SUMMUS CAPITAL

Summus Capital OÜ
Reg. No: 12838783
LEI: 2549003WOPH1RE2ID891

Terms of the Notes Issue

ISIN:	LV0000860187
Type of security:	Unsecured Notes
Nominal:	EUR 1,000
Nominal value of the issue:	EUR 15,000,000
Annual coupon rate:	9.50%
Maturity date:	11 June 2027

These Terms of the Issue do not constitute an offer to sell or a solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.

These Terms of the Issue are not a prospectus for the purposes of the Prospectus Regulation. These Terms of the Issue have been prepared on the basis that all offers of the debt securities that are issued by the Issuer according to the Terms of the Issue will be made pursuant to an exemption from the obligation to publish a prospectus under the Prospectus Regulation.

Although the issue of the Notes is a private placement, there is intention of the Issuer to request admission to trading of the Notes on Nasdaq First North.

The Issuer, Summus Capital OÜ, is a company duly incorporated and validly existing under the Applicable Laws of the Republic of Estonia. Applicable Laws of the Republic of Estonia do not restrict the Issuer to record the issue with the securities settlement system governed by Latvian Applicable Laws and operated by the Nasdaq CSD. Issue of the Notes is made in compliance with Latvian laws and is exempted from the scope of the Republic of Estonia Securities Market Act.

Decision of the Issuer to organize the issue of the Notes has been passed in compliance with the Applicable Laws of the Republic of Estonia. The issue of the Notes including the relationship between the Issuer and Investors (or Potential Investors) or any third parties, and their respective rights and duties attached to the Notes such as voting rights, dividends and corporate actions is governed by the Applicable Laws.

These Terms of the Issue do not constitute a public offer for the purposes of the Prospectus Regulation and no competent authority of any Member State has examined or approved the contents thereof.

MiFID II product governance - solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties, professional clients, and retail clients, each as defined in Directive 2014/65/EU; and (ii) all channels for distribution of the Notes to eligible counterparties, professional clients and respective retail clients are appropriate. Any person subsequently offering, selling or recommending the Notes should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels. Before deciding to purchase the Notes, Potential Investors should carefully review and consider risk factors described herein. Should one or more of the risks materialize, this may have a material adverse effect on the cash flows, results of operations, and financial condition *of the Issuer. Moreover, if any of these risks materialize, the market value of the Notes and the likelihood that the Issuer will be in a position to fulfil its payment obligations under the Notes may decrease, in which case the Investors could lose all or part of their investments.*

As per Article 5f of Regulation (EU) No. 833/2014 (as amended by Council Regulation (EU) No. 2022/328) and Article 1f of Regulation (EC) No. 765/ 2006 (as amended by Council Regulation (EU) No 2022/398), the sale of euro denominated transferable securities issued after 12 April 2022 or units of undertakings for collective investment (UCIs) providing exposure to such transferable securities is prohibited to any Russian or Belarusian national, any natural person residing in Russia or Belarus or to any legal person, entity or body established in Russia or Belarus. This prohibition does not apply to nationals of a Member State or to natural persons holding a temporary or permanent residence permit in a Member State of the European Union.

Any previous discussions or presentations provided to Potential Investors were solely for information purposes and the Notes are issued in accordance with these Terms of the Issue. Potential Investors should not make an investment decision relying solely upon the information provided in the Potential Investors presentation or otherwise.

Arranger:

SIGNET BANK

21 May 2024

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Terms and abbreviations

Agent	:	A person authorized to represent the Issuer and to perform certain tasks, as well as representing the interests of the Noteholders.
Accounting Principles	:	The international financial reporting standards ("IFRS") within the meaning of Regulation 1606/2002/EC (or as otherwise adopted or amended from time to time).
AML	:	Anti-money laundering and counter terrorism and proliferation financing.
Applicable Laws	:	Any applicable law, including without limitation: (a) the regulations of the FSA, Nasdaq Riga and Nasdaq CSD; (b) corporate, securities, tax or other laws, statutes, rules, requirements or regulations, whether state, local, foreign, or EU; and (c) the laws and regulations of the Republic of Latvia, (d) the laws and regulations of the Republic of Estonia and any legal acts in each other country in which the Company operates.
Arranger	:	Signet Bank AS (with a registration number in the Republic of Latvia: 40003043232, legal address: Antonijas iela 3, Riga, Latvia, LV-1010).
Auditor	:	Any auditor from the following list that is licensed to practice in the Republic of Estonia: a) KPMG Baltics OU (registration number: 10096082); or b) Deloitte Audit Eesti AS (registration number: 10687819); or c) AS PriceWaterhouseCoopers (registration number: 10142876); or d) Ernst&Young Baltic AS (registration number: 10877299).
Business Day	:	The day when the Nasdaq CSD system is open and operational to effectuate T2S-eligible securities settlement transactions.
Change of Control	:	The occurrence of an event or series of events whereby, a person (natural person or legal entity) or group of persons acting in concert (directly or indirectly) gains power (whether by way of ownership of shares, contractual arrangement or otherwise) to: a) cast or control the casting of more than 50% (fifty per cent) of the maximum number of votes that might be cast at a general meeting of the shareholders of the Issuer; or b) appoint or remove or control the appointment or removal of a majority of the management board or supervisory board members or other equivalent officers of the Issuer.
Coupon	:	Interest on Notes calculated in accordance with the Clause 3.2.8. "Coupon payments".
Coupon Payment Date	:	Coupon payments shall be made four times per year – on every 11 September, 11 December, 11 March, and 11 June.

Coupon Period	:	The period between the First Settlement Date and the 11th date of the subsequent calendar quarter, which is 11 September 2024; or between the 11th dates of two calendar quarters.
Custodian	:	A Nasdaq CSD participant directly, or licensed credit institution or investment brokerage company that has a financial securities' custody account with Nasdaq CSD participant.
Debt Service Charges	:	The sum of the Group's scheduled principal payments pursuant to the agreements on Financial Indebtedness and interest payments, including: (a) interest rate swap payments on Financial Indebtedness; and (b) interest payments on Subordinated Debt (if payable), calculated for the Relevant Period.
Debt Service Coverage Ratio or DSCR	:	measures the ability of the Group to service its Financial Indebtedness and is calculated as EBITDA divided by the Debt Service Charges over the Relevant Period.
EBITDA	:	Consolidated net profit of the Group from ordinary activities for the Relevant Period covered by the most recent Financial Report: a) before deducting any amount of tax on profits, gains or income paid or payable; b) before deducting any Net Finance Charges; c) before taking into account any exceptional items which are not in line with the ordinary course of business and any non-cash items (such as e.g., asset revaluation or write-down); d) before taking into account any gains or losses on any foreign exchange gains or losses; e) increased by any amount attributable to the amortization, depreciation or depletion of assets.
Equity cure	:	Has the meaning set forth in condition under Clause 4.2.4. "Covenant cure".
Equity Ratio	:	Ratio of Total Equity of the Group to total assets of the Group, calculated according to most recent Financial Report.
EUR	:	Euro (single currency of the member states of the European Monetary System).
Event of Default	:	Has the meaning set forth in Clause 4.2.
Exchange Offer	:	The Issuer' s offer to exchange the existing notes with the ISIN LV0000802478 for the Notes, as described under Clause 6.1.2.
Existing Notes	:	Means the existing notes with ISIN LV0000802478 and maturity on 18 June 2024.
Fair market value	:	With respect to any asset, the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress of either party, determined in good faith by Management of the Issuer.

Financial Indebtedness	:	The outstanding aggregate amount of total interest-bearing financial indebtedness for the Group according to the most recent Financial Report, including: a) monies borrowed and debt balances at banks or other financial institutions; b) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument, including the Notes; c) the amount of any liability in respect of any finance lease; d) any monies borrowed from other third parties, including minority shareholders of Subsidiaries, that are not subordinated to the Notes; e) any amount under any transaction having the commercial effect of a borrowing, including forward sale or purchase agreements; f) any derivative transaction in connection with protection against fluctuations in price or value, using the mark to market value; g) any counter-indemnity obligation issued by a bank or a financial institution.
Financial Report	:	The annual audited consolidated financial statements of the Group and the quarterly interim unaudited financial statements of the Group prepared in accordance with the Accounting Principles.
First North	:	Multilateral Trading Facility (MTF) First North operated by Nasdaq Riga, which is not a regulated market for the purposes of the Republic of Estonia Securities Markets Act (in Estonian: *väärtpaberituru seadus*) and Republic of Latvia Legal acts.
First Settlement Date (Issue Date)	:	The date when interest on the Notes start to accrue and is 11 June 2024.
Force Majeure Event	:	Has the meaning set forth in Clause 4.7.
FSA	:	The Latvian Financial Supervision Authority (*Latvijas Banka*), is an autonomous public institution of the Republic of Latvia, which carries out, but not limited to, the supervision of Latvian banks, capital markets, payment institutions and electronic money institutions (www.bank.lv).
Green Formula Capital	:	Green Formula Capital OÜ (a private limited liability company registered in the Republic of Estonia under registration number: 16205626). Subsidiaries have concluded agreements with Green Formula Capital to render asset management services.
Group	:	Group of the legal entities comprising of an Estonian company Summus Capital OÜ (registration number: 12838783, legal entity identifier: 2549003WOPH1RE2ID891, legal address: Harju maakond, Tallinn, Kesklinna linnaosa, Rotermanni tn 2-3b, 10111, Estonia), and its direct or indirect Subsidiaries.
ISIN	:	LV0000860187, which was allocated by Nasdaq CSD.

Issuer	:	Summus Capital OÜ (a private limited liability company registered in the Republic of Estonia under registration number: 12838783, legal entity identifier: 2549003WOPH1RE2ID891, legal address: Harju maakond, Tallinn, Kesklinna linnaosa, Rotermanni tn 2-3b, 10111, Estonia).
Issuer's Shareholder	:	Boris Skvortsov, personal ID in Estonia: 38203120082, who owns 100% of the shares of the Issuer.
Management or Management Board	:	Management board members of the Issuer and its Subsidiaries.
Majority Noteholders	:	The Noteholders who collectively hold in aggregate the Notes with the Nominal Value representing at least 1/2 (one half) of the aggregate Nominal Value of all outstanding Notes plus at least one additional Note. The Issuer, its direct or indirect shareholders and the Related Parties holding any such Notes are not eligible for voting.
Material Subsidiary	:	Any current and future direct or indirect Subsidiary of the Issuer, which owns real estate properties with balance sheet value of at least EUR 500,000 (five hundred thousand euro) as determined in the latest consolidated audited report.
Maturity date		Date when the Notes shall be repaid in full at their nominal amount by the Issuer, which is 11 June 2027.
Minimum Investment Amount	:	EUR 100,000 (one hundred thousand euros).
Minimum Settlement Unit	:	The minimum amount which can be held/traded, which is equal to Nominal Value.
Nasdaq CSD	:	Securities depository Nasdaq CSD SE (with a registration number in the Republic of Latvia: 40003242879, legal address Vaļņu iela 1, Riga, LV-1050, Latvia).
Nasdaq Riga	:	AS "Nasdaq Riga" (with a registration number in the Republic of Latvia: 40003167049, legal address: Vaļņu iela 1, Riga, LV-1050, Latvia) and its current website address is: www.nasdaqbaltic.com.
New Subscription	:	Has the meaning set forth in Clause 6.1.1.(a) and set out in Clause 6.1.3.
Nominal	:	Face value of a single Note, which is EUR 1,000.00 (one thousand euro and 00 cents).
Note(s)	:	Debt security that is issued by the Issuer according to the Terms of the Issue.
Noteholder(s) or Investor(s)	:	A private person or legal entity that is an owner of one or more Notes and has a claim against the Issuer as stipulated by the Applicable Laws.
Permitted Business	:	Any businesses, services or activities that are the same as, or reasonably related, ancillary or complementary to, any of the businesses, services or activities in which the Issuer and its Subsidiaries are engaged on the Issue Date, and reasonable extensions, developments or expansions of such businesses, services or activities.

Person	:	Any individual, corporation, partnership, limited liability company, legal entity, joint venture, association, trust, unincorporated organisation, government, or any agency or political subdivision thereof, or any other entity, whether or not having a separate legal personality.
Prospectus Regulation	:	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, OJ L 168, 30.6.2017, at pp 12-82.
Potential Investors	:	A private person or legal entity that has, according to the terms stated in these Terms of the Notes Issue, expressed interest or is planning to purchase for its own account one or more Notes and considers becoming the Investor, or has accepted the offer to become Investor and by informing the Arranger declares its intention to become the Investor, but has not yet become the Investor.
Related Parties	:	Any person (natural person or legal entity) as defined as a “reporting entity” by the International Accounting Standards (IAS 24 - Related Party Disclosures).
Relevant Period	:	Each period of 12 (twelve) consecutive calendar months, fixed at the end of each calendar quarter.
Sales Agent	:	In the Republic of Estonia – LHV Pank AS, registration number: 10539549, legal address: Tartu mnt 2, 10145 Tallinn, Estonia.
Sanctions	:	Restrictive measures, namely, restrictions or prohibitions imposed pursuant to international public law, including restrictive measures adopted by the United Nations Security Council (UN), the European Union (EU), Office for Foreign Assets Control (OFAC) and by the Republic of Latvia.
Settlement Unit Multiple	:	Multiple that defines that the settlement quantity or Nominal must be a multiple of the Minimum Settlement Unit.
Subordinated Debt	:	Unsecured debt of the Group with a maturity date after the Maturity Date of the Notes that is subordinated to the Notes with respect to claims on assets or earnings.
Subsidiary(ies)	:	The following direct and indirect subsidiaries of the Issuer defined in accordance with the IFRS: a) UAB Vikingu 3 (a private limited liability company registered in the Republic of Lithuania under registration number: 304102137); b) SIA Vikingi 2 (a private limited liability company registered in the Republic of Latvia under registration number: 40203161265); c) SIA Loft Office (a private limited liability company registered in the Republic of Latvia under registration number: 50203161271); d) Lepidus Invest OÜ (a private limited liability company registered in the Republic of Estonia under registration number: 12546253); e) Votum Invest OÜ (a private limited liability company registered in the Republic of Estonia under registration number: 12687677);

f) Princepts Capital OÜ (a private limited liability company registered in the Republic of Estonia under registration number: 12841749);

g) Voluntas Invest OÜ (a private limited liability company registered in the Republic of Estonia under registration number: 12828715);

h) Veerenni Tervisekeskus OÜ (a private limited liability company registered in the Republic of Estonia under registration number: 12874035);

i) Procedo Capital OÜ (a private limited liability company registered in the Republic of Estonia under registration number: 12983261);

j) UAB PT Vakarai (a private limited liability company registered in the Republic of Lithuania under registration number: 304844003);

k) UAB PT Rytai (a private limited liability company registered in the Republic of Lithuania under registration number: 304889895);

l) UAB Nordika Prekybos slenis (a private limited liability company registered in the Republic of Lithuania under registration number: 303091887);

m) UAB Zenith Turto Valdymas (a private limited liability company registered in the Republic of Lithuania under registration number: 304139370);

n) SIA LRSEF3 Riga Plaza (a private limited liability company registered in the Republic of Latvia under registration number: 40103990335);

o) SIA Pārupes Būmaņi (a private limited liability company registered in the Republic of Latvia under registration number: 40103850793);

p) SIA RCH Management (a private limited liability company registered in the Republic of Latvia under registration number: 40103664768);

q) SIA PLP (a private limited liability company registered in the Republic of Latvia under registration number: 40103994229).

Taxes : Any present or future taxes, duties, assessments or governmental charges of whatever nature.

Terms of the Issue : This document, which entitles the Issuer to execute the Issue and the initial offering of the Notes.

Total Equity : The aggregate book value of the Group's total equity (including, minority interest, if applicable) on consolidated basis, increased by Subordinated debt, according to the most recent Financial Report.

Zenith : Zenith Family Office OÜ (a private limited liability company registered in the Republic of Estonia under registration number: 12097803). Provider of selected asset management services to Green Formula Capital.

Website : Issuers website: www.summus.ee.

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BELOW IS A DESCRIPTION OF THE RISK FACTORS THAT ARE MATERIAL FOR THE ASSESSMENT OF THE MARKET RISK ASSOCIATED WITH THE NOTES AND RISK FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE NOTES. SHOULD ONE OR MORE OF THE RISKS DESCRIBED BELOW MATERIALISE, THIS MAY HAVE A MATERIAL ADVERSE EFFECT ON THE CASH FLOWS, RESULTS OF OPERATIONS, AND FINANCIAL CONDITION OF THE ISSUER AND THE GROUP. MOREOVER, IF ANY OF THESE RISKS MATERIALISE, THE MARKET VALUE OF THE NOTES AND THE LIKELIHOOD THAT THE ISSUER WILL BE IN A POSITION TO FULFIL ITS PAYMENT OBLIGATIONS UNDER THE NOTES MAY DECREASE, IN WHICH CASE THE POTENTIAL INVESTORS COULD LOSE ALL OR PART OF THEIR INVESTMENTS.

