

CONSOLIDATED ANNUAL REPORT

beginning of financial year: 1 January 2020

end of the financial year: 31 December 2020

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MANAGEMENT REPORT

Summus Capital OÜ is an asset management company registered in Estonia, founded in 2015, which invests the owner's assets for the purpose of capital growth and receipt of current income. Investments are made primarily in the Baltics due to the long-term prospects of investment opportunities and administrative capacity to implement projects.

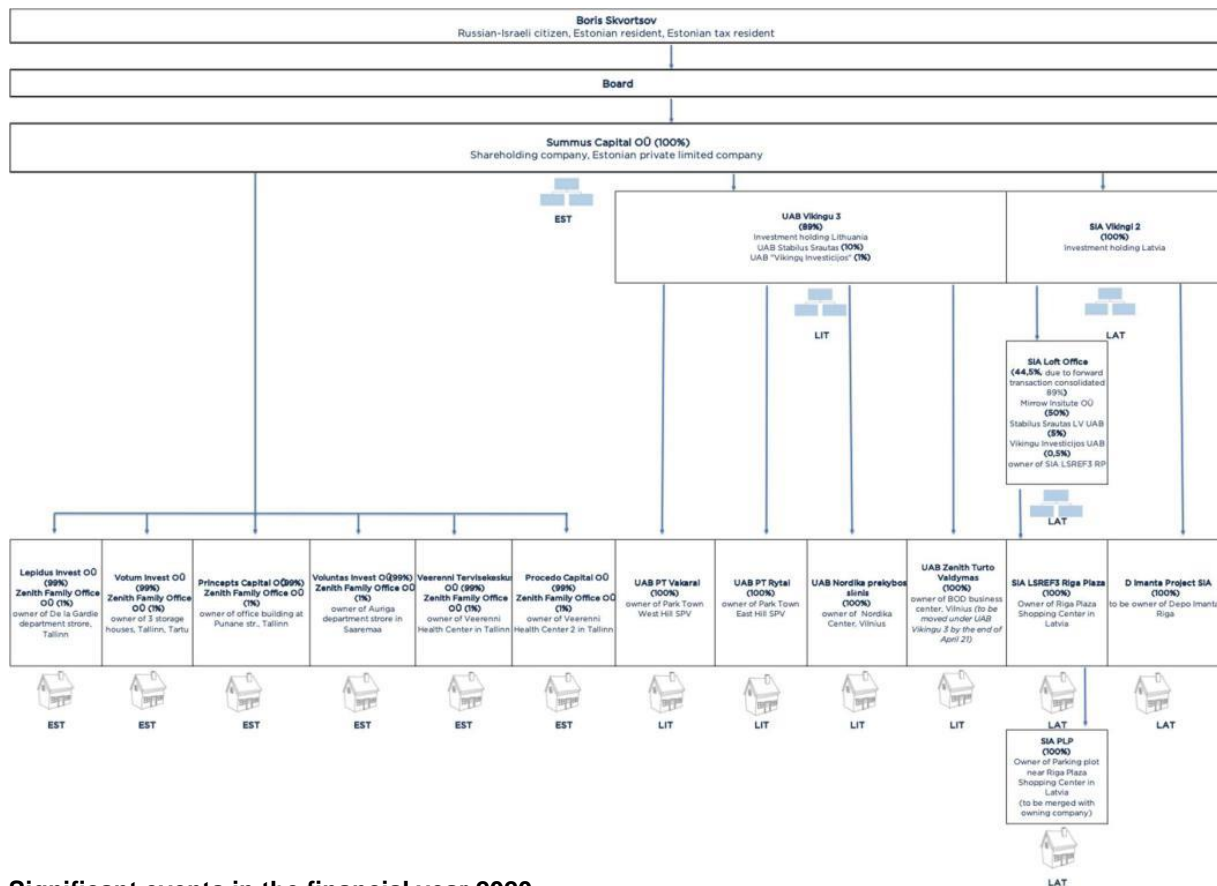
Summus Capital OÜ has made investments to the companies that own real estate or are planning to acquire real estate in Estonia, Latvia and Lithuania. The main source of income for the consolidation group is the leasing of real estate. At the same time, for the purpose of liquidity management, investments have also been made to the financial instruments of various companies, including deposits and bonds.

The real estate portfolio of the companies owned by Summus Capital OÜ consists of commercial real estate with cash flow and has been prepared with a longer-term investment period in mind, which means that the portfolio should be sustainable in the context of both lease relationships and investment liquidity. The portfolio strategy assumes that the share of any sector, such as the retail, business or industrial segment, should not significantly exceed 50% of the portfolio. The stability of the cash flows of the portfolio, which is guaranteed by long-term lease contracts, is considered important. The share of anchor tenants in the portfolio's cash flow is monitored separately, which should not fall significantly below 50%. In assessing the risk scenario, we have taken into account the fact that during the negative economic cycle there would be no dominant sector or group of tenants in the portfolio which could significantly affect the cash flow of the portfolio.

As at the end of 2020 the portfolio of the companies owned by Summus Capital OÜ consisted of ten real estate projects in Estonia, Latvia and Lithuania with the total leasable area of 173 000 m² and 315 tenants. The portfolio's weighted average lease term (WAULT) was 7.7 years and the loan-to-market ratio (LTV) was 55%. The total value of the portfolio exceeded 300 million euros. In January 2021 the 11th project from Estonia was added to the portfolio.

More information on the website www.summus.ee.

Structure of the consolidation group as at the end of the financial year



Significant events in the financial year 2020

The most important events in the consolidation group, in addition to regular activities in subsidiaries, during 2020 were the following:

- the investment to the office building Park Town II (Lithuania) in UAB PT Rytai was completed; the company SIA LSREF3 Riga Plaza (Latvia) was acquired together with its subsidiary SIA PLP;
- a preliminary contract was concluded for the acquisition of DEPO DIY (Latvia);
- a new company D Imanta Project SIA (Latvia) was established.

2020 was a special year for the world economy. The first reports of a new coronavirus (COVID-19) arrived from China to the World Health Organization (WHO) in December 2019, and it has now spread around the world, causing problems for businesses and general economic activity. On March 11, 2020, the WHO called the coronavirus outbreak a pandemic, and therefore a state of emergency was declared in many countries, including Estonia. In order to prevent the spread of coronavirus the crossing of the internal and external Schengen borders has been temporarily restricted and border controls in Europe have been re-established. At the same time countries and governments have confirmed that trade and transport will continue without restrictions. The countries individually and collectively in the European Union have made exit scenarios based on both the protection of human health and economic stabilization. Vaccines have been developed and vaccinations have been started from the end of 2020. In the Baltics the entertainment, catering and hospitality sectors have been hit hard due to a significant decline in tourism and restrictions and strict recommendations imposed by governments. Consumption habits and office use have changed. However, the impact on production has been small. The demand for medical services has grown.

Portfolio vacancy has not increased due to the Covid pandemic and we do not anticipate a significant increase in vacancy. We have seen different demand for commercial real estate in different regions during the so-called Covid period, incl. the medical sector has been supported by growing demand, the cost of real estate per m² for international offices is still significantly lower than elsewhere and Covid has not changed the space requirements of these companies. However, we are seeing a general temporary decline in demand, where decisions to lease new space have been postponed until the situation is clarified.

Summus Capital OÜ has contributed to a science-based approach while analyzing the impact of COVID-19, enabling approximately 10 000 free COVID-19 antibody tests to be performed in Harju County and Saaremaa in the period from May to August 2020. The testing was performed in collaboration with the private clinic Confido.

Overview of expected developments in the next financial year

It is planned to continue with the high-quality management of existing projects and, when market opportunities arise, to acquire new investments that meet the group's criteria, primarily in the Baltics.

The plan is to diversify the financing sources of Summus Capital, either by involving additional banks or by issuing new financial instruments, such as bonds.

After the date of the report, in January 2021, a 99% share was acquired in Pharma Plaza OÜ, which owns real estate in the medical sector at Töökoja street in Tallinn. On 10 February 2021 the merger contract was concluded between Pharma Plaza OÜ and Procedo Capital OÜ, subsidiary of Summus Capital OÜ, with the date of merger of 2 February 2021, in which the acquiring company is Procedo Capital OÜ.

