SUMMUS CAPITAL

ANNUAL FINANCIAL STATEMENT 2023

Business name:	Summus Capital OÜ
Main field of activity:	Renting of real estate
Commercial register number:	12838783
Address:	Rotermanni tn 2-3b, Tallinn 10111, Estonia
Country of residence:	Estonia
Phone:	+372 578 78078
E-mail address:	info@summus.ee
Homepage:	www.summus.ee
Beginning of financial year:	01.01.2023
End of financial year:	31.12.2023
Legal form:	Private limited 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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I MANAGEMENT REPORT

1. OVERVIEW OF THE CHAIRMAN OF THE BOARD

Dear clients and partners,

As we reflect on the accomplishments and challenges of 2023, I am pleased to share with you an overview of Summus Capital's journey and outlook for the year ahead. Despite the various hurdles we faced, Summus Capital has remained resilient and focused on delivering stable sustainable growth and value to our stakeholders, while also addressing the risks that come with the current economic climate.

In 2023, Summus Capital Group's balance sheet continued to be strong, reaching a total of EUR 425.9 million, with a cash balance of EUR 15.9 million. Our investment property portfolio increased to EUR 401.2 million, primarily driven by property revaluations. While our sales revenue remained steady at EUR 39.1 million, a growth of 7.8% was recorded in rental revenues and our work on energy efficiency supported by decreasing energy prices bore fruit, resulting in a drop of utility expenses and income from forwarded utility expenses. Our operating profit for the year reached EUR 23.7 million, with a net profit of EUR 8.5 million.

The years ahead, including 2024 and beyond, present a multitude of challenges and risks to contend with. In the face of economic headwinds, including persistently high interest rates, fluctuating commodity prices and overall shrinking economies in the Baltics, Summus Capital has prioritized stability over rapid expansion. We are aware of these difficulties and recognize that in such uncertain times, maintaining strong relationships with our tenants, financing providers, and employees is paramount. Our focus remains on prudent financial management and sustainable business practices.

Summus Capital Group maintains a robust and stable own capital base, with total shareholder's equity amounting to EUR 179.8 million and an equity-to-assets ratio of 42%. Our commercial real estate portfolio consists of 14 properties across retail, office, logistics, and medical segments, with an expansion pipeline. We are proud to have a well-diversified and stable tenant base of over 420 tenants, including established regional names from various sectors. Anchor tenants represent close to 60% of total rental revenue, underscoring our strategy to invest in properties where anchor tenants contribute significantly to cash flow.

With a high and stable occupancy rate of above 96% in recent years and a Weighted Average Unexpired Lease Term (WAULT) of 4.3 years, our portfolio ensures relatively stable and predictable cash flows, enhancing investor confidence and long-term sustainability.

In recognition of our commitment to excellence, Summus Capital's issuer rating of BB/Stable was reaffirmed by international rating agency Scope for the third consecutive year in September 2023. This reaffirms our strong financial position and prudent risk management practices.

Our activity report for 2023 highlights notable achievements, including our continuous work on sustainability, the strong WAULT of the portfolio and solid position with anchor tenants, the awarding of the prestigious sustainability certificates to our buildings, and Auriga Keskus being selected as Saare County's Green Technology Implementer of the Year. Additionally, we are proud to continue our support for the development of young Baltic tennis talents, with six players receiving support in 2024.

Looking ahead to 2024, Summus Capital remains committed to sustainable growth, innovation, and delivering value to our stakeholders. We are optimistic about the opportunities that lie ahead and are confident in our ability to navigate inevitable challenges and continue our journey towards excellence, while prudently managing risks in a difficult economic environment.

Thank you for your continued trust and partnership. Here's to another successful year ahead.

Sincerely,
Boris Skvortsov
Chairman of the Supervisory Board of Summus Capital

2. OVERVIEW OF THE CONSOLIDATION GROUP

Summus Capital OÜ (hereinafter Summus, Summus Capital) is a real estate investment holding company established in 2015, which together with its subsidiaries that own, manage and rent properties, form Summus Capital Group (hereinafter Group, Summus Group or the Consolidation Group). The first Group company was established in 2013 when Summus Capital started operations in Estonia, where the company has also been registered.

At the moment of presenting the financial statements, the Group owns fourteen real estate objects in the three Baltic States. The Group has a diversified portfolio of cash-generating commercial real estate properties with the value of more than EUR 400 million at the time of reporting, consisting of retail, office, logistics and medical buildings.

The main source of income for the Consolidation Group is renting of real estate. However, for liquidity management purposes, the Group can also invest in various financial instruments, including deposits and low risk 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 that increasingly means that the portfolio should be sustainable. Sustainable and energy efficient buildings are preferred and real estate investment management focuses in adding to all elements of ESG (environmental, social, and governance). The portfolio is allocated using a diversification strategy - investing in retail, office and industrial real estate. The stability of the portfolio's cash flows, which is guaranteed by long-term leases, is considered essential. The cash flow of Summus Capital Group is not considerably cyclical or seasonal. 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 scenarios 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 negative economic cycle.

Summus Capital is focused on long-term investments and the Consolidation Group has a strong tenant base of more than 400 tenants. The leasable area of Summus Capital's portfolio is 218 630 m^2. The portfolio's weighted average lease term (WAULT) was 4.3 years, while anchor tenants WAULT was 5.5 years and loan-to-value ratio (LTV) was 53.8%. The vacancy of the portfolio was 3.4%. The average maturity of senior debt was 2.8 years.

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

Summus Capital believes that the best way for investors, tenants and employees to increase the 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 the existing un-efficiencies into modern, prime and flagship assets, the result of which will decrease the ecological footprint significantly and be favourable to financiers and tenants.

The asset and ESG manager of Summus Group's portfolio is Green Formula Capital (https://greenformula.ee), a sustainability and green turnaround driven real estate investment management firm focused on tailor-made ESG principles mixed with the organization of green financing to increase asset value and liquidity.

Summus Group takes sustainability activities as it's vital core and continuously follows ca 15 different figures to evaluate the process. Summus Group has initiated in 2023 to further its sustainability materiality analysis and working plan process according to European Sustainability Reporting Standards (ESRS). As a result of multiple activities during 2023 total portfolio energy consumption has decreased by more than 10% compared to 2022, i.e. from 50 898 Mwh to 45 601 Mwh. The reduced 5 297 Mwh means savings of EUR 650 855 for the Group and its customers. During last two years, energy consumption decreased by 18%, i.e. 10 100 Mwh, that translates into savings of approximately EUR 1.2 million.

The operations of Summus Group are exposed to various market risks. The market risk management policy is in place to monitor and mitigate the risks. Summus Group's overall risk management program provides for identification, assessment and, where appropriate, mitigation of potential risks, to reduce potential adverse effects. Summus Group considers the risk related to possible changes in interest rates as one of its main risks. This risk arises from the significant share of interest-bearing loan liabilities in financing of the Group's pan-Baltic real estate portfolio, and it causes interest rate fluctuations that affect the Group's interest expenses. The Group uses derivative instruments to hedge interest rate risks. The changes in interest rates are closely monitored and, if necessary, additional hedging agreements are used. The interest rate risk policy stipulates that 50-100%, of the Group's gross interest-bearing liabilities should be fixed or hedged using financial derivatives. The weighted average duration of fixed/hedged part of loans should not be less than 50% of the weighted average duration of all loans. The foreign exchange risk is not relevant to the Group as all income and costs are euro based. The economic activities of the Group do not have significant environmental or social impacts.

International rating agency Scope Ratings GmbH reiterated its BB/Stable issuer rating for Summus Capital OÜ in 2023 and maintained the BB rating for the senior unsecured debt category. The affirmation reflects Scope's expectation that Summus Group's real estate portfolio will remain resilient, even amid mounting pressures on property valuations and changing interest rates.

The Group's dividend policy stipulates that Summus Capital may distribute dividends to shareholders up to an amount that remains after the 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.

As of 31.12.2023, the Group's working capital is negative in the amount of EUR 4.5 million (in 2023: positive EUR 7.8 million). Negative working capital is mainly due to EUR 10 million bond issue which expires in June 2024. The Group plans to issue new bonds to, among other, refinance the currently outstanding bonds during the 1st half of 2024.

As of 31.12.2023, the Group's return on equity ratio was 4.7% (in 2022: 8.1%). It was positively affected by improved gross profit margins and investment property revaluation profit, but negatively - by higher interest rates and interest derivative contract revaluation losses. Gross profit margin (excluding revaluation, depreciation, and impairment) improved, compared to 2022, by 22%, mainly due to higher rent revenues, lower utility expenses and increase in overall operational efficiency. The Group maintained healthy debt to equity ratio of 1.20 (1.26 in 2022).

Key financial metrics:

EUR	2023	2022
Sales	39 054 870	39 037 566
Net profit	8 462 666	14 501 924
Equity	179 778 358	179 354 002
Assets	425 856 510	429 083 569
ROA (Return on assets)	1.99%	3.38%
ROE (Return on equity)	4.71%	8.09%
Current ratio	0.82	1.54

3. SIGNIFICANT EVENTS IN 2023

1st quarter

- Summus Group installed 159 solar panels at Veerenni Tervisekeskus to promote sustainability. The installed solar park has a total capacity of 64 395 KW.

- Summus Capital continues to cooperate with Estonian, Latvian and Lithuanian Tennis Associations and provides financial support for the purpose of development of young Baltic tennis talents and for their participation in tournaments and camps. We are glad for their achievements in 2023: https://summus.ee/news/summus-capital-supports-young-baltic-tennis-talents/. During 2024, Georg Strasch and Grete Gull from Estonia, Beatrise Zeltina and Darja Semenistaja from Latvia, Klaudija Bubelyte and Edas Butvilas from Lithuania are the young players to receive Summus Capital support.

2nd quarter

- Veerenni Tervisekeskus and Auriga shopping centre received sustainability certificates Leed Gold and BREEAM Good respectively. Thus, at the end of 2Q2023, 77.5% of portfolio is certified and 8.9% is in certification process.

- During 1H2023 portfolio rentals were indexed by 4.75%.

3rd quarter

- DEPO store building in Imanta, Riga received sustainability certificate BREEAM Very Good. This means that at the end of 3Q2023 86.4% of portfolio is certified and 6.3% is in certification process.

- In Riga Plaza shopping centre new rental agreements were signed with large tenants New Yorker and HalfPrice (total area of 3 556 m2), after which vacancy will drop by ca 2%, when the stores will be opened in the end of 1Q2024.

- International rating agency Scope Ratings GmbH reiterated its BB/Stable issuer rating for Summus Capital and maintained the BB rating for the senior unsecured debt category. The affirmation reflects Scope's expectation that Summus' real estate portfolio will remain resilient, even amid mounting pressures on property valuations and escalating interest rates.

4th quarter

- WAULT of the portfolio and anchor tenants increased compared to the previous quarter as the leases of anchor tenants like H&M in Riga Plaza, Kesko Senukai in Auriga and Nordika shopping centres and Lindex in De La Gardie shopping centre were prolonged.

- As of end of 2023, 55% on the outstanding loan balances were hedged.

- Auriga Keskus was chosen as Saare County's Green Technology Implementer of the Year.

Covenants and other important portfolio related issues

The Group's consolidated equity to total assets ratio as of end of 2023 stood at 42% (needs to be at least 30% according to the bond terms). At the end of 2023, the consolidated DSCR of the Group on trailing twelve-month basis was 1.4x (needs to be at least 1.2x according to the bond terms). The financial covenants set forth in the bond terms were met during 2023.

The Consolidation Group's operations are stable and the portfolio is based on long-term monthly lease payments from reliable tenants under lease agreements. The vacancy rate of the portfolio as of 31 December 2023 was 3.4%.

The tenants of the properties, service providers, the banks financing the properties and the owners are locals at the Baltic market. Therefore, Russia's full-scale attack on Ukraine, which began on 24th of February 2022, is not a significant direct risk for the Consolidation Group.

The repairs have been carried out on an ongoing basis and will continue in 2024.

The relations are kept with most Baltic banks to provide up-to-date info on portfolios and potential future financing.

Discussions and market research have been carried out during 2023 to prepare for a new bond issue to replace the current one maturing in June 2024.

The Consolidation Group plans to continue its current activities in 2024 and beyond.

4. MARKET OVERVIEW
VALUES ARE EXPECTED TO BOTTOM OUT IN 2024

ESTONIA Q4

CURRENT	CURRENT	PREVIOUS	REFERENCE
GDP annual growth rate	**-3.9%**	**-2.9%**	Sep 23
Unemployment	**7.3%**	**6.7%**	Sep 23
Annual Inflation rate	**4.7%**	**4%**	Jan 24
Business confidence	**82.8**	**80.6**	Jan 24
Consumer confidence	**-34.1**	**-32.4**	Jan 24
Retail sales*	**-5.4%**	**-8.8%**	Dec 23
Country rating (S&P)	AA- (negative outlook)		2023

LATVIA Q4

CURRENT	CURRENT	PREVIOUS	REFERENCE
GDP annual growth rate	**-0.5%**	**-0.7%**	Dec 23
Unemployment	**6.5%**	**6.4%**	Sep 23
Annual Inflation rate	**0.9%**	**0.6%**	Jan 24
Business confidence	**-7.6**	**-14.8**	Jan 24
Consumer confidence	**-13.6**	**-12.6**	Jan 24
Retail sales*	**1.1%**	**-0.9%**	Dec 23
Country rating (S&P)	A+ (negative outlook)		2023

LITHUANIA Q4

CURRENT	CURRENT	PREVIOUS	REFERENCE
GDP annual growth rate	**0%**	**0.2%**	Dec 23
Unemployment	**9.3%**	**9.1%**	Jan 24
Annual Inflation rate	**0.7%**	**1.2%**	Jan 24
Business confidence	**-8.8**	**-13.7**	Jan 24
Consumer confidence	**3**	**-1**	Jan 24
Retail sales*	**1.9%**	**0.1%**	Dec 23
Country rating (S&P)	A+ (negative outlook)		2023

- Restrictive monetary policy reduces inflation in the euro area.
- External investors' demand, especially in Estonia and Lithuania, has weakened.
- The wood industry, a significant manufacturing subsector, is weakening.
- Higher interest rates encourage saving and limit consumption.
- Lowering iinterest rates is expected to gradually resume consumer spending and retail dynamics by mid-2024.
- The second half of 2024 may see improved domestic demand and export growth.
- Increased budget spending can strengthen resilience but may increase inflation and affect price competitiveness.

* retail sales month-on-month change
**all indicators compared to previous quarter

Sources: country central statistics departments, Trading Economics

2023 Q4 Rent rates and vacancies

	TALLINN	RIGA	VILNIUS	FORECAST
RENT* (EUR per sqm)				
TOP rent	16-23	15-18	19-22	→ ↗
A-class	16-22	15-16	16-19	→ →
B-class	12.5-17	9-14	12-16	→ →
VACANCY (%)				
Average	7.9%	13.6%	7.2%	→ →
TAKE-UP (sqm)				
Total market	7351	24 100	17 600	→ →

2023 Q4 Rent rates and vacancies

	TALLINN	RIGA	VILNIUS	FORECAST
RENT (EUR per sqm)				
Anchor tenants	10-15	10-16	7-15	→ →
Large units	10-20	15-26	13-28	→ →
Medium units	12-30	24-28	15-38	→ →
Small units	20-60	30-55	22-70	→ →
Average vacancy*, %	4%	11%	2.6%	→ →

OFFICE MARKET

- There is a noticeable slowdown in new office developments, with developers exercising caution due to economic uncertainties.
- There has been an increase in sub-lease options, driven by downsizing and work-from-home policies.
- Local companies currently drive the take-up.
- Uncertainty about future FDI growth raises concerns about decreased take up and increased vacancies.
- According to research, the gap in rents for centrally located certified and non-certified buildings fluctuates between 5-9%.
- While rental prices are generally stable across the Baltics, there are downward adjustments in properties that were vacant for extended periods.

RETAIL MARKET

- In 2023, major shopping centres on average were still performing below pre-Covid figures, especially in terms of footfall. While turnover and average purchase value have slightly increased, they have done much less than the rate of inflation.
- A slight increase in rental prices is expected in 2024, which is anticipated to stabilize across the Baltics in 2025.
- The VAT increase in Estonia and Latvia for certain food groups may lead to reduced consumer spending, affecting the retail sectors.
- Heightened activity is observed in suburban locations, driven by evolving consumer shopping patterns, with a focus on accessing goods and services close to home.

Sources: Newsec, Zenith Family Office Analytics

2023 Q4 Rent rates and vacancies

	TALLINN	RIGA	VILNIUS	FORECAST
RENT (EUR per sqm)				
Modern warehouses	5-6.5	4.7-5.7	4.8-5.7	→ ↗
Stock offices	7-11	6.2-8.2	7-12	→ →
VACANCY, %				
Modern warehouses	3.1%	2.8%	2.9%	↗ →
Stock Offices	4.7%	7.3%	8.2%	→ →

INDUSTRIAL & LOGISTICS

- The extraordinary growth in logistics space coming from online retailers has ended.
- Rental gap between new prime units and older units is expected to widen.
- All three Baltic countries faced market downturn, increased input costs, and reduced competitiveness in 2023.
- A slowdown in new industrial developments, largely due to the rising costs of construction materials.
- Vacancy rates for modern warehouses and stock-offices have not increased significantly, indicating a resilient market in the face of economic pressures.
- Strong developers like Sirin are actively participating in the speculative market, indicating a strategic approach to industrial real estate development amidst market uncertainties.

2023 Q4 Yield rates

	TALLINN	RIGA	VILNIUS	FORECAST
Office	6.25-6.75%	6.25-6.75%	6.25-6.75%	↗ →
Retail	7-7.5%	7.2-7.5%	7-7.5%	↗ →
Industrial& Logistics	7-7.5%	7-7.5%	7-7.5%	↗ →
Residential scheme	6-6.25%	6-6.25%	6-6.25%	→ →

INVESTMENT MARKET

- Total investment volume in 2023 reached ca EUR 700 million (ca 55% of the 2022 level).
- Estonia was marked by limited transaction activity (EUR 155 million), highlighted by buyout of Viru shopping centre shares from the co-owner.
- Latvia had four big deals in Q4 exceeding EUR 120 million (total EUR 210 million in 2023).
- Notable transactions in Lithuania, including Technopolis Campus and DEPO DIY store led to EUR 335 million total investment volume in Lithuania in 2023.
- Expected interest rate adjustment potentially will force market dynamics in mid-2024.
- Increasing iinterest in alternative investments like corporate bonds due to competitive yields.