BEFORE DECIDING TO PURCHASE THE NOTES, POTENTIAL INVESTORS SHOULD CAREFULLY REVIEW AND CONSIDER THE FOLLOWING RISK FACTORS, IN ADDITION TO ALL OTHER INFORMATION PRESENTED IN THE TERMS OF THE NOTES ISSUE, AND CONSULT WITH THEIR OWN PROFESSIONAL ADVISORS IF NECESSARY. MOREOVER, POTENTIAL INVESTORS SHOULD BEAR IN MIND THAT SEVERAL OF THE DESCRIBED RISK FACTORS CAN OCCUR SIMULTANEOUSLY AND TOGETHER WITH OTHER CIRCUMSTANCES COULD HAVE A POTENTIALLY STRONGER IMPACT ON THE ISSUER OR THE GROUP. THIS IS NOT AN EXCLUSIVE LIST OF RISK FACTORS, AND ADDITIONAL RISKS, OF WHICH THE ISSUER IS NOT PRESENTLY AWARE, COULD ALSO HAVE A MATERIAL ADVERSE EFFECT ON THE ISSUER AND THE GROUP.

1. RISK FACTORS

1.1. Important note

The risks indicated in this section, if some or all of them materialize, may reduce the Issuer's ability to fulfil its obligations or cause its insolvency or restructuring in the worst-case scenario. Investors have to take into account the Notes are not secured with collateral and third parties have not guaranteed Notes and Coupon payments related thereto.

This section may not feature all of the potential risks, which may affect the Issuer and the Group.

1.2. Risks related to the economic and regulatory environment

1.2.1. Macroeconomics risk

The real estate industry in general and the Group are materially exposed to macroeconomic fluctuations. Such factors as general business cycle, GDP growth, inflation, employment, wage growth and interest rates influence demand and supply in the property market. Economic downturn could negatively affect rent rates, vacancy levels, rental yields and cost of financing which, in turn, could have an adverse effect on the Group's value of properties, financial position and cash flows.

The Group's real estate properties are all located in the Baltic States. Hence, the Group is primarily exposed to the economic developments in Lithuania, Latvia and Estonia. However, since these economies are rather small and actively engaged in foreign trade, the Baltics are not immune to regional and global macroeconomic fluctuations. The Baltic economies are closely linked with the health of the overall EU and the euro area. A slowdown in the EU may negatively affect the economies of the Baltic States causing an adverse effect on the Group's business operations.

The global economy has seen strong headwinds since the beginning of 2020, as a result of the global pandemic, the war in Ukraine, and rising inflationary pressure, to which global central banks have responded by raising interest rates. During 2022, the Baltic countries, where the Group operates, had a slower real GDP growth rate compared to 2021.

	Real GDP (% Y/Y)				CPI (% Y/Y)				Unemployment (%)			
	2021	2022	2023	2024F	2021	2022	2023	2024F	2021	2022	2023	2024F
Latvia	6,7	3,0	-0,3	1,7	3,2	17,2	9,1	2,2	7,6	6,9	6,5	6,6
Lithuania	6,3	2,4	-0,3	2,1	4,6	18,9	8,7	2,4	7,1	6,0	6,9	6,3
Estonia	7,2	-0,5	-3,0	0,6	4,5	19,4	9,1	3,2	6,2	5,6	6,4	7,1

Source: Eurostat, European Commission and IMF

However, an earlier than projected depletion of savings for purchases might limit consumption in the upcoming quarters and, therefore, a more significant recovery could be expected only towards the end of 2024 when the inflation rates and ECB interest rates respectively decrease further. Overall, the uncertainty still remains elevated, and future economic growth rates could turn out to be lower, and/or inflation could be higher.

1.2.2. Geo-political risk related to Russia's invasion of Ukraine

Changes in the political situation in different regions or countries, or political decisions affecting an industry or country, might have a material impact on the Group's results of operations, profitability, and future development.

The Group faces risks related to operating within a direct proximity to Russia. The military actions performed by Russia in the nearby region have caused relative instability and concerns for the safety of the Baltic countries where the Group physically has all of its properties and conducts its operations. Both the Russian and Belarussian proximity to the Baltic countries poses a potential risk to the stability within the countries and to the operations of the Group. The Russian and Belarussian closeness could lead to a significant negative impact on the Group, should any of the risks of a military conflict materialize. Although, as of the date of this Terms of the Issue, the war has had no direct material impact on the Group's operations and financial performance, introduction of new sanctions packages, general deterioration of the economic situation or investor sentiment towards the Baltics and other aspects related to geopolitical events may affect the Group's business results.

1.2.3. Global pandemic risk

The global economy experienced a period of uncertainty because of Covid-19 outbreak, in March 2020. As a result of the Covid-19 pandemic, national authorities adopted several laws and regulations with immediate effect providing a legal basis for the governments to implement measures in order to limit contagion and the consequences of Covid-19.

Covid-19 pandemic had directly impacted the Baltic real estate market, which was growing rapidly before the pandemic. The retail property segment was one of the most significantly affected by the pandemic. Fully or partially closed shops due to waves of restrictions lead to significantly downwards adjusted turnover of major shopping centres, leading to lower income for property owners in 2020 and 2021. Depending on the structure of the shopping centres, tenants, occupancy changes and discounts granted to tenants, the total operating income of the companies operating such retail properties declined.

The office sector also experienced significant changes in 2020 and 2021. The pandemic forced businesses to change their work organization model, and a large proportion of employees were working remotely. The companies, however, did not terminate their lease contracts and landlords of office buildings were able to maintain a sufficiently stable stream of rental income, especially in high quality office space.

Logistics and industrial property segment were the least affected during the pandemic and have seen increasing investor attention, as some investors switched their attention from other real estate segments, while both rental rates and vacancy levels have remained rather stable.

The Group tries to limit these risks through diversification both geographically, as well as by real estate segments. The Group holds properties in all three Baltic countries, with Lithuania being the largest market with 42% of the total property portfolio value as of 31 December 2023, while Latvia makes up 40% and Estonia 18% respectively. The property portfolio as of 31 December 2023 was diversified among the following real estate segments: retail with 62%, office 29%, and industrial 9% of the total portfolio value.

The Group acknowledges that disruptions arising from Covid-19 pandemic (or a new pandemic) may reoccur, potentially impacting its future operations and negatively affect the Group's revenue and operations going forward, where the severity of the situation in the future and the exact impacts for the Group are uncertain. Extended periods of similar disruptions could put pressure on vacancy levels, rent rates and yield requirements that may negatively affect the Group's value of properties, financial position and cash flows.

1.2.4. Changes in legislation risk

The Group's operations are regulated by the legislation of each country where the Issuer or its Subsidiaries operate. In addition, the Group's operations may be affected by regional or supranational regulations, such as EU legislation. In the view of the Management, the Group complies with all legislative requirements and other regulations as at the date of the Terms of the Issue. Legislation and other regulations may, however, change, and the Management cannot guarantee that it would in such cases be able to comply immediately, without material measures, with the requirements of changed legislation or other regulations.

For instance, changes in law and regulations or their interpretation or application practices concerning investment activities or the associated responsibility in relation to environmental protection arising from such activities may have a material adverse effect on the Group's operations. Adapting the Group's operations to any of the changes described above may incur costs for the Group that are difficult to anticipate, which in turn may have a material adverse effect on the Group's business, results of operations, and financial condition.

1.2.5. Changes in tax law and practice risk

Group operates in three countries with different sets of tax regimes. Changes to local tax regimes or challenges to the current tax structures of the Group's business could have material adverse effect on the Group's results of operations, profitability and future development. Additionally, certain tax positions taken by the Group require the judgement of Management and, thus, could turn to be inefficient or challenged by tax authorities due to possible erroneous interpretation of tax legislation.

1.3. Risks related to the Group's business and industry

1.3.1. Competition risk

In the competitive commercial real estate industry, swift adaptation to changes in the competitive landscape is crucial for maintaining property attractiveness. Potential responses to competitors' actions include upgrading properties with new features, refurbishment, offering rent discounts, and increasing promotion and marketing efforts. These could result in unforeseen substantial expenses adversely affecting the Group's financial position and cash flows.

The supply of commercial premises expands with the commissioning of newly developed properties. However, if this increase in supply is not met by a corresponding rise in demand for commercial space, it could lead to higher vacancy levels and decreased rent rates in the market. This effect is particularly noticeable for older and lower-quality premises, as tenants often prefer newer spaces. Therefore, elevated development activity in office and retail property markets in the Baltics may have an adverse effect on the Group's rental income and, in turn, on its value of properties, financial position and cash flows.

1.3.2. Property acquisition risk

The Group's decision to acquire a property relies on a comprehensive assessment and thorough due diligence process for each asset. Numerous factors that the Group assesses include the technical shape of a property, operating and financial performance, tenants mix, future cash flow generation, rate of return and how an asset fits the Group's investment strategy and existing portfolio. Nonetheless, there exists a possibility that the Group's Management, during its evaluation of potential investment targets, may overlook and neglect to address certain crucial factors and their associated risks.

While the Group's primary aim is to secure full ownership of each property, there are instances where it may opt to acquire properties in co-ownership with third parties. Disagreements or lack of agreements with other co-owners may restrict the Group to obtain relevant construction permits for reconstruction or repair the property. If the co-ownerships were to develop in a way that is disadvantageous to the Group, this could have a negative impact on the Issuer's and the Group's operations, financial position and earnings.

There is no assurance that the cash flow projections outlined in property appraisals will resemble the actual cash flows in the future. Therefore, newly acquired real estate properties could require unforeseen investments and/or demonstrate lower than expected performance and financial return adversely affecting the Group's financial position and cash flows.

1.3.3. Tenant risk

The Group's revenue primarily comes from rents paid by tenants at its retail and office properties. If a tenant chooses not to renew or extend a lease agreement, there's a risk that finding a new tenant may take time or may not be possible at equivalent economic terms, impacting the property's rental income. Additionally, there's a risk that tenants may not pay rent on time or at all, failing to meet their contractual obligations to the Group. This risk is heightened during economic downturns. A decrease in rental income is likely to negatively affect the Group's value of properties, financial position and cash flows.

If the existing tenants terminate their lease agreements, there is a risk involved with finding new tenants. Furthermore, the premises may have to be renovated and adjusted to serve new tenants, which could affect the Group's financial condition and results from operations negatively. The Group seeks to minimize this risk by limiting concentration of tenants, signing long term lease agreements and scattering their ending dates over time horizon (to avoid many lease contracts ending at one point in time).

The Group's tenants have a period, usually up to 40 days, after the date of invoice, depending on the type of customer, in which to effect payment. As a result, the Group is subject to the risk that its customers will not pay or will delay the rental payment. This risk may increase due to liquidity or solvency issues experienced by Group's tenants, for example, as a result of an economic downturn or an adverse change in their business.

If the tenant risk realizes, the Group's ability to comply with obligations under the Financial Indebtedness and the Notes could also be endangered. Should the Group breach the covenants of the loan agreements under the Financial Indebtedness, additional financing costs may arise, and accelerated debt repayments may be demanded. As a result, this situation may necessitate additional capital raising by the Issuer or restructuring measures.

1.3.4. Asset liquidity risk

Property investments can be relatively illiquid due to factors such as the long-term nature of leases, properties being customized to tenants' specific needs, and fluctuating demand for commercial real estate. These conditions may impact the Group's ability to adjust its portfolio or sell properties promptly and at favorable prices in response to changes in economic or property market conditions. This may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

If the Group is compelled to divest its investments, such as due to a lender's requirement, there is no guarantee that favorable market conditions will prevail or that the Group can maximize returns on such assets at the time of disposal, whether voluntarily or otherwise. This challenge may be particularly pronounced during economic downturns. In unfavorable market conditions, the Group may not be able to sell property assets at a profit and might even incur losses upon their disposal. Furthermore, the Group may be unable to dispose of investments at all, which would tie up the capital invested in such assets and could impede the Group's ability to take advantage of other investment opportunities.

1.3.5. Real estate portfolio fair value fluctuation risk

The Group's properties are recognized at fair value on the balance sheet while changes in the value are recorded on the income statement. The total market value of the Group's properties as of 31 December 2023 amounted to EUR 401.2 million and the property with highest market value, Riga Plaza, represented 25% of the total market value.

The fair value of each property of the Group is estimated by an independent appraiser once a year. Valuation is based on a discounted cash flow model which takes into account property-specific factors (rents, vacancy rates and operating costs) and industry-specific factors (costs of capital and exit yield). As these factors are subject to fluctuations over time, there exists a risk that the fair value of the Group's properties may both increase and decrease over time. Deteriorating aspects of the property portfolio, such as declining rents and occupancy rates, along with unfavorable conditions in the real estate sector, such as increased cost of capital and heightened yield requirements, could lead to a reduction in the fair value of the Group's assets. This could negatively impact its earnings and financial standing.

1.3.6. Real estate investment risks

Regarding investments in real estate, the Issuer assumes the responsibilities of ownership, including expenses, taxes, maintenance, improvements, and eventual disposal of the property. Meeting market demands or complying with government regulations and legal requirements may lead to substantial and unforeseen maintenance costs.

1.3.7. Implementation of investment strategy risk

As at the date of the Terms of the Issue, the Group owns 14 commercial properties, representing a total rentable area of 218.6 thousand sqm. The Group allocates its funds to sustain its investment strategy and enhance the current portfolio through development initiatives. Over the long term the Group aims to expand the property portfolio by acquiring attractive commercial, primarily retail and office, real estate assets at central and strategic locations in Lithuania, Latvia, Estonia, and potentially other markets, such as Poland. Entering new markets, where the Group, is currently not present, could involve additional risks for the Group, due to limited prior experience in investments outside of the Baltics, as well additional market specific risks that such investments in new markets could present. Not all properties meet the Group's investment criteria. The Group targets high-quality assets in central, strategic locations, and high-demand areas. However, executing this investment strategy carries risks, including limited availability of desirable commercial properties for sale, unfavorable economic terms of potential targets, intense competition among investors for prime properties, and challenges in securing debt financing on favorable terms.

The availability of properties aligning with the Group's investment strategy is influenced by factors such as the overall size of the real estate market, new development activity, yield trends, and macroeconomic conditions. Additionally, the willingness of property owners to sell increases with declining yield requirements. However, this can lead to overpricing of assets, making them economically unattractive for the Group's investment strategy. Intense competition among real estate investors, particularly those with greater financial resources and lower capital costs, can further inflate property prices, potentially hindering the Group's ability to execute its investment strategy effectively.

The Group's investment strategy relies on its ability to borrow funds on favorable terms. The availability and attractiveness of debt financing are closely tied to interest rates and overall market conditions. Therefore, rising interest rates and unfavorable market conditions may restrict the Group's ability to execute its investment strategy.

If these risks materialize, they could negatively impact the Group's ability to implement its investment strategy effectively in the market, potentially leading to a significant adverse effect on the Group's business.

1.3.8. Technical risk

The Group's primary assets consist of real estate properties, which are inherently complex and require ongoing maintenance and technical scrutiny to ensure functionality. Despite the Group's investment in maintaining its properties and conducting meticulous technical assessments of potential investments, these assets may still be susceptible to technical issues such as construction defects, hidden defects, and contamination. Elimination of these problems could require substantial investments and, thus, have an adverse effect on Group’s financial position and cash flow.

1.3.9. Liquidity risk of investment

Liquidity risk refers to the potential for experiencing significant losses if existing investments cannot be liquidated to meet loan obligations in the event of such a need arising. As of 31 December 2023, the Group had cash and cash equivalents in the amount of EUR 15.9 million, which exceeded the total liabilities under the Existing Notes. Real estate investments inherently face industry cyclicality, demand downturns, market disruptions, and limited capital availability for potential buyers, making them challenging and time-consuming to liquidate. The Group's investments have low liquidity, and there is no guarantee of being able to sell them promptly if the need arises. This may have a material adverse impact on the Group’s business, results of the operations, or financial condition.

1.3.10. Counterparty credit risk

Credit risk is the risk that a counterparty is unable to fulfil its financial obligations to the Group. Credit risk exists e.g., in relation to the Group’s tenants, when investing excess liquidity and when entering into loan agreements. Should these counterparties be unable to fulfil their financial obligations towards the Group, this could have a material adverse effect on the Group’s business, financial condition and results of operations.

1.3.11. Refinancing risk

At maturity of the Group’s borrowings under the Financial Indebtedness, the Group will be required to refinance such borrowings. As of 31 December 2023, the total Financial Indebtedness of the Group amounted to EUR 216.4 million. Commonly, the bank loans under Financial Indebtedness have a shorter repayment term (usually ca. 5 years) than the amortization schedule of such loans, therefore, at the end of the loan term a bullet repayment must be made, which creates an additional risk of repayment. The Group is managing such risks and tends to refinance the existing bank loans in a timely manner.

