



Tesi's Interim Review

H1 2023

Tesi

- We are a venture capital and private equity investor, investing on market terms and developing the market
- We invest in venture capital and private equity funds, and directly in growth companies
- We operate as a minority owner, hand in hand with private co-investors
- We promote sustainability, share market insights and create networks
- Our goal is to maximise our positive social impact through our operations
- We create the world's next success stories
- We are a venture capital and private equity company, 100% owned by the Finnish state

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Tesi acts as a stabilising counterforce in turbulent market conditions

“The valuation decline in startups and growth companies was reflected in Tesi’s performance in the first half of 2023, as was expected. There are no signs of a change for the better, either, as witnessed by the slowdown in the fundraising of venture capital and private equity funds, and by sluggish growth financing and exit prospects. We have experienced such turbulence before, during which Tesi acted as a counter-cyclical force. We take risks and share risks with private co-investors. Alongside our investment activities, we share market insights, promote sustainability, create networks and bring market players together.

Printed in the Government Programme, the fusion between state-owned players in the venture capital and private equity industry has now started. I see this giving us many opportunities: together we can be more diversified in how we help Finnish companies grow.”

– Pia Santavirta, CEO, Tesi

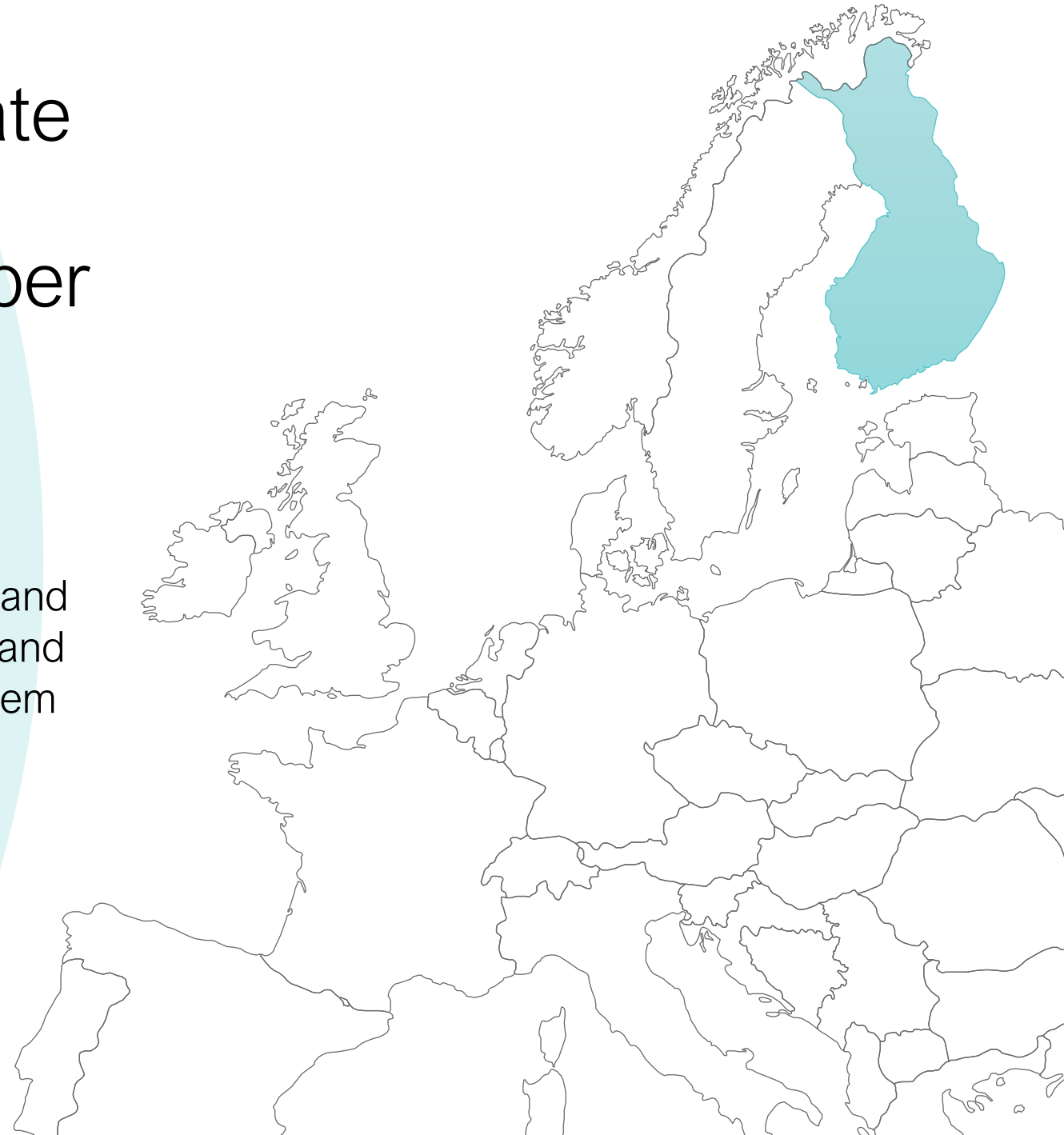
Tesi is a market-driven private equity and venture capital investor and market developer

