

BALTCAP PRIVATE EQUITY FUND L.P.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”)
REPORT 2012

February 2013

BALTCAP

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Message from Managing Partners

We are pleased to be able to present BaltCap's Environmental, Social and Governance Report 2012.

As our industry continues to mature and develop, there is a growing awareness of the important role private equity and venture capital plays in the economy, and in society at large.

At BaltCap, we take a proactive approach to ESG. We do not view it as a simple box-ticking exercise. Rather, we see ESG as a vital foundation for our entire business: a constantly evolving set of guidelines and tools that allows us not only to ensure we manage environmental, social and business risks effectively, but also that puts our portfolio companies in the very best position to achieve long-term success.

To help ensure that our ESG policies remain at the forefront of industry thinking, every year we ask our portfolio companies to complete a rigorous self-assessment, covering workplace and marketplace issues, the community, environmental policies and company values. The results of this study form the basis of this document, and we are encouraged to report that the majority of businesses have shown a healthy development over the past 12 months.

In recognition of our forward-thinking approach to ESG, we are delighted to reveal that we have been awarded a Silver-Level Quality Label in the 5th Corporate Social Responsibility Index 2012 in Estonia. BaltCap was one of just six small businesses that received a Quality Label – awarded by the Responsible Business Forum in collaboration with the Ministry of Economic Affairs & Communications, the EBS Ethics Centre and business newspaper Äripäev. We believe that this is a testament to the hard work we, and the staff at all of our portfolio companies, have committed to this crucial area in recent years.

If you have any questions or comments on this report or our ESG Principles (to be found on page 4), please do not hesitate to contact us.

Peeter Saks

Martin Kõdar

Dagnis Dreimanis

Simonas Gustainis

BaltCap Environmental, Social and Governance (ESG) Principles

As a signatory of the United Nations Principles for Responsible Investment (UNPRI), an investor initiative in partnership with UNEP Finance and the UN Global Compact, BaltCap follows the policies and practices of responsible investment and believes that environmental, social and governance (“ESG”) issues play an increasingly important role in today’s business environment.

BaltCap is committed to the following:

- Participating actively in the strategic management of portfolio companies through Council and Board memberships;
- Identification, credit analysis and supervision of portfolio investments will be carried out with due regard to ecological and environmental factors;
- Not to invest in companies which are engaged in arms manufacturing, manufacture of tobacco, hard spirits, gambling, human cloning and genetically modified organisms;
- Not to be involved in hostile bids;
- Carry out environmental due diligence in all the investment cases with potential environmental risks and issue annual environmental report on the portfolio companies;
- Ensure that appropriate standards of corporate governance are in place or will be implemented within a reasonable time period in all portfolio companies, including regular board meetings, an audit committee, a code of ethical business behaviour and compliance with the OECD Corporate Governance Principles;
- Ensure that all Portfolio Companies comply with the health, safety, worker protection and environmental regulations and standards applicable in the country where the investment is situated.

The Responsible Investment Policy¹ has been adopted by the management and supervisory board of BaltCap in June 2011.

BaltCap is a founding member of the Estonian, Latvian and Lithuanian Private Equity and Venture Capital Associations and a member of the European Private Equity & Venture Capital Association (EVCA), abiding by the EVCA Professional Standards.

¹ <http://www.baltcap.com/en/focus/responsible-investment>

Survey of BaltCap Portfolio Companies

To help portfolio companies think about overall efforts towards responsible entrepreneurship and the possible ways to improve their business in a profitable and sensible manner, BaltCap has asked its portfolio companies to complete an awareness-raising questionnaire on the ESG issues.

BaltCap hopes the questionnaire also helps companies to identify further actions they can take to strengthen their businesses, reputations and performance.

The questionnaire was divided to five sections (Workplace-, Marketplace-, Community-, Environmental Policies and Company Values). A short description and tips were also given for each category.

Survey Methodology & Responses

The survey was carried out at the start of 2013. 18 (out of total 28) currently active portfolio companies of different sizes and sectors responded to the questionnaire. It is important to note that this survey is not a direct comparison to last year's. Last year, 15 out of 20 portfolio companies responded, and in some cases the individuals responsible for responding at each company may also have changed since last year.

