COMPANY DESCRIPTION

October 2021
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Responsible persons

— The Issuer and its management board are responsible for the information contained in this Company Description and Securities Note (Terms of the Notes Issue signed on 9 June 2021) in the attachment.

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

Aavo Koppel
Member of the board

Hannes Pihl
Member of the board

Evaldas Čepulis
Member of the board
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— Group and Business overview
— Portfolio overview
— Sustainability strategy
— Financial overview
— Strategy
— Nasdaq First North listing disclosures
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Executive Summary

— Summus Capital is Estonia based real estate investment holding with investments in all 3 Baltic countries. The first investments by the Group’s founders were already made in 2013, while the Group was incorporated in 2015.

— Well diversified commercial real estate portfolio of 11 properties in Retail, Office, Logistics, and Medical segments, and ambitious portfolio expansion pipeline.

— Direct real estate investments made through SPVs of the respective country of location.

— Seasoned management team with more than 25 years of experience in asset management and real estate industry.

— 100% shareholder of Summus Capital is Boris Skvortsov. Skvortsov family has significant experience in real estate investments in the Baltics and Russia.

— In September 2021, Summus Capital received a corporate rating from the rating agency Scope Ratings GmbH of BB (stable).

1 Data as of 30 June 2021. Data provided for Summus Capital share in properties (excl. minorities). NOI – refers to net operating income for the trailing 12 months, ending 30 June 2021.
<table>
<thead>
<tr>
<th>Key Investment Highlights</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversified portfolio</td>
<td>• Cash-flow generating commercial real estate portfolio with a balanced mix of retail, office and industrial properties</td>
</tr>
</tbody>
</table>
| Strong cash generation            | • High yield properties  
• Diversified tenant portfolio with strong international tenants on long leases  
• High occupancy rate, with limited Covid-19 impact |
| Company in growth phase           | • Plans to increase property portfolio to over EUR 500m within the next 3-5 years, further strengthening its market position |
| Healthy balance sheet             | • With capitalization ratio of ca. 40%, room for unsecured notes in the Group’s financing mix  
• Financial reports audited by KPMG |
| Experienced management team       | • In-depth knowledge and more than 25 years of experience in real estate management in the Baltics |
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# Business model

## Investment strategy

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<tr>
<th>Investment strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow generating commercial real estate</td>
</tr>
<tr>
<td>Long-term investment horizon</td>
</tr>
<tr>
<td>Class A office buildings, shopping centers &amp; big-box stores, class A warehouse and industrial properties</td>
</tr>
<tr>
<td>Sale-leaseback transactions</td>
</tr>
<tr>
<td>Sustainable buildings (BREEAM or LEED certifications)</td>
</tr>
<tr>
<td>Value-add commercial real estate investments</td>
</tr>
</tbody>
</table>

## Portfolio requirements

<table>
<thead>
<tr>
<th>Portfolio requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio should consist of investments in different commercial real estate sectors</td>
</tr>
<tr>
<td>Share of anchors in the portfolio’s cash flow at least 50%</td>
</tr>
<tr>
<td>Minimum investment size 10 MEUR</td>
</tr>
</tbody>
</table>
Key milestones

Net leasable area, m²

- First Acquisition in Estonia
- First Acquisition in Lithuania
- First Acquisition in Latvia
- De La Gardie
- Warehouse portfolio
- Punane 56 and Auriga
- Nordika
- BOD
- Veerenni
- Park Town West Hill
- Park Town East Hill
- Riga Plaza
- Veerenni 2

Group and Business overview
Boris Skvortsov, as private individual, owns 100% shares of the Summus Capital OÜ

Summus Capital OÜ (Estonia)

Holding company in Lithuania (89%)

Holding company in Latvia (100%)

De La Gardie SPV (99%)

Auriga SPV (99%)

Park Town West Hill SPV (100%)

Riga Plaza SPV (89%)¹

Warehouse SPV (99%)

Punane 56 SPV (99%)

Park Town East Hill SPV (100%)

Depo DIY SPV (100%)²

Veerenni 1 SPV (99%)

Veerenni 2 SPV (99%)

Nordika SPV (100%)

BOD SPV (100%)

¹ Summus owns 45.5% of the Company as of 31.12.2020 and has committed to increase its stake to 89% by YE 2022.
² Depo DIY is a signed project
Corporate governance

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 in Russia and is an active private investor in many start-ups in Europe and Israel.

