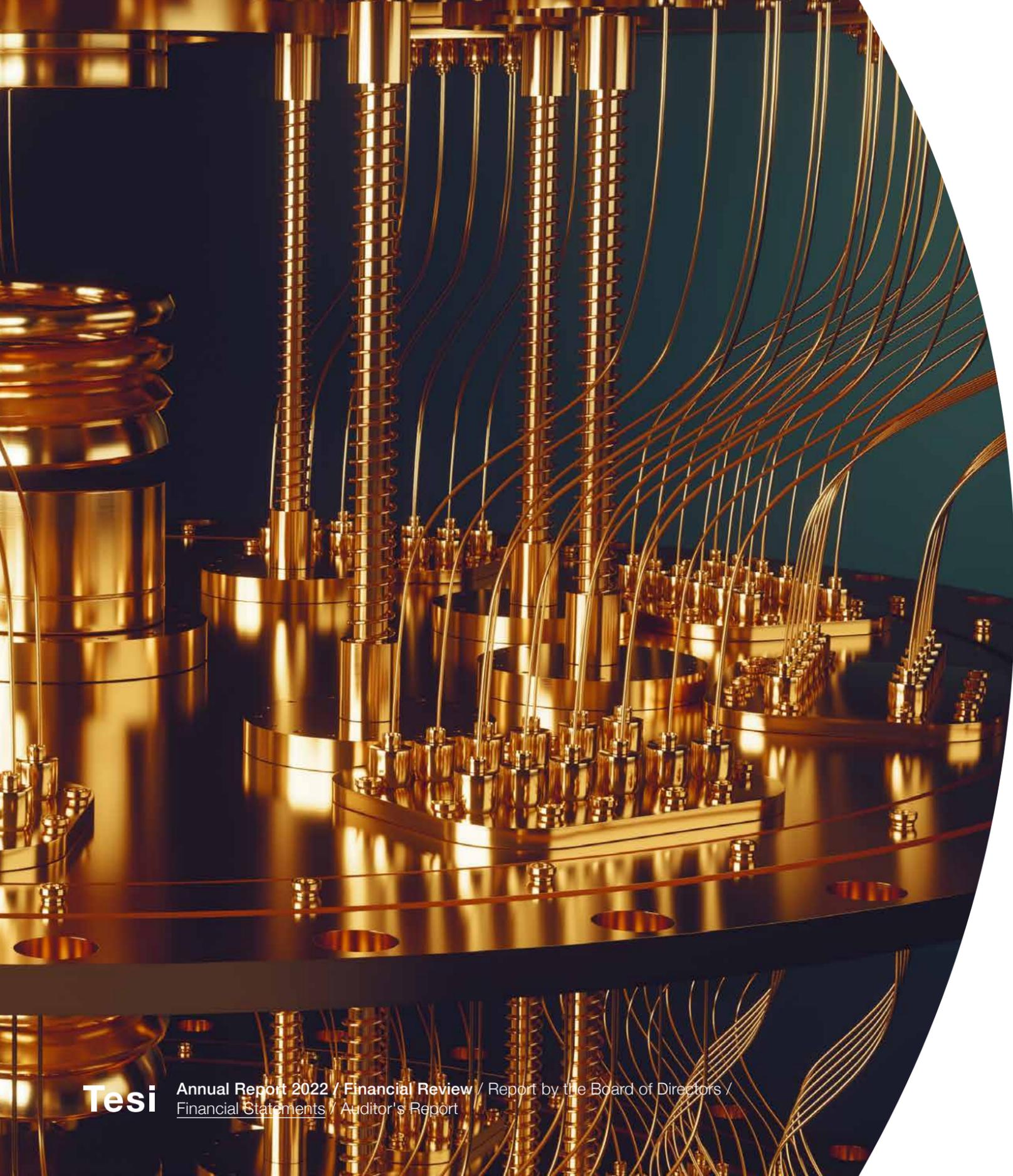
As one part of its action plan, Tesi has formulated various market scenarios and in 2023 will fine-tune its strategy. Tesi will continue to develop the venture capital and private equity market and to increase private capital available in the market. As the need for market analysis grows, we will continue to focus on data-led management and the distribution of market insights. Industrial policy is now much higher on the social

agenda, with the concept of sustainability currently permeating all activities. Tesi is well prepared to adapt to the market situation and to the possible decline in valuations.

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 the growth and internationalisation Finnish companies.

## Key Figures

KEY FIGURES, GROUP	IFRS 2018	IFRS 2019	IFRS 2020	IFRS 2021	IFRS 2022
Profit/loss for the fiscal year, MEUR	54.6	77.8	179.2	337.6	-26.0
Shareholders' equity, MEUR	996.0	1,088.2	1,417.4	1,755.1	1,929.1
Balance sheet total, MEUR	1,030.5	1,129.7	1,499.3	1,889.9	2,055.4
Unpaid commitments, MEUR	316.0	339.0	414.0	469.6	429.4
Investments at acquisition price, MEUR	545.1	639.3	761.8	840.9	1,080.6
Investments at acquisition price and commitments, MEUR	861.1	978.3	1,175.8	1,310.5	1,510.0
Investments at book value, MEUR	605.6	710.9	1,019.1	1,367.1	1,528.6
Ratio of investments & commitments to shareholder's equity	0.9	1.0	1.0	1.0	1.0
New investments and commitments in fiscal year, MEUR	120.8	132.7	248.4	206.5	296.7
Return on equity	5.5%	7.5%	14.3%	21.3%	-1.4%
Equity ratio	96.6%	96.3%	94.5%	92.9%	93.9%
Investments under management, MEUR	1,208.9	1,333.7	1,861.4	2,352.4	2,460.4
Expenses per investments under management	0.8%	0.7%	0.5%	0.4%	0.5%
Personnel, average	36	37	35	44	48
Salaries and fees for the fiscal year, MEUR	3.9	4.2	4.6	5.0	5.8
Fund investments, total number	87	92	97	109	111
Funds, number of portfolio companies	712	665	767	993	1,060
Parent company, number of direct portfolio companies	45	51	73	94	104
EAKR Aloitusrahasto Oy, number of portfolio companies	0	0	0	23	22
Tesi Industrial Management Oy, no. of portfolio companies	3	3	3	2	2
Number of portfolio companies, total number,	760	719	843	1,112	1,188
of which Finnish portfolio companies	302	271	337	491	497
of which international portfolio companies	458	448	503	621	691