MISSION

Making Finland's private equity and venture capital market a global success story

VISION

Finland has the strongest and most competitive startup and growth company ecosystem in Europe



Tesi is a market-driven private equity and venture capital investor

We're developing the private equity markets in a **market-driven** and **profitable** manner by investing in private equity funds and growth companies **together with private** investors. Tesi has an **industry-focused mission** aimed at promoting economic growth, innovation, and investments.



More private and EU-driven growth capital for companies.



Growth and new globally competitive industry hubs

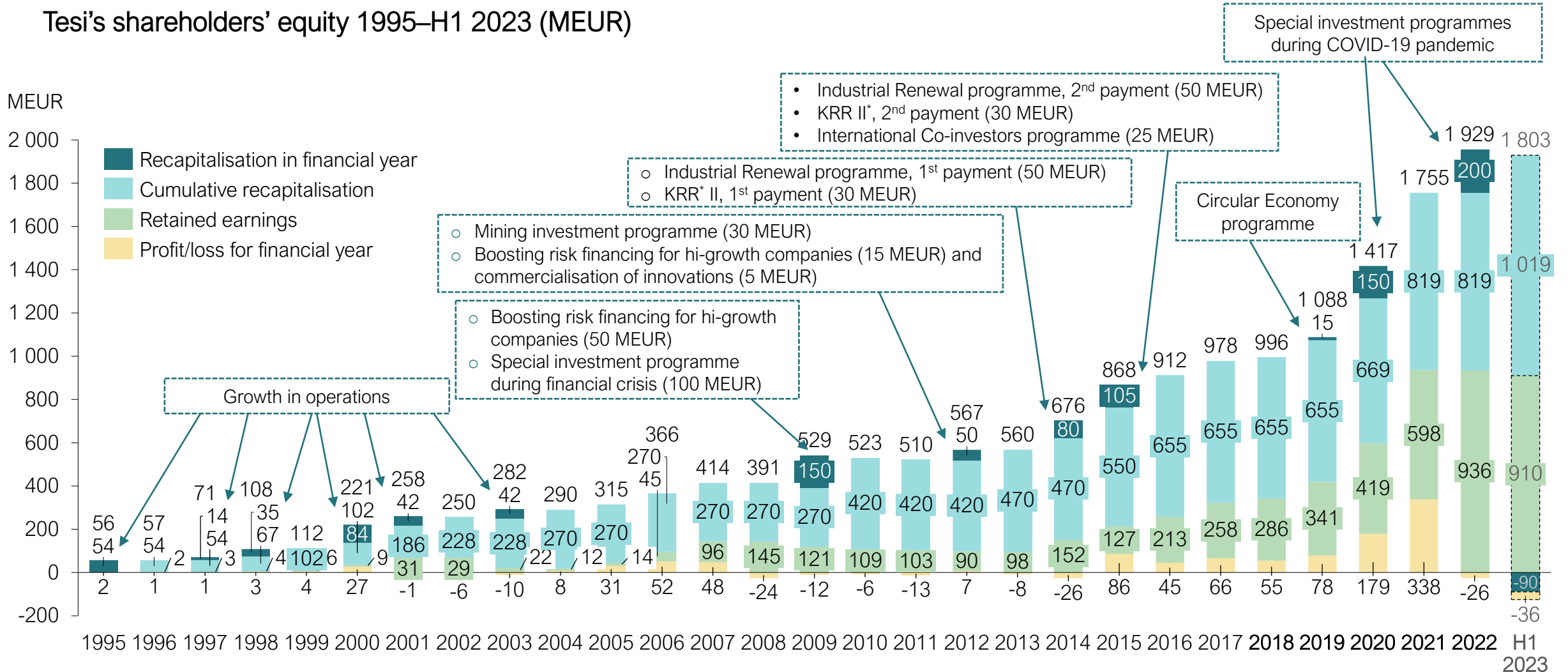


Tesi is the best in Europe in its field



Operating on market terms profitable over the long term

Tesi's shareholders' equity 1995–H1 2023 (MEUR)

