SUMMUS CAPITAL

ANNUAL FINANCIAL STATEMENT 2021

Business name:	Summus Capital OÜ
Main field of activity:	Renting of real estate
Commercial registration number:	12838783
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Country of residence:	Estonia
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E-mail address:	info@summus.ee
Homepage:	www.summus.ee
Beginning of financial year:	01.01.2021
End of financial year:	31.12.2021
Legal form:	Private limited liability company
Auditor	KPMG Baltics OÜ

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

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OVERVIEW OF THE CHAIRMAN OF THE BOARD

Dear friends and partners,

All people and companies are currently facing difficult time, which is also testing our strongest and most developed qualities. However, difficult times also provide opportunities. It is a time of sustainable development and focus on what is important. Summus Capital can proudly say that we have achieved good quality and stability in our operations and are able to grow and develop together with our customers and partners.

We have achieved a significant position among Baltic companies with your trust and support. Summus Capital is no longer a small company - we have expanded and matured significantly in the last two years. We can say that we are in the Baltic market to stay here - and that does not mean staying in one place, but continuing with our stakeholders on the path to sustainable development.

Summus Capital will focus clearly on the environment, social issues and management in the near future, which is an integral part of our business philosophy. We have marked the zero baseline standards and decided where to go next in terms of sustainability. Summus Capital will continue to look for opportunities to make progress in terms of efficiency and strategic development. As we develop the environmental, social and management aspects of our business, we proceed based on acquired knowhow and use our knowledge and experience to achieve success.

The Baltic market is an important part of the future development of the European Union and we can proudly say that we operate more efficiently and effectively than many of our competitors from Western Europe. We are not afraid of challenges and we have demonstrated extremely high resilience, durability and innovative thinking and have figured functional solutions to those.

We do not measure success and prosperity in credit ratings, issue of bonds, investments or the number of properties acquired. Our prosperity and success are based on the meaningful relationships with people: employees, shareholders, partners and tenants of Summus Capital and everyone else who supports us on our journey. Thank You on behalf of Summus Capital for trusting us and I look forward to a successful year of cooperation ahead.

Sincerely,

Boris Skvortsov

Chairman of the Board of Summus Capital

I MANAGEMENT REPORT

OVERVIEW OF THE CONSOLIDATION GROUP

Summus Capital OÜ is a real estate investment holding company established in 2015 (hereinafter the Consolidation Group, Group or Summus Capital, the first subsidiary of which was established in 2013), which owns at the moment of presenting the Financial Statements a total of thirteen real estate objects in the three Baltic States. The Group has a diversified portfolio of cash-generating commercial real estate properties with a value of more than EUR 400 million at the time of reporting, consisting of retail buildings, office buildings, logistics buildings and medical buildings. Summus Capital started operations in Estonia, where the company is also registered.

The main source of income for the Consolidation Group is leasing of real estate. However, for liquidity management purposes, it is also permitted to invest in various financial instruments, including deposits and bonds. The real estate portfolio of the companies owned by Summus Capital consists of cash-flow generating commercial real estate properties and has been prepared with a longer-term investment period in mind, which means that the portfolio must be sustainable in the context of both rental demand and investment liquidity. The portfolio is allocated using a diversification strategy - investing in commercial, office, and industrial real estate. The stability of the portfolio's cash flows, which is guaranteed by long-term leases, is considered essential. The share of anchor tenants in the cash flow of the portfolio, which should not fall significantly below 50%, is monitored separately. The assessment of risk scenario keeps in mind that there should be no dominant sector or group of tenants which could significantly affect the cash flow of the portfolio during a negative economic cycle,.

Summus Capital is focused on long-term investments, and the Consolidation Group has a strong tenant base of more than 300 tenants. The leasable area of Summus Capital's portfolio is more than 200,000 m2. The portfolio's weighted average lease term (WAULT) was 5.6 years, and the loan-to-market ratio (LTV) was 51%.

In Estonia, the Consolidation Group owns Veerenni 1 and Veerenni 2 medical centers, de la Gardie and Auriga shopping centers, Punane 56 multi-purpose business center and a warehouse portfolio. In Latvia, Summus Capital owns shopping malls Riga Plaza, Damme and Depo Imanta DIY property. Lithuanian portfolio consists of high-tech center of BOD Group, Nordika shopping center and Park Town 1 and 2 office buildings.

Summus Capital believes that for investors, tenants, and employees, the best way to increase value of assets is to manage the business in a sustainable way. The focus is not only on the acquisition of "green assets," but the essential mission is to turn existing un-efficient buildings into modern, prime and flagship assets, the result of which will decrease the ecological footprint significantly.

In September 2021, Summus Capital received a first-time corporate rating from rating agency Scope Rating GmbH, of BB (stable). In October 2021, bonds issued by Summus Capital were admitted to trading on the Nasdaq Baltic First North market by Nasdaq.

Summus Capital's operations are exposed to various market risks, the most important of which is the risk related to possible changes in interest rates. This risk arises from the financing of pan-Baltic real estate portfolio of significant size by interest-bearing loan liabilities, the interest rate fluctuations of which affect the Group's interest expenses. Summus Capital's overall risk management program provides for identification, assessment and, where appropriate, mitigation of potential risks, in order to reduce potential adverse effects. The Group uses interest rate swaps to hedge interest rate cash flow risks. Changes in interest rates are closely monitored and, if necessary, additional hedging agreements are signed.

The Group's dividend policy stipulates that Summus Capital may pay dividends to shareholders up to an amount that remains after deduction of own contributions to new investment projects. In addition, Summus Capital has committed to bondholders not to pay more than 50% of the previous year's non-cash and non-recurring income-adjusted profits as dividends.

More information is available on website www.summus.ee.

I MANAGEMENT REPORT

SIGNIFICANT EVENTS IN 2021

1st quarter

The entrepreneurs that had built the largest private medical center in Estonia sold OÜ Pharma Plaza, the company owning medical center real estate, to Procedo Capital OÜ, the subsidary of Summus Capital. As of 10.02.2021, Pharma Plaza OÜ and the acquiring company Procedo Capital OÜ were merged.

Boris Skvortsov, Israeli citizen and Estonian resident and tax resident, who had previously financed Summus Capital through shareholder's loans, became 100% owner of Summus Capital.

2nd quarter

Summus Capital completed its debut 10 million euro unsecured bond issue with a maturity of three years and a fixed coupon rate of 6.75%.

Restructuring of equity investments was finalized - share capital was increased from 65,500 EUR to 1.2m EUR, 78.9m EUR of owner's loans were converted into equity reserves, and the remaining 20.9m EUR of owner's loans were subordinated to all liabilities and are now recorded under equity. Previous financing company Arion Finance OÜ was sold by the Group.

BOD real estate project was refinanced.

3rd quarter

Latvijas Investīciju un attīstības aģentūra approved 0.9m EUR grant to Riga Plaza according to the COVID support scheme for the Retail sector.

International rating agency Scope assigned a first-time issuer rating of BB/Stable to Summus Capital.

4th quarter

Latvijas Investīciju un attīstības aģentūra paid out the 0.9m EUR grant to Riga Plaza according to the COVID support scheme to the Retail sector approved in 3q 2021 and approved a new grant in the amount of 0.7m EUR.

The net income effect from property portfolio revaluations for 2021 was +14.0m EUR.

Summus Capital acquired DEPO DIY's store real estate in Imanta, Riga (located at Kurzemes prospekts 3b, Riga). The property was built in 2021 with a total floor area of 19,920 m2, and it has been built as sustainable property considering environmental impact.

From 31.12.2021, Summus Capital accounting is based on IFRS standards.

Summus Capital portfolio investment NØRDIKA Shopping Valley was one of the first shopping centers in the Baltic States to receive the international BREEAM certificate according to the latest V6 BREEAM In Use version.

Summus Capital bonds started trading on the Nasdaq Baltic First North bond list as of 19 October.

Summus Capital engaged a new investment management partner for its entire portfolio. The new partner of Summus Capital is Green Formula Capital OÜ (https://greenformula.ee), a manager with a strong focus on real estate management using green real estate concepts.

Estonian Tennis Association and Summus Capital signed an agreement according to which Summus Capital will support Estonian youth tennis in the coming years. The players supported by Summus Capital are Grete Gull and Georg Strasch.

Covenants and other important portfolio related issues

4q 2021 consolidated equity to total assets ratio stood at 40% (according to bond terms needs to be at least 30%). 4q 2021 consolidated DSCR was 1.26x (according to bond terms needs to be at least 1.2x). The financial covenants set forth in Bond Terms&Conditions and bank financing contracts were met during 2021.

The Consolidation Group's operations are stable, and the portfolio is based on long-term monthly lease payments from reliable tenants under lease agreements. Vacancy rate of the portfolio as of 31.12.2021 was 3.2%.

The Group's business is neither seasonal nor cyclical, and the periodic discounts granted to lessees during 2021 did not have a significant impact on the current operations as a whole. In 2021, tenants received temporary rental discounts due to the COVID-19 epidemic, especially in the shopping center segment (and) in Latvia, where the restrictions were the most severe.

The economic activities of the Group do not have significant environmental or social impacts. No risks related to changes in foreign exchange rates, main interest rates, and stock exchange rates have been identified during the financial year or during the reporting period.

The tenants of the buildings, the service providers, the bank financing, and the owners are locals on the Baltics market. Therefore, Russia's full-scale attack on Ukraine, which began on 24 February 2022, is not a significant additional risk for the consolidated group.

Repairs have been carried out on an ongoing basis and will continue in 2022.

Relations are kept with all major Baltic banks to provide up-to-date info on portfolios and potential future financings.

In 2022 and beyond, the consolidation group plans to continue its current activities.

I MANAGEMENT REPORT

STRUCTURE OF THE CONSOLIDATION GROUP AS OF THE END OF THE FINANCIAL YEAR

Boris Skvortsov Israeli-Russian citizen, Estonian resident, Estonian tax resident

Board

Summus Capital OÜ (100%)
Shareholding company, Estonian private limited company

- **Lepidus Invest OÜ (99%)** Zenith Family Office OÜ (1%) owner of De la Gardie department strore, Tallinn — EST
- **Votum Invest OÜ (99%)** Zenith Family Office OÜ (1%) owner of 3 storage houses, Tallinn, Tartu — EST
- **Princepts Capital OÜ (99%)** Zenith Family Office OÜ (1%) owner of office building at Punane str., Tallinn — EST
- **Zenith Family Office OÜ (1%)** owner of office building at Punane str., Tallinn **Voluntas Invest OÜ (99%) Zenith Family Office OÜ (1%)** owner of Auriga department strore in Saaremaa — EST
- **Veerenni Tervisekeskus OÜ (99%)** Zenith Family Office OÜ (1%) owner of Veerenni Health Center in Tallinn — EST
- **Procedo Capital OÜ (99%)** Zenith Family Office OÜ (1%) owner of Veerenni Health Center 2 in Tallinn — EST
- **UAB Vikingu 3 (89%)**
  Investment holding Lithuania
  UAB Stabilus Srautas **(10%)**
  UAB "Vikingu Investicijos" **(1%)**
  - **UAB PT Vakarai (100%)** owner of Park Town West Hill SPV — LIT
  - **UAB PT Rytai (100%)** owner of Park Town East Hill SPV — LIT
  - **UAB Nordika prekybos slenis (100%)** owner of Nordika Center, Vilnius — LIT
  - **UAB Zenith Turto Valdymas (100%)** owner of BOD business center, Vilnius — LIT
- **SIA Vikingi 2 (100%)**
  Investment holding Latvia
  - **SIA Loft Office (44,5%,** due to forward transaction consolidated 89%) Mirrow Insitute OÜ **(50%)** Stabilus Srautas LV UAB **(5%)** Vikingu Investicijos UAB (**0,5%)** owner of SIA LSREF3 RP" — LAT
    - **SIA LSREF3 Riga Plaza (100%)** Owner of Riga Plaza Shopping Center — LAT
      - **SIA PLP (100%)** Owner of Parking plot near Riga Plaza Shopping Center in Latvia (to be merged with owning company) — LAT
  - **D Imanta Project SIA (100%)** owner of holder of Depo Imanta, Riga — LAT
    - **SIA "Pārupes būmaņi" (100%)** owner of Depo Imanta, Riga — LAT

CORPORATE GOVERNANCE

In May 2021, Summus Capital established Supervisory Board. The chairman of the Supervisory board is Boris Skvortsov.

BORIS SKVORTSOV
Chairman of the Supervisory Board

Other members of the Supervisory Board are Elliott Rowan Auckland, Priit Pedaja, Renats Lokomets and Vykintas Misiunas.

ELLIOTT ROWAN AUCKLAND
Supervisory Board member

RENATS LOKOMETS
Supervisory Board member

VYKINTAS MISIUNAS
Supervisory Board member

PRIIT PEDAJA
Supervisory Board member

Summus Capital Management Board consists of 3 members: Aavo Koppel, Evaldas Cepulis and Hannes Pihl.

HANNES PIHL
Investment management

AAVO KOPPEL
Finance

EVALDAS CEPULIS
Asset management

The background of the Supervisory Board and Management Board members is found at: **https://summus.ee/contact**

SUSTAINABILITY

Summus Capital believes that the best way to increase asset value and the well-being of tenants and employees is through sustainable management.

Summus Capital's sustainability program was approved by Summus Capital Supervisory Board in 4th quarter of 2021. During the following months, several steps have been taken to put the program into action. Retail segment is one of the highest energy-consuming sectors and this segment is the first priority. Summus Capital started BREEAM certification of Riga Plaza and Auriga shopping centers. Nordika received BREEAM certificate. By the end of 2022, 100% of the retail segment will be certified.

Additionally, with the target to reduce energy consumption in buildings and to reduce CO_2 footprint, Summus Capital has started work with energy audits. Audits for Auriga and Töökoja properties have been received during 1st quarter of 2022.

The reduction of energy consumption is also important for tenants, as energy prices jumped to very high levels, and different forecasts are showing that prices will stay high, at least for the medium term. Actions taken in this area are, for example, changing "ordinary" lamps into LED lamps in Riga Plaza.

In addition to described environmental, social and governance (ESG) program, Summus Capital started assessment process with the international sustainable investment evaluator GRESB.

Sustainability is a natural part of Summus Capital's business and actions. Summus Capital works actively with all properties, employees, and clients with regard to everything from certification, energy consumption, health, and materials to turn assets into future-proof via long-term initiatives in day-to-day operations.

Summus Capital's portfolio sustainability goals for the mid and long term, along with the mapping of today's situation are described in the table below.