# **IFRS consolidated financial statements**

2022

# Consolidated statement of comprehensive income

EUR THOUSANDS	NOTE	2022	2021
Net gains from VC & PE equity funds	5	-28,431	346,689
Net gains from direct VC & PE investments	5	19,997	65,497
Net gains from special investment programmes	5	8,233	-1,567
<b>Net gains from investments, total</b>		<b>-202</b>	<b>410,619</b>
Net gains from financial securities		-23,306	16,868
Income from fund management		1,942	1,308
<b>Other operating income, total</b>		<b>-21,364</b>	<b>18,175</b>
Employee benefit costs.	6	-6,881	-5,907
Depreciation and impairment		-438	-540
Other operating expenses	7	-4,404	-3,542
<b>Operating profit / loss</b>		<b>-33,289</b>	<b>418,806</b>
Financial income		514	227
Financial expenses		-458	-1,153
<b>Profit / loss before income tax</b>		<b>-33,233</b>	<b>417,880</b>
Income taxes	8	7,229	-80,252
<b>Profit / loss for the fiscal year</b>		<b>-26,004</b>	<b>337,628</b>
<b>Total comprehensive income for the fiscal year</b>		<b>-26,004</b>	<b>337,628</b>
Profit for the fiscal year attributable to:			
Shareholders of the parent company		-26,004	337,628

# Consolidated statement of financial position

EUR THOUSANDS	NOTE	31.12.2022	31.12.2021
<b>VARAT</b>			
<b>ASSETS</b>			
Non-current assets			
VC & PE investments	4	797,539	835,531
VC & PE funds	4	474,743	446,569
Direct VC & PE investments	4	256,276	84,990
<b>VC &amp; PE investments, total</b>		<b>1,528,559</b>	<b>1,367,089</b>
Intangible and tangible assets	9	2,076	638
Deferred tax assets	11	28,193	19,096
Financial securities	4	29,021	28,294
<b>Non-current assets, total</b>		<b>1,587,848</b>	<b>1,415,117</b>
<b>Current assets</b>			
Receivables		786	710
Financial securities	4	355,996	409,679
Cash & cash equivalents, special investment programmes		94,865	57,634
Cash & cash equivalents		15,895	6,793
<b>Current assets, total</b>		<b>467,542</b>	<b>474,816</b>
<b>Assets, total</b>		<b>2,055,390</b>	<b>1,889,933</b>

EQUITY AND LIABILITIES	NOTE	31.12.2022	31.12.2021
<b>EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF PARENT COMPANY</b>			
<b>Share capital</b>			
Share premium account		438,992	438,992
Invested unrestricted equity fund		215,855	215,855
Retained earnings		364,500	164,500
Profit for the fiscal year		935,726	598,098
Tilikauden voitto		-26,004	337,628
<b>Shareholders' equity, total</b>	10	<b>1,929,070</b>	<b>1,755,074</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities		1,905	259
Deferred tax liabilities	11	112,022	129,418
<b>Non-current liabilities, total</b>		<b>113,926</b>	<b>129,677</b>
<b>Current liabilities</b>			
Accounts payable and other liabilities	12	12,394	5,183
<b>Current liabilities, total</b>		<b>12,394</b>	<b>5,183</b>
<b>Liabilities, total</b>		<b>126,320</b>	<b>134,860</b>
<b>Equity and liabilities, total</b>		<b>2,055,390</b>	<b>1,889,933</b>

# 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
<b>1.1.2021</b>	<b>438,992</b>	<b>215,855</b>	<b>164,500</b>	<b>598,098</b>	<b>1,417,446</b>
Profit for the fiscal year				337,628	337,628
Total comprehensive income for the fiscal year				337,628	337,628
<b>Shareholders' equity 31.12.2021</b>	<b>438,992</b>	<b>215,855</b>	<b>164,500</b>	<b>935,726</b>	<b>1,755,074</b>

## EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF PARENT COMPANY

EUR TUHATTA	Share capital	Share premium account	Invested unrestricted equity fund	Retained earnings	Shareholders' equity, total
<b>1.1.2022</b>	<b>438,992</b>	<b>215,855</b>	<b>164,500</b>	<b>935,726</b>	<b>1,755,074</b>
Profit for the fiscal year				-26,004	-26,004
Total comprehensive income for the fiscal year				-26,004	-26,004
Transactions with owners in their capacity as owners					
Invested unrestricted equity fund			200,000		200,000
<b>Shareholders' equity 31.12.2022</b>	<b>438,992</b>	<b>215,855</b>	<b>364,500</b>	<b>909,722</b>	<b>1,929,070</b>