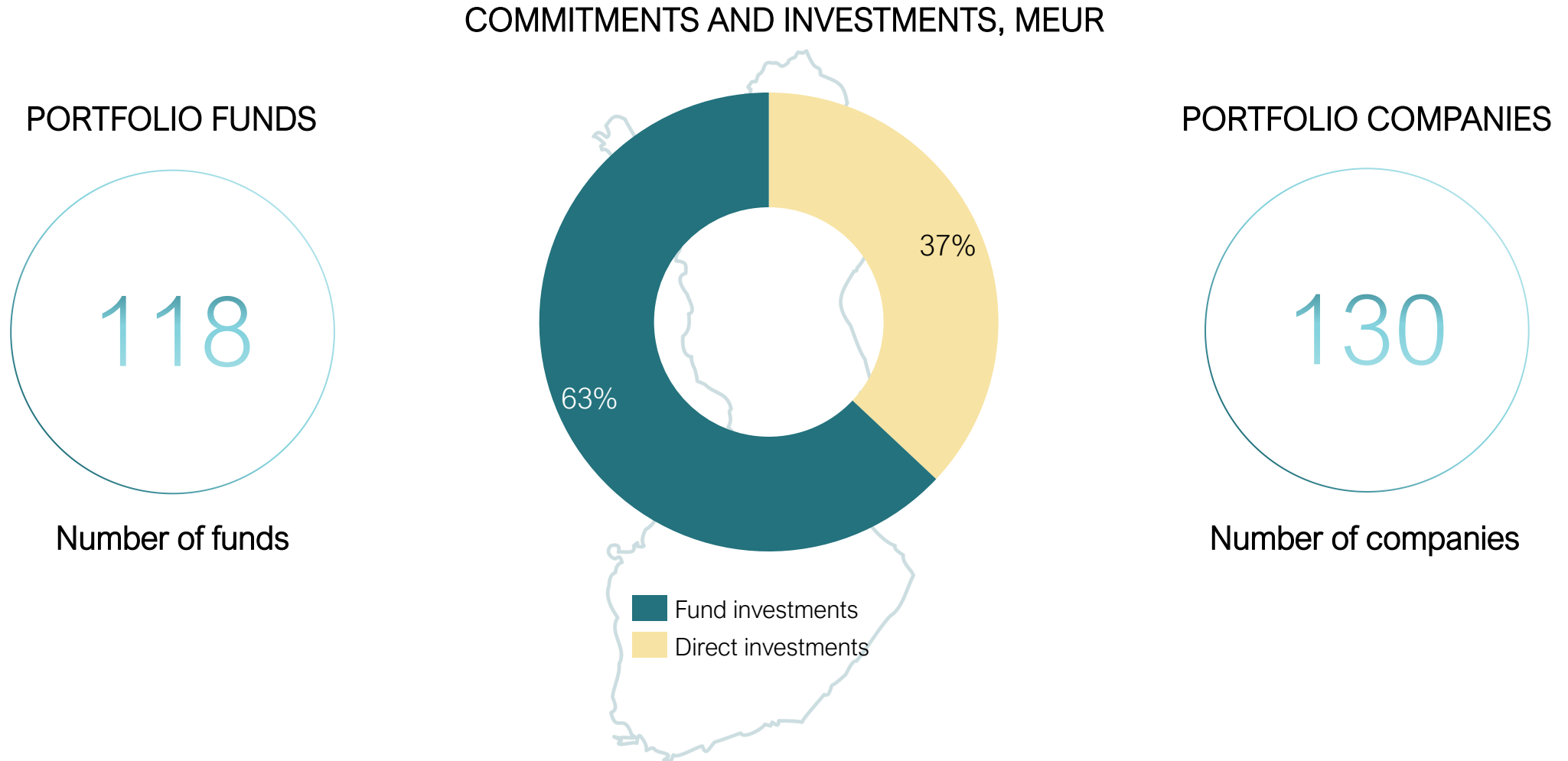




Our investment operations

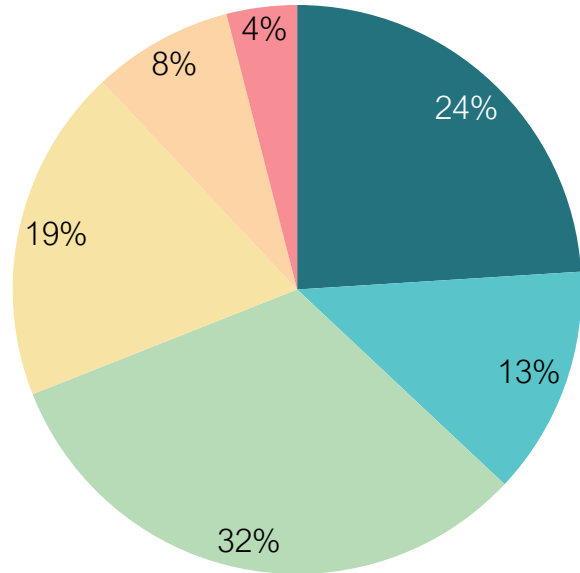
1.1.–30.6.2023