Summus Capital portfolio sustainability goals		Basis	Medium term	Long term
Energy performance	kwh/m² per year	251	150	Energy performance is close to 100, but there will be sector specific exemptions. For example retail and healhcare.
Certification	Leed or BREEAM % of assets	17%	95%	95 per cent of portfolio is certified
Share of green electricity	% from total	65%	90%	90 per cent from used energy from renewable sources
Share of green heating	% from total	0%	80%	80 per cent from used heating from renewable sources
Recycling of waste	%	0%	50%	70 per cent of garbage is recycled
Carbon dioxide emission	tonnes	18528	11200	reduce carbon footprint significantly
Green leases	% from total	0%	50%	Most of the new leases following sustainability and green principles
Green financing	% from total	0%	50%	Most of the financing can be defined as green
Customer satifaction index	at least 80	n/a	80	Customer satisfaction index exceeding 80%. The survey carried out every 2 years
Employees satisfaction index	at least 80	n/a	80	Employees confidence index exceeding 80%
Suppliers screening	% from total	0%	90%	All strategic partners will be sustainability inspected and approved (at least 90%)

I MANAGEMENT REPORT

MARKET OVERVIEW BALTICS 2021 Q4

ESTONIA Q4

	CURRENT	PREVIOUS	REFERENCE
GDP annual growth rate,	8.6%	13%	sept.21
Unemployment	5.7%	6.9%	sept.21
Annual Inflation rate	12.2%	8.8%	dec.21
Business confidence	108	108	dec.21
Consumer confidence	-8.8	-9.3	dec.21
Retail sales*	12.2%	1.8%	dec.21
Country rating (S&P)	AA- OUTLOOK POSITIVE		20.08.2021

LATVIA Q4

	CURRENT	PREVIOUS	REFERENCE
GDP annual growth rate,	3.4%	5.1%	dec.21
Unemployment	7.2%	7.9%	sept.21
Annual Inflation rate	7.9%	7.5%	dec.21
Business confidence	1.5	3.2	aug.21
Consumer confidence	-11.9	-17.3	aug.21
Retail sales*	7.2	-3.3%	dec.21
Country rating (S&P)	A+ (STABLE)		21.02.2020

LITHUANIA Q4

	CURRENT	PREVIOUS	REFERENCE
GDP annual growth rate,	4.7%	8.3%	sept.21
Unemployment	10.9%	11.3%	oct.21
Annual Inflation rate	10.6%	9.2%	dec.21
Business confidence	-0.7	-1	dec.21
Consumer confidence	-3	-2	dec.21
Retail sales*	15/8%	-2.6%	dec.21
Country rating (S&P)	A+ (STABLE)		20.08.2021

MACRO ECONOMICS 2021 Q4

- GDP growth stabilizes
- Major concern is very high inflation
- Rapid increase in energy prices
- Improving business confidence
- Short term fall in retail sales due to COVID restrictions

* retail sales month on month change

**GDP rate and Uneployment compared to previous quarter

*** all other indicators compared to previous month

- Sources: country central statistics departments, Trading Economics

I MANAGEMENT REPORT

MARKET OVERVIEW BALTICS 2021 Q4

In the conditions of sharply rising energy prices and the search for investment opportunities influenced by investors entering the real estate market, active management of assets plays an increasingly important role in shaping the value of the portfolio. The situation in different market segments must be taken into account more and more precisely when designing the real estate portfolio. According to Summus Capital's management, the market situation and prospects in the various segments of the real estate market are as follows:

2021 Q4 Rent rates and vacancies

	TALLINN	RIGA	VILNIUS	FORECAST
RENT* (€ per sqm)				
TOP rent	18	17	17	→ →
A-class	16	15.5	15.5	→ →
B-class	11.75	11.5	11.5	→ →
VACANCY (%)				
A-class	7.5%	19.5%	13.5%	→ ↗
Average	7.6%	14.5%	8.6%	→ ↗

*average rent rates, +/- 5% deviation

OFFICE MARKET

- 150 000 m2 under construction in Tallinn (more B1 class)
- Demand in Tallinn is driven by ICT, the block-chain industry, healthcare
- 138 000 m2 of offices to be delivered in Riga in 2022 (74% A class)
- Pre-lease agreements practice return to Riga
- Take-up in Riga increased 1.5 time comparing to 2020
- 200 000 m2 of office space under construction in Vilnius
- Increasing hidden vacancy in Vilnius

2021 Q4 Rent rates and vacancies

	TALLINN	RIGA	VILNIUS	FORECAST
RENT (€ per sqm)				
Large units	9-13	7-11	9-13	→ →
Medium units	15-40	12-25	15-40	→ ↘
Small units	30-65	25-60	30-65	→ ↘
Average vacancy, %	4.5%	6.7%	2.8%	

RETAIL MARKET

- Groceries, especially Lidl, are continuing active development
- Dark store concept is picking up a pace
- Riga retailers operations were heavily affected by all the time changing restrictions
- Government financing was provided in Riga to support shopping malls
- Increase of Akropole market share may change the pattern of tenancy in Riga
- 3 retail projects were completed in Vilnius totaling to 73 900 m^2

2021 Q4 Yield rates

	TALLINN	RIGA	VILNIUS	FORECAST
Office	5.8%	5.5%	5.25%	→ →
Retail	6.40%	7.0%	7.0%	→ ↗
Industrial&Logistics	6.8%	6.5%	6.5%	→ ↘
Residential scheme	5.5%	5.25%	5.5%	→ ↘

INVESTMENT MARKET

- Investment volumes reached 1.9 bn EUR
- Sharp increase up to 660 mio EUR of investment volume in Riga
- Downward pressure on top offices, logistics and stock offices yields
- Retail remains demanded as investors believe in long-term sustainability of the sector as well as enjoy increasing yields
- The yield gap between office and logistics tightened substantially from 200 bps to 100 bps

I MANAGEMENT REPORT

MARKET OVERVIEW BALTICS 2021 Q4

2021 Q4 Rent rates and vacancies

	TALLINN	RIGA	VILNIUS	FORECAST
RENT (€ per sqm)				
Modern stock	3.8-5.1	4.0-4.7	4.2.-4.7	→ ↗
Stock offices	7.0-7.2	6.5-6.8	6.5-7.0	→ ↗
Average vacancy, %	3.3%	3.4%	0%	→ →

INDUSTRIAL & LOGISTICS

- 168 000 m2 (52 projects) of industrial space in Tallinn under construction
- 141 500 m2 (34 projects) announced for completion in 2022-2023 in Tallinn
- 177 000 m2 under construction in Latvia, 2/3 projects are built-to-suit projects
- Pre-lease agreement practice returns to Riga industrial market
- 1 700 sqm of industrial space under construction in Vilnius
- Without new additions to Vilnius spec-based warehouse market current vacancy is 0% in Vilnius and most upcoming supply is pre-leased

2021 Q4

	TALLINN	RIGA	VILNIUS	FORECAST
Residential city center average price, € per sqm	3 500	3 000	3 550	→ →
Residential yield, city centre	4.8%	3.7%	4.4%	→ →
Annual apartment price change, %	4.9%	-0.9%	4.8%	→ →
Average occupancy (international hotels), %	32%	28%	29%	→ →
ADR, € (internationalhotels)	55	63	50	→ →
Hotel room stock	8 141	4 953	11 505	→ →
AIRBNB ADR, €	60	47	47	→ →
AIRBNB occupancy, %	60%	48%	59%	→ ↘
Active rentals	1 575	1 692	1 351	→ →

OTHER

- Residential prices remains stable while demand for residential is slightly increasing due to availability of mortgage loans, governmental support for families and remote working
- Residential rental market remains active thus getting more and more attention of investors towards the rental residential sector
- International hotels operate mainly business tourist flows and keep the ADR above 50 EUR, while occupancy is still ~30% low
- Latvia has experienced the tightest restrictions on accommodation business compared to Lithuania and Estonia

KEY TAKES & CONCERNS

- Performance of properties is impacted by costs rising according to local CPI and rents tight to EU CPI
- Rising potential for value-add and development investment properties due to lack of quality core assets
- Banks pressure on borrowers to introduce green and ESG target-compliancy
- Increasing private equity presence on the market influencing properties liquidity and pricing

Summus Capital's management believes that by following the developments in the market segments, it is possible to continue managing, expanding and improving the real estate portfolio at a profitable level. However, due to the high buy-side interest of investors entering the market, the sale of some portfolio properties is not excluded in the event of a suitable offer.

PORTFOLIO OVERVIEW

Portfolio based on **mixed use and diversification**

Growth company with resilient tenant base

SUSTAINABLE GROWTH

Sustainable **open-ended** investment and management strategy

Strong commercial real estate portfolio with **focus on Baltics**

Majority of portfolio comprised of **green assets**

DE LA GARDIE SHOPPING CENTER

Tallinn. Estonia

De La Gardie Shopping Center was constructed in 2000 and is located on one of the busiest retail streets in Tallinn's Old Town, which is very popular amongst tourists. Being located just 200 meters from the official center of Tallinn - Viru Square - the property enjoys its location with the vicinity of dozens of hotels, shopping centers and offices.

VEERENNI 1

Tallinn. Estonia

Veerenni is the biggest private medical center in Estonia, one which brings together various health segment companies under one roof. This is the first part of a larger cluster which serves to bring together a variety of medical services, from occupational health to surgery. Good quality tenants and leases make it a high quality investment. It is a modern building, one which has been in operaton since 2017 and which is located in the central district of Tallinn.

NORDIKA

Vilnius, Lithuania

NORDIKA shopping center was opened at the end of 2015. It is the only shopping center in the southern area of Vilnius with its own large parking area with 1,320 parking spaces. The shopping center has more than sixty retailers, service providers and restaurants that bring in an average of 13,000 visitors per day.

I MANAGEMENT REPORT

PORTFOLIO OVERVIEW

AURIGA

Saaremaa, Estonia

Auriga Center is the largest shopping center in Saaremaa, located at the most important intersection of Saare County at the entrance to the city. Auriga was opened to the public in October 2008. In 2018, the center had a total of two million visitors, which was a record number.

PARK TOWN WEST HILL

Vilnius, Lithuania

The PARK TOWN West HILL business center is located in the prime area of Vilnius CBD. It enjoys excellent views and accessibility, and a location in a prime neighborhood. The PARK TOWN West Hill property is a part of the PARK TOWN business center. This business center consists of seven storeys of office space for modern businesses operating in the modern world. Park Town is BREEAM certified.

PARK TOWN EAST HILL

Vilnius, Lithuania

PARK TOWN East Hill together with PARK TOWN West Hill comprice a single business center within the surrounding park area. The business center consists of two seven-storey BREEAM-certified office buildings and is one of the most advanced A-class office buildings in Vilnius, with an exceptional environment and smart technical and engineering solutions. The buildings are fully equipped for office purposes so that its tenants can fully enjoy the work space.

VEERENNI 2

Tallinn, Estonia

Veerenni 2 is the second phase of the Veerenni private medical center cluster, which is located opposite the first phase of the Veerenni project. Veerenni is the largest private medical center in Estonia, which brings together various companies in the healthcare segment under one roof. The center was opened in the autumn of 2020.

PORTFOLIO OVERVIEW

RIGA PLAZA

Riga, Latvia

Built in 2009, Riga Plaza is currently the fourth largest shopping center in Riga. Strategically located just 5 km from the Old Town of Riga, in an actively developing leisure and business area with excellent accessibility, Riga Plaza has reached a loyal customer base of about 5 million visitors per year over the years. More than 170 retail units with a strong mix of national and international anchor tenants and a strong entertainment and food and beverage offering, with the opportunity to expand and modernize existing entertainment areas.

PUNANE 56

Tallinn, Estonia

This multifunctional business complex with warehousing and retail space is located on Punane Street, one of the most active business areas in Lasnamäe District (the most densely populated district in Tallinn). The location is good for retail/office/light industrial spaces, i.e specialized for retail tenants.

BOD GROUP

Vilnius, Lithuania

BOD Group's high-tech center is located in the northern part of Vilnius, in Visoriai Information Technology Park. In 2013, when it was built, the German Chamber of Commerce recognized the factory complex as the most energy-efficient industrial complex in Europe. The BOD Group itself is the largest producer of industrially recorded CDs, DVDs and Blu-Ray discs in the Baltics. The group includes several manufacturers.

DEPO DIY

Riga, Latvia

DEPO DIY store in Riga was built in 2021 and is located in a visible and accessible area, which is the main shopping area of Imanta district. The store is easily accessible from the city center by both public and private transport, it is close to the highway, which allows you to reach Riga, Jürmala, Tukums, Talsi and many other destinations. The building has been built as a sustainable property, considering the environmental impact. DEPO is the leading DIY chain in the Baltics.

PORTFOLIO OVERVIEW

WAREHOUSE PROPERTIES

Tallinn, Estonia

The portfolio consists of three industrial/warehouse properties, all of which are strategically well located, well-functioning and well-known amongst industrial parks.

The properties are fully leased to internationally well-known and strong tenants: Stora Enso Packaging AS, Hanza Mechanics Tartu AS and Mediq Eesti OÜ. All lease agreementss are concluded with triple-net conditions.

DAMME

Riga, Lati (acquired in April 2022)

Damme Shopping Center is located on Kurzeme Avenue, Imanta, which is the third largest neighborhood in Riga in terms of population. Damme is the leading shopping center in the region with a total area of 16,000 m2 and its largest tenant is Rimi Hypermarket. The stores offer a diverse selection for everyone - for everyday shopping, fashion shopping and catering.

OVERVIEW OF EXPECTED DEVELOPMENTS IN THE NEXT FINANCIAL YEAR

It is planned to continue the high-quality management of existing projects and, if market opportunities arise, to acquire new investments that meet the criteria for the Group in the Baltics.

Further diversification of Summus Capital's funding sources is planned, either through involvement of additional banks or the issuance of new financial instruments.

Following the end of the financial year, Damme shopping mall in Latvia was acquired in April 2022, financed by Citadele Bank loan of 22 million euros. Damme is the third real estate purchase of Summus Capital in Latvia. In addition, the Group's portfolio includes shopping and entertainment centre Riga Plaza and real estate of Depo store in Imanta. Imanta is the third most populated settlement in Riga with more than 43,300 inhabitants. The area of Damme shopping mall is 16,000 square meters, the anchor tenant of the centre is Rimi Hypermarket.

The Group's portfolio strategy is to increase the share of new Class A assets and/or with undergoing sustainable construction processes and energy-efficient, fully refurbished 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 with the reduction of CO2 in our existing portfolio and with energy efficiency projects.

In 2022, the Group plans to continue its current operations. The management estimates that the Group will continue to operate and develop over the next 12 months and beyond. The management will continue to monitor the potential impact on the environment on an ongoing basis and implement measures to mitigate any adverse effects. The owner is actively involved in decision-making.

II CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(EUR)	Lisa	31.12.2021	31.12.2020	01.01.2020
Current assets				
Cash and cash equivalents		15 086 089	11 477 121	21 687 855
Other financial assets	8	10 035 749	1 964 743	0
Customer receivables and other receivables	9	4 615 330	1 938 309	4 125 712
Prepayments	10	162 619	291 925	28 422
Loans granted		0	3 567 783	0
Inventories		2 913	2 844	8 645
Total current assets		**29 902 700**	**19 242 725**	**25 850 634**
Non-current assets				
Prepayments	10	321 198	234 078	0
Loans receivable		96 000	11 894 575	819 575
Tangible assets	11	2 268 186	88 362	8 705
Intangible assets and goodwill	11	3 178 295	3 198 948	3 178 295
Real estate investments	12	370 968 082	311 412 080	164 870 000
Total non-current assets		**376 831 761**	**326 828 043**	**168 876 575**
Total assets		**406 734 461**	**346 070 768**	**194 727 209**
Liabilities				
Lease obligations		316 228	0	0
Payables to suppliers and other payables	15	7 112 805	5 527 758	12 766 740
Loans and borrowings	16	41 579 118	8 855 586	4 038 758
Tax payable	18	741 612	687 200	286 582
Liabilities from derivative instruments	19	772 824	1 677 854	1 593 509
Total current liabilities		**50 522 587**	**16 748 398**	**18 685 589**
Deferred income tax liabilities	18	8 543 408	7 075 816	6 874 124
Lease obligations		2 253 008	0	0
Payables to suppliers and other payables	15	0	2 407 224	0
Loans and borrowings	15	169 205 241	272 063 987	151 846 661
Liabilities from derivative instruments	19	2 418 784	4 635 184	2 162 152
Total non-current liabilities		**182 420 441**	**286 182 211**	**160 882 937**
Total liabilities		**232 943 028**	**302 930 609**	**179 568 526**
Owners' equity				
Share capital	20	1 200 000	67 500	67 500
Voluntary reserve		78 913 462	0	0
Subordinated loan		27 594 495	0	0
Retained earnings (loss)		57 724 837	36 443 673	12 909 939
Equity attributable to the shareholders of the parent company		**165 432 794**	**36 511 173**	**12 977 439**
Non - controlling interest		**8 358 639**	**6 628 986**	**2 181 243**
Total owners' equity		**173 791 433**	**43 140 159**	**15 158 682**
Total liabilities and owners' equity		**406 734 461**	**346 070 768**	**194 727 209**

The notes on pages 21 to 55 to the consolidated financial statements form an integral part of these consolidated financial statements.

II CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(EUR)	Lisa	2021	2020
Sales revenue	21	29 251 767	17 743 109
Other revenue	23	16 265 991	40 997
Goods, raw materials, supplies and services	22	-8 832 721	-3 426 025
Other operating expenses	25	-4 442 329	-2 581 788
Labour expenses	26	-180 318	-263 840
Depreciation of non-current assets and decrease in value		-83 779	-164 193
Other operating expenses	23	-429 085	-5 100 525
Operating profit (-loss)		**31 549 526**	**6 247 735**
Profit (loss) from subsidiaries	24	1 467 502	26 393 456
Interest income		23 092	277 670
Interest expenses	27	-9 034 983	-9 350 961
Other financial income and expenses		2 186 003	235 302
Profit (loss) before taxes		**26 191 139**	**23 803 201**
Income tax		-1 083 000	-208 662
Net profit (loss) for the financial year		**25 108 139**	**23 594 540**
Share of net profit of owners of the parent company		23 224 925	23 370 677
Share of net profit of non-controlling interest		1 883 214	223 863
Comprehensive income (loss) of the financial period			
Share of comprehesive income of owners of the parent company		23 224 925	23 370 677
Share of non-controlling interest in comprehensive income		1 883 214	223 863

The notes on pages 21 to 55 to the consolidated financial statements form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(EUR)	Note	2021	2020
Cash flow from operating activities			
Operating profit (loss)		**31 549 526**	**6 247 735**
Depreciation of non-current assets and decrease in value		89 814	164 193
Gain in fair value of investment property		-13 896 034	0
Other adjustments		-53 763	4 125 825
Total adjustments		**-13 859 983**	**4 290 018**
Change in inventories		69	5 801
Change in receivables related to operating activities		-2 634 835	-1 542 409
Change in liabilities related to operating activities		4 414 563	1 206 642
Total cash flow from operating activities		**19 469 340**	**10 207 787**
Cash flow from investing activities			
Paid in upon acquisition of investment property		0	-52 222 387
Net cash flows from acquisitions of subsidiaries and businesses		365 696	0
Net cashflow from sale of subsidiaries and businesses		-1 052 920	0
Paid in upon acquisition of subsidiaries		-12 748 992	-7 266 197
Gain from sale of subsidiaries		2 500	0
Paid in upon acquisition of tangible assets		0	-60 345
Gain from sale of tangible and intangible assets		52 299	0
Loans granted		-1 510 000	-11 175 000
Repayments of loans granted		1 527 194	102 500
Interests received		0	3 098
Total cash flow from investing activities		**-13 364 223**	**-70 618 331**
Cash flow from financing activities			
Loans received		58 925 000	115 558 707
Repayments of loans received		-55 123 461	-61 754 819
Repayments of principal part of lease		0	-182
Interests paid		-7 430 187	-3 377 886
Dividends paid		0	-208 510
Corporate income tax paid		0	-17 500
Received on share capital increase		1 132 500	0
Total cash flow from financing activities		**-2 496 148**	**50 199 810**
Total cash flow		**3 608 968**	**-10 210 734**
Cash and cash equivalents at the beginning of the reporting period		11 477 121	21 687 855
Cash and cash equivalents at the end of the reporting period		**15 086 089**	**11 477 121**

The notes on pages 21 to 55 to the consolidated financial statements form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the parent company						
	Share capital	Voluntary reserve capital	Subordinated loan	Retained earnings (loss)	Total	Non-controlling interest	Total equity
Balance at 31.12.2019	**67 500**	**0**	**0**	**12 909 939**	**12 977 439**	**2 181 243**	**15 158 682**
Profit (loss) for the period				22 605 489	**22 605 489**	151 029	**22 756 518**
Impact of first-time adoption of IFRS				765 188	**765 188**	72 834	**838 022**
Other changes in equity				140 222	**140 222**	4 296 714	**4 436 936**
Transactions with the owners of the company							
Dividends declared				-50 000	**-50 000**		**-50 000**
Total transactions with **the owners of the company**	**0**	**0**	**0**	**-50 000**	**-50 000**		**-50 000**
Balance at 31.12.2020	**67 500**	**0**	**0**	**36 443 673**	**36 511 173**	**6 628 986**	**43 140 159**
Profit (loss) for the period				23 224 925	**23 224 925**	1 883 214	**25 108 139**
Other changes in equity				-757 488	**-757 488**	-153 561	**-911 049**
Transactions with the owners of the company							
Increase in share capital	1 132 500				**1 132 500**		**1 132 500**
Formation of voluntary reserve capital		78 913 462			**78 913 462**		**78 913 462**
Subordination of loan liabilities			27 594 495		**27 594 495**		**27 594 495**
Interest on subordinated loans				-1 186 273	**-1 186 273**		**-1 186 273**
Total transactions with the owners of the company	**1 132 500**	**78 913 462**	**27 594 495**	**-1 186 273**	**106 454 184**		**106 454 184**
Balance at 31.12.2021	**1 200 000**	**78 913 462**	**27 594 495**	**57 724 837**	**165 432 794**	**8 358 639**	**173 791 433**

In 2021, share capital was increased from EUR 67,500 to EUR 1,200,000 by cash contribution, owners' loans in the amount of EUR 78,913,462 were converted into a voluntary reserve and remaining owners' loans and other related parties' loans in the amount of EUR 27,594,495 were converted into subordinated liabilities and are now recognized in equity. Subordinated loans are classified as equity instruments as subordinated loans do not give rise to a contractual obligation to pay to the extent agreed, cash or other financial asset to lenders.

The notes on pages 21 to 55 to the consolidated financial statements form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. GENERAL INFORMATION

Summus Capital OÜ (hereinafter also the Parent Company or Company) is a company established in the Republic of Estonia on 22.04.2015. The registered address of Summus Capital is Rotermanni tn 2-3b, Tallinn 10111, Republic of Estonia. In addition to Estonia, the Company is also active in Latvia and Lithuania through its subsidiaries.

The consolidated Financial Statements of Summus Capital OÜ for the fiscal year ended 31.12.2021 include the Parent Company and its subsidiaries (the Consolidation Group, the Group, Summus Capital). The main activity of the Group is leasing of real estate.

At the reporting date, Summus Capital OÜ had a shareholding in the following subsidiaries:

NAME	Country	Share capital (nominal value)	Total equity 31.12.2021	Group share 31.12.2021	Group share 31.12.2020
Lepidus Invest OÜ	Estonia	2 500	-1 039 135	99%	99%
Votum Invest OÜ	Estonia	2 500	1 923 172	99%	99%
Princepts Capital OÜ	Estonia	2 500	563 249	99%	99%
Voluntas Invest OÜ	Estonia	2 500	346 130	99%	99%
Veerenni Tervisekeskus OÜ	Estonia	2 500	1 982 460	99%	99%
Arion Finance OÜ	Estonia	0	0	0%	100%
Procedo Capital OÜ	Estonia	2 500	728 143	99%	99%
UAB Vikingu 3, *incl. its subsidiaries*	Lithuania	8 000 000	13 634 556	89%	89%
UAB Nordika Prekybos sienis	Lithuania	2 005 524	22 282 470	100%	100%
UAB PT Vakarai	Lithuania	2 000 000	3 357 110	100%	100%
UAB PT Rytai	Lithuania	4 000 000	4 654 560	100%	100%
UAB Zenith Turto Valdymas	Lithuania	2 050 000	4 428 940	100%	89%
Vikingi 2 SIA, *incl. its subsidiaries*	Latvia	1 402 800	1 198 305	100%	100%
Loft Office SIA	Latvia	2 800	16 259 772	44.5%	44.5%
D Imanta Project SIA	Latvia	1 402 800	1 064 048	100%	0%
LSREF3 Riga Plaza SIA	Latvia	5 504 800	21 859 193	89%	89%
PLP SIA	Latvia	1 428 064	1 172 707	100%	100%

On 29 January 2021, a 100% stake was acquired in Pharma Plaza OÜ (registry code 11929650), a company which owns commercial real estate in medical sector on Töökoja Street in Tallinn. It was a business combination between unrelated parties, which was accounted for by using purchase method. The acquisition of Pharma Plaza OÜ resulted in negative goodwill in the amount of 710,280 euros which is recognized in income statement line "Profit (loss) from subsidiaries" (Note 22). On February 10, 2021, the owner decided to merge Pharma Plaza OÜ with Procedo Capital OÜ. Pursuant to the merger agreement concluded between Pharma Plaza OÜ and Procedo Capital OÜ, the mergers took place on 2 February 2021. The acquiring company was Procedo Capital OÜ and Pharma Plaza OÜ was the company being acquired.

On 1 April 2021, Summus Capital OÜ sold its holding in the subsidiary Arion Finance OÜ to the owner of the Group at a sale price of 2,500 euros. The transfer did not have material impact on the Group's financial results.

In December 2021, a 100% stake was acquired in Pārupes būmaņi SIA (Latvian registry code 40103850793), which owns the property of DEPO DIY shopping center in Latvia. The acquirer was D Imanta Project SIA, a subsidiary of the Group. It was a business combination between independent parties, which was accounted for by using purchase method. The acquisition of Pārupes būmaņi SIA resulted in negative goodwill in the amount of 757,222 euros and is recognized in income statement line "Profit (loss) from subsidiaries" (Note 22).

NOTE 2. BASIS FOR PREPARING THE REPORT

The Financial Statements of the Group for the fiscal year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. This consolidated Financial Statements is the Group's first IFRS consolidated financial statement. Information on adjustments arising from the transition to IFRSs is disclosed in Note 31.

The accounting and reporting principles described have been applied consistently to all periods presented.

Thiese consolidated Financial Statements have been prepared by the Group's Management Board on 02.05.2022. Pursuant to the Commercial Code, the annual report is approved by the shareholders' meeting. The shareholders' meeting has the right not to approve the annual report prepared and submitted by the Management Board and to demand that the Management Board prepare a new annual report and submit it to the shareholders' meeting. The Supervisory Board of the private limited company must attach an opinion of the Supervisory Council to the report.

Assessment of business continuity

The Group's management has assessed the future consolidated financial position and the future consolidated financial results and cash flows and has concluded that the application of going concern assumption is appropriate.

NOTE 3. FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The Group's functional and presentation currency is euro. These consolidated Financial Statements are presented in euros.

NOTE 4. SIGNIFICANT ACCOUNTING ESTIMATES AND DECISIONS

In preparing the Financial Statements, the Management Board has used estimates and decisions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Changes in estimates are recognized prospectively.

Significant decisions

The disclosures made in applying the accounting policies that have the greatest effect on the amounts recognized in the Financial Statements are set out below:

- In 2020, the Group acquired a 44.5% holding in SIA LSREF3 Riga Plaza. As part of the transaction, the Group entered into a forward contract, according to which the Group undertakes to acquire an additional 44.5% holding in SIA LSREF3 Riga Plaza in 2022 at a specified price. As the contract will be settled in cash, the Group has recognized the incurred liability at present value.
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In the opinion of the Management Board, the non-controlling shareholders of SIA LSREF3 Riga Plaza do not have access to the profits of SIA LSREF3 Riga Plaza. In the opinion of the Management Board, all access to the profit has been transferred to the Group because:

- From an economic point of view, the instrument is realized in all cases (because it is a forward contract); and
- The price of the forward contract is not sensitive to changes in the fair value of the ownership right (the price of the forward contract is essentially fixed, and any possible changes in the price are not related to changes in the fair value of SIA LSREF3 Riga Plaza equity).

As the non-controlling shareholders do not have access to the profit of SIA LSREF3 Riga Plaza, the Management Board of the Group has found that the expected acquisition method should be applied in recognizing the forward contract. Under the expected acquisition method, non-controlling interests are derecognized when the financial liability is initially recognized. This is because the recognition of a financial liability means that the interests in the forward contract are deemed to have been acquired by the Group. Therefore, SIA LSREF3 Riga Plaza's holding is reflected as 89% in the consolidated Financial Statements of the Group.

Assumptions and estimation uncertainties

Information about the uncertainties in the assumptions and estimates at the reporting date that have a significant risk of causing a material adjustment to the book values of accounting value of assets and liabilities within the next financial year is disclosed in the notes:

- Determining the fair value of investment property (Note 12). Investment property is measured at its fair value at each reporting date. In addition to the management's assessment, the expert opinion of independent certified appraisers is used to determine the fair value of investment property. The cash flow model is primarily used to determine fair value. The assessment methods are described in more detail in notes 6 and 12.
- Goodwill impairment test: key assumptions underlying the recoverable amount (Note 11). When testing impairment of goodwill, a number of management estimates of cash flows, inflation and growth rates arising from the use and sale of assets are used. Estimates are based on forecasts of the general economic environment. If the situation changes in the future, this may result in additional discounts or partial or

total cancellation of discounts previously granted. Goodwill is allocated to cash-generating units and a cash-generating unit value test is performed at the end of each reporting period. Goodwill is written down to its recoverable amount if it is less than its book value. As of 31.12.2021, the management has performed impairment test for goodwill. Expected future cash flows have been prepared, which, in case of goodwill, are based on market trends and the Group's business plan . Future cash flows are discounted using the expected weighted average cost of capital (WACC).

Measurement of fair values

Many of the Group's accounting policies and disclosure requirements require fair value measurements.

Fair value is the price that would be received when selling an asset or paid when transfering a liability in an orderly transaction between market participants at the measurement date. In measuring fair value, a transaction to sell an asset or transfer a liability is assumed to occur either:

– the core market for the asset or liability; or
– if there is no core market, the market that is most favorable to the asset or liability.

The Group must have access to the core market or most favorable market on the measurement date.

The measurement of the fair value of an asset or liability uses assumptions that market participants would use in determining the price of the asset or liability, assuming that market participants act in their best economic interests. The measurement of the fair value of a non-financial asset takes into account the ability of the market participant to generate economic benefits by making the best use of the asset or by selling it to the market participant who would make the best use of the asset.

The Group applies valuation techniques that are appropriate to the particular situation and for which sufficient data is available to measure fair value, using the maximally relevant observable inputs and the minimally unobservable inputs that are relevant to the measurement as a whole:

– Level 1: quoted prices (unadjusted) in active markets for assets or liabilities;
– Level 2: estimation techniques where the lowest level input that is relevant to the overall measurement is directly or indirectly observable;
– Level 3: estimation techniques where the lowest level input that is relevant to the overall measurement is unobservable.

Additional information on the assumptions, inputs, and estimates made in measuring fair value is provided in the following notes:

– Note 7 Financial instruments
– Note 12 Real estate investment properties.

NOTE 5. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The following new standards, interpretations, and amendments are not yet effective for the period ended 31 December 2021 and have not been applied in the preparation of these financial statements. The Group intends to apply these standards, interpretations, and amendments when they become mandatory.

Amendments to IAS 1 Presentation of Financial Statements

Applicable for reporting periods beginning on or after 1 January 2023; shall be applied retroactively. Earlier application is permitted.

The amendments clarify that the classification of liabilities as current or non-current is based solely on the entity's right to defer settlement at the end of the reporting period. The entity's right to defer settlement for at least 12 months from the reporting date need not be unconditional, but it must have substance. Classification is not affected by management's intentions or expectations as to whether and when the entity exercises its right. The amendments also clarify the situations that are considered to be a liability.

Although the Group has not yet completed the initial assessment of the potential impact of the amendment to IAS 1, the first-time adoption of the amendment is not expected to have a material impact on the Group's financial statements.

