

The background is a teal color with a pattern of overlapping, semi-transparent circles on the left side. On the right side, there is a close-up photograph of water droplets hanging from thin, dark branches, likely pine needles, against a lighter teal background.

Financial Review 2023

Dare to grow.

Tesi

Tesi

- We work for the success of Finnish startups and growth companies
- We develop and serve the Finnish venture capital and private equity market
- We invest in venture capital and private equity funds, and also directly in startups and 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 2023

Tesi's (Finnish Industry Investment Ltd) Annual Report comprises 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 2023 consists of four sections. This is the Financial Review, which covers Board of Directors' report and Financial Statements.

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In the following texts, tables, and graphs, certain numbers have been rounded to even values. Consequently, they may not always align perfectly with the total sum of the more precise figures.

Report by the Board of Directors

BUSINESS ENVIRONMENT

The global economy has been turbulent for a couple of years now, and despite all hopes fiscal year 2023 did not yet mitigate the challenging economic climate: costs and interest rates have remained persistently high, and the markets are somewhat unstable and sluggish.

International investors were more cautious than earlier. Larger investment rounds – especially for companies with longer growth horizons – have either not been raised or fundraising for them was slower. Listing on the Helsinki Stock Exchange was at an all-time low. The prevailing market situation has slowed exits by prolonging processes and increasing uncertainty throughout the venture capital and private equity industry.

[Tesi's Growth Company Pulse Survey, published at the beginning of 2024](#), however, offers a faint glimmer of light on the horizon: the economy could well have bottomed out in 2023. On a positive note, a pick-up in investment is expected in many sectors.

TESI'S ROLE

Tesi has an industry-focused mission aimed at promoting economic growth, innovation, and investments: the company advances Finland's venture

capital and private equity market and promotes the growth and internationalisation of Finnish companies. The objective is to increase the availability of private capital by offering financing that supplements it. In line with its mandate, Tesi invests as a minority investor, hand-in-hand with private investors and on the same terms and conditions as them. As a 100% state-owned investment company, Tesi's operations are based on Finnish laws, decrees, and ownership steering by the Prime Minister's Office.

Tesi strengthens the growth financing of Finnish companies in three ways: by investing in venture capital and private equity (VC & PE) funds; by making direct investments in startups and growth companies; and by channelling private capital and EU funding into supporting companies' growth. Tesi also manages the KRR funds-of-funds it created together with Finnish institutional investors. The newest KRR V was established at the size of EUR 200 million in 2023.

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

Tesi's operation must be commercially profitable over the long term. Tesi aims for a market-based return on its investments and has an exit plan prepared for its investments.

Tesi wants to be a responsible player with a positive impact on the society. Tesi's aim is to maximise this impact by creating value in venture capital and private equity funds and in its portfolio companies, while through its operations promoting the sustainable business development of Finnish companies. Tesi has systematically integrated sustainability (responsibility and impact) into its investment operations in the arenas of Environment, Social responsibility, and good corporate Governance (ESG). Tesi also produces sustainability tools and market insights and makes these available to Finland's VC & PE investment sector and to Finnish startups and growth companies.

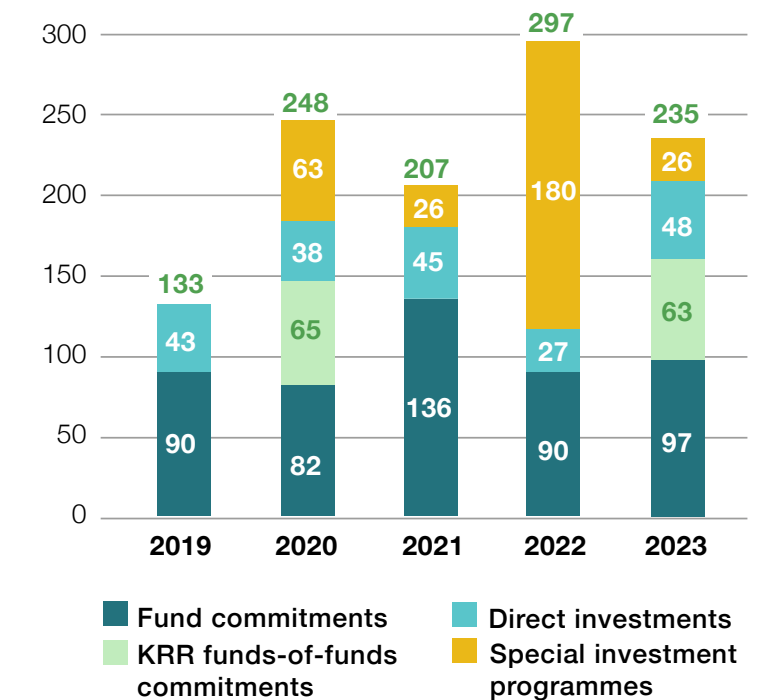
Prime Minister Petteri Orpo's Government Programme sets out plans for enhancing efficiency of the Finnish state's VC & PE investment operations and corporate financing activities by merging Business Finland Venture Capital Oy, Oppiva Invest Oy and the Finnish Climate Fund (Ilmastorahasto Oy) into Finnish Industry Investment Ltd. The new player will be given a stronger industry-focused mission for promoting economic growth, innovation, and investments.

Preparations for creating the new Tesi Group were started in 2023.

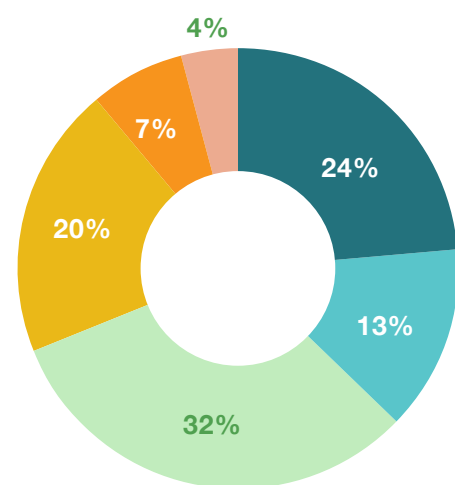
INVESTMENT OPERATIONS

In selecting its investments, Tesi prioritises the future hotbeds of growth defined in its strategy: deep tech, the clean transition, and health & life sciences. The aim is to build sustainable growth and form clusters

Investments and commitments made, MEUR

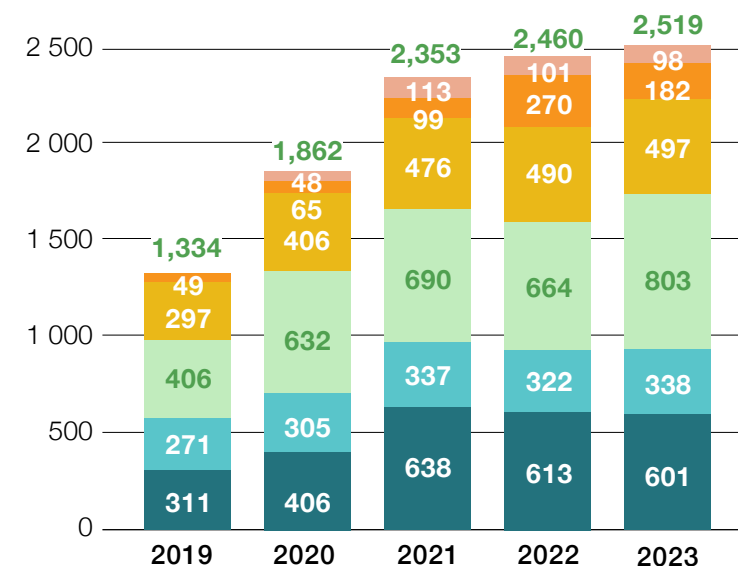


**Tesi's investments under management
31.12.2023, MEUR 2 519***



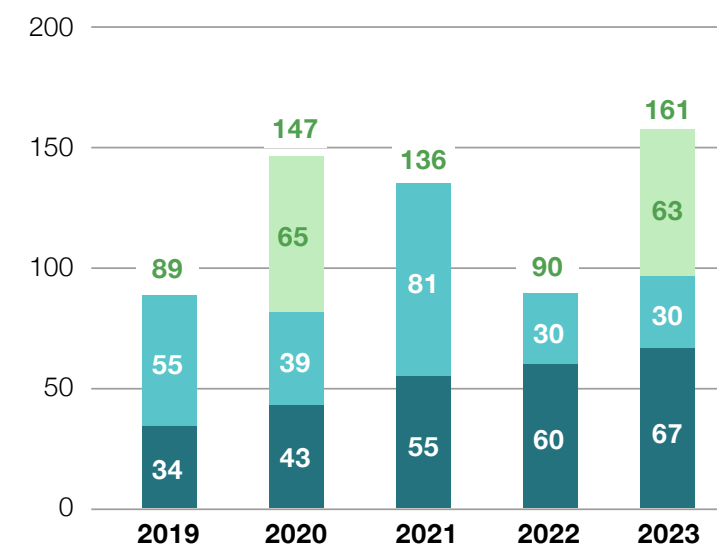
- Venture capital funds
- Growth & buyout funds
- KRR funds-of-funds commitments**
- Direct investments
- Special investment programmes***
- EIB mandates****