# Consolidated statement of cash flows

EUR THOUSANDS	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Capital calls paid to VC & PE funds	-110,274	-117,000
Cash flows received from VC & PE funds	119,834	185,832
Direct VC & PE investments paid	-25,347	-44,687
Repayments of direct VC & PE investments and sales proceeds	14,232	61,057
Investments paid under special investment programmes	-180,480	-31,008
Cash flows received from investments under special investment programmes	17,426	3,574
Interest received from VC & PE investments	162	1,474
Dividends received from VC & PE investments	2,705	3,183
<b>Cash flow from VC &amp; PE investments, total</b>	<b>-161,742</b>	<b>62,425</b>
Payments for financial securities	-65,194	-223,385
Sales proceeds from financial securities	94,747	164,836
Payments received from other operating income	2,161	1,479
Payments made for operating expenses	-11,221	-9,663
<b>Cash flow from operating activities before taxes</b>	<b>-141,249</b>	<b>-4,307</b>
Direct taxes paid	-12,274	-27,333
<b>Cash flow from operations (A)</b>	<b>-153,522</b>	<b>-31,640</b>

EUR THOUSANDS	2022	2021
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Payments for tangible and intangible assets	-144	-28
<b>Cash flow from investing activities (B)</b>	<b>-144</b>	<b>-28</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Invested unrestricted equity fund	200,000	0
<b>Cash flow from financing activities (C)</b>	<b>200,000</b>	<b>0</b>
Change in cash & cash equivalents (A+B+C) increase (+)/decrease (-)	46,333	-31,668
<b>Cash &amp; cash equivalents at beginning of period</b>	<b>64,427</b>	<b>96,094</b>
<b>Cash &amp; cash equivalents at end of period</b>	<b>110,760</b>	<b>64,427</b>
Cash & cash equivalents at end of period comprise:		
Cash & cash equivalents, special investment programmes	94,865	57,634
Cash & cash equivalents, other operations	15,895	6,793

# Notes to the accountants

## 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 (VC & PE) market as well as to promote Finnish business and Finland’s economic growth.

Tesi’s operations are regulated by Act of Parliament (Act on State-Owned Company Suomen Teollisuussijoitus Oy 1352/1999) and government decree (Government Decree on State-Owned Company Suomen Teollisuussijoitus Oy 54/2014). 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.

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.

As a central element in its investment operations, Tesi’s goal is sustainability, focusing on two aspects: the responsibility of Tesi’s own activities, and making a

positive societal impact. Other key principles for Tesi’s VC & PE financing activities are operating on market terms and collaborating with domestic and foreign investors, thereby increasing risk-taking ability while boosting the availability of funding, investment expertise and networks.

Since 1995, Tesi has made VC & PE investments amounting to 2.1 billion euros. Tesi currently has investments in almost 1200 companies, directly or through investment 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.

Created in 2020 to meet the challenges of the coronavirus pandemic, we closed the temporary (Stabilisation Financing and Venture Bridge) special investment programmes to initial investments at the end of March 2022, although follow-on investment through them is still possible.

Tesi is domiciled in Helsinki, Finland, 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](http://www.tesi.fi). Tesi’s Board of Directors, at their meeting on 10 March 2023, 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.

### 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 with SIC and IFRIC interpretations, that are effective as at 31 December 2022 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 (EC) 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 the Company’s management to exercise its judgment in the process of applying the accounting policies. 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 2022

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 when the Group 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 the assigned subsidiaries, 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 an 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 that 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 VC & PE 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**

VC & PE 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 by, and their performance is monitored by, Tesi on the basis of fair value (application of the 'fair value option'). VC & PE 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 bond 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 imme-

diately. 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 VC & PE investments are presented in the income statement under "Net gains from VC & PE 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 assets 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 value about EUR 5,000 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 manda-

tory 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, against which the temporary differences can be utilised, will be available. 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 to them. 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 objective is pursued solely by means of investing in VC & PE, and thus the Company's earnings are obtained from capital appreciation and other investment income. VC & PE 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: Tesi 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 Investment 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 VC & PE investments. Because of the degree of uncertainty in-

involved in the measurement and the stability of values of non-liquid VC & PE 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 VC & PE 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 VC & PE 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. Financial risk management

#### GENERAL INFORMATION AND AREAS OF RISK

The Company has a risk management policy, confirmed by the Board of Directors, which sets out the principles for the Company's risk management, risk definitions and risk classifications, as well as defining the main roles and divisions of responsibilities, and 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. 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 different 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 risk management is assessed annually by independent consultants in line with our internal auditing plan.

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 VC & PE 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 VC & PE investments (valuation risk). The process for the determination of fair values of VC & PE 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 2022 and 31 December 2021.

Other risks to which Tesi is exposed include strategic risks, operational risks, including hazard risks, and also 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

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

EUR MILLIONS	31.12.2022	%	31.12.2021	%
<b>VC &amp; PE funds</b>	<b>803</b>	<b>40%</b>	<b>840</b>	<b>45%</b>
Venture capital	452	22%	498	27%
Later stage	181	9%	172	9%
Funds-of-funds	165	8%	166	9%
ESO funds	6	0%	4	0%
<b>Direct VC &amp; PE investments</b>	<b>725</b>	<b>36%</b>	<b>527</b>	<b>28%</b>
Venture capital	295	15%	249	13%
Later stage	180	9%	197	11%
Special investment programmes	251	12%	81	5%
<b>Financial securities</b>	<b>385</b>	<b>19%</b>	<b>438</b>	<b>23%</b>
Bond funds	303	15%	335	18%
Equity funds	53	3%	71	4%
Other investments	29	1%	32	2%
<b>Cash &amp; cash equivalents</b>	<b>111</b>	<b>5%</b>	<b>64</b>	<b>3%</b>
<b>Total</b>	<b>2,024</b>	<b>100%</b>	<b>1,869</b>	<b>100%</b>

environment. Operational risks are managed by good corporate governance and internal instructions, and these risks are covered by, inter alia, sound supervisory work and interaction, and by providing for personnel expertise and wellbeing, as well as with appropriate procedures, processes, and insurances. 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.