Our investment operations in a nutshell 30.6.2023



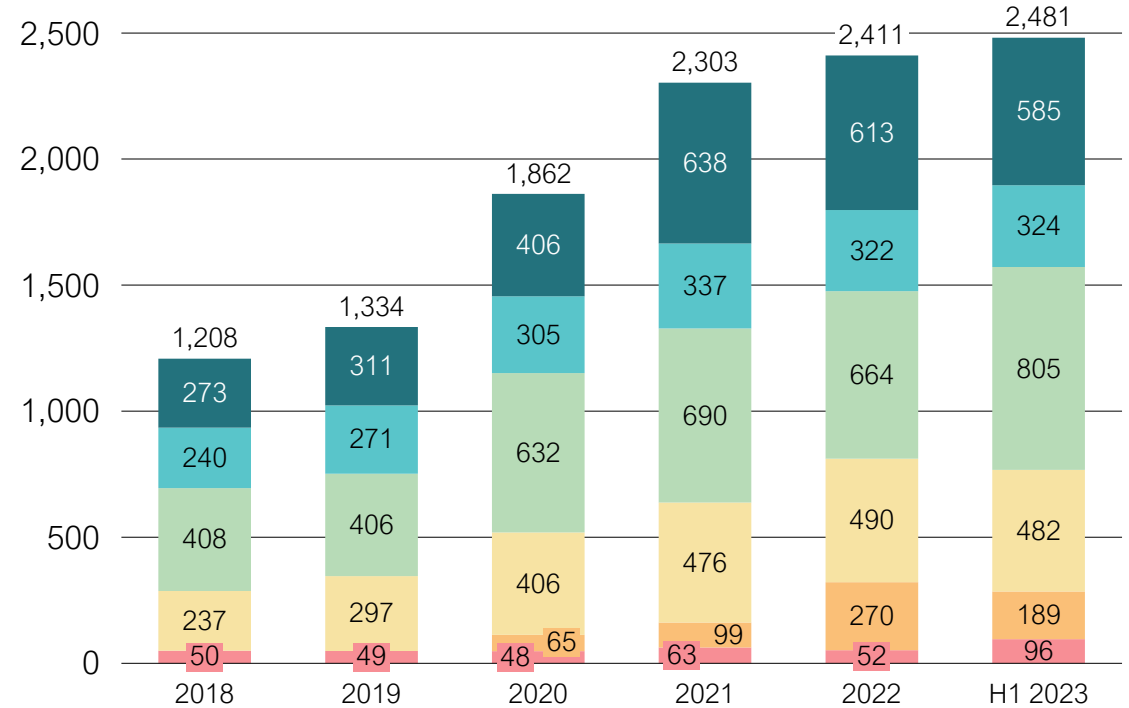
Investments under management EUR 2.5 billion