Tesi's investments under management, MEUR



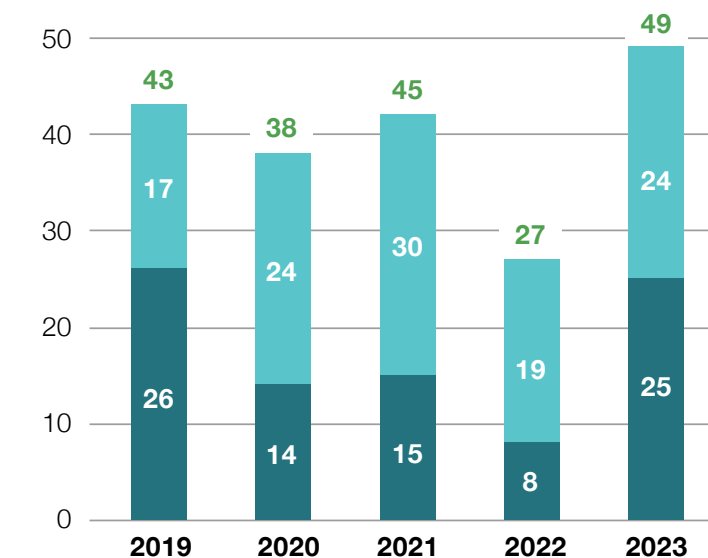
- Venture capital funds
- Growth & buyout funds
- KRR funds-of-funds commitments**
- Direct investments
- Special investment programmes***
- EIB mandates****

Tesi's fund commitments, MEUR



- KRR funds-of-funds
- Growth and buyout funds
- Venture capital funds

**Direct initial and follow-on investments*
2018–2023, MEUR**



- Direct initial investments
- Direct follow-on investments

*Normal investment operations

* Figures include unpaid investment commitments.

** The five (5) KRR funds-of-funds managed by Tesi include in total MEUR 500 of pension fund capital.

*** Corona-specific special investment programmes, from which two (2) fund investments have also been made.

**** Co-financing facilities created by the European Investment Bank (EIB) and Tesi, managed by Tesi through subsidiary.

of expertise that generate high added value and new growth in Finland. A major part of Tesi's operations, however, focuses on strengthening the entire venture capital and private equity as well as startup and growth company ecosystem, where fund investing is the most efficient and effective tool.

In 2023, Tesi made investments and investment commitments amounting to EUR 235 million. Of this, fund commitments accounted for EUR 161 million, direct investments in normal operations for EUR 48 million, and follow-on investments under pandemic-era special investment programmes for EUR 26 million.

At the end of 2023, the company's investments under management totalled EUR 2.5 billion, and Tesi was directly, or indirectly through its portfolio funds, an owner in 556 Finnish companies.

VC & PE funds and direct investments

Tesi invests in both Finnish and international **venture capital and private equity funds**. In Finnish projects, Tesi is usually an anchor investor. The goal is

to increase the size of Finnish funds to better match the international scale. In fulfilling its role, Tesi aims to strengthen the transformation and growth of the market, and to invest in new teams.

In 2023, Tesi made investment commitments amounting to EUR 161 (90) million to altogether nine funds (13 in 2022). In the venture capital arena, Tesi made commitments totalling EUR 67 million to five (9) funds. Of these, two (4) were international funds, in-

cluding the largest single investment of EUR 33 million in the NATO Innovation Fund. In the growth & buyout arena, Tesi made commitments totalling EUR 30 million to three (4) Finnish funds. In addition, Tesi made a commitment of EUR 63 million to the KRR V fund-of-funds that it manages. Tesi gave its first investment commitment to the following GP's first funds: Nato Innovation Fund and United Bankers (Forest Industry Green Growth Fund I). Tesi paid out capital calls totalling EUR 97 (110) million to its portfolio funds.

Tesi makes **direct minority investments** in Finnish unlisted startups and growth companies, and also finances the growth of significant industrial enterprises focusing on Finland. In direct investments in companies, Tesi looks ahead to subsequent financing rounds already at the initial investment stage and makes follow-on investments in its portfolio companies together with other co-investors. Tesi is an active VC & PE investor, using its own networks and expertise to benefit the investees in its portfolio. Investments are made hand-in-hand and on equal terms with private investors.

In 2023, Tesi's normal operations included direct venture capital and private equity investments of altogether EUR 48 (26.7) million in 25 (14) companies. Of these, first-round investments of EUR 25 (18.9) million were made in six (7) companies and follow-on investments amounting to EUR 24 (7.8) million in 19

(7) companies. Tesi made initial investments in Valoo, Algorithmiq, Carbo Culture, Elcoline Group, Enifer and Ultimate Enterprises. Of these, Tesi made the Carbo Culture investment from its Circular Economy programme.

EAKR-Aloitusrahasto Ltd, whose investment operations were transferred from Finnvera to Tesi in 2021, had investments in 19 portfolio companies at the end of 2023. The fund will not make new investments and it exited from three (1) portfolio companies during 2023.

Pandemic-era special investment programmes

In 2022, Tesi closed the temporary pandemic-era Stabilisation and Venture Bridge special investment programmes (launched in 2020) to initial investments. Follow-on investments from the programme amounting to EUR 26 million were made in eight companies in 2023. By the end of 2023, Tesi had made investments under the programmes totalling EUR 301 million in altogether 63 companies and two VC & PE funds and received returns of EUR 106 million from the programmes.

The pandemic-era special investment programmes differ from Tesi's normal investment operations, and they are entered as separate items in Tesi's IFRS consolidated financial statements. It was agreed that Tesi repays to the Finnish state the separate recapitalisa-

tion it received for the pandemic-era special investment programmes from the returns on investments made from the programmes. In 2023, Tesi returned EUR 90 million of these returns to the Finnish state.

KRR funds-of-funds

In addition to our own investment operations, Tesi manages the KRR funds-of-funds (KRR I-V). Co-established by Tesi and Finnish institutional pension & insurance investors, the KRR funds are funds-of-funds that invest in Finnish venture capital as well as growth & buyout funds. The new KRR V fund-of-funds closed in December 2023 at a size of EUR 200 million. The KRR IV fund-of-funds made commitments to three (7) Finnish VC & PE funds in 2023 and the KRR V fund to one. The model for the KRR concept has proven to be highly successful over the last 15 years, while also having a positive impact on Finland's national economy. Between 2009 and 2023, the KRR funds-of-funds have committed capital to altogether 48 funds. These funds, in turn, have been accelerating the growth and international expansion of almost 350 Finnish companies.

EU's market-based financing mechanisms

Tesi manages two market-based, co-financing programmes created with the European Investment Bank (EIB): the EFSI programme launched in 2018 and the EGF programme launched in 2022. Both programmes

are EUR 100 million in size, with one-half of their financing coming from the EIB and one-half from Tesi. From the EUR 200 million of the joint programmes, EUR 102 million had been invested in 10 companies by the end of 2023. Launched to mitigate the economic difficulties caused by the coronavirus pandemic, the EGF programme is part of the European Guarantee Fund.