Tesi's internal audit is an independent safety mechanism that is meant to, based on risk aspect, monitor and assess the Company's management and administrative processes as well as their appropriateness and impact.

### **BUSINESS RISK ATTACHED TO VC & PE INVESTMENTS**

The Company's VC & PE investments, whether through venture capital funds or private equity funds or as direct investments, are mainly made in unlisted companies in their 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 are enabled by risk capital financing from VC & PE 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 VC & PE 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 nowadays being subjected to increasingly more detailed public scrutiny. The operations of port-

folio funds and companies may also have a significant indirect impact on Tesi's reputation and on investment valuations. In Tesi, 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 overseeing investees. More information about ESG is presented in the Annual Report

Business risks attached to VC & PE 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 Stabilisation 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 VC & PE investment targets through predictive generation of deal flow, careful analysis in the screening phase, discriminating selection of investees and co-investors, monitoring of investments, active interaction towards managers of VC & PE 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 VC & PE investment activities (unpaid commitments). The development of cash flows related to the Company's liquidity, financial securities and VC & PE investments is continuously monitored. When preparing the action plan, the effect of the investments on liquidity and financial position in different market scenarios is taken into account.

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 2022, the Company was recapitalised with gratuitous investments amounting to EUR 350 million in the Company's invested unrestricted equity fund, to be used for special investment pro-

grammes. As at 31 December 2022, some EUR 95 million of this capital remained, and it was 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 21 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 bond 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 2022, the fair value of the Company's cash and cash equivalents and financial securities amounted to EUR 401 million (445) and the amount

of unpaid investment commitments (A) was EUR 415 million (453), excluding the cash & cash equivalents of EUR 95 million relating to special investment programmes and unpaid commitments of EUR 14 million. Unpaid investment commitments consist almost entirely of commitments given to VC & PE funds with an average payment period of over four years. In addition to this, the strategic investment programme (B) ongoing as at 31 December 2022 included unpaid capital of EUR 81 million (87), and investment decisions (C) made by the Company's Board of Directors and as yet not implemented totalled EUR 42 million (55). The total of A+B+C was EUR 538 million (595), after adjustment for overlap.

### MARKET RISK

Market risk refers to the impact of general market fluctuations (such as stock market, bond 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 based on financial securities, general market fluctuations may also have an indirect impact on the fair values of direct portfolio companies and funds in the Company's VC & PE allocation.

In response to steeply rising inflation, central banks sharply increased their steering rates during 2022,

bringing the long era of zero interest rates to an end. Rising interest rates and lower expectations of returns from VC & PE investments depress investment valuations, the impact of which typically delays existing plans. Investors can also lose their appetite for VC & PE investment in relation to other higher-risk asset classes when higher interest rates make many conventional asset classes with a lower risk-return ratio more attractive investments. Furthermore, a climate of higher interest rates, combined with other market uncertainties, complicates the fundraising of VC & PE funds.

Market risks are mitigated by spreading the invest-

ments between different allocation classes (different market risk categories) for both the Company's financial securities and VC & PE investments. Furthermore, important methods of risk management to mitigate general cyclical fluctuations for VC & PE investments include a time-driven diversification of investments, acquisition of non-cyclic target companies, avoidance of over-aggressive debt structures, and the continuing development of portfolio companies.

The fair value of fixed-income investments included in financial securities as at 31 December 2022 was EUR 303 million. The market risks that affect the value of

31.12.2022	EURO MEUR	USD MEUR	SEK MEUR	DKK MEUR	GBP MEUR	Other MEUR	Total MEUR
VC & PE funds	666	89	34	8	6		803
Direct VC & PE investments	711					15	725
Financial securities, cash & cash equivalents	443	24	2	1	4	22	496
<b>Total</b>	<b>1,819</b>	<b>113</b>	<b>35</b>	<b>9</b>	<b>10</b>	<b>37</b>	<b>2,024</b>
<b>Sensitivity analysis</b>							
Impact of 10% change in exchange rate on profit		10	3	1	1	3	19
<b>Unpaid commitments to VC &amp; PE funds</b>	400	2	5	0	1		409

bond investments consist of the risks associated with changes in general market interest rates and also of the spread risk. The computational weighted duration of fixed-interest investments at 31 December 2022 was 1.8 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 6 million.

The fair value of equity investments included in financial securities as at 31 December 2022 was EUR 53 million. A decrease of 10% in share prices would decrease the value of equity investments by EUR 5 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 all VC & PE 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 VC & PE 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 VC & PE 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 VC & PE 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 VC & PE investments at 31 December 2022 was EUR 271 million, representing some 18% of the total fair value of VC & PE 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 bond funds, such as government and corporate bonds.

The Company's objective is to manage the credit risk of financial securities by investing in very dis-

persed bond 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.

### Gains before taxes and company's expenses from Tesi's investment activities 2015-2022 (gains = changes in fair value)

ALLOCATION / FISCAL YEAR	2015	2016	2017	2018	2019	2020	2021	2022	Total 2015-2022
Gains from VC & PE investments (MEUR)	109	46	69	90	65	226	411	-0,0	1,014
Gains from financial securities (MEUR)	6	17	18	-14	39	4	17	-23	63
<b>Total, (MEUR)</b>	<b>115</b>	<b>63</b>	<b>87</b>	<b>75</b>	<b>103</b>	<b>230</b>	<b>427</b>	<b>-24</b>	<b>1,078</b>
Gains from VC & PE investments (%)*	24.9%	9.3%	12.7%	15.4%	9.8%	26.2%	34.4%	-0.0%	16.3%
Gains from financial securities (%)*	1.9%	4.1%	4.2%	-3.3%	9.6%	1.0%	4.2%	-5.6%	2.0%
<b>Total</b>	<b>14.9%</b>	<b>6.9%</b>	<b>9.0%</b>	<b>7.5%</b>	<b>9.7%</b>	<b>18.4%</b>	<b>26.8%</b>	<b>-1.3%</b>	<b>11.4%</b>

\* 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.