Investments under management MEUR 2,481 (30.6.2023)



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

Investments under management, MEUR***



- Venture capital funds
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- Direct investments
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Key Figures 1.1.–30.6.2023

PROFIT/LOSS, MEUR

-36

COMMITMENTS AND INVESTMENTS, MEUR

108

NUMBER OF FUND
COMMITMENTS GIVEN

4

NUMBER OF DIRECT
INVESTMENTS MADE

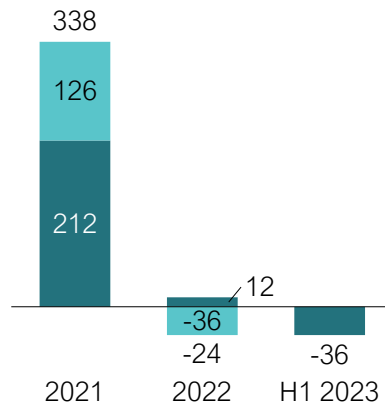
24

NUMBER OF EXITS FROM
PORTFOLIO COMPANIES

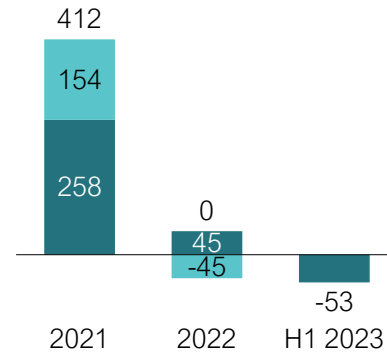
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Results of Tesi's operations 1.1.–30.6.2023

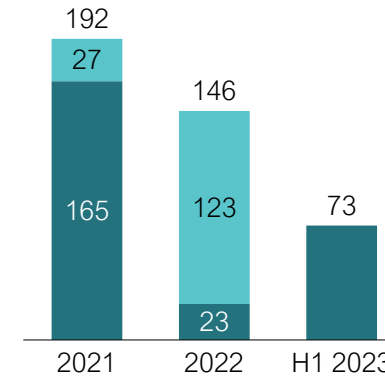
Consolidated profit/loss
MEUR -36



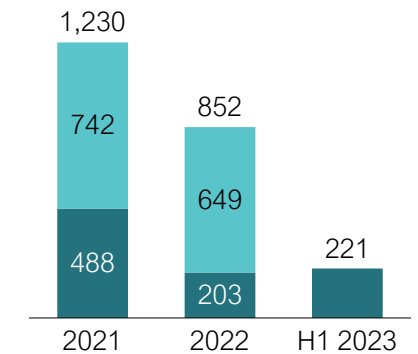
Returns on Tesi's VC & PE investments
MEUR -53



International capital in Finnish companies from Tesi's investor partners*
MEUR 73



Tesi's Finnish portfolio funds raised new capital totalling
MEUR 221



H1
H2

Our business operations are conducted on market terms and profitably over the long term

We develop Finland's venture capital and private equity market

Direct investments made, by company 1.1.–30.6.2023

INITIAL INVESTMENTS



Ultimate.

elcoline

FOLLOW-ON INVESTMENTS

NANOCOMP



IQM

EMBERION



Tamturbo



FIFAX



Midaxo



Fund commitments given* 1.1.–30.6.2023



Pale blue dot II



UB Forest Industry Green Growth Fund I



Voima Ventures Fund III



Kasvurahastojen Rahasto V

Exits* from portfolio companies 1.1.–30.6.2023



Coronaria is one of the largest healthcare service providers in Finland. Tesi made its first investment in the company in 2013 and was long-term owner right up to the exit in 2023.