In 2023, Tesi made three (1) follow-on investments from the EFSI programme (Finnforel, Swappie and Varjo) amounting to EUR seven (2.4) million. Tesi has invested a total of EUR 43 million in altogether six companies from the EFSI programme. Tesi made four (3) investments from the EGF programme, (Algorithmiq, Ultimate Enterprises, Haltian, and Human Engineering Health (Veri)) amounting to EUR five (3) million. Tesi has invested a total of EUR eight million in altogether four companies from the EGF programme.

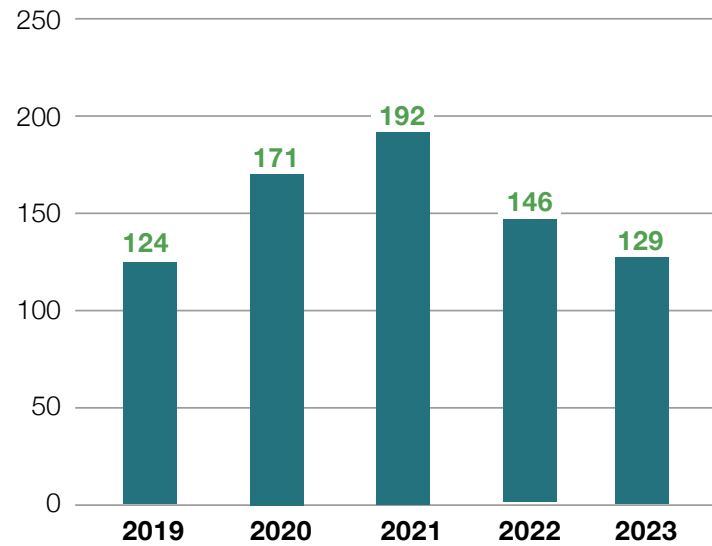
Exits

In 2023, Tesi received returns from its normal operations amounting to some EUR 100 million (137 million in 2022), of which capital returned from funds was roughly EUR 74 (120) million. Tesi also received some EUR 25 (17) million from dividends, earnouts and exits. Returns from exits create a solid base for Tesi's investment operations in coming years. In addition, Tesi received returns from its pandemic-era special invest-

ment programmes of EUR 85 million from six portfolio companies.

Tesi exited from its investments in Aidon, Coronaria, Firecon Group, Kide Science, Nanocomp and Traplight. We also exited from two portfolio companies we had invested in through the pandemic-era Stabilisation programme. Puurakentajat Group, Revonte and SharkPunch Inc. (Matchmade) all filed for bankruptcy. The last two companies were investments from the Venture Bridge programme. One portfolio company from the Stabilisation programme also filed for bankruptcy.

Channelling of international capital, MEUR

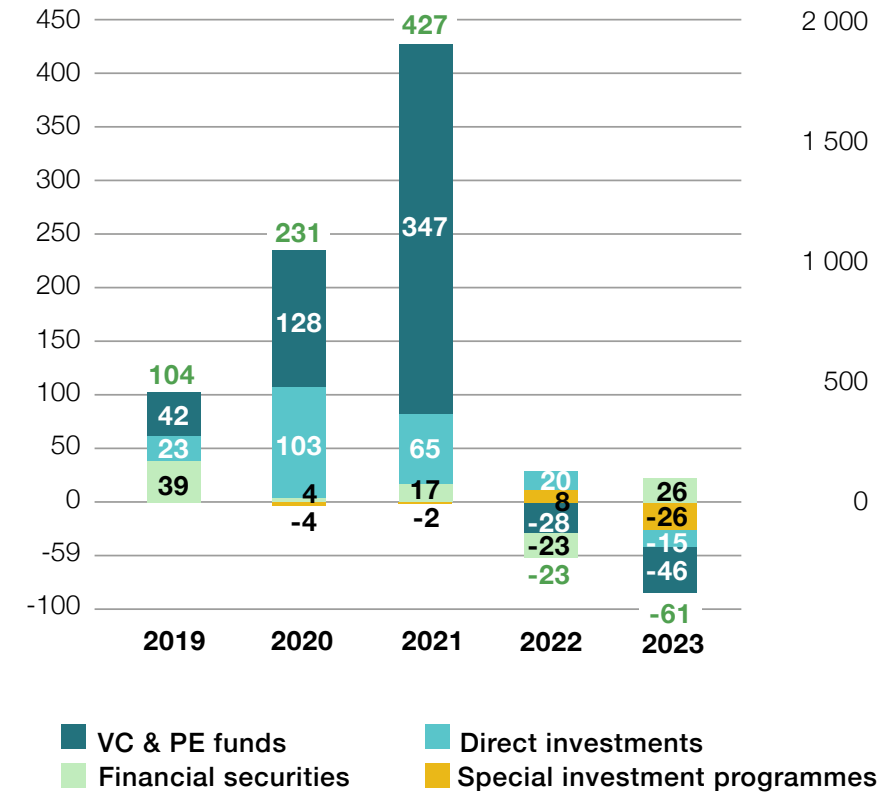


Number of portfolio companies at the end of the year

Tesi invests in Finnish companies through both Finnish and international venture capital & private equity funds and also makes direct investments hand-in-hand with private investors. Owing to the international nature of the venture capital & private equity market, foreign companies also become Tesi's investees via investment funds. At the end of 2023, there were altogether 1,315 (1,188 at the end of 2022) companies in Tesi's investment portfolio, of which 1,194 (1,060) were through funds and 121 (128) were investments directly in companies. Some 556 (497) of these portfolio companies were Finnish, in which Tesi invested EUR 971 (1,145) million, or 68% (75%) of Tesi's invested capital. Correspondingly, 759 (691) were international portfolio companies, in which Tesi invested EUR 458 (383) million, representing 32% (25%) of Tesi's invested capital.

Altogether 412 (346) of the portfolio companies of Finnish funds were Finnish and 230 (197) were international. Correspondingly, 24 (25) of the portfolio companies of international investment funds were Finnish and 528 (492) international. Tesi's international fund investments are 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

Net gains, MEUR

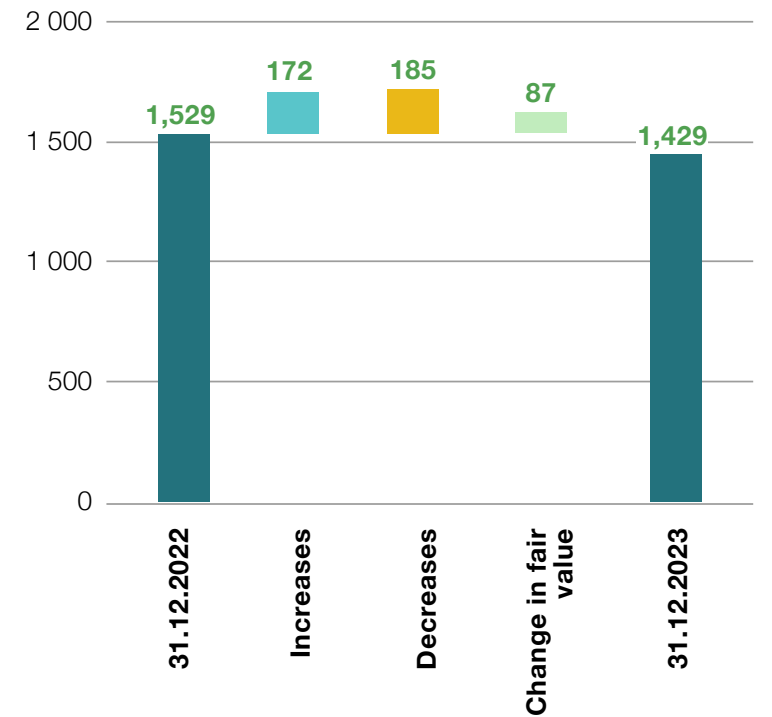


holding in these international funds is much smaller than its typical holding in Finnish funds.