## **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 VC & PE 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 VC & PE 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 societal impact goals. The table below contains the Company's investment returns (fair value changes) before taxes and operating costs from its VC & PE and financial securities allocations for the fiscal years 2015-2022. As the Company's VC & PE investments are long-term by nature, the Company's financial performance is also better evaluated over a longer time period.

The Finnish state's investment in the Company's shareholders' equity amounted to EUR 1,019 million at the end of 2022. Consolidated shareholders' equity at the end of 2022 totalled EUR 1,929 million. The Company's cumulative profit from operations, including the figure for the 2022 fiscal year, amounted to EUR 910 million.

## 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 VC & PE investments. Due to the nature of typically illiquid VC & PE investments, the determination of the fair value of investments requires Tesi's management to use their own 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 VC & PE 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 portfolio 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, as also other investors in the funds, is legally committed.

Holdings in funds are typically more illiquid financial instruments than the direct VC & PE 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 VC & PE investments is based on either one valuation technique regarded as most suitable or on 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 performed 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 view-

point of the value of the portfolio companies' businesses (fair value without liabilities, i.e. enterprise value), because, in the Company's VC & PE 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.

### **FAIR VALUE DETERMINATION PROCESS FOR VC & PE INVESTMENTS**

Fair values of the Company's VC & PE investments are determined by the investment teams designated as responsible for them. Thereafter, valuation proposals prepared by investment teams are assessed within a separate risk management function before the valuations are introduced to the Management Team for approval. After the Management Team, 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 VC & PE investments include a minor amount of quoted equity securities. Investments in VC & PE 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 VC & PE 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
<b>2022</b>				
<b>VC &amp; PE funds</b>				
Venture Capital			452,254	452,254
Later stage			180,639	180,639
Funds-of-funds			164,646	164,646
<b>Direct VC &amp; PE investments</b>				
Venture Capital	10,990		283,526	294,516
Later stage	18,483		161,744	180,227
<b>Special investment programmes</b>				
Venture Capital			38,870	38,870
Later stage			217,406	217,406
<b>Financial securities</b>				
Bond funds	302,737			302,737
Equity funds	53,260			53,260
Other investments	29,021			29,021
<b>Total</b>	<b>414,490</b>	<b>0</b>	<b>1,499,085</b>	<b>1,913,575</b>

Direct VC & PE investments comprise equity investments EUR 439 million and debt investments EUR 36 million. Special investment programmes comprise equity investments EUR 21 million and debt investments EUR 235 million. The content of investments is specified in more detail in Note [3. Risk management](#)

EUR THOUSANDS	LEVEL 1	LEVEL 2	Level 3	TOTAL
<b>2021</b>				
<b>VC &amp; PE funds</b>				
Venture Capital			497,597	497,597
Later stage			171,515	171,515
Funds-of-funds			166,419	166,419
<b>Direct VC &amp; PE investments</b>				
Venture Capital	5,891		243,428	249,319
Later stage	30,371		166,879	197,250
<b>Special investment programmes</b>				
Venture Capital			30,104	30,104
Later stage			54,886	54,886
<b>Financial securities</b>				
Bond funds	338,477			338,477
Equity funds	71,201			71,201
Other investments	28,294			28,294
<b>Total</b>	<b>474,234</b>	<b>0</b>	<b>1,330,828</b>	<b>1,805,062</b>

Direct VC & PE investments comprise equity investments EUR 425 million and debt investments EUR 22 million. Special investment programmes comprise equity investments EUR 8 million and debt investments EUR 77 million.

**Changes in level 3 financial assets measured at fair value:**

EUR THOUSANDS	1.1.2022	Total gains and losses recognised in the income statement	Additions	Decreases	31.12.2022
<b>INVESTMENT CLASS</b>					
<b>VC &amp; PE funds</b>					
Venture Capital	497,597	-45,270	45,327	-45,401	452,254
Later stage	171,515	7,249	43,811	-41,935	180,639
Funds-of-funds	166,419	9,589	21,136	-32,498	164,646
<b>Direct VC &amp; PE investments</b>					
Venture Capital	243,428	33,394	20,568	-13,864	283,526
Later stage	166,879	4,883	5,895	-15,914	161,744
<b>Special investment programmes</b>					
Venture Capital	30,104	2,316	10,321	-3,871	38,870
Later stage	54,886	5,985	169,416	-12,879	217,406
<b>Total</b>	<b>1,330,828</b>	<b>18,147</b>	<b>316,473</b>	<b>-166,362</b>	<b>1,499,085</b>
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:					-71,090

EUR THOUSANDS	1.1.2021	Total gains and losses recognised in the income statement	Additions	Decreases	31.12.2021
<b>INVESTMENT CLASS</b>					
<b>VC &amp; PE funds</b>					
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
<b>Direct VC &amp; PE investments</b>					
Venture Capital	179,945	42,279	30,331	-9,126	243,428
Later stage	187,995	20,621	10,356	-52,092	166,879
<b>Special investment programmes</b>					
Venture Capital	12,590	1,951	15,564	0	30,104
Later stage	46,534	-3,517	15,444	-3,574	54,886
<b>Total</b>	<b>984,908</b>	<b>408,022</b>	<b>188,595</b>	<b>-250,697</b>	<b>1,330,828</b>
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

