

**ANNUAL REPORT**

(Translation of the Estonian original)

**beginning of financial year:** 01.01.2022

**end of the financial year:** 31.12.2022

**Business name:** BPEF III Supplementary Investment Facility usaldusfond

**register code:** 14896218

**street, building:** Maakri tn 30

**city:** Tallinn

**county:** Harju maakond

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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 2022.

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 815 thousand (2021: EUR 6.1 million) and made investments in portfolio companies in the amount of EUR 892 thousand (2021: EUR 6 million).

In 2023, 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)

	31.12.2022	31.12.2021	Note
Assets			
Current assets			
Cash and cash equivalents	74,570	88,010	
<b>Total current assets</b>	<b>74,570</b>	<b>88,010</b>	
Non-current assets			
Financial investments	7,157,740	103,919	2
Receivables and prepayments	7,180,444	5,877,407	3
<b>Total non-current assets</b>	<b>14,338,184</b>	<b>5,981,326</b>	
<b>Total assets</b>	<b>14,412,754</b>	<b>6,069,336</b>	
Liabilities and equity			
Liabilities			
Current liabilities			
Payables and prepayments	7,884	9,036	4
<b>Total current liabilities</b>	<b>7,884</b>	<b>9,036</b>	
<b>Total liabilities</b>	<b>7,884</b>	<b>9,036</b>	
Equity			
Issued capital	6,899,354	6,084,354	
Retained earnings (loss)	-24,054	-7,845	
Annual period profit (loss)	7,529,570	-16,209	
<b>Total equity</b>	<b>14,404,870</b>	<b>6,060,300</b>	
<b>Total liabilities and equity</b>	<b>14,412,754</b>	<b>6,069,336</b>	

**Income statement**

(In Euros)

	<b>2022</b>	<b>2021</b>	<b>Note</b>
Other income	9,101	0	
Other operating expense	-25,288	-16,217	5
<b>Operating profit (loss)</b>	<b>-16,187</b>	<b>-16,217</b>	
Gain (loss) from financial investments	7,053,821	-353,909	2
Interest income	491,936	353,917	7
<b>Profit (loss) before tax</b>	<b>7,529,570</b>	<b>-16,209</b>	
<b>Annual period profit (loss)</b>	<b>7,529,570</b>	<b>-16,209</b>	

## Statement of cash flows

(In Euros)

	2022	2021	Note
Cash flows from operating activities			
Operating profit (loss)	-16,187	-16,217	
Changes in payables and prepayments related to operating activities	-1,152	1,190	4
<b>Total cash flows from operating activities</b>	<b>-17,339</b>	<b>-15,027</b>	
Cash flows from investing activities			
Paid for purchases of other financial investments	0	-19,828	2
Loans given	-892,222	-5 961,498	3
Repayments of loans given	81,111	0	3
Interest received	10	8	
<b>Total cash flows from investing activities</b>	<b>-811,101</b>	<b>-5,981,318</b>	
Cash flows from financing activities			
Proceeds from issuing shares	815,000	6,084,354	7
<b>Total cash flows from financing activities</b>	<b>815,000</b>	<b>6,084,354</b>	
<b>Total cash flows</b>	<b>-13,440</b>	<b>88,009</b>	
Cash and cash equivalents at beginning of period	88,010	1	
<b>Change in cash and cash equivalents</b>	<b>-13,440</b>	<b>88,009</b>	
Cash and cash equivalents at end of period	74,570	88,010	

**Statement of changes in equity**

(In Euros)

			<b>Total</b>
	Issued capital	Retained earnings (loss)	
<b>31.12.2020</b>	0	-7,845	-7,845
Annual period profit (loss)	0	-16,209	-16,209
Changes through other contributions of owners	6,084,354	0	6,084,354
<b>31.12.2021</b>	6,084,354	-24,054	6,060,300
Annual period profit (loss)	0	7,529,570	7,529,570
Changes through other contributions of owners	815,000	0	815,000
<b>31.12.2022</b>	6,899,354	7,505,516	14,404,870

Since the limited partners have not paid the contributions in full, they are responsible for the obligations of the limited partnership to the extent of the unpaid contribution ((Commercial Code § 132 (1)).

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.