The Group's ability to refinance these borrowings depends on the performance of its properties and the prevailing conditions in the financial markets. Consequently, access to financing sources may not be available on favorable terms, or at all, at a given time. Given that borrowings are a substantial funding source for the Group, its inability to refinance its obligations under the Financial Indebtedness on favorable terms could significantly impact its business, financial condition, and results of operations.

1.3.12. Interest rate and leverage risk

Borrowings are a significant source of funding for the Group. As of 31 December 2023, the LTV of the Group amounted to 53.8%. The total interest expenses of the Group during year 2023 amounted to EUR 11.3 million and the interest rates as of 31 December 2023 were EURIBOR + 2.25% - 3.2%.

The Group's cost of debt is primarily influenced by market interest rates, the margin required by credit providers, and the Group's chosen debt management strategy, including the mix of fixed and variable borrowings and the duration of loans. Fluctuations in interest rates leading to increase costs of the Group’s debt under the Financial Indebtedness could adversely affect the Group’s financial position, cash flows and its ability to acquire new properties.

As of 31 December 2023, 55% of interest rate exposure was hedged with interest rate swaps or interest rate caps that limit exposure to interest rate increase risk. While interest rate swap fixes the interest rate, its value is exposed to fluctuations. Interest rate cap options provide protection from interest rate increase above the cap level, however, leaving interest expenses exposed to interest rate increase up to the level hedged with cap option.

1.3.13. Risks resulting from hedging transactions

The Group may utilize hedging techniques for certain investments to mitigate risks from adverse movements, such as in interest rates. However, while these transactions may mitigate certain risks, they also carry their own set of risks. For instance, if a derivative must be terminated prematurely due to factors such as loan prepayment or changes in financing terms, the termination cost of hedging could be disproportionately high, particularly depending on prevailing market interest rates. Consequently, unexpected changes in interest rates may lead to poorer overall performance for the Group compared to not engaging in such hedging transactions.

1.3.14. Reliance on the performance of the Management

The Group relies on the experience, skill and judgment of the Management, in identifying, selecting and negotiating the acquisition of suitable properties. Furthermore, the Group will be dependent upon the Management's successful implementation of the Group's investment policy and investment strategies, and ultimately on its ability to create a property investment portfolio capable of generating desirable returns. There can be no assurance that the Management will be successful in achieving the Group's objectives in the future.

The Management is also responsible for carrying out the day-to-day management and administration of the Group's affairs and, therefore, any disruption to the services of the Management team could cause a significant disruption to the Group's operations until a suitable replacement is found.

Moreover, there may be circumstances in which the members of the Group's Management board have, directly or indirectly, a material interest in a transaction being considered by the Group or a conflict of interest with the Group.

The legal relationship between the Issuer and its members of the Management Board is based on the resolution of the shareholders and Applicable Law. The asset and ESG management services are provided to the Group by Green Formula Capital, 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, in cooperation with Zenith Family Office. The Group's Subsidiaries have concluded agreements with Green Formula Capital to render investment management services for the Group's whole portfolio, while Green Formula Capital is outsourcing some of the asset management services from Zenith Family Office. Each of the Subsidiaries has concluded property management agreements. To Estonian Subsidiaries property management services are provided by Zenith Property Management OÜ, to Latvian by Plaza Property Management SIA and to Lithuanian by UAB Zenith AM.

Green Formula Capital needs personnel in order to facilitate management of the Group and provide related services. Therefore, the success of the Group's operations depends on Green Formula Capital's ability to hire, motivate and retain professionals with required skills, knowledge and experience. An unexpected departure of a Management team member and delays in selection of a replacement may negatively affect the Group's operations, implementation of its strategy and financial results.

1.3.15. Dependence on managing employees

In the future, the Group's activities will be affected by its ability to attract, preserve, and motivate highly qualified and experienced personnel. There is competition for personnel with the relevant skills and experience in the Baltics and in other countries, and it is comparatively high; however, the Group and Green Formula Capital have successful experience in the field of personnel management, offering education, professional growth, and development possibilities, as well as different motivation programs to the employees.

1.3.16. Dependence on external service provider's risk

The Group employs external service providers for various aspects of its operations, including property maintenance, particularly in relation to Group management and planning development projects. The availability, terms and conditions, price, and quality of these external services, as well as the possibility of transferring any increases in the cost of these services to the tenants, are material to the Group's business. Failure to procure services or pass on increased costs to tenants could significantly impact the Group's business, operations, and financial health.

Property management companies play a crucial role in overseeing portfolio management, handling operational maintenance, tenant engagement, marketing, and accounting tasks. Lack of required qualification personnel in the property management company might cause worse performance of the properties (higher vacancies, lower rental income from renewals, loss of income due to wrong recharges, larger receivables, or bad debts) or even higher capex due to poor supervision of facility managers. These risks become more pronounced, particularly during periods of additional challenges such as the Covid-19 pandemic and turmoil resulting from conflicts in neighbouring countries where the Group operates.

1.3.17. Group's reputation risk

The Group's ability to secure funding, attract and retain tenants at its properties as well as Green Formula Capital ability to retain personnel in its employment may suffer if the Group's reputation is damaged. Matters affecting the Group's reputation may include, among other things, the quality and safety of its properties and compliance with legislation and official regulations. Any damage to the Group's reputation may have a material adverse effect on the Group's business, financial condition and results of operations.

1.3.18. Operational risk

Operational risk is a possibility of experiencing losses due to insufficient or unsuccessful inner processes, personnel management, systems, or external circumstances. Thorough personnel selection is carried out, accurate descriptions of job duties are compiled, division of duties is coordinated, which allows the Group and Management to reduce operational risks. The Group's internal controls, procedures, compliance systems, and risk management systems may prove to be inadequate to prevent and discover previous or future breaches of laws and regulations and generally to manage risks that could have a material adverse effect on the Group's business operations, financial conditions and results of operations.

1.3.19. Insurance coverage risk

Even though all of the Group's properties are insured, the Group's insurance policies could be inadequate to compensate for losses associated with damage to its property assets, including loss of rent. Any losses exceeding amounts covered by insurance contracts may have an adverse effect on the Group's business operations, financial position and cash flows.

Additionally, the Group's properties may be vulnerable to catastrophic events and other force majeure occurrences. These events could encompass fires, floods, earthquakes, adverse weather conditions, eminent domain claims, strikes, wars, riots, terrorist acts, and similar risks. These events could result in the partial or total loss of an investment or significant down time resulting in lost revenues, among other detrimental effects. Some force majeure risks are generally uninsurable and, in some cases, project agreements can be terminated if the force majeure event is so catastrophic that it cannot be remedied within a reasonable time period. Although the Group typically aims to utilize insurance (where available on commercially reasonable terms) to mitigate potential losses from catastrophic events and other insurable risks, this may not always be feasible. Insurance coverage for certain risks, such as war, terrorism, earthquakes, hurricanes, or floods, might be unavailable, offered in insufficient amounts relative to the full market value or replacement cost of properties, or subject to sizable deductibles.

If a major uninsured loss occurs, the Group could lose both invested capital in and anticipated profits from the affected investments. Furthermore, there are no guarantees that the specific risks currently insurable will remain insurable at economically feasible rates in the future.

1.3.20. **Environmental liabilities risk**

As the owner of real estate properties, the Group could be held liable for possible environmental damages inherited from previous owners or caused by operations carried out in such properties if such operations have not been carried out in accordance with applicable regulations. While the properties targeted for acquisition by the Group are typically not utilized for operations that pose significant environmental risks, there remains a possibility that the Group could be held accountable for environmental harm occurring on its properties. The realization of such environmental liability could potentially have a significant adverse impact on the Group's business, financial condition, and results of operations.

1.3.21. **Risk of natural disasters and other business disruption**

Group's operations are vulnerable to damage or interruption from tornadoes, earthquakes, fires, floods, power losses, telecommunication failures, terrorist attacks, acts of war, human errors and similar events. A significant natural disaster, such as a tornado, wind, earthquake, frost, fire or flood, could have a material adverse impact on the Group's ability to conduct business, and its insurance coverage may be insufficient to compensate for losses that may occur. Although the Group has implemented business continuity plans, acts of terrorism, war, civil unrest, violence or human error could cause disruptions to the Group's business or the economy as a whole. Any of these occurrences may have a material adverse effect on the Group's business, financial condition, results of operations and cash flows may be adversely affected.

1.3.22. **Dispute risk**

The Group has currently no ongoing tax or civil court cases or other issues that could have a significant negative impact on its business, financial position and earnings.

The Group's core business involves investing in real estate properties leased to tenants, which exposes it to the risk of legal disputes with tenants or counterparties in real estate transactions. Adverse outcomes from such disputes could impact the Group's operations, financial position, and cash flows. Management strives to diligently negotiate agreements and maintain respectful communication with all counterparties. Efforts are made to resolve misunderstandings through mutual agreement. However, the possibility of disputes arising cannot be entirely ruled out.

1.3.23. **IT system risk**

The Group is dependent on IT systems for conducting several aspects of its operations such as managing the Group's internal financial operations. Accordingly, any failures and disruptions in the Group's key information systems may cause revenue to decrease and operating expenses to increase, which could result in material adverse effects on the Group's business, financial condition, and results of operations. Cyber-attacks might result in financial loss, operational disruption, and reputational damage.

1.4. Risks related to Notes

1.4.1. **Notes repayment risk**

The Notes will rank *pari passu* with other unsecured liabilities of the Group. In case of Group's insolvency, Noteholders have the same right to receive their investment as other creditors in the respective claims' group in accordance with the Applicable Laws. Save for mandatory provisions of the Applicable Laws, there are no contracts or other transaction documents, which would subordinate the claims of Noteholders to other unsecured obligations of the Group. The Group is not prohibited from pledging assets in favour of other creditors. The Group has several bank loans under the Financial Indebtedness, which have a senior ranking to the Notes and in the event of insolvency of the Group, the Group's assets will be used for settling the claims of the Noteholders and other unsecured creditors only after the claims of the secured creditors and other preferential creditors are satisfied.

The Group may not have the ability to repay or refinance these obligations. If the Maturity date occurs at a time when other arrangements prohibit the Group from repaying the Notes, it could try to obtain waivers of such prohibitions from the lenders and holders under those arrangements, or the Group could attempt to refinance the borrowings under the Financial Indebtedness that contain the restrictions. If the Group fails to obtain the waivers or refinance these borrowings, it would be unable to repay the Notes.

Detailed financing structure of the Group is explained in Clause 10.10. "Financing structure of the Group".

1.4.2. No limitation on issuing additional debt

The Group is not prohibited from incurring other debt ranking *pari passu* to the Notes or restricted from granting any security on any existing or future indebtedness. If the Group incurs significant additional debt or grants additional security, the Group's ability to service its Financial Indebtedness, including the Notes, might deteriorate, the amount recoverable by the Noteholders in case of insolvency of the Issuer might decrease, and the position and priority of Noteholders might worsen.

1.4.3. Liquidity risk

Neither the Issuer nor any other person guarantees the minimum liquidity of the Notes. Thus, the prospective investors and Noteholders should take into account that they may not be able to sell or face difficulties in selling their Notes in secondary market at their fair market value or at all.

1.4.4. Delisting risk

After the Notes registration the Issuer plans to request admission to trading of the Notes on the Multilateral Trading Facility (MTF) First North operated by Nasdaq Riga within 6 (six) months from the Issue Date. There is a risk that Nasdaq Riga would not accept the Notes to be admitted to trading on First North or order to delist the Notes from the First North before the maturity after the admission to trading has taken place due to changes in Legal acts, including Nasdaq Riga regulations, or recommendations by the Bank of Latvia.

1.4.5. Price risk

The development of market prices of the Notes depends on various factors, such as changes of interest rates, central bank policies, overall economic development, or demand for the Notes.

The Notes bear a fixed interest rate. Thus, the Noteholders who seek to sell the Notes before their final maturity are exposed to interest rate risk: if the market interest rate increases, the price of fixed rate Notes typically declines.

Neither the Issuer, nor any other person undertakes to maintain a certain price level of the Notes. The Noteholders are, thus, exposed to the risk of an unfavourable price development of their Notes, if they sell the Notes prior to the final maturity. If a Noteholder decides to hold the Notes until maturity, the Notes will be redeemed at their Nominal Value.

1.4.6. Foreign exchange risk

The Notes will be denominated and payable in EUR. If the Noteholders measure their investment returns by reference to a currency other than EUR, an investment in the Notes will entail foreign exchange-related risks as the value of EUR relative to their reference currency may significantly fluctuate due to economic, political and other factors over which the Issuer has no control. Depreciation of the EUR against the reference currency could lower the effective yield of the relevant Notes below their stated coupon rate and could result in a loss to Noteholders when the return on such Notes is translated into the reference currency.

1.4.7. Repurchase or redemption risk

The Group may seek to repurchase or redeem a portion of the Notes from time to time, especially when prevailing interest rates are lower than the rate borne by such Notes. If prevailing rates are lower at the time of redemption, the Noteholder may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on such Notes being redeemed. The Group's redemption right also may adversely impact the Noteholder's ability to sell such Notes. The Group may from time to time repurchase the Notes in the open market, privately negotiated transactions, tender offers or otherwise. Any such repurchases or redemptions and the timing and amount thereof would depend on prevailing market conditions, liquidity requirements, contractual restrictions and other factors. Such transactions could impact the market for such Notes and negatively affect the Notes' liquidity.

1.4.8. Tax risk

Prospective investors and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for financial instruments such as the Notes. Prospective investors are advised to ask for their tax advisers' advice on their individual taxation with respect to the acquisition, sale and redemption of the Notes. Only these advisors are in a position to duly consider the specific situation of the prospective investor.

Tax rates and tax payment procedures applicable at the moment of purchase of Notes to the tax residents, non-residents of Latvia, and residents of other countries may change. The Issuer will not compensate the increase in taxes to Investors, therefore Investors may receive smaller net payments related to the Notes.

1.4.9. Resolutions of Noteholders risk

The majority resolution of the Noteholders' is binding upon all Noteholders. Thus, a Noteholder is subject to the risk of being outvoted by a majority resolution of the other Noteholders. As such, certain rights of the Noteholder against the Issuer may be amended or reduced, or even cancelled, without its consent.

1.4.10. Risk that some Investors might have more preferential terms than others

While the Issuer will try to maintain the proportional reduction principle to the extent possible in the final allocation of the Notes, in case the total number of Notes subscribed for is higher than the number of Notes available, the Issuer has a right to refuse all or part of the subscribed Notes to any Potential Investor at its sole discretion, thus, the proportionality principle might not be observed.

Additionally, the Issuer has the right to sell the Notes at a price lower than their Nominal Value to selected Investors and/or enter into agreements that may add additional rights to selected Investors if the Issuer perceives them as especially important for the Notes issue due to the size of their investment or added experience. This may result in a situation where some Investors might gain preferential terms for investment into the Notes than the rest of the Investors.

* * *

2. PARTY RESPONSIBLE FOR THE TERMS OF THE ISSUE

2.1. Party responsible for the Terms of the Issue

Summus Capital OÜ

Registration No.: 12838783

LEI code: 2549003WOPH1RE2ID891

Legal address: Harju maakond, Tallinn, Kesklinna linnaosa, Rotermanni tn 2-3b, 10111, Estonia

2.2. Representations and Warranties of the Issuer

The Issuer shall, in accordance with these Terms of the Issue, issue Notes and perform the obligations arising from the Notes to the Noteholders.

The Issuer shall be liable to the Noteholders for due and complete fulfilment of its obligations deriving from the Notes.

The Issuer gives the following warranties to the Noteholders:

(a) The Issuer is a duly registered private limited liability company operating in compliance with the Applicable Laws;

(b) All the Issuer's obligations assumed under this issue of the Notes are valid and legally binding to the Issuer and performance of these obligations is not contrary to the Issuer's Articles of Association, laws or any agreement concluded by the Issuer;

(c) The Issuer has fully complied with the terms of the Existing Notes;

(d) The Issuer has all the rights and sufficient authorizations to issue the Notes and fulfil obligations arising from issuing the Notes;

(e) The Issuer has performed all the formalities required for issuing the Notes and fulfilling the obligations arising here from;

(f) All information that is provided by the Issuer to the Noteholders is true, accurate, complete and correct as at the date of presenting the respective information and is not misleading in any respect;

(g) The Issuer is solvent, able to pay its debts as they fall due, there are no liquidation or insolvency proceedings pending or initiated against the Issuer or its Material Subsidiaries;

(h) There are no legal or arbitration proceedings pending or initiated against the Issuer which may have, or have had significant effects on the Issuer´s financial position or profitability; and

(i) the Issuer shall not and shall procure that none of its directors, officers, employees or agents directly or, to the Issuer's knowledge, indirectly, use the proceeds from the Notes: (i) to fund, finance or facilitate any activities or business of or with any person that is, or is owned or controlled by persons that are, or in any country, region or territory, that, at the time of such funding, financing or facilitating is, or whose government is, the target of Sanctions; or (ii) in any other manner that would result in a violation of Sanctions by any person (including, any person participating in the subscription of Notes, whether as lender, underwriter, advisor, investor, or otherwise);

(j) There are no criminal or misdemeanour proceedings pending or initiated against the Issuer.

