

ANNUAL REPORT

(Translation of the Estonian original)

beginning of financial year: 01.01.2021

end of the financial year: 31.12.2021

Business name: BPEF III Supplementary Investment Facility usaldusfond

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Management report

The BPEF III Supplementary Investment Facility usaldusfond (the fund) was registered on 24 January 2020. The fund's main activity is the financing of company buyouts together with the BaltCap Private Equity Fund III usaldusfond. The initial commitments of the fund were EUR 24.0 million, and the total commitments of the fund stood at EUR 24.6 million as of the end of 2021.

The General Partner of the BPEF III Supplementary Investment Facility usaldusfond is BaltCap Private Equity Management III OÜ.

During the reporting period, the fund has called contributions from investors in the amount of EUR 6.0 million and made investments in portfolio companies in the amount of EUR 5.9 million.

In 2022, the fund plans to continue its investment activities by making new investments and additional investments in existing portfolio companies.

Financial statements

Statement of financial position

(In Euros)

	31.12.2021	31.12.2020	Note
Assets			
Current assets			
Cash and cash equivalents	88,010	1	
Total current assets	88,010	1	
Non-current assets			
Financial investments	5,470,570	0	2
Receivables and prepayments	510,756	0	3
Total non-current assets	5,981,326	0	
Total assets	6,069,336	1	
Liabilities and equity			
Liabilities			
Current liabilities			
Loan liabilities	0	95	
Payables and prepayments	9,036	7,751	4
Total current liabilities	9,036	7,846	
Total liabilities	9,036	7,846	
Equity			
Issued capital	6,084,354	0	6
Retained earnings (loss)	-7,845	0	
Annual period profit (loss)	-16,209	-7,845	
Total equity	6,060,300	-7,845	
Total liabilities and equity	6,069,336	1	

Income statement

(In Euros)

	2021	24.01.2020 - 31.12.2020	Note
Other operating expense	-16,217	-7,845	5
Operating profit (loss)	-16,217	-7,845	
Gain (loss) from financial investments	-353,909	0	2
Interest income	353,917	0	6
Profit (loss) before tax	-16,209	-7,845	
Annual period profit (loss)	-16,209	-7,845	

Notes to the financial statements

Note 1: Accounting policies

General information

The annual financial statements of the BPEF III Supplementary Investment Facility usaldusfond (hereinafter referred to as "the fund") for 2021 have been prepared in accordance with the accounting principles generally accepted in Estonia (the Estonian GAAP). The Estonian GAAP is based on internationally accepted accounting and reporting standards and its basic requirements are set forth in the Estonian Accounting Act and in the guidelines issued by the Estonian Accounting Standards Board.

The fund is managed by BaltCap Private Equity Management III OÜ (hereinafter "the General Partner"), which is a private limited company.

The annual financial statements are presented in euros, and the income statement has been prepared using the scheme no. 1 given in Note 2 of the Estonian Accounting Act. The fund has prepared the abridged annual report of a small business.

The annual financial statements have been prepared based on the acquisition cost principle, except for the cases described in the accounting principles below.

Cash and cash equivalents

Cash and cash equivalents are recognized under cash in the balance sheet and in the cash flow statement as current account balances (except overdrafts) and term deposits of up to 3 months. Overdraft is recognized in the balance sheet as part of short-term loan liabilities.

Financial investments

Securities held for trading purposes (shares, bonds, fund units, etc.) are recognized as short-term financial investments. Short-term financial investments are recognized in the balance sheet based at their fair value. The fair value assessment is based on the market value of the financial investment on the reporting date. Changes in the fair value of financial investments acquired for trading purposes are recognized as profit or loss in the income statement of the reporting period.

Long-term financial investments are recognized in the balance sheet at fair value if it can be reliably estimated. The determination of the fair value is based on the General Partner's assessment, made in accordance with the General Partner's assessment policy. If the fair value cannot be reliably estimated, long-term financial investments are recognized in the balance sheet at adjusted acquisition cost. Changes in value are recognized as profit or loss in the income statement for the reporting period.

Receivables and prepayments

Short-term claims arising in the course of the fund's normal business activities are recognised as receivables from customers.