## Notes to the financial statements

### Note 1: Accounting policies

#### General information

The annual financial statements of the BaltCap Private Equity Fund III usaldusfond (hereinafter referred to as "the fund") for 2022 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 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized in the balance sheet in the amount payable. To calculate the adjusted acquisition cost of long-term financial liabilities, they are initially recognized 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 recognized 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 7. 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	
<b>31.12.2020</b>	0	0
Acquisition	457,828	457,828
Profit (loss) from disposal and revaluation	-353,909	-353,909
<b>31.12.2021</b>	<b>103,919</b>	<b>103,919</b>
	Shares	Total
<b>31.12.2021</b>	103,919	103,919
Profit (loss) from disposal and revaluation	7,053,821	7,053,821
Other	0	0
<b>31.12.2022</b>	<b>7,157,740</b>	<b>7,157,740</b>

During the reporting period, the fund has made investments in portfolio companies in the total amount of EUR 0 (2021: EUR 457,828), see also Note 7. 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.

Additional information regarding the fund's investments and the transactions made with them is provided in Note 7.

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. In 2022, interest income in the amount of EUR 491,927 (2021: EUR 353,909) was recognized from the loans granted. In 2022, loans were granted in the amount of EUR 892,222 (2021: EUR 5,961,498) and repayments were received from the loans granted in the amount of EUR 81,111 (2021: EUR 0).

### Note 3: Receivables and prepayments

(In Euros)

	31.12.2022	Over 5 years
Loan receivables	6,701,991	6,701,991
Other receivables	478,453	478,453
Interest receivables	478,453	478,453
<b>Total receivables and prepayments</b>	<b>7,180,444</b>	<b>7,180,444</b>
	31.12.2021	Over 5 years
Loan receivables	5,523,498	5,523,498
Other receivables	353,909	353,909
Interest receivables	353,909	353,909
<b>Total receivables and prepayments</b>	<b>5,877,407</b>	<b>5,877,407</b>

Loans have been granted to portfolio companies, see Notes 2 and 7.

**Note 4: Payables and prepayments**

(In Euros)

	<b>31.12.2022</b>	<b>Within 12 months</b>
Trade payables	1,140	1,140
Other payables	6,744	6,744
Other accrued expenses	6,744	6,744
<b>Total payables and prepayments</b>	<b>7,884</b>	<b>7,884</b>
	<b>31.12.2021</b>	<b>Within 12 months</b>
Trade payables	431	431
Related parties' payables	365	365
Other payables	8,240	8,240
Other accrued expenses	8,240	8,240
<b>Total payables and prepayments</b>	<b>9,036</b>	<b>9,036</b>

**Note 5: Miscellaneous operating expenses**

(In Euros)

	<b>2022</b>	<b>2021</b>
Accounting and auditing costs	14,839	10,520
Administration costs	4,695	1,019
Liability insurance	3,637	2,609
Legal costs	131	1,439
Other	1,986	630
<b>Total miscellaneous operating expenses</b>	<b>25,288</b>	<b>16,217</b>

**Note 6: Labor expense**

(In Euros)

There were no employees during the reporting period as well as the previous period.

**Note 7: Related parties**

(In Euros)

**Related party balances by groups**

<b>SHORT TERM</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
<b>Payables and prepayments</b>		
Legal person with material ownership interest and material influence of management and higher	0	365
<b>Total payables and prepayments</b>	<b>0</b>	<b>365</b>

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. No transactions have been made with AS BaltCap during the reporting period. In 2021, 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, of which EUR 365 were recognized as a liability in the balance sheet as of the end of the financial year, see Note 4.

The maximum obligation to make contributions to the fund by the limited partners of the fund as of 31.12.2022 was EUR 17,697,267 (2021: EUR 18,512,267). During the reporting year, contributions in the amount of EUR 815,000 (2021: EUR 6,084,354) were received from limited partners.

During the reporting year, the fund has acquired shares of and granted loans to portfolio companies in the total amount of EUR 892,222 (2021: EUR 5,981,325), see Notes 2 and 3. During the reporting year, the fund has recognized interest income in the amount of EUR 491,936 (2021: EUR 353,917).



## Independent Auditor's Report

To the shareholders of BPEF III Supplementary Investment Facility usaldusfond

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### Our opinion

In our opinion, the 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 2022, and the financial performance and cash flows for the year then ended in accordance with the Estonian financial reporting standard.

### What we have audited

The Fund's financial statements comprise:

- the income statement for the year ended 31 December 2022;
- the statement of financial position for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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### 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 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.

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### 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 financial statements and our auditor's report thereon).

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

AS PricewaterhouseCoopers  
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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.



In connection with our audit of the Fund's 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 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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### Responsibilities of the management board of the Fund Manager and those charged with governance for the financial statements

The management board of the Fund Manager is responsible for the preparation and fair presentation of the Fund's 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Fund's 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.

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### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Fund's 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 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 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.

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- Conclude on the appropriateness of the management board of the Fund Manager 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 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Fund's financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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/

Lauri Past  
Auditor's certificate no. 567

6 March 2023  
Tallinn, Estonia

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