The strategy is to increase the share of new class A assets and/or sustainable construction processes and energy-efficient, completely renovated properties in the portfolio, which in the long run provides a stable cash flow with moderate growth and a smaller ecological footprint. We will also continue the existing portfolio with CO2 reduction and energy efficiency projects.

In 2021 the company plans to continue its current activities. The management estimates that the company will continue to operate and develop over the next 12 months. The management will continue to monitor the potential impact of the environment on an ongoing basis and implement measures to mitigate any adverse effects. The owner is actively involved in decision-making and has sufficient liquidity.

Other circumstances

The private limited company had two members of the management board who received remuneration in amount of 24 000 euros for the activities of a member of the management board in 2020. In the financial year of 2020 the volume of the balance sheet increased by about 80% and the equity exceeded 44 million euros.

The company pays dividends according to the company's results and the shareholder's annual decision. In 2020 the remuneration of 6 employees has been calculated (Summus Capital OÜ and UAB Vikingu 3). The necessary services have been mostly outsourced.

Key ratios

	2020	2019
Current ratio (in times) (current assets/current liabilities)	1.03	1.38
ROA (%) (net profit/ total assets * 100)	6.55	1.17
ROE (%) (net profit/ total owners' equity * 100)	53.44	13.42

The annual accounts

Consolidated statement of financial position

(In euros)

	31 Dec 2020	31 Dec 2019	Note no
Assets			
Current assets			
Cash	11 477 121	21 687 855	
Receivables and prepayments	5 798 017	4 154 134	2
Inventories	2 844	8 645	
Total current assets	17 277 982	25 850 634	
Non-current assets			
Financial investments	1 964 743	0	5
Receivables and prepayments	12 128 653	819 575	2
Investment property	311 412 080	164 870 000	6
Property, plant and equipment	88 362	8 705	
Intangible assets	2 360 925	3 178 295	7
Total non-current assets	327 954 763	168 876 575	
Total assets	345 232 745	194 727 209	
Liabilities and equity			
Liabilities			
Current liabilities			
Loan liabilities	8 855 586	5 632 267	8
Payables and prepayments	7 892 812	13 053 322	9
Total current liabilities	16 748 398	18 685 589	
Non-current liabilities			
Loan liabilities	276 699 170	154 008 813	8
Payables and prepayments	2 407 224	0	9
Provisions	7 075 816	6 874 124	10
Total non-current liabilities	286 182 210	160 882 937	
Total liabilities	302 930 608	179 568 526	
Equity			
Equity held by shareholders and partners in parent company			
Issued capital	67 500	67 500	
Retained earnings (loss)	13 072 997	12 293 429	
Annual period profit (loss)	22 605 489	616 511	
Total equity held by shareholders and partners in parent company	35 745 986	12 977 440	
Minority interests	6 556 151	2 181 243	
Total equity	42 302 137	15 158 683	
Total liabilities and equity	345 232 745	194 727 209	

Consolidated income statement

(In euros)

	2020	2019	Note
Revenue	17 743 109	15 532 704	12
Other income	40 997	67 926	13
Goods, raw materials and services	-3 426 025	-3 292 369	14
Other operating expenses	-2 581 788	-1 225 308	15
Employee expenses	-263 840	-198 425	16
Depreciation and impairment loss (reversal)	-1 002 215	-860 648	7
Other expenses	-5 100 525	-5 830	17
Operating profit (loss)	5 409 713	10 018 050	
Profit (loss) from subsidiaries	26 393 456	0	18
Gain (loss) from financial investments	0	-10 400	
Interest income	277 670	151 802	20
Interest expenses	-9 350 961	-8 454 213	19
Other financial income and expenses	235 302	-4 002	
Profit (loss) before tax	22 965 180	1 701 237	
Income tax expense	-208 662	-830 280	27
Annual period profit (loss)	22 756 518	870 957	
Profit (loss) from shareholders and partners in parent company	22 605 489	616 511	
Profit (loss) from minority interests	-151 028	409 738	

Consolidated statement of cash flows

(In euros)

	2020	2019	Note
Cash flows from operating activities			
Operating profit (loss)	5 409 713	10 018 050	
Adjustments			
Depreciation and impairment loss (reversal)	1 002 215	860 648	
Profit (loss) from sale of non-current assets	0	-30 232	
Other adjustments	4 125 825	0	
Total adjustments	5 128 040	830 416	
Changes in receivables and prepayments related to operating activities	-1 542 409	44 182	
Changes in inventories	5 801	14 148	
Changes in payables and prepayments related to operating activities	1 206 642	-19 148	
Other cash flows from operating activities	0	-23 619	
Total cash flows from operating activities	10 207 787	10 864 029	
Cash flows from investing activities			
Purchase of investment property	-52 282 732	-18 372	6
Net cash flow from sales of subsidiaries and operating activities	0	-25	
Purchase of subsidiaries	-7 266 197	0	
Cash receipts from sales of subsidiaries	0	19 702	
Cash receipts from sales of other financial investments	0	509 600	
Loans given	-11 175 000	-3 634 575	
Repayments of loans given	102 500	0	
Interest received	3 098	43 702	
Total cash flows from investing activities	-70 618 331	-3 079 968	
Cash flows from financing activities			
Loans received	115 558 707	11 731 136	
Repayments of loans received	-61 754 819	-3 602 520	
Repayments of finance lease liabilities	-182	-3 104	
Interest paid	-3 377 886	-2 262 116	
Dividends paid	-208 510	-63 200	21
Income tax refund (paid)	-17 500	-12 500	27
Other cash outflows from financing activities	0	-122 100	
Total cash flows from financing activities	50 199 810	5 665 596	
Total cash flows	-10 210 734	13 449 657	
Cash and cash equivalents at beginning of period	21 687 855	8 238 198	
Change in cash and cash equivalents	-10 210 734	13 449 657	
Cash and cash equivalents at end of period	11 477 121	21 687 855	

Consolidated statement of changes in equity

(In euros)

	Equity held by shareholders and partners in parent company		Minority interests	Total
	Issued capital	Retained earnings (loss)		
31 Dec 2018	67 500	12 608 596	1 958 966	14 635 062
Effect of correction of errors		144 000	-32 169	111 831
Restated balance 31 Dec 2018	67 500	12 752 596	1 926 797	14 746 893
Annual period profit (loss)		616 511	254 446	870 957
Declared dividends		-50 000		-50 000
Other changes in equity		-409 167		-409 167
31 Dec 2019 Restated balance 31 Dec 2019	67 500	12 909 940	2 181 243	15 158 683
	67 500	12 909 940	2 181 243	15 158 683
Annual period profit (loss)		22 605 489	4 374 908	26 980 397
Declared dividends		-50 000		-50 000
Other changes in equity		213 057		213 057
31 Dec 2020	67 500	35 678 486	6 556 151	42 302 137

Notes

Note 1 Accounting policies

General information

The consolidated annual report of Summus Capital OÜ (hereinafter the company) for 2020 has been prepared in accordance with the Estonian Financial Reporting Standard.

The main requirements of the Estonian Financial Reporting Standard have been established in the Accounting Act of the Republic of Estonia, complemented by the guidelines issued by the Accounting Board.

The consolidated annual report includes the financial indicators of Summus Capital OÜ (hereinafter: the parent company) and its subsidiaries Voluntas Invest OÜ, Votum Invest OÜ, Pricepts Capial OÜ, Lepidus Invest OÜ, Veerenni Tervisekeskus OÜ, Procedo Capital OÜ, Arion Finance OÜ, UAB "Vikingu 3", UAB Nordika Prekybos sienis, UAB PT Vakarai, UAB PT Rytai, UAB Zenith Turto Valdymas, SIA Vikingi 2, SIA Loft Office, SIA LSREF3 Riga Plaza, SIA PLP (together hereinafter: the group).

The consolidated annual report has been prepared in euros.