Sources: Newsec, Zenith Family Office Analytics

I MANAGEMENT REPORT

2023 Q4

	TALLINN	RIGA	VILNIUS	FORECAST
Residential (new construction) average selling price, EUR per sqm	3 916	2 725	3 257	→ →
Residential (new construction) yield*, city center	5.3%	7.33%	6.62%	→ →
Annual apartment (new construction) price change, %	8%	6%	-1.4%	→ →
Average (new construction) rent rate, EUR	17.2	16.5	17.9	→ →
Average occupancy (international hotels), %	88.3%	71.3%	77.0%	→ ↗
ADR, EUR (international hotels)	55	59	57	→ ↗
Hotel room stock	2 120	2 293	1 866	→ →

* for rental residential buildings not a single apartment

OTHER

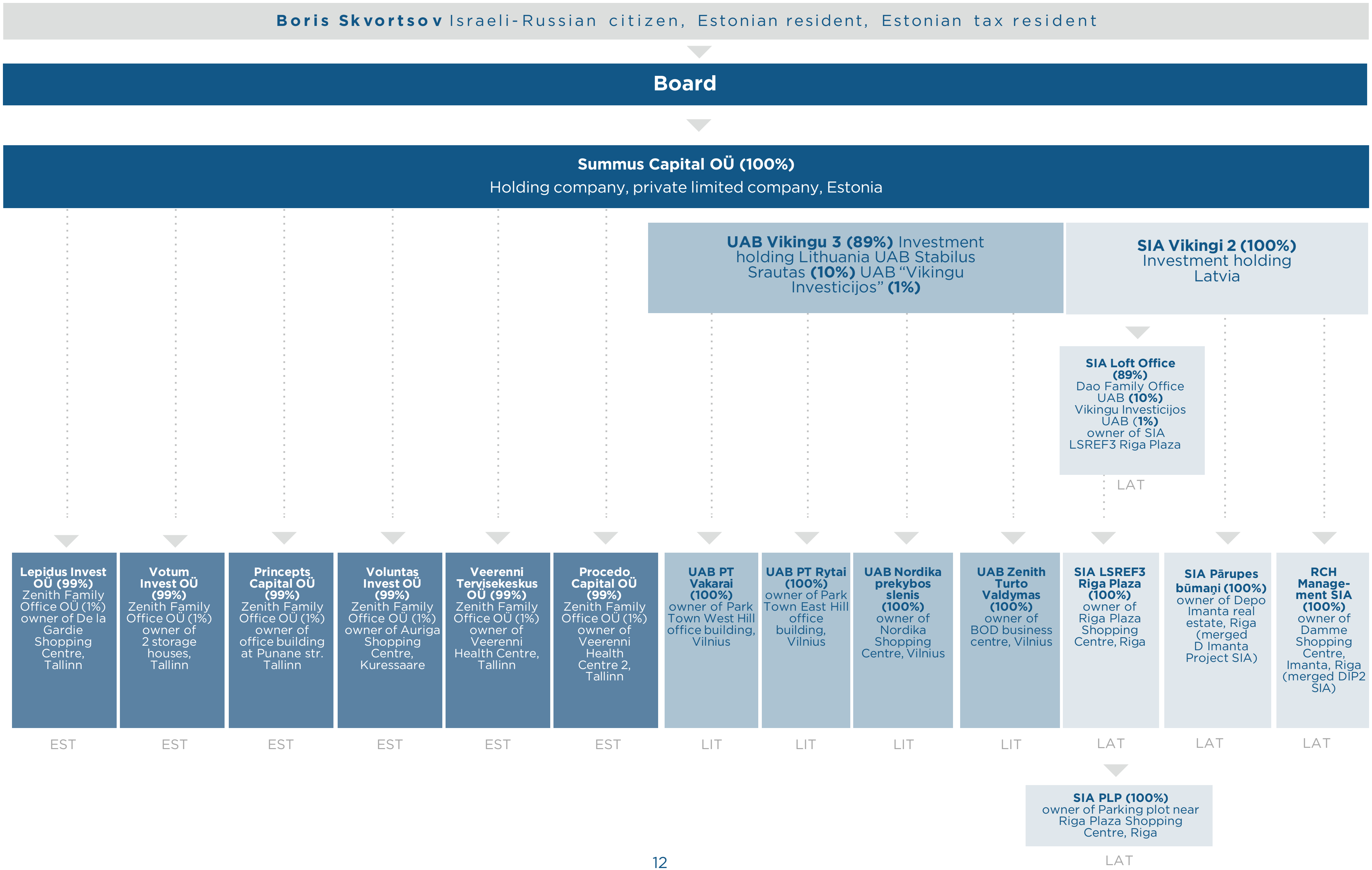
- Housing affordability is approaching a critical low in Baltic capitals, prompting residents to turn to rental possibilities.
- Lower rent and capital values in Riga create an opportunity for speculative investors looking for capital growth.
- In 2023 the Baltics demonstrated one of the highest decrease rates in foreign visits.
- Investment volumes in the hotel sector in the Baltics increased by 88% compared to 2022 demonstrating investors' positive sentiment towards the sector's short-term rebound.

KEY TAKES & CONCERNS

- Values are expected to bottom out in 2024 as the interest rate peak is supposed to be reached.
- The bond market grows as a result of tightening bank financing and lower LTVs for real estate (Capitalica and Baltic Horizon issued bonds in 2023).
- Due to still big gap between sellers' and buyers' yield expectations investors are increasingly moving to value and opportunistic strategies to ensure viable returns in high interest environment.
- Investors continue comparing local projects to opportunities in other CEE countries thus slowing decision-making for local deals.

Sources: Newsec, AirDNA, Zenith Family Office Analytics

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



I MANAGEMENT REPORT
6. 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**

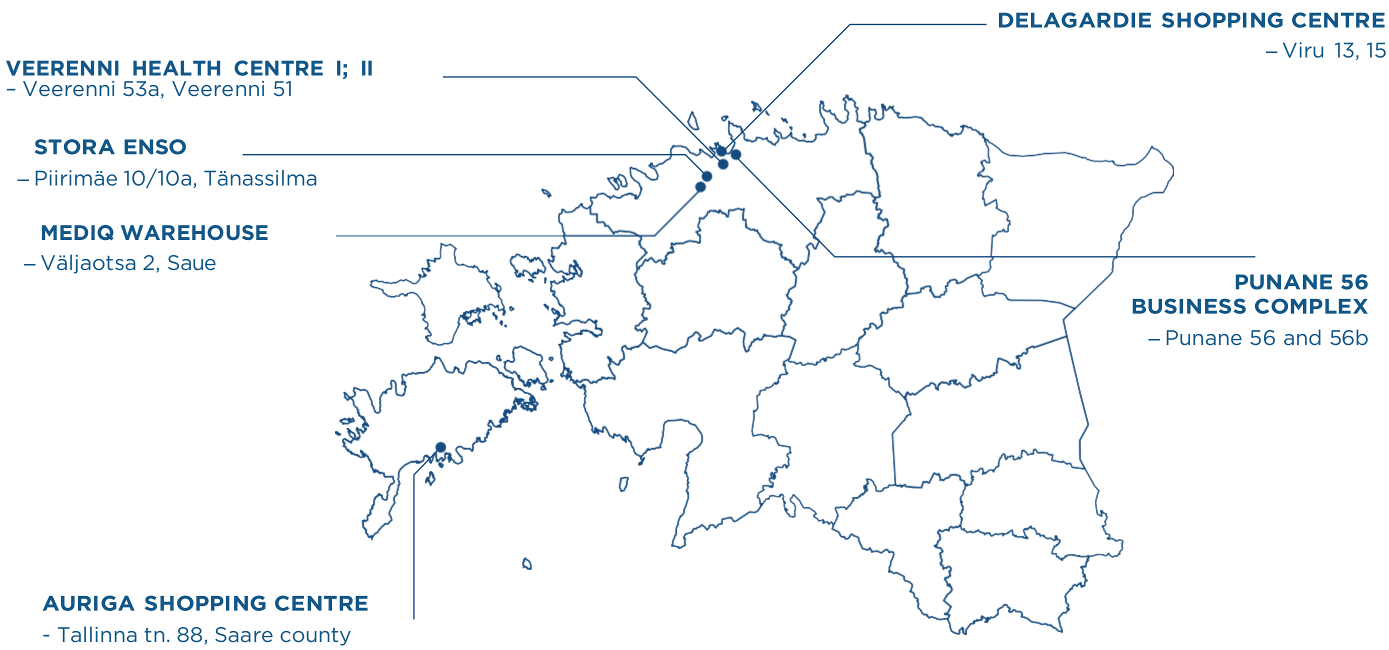
Majority of portfolio comprised of **green assets**

EXECUTIVE SUMMARY

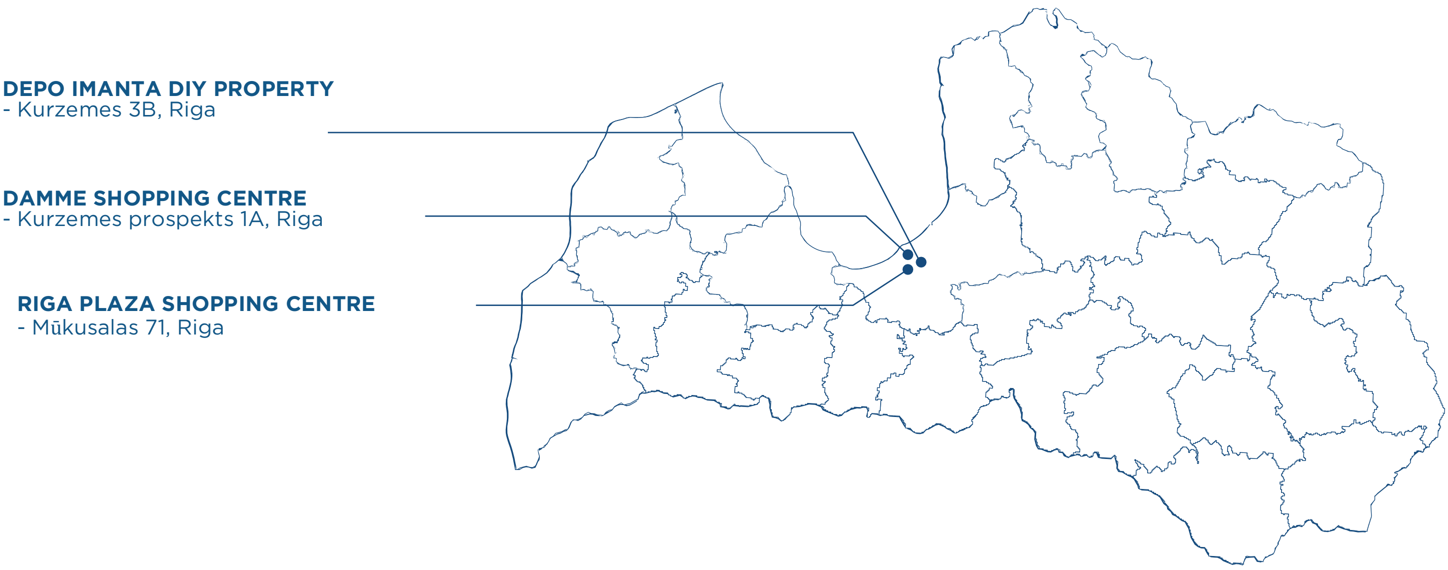
Focus	commercial real estate in the Baltics
Market segment	retail, office, logistic, medical
Number of properties	14
Market value	EUR 401.25 M

LOCATION

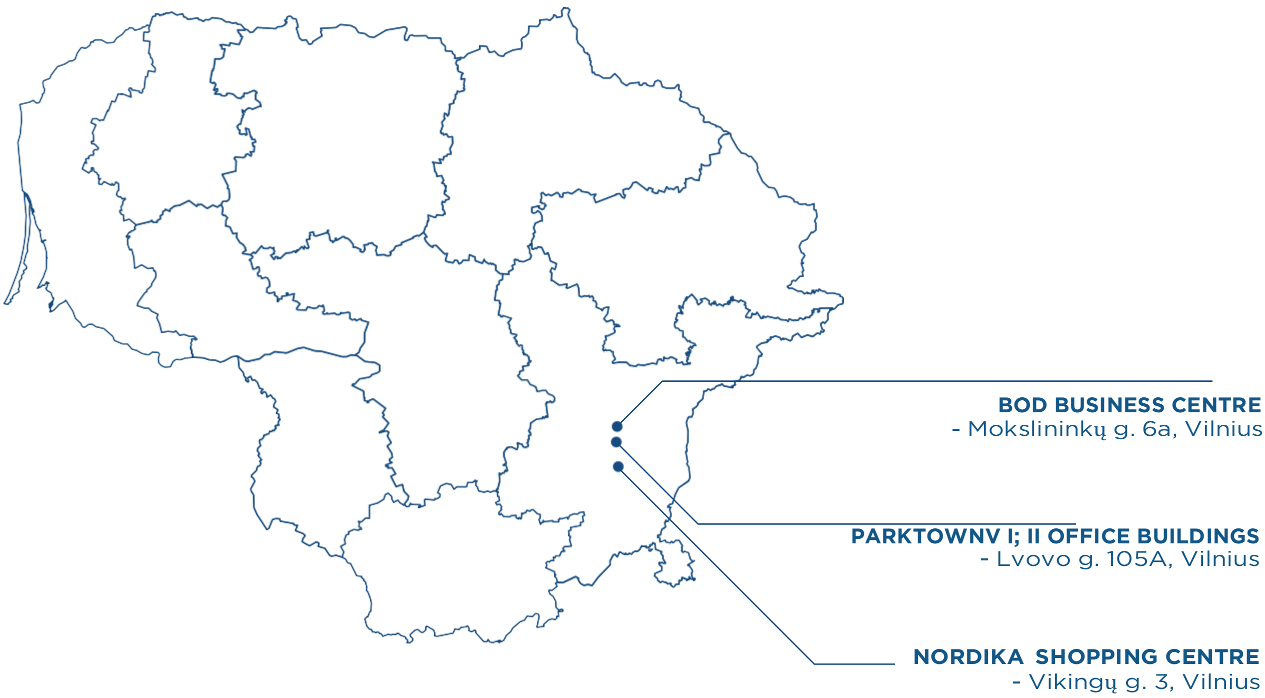
ESTONIA



LATVIA



LITHUANIA



I MANAGEMENT REPORT

PORTFOLIO OVERVIEW

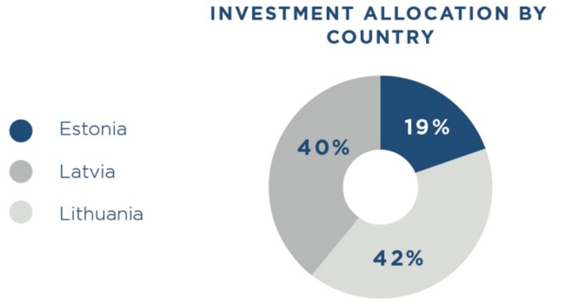
Lettable area	218 630 m²
Number of tenants	425
WAULT	4.3
Anchor tenants WAULT	5.54
LTV (senior debt)	51.3 %
Cost of senior debt weighted average	5.1 %
Portfolio vacancy	3.4 %
Average maturity of senior debt	2.8
Certified area (m²) of portfolio	86.4 %
Certification (m²) in the process	6.3 %

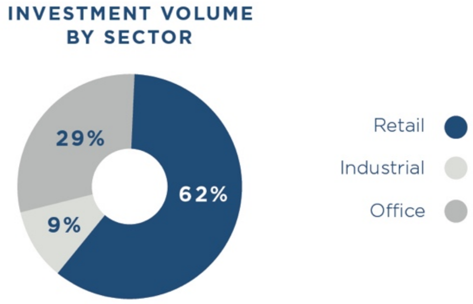
** BC – Business Centre, DIY – Do it Yourself, SC – Shopping Centre*

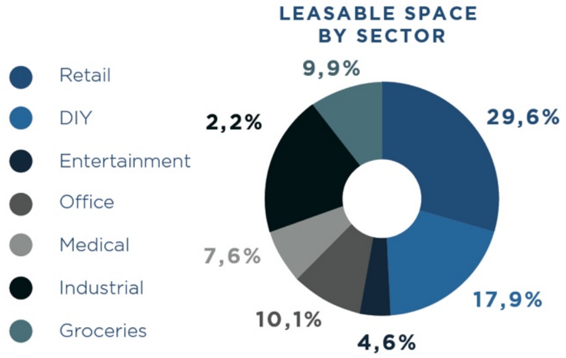
PORTFOLIO

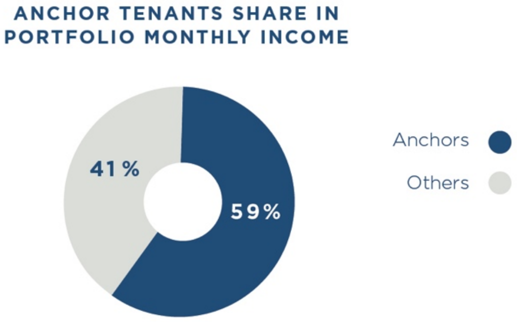
Existing properties*	**NLA m²**
De La Gardie SC, Tallinn	2 062
Warehouse portfolio, Estonia	9 258
Auriga SC, Kuressaare	13 493
Punane 56 BC, Tallinn	4 668
Veerenni 2 BC, Tallinn	10 037
Nordika SC, Vilnius	35 635
BOD BC, Vilnius	30 189
Park Town West Hill BC, Vilnius	7 156
Park Town East Hill BC, Vilnius	15 086
Riga Plaza SC, Riga	51 290
Veerenni BC, Tallinn	6 603
Depo DIY, Riga	19 412
Damme SC, Riga	13 740
Total:	**218 630**

PORTFOLIO OVERVIEW









PORTFOLIO INVESTMENTS

AURIGA

Saaremaa, Estonia

Auriga Centre is the largest shopping centre in Saaremaa, located at the city's entrance at the most significant intersection in Saare County. Auriga Centre was opened to the public in October 2008 and has become the most highly visited centre due to its large selection of shops and entertainment possibilities.

BOD GROUP

Vilnius, Lithuania

BOD Group High Technology Centre is located in the northern area of Vilnius, in Visoriai Information Technology Park. In 2013, when it was built, the factory building was classed as being the most energy- efficient industrial building in Europe by the German Chamber of Commerce. BOD Group itself is one of the largest producers of solar panels, power storage batteries and lenses in the Baltic States.

DAMME

Riga, Latvia

Damme shopping centre is located at Kurzemes prospekts, Imanta, which is the third largest neighbourhood in Riga in terms of population. Damme is the leading shopping centre in the area with the total area of 16 000 m2 and its largest tenant is Rimi Hyper. The stores are providing a diverse and comprehensive offer for everyone - everyday shopping, fashion stores and catering opportunities.

DE LA GARDIE SHOPPING CENTRE

Tallinn, Estonia

De La Gardie shopping centre was constructed in 2000 and is situated in one of the busiest retail streets in Tallinn's Old Town, which is very popular amongst tourists. Being located just 200 metres from the official centre of Tallinn - Viru Square - the property enjoys its location within the vicinity of dozens of hotels, shopping centres and offices.

NORDIKA

Vilnius, Lithuania

Nordika shopping centre was opened at the end of 2015. It is the only shopping mall in the southern area of Vilnius with its own large parking area including 1 320 spaces. The shopping centre has more than sixty retailers, services, and restaurants, generating an average of 11 000 visitors per day. This is the first shopping mall on the route from the airport that attracts more and more international customers.

PARK TOWN EAST HILL

Vilnius, Lithuania

Park Town East Hill, together with Park Town West Hill comprise a single business centre within the surrounding park area in Vilnius CBD. The business centre consists of two seven-storey BREEAM certified office buildings and is one of the most advanced Class A offices in Vilnius with an exceptional environment and smart technical and engineering solutions. The buildings are fully fitted for office purposes so that its tenants can fully enjoy the workspace.

PARK TOWN WEST HILL

Vilnius, Lithuania

Park Town West Hill business centre is located in the prime area of Vilnius CBD. It enjoys excellent views and accessibility and a location in a prime neighbourhood. Park Town West Hill property is the part of Park Town business centre. This business centre consists of two seven-storey office buildings for modern businesses working in the modern world.

PROPERTY OF DEPO IMANTA DIY STORE

Riga, Latvia

The property of DEPO Imanta 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 reachable from the city centre by public and private transport. It is close to the highway, which allows you to reach Riga, Jūrmala, Tukums, Talsi and many other destinations. The building has been built as a sustainable property, considering environmental impact. The long-term tenant of the building is DEPO, the leading DIY chain in the Baltics.