Channelling international capital, expertise and networks

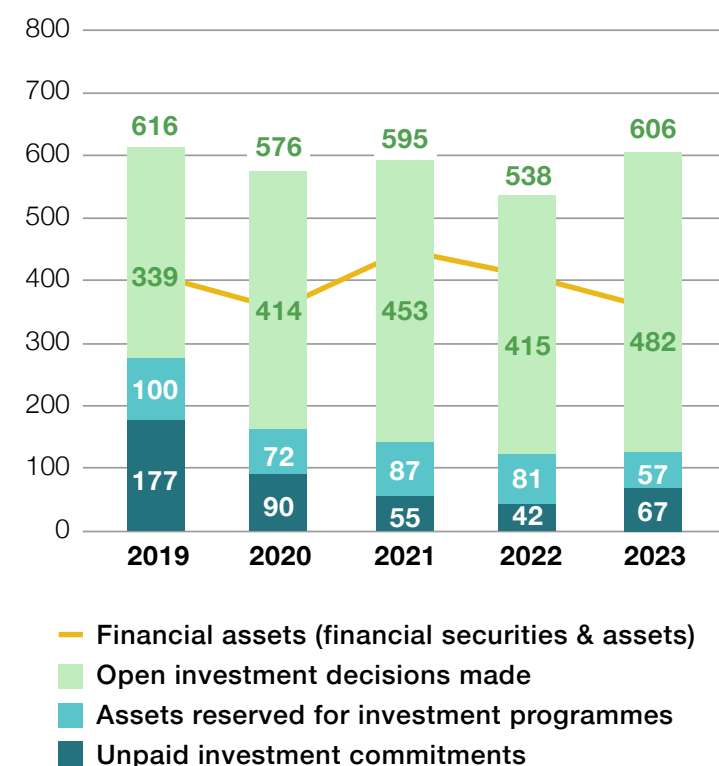
Tesi develops Finland's venture capital and private equity market by also investing in VC & PE funds based outside Finland. Since the VC & PE industry is strongly

Change in VC & PE investments 1.1.2023–31.12.2023, MEUR



international, it is essential for the formation of expertise, networks and investor syndicates that fund investment activities extend beyond Finland's borders. Tesi invests especially in international funds that also invest in Finnish startups and growth companies or that act as benchmarks for Finnish VC & PE investors through which Tesi can, by various means, convey international expertise into Finland.

Financial assets and unpaid commitments 2019–2023, MEUR*



* The figures do not include assets and commitments under the pandemic-era special investment programmes.

Channelling international capital into Finland requires strong international networks. Alongside the actual investments, we build a network of co-investors for Finnish growth companies and help Finnish VC & PE funds find international fund investors.

In 2023 Tesi's international investor partners invested

a total of EUR 129 million in Finnish growth companies, of which EUR four million came from Tesi's international portfolio funds.

A total of almost EUR 183 (200) million in new capital was channelled into these direct investments from Finland and the rest of the world, roughly four times the amount invested by Tesi.

GROUP'S FINANCIAL PERFORMANCE

Consolidated profit/loss

Tesi's net loss for the fiscal year was EUR -51 million (-26 million in 2022). Tesi's loss for the fiscal year derived mainly from gains from VC & PE investments realised during the year EUR 43 (83) million and losses on the change in fair value of investments EUR -130 (-83) million recognised in line with IFRS principles.

The Group's net loss for 2023 was altogether EUR -61 (-24) million. Net losses from venture capital and private equity funds amounted to EUR -46 (-28) million. Net gains/losses from direct venture capital and private equity investments totalled EUR -15 (20) million. The negative trend in asset valuations was the main cause of the net losses.

Net gains from the pandemic-era Stabilisation and Venture Bridge special investment programmes amounted to EUR -26 (8) million.

Other operating income includes net losses from

financial securities amounting to EUR -26 million (-23). Other operating expenses were EUR 13.3 (11.7) million, rising 13.6% on the previous year. The ratio of operating expenses to investments under management was 0.5% (0.5%). Operating loss was EUR -72 (-33) million.

Balance sheet and financial position

Non-current assets were EUR 1,499 million at the end of the fiscal year (1,588 million at the end of 2022), of which EUR 1,429 (1,529) 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 774 (798) million were in VC & PE funds, EUR 483 (475) million were in direct VC & PE investments, and EUR 172 (256) million were

in special investment programmes. The fair value of VC & PE investments declined by EUR 100 million (rose by +161 million in 2022). 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 394 (468) million includes financial securities of EUR 318 (356) million recognised at fair value in the statement of comprehensive income. The figure for non-current assets also includes EUR 30 (29) million of financial securities recognised at fair value in the statement of comprehensive income. Financial securities consist of bond investments EUR 261 (303) million, listed equity investments EUR 57 (53) million, and other investments EUR 30 (29) million.

Financial securities safeguard continuity in the company's investment operations and its ability to

IMPACT OF CHANGES IN VALUE OF VC & PE INVESTMENTS ON INVESTMENT PORTFOLIO (1,429 MEUR)

Direct investments (fair value 655 MEUR)	Change in value of fund investments (fair value MEUR 774)				
	0%	-5%	-10%	-15%	-20%
0%	0	-39	-77	-116	-155
-10%	-66	-104	-143	-182	-220
-20%	-131	-170	-208	-247	-286
-30%	-197	-235	-274	-313	-351
-40%	-262	-301	-339	-378	-417

meet unpaid investment commitments. At the end of 2023, unpaid investment commitments totalled EUR 492 (429) million, including EUR ten (14) million in commitments to special investment programmes. Unpaid investment commitments consist almost entirely of commitments given to venture capital and private equity funds with an average payment period of over four years. In addition, some EUR 57 (81) 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 67 (42) million. The Group's balance sheet total as at 31 December 2023 was EUR 1,893 (2,055) million. Shareholders' equity fell to EUR 1,788 million as a result of the EUR -51 (-26) million net loss for the fiscal year and of the distribution of reserves from the EUR 90 million invested unrestricted equity (SVOP) fund. The Group's equity ratio was 94.5% (93.9%). 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 that sets out the principles for risk management, specifies risk definitions and risk classifications and also defines the main roles and divisions of responsibilities as well as the monitoring and reporting procedures. The goal for risk management is to ensure that risks borne by the company are commensurate with its risk-bearing capability. The aim is to ensure that the risks attached to the company's business operations are identified and assessed, that the company responds to those risks, and that they are managed and monitored. The Board of Directors confirms the company's strategy and action plan, in which the priorities and targets for different investment allocations are specified. In order to reduce risks, investments are deconcentrated to different allocation classes, different industries, and also distributed geographically, while taking into account the company's social mission. The Board makes the company's investment decisions and supervises the implementa-

tion of investments. The Board of Directors has authorised the Management Team to make investment decisions regarding special investment programmes.

Risk management supports achievement of the goals set in the company's strategy and action plan by monitoring that the risks taken are commensurate with risk-bearing capability. Risk-bearing capability is managed by carefully planning investment operations and by managing investments with the aim of assuring achievement of the targets set for return on capital and profitability.

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

The value of private equity and venture capital investments at the end of the fiscal year amounted to EUR 1,429 million (1,529 million at the end of 2022). 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.

Rising interest rates and lower expectations of returns from venture capital and private equity invest-

ments 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.

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 evaluation 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. Read more about [ESG aspects in the relevant section of the Annual Report](#). More detailed information about risks and risk management is given in [Note 3](#) of the Notes to the consolidated 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 2023, 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); Timo Leino (LL.M., born 1957) and Jaakko Weuro (LL.M., born 1980). The Board of Directors convened 15 times in 2023, and attendance was 97%.

Tesi's CEO as from 1 January 2023 is Pia Santavirta (LL.M., born 1976). The parent company employed an average 51 people during the fiscal year (48 in 2022). Ten (4) new employees were recruited to permanent positions during the fiscal year. Three (2) permanent employees left Tesi during the fiscal year. At year's end 20 (16) women and 34 (32) men were permanent Tesi employees, and one man was employed on a fixed-term contract. In 2023, nine (8) trainees worked at Tesi.

Tesi conducts personal development interviews (PDIs) twice a year. Venture capital and private equity investing and Tesi's strategic objectives demand solid expertise. Activities to enhance expertise in 2023 focused particularly on Tesi personnel's communication skills.

Generally, employees experienced positive development in 2023: company-wide, all indicators of overall satisfaction and most comparable meters showed improvement. Communication about the upcoming merger of state-owned investors was rated as very good.