2.3. Assurance of the information provided in the Terms of the Issue

The Issuer and its management board are responsible for the information contained in Terms of the Issue.

Hereby we, members of the management board of Summus Capital OÜ, Aavo Koppel, Hannes Pihl, Evaldas Čepulis, certify that, by paying sufficient attention to this purpose, the information included in the Terms of the Issue is true, in accordance with the facts, and no information which may affect its meaning is concealed therein.

Summus Capital OÜ:

/e-signature/	/e-signature/	/e-signature/
Aavo Koppel Member of the board	Hannes Pihl Member of the board	Evaldas Čepulis Member of the board

* * *

3. INFORMATION ON NOTES

3.1. The use of the proceeds

The total issue size is EUR 15,000,000 (fifteen million euros).

Funds that are raised as a result of the Notes issue will be used for the following purposes:

1) EUR 10,000,000 (ten million euros) for refinancing of the Existing Notes; and
2) EUR 5,000,000 (five million euros) for general corporate purposes of the Group.

3.2. Information on the offered Notes

3.2.1. General Information

The Notes are bearer and any person or entity that holds the Notes in its securities account has the right to receive Coupon and the Nominal payments. It is planned to issue Notes with Nominal value of EUR 1,000 (one thousand euros) for one Note and total Nominal value of EUR 15,000,000 (fifteen million euros).

Notes issue ISIN is LV0000860187, which was allocated by Nasdaq CSD.

3.2.2. Decisions of the Issuer on the Notes issue

On 20 May 2024, the Issuer's Shareholder passed the decision to issue debt securities in the amount of up to EUR 15,000,000 (fifteen million euros) and authorise the Management of the Issuer *inter alia* to take all necessary actions to ensure the issuance of the Notes, registering the Notes with Nasdaq CSD and listing the Notes on First North.

On 20 May, 2024 the Issuer's Management Board passed the decision to approve the issuance of the Notes with subsequent listing on First North and to approve the Terms of the Issue of the Notes.

3.2.3. Applicable Laws that regulate the Notes issue

The Notes issue is a private placement arranged in compliance with the Financial Instrument Market Law (*Finanšu instrumentu tirgus likums, pieņemts 20.11.2003*) and other Applicable Laws of the Republic of Latvia that are in force including the FCMC, the Nasdaq CSD and the Nasdaq Riga regulations.

All disputes between Potential Investors and Investors and the Issuer shall be settled in courts of the Republic of Latvia in accordance with the Applicable Laws in force. Terms of the Issue are drafted and signed in English and any translations of the Terms of the Issue into another language are unofficial and made exceptionally for the Potential Investors and Investors' convenience. In case of any disputes' settlement, interpretation of the norms of the Terms of the Issue in English holds the priority against an interpretation in any other language.

3.2.4. Form and accounting of the Notes

The Notes are issued in dematerialized form and will be recorded in the Latvian SSS (securities settlement system governed by Latvian law) operated by Nasdaq CSD, which will provide the maintaining function for the Notes. Noteholders may hold Notes through Nasdaq CSD participants participating in the Latvian SSS.

3.2.5. Currency of the Notes

Currency of the Notes is EUR (euros).

3.2.6. Status of the Notes

The Notes rank *pari passu* with other unsecured obligations of the Issuer. In case of the insolvency of the Issuer, the Noteholders will be entitled to recover their investment on the same terms as other unsecured creditors in the respective claims' group according to the relevant Applicable Laws. Save for mandatory provisions of law, there are no contracts or other transaction documents that would subordinate the claims of the Noteholders to other unsecured liabilities of the Group.

As of 31 December 2023, the Subsidiaries of the Issuer had secured obligations towards banks in the amount of EUR 206,400,265 that are senior to the Notes.

As of 31 December 2023, the Issuer had the Existing Notes in the amount of EUR 10,000,000 ranking pari-passu with these Notes. The Existing Notes will be redeemed at maturity on 18 June 2024 from the proceeds of these Notes.

As of 31 December 2023, the Group had outstanding subordinated loans from its Shareholder and Related Parties in the amount of EUR 17,366,923. In the consolidated audited Financial Reports of the Group, Subordinated Debt is recognised as equity instruments as they have no contractual obligations for repayment.

3.2.7. Rights and restrictions connected with the Notes issue

Any Noteholder has the right to receive Coupon and Nominal payments in accordance with the Clause 3.2.8. “Coupon payments” and 3.2.10. “Procedure of Notes repayment”, as well as exercise other rights fixed in the Terms of the Issue and the Applicable Laws.

The Issuer has the rights to purchase Notes on the secondary market directly from Noteholders. Notes that are purchased by the Issuer are held in Issuer’s financial instruments' custody account and the Issuer has the rights to sell purchased Notes to Investors and Potential Investors. The Issuer cannot cancel the purchased Notes held in the Issuer’s financial instruments' custody account, therefore decreasing the size of Notes from the Issue Date until 28 May 2027, which is 2 (two) weeks before the Maturity Date.

Notes owned by the Issuer and / or its Related Parties are not eligible to participate in the voting in accordance with Clause 4.6. “Procedure for applying of the waiver”.

3.2.8. Coupon payments

Coupon rate

The Coupon rate for the Notes is 9.50% (nine point five zero per cent) per annum and is fixed until the Maturity Date.

Coupon payments

Coupon payments are made on every Coupon Payment Date. Coupon payments are made four times per year – on every 11 September, 11 December, 11 March and 11 June. The first Coupon payment will be made on 11 September 2024 and the last Coupon payment will be made on 11 June 2027.

The Coupon record date is the 5th (fifth) Business Day prior to the Coupon Payment Date. At the end of the Coupon record date Noteholders list, who will be eligible for the Coupon payments, will be fixed. Coupon payment shall be made to the Noteholders, as per Noteholders list, on each Coupon Payment Date for the preceding Coupon Period.

The Issuer pays the Coupon through the intermediary of Nasdaq CSD and in accordance with applicable Nasdaq CSD regulations, which regulate the procedure for paying income from debt securities. Nasdaq CSD regulations applicable on the day of preparation of the Terms of the Issue are Nasdaq CSD Rulebook and Corporate Action Service description.

If the Coupon Payment Date is not a Business Day, the Issuer will make the relevant Coupon payment on the first Business Day after the Coupon Payment Date. The postponement of the payment date shall not have an impact on the amount payable.

If the Issuer has failed to make Coupon payments in accordance with the deadlines specified in the Terms of the Notes Issue due to unforeseen circumstances beyond its control, the Investors shall have the right to submit claims regarding the payment of the Coupon but not earlier than after 10 (ten) Business Days following the payment date of the relevant Coupon.

Coupon calculation

Quarterly Coupon payments are determined according to the following formula:
CPN = F * C /4 or CPN% = C/4, where

CPN – the amount of Coupon payment in EUR per Note;

F – Nominal value of one Note;

C – annual Coupon rate (%).

3.2.9. **Accrued interest calculation**

The first Coupon starts to accrue on 11 June 2024, which is the First Settlement Date of the Notes issue. The accrued Coupon is calculated presuming that there are 360 days in one year (day count convention - "European 30/360"). Accrued interest between Coupon payment dates shall be calculated as follows:

AI = F * C / 360 * D, where

AI – accrued interest of one Note;

F – Nominal value of one Note;

C – annual Coupon rate (%);

D – the amount of days from the beginning of the Coupon accrual period according to European 30/360 day count method.

3.2.10. **Procedure of the Notes repayment**

The Nominal value of one Note is EUR 1,000 (one thousand euros) and the Issuer will repay the total Nominal value of the Notes as a lump sum on the Maturity date of the Notes.

The Issuer will repay the Nominal value through the intermediary of Nasdaq CSD and in accordance with applicable Nasdaq CSD regulations. Nasdaq CSD regulations applicable on the day of preparation of the Terms of the Issue are Nasdaq CSD Rulebook and Corporate Action Service Description. The Nominal amount will be paid on the Maturity Date. Noteholders eligible to receive the Nominal will be fixed at the end of the Nominal record date, which is the previous Business Day before the Maturity date.

If the Maturity Date is not a Business Day, the Issuer will make the relevant Coupon payment and Nominal value payment on the next Business Day after the Maturity Date. In case of the postponement of the payment date, the Issuer shall compensate the accrued interest for dates between Maturity Date and the actual payment date of the Nominal value.

3.2.11. **Early redemption (call option)**

The Issuer can carry out full early redemption (call option) on every Coupon payment date starting:

(a) from 11 June 2025 (including) until 11 March 2027 (excluding) by paying 101% (one hundred and one per cent) of the Nominal amount;
(b) from 11 March 2027 (including) until 11 June 2027 (excluding) by paying 100% (one hundred per cent) of the Nominal amount.

The Issuer can carry out call option only in full amount of total outstanding Notes.

If the Issuer decides on the early redemption (call option) of Notes, the Issuer shall notify Noteholders at least 20 (twenty) Business Days prior to the redemption date of Notes by publishing the notice on the Website and on Nasdaq Riga information system (after the Notes are admitted to trading on First North).

If the Issuer takes a decision on the early redemption (call option) of Notes, the Issuer will pay redemption payment in accordance with Nasdaq CSD intermediary and applicable Nasdaq CSD regulations. The Nasdaq CSD regulations applicable on the day of preparation of the Terms of the Issue are Nasdaq CSD Rulebook and Corporate Action Service Description. The Noteholders eligible to receive the redemption payment will be fixed at the end of the record date, which will be the previous Business Day before the redemption payment date.

3.2.12. **Early redemption at the option of the Noteholders upon Change of Control**

In the event a Change of Control has occurred or is anticipated to occur, the Issuer has the obligation (in case of anticipated Change of Control – a right) to notify the Noteholders by publishing a relevant notice with sufficient details on the Website and on Nasdaq Riga information system (after the Notes are admitted to trading on First North) no later than 20 (twenty) Business Days after a Change of Control has occurred and at any time before the anticipated occurrence of a Change of Control ("Change of Control Put Notice").

The Change of Control Put Notice shall include:

(a) Statement that a Change of Control has occurred or is anticipated to occur and that each Noteholder within a period of 10 (ten) Business Days has the right to require the Issuer to redeem all of such Noteholder's Notes at a price equal to 101% (one hundred and one per cent) of Nominal amount together with interest accrued to (but excluding) the respective redemption date ("Change of Control Put Date").

(b) the Change of Control Put Date, which shall be not earlier than 10 (ten) Business Days and not later than 20 (twenty) Business Days from the date such notice is delivered to the Noteholders; however, in the notice is delivered prior to the occurrence of Change of Control, the Issuer may state that the redemption date on the Notes is conditional upon on the occurrence of a Change of Control, in which case the Notes will be redeemed not later than 20 (twenty) Business Days following the occurrence of Change of Control;

(c) the record date;

(d) that any Note redeemed will cease to accrue interest after redemption and any Notes not redeemed will continue to accrue interest;

(e) description of the circumstances and relevant facts regarding the transaction or transactions that constitute a Change of Control; and

(f) description of the procedures determined by the Issuer that the Noteholder must follow to have its Notes redeemed.

To exercise the Change of Control Put Option, the Investor must within a period of 10 (ten) Business Days after the date of publication of the Change of Control Put Notice submit to the Issuer a duly signed and completed notice of exercise in the form provided by the Issuer. The completed form shall be submitted to the Issuer by the Noteholder directly (physically signed form delivered by post or courier or electronically signed delivered by e-mail) or indirectly via the Noteholder's Custodian. If no response has been received within the designated time period, it shall be considered that the Noteholder will not exercise its put option. No option so exercised may be withdrawn without the prior consent of the Issuer.

The Issuer shall redeem or purchase (or procure the purchase of) the relevant Notes on the Change of Control Put Date unless previously redeemed (or purchased and cancelled) in accordance with the Nasdaq CSD intermediary and applicable Nasdaq CSD regulations. A Change of Control Put Exercise Notice, once given, shall be irrevocable without the prior consent of the Issuer.

If 75% (seventy-five per cent) or more in Nominal Value of the Notes then outstanding have been redeemed pursuant to this clause, the Issuer may, on not less than 30 (thirty) nor more than 60 (sixty) days' notice to the Noteholders given within 30 (thirty) days after the redemption of the Notes pursuant to this clause, redeem on a date to be specified in such notice at its option, all (but not only some) of the remaining Notes at 101% (one hundred and one percent) of the Nominal Value plus accrued and unpaid Coupon.

3.2.13. Early redemption at the option of the Noteholders upon De-listing Event or Listing Failure

In case a De-listing Event or Listing Failure has occurred, the Issuer has the obligation to notify the Noteholders by publishing a relevant notice with sufficient details on the Website no later than 20 (twenty) Business Days after a De-listing Event or Listing Failure has occurred.

The notice shall include the following information:

(a) That a De-listing Event or Listing Failure has occurred, and that each Noteholder within a period of 10 (ten) Business Days has the right to require the Issuer to redeem all of such Noteholder's Notes at a price equal to 101% (one hundred and one percent) of the Nominal Value plus accrued and unpaid Coupon;

(b) the redemption date, which shall be not earlier than 10 (ten) Business Days and not later than 20 (twenty) Business Days from the date such notice is delivered to the Noteholders;

(c) the record date;

(d) statement that any Note redeemed will cease to accrue interest after redemption and any Notes not redeemed will continue to accrue interest;

(e) description of the circumstances and relevant facts regarding occurrence of a De-listing Event or Listing Failure; and

(f) describing the procedures determined by the Issuer that the Noteholder must follow to have its Notes redeemed.

To exercise the De-listing Event or Listing Failure put option, the Noteholder must within a period of 10 (ten) Business Days after the date of publication of the Issuer's notice submit to the Issuer a duly signed and completed notice of exercise put option in the form provided by the Issuer. The completed form shall be submitted to the Issuer by the Noteholder directly (a physically signed form delivered by post or courier or electronically signed delivered by e-mail) or indirectly via the Noteholder's Custodian. If no response from the Noteholder has been received within the designated time period, it shall be considered that the Noteholder will not execute its put option. No option so exercised may be withdrawn without a prior consent of the Issuer.

If 75% (seventy-five per cent) or more in Nominal Amount of the Notes then outstanding have been redeemed pursuant to this clause, the Issuer may, on not less than 30 (thirty) nor more than 60 (sixty) days' notice to the Noteholders given within 30 (thirty) days after the redemption of the Notes pursuant to this clause, redeem on a date to be specified in such notice at its option, all (but not some only) of the remaining Notes at 101% (one hundred and one percent) of the Nominal Value plus accrued and unpaid Coupon.

3.2.14. Representation of the Noteholders

Within the framework of the issue, it is not planned, yet not prohibited to create an organization of authorized persons which would represent Noteholders. In case of the insolvency of the Issuer, every Noteholder has the right to represent his own interests in creditors' meetings. The Noteholders will have equal rights for satisfaction of their claims with other creditors in the same claims' group.

3.2.15. The First Settlement Date of the Notes issue

The First Settlement Date (Issue Date) of the Notes issue is 11 June 2024, on which the Coupon starts to accrue.

3.2.16. Restrictions on free circulation of the Notes

The Notes are freely transferable securities and can be pledged. However, the Notes cannot be offered, sold, resold, transferred or delivered in such countries or jurisdictions or otherwise in such circumstances in which it would be unlawful or require measures other than those required under the laws of the Republic of Latvia.

Any Noteholder wishing to transfer or offer the Notes must ensure that any offering related to such transfer or offer would not be qualified as public offering in the essence of the applicable law. According to the Terms of the Issue, it is the obligation and liability of the Noteholder, to ensure that any offering of the Notes does not fall under the definition of a public offering under the applicable law.

* * *

4. SPECIAL CONDITIONS

4.1. Disclosure of information

Up until the Maturity date of Notes, the Issuer shall publish all the information required by covenants, rules of Nasdaq Riga and regulatory enactments.

For so long as the Notes are not admitted to trading on First North, all notices and reports to the Noteholders shall be published on the Website.

As of the day when the Notes are admitted to trading on First North, all notices and reports to the Noteholders shall be published on Nasdaq Riga website, as well as on the Website. Any notice or report published in such manner shall be deemed to have been received on the same Business Day when it is published.

4.2. Event of default

If an Event of Default has occurred and is continuing, the Noteholders representing at least 10% (ten percent) of the total Nominal Value of the outstanding Notes may by written notice to the Issuer declare the Notes and accrued Coupon to be prematurely due and payable (declare the occurrence of Event of Default). If the Issuer confirms that an Event of Default in accordance with this clause has occurred or does not provide any information within 20 (twenty) Business Days, then the Issuer shall pay the Nominal Value of the Notes along with the accrued Coupon and contractual penalty, in accordance with Clause 4.3. "Contractual penalty", within 10 (ten) Business Days from the occurrence of any of the aforementioned events, i.e. confirmation or non-response. If the Issuer is unable to pay within the respective timeframe, the Issuer is obliged to engage an authorized person ("Trustee") to organise an Investor written notification in accordance with this clause within a maximum of 30 (thirty) Business Days after the event of default has occurred.