PUNANE 56

Tallinn, Estonia

This multifunctional business complex has stock- office, office and retail premises and is situated 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. specialised retail tenants.

RIGA PLAZA

Riga, Latvia

Built in 2009, Riga Plaza is currently the fourth largest shopping centre in Riga. Strategically located just 5 km from Riga Old Town in actively developing leisure and business district with excellent accessibility. Riga Plaza earned over the years a stable loyal customer base with ca 5 million visitors annually. Riga Plaza has over 170 retail units with a strong mix of national and international anchor tenants and strong entertainment and food and beverage offer with an opportunity to enlarge and modernize the current entertainment areas.

VEERENNI 1

Tallinn, Estonia

Veerenni is the biggest private medical centre in Estonia, which brings 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 that has been in operation since 2017 and is located in the central district of Tallinn.

VEERENNI 2

Tallinn, Estonia

Veerenni 2 is the second phase of the Veerenni private medical centre cluster, which is located next to the first phase of the Veerenni property. Veerenni is the largest private medical centre in Estonia, which brings various companies in the healthcare segment under one roof. The centre was commissioned in autumn of 2020.

WAREHOUSE PROPERTIES

Tallinn, Estonia

In the portfolio of two industrial/warehouse properties: both buildings are strategically well located, well-functioning and well-known amongst industrial parks.

The properties are fully leased to international strong tenants: Stora Enso Packaging AS and Mediq Eesti OÜ. Both lease agreements are on triple-net conditions.

7. SUSTAINABILITY

7.1 Foreword

Sustainability is a key pillar for Summus Group in enhancing value for investors, tenants, and employees. Recognizing the urgent need to address climate change, as underscored by the IPCC's findings on escalating CO2 emissions and the building sector's substantial energy consumption, Group embraces its critical role in this global challenge.

Summus Group’s strategic focus shifts beyond acquiring 'green assets' to transforming existing properties into efficient, modern, and prime assets, thereby substantially reducing ecological footprint. Achieving high sustainability certification and the potential for green financing are contingent upon success in reducing energy consumption.

Summus Group’s ESG journey has been proactive and intentional, with a structured communication of our sustainability measures to stakeholders. This includes building certifications, participating in the Global Real Estate Sustainability Benchmark (GRESB), and detailed reporting in management reports.

Group’s ambition with GRESB assessments is to elevate the sustainability of properties and improve GRESB score, thus bolstering reputation, attracting socially conscious investors, and generating long-term value through sustainability initiatives.

With ESG considerations becoming increasingly formal due to emerging regulations and the impending Corporate Sustainability Reporting directive, which mandates comprehensive sustainability reporting by 2025, Summus Group is advancing its ESG management practices. This proactive stance is further driven by the growing investor demand for transparency and the trend towards socially responsible investing.

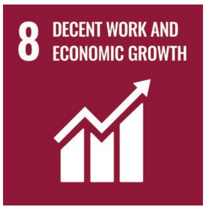
Summus Group is setting comprehensive ESG goals to drive sustainable, long-term growth, lessen environmental impact, uphold social responsibility and maintain sound governance practices. By setting and pursuing these goals, the Group can transparently track and communicate progress, affirming the commitment to a sustainable future.

7.2 United Nation Sustainable Development Goals

Summus Group focuses on reducing carbon footprints, recycling, waste reduction, and improving environmental efficiency, aiming to minimize landfill waste. The efforts to enhance the resource efficiency of buildings and operations underscore the Group’s dedication to sustainability and serve as a benchmark for responsible real estate management.

Summus Group actively engages in climate action within real estate, emphasizing renewable materials and sustainable practices to fight climate change. The Group aims to boost energy efficiency and slash CO2 emissions by adhering to science-based targets, targeting a 50 % reduction by 2030 from 2019 levels, aligning with the ambitious benchmarks of leading organizations across various sectors.

Summus Group is committed to Sustainable Development Goal 11, aimed at fostering sustainable cities and communities. The Group’s approach involves developing and managing properties that enhance sustainability, optimizing the use of resources, and improving energy efficiency. The focus is on creating spaces that promote well-being and connect communities, contributing to the development of inclusive, safe, and sustainable urban environments.



Summus Group is committed to fostering sustained economic growth by promoting fair and safe work conditions through our partnerships with service providers. The Group supports community development and the growth of local economies, contributing to wider societal progress. The focus on ethical labour practices and equitable employment aims to create a positive impact on the broader community, aligning with the goal of achieving economic advancement while ensuring the well-being of workforce.

Summus Group focuses on indoor environmental quality, prioritizing features that ensure clean air and optimal lighting, which are essential for both physical and mental health. Additionally, the Group integrates active design strategies that encourage movement and interaction, such as stairway access and adaptable workspaces.

Summus Group upholds high standards of corporate governance and ethical business practices that foster transparency and stability. The Group maintains zero tolerance for corruption and bribery, ensuring accountability in all transactions. By promoting fair and just business practices, the Group contributes to creating peaceful, inclusive societies. Furthermore, engaging with institutions to support the rule of law and property rights, strengthens the foundations upon which peaceful and just communities are built.

7.3 Sustainability governance

At Summus Group, the stewardship of sustainability rests with the Supervisory and Management Boards, that are advised by the expertise of Green Formula Capital. The governance framework ensures that ESG considerations permeate all levels of decision-making, influencing everything from risk assessment and strategic planning to resource distribution and performance evaluations. The Boards' commitment is to infuse sustainability objectives into the Group's foundational strategy and operations, maintaining transparency and accountability in our reporting.

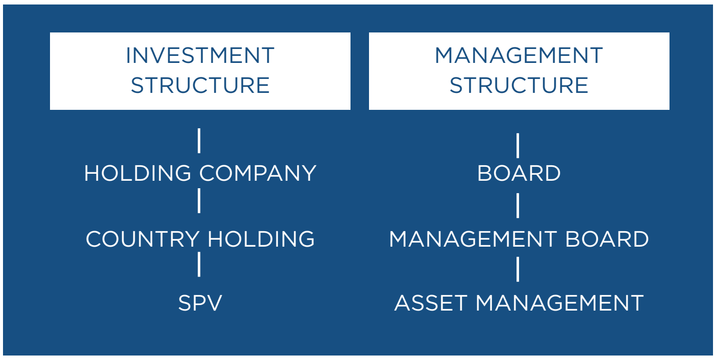
To embed these values within corporate culture, the board meetings routinely revolve around reviewing and refining ESG strategies, evaluating their impacts, and making informed choices that are in line with ESG commitments.

Despite the current lack of gender diversity on Summus board, we are dedicated to fostering inclusivity. With concerted efforts and specific ESG-focused training, we aim to broaden the diversity of our leadership. In synergy with Green Formula Capital and Zenith Family Office, Summus promotes equitable opportunities and nurtures an inclusive environment through mentorship programs and inclusive hiring practices.

Details about Supervisory and Management Board members, and the roles they play, can be found on our website https://summus.ee/contact/

7.4 General Information

Crafting ESG strategies that resonate with Summus Group's overarching business goals is a key responsibility of the Supervisory Board and Management Board at Summus Capital. The sustainability vision is tightly integrated with core business strategy, making ESG a pivotal factor for innovation and value creation within the Group. Focus is set on significant areas such as lowering carbon emissions, refining labour practices, and bolstering diversity and inclusion.



Summus Capital management structure (see also: https://summus.ee/about-us/)

To execute sustainability strategy, Summus Group develops action plans with specific objectives that are closely aligned with business functions. These plans will detail actionable steps for energy efficiency, waste reduction, and community engagement, ensuring they become routine aspects of operations, supply chain management, and corporate culture. Each person responsible and service provider for the specific function will be accountable for integrating these objectives into daily activities, contributing to overarching goal of sustainable growth.

Sustainability initiatives at Summus Group are designed to enhance financial performance by reducing costs, mitigating risks, and creating market opportunities. It is recognized that sustainable practices can lead to improved efficiencies, lower energy consumption, and a stronger corporate reputation, which can drive revenue growth and investor confidence.

Summus Group has implemented comprehensive systems and mechanisms to actively manage human rights concerns, which include thorough policies and structured training for staff. These systems are specifically designed to safeguard the rights of Green Formula Capital and Zenith Family Office employees who are engaged in work for Summus Capital. Such Green Formula Capital and Zenith Family Office employees are treated as Summus Group's employees. This includes the implementation of detailed policies to pre-emptively address any potential concerns and providing comprehensive training for the staff to recognize and respond to human rights issues. There is a robust whistleblowing system in place that enables confidential reporting and the efficient resolution of any issues concerning human rights that may emerge.

In preparing sustainability report, Summus Group has adhered to the European Sustainability Reporting Standards (ESRS), specifically tailored to the nuances of investor-owned real estate. Also the Global Reporting Initiative (GRI) Standards for additional benchmarks and guidance have been used. The reporting is firmly rooted in the ESRS's BP-1 and BP-2, ensuring ESG disclosures meet the principles of relevance, reliability, and comparability. This involves a clear outline of the reporting period, scope, and governance structure, as well as a comprehensive organizational profile and practices for engaging with stakeholders.

Summus Group is navigating megatrends like technological advancements in sustainable construction, digitization of property management, using AI (artificial intelligence) and shifts in work cultures. These trends, together with green building innovations and regulatory changes aimed at reducing emissions, are reshaping operational and strategic landscape.

Summus Group aligns strategy with external factors such as climate change, economic shifts, and technological progress. These elements inform ESG prioritization, influencing asset value, operational costs, and investment appeal. Focus is on financial transition risks over physical risks due to stable regional weather, while preparing for potential climate changes and integrating adaptive strategies into real estate practices.
The Group's financial strategies are attuned to the adoption of sustainable technologies and market preferences for green initiatives, guiding investments to enhance energy efficiency and sustainability, thereby securing competitive edge and fulfilling responsible investment expectations.

7.5 Stakeholder engagement

Summus Group actively engages with a diverse set of stakeholders, including investors, customers (tenants), employees, service providers and local communities. The stakeholders are actively engaged throughout the Group's business operations.

Evidence of consideration for stakeholder needs includes energy-efficient property renovations that align with investor and customer sustainability priorities, alongside improved benefits and flexible working options for the staff of Green Formula Capital and Zenith Family Office, our key service providers, based on their feedback. Since Summus Capital mostly relies on outsourced services, these enhancements specifically address the well-being of the extended workforce. Additionally, the Group shapes community development programs with direct local input. Responsive actions affirm stakeholder commitment, resonating with broad ESG goals, and contribute to the sustainable advancement of portfolio and the communities Summus Group operates within.

Tenants

Communication	Expectations	Our actions
Tenant feedback surveys Social media Service hotlines Regular day-to-day correspondence Newsletters	Professionally managed properties, ensuring they are well-maintained, secure, and generate optimal returns. Expect Summus Group to provide them with timely and accurate financial reports, communicate effectively, and address any concerns or issues promptly.	Summus Group has implemented various strategies such as using advanced property management software to efficiently manage properties, providing comprehensive tenant services, conducting regular inspections, and communicating effectively through regular updates and reports. Summus Group has also established responsive customer service protocols to ensure client satisfaction.

Employees

Communication	Expectations	Our actions
Regular meetings and day-to-day communication	Fair and transparent procurement practices, timely payments, clear specifications and requirements, and a collaborative relationship	Summus Group has established transparent procurement procedures that follow industry standards, provide clear specifications and requirements, and ensure timely payments. Summus Group has built strong and long-term relationships with suppliers, based on mutual trust and respect.

Financiers

Communication	Expectations	Our actions
Regular reporting and meetings	Prudently managed funds, payment of interest and principal on time, complying with all relevant regulations and requirements.	Summus Group has implemented various financial management strategies such as maintaining a healthy balance sheet, sustainable loan to value level, managing cash flow, and complying with regulatory requirements. Summus Group also has established regular communication channels with financiers, providing them with timely and accurate financial reports and updates. Summus Group bonds are listed on Nasdaq First North Stock Exchange that adds to the transparency requirements.

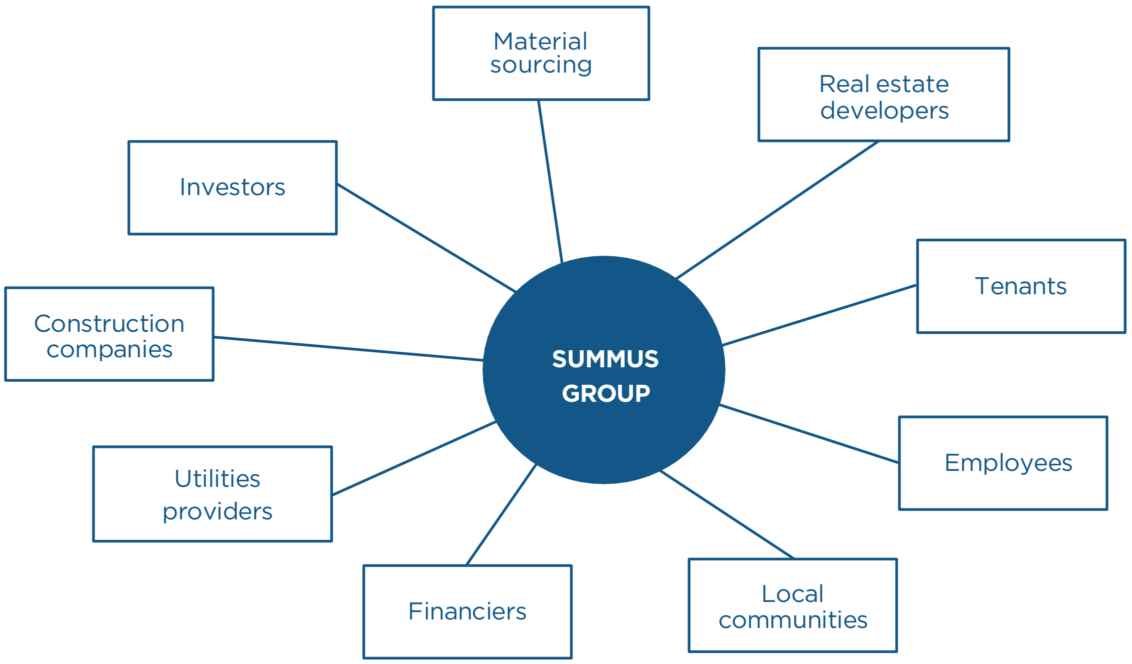
Local communities

Communication	Expectations	Our actions
Community meetings	local CSR initiatives, and collaboration with local NGOs	Summus Group addresses community needs such as job creation, environmental conservation, and social welfare.

Investors/owners

Communication	Expectations	Our actions
Regular reporting and meetings	Generation of consistent and growing profits, provision of regular updates and disclosures, effective risk management and long-term value creation	Summus Group has implemented various strategies such as developing a long-term strategic plan, diversifying its portfolio, managing risks effectively, and ensuring transparency and accountability through regular updates and disclosures. Summus Group established robust governance and oversight mechanisms, to ensure that investor interests are protected, and their investments generate sustainable returns. Summus Group holds regular quarterly Supervisory board meetings and weekly Management Board meetings that follow good governance principles. Summus Group has commissioned an outside revision provider in addition to financial audit required by law.

7.6 Value Chain



Summus and different stakeholders throughout its value chain

Summus Group recognizes that ESG considerations are crucial throughout the entire value chain, from production and distribution to the consumption of goods and services. With the increasing expectation from customers and communities, and under the guidance of regulations like the EU Taxonomy and CSRD, the Group is committed to sustainable practices that address the environmental and social impacts of operations.

In supply chain, the Group prioritizes sustainable material sourcing to reduce waste, energy use, and emissions. The Group considers the entire lifecycle of building materials, including their end-of-life phase, and strives to minimize negative impacts through strategic partnerships and promoting sustainability among tenants.

Effective property management is central to Summus Group's approach, enabling to align with ESG goals, attract responsible investors, and mitigate environmental and social risks. By focusing on property management and acquisitions, the Group enhances sustainable performance and contributes to the prosperity of the communities where it operates.

For service providers essential to daily real estate management, Summus Group ensures that operations are environmentally conscious, especially during renovations. Contractors who demonstrate a commitment to environmental stewardship and incorporate green building standards in line with BREEAM or LEED certifications are prioritized.

Detailed information on the specific entities covered in reporting can be found in other sections of Summus Group annual financial report or activity statement.

7.7 Materiality

Summus Group acknowledges the requirement to comply with the Corporate Sustainability Reporting Directive (CSRD) by 2025. Consequently, in 2023, a double materiality assessment process was initiated, which is currently underway. This process aims to identify ESG issues that are financially material to business and have significant impact on the environment and society.

In this report, Summus Group's approach to describing material topics is informed by an analysis of sector-wide issues deemed important, based on peer reviews and a thorough examination of the most pertinent ESG themes within the industry. This ensures that disclosures are relevant and aligned with the broader sustainability landscape in which the Group operates.

To align Summus Group's real estate portfolio with the ESG objectives, a comprehensive process to identify, prioritize, and validate key ESG impacts has been undertaken, ensuring they resonate with goals and stakeholder expectations. Through stakeholder engagement, materiality assessments, and benchmarking against industry standards, issues like energy efficiency and sustainability certifications have been pinpointed and prioritized. This approach is based on the Group's actionable plans and targets, culminating in transparent ESG reporting that reflects commitment to sustainability, social responsibility, and long-term value creation for all stakeholders, demonstrating a strategic alignment of initiatives with broader organizational and stakeholder interests.

Summus Group's process for identifying and prioritizing issues incorporates a wide array of factors, ensuring a comprehensive understanding of the landscape in which it operates. This includes monitoring external trends such as regulatory changes, market shifts, and technological advancements in sustainability, which influence the Group's strategic direction. The magnitude and likelihood of impacts are rigorously assessed, considering both the potential scale of impact on operations and the probability of these events occurring. This enables to focus on areas where the Group can make the most significant difference or mitigate risks effectively. The Group's ESG strategy is tightly aligned with enterprise risk management, allowing to integrate ESG considerations into broader risk assessments and strategic planning processes.

Summus Group rigorously evaluates both the immediate and future environmental and social impacts of its activities, identifying key risks and opportunities that influence strategic direction and financial performance. Through environmental assessments, social impact analyses, and stakeholder engagement, essential ESG factors are pinpointed. The strategy includes an annual materiality assessment to ensure responsiveness to evolving ESG landscapes and stakeholder expectations, with provisions for updates as needed. This process highlights the financial relevance of ESG issues over time, integrating sustainability into business model to safeguard and enhance long-term value.

In Summus Group's comprehensive materiality assessment, key ESG issues across portfolio have been identified and prioritized, considering both divisional nuances and geographical specificities within the Baltics. The Group's prioritized list includes energy efficiency and carbon footprint reduction, sustainable building certifications like BREEAM/LEED, water use and waste management, tenant engagement and community impact, and ethical governance and compliance, each tailored to the unique challenges and opportunities of the regions the Group operates in. Management plays a critical role in this process, with executive oversight and cross-functional team involvement ensuring strategic alignment and stakeholder engagement to accurately reflect priorities. Furthermore, to ensure the integrity and credibility of assessment, external assurance has been have sought and obtained, demonstrating commitment to ESG excellence and the transparent communication of efforts to stakeholders.

7.7.1 Double materiality assessment process based on EFRAG guidance (draft)

Summus Group, taking into consideration the European Sustainability Reporting Standards (ESRS) E1, is committed to environmental stewardship as a pivotal aspect of its business model. This commitment touches upon various elements:

1. Understanding the context
   - Review business plan, strategy, financials, and investor information.
   - Assess activities, products/services, geographic spread.
   - Map business relationships, value chain analysis.
   - Analyse legal/regulatory framework.
   - Evaluate stakeholder engagement and identify affected stakeholders.