Correction of errors

Pursuant to the confirmation of the consolidated annual report for 2019 it was established that one of the components of Summus Capital had recorded the fair value of SWAP-interests incorrectly and the amount of deferred income tax was also misrecorded.

The consolidated comparative data for 2019 have been adjusted in the annual report for 2020 as follows:

Name of the additional entry	31 Dec 2019	Change	31 Dec 2019
STATEMENT OF FINANCIAL POSITION			
Long-term liabilities			
Loan liabilities	151 387 874	2 620 939	154 008 813
Provisions	7 639 880	-765 756	6 874 124
INCOME STATEMENT			
Interest expenses	-6 923 947	-1 530 266	-8 454 213
Income tax	-948 795	118 515	-830 280

Preparation of the consolidated report

Consolidation principles

All subsidiaries have been consolidated line by line in the consolidated report. All in-group transactions, receivables and liabilities and unrealised profits and loss from the transactions carried out between the group companies have been eliminated. The minority share in the result and owners' equity of the subsidiaries has been recorded at the separate entry in the consolidated statement of income and consolidated within the owners' equity recorded in the consolidated statement of financial position separately from the owners' equity belonging to the owners of the parent company. Since the foundation of the group the accounting policies of the subsidiaries have been changed to comply with the accounting policies of the group.

Business combinations

The acquisition of the subsidiary is recorded based on the purchase method (excluding the business combinations under joint control recorded based on the adjusted purchase method). According to the purchase method assets, liabilities and contingent liabilities of the acquired subsidiary are recorded at their fair value and the difference between the acquisition cost of the acquired share and fair value of the acquired net assets are recorded as positive or negative goodwill. From the date of acquisition, the assets, liabilities and contingent liabilities of the acquired subsidiary and the resulting goodwill are recorded in the consolidated statement of financial position and the share of the income and expenses of the acquired subsidiary is recorded in the consolidated income statement. Negative goodwill is recorded immediately as income.

Business combinations between jointly controlled entities

Business combinations between entities under joint control are recorded by using the adjusted purchase method, whereby the acquired share is recorded in the book value of the net assets acquired in another company (i.e. as the acquired assets and liabilities acquired were recorded in the statement of financial position of the acquired company) and the difference between the acquisition cost of the acquired share and the book value of the net assets acquired is recorded as a decrease or increase in the equity of the acquiring company.

Transactions with minority share

Transactions in which the company increases or decreases its share in a subsidiary under its control (transactions with minority share) are recorded as transactions between owners that do not give rise to goodwill or profit or loss. Any differences between the purchase or sale price and the changed book value of the minority share are recorded directly in equity.

Non-consolidated financial statements of the parent company provided in the notes to the consolidated financial statements.

The separate non-consolidated financial statements of the consolidating entity (parent company) are disclosed in the notes to the consolidated financial statements. The main financial statements of the parent company have been prepared in accordance with the same accounting policies as applied also in the preparation of the consolidated financial statements, except for investments in subsidiaries, which are recorded in the non-consolidated statement by using the equity method.

Under the equity method, an investment is initially recorded at cost, which is adjusted in the next periods with the investor's share in the changes in the equity of the investment object (both changes in the profit or loss of the subsidiary and changes in other equity items) and by eliminating or depreciating the difference between the fair value and book value found in the purchase analysis of the assets, liabilities and contingent liabilities of the investment object. Unrealised profits incurred in the mutual transactions are eliminated according to the size of the share of the parent company. Unrealised losses are also eliminated, unless the reason of loss is the decrease in the value of assets.

If the parent's share of the losses of a subsidiary recorded based on the equity method exceeds the book value of the subsidiary, the book value of the investment is reduced to zero and the long-term receivables that form part of the investment are written down. Further losses are recorded off-balance sheet. If the parent company has guaranteed or is obliged to satisfy the liabilities of the subsidiary, both the corresponding liability and the loss of the equity method are recorded in the statement of financial position. Other receivables from the subsidiary are assessed according to the probability of receipt of the receivable.

The share in the assets and liabilities of the acquired subsidiary and goodwill arising from the acquisition are recorded in the statement of financial position as a net amount in the line "Shares of subsidiaries".

Financial assets

Financial assets include cash, short-term financial investments, customer receivables and other current and non-current receivables. Financial liabilities include unpaid invoices to suppliers and short-term and long-term debt liabilities. Financial assets and liabilities are initially recorded at their cost which is the fair value of the fee given or received for the financial asset or liability. Initial cost includes all transaction costs that are directly attributable to the financial asset or liability. Financial liabilities are recorded in the statement of financial position at adjusted cost.

A financial asset is removed from the statement of financial position when the company loses the right to receive cash flows from the financial asset or transfers the cash flows from the assets and most of the risks and benefits related to the financial asset to the third party. A financial liability is removed from the statement of financial position when it is satisfied, cancelled or expired.

Purchases and sales of financial assets are recorded on an on-going basis on the value date, i.e. on the date the company becomes the owner of the financial assets purchased or loses the right of ownership over the sold financial assets.

Cash

Cash, bank account balances and term deposits of up to 3 months are recorded as cash and cash equivalents in the statement of financial position and statement of cash flows.

Foreign currency transactions and assets and liabilities fixed in foreign currency

The functional currencies of the companies belonging to the group are the currency of the main economic environment of the companies' business operations. The functional currency of the parent company and subsidiaries is euro. The consolidated financial statements are presented in euros. Transactions in foreign currencies are recorded at the official exchange rates of the European Central Bank on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange rates of the European Central Bank valid on those dates. Foreign exchange gains and losses resulting from revaluation are recorded in the income statement of the accounting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate of the European Central Bank valid on the date that the fair value was determined.

Non-monetary assets and liabilities denominated in foreign currencies that are not recorded at fair value (e.g. prepayments, inventories, property, plant and equipment and intangible assets recorded based on the method of acquisition cost) are not revalued on the reporting date but continue to be recorded based on the exchange rate of the central bank valid on the date of transaction.

Shares of subsidiaries and associated companies

A subsidiary is a company over which the company has control. A subsidiary is considered to be under the control of the company if it has, directly or indirectly, more than 50% of the voting power of the subsidiary or otherwise has the power to govern the financial and operating policies of the subsidiary.

The financial indicators of the subsidiaries (entries of the statement of financial position, income statement and statement of cash flows as well as the financial indicators disclosed in the notes and other parts of the report) are consolidated line by line in the consolidated annual report.

The assets, liabilities and contingent liabilities of the subsidiary and the resulting positive goodwill are recorded in the consolidated statement of financial position and the share of the income and expenses of the acquired subsidiary is recorded in the consolidated income statement.

Investments in associated companies are recorded based on the acquisition cost method. An investment in an associate is initially recorded at its acquisition cost, which is the fair value of the fee to be paid and the costs directly attributable to the acquisition (except for jointly controlled entities). Under the acquisition cost method, the initial acquisition cost is adjusted in subsequent periods, if necessary, with impairment losses on the investment. An assessment is made at each balance sheet date to determine whether there is any indication that the recoverable amount of an investment may have fallen below its book value. If such indications exist, the value test of the assets is carried out. Dividends paid by the investee are recorded as income when the investor becomes entitled to the dividends.

Subsidiaries are recorded in the parent company's separate statement using the equity method.

Receivables and prepayments

Short-term receivables arising in the ordinary course of business are recorded as customer receivables. Customer receivables are recorded at cost (i.e. nominal value less repayments and discounts, if any). The book value of receivables is reduced by the amount of doubtful receivables and recorded in the income statement as miscellaneous operating expenses. If a receivable is considered to be uncollectible, the receivable and its discount are written off the balance sheet. Receivables from previously written-down doubtful receivables are recorded as a reduction of the cost of doubtful receivables.

Investment property

Investment property is real estate (land, building) that the company holds (either as an owner or leased under finance leases) for the purpose of earning lease income or increasing market value and which is not used in its economic activities.

Investment property is initially recorded in the statement of financial position at cost, which also includes directly the transaction fees directly related to the purchase (i.e. notary fees, state fees, fees paid to advisers and other expenses without which the purchase transaction would not have taken place). Investment properties are further recorded at fair value based on an annual market price determined by an independent appraiser based on the prices of recent transactions for similar items (adjusting for differences) by using the discounted cash flow method.