The respondents were the following:

- FCR Media(directional media company, pan-Baltic, Ireland, Czech Republic, Slovakia, Sweden)
- Energate (natural gas distribution networks operator and wind park developer, Estonia)
- MediCap Holding (clinical laboratory services provider, Estonia, Lithuania)
- Air Maintenance Estonia (aircraft maintenance, repair and overhaul, Estonia)
- TREV-2 Grupp (road and environmental construction, Estonia, Russia)
- Kelprojekts (transport infrastructure engineering, Lithuania, Latvia)
- Runway (business process outsourcing service provider, Baltics, Norway, Ukraine)
- HOB (wind farm development, Estonia)
- Intrac Group (machinery trade, pan-Baltic, Poland)
- Papermill Ligatne (papermill, Latvia)
- Agroup (software development, Latvia)
- Primekss (industrial flooring company, pan-Baltic, Poland, Sweden, Norway, Finland)
- EKJU (garden furniture production, Latvia)
- Ygle (building management systems installation, Lithuania)
- Impuls (gym and health clubs operator, Lithuania)
- Seimos medicinos klinika (medical care services provider, Lithuania)
- Vendon (monitoring systems for vending machines, Lithuania)
- Labochema (laboratory supply provider, Lithuania)

Grading of the received responses was carried out as follows:

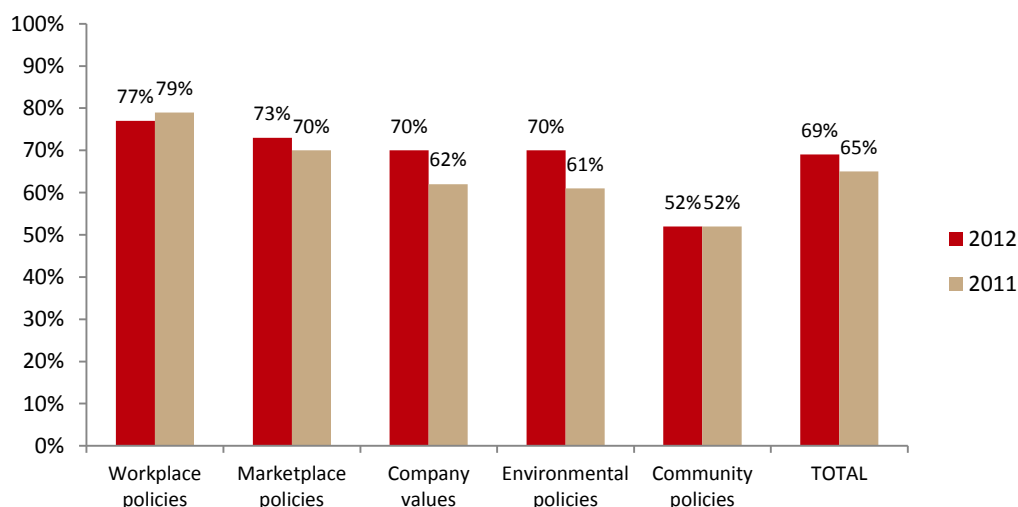
1. Each answer received points
 - Yes answers – 3 points
 - No answers – 0 points
 - In part – 1 point
 - Not applicable – 0 points, causing the question to be removed from the grading pool for that specific company
 - Don't know – (minus 1) point
2. The points were converted to percentages by dividing each company's result with the maximum possible point score.

Overview of the Findings

The overall average performance score across all respondents and all ESG categories was 69% - a significant improvement on last year, when the average score was 65%. Portfolio companies performed best in Workplace policies (77%), reflecting the fact that our portfolio companies place a strong emphasis on the effectiveness of daily operations, motivation of employees and company reputation. The lowest scoring category was Community policies (52%), which shows that engagement in non-business areas are often considered secondary to day-to-day business issues. This is to be expected, but could be improved upon in 2013.

Encouragingly, with the exception of Workplace policies and Community policies, which remained at the same level (52%) as last year, improvements were seen across all categories, with Environmental policies showing the largest rise, from 61% in 2011 to 70% in 2012.

Figure 1: graph of 2011/12 scores across all categories plus the total average figure