The Issuer shall publish information regarding the Noteholders representing at least 10% (ten per cent) of the principal amount of the outstanding Notes declaring the occurrence of Event of Default and confirmation or denial of occurrence of Event of Default on the Website and on Nasdaq Riga information system (after the Notes are admitted to trading on First North).

Each of the events or circumstances set out and included in below Clauses 4.2.1. - 4.2.8. shall constitute an Event of Default.

4.2.1. Non-payment

The Issuer fails to pay out any amount payable by it under the Terms of the Issue when such amount is due for payment, unless its failure to pay is caused by administrative or technical error in payment systems or the Nasdaq CSD and payment is made within 10 (ten) Business Days following the original due date. Noteholder shall have the right to submit claims regarding failure to pay amount due not earlier than 10 (ten) Business Days following the date of the relevant payment.

4.2.2. Breach of Financial Covenants

The Issuer has violated the conditions of the Clause 4.4. "Financial Covenants" and has failed to remedy such violation as according to the Clause 4.2.4. "Covenant cure".

4.2.3. Breach of General Covenants

The Issuer does not comply with any of the General Covenants set out in Clause 4.5. "General Covenants", unless the non-compliance is: (i) capable of being remedied; and (ii) remedied within 20 (twenty) Business Days after the Issuer becoming aware of the non-compliance.

4.2.4. Covenant cure

The Issuer and shareholders of the Issuer may cure or prevent a breach of the Financial Covenants in Clause 4.4. (and any Event of Default arising as a result therefrom) if, prior to or within 90 (ninety) calendar days of the earlier of: (i) the date on which the relevant Financial Report is to be published pursuant to the Terms of Issue; and (ii) the date that such Financial Report was in fact published pursuant to the Terms of Issue for any Relevant Period in which such failure to comply was (or would have been) first evidenced ("Breach Period"), the Issuer has received the cash proceeds from the shareholders of the Issuer in a form of equity and / or Subordinated Debt (the "Equity cure"), in an amount at least sufficient to ensure that the Financial Covenants set forth under Clause 4.4 would be complied with if tested again as at the last date of the Breach Period.

Any new equity and/or Subordinated Debt provided in respect of the Breach Period shall be deemed to have been provided during the Breach Period and shall be included (without double counting) in all relevant covenant calculations of the financial covenants until the date it was deemed provided falls outside any subsequent Relevant Period.

If after the Equity Cure the requirement of the relevant financial covenant set out in Clause 4.4 is met, then the requirement thereof shall be deemed to have been satisfied as at the relevant original date of determination of any default, Event of Default, occasioned thereby shall be deemed to have been remedied for the purposes of the Terms of Issue.

4.2.5. Cross default

If for the Issuer or any Material Subsidiary:

(a) any Financial Indebtedness is neither paid when due nor within any applicable grace period; or

(b) any Financial Indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described); or

(c) any commitment for any Financial Indebtedness is cancelled or suspended by a creditor as a result of an event of default (however described); or

(d) any creditor becomes entitled to declare any Financial Indebtedness due and payable prior to its specified maturity as a result of an event of default (however described); or

(e) any security securing Financial Indebtedness over any asset is enforced by secured creditor.

Provided however that the aggregate amount of such Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (I) to (V) above exceeds a total of EUR 500,000 (five hundred thousand euro) (or the equivalent thereof in any other currency) and provided that it does not apply to any Financial Indebtedness owed to the Related Parties or Subordinated Debt.

4.2.6. Insolvency

The Issuer or any Material Subsidiary is considered insolvent if:

(a) the Issuer or its Material Subsidiary is declared insolvent or bankrupt by a court of competent jurisdictions or admits inability to pay its debts in case of lawful claims save for claims by Related Parties or claims within Group; or

(b) an application to initiate insolvency or legal protection proceedings or similar proceedings of the Issuer or any Material Subsidiary or any other proceedings for the settlement of the debt of the Issuer is submitted to the court by the Issuer or the Subsidiary, unless such application is challenged in court.

4.2.7. Failure to notify of a Change of Control

The Issuer does not comply with any notification obligations set out in Clause 3.2.12. *(Early redemption at the option of the Noteholders upon Change of Control)*.

4.2.8. Failure to notify of a De-Listing Event or Listing Failure

The Issuer does not comply with any notification obligations set out in Clause 3.2.13. *(Early redemption at the option of the Noteholders upon De-listing Event or Listing Failure)*.

4.3. Contractual penalty

In the case of non-compliance or inadequate compliance with a payment obligation arising from the Notes, the Noteholder in question shall be entitled to require and the Issuer shall be obliged to pay contractual penalty (in Latvian: *līgumsods*) upon the request of any Noteholder to all the Noteholders from the date (excluding), when the deadline has set in, to the actual payment date (including) in the amount of 0.05% (zero point zero five per cent) per day from the relevant outstanding amount.

4.4. Financial Covenants

From the Issue Date of Notes to the date of repayment thereof, the Issuer undertakes to comply with the following Financial Covenants:

4.4.1. To maintain consolidated Equity Ratio of at least 30% (thirty per cent), calculated at the end of each quarter;

4.4.2. To maintain consolidated Debt Service Coverage Ratio of at least 1.2x (one point two times), calculated for the Relevant Period at the end of each quarter.

4.5. General covenants

From the Issue Date of Notes to the date of repayment thereof, the Issuer and its Material Subsidiaries shall undertake the following:

4.5.1. Dividend payments

The Issuer shall not pay dividends or make any other distribution of profits to shareholders and / or entities directly or indirectly owned by them in form of a loan, investment or any other, except permitted distribution of up to 50% (fifty per cent) of annual audited net profit, adjusted for non-recurring and non-cash items (e.g., gain / loss from revaluation of investment properties or acquisition / disposal of investment properties), provided that Financial covenants set forth in Clause 4.4. are met prior and after the distribution has been made.

4.5.2. Nature of business

The Issuer and its Material Subsidiaries shall not start any business activity that is outside the scope of Permitted Business.

4.5.3. Corporate changes

Not to commence Issuer's reorganization, liquidation or reduction of the share capital.

4.5.4. Arm's length basis

Any transactions with Related Parties shall be at Fair Market Value or increasing the potential value for the Group.

4.5.5. Disposals of assets

The Issuer shall not sell or otherwise dispose of shares in any Material Subsidiary or any of the assets or operations of a Material Subsidiary to parties who are not Group Subsidiaries, unless the transaction takes place at a price that is no more than 10% (ten per cent) lower than the Fair Market Value of the asset / company, as determined by the latest valuation report of a reputable licensed independent real estate advisor. The Issuer shall notify the Noteholders of any such transaction and shall make sure that it complies with the Financial Covenants set forth in Clause 4.4 prior and after the intended disposal.

4.5.6. Subordination of Shareholder loans

To subordinate claims of current and future loans received from the Issuer's Shareholder to the Notes.

4.5.7. Financial Reporting

4.5.8.1 To prepare and publish consolidated unaudited quarterly report for the Group in English with management comments, prepared according to Accounting Principles, by the end of the second month following the end of each respective quarter. The consolidated unaudited quarterly report for the Group should include information (together with the relevant calculations) confirming that the Issuer is in compliance with the Financial Covenants set out in Clause 4.4. of these Terms of the Issue;

4.5.8.2 To publish audited consolidated annual report for the Group prepared in English and according to the Accounting Principles within 4 (four) months after the end of each consecutive financial year. The annual reports should be audited by an Auditor.

4.5.8. Property valuations

To engage a reputable licensed independent property appraiser to provide an external valuation report regarding the fair value of the investment properties held by the Group at least once a year. The Issuer shall procure that the results of such valuation report are described and reflected in good faith and in accordance with the Group's valuation policy in the following Financial Report(s).

4.5.9. Use of Proceeds

To ensure that the funds that are raised as a result of the Notes issue are used only in accordance with Clause 3.1. (The use of the proceeds).

4.6. Procedure for applying for Noteholders' consent

The Issuer has the right to ask for the consent (waiver) of Noteholders to amend the conditions included in the Terms of the Issue (i.e., apply for the waiver).

However, the Issuer shall have a right to amend the technical procedures relating to the Notes in respect of payments or other similar matters without the consent of the Noteholders, if such amendments are not prejudicial to the interests of the Noteholders.

The amendment of the Terms of the Issue may include the amendment of any conditions, which is not restricted by such characteristics of Notes as currency, Coupon rate, Coupon calculation method, Coupon and Nominal payments, inclusion of Notes for trading to regulated or alternative markets, covenants, Maturity Date of Notes, and other conditions, unless they contradict mandatory provisions of Applicable Laws.

Notes held by the Issuer, its direct or indirect shareholders and the Related Parties will not carry the right to vote at the Noteholders' Meetings and will not be taken into account in determining how many Notes are outstanding for the purposes of the present clauses of these Terms and Conditions.

The Issuer can apply for the waiver itself or through the intermediary of an authorised person (the "Agent"). To apply for the waiver, the Issuer or Agent shall notify the Nasdaq CSD directly (if the Notes are not admitted to trading on First North) and Noteholders by publishing a relevant announcement on the Website and via Nasdaq Riga information system (if Notes are admitted to trading on First North), specifying at the least the following information:

(a) a description of the requested amendment;

(b) a justification of the necessity of such amendment;

(c) the date when the list of Noteholders eligible to grant the waiver (vote) will be fixed;

(d) the term within which a Noteholder can support or reject the offered consent (waiver);

(e) instructions concerning notification about the support or rejection of the consent (waiver0 and the procedure for filling in the voting questionnaire;

(f) notification that a Noteholder willing to grant the consent (waiver) shall notify the Issuer or the Agent within the term specified in the application. If the Noteholder does not notify the Issuer or Agent about the approval to grant waiver within the term specified in the application, a Noteholder shall be deemed as not having granted the waiver;

(g) contact details of the Issuer and/ or the Agent to be used for notifications (telephone number for inquiries, email or address for sending filled in and signed questionnaires, list of representative offices and/ or branches of the Issuer and/ or Agent where Noteholders can submit the questionnaires in person);

(h) other information, if any. For instance, information about a fee offered to Noteholders for submitting their approval to grant the consent (waiver) (if any such fee is being offered).

The list of Noteholders shall be inquired from the Nasdaq CSD as of the date falling to the 5th (fifth) Business Day after the waiver was published on the Website and *via* Nasdaq Riga information system (if the Notes are admitted to trading on First North).

The term allowed to Noteholders for deciding upon refusal to grant the waiver to the Issuer may not be shorter than 14 (fourteen) calendar days after the information about the waiver was sent to Noteholders directly or if Notes are included in First North, *via* Nasdaq Riga information system.

The Noteholders shall submit signed questionnaires with their decision to the Issuer, the Agent or their respective Custodian by a deadline set in the application of the consent (waiver). The consent (waiver) is deemed to be granted, if the Majority Noteholders have voted for granting the consent (waiver).

The Issuer or the Agent shall count the received votes and notify Noteholders of the results of the voting within one Business Day after the deadline for submitting the questionnaires by publishing a relevant announcement on the Website and *via* Nasdaq Riga information system (after Notes are admitted to trading on First North).If the granted consent (waiver) refers to specifications of the Notes and/or Coupon calculation method, as well as procedure of Coupon payments and/or repayment of the Nominal Value, the Issuer shall inform Nasdaq CSD on the mentioned changes according to the regulation determined in the Nasdaq CSD rules.

If the Issuer offers Noteholders a fee for granting the consent (waiver), the Issuer shall transfer the fee through the intermediary of Nasdaq CSD and in accordance with applicable Nasdaq CSD regulations, which regulate the procedure for paying income from debt securities.

4.7. Force majeure and limitation of liability

The Issuer shall be entitled to postpone the fulfilment of its obligations under the Terms of the Issue in the event performance is not possible due to continuous existence of any of the following circumstances (a "Force Majeure Event"):

(a) action of any authorities, war or threat of war, rebellion or civil unrest;

(b) disturbances in postal, telephone, or electronic communications which are due to circumstances beyond the reasonable control of the Issuer and that materially affect the operations of the Issuer;

(c) any interruption of or delay in any functions of measures of the Issuer as a result of fire, frost or other similar disaster;

(d) any industrial action, such as strike, lockout, boycott or blockade affecting materially the activities of the Issue, or

(e) any other similar *force majeure* hindrance.

In the event of the occurrence of a Force Majeure Event, the Issuer's fulfilment of the obligations may be postponed for the period of the existence of such respective circumstances and shall be resumed immediately after such circumstances cease to exist, provided that the Issuer shall put all best efforts to limit the effect of the Force Majeure Event and to resume the fulfilment of its obligations as soon as possible.

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5. TAXATION

This summary is of general nature and should not be considered a legal or tax advice. This summary does not contain full and complete information on all the taxes that relate to investment in the Notes. Tax rates and conditions for paying taxes may change during the life of the Notes. Potential Investors should consult with their own tax advisors with respect to their particular circumstances and the effects of the tax laws to which they may be subject to.

5.1. Withholding Tax

5.1.1. Non-resident Noteholders

According to the Estonian Income Tax Act ("EITA"), interest payments made by the Issuer to Estonian non-resident Noteholders (both corporate entities and natural persons) will not be subject to withholding tax in Estonia. The permanent establishments of non-residents in Estonia share the same tax treatment as resident corporate entities (see "Resident Noteholders" below).

5.1.2. Resident Noteholders

Pursuant to the EITA, interest payments made by the Issuer to Estonian resident corporate taxpayer or private entrepreneur Noteholders will not be subject to withholding tax in Estonia.

Withholding tax at the rate of 20% (twenty per cent) will be levied on the taxable interest payments made by the Issuer to Estonian resident natural person Noteholders. However, the Issuer will not withhold income tax if the Estonian resident natural person Noteholder has notified the Issuer that the income tax liability on the interest income has been postponed due to using an investment account regime by the Noteholder as specified in Article 17^2 of the EITA. No withholding tax is applicable to capital gains received by corporate and natural person residents of Estonia from the sale of the Notes.

5.2. Income Taxation

5.2.1. Non-resident Noteholders

According to the EITA, interest payments made by the Issuer to Estonian non-residents Noteholders (corporate entities and natural persons) is not subject to income tax in Estonia. The interest income and capital gains received by non-resident Noteholders may be subject to taxation in their country of residence.

As an exception from the above, income tax at the rate of 20% (twenty per cent) is charged on gains derived by a non-resident from a transfer of claim which is related to an immovable or a structure (building) as a movable, which is located in Estonia. As commonly interpreted, this does not include gains from selling an unsecured bond that has no direct relation to any single immovable in Estonia.

With regard to interest income received by a permanent establishment located in Estonia, see "Resident Noteholders" below.

5.2.2. Resident Noteholders

5.2.2.1. Corporate Residents

Interest income and capital gains received by resident legal entities and permanent establishments of non-residents is not subject to corporate income tax ("CIT") in Estonia upon receiving the income. Such income is included in the income of the resident or a permanent establishment but is not immediately taxed. CIT is levied upon profit distribution. Permanent establishments of non-residents of Estonia are taxed similarly resident corporate entities, with some special rules. Profit attributed to a permanent establishment is subject to CIT when it has been taken out of the permanent establishment in monetary or non-monetary form.

5.2.2.2. Resident Individuals

The interest income received by Estonian tax resident individual is subject to 20% (twenty per cent) personal income tax ("PIT") in Estonia, which is withheld by the Issuer. Interest income means all interest accrued from loans, leases and other debt obligations, as well as securities and deposits, including such amount calculated on the debt obligations by which the initial debt obligations are increased.

Capital gains earned by Estonian tax resident individuals from the sale or exchange of Notes is taxed as profit from the transfer of property, which is subject to PIT at the rate of 20% (twenty per cent). Pursuant to Section 37 (1) of the EITA, gains or loss derived from the sale of Notes is the difference between the acquisition cost and the selling price of the Notes. The gain or loss derived from the transfer of Notes is the difference between the acquisition cost and the sale price of the Notes. The gains or loss derived from the exchange of property is the difference between the acquisition cost of the property subject to exchange and the market price of the property received as a result of the exchange. Additionally, the Holder has the right to deduct proved expenses directly related to the sale or exchange of property from the Holder's gain or to add such expenses to the Noteholder's loss.

Exclusively for natural person taxpayers, EITA enables postponement of the taxation of income derived from the publicly offered securities by using an investment account regime specified in Section 17^2 of the EITA. This special regime applies strictly to the securities referred to in section 17^1 of the EITA. The moment of taxation of the financial income held on an investment account is postponed until such income is withdrawn from the investment account (i.e., the amount withdrawn from the account exceeds the amount which had been previously paid into the account).

Taxation of an Estonian tax resident private entrepreneur is different.