The basis for determining the fair value of investment property is the independent expert opinions of BPT Real Estate AS for Estonian properties and UAB Ober-Haus, UAB "NWC VALUATIONS LT" for Lithuanian properties and SIA "CPB Real Estate Services" for Latvian properties.

In expert opinions, the discounted cash flow method has been used to find the market value of an object in accordance with asset valuation standards.

In preparing the valuation reports, the specifics of each object and market have been taken into account as assumptions, as well as the discount and capitalization rates determined for each object accordingly.

Investment property includes buildings and the related long-term building right that the company holds for the purpose of earning lease income and which are not used in its economic activities. Investment property is initially recorded in the statement of financial position at its acquisition cost which also includes transaction fees directly related to the acquisition.

Investment property is assessed at its fair value on each reporting date by using the assistance of external professional appraisers. The determination of the fair value is based on the market price of the object, which is considered to be the most favourable price that the seller could receive when selling the object on the open market or the buyer when buying it. Profits or losses arising from changes in value are recorded in the income statement for the period. The assessment of the fair value has been based on the assessment of an independent expert.

The fair value of investment properties as at 31 December 2020 has been found by using the discounted cash flow method. As at the reporting date the fair value has been found based on the company's future cash flows from operating activities and the discount rate in the range of 7.4-9.8% and capitalization rates of 5.5-8.5%.

The changes in fair value are recorded in the income statement on the separate entry "Profit / loss from revaluation of investment property". Investment property recorded based on fair value method is not depreciated.

Investment property is removed from the statement of financial position upon disposal or decommissioning of the object, if no future economic benefits are expected from the asset. Profits or losses arising from the termination of recording of investment property are recorded in the income statement of the period of termination in other operating income or other operating expenses.

Property, plant and equipment and intangible assets

When recording property, plant and equipment in the statement of financial position, accumulated depreciation and the discounts arising from the decrease in the value of assets are deducted from their acquisition cost. Based on the materiality principle, those assets with an acquisition cost exceeding 639 euros and the useful life of more than one year are recorded as non-current assets. The assets with lower acquisition cost or shorter useful life are expensed when these are taken into use and are accounted for off-balance sheet. If an item of property, plant and equipment consists of distinguishable significant components that have different useful lives, those components are accounted for as separate items of property, plant and equipment at separate depreciation rates based on the useful life of the component.

The company uses straight-line method to depreciate property, plant and equipment.

Intangible assets (development costs, patents, licenses, trademarks, software) are recorded in the statement of financial position in case the asset is controlled by the company, usage of the asset will be economically beneficial in the future and the acquisition cost of the asset is reliably measurable. The acquired intangible assets are initially recorded at cost, which comprises the purchase price and directly attributable acquisition costs. After recording intangible assets are carried at cost less any accumulated depreciation and potential discounts proceeding from the decrease in value.

Intangible assets are expected to have a limited useful life. If the intangible asset has arisen from contractual or other rights, the useful life of the asset is no longer than the term of those contractual rights, but may be shorter if the company plans to use the asset for a shorter period. If the contractual rights can be renewed, the useful life of the intangible asset may include a renewable period, provided that the renewal does not require significant expenses.

If the company cannot reliably estimate the useful life of an intangible asset, the asset is depreciated over a period of up to ten years.

Intangible assets with fixed useful lives are depreciated on a straight-line basis proceeding from the estimated useful lives. On each reporting date the validity of the asset's depreciation periods and method is assessed.

The residual value of depreciated intangible assets is considered to be zero, unless it is highly probable that the asset will be available for sale after the end of its useful life (e.g. there is an active market for the asset or a third party has committed to repurchase the asset).

Intangible assets are assessed for impairment whenever events or changes in circumstances refer to the potential decrease in value.

Goodwill

Goodwill is the positive difference between the cost of an interest in a business combination and the fair value of the net assets acquired, by reflecting the portion of the acquisition cost paid for the identifiable assets of the acquiree that cannot be identified and accounted for separately. On the date of acquisition goodwill is recorded at its cost as an intangible asset.

Subsequent to initial recording goodwill is measured at cost less any impairment losses.

If any event or change in circumstances indicates that goodwill may be impaired, an impairment test is performed annually (or more frequently). The value test is always performed with the cash-generating unit to which the goodwill belongs. Goodwill is written down to its recoverable amount if it is less than its residual book value. Goodwill allowances are not reversed.

Negative goodwill is the amount by which the fair value of the net assets acquired exceeds the cost of the acquired share. Negative goodwill is recorded in the income statement as income.

Minimum level of recording fixed assets 500

Useful life by groups of fixed assets (years)

Name of the fixed asset group	Useful life
Other tangible assets	3 years
Goodwill	6-10 years

Due to the specifics of an item of property, plant and equipment, its useful life may differ from that of other similar groups. In this case it is considered separately and an appropriate depreciation period is assigned.

The depreciation rates applied to property, plant and equipment are reviewed if circumstances have arisen that may significantly change the useful life of the property, plant and equipment or group of property, plant and equipment. The effect of changes in estimates is recorded in the reporting period and subsequent periods.

If the residual value of an asset exceeds its residual book value, the asset is depreciated; depreciation is restarted when the asset's residual value falls below its book value.

If an item of property, plant and equipment has incurred costs that meet the definition of property, plant and equipment, those costs are added to the acquisition cost of the fixed asset. The expenses related to current maintenance and repairs are recorded as expenses in the reporting period.

When an item of property, plant and equipment is replaced, the cost of the new component is added to the cost of the item, provided that it meets the definition of an item of property, plant and equipment. The replacement component is written off the balance sheet. If the cost of the component to be replaced is not known, the depreciable amount is estimated based on the cost of the replacement, less estimated depreciation.

Leases

Lease transactions, where all material risks and benefits from ownership of an asset are transferred to the lessee, are handled as finance lease. All other lease contracts are recorded as operating lease.

Operating lease payments are recorded as an expense in the income statement on a straight-line basis over the lease term.

Group as a lessor

Assets leased out under operating lease terms are recognized in the balance sheet as usual, similarly to other assets recorded in the company's statement of financial position. Leased assets are depreciated based on the depreciation principles applied in the company for the same type of assets. Operating lease payments are recorded as income on a straight-line basis over the lease term. Initial costs directly attributable to the conclusion of operating lease contracts are recorded in the lessor's statement of financial position as an asset (in the same line as the leased asset) and depreciated within the lease term in proportion to the recording of the lease income.

Financial liabilities

Financial liabilities are initially recorded at cost, which is the fair value of the fee given or receivable for the financial liability. Financial liabilities are subsequently recorded at their adjusted cost.

Interest expenses related to financial liabilities are recorded as an expense of the period on an accrual basis in the income statement line "Financial income and expenses". A financial liability is de-recorded when the latter is paid, cancelled or expired.

The company uses interest rate swaps on derivative instruments to cover interest rate risks. Such derivatives are initially recorded at their fair value on the date of the contract and are subsequently reassessed according to the change in fair value of the instrument. If the fair value is positive, the derivative is recorded as an asset, if negative, it is recognized as a liability. The profits and losses arising from the change in the fair value of a derivative are recorded in the income statement in the period in which they arise, except for derivatives that qualify for hedge accounting. The latter have been non-existent in the company's reporting period and also in the comparison period.

Provisions and contingent liabilities

The provisions include probable operating or legal liabilities arising from the events that occurred before the reporting date. The establishing of a provision or an increase in an existing provision is recorded as an expense in the income statement for the period.

The provisions of Summus Capital OÜ include the deferred income tax liability of the Lithuanian subsidiaries. The calculation has been provided in the notes to the report.

Revenue

Revenue consists of the revenue from the leasing of real estate and revenue from utilities and other resold services. Revenue is recorded at the fair value of the received or receivable fee. If payment is made for a longer period than usual, the income is recorded at the present value of the fee received. Revenue from the sale of services is recorded based on the percentage of completion method, revenue and profit from the provision of services are recorded in proportion to the same periods as the costs associated with the provision of the service.