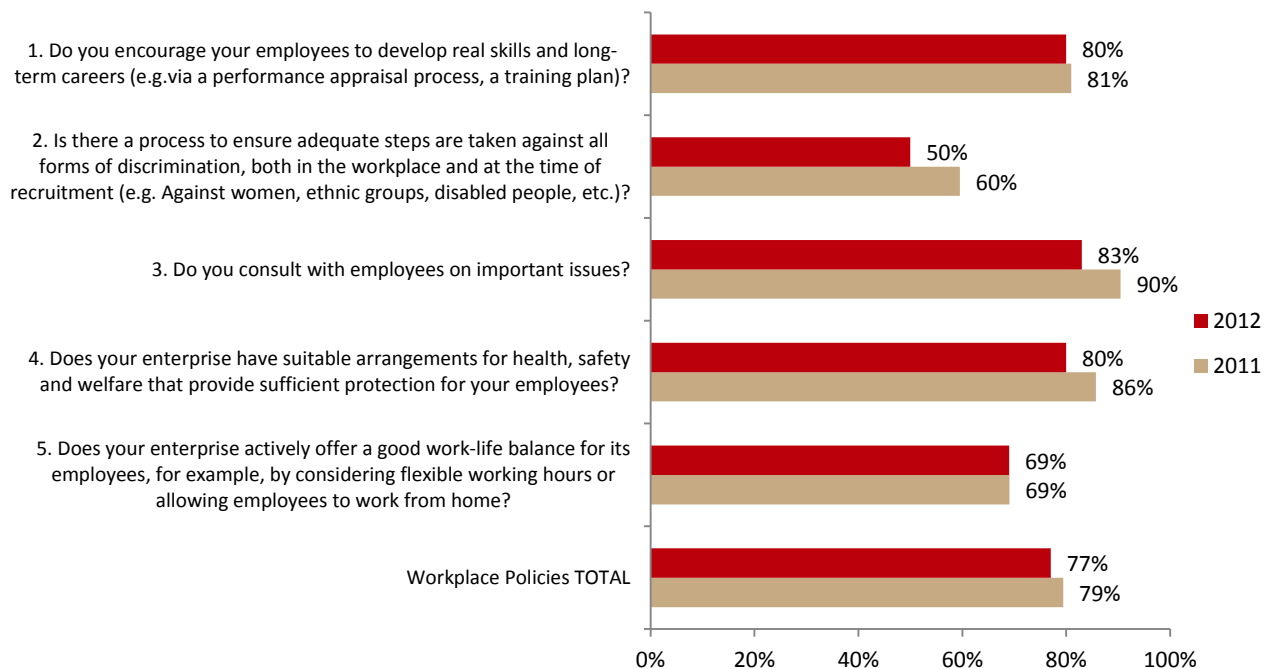


Description of Findings by Categories

Workplace Policies

- Broadly very positive responses, with consulting employees on important issues (83%) and encouraging the development of skills scoring best (80%).
- Portfolio highlights included improved working environments (Amateks, AME, Trev-2), employee training programmes (Trev-2) and medical checkss (Energate, Trev-2).
- Somewhat disappointing falls were registered in scores on discrimination and health and safety.
- Challenges for the future mentioned by the portfolio companies include integration of a newly acquired business (SMK), employee insurance (Labochema) and employee motivation (Kelprojektas).

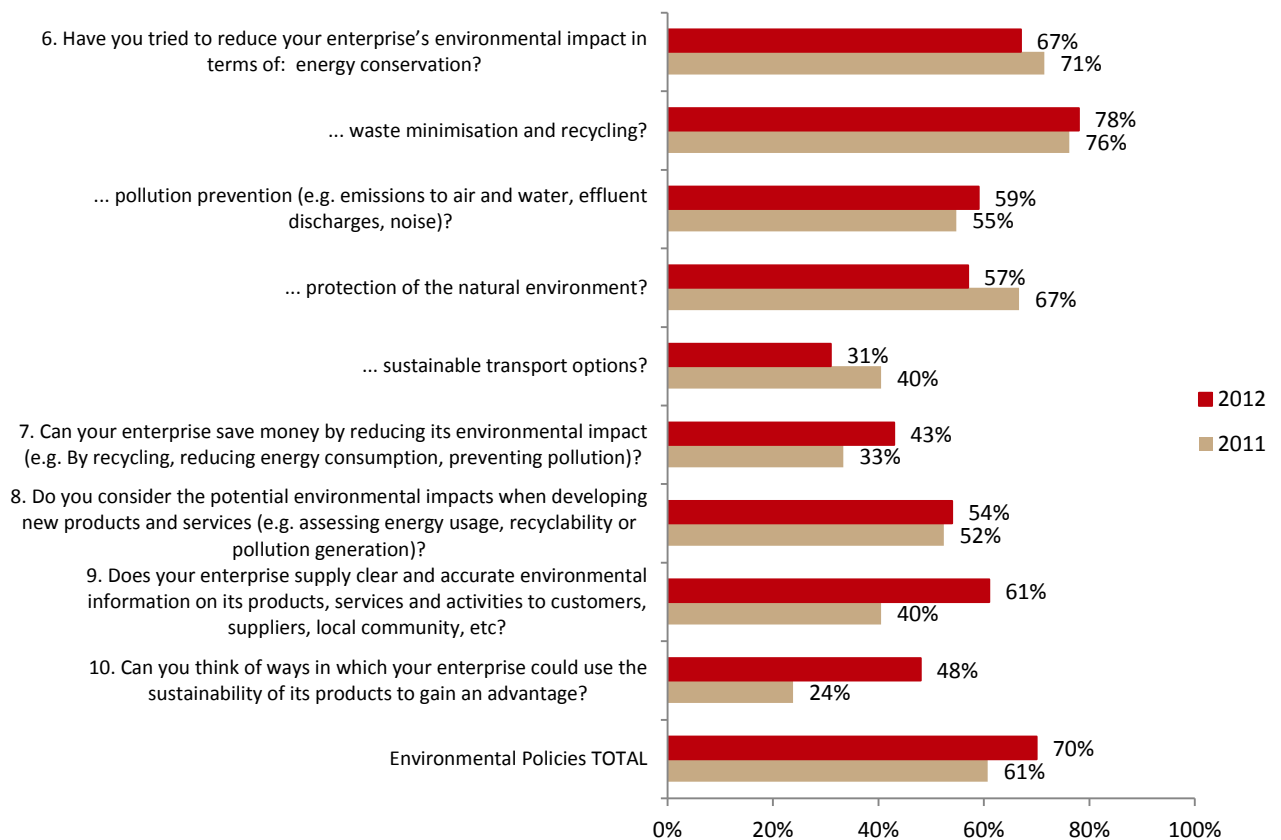
Figure 2: Questions and responses for Workplace Policies category