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6. TERMS OF THE OFFERING

6.1. Subscription to the Notes

6.1.1. Placement period

The placement period for the Notes is divided in two stages:

(a) Initial offering ("New Subscription") shall commence on 22 May 2024 at 10am Riga time and end on 4 June 2024 at 4pm Riga time.

(b) The Exchange Offer acceptance period shall commence on 22 May 2024 at 10am Riga time and end on 4 June 2024 at 4pm Riga time ("Exchange Offer Period"). During this period the existing notes with the ISIN LV0000802478 and maturity on 18 June 2024 ("Existing Notes") can be exchanged for the Notes.

6.1.2. Exchange Offer

By filing a respective corporate event notification to the Nasdaq CSD, within the Exchange Offer Period, the Issuer will offer to all investors holding the Existing Notes ("Existing Noteholders") to exchange the Existing Notes with the Notes.

The exchange ratio is one-to-one and any number of the Existing Notes can be used for the exchange to the extent the Notes are unsold.

Existing Noteholders can exchange their Existing Notes for the Notes by submitting within the respective stage of the placement period an offer for exchange to their Custodian in writing using the offer form provided by the Custodian banks stating the number of Existing Notes to be exchanged. The Custodian shall in turn inform the Nasdaq CSD on the total number of Existing Notes to be exchanged with the Notes and Existing Notes Investors who requested the exchange.

Each Existing Noteholder willing to participate in the offer shall authorise and instruct the Custodian to immediately block the total number of the Existing Notes to be exchanged with the Notes on the Existing Noteholder's securities account until the settlement for the transaction is completed or until the Existing Notes are released.

The number of the Existing Notes on the Existing Noteholder's 'securities account to be blocked shall be equal to the total number of the Existing Notes to be exchanged with the Notes. An Existing Noteholder may submit a subscription order only when there is a sufficient number of the Existing Notes on the securities account. If the number of the Existing Notes, which are blocked is insufficient, the order shall be deemed valid only in respect to the amount of a sufficient number of the Existing Notes that are on the Existing Noteholder's securities account.

The Exchange Offer is not addressed and cannot be accepted by any Russian or Belarusian national, any natural person residing in Russia or Belarus, or any legal person, entity, or body established in Russia or Belarus due to the Sanctions. This restriction does not apply to nationals of a Member State or to natural persons holding a temporary or permanent residence permit in a Member State of the European Union.

Every Existing Noteholder that accepts the Exchange Offer is entitled to a fee of 1.556% (one point five hundred fifty-six per cent) as compensation for the accrued interest on the Existing Notes subject to exchange for the period from last coupon payment date of the Existing Notes until the Issue Date. Considering the Exchange Ratio, the amount of accrued interest payable to Existing Noteholder participating in the Exchange Offer shall be EUR 15.56 (fifteen euro 56 cents)per one Note. The fee is payable within 10 (ten) Business Days after the Issue Date and the record date for the fee is the Issue Date. For tax purposes the fee is treated as interest payment.

Only those Existing Noteholders who hold the Existing Notes in Nominal of at least EUR 100,000 (one hundred thousand euro) per investor are eligible to participate in the Exchange Offer.

6.1.3. New Subscription

Subscription orders to the Notes can be submitted to the Arranger or the Sales Agent every Business Day during normal working hours. More detailed information on the submission of the subscription orders is available by phone +371 67 081 069.

Subscription orders can also be submitted to other Custodians, which in turn shall submit orders to the Arranger. The form of such subscription orders is regulated by contracts between Noteholders and Custodians and by the Applicable Laws.

Minimum subscription size for Notes is EUR 100,000 (one hundred thousand euros) with minimum step of EUR 1,000 (one thousand euro). Subscription size should adhere Settlement Unit Multiple.

The total Nominal value of subscribed Notes should be stated in the subscription order. Potential Investors have the right to submit several subscription orders during the offering. Subscription orders to the Notes are irrevocable. The Arranger will register all submitted subscription orders according to legal requirements and internal procedures.

All Subscription orders to the Notes shall be considered as binding and irrevocable commitment to acquire the allotted Notes.

By submitting the subscription order the Potential Investor confirms that they: (i) have read and understand the Terms of the Issue; (ii) agree and commit to adhere to the Terms of the Issue.

The First Settlement Date of Notes is 11 June 2024.

Article 5f of Regulation (EU) No. 833/2014 (as amended by Council Regulation (EU) No. 2022/328) and Article 1f of Regulation (EC) No. 765/ 2006 (as amended by Council Regulation (EU) No 2022/398) prohibit the sale of euro denominated transferable securities issued after 12 April 2022 or units of undertakings for collective investment (UCIs) providing exposure to such transferable securities, to any Russian or Belarusian national, any natural person residing in Russia or Belarus or to any legal person, entity or body established in Russia or Belarus. This prohibition does not apply to nationals of a Member State or to natural persons holding a temporary or permanent residence permit in a Member State of the European Union.

All the expenses related to the acquisition and custody of the Notes shall be borne by a Potential Investor in compliance with the pricelist of a credit institution or investment service provider, through which the Potential Investor purchases and keeps Notes. The Issuer is not obliged to compensate any such expenses incurred by the Potential Investor.

6.1.4. Notes price

Notes purchase price can be equal to 100% (one hundred per cent) of the Nominal Value or purchase price could be lower or higher than the Nominal Value, meaning that the Notes can be sold with discount or premium, at the sole discretion of the Issuer.

All subscription orders that were aggregated during the subscription period with the First Settlement Date will be delivered without accrued interest.

The Related Parties may subscribe to the Notes, but purchase price for those orders shall be equal to 100% (one hundred per cent) or, in case the price is lower or higher than the Nominal Value, the discount or premium shall be at market conditions.

6.1.5. Reduction of the Notes issue size

At any time, the Issuer may decide to discontinue offering of the Notes. The total issue size is equal to the actual issue size of the Notes before such decision.

6.1.6. Allocation of the Notes to Noteholders

The Issuer shall establish the exact number of Notes to be allocated to the Existing Noteholders who have participated in the Exchange Offer and to investors who submitted their subscription orders during the New Subscription period.

The Notes are allocated to Potential Investors in the amount not larger than the amount specified in the subscription order and not less than the Minimum Investment Amount.

In case the total number of Notes exchanged and subscribed for during the Exchange Offer Period and Subscription Period is less than the Notes available, the Notes will be allotted based on the exchange instructions and subscription orders placed.

In case the total number of Notes exchanged and subscribed for is higher than the Notes available, the Issuer at its sole discretion has a right to refuse to allocate all or part of the subscribed Notes to any Potential investor. The decision on the final allocation of Notes to Potential Investors is made by the Issuer.

The Notes will be allocated by the Issuer in the following priority:

1) Existing Noteholders who have elected to participate in the Exchange Offer shall be allotted the Notes fully, observing the exchange ratio;
2) Other investors who have submitted their subscription orders during the Subscription Period. The following principles will be observed during the allocation process: (i) the allocation shall be aimed to create a solid, reliable and diversified investors base for the Issuer; (ii) the Issuer may apply different allocation principles to a different group of investors; (iii) the Issuer may set a minimum and a maximum number of Notes allocated to one Investor.

The Arranger or the Issuer at its sole discretion has a right to refuse to allocate all or part of the subscribed Notes to any Potential Investors due to AML and Sanctions regulations compliance risk or other risks.

6.2. Settlement and delivery of Notes

6.2.1. Settlement of the New Subscription

The First Settlement Date of Notes is 11 June 2024. All subscription orders that were aggregated during the subscription period with settlement date on 11 June 2024 will be delivered without accrued interest.
The settlement date for the Notes can be any Business Day which is not earlier than the second Business Day and not later than the 20th (twentieth) Business Day after subscription order is duly submitted to the Arranger.

Settlement of the Notes will be executed through the Nasdaq CSD as DVP (delivery versus payment) transactions according to the applicable Nasdaq CSD rules and Operating Manual. The Custodians execute payments for the Notes based on the results of the subscription provided by the Arranger. The Notes will be transferred to investors' financial instrument accounts on the settlement date.

Settlement for the Notes can be executed according to other procedure, which is agreed to by the Arranger and Potential Investor.

6.2.2. Settlement of Exchange Offer

On the exchange offer settlement date, which is the Issue Date, the Nasdaq CSD will delete a number of the Existing Notes that were exchanged for the Notes from each of the Custodian account and transfer the Notes to a relevant Custodian account, which in turn will transfer specific number of the Notes to each of the Existing Notes Investors.

On the Issue Date, the Nasdaq CSD shall record on the Arranger's account all the Notes that were not exchanged for during the Exchange Offer period.

On the Issue Date, the Nasdaq CSD shall record on the Arranger's account all the Notes that were not exchanged for during the Exchange Offer period.

6.2.3. **Pre-emptive rights**

None of Potential Investors have the rights of pre-emption in respect to acquisition of the Notes in the initial placement.

* * *

7. INCLUDING OF THE NOTES ON THE MARKET AND TRADING REGULATIONS

The Issuer plans to request the admission to trading of the Notes on First North within 6 (six) months after the Issue Date and submit Terms of the Issue to Nasdaq Riga. The Notes shall be listed on First North only in case Nasdaq Riga approves the Notes for listing. Each Investor acknowledges that the possible listing of the Notes on First North depends on the discretionary decision of the Nasdaq Riga.

The Issuer does not undertake to register the Notes prospectus with the FSA or list the Notes on any regulated market.

The Issuer has not signed any agreement with any person for Notes liquidity maintenance on the secondary market.

* * *

8. ADDITIONAL INFORMATION

8.1. Advisors involved in the Issue

The Issuer has concluded an agreement with the Arranger to organize the Notes issue, to communicate with the Nasdaq CSD, market it to Potential Investors and conduct settlement during the subscription period. The Arranger may provide other services to the Issuer in the future and receive remuneration for it. The Arranger may invest its own funds in the Notes.

The Issuer has concluded an agreement with the Sales Agent for distribution of the Notes in accordance with these Terms of the Issue to Potential Investors in the Republic of Estonia.

8.2. The external audit of the information included in the Terms of the Issue

The auditors have not verified the information included in the Terms of the Issue.

8.3. Statements or reports included in the Terms of the Issue

The Terms of the Issue does not contain any expert statements or reports.

8.4. Credit ratings

There is no credit rating assigned to the Notes issue.

The Issuer has a BB / Stable Issuer rating affirmed by European ratings agency Scope Ratings GmbH (Scope). Scope has also affirmed the BB rating for the senior unsecured debt category. The latest rating review has been completed in September 2023.

* * *

9. THE ISSUER

9.1. General Information on the Issuer

The Issuer is Summus Capital OÜ.

The Issuer's registration number is 12838783 and legal entity identifier is 2549003WOPH1RE2ID891.

Legal address and location of the management is Harju maakond, Tallinn, Kesklinna linnaosa, Rotermanni tn 2-3b, 10111, Estonia.

Legal form: A private limited liability company, legal status — legal person.

Country of location: Republic of Estonia.

The Issuer carries out its activities in accordance with the Applicable Laws.

9.2. A description of the Issuer's position within the Group

At the moment of signing the Terms of the Issue, the Issuer is a holding company and holds interest in the following Subsidiaries:

Table 1. Subsidiaries of Summus Capital OÜ

Name of subsidiary	Country of incorporation	Ownership interest
Lepidus Invest OÜ	Estonia	99%
Votum Invest OÜ	Estonia	99%
Princepts Capital OÜ	Estonia	99%
Voluntas Invest OÜ	Estonia	99%
Veerenni Tervisekeskus OÜ	Estonia	99%
Procedo Capital OÜ	Estonia	99%
UAB Vikingu 3	Lithuania	89%
UAB Zenith Turto Valdymas	Lithuania	89% (indirect)
UAB Nordika prekybos slenis	Lithuania	89% (indirect)
UAB PT Rytai	Lithuania	89% (indirect)
UAB PT Vakarai	Lithuania	89% (indirect)
Vikingi 2 SIA	Latvia	100%
SIA Loft Office	Latvia	89% (indirect)
SIA LSREF3 Riga Plaza	Latvia	89% (indirect)
SIA PLP	Latvia	89% (indirect)
SIA Pārupes Būmani	Latvia	100% (indirect)
SIA RCH Management	Latvia	100% (indirect)

9.3. Auditor

The Issuer's financial auditor of the last audited annual report (financial year 2023) as well as for the financial years 2020, 2021, and 2022 has been KPMG Baltics OÜ (activity license of auditing company no. 17, registration number: 10096082, legal address: Harju maakond, Tallinn, Kesklinna linnaosa, Ahtri tn 4, 10151).

* * *

10. BUSINESS OF THE ISSUER

10.1. Overview

The Group was established in 2013 and operates as a privately held real estate investment firm, owning commercial properties across the Baltic region. Based in Estonia, it currently stands as one of the largest real estate investment companies in the Baltic states. The investment property portfolio of Summus Capital OÜ has substantially grown over the last years and the Group has established itself as one of the leaders in Baltic commercial real estate market.

Figure 1. – Investment property portfolio value split by countries, € m

Summus Capital OÜ has a diversified property portfolio that consists of 14 cash flow generating commercial real estate properties in retail (shopping centres), office, logistics and medical segments. Total market value of the portfolio exceeds EUR 400 million and it is diversified both in terms of countries and segments, as retail segment makes up 62% of the portfolio, offices 29%, while industrial segment makes up 9% of the portfolio value.

The asset and ESG manager of Summus Group's portfolio is Green Formula Capital, 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. The Group has concluded agreement with Green Formula Capital to render investment management services for the Group's whole portfolio.

10.2. Investment strategy

The Group focuses on cash flow generating properties in retail, office and industrial segments in all three Baltics states and uses long-term approach when making the investment decision. Additionally, the Group places importance on environmental, social and governance (ESG) factors and devotes significant attention to energy efficiency improvement of the buildings as well as green building certifications.

Table 2. The Issuer's investment strategy

Investment strategy
• Cash flow generating commercial real estate
• Long-term investment horizon
• Class A office buildings, shopping centers & big-box stores, class A warehouse and industrial properties

• Sale-leaseback transactions
• Sustainable buildings (BREEAM or LEED certifications)
• Value-add commercial real estate investments
Portfolio requirements
• Portfolio should consist of investments in different commercial real estate sectors
• Share of anchors in the portfolio's cash flow at least 50%
• Minimum new investment size €10m

10.3. Real estate portfolio overview

Table 3. The Issuer's real estate portfolio

Property	Location	NLA, thousand m2	Portfolio Value[1] (2023), € m
Riga Plaza	Latvia, Riga	51.3	101.5
Depo DIY	Latvia, Riga	19.4	22.2
Damme	Latvia, Riga	13.7	36.3
De La Gardie	Estonia, Tallinn	2.1	6.2
Warehouse portfolio	Estonia, Tallinn & Tartu	9.3	6.3
Auriga SC	Estonia, Kuressaare	13.5	15.2
Punane 56	Estonia, Tallinn	4.7	3.8
Veerenni BC 1	Estonia, Tallinn	6.6	15.3
Veerenni BC 2	Estonia, Tallinn	10.0	24.1
Nordika SC	Lithuania, Vilnius	35.6	68.7
BOD	Lithuania, Vilnius	30.2	27.5
Park Town West Hill BC	Lithuania, Vilnius	7.2	22.2
Park Town East Hill BC	Lithuania, Vilnius	15.1	52.0
Total		**218.6**	**401.2**

[1]*Fair value of the properties was determined by certified valuator Newsec Valuations as of end 2023*

Table 4. Portfolio split by countries

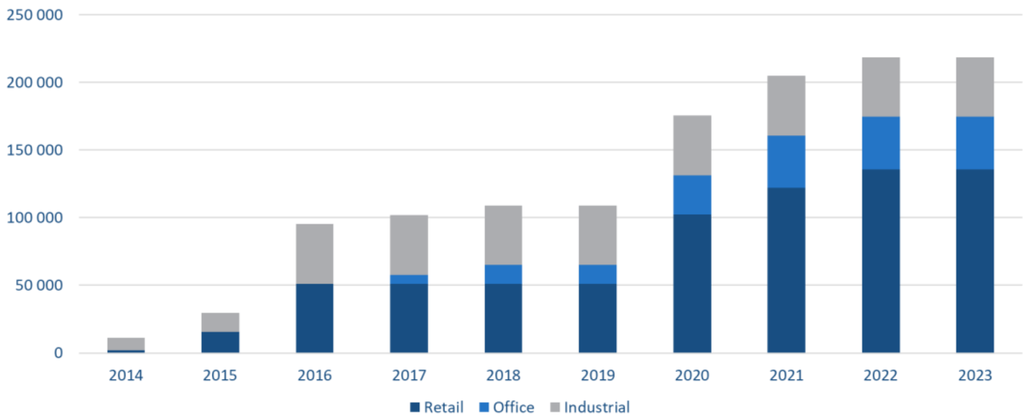
Country	Property value, %	NLA, %
Lithuania	42%	40%
Latvia	40%	39%
Estonia	18%	21%

Table 5. Portfolio split by sector

Sector	Property value, %	NLA, %	NOI (2023), %
Retail	62%	62%	64%

Office	29%	18%	26%
Industrial	9%	20%	10%

Figure 2. Property portfolio NLA development, m2



In recent years, the property portfolio of Summus Capital OÜ investment has experienced significant expansion, solidifying the Group's position as a leading player in the Baltic commercial real estate sector. Lithuania and Latvia take up 42% and 40% of the portfolio value respectively, while Estonia takes up the remaining 18%. The retail segment comprises 62% of the portfolio value, by far being the largest segment, followed by office with 29% and industrial with 9%. Similar trend can be seen in the Groups NLA development, however, the industrial segment proportionally makes up a higher share of the total portfolio area due to the differences in building sizes between the segments.