Taxation

Parent company and subsidiaries registered in Estonia.

According to the Income Tax Act no profit of the financial year of the company is taxed in Estonia. Income tax is paid on dividends, fringe benefits, gifts, donations, reception costs, payments not related to the business and adjustments of transfer price. The tax rates on profit distributed as dividends are either 20/80 or 14/86 of the net amount paid out from 1 January 2019 (the tax rate was 20/80 up to 31 December 2018).

The lower tax rate applies to dividends paid in 2021, the amount of which is the average net dividends distributed and taxed in 2018-2020. The net dividends taxed with tax rate of 14/86 by the legal person to the natural persons, incl also non-resident natural persons, are taxed with 7% income tax rate. Taxation takes place by withholding tax by the distributor.

At the certain conditions the dividends can be re-allocated without additional income tax costs. The corporate income tax involved with the payment of dividends is recorded as a liability and as the income tax expenses in the income statement in the same period when the dividends are announced, regardless of the period for which these are actually announced or paid out. The income tax payment liability incurs on the 10th of the month following the payment of dividends.

Proceeding from the peculiarity of the taxation system the companies registered in Estonia have no differences between the tax accounting and residual book values of the assets and thus also neither income tax receivables nor liabilities. The statement of financial position is not recording the contingent income tax liability which would incur in payment of dividends from retained earnings. The maximum income tax liability that would involve in payment of retained earnings as dividends has been provided in the notes of the financial statements.

Income tax assets and liabilities and income tax expenses and income are classified as realized (payable) income tax and deferred income tax. The payable income tax is presented as a current asset or liability and deferred income tax is presented as a non-current asset or liability.

The consolidated income statement includes the corporate income tax expense and deferred income tax expense or income calculated on the profits of subsidiaries located in Latvia and Lithuania, as well as income tax expense on dividends of companies registered in Estonia.

Foreign subsidiaries.

Latvia has a similar valid income tax act, where corporate profits are not taxed, dividends paid are taxed at 20% income tax rate.

According to Lithuanian income tax regulations, the taxpayer as a company in the respective country incurs an obligation to pay income tax on taxable profit earned in the accounting year; in Lithuania the income tax rate was 15% in 2020 (2019: 15%).

For foreign subsidiaries, the deferred income tax asset or liability is found between the temporary differences of the taxation values of assets and liabilities and temporary differences of accounting values on the reporting date. Deferred income tax is calculated by using tax rates that have been enacted or substantively enacted by the end of the reporting period in which the temporary differences or tax losses are realized. Deferred income tax assets and liabilities are offset only within one company. Deferred income tax assets are recorded in the statement of financial position only if, in the foreseeable future, it is probable that an amount of income tax liability that is comparable to deferred tax assets will arise that could be used for offsetting.

Related parties

The related parties in preparing the financial statements of Summus Capital OÜ are the following:

- owners with significant holdings;
- subsidiaries;
- other companies belonging to the same group (incl other subsidiaries of the parent company);
- executive and top management and the companies under their dominant or significant impact;
- close family members of the executive and top management and the companies under their dominant or significant impact.

Events after the reporting date

The financial statements include significant circumstances affecting the assessment of assets and liabilities that occurred between the date of report of 31 December 2020 and the date of preparing the report, but are related to transactions during the reporting period or previous periods. The circumstances that occurred between the date of report of 31 December 2020 and the date of preparing the report, but are not related to the transactions during the reporting period or previous periods, are disclosed in the notes to the annual report.

Note 2 Receivables and prepayments

(In euros)

	31 Dec 2020	Allocation by remaining maturity		
		Within 12 months	Within 1 - 5 years	Over 5 years
Customer receivables	1 724 055	1 724 055	0	0
Accounts receivable	1 724 055	1 724 055	0	0
Tax prepayments and receivables	11 841	11 841	0	0
Other receivables	15 462 358	3 567 783	11 894 575	0
Loan receivables	14 894 575	3 000 000	11 894 575	0
Interest receivables	567 783	567 783	0	0
Prepayments	514 162	280 084	234 078	0
Deferred expenses	198 094	198 094	0	0
Other paid prepayments	316 068	81 990	234 078	0
Other receivables	214 254	214 254	0	0
Total receivables and prepayments	17 926 670	5 798 017	12 128 653	0
	31 Dec 2019	Allocation by remaining maturity		
		Within 12 months	Within 1 - 5 years	Over 5 years
Customer receivables	830 983	830 983	0	0
Accounts receivable	830 983	830 983	0	0
Tax prepayments and receivables	42 461	42 461	0	0
Other receivables	4 051 806	3 232 231	0	819 575
Loan receivables	3 819 575	3 000 000		819 575
Interest receivables	110 131	110 131	0	0
Dividend receivables	122 100	122 100	0	0
Prepayments	28 422	28 422	0	0
Deferred expenses	20 872	20 872	0	0
Other paid prepayments	7 550	7 550	0	0
Other receivables	20 037	20 037	0	0
Total receivables and prepayments	4 973 709	4 154 134	0	819 575

Receivables and prepayments include receivables from related parties as at 31 December 2020 in amount of 88 353 euros (31 December 2019: 192 205 euros), which have been provided in more detail by groups in note 21.

Note 3 Tax prepayments and liabilities

(In euros)

	31 Dec 2020		31 Dec 2019	
	Prepayment	Tax liability	Prepayment	Tax liability
Corporate tax	0	155 612	0	5 790
VAT	11 841	398 225	42 461	259 107
Personal income tax	0	1 260	0	1 145
Social tax	0	2 147	0	1 898
Land tax	0	129 956	0	18 642
Total tax prepayments and liabilities	11 841	687 200	42 461	286 582

Further information on tax prepayments and tax arrears is provided in note 9.

Note 4 Shares of subsidiaries

(In euros)

Shares of subsidiaries, general information					
Subsidiary's registry code	Name of subsidiary	Country of incorporation	Principal activity	Ownership interest (%)	
				31 Dec 2019	31 Dec 2020
12546253	Lepidus Invest OÜ	Estonia	Real estate management/leasing	99	99
12687677	Votum Invest OÜ	Estonia	Real estate management/leasing	99	99
12841749	Princepts Capital OÜ	Estonia	Real estate management/leasing	99	99
12828715	Voluntas Invest OÜ	Estonia	Real estate management/leasing	99	99
12874035	Veerenni Tervisekeskus OÜ	Estonia	Real estate management/leasing	99	99
14142229	Arion Finance OÜ	Estonia	Investing	100	100
12983261	Procedo Capital OÜ	Estonia	Real estate management/leasing	99	99
304102137	UAB Vikingu 3	Lithuania	Investing	89	89
304139370	UAB Zenith Turto Valdymas	Lithuania	Real estate management/leasing	89	89
40203161265	Vikingi 2 SIA	Latvia	Investing	100	100

Shares of subsidiaries, detailed information				
Name of subsidiary	31 Dec 2019	Dividends	Profit (loss) by equity method	31 Dec 2020
Procedo Capital OÜ	10 327		23 685	34 012
Lepidus Invest OÜ	530 968		-1 157 870	-626 902
Votum Invest OÜ	967 075		708 203	1 675 278
Princepts Capital OÜ	291 898	-70 000	182 078	403 976
Voluntas Invest OÜ	727 555		-810 052	-82 497
Veerenni Tervisekeskus OÜ	516 385		-44 443	471 942
Arion Finance OÜ	16 449		6 998	23 447
UAB Vikingu 3	16 556 350		-1 137 839	15 418 511
UAB Zenith Turto Valdymas	2 179 878	-293 700	495 455	2 381 633
Vikingi 2 SIA	0		25 734 187	25 734 187
Total shares of subsidiaries, at the end of previous period	21 796 885	-363 700	24 000 402	45 433 587

Acquired shares			
Name of subsidiary	Acquired share %	Acquisition date	Cost of acquired share
SIA LSREF3 Riga Plaza	44.50	30 November 2020	9 183 283
SIA PLP	100	30 November 2020	1 428 064

On 30 November 2020 Summus Capital OÜ acquired a 44.5% share of subsidiary Vikingi 2 SIA in SIA LSREF3 Riga Plaza, which owns 100% share in the subsidiary SIA PLP and also the contract was concluded to acquire an additional 44.5% share in December 2022. As a result of the transactions and the shareholders' agreement concluded between the acquirers, Vikingi 2 SIA of Summus Group acquired control over SIA LSREF3 Riga Plaza and its 100% subsidiary SIA PLP (control over day-to-day management) and the acquired companies are consolidated as 89% share. The purchase price of the shares was 9.2 million euros, incl. 45% share to be acquired in December 2022 and the costs related to the acquisition of shares. The value of the acquired net assets was 40.0 million euros, of which, after deducting the minority interest of 4.4 million euros, negative goodwill of 26.4 million euros incurred during the transaction, the resulting income is recorded in the income statement line "profit (loss) from subsidiaries".