## Sensitivity analysis for level 3 financial assets

INVESTMENT CLASS	Fair value 31.12.2022 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%
<b>VC &amp; PE funds</b>					
Venture Capital	452,254	Fair value	Values reported by fund management companies +/- adjustments made as a result of value testing made by the Company*		90,451
Later stage	180,639				36,128
Funds-of-funds	164,646				32,929
<b>Direct VC &amp; PE investments</b>					
Venture Capital	283,526	Portfolio company instrument transactions / Peer group	Valuation multiples**	EV/Net sales 2022 (6,2x)	44,941
Later stage	161,744			EV/EBITDA 2022 (7,7x)	20,418
<b>Special investment programmes</b>					
Venture Capital	38,870	Fair value	Values are determined with various methods (EV-based, credit risk assessment, and valuations of external management companies) depending on the instruments.		7,774
Later stage	217,406				43,481

INVESTMENT CLASS	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%
<b>VC &amp; PE funds</b>					
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
<b>Direct VC &amp; PE investments</b>					
Venture Capital	243,428	Portfolio company instrument trans- actions / Peer group	Valuation multiples**	EV/Net sales 2021 (9,3x)	39,382
Later stage	166,879			EV/EBITDA 2021 (6,7x)	22,122
<b>Special investment programmes</b>					
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

\* Fair value testing of venture capital and private equity funds performed by the Company resulted in a fair value that was, in total, EUR 70 million lower than the values reported by fund management companies as at 31.12.2022.

\*\* 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 VC & PE funds

COMPANY	REG. OFFICE	HOLDING %	ORIGINAL INVESTMENT INVESTMENT COMMITMENT EUR
Alder II AB	Sweden	6,6 %	9 731 887
Armada Fund V Ky	Helsinki	4,8 %	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
Butterfly Venture Fund IV Ky	Helsinki	26,8 %	10 000 000
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
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
Creandum VI (E) AB	Sweden	7,0 %	5 000 000
DevCo Partners III Ky	Helsinki	2,8 %	5 000 000

COMPANY	REG. OFFICE	HOLDING %	ORIGINAL INVESTMENT INVESTMENT COMMITMENT EUR
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
Environmental Technologies Fund 4 LP	United Kingdom	2,6 %	5 000 000
EQT Ventures (No. 1) SCSp	Luxembourg	1,8 %	7 500 000
Evolver Fund I Ky	Mariehamn	18,6 %	10 000 000
Finnish Impact Film Fund Ky	Helsinki	18,5 %	2 500 000
MB Equity Fund II Ky	Helsinki	16,1 %	10 000 000
GOS Private Debt I Ky	Helsinki	50,0 %	5 000 000
Hadean Capital II AS	Norway	4,2 %	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
Innovestor Life Science Fund Ky	Helsinki	22,5 %	20 000 000
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 IV Ky	Helsinki	6,9 %	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

COMPANY	REG. OFFICE	HOLDING %	ORIGINAL INVESTMENT INVESTMENT COMMITMENT EUR
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
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
MAM Growth Equity Fund II Ky	Helsinki	5.3%	5,000,000
MB Equity Fund IV Ky	Helsinki	3.9%	10,000,000
MB Equity Fund V Ky	Helsinki	3.2%	7,500,000
MB Equity Fund VI Ky	Helsinki	11.6%	20,000,000
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	9.2%	10,000,000
Nexit Infocom II L.P.	Guernsey	17.7%	15,000,000
Northzone VI L.P.	Jersey	5.8%	7,500,000

COMPANY	REG. OFFICE	HOLDING %	ORIGINAL INVESTMENT INVESTMENT COMMITMENT EUR
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	12.8%	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
PROfounders Capital III-A SCSp	Luxembourg	6.6%	5,000,000
Saari I Ky	Helsinki	26.2%	11,000,000
Saari II Ky	Helsinki	22.4%	10,000,000
Sentica Buyout IV Ky	Helsinki	8.0%	10,000,000
Sentica Buyout V Ky	Helsinki	8.1%	15,000,000
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 Opportunity Fund 2022 Ky	Helsinki	25.0%	2,000,000
Superhero Venture Fund 2020 Ky	Helsinki	25.0%	9,600,000
TCEE Fund IV SCA SICAR	Luxembourg	17.6%	15,000,000
Usaldusfond Trind Ventures Fund II	Estonia	9.2%	5,000,000
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	14.3%	10,000,000

<b>COMPANY</b>	<b>REG. OFFICE</b>	<b>HOLDING %</b>	<b>ORIGINAL INVESTMENT INVESTMENT COMMITMENT EUR</b>
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
Virta Sijoituspooli I Ky	Helsinki	48.5%	4,000,000
VisionPlus Fund I Ky	Helsinki	9.9%	5,000,000
Voland Technology Growth Fund I Ky	Helsinki	21.0%	10,000,000
			<b>1,186,232,744</b>

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 VC & PE investments

PORTFOLIO COMPANY NAME	HOLDING %
9Solutions Oy **	6.0%
3 Step IT Group Oy	7.1%
Aidon Oy	17.3%
Airmodus Oy **	20.1%
Aker Arctic Technology Inc. *	66.4%
Aranda Pharma Oy **	6.0%
Aurealis Therapeutics AG **	12.5%
BC Platforms AG	11.4%
BCBM Holding Oy	20.9%
Bioretec Oy **	4.3%
BMH Technology Oy	24.8%
Bone Index Finland Oy **	38.0%
Cajo Technologies Oy **	7.1%
Coronaria Oy	4.5%
Dassiet Oy	1.7%
Den Group Oy	9.9%
Dispelix Oy	8.1%
Endev Oy	17.9%
FiFax Oyj	14.3%
Finnforel Oy	4.6%
Fira Oy	4.5%
Flow Technologies Oy	6.6%
Foamit Group Oy	31.6%
Forenom Group Oy	15.2%
GasEK Oy **	13.3%
Gisgro Oy **	15.7%
GRK Infra Oyj	8.6%