Properties in Estonia:

Name	De La Gardie
	
Sector	Retail
Location	Tallinn Old Town, Estonia
Acquisition year	2014
NLA, (m2)	2 062
Key tenant(s)	Lindex
About	De La Gardie shopping centre was constructed in 2000 and is situated on the busiest retail street in Tallinn Old Town, which is very popular among tourists. Being located just 200 meters from the official centre of

	Tallinn - Viru Square - the property enjoys its location with the vicinity of dozens of hotels, shopping centers, and offices

Name	Warehouse properties
	
Sector	Industrial
Location	Tallinn, Estonia
Acquisition year	2014
NLA, (m2)	9 258
Key tenant(s)	Mediq Eesti, Stora Enso Packaging
About	In the portfolio of industrial/warehouse properties all of the properties are strategically well located, well-functioning, and well-known amongst industrial parks. The properties are fully leased to internationally well-known, strong tenants: Stora Enso Packaging AS and Mediq Eesti OÜ. All lease agreements are on triple-net conditions

Name	Auriga shopping center
	
Sector	Retail
Location	Kuressaare, Estonia
Acquisition year	2015
NLA, (m2)	13 493

Key tenant(s)	Rimi, K-Rauta DIY, H&M, Apollo
About	This is the largest shopping centre in Saaremaa, located at the city's entrance at the most significant intersection in Saare County and which was opened to the public in October 2008. Tenants in the centre are well known international and local brands. In 2018, a record total of two million visitors frequented the centre, demonstrating its popularity and potential for sustained profitability

Name	Punane 56
	
Sector	Industrial/stock-office
Location	Tallinn, Estonia
Acquisition year	2015
NLA, (m2)	4 668
Key tenant(s)	Clemco Baltic, Baltic Promotions
About	This multifunctional business complex has a 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, ie. specialised retail tenants

Name	Veerenni 1 – Health center
	
Sector	Office

Location	Tallinn, Estonia
Acquisition year	2017
NLA, (m2)	6 603
Key tenant(s)	Synlab, Confido
About	Veerenni is the biggest private medical centre in Estonia, which brings together various health segment companies under one roof. This is the first part of a larger cluster which serves to bring together a variety of medical services, from occupational health to surgery. With its high-quality tenants and favorable leases, Veerenni represents an excellent investment opportunity. It is a modern building that has been in operation since 2017 and is located in the central district of Tallinn

Name	Veerenni 2 – Health center
	
Sector	Office
Location	Tallinn, Estonia
Acquisition year	2021
NLA, (m2)	10 037
Key tenant(s)	Confido, Semetron, Ortopeedia arstid
About	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 biggest private medical centre in Estonia, which brings together various companies in the healthcare segment under one roof. The centre was commissioned in Autumn 2020

Properties in Lithuania:

Name	Nordika shopping center
	
Sector	Retail
Location	Vilnius, Lithuania
Acquisition year	2016
NLA, (m2)	35 635
Key tenant(s)	Senukai, Rimi, Jysk, Elktromarkt
About	Nordika shopping centre, which opened at the end of 2015 is the only shopping mall in the southern area of Vilnius, with its own large parking area with 1,320 spaces. The shopping centre has more than sixty retailers, services, and restaurants, generating an annual footfall of 4.5 million. This is the first shopping mall on the route from the borders of Belarus, attracting a significant number of international customers who travel specifically to visit the shopping centre

Name	BOD Group technology center
	
Sector	Industrial
Location	Vilnius, Lithuania
Acquisition year	2016
NLA, (m2)	30 189

Key tenant(s)	Soli Tek Cells
About	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 classified as being the most energy-efficient industrial building in Europe by the German Chamber of Commerce. BOD Group comprises of high-tech companies with focus on optical lenses, solar energy systems and energy storage.

Name	Park Town West Hill
	
Sector	Office
Location	Vilnius, Lithuania
Acquisition year	2018
NLA, (m2)	7 156
Key tenant(s)	Reiz Tech, Regus
About	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 neighborhood. The Park Town West Hill property is a part of the Park Town business centre. This business centre consists of seven-storey office buildings for modern businesses working in the modern world. Park Town is BREEAM certified

Name	Park Town East Hill
	
Sector	Office
Location	Vilnius, Lithuania
Acquisition year	2020
NLA, (m2)	15 086
Key tenant(s)	Yara, OpSec Online, Sapiens, KPMG Baltics
About	Park Town East Hill, together with Park Town West Hill comprise a single business centre within the surrounding park area. The business centre consists of two seven-story 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 equipped with state-of-the-art office amenities, ensuring a comfortable and productive workspace for tenants

Properties in Latvia:

Name	Riga Plaza
	
Sector	Retail
Location	Riga, Latvia
Acquisition year	2020
NLA, (m2)	51 290

Key tenant(s)	Maxima, Apollo, Peek&Cloppenburg, H&M, LPP
About	Built in 2009 Riga Plaza is 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 hosts over 170 retail units with a strong mix of national and international anchor tenants and strong entertainment and food and beverage offer, with opportunity to enlarge and modernize the current entertainment areas

Name	Depo Imanta DIY property
	
Sector	Retail
Location	Riga, Latvia
Acquisition year	2021
NLA, (m2)	19 412
Key tenant(s)	DEPO DIY
About	DEPO manta DIY store was built in 2021 and has a leasable area of more than 19 000 m2 and it has been built as a sustainable property considering environmental impact. Property is located in a clearly visible and accessible area, which is the main shopping area in the Riga Imanta district. DEPO, as a leading DIY chain in the Baltics, fits well into Summus Capital OÜ diversified tenant portfolio

Name	Damme
	
Sector	Retail
Location	Riga, Latvia
Acquisition year	2022
NLA, (m2)	13 740
Key tenant(s)	Rimi
About	Damme SC is the leading shopping centre in the 3rd largest district of Riga - Imanta, with approximately 50,000 residents in the direct catchment area. The shopping center with a total NLA of more than 13 000 m2 is anchored by a supermarket Rimi and hosts around 70 different well-known stores. The Property is fully occupied and welcomes around 3 million visitors a year

Tenants and occupancy

The Group has a diversified and stable tenant base with more than 420 tenants in the property portfolio. Anchor tenants are established regional names, representing various sectors and currently make up ca. 60% of total rental revenue.

The top 10 tenants occupy 47% of the net leasable area, as the Group's strategy is focused on properties where anchor tenants generate substantial portion of the total cash flow. Nonetheless, no single tenant exceeds 7% of total rental income.

Figure 3. NLA split by top 10 tenants, %

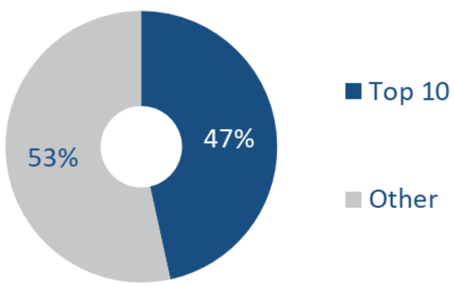
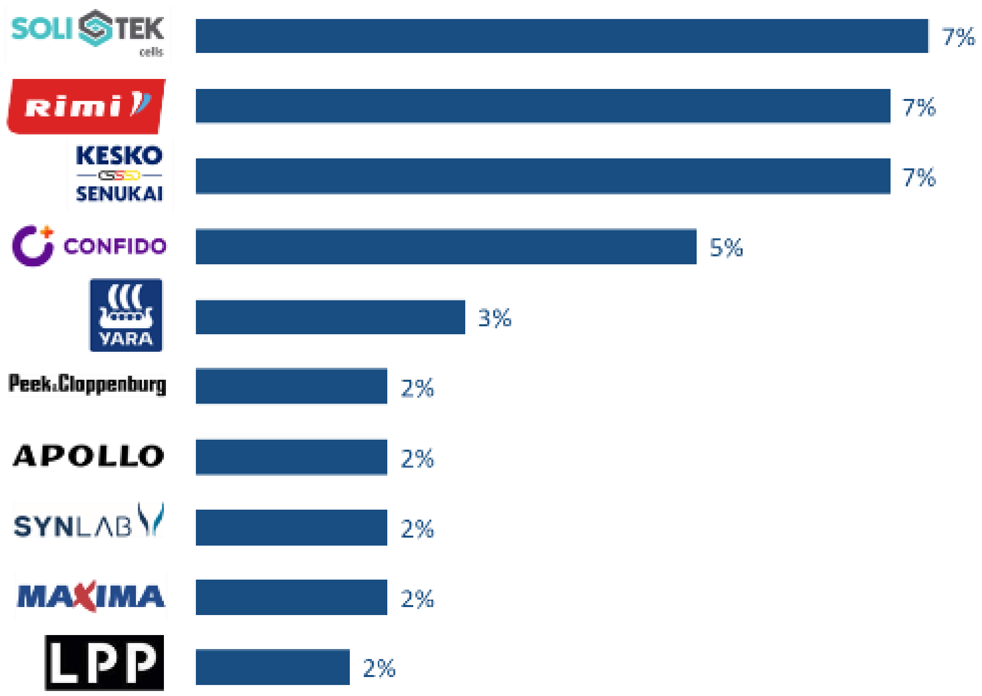
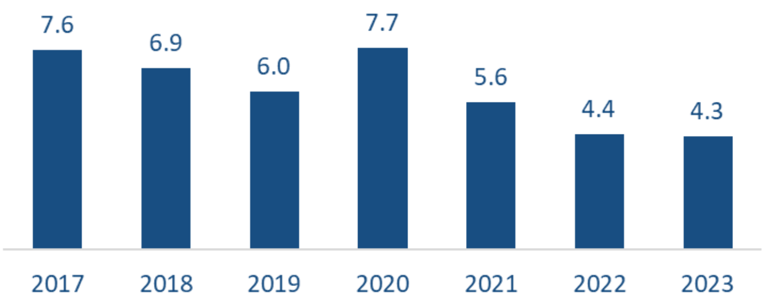


Figure 4. Top 10 Tenant annual rent, % from total rent



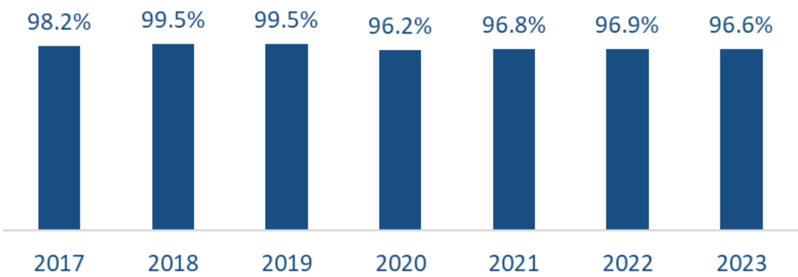
The Group has long-term contracts with core tenants that ensure stable and predictable cash flows. Weighted average unexpired lease term (WAULT) at the end of 2023 was 4.3 years for the whole portfolio, while anchor tenants WAULT was 5.5 years.

Figure 5. WAULT, years



Over the years, the Group has had a very stable and consistently high occupancy rate, exceeding 96%.

Figure 6. Occupancy rate, %



10.4. Market overview

High interest rate environment led to a suppressed investment activity and continued placing an upward pressure on yields throughout 2023. The market awaits better financing conditions, which might encourage the investment activity, towards the end of 2024 and onwards.

According to the data from Colliers commercial real estate market review, for the last years, Lithuania has remained the leader in terms of the transaction volume, surpassing EUR 500 million in 2023, while both Estonia and Latvia have remained below EUR 300 million mark, which has been consistently achieved in the previous years.

Baltic capital has continued to dominate the transaction market in all three Baltic States, and this trend can be expected to continue for the foreseeable future. The office segment has remained as investors top choice, comprising a significant portion of the total transaction volume, followed by the industrial segment.

Figure 7. Baltic real estate transaction volume, € m

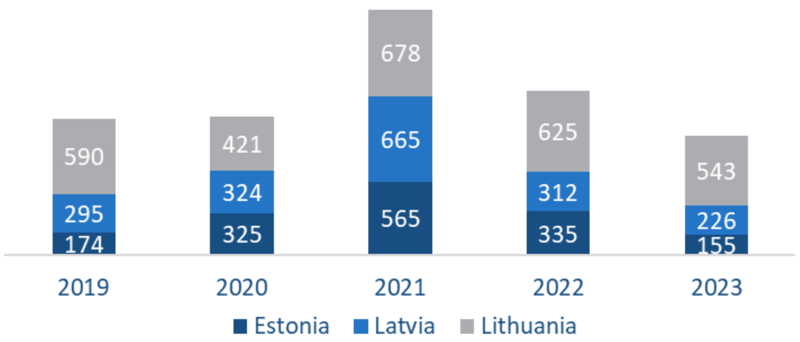


Figure 8. Vacancy rate (2023), %

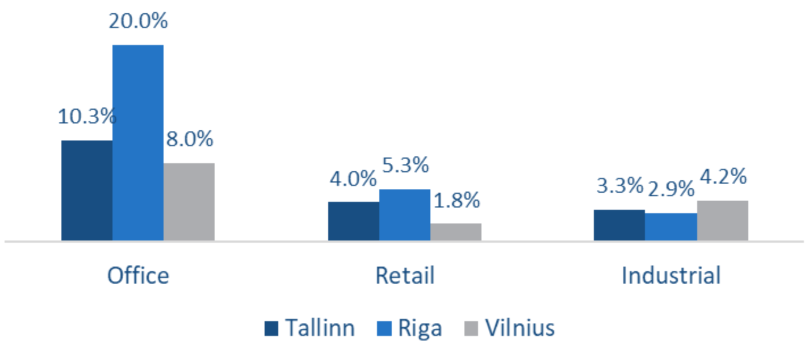
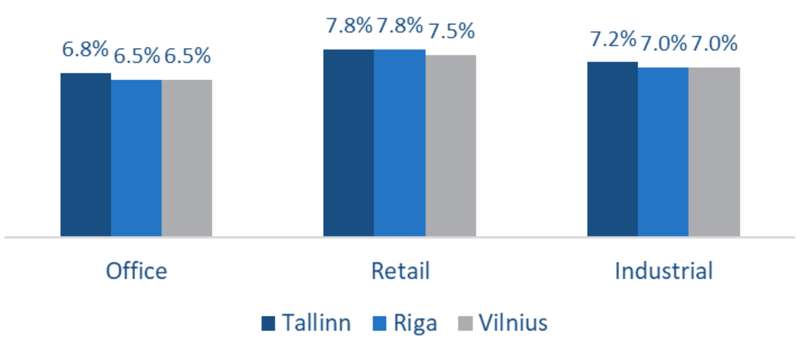


Figure 9. Prime yields (2023), %



Source: Colliers commercial real estate market overview 2023

10.5. Competition

The Baltic commercial real estate market has undergone significant development in the recent years, driven by economic growth, increased foreign investment, and infrastructure improvements. A few considerations regarding the competitive landscape are:

- **Market players**: the Baltic commercial real estate market is characterized by dominance of local players, however, with growing interest from international players. The largest players are Baltic commercial real estate companies with diversified property portfolios across the Baltics and in various segments, as displayed in Table 6 below. Nevertheless, major international real estate firms also often have a presence in the region, alongside local developers and investors.
- **Investment Trends**: Baltic capital has continued to dominate the real estate investment market in all three Baltic States. However, foreign investors, particularly from Nordic countries have shown a growing interest in the Baltic real estate market due to its relatively high yields compared to more mature markets.
- **Key Cities**: Capital cities, namely Tallinn (Estonia), Riga (Latvia), and Vilnius (Lithuania) are the primary focus areas for commercial real estate development and investment. These cities offer attractive rental yields and strong economic fundamentals, making them appealing destinations for businesses and investors alike. Nevertheless, secondary cities such as Tartu (Estonia), Kaunas (Lithuania) and Liepāja (Latvija) have also experienced growth in commercial real estate activity.
- **Challenges**: Despite the growth opportunities, the Baltic commercial real estate market faces challenges such as limited liquidity in certain segments, currency fluctuations, and geopolitical uncertainties. Additionally, infrastructure gaps and uneven development across regions can impact investment decisions.

Summus Capital OÜ over the past years has grown into one of the largest players on the Baltic commercial real estate market in terms of the portfolio value, Net Leasable Area and number of properties. Moreover, the Group has healthy diversification across countries and segments, combined with a high occupancy rate. Summus Capital OÜ will continue to strengthen its position further, given the ambitious expansion plans for the future.