In addition to the subsidiaries of Summus Capital, which are provided for in the table above, the group also includes UAB Nordika Prekybos sienis, UAB PT Vakarai, UAB PT Rytai, which are subsidiaries of Vikingu 3, and SIA Loft Office, SIA LSREF3 Riga Plaza, SIA PLP, which are the subsidiaries of Vikingu 2.

The financial income on the shares of subsidiaries has been in more detail disclosed in note 18.

Note 5 Long-term financial investments

(In euros)

		Total
	Other	
31 Dec 2019	0	0
Acquisition	1 964 743	1 964 743
31 Dec 2020	1 964 743	1 964 743

In 2020 the expenses were incurred in amount of 14 742 related to the acquisition of the subsidiary Pharma Plaza OÜ. Pharma Plaza OÜ was acquired on 29 January 2021. On 10 February 2021 the merger contract was concluded with Pharma Plaza OÜ, the acquiring company is Procedo Capital OÜ (subsidiary of Summus Capital).

In 2020 Vikingu 2 (subsidiary of Summus Capital) prepaid the amount of 1 950 000 related to the acquisition of the share with D Imanta Project SIA (Latvia).

Note 6 Investment property

(In euros)

Fair value method	
31 Dec 2019	164 870 000
Acquisitions and improvements	52 212 032
Profit (loss) from change in fair value	-5 033 228
Additions through business combinations	99 363 276
31 Dec 2020	311 412 080

	2020	2019
Lease income earned on investment property	14 020 608	12 592 260
Direct administrative expenses on investment property	3 426 025	3 292 369

As of the end of 2020 the portfolio of the companies owned by Summus Capital OÜ consists of ten real estate projects in Estonia: DE LA GARDIE, VEERENNI 1, AURIGA, PUNANE 56, warehouses;
In Latvia: RIGA PLAZA (acquired in November 2020);
In Lithuania: THE PARK TOWN EAST HILL, THE PARK TOWN WEST HILL, NORDIKA, THE BOD GROUP HIGH TECHNOLOGY CENTRE.

In January 2021 11 projects have been added in Estonia - VEERENNI 2. The total leasable area is 182 650 m² and there are more than 350 tenants, the weighted average lease term (WAULT) of the portfolio is 7.7 years and the loan-to-market ratio (LTV) is 55%. The total value of the portfolio is approximately 345 million euros.

More information on the website www.summus.ee

Investment property is initially recorded in the balance sheet at its acquisition cost, which also includes the transaction fees directly related to the acquisition (i.e. notary fees, state fees, fees paid to advisers and other expenses without which the purchase transaction would not have taken place). Investment properties are subsequently measured at fair value based on the annual market price determined by an independent appraiser based on the prices of recent transactions for similar items (adjusting for differences) using the discounted cash flow method.

The basis for determining the fair value of investment property is independent expert opinions of BPT Real Estate AS for Estonian objects, UAB Ober-Haus for Lithuanian objects, UAB "NWC VALUATIONS LT" and SIA "CPB Real Estate Services" for Latvian objects. In expert opinions the discounted cash flow method has been used to find the market value of an object in accordance with asset valuation standards.

In preparing the valuation reports, the specifics of each object and market have been taken into account as assumptions, as well as the discount and capitalization rates determined for each object accordingly.

Investment property includes a building and related long-term superficies, which the company holds for the purpose of earning rental income and which is not used in its economic activities. Investment property is initially recorded in the balance sheet at its acquisition cost, which also includes transaction fees directly related to the acquisition.

Gains or losses arising from changes in value are recorded in the income statement of the period.

The fair value of investment properties as at 31 December 2020 has been determined by using the discounted cash flow method.

As of the reporting date the fair value has been found based on the company's future cash flows from operating activities and the discount rate in the range of 7.4% -9.8% and capitalization rates of 5.5% -8.5%.

The used vacancy rates by objects range from 0% -10%.

More specifically, sales revenue, the part of which is rental income earned from investment properties, has been recorded in note 12.

More specifically, the costs related to the direct management costs of investment properties have been recorded in note 14. Losses arising from the revaluation of investment properties have been recorded in note 17 (profits in note 13).

The acquisition of Riga Plaza in November 2020 is included in the line "Additions through business combinations". For more details, see Annex 4.

Note 7 Intangible assets

(In euros)

	Goodwill	Other intangible assets	Total
31 Dec 2018			
Acquisition cost	6 443 130		6 443 130
Accumulated depreciation	-2 426 812		-2 426 812
Residual cost	4 016 318		4 016 318
Depreciation	-838 023		-838 023
31 Dec 2019			
Acquisition cost	6 443 130		6 443 130
Accumulated depreciation	-3 264 835		-3 264 835
Residual cost	3 178 295		3 178 295
Additions through business combinations		20 653	20 653
Depreciation	-838 023	0	-838 023
31 Dec 2020			
Acquisition cost	6 443 130	20 653	6 463 783
Accumulated depreciation	-4 102 858	0	-4 102 858
Residual cost	2 340 272	20 653	2 360 925

Note 8 Loan liabilities

(In Euros)

	31 Dec 2020	Allocation by remaining maturity			Interest rate	Base currency	Due date	Note no
		Within 12 months	1 - 5 years	Over 5 years				
Short-term loans								
Bank loans	2 000 000	2 000 000			EURIBOR +10%	EUR	2021	
Total short-term loans	2 000 000	2 000 000						
Long-term loans								
Bank loans	164 651 636	6 855 586	157 796 050		EURIBOR +1.82%-2.5%	EUR	2019-2026	
Other long-term loans	118 903 120		25 499 850	93 403 270	2%-9%	EUR	2019-2030	21
Total long-term loans	283 554 756	6 855 586	183 295 900	93 403 270				
Total loan liabilities	285 554 756	8 855 586	183 295 900	93 403 270				
	31 Dec 2019	Allocation by remaining maturity			Interest rate	Base currency	Due date	Note no
		Within 12 months	1 - 5 years	Over 5 years				
Long-term loans								
Bank loans	89 435 757	5 632 267	83 803 490	0	EURIBOR +1.82%-2.5%	EUR	2019-2026	
Other long-term loans	70 205 323	0	10 155 609	60 049 714	2%-9%	EUR	2024-2029	19
Total long-term loans	159 641 080	5 632 267	93 959 099	60 049 714				
Total loan liabilities	159 641 080	5 632 267	93 959 099	60 049 714				

The assets with a total book value of 311 412 080 euros (2019: 164 870 000 euros) have been pledged as collateral for long-term bank loans.

Other long-term loans include loans from related parties as of 31 December 2020 in amount of 99 742 696 euros (31 December 2019: in amount of 70 205 323 euros). More specifically loan balances with related parties have been provided in note 21.

As of 31 December 2020 the liabilities related to SWAP have been recorded at the line "bank loans" in amount of 4 635 184 euros (3 755 661 euros as of 31 December 2019)

The owners are actively involved in decision-making and have sufficient liquidity to provide additional support to the company in case of short-term problems.

As of 31 December 2020 the loan covenants of Lepidus Invest OÜ (subsidiary of Summus Capital) were not fulfilled and thus the loan liability to the bank in amount of 272 356 euros has been classified as at 31 December 2020 partly as a short-term liability, taking into account the possible short-term loan repayments due to non-compliance with a special condition. Negotiations are ongoing with the bank in this regard.