Tesi follows the guidelines issued by the Prime Minister's Office regarding remuneration in state-owned companies. Salaries and emoluments in 2023 totalled EUR 6.6 (5.8) 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 2023 amounted to EUR 695,513,743.25. The Board proposes to the Annual General Meeting that no dividend be distributed for fiscal year 2023. The company's financial resources will be targeted at private equity and venture capital investments that boost the growth and internationalisation of Finnish companies and promote the development of Finland's venture capital and private equity market.

EVENTS AFTER THE FISCAL YEAR

After the end of the review period, the draft legislation for the proposal written into Finland's Government Programme for establishing a new state-owned investment company has been circulating for comment since the start of 2024.

Tesi has continued its normal investment operations

in 2024. Read more news about our investment activities on our website tesifi.fi.

PROSPECTS

Despite the cautiously optimistic results of [Tesi's Growth Company Pulse Survey published in early 2024](#), the Bank of Finland forecasts a slight contraction of Finland's GDP in 2024, with the economy recovering only at the end of the year. The IMF also forecasts sluggish growth in the global economy.

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 high-growth sectors, as well as more investment in research, product development and innovation.

Tesi's operations will be strongly affected by the Finnish government's plans, set out in its Government Programme, to form a single state-owned investment company by merging the Finnish Climate Fund, Oppiva Invest and Business Finland Venture Capital into Tesi. The new company is planned to start operating at the beginning of 2025. The merger creates an opportunity for using capital more efficiently and for creating an enhanced service package for Finnish startups, growth companies and Finland's VC & PE market. A successful outcome greatly depends not only on how smoothly the merger process is implemented but also on the capital available to the new company.

Key Figures

KEY FIGURES, GROUP	IFRS 2023	IFRS 2022	IFRS 2021	IFRS 2020	IFRS 2019
Profit/loss for the fiscal year, MEUR	-50.7	-26.0	337.6	179.2	77.8
Shareholders' equity, MEUR	1,788.4	1,929.1	1,755.1	1,417.4	1,088.2
Balance sheet total, MEUR	1,893.0	2,055.4	1,889.9	1,499.3	1,129.7
Unpaid commitments, MEUR	491.9	429.4	469.6	414.0	339.0
Investments at acquisition price, MEUR	1,119.6	1,080.6	840.9	761.8	639.3
Investments at acquisition price and commitments, MEUR	1,611.5	1,510.0	1,310.5	1,175.8	978.3
Investments at book value, MEUR	1,429.0	1,528.6	1,367.1	1,019.1	710.9
Ratio of investments & commitments to shareholder's equity	1.1	1.0	1.0	1.0	1.0
New investments and commitments in fiscal year, MEUR	235	296.7	206.5	248.4	132.7
Return on equity	-2.7%	-1.4%	21.3%	14.3%	7.1%
Equity ratio	94.5%	93.9%	92.9%	94.5%	96.3%
Investments under management, MEUR	2,519.0	2,460.4	2,352.4	1,861.4	1,333.7
Expenses per investments under management	0.5%	0.5%	0.4%	0.5%	0.7%
Personnel, average	51	48	44	35	37
Salaries and fees for the fiscal year, MEUR	6.6	5.8	5.0	4.6	4.2
Fund investments, total number	114	111	105	93	89
KRR funds-of-funds, total number	5	4	4	4	3
Funds, number of portfolio companies	1,194	1,060	993	767	665
Parent company, number of direct portfolio companies	100	104	94	73	51
EAKR Aloitusrahasto Oy, number of portfolio companies	19	22	23	0	0
Tesi Industrial Management Oy, no. of portfolio companies	2	2	2	3	3
Number of portfolio companies, total number,	1,315	1,188	1,112	843	719
of which Finnish portfolio companies	556	497	491	337	271
of which international portfolio companies	759	691	622	503	448



IFRS consolidated financial statements

2023

Consolidated statement of comprehensive income

EUR THOUSANDS	NOTE	2023	2022
Net gains from VC & PE equity funds	5	-46,197	-28,431
Net gains from direct VC & PE investments	5	-14,610	19,997
Net gains from special investment programmes	5	-26,200	8,233
Net gains from investments, total		-87,007	-202
Net gains from financial securities		26,467	-23,306
Income from fund management		1,937	1,942
Other operating income, total		28,403	-21,364
Employee benefit costs.	6	-7,834	-6,881
Depreciation and impairment		-481	-438
Other operating expenses	7	-5,003	-4,404
Operating profit / loss		-71,922	-33,289
Financial income		3,307	514
Financial expenses		-144	-458
Profit / loss before income tax		-68,759	-33,233
Income taxes	8	18,077	7,229
Profit / loss for the fiscal year		-50,682	-26,004
Total comprehensive income for the fiscal year		-50,682	-26,004
Profit for the fiscal year attributable to:			
Shareholders of the parent company		-50,682	-26,004

Consolidated statement of financial position

EUR THOUSANDS	NOTE	31.12.2023	31.12.2022
ASSETS			
Non-current assets			
VC & PE investments			
VC & PE funds	4	773,782	797,539
Direct VC & PE investments	4	483,408	474,743
Special investment programmes	4	171,801	256,276
VC & PE investments, total		1,428,991	1,528,559
Intangible and tangible assets	9	2,041	2,076
Deferred tax assets	11	38,004	28,193
Financial securities	4	30,460	29,021
Non-current assets, total		1,499,496	1,587,848
Current assets			
Receivables		1,131	786
Financial securities	4	318,027	355,996
Cash & cash equivalents, special investment programmes		65,454	94,865
Cash & cash equivalents		8,907	15,895
Current assets, total		393,519	467,542
Assets, total		1,893,015	2,055,390

EUR THOUSANDS	NOTE	31.12.2023	31.12.2022
EQUITY AND LIABILITIES			
Equity attributable to the shareholders of parent company			
Share capital		438,992	438,992
Share premium account		215,855	215,855
Invested unrestricted equity fund		274,500	364,500
Retained earnings		909,722	935,726
Profit for the fiscal year		-50,682	-26,004
Shareholders' equity, total	10	1,788,387	1,929,070
Liabilities			
Non-current liabilities			
Lease liabilities		1,467	1,905
Deferred tax liabilities	11	96,085	112,022
Non-current liabilities, total		97,552	113,926
Current liabilities			
Accounts payable and other liabilities	12	7,076	12,394
Current liabilities, total		7,076	12,394
Liabilities, total		104,627	126,320
Equity and liabilities, total		1,893,015	2,055,390

Consolidated statement of changes in equity

EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF PARENT COMPANY

EUR THOUSANDS	Share capital	Share premium account	Invested unrestricted equity fund	Retained earnings	Shareholders' equity, total
1.1.2022	438,992	215,855	164,500	935,726	1,755,074
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
Shareholders' equity 31.12.2022	438,992	215,855	364,500	909,722	1,929,070

EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF PARENT COMPANY

EUR THOUSANDS	Share capital	Share premium account	Invested unrestricted equity fund	Retained earnings	Shareholders' equity, total
1.1.2023	438,992	215,855	364,500	909,722	1,929,070
Profit for the fiscal year				-50,682	-50,682
Total comprehensive income for the fiscal year				-50,682	-50,682
Transactions with owners in their capacity as owners					
Paid dividends and capital repayments			-90,000		-90,000
Shareholders' equity 31.12.2023	438,992	215,855	274,500	859,040	1,788,387

Consolidated statement of cash flows

EUR THOUSANDS	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Capital calls paid to VC & PE funds	-96,724	-110,274
Cash flows received from VC & PE funds	74,285	119,834
Direct VC & PE investments paid	-49,130	-25,347
Repayments of direct VC & PE investments and sales proceeds	22,320	14,232
Investments paid under special investment programmes	-26,551	-180,480
Cash flows received from investments under special investment programmes	84,826	17,426
Interest received from VC & PE investments	19	162
Dividends received from VC & PE investments	3,123	2,705
Cash flow from VC & PE investments, total	12,168	-161,742
Payments for financial securities	-35,000	-65,194
Sales proceeds from financial securities	98,004	94,747
Payments received from other operating income	2,158	2,161
Payments made for operating expenses	-13,366	-11,221
Cash flow from operating activities before taxes	63,964	-141,249
Direct taxes paid	-13,111	-12,274
Cash flow from operations (A)	50,853	-153,522

EUR THOUSANDS	2023	2022
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for tangible and intangible assets	-1	-144
Cash flow from investing activities (B)	-1	-144
CASH FLOW FROM FINANCING ACTIVITIES		
Paid dividends and capital repayments	-90,000	0
Invested unrestricted equity fund	0	200,000
Interests received	2,749	0
Cash flow from financing activities (C)	-87,251	200,000
Change in cash & cash equivalents (A+B+C) increase (+)/decrease (-)	-36,400	46,333
Cash & cash equivalents at beginning of period	110,760	64,427
Cash & cash equivalents at end of period	74,361	110,760
Cash & cash equivalents at end of period comprise:		
Cash & cash equivalents, special investment programmes	65,454	94,865
Cash & cash equivalents, other operations	8,907	15,895

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 to develop Finland’s venture capital and private equity (VC & PE) market profitably and on market terms, by investing in VC & PE funds and directly in startups and growth companies together with other private investors. In addition, Tesi has an industry-focused mission aimed at promoting economic growth, innovation, and investments. As an investment company fully owned by the Finnish state, Tesi’s operations are regulated by Act of Parliament and government decree and by ownership steering.