PORTFOLIO COMPANY NAME	HOLDING %
Helsinki International Schools Group Oy	21,2%
Human Engineering Health Oy (Veri) ***	-
Humm Oy **	10.7%
HVR Cardio Oy	6.9%
ICEYE Oy	5.9%
Injeq Oy **	19.1%
IQM Finland Oy	8.1%
KotiCap Oy (Renoa Group Oy)	13.8%
Lamor Corporation Oyj	7.0%
Liikennevirta Oy	6.4%
Loihde Oyj	4.8%
MariaDB plc	3.2%
Meeat Food Tech Oy	11.5%
Mekitec Oy	18.8%
MetGen Oy	11.7%
M-Files Oy	13.1%
Midaxo Oy	22.0%
Nanocomp Oy Ltd **	10.1%
Nanol Technologies Ab Oy **	6.4%
Netled Oy **	16.2%
Newlcon Oy	5.6%
Nordic Rescue Group Oy	25.7%
Norsepower Oy Ltd **	18.2%
Nosto Solutions Oy	9.5%
Optomed Oyj	3.6%
Oura Health Oy	3.7%
Pesmel Oy	2.2%

PORTFOLIO COMPANY NAME	HOLDING %
Primex Pharmaceuticals Oy **	5.4%
Puurakentajat Group Oy	14.3%
Rauma Marine Constructions Oy *	21.3%
Relais Group Oyj	2.6%
Rester Oy	11.3%
Rocsole Oy **	16.5%
Ruokaboksi Finland Oy	9.1%
Savroc Oy **	21.3%
Smartcom Labs Oy	2.2%
Solnet Green Energy Oy	13.4%
Surveyppal Oy **	17.2%
Swappie Oy	5.4%
Tamturbo Oyj **	6.5%
Thirdpresence Oy	18.2%
TILT Biotherapeutics Oy	6.6%
Traplight Oy **	5.9%
Unikie Oy	7.7%
Unisport-Saltex Group Oy	11.0%
UpCloud Oy	7.1%
Ursviken Group Oy	24.6%
Vaadin Oy	21.5%
Valmet Automotive Oyj	38.5%
Varjo Technologies Oy	4.2%
Vexve Armatury Group Oy ***	-
Wirepas Oy	11.4%

\* Ownership through Tesi Industrial Management Oy.

\*\* Ownership through EAKR-Aloitusrahasto Oy

\*\*\* Debt instrument, no ownership

### 4.3 Investments under special investment programmes

#### VC & PE funds

COMPANY	DOMICILE	HOLDING %	ORIGINAL INVESTMENT COMMITMENT EUR
Capman Special Situations I Ky	Helsinki	13.8%	10,550,000
Nordia Kasvu Ky	Helsinki	29.7%	3,150,000
			<b>13,700,000</b>

#### Investments under Venture Bridge programme

PORTFOLIO COMPANY NAME	HOLDING %
Altum Technologies Oy *	-
Alvar Pet Oy *	-
Aurora Propulsion Technologies Oy *	-
Basemark Oy *	-
BioMensio Oy	3.4%
Blok Enterprises Oy *	-
Brella Oy *	-
Emberion Oy **	20.4%
Eduhub Oy *	-
Fake Production Oy	15.8%
Flexound Systems Oy *	-
Geysler Batteries Oy *	-
Gubbe Sydänystävä Oy *	-
Haltian Oy *	-
Iiwari Tracking Solutions Oy *	-
INNOMOST Oy *	-
Kide Science Oy *	-
Koherent Oy *	-
Maas Global Oy *	-
Measur Oy *	-
Mekitec Oy	18.8%
Monidor Oy *	-

PORTFOLIO COMPANY NAME	HOLDING %
Naava Group Oy	-
Not a Hotel Venture Limited (Bob W)	6.1%
ONEiO Cloud Oy	5.4%
Phaver Oy *	-
Playvation Oy *	-
Rentle Oy	2.5%
ReceiptHero Oy*	-
Revonte Oy *	-
Rocsole Oy	2.7%
Safegrid Oy	-
Seaber Oy *	-
Shark Punch, Inc. "Matchmade" *	-
Singa Oy *	-
TactoTek Oy *	-
TimeGate Instruments Oy *	-
uFactory Oy *	-
Uute Scientific Oy *	-
Valpas Enterprises Oy *	-
Wellness Foundry Holding Oy *	-

\* Debt instrument, no ownership

\*\* As per company's latest adopted financial statements 31.12.2021 loss EUR -4,588,000 and shareholders' equity EUR -10,881,000

Investments had been made from the Stabilisation programme in 12 portfolio companies by the end of 2022. Owing to contractual confidentiality, only the aggregated data of the programme is reported.