Amendments to IFRS 3 Business Combinations

Applicable for reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

The amendments update IFRS 3 so that the reference to the 1989 conceptual framework for financial reporting is replaced by a reference to the 2018 framework. At the same time, the amendments introduce a new paragraph in IFRS 3 clarifying that contingent assets cannot be recognized at the acquisition date.

The Group estimates that the amendments will not have a material impact on the Group's Financial Statements upon initial application.

Annual Improvements to IFRS 2018-2020

Applicable for reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

Improvements to IFRSs (2018-2020) include three amendments to the standards, two of which are relevant to the Group:

- The amendments to IFRS 9 Financial Instruments clarify that, in assessing whether an exchange of debt instruments between an existing borrower and a lender takes place under significantly different conditions, fees included with the discounted present value of cash flows include only fees paid or received to enter into new terms between the borrower and the lender (including fees paid or received by the borrower or lender on behalf of the other party)

- The amendments to IFRS 16 Leases remove Illustrative Example Number 13, which in practice creates confusion for both the lessee and the lessor regarding the recognition of improvements to leased assets. The purpose of the amendment is to remove a confusing illustrative example.

The Group does not expect the amendments to have a material impact on the Group's financial statements upon initial application.

Other amendments

The remaining new or amended standards or interpretations that are not yet effective are not expected to have a material impact on the Group's financial statements.

NOTE 6. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated Financial Statements are set out below. The accounting policies described have been applied consistently unless otherwise stated in the following text.

A. Preparation of consolidated accounts

These consolidated Financial Statements include the financial statements of Summus Capital OÜ and its subsidiaries consolidated on a line-by-line basis.

i. Business combinations

As of the acquisition date, the acquirer recognizes its share of the acquiree's interest in the acquiree's assets, liabilities, contingent liabilities, and goodwill and its share of the acquiree's income and expenses in the consolidated income statement. Business combinations are accounted for in the consolidated Financial Statements using the purchase method.

ii. Subsidiaries

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and ends when the Group loses control of the subsidiary. All assets, liabilities, income, and expenses acquired or disposed of by subsidiaries during the year are recognized in the consolidated financial statements from the date that control commences until the date that control ceases. If necessary, the financial indicators of the subsidiaries are adjusted to comply with the Group's accounting policies.

iii. Non-controlling interest

Non-controlling interest in the acquiree is the non-controlling interest in the fair value of the net assets of the acquiree.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are recognized as equity transactions.

iv. Loss of control

When the Group loses control of a subsidiary, it derecognizes the assets and liabilities of the subsidiary and the related non-controlling interests and other components of equity. Gains or losses arising from the loss of control are recognized in the income statement. The remaining interest in the former subsidiary is measured at fair value.

v. Transactions eliminated on consolidation

All intra-group assets and liabilities, equity, income, expenses, and cash flows related to transactions between group members are eliminated in full upon consolidation.

B. Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with banks, and other short-term liquid investments with original maturities of three months or less and that are subject to an insignificant risk of changes in value.

The statement of cash flows has been prepared using the indirect method, whereby the net cash flows from operating activities are determined by adjusting the operating profit or loss for profit or loss from investing or financing activities, non-monetary transactions, and changes in current assets and current liabilities.

Cash flows from investing, and financing activities are presented on a direct method, which means that receipts and payments are disclosed in separate items. Non-monetary transactions are eliminated.

C. Foreign currency

All currencies except the euro are considered foreign currencies. Transactions denominated in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities denominated in foreign currencies that are measured at cost are retranslated to the functional currency at the exchange rate at the date that the transaction was settled. The official quotation of the European Central Bank in the respective currency shall be used for the conversion. Exchange differences arising from translation are recognized in profit or loss.

D. Financial assets and liabilities

i. Recognition and primary measurement

Trade receivables are recognized when incurred. All other financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

On initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus any transaction costs that are directly attributable to the acquisition of the financial asset or the issuance of the financial liability. Trade receivables that are not related to a significant financing component are initially recognized at the transaction price.

ii. Classification, further measurement, and gains and losses

Financial assets

The Group recognizes financial assets at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss.

Financial assets are not reclassified after initial recognition unless the Group changes its financial asset management business model, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets are measured at amortized cost if both of the following conditions are met:

- financial assets are held under a business model designed to hold financial assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows at specified dates that are only principal and unpaid interest on the principal.

The Group classifies cash and cash equivalents, trade receivables, loans, and other receivables as financial assets measured at amortized cost.

A financial asset is measured at fair value through profit or loss if it meets both of the following conditions and is not designated as at fair value through profit or loss accounts:

- the instruments are held in a business model designed to achieve both the collection of contractual cash flows and the sale of financial assets; and
- the terms of the contract provide cash flows on specified dates that are only the principal and unpaid interest on the principal.

All financial assets that are not classified as at fair value through profit or loss or other comprehensive income, as described above, are measured at fair value through profit or loss accounts.

On initial recognition, the Group may designate financial assets as at fair value through profit or loss, which qualify for recognition in other comprehensive income at adjusted cost or fair value if it either eliminates or significantly reduces the inconsistency of measurement or recognition, which would otherwise arise from measuring assets or liabilities or recognizing gains or losses on them on a different basis.

The following table provides an overview of the Group's financial assets and their measurement and recognition of gains and losses.

Adjusted acquisition cost	These assets are carried at amortized cost using the effective interest method. Impairment losses are deducted from the adjusted acquisition cost. Interest income, foreign exchange gains, and losses and impairment losses are recognized in the income statement. Gains or losses arising from derecognition are recognized in the income statement.
Financial assets at fair value with changes through profit or loss account	The Group uses interest rate swaps on derivative instruments to cover interest rate risks. These assets (fair value is positive) are measured at fair value. Net profit or loss (including interest or dividend income) is recognized in the income statement.

Financial liabilities

Financial liabilities are classified as either at amortized cost or at fair value through profit or loss. A financial liability is classified as at fair value through profit or loss if it is held for trading, is a derivative, or is recognized as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value, and net gains and losses, including any interest expense, are recognized in the income statement.

Other financial liabilities are carried at amortized cost using the effective interest method. Interest expense and foreign exchange gain or loss are recognized in the income statement. Gains or losses arising from derecognition are recognized in net income.

The Group uses interest rate swaps on derivative instruments to cover interest rate risks. Such derivatives are initially recognized at fair value at the date of the contract and are subsequently remeasured at the change in fair value of the instrument. If the fair value is positive, the derivative is recognized as an asset, and if it is negative, it is recognized as a liability. Gains and losses arising from changes in the fair value of a derivative are recognized in the income statement for the period, except for those derivatives that qualify for hedge accounting. There have been no recent ones in reporting period and also in the comparison period.

iii. Discontinuation of recognition

Financial assets

The Group derecognizes a financial asset when, and only when, the contractual rights to the cash flow from the financial asset expire, or the Group transfers the financial asset, and the transfer meets the criteria for derecognition. The Group transfers the right to receive contractual cash flows in a transaction in which all risks and rewards of ownership of a financial asset are transferred or where the Group does not transfer the risks and rewards of ownership of the financial asset but does not retain control of the financial asset.

Transactions in which the Group transfers assets recognized in its financial statements, but the Group retains all or significant risks and rewards of the transferred assets, in which case the Group does not derecognize the transferred assets.

Financial liabilities.

The Group removes a financial liability from its statement of financial position when and only when it is derecognized. This means when an obligation specified in the contract has been fulfilled, canceled, or expired. The Group derecognizes a financial liability if the terms of the financial liability are changed so that the cash flows of the liability differ materially from the original liability. In this case, the new financial liability based on the amended terms is recognized at fair value.

The difference between the book value of the financial liability terminated or the financial liability (or part of a financial liability) transferred to the other party, and the consideration paid, including any non-monetary assets transferred or liabilities assumed, is recognized through profit or loss.

iv. Offsetting

Financial assets and liabilities are offset and recognized as a net amount in the financial statements when, and only when, the Group has a legal right to set off the amounts, and the Group has an intention to settle them on a net basis or to realize the liability at the same time.

v. Impairment of financial assets

The Group applies the expected credit loss model to financial assets carried at amortized cost.

The Group measures impairment in the amount equal to the expected credit losses over its useful life, except for financial assets in which the impairment is measured in the amount equal to the expected credit losses over a period of 12 months:

- other claims;
- cash and cash equivalents whose credit risk has not increased significantly since initial recognition.

The Group applies the simplified method set out in IFRS 9 in recognizing expected credit losses on all trade receivables, which allows for the creation of a provision for the amount of expected credit losses over the life of the provision.

The Group always recognizes an allowance for trade receivables equal to the amount of credit losses expected to be incurred during their term. A provisioning matrix is used to estimate the expected credit loss on these assets, based on the Group's historical credit loss experience, adjusted for specific factors related to debtors, general economic conditions, and, if necessary, the time value of money.

Expected credit losses are probability-weighted estimated credit losses. A credit loss is the difference between the contractual cash flows and the cash flows expected by the Group, which is discounted at the asset's internal rate of return.

At each reporting date, the Group assesses whether the credit quality of financial assets carried at amortized cost has deteriorated. The credit quality of a financial asset is impaired if one or more events have occurred that adversely affect the expected future cash flows of the financial asset. Circumstances that indicate that the credit quality of a financial asset has declined include:

- significant financial difficulties of the debtor;
- breach of contract (non-performance or non-payment of an obligation by the due date);
- restructuring a loan or advance on terms that the Group would not otherwise have made;
- it is likely that the debtor will run into insolvency.

The book value of the financial asset is reduced through the use of an impairment loss.

E. Tangible fixed assets

i. Registering and recognition

Tangible assets are recognized at cost less accumulated depreciation and any accumulated impairment losses.

If different parts of tangible assets have different useful lives, they are accounted for as separate items of fixed assets (significant components). The depreciation rate for each component is determined separately based on the expected useful life of the component.

Gains and losses arising from the derecognition of tangible property are recognized in the income statement.

ii. Subsequent expenditure

Subsequent expenditure on an item of tangible assets is included in the cost of the asset only if it is probable that future economic benefits associated with the item will flow to the Group. Other maintenance and repair costs are expensed as incurred.

iii. Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets and is recognized in the income statement. The useful lives of tangible assets are reviewed at least at each financial year-end, and if new estimates differ from the previous ones, the changes are recognized as changes in accounting estimates, i.e., prospectively. The asset is depreciated from the moment it is ready for use (brought to the location and condition specified by the management).

Useful lives of tangible fixed assets by groups of fixed assets (in years):

- Other tangible fixed assets - three years.

The assessment of impairment of assets is described in more detail in the accounting policy "Impairment of assets".

F. Intangible fixed assets and goodwill

i. Registering and recognition

Goodwill	Goodwill is the excess of the cost of an acquisition over the fair value of the net assets acquired in a business combination, reflecting the portion of the cost of assets acquired that is not identifiable and cannot be separately accounted for. On the acquisition date, goodwill is recognized as an intangible asset at cost. If negative goodwill arises from a business combination, the Group shall immediately recognize all negative goodwill in the consolidated income statement as income.
Other intangible assets	Other intangible assets acquired by the Group and having a finite useful life are measured at cost less accumulated amortization and any accumulated impairment losses.

ii. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenses, including expenses for internally generated goodwill and trademarks, are recognized in the income statement as incurred.

iii. Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets and is generally recognized in the income statement.

Useful lives of intangible fixed assets by groups of fixed assets (in years):

- other intangible fixed assets - three years

Depreciation methods, annual depreciation rates, and residual values are reviewed at each reporting date and adjusted if appropriate.

The assessment of impairment of assets is described in more detail in the accounting policy "Impairment of assets."

G. Impairment of assets

i. Impairment of non-financial assets

The book value of non-inventory assets are reviewed at least annually at the end of the reporting period. The purpose of the review is to determine whether there are any indicators that would require the asset to be written down. If there is reason to believe that the recoverable amount of an item of fixed assets may have fallen below its book value, an impairment test is performed, and, if necessary, the asset is written down.

The recoverable amount of an asset is the fair value of either the asset or the cash-generating unit minus costs to sell or value in use, whichever is greater.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of testing an asset for impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). For the purpose of testing for impairment, goodwill arising from a business combination is allocated to those cash-generating units of the enterprise that are expected to benefit from the synergies arising from the particular business combination.

An impairment loss is recognized if the book value of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses on assets are recognized in the period. An impairment loss for a cash-generating unit is recognized first to reduce the book value of goodwill allocated to the unit and then to reduce the book value of the unit's other assets proportionately.

If the reason for the impairment disappears, the previously recognized impairment loss is reversed. Changes in the circumstances of the impairment loss are analyzed at least once a year at the end of the reporting period. Impairment losses are reversed, and the asset is increased to the maximum book value that would have been determined, net of any depreciation or amortization if no impairment loss had been recognized. Reversals of impairment losses are recognized in profit or loss in the same line as the previous impairment loss.

ii. Impairment of financial assets

The assessment of impairment of financial assets is described in more detail in the accounting policies for financial assets and liabilities.

H. Rental accounting

Upon concluding the agreement, the Group assesses whether the agreement is a lease agreement or whether the agreement includes a lease. An agreement is a lease agreement (or includes a lease) if it gives the right to inspect and use a specified asset for a specified period of time against payment. The Group uses the definition of a lease in IFRS 16 to assess whether the agreement gives it the right to control and use an asset.

i. The Group as a lessor

If the Group is operating as a lessor, the Group determines at the inception of the lease whether the lease is a finance lease or an operating lease.

To classify each lease agreement, the Group assesses whether the lease transfers all the risks and rewards incidental to ownership of the underlying asset substantially. If it does, then it is a finance lease. If not, it is an operating lease. As part of this assessment, the Group also assesses certain indicators (for example, whether the lease is for the majority of the economic life of the asset).

If a lease agreement includes both lease and non-lease components, the Group applies IFRS 15 accounting policies to allocate the lease payment among the components.

The Group applies the requirements for derecognition and impairment in IFRS 9 to the lessor's net investment. The Group regularly analyzes the estimated unguaranteed residual values used to calculate the lessor's gross investment.

The Group recognizes lease payments received under operating leases as income in the income statement on a straight-line basis over the lease term.

I. Financial investments

Short-term and long-term financial investments in shares and other equity instruments (excluding investments in subsidiaries and associates) are initially recognized at cost. Equity instruments are then measured at fair value. Dividends are recognized as income in the income statement. Other net gains and losses are recognized in other comprehensive income and are never classified as profit or loss.

i. Shares in subsidiaries

Investments in subsidiaries are accounted for using the equity method in the Parent Company's unconsolidated statement of financial position. Under the equity method, an investment is initially recognized at cost, adjusted for any subsequent changes in the investor's interest in the investee's equity, and the elimination of depreciation of the difference between the fair value and the book value determined in the purchase analysis of the investee's assets, liabilities and contingent liabilities. Unrealized gains on transactions between parties are eliminated to the extent of the parent's interest. Unrealized losses are also eliminated unless the loss is due to an impairment of an asset.

If the parent company's share of the losses of a subsidiary accounted for using the equity method exceeds the book value of the subsidiary, the book value of the investment is reduced to zero, and long-term receivables that form part of the investment are written down. Further losses are recognized outside the statement of financial position. 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 recognized in the statement of financial position.

J. Employee benefits

i. Short-term employee benefits

Short-term employee benefits include salaries and social security contributions, benefits related to the temporary termination of an employment contract (holiday pay or other similar benefits) if the temporary termination of the employment contract is expected to occur within 12 months after the end of the employee's service, and other benefits to be paid within 12 months of the end of the period during which the staff member was employed.

ii. Termination benefits

Termination benefits are recognized at the earliest date when the Group is no longer able to withdraw the benefit from the benefits and when the Group recognizes restructuring costs. If the benefits are not expected to be paid in full within 12 months after the end of the reporting period, they are discounted to present value.

K. Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount. Provisions are recognized at the present value of the expenditure required to settle the obligation using an interest rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the amount of the provision due to the passage of time is recognized as a financial expense.

Contingent liabilities, the realization of which is unlikely or the amount of the related expenses which cannot be estimated with sufficient reliability but which under certain conditions may become liabilities in the future, are disclosed in the notes to the consolidated financial statements as contingent liabilities.

L. Income tax

Income tax includes current and deferred income tax. It is recognized in profit or loss accounts, except to the extent that it relates to a business combination or amounts recognized directly in equity or in other comprehensive income.

i. Income tax payable

Income tax payable includes taxes that are expected to be payable or recoverable on the taxable income or loss for the year and adjustments to tax payable or receivable in prior years. The amount of tax payable or receivable is the best estimate of the amount of tax payable or receivable that reflects the uncertainty associated with income tax (if any). It is measured using tax rates that have been enacted or substantively enacted by the reporting date. Income tax payable also includes income tax on dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

ii. Corporate income tax in Estonia

According to the Income Tax Act in force in Estonia, the company's earned profit for the financial year is not taxed in Estonia. Income tax is paid on dividends, fringe benefits, gifts, donations, admission costs, non-business payouts, and transfer price adjustments. Dividends paid out of retained earnings are generally taxed at a rate of 20% (the amount of tax payable is 20/80 of the net amount of dividends distributed (2020: 20%). Dividends will also be taxed at the rate of 14% from 2019 (the amount of tax payable is 14/86 of the net amount of dividends distributed). A more favorable tax rate applies to the part of dividends that do not exceed the average dividend payment of the company for the last three years, on which income tax has been paid in Estonia. A rate of 20% applies to the rest. 2018 is the first year to be taken into account when calculating the average dividend payment for the previous three years.

iii. Income tax in Latvia

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

iv. Income tax in Lithuania

According to Lithuanian income tax regulations, a taxpayer of a company in the respective country incurs an obligation to pay income tax on the taxable profit earned in the reporting year. Lithuania had an income tax rate of 15% in 2021 (2020: 15%).

v. Deferred income tax

Deferred income tax is provided in respect of temporary differences between the book values of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred income tax is not recognized as follows:

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that do not affect accounting or taxable profit or loss;
- temporary differences associated with investments in subsidiaries, associates, and joint ventures, if the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits, and temporary deductible differences to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed if the probability of future taxable profits increases. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilized. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the tax rates that have been enacted or substantively enacted by the reporting date when they are reversed, and this reflects income tax uncertainty (if any).

Deferred tax assets and liabilities are offset only if certain criteria are met.

M. Grants

Grants that offset expenses incurred by the Group are recognized in the income statement as other income on a systematic basis over the period of the expense, unless the conditions to receive the grant are recognized after the related expenses have been recognized. In this case, the grant is recognized when it becomes receivable.

N. Sales revenue

Sales revenue is measured on the basis of the fee provided in the customer agreement. The Group recognizes sales revenue when it gives the customer control over a good or service. The following table provides information on the accounting policies for the fulfillment and timing of operating obligations arising from customer agreements and, consequently, for the recognition of sales revenue.

Type of product/service	Fulfillment and timing of the performance obligation, important payment terms	Sales revenue accounting policies
Other goods and services resold	Invoices for resold goods and services are issued on a monthly basis and are generally due within 21 days.	Revenue from the resale of utilities and other services is recognized over time (revenue is recognized in the same period as the related expenses).

O. Investment property

Investment property is defined as land and buildings held for rental income or for market value which are not used in the economic activities of the group entity. It is also considered real estate investment properties that are held for a long time and that have a number of potential uses.

Real estate to be developed for real estate investment and buildings treated as movable property (reconstructed commercial buildings) are recorded as investment property. Investment property is initially recognized in the statement of financial position at cost, which includes transaction fees directly related to the acquisition: notary fees, state fees, fees paid to advisers and other costs without which the purchase would probably not have been possible. It will be reported below investment property at fair value at each reporting date, which is determined based on the reporting date actual market conditions.

In determining the fair value of investment property, in addition to management's judgment, expert opinion of independent certified evaluators is used. This means a major investment where necessary, parallel assessments are taken from independent real estate experts. To determine fair value the following methods are used:

- Revenue method (discounted cash flow analysis or capitalization of revenue). The income method is used in determining the value of real estate objects with a stable rental flow or in the case of objects where based on the management board assesment the benchmark method does not reflect fair value (for example, the lack of liquidity in the real estate market in the area of the property, the absence of a reference transaction or a large time difference between the reference transaction and between the assessment date). The rental method is used to determine the fair value of investment property using the income approach. In the case of a generating real estate object, the appraiser must forecast the future rental income of the real estate object (incl rent per 1 m 2 and occupancy of rental space) and operating costs. Depending on the termination of leases simplicity and feasibility for lessees, the appraiser selects either existing cash flows or average cash flows in the market. It also comes with a discounted cash flow analysis to find the present value of the net cash flows, select the appropriate discount rate that best represents the cash current market trends and the specific risks associated with the asset. As a basis for selecting the discount rate the average market capital structure is used. Applicable to the income capitalization method the capitalization rate is determined on the basis of the average expected expectations of investors in a particular market productivity for similar types of assets.
- Comparison method. The comparison method is used for real estate that does not have a rental flow and which are held for future development potential or value growth. For the comparison method transactions performed under comparable conditions with the evaluated object and the market value of the object are examined the price of m2 of transactions has been derived. As there were events that are reference methods, no are in virtually no case absolutely similar to the object being valued, the reference method is adjusted indicators of the time, location, size and detailed planning of the transactions that took place in the case, or instead another valuation method (such as the revenue method) that, in the opinion of the management board, better reflects the property fair value.

Gains and losses arising from changes in the fair value of investment property are recognized in the statement of comprehensive income under "Other operating income" or "Other operating expenses".

Investment property is derecognised upon disposal or in the case of decommissioning, when no future economic benefits are expected from the asset. Gains and losses on derecognition of investment property are recognized in the period in which they are derecognised in the statement of comprehensive income under other operating income or other operating expenses.

If the purpose of use of the real estate changes, the asset is reclassified in the statement of financial position. From the date of the change, the accounting policies for that asset group are applied to the item, to which the object has been transferred. When an item previously recognized as an investment property is reclassified to inventory or property, plant and equipment, the new deemed cost of the item is the fair value of the item reclassification date.

If an item of property is reclassified from tangible asset to investment property, it is presented the positive difference between the fair value and book value of the asset at the date of reclassification revaluation reserve, the negative difference is recognized in the statement of comprehensive income as an impairment loss on tangible assets. When an item of property is recognized as an inventory is reclassified to investment property, the difference is recognized as an asset between the fair value and book value at the date of reclassification in the statement of comprehensive income under other operating income or other operating expenses.

Based on the requirements of IFRS 13, fair value measurement methods are classified as follows:

- quoted prices (unadjusted) in active markets for identical assets (level 1);
- inputs other than level 1 classifiable quoted prices that are, directly or indirectly, assets traceable (level 2);
- unobservable inputs for the asset (level 3).

The fair value of the Group's investment properties has been assessed using Level 3 inputs. Additional information on the assumptions used is provided in Note 12.

P. Related parties

The Group considers parties to be related if one party has control over the other party or significantly influences business decisions of the other party. The Group's related parties are:

- the parent company and its owners;
- other companies belonging to the same group;
- Members of the Board;
- close relatives and related companies of the persons listed above.

Q. Events after the reporting period

The consolidated financial statements reflect significant matters that affect evaluation of assets and liabilities, that appeared as of end of the reporting period and during the period of preparation of accounts, but are related to transactions that occurred in the reporting period or in prior periods.

Events that, at the end of the reporting period, have not been included in the valuation of assets and liabilities, but will have significant influence on the result of the next financial, year are disclosed in the notes to the consolidated financial statements.

NOTE 7. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT

A. Accounting classifications and fair values

The Group's management has assessed that the fair value of the loans is equal to their carrying amount, as the interest rates applied in the agreements correspond to market interest rates.

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities that are not measured at fair value when the carrying amount is a reasonable estimate of fair value.

	Carrying amount		Fair value	
(in euros)	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Financial assets measured at amortised cost				
Cash and equivalents	15 086 089	11 477 121	-	-
Other short-term financial assets (Note 8)	10 035 749	1 964 743		
Accounts receivable (Note 9)	3 251 819	1 636 098	-	-
Receivables from related parties (Note 9)	0	87 957	-	-
Other receivables (Note 9)	1 363 511	214 254	-	-
Loans provided	96 000	15 462 358	-	-
Financial assets measured at fair value				
Financial assets from derivatives (appendix 17)	0	0	0	0
Total financial assets	**29 833 168**	**30 842 531**	**0**	**0**
Financial liabilities measured at amortised cost				
Accounts payable (Note 13)	3 046 695	715 348	-	-
Loan obligations (Note 14)	210 784 359	280 919 573	-	-
Other liabilities (Note 13)	1 678 907	2 407 224	-	-
F**inancial liabilities measured at fair value**				
Liabilities from derivatives (Note 17)	3 191 608	6 313 038	3 191 608	6 313 038
Total financial liabilities	**218 701 569**	**290 355 183**	**3 191 608**	**6 313 038**

B. Financial risk management

i. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. Also cash on bank deposits and other receivables and financial assets are exposed to credit risk. The carrying amount of financial and contractual assets reflects the maximum exposure to credit risk.

To mitigate credit risk, the Group has established procedures that ensure that leases are entered into with customers with a compliant credit history. The Group regularly monitors that customers do not exceed an acceptable credit risk level. Credit risk is additionally mitigated by requiring a deposit from tenants and entering into lease guarantee agreements. Invoices issued to customers generally have a payment period of up to 30 days, which helps to further limit the credit risk that may arise from receivables from buyers.

Impairment losses on financial assets recognised in the income statement were the following:

(in euros)	2021	2020
Impairment reserve for receivables on 1 January	149 044	11 010
Increase of impairment (Note 23)	279 023	138 034
Receivables assessed as doubtful	0	0
Doubtful receivables received	0	0
Impairment reserve for receivables on 31 December	428 067	149 044

The Group always recognises an allowance for trade receivables equal to the amount of credit losses expected to be incurred during their term. A provisioning matrix is used to estimate the expected credit loss on these assets, based on the Group's historical credit loss experience, adjusted for specific factors related to those specific debtors, general economic conditions and, if necessary, the time value of money. Expected credit losses are probability-weighted credit loss estimates. A credit loss is the difference between the contractual cash flows and the cash flows expected by the group, which is discounted at the financial asset's internal rate of return.

In managing credit risk, it is mainly monitored that the Group does not have significant accumulated concentrations of credit risk. The Group's activities for preventing and minimizing credit risk consist of monitoring and directing the payment behaviour of customers on a daily basis, which enables prompt implementation of necessary measures. As many real estate transactions are financed by the counterparty through credit institutions, the Group co-operates with such credit institutions to mitigate the risks. As a result, the Group considers the total risk arising from the insolvency of its customers to be substantially hedged.

Cash and cash equivalents

The Group held cash and cash equivalents of EUR 15 086 089 on December 31, 2021 (31.12.2020: EUR 11 477 121). In addition, as of 31 December 2021, the Group has recored EUR 10 035 749 on a deposit which purpose was restricted by the cash flows of a specific project (Note 8). The Group's cash and cash equivalents are held at various banks, which reduces the credit risk associated with the bank's deposits. The credit ratings of the banks whose services are used the most by the Group and where almost all of the Group's funds are deposited as of 31.12.2021 are carrying credit ratings of Baa1 to A3 by the independent rating agency Moody's.

ii. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with the transfer of cash or other financial assets. Long-term liquidity risk is the risk that the Group will not have sufficient cash or other sources of liquidity to meet future liquidity needs to meet its business plan and meet its obligations or that the Group will therefore need to raise available funds in a hurry.

The Group's liquidity is primarily affected by the following factors:

- the ability of the Group companies to independently generate positive net cash flows from operating activities and the volatility of those cash flows;
- the maturity mismatch of assets and liabilities and the flexibility to change them;
- marketability of non-current assets;
- financing structure.

The goal of the Group is:

- To ensure a balance between continuity and flexibility of financing through bank loans. The Group's financing policy stipulates that bank loans are concluded on a long-term basis.
- To manage net cash flows so that when investing in real estate, the share of debt capital does not exceed 80% of the acquisition cost of the investment.

The management of short-term liquidity is primarily based on the Group's continuously monitored monthly cash flow forecast. The purpose of short-term liquidity management is to ensure that sufficient highly liquid funds are available. Short-term liquidity of companies located in Estonia and outside Estonia is managed mainly through intra-group borrowing from the Parent Company.

Long-term liquidity management is most affected by investment decisions. Investments are made on the principle that the net cash flows from operating activities of companies, together with the net cash flows from investing activities, must cover the Group's cash outflows from financing. Thus, the purpose of long-term liquidity management is to ensure sufficient liquidity of the real estate investment portfolio, to harmonize the timing of investment and financing cash flows and to use the optimal financing structure. In the case of long-term projects, it is monitored that the terms and amounts of cash flows from investing activities do not differ significantly from the terms and amounts of cash flows from financing activities.

As of 31 December 2021, the Group's working capital is negative in the amount of 20 620 thousand euros. In the second half of 2021, the management started negotiations to refinance the loans granted by Luminor Bank to the Group's Estonian subsidiaries on equal terms. An agreement was reached in the first quarter of 2022 to refinance the loans, and as a result, the loans granted by Luminor Bank to the Group's Estonian subsidiaries in the amount of the total loan balance (27,427 thousand euros) have been classified as current liabilities as of 31 December 2021. The bank loans were repaid at the expense of a new long-term loan issued by Luminor Bank on 14.03.2022.

As of the end of the reporting period, the Group has free cash and cash equivalents of 15,086 thousand euros (31 December 2020: 11,477 thousand euros). Consequently, the management considers the Group's liquidity position to be strong and liquidity risk unlikely.

The remaining contractual maturities of financial liabilities at the reporting date are as follows. The amounts are gross and undiscounted and include contractual interest payments.

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		Contractual cash flows			
As at 31 December 2021 (EUR)	**Book value**	**12 months**	**1-5 years**	**Over 5 years**	**Total**
Payables to suppliers (Note 13)	3 046 695	3 046 695	0	0	**3 046 695**
Loan liabilities (Note 16)	210 784 359	43 304 846	185 951 927	2 768 847	**232 025 620**
Liabilities from derivative instruments (Note 17)	3 191 608	772 824	2 418 784		**3 191 608**
Rental obligations	2 569 237	76 694	383 470	2 760 983	**3 221 147**
Other payables (Note 13)	1 678 907	1 678 907	0	0	**1 678 907**
Total	**221 270 806**	**48 879 966**	**188 754 181**	**5 529 830**	**243 163 977**

		Contractual cash flows			
As at 31 December 2020 (EUR)	**Book value**	**12 months**	**1-5 years**	**Over 5 years**	**Total**
Payables to suppliers (Note 13)	715 348	715 348	0	0	**715 348**
Loan liabilities (Note 16)	280 919 573	9 046 867	197 956 074	99 455 802	**306 458 743**
Liabilities from derivative instruments (Note 17)	6 313 038	1 677 854	4 635 184	0	**6 313 038**
Other payables (Note 13)	2 407 224	0	2 407 224	0	**2 407 224**
Total	**290 355 183**	**11 440 069**	**204 998 482**	**99 455 802**	**315 894 353**

iiii. Market risk

Market risk is the risk that changes in market prices, such as rentals, goods, exchange rates, interest rates, and cost of capital, will affect the Group's income or the value of its investments in financial instruments. The purpose of market risk management is to manage and maintain positions exposed to market risk within acceptable limits while optimizing returns.

iv. Currency risk

Currency risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes in foreign exchange rates.