Note 9 Payables and prepayments

(In euros)

	31 December 2020	Allocation by remaining maturity			Note no
		Within 12 months	Within 1 - 5 years	over 5 years	
Trade payables	715 348	715 348	0	0	
Employee payables	2 239	2 239	0	0	
Tax payables	687 200	687 200	0	0	3
Other payables	7 357 752	4 950 528	2 407 224	0	
Interest payables	1 834 620	1 834 620	0	0	
Other accrued expenses	5 523 132	3 115 908	2 407 224	0	
Rental deposits and other prepayments received	1 537 497	1 537 497	0	0	
Total payables and prepayments	10 300 036	7 892 812	2 407 224		

	31 December 2019	Allocation by remaining maturity			Note no
		Within 12 months	Within 1 - 5 years	over 5 years	
Trade payables	555 464	555 464	0	0	
Employee payables	2 980	2 980	0	0	
Tax payables	286 582	286 582	0	0	3
Other payables	11 317 680	11 317 680	0	0	
Interest payables	10 918 790	10 918 790	0	0	
Other accrued expenses	398 890	398 890	0	0	
Rental deposits and other prepayments received	890 616	890 616	0	0	
Total payables and prepayments	13 053 322	13 053 322			

The payables and prepayments include payables to related parties as at 31 December 2020 in amount of 125 078 euros (31 Dec 2019: 9 588 346 euros) which have been provided in more detail by groups in note 21.

Note 10 Provisions

(In euros)

	31 Dec 2019	Establishing/ adjustments	31 Dec 2020
Total provisions	6 874 124	201 692	7 075 816
Non-current	6 874 124	201 692	7 075 816
Other provisions	6 874 124	201 692	7 075 816
	31 Dec 2018	Establishing/ adjustments	31 Dec 2019
Total provisions	6 749 221	124 903	6 874 124
Non-current	6 749 221	124 903	6 874 124
Other provisions	6 749 221	124 903	6 874 124

The provisions include deferred income tax liability of the Lithuanian subsidiaries.

Note 11 Contingent liabilities and assets

(In euros)

	31 Dec 2020	31 Dec 2019
Contingent liabilities		
Distributable dividends	29 845 835	11 650 004
Income tax liability on distributable dividends	7 461 459	2 911 048
Total contingent liabilities	37 307 294	14 561 052

Note 12 Net sales

(In euros)

	2020	2019
Net sales by geographical location		
Net sales in European Union		
Lithuania	12 606 100	9 987 290
Estonia	5 137 009	5 545 414
Total net sales in European Union	17 743 109	15 532 704
Total net sales	17 743 109	15 532 704
Net sales by operating activities		
Rental income	14 142 236	12 592 261
Advertising income	32 504	41 774
Other resold goods and services	3 568 369	2 898 669
Total net sales	17 743 109	15 532 704

Note 13 Other operating income

(In euros)

	2020	2019	Note no
Profit from fair value change of investment property	0	30 232	6
Fines, penalties and compensations	40 997	37 694	
Total other operating income	40 997	67 926	

Note 14 Goods, raw materials and services

(In euros)

	2020	2019
Goods purchased for resale	0	50
Services purchased for resale	3 426 025	3 292 319
Total goods, raw materials and services	3 426 025	3 292 369

Note 15 Miscellaneous operating expenses

(In euros)

	2020	2019
Miscellaneous office expenses	146 663	44 364
Expenses of doubtful receivables	138 034	0
Advertising	709 565	285 996
Insurance	14 900	14 900
Legal services	424 828	594 075
Consulting services	518 123	276 147
Bank fees	280 675	6 021
Fees of management services	349 000	0
Other	0	3 805
Total miscellaneous operating expenses	2 581 788	1 225 308

Note 16 Labour expenses

(In euros)

	2020	2019
Wage and salary expense	250 190	151 047
Social security taxes	13 538	47 378
Pension expenses	112	0
Total labour expenses	263 840	198 425
Average number of employees in full time equivalent units	6	6

Note 17 Other operating expenses

(In euros)

	2020	2019	Note no
Loss from change in fair value of investment properties	5 033 228	0	6
Other	67 297	5 830	
Total other operating expenses	5 100 525	5 830	

Note 18 Profit (loss) from subsidiaries

(In euros)

	2020	2019	Note no
Financial income and expenses from shares of subsidiaries	26 393 456	0	
Negative goodwill	26 393 456	0	4
Total profit (loss) from subsidiaries	26 393 456	0	

Note 19 Interest expenses

(In euros)

	2020	2019
Interest expense from loans	9 350 961	8 454 213
Total interest expenses	9 350 961	8 454 213

Interest expenses from related parties amounts to 6 378 425 in 2020 (3 669 527 in 2019).
Additional information has been provided in note 21.

Note 20 Interest income

(In euros)

	2020	2019
Interest income from bonds	0	36 631
Interest income from loans	277 670	115 132
Other interest income	0	39
Total interest income	277 670	151 802

Interest income from related parties amounts to 1350 in 2020 (2019: 2000).
Additional information has been provided in note 21.

Note 21 Related parties

(In euros)

Balances with related parties by categories

	31 Dec 2020		31 Dec 2019	
	Receivables	Liabilities	Receivables	Liabilities
Management, higher supervisory body and individuals with material share and the entities under their control or significant influence	0	0	69 948	289 794
Close family members of the management, higher supervisory body and individuals with material share and the entities under their control or significant influence	87 957	98 708 839	122 257	76 310 764

Loans

2020	Loans given	Repayments of loans given	Interests received	Loans received	Repayments of loans received	Interests paid	Interest rate	Base currency	Due date
Management, higher supervisory body and individuals with material share and the entities under their control or significant influence									
Loan	0	0	0	0	0	20 267	7-9%	EUR	2024-2027
Close family members of the management, higher supervisory body and individuals with material share and the entities under their control or significant influence									
Loan	0	0	0	0	0	638 030	7-9%	EUR	2028-2029
Loan	0	0	0	30 078 262	0	0	7%	EUR	2030
2019	Loans given	Repayments of loans given	Interests received	Loans received	Repayments of loans received	Interests paid	Interest rate	Base currency	Due date
Management, higher supervisory body and individuals with material ownership interest and the entities under their control or significant influence									
Loan	0	0	0	0	0	22 404	7-9%	EUR	2024-2027
Close family members of the management, higher supervisory body and individuals with material ownership interest and the entities under their control or significant influence									
Loan	0	0	0	11 700 824	0	84 000	7-9%	EUR	2028-2029

Purchases and sales of goods and services

	2020		2019	
	Purchases of goods and services	Sales of goods and services	Purchases of goods and services	Sales of goods and services
Close family members of the management, higher supervisory body and individuals with material ownership interest and the entities under their control or significant influence	600 005	0	290 479	0

Remuneration and other significant benefits calculated for members of management and highest supervisory body	2020	2019
	Remuneration	24 000

Additional information regarding loan liabilities has separately been provided in note 8.

Interest income and expense on related party loans has separately been provided in notes 19 and 20.

In 2020 dividends in amount of 50 000 euros were paid to the shareholder of the parent company.

Note 22 Events after the reporting date

After the date of the report, the contracts have been signed in 2021 for the acquisition of three projects in Lithuania, Latvia and Estonia, which will increase the GLA of the portfolio of the consolidation group to 260 000 m² and the volume to approximately 347 million euros. It is planned to increase the volume of the portfolio to 500 million in five years, which is mostly covered by pre-negotiated projects.

On January 29, 2021, Procedo Capital (subsidiary of Summus) acquired a subsidiary Pharma Plaza OÜ.

On February 10, 2021, the merger contract was signed with Pharma Plaza OÜ, the acquiring company is Procedo Capital OÜ.

On 28 February 2021 Summus Capital took over the SPV loans of Arion Finance OÜ (subsidiary) together with the accrued interest, as a result of which Arion Finance OÜ had a claim as to loans against Summus Capital OÜ (parent company).