2. Identification of IROs*

   Identify potential environmental, social, governance IROs.
   - Create an extensive list of impacts, risks, opportunities for detailed analysis.

3. Determination of Material IROs
   - Set materiality thresholds for impacts, assess severity.
   - Define materiality thresholds for financial risks/opportunities, evaluate likelihood/magnitude.
   - Validate assessments through stakeholder engagement.

4. Assessing Materiality of Information
  - Determine relevant ESRS standards and disclosure requirements.
  - Assess disclosure materiality based on significance and decision-usefulness.

* - IRO – Impacts, Risks, and Opportunities

7.7.2 Material impacts

(Note: Summus Group’s materiality assessment is still in progress and has not yet reached its final stages. As such, there may be additional material impacts identified as a result of the ongoing evaluation, which will be systematically integrated into reporting once the assessment is concluded.)

Within Summus Group's operations, the ESRS 2 SBM-3's environmental considerations cover:

- Energy Consumption: Prioritizing the energy efficiency of buildings and favouring renewable over non-renewable energy resources.

- GHG Emissions: Monitoring both direct and indirect greenhouse gas emissions from construction/renovation processes and ongoing building maintenance, striving for reductions.

- Water Usage: Property management policies focus on optimizing water use efficiency.

- Waste Management: Employing and continuously improving waste reduction, recycling, and disposal strategies across portfolio.

7.8 Risks and opportunities

Summus Group identifies and addresses the following environmental risks and opportunities as part of its ESRS E1 strategy:

- Physical Risks: Assess how climate-related events like severe cold snaps, heavy snowfall, or increased storm frequency could affect real estate assets.

- Regulatory Risks: Keep abreast of environmental legislation changes, understanding how they might influence compliance strategies and cost structures.

- Technological Risks: The potential obsolescence due to new building technologies is mitigated by commitment to innovation in energy efficiency and sustainable building practices.

- Opportunities: Summus Group actively seeks out opportunities for market expansion in green buildings, cost savings through energy efficiency improvements, and brand enhancement via leadership in sustainability.

These considerations are vital to aligning the Group’s environmental initiatives with its overarching business goals, ensuring adaptability and forward-thinking in sustainability approach.

7.9 Interaction with strategy and business model

Summus Group’s approach to integrating environmental factors with business strategies is a direct reflection of the ESRS E1's emphasis. Alignment of ESG goals with business objectives ensures that the Group’s efforts to mitigate environmental impacts go hand-in-hand with pursuit of business growth and profitability. The Group is committed to sustainable technology investments, infusing property development and management with green building materials, renewable energy sources, and energy-efficient designs. Adherence to recognized environmental standards, such as BREEAM or LEED, demonstrates the Group’s commitment to compliance and transparency in reporting environmental performance. Additionally, the Group actively engages stakeholders, including tenants, investors, and the broader community, to join in sustainability endeavours, thus promoting a collective commitment to environmental responsibility.

7.9.1 Summus Group's sustainability targets and key performance indicators (KPIs)

In the realm of sustainability certifications within ESG framework for 2023, Summus Group has made notable progress. As of this year, the Group has achieved LEED and BREEAM certifications for 86% of its portfolio.

An ambitious target has been set to certify 95% of the portfolio. During 2023 the Group certified Auriga, Veerenni, and Depo properties. Damme property certification is in process and expected to be completed in 2024, which will represent 6% of the portfolio. After Damme certification the Group will reach 92% certification level.

A. Progress in renewable energy use and efficiency

As for renewable energy initiatives 84% of Summus Group's electricity currently derives from renewable sources. Despite the challenge of high energy costs preventing an increase in this percentage in the past year, the strategy is set to boost renewable electricity usage to at least 90% in the nearest future, contingent upon more favourable market prices.

Regarding natural gas usage, 40% of the Group's properties rely on this energy source for heating. Of this percentage, it has been identified that 8% can transition to central heating in the mid-term future. With Tallinn's central heating set to become carbon neutral by 2030, we anticipate a substantial improvement in the sustainability of the Group's heating solutions.

B. Advancements in GHG reporting

In greenhouse gas (GHG) reporting, Summus Group has completed Scope 1 and 2 assessments as of 2021, 2022 and 2023. Moving forward, it is planned to also integrate Scope 3 calculations. During last years the Group has already seen a significant decrease in CO_2 emissions in its properties.

C. Strategic focus for 2024

The year is pivotal for Summus Group as it continuously concentrates on reducing energy consumption. The Group sees its properties in the long term among the top 15% by energy consumption in operating countries. For that analysing potential actions, investments and guidelines that help to fulfil this objective have been undertaken. Moreover, the Group is preparing to adopt a full ESG reporting format by 2025, with ambitions to implement this earlier due to substantial action plan and the progress that is made in the Group's ESG commitments. But all other aspects of ESG are also important and the Group is developing its business and actions towards full ESG implementation.

D. Recent ESG Milestones

In recent developments, Summus Group was successful in decreasing energy consumption from 251kwh/m2 to 196kwh/m2 with only two years following Green Formula Capital management principles. The monetary effect of such efficiency increase is approximately 2 million euros for 2 years. During 2023 the Group's assets certification increased from 67% to 86%. The assets are now better and more sustainable for tenants, clients and employees. The first time the Group conducted tenant and employee satisfaction surveys. Both surveys were met with very positive feedback, and the Group is committed to continuing with the surveys. In the 4th quarter Summus Group started signing green leases with its tenants. Green leases describes both sides' commitment to ESG and sustainability principles in everyday actions. Also, the Group completed second GRESB assessment with positive progress, but as usual, this process is long-term.

These concerted efforts demonstrate Summus Group's ongoing commitment to ESG principles and its proactive approach to fostering sustainable growth and efficiency within its operations.

Summus Group integrates sustainability into operations by aligning its business processes with its ESG goals, ensuring sustainable practices are part of everyday activities. This includes optimizing resource use, investing in energy-efficient technologies, and embedding sustainability criteria in procurement and investment decisions. Sustainability considerations are also integral to employee training and development programs.

I MANAGEMENT REPORT

Management and Supervisory Board members ensure that the organization's ESG performance is accurately reported and communicated to stakeholders, including investors, customers, and employees.

To set verifiable targets for material issues including climate and nature, Summus Group has set:

Short-term targets:
- Reduce energy consumption additionally by 10% within 2 years using 2023 as a baseline.
- Improve GRESB rating significantly to reach TOP25% peer group.
- Be ready to implement EU CSRD standard reporting by 2025.

Long-term targets:
- Achieve carbon neutrality standards by 2035, with a detailed plan for energy efficiency, renewable energy procurement, and carbon offsetting.
- Ensure 100% of new investments are in buildings with at least BREEAM or LEED Silver certification by 2025.
- Implement advanced smart building technologies across 75% of the portfolio by 2030, enhancing energy efficiency, reducing operational costs, and improving tenant comfort and safety.

To ensure Summus Group's sustainability targets deliver tangible impact, targets will be accompanied by specific expected outcomes and clear baselines, extending beyond direct operations to include both upstream and downstream activities (for example, engaging suppliers and tenants in energy, waste, and water reduction efforts to amplify impact). The Group will ensure transparent reporting on progress towards these targets, providing a narrative that details strategies for addressing challenges and outlines future plans to achieve these ambitious goals. This comprehensive approach to sustainability summarized in the following table will extend beyond the Group's immediate operations, fostering a broader commitment to sustainability.

Energy efficiency	**Current status 196**	**Target 2024 180**	**Target 2025 151**
	In 2023, the target was set at 226 kWh/m², with the actual result being 196 kWh/m². This represented a decrease in total energy consumption by 10.4% compared to 2022, dropping from 50 898 MWh to 45 601 MWh. This reduction of 5 297 MWh translated to savings of approximately EUR 700 000. Over the last two years, energy consumption has decreased by 18%, equivalent to 15 016 MWh, resulting in savings of approximately EUR 2 million. At the outset of our energy efficiency initiatives, the energy efficiency of our properties was 251 kWh/m².	In 2024, a slower rate of decrease in energy consumption is anticipated, reflecting the significant progress made over the past two years. To advance to the next level of efficiency, the Group must invest in improving the performance of its least efficient assets through automation, lighting upgrades, and enhancements to technical systems. The Group is actively seeking subsidies and exploring external solutions to support these investments.	The Group anticipates the most substantial decrease in energy consumption from assets such as Damme, Riga Plaza, Auriga, Veerenni 1, and DeLaGardie. Conversely, Nordika, Depo, and Park Town West Hill stand out as the best-performing assets. Investment plans are currently being prepared specifically for Damme and Auriga.
Taxonomy	**0%**	**25%**	**75%**
% assets meets taxonomy energy standard	Taxonomy has emerged as a prominent new topic of discussion. Broadly speaking, it entails two main criteria: firstly, the asset should rank within the top 15% in terms of energy consumption within its respective country, and secondly, the Group must adhere to human rights standards.	The Group begins by addressing energy consumption. The challenge lies in the absence of official statistics, such as the average energy consumption of retail assets in Estonia. Banks are establishing their standards and expected levels of energy consumption sector by sector.	Meeting human rights standards can be complex, as it requires not only individual companies to comply but also their entire value chains, making evaluation both intricate and costly. The Group begins by addressing energy efficiency.

Certification	**86%**	**92%**	**95%**
	During 4Q2023, Depo received BREEAM Very Good certificate.	An additional 6% is currently in certification process, specifically Damme. Upon its completion, portfolio will achieve certification for 92% of its Gross Leasable Area (GLA). However, it's worth noting that certain smaller and older assets, namely DeLaGardie, Stora, Mediq, and Punane, will not undergo certification.	By implementing the current action plan, the Group anticipates reaching a certification level of 92% by the end of 2024. The upgrade of certificates should be examined in conjunction with taxonomy, particularly focusing on aspects relevant to investors and banks.
Share of green electricity	**84%**	**90%**	**90%**
	The Group is very close to the target.	Some Estonian assets should be converted into green electricity - Auriga and Veerenni 2.	Subsequently, the target will be achieved, encompassing 96% of contracts, excluding tenant direct contracts.
Water consumption	**81 012 m3**	**-5%**	**-10%**
	New target to be added from 2024. This demand comes from CSRD reporting principles.	The basis figures need to be put in place and after that goals will be set up.	
CO2 emission tonnes per year	**19 090**	**18 000**	**14 000**
	The Group is in the process of calculating Scope 1 and Scope 2 emissions.	2023 target was set at 20 500 t, but the actual result was 19 090 t.	In the midterm (either in 2024 or 2025), it will also be necessary to calculate Scope 3 emissions for EU reporting purposes.
Green leases	**9%**	**20%**	**50%**
	In total, 18 780sqm leases signed as green leases. **The progress of the last quarter was very good.**	The process is started in all countries. Expected result for 2024 will be in the range 20-25%	Target will be met gradually when lease contracts end or need to be changed.
Green financing	**0%**	**10%**	**50%**
	Banks are highly engaged in inquiring about ESG-related matters, although a specific "green" product is not yet available. Ongoing discussions with Swedbank focus primarily on defining precise terms, with the most crucial aspect appearing to be achieving a ranking within the top 15% in terms of energy consumption efficiency.	Banks continue to withhold green financing options, thereby hindering ability to attain the goal.	In the long term, it's imperative to be prepared for when banks and the bond market in the Baltics are ready to engage with green financing.

Customer satisfaction index	**79**	**85**	**90**
	The survey was conducted in the first half of 2023, and the initial results were promising. A property manager-led improvement program has been devised and will soon be put into action.	Next survey is planned for the second quarter of 2024	Tenants who are satisfied tend to stay with us for extended periods and exhibit less sensitivity to pricing changes.
Employee satisfaction index	**85**	**90**	**95**
	A survey was conducted in the first half of 2023, yielding positive initial results. An improvement program has been established in response.	Next survey is planned for the second quarter of 2024	The Group believes that happy and motivated employees are creating more value for the Group and clients.
Suppliers screening	**0%**	**20%**	**90%**
	Latvia is already implementing said principle.	The template for Estonia has been prepared but is still undergoing internal discussions. Currently, focus counterparties are identified that require screening and incorporating AML clauses into the template.	It's crucial to establish a screening process in accordance with AML legislation and regulations from relevant regulatory bodies.
GRESB	**66 points**	**75-80 points**	**Top 25%**
	2022 GRESB score was 66 points, which is 36% rating increase since previous report.	The sections that were missing from last year's application have been thoroughly analysed and enhanced. The Group is now in the process of preparing for the 2024 submission.	The Group's long-term objective is to achieve a ranking within the top 25% of peer group, aiming for approximately 85 points.
Conclusion	In 2023 compared to 2022, Summus Group achieved a 10.4% reduction in energy consumption, amounting to 5 297 MWh less, resulting in savings of EUR 650 000. The focus for the next six months will be on further improving energy efficiency and striving to place buildings within the top 15% in each country. The Group aims to establish specific goals and action plans for each asset to achieve this objective. In addition, the Group has a significant task ahead in EU CSRD reporting, particularly in finalizing the valuation model for relevant topics. This detailed model requires careful attention and will undergo auditing later. Furthermore, the Group aims to complete the AML questionnaire and initiate the associated process.		

7.10 Environment

To align Summus Group's real estate portfolio with its ESG objectives, a comprehensive process to identify, prioritize, and validate key ESG impacts was undertaken, ensuring they resonate with the Group's goals and stakeholder expectations. Through stakeholder engagement, materiality assessments, and benchmarking against industry standards, issues like energy efficiency and sustainability certifications were pinpointed and prioritized. This approach informed the Group's actionable plans and targets, culminating in transparent ESG reporting that reflects the commitment to sustainability, social responsibility, and long-term value creation for all stakeholders, demonstrating a strategic alignment of the Group's initiatives with broader organizational and stakeholder interests.

Summus Group's process for identifying and prioritizing issues incorporates a wide array of factors, ensuring a comprehensive understanding of the landscape in which it operates. This includes monitoring external trends such as regulatory changes, market shifts, and technological advancements in sustainability, which influence the Group's strategic direction. The magnitude and likelihood of impacts are rigorously assessed, considering both the potential scale of impact on the Group's operations and the probability of these events occurring. This enables to focus on areas where the Group can make the most significant difference or mitigate risks effectively. Summus Group's ESG strategy is tightly aligned with enterprise risk management, allowing to integrate ESG considerations into broader risk assessments and strategic planning processes.

Summus Group rigorously evaluates both the immediate and future environmental and social impacts of its activities, identifying key risks and opportunities that influence strategic direction and financial performance. Through environmental assessments, social impact analyses, and stakeholder engagement, the Group pinpoints essential ESG factors. The Group's strategy includes an annual materiality assessment to ensure responsiveness to evolving ESG landscapes and stakeholder expectations, with provisions for updates as needed. This process highlights the financial relevance of ESG issues over time, integrating sustainability into the Group's business model to safeguard and enhance long-term value.

7.10.1 Climate change

In 2023, Summus Group's ESG policy and strategy was reflected in concrete actions towards sustainability. Through performance-based incentives, a notable 10.4% reduction in properties' energy consumption was achieved, from 50 898 MWh in 2022 to 45 601 MWh, yielding approximately EUR 650 855 in savings based on current energy prices. Over the past two years, this marked an 18% reduction, equivalent to EUR 2 million in savings. Upon initiating a targeted energy efficiency drive, the Group's property portfolio had an energy efficiency benchmark of 251 kWh/m2.

Summus Group's ESG focus areas, determined by a thorough materiality assessment, encompass energy efficiency, where the Group has made significant strides, sustainable certifications, water and waste management, and broader social and governance considerations tailored to the Baltic region.

In managing commercial properties, a key challenge Summus Group faced was the efficient retrofitting of older buildings to meet stringent modern environmental standards. One concrete example is at an older property in the Group's portfolio that required significant upgrades to its heating system (Punane). This renovation was critical for reducing the Group's carbon footprint but posed the dual challenge of maintaining operations during the retrofit and managing the financial implications. Tenant concerns about disruptions were met with a proactive communication strategy and scheduling work during off-peak hours. Financially, while the initial investment was substantial, concerns were mitigated by forecasting long-term energy cost savings and potential increases in property value.

Summus Group's policies and actions to address climate change:

- Energy Efficiency: Continued investment in energy-efficient technologies, extending beyond lighting and HVAC systems to include advanced building management systems for real-time energy optimization. Energy audits are now more frequent and detailed, and action plans have been executed to enhance the energy performance of each property, with significant advancements seen in the Group's Baltic portfolio.

- Renewable Energy: Commitment to on-site clean energy generation has expanded. Following the success at Veerenni Health Centre, additional solar energy projects across multiple properties are considered, making significant strides in renewable energy capacity.

- Waste Reduction: Active work on developing waste management strategies. The Group's plans are ambitious and aimed at significantly improving waste reduction capabilities in the near future.

- GHG Emissions Tracking and Reduction: Strategy for tracking and reducing GHG emissions now includes more sophisticated data analysis tools for precise monitoring. The Group has set more aggressive reduction targets, particularly in reducing carbon emissions from transportation by promoting electric vehicle use and supporting infrastructure, along with optimizing the energy efficiency of buildings.

Considering the development of a "Transition Plan for Climate Change Mitigation," the Group is contemplating how Summus Group realistically plans to reduce emissions to contribute to the global effort of limiting warming to 1.5 degrees Celsius. Although a concrete plan is not currently formalized, the Group has been actively engaging in substantive actions that significantly reduce carbon footprint and energy consumption. Public disclosure of these actions is crucial, and it is recognized that this should also encompass the measurement of Scope 3 emissions.

In terms of energy consumption, the Group is preparing an overview of portfolio's energy intensity and energy classes. By evaluating and enhancing the energy performance of properties, the Group aims to move towards more sustainable energy classifications across its portfolio. This effort, combined with the inclusion of Scope 3 emission tracking, will be an integral part of the Group's comprehensive approach to mitigating climate change and achieving long-term sustainability goals.

Highlights of the year:

1. In a notable achievement for ESG endeavours in 2023, the DEPO building in Imanta, part of Summus Group's Baltic portfolio, was awarded the prestigious BREEAM 'Very Good' sustainability certification. This recognition underscores the property's adherence to stringent sustainability and energy efficiency standards. Significant efforts made in energy use, transportation access, resilience, and material sourcing contributed to this accomplishment, with resilience scoring an impressive 83.33%.

2. Auriga Keskus, a property in Summus Group's portfolio, has been honoured as Saare County's Green Technology Implementer of the Year 2023. This accolade celebrates the centre's sustainable practices, such as renewable energy use, effective waste management, and water-saving measures, marking a commitment to local sustainable development. The recognition coincides with the centre's 15th anniversary and the recent attainment of a BREEAM In-Use 'Good' certification.

3. Riga Plaza's planned EUR 5 million development investment reflects Summus Capital's commitment to its ESG objectives, particularly in enhancing the economic and social aspects of the communities it serves. By expanding the selection of stores and services, including the introduction of New Yorker and HalfPrice, the Group is not only fostering economic growth but also catering to the evolving needs of consumers. The addition of service points like electric scooter charging stations and an electrical appliance drop-off point aligns with the Group's environmental goals, promoting sustainable living.

4. Veerenni Health Centre, part of Summus Group's portfolio, has been honoured with the LEED Gold certification, marking a significant milestone in the Group's commitment to sustainability. Managed by Green Formula Capital, the ESG strategy emphasizes efficient, environmentally friendly operations. This certification reflects ongoing efforts to enhance energy efficiency and underscores the value placed on sustainable practices within the Group's real estate offerings. Regular assessments, including energy audits and public transport accessibility, contribute to the continuous improvement and sustainability of the Group's properties.