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 2.3 billion euros. Tesi currently has investments in almost 1,300 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 Tesi’s website: tesi.fi. Tesi’s Board of Directors, at their meeting on 8 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 per 31 December 2023 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 2023

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.

NEW AND UPDATED STANDARDS APPLICABLE IN FUTURE FISCAL YEARS

By the time of the financial statements, upcoming standard changes or interpretations published are not expected to have a material impact on the company’s consolidated 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 immediately. After initial recognition, financial assets are measured at fair value at each reporting date, and both realised and unrealised changes in fair value are recognised in profit or loss in the period in which they arise. The net movements in the fair value of 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 impair-

ment 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 man-

datory 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 re-

lated 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 in-

vestments. 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 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 2023 and 31 December 2022.

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

MEUR	31.12.2023	%	31.12.2022	%
VC & PE funds	779	42%	803	40%
Venture capital	411	22%	452	22%
Later stage	206	11%	181	9%
Funds-of-funds	157	8%	165	8%
Funds under special investment programmes	6	0%	6	0%
Direct VC & PE investments	650	35%	725	36%
Venture capital	307	17%	295	15%
Later stage	176	10%	180	9%
Special investment programmes	166	9%	251	12%
Financial securities	348	19%	385	19%
Bond funds	261	14%	303	15%
Equity funds	57	3%	53	3%
Other investments	30	2%	29	1%
Cash & cash equivalents	74	4%	111	5%
Total	1,852	100%	2,024	100%

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.

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 mod-

els 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 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 matters 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 and shut for initial investments in March 2022. 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-in-

vestors, 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.

Between 2020–2022, the Company was recapitalised with gratuitous investments amounting to EUR 350 million in the Company's invested unrestricted equity fund, of which EUR 90 million was returned to the state during 2023. As 31 December 2023, some EUR 65 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.

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 VC & PE 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.

Per 31 December 2023, the fair value of the Company's cash and cash equivalents and financial securities amounted to EUR 357 million (401) and the amount of unpaid investment commitments (A) was EUR 482 million (415), excluding the cash & cash equivalents of EUR 65 million relating to special investment programmes and unpaid commitments of EUR ten 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 per 31 December 2023 included unpaid capital of EUR 57 million (81), and investment decisions (C) made by the Company's Board of Directors and yet not implemented totalled EUR 67 million (42). The total of A+B+C was EUR 606 million (538), 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 continued to raise their steering rates during 2023. 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 investments 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 per 31 December 2023 was EUR 261 million. The market risks that affect the value of 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 per 31 December 2023 was 1.9 years, and a hypothetical increase in the general interest rate level by one percentage point would decrease the fair value of the Company's fixed income investments by an estimated amount of EUR six million.

The fair value of equity investments included in financial securities per 31 December 2023 was EUR 57 million.

31.12.2023	EURO MEUR	USD MEUR	SEK MEUR	DKK MEUR	GBP MEUR	Other MEUR	Total MEUR
VC & PE funds	652	82	33	7	6		779
Direct investments	631	3				15	650
Financial securities, cash & cash equivalents	370	32	2	0	3	15	423
Total	1,653	117	34	7	9	31	1,852
Sensitivity analysis							
Impact of 10% change in exchange rate on profit		11	3	1	1	3	18
Unpaid commitments to VC & PE funds	470	2	4	0	0	0	476

A decrease of 10% in share prices would decrease the value of equity investments by EUR six 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 2023 was EUR 198 million, representing some 14% 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 dispersed 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.

CAPITAL MANAGEMENT AND INVESTMENT RETURNS

The Company is financed by equity. The Company does not have a specified policy for distributing divi-

dends. 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

Gains before taxes and company's expenses from Tesi's investment activities 2015-2023 (gains = changes in fair value)

ALLOCATION / FISCAL YEAR	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total 2015-2023
Gains from VC & PE investments (MEUR)	109	46	69	90	65	226	411	0	-87	927
Gains from financial securities (MEUR)	6	17	18	-14	39	4	17	-23	26	90
Total, (MEUR)	115	63	87	75	103	230	427	-24	-61	1,017
Gains from VC & PE investments (%)*	24.9%	9.3%	12.7%	15.4%	9.8%	26.2%	34.4%	0.0%	-5.9%	12.0%
Gains from financial securities (%)*	1.9%	4.1%	4.2%	-3.3%	9.6%	1.0%	4.2%	-5.6%	7.0%	2.5%
Total	14.9%	6.9%	9.0%	7.5%	9.7%	18.4%	26.8%	-1.3%	-3.3%	9.0%

* 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.

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 2015-2023. 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 929 million at

the end of 2023. Consolidated shareholders' equity at the end of 2023 totalled EUR 1,1788 million. The Company's cumulative profit from operations, including the figure for the 2023 fiscal year, amounted to EUR 859 million.

The Finnish government's program was updated in June 2023 to merge Climate Fund Ltd, Business Finland Venture Capital Oy, and Oppiva Invest Oy into the ownership of Finnish Industry Investment Ltd. Preparations for the merger have commenced immediately, but it is estimated to occur no earlier than the beginning of 2025. The merger is expected to have significant impacts on the financial structure as the companies will transition to a new group with their commitments. The table below presents information about the companies as of June 30, 2023:

Per 30 June 2023	Climate Fund Ltd	Business Finland Venture Capital Ltd	Oppiva Invest Ltd	In total
Investments, MEUR	31	136	6	173
Commitments, MEUR	129	70	2	201
Personnel	24	3	4	31

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 fall short of the previously set estimates.

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 viewpoint of the value of the portfolio companies' business-

es (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
2023				
VC & PE funds				
Venture capital			411,187	411,187
Later stage			205,976	205,976
Funds-of-funds			156,619	156,619
Direct VC & PE investments				
Venture capital	4,038		303,120	307,158
Later stage	12,760		163,490	176,250
Special investment programmes				
Venture capital			27,487	27,487
Later stage	915		143,399	144,314
Financial securities				
Bond funds	260,963			260,963
Equity funds	57,064			57,064
Other investments	30,460			30,460
Total	366,200	0	1,411,278	1,777,478

Direct VC & PE investments comprise equity investments EUR 438 million and debt investments EUR 45 million. Special investment programmes comprise investments EUR six million, equity investments EUR 19 million and debt investments EUR 153 million. The content of investments is specified in more detail in Note [3. Risk management](#).

EUR THOUSANDS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
2022				
VC & PE funds				
Venture capital			452,254	452,254
Later stage			180,639	180,639
Funds-of-funds			164,646	164,646
Direct VC & PE investments				
Venture capital	10,990		283,526	294,516
Later stage	18,483		161,744	180,227
Special investment programmes				
Venture capital			38,870	38,870
Later stage			217,406	217,406
Financial securities				
Bond funds	302,737			302,737
Equity funds	53,260			53,260
Other investments	29,021			29,021
Total	414,490	0	1,499,085	1,913,575

Direct VC & PE investments comprise equity investments EUR 438 million and debt investments EUR 45 million. Special investment programmes comprise investments EUR six million, equity investments EUR 19 million and debt investments EUR 153 million. The content of investments is specified in more detail in [Note 3. Risk management](#).