Environmental Policies

- Strong improvement seen overall compared to 2011, with particular highlights being employee recognition of how improved sustainability of products can deliver competitive advantage, and around how costs can be cut through reducing environmental impact.
- Portfolio highlights included wide-ranging energy reduction efforts around lighting, transportation and paper use (Kelprojektas), changing to electric vehicles (AME) and recycling road construction raw materials (Trev-2).
- 2012 results fared poorly compared with last year in areas such as reducing environmental impact through sustainable transport and protection of natural environment.
- Challenges for the future include certification (Amateks), energy efficiency (Impuls), staff awareness (AME) and the acquisition of a new more efficient and environmentally-friendly asphalt plant (Trev-2).

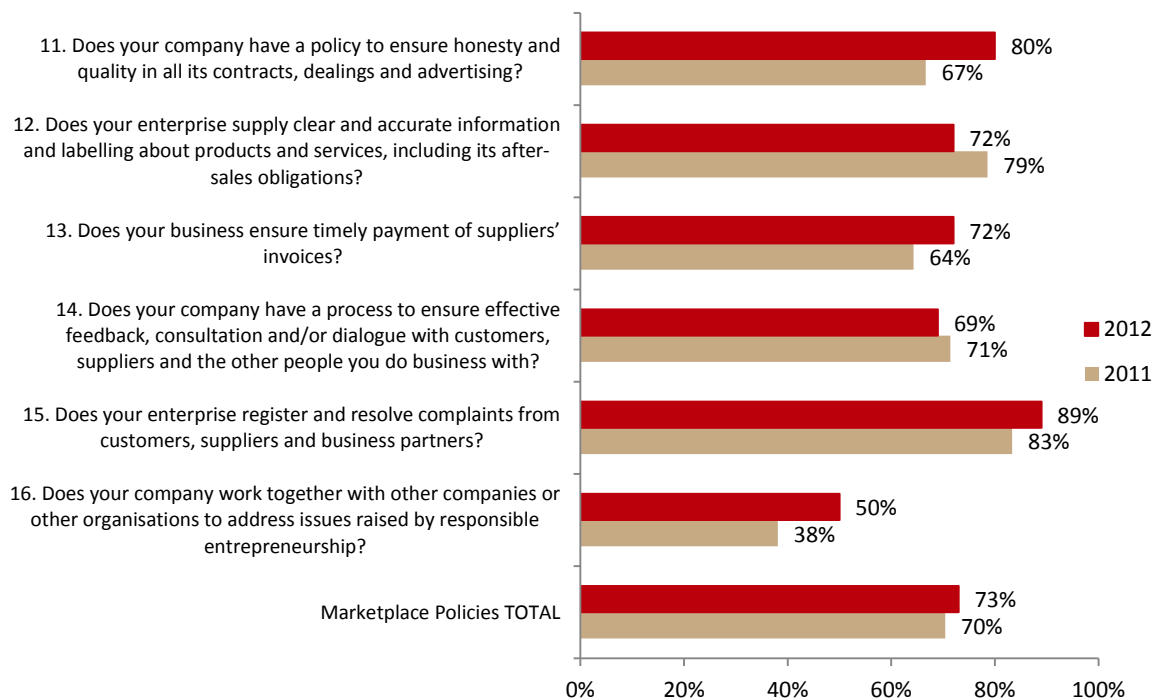
Figure 3: Questions and responses for Environmental Policies category



Marketplace Policies

- Very encouraging improvements were seen this year in how portfolio companies collaborate with other organisations to address issues raised by responsible entrepreneurship, in timely payment of invoices, and in policies to ensure honesty and quality in all dealings.
- Portfolio highlights included an innovation award and product of the year awards (Kelprojektas), honest tendering processes (HOB), and a new safety reporting system (AME)
- Modest falls were registered in information and labelling of products and services, as well as in having processes in place to ensure effective feedback from customers and business partners.
- Challenges include improving customer satisfaction (Energate), effective feedback (Impuls) and employee education around codes of conduct (AME).