5. In Damme, a shopping centre in Summus Group's portfolio, 50% of the lighting has been upgraded to LED lamps, contributing to a reduction in the centre's CO2 footprint and energy usage. In 2023, there was a 9.1% decrease in electricity and a 23.1% decrease in heating consumption compared to 2022. The centre has a robust energy management system that includes detailed monitoring and follow-up on energy use. The replacement of the chiller with a more energy-efficient model, a BMS system upgrade, and the installation of CO2 and temperature sensors connected to the BMS system all align with sustainability goals. This also includes the remote control of local units to further reduce energy consumption.

6. The Group has undertaken extensive repairs of HVAC units, including the replacement of CO2 and differential pressure sensors, and the installation of motion sensors in technical rooms to conserve energy.

7. Nordika Center has earned a BREEAM certification, validating its environmental performance and energy efficiency. Notable actions taken include adjusting water flows in toilets to meet BREEAM standards, converting 90% of lighting to LEDs, and employing the R8 robot for efficient HVAC management. The shopping centre has made significant strides in reducing its CO2 footprint and energy consumption, rationalizing resource use, and choosing partners like Green Formula Capital OÜ with a focus on sustainable development. Nordika increased reliance on renewable energy. Efficient water management, including low-flow devices and leakage detection has been implemented.

8. Looking ahead, Summus Group has outlined future plans to address water consumption and waste management more sustainably. For water conservation, considering the regional climate, the Group plans to install systems to collect and use rainwater for non-potable purposes such as landscaping and toilet flushing. For malls with green spaces, introduce irrigation controls that adjust watering based on weather conditions will be introduced to avoid overuse. Outdated plumbing will be replaced with modern, more efficient systems designed to minimize leaks and reduce overall water usage. The Group will initiate educational campaigns for tenants and patrons focusing on water conservation within the malls. The Group estimated annual water consumption and the goal is to reduce this figure by an actionable percentage year over year. The Group will benchmark water usage intensity against best practices in the region and set progressive targets for reduction.

9. In the realm of waste management, Summus Group's future strategy involves establishing robust recycling program that includes clearly labelled bins for different types of waste—such as paper, plastic, glass, and organic matter—placed in accessible locations throughout the malls. For malls with food courts, the Group plans to implement food waste composting systems to transform organic waste into valuable compost, reducing the volume of waste and the greenhouse gas emissions associated with its decomposition. The Group plans to work with vendors and tenants to reduce packaging and encourage the use of biodegradable or recyclable materials.

The Group will closely monitor the total volume of waste generated and report these figures in sustainability reports. Summus Group's goal is to increase the waste diversion rate year over year, aiming for a majority of waste being recycled or reused rather than disposed of in landfills.

7.11 European Union Taxonomy

7.11.1 Introduction

Summus Group will be subject to the reporting obligations of the European Union Taxonomy starting from the fiscal year 2025, as part of the CSRD. The Group started preparations for this reporting in 2023 by analysing to what extent its business activities are covered by the EU Taxonomy and mapped out the criteria related to compliance. Based on this foundation, the Group will be collecting the necessary data for assessment in 2024 and making the required changes to financial accounting systems for calculating performance indicators.

While Summus Group is not obliged to report under the EU Taxonomy for the current reporting year, it has chosen to voluntarily disclose descriptions of activities covered by the EU Taxonomy (Taxonomy eligible activities). In the following, the general principles of EU Taxonomy reporting and the activities of Summus Group covered by the EU Taxonomy will be described, excluding the related performance indicators.

The analysis of the compliance criteria will be carried out during 2024, and the Group plans to disclose the results of this compliance analysis (including performance indicators) in the financial report for the year 2024. This proactive approach underscores the Group's commitment to transparency and sustainability, aligning its business with the emerging standards of the CSRD and contributing to the broader objectives of the EU's green transition.

7.11.2 General principles

To facilitate the realization of the European Green Deal's objectives, the European Commission adopted the Taxonomy Regulation in 2020—a classification system for sustainable economic activities aimed at encouraging private sector investments in sustainability. The Taxonomy Regulation sets specific requirements and technical screening criteria for economic activities that contribute to fulfilling the EU's environmental objectives. Not applicable to all sectors, it targets those with the most significant environmental impact, which includes the activities related to Summus Capital's real estate operations. Under Taxonomy Regulation Article 9, the following six environmental objectives are established:

- Climate change mitigation;
- Climate change adaptation;
- Sustainable use and protection of water and marine resources;
- Transition to a circular economy;
- Pollution prevention and control;
- Protection and restoration of biodiversity and ecosystems.

In accordance with the Taxonomy Regulation, companies subject to reporting obligations must disclose the proportion of their activities that are covered by the Taxonomy (Taxonomy eligible) and are in alignment with it, in terms of their sales revenue, capital expenditure, and operational expenses, following a specified table format in the regulation. The Taxonomy-eligible ratio indicates the extent to which a company's sales revenue, capital expenditure, and operational expenses are related to the economic activities described in the Taxonomy, regardless of whether these activities meet the established assessment criteria.

To be considered in alignment with the Taxonomy, an economic activity must meet the regulation's science-based assessment criteria, which include sector-specific technical screening criteria and the principle of "Do No Significant Harm" (DNSH). According to DNSH, an economic activity should not impede the achievement of other environmental objectives, and the regulation also provides assessment criteria for this evaluation. Furthermore, companies must conduct their business in accordance with minimum social safeguards. To meet these safeguards, economic activities must respect fundamental human rights and follow good governance principles. If a company's economic activities fail to meet any of these criteria, they cannot be considered compliant.

Summus Group will publish both the compliance and the activities that are covered but not compliant with the Taxonomy-related performance indicators for the first time in the financial report for the year 2024.

7.11.3 Regulatory framework

The general framework for Summus Group’s regulatory compliance is established by the Regulation (EU) 2020/852 dated 18 June 2020, and is supplemented by subsequent delegated regulations and explanatory materials issued by the European Commission:

- Regulation (EU) 2021/2178 dated 6 July 2021, clarifies the information companies must disclose, including metrics, their calculation methodologies, and related explanatory information. Under this regulation, companies are required to report what percentage of their sales revenue, capital expenditure, and operational expenses are 1) in alignment with and eligible for the Taxonomy, 2) Taxonomy-eligible but not in alignment, and 3) related to activities not covered by the Taxonomy.

- Regulation (EU) 2021/2139 dated 4 June 2021, establishes eligible activities related to the objectives of climate change mitigation and adaptation and the associated compliance assessment criteria.

- Regulation (EU) 2022/1214 dated 9 March 2022, supplements the aforementioned regulation with activities related to energy production from natural gas.

- Regulation (EU) 2023/2486 dated June 2023, amends the previous regulations regarding eligible activities and compliance assessment criteria related to objectives 3-6. This delegated regulation also includes amendments to previously adopted delegated regulations.

- Reports by the Sustainable Finance Platform published in 2022 addressing objectives 3, 4, 5, and 6, and the minimum social safeguards.

- The European Commission's frequently asked questions documents from December 2021, February 2022, December 2022, and June 2023.

These regulations and documents create a comprehensive structure within which Summus Group operates, ensuring transparency and accountability in commitment to sustainable practices as guided by the evolving EU Taxonomy. The Group endeavours to consistently reflect compliance and strategic alignment with these objectives in financial reporting and operational practices.

7.11.4 Descriptions of Summus Group’s economic activities covered by the taxonomy

In mapping activities covered by the Taxonomy Regulation, Summus Group referred to the activities' NACE codes and descriptions as set out in regulations (EU) 2021/2139 and (EU) 2023/2486.The activities in Summus Group’s operations that can be associated with the EU taxonomy are in the sphere of acquisitions and management of properties and are thus covered by the regulation on financial activity 7.7. Acquisition and ownership of buildings (CCM/CCA 7.7)

7.12 Social

7.12.1 Local communities

A. Policies and strategy

Summus Group’s commitment to local communities is enshrined in policies, which mandate active engagement and positive impact on the areas where the Group operates. The Group’s strategy focuses on supporting community development through initiatives that improve local infrastructure, enhance the quality of life, and stimulate economic growth. The Group manages community impacts by regularly consulting with local stakeholders to understand their needs and aligning community investment with these insights.

B. Targets

Summus Group's targets are set with the ambition to create measurable benefits for local communities. These include:

- Partnering with local organizations or initiatives.
- Enhancing the scope and reach of community service activities conducted by the Group.
- Launching new community development projects that address local needs, like improving public spaces and supporting educational programs.
- Raising the number of sponsored events, scholarships, or training opportunities for the local population, particularly in areas like sports, arts, and education.
- Seeking for suppliers to be sourced from the local community.

D. 2023 progress and KPIs

In 2023, Summus Group has made significant strides in reinforcing ties with local communities:

- The Group increased community investments compared to the previous year.
- Throughout 2023, Summus Group has proudly supported tennis athletes from the Baltic region and provided financial donations to tennis organizations in the Baltic region.
- The Group achieved its goal of increasing sourcing of operational supplies from local businesses.

7.13. Changes made in the properties

7.13.1 Damme shopping centre

At Damme, a shopping centre within Summus Group's portfolio, several sustainable actions have been implemented to enhance environmental responsibility and efficiency:

- Recycling and Waste Reduction: Dedicated containers for clothes recycling are placed near the building, along with waste sorting containers for tenants, supporting waste reduction strategy. Additionally, a taromat is available for bottle collection, offering the option to donate proceeds to non-governmental organizations.
- Accessibility: Sidewalk markings for visually impaired individuals have been installed to ensure the centre is accessible to all visitors.
- Reuse Initiatives: Unnecessary items and furniture are handed out for second use, reducing waste and extending the lifecycle of goods.
- Sustainable Infrastructure: Charging stations for electric vehicles have been installed, promoting the use of clean transportation.
- Ventilation Maintenance: Regular cleaning of mechanical ventilation air ducts has been conducted to ensure optimal air quality and efficiency.

7.13.2 Auriga shopping centre

At Auriga Centre, part of Summus Group's portfolio, several ESG initiatives have been implemented:

- Support for SMEs: Regular activities that support medium and small businesses are conducted, including providing local tenants with preferential terms to foster a vibrant community of entrepreneurs.
- Local Entrepreneurship: Saaremaa Ehtne, an association of entrepreneurs from Saaremaa, is not only a tenant but also plans to establish its headquarters at Auriga Centre, promoting local economic development.
- Youth Engagement: Events engaging with the local youth are planned and hosted, such as a regional startup fair for schoolchildren scheduled every December.
- Disability Support: Support to individuals with disabilities is offered, including discounts at fairs for the disabled union and social support initiatives.

7.13.3 Nordika shopping centre

- Installation of electric car charging stations.
- Wildlife protection and development initiatives, including insect hotels and reduced grass mowing.
- Reduction of paper waste and promotion of electronic contracts and double-sided printing.
- Encouragement of sustainable consumer choices such as ZERO WASTE goods, shopping without receipts, and tenant integration of diverse workforce groups.
- Marketing efforts at Nordika also reflect sustainable practices, with book festivals, second-chance fairs, and recycling of promotional materials. The centre offers amenities to support sustainable transport options and has been proactive in waste management, providing sorting bins for tenants and visitors alike.
- Nordika's community initiatives encompass a wide range of activities, from toy exchanges to supporting Ukrainian refugees, and the centre's participation in the "Waste culture" awards highlights its role as an environmental steward within the industry.

7.13.4 Riga Plaza shopping centre

Riga Plaza has implemented several ESG initiatives aimed at enhancing sustainability and social responsibility:

- Organized a successful campaign for used car tire recycling with ZAĻĀ JOSTA, collecting nearly 110 tons of tires over three weeks in 2023.
- Launched a cardboard box reuse program in collaboration with TAVI DRAUGI.
- Distributed organic cotton reusable shopping bags and water bottles during events.
- Supported the OTRA ELPA initiative, collecting used goods for resale in their stores, with proceeds going to charity.
- Facilitated the collection of hazardous and electronic waste through BAO containers.
- Provided garbage sorting options for both tenants and visitors.
- Hosted a record-breaking social campaign for animal shelter donations.
- Became a pet-friendly mall, welcoming shoppers with their furry companions.
- Introduced a 'quiet hour' every morning to accommodate visitors with sensory sensitivities.
- Offered a taromat for bottle recycling with an option to donate the proceeds to charity.
- Participated in the "Equal – unlimited fashion" project, promoting gender-neutral fashion and equality.
- Opted for renting seasonal decorations rather than purchasing new ones.
- Encouraged thoughtful gift-giving with a Christmas gift card campaign.
- Eliminated the use of plastic bags in shops.
- Supported H&M's initiative to collect and repurpose used garments.
- Donated surplus items and furniture for reuse, reducing waste.
- Partnered with Riga Stradins University to host annual Sugar Diabetes days, offering health checks and consultations.

- Collaborated with VITA for Pink Ribbon Day, including health checks and support for women with breast cancer.
- Worked with the National Blood Donor Centre to encourage blood donations through monthly events.

7.14 Employees

Summus Group's operational model is distinct in that it has rather limited in-house staff; instead, the Group extensively relies on its main service partners, Green Formula Capital (GFC) and Zenith Family Office (Zenith), for workforce needs. As such, when the Group refer to its 'employees,' it refers to the dedicated teams from these trusted partners. Their staff are considered an extension of Summus Group, integral to its business and the high-quality service it provides to customers.

It's crucial for the Group to clarify that the welfare of these individuals, working under the banners of GFC and Zenith, is of paramount importance to the Group. Summus Group is committed to ensuring that these partners treat their staff with fairness and integrity. This commitment translates into the enforcement of standards for appropriate wages, benefits, training, health, and safety—all mirroring the ethical and legal benchmarks the Group upholds.

Summus Group's approach to employee relations within the value chain focuses on the creation of a positive work environment championed by its partners. The Group strives to extend opportunities for their professional growth and personal well-being. The Group advocates for practices that support diversity, equity, and inclusion, recognizing the importance of a respectful and welcoming workplace for all individuals employed by its partners.

In terms of employee satisfaction, the surveys conducted are designed with anonymity, confidentiality, and inclusivity at their core, addressing aspects such as work-life balance, compensation, career opportunities, management support, and diversity.

Although these surveys are currently concentrated on Green Formula Capital and Zenith's employees, there is a plan to expand the scope to include other partners providing cleaning, security, and other services in the future. The feedback obtained from these surveys is not just a formality; it is a catalyst for action. The results will be meticulously analysed to identify areas for improvement, with the aim of enhancing overall job satisfaction and engagement within extended workforce.

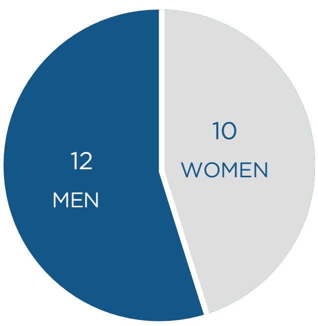
7.14.1 Diversity

Through its partners, Summus Group has employees across a range of age groups, including younger workers who bring fresh perspectives and ideas, as well as more experienced workers who can provide mentorship and guidance to their colleagues. At the same time, like many other companies, Summus Group has a higher percentage of employees in the 30-50 age range, which is associated with productivity, experience, and career development.

In terms of gender diversity, Summus Group strives to have equal representation of men and women across all levels of the organization, this includes leadership positions.

Estonian	41%
Lithuanian	9%
Latvian	5%
Russian	45%
Total	**100%**

Native language spoken among employees



Number of employees by gender

group	Men %	Women %	Total %
18-25	0%	5%	5%
26-33	9%	18%	27%
34-41	14%	9%	23%
42-49	9%	14%	23%
50-57	14%	9%	23%
Total	**45%**	**55%**	**100%**

Employee and subcontractor per age group

7.14.2 Adequate wages

Summus Group's partners examine the average wage that other companies within the same industry are paying their employees for similar positions and responsibilities.

The Group's partners research the relevant industry and look at data from sources such as government statistics, industry publications, and salary surveys. This information can provide a benchmark to assess whether the wages being paid to employees are competitive and fair. With any new hiring market comparison is being made by using HR industry professionals.

Additionally, the Group's partners regularly review employee compensation and benefits to ensure that they remain competitive and fair in comparison to industry standards and to retain top talent. Employers also consider feedback from employees on their compensation and benefits to address any concerns and make improvements where necessary.

7.14.3 Training and skills development

Summus Group partners offer various opportunities to employees for self-improvement, and two of the most common ones are individualized training plans, self-development, and team events.

Individualized training plans refer to customized learning programs created specifically for an employee based on their skills, goals, and the needs of the organization. These training plans include various methods of learning such as attending workshops, courses, online training, and mentoring programs. In some cases, personal coaching is provided.

Self-development and team events provide employees with opportunities to learn from one another, collaborate, and build relationships with colleagues. These events range from team-building exercises to group workshops, seminars, and conferences. They enable employees to develop a range of skills such as communication, leadership, problem-solving, phycology and teamwork, which are essential for their professional growth and advancement.

7.14.4 Health and safety indicators

Summus Group partners provide a comfortable office environment for their employees with ergonomic furniture, good lighting, comfortable temperatures, and low noise levels. Employees have access to amenities such as a kitchen or break room, a nearby gym or exercise facility, and free snacks or drinks.

However, even in a comfortable office environment, there are still potential hazards that could arise, which is also relevant to subcontractors. Some possible hazards could include:

- Electrical hazards: Faulty wiring, overloaded power sockets, or exposed wiring can lead to electrical shocks or fires.
- Ergonomic hazards: Prolonged sitting or standing, improper posture, or repetitive motions can cause musculoskeletal disorders, such as back pain, carpal tunnel syndrome, or tendonitis.
- Indoor air quality: Poor ventilation or exposure to pollutants, such as mold or chemicals from cleaning supplies, can lead to respiratory problems or other health issues.
- Psychological hazards: High levels of stress, harassment, or bullying can negatively impact employees' mental health and well-being.

Summus Group partners place a high priority on the health and well-being of their employees. Monthly compensation to employees for health and training expenses are offered in accordance with Estonian law. Any potential workplace hazards are proactively identified and mitigated to ensure the team's safety and well-being. This includes regular safety audits, training sessions on safe work practices, and the implementation of robust policies and procedures to reduce the risk of workplace accidents and injuries.

The key components of an occupational safety management system (OSMS) include:

- Policy: A written statement that outlines the organization's commitment to workplace safety and health.
- Planning: The identification and assessment of potential hazards in the workplace, as well as the development of strategies to mitigate these risks.

- Implementation: The deployment of the policies and procedures developed in the planning stage, including the allocation of resources, training of employees, and establishment of communication channels.

- Measurement and evaluation: The monitoring and measurement of the effectiveness of the OSMS in identifying and controlling workplace hazards.

- Review and improvement: A continuous process of reviewing and improving the OSMS to ensure its ongoing effectiveness and to adapt to changes in the workplace and the external environment.

7.14.5 Work-life balance

As Summus Group partner's employees are high achievers and result-oriented, it has to be ensured that they have a good work-life balance.

Here are some ways the Group's partners help their employees maintain work-life balance:

- Flexible Working Hours: this means allowing employees to work from home or offering part-time or job-share opportunities. A combination of office and home office is allowed and mixing them is encouraged. A cross-work-related teams communication is favoured.

- Paid Time-Off: the employees get paid time off for vacations, personal days, and holidays. Additionally, paid parental leave for new mothers and fathers are offered.

- Wellness: Providing wellness financial support, such as paying part of gym memberships, and mental health support.

- Childcare Support: Employees are enabled parental leave and a flexible schedule. Children and domestic animals are welcome in the office.