Changes in level 3 financial assets measured at fair value:

EUR THOUSANDS	1.1.2023	Total gains and losses recognised in the income statement	Additions	Decreases	31.12.2023
INVESTMENT CLASS					
VC & PE funds					
Venture capital	452,254	-47,752	39,235	-32,549	411,187
Later stage	180,639	10,462	39,633	-24,758	205,976
Funds-of-funds	164,646	-8,906	17,856	-16,978	156,619
Direct VC & PE investments					
Venture capital	283,526	-4,408	26,950	-2,948	303,120
Later stage	161,744	492	20,046	-18,792	163,490
Special investment programmes					
Venture capital	38,870	-11,384	2,225	-2,224	27,487
Later stage	217,406	-14,283	23,559	-83,283	143,399
Total	1,499,085	-75,780	169,503	-181,532	1,411,278
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:					-118,748

EUR THOUSANDS	1.1.2022	Total gains and losses recognised in the income statement	Additions	Decreases	31.12.2022
INVESTMENT CLASS					
VC & PE funds					
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
Direct VC & PE investments					
Venture capital	243,428	33,394	20,568	-13,864	283,526
Later stage	166,879	4,883	5,895	-15,914	161,744
Special investment programmes					
Venture capital	30,104	2,316	10,321	-3,871	38,870
Later stage	54,886	5,985	169,416	-12,879	217,406
Total	1,330,828	18,147	316,473	-166,362	1,499,085
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

Sensitivity analysis for level 3 financial assets

INVESTMENT CLASS	Fair value 31.12.2023 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%
VC & PE funds					
Venture capital	411,187	Fair value	Values reported by fund management companies +/- adjustments made as a result of value testing made by the Company*		82,237
Later stage	205,976				41,195
Funds-of-funds	156,619				31,324
Direct VC & PE investments					
Venture capital	303,120	Portfolio company instrument trans- actions / Peer group	Valuation multiples**	EV/Net sales 2023 (5.7x)	45,352
Later stage	163,490			EV/EBITDA 2023 (7.7x)	19,768
Special investment programmes					
Venture capital	27,487	Fair value	Values are determined with various methods (EV-based, credit risk assessment, and valuations of external management companies) depending on the instruments.		5,497
Later stage	143,433				28,687

* Fair value testing of venture capital and private equity funds performed by the Company resulted in a fair value that was, in total, EUR 67 million lower than the values reported by fund management companies per 31 December 2023.

** 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.

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%
VC & PE funds					
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
Direct VC & PE investments					
Venture capital	283,526	Portfolio company instrument trans- actions / Peer group	Valuation multiples**	EV/Net sales 2022 (6.2x)	44,941
Later stage	161,744			EV/EBITDA 2022 (7.7x)	20,418
Special investment programmes					
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

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 Fund VI Ky	Helsinki	7.2%	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	26.6%	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
Conor Technology Fund I Ky	Espoo	40.0%	8,000,000
Conor Technology Fund II Ky	Espoo	20.0%	10,000,000
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	Ruotsi	7.0%	5,000,000
DevCo Partners III Ky	Helsinki	2.8%	5,000,000
DN Capital - Global Venture Capital III LP	Jersey	2.1%	3,000,000

COMPANY	REG. OFFICE	HOLDING %	ORIGINAL INVESTMENT INVESTMENT COMMITMENT EUR
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	2.2%	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
Folmer 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
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	6.6%	10,000,000
Inventure Fund Ky	Helsinki	24.2%	9,850,000
IPR.VC Fund II Ky	Helsinki	15.5%	10,000,000
IPR.VC Fund III Ky	Helsinki	24.8%	15,000,000
Juuri Rahasto I Ky	Helsinki	6.1%	5,000,000
Juuri Rahasto II Ky	Helsinki	8.0%	10,000,000
Karma Ventures II SCSp	Luxembourg	5.0%	5,000,000

COMPANY	REG. OFFICE	HOLDING %	ORIGINAL INVESTMENT INVESTMENT COMMITMENT EUR
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
Kasvurahastojen Rahasto V Ky	Helsinki	31.7%	63,300,000
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	4.3%	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
NATO Innovation Fund SCSp SICAV-SIF - NATO Sub-Fund 1	Luxembourg	32.1%	33,350,000
Nest Capital 2015 Fund Ky	Helsinki	10.0%	10,000,000
Nest Capital Fund III Ky	Helsinki	9.2%	10,000,000

COMPANY	REG. OFFICE	HOLDING %	ORIGINAL INVESTMENT INVESTMENT COMMITMENT EUR
Nexit Infocom II L.P.	Guernsey	17.7%	15,000,000
Northzone VI L.P.	Jersey	5.8%	7,500,000
Northzone VII L.P.	Jersey	3.0%	7,500,000
Northzone VIII L.P.	Jersey	2.9%	10,000,000
Northzone IX L.P.	Jersey	1.1%	5,000,000
Open Ocean Fund 2015 Ky	Espoo	6.3%	5,000,000
Open Ocean Fund 2020 Ky	Helsinki	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
Pale blue dot II (E) AB	Sweden	7.4%	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	19.2%	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	13.6%	15,000,000
UB Forest Industry Green Growth Fund I LP	Helsinki	9.2%	10,000,000

COMPANY	REG. OFFICE	HOLDING %	ORIGINAL INVESTMENT INVESTMENT COMMITMENT EUR
Usaldusfond Trind Ventures Fund II	Estonia	9.1%	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
Verdane Capital IX (E) AB	Sweden	5.7%	9,797,657
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
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
Virta Sijoituspooli II Ky	Helsinki	32.9%	10,000,000
VisionPlus Fund I Ky	Helsinki	9.9%	5,000,000
Voima Ventures Fund III Ky	Helsinki	4.9%	4,038,875
Voland Technology Growth Fund I Ky	Helsinki	17.6%	10,000,000
Nordic fund*		14.0%	10,000,000
			1,301,942,402

* The fund will be announced after its final closing

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%
Algorithmic Inc.	5.7%
Airmodus Oy **	20.1%
Aker Arctic Technology Oy *	66.4%
Aranda Pharma Oy **	4.2%
Aurealis Therapeutics AG **	12.3%
Aquaminerals Finland Oy **	2.6%
BC Platforms AG	10.6%
BCBM Holding Oy	19.1%
Bioretec Oy **	3.0%
BMH Technology Oy	24.8%
Bone Index Finland Oy **	7.6%
Carbo Culture Oy	5.7%
Cajo Technologies Oy **	7.1%
Den Group Oy	9.9%
Dispelix Oy	8.1%
Elcoline Group Oy	11.8%
Endev Oy	17.9%
EniferBio Oy	6.5%
Fifax Oyj	17.1%
Finnforel Oy	4.6%
Fira Oy	4.5%
Flow Technologies Oy	6.6%
Foamit Group Oy	31.6%
Forenom Group Oy	15.2%
Gisgro Oy **	15.7%

PORTFOLIO COMPANY NAME	HOLDING %
GRK Infra Oyj	8.7%
Helsinki International Schools Group Oy	21.2%
Human Engineering Health Oy (Veri) ***	-
Humm Group Oy **	10.7%
HVR Cardio Oy	9.7%
ICEYE Oy	5.9%
Injeq Oyj **	18.6%
IQM Finland Oy	7.6%
KotiCap Oy	13.7%
Lamor Corporation Oyj	7.0%
Lapwall Oyj	2.0%
Liikennevirta Oy	7.3%
Loihde Oyj	4.8%
MariaDB plc	3.1%
Meeat Food Tech Oy	11.5%
Mekitec Oy	14.9%
MetGen Oy	10.5%
Midaxo Oy	22.0%
M-Files Oy	13.1%
Nanol Technologies Ab Oy **	6.6%
Netled Oy **	15.6%
Newlcon Oy	4.5%
Nordic Rescue Group Oy	25.8%
Norsepower Oy Ltd **	15.8%
Nosto Solutions Oy	11.0%
Optomed Oyj	3.3%
Oura Health Oy	3.5%

PORTFOLIO COMPANY NAME	HOLDING %
Pesmel Oy	2.1%
Primex Pharmaceuticals Oy **	4.9%
Rauma Marine Constructions Oy *	21.3 %
Relais Group Oyj	1.2%
Rester Oy	11.3%
Rocsole Oy **	17.3%
Ruokaboksi Finland Oy	9.1%
Savroc Oy **	21.3%
Smartcom Labs Oy	2.2%
Solnet Green Energy Oy	13.4%
Surveypal Oy **	17.2%
Swappie Oy	5.4%
Tamturbo Oyj **	6.8%
Thirdpresence Oy	15.5%
TILT Biotherapeutics Oy	5.9%
Ultimate Enterprises Oy ***	-
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%
Valoo Oy	6.2%
Varjo Technologies Oy	4.5%
Vexve Armatury Group Oy ***	-
Wirepas Oy	8.6%

* Ownership through Tesi Industrial Management Oy.