All other receivables (accruals, loans granted and other short-term and long-term receivables), except for receivables acquired for the purpose of resale, are recognised at the adjusted acquisition cost. The adjusted acquisition cost of short-term receivables is generally equal to their nominal value (minus possible discounts), therefore short-term receivables are recognised in the balance sheet at the amount likely to be received. In order to calculate the adjusted acquisition cost of long-term receivables, they are initially recognised at the fair value of the payment receivable, taking into account the interest income from the receivable in subsequent periods using the internal interest rate method

Financial liabilities

All financial liabilities (debts to suppliers, loans received, accrued liabilities, issued bonds and other short-term and long-term liabilities) are initially recognised at their acquisition cost, which also includes all expenses directly related to the acquisition. Further recognition is carried out using the adjusted acquisition cost method.

The adjusted acquisition cost of short-term financial liabilities is generally equal to their nominal value, therefore short-term financial liabilities are recognised in the balance sheet in the amount payable. To calculate the adjusted acquisition cost of long-term financial liabilities, they are initially recognised at the fair value of the payment received (from which transaction costs are deducted), taking into account the interest expense on the liabilities in subsequent periods using the internal interest rate method.

A financial liability is classified as short-term if its payment term is within 12 months from the reporting date; or the company has no unconditional right to defer payment of the liability for more than 12 months after the reporting date.

Loan obligations with a repayment term within 12 months from the reporting date, but which are refinanced to long-term after the reporting date, but before the approval of the annual report, are recognised as short-term.

Related parties

The fund considers the parties to be related if one party has a significant controlling influence on the business decisions of the other party. Related parties are:

- 1) owners, i.e., investors, and persons who have influence over them;
- 2) fund manager, i.e., the General Partner;
- 3) management board members of the fund manager;
- 4) close family members of the persons listed above and companies under their dominant influence.

Investors' contributions

The fund's investors have assumed commitments towards the fund, and the maximum amount of the assumed commitments is given in Note 6. According to the agreement between the fund and the investors (limited partnership agreement), the fund requires the investors to pay the investment commitments as necessary, by submitting a written request to the investors.

The fund's investors (limited partners) are responsible to the fund for the maximum amount of the investment commitment, and according to the Commercial Code, they are responsible for the commitments assumed by the fund up to the maximum amount of the investment commitments.

Investors' contributions (limited partners and general partners) are recognized as a liability in the annual report, because upon liquidation of the fund, the fund is obliged to return their proportional share of the fund's net assets. Investors' contributions to the fund are not registered as capital, and investors' obligations to the fund are not identical

Events after the reporting date

Events after the reporting date, which have not been taken into account in the assessment of assets and liabilities, but which significantly affect the result of the next financial year, are disclosed in the Notes of the annual report.

Note 2: Long-term financial investments

(In Euros)

			Total
	Shares	Other	
31.12.2020	0	0	0
Acquisition	457,828	5,481,486	5,939,314
Disposal at selling price or redemption	0	-438,000	-438,000
Profit (loss) from disposal and revaluation	-353,909	0	-353,909
Other	0	323,166	323,166
31.12.2021	103,919	5,366,652	5,470,571

During the reporting period, the fund has made investments and granted loans to portfolio companies in the total amount of EUR 5,981,326 (24.01.2020 - 31.12.2020: EUR 0), see also Note 3. As of the reporting date, financial investments are recognized at fair value, which is found separately for each investment in accordance with International Private Equity Valuation Guidelines (IPEV Guidelines) and the fund's evaluation policy.

The "Other" column shows loans issued to portfolio companies, and the "Other" row shows the interest calculated on investments.

The issued loans have been granted to portfolio companies. Loans are viewed by the fund manager as part of the investment. The loans carry a fixed interest rate and the base currency of the loans is the euro.

During the reporting period, the principal amount of the loan granted to the portfolio company was partially converted into the equity capital of the portfolio company in the amount of EUR 438,000.

Note 3: Receivables and prepayments

(In Euros)

	31.12.2021	Over 5 years
Loan receivables	480,012	480,012
Other receivables	30,744	30,744
Interest receivables	30,744	30,744
Total receivables and prepayments	510,756	510,756

Note 4: Payables and prepayments

(In Euros)

	31.12.2021	Within 12 months	Note
Trade payables	431	431	
Related parties' payables	365	365	6
Other payables	8,240	8,240	
Other accrued expenses	8,240	8,240	
Total payables and prepayments	9,036	9,036	

	31.12.2020	Within 12 months	Note
Related parties' payables	4,511	4,511	6
Other payables	3,240	3,240	
Other accrued expenses	3,240	3,240	
Total payables and prepayments	7,751	7,751	