- Monitoring Leave: Employees' use of leave is monitored, such as parental or sick leave, to ensure that the employees are taking the necessary time off to rest and recharge.

7.15 Governance

In the Governance aspect of ESG framework, the Supervisory and Management Board of Summus Group plays a critical role in overseeing KPIs, targets, and strategic actions. These elements are rigorously reviewed on a quarterly basis, setting the stage for the subsequent period's initiatives.

The Group's commitment to data integrity is evident through meticulous data collection processes, bolstered by precise methodologies and automated systems, ensuring accuracy and alignment with ESG frameworks. Such diligence underpins the credibility of the Group's ESG disclosures.

Both Management and Supervisory Board members maintain an active role in monitoring ESG performance, ensuring that strategies are yielding the desired outcomes. This involves a continuous cycle of reviewing ESG metrics, identifying improvement opportunities, and adjusting ESG approaches accordingly.

7.16 Anti-money laundering (AML)

AML procedures are essential for Summus Group, reinforcing the integrity and legality of financial dealings within the real estate sector. They are integral to the Group's regulatory compliance and ethical business operations, safeguarding against financial crimes and solidifying standing as a trustworthy and responsible market player.

At Summus Group, AML practices are vital in preventing the misuse of Group companies in financial crimes, thereby protecting the Group's reputation and financial stability.

Summus Group's applied procedures include:

- Customer Due Diligence (CDD): Verification of the identities of clients, such as buyers, sellers, tenants, and contractors, assessing their risk levels for potential money laundering or terrorist financing activities.

- Enhanced Due Diligence (EDD): For clients presenting higher risks, like politically exposed persons (PEPs) or those with unusual transaction patterns, a thorough due diligence is conducted to gain a comprehensive understanding of their backgrounds and business relations.

- Suspicious Activity Monitoring: Transaction monitoring systems detect signs of irregularities, prompting further investigation into unexplained funds or atypical transaction behaviours.

- Internal Controls: To ensure AML compliance, the Group has implemented stringent internal controls, including employee training on AML protocols, appointing a compliance officer, and performing regular risk assessments.

- Record Keeping: Detailed records of all transactions, customer verification details, and pertinent documentation are meticulously maintained as part of real estate management services.

- Reporting: Any identified suspicious activities are promptly reported to the appropriate legal or financial authorities.

Through these structured AML strategies, Summus Group maintains a proactive stance in the prevention of financial misconduct and the promotion of a secure financial environment within its operations.

7.17 Summary

Summus Group in cooperation with Green Formula Capital is proactively advancing its ESG management practices in response to emerging regulations, such as the Corporate Sustainability Reporting directive, which mandates comprehensive sustainability reporting by 2025. This proactive stance is driven by growing investor demand for transparency and the trend towards socially responsible investing.

As part of commitment to sustainable growth, Summus Group is setting comprehensive ESG goals to lessen environmental impact, uphold social responsibility, and maintain sound governance practices. By transparently tracking and communicating its progress, the Group affirms its dedication to a sustainable future.

Summus Group rigorously evaluates the environmental and social impacts of its activities, identifying key risks and opportunities that influence its strategic direction and financial performance. The Group’s alignment of ESG goals with business objectives ensures that efforts to mitigate environmental impacts complement its pursuit of business growth and profitability.

Summus Group invests in sustainable technology, incorporating green building materials, renewable energy sources, and energy-efficient designs into property development and management. Adherence to recognized environmental standards, such as BREEAM or LEED, demonstrates the Group’s commitment to compliance and transparency.

Engaging stakeholders, including tenants, investors, and the broader community, is integral to Summus Group’s sustainability endeavours. The Group promotes a collective commitment to environmental responsibility through active engagement and collaboration.

Sustainability is integrated into the Groups operations, with business processes aligned with ESG goals and sustainability criteria embedded in procurement and investment decisions. Employee training and development programs introduced by Summus Group partners and monitored by the Group also prioritize sustainability considerations.

Summus Group is committed to diligently stewarding its ESG portfolio, with the expert guidance and partnership of Green Formula Capital. Management and Supervisory Board members ensure accurate reporting and communication of the organization's ESG performance to stakeholders, fostering transparency and accountability across all levels.

8. CORPORATE GOVERNANCE

The Supervisory Board of Summus Capital consists of three members. The Chairman of the Supervisory Board of Summus Capital is Boris Skvortsov, who is also the owner of Summus Capital. Other Supervisory Board members are Renats Lokomets and Vykintas Misiunas.

BORIS SKVORTSOV

Chairman of the Supervisory Board

RENATS LOKOMETS

Supervisory Board member

VYKINTAS MISIUNAS

Supervisory Board member

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

HANNES PIHL

Investment management Management Board member

AAVO KOPPEL

Finance Management Board member

EVALDAS CEPULIS

Asset management Management Board member

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

Management meetings structure

Over past years, Summus Group has maintained a robust and efficient meeting structure that ensures seamless operations across all levels of management and operational teams. Meeting and decision-making setup is designed to cater to various operational and management needs on a weekly and quarterly basis, leveraging modern technology to bridge distances and ensure timely communication across regional teams.

Operational management

Operational management meetings occur on a weekly basis, allowing to address immediate operational needs, review ongoing projects, and strategize for future development. Utilization of digital channels facilitates real-time decision-making and allows for rapid adjustments to operational strategies as needed.

Quarterly Supervisory Board meetings

Quarterly Supervisory Board meeting brings together the council, management team, and occasionally, external advisors. This forum is designed to review broader strategic initiatives, financial performance, and market positioning. It provides an opportunity for a comprehensive analysis of operations and external environment, ensuring that strategic direction aligns with current market conditions and long-term objectives.

Control Mechanisms

Control mechanisms are structured to ensure robust oversight and accountability at various levels of the organization, from individual projects to the overall strategic direction of the Group.

Each board within operational entities consists of two members, with clearly defined roles to ensure efficiency and effective governance. Elevating governance structure, Summus Capital board comprises three members, reflecting an expanded scope of responsibility and strategic oversight.

To ensure the highest standards of governance and operational integrity across Pan-Baltic operations, Summus Group has established a comprehensive suite of control mechanisms.

Beyond the foundational board structures within operational entities and Summus Capital, the Group implements several layers of oversight. These layers include operational controls, financial controls, and strategic review processes, each tailored to specific areas of our business.

Operational control for money flows means that two persons – property manager and investment manager - confirm any transaction in a trackable system, ensuring that all financial activities are authorized and documented. Accountants base their account records on those confirmations. From there payments are imported to banks where persons with rights approve the payments.

Central to Summus Group's control mechanisms is a robust risk management framework. This framework identifies potential risks at both the project and organizational levels, from market fluctuations to regulatory changes. By proactively managing these risks, the Group safeguards it's assets, ensures compliance, and maintains the trust of stakeholders bearing sustainability in focus.

Summus Group employs sophisticated performance tracking and reporting tools. These tools not only measure financial performance but also track operational efficiency, project milestones, and compliance with internal and external standards. Monthly, quarterly and annual reports are generated to provide management and supervisory board with the insights needed to make informed decisions.

Audits at different levels are included into activities of the Group. Internal risk review and audit is performed monthly. Third party project and portfolio-based independent risk review is performed on a quarterly basis. Financial audit is performed by Big-4 audit companies for Summus Capital and its subsidiaries. This collaboration ensures that our financial statements and operations undergo rigorous independent evaluation, providing confidence to our stakeholders in the accuracy and transparency of our financial reporting.

In implementing these control mechanisms, Summus Group not only adheres to high standards of governance and operational excellence but also positions itself for sustainable growth and success in the competitive Pan-Baltic real estate market. The Group's commitment to robust control and oversight is a testimony to our dedication to excellence and accountability in all our endeavours. Through a blend of internal expertise, external auditing, and specialized advisory support, Summus Group ensures the highest levels of transparency, accountability, and operational integrity.

9. OVERVIEW OF EXPECTED DEVELOPMENTS IN THE NEXT FINANCIAL YEAR

In 2024, the Group plans to continue its current operations. The focus with the existing properties will be on pro- active communication with tenants, development of the tenant portfolio, though after new developments in Riga Plaza and Auriga, there will be rather limited vacancies, and execution of the Group's ESG plan. The Group's Estonian entities refinance their loan portfolio from one Estonian bank to another with the purpose of enhancing potential credit lines for future acquisitions. The Group will keep a close eye on market developments and, should suitable opportunities arise, may consider investments into expansion of existing properties as well as further expansion of the portfolio via acquisition of new properties. At the same time, in case of lucrative offers, the disposal of the existing properties can be considered.

The management assesses that the Group will continue to operate and develop over the next 12 months and beyond. The management will continue to monitor potential changes in 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)	Note	31.12.2023	31.12.2022
ASSETS			
Current assets			
Cash and cash equivalents		15 923 835	16 407 648
Trade receivables and other receivables	8	3 900 309	5 748 670
Inventories		4 301	3 337
Total current assets		**19 828 445**	**22 159 655**
Non-current assets			
Trade receivables and other receivables	8	39 600	63 360
Financial assets from derivative instruments	17	2 515 218	6 980 358
Fixed assets	9	2 097 394	2 183 114
Intangible assets	9	3 771	-
Other financial investments	10	125 000	-
Investment property	11	401 247 082	397 697 082
Total non-current assets		**406 028 065**	**406 923 914**
Total assets		**425 856 510**	**429 083 569**
LIABILITIES			
Current liabilities			
Lease obligations		72 639	35 989
Trade payables and other payables	12	5 236 430	5 282 405
Interest-bearing loans and borrowings	14	17 768 649	8 444 141
Tax liabilities		601 357	550 537
Liabilities from derivative instruments	17	404 613	76 835
Total current liabilities		**24 083 688**	**14 389 908**
Non-current liabilities			
Deferred income tax	16	10 877 297	9 699 343
Lease obligations		2 144 327	2 216 966
Provisions	13	10 341 224	5 935 177
Interest-bearing loans and borrowings	14	198 631 616	217 488 175
Total non-current liabilities		**221 994 464**	**235 339 660**
Total liabilities		**246 078 152**	**249 729 568**
Owner’s equity			
Share capital	18	1 200 000	1 200 000
Voluntary reserve		78 913 462	78 913 462
Subordinated loans		17 366 923	23 998 259
Retained earnings		73 333 206	66 335 644
Equity attributable to the shareholders of the parent company		**170 813 591**	**170 447 364**
Non-controlling interest		8 964 767	8 906 637
Total owners’ equity		**179 778 358**	**179 354 001**
Total liabilities and owners’ equity		**425 856 510**	**429 083 569**

The notes on pages 49 to 77 of 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)	Note	2023	2022
Sales revenue	19	39 054 870	39 037 566
Other operating income	20	4 114 260	3 267 006
Goods, raw materials, and services	21	-11 539 480	-14 068 700
Other operating expenses	22	-2 197 981	-7 633 525
Labour expenses	24	-127 871	-143 637
Depreciation and impairment	9	-87 169	-3 273 445
Other expenses	25	-5 542 713	-7 788 146
Operating profit		**23 673 916**	**9 397 119**
Profit from subsidiaries	23	-	3 799 977
Interest income		395 216	-
Interest expenses	26	-11 281 802	-7 881 488
Other financial income and expenses	27	-3 147 608	10 441 655
Profit before income tax		**9 639 722**	**15 757 264**
Income tax	16	-1 177 056	-1 255 339
Net profit		**8 462 666**	**14 501 925**
Share of net profit of the owners of the parent company		8 404 536	13 953 927
Share of net profit of non-controlling interest		58 130	547 998
Comprehensive income of the financial period			
Share of comprehensive income of owners of the parent company		8 404 536	13 953 927
Share of non-controlling interest of comprehensive income		58 130	547 998

The notes on pages 49 to 77 of the consolidated financial statements form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2023	2022
Cash flow from operating activities			
Operating profit		**23 673 916**	**9 397 119**
Adjustments			
Fixed asset depreciation, intangible asset amortisation and asset impairment		87 170	3 263 367
Investment property revaluation	11	-1 897 035	5 362 763
Other adjustments		1 615 679	10 250 854
Total adjustments		**23 479 730**	**28 274 103**
Change of inventory		-1 199	-424
Change in trade and other receivables	8	320 162	2 009 771
Change in trade and other payables	12	4 028 854	3 606 752
Net cash flow from operating activities		**27 827 547**	**33 890 202**
Cash flow from investing activities			
Investment property acquisition and improvements	11	-1 643 341	-1 001 762
Investment property sales		-	1 690 000
Equity investments		-125 000	-15 656 985
Loans granted		-	-3 000 000
Loans repaid		2 000 000	96 000
Loan interest received		200 216	-
Net cash flow from investing activities		**431 875**	**-17 872 748**
Cash flow from financing activities			
Loans received		-	68 223 344
Loans repaid		-16 606 768	-68 669 492
Interest paid		-11 824 976	-11 555 277
Dividends paid		-	-2 378 190
Capital lease payments		-311 491	-316 281
Net cash flow from financing activities		**-28 743 235**	**-14 695 896**
Total cash flow		**-483 813**	**1 321 559**
Cash and cash equivalents at the beginning of the year		16 407 648	15 086 089
Cash and cash equivalents at the end of the year		**15 923 835**	**16 407 648**

The notes on pages 49 to 77 of the consolidated financial statements form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Voluntary reserve	Subordinated loans	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 31.12.2021	**1 200 000**	**78 913 462**	**27 594 495**	**54 242 398**	**161 950 355**	**8 358 639**	**170 329 632**
Current year profit	-	-	-	13 953 980	**13 953 980**	547 998	**14 501 978**
Dividends	-	-	2 165 734	-	**2 165 734**	-	**2 165 734**
Subordinated loan principal payments	-	-	-5 761 970	-	**-5 761 970**	-	**-5 761 970**
Subordinated loan interest	-	-	-	-1 860 734	**-1 860 734**	-	**-1 860 734**
Balance at 31.12.2022	**1 200 000**	**78 913 462**	**23 998 259**	**66 335 644**	**170 447 365**	**8 906 637**	**179 354 002**
Current year profit	-	-	-	8 404 536	**8 404 536**	58 130	**8 462 666**
Subordination of loan obligations	-	-	1 287 927	-	**1 287 927**	-	**1 287 927**
Subordinated loan principal payments	-	-	-7 919 660	-	**-7 919 660**	-	**-7 919 660**
Subordinated loan interest	-	-	-	-1 287 927	**-1 287 927**	-	**-1 287 927**
Other	-	-	397	-119 047	**-118 650**	-	**-118 650**
Balance at 31.12.2023	**1 200 000**	**78 913 462**	**17 366 923**	**73 333 206**	**170 813 591**	**8 964 767**	**179 778 358**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. GENERAL INFORMATION

Summus Capital OÜ (hereinafter "Parent Company" or "Company") is a company incorporated in the Republic of Estonia on April 22, 2015. The registered office of the Parent Company is located at Rotermanni St. 2-3b, Tallinn 10111, Republic of Estonia. Apart from Estonia, the Company actively operates through subsidiaries in Latvia and Lithuania. The consolidated financial statements of Summus Capital OÜ for the year ended December 31, 2023, includes the Parent Company and its subsidiaries (hereinafter the "Group"). The principal operations of the Group involve real estate leasing. On the reporting date, Summus Capital OÜ holds interests in the following subsidiaries:

Name	Country	Share capital (in nominal value)	Group share 31.12.2023	Group share 31.12.2022
Lepidus Invest OÜ	Estonia	2 500	99%	99%
Votum Invest OÜ	Estonia	2 500	99%	99%
Princepts Capital OÜ	Estonia	2 500	99%	99%
Voluntas Invest OÜ	Estonia	2 500	99%	99%
Veerenni Tervisekeskus OÜ	Estonia	2 500	99%	99%
Procedo Capital OÜ	Estonia	2 500	99%	99%
UAB Vikingu 3	Lithuania	8 000 000	89%	89%
UAB Nordika Prekybos sienis	Lithuania	2 005 524	100%	100%
UAB PT Vakarai	Lithuania	2 000 000	100%	100%
UAB PT Rytai	Lithuania	4 000 000	100%	100%
UAB Zenith Turto Valdymas	Lithuania	2 050 000	100%	100%
Vikingi 2 SIA	Latvia	1 952 800	100%	100%
SIA Parupes Bumani	Latvia	2 700 000	100%	100%
RCH Management SIA	Latvia	10 533 706	100%	100%
Loft Office SIA	Latvia	2 800	89%	89%
LSREF3 Riga Plaza SIA	Latvia	5 504 800	100%	100%
PLP SIA	Latvia	1 428 064	100%	100%

NOTE 2. BASIS FOR PREPARING THE FINANCIAL STATEMENTS

The Group's Report for the fiscal year ended 31 December 2023 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. These consolidated financial statements represents the third IFRS consolidated report of the Group.

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

These consolidated financial statements have been approved by the Group's Management Board on April 29, 2024. Pursuant to the Estonian Commercial Code, the Annual Report is subject to approval by the shareholders' meeting.

The shareholders' meeting retains the right to withhold approval of the Annual Report submitted by the Management Board and may request the preparation of a new Annual Report for submission.

Application of going concern principle

The Group's management has assessed the future consolidated financial position, financial results, and cash flows, concluding that the going concern principle applies in the preparation of these financial statements.

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 Report, 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.

Assumptions and estimation uncertainties

Information about the uncertainty of assumptions and estimates at the reporting date, which has a significant risk of a significant adjustment of the carrying amount of assets and liabilities in the next financial year, is presented in the following notes:

- Real estate investments are valued at fair value as of the reporting period end date. The determination of fair value is conducted by an independent certified valuator. The discounted cash flow method serves as the primary approach for assessing fair value. Additional information on valuation methodology and assumptions used can be found in Notes 6 and 11.

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 transferring 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 favourable to the asset or liability.

The Group must have access to the core market or most favourable 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 considers 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 11 Investment Property

NOTE 5. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED

The Group applies certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. These new standards and amendments did not have a material impact on the consolidated annual financial statements of the Group when initially applied.

Standards, interpretations and amendments to published standards that are not yet effective

The following new standards, interpretations and amendments are not yet effective for the annual reporting period ended 31 December 2023 and have not been applied in preparing these consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants.
(Effective for annual periods beginning on or after 1 January 2024)

In January 2020 and October 2022, the Board issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback
(Effective for annual periods beginning on or after 1 January 2024)

The amendments to IFRS 16 Leases impact how a seller-lessee accounts for variable lease payments in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019. The amendments confirm the following:

- on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction;
- after initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. These amendments do not change the accounting for leases other than those arising in a sale and leaseback transaction.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements

(Effective for annual periods beginning on or after 1 January 2024)

The amendments introduce additional disclosure requirements for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk. The amendments apply to supplier finance arrangements (also referred to as supply chain finance, payables finance or reverse factoring arrangements) that have all of the following characteristics:

- a finance provider (also referred to as the factor) pays amounts a company (the buyer) owes its suppliers;
- a company agrees to pay under the terms and conditions of the arrangements on the same date or at a later date than its suppliers are paid.
- the company is provided with extended payment terms or suppliers benefit from early payment terms, compared with the related invoice payment due date.

However, the amendments do not apply to arrangements for financing receivables or inventory.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability

(Effective for annual periods beginning on or after 1 January 2025)

Under IAS 21 The Effects of Changes in Foreign Exchange Rates, a company uses a spot exchange rate when translating a foreign currency transaction. In some jurisdictions, no spot rate is available because a currency cannot be exchanged into another currency.

IAS 21 was amended to clarify:

- when a currency is exchangeable into another currency; and
- how a company estimates a spot rate when a currency lacks exchangeability. The amendments also include additional disclosure requirements to help users to assess the impact of using an estimated exchange rate on the financial statements.