The main currency of the Group is euro. In 2021 and 2020, the Group had no significant assets or liabilities in any currency other than euro, and the Group was not required to enter into any significant transactions in any currency other than euro after that date.

v. Interest rate risk

Interest rate risk is the risk that the fair value of a future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk when using floating rate loans, refinancing liabilities upon maturity and attracting new loans to implement an investment plan in a situation where volatility in financial markets is increasing and the economic environment is changing.

The Group's interest rate risk arises from interest-bearing borrowings. Fluctuations in interest rates affect interest expenses. The Group uses interest rate swaps to hedge its cash flow risk related to interest rates.

As of 31.12.2021, 90% of the loan liabilities are floating rate loans (31.12.2020: 58%).

The Group's bonds, owner and other related party loans have a fixed interest rate and are independent of changes in the money market. However, long-term bank loans are linked to Euribor, which makes them dependent on developments in international financial markets. An important activity in managing the Group's interest rate risk is to monitor the movements of the money market interest rate curve, which reflects the expectations of market participants regarding market interest rates and enables to assess the development of euro interest rate trends. In 2021, the Euribor rates have been negative, therefore as of 31.12.2021 and also 31.12.2020, the Group's loans had no effect on the Euribor component.

The sensitivity analysis of the Group's net profit based on loan liabilities recognized in the amount of 188,768 thousand euros as of 31.12.2021 shows that a 1% percentage point increase in the interest rate on floating rate loans would have a declining effect on the annual net profit of 1,888 thousand euros.

Changes in interest rates are closely monitored and, if necessary, additional hedging agreements are ready.

C. Capital management

The Group's policy is to maintain a strong capital base in order to maintain the confidence of investors, creditors, and the market and to maintain the further development of the business. Management monitors the return on capital and the level of dividends paid to shareholders. The Group monitors capital using the ratio of net debt to equity. Net debt is calculated as the total amount of liabilities less cash and cash equivalents. Equity includes all components of equity. The Group's policy is to keep the ratio below 2.

The ratio of the Group's net debt to equity on 31.12.2021 was as follows.

(EUR)	31.12.2021	31.12.2020
Total liabilities	232 943 028	302 930 609
Minus: cash and cash equivalents	15 086 089	11 477 121
Net debt	**217 856 939**	**291 453 488**
Total owners' equity	**173 791 433**	**43 140 159**
Net debt to total equity ratio	**1,25**	**6,76**

NOTE 8. OTHER CURRENT FINANCIAL ASSETS

Other current financial assets in the consolidated statement of financial position as at 31 December 2021 in the amount of EUR 10,035,749 include cash deposited in an Escrow account with Citadele Bank (contingent deposit). The money deposited in the deposit is intended for the acquisition of 100% stake in Pārupes būmaņi SIA (Latvian registry code 40103850793). The acquirer is D Imanta Project SIA, (Latvian registry code 40203271584) a subsidiary of Summus Capital. The acquisition was completed in January 2022.

As of 31 December 2020, the Group had made an advance payment in the amount of 1,964,743 euros for the acquisition of shares in Pharma Plaza OÜ (14,742 euros) and D Imanta Project SIA (1,950,000 euros).

NOTE 9. TRADE RECEIVABLES AND OTHER RECEIVABLES

(EUR)	31.12.21	31.12.20
Trade receivables	3 251 819	1 636 098
Receivables from related parties	0	87 957
Other receivables	1 363 511	214 254
Total	**4 615 330**	**1 938 309**
Long-term part	0	0
Short-term part	**4 615 330**	**1 938 309**
Total	**4 615 330**	**1 938 309**

Credit risk, market risk, and impairment of financial assets

Information on the Group's credit and market risks and credit losses due to impairment of receivables is provided in Note 7.

NOTE 10. PREPAYMENTS

(EUR)	31.12.21	31.12.20
Prepaid taxes	74 203	11 841
Prepaid expenses for future periods	45 183	198 094
Other prepayments	364 430	316 068
Total	**483 816**	**526 003**
Long-term part	321 197	234 078
Short-term part	162 619	291 925
Total	**483 816**	**526 003**

NOTE 11. TANGIBLE FIXED ASSETS AND INTANGIBLE FIXED ASSETS

Tangible assets

(EUR)	Transpot means	Other tangible assets	Assets of access right	Total
Acquisition cost as at 31 December 2020	60 344	30 029	0	**90 373**
Accumulated depreciation as at 31 December 2020	-2 011	0	0	**-2 011**
Residual value as at 31 December 2020	**58 333**	**30 029**	**0**	**88 362**
Registration of usage rights			2 268 139	**2 268 139**
Additions through business combinations		53 797		**53 797**
Sale and write down	-52 298			**-52 298**
Depreciation for the reporting period	-6 035	-20 732	-63 047	**-89 814**
Residual value as at 31 December 2021	**0**	**63 094**	**2 205 092**	**2 268 186**
Acquisition cost as at 31 December 2021	0	83 826	2 268 139	**2 351 965**
Accumulated depreciation as at 31 December 2021	0	-20 732	-63 047	**-83 779**

From 1 January 2021, the Group has applied IFRS 16 “Leases”.

In applying IFRS 16, the Group recognizes leases as right of use and a lease liability, that were previously classified as operating leases in accordance with previous accounting policy.

The right of use includes the right of superficies until 2056 at Viru tn 15 and Viru tn 13, Tallinn.

In application of the standard on 1.01.2021, the remaining lease payments under the leases have been discounted using an alternative loan interest rate of 1.82%. In implementing the standard, the Group has used the following simplifications:

– operating leases with a remaining lease term of up to 12 months or low value assets are recognized as short-term operating leases from 1.01.2021;
– direct costs incurred in concluding a lease for a leased asset are eliminated on the date of implementation;
– the lease term is determined based on the possibilities in the contract to extend or terminate the lease.

The right of use assets are recognized using the cost method.

Intangible fixed assets

(EUR)	Goodwill	Other intangible assets	Total
Acquisition cost as at 31 December 2019	3 178 295	**0**	**3 178 295**
Accumulated depreciation as at 31 December 2019	0		**0**
Residual value as at 31 December 2019	**3 178 295**	**0**	**3 178 295**
Purchases and improvements			**0**
Additions through business combinations		20 653	**20 653**
Depreciation for the reporting period			**0**
Acquisition cost as at 31 December 2020	3 178 295	20 653	**3 198 948**
Accumulated depreciation as at 31 December 2020	0	0	**0**
Residual value as at 31 December 2020	**3 178 295**	**20 653**	**3 198 948**
Purchases and improvements			**0**
Depreciation for the reporting period		-20 653	**0**
Acquisition cost as at 31 December 2021	3 178 295	0	**3 178 295**
Accumulated depreciation as at 31 December 2021	0	0	**0**
Residual value as at 31 December 2021	**3 178 295**	**0**	**3 178 295**

Testing recoverable amount in cash-generating units that include goodwill

The table below provides an overview of the distribution of goodwill among the Group's cash-generating units (by real estate properties). Goodwill is created and distributed as a result of the acquisition of the respective real estate properties:

Real-estate property	Location	31.12.2021	31.12.2020
De La Gardie (Lepidus Invest OÜ)	Estonia	870 640	870 640
Veerenni Tervisekeskus OÜ	Estonia	10 396	10 396
Nordika Center, Vilnius (UAB Nordika prekybos slėnis)	Lithuania	1 586 071	1 586 071
BOD Group, Vilnius (UAB Zenith Turto Valdymas)	Lithuania	711 188	711 188
Total goodwill		**3 178 295**	**3 178 295**

In 2021, the Group's management analyzed the changes in the Group's economic environment and operations as of 31 December 2021 and concluded that the recoverable amount of the cash-generating assets (cash-generating units) related to De La Gardie shopping center in Estonia and Nordika shopping center in Lithuania should be tested.

De La Gardie

The recoverable amount of De La Gardie's cash-generating unit was determined based on its value in use, which was determined by discounting the future cash flows from continuing use of the cash-generating unit. The book value of the cash-generating unit is EUR 9,317,878 and the recoverable amount is EUR 10,602,545. As a result of the recoverable amount test, it was found that there is no need to write down goodwill.

The main assumptions used in the value in use assessment were as follows:

Assumptions	31.12.2021
Average rent price €/m²	21,22 EUR/m²
Expected increase of rental income	2-6,9%
Vacancy rate	5%
Discount rate (WACC)	6,01%
The growth rate used to find terminal value	2%
The capitalization rate used to determine the sale value of asset at the end of its useful life	6,00%

The value in use assessment is based on the following assumptions:

- The average rental price is determined using market inputs for rental prices;
- The expected increase in rental income is related to the long-term forecast of the change in Estonian consumer price index, which has been disclosed by Bank of Estonia;
- The vacancy rate is based on the vacancy rates of similar objects on the market;
- The discount rate used is based on market data adjusted for additional risk premiums to take into account the specific risk of the particular cash-generating unit;
- The growth rate used to find the terminal value is based on Bank of Estonia's long-term inflation target; and
- Considering the location of the building together with its design and technical condition and the agreements with the tenants, the Management Board has estimated that the real estate would attract moderate interest in the market, so that market participants would agree to pay approximately 6% return at exit.

As a result of the recoverable amount test, the Management Board concluded that there is no need to write down goodwill.

Nordika

The recoverable amount of Nordika's cash-generating unit was determined based on its value in use, which was determined by discounting the future cash flows from continuing use of the cash-generating unit. The book value of the cash-generating unit is EUR 66,443,899 and the recoverable amount is EUR 68,206,316. As a result of the recoverable amount test, it was found that there is no need to write down goodwill.

The main assumptions used in the value in use assessment were as follows:

Assumptions	31.12.2021
Average rent price €/m2	22,67 EUR/m^2
Expected increase of rental income	2-4%
Vacancy rate	2-5%
Discount rate (WACC)	7,37%
The growth rate used to find terminal value	2%
The capitalization rate used to determine the sale value of asset at the end of its useful life	6,75%

The value in use assessment is based on the following assumptions:

- The average rental price is determined using market inputs for rental prices;
- The expected increase in rental income is related to the long-term forecast of the change in the growth of the Lithuanian consumer price index, which has been published by the European Central Bank and the Lithuanian Ministry of Finance;
- The vacancy rate is based on the vacancy rates of similar objects on the market;
- The discount rate used is based on market data adjusted for additional risk premiums to take account the specific risk of the particular cash-generating unit;
- The growth rate used to find the terminal value is based on the long-term inflation target of the Lithuanian Ministry of Finance; and
- Considering the location of the building together with its design and technical condition and the agreements with the tenants, the Management Board has estimated that the real estate object would attract remarkable interest in the market, therefore market participants would agree to pay approximately 6.75% return at exit.

As a result of the recoverable amount test, the Management Board concluded that there is no need to write down goodwill.

NOTE 12. REAL ESTATE INVESTMENT PROPERTIES

Book value of real estate investment properties

(EUR)	2021	2020
Investment property on 1 January	**311 412 080**	**164 870 000**
Purchases and improvements	0	52 212 032
Profit (loss) from the change in fair value	13 896 034	-5 033 228
Additions through business combinations	45 659 968	99 363 276
Investment property on 31 December	**370 968 082**	**311 412 080**

As of the end of 2021, the portfolio of companies owned by Summus Capital OÜ consists of twelve real estate projects. More information on the website www.summus.ee.

	Total fair value (level 3)	Profit / loss recorded in profit or loss in 2021
Estonia - DE LA GARDIE (retail)	8 550 000	140 000
Estonia - VEERENNI 1 (medical centre)	15 370 000	853 600
Estonia - VEERENNI 2 CONFIDO (medical centre + parking house)	24 660 000	530 281
Estonia - AURIGA (retail)	15 750 000	0
Estonia - warehouse buildings	10 677 082	-90 000
Estonia - Punane 56 (mixed use buildings)	4 320 000	10 000
Lithuania - NORDIKA (retail)	64 710 000	4 783 061
Lithuania - THE PARK TOWN WEST HILL (business centre)	23 140 000	540 000
Lithuania - THE PARK TOWN EAST HILL (business centre)	52 310 000	1 740 000
Lithuania - THE BOD GROUP (high technology center)	26 700 000	1 600 000
Latvia- RIGA PLAZA (retail + investment plot)	103 071 000	3 789 092
Latvia - DEPO DIY (retail)	21 710 000	0
Total	**370 968 082**	**13 896 034**

The basis for determining the fair value of investment property is independent expert opinions of OÜ NWC VALUATIONS EE for Estonian properties, UAB NWC VALUATIONS LT and UAB OBER HAUS for Lithuanian properties and SIA NWC VALUATIONS LV for Latvian properties. In the expert opinions, the Discounted Cash Flow Method and the Sales Comparison Method have been used to find the market value of the object in accordance with the asset valuation standards. The specifics of each object and market have been taken into account as prerequisites for the preparation of valuation reports, as well as the discount and capitalization rates determined for each object accordingly.

The fair value of investment properties as of 31.12.2021 has been determined using the discounted cash flow method. The assessment of fair value is based on the assessment of an independent expert. As of the reporting date, the fair value has been determined based on future cash flows from operating activities and a discount rate in the range of 6.6% -9.13% and capitalization rates in the range of 6% -8.25%. The used vacancy rates by objects range from 0% -10%.

The changes in fair value are recorded in the income statement at the separate entry “Profit/ loss from revaluation of investment property”. Depreciation is not calculated on the investment properties recorded at fair value. Investment property is derecorded upon disposal or decommissioning when the asset is not expected to generate future economic benefits. The profit or loss arising from derecording of an investment property is recorded in the comprehensive income statement in the period of derecording under other operating income or other operating expenses.

Leases in different countries and by type of use of the properties have been entered into in accordance with market practice. Most office and warehouse leases do not have the option of early termination. However, depending on the specifics and market practices, such opportunities are more widely used in retail. As there are about 300 contracts in different countries, there is no uniform contract form.

Fair value measurement

Fair value hierarchy

The measurement of the fair value of all investment properties is classified as Level 3 fair value based on the inputs to the valuation method used.

Assessment techniques and significant unobservable inputs

The following table sets out the valuation method used to measure the fair value of investment property and significant unobservable inputs.