In March 2021 the 100% shareholder of Summus Capital increased the share capital with an additional cash contribution to 1.2 million euros.

On 1 April 2021 Summus Capital OÜ sold a 100% share in OÜ Arion Finance (subsidiary) to a related party.

These are non-adjusting events after the reporting date.

Note 20 Non-consolidated statement of financial position

(In euros)

	31 Dec 2020	31 Dec 2019
Assets		
Current assets		
Cash and cash equivalents	3 209	1 333 877
Receivables and prepayments	12 409	12 517
Total current assets	15 618	1 346 394
Non-current assets		
Investments in subsidiaries and associates	45 433 587	21 796 885
Property, plant and equipment	58 333	0
Total non-current assets	45 491 920	21 796 885
Total assets	45 507 538	23 143 279
Liabilities and equity		
Liabilities		
Current liabilities		
Payables and prepayments	1 325 908	2 173 552
Total current liabilities	1 325 908	2 173 552
Non-current liabilities		
Loan liabilities	8 447 332	6 599 330
Total non-current liabilities	8 447 332	6 599 330
Total liabilities	9 773 240	8 772 882
Equity		
Issued capital	67 500	67 500
Retained earnings (loss)	14 673 350	12 717 029
Annual period profit (loss)	20 993 448	1 585 868
Total equity	35 734 298	14 370 397
Total liabilities and equity	45 507 538	23 143 279

Note 24 Non-consolidated income statement

(In euros)

	2020	2019
Revenue	12 000	9 000
Other operating expense	-588 432	-61 142
Labour expenses	-31 920	-31 920
Depreciation and impairment loss (reversal)	-2 011	0
Other operating expenses	0	-4 830
Total operating profit (loss)	-610 363	-88 892
Profit (loss) from subsidiaries	22 086 974	2 122 981
Gain (loss) from financial investments	0	-10 399
Interest income	29	36 631
Interest expenses	-483 190	-461 953
Other financial income and expenses	-2	0
Profit (loss) before tax	20 993 448	1 598 368
Income tax expense	0	-12 500
Annual period profit (loss)	20 993 448	1 585 868

Note 25 Non-consolidated statement of cash flows

(In euros)

	2020	2019
Cash flow from operating activities		
Operating profit (loss)	-610 363	-88 892
Adjustments		
Depreciation and impairment loss (reversal)	2 012	0
Total adjustments	2 012	0
Changes in receivables and prepayments related to operating activities	-6 732	21 367
Changes in liabilities and prepayments related to operating activities	7 327	-139 525
Total cash flow from operating activities	-607 756	-207 050
Cash flows from investing activities		
Paid at the purchase of tangible and intangible assets	60 345	0
Cash payments to acquire subsidiaries	0	-4 975
Cash receipts from sales of subsidiaries	0	19 708
Cash receipts from sales of other financial investments	0	509 600
Repayments of loans given	5 080	0
Interest received	0	36 632
Dividends received	0	106 800
Other cash inflows from investing activities	0	854 400
Total cash flows from investing activities	65 425	1 522 165
Cash flows from financing activities		
Loans received	915 900	0
Repayments of loans received	-1 581 051	0
Interest paid	-73 186	0
Dividends paid	-50 000	-50 000
Income tax refund (paid)	0	-12 500
Total cash flows from financing activities	-788 337	-62 500
Total cash flows	-1 330 668	1 252 615
Cash and cash equivalents at beginning of period	1 333 877	81 262
Change in cash and cash equivalents	-1 330 668	1 252 615
Cash and cash equivalents at end of period	3 209	1 333 877

Note 26 Non-consolidated statement of changes in equity

(In euros)

			Total
	Share capital In nominaal value	Retained earnings (loss)	
31 Dec 2018	67 500	12 767 029	12 834 529
Annual period profit (loss)		-102 906	-102 906
Declared dividends		-50 000	-50 000
31 Dec 2019	67 500	12 614 123	12 681 623
Effect of correction of errors		1 688 774	1 688 774
Restated balance 31 Dec 2019	67 500	14 302 897	14 370 397
Annual period profit (loss)		20 993 448	20 993 448
Declared dividends		-50 000	-50 000
Other changes in equity		420 453	420 453
31 Dec 2020	67 500	35 666 798	35 734 298

The subsidiaries have been recorded in the statement of financial position of the parent company based on the equity method.

Note 24. Income tax

	<u>2020</u>	<u>2019</u>
Income tax components		
Income tax on expenses of reporting period	43 731	127 031
Income tax paid on dividends	17 500	12 500
Deferred income tax liability	206 400	809 264
Total income tax of reporting period	<u>267 631</u>	<u>948 795</u>
Deferred income tax on assets	<u>2020</u>	<u>2019</u>
Tax losses	897 176	720 440
Depreciation of goodwill	171 331	132 839
Deferred income tax on assets before change in value	1 068 507	853 279
Total deferred income tax on assets	<u>1 068 507</u>	<u>853 279</u>
Deferred income tax on liabilities	<u>2020</u>	<u>2019</u>
Change in fair value of investments	- 5 983 231	- 6 193 022
Depreciation of investments	- 2 188 089	- 2 300 137
Deferred income tax on liabilities before change in value	- 8 171 319	- 8 493 159
Total deferred income tax on liabilities	- 8 171 319	- 8 493 159
Total deferred income tax liability	- <u>7 102 812</u>	- <u>7 639 880</u>

Deferred income tax liability has arisen from the income tax accounting of Lithuanian subsidiaries.

Digital signatures of the report

The date of completion of the report is: 11 May 2021

The correctness of the data of the annual report of Summus Capital OÜ (register code: 12838783) for 1 January 2020 – 31 December 2020 has been electronically confirmed:

Name of signatory	Role of signatory	Date of signing
AAVO KOPPEL	Member of the management board	11 May 2021

INDEPENDENT SWORN AUDITOR'S REPORT

To the shareholder of Summus Capital OÜ

Opinion

We have audited the consolidated financial statements of **Summus Capital OÜ** and its subsidiaries (the group), which comprise the statement of financial position as at December 31, 2020, and the consolidated income statement, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as at December 31, 2020, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with Estonian Financial Reporting Standard.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the *Sworn auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the group in accordance with the Code of Ethics for Professional Accountants (Estonia), 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.

Other information

Management is responsible for the other information. The other information comprises the information included in the management report, but does not include the consolidated financial statements and our sworn auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

Responsibilities of management and those charged with governance related to the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Estonian Financial Reporting Standard and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the group'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 management either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

The ones charged with governance are responsible for performing the supervision of the accounting reporting process of the company.

Sworn auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a sworn 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 (EE) 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 consolidated financial statements.

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

- identify and assess the risks of material misstatement of the consolidated 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 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 management'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 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 sworn auditor's report to the related disclosures in the consolidated 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 sworn auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we obtain sufficient appropriate evidence about the financial information of the group's entities or businesses to express an opinion on the group's consolidated financial statements. We are responsible for directing, supervising and conducting group audits. We are 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.

/digitally signed/
Helen Veetamm
Sworn auditor no. 606

/digitally signed/
Liisa Piirsalu
Sworn auditor no. 709

KPMG Baltics OÜ
Activity licence of auditing company no 17
Narva mnt 5, Tallinn, Harju county, 10117
11 May 2021

Digital signatures of auditors

The auditor's report attached to the annual report of Summus Capital OÜ (register code: 12838783) for 1 January 2020 – 31 December 2020 has been digitally signed by:

Name of signatory	Role of signatory	Date of signing
HELEN VEETAMM	Sworn auditor	11 May 2021
LIISA PIIRSALU	Sworn auditor	11 May 2021

Profit allocation proposal

(In euros)

	31 Dec 2020
Retained earnings (loss)	13 072 997
Profit (loss) for the financial year	22 605 489
Total	35 678 486

Division of sales revenue by fields of activities

Field of activity	EMTAK code	Sales revenue (EUR)	Sales revenue %	Main field of activity
Business and other management consultancy activities	70221	12000	100.00%	Yes

Communication means

Type	Content
Mobile phone	+372 5050496
E-mail address	km@zenith.ee