The Group does not expect the amendments and new standards to have a material impact on its financial statements when initially applied.

NOTE 6. MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of this consolidated report 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 reports 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 report 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 that are subject to an insignificant risk of changes in value.

The statement of cash flows is prepared using the indirect method, where the net cash flow of operating activities is determined by adjusting the operating profit or loss for the profit or loss related to investment or financing activities, the impacts of non-monetary transactions and changes in current assets and current liabilities related to operating activities. Cash flows from investing and financing activities are presented using the direct method, which means that receipts and disbursements 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 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 re-translated 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 on 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 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 on derecognition are recognized in the income statement.
Financial assets at fair value with changes through profit or loss account	The group uses interest rate swap and interest rate cap agreements (Cap) as 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 on derecognition are recognized in net income.

The group uses interest rate swap and interest rate cap agreements (Cap) as derivative instruments to cover interest rate risks. An interest rate swap is initially recognized at its fair value on the contract date and is subsequently revalued based on changes in the instrument's fair value. If the fair value is positive, the derivative is recognized as an asset, and if it is negative, it is recognized as a liability.

Income from interest rate cap agreements is recognized if the actual interest rate exceeds the cap specified in the agreement. Profits and losses arising from changes in the fair value of derivative instruments are recognized in the profit and loss statement of the reporting period, except for such derivative instruments that qualify under the special rule for reporting instruments acquired for hedging purposes (hedge accounting). There have been no recent ones in the 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 flows 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 it 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, cancelled, 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 residual book value of a terminated financial liability or a financial liability (or part of a financial liability) transferred to another party and the consideration paid, including any transferred non-monetary assets or assumed liabilities, 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 the 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 assets is reduced by the decrease in the value of the financial assets reflected in the adjusted acquisition cost.

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 expenditures on an item of tangible fixed assets are included in the cost of the asset only if it is probable that, in the future, the Group will receive economic benefits from the expenditures made. 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 3 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: 3 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 carrying amount 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 carrying amount, 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 on 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 carrying amount 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 carrying amount of goodwill allocated to the unit and then to reduce the carrying amount 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 analysed at least once a year at the end of the reporting period. Impairment losses are reversed, and the asset is increased to the maximum carrying amount 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 substantially all the risks and rewards incidental to ownership of the underlying asset. 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 analyses 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 recognized using the equity method in the parent company's unconsolidated statement of financial position. Under the equity method, the investment is initially recognized at its acquisition cost, which will be adjusted for any subsequent changes in the investor's interest in the investee's equity and the elimination or depreciation of the difference between fair value and 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.

In the event that the parent company's participation in the loss of the subsidiary recognized under the equity method exceeds the book value of the subsidiary, the book value of the investment is reduced to zero, and such long-term receivables, which essentially form part of the investment, are written down. Further losses are recognized outside the statement of financial position. In the event, the parent company has guaranteed or is obligated to satisfy the obligations of the subsidiary, both the corresponding obligation and the loss of the equity method are recognized in the statement of financial positions.

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 note to the 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 pay- outs, 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 (2022: 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 favourable 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 the income tax regulations of Lithuania, the company taxpayer of the respective country is obliged to pay income tax on the taxable profit earned in the reporting year. In Lithuania, the income tax rate was 15% in 2023 (2022: 15%).

v. Deferred income tax

Deferred income tax is recognized in connection with temporary differences that arise between the accounting values of assets and liabilities and the amounts taken as a basis for taxation.

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 arise 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. Government grants

Grants that compensate the expenses made by the Group are recognized in the profit and loss statement as other income systematically in the periods in which the expenses are recognized unless the conditions for receiving targeted financing are met after the related expenses are recognized. In this case, the grant is recognized when it becomes receivable.

N. Sales revenue

Sales revenue is measured based on the fee provided in the customer agreement. The Group recognizes sales revenue when it gives the customer control over a good or service. Invoices for resold goods and services are issued monthly 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).

Investment properties

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 assessment 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 (including 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 valuation 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 observable for the as- set (level 2);
- unobservable inputs for the assets (level 3).

The fair value of the Group’s investment properties is estimated using level 3 inputs. Additional information regarding the assumptions used is presented in Note 11.

O. Related parties

The Group considers a party to be related if one party has control over the other party or significant influence over the other party’s business decisions. The Group’s related parties are:

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

The consolidated financial statements reflect significant matters affecting the measurement of assets and liabilities, which occurred between the end of the reporting period and the date of the report but relate to transactions during the reporting period or earlier periods. Events at the end of the reporting period that have not been taken into account in the valuation of assets and liabilities, but which significantly affect 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. Classification and fair values

The Group’s management has estimated that the fair value of the loans is equal to their book value since the interest rates applied to the contracts correspond to the market interest rates.

The following table shows the book values and fair values of financial assets and 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 if the carrying amount is a reasonable approximate value of fair value.

	Book value		Fair value	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Financial assets measured at adjusted acquisition cost				
Cash and cash equivalents	15 923 835	16 407 648	-	-
Trade receivables and other receivables	3 939 909	5 812 030	-	-
Financial investments	125 000	-	-	-
Financial assets measured at fair value				
Financial assets from derivative instruments	2 515 218	6 980 358	2 515 218	6 980 358
Total	**22 503 962**	**29 200 036**	**2 515 218**	**6 980 358**
Financial liabilities measured at adjusted acquisition cost				
Accounts payable	5 236 430	5 282 404	-	-
Loans and borrowings	216 400 265	225 932 316	-	-
Lease obligations	2 216 966	2 252 955	-	-
Financial liabilities measured at fair value				
Liabilities from derivative instruments	404 613	76 835	404 613	76 835
Total	**224 503 066**	**233 544 510**	**404 613**	**76 835**

B. Financial risk management

i. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a party to a financial instrument fails to meet its contractual obligations and arises primarily from the Group's trade receivables. Money on bank deposits and other receivables and financial assets are also 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 to 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 further mitigated by requiring deposits 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 recognized in the income statement were as follows:

(EUR)	2023	2022
Accrual for doubtful debts at the beginning of the period	**385 247**	**289 364**
Accrual increase during the period	-	95 883
Accrual decrease during the period	-9 921	-
Unrecoverable debt write-off	-80 558	-
Accrual for doubtful debts at the end of the period	**294 768**	**385 247**

The Group 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.

In credit risk management, it is mainly monitored that the Group does not develop significant concentrations of accumulated credit risk. The Group's activity for preventing and minimizing credit risk consists of daily monitoring and directing the payment behaviour of customers, which enables prompt implementation of necessary measures. Since, in the case of many real estate transactions, the counterparty of the transaction is financed through credit institutions, in order to mitigate risks, cooperation is also carried out with various banks that finance the transactions. As a result, the Group considers the total risk resulting from the insolvency of customers to be hedged to a significant extent.

Cash and cash equivalents

On 31 December 2023, the Group had cash and cash equivalents in amount of EUR 15 923 835 (31.12.2022: EUR 16 407 648). The Group's cash and cash equivalents are kept in different banks, which reduces the credit risk associated with bank deposits. The credit ratings of the banks whose services the Group uses the most and where almost all of the Group's funds are deposited as of 31.12.2023 are from Baa1 to A3 based on the credit ratings of 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 circumstances:

- the ability of the Group's companies to independently generate positive net cash flows from business activities and the volatility of said cash flows;
- the mismatch of maturities of assets and liabilities and flexibility in changing 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.

Short-term liquidity management is primarily based on the Group's constantly monitored monthly cash flow forecast. The goal of short-term liquidity management is to ensure the availability of a sufficient amount of highly liquid funds. Short-term liquidity management in companies located in Estonia and outside Estonia is mainly carried out through intra-group borrowing from the Parent Company.

Long-term liquidity management is most influenced by investment decisions. Investments are made on the principle that the net cash flows of the business activities of the companies, together with the net cash flows of the investment activities, must cover the Group's cash outflows from financing. Thus, the goal of long-term liquidity management is to ensure sufficient liquidity in 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 investment activities do not differ significantly from the terms and amounts of cash flows from financing activities.

As of 31.12.2023, the Group's working capital is negative in the amount of EUR 4.3 million (in 2023: positive EUR 7.8 million). Negative working capital is mainly due to EUR 10 million bond issue which expires in June 2024. The company plans to issue new bonds to, among other, refinance the currently outstanding bonds during the 1st half of 2024.

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.

			Contractual cash flows	
As of 31.12.2023	**Book value**	**12 months**	**1-5 years**	**Over 5 years**
Trade payables	5 236 430	2 586 019	2 650 411	-
Loans and borrowings	216 400 265	17 768 649	198 631 616	-
Liabilities from derivative instruments	404 613	404 613	-	-
Lease obligations	2 216 966	230 082	966 344	1 020 540
Total	**224 258 274**	**20 989 363**	**202 248 371**	**1 020 540**

			Contractual cash flows	
As of 31.12.2022	**Book value**	**12 months**	**1-5 years**	**Over 5 years**
Trade payables	5 282 404	2 364 562	2 917 842	-
Loans and borrowings	225 932 316D	8 444 141	217 488 175	-
Liabilities from derivative instruments	76 835	76 835	-	-
Lease obligations	2 252 955	240	383 470	1 869 245
Total	**233 544 510**	**10 885 778**	**220 789 487**	**1 869 245**

iii. 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 a financial instrument will fluctuate because of changes in foreign ex- change rates.

The main currency of the Group is euro (EUR). In 2023 and 2022, the Group had no significant assets or liabilities in any currency other than the 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 flow of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk when using loans with a floating interest rate, refinancing liabilities when the maturity date arrives, and involving new loans to implement the investment plan in a situation where volatility in the 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 and cap agreements to hedge its interest rate cash flow risk. As of 31.12.2023, 82% of the reported loan obligations are loan obligations with a floating interest rate. Interest rate swap and cap agreements mature between 17.12.2024 and 15.04.2028. As of end of 2023, 55% on the outstanding loan balances were hedged.

The bonds of the Group, certain bank loans, loans of the owner, and other related parties have a fixed interest rate and do not depend on changes in the money market. However, most of long-term bank loans are linked to Euribor, which is why they are 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 interest rate curve of the money market, which expresses the expectations of market participants regarding market interest rates and enables the assessment of the trend in the development of euro interest rates. In 2022, Euribor turned positive, and in connection with this, the Company's floating interest rate loan obligations, in which no interest rate risk hedging instruments were used, became more expensive.

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

C. Capital management

The Group's policy is to maintain a strong capital base 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 as of 31.12.2023 and 31.12.2022 was as follows:

(EUR)	31.12.2023	31.12.2022
Total liabilities	246 078 152	249 729 568
Minus: Cash and cash equivalents	-15 923 835	16 407 648
Net debt	**230 154 317**	**233 321 920**
Total shareholder's equity	**179 778 358**	**179 354 003**
The ratio of net debt to total equity	**1.28**	**1 30**

NOTE 8. TRADE RECEIVABLES AND OTHER RECEIVABLES

(EUR)	31.12.2023	31.12.2022
Trade receivables	2 203 400	2 347 625
Receivable from related party (Note 28)	1 000 000	3 000 000
Deferred expenses	321 807	101 566
Accrued interest for receivable from related party (Note 28)	207 500	207 500
Accrued income	118 165	95 604
Tax advances	15 838	30 068
Other receivables	73 199	29 667
Total	**3 939 909**	**5 812 030**
Non-current part	39 600	63 360
Current part	3 900 309	5 748 670
Total	**3 939 909**	**5 812 030**

Short-term receivable from related party in amount of EUR 1 000 000 (2022: EUR 3 000 000) bears 10% annual interest rate (Note 28).

NOTE 9. FIXED ASSETS AND INTANGIBLE ASSETS

Fixed assets

	Other tangible fixed assets	Right-of-use assets	Prepayments	Total
Acquisition cost as at 31.12.2022	150 063	2 331 582	2 918	**2 484 563**
Accumulated depreciation at 31.12.2022	-111 956	-189 493	-	**-301 449**
Net book value as at 31.12.2022	**38 107**	**2 142 089**	**2 918**	**2 183 114**
Depreciation for the year	-22 717	-63 003	-	**-85 720**
Acquisition cost as at 31.12.2023	150 063	2 331 582	2 918	**2 484 563**
Accumulated depreciation as at 31.12.2023	-134 673	-252 496	-	**-387 169**
Net book value as at 31.12.2023	**15 390**	**2 079 086**	**2 918**	**2 097 394**

Since January 1, 2021, the group has applied the standard IFRS 16 “Leases”. When applying IFRS 16, the group recognized leases that were previously classified as operating leases according to the previous accounting practice as right-of-use assets and lease liabilities. The right-of-use asset includes the right of superficies with a term until 2056 at Viru tn 15 and Viru tn 13, Tallinn.

Upon implementation of the standard on 01.01.2022, the remaining lease payments of lease agreements are discounted using an alternative loan interest rate, which is 1.82%. In implementing the standard, the group has used the following simplifications:

- Operating lease agreements with a remaining lease period of up to 12 months or from 01.01.2022, assets of low value are recognized as short-term operating leases;
- direct costs related to the conclusion of the lease agreement for the leased property are excluded on the date of implementation
- the rental period is determined based on the options in the agreement to extend or terminate the lease agreement.

Right-of-use assets are recognized using the acquisition cost method.

Intangible assets

(EUR)	Other intangible assets	Total
Acquisition cost as at 31.12.2022	12 574	**12 574**
Accumulated depreciation at 31.12.2022	-12 574	**-12 574**
Net book value as at 31.12.2022	**-**	**-**
Acquisitions during the year	5 221	5 221
Depreciation for the year	-1 450	-1 450
Acquisition cost as at 31.12.2023	17 794	**17 794**
Accumulated depreciation as at 31.12.2023	-14 023	**-14 023**
Net book value as at 31.12.2023	**3 771**	**3 771**

NOTE 10. OTHER FINANCIAL INVESTMENTS

	2023	2022
13.35% shares in Consorto Global OU	125 000	-
Total	**125 000**	**-**

In April 2023 Summus decided to invest in commercial real estate deal sourcing platform Consorto Global OÜ and acquired a EUR 13 930 share (13.35% holding) in Consorto Global OÜ for EUR 125 000. The investment is recognised at cost.

NOTE 11. INVESTMENT PROPERTY

	2023	2022
Balance at the beginning of the period	**397 697 082**	**370 968 082**
Additions through purchases and improvements	1 652 965	210 936
Additions through business combinations	-	35 630 827
Disposals	-	-3 750 000
Revaluation	1 897 035	-5 362 763
Balance at the end of the period	**401 247 082**	**397 697 082**

On April 21, 2022, the Group acquired a 100% stake in RCH Management SIA, the entity owning Damme shopping centre in Riga. This transaction constituted a business combination between unrelated parties and was accounted using the purchase method. On October 28, 2022, the Group company Votum Invest OÜ finalized the divestiture of Hanza Mechanics industrial building. Following this transaction, Votum Invest OÜ remained the owner of two warehouse properties.

As of the end of 2023, the portfolio of companies belonging to Summus Capital OÜ consists of fourteen real estate properties. More information on website www.summus.ee

	Total fair value (Level 3)	Profit/loss recognized in profit or loss in 2023
Estonia - DE LA GARDIE (retail)	6 150 000	-1 634 194
Estonia - VEERENNI 1 (medical centre)	15 310 000	585 099
Estonia - VEERENNI 2 (medical centre + parking garage)	24 080 000	630 000
Estonia - AURIGA (retail)	15 200 000	253 743
Estonia - Portfolio of 2 warehouses	6 327 082	-100 117
Estonia - Punane 56 (mixed-use office)	3 800 000	-50 065
Lithuania - NORDIKA (retail)	68 670 000	1 630 000
Lithuania - PARK TOWN WEST HILL (business centre)	22 220 000	-380 000
Lithuania - PARK TOWN EAST HILL (business centre)	52 010 000	80 000
Lithuania - THE BOD GROUP (high technology centre)	27 510 000	720 000
Latvia - RIGA PLAZA (retail and investment land)	101 470 000	-586 602
Latvia - DEPO DIY (retail)	22 200 000	95 397
Latvia - DAMME (retail)	36 300 000	653 774
Total	**401 247 082**	**1 897 035**

Fair value of the properties was determined by certified valuator OÜ NEWSEC VALUATIONS EE for Estonian objects, UAB NEWSEC VALUATIONS for Lithuanian objects, and for SIA NEWSEC VALUATIONS LV Latvian objects, using Discounted Cash Flow Method and Sales Comparison Method. Changes in fair value are recognized in the profit and loss statement under other income or other operating expense.

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 (EUR)	Evaluation technique	Significant unobservable inputs	Interrelationship between unobservable inputs and fair value measurements
Industry	33 837 082	Discounted cash flow method		The expected fair value would increase (decrease) if:
			Average rental price EUR/m² (2023: 5.48 EUR/ m²; 2022: 5.38 EUR/m²)	○ the average rental price would be higher (lower)
			Expected increase in rental income (2023: 0-5%; 2022: -6.9-8.3%)	○ expected rental income growth would be higher (lower)
			Vacancy rate (2023: 0%; 2022: 0%)	○ the vacancy rate would be lower (higher)
			Discount rate (2023: 9-9.6%; 2022: 9.2-9.4%)	○ the discount rate would be lower (higher)
			Terminal cap rate (2023: 7.5-7.8%; 2022: 7.5-7.8%)	○ the terminal cap rate would be lower (higher)
Office	117 420 000	Discounted cash flow method		The expected fair value would increase (decrease) if:
			Average rental price EUR/m² (2023: 13.49 EUR/m²; 2022: 13.34 EUR/m²)	○ the average rental price would be higher (lower)
			Expected increase in rental income (2023: 0-7%; 2022: 0-5.8%)	○ expected rental income growth would be higher (lower)
			Vacancy rate (2023: 0-6.9%; 2022: 0-6.4%)	○ the vacancy rate would be lower (higher)
			Discount rate (2023: 7.8-10.2%; 2022: 7.8-10.2%)	○ the discount rate would be lower (higher)
			Terminal cap rate (2023: 6-8.3%; 2022: 6.0-8.3%)	○ the terminal cap rate would be lower (higher)
Retail	249 990 000	Discounted cash flow method		The expected fair value would increase (decrease) if:
			Average rental price EUR/m² (2023: 12.75 EUR/m²; 2022: 13.02 EUR/m²)	○ the average rental price would be higher (lower)
			Expected increase in rental income (2023: -9.7-6%; 2022: 0-8.3%)	○ expected rental income growth would be higher (lower)
			Vacancy rate (2023: 0-26% 2022: 0-37%)	○ the vacancy rate would be lower (higher)
			Discount rate (2023: 7.8-11%; 2022: 8.6-11%)	○ the discount rate would be lower (higher)
			Terminal cap rate (2023: 6-8.3%; 2022: 6.8-8.3%)	○ the terminal cap rate would be lower (higher)

NOTE 12. TRADE PAYABLES AND OTHER LIABILITIES

(EUR)	31.12.2023	31.12.2022
Rental deposits	2 511 761	2 779 192
Trade payables	1 439 710	1 674 749
Accrued interest	170 075	25 016
Deferred income	414 867	481 602
Other liabilities	525 279	183 195
Unpaid dividends	138 650	138 650
Total	**5 236 430**	**5 282 404**
Current part	5 236 430	5 282 404

NOTE 13. PROVISIONS

(EUR)	2023	2022
Provisions for variable portion of property management fee	10 341 224	5 935 177
Total	**10 341 224**	**5 935 177**

Change in provisions during the period

(EUR)	2023	2022
Balance at the beginning of the period	**5 935 177**	**-**
Increase in provisions	4 406 047	5 935 177
Balance at the end of the period	**10 341 224**	**5 935 177**

On January 8, 2021, a subsidiary of the Group, Loft Office SIA entered into an agreement in relation to the acquisition of Riga Plaza shopping centre, with the aim of organising real estate management in a way that would enhance the company's future value. Pursuant to the terms of the agreement, Loft Office SIA is obligated to pay a 20% success fee upon the sale of Riga Plaza shopping centre or after a period of five years from the agreement's signing, contingent upon exceeding the target return.