Figure 4: Questions and responses for Marketplace Policies category



Community Policies

- Despite being the lowest-scoring category, better results were achieved this year in giving regular financial support to local community activities and projects, and in sourcing from local suppliers.
- Portfolio highlights included public health and sporting initiatives (Impuls), an apprenticeship scheme (AME) and training and work experience (Trev-2).
- Disappointingly, results declined in offering training opportunities to people from the local community, and encouraging employees to participate in local community activities.
- Challenges for 2013 include greater participation in community activities (Impuls) and improving the level of employees drawn from the local community (AME).

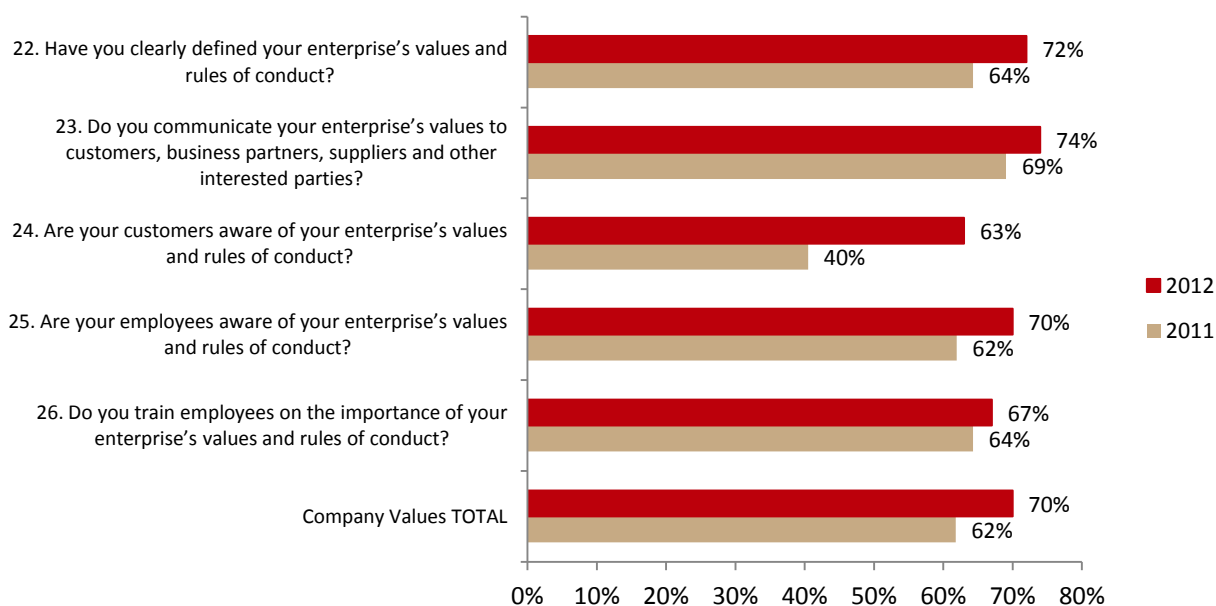
Figure 5: Questions and responses for Community Policies category



Company Values

- In Company Policies, all areas saw improvements in 2012. Very strong performers included clearly defining each organisation's values and rules of conduct (rising from 64% to 72%) and making customers aware of each enterprise's values and rules of conduct (up from 40% in 2011 to 63%).
- Portfolio highlights included company values training (Impuls), the creation of a code of ethics (Kelprojektas) and the implementation of a code of conduct and training therein (AME).
- Challenges for 2013 include resistance to change (Impuls), enforcement of code of conduct (AME) and changes to company values (Labochema).

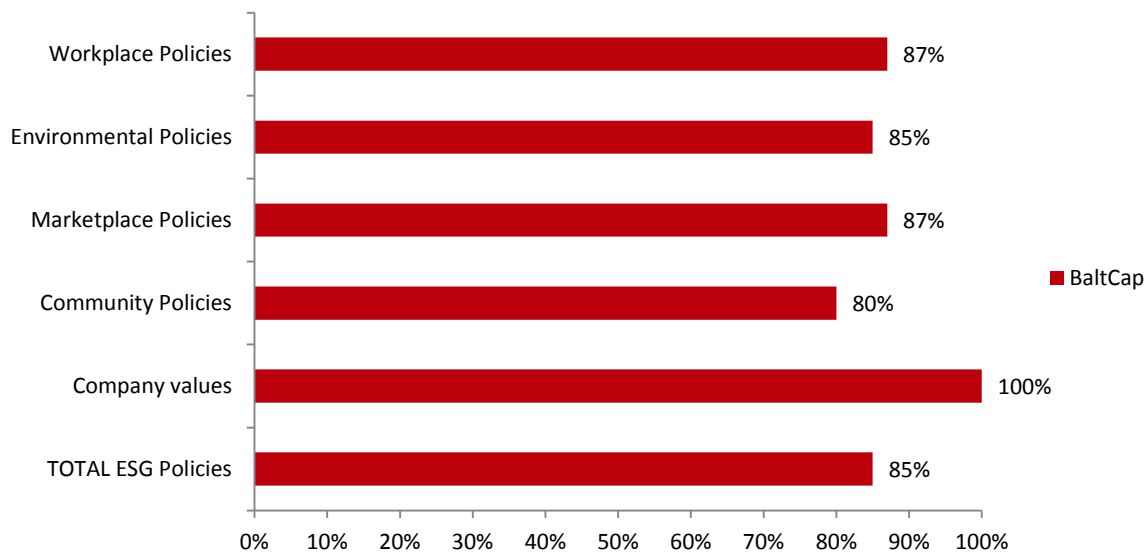
Figure 6: Questions and responses for Company Values category