## 5. Net gains from venture capital and private equity investments

EUR THOUSANDS	2022	2021
<b>VC &amp; PE funds</b>		
Venture Capital	-45,270	241,628
Later stage	7,249	56,092
Funds-of-funds	9,589	48,969
<b>Direct VC &amp; PE investments</b>		
Venture Capital	26,683	37,375
Later stage	-6,080	28,122
<b>Special investment programmes</b>		
Venture Capital	2,316	1,951
Later stage	5,311	-3,517
<b>Total</b>	<b>-202</b>	<b>410,619</b>
Net gains from VC & PE investments consist of changes in fair value:		
Realised	82,819	109,538
Unrealised	-83,021	301,081
<b>Total</b>	<b>-202</b>	<b>410,619</b>

Net gains from VC & PE investments comprise realised and unrealised changes in fair value, including interest income and dividend income from direct investments.

## 6. Employee benefit costs

EUR THOUSANDS	2022	2021
Salaries and fees	5,820	5,006
Pension expenses	871	733
Other personnel expenses	190	168
<b>Total</b>	<b>6,881</b>	<b>5,907</b>
Average number of personnel employed by the company during the fiscal year	48	44
<b>MANAGEMENT TEAM</b>		
Salaries and other short-term employee benefits	1,701	1,478
<b>Total</b>	<b>1,701</b>	<b>1,478</b>
<b>CEO</b>		
Salaries and other short-term employee benefits	332	294
<b>Total</b>	<b>332</b>	<b>294</b>
<b>Emoluments for Board of Directors</b>	<b>203</b>	<b>166</b>

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 fiscal year.

All the company's personnel were included in the bonus scheme during fiscal year 2022. 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	2022	2021
Other employee benefit costs	659	515
Travel and hospitality expenses	115	26
External services	1,377	1,360
Other expenses	2,253	1,641
<b>Total</b>	<b>4,404</b>	<b>3,542</b>

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

EUR THOUSANDS	2022	2021
Audit fees	42	42
Tax advice	1	0
Other services	81	112
<b>Total</b>	<b>124</b>	<b>154</b>

## 8. Income taxes

EUR THOUSANDS	2022	2021
Current income tax for the fiscal year	-14,238	-29,250
Adjustments relating to previous years	-5,027	-310
Deferred taxes *)		
Temporary differences originated and reversed	26,493	-50,691
<b>Income tax presented in the income statement</b>	<b>7,229</b>	<b>-80,252</b>

\*) 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	2022	2021
Profit before income tax	-33,233	417,880
Tax calculated at domestic tax rate	6,647	-83,576
Income not subject to tax	922	1,637
Expenses not deductible for tax purposes	-34	-1
Difference between net income from VC & PE funds and taxable income	-2,247	1,998
Changes in entering deferred taxes	6,969	0
Adjustments relating to previous years	-5,027	-310
<b>Income tax presented in the income statement</b>	<b>7,229</b>	<b>-80,252</b>

## 9. Intangible and tangible assets

The carrying amount of tangible and intangible assets at 31 December 2022 was EUR 2,076 thousand (2021: EUR 638 thousand). This includes EUR 1,869 thousand of items classified as non-current assets as per IFRS 16 (2021: EUR 554 thousand). Depreciation and amortisation charged according to plan for 2022 were EUR 438 thousand (2021: EUR 540 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
31.12.2021	43 160	438 992	215 855	164 500	598 098	337 628	1 755 074
31.12.2022	43,160	438,992	215,855	364,500	935,726	-26,004	1,929,070

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 350 million recapitalisation by the Finnish state effected in 2020-2022 through the Stabilisation and Venture Bridge special investment programmes established to mitigate impacts of the coronavirus pandemic. This recapitalisation will be repaid to the state as and when repayments from the special investment programmes accrue.

## 11. Deferred taxes

EUR THOUSANDS	Changes in fair values of venture capital and private equity funds	Changes in fair values of direct investments	Changes in fair values of financial securities	Other items	Total
Deferred tax assets					
1.1.2021	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
Recognised in income statement	678	5,543	2,875	0	9,097
31.12.2022	3,951	21,079	3,162	0	28,193

EUR THOUSANDS	Changes in fair values of venture capital and private equity funds	Changes in fair values of direct investments	Changes in fair values of financial securities	Total
Deferred tax liabilities				
1.1.2021	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
Recognised in income statement	-17,624	2,040	-1,812	-17,397
31.12.2022	65,567	45,169	1,286	112,022

## 12. Current liabilities

EUR THOUSANDS	2022	2021
Accounts payable	653	455
Accruals relating to employee benefits	1,920	1,702
Tax liabilities	9,238	2,246
Other	583	780
<b>Total</b>	<b>12,394</b>	<b>5,183</b>

## 13. Commitments

### Outstanding commitments at end of year

EUR THOUSANDS	2022	2021
VC & PE funds	400,459	423,301
Portfolio companies	14,915	29,615
Special investment programmes	14,036	16,713
<b>Total</b>	<b>429,410</b>	<b>469,629</b>

## 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 1,967 thousand.

Finnish Industry Investment Ltd had no investment commitments to its subsidiaries as at 31 December 2022.

## 15. Subsidiaries

The following table presents the parent company and companies in which the group has control as at 31 December 2022.

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			
<b>Subsidiaries</b>					
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%	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 fiscal year

After the end of the review period, Pia Santavirta started in her position as Tesi's CEO on 1 January 2023.

# Signatures for the Board Of Directors' Report and Financial Statements

Helsinki, 10 March 2023

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Jacob af Forselles  
Chair

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Anniina Heinonen

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Minna Helppi

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Pauli Kariniemi

---

Riku Huttunen

---

Mia Folkesson

---

Timo Leino

---

Pia Santavirta  
CEO

Auditor's Report has been issued today.  
Helsinki, 10 March 2023

KPMG Oy Ab  
Audit firm

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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, 2022. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

### 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 provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circum-

stances, 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 10 March 2023

KPMG OY AB

### **Juha-Pekka Mylén**

Authorised Public Accountant, KHT