Traplight is a developer of easily approachable, interesting and free mobile games. Traplight became one of Tesi's portfolio companies when Finnvera's venture capital operations (EAKR-Aloitusrahasto) were transferred to Tesi in autumn 2021.

enifer – fungi-based proteins

enifer (eniferBio Oy) is a food tech company established in 2020 as a spin off from VTT Technical Research Centre of Finland. The mycoprotein powder PEKILO® developed by the company is a replacement for soya used in the fish feed industry and is planned as a protein supplement in the food industry in the future. Widely used in the fish feed industry today, soya has ecological issues when it comes to the farming of it. These issues can be mitigated with a mycoprotein alternative.

In April 2023 enifer secured a MEUR 11 funding round. The investment round was led by AquaSpark, a Dutch venture capital fund focusing on the aquaculture sector. Valio, Tesi with its initial investment, and seed-stage investors NFT.VC and Voima Ventures also participated in the round.

[Read more about the company and its growth financing.](#)

”Production of alternative protein sources has been estimated to have the best positive climate impact in relation to the invested capital. The company is at the forefront of local food tech startups, and it possesses a verified technology that the team has managed to commercialise. The company is a fine addition to Tesi’s portfolio regarding sustainable food production.”

– Jan-Patrick Haikkola, Investment Manager, Tesi



Algorithmiq – quantum drug development

Algorithmiq on is a deep tech startup developing quantum computing algorithms and solutions for drug development and discovery. More specifically, the company's algorithms can be used to accelerate and optimise drug development by simulating the chemical activity of molecules. Algorithmiq aims to make current quantum computing commercially viable in the next three years.

The MEUR 14 million Series A round was led by Inventure. Tesi, Presidio Ventures (the corporate venture capital arm of Japan's Sumitomo Corporation), and London-based Thames Trust participated in the round, together with existing backers. The European Investment Bank (EIB) also participated in the investment round through the EIB's and Tesi's co-financing facility.

[Read more about the company and its growth financing.](#)

“Drug discovery is one of the most impactful application areas for quantum computing, and Algorithmiq has already demonstrated impressive technical results. Thematically, the investment fits spot-on into our investment strategy: the company has a high disruption potential, and it is operating in the intersection of two of our focus areas, deep tech and life sciences.”

– Joni Karsikas, Investment Director, Tesi

Nato Innovation Fund

Finland officially joined NATO's Innovation Fund in May 2023 through an investment of MEUR 35 made by Tesi. NATO's Innovation Fund will invest in Participating NATO Member Countries' early-stage deep tech startups and other venture capital funds developing nascent technologies of priority to NATO. The size of the fund is one billion euros.

“In practice, NATO's Innovation Fund focuses on financing companies in the deep tech sector. There are some 240 such companies in Finland, according to a survey conducted by Tesi. Deep tech companies typically need sizeable investments right from the outset, and their long development horizons require patient capital,” says **Matias Kaila**, Tesi's Director, Fund Investments.

Read more about [Nato's Innovation Fund](#) and/or [Tesi's December 2022 deep tech study](#). You can also view a [video presentation of our deep tech portfolio companies](#).

“We develop international networks, and we channel international capital and expertise into Finland. Tesi's investment will make NATO's Innovation Fund and its cooperation networks available to Finnish venture capital funds and startups.”

– Pia Santavirta, CEO, Tesi



Bluefors – growth at absolute zero

Bluefors manufactures dilution refrigeration systems that reach almost absolute zero. These coolers are used by Bluefors' corporate customers – companies, research centres and universities – in basic research and in the development of quantum computers.

Founded in 2008, Bluefors has grown steadily and now generates over one hundred million euros in net sales and employs over 300 people. The motors for such growth are quantum computers, with their massive computing power, now being built around the world. Bluefors has also supplied equipment for Finland's first quantum computer, built jointly by IQM and VTT Technical Research Centre of Finland. The company promotes the enormous potential of quantum technology in solving global sustainability challenges.

Tesi owns Bluefors through its fund investment in DevCo Partners.

[More details about the company.](#)

Coronaria – health and wellbeing services

Coronaria ranks among the largest healthcare service providers in Finland. The company provides nationwide vision care, specialised care, oral health care and a diverse range of rehabilitation services. Coronaria is a member of the Finnish health and wellbeing Cor Group family.