BaltCap ESG questionnaire

This year, BaltCap decided to give its own staff the opportunity to answer the same questions it asked of portfolio companies. Representatives from each office of BaltCap completed the questionnaire, with responses showing that the firm performs particularly well in Company values (100%). As with portfolio companies, Community policies showed the worst performance, however all categories posted scores of 80% or more, showing that BaltCap is a genuine market leader in ESG thinking.

Figure 7: BaltCap responses



Conclusions

Overall, 2012 has been a very positive year in terms of ESG performance, with improvements seen across the board at portfolio companies. BaltCap takes a leading role in terms of introducing ESG and responsible investment principles to our community, as well as in promoting ESG principles in the Baltics as a whole, and guiding and helping portfolio companies to improve their policies and recognise the benefits of ESG. Going forward, we will continue to integrate CSR and sustainability into our business strategy. We are in the process of setting realistic ESG targets for our portfolio for the year ahead, as well as prioritising key staff training and monitoring.

Annual Environmental Report of BaltCap Private Equity Fund

The following section of the report is prepared in accordance with EBRD's Environmental Procedures outlining the material environmental issues affecting each portfolio company as well as reporting on the compliance of the portfolio companies with EBRD guidelines.

During the year BaltCap reviewed more than 100 potential investment cases. No projects were rejected specifically on environmental, health and safety, or social grounds.

FCR Media Holding General Information

| | |
|--|--|
| Description of the business | Directory search solutions (print, online, directory assistance) |
| Investment of BaltCap Private Equity Fund L.P. at the end of reporting period | EUR 10,422 thou. |
| Use of investment proceeds | Buyout of existing shares |
| Environmental risk category | Low (Advertising) |
| Investment Manager responsible | Mr. Oliver Kullman, Mr. Simonas Gustainis, Mr. Sarunas Alekna (BaltCap AS) |

Environmental Performance

| | |
|---|--|
| Main health, safety and environmental issues | No issues have been identified. No environmental due diligence was carried out. |
| Fulfilling the Environmental Requirements | There are no special requirements to fulfil for the Company. |
| Compliance with applicable health, safety and environmental legislation | The company has not been subject to fines, penalties or excess fees for non-compliance with health and safety regulations. |
| Positive environmental effects or opportunities achieved with the investment | The company has implemented a strategy for gradually reducing the volumes of printed phone catalogues replacing them with online products. |
| Monitoring the environmental performance | The management of the Company is responsible for the operations including the environmental performance. |
| Persons responsible for the implementation of the environmental procedures | No specific person has been assigned. |
| Difficulties in implementing the environmental procedures | No difficulties have been encountered. |

**MediCap Holding (Quattromed HTI Laborid)
General Information**

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|--|--|
| Description of the business | Clinical laboratory services |
| Investment of BaltCap Private Equity Fund L.P. at the end of reporting period | EUR 4,967 thou. |
| Use of investment proceeds | Buyout of existing shares |
| Environmental risk category | Low (Other human health activities) |
| Investment Manager responsible | Mr. Oliver Kullman, Mr. Peeter Saks (BaltCap AS) |

Environmental Performance

| | |
|--|---|
| Main health, safety and environmental issues | During the course of its business, the company deals with infectious samples and hazardous waste. Environmental due diligence was carried out in June 2008 and no issues were identified. |
| Fulfilling the Environmental Requirements | <p>The company's environmental management system is part of the quality management system ISO 15189.</p> <p>Handling of hazardous materials only occurs in special low pressure chambers, where employees wear protective clothing and equipment to avoid infections. Employees in the laboratory undergo a health check at employment and regular health checks during the employment. Employee safety instructions and manuals are available and updated as necessary.</p> <p>Management of hazardous waste is outsourced to specialised companies.</p> |
| Compliance with applicable health, safety and environmental legislation | The company has not been subject to fines, penalties or excess fees for non-compliance with health and safety regulations. |

Positive environmental effects or opportunities achieved with the investment The new centralised laboratory will enable more efficient operation reducing the use of energy and emissions.

Monitoring the environmental performance The management of the Company is responsible for the operations including the environmental performance. The environmental procedures are evaluated annually in ISO certificate audits.