Sector	Fair value (euros)	Evaluation technique	Significant unobserved inputs	Relationship between unobservable inputs and fair value measurements
Industrial	41 697 082	Discounted cash flow method	Average rental price €/m² (2021: 5,79 EUR/m²; 2020: 5,70 EUR/m²) Expected rental income growth (2021: 1,5-5%; 2020: 1,4-2,8%) Vacancy rate (2021: 0-10%; 2020: 0-10%) Discount rate (2021: 8,0-9.1%; 2020: 8,0-9,1%) Exit yield (2021: 7,5-8,3%; 2020: 8,0-8,5%)	Expected fair value would increase (decrease) if: - the average rental price would be higher (lower) - expected increase in rental income would be higher (lower) - the vacancy rate would be lower (higher) - the discount rate would be higher (lower)
Office	115 480 000	Discounted cash flow method	Average rental price €/m² (2021: 14,28 EUR/m²; 2020: 14,91 EUR/m²) Expected rental income growth (2021: 1,5-4,0%; 2020: 1,6-2,1%) Vacancy rate (2021: 2-5%; 2020: 2-6%) Discount rate (2021: 6,6-8,2%; 2020: 7,4-8,2%) Exit yield (2021: 6,0-7,0%; 2020: 5,5-7,0%)	Expected fair value would increase (decrease) if: - the average rental price would be higher (lower) - expected increase in rental income would be higher (lower) - the vacancy rate would be lower (higher) - the discount rate would be higher (lower)
Retail	212 230 000	Discounted cash flow method	Average rental price €/m² (2021: 11,98 EUR/m²; 2020: 14,50 EUR/m²) Expected rental income growth (2021: 1,0-4,0%; 2020: 1,1-5,0%) Vacancy rate (2021: 2-5%; 2020: 2-10%) Discount rate (2021: 7,6-9,8%; 2020: 7,6-9,8%) Exit yield (2021: 6,0-8,3%; 2020: 6,0-8,3%)	Expected fair value would increase (decrease) if: - the average rental price would be higher (lower) - expected increase in rental income would be higher (lower) - the vacancy rate would be lower (higher) - the discount rate would be higher (lower)

NOTE 13. DEBTS TO SUPPLIERS AND OTHER PAYABLES

(EUR)	Note	31.12.2021	31.12.2020
Payables to suppliers		2 691 454	590 270
Payables to related parties	27	355 241	125 078
Total payables to suppliers		**3 046 695**	**715 348**
Payables to employees		4 764	2 239
Interest payables		200 123	1 834 620
Rental deposits and other prepayments received		2 096 184	1 537 497
Payables for acquired holdings		1 678 907	2 407 224
Other accrued expenses		86 132	3 115 908
Total other payables		**4 066 110**	**8 897 488**
Total		**7 112 805**	**9 612 836**
Long-term part		0	2 407 224
Short-term part		7 112 805	7 205 612
Total		**7 112 805**	**9 612 836**

NOTE 14. LOANS AND BORROWINGS

					Loan repayments		
(EUR)	Underlying currency	Interest rate	Repayment date	Loan balance 31 Dec 2021	Up to 1 year	2-5 years	Over 5 years
Current liabilities							
Bank loans	EUR	EURIBOR+1,82%-2,5%	2022-2026	31 873 253	31 873 253		
Other short-term loans	EUR		2022	9 705 864	9 705 864		
Total				**41 579 118**	**41 579 118**	**0**	**0**
Non-current liabilities							
Bank loans	EUR	EURIBOR+1,82%-2,5%	2022-2026	156 894 252		156 894 252	
Bonds	EUR	6,75%	2024	10 000 000		10 000 000	
Loans received from related parties	EUR	2%-9%	2030	305 000			305 000
Other loans	EUR	7%	2028-2030	2 005 989			2 005 989
Total				**169 205 241**	**0**	**166 894 252**	**2 310 989**

					Loan repayments		
(EUR)	Underlying currency	Interest rate	Repayment date	Loan balance 31 Dec 2021	Up to 1 year	2-5 years	Over 5 years
Current liabilities							
Bonds	EUR	EURIBOR+10%	2021	2 000 000	2 000 000	0	0
Bank loans	EUR	EURIBOR+1,82%-2,5%	2021-2026	6 855 586	6 855 586	0	0
Total				**8 855 586**	**8 855 586**	**0**	**0**
Non-current liabilities							
Bank loans	EUR	EURIBOR+1,82%-2,5%	2021-2026	153 160 867	0	153 160 867	0
Loans received from related parties	EUR	2%-9%	2021-2030	118 903 120	0	25 499 850	93 403 270
Total				**272 063 987**	**0**	**178 660 717**	**93 403 270**

Real estate with a total book value of 370,968,082 euros (311,412,080 euros as of 31.12.2020) has been pledged as collateral for bank loans.

Bank loan agreements contain, among other, certain conditions (loan covenants) regarding the Group's ratios, which the consolidated financial indicators must meet - otherwise the bank has the right to recover the loan immediately. As of the reporting date, the Group did not have any incidents of non-compliance with the ratios that would have led to the classification of the loans as short-term borrowings.

In 2021, Summus Capital OÜ completed the issue of the company's first unsecured bonds with a maturity of three years and a fixed coupon interest rate of 6.75% in the amount of 10 million euros. The bonds were issued at a price equal to their nominal value.

In 2022, amendments to the bank's loan agreements were entered into, according to which the loan liability is subject to settlement in the usual manner on the basis of a multi-year payment schedule. Other long-term loans include loans from related parties as of 31.12.2021 in the amount of 305,000 euros (31.12.2020: in the amount of 99,742,696 euros). In 2021, owner's loans in the amount of EUR 78,913,462 were converted into a voluntary reserve and the remaining part of owner's loan and loans from other related parties in the amount of EUR 27,594,495 were converted into subordinated liabilities and are recognized in equity.

NOTE 15. LEASES

The Group as a tenant

An overview of rental agreements where the Group is a tenant, is provided below.

As a right of use (Note 11), the right of superficies until 2056 at Viru tn 15 and Viru tn 13, Tallinn is recognized in the Group's statement of financial position.

The following amounts have been recognized in the statement of comprehensive income for the period in connection with this superficies agreement:

- - Depreciation cost of the right of superficies EUR 63,047 (2020: EUR 0)
- - Interest expense on lease liabilities EUR 41,980 (2020: EUR 0).

The Group as a lessor

Finance lease

The Group has not leased assets to third parties on capital lease terms.

Operating lease

The Group leases commercial real estate. These leases are classified as operating leases as they do not transfer all the risks and rewards related to ownership of the underlying asset to the lessee.

The table below provides an overview of the Group's operating lease income.

Operating lease payments for the period

(EUR)	Note	2021	2020
Rental income		22 074 452	14 142 236
Total		22 074 452	14 142 236

The following table presents a term analysis of lease payments, showing undiscounted lease payments receivable after the reporting date.

Operating lease payments for subsequent periods

(EUR)	2022	2023	2024	2025	2026
Rental income	25 757 827	27 354 415	28 353 373	28 936 463	29 531 016

NOTE 16. INCOME TAX AND TAX LIABILITIES

	2021	2020
Income tax components		
Income tax on expenses for the reporting period	6 385	44 207
Income tax paid on dividends	-	17 500
Deferred income tax liability	1 171 139	206 400
Total income tax for the reporting period	**1 177 524**	**268 107**

	2021	2020
Deferred income tax on assets		
Tax losses	787 233	897 176
Amortization of goodwill	200 425	171 331
Deferred income tax on assets before changes in value	767 718	1 068 507
Total deferred income tax on assets	**767 718**	**1 068 507**

	2021	2020
Deferred income tax on liabilities		
Changes in the fair value of investments	-6 700 230	-5 983 231
Depreciation of investments	-2 563 007	-2 188 089
Deferred income tax on liabilities before changes in value	-9 263 237	-8 171 319
Total deferred income tax on liabilities	**-9 263 237**	**-8 171 319**
Total deferred income tax	**-8 495 519**	**-7 102 812**

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

Tax liabilities		
VAT	215 831	398 225
Personal income tax	2 000	1 260
Corporate income tax	520 481	155 612
Social tax	3 300	2 147
Other tax payables	0	129 956
Total	741 612	687 200
Long-term part	0	0
Short-term	741 612	687 200
Total	**741 612**	**687 200**

Unrecognized deferred tax liabilities

As of 31 December 2021, the deferred income tax liability from investments in Estonian and Latvian subsidiaries was 3,377,562 euros (2020: 1,430,343 euros) for temporary differences. This liability was not recognized as the Group controls the dividend policies of its subsidiaries, which means that the Group controls the timing of the reversal of related taxable temporary differences and management is confident that they will not reverse in the foreseeable future.

NOTE 17. DERIVATIVES

(EUR)	31.12.21	31.12.20
Financial assets from derivative instruments	0	0
Total	**0**	**0**

(EUR)	31.12.21	31.12.20
Liabilities from derivative instruments	3 191 608	6 313 038
Total	**3 191 608**	**6 313 038**

Derivative	Assessment techniques	Level of the fair value hierarchy
Interest rate swap	The fair value of interest rate swap contracts is determined as the present value of expected future cash flows based on the market interest rate curves	2

NOTE 18. SHARE CAPITAL

(EUR)	31.12.21	31.12.20
Share capital in nominal value	1 200 000	67 500
Number of shares	1	1

The share entitles a shareholder to participate in the management of the private limited company and in the distribution of profits and assets remaining upon dissolution of the private limited company, as well as other rights prescribed by law and the articles of association.

The composition of the shareholders of Summus Capital OÜ changed during the reporting period: as of 31.12.2020 the sole shareholder of the private limited company was Galina Skvortsova, as of 31.12.2021 the shareholder of the private limited company is Boris Skvortsov.

In March of the reporting period, the sole shareholder increased the share capital by an additional cash contribution to 1,200,000 euros.

In accordance with the articles of association, the minimal amount of share capital is 1,200,000 euros and maximum amount is 4,800,000 euros as of 31.12.2021 (31.12.2020 minimal amount was 67,500 euros and maximum amount was 100,000 euros).

The shares of Summus Capital OÜ are registered in the Estonian Central Register of Securities.

Voluntary reserve capital

In 2021, the voluntary reserve capital was formed in the amount of 78,913,462 euros. The contribution to the voluntary reserve capital was made through non-monetary contribution, the voluntary reserve capital consists of loans assigned by the owner. Voluntary reserve capital may be used for the following purposes:

- to secure the net assets value required by the Commercial Register;
- to cover the loss of the private limited company, if it cannot be covered at the expense of retained earnings of previous periods and the reserve capital and share premium provided for in the articles of association; and
- in case of Fund issue, to increase the share capital.

The voluntary reserve capital may be returned to the shareholders provided that the minimum permitted net assets of the private limited company required by the Commercial Code continue to be secured after the payment.

Subordinated loan

During the reporting period, loans from owners and other related parties in the amount of EUR 27,594,495 were converted into subordinated liabilities and are now recognized in equity. Subordinated loans are classified as equity instruments because the subordination agreements do not give rise to a contractual obligation to pay to the extent agreed cash or other financial asset to the lender.

NOTE 19. SALES REVENUE

(EUR)	2021	2020
Sale to European Union countries		
Lithuania	13 362 130	11 878 535
Latvia	8 727 607	727 565
Estonia	7 162 030	5 137 009
Total sale to European Union countries	**29 251 767**	**17 743 109**
Total	**29 251 767**	**17 743 109**
Acitvities		
Rental income	22 074 452	14 142 236
Other resold goods and services	7 139 480	3 568 369
Advertising income	37 835	32 504
Total	**29 251 767**	**17 743 109**
Timing of sales revenue recording		
Within time	**29 251 767**	**17 743 109**
Total revenue from customer contracts	**29 251 767**	**17 743 109**

Balances of customer contracts

The table below provides an overview of receivables, contractual assets and contractual obligations to customers.

(EUR)	Note	31.12.2021	31.12.2020
Trade receivables	9	3 251 819	1 724 055
Rental deposits and other advances received	13	-2 096 184	-1 537 497
Net position		**1 155 635**	**186 558**

NOTE 20. GOODS, RAW MATERIALS, MATERIALS AND SERVICES

(EUR)	2021	2020
Services purchased for sale	-8 832 721	-3 426 025
Total	**-8 832 721**	**-3 426 025**

The costs of services purchased for sale include direct management costs of investment properties, which include services directly related to the operation of real estate, including utilities, security, administration, insurance, cleaning, communications, current repairs and maintenance, and other related taxes and fees.

NOTE 21. OTHER OPERATING EXPENSES

(EUR)	2021	2020
Other income		
Other income	2 279 957	40 997
Gain from revaluation of investment property	13 986 034	
Total operating income	**16 265 991**	**40 997**
Other expenses		
	2021	2020
Other expenses	339 085	67 297
Loss from revaluation of investment property	90 000	5 033 228
Total other expenses	**429 085**	**5 100 525**

The item “Other operating income” in 2021 includes, among other, the support granted by the Latvian Investment and Development Agency to LSREF3 Riga Plaza SIA, a subsidiary of Summus Capital, in the amount of 1,656,232 euros (2020: 0 euros), intended to mitigate the effects of Covid-19 .

NOTE 22. PROFIT (LOSS) FROM SUBSIDIARIES

(EUR)	2021	2020
Profit (loss) from subsidiaries		
Negative goodwill	1 467 502	26 393 456
Total profit (loss) from subsidiaries	**1 467 502**	**26 393 456**

On 30 November 2020 Vikingi 2 SIA, subsidiary of Summus Capital OÜ, acquired a 44,5% share in SIA LSREF3 Riga Plaza, which has a 100% share in the subsidiary SIA PLP and the contract was also concluded to acquire an additional 44.5% share in December 2022. As a result of the transactions and the shareholders' contract between the acquirers, Vikingi 2 SIA, a company of Summus Group, acquired control of SIA LSREF3 Riga Plaza and its 100% subsidiary SIA PLP (control over day-to-day management) and the acquired companies will be consolidated as 89% share. The purchase price of the shares was 9,2 million euros, incl the 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, a negative goodwill of 26,4 million euros incurred during the transaction, the resulting income is recorded in the consolidated income statement line “Profit (loss) from subsidiaries”.

In 2021, negative goodwill totaling EUR 1,467,501 was recognized from two transactions: (1) Procedo Capital (a subsidiary of Summus) acquired the subsidiary Pharma Plaza OÜ and (2) D Imanta Project SIA acquired the subsidiary Pārupes būmaņi SIA.

NOTE 23. MISCELLANEOUS OPERATING EXPENSES

(EUR)	2021	2020
Miscellaneous office expenses	-34 804	-146 663
Impairment of trade receivables	-279 023	-138 034
Advertising expenses	-13 000	-709 565
Legal expenses	-1 670 340	-424 828
Consultation expenses	-1 125 242	-518 123
Bank fees	-449 494	-280 675
Management service fees	-222 994	-349 000
Other	-647 432	-14 900
Total	**-4 442 329**	**-2 581 788**

NOTE 24. LABOR COSTS

(EUR)	2021	2020
Salary expenses	-161 401	-250 190
Social taxes	-18 891	-13 538
Pension expenses	-25	-112
Total	**-180 318**	**-263 840**
Average number of full - time employees	6	6

NOTE 25. INTEREST EXPENSES

(EUR)	2021	2020
Interest expense on bank loans	-5 154 402	-3 269 821
Interest expense on bonds	-363 320	0
Interest expense on borrowings from related parties	-1 879 027	-5 343 604
Interest expense on third party loans	-1 269 587	-370 452
Other interest expenses	-368 647	-367 084
Total interest expense	**-9 034 983**	**-9 350 961**

NOTE 26. NON - CONTROLLING INTERESTS

The table below provides information on subsidiaries with significant (more than 10%) non-controlling interests. The information is presented before the elimination of intra-group transactions.

	2021	
	UAB Vikingu 3	**SIA Loft Office**
NCI percentage	11%	11%
Non-current assets	49 255 279	18 330 393
Current assets	728 388	85 907
Non-current liabilities	34 169 937	2 150 809
Current liabilities	2 179 174	5 719
Net assets	13 634 556	16 259 772
Net assets attributable to NCI	1 499 801	1 788 575
Revenue	0	0
Profit	7 958 715	657 576
Profit allocated to NCI	875 459	72 333
Cash flows from operating activities	-146 909	-270 141
Cash flows from investment activities	15 193 563	0
Cash flows from financing activities	-15 045 519	255 999
Net increase (decrease) in cash	1 135	-14 142

	2020	
	UAB Vikingu 3	**SIA Loft Office**
NCI percentage	11%	11%
Non-current assets	55 948 842	26 604 922
Current assets	586 266	100 049
Non-current liabilities	41 867 500	26 596 007
Current liabilities	7 491 696	262 432
Net assets	7 175 912	-153 468
Net assets attributable to NCI	789 350	-16 881
Revenue	0	0
Profit	-843 887	-105 831
Profit allocated to NCI	-92 828	-11 641
Cash flows from operating activities	-360 316	154 244
Cash flows from investment activities	-31 213 500	-26 604 922
Cash flows from financing activities	31 574 517	26 498 133
Net increase (decrease) in cash	701	47 455

In November 2020, the owners of SIA Loft Office entered into a purchase and sale agreement, as a result of which the Group will acquire an additional 44,5% stake in SIA Loft Office. The ownership of the additional shareholding will be transferred to the Group upon payment of the Purchase Price no later than 06.12.2022, as a result of which the Group's shareholding in SIA Loft Office will increase to 89%. As the Group acquired control of the company's operations through the transaction, 89% is recognized as a stake in SIA Loft Office, 11% owned by minority shareholders.