** Ownership through EAKR-Aloitusrahassto 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
			13,700,000

Investments under Venture Bridge programme

PORTFOLIO COMPANY NAME	HOLDING %
Altum Technologies Oy *	-
Alvar Pet Oy	7.0%
Aurora Propulsion Technologies Oy *	-
Basemark Oy	7.0%
BioMensio Oy	3.4%
Blok Enterprises Oy *	-
Brella Oy *	-
Emberion Oy **	21.4%
Eduhub Oy *	-
Fake Production Oy	15.8%
Flexound Systems Oy *	-
Geyser Batteries Oy *	-
Gubbe Sydänystävä Oy *	-
Haltian Oy	3.6%
Iiwari Tracking Solutions Oy *	-
INNOMOST Oy *	-
Koherent Oy *	-
Maas Global Oy	4.7%
Measur Oy	10.0%
Mekitec Oy *	-
Monidor Oy *	-

PORTFOLIO COMPANY NAME	HOLDING %
Naava Group Oy	2.3%
Not a Hotel Venture Limited (Bob W)	3.4%
ONEiO Cloud Oy	5.4%
Phaver Oy *	-
Playvation Oy *	-
Rentle Oy	2.5%
ReceiptHero Oy *	-
Rocsole Oy	2.8%
Safegrid Oy	3.6%
Seaber Oy *	-
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 31.12.2022 loss EUR -3,276,232.14 and shareholders' equity EUR 7,604,659.50

Investments had been made from the Stabilisation programme in 12 portfolio companies by the end of 2023. 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	2023	2022
VC & PE funds		
Venture capital	-47,752	-45,270
Later stage	10,462	7,249
Funds-of-funds	-8,906	9,589
Direct VC & PE investments		
Venture capital	-11,357	26,683
Later stage	-3,254	-6,080
Special investment programmes		
Venture capital	-11,384	2,316
Later stage	-14,816	5,311
Total	-87,007	-202
Net gains from VC & PE investments consist of changes in fair value:		
Realised	43,063	82,819
Unrealised	-130,070	-83,021
Total	-87,007	-202

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	2023	2022
Salaries and fees	6,599	5,820
Pension expenses	975	871
Other personnel expenses	261	190
Total	7,834	6,881
Average number of personnel employed by the company during the fiscal year	51	48
MANAGEMENT TEAM		
Salaries and other short-term employee benefits	1,613	1,701
Total	1,613	1,701
CEO		
Salaries and other short-term employee benefits	246	332
Total	246	332
Emoluments for Board of Directors	176	203

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 2023. 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	2023	2022
Other employee benefit costs	872	659
Travel and hospitality expenses	186	115
External services	1,769	1,377
Other expenses	2,175	2,253
Total	5,003	4,404

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

EUR THOUSANDS	2023	2022
Audit fees	55	42
Tax advice	0	1
Other services	28	81
Total	82	124

8. Income taxes

EUR THOUSANDS	2023	2022
Current income tax for the fiscal year	-10,800	-14,238
Adjustments relating to previous years	3,129	-5,027
Deferred taxes *)		
Temporary differences originated and reversed	25,748	26,493
Income tax presented in the income statement	18,077	7,229

*) 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	2023	2022
Profit before income tax	-68,759	-33,233
Tax calculated at domestic tax rate	13,752	6,647
Income not subject to tax	1,060	922
Expenses not deductible for tax purposes	-120	-34
Difference between net income from VC & PE funds and taxable income	256	-2,247
Changes in entering deferred taxes		6,969
Adjustments relating to previous years	3,129	-5,027
Income tax presented in the income statement	18,077	7,229

9. Intangible and tangible assets

The carrying amount of tangible and intangible assets at 31 December 2022 was EUR 2,041 thousand (2022: EUR 2,076 thousand). This includes EUR 1,885 thousand of items classified as non-current assets as per IFRS 16 (2022: EUR 1,869 thousand). Depreciation and amortisation charged according to plan for 2023 were EUR 481 thousand (2021: EUR 438 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
31.12.2022	43,160	438,992	215,855	364,500	935,726	-26,004	1,929,070
31.12.2023	43,160	438,992	215,855	274,500	909,722	-50,682	1,788,387

The changes for the financial period are presented in the calculation of the changes in the consolidated equity.

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 in recapitalisations 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. These recapitalisations 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 VC & PE funds	Changes in fair values of direct investments	Changes in fair values of financial securities	Other items	Total
Deferred tax assets					
1.1.2022	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
Recognised in income statement	481	12,017	-2,687	0	9,811
31.12.2023	4,433	33,097	475	0	38,004

EUR THOUSANDS	Changes in fair values of VC & PE funds	Changes in fair values of direct investments	Changes in fair values of financial securities	Total
Deferred tax liabilities				
1.1.2022	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
Recognised in income statement	-15,687	-2,907	2,658	-15,937
31.12.2023	49,880	42,261	3,944	96,085

12. Current liabilities

EUR THOUSANDS	2023	2022
Accounts payable	554	653
Accruals relating to employee benefits	2,203	1,920
Tax liabilities	3,797	9,238
Other	522	583
Total	7,076	12,394

13. Commitments

Outstanding commitments at end of year

EUR THOUSANDS	2023	2022
VC & PE funds	468,048	400,459
Portfolio companies	13,830	14,915
Special investment programmes	9,992	14,036
Total	491,870	429,410

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](#) and in [Remuneration Report](#).

Transactions with related parties:

Finnish Industry Investment Ltd has sold the debt investment made in Turku Marine Industry Holding Oy to Business Finland Venture Capital, which falls under ownership steering by The Finnish Ministry of Economic Affairs and Employment.

Finnish Industry Investment Ltd charged a consulting fee from its subsidiaries of EUR 1,963 thousand.

Finnish Industry Investment Ltd had no investment commitments to its subsidiaries per 31 December 2023.

15. Subsidiaries

The following table presents the parent company and companies in which the group has control per 31 December 2023.

Parent	Country of registration	Nature of business	Holding by parent (%)	Holding by Group (%)	Treatment in consolidated financial statements
Finnish Industry Investment Ltd	Finland	VC & PE investment			
Subsidiaries					
Tesi Fund Management Oy	Finland	Management company	100%	100%	Consolidated
FEFSI Management Oy	Finland	Management company	100%	100%	Consolidated
EAKR-Aloitusrahassto 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

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, the draft legislation for the proposal written into Finland's Government Programme for establishing a new state-owned investment company has been circulating for comment since the start of 2024.

Tesi has continued its normal investment operations in 2024. Read more news about our investment activities on our website [tesi.fi](https://www.tesi.fi).

Signatures for the Board Of Directors' Report and Financial Statements

Helsinki, 8 March 2024.

Jacob af Forselles
Chair

Anniina Heinonen

Minna Helppi

Jaakko Weuro

Riku Huttunen

Mia Folkesson

Timo Leino

Pia Santavirta
CEO

Auditor's Report has been issued today.
Helsinki, 8 March 2024.

KPMG Oy Ab
Audit firm

Marcus Tötterman
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, 2023. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including material accounting policy information, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

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 IFRS Accounting Standards as adopted by

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are

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

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

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

forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based

on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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 8 March 2024
KPMG OY AB

Marcus Tötterman

Authorised Public Accountant, KHT

The background is a teal color with a pattern of water droplets on the right side and large, overlapping circular shapes on the left side. The droplets are clear and appear to be hanging from thin, dark lines. The circular shapes are light teal and have a soft, ethereal quality.

Tesi

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