Tesi made its first investment in the company in 2013 and has been a patient owner since then right up to Tesi's exit in late spring 2023

[Read more about the company and Tesi's exit from its investment in the company.](#)

“During our long-term ownership, Coronaria saw its net sales grow from MEUR 39 to MEUR 369. On top of this growth, Coronaria has played a significant role in developing vision care and rehabilitation services in Finland. We're happy to have invested in the company and pleased with their development over the years.”

– Juuso Puolanne, Investment Director, Tesi



Profit/loss and balance sheet

1.1.–30.6.2023

Profit/loss and balance sheet

1.1.–30.6.2023

- Tesi's negative result for the first half of the year was largely due to a decline in the valuations of venture capital investments, which has been a prevailing trend in the whole venture market since the boom years of 2020–21.
 - The economic slowdown in Finland and Europe has started to be reflected in Tesi's portfolio companies, minority-owned indirectly through fund investments or directly through direct investments.
 - The deteriorating business climate is impacting the venture capital and private equity market through the considerably more challenging circumstances for fundraising, follow-on financing and exit prospects.
 - Conversely, a more challenging market often creates good investment opportunities.
- A major change at the Group level was the return of MEUR 90 capital to Tesi's owner, the Finnish state, at the start of the year. The returned capital came from exiting investments under the corona-specific Stabilisation and Venture Bridge special investment programmes. The returns and capital from the programme were returned in full to the state.
- The Group's financial assets, which safeguard the continuity and liquidity of the company's investment operations, amounted to MEUR 389 (30.6.2023), excluding the capital reserved for special investment programmes. Tesi's unpaid, off-balance-sheet investment commitments totalled MEUR 474. Financial assets were thus 82% of total commitments. This percentage, which describes liquidity status, is forecast to decrease in the near future due to the worsening business climate.
 - In addition, some MEUR 61 (30.6.2023) has been set aside for implementing the current investment programmes. Investment decisions made but not yet implemented amounted to MEUR 86.

Consolidated statement of comprehensive income IFRS			
EUR thousands	1-6/2023	1-6/2022	Change
Net gains from funds	-25,839	34,761	-60,600
Net gains from direct investments	-26,755	7,663	-34,418
Net gains from special investment programmes	-573	2,652	3,225
Net gains from investments, total	-53,167	45,076	-98,243
Other operating income, total	12,708	-24,355	37,063
Operating expenses	-6,495	-5,708	-787
Operating profit	-46,954	15,013	-61,967
Financial income and expenses	1,696	-195	1,891
Profit before taxes	-45,258	14,818	-60,076
Income taxes	9,391	-2,925	12,315
Profit after taxes	-35,867	11,893	-47,760
Total comprehensive income for year	-35,867	11,893	-47,760

Consolidated balance sheet IFRS			
EUR thousands	6/30/2023	12/31/2022	Change
Assets			
Non-current assets			
VC & PE funds	773,887	797,539	-23,653
Direct investments	454,387	474,743	-20,356
Special investment programmes	176,328	256,276	-79,948
VC & PE investments, total	1,404,603	1,528,559	-123,956
Other non-current assets	69,240	59,290	9,950
Short-term assets	445,338	467,542	-22,204
Assets, total	1,919,181	2,055,390	-136,209
Equity, total	1,803,203	1,929,070	-125,867
Non-current liabilities	114,034	113,926	108
Current liabilities	1,944	12,394	-10,450
Liabilities, total	115,978	126,320	-10,342
Equity and liabilities, total	1,919,181	2,055,390	-136,209