Persons responsible for the implementation of the environmental procedures Two quality managers are responsible for environmental issues and health and safety issues: Mrs. Kai Jõers and Mrs. Kai Lauri.

Difficulties in implementing the environmental procedures No difficulties have been encountered.

Energate General Information

| | |
|--|---|
| Description of the business | Low pressure natural gas distribution networks. The company owns and operates the networks. |
| Investment of BaltCap Private Equity Fund L.P. at the end of reporting period | EUR 4,605 thou. |
| Use of investment proceeds | Buyout of existing shares, investment into acquisition of additional gas distribution networks and working capital. |
| Environmental risk category | High |
| Investment Managers responsible | Mr. Kristjan Kalda, Mr. Peeter Saks (BaltCap AS) |

Environmental Performance

| | |
|---|--|
| Main health, safety and environmental issues | Environmental due diligence was carried out in April 2008. No issues were identified. |
| Fulfilling the Environmental Requirements | The company has to comply with all the regulations concerning building new pipelines. Due to low gas pressure in last mile pipelines, environmental risk is low. |
| Compliance with applicable health, safety and environmental legislation | The company has not been subject to fines, penalties or excess fees for non-compliance with health and safety regulations. |
| Positive environmental effects or opportunities achieved with the investment | Natural gas is an efficient and environmentally friendly option for producing heat for businesses and households. |
| Monitoring the environmental performance | The management of the Company is responsible for the operations including the environmental performance. |
| Persons responsible for the implementation of the environmental procedures | Chairman of the board Hardi Sui. |
| Difficulties in implementing the environmental procedures | No difficulties have been encountered. |

Air Maintenance Estonia General Information

| | |
|--|---|
| Description of the business | Aircraft maintenance |
| Investment of BaltCap Private Equity Fund L.P. at the end of reporting period | EUR 6,380 thou. |
| Use of investment proceeds | Buy-out |
| Environmental risk category | High |
| Investment Managers responsible | Mr. Kristjan Kalda, Mr. Martin Kõdar, Mr Peeter Saks (AS BaltCap) |

Environmental Performance

| | |
|---|---|
| Main health, safety and environmental issues | Environmental due diligence was carried out in October 2009. No issues were identified. |
| Fulfilling the Environmental Requirements | The company has to comply with the whole range of environmental regulations. Although AME does not have environmental certificate of its own, the whole airport territory and activities on the territory are subject to Tallinn Airport ISO 14001:2004 certificate issued by Bureau Veritas. |
| Compliance with applicable health, safety and environmental legislation | The company has not been subject to fines, penalties or excess fees for non-compliance with health and safety regulations. |
| Positive environmental effects or opportunities achieved with the investment | Not applicable |
| Monitoring the environmental performance | The management of the Company is responsible for the operations including the environmental performance. |
| Persons responsible for the implementation of the environmental procedures | Chairman of the board David Williams |
| Difficulties in implementing the environmental procedures | No difficulties have been encountered. |

**TREV-2 Group
General Information**

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|--|---|
| Description of the business | Infrastructure construction |
| Investment of BaltCap Private Equity Fund L.P. at the end of reporting period | EUR 6,896 thou. |
| Use of investment proceeds | Through new issue into working capital, capital investments & acquisitions. |
| Environmental risk category | High |
| Investment Managers responsible | Mr. Kristjan Kalda, Mr. Martin Kõdar (BaltCap AS) |

Environmental Performance

| | |
|---|--|
| Main health, safety and environmental issues | Environmental due diligence was carried out in September 2010. No issues were identified. |
| Fulfilling the Environmental Requirements | The company has to comply with the whole range of environmental regulations concerning mining, asphalt production, construction etc. TREV2 Group and its main subsidiaries have been issued ISO 9001 as well as environmental ISO 14001 certificates by Bureau Veritas. In addition Teede REV-2, TREV-2 Ehitus and Taskar have been certified OHSAS 18001. |
| Compliance with applicable health, safety and environmental legislation | The company has not been subject to fines, penalties or excess fees for non-compliance with health and safety regulations. |
| Positive environmental effects or opportunities achieved with the investment | TREV2 has historically led innovation in road construction in Estonia. In 2011 TREV2 started underwater mining in Marinovo quarry using simple by efficient technology. For that the company received the annual environmental award in mining. |
| Monitoring the environmental performance | The management of the Company is responsible for the operations including the environmental performance. |
| Persons responsible for the implementation of the environmental procedures | Chairman of the board Erki Mölder |
| Difficulties in implementing the environmental procedures | No difficulties have been encountered. |

**InfraCap Holding (Kelprojektas)
 General Information**

| | |
|--|--|
| Description of the business | Transport infrastructure engineering company in Lithuania. It designs roads, bridges, railways and other transport infrastructure. |
| Investment of BaltCap Private Equity Fund L.P. at the end of reporting period | EUR 4,390 thou. |
| Use of investment proceeds | Buy-out |
| Environmental risk category | Low |
| Investment Managers responsible | Mr. Šarūnas Alekna, Mr. Simonas Gustainis (BaltCap AS) |