In 2023 and 2022, the Group's management assessed potential future liabilities by compiling a five-year forecast for Riga Plaza shopping centre. The forecasts consider significant decrease of vacancy after signing agreements with new large-scale tenants in the end of 2023, a new development adding 3,800m2 of rental space and related cash flows (to be completed by end of 2024) and regular annual indexation of rentals of 2-3%. The forecasted cash flows were discounted back to December 31, 2023 using a 10% discount rate. Based on this evaluation, the estimated success fee payable amounted to EUR 10 341 225 (2022: EUR 5 935 177) as discounted to December 31, 2023. The management concluded that realization of this liability is probable and therefore recognised expense provision. The provision is presented in the profit and loss statement line “Other expenses” and balance sheet line “Provisions”.

NOTE 14. INTEREST-BEARING LOANS AND BORROWINGS

	Loan balance on 31.12.2023	Up to 1 year	2-5 years	Over 5 years
Bank loans (interest rate: EURIBOR+2.25%-3.2%, maturity: 2024-2028)	206 400 265	7 768 649	198 631 616	-
Bonds (fixed coupon: 6.75%, maturity: 2024)	10 000 000	10 000 000	-	-
Total	**216 400 265**	**17 768 649**	**198 631 616**	**-**
Total short term	17 768 649			
Total long term	198 631 616			

	Loan balance on 31.12.2022	Up to 1 year	2-5 years	Over 5 years
Bank loans (interest rate: EURIBOR+1.82%-2.5%, maturity: 2023-2026)	225 932 316	8 444 141	207 488 175	-
Bonds (fixed coupon: 6.75%, maturity: 2024)	10 000 000	-	10 000 000	-
Total	**235 932 316**	**8 444 141**	**217 488 175**	**-**
Total short term	8 444 141			
Total long term	217 488 175			

Real estate assets with a carrying value of EUR 401 247 082 (2022: EUR 397 697 082) have been pledged as collateral for bank loans. Bank loan agreements include loan covenants that prescribe the respective Group company's financial ratios to align with predefined thresholds. Failure to meet these conditions grants the bank the right to demand immediate repayment of the loan. As of the reporting date, the Group companies have met all loan covenant requirements.

In 2021, Summus Capital OÜ issued unsecured bonds in amount of EUR 10 000 000. The bond terms require the Group's consolidated DSCR on trailing twelve-month basis to be at least 1.2 and consolidated equity to total assets to be at least 30%. Both covenants have been met. The bonds have 6.75% fixed coupon rate and mature on 18.06.2024. The Company plans to issue new bonds to redeem the existing bond issue.

NOTE 15. LEASE AGREEMENTS

The Group as a lessee

The Group recognizes a right-of-use asset for the right of superficies at Viru tn 15 and Viru tn 13, Tallinn. The term of this right extends until 2056.

During the reporting period, the following amounts related to the right of superficies agreement were recorded in the comprehensive income statement:

- Depreciation expense of right-of-use assets: EUR 63 003 (2022: EUR 63 003).
- Interest expense from lease obligations: EUR 36 043 (2022: EUR 36 043)

The Group as a lessor

The Group leases commercial real estate. The leases are classified as operating leases as they do not entail the transfer of substantial risks and rewards inherent in the ownership of the underlying asset to the lessee.

Operating lease income by type.

(EUR)	2023	2022
Rental income	30 161 996	27 578 172
Total	**30 161 996**	**27 578 172**

Future non-discounted lease revenues based on active agreements at the period end.

(EUR)	2024	2025	2026	2027	2028 and after
Rental income	29 288 701	25 452 654	20 645 349	16 880 159	76 881 951

NOTE 16. INCOME TAX AND TAX LIABILITIES

	2023	2022
Income tax components		
Income tax on expenses for the reporting period	-4 783	13 458
Income tax due on dividends	-	1 261 537
Deferred income tax expenses (income)	1 181 839	-19 656
Total income tax for the reporting period	**1 177 056**	**1 255 339**

	2023	2022
Deferred income tax assets		
Tax losses	5 038 352	4 085 012
Amortization of goodwill	161 633	181 029
Deferred income tax assets before changes in value	**5 199 985**	**4 266 041**
Total deferred income tax assets	**5 199 985**	**4 266 041**
Deferred income tax liabilities		
Change in fair value of investments	-7 368 846	-6 956 346
Depreciation of investments	-8 708 436	-7 009 038
Deferred income tax liabilities before the change in value	**-16 077 282**	**-13 965 384**
Total deferred income tax liability	**-16 077 282**	**-13 965 384**
Total deferred income tax liability (net)	**-10 877 297**	**-9 699 343**

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

NOTE 17. DERIVATIVE INSTRUMENTS

	31.12.2023	31.12.2022
Financial assets from derivative instruments (Note 27)	2 515 218	6 980 358
Total	**2 515 218**	**6 980 358**

	31.12.2023	31.12.2022
Liabilities from derivative instruments (Note 27)	404 613	76 835
Total	**404 613**	**76 835**

Derivative instrument	Evaluation techniques	Level of the fair value hierarchy
Interest rate swap	The fair value of interest rate swap contracts is found as the present value of expected future cash flows based on interest curves observed in the market	2
Interest rate cap agreements (CAP)	The fair value of interest rate cap agreements (CAP) is found as the present value of expected future cash flows based on interest rate curves observed in the market	2

NOTE 18. SHARE CAPITAL

(EUR)	31.12.2023	31.12.2022
Share capital in nominal value	1 200 000	1 200 000
Number of shares	1	1

As of December 31, 2023, Boris Skvortsov is the sole shareholder of the Company. The Company's Article of Association set the share capital minimum amount at EUR 1 200 000 and the maximum amount at EUR 4 800 000. The share issued by Summus Capital OÜ is registered in the Nasdaq Depositary.

Voluntary legal reserve

In 2021, the Group established a voluntary legal reserve in amount of EUR 78 913 462. The contribution to the voluntary reserve was made through non-monetary contribution, comprising 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 Code;
- to cover the loss of the private limited company, if it cannot be covered at the expense of retained earnings of previous periods, 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 distributed to shareholder provided that the minimum equity required by the Commercial Code is maintained after the distribution is performed.

Subordinated loan

As of the end of the reporting period, loans from the owner and other related parties in amount of EUR 17 366 923 (2022: EUR 23 998 259) were recognized as subordinated loans. Subordinated loans are deemed equity instruments because they lack contractual obligations for repayment, aligning them more closely with equity than debt.

NOTE 19. SALES REVENUE

	2023	2022
Split by country		
Lithuania	18 011 415	17 370 413
Latvia	13 734 926	13 938 194
Estonia	7 308 529	7 728 959
Total	**39 054 870**	**39 037 566**
Split by type		
Rent	30 161 996	27 972 614
Advertising	499 583	440 739
Utilities and property management	8 393 291	10 624 213
Total	**39 054 870**	**39 037 566**
Split by period		
Over time	39 054 870	39 037 566
Total	**39 054 870**	**39 037 566**

Customer contract balances

Contractual assets and liabilities with customers.

	31.12.2023	31.12.2022
Trade receivables	2 203 400	2 347 625
Rental deposits and other advances received	-2 511 761	-2 779 192
Net position	**-308 362**	**-431 567**

NOTE 20. OTHER OPERATING INCOME

	2023	2022
Investment property revaluation gains (Note 11)	4 061 411	2 420 000
Other	52 849	847 006
Total	**4 114 260**	**3 267 006**

NOTE 21. GOODS, RAW MATERIALS, MATERIALS, AND SERVICES

	2023	2022
Utilities and property management expenses	-11 539 480	-14 068 700
Total	**-11 539 480**	**-14 068 700**

Utilities and property management expenses direct costs incurred in managing property. The largest costs are utilities, security, maintenance, property tax, cleaning, property management and insurance.

NOTE 22. OTHER OPERATING EXPENSES

	2023	2022
Investment property revaluation loss (Note 11)	2 164 376	7 628 142
Other	33 605	5 383
Total	**2 197 981**	**7 633 525**

NOTE 23. PROFIT FROM SUBSIDIARIES

	2023	2022
Negative goodwill	-	3 799 976
Total	**-**	**3 799 976**

On April 21, 2022, the Group acquired a 100% holding in SIA RCH Management, which owns Damme shopping centre in Riga. The purchase price was EUR 15.7 million, the value of acquired net assets was EUR 19.5 million, resulting in negative goodwill of EUR 3 799 976 which is recognized in the consolidated statement of profit or loss and other comprehensive income, line “Profit from subsidiaries”.

NOTE 24. LABOUR EXPENSES

	2023	2022
Salary	-96 353	-120 537
Social security contributions	-31 518	-23 100
Total	**-127 871**	**-143 637**
Average number of full-time employees	6	6

NOTE 25. OTHER EXPENSES

	2023	2022
Provisions for investment management success fee (Note 13)	-4 406 048	-5 935 117
Management services	-120 000	-151 604
Bank fees	-113 828	-63 224
Legal expenses	-58 885	-291 225
Advisory services	-26 970	-343 986
Impairment of trade receivables	-	-95 883
Other	-816 982	-907 107
Total	**-5 542 713**	**-7 788 146**

NOTE 26. INTEREST EXPENSES

	2023	2022
Bank loan interest	-10 488 980	-6 893 302
Bond interest	-675 000	-674 146
Third party loan interest	-	-28 699
Other	-117 822	-285 341
Total	**-11 281 802**	**-7 881 488**

NOTE 27. OTHER FINANCIAL INCOME AND EXPENSES

(EUR)	2023	2022
Profit (loss) from derivative contract revaluation (Note 17)	-3 147 608	10 441 540
Total	**-3 147 608**	**10 441 540**

Profit (loss) from derivative instruments consists of income or expense from the fair value revaluation of interest rate swaps and interest rate cap contracts.

NOTE 28. RELATED PARTY TRANSACTIONS

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

Related party transactions include transactions with executive and senior management, shareholders with significant holding, and companies under their dominant or significant influence.

2023

(EUR)	Beginning balance	Loans issued	Loans repaid	Calculated interest	Paid interest	Ending balance
Unsecured interest-bearing receivable (interest 10%, maturity: 30.09.2024)						
Principal balance	3 000 000	-	2 000 000	-	-	1 000 000
Accrued interest	12 500	-	-	295 000	100 000	207 500

(EUR)	Beginning balance	Loans issued	Loans repaid	Calculated interest	Paid interest	Ending balance
Subordinated debt (interest: 7%, termless)	23 998 657	-	7 074 716	1 287 927	844 945	17 366 923

(EUR)	Beginning balance	Increase in provisions	Decrease in provisions	Ending balance
Provisions (Note 13)	5 935 177	4 406 047	-	10 341 224

(EUR)	Beginning balance	Declared dividends	Paid dividends	Ending balance
Dividends due	138 650	-	-	138 650

(EUR)	EUR
Goods and services purchased	1 282 727
Management and supervisory board remuneration	138 650

2022

(EUR)	Beginning balance	Loans issued	Loans repaid	Calculated interest	Paid interest	Ending balance
Unsecured interest-bearing receivable (interest 10%, maturity: 30.09.2024)						
Principal balance	-	3 000 000	-	-	-	3 000 000
Accrued interest	-	-	-	12 500	-	12 500

(EUR)	Beginning balance	Loans issued	Loans repaid	Calculated interest	Paid interest	Ending balance
Subordinated debt (interest: 7%, termless)	27 594 097	-	3 613 418	2 115 641	2 098 061	23 998 259

(EUR)	Beginning balance	Increase in provisions	Decrease in provisions	Ending balance
Provisions (Note 13)	-	5 935 177	-	5 935 177

(EUR)	Beginning balance	Declared dividends	Paid dividends	Ending balance
Dividends due	1 482 150	756 500	2 100 000	138 650

(EUR)	EUR
Goods and services purchased	812 810
Management and supervisory board remuneration	70 000

NOTE 29. CONTINGENT LIABILITIES

The Group's retained earnings at the end of the reporting period amounted to EUR 73 333 206 (31.12.2022: EUR 66 335 644). The maximum possible amount of income tax liability that may result from the payment of all retained earnings as dividends are EUR 14 666 641 (31.12.2022: EUR 13 267 129), so it would be possible to pay out a maximum of EUR 58 666 565 as net dividends (31.12.2022: EUR 53 068 515). The calculation of the maximum income tax liability assumes that the net dividends to be distributed and the income tax expense accompanying their payment cannot exceed the distributable consolidated profit as of the end of the reporting period. In addition, Summus Capital OÜ has committed to the bondholders not to pay more than 50% of the previous year's profit adjusted for non-financial resources and non-recurring income and expenses as dividends. In accordance with the terms of the bonds, Summus Capital OÜ is, therefore, able to pay net dividends in the amount of EUR 7 291 075.

NOTE 30. POST BALACE SHEET EVENTS

On April 1, 2024 the Group's subsidiaries in Estonia refinanced their bank loans. As a result, the Group included a new reputable bank among its financiers. As of April 1, 2024 outstanding bank loan balance of the Group's subsidiaries in Estonia increased by EUR 103 809 to EUR 44.6 million. The interest rates for the new loans are EURIBOR +3.25% and maturity dates are 25.04.2029 (previously 15.02.2027). There are no other events after the reporting period that must be recognized or disclosed in the consolidated financial statements.

NOTE 31. 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)	31.12.2023	31.12.2022
ASSETS		
Current assets		
Cash and cash equivalents	9 046 188	10 136 813
Trade receivables	14 212	6 686 622
Prepayments	13 790	30 068
Loans granted	1 325 082	-
Total current assets	**10 399 272**	**16 853 503**
Non-current assets		
Equity investments	69 930 669	66 989 180
Loans granted	101 352 495	97 392 015
Other financial investments	125 000	-
Total non-current assets	**171 408 164**	**164 381 195**
Total assets	**181 807 435**	**181 234 698**
Current liabilities		
Interest-bearing loans and borrowings	10 000 000	-
Trade payables and other payables	178 267	171 128
Tax debts	5 532	2 650
Total current liabilities	**10 183 800**	**173 778**
Interest-bearing loans and borrowings	**-**	**10 000 000**
Total non-current liabilities	**-**	**10 173 778**
Total liabilities	**10 183 799**	**10 173 778**
Owner's equity		
Share capital	1 200 000	1 200 000
Voluntary reserve	78 913 462	78 913 462
Subordinated loan	17 366 923	23 998 259
Retained earnings	74 143 251	66 949 199
Total shareholder's equity	**171 623 636**	**171 060 920**
Total liabilities and shareholder's equity	**181 807 435**	**181 234 698**

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(EUR)	2023	2022
Sales revenue	12 000	12 000
Other operating expenses	-560 449	-501 881
Labour expenses	-59 850	-96 751
Other expenses	-837	-5 602
Operating loss	**-609 136**	**-592 234**
Profit from subsidiaries	3 505 933	8 749 597
Interest income	7 376 420	7 284 606
Interest expenses	-675 000	-674 146
Profit before income tax	**9 598 217**	**14 767 822**
Income tax	-	-
Net profit	**9 598 217**	**14 767 822**
Comprehensive net profit for the year	**9 598 217**	**14 767 822**

UNCONSOLIDATED STATEMENT OF CASH FLOWS

	2023	2022
Cash flow from operating activities		
Operating profit / loss	**-609 136**	**613 565**
Adjustments	1 927	-
Total before changes in receivables and payables	**-607 209**	**613 565**
Change in trade receivables and other receivables	1 499 411	-650 484
Change in trade payables and other payables	9 900	11 644
Net cash from operating activities	**902 102**	**-25 275**
Cash flows from investment activities		
Equity investments	-675 000	-
Granted loans	-1 479 184	-18 155 229
Repayment of loans granted	4 272 234	13 721 277
Interests received	4 483 884	8 855 378
Dividends received	-	3 363 310
Net cash from investment activities	**6 601 934**	**7 784 736**
Cash flows from financing activities		
Repayment of loans received	-7 074 716	- 3 128 124
Interests paid	-1 519 945	-3 242 093
Dividends paid	-	-2 100 000
Net cash from financing activities	**-8 594 661**	**-8 470 217**
Total cash flow	**-1 090 625**	**-710 756**
Cash and cash equivalents at the beginning of the year	10 136 813	10 797 039
Cash and cash equivalents at the end of the year	**9 046 188**	**10 136 813**

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR)	Share capital	Voluntary Reserve capital	Subordinated loans	Retained earnings	Total
Balance at 31.12.2021	**1 200 000**	**78 913 462**	**27 594 495**	**55 160 720**	**162 868 677**
Current year profit	-	-	-	13 649 212	**13 649 212**
Subordinated loan principal payments	-	-	-5 761 970	-	**-5 761 970**
Subordination of loan obligations	-	-	2 165 734	-	**2 165 734**
Subordinated loan interest	-	-		-1 860 733	**-1 860 733**
Balance at 31.12.2022	**1 200 000**	**78 913 462**	**23 998 259**	**66 949 199**	**171 060 920**
Current year profit	-	-	-	9 598 217	**9 598 217**
Subordinated loan principal payments	-	-	-7 919 660	-	**-7 919 660**
Subordination of loan obligations	-	-	1 287 927	-	**1 287 927**
Subordinated loan interest	-	-	-	-1 287 927	**-1 287 927**
Other	-	-	397	-1 116 238	**-1 115 841**
Balance at 31.12.2023	**1 200 000**	**78 913 462**	**17 366 923**	**74 143 251**	**171 623 636**

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In accordance with the Estonian Accounting Act, the adjusted unconsolidated retained earnings reflect the amount available for distribution to shareholders.

Voluntary legal reserve

In 2021, the Group established a voluntary legal reserve in amount of EUR 78 913 462. The contribution to the voluntary reserve was made through non-monetary contribution, comprising 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 Code;
- to cover the loss of the private limited company, if it cannot be covered at the expense of retained earnings of previous periods, the reserve capital and share premium provided for in the articles of association; and
- in case of Fund issue, to increase the share capital.

Subordinated loan

As of the end of the reporting period, loans from the owner and other related parties in amount of EUR 17 366 923 (2022: EUR 23 998 259) were recognized as subordinated loans. Subordinated loans are deemed equity instruments because they lack contractual obligations for repayment, aligning them more closely with equity than debt.

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 report for 2023 of the group and confirms that:

- The principles applied in preparing the consolidated report are in accordance with international financial reporting standards (IFRS), as adopted by the European Union;
- The consolidated report prepared in accordance with the applicable financial reporting framework provide a correct and fair overview of the assets, liabilities and financial position and profit and cash flows of Summus Capital OÜ and the companies belonging to the consolidation group as a whole;
- All known facts that have become clear up to the date of approval of the report on 29.04.2024 have been properly taken into account and presented in the consolidated accounting account;
- Summus Capital OÜ and its subsidiaries are going concern.

April 29th, 2024

These statements are signed electronically by:

Hannes Pihl
Aavo Koppel
Evaldas Čepulis

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 2023, 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 material accounting policies and other explanatory information.

In our opinion, the consolidated financial statements presented on pages 45 to 77, present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, 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 con.

- 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.

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Tallinn, 29 April 2024