Table 6. Selected leading Baltic commercial real estate investment companies

	Summus Capital	Baltic Horizon	Eastnine	Mainor Ülemiste	Akropolis Group	Capitalica BREFI
Portfolio value, € m	**401.3**	**250.4**	**573.8**	**210.6**	**1 071.8**	**145.9**
Leasable area, th. M2	218.6	119.2	182.8	197.6	335.6	37.1
Portfolio split by segments [1]	Retail: 63% Office: 28% Industrial: 9%	Retail: 54% Office: 41% Leisure: 5%	Retail: 3% Office: 96% Other: 1%	Office: 83% Other: 17%	Retail: 100%	Retail: 5% Office: 95%
Portfolio split by geography [1]	LV: 40% LT: 42% EE: 18%	LV: 49% LT: 29% EE: 22%	LV: 13% LT: 66% PL: 21%	EE: 100%	LV:40% LT: 60%	LV: 53% LT: 47%
Number of properties	14	12	14	n/a	5	4
Equity ratio	42%	42%	56%	55%	55%	33%

Occupancy rate	97%	81%	93%	92%	97%	94%

[1]As % of last available portfolio value or Net Leasable Area
Source: Annual reports, fund fact sheets, bond offering presentations, and other publicly available information

10.6. Environmental, social and governance (ESG) strategy

Sustainability is a key pillar for the 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, the Group embraces its critical role in this global challenge.

The 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.

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

In the realm of sustainability certifications within ESG framework for 2023, Summus Capital OÜ has made notable progress. As of the year 2023, 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.

10.7. Management of the Issuer

The management board of the Group serves as the executive body entrusted with the pivotal responsibilities of overseeing and directing the entirety of its business operations. This includes not only the efficient management and representation of the organization but also the diligent fulfilment of various obligations.

The 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 and Zenith Family Office, for workforce needs. The Legal relationship between Summus Capital OÜ and its members of the Management Board is based on the resolution of the shareholders and Applicable Law. ESG and asset management services are provided to Summus Capital OÜ by Green Formula Capital in cooperation with Zenith Family Office OÜ. The Subsidiaries have concluded asset management agreements with Green Formula Capital, which in turn is outsourcing some of the asset management services from Zenith. Each of the Subsidiaries has concluded property management agreements. To Estonian Subsidiaries property management services are provided by Zenith Property Management OÜ, to Latvian by Plaza Property Management SIA and to Lithuanian by UAB Zenith AM.

As such, when the Group refers to its employees, it refers to the dedicated teams from these trusted partners. Their staff are considered an extension of Summus Capital OÜ, integral to its business and the high-quality service it provides to customers.

At the date of Terms of the Notes Issue the Management Board of the Issuer consists of three members:

Table 7. Issuer's Management board members

Name	Position
Hannes Pihl	Member of the Board, Investment management
Evaldas Čepulis	Member of the Board, Asset management
Aavo Koppel	Member of the Board, Finance management

Hannes Pihl (Member of the Board, Investment management)

Mr. Pihl is a founding partner of Zenith Family Office OÜ. He has 25 years of professional experience in different segments of the Baltic real estate market, including commercial and residential real estate, preparing real estate concepts, asset and investment management, and management of real estate companies.

Evaldas Čepulis (Member of the Board, Asset management)
Evaldas previous experience includes 13 years with SEB Bankas, AB (Lithuania) as Head of Venture Capital, Head of Foreign Exchange and in Capital Markets. Since 2014 he has been partner of DAO FAMILY, responsible for investment management. Evaldas has Bachelor of Arts at Applied Mathematics and Master degree in International business.

Aavo Koppel (Member of the Board, Finance management)
Aavo is a founding partner of Zenith Family Office OÜ (in 2011), responsible for corporate finance. Prior to that, Aavo has worked as strategy and management consultant in Capgemini Group and Director and Head of Corporate Finance in leading Baltic investment bank Suprema Securities.

10.8. Supervisory board of the Issuer

At the date of Terms of the Notes Issue the Supervisory board of the Issuer consists of three members:

Table 8. Issuer's Supervisory board members

Name	Position
Boris Skvortsov	Chairman of the Supervisory board
Vykintas Misiunas	Member of the Supervisory board
Renats Lokomets	Member of the Supervisory board

Boris Skvortsov (Chairman of the Supervisory board)

Sole owner of Summus Capital OÜ. Boris holds a master's degree in Economics from Moscow State University of M.V. Lomonosov. He has headed, created, owned and also exited multiple real estate investment and development organizations and is an active private investor in several start-ups in Europe and Israel.

Vykintas Misiunas (Member of the Supervisory board)

Vykintas started his professional career at SEB bank heading the Treasury and Capital Markets Department until 2007. From 2007 till 2009, Vykintas took the role of active Member of the Board at KRS Group responsible for restructuring of HIGEJA. In 2009, he was invited to become real estate Fund Manager in Lithuania at Lords LB Asset Management. In 2012, Vykintas together with partners established DAO FAMILY.

Renats Lokomets (Member of the Supervisory board)

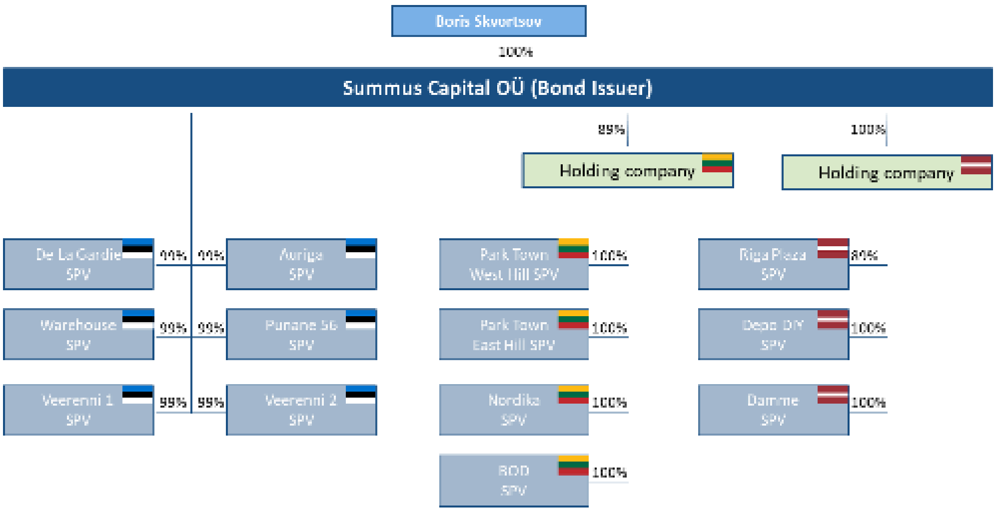
Specialist in business strategy, corporate finance and business planning. From 2002 to 2017 Renats has been with Rietumu Banka, as Member of the Board. Since 2019, he has been the strategical partner at Venture Faculty, Venture HUB in Riga and continues to be on various management and Council position in international financial institutions (including INDEXO). Co-founder of the Latvian Startup association.

10.9. Issuer's shareholder and Group structure

The Group was founded by Skvortsov family and is 100% owned by Boris Skvortsov, who directly holds the Issuer's shares. The family has extensive experience in real estate management and development, and have worked around the real estate sector their whole careers. Boris Skvortsov has established several real estate investment and development organizations in the Baltics and Europe.

At the moment of signing the Terms of the Issue, the current Issuer's shareholders and Group structure is as follows:

Figure 10. The Group's shareholder structure



The Issuer directly or indirectly owns individual SPVs for every property.

At the moment of signing the Terms of the Issue, the Issuer has no information at its disposal regarding any agreements, the fulfilment of which might cause changes in the Issuer's control.

10.10. Financing structure of the Group

The Group's goal is to achieve a diversified funding structure, using both bank financing, as well as maintaining its presence on the capital markets.

The Group maintains relationships with most leading banks in the Baltics, and at the end of 2023 had bank loans from Luminor, SEB, Šiaulių bankas and Citadele on Subsidiary level. These loans have been used to finance acquisition of investment properties. Bank loans are amortized and bear interest rates of EURIBOR + 2.25-3.2%. The Group uses interest rate swaps to fix the borrowing costs for a part of the loans and at the end of 2023, 55% of loans were hedged. On April 1, 2024 the Group's Subsidiaries in Estonia refinanced their bank loans with LHV Bank.

Table 9. The Group's Financial Indebtedness as of 31 December 2023, € thousand:

Financial Indebtedness	Total	Short-term	Long-term
Bank loans	206 400	7 769	198 632
Existing Notes	10 000	10 000	
Total Financial Indebtedness	**216 400**	**17 769**	**198 632**

Table 10. The Group's Total Equity as of 31 December 2023, € thousand:

Total Equity	
Share capital	1 200
Voluntary reserve	78 913
Subordinated Debt	17 367
Retained earnings	73 333
Minority interest	8 965
Total Equity	**179 778**

Table 11. The Group's Subordinated Debt as of 31 December 2023, € thousand:

Subordinated Debt	
Related to owner	10 796
Other parties	6 570
Total subordinated loans	**17 367**

Historically, the Group has financed the equity portion of acquisition financing with loans from shareholders. The Group currently has Subordinated Debt from the Group's shareholders, which is treated as equity instead of liabilities from the accounting perspective. The Subordinated Debt is subordinated to the Notes with respect to claims on assets or earnings and shall not be repaid before all obligations under the Notes are settled.

10.11. Legal proceedings and arbitrage

At the moment of signing the Terms of the Issue, the Issuer or its Subsidiaries are not involved in any government interventions, lawsuits or arbitrage processes, which may significantly affect or have significantly affected the financial situation or profitability of the Issuer.

10.12. Substantial changes in financial situation of the Issuer

As of the publication of the last financial statement, the financial situation or performance of the Issuer has not worsened. The Issuer is unaware of any factors, claims, obligations, or events which would negatively affect the financial situation or performance of the Issuer in future.

10.13. Important agreements

The Issuer has no knowledge of any other important agreements or internal decisions that could have been concluded within the company or between the Issuer and any related company and that could affect the Issuer's capability to fulfil its liabilities due to Noteholders regarding the securities to be issued.

10.14. Significant recent and known trends

During 2020 and 2021 many economic sectors were affected by global Covid-19 pandemic. For detailed information on risks see Section 1 "Risk factors".

In late February 2022, Russia started a war with Ukraine. Due to Russia's aggression, sanctions were imposed on its politicians, oligarchs, and various economic sectors. The resultant spike in energy prices had affected the Group's results of operations. Moreover, the pervasive inflationary trend has added an extra layer of complexity to the financial landscape. The elevated interest rate environment has led to increased borrowing costs for the Group, therefore, negatively affecting the overall performance.

At the moment of signing the Terms of the Issue, the Issuer has no other information at its disposal regarding any known trends that have negatively affected the Issuer or the activity.

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11. FINANCIAL INFORMATION

11.1. General

The last reported and audited shareholder's equity of the Group as of 31 December 2023 is EUR 179.8 million (one hundred seventy-nine point eight million euro).

The profit/loss forecast has not been carried out.

The Group's Financial Reports are available on the Issuer's Website and on Nasdaq Riga website, as the Existing Notes are admitted to trading on First North..

11.2. The Group's consolidated financial statements

The tables below present key selected financial information for the Group and have been derived from the Group's audited consolidated financial statements as at the end of and for the financial years ended 31 December 2023, 31 December 2022 and 31 December 2021.

The Group's Financial Reports for the years 2023, 2022 and 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The Group's Financial Reports for the years 2023, 2022 and 2021 are audited by KPMG Baltics OÜ (activity license of auditing company no. 17, registration number: 10096082, legal address: Harju maakond, Tallinn, Kesklinna linnaosa, Ahtri tn 4, 10151).

11.3. Income Statement

Table 12. The Group's consolidated financial statements:

€ thousand	2021 (Audited)	2022 (Audited)	2023 (Audited)
Sales revenue	29 252	39 038	39 055
Other income	16 266	3 267	4 114
Goods, raw materials, and services	-8 833	-14 069	-11 539
Other operating expenses	-4 442	-7 634	-2 198
Labour expenses	-180	-144	-128
Depreciation and impairment	-84	-3 273	-87
Other expenses	-429	-7 788	-5 543
Operating profit	31 550	9 397	23 674
Profit from subsidiaries	1 468	3 800	0
Interest income	23	0	395
Interest expenses	-9 035	-7 881	-11 282
Other financial income and expenses	2 186	10 442	-3 148
Profit before income tax	26 191	15 757	9 640
Income tax	-1 083	-1 255	-1 177
Net profit	25 108	14 502	8 463
Share of net profit of the owners of the parent company	23 225	13 954	8 405
Share of net profit of non-controlling interest (loss)	1 883	548	58

Table 13. The Group's consolidated balance sheet:

€ thousand	2021 (Audited)	2022 (Audited	2023 (Audited)
Cash and cash equivalents	15 086	16 408	15 924
Other short-term financial assets	10 036	0	0
Customer receivables and other receivables	4 778	5 749	3 900
Inventories	3	3	4

Total current assets	29 903	22 160	19 828
Trade receivables and other receivables	321	63	40
Financial assets from derivative instruments	0	6 980	2 515
Loans granted	96	0	0
Fixed assets	2 268	2 183	2 097
Intangible assets	3 178	0	4
Other financial investments	0	0	125
Investment property	370 968	397 697	401 247
Total non-current assets	376 832	406 924	406 028
Total assets	406 734	429 084	425 857
Lease obligations	316	36	73
Trade payables and other payables	7 113	5 282	5 236
Loans	41 579	8 444	17 769
Tax debts	742	551	601
Liabilities from derivative instruments	773	77	405
Total current liabilities	50 523	14 390	24 084
Deferred income tax	8 543	9 699	10 877
Lease obligations	2 253	2 217	2 144
Accrued liabilities	0	5 935	10 341
Loans	169 205	217 488	198 632
Liabilities from derivative instruments	2 419	0	0
Total non-current liabilities	182 420	235 340	221 994
Total liabilities	232 943	249 730	246 078
Share capital	1 200	1 200	1 200
Voluntary reserve	78 913	78 913	78 913
Subordinated loans	27 594	23 998	17 367
Retained earnings	57 052	66 336	73 333
Non-controlling interest	8 359	8 907	8 965
Total equity	173 791	179 354	179 778
Total liabilities and owners' equity	406 734	429 084	425 857

Table 14. The Group's consolidated statement of cash flows:

€ thousand	2021 (Audited)	2022 (Audited)	2023 (Audited)
Operating profit	**31 550**	**9 397**	**23 674**
Fixed asset depreciation, intangible asset amortisation and asset impairment	90	3 263	87
Investment property revaluation	-13 896	5 363	-1 897
Other adjustments	-54	10 251	1 616
Total adjustments	**-13 860**	**28 274**	**23 480**
Change of inventory	0	0	-1
Change in trade and other receivables	-2 635	2 010	320
Change in trade and other payables	4 415	3 607	4 029
Net cash flow from operating activities	19 469	33 890	27 828
Investment property acquisition and improvements	0	-1 002	-1 643
Investment property sales	0	1 690	0

Addition of cash balance on the acquisition of subsidiaries and business activities	366	0	0
Decrease in cash balance on the transfer of subsidiaries and business activities	-1 053	0	0
Equity investments	-12 749	-15 657	-125
Received from the sale of subsidiaries	3	0	0
Received upon the sale of tangible and intangible assets	52	0	0
Loans granted	-1 510	-3 000	0
Loans repaid	1 527	96	2 000
Loan interest received	0	0	200
Net cash flow from investing activities	-13 364	-17 873	432
Loans received	58 925	68 223	0
Loans repaid	-55 123	-68 669	-16 607
Interest paid	-7 430	-11 555	-11 825
Dividends paid	0	-2 378	0
Capital lease payments	0	-316	-311
Received on share capital increase	1 133	0	0
Net cash flow from financing activities	-2 496	-14 696	-28 743
Total cash flow	3 609	1 322	-484
Cash and cash equivalents at the beginning of the year	11 477	15 086	16 408
Cash and cash equivalents at the end of the year	15 086	16 408	15 924

The Group believes that these performance indicators are a useful way of understanding trends in the performance of the business of the Group over time.

Table 15. The Group's selected key performance indicators:

	2021 (Audited)	2022 (Audited)	2023 (Audited)
Adjusted EBITDA	19.3	24.5	26.7
Adjusted EBITDA margin	66%	63%	68%
Net Financial Indebtedness[1] / Total Equity	1.1x	1.2x	1.1x
Equity Ratio (Financial covenant > 30%)	**43%**	**42%**	**42%**
DSCR (Financial covenant > 1.2x)	**1.3x**	**1.4x**	**1.4x**
LTV	51%	54%	54%
Occupancy rate	97%	97%	97%
WAULT, years	5.6	4.4	4.3

[1]*Financial Indebtedness – Cash and cash equivalents*

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