Environmental Performance

| | |
|---|---|
| Main health, safety and environmental issues | <p>Environmental due diligence was carried out in June 2011. No issues were identified.</p> <p>The company has to comply with all health and safety regulations, but doesn't have OHSAS 18001:2007 certificate.</p> |
| Fulfilling the Environmental Requirements | <p>The company has to comply with the regulations concerning roads, bridges, railways, airports and seaports infrastructure and related structures. JSC "Kelprojektas" have been issued ISO 14001:2004 and ISO 9001:2008 certificates by Det Norske Veritas (DNV) in June of 2006.</p> |
| Compliance with applicable health, safety and environmental legislation | <p>The company has not been subject to fines, penalties or excess fees for non-compliance with health and safety or environmental legislation.</p> |
| Positive environmental effects or opportunities achieved with the investment | <p>The company has bought traffic modelling software "Sidra Intersection" and "Vissim". It helps to choose the best design solutions, which have minimum negative impact on the environment (the lowest emission of CO₂, NO_x, CO and HC, fuel consumption and other indicators).</p> <p>Taking into consideration the environmental impact reduction, the company uses energy saving lamps, also sorts and utilizes waste.</p> <p>The company also has bought video conferencing equipment, it helps us to reduce fuel, time and money which we would spend for travels.</p> <p>The company has engrafted a software for ISO documentation management. This software allows us to reduce paper waste, because all documents are managed in electronic way.</p> <p>The company got a certificate for the preservation of trees in October of 2011.</p> |
| Monitoring the environmental performance | <p>The management of the Company is responsible for the operations including the environmental performance. The environmental procedures are evaluated in ISO</p> |

| | |
|---|---|
| | certificate audits by DNV and in internal audits which are performed by audit team. |
| Persons responsible for the implementation of the environmental procedures | Management representative of the quality and the environment Akvilė Balsienė. |
| Difficulties in implementing the environmental procedures | No difficulties have been encountered. |

Runway General Information

| | |
|--|--|
| Description of the business | Business process outsourcing service (BPO) provider for multinational companies. Services provided by the company include customer interaction services (inbound and outbound services, tech support, help desk services, etc.) and BPO services (accounting and finance, HR, data processing, marketing, back office services). |
| Investment of BaltCap Private Equity Fund L.P. at the end of reporting period | EUR 4,027 thou. |
| Use of investment proceeds | Buy-out |
| Environmental risk category | Low |
| Investment Managers responsible | Mr. Dagnis Dreimanis, Mr. Sandijs Abolins-Abols (BaltCap AS) |

Environmental Performance

| | |
|---|--|
| Main health, safety and environmental issues | No issues have been identified. No environmental due diligence was carried out. |
| Fulfilling the Environmental Requirements | There are no special requirements to fulfil for the Company. |
| Compliance with applicable health, safety and environmental legislation | The company has not been subject to fines, penalties or excess fees for non-compliance with health and safety regulations. Not applicable |
| Positive environmental effects or opportunities achieved with the investment | |
| Monitoring the environmental performance | The management of the Company is responsible for the operations including the environmental performance. |
| Persons responsible for the implementation of the environmental procedures | No specific person has been assigned. |
| Difficulties in implementing the environmental procedures | No difficulties have been encountered. |

Annual Environmental Report HOB (Wind Energy)

HOB (Wind Energy) General Information

| | |
|--|--|
| Description of the business | 18MW wind farm development in western Estonia |
| Investment of BaltCap Private Equity Fund L.P. at the end of reporting period | EUR 3,650 thou. |
| Use of investment proceeds | Expansion investment |
| Environmental risk category | Medium |
| Investment Manager responsible | Mr. Kristjan Kalda, Mr. Peeter Saks (BaltCap AS) |

Environmental Performance

| | |
|---|---|
| Main health, safety and environmental issues | No issues were identified. |
| Fulfilling the Environmental Requirements | The company has to comply with all the regulations concerning building wind farm. Thorough study of environmental impact was carried out before the construction permit was issued. |
| Compliance with applicable health, safety and environmental legislation | The company has not been subject to fines, penalties or excess fees for non-compliance with health and safety regulations. |
| Positive environmental effects or opportunities achieved with the investment | Wind is a clean source of energy. Utilising wind will environmentally improve energy balance in Estonia, where main energy source is oil shale. |
| Monitoring the environmental performance | The management of the Company is responsible for the operations including the environmental performance. |
| Persons responsible for the implementation of the environmental procedures | Chairman of the board Andres Lõhmus |
| Difficulties in implementing the environmental procedures | No difficulties have been encountered. |