NOTE 27. RELATED PARTIES

The party that has ultimate control over the Group is disclosed in Note 18.

Balances with related parties by categories

Receivables (EUR)	31.12.21	31.12.20
Executive and top management and private owners with material share and companies under their control or material influence	0	0
Close family members of executive and top management and private owners with material share and companies under their control or material influence	0	87 957

Liabilities (EUR)	31.12.21	31.12.20
Executive and top management and private owners with material share and companies under their control or material influence	28 272 320	0
Close family members of executive and top management and private owners with material share and companies under their control or material influence	0	98 708 839

Loans received

2021 (EUR)	Loans received	Repayments of loans received	Paid intersts	Interest rate	Underlying currency	Due date
Executive and top management and private owners with material share and companies under their control or material influence						
Loan	1 770 000	1 916 842	1 130 205	7-9%	EUR	2024-2030
Close family members of executive and top management and private owners with material share and companies under their control or material influence						
Loan			152 489	7	EUR	2030

Loans received

2020 (EUR)	Loans received	Repayments of loans received	Paid intersts	Interest rate	Underlying currency	Due date
Executive and top management and private owners with material share and companies under their control or material influence						
Loan			20 267	7-9%	EUR	2024-2027
Close family members of executive and top management and private owners with material share and companies under their control or material influence						
Loan			638 030	7-9%	EUR	2028-2029
Loan	30 078 262			7-9%	EUR	2030

Liabilities to related parties as at 31.12.2021 in the amount of EUR 28,272,320 include loans from the owner and other related parties in the amount of EUR 27,594,495, which were converted into subordinated liabilities in 2021 under loan subordination agreements and are recognized in equity as at 31.12.2021.

In 2021, the voluntary reserve capital was formed in the amount of 78,913,462 euros. The contribution to the voluntary reserve capital was made in kind, the voluntary reserve capital consists of loans surrendered by the owner.

Purchases and sales of goods and services

Purchases of goods and services (EUR)	2021	2020
Executive and top management and private owners with material share and companies under their control or material influence	1 768 372	0
Close family members of executive and top management and private owners with material share and companies under their control or material influence	0	600 005
Sales of goods and services (EUR)	**2021**	**2020**
Executive and top management and private owners with material share and companies under their control or material influence	60 345	0
Close family members of executive and top management and private owners with material share and companies under their control or material influence	0	0

Fees and other significant benefits accounted for executive and top management

(EUR)	2021	2020
Fee calculated	49 000	24 000
Total	**49 000**	**24 000**

NOTE 28. CONTINGENT LIABILITIES

The Group's retained earnings at the end of the reporting period amounted to 56 703 385 euros (31.12.2020: EUR 36 443 673). The maximum possible amount of income tax liability that may result from the payment of all retained earnings as dividends is EUR 11 340 677 (31.12.2020: EUR 7 288 735) so that a maximum net dividend of EUR 45 362 708 could be paid out (31.12.2020: EUR 29 154 939).

The calculation of the maximum income tax liability is based on the assumption that the total net dividends to be distributed and the income tax expense related to their payment may not exceed the distributable consolidated profit at the end of the reporting period.

In addition, Summus Capital OÜ has undertaken before the bondholders not to pay dividends of more than 50% of the profit adjusted for non-monetary funds and non-recurring income and expenses of the previous year. In accordance with the terms of the bonds, Summus Capital OÜ is thus able to pay net dividends in the amount of 25,282,851 euros, on which income tax of 6,320,713 euros should be paid.

NOTE 29. EVENTS AFTER THE REPORTING DATE

After the reporting date, the Damme Shopping Center in Latvia was acquired in April 2022 and financed by Citadele Bank for EUR 22 million. Damme is the Group's third real estate acquisition in Latvia.

On February 24, 2022, Russia launched a large-scale military offensive against Ukraine. As a result, the European Union, the United States, the United Kingdom and other countries have imposed a number of sanctions on Russia and Belarus. The Group considers the situation caused by the military conflict, increased geopolitical tensions and sanctions and its possible effects as a non-adjusting event after the reporting date. The potential financial effects will be reflected in the Group's financial statements in 2022. The current situation is uncertain and rapidly changing, as a result of which the management is not able to make quantitative estimates of the potential impact on the Group at the time of approval of these consolidated financial statements. Management has assessed the likely risk scenarios that could affect the Group's business. Based on the analyzes performed during the preparation of the report and the current situation, the management estimates that the economic changes caused by the war will not have a significant impact on the Group's going concern.

There are no other events after the reporting period that need to be recognized or disclosed in the consolidated financial statements.

NOTE 30. FINANCIAL INFORMATION OF THE GROUP'S PARENT COMPANY

The financial information of the parent company includes the main reports of the parent company, which must be disclosed in accordance with the Estonian Accounting Act. The main financial statements of the parent company have been prepared in accordance with the same accounting policies as used in the preparation of the consolidated financial statements, except that investments in subsidiaries have been accounted for using the equity method.

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

(EUR)	31.12.21	31.12.20
Current assets		
Cash and cash equivalents	10 797 039	3 209
Customer receivables and ohter receivables	6 193 819	3 600
Prepayments	8 539	8 809
Total current assets	**16 999 397**	**15 618**
Non-current assets		
Tangible assets	0	58 333
Investments to subsidiaries	61 491 508	45 433 587
Loans granted	95 449 759	0
Total non-current assets	**156 941 267**	**45 491 920**
Total assets	**173 940 664**	**45 507 538**
Liabilities		
Payables to suppliers and ohter payables	1 066 685	1 323 188
Tax payables	5 300	2 720
Total current liabilities	**1 071 985**	**1 325 908**
Loan liabilities	10 000 000	8 447 331
Total non-current liabilities	**10 000 000**	**8 447 331**
Total liabilities	**11 071 985**	**9 773 239**
Owners' equity		
Share capital	1 200 000	67 500
Voluntary reserve	78 913 462	0
Subordinated loan	27 594 496	0
Retained earnings (loss)	55 160 719	35 666 798
Total owners' equity	**162 868 677**	**35 734 298**
Total liabilities and owners' equity	**173 940 662**	**45 507 537**

UNCONSOLIDATED INCOME STATEMENT AND OTHER CONSOLIDATED INCOME STATEMENT

(EUR)	2021	2020
Sales revenue	12 000	12 000
Miscellaneous operating expenses	-631 385	-588 432
Labour expenses	-68 296	-31 920
Depreciation of non-current assest and decrease in value	-6 035	-2 011
Other expenses	-1 870	0
Operating profit (loss)	**-695 585**	**-610 363**
Profit (loss) from subsidiaries	17 063 001	22 086 974
Profit (loss) from financial investments	-61 880	0
Interest income	5 405 323	29
Interest expense	-1 030 715	-483 190
Other financial income and expenses	50	-2
Profit (loss) before income tax	**20 680 194**	**20 993 448**
Income tax		
Net profit (loss) for the period	**20 680 194**	**20 993 448**
Comprehensive income (loss) for the period	**20 680 194**	**20 993 448**

UNCONSOLIDATED CASH FLOW STATEMENT

(EUR)	2021	2020
Cash flow from operating activities		
Net profit (loss)	**-695 585**	**-610 363**
Adjustments:		
Depreciation of non-current assets and decrease in value	6 035	2 012
Total adjustments	**6035**	**2012**
Change in receivabels related to operating activities	5 708	-3 025
Change in prepayments	-271	-3 707
Change in liabilities related to operating activities	10 391	7 327
Total cash flow from operating activities	**-673 722**	**-607 756**
Cash flow from investment activities		
Proceeds from sale of tangible and intangible assets	52 299	0
Paid in on acquisition of tangible assets	0	60 345
Gain from sale of subsidiaries	1 131 910	0
Loans granted	-3 895 005	0
Repayments of loans granted	4 379 059	5 080
Interests received	2 128 683	0
Dividends received	267 000	0
Paid in on increasing share capital of subsidiaries	-1 400 000	0
Total cash flow from investment activities	**2 663 946**	**65 425**
Cash flow from financing activities		
Loans received	10 000 000	915 900
Repayments of loans received	-1 132 500	-1 581 051
Interests paid	-1 196 393	-73 186
Dividends paid	0	-50 000
Paid in on increase of share capital	1 132 500	0
Total cash flow from financing activities	**8 803 607**	**-788 337**
Total cash flows	**10 793 830**	**-1 330 668**
Cash and cash equivalents at the beginning of the period	3 209	1 333 877
Cash and cash equivalents at the end of the period	**10 797 039**	**3 209**

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

(EUR)	Share capital	Voluntary reserve capital	Subordinated loan	Retained profit (loss)	Total equity
Balance as at 31 Dec 2019	**67 500**	**0**	**0**	**14 302 897**	**14 370 397**
Profit (loss) for the period				20 993 448	**20 993 448**
Comprehesive income (loss) for the period				**20 993 448**	**20 993 448**
Transactions with owners of the company					
Dividends declared				-50 000	**-50 000**
Other changes in equity				420 453	**420 453**
Total transactions with owners of the company	**0**	**0**	**0**	**370 453**	**370 453**
Balance as at 31 Dec 2020	**67 500**	**0**	**0**	**35 666 798**	**35 734 298**
Profit (loss) for the period				20 680 194	**20 680 194**
Comprehesive income (loss) for the period				**20 680 194**	**20 680 194**
Transactions with owners of the company					
Increase of share capital	1 132 500				**1 132 500**
Formation of voluntary reserve capital		78 913 462			**78 913 462**
Subordination of loans			27 594 495		**27 594 495**
Accumulated interests on subordinated loans				-1 186 272	**-1 186 272**
Total transactions with owners of the company	**1 132 500**	**78 913 462**	**27 594 495**	**-1 186 272**	**106 454 185**
Balance as at 31 Dec 2021	**1 200 000**	**78 913 462**	**27 594 495**	**55 160 720**	**162 868 677**

According to the Estonian Accounting Act adjusted unconsolidated retained earnings records the amount available for distribution to shareholders.

In March of the reporting period, the sole shareholder increased the share capital by an additional cash contribution to 1,200,000 euros.

Voluntary reserve capital

In 2021, the voluntary reserve capital was formed in the amount of 78,913,462 euros. The contribution to the voluntary reserve capital was made in kind, the voluntary reserve capital consists of loans surrendered by the owner. Voluntary reserve capital may be used for the following purposes:

- to secure the net assets required by the Commercial Code;
- to cover the loss of the private limited company, if it cannot be covered at the expense of retained earnings of previous periods and the reserve capital and share premium provided for in the articles of association; and
- Fund issue procedure to increase the share capital.

The voluntary reserve capital may be returned to the shareholders provided that the minimum permitted net assets of the private limited company required by the Commercial Code continue to be secured after the payment.

Subordinated loan

Owners' loans of EUR 78,913,462 were converted into a voluntary reserve and loans of other owners and other related parties in the amount of EUR 27,594,495 were converted into subordinated liabilities and are now recognized in equity.

Subordinated loans are classified as equity instruments because subordinated loans do not give rise to a contractual obligation to pay cash or another financial asset to lenders to the extent agreed.

NOTE 31. EXPLANATION OF THE TRANSITION TO IFRS AND COMPARATIVE INFORMATION

a) Comparison of equity presented in accordance with previous accounting policy (Estonian Financial Reporting Standard) with equity in accordance with IFRS at the date of transition and in the last period presented in the last annual report of the group in accordance with previous accounting policy:

(EUR)	Share capital	Retained earnings (loss)	Minority interest	Total equity
Equity as of 1.01.2020 according to previous accounting policy				
Adjustments due to changes in accounting policies				
Reversal of amortization of goodwill				**0**
Equity as of 1.01.2020 in accordance with IFRS	**67 500**	**12 909 939**	**2 181 243**	**15 158 682**
Equity as of 31.12.2020 according to previous accounting policy	**67 500**	**35 678 486**	**6 556 151**	**42 302 137**
Adjustments due to changes in accounting policies				
Reversal of amortization of goodwill		765 188	72 834	**838 022**
Equity as of 31.12.2020 in accordance with IFRS	**67 500**	**36 443 673**	**6 628 986**	**43 140 159**

b) Comparison of the comprehensive income (loss) for the period presented in accordance with the previous accounting policy (Estonian Financial Reporting Standard) with the total profit (loss) for the reporting period in accordance with IFRS for the last period presented in the group's last annual report in accordance with the previous accounting policy:

	2020
Gross profit (loss) for the reporting period 2020 according to the previous accounting practice	**22 756 518**
Adjustments due to changes in accounting policies	
Reversal of amortization of goodwill	838 022
Gross profit (loss) for the reporting period 2020 in accordance with IFRS	**23 594 540**

c) Cash flows presented in accordance with the previous accounting policy (Estonian Financial Reporting Standard) do not differ from the cash flows of the reporting period in accordance with IFRS in the last period presented in the last annual report of the group in accordance with the previous accounting policy.

DEROGATIONS APPLIED

IFRS 1 allows first-time users to make certain exceptions to the general requirement to apply IFRSs retrospectively for a year ending 01.01.2020. The Group has used the following exceptions:

- IFRS 1 provides an optional exception under which a first-time adopter may elect not to apply IFRSs retrospectively to business combinations occurring before the date of transition. In the case of business combinations that took place before the date of transition (01.01.2020), the Group has the option of deciding between the following options:
  - Carry out a new purchase analysis for business combinations;
  - Repeat the purchase analysis for business combinations that took place after a specific date; or
  - Do not adjust previous business combinations.

The Group has decided not to adjust previous business combinations.

III SIGNATURES TO THE ANNUAL REPORT

Management Board's approval of the Group's financial statements

The Management Board of Summus Capital OÜ declares its responsibility for the preparation of the consolidated financial statements of the Group for 2021 and confirms that:

- The principles applied in the preparation of the consolidated financial statements are in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.
- the consolidated financial statements prepared in accordance with the applicable financial reporting framework give a true and fair view of the assets, liabilities, financial position and profit or loss and cash flows of Summus Capital OÜ and the companies in the consolidation group as a whole;
- all known circumstances that have become apparent by the date of approval of the report (02.05.2022) have been duly taken into account and presented in the consolidated financial statements;
- Summus Capital OÜ and its subsidiaries continue to operate.

May 2nd, 2022

Board member signatures

Aavo Koppel Evaldas Cepulis Hannes Pihl

Digitally signed

(Translation of the Estonian original)

To the Shareholder of Summus Capital OÜ

Opinion

We have audited the consolidated financial statements of Summus Capital OÜ (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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 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) (including Independence Standards) 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 management report, but does not include the consolidated financial statements and our auditors' 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. In addition, our responsibility is to state whether the information presented in the management report has been prepared in accordance with the applicable legal and regulatory requirements.

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 and we state that the information presented in the management report is materially consistent with the consolidated financial statements and in accordance with the applicable legal and regulatory requirements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, 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.

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

Auditors' 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 an auditors' 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 International Standards on Auditing (Estonia) 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 International Standards on Auditing (Estonia), 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 auditors' 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 auditors' 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain 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.

KPMG Baltics OÜ

Licence No 17

Helen Veetamm
Certified Public Accountant, Licence No 606

Vadim Titov
Certified Public Accountant, Licence No 730

Digitally signed
May 2nd, 2022

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