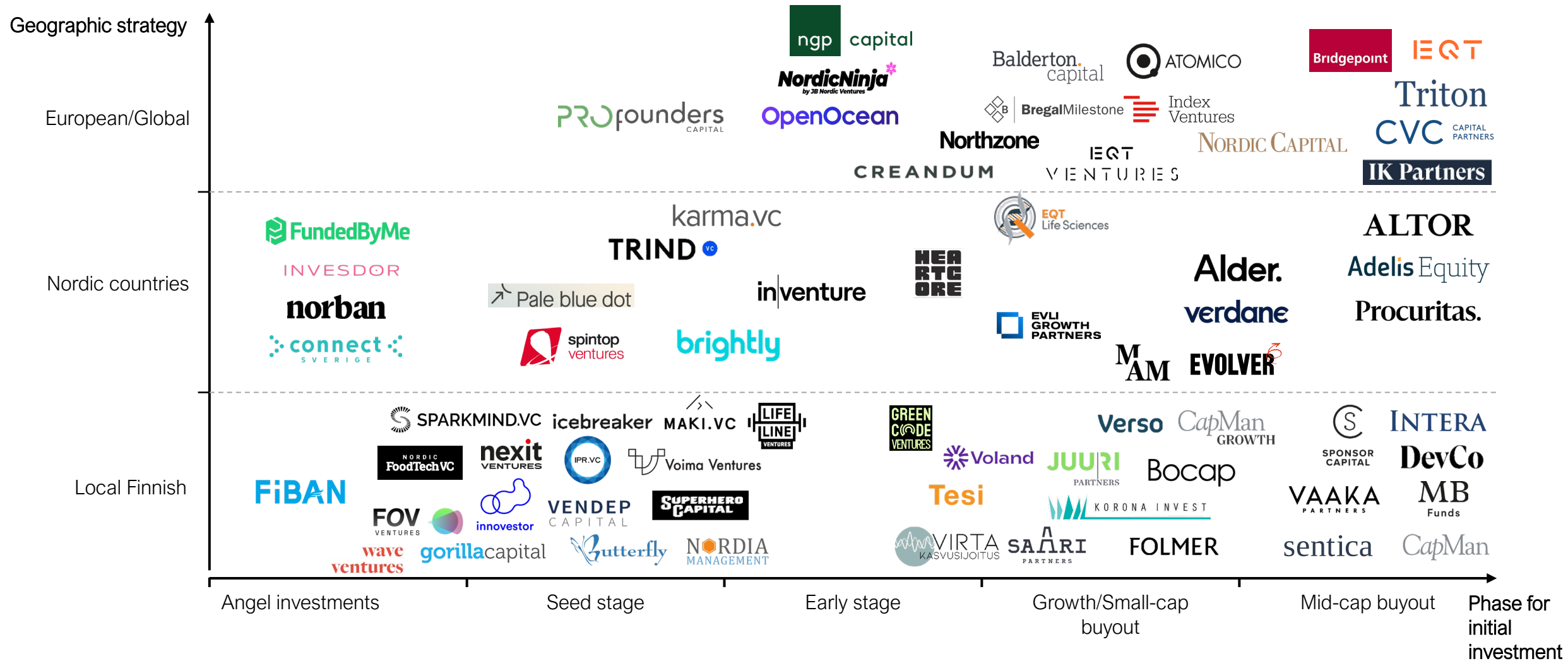


Events after the review period

Events after the review period and future prospects

- After the review period, Finland joined **NATO's Innovation Fund** through a MEUR 35 investment made by Tesi. The fund will invest in participating NATO Member Countries' deep tech startups and other venture capital funds developing nascent technologies.
- Tesi's operations will be considerably affected by the content of **Finland's Government Programme** published in June 2023. The programme sets out plans for centralising the Finnish state's VC & PE investment operations and corporate financing activities by merging Business Finland Venture Capital Ltd, Oppiva Invest Ltd and the Finnish Climate Fund (Ilmastorahasto Ltd) into Finnish Industry Investment Ltd (Tesi). Preparations have already been started by Finland's Ministry of Economic Affairs and Employment.
- Tesi may well be needed as a countercyclical force again in the future, as the **fundraising and exit environment** in which venture capital and private equity funds operate has become considerably more challenging. Furthermore, growth financing – particularly for later-stage startups – has slackened throughout Europe.
- A **decline in valuation levels** of startups and growth companies is already reflected in Tesi's financial performance. Given the weakening business climate, this trend is expected to continue.
- After the review period, we made four direct investments (Valoo, Swappie, Finnforel, Sisu-Auto) and one fund commitment (Nato Innovation Fund).

Our investor partners are VC & PE investors from Finland and Europe, investing in companies in all their growth phases



See our other publications.

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Tesi