Note 5: Miscellaneous operating expenses

(In Euros)

	2021	24.01.2020 - 31.12.2020
Accounting and auditing costs	10,520	3,240
Liability insurance	2,609	0
Legal costs	2,458	226
Other	630	4,379
Total miscellaneous operating expenses	16,217	7,845

Note 6: Related parties

(In Euros)

Related party balances by groups

SHORT TERM	31.12.2021	31.12.2020
Payables and prepayments		
Legal person with material ownership interest and material influence of management and higher	365	4,511
Total payables and prepayments	365	4,511

The fund manager (General Partner) is BaltCap Private Equity Management III OÜ. No transactions have been made with the General Partner during the reporting period.

AS BaltCap is the founder partner of the fund and the parent company of the General Partner. During the reporting period, AS BaltCap has incurred operating expenses related to the fund, which were subject to compensation by the fund, in the amount of EUR 3,745 (24.01.2020 - 31.12.2020: EUR 4,511), of which EUR 365 were recognized as a liability on the balance sheet as of the end of the financial year (24.01.2020 - 31.12.2020: EUR 4,511), see Note 4.

During the reporting period, the fund acquired part of the investment in BaltCap Private Equity Fund III usaldusfond portfolio. During the reporting period, BaltCap Private Equity Fund III usaldusfond has borne the transaction costs of the investment related to the fund, which were subject to compensation by the fund, in the amount of EUR 15,484.

The maximum obligation to make contributions to the fund by the limited partners of the fund as of 31.12.2022 was EUR 24,596,621 (24.01.2020 - 31.12.2020: EUR 21,000,000).

During the reporting year, the fund has acquired shares of and granted loans to portfolio companies in the total amount of EUR 5,981,663 (24.01.2020 - 31.12.2020: EUR 0 euro). During the reporting year, the fund has recognised interest income in the amount of EUR 353,917 (24.01.2020 - 31.12.2020: EUR 0).

During the reporting year, contributions in the amount of EUR 6,084,354 (24.01.2020 - 31.12.2020: EUR 0) were received from the limited partners.

Note 7: Events after the reporting date

As of 31.12.2021, the fund has an investment in a portfolio company with a small amount of business activity in Belarus. In connection with the escalation of political tensions between Ukraine and Russia and the latest invasion of Ukraine on February 24, 2022, the General Partner estimates that there will be a presumptive negative impact on the portfolio company doing business in Belarus and thus on the fund.



Independent Auditor's Report

To the Shareholder of AS BPEF III Supplementary Investment Facility usaldusfond

Our opinion

In our opinion, the abridged financial statements present fairly, in all material respects, the financial position of BPEF III Supplementary Investment Facility usaldusfond (the "Fund") managed by OÜ BaltCap Private Equity Management III (the "Fund Manager") as at 31 December 2021, and the Fund's financial performance for the year then ended in accordance with the Estonian financial reporting standard.

What we have audited

The Fund's abridged financial statements comprise:

- the balance sheet as at 31 December 2021;
- the income statement for the year then ended; and
- the notes to the abridged financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Fund's abridged financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund Manager and the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The Management Board of the Fund Manager is responsible for the other information. The other information comprises the Management report (but does not include the Fund's abridged financial statements and our auditor's report thereon).

Our opinion on the Fund's abridged financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Fund's abridged financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the abridged financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Translation note:

This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Responsibilities of the Management Board of the Fund Manager and those charged with governance for the Fund's abridged financial statements

The Management Board of the Fund Manager is responsible for the preparation and fair presentation of the Fund's abridged financial statements in accordance with the Estonian financial reporting standard and for such internal control as the Management Board of the Fund Manager determines is necessary to enable the preparation of Fund's abridged financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Fund's abridged financial statements, the Management Board of the Fund Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board of the Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the Fund's abridged financial statements

Our objectives are to obtain reasonable assurance about whether the Fund's abridged 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 ISAs 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 these Fund's abridged financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Fund's abridged 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board of the Fund Manager.
- Conclude on the appropriateness of the Management Board of the Fund Manager'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 Fund'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 Fund's abridged 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 Fund's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Fund's abridged financial statements, including the disclosures, and whether the Fund's abridged financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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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.

AS PricewaterhouseCoopers

/digitally signed/

Verner Uiho
Auditor's certificate no.568

4 March 2022
Tallinn, Estonia

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