Summus Capital was founded by Skvortsov family. The family has extensive experience in real estate management and development, having worked around the real estate sector their whole careers. Besides the real estate portfolio in the Baltics, Boris owns and manages multiple properties in Russia.

Renats Lokomets
Specialist in business strategy, corporate finance and business planning. From 2002 to 2017 Renats has been with Rietumu Banka, as 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.

Vykinatas Misiunas

Vykintas started his professional career at SEB bank heading the Treasury and Capital Markets Department until 2007. From 2007 till 2009, Vykinatas 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, Vykinatas together with partners established DAO FAMILY.

Elliott Rowan Auckland

Elliot started his career at THS Partners, an asset manager with ca. USD 10 billion dollars AUM, as buy-side Equity Analyst from 2006-2015 (London/Moscow). Since 2015, he has been with International Investment Bank (Moscow/Budapest) in various managerial roles. Since 2017 he has been the Chief Economist and Head of Business Planning and Financial Modelling.

Priit Pedaja

Priit has over two decades of experience in investment banking, business development and capital markets. He has founded and developed two businesses, steered numerous initial public offerings, Eurobond issuances and other international large-scale capital raisings. Priit is a graduate from University of Zurich with an executive MBA from INSEAD, fluent in four languages.
Corporate governance

Management Board

Hannes Pihl
Investment management
Hannes is a co-founder and managing partner of Zenith Family Office. 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.

Aavo Koppel
Finance
Aavo is a founding partner of Zenith Family Office (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.

Evaldas Čepulis
Asset management
Evaldas has BA at Applied Mathematics and Masters at International business. His previous experience includes 13 years with SEB Bankas (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.

1 Asset management of Summus Capital is outsourced to an independent management company.
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List of projects

<table>
<thead>
<tr>
<th>Existing properties</th>
<th>NLA, m² (30.06.21)</th>
<th>NOI 2020¹ EUR m</th>
<th>NOI 2021 expected¹ EUR m</th>
<th>Portfolio Value² EUR m</th>
</tr>
</thead>
<tbody>
<tr>
<td>De La Gardie, Tallinn</td>
<td>2 139</td>
<td>0.55</td>
<td>0.28</td>
<td>8.33</td>
</tr>
<tr>
<td>Warehouse portfolio, Estonia</td>
<td>15 434</td>
<td>0.84</td>
<td>0.84</td>
<td>10.66</td>
</tr>
<tr>
<td>Auriga, Kuressaare</td>
<td>13 580</td>
<td>1.10</td>
<td>1.02</td>
<td>15.59</td>
</tr>
<tr>
<td>Punane 56, Tallinn</td>
<td>4 651</td>
<td>0.33</td>
<td>0.33</td>
<td>4.27</td>
</tr>
<tr>
<td>Veerenni 1, Tallinn</td>
<td>6 603</td>
<td>1.06</td>
<td>1.00</td>
<td>14.34</td>
</tr>
<tr>
<td>Nordika, Vilnius</td>
<td>35 631</td>
<td>3.65</td>
<td>3.47</td>
<td>53.34</td>
</tr>
<tr>
<td>BOD, Vilnius</td>
<td>22 609</td>
<td>1.82</td>
<td>1.82</td>
<td>22.34</td>
</tr>
<tr>
<td>Park Town West Hill, Vilnius</td>
<td>6 890</td>
<td>1.17</td>
<td>1.15</td>
<td>20.11</td>
</tr>
<tr>
<td>Park Town East Hill, Vilnius</td>
<td>15 086</td>
<td>1.24</td>
<td>2.59</td>
<td>45.12</td>
</tr>
<tr>
<td>Riga Plaza, Riga</td>
<td>51 754</td>
<td>0.44</td>
<td>5.06</td>
<td>89.30</td>
</tr>
<tr>
<td>Veerenni 2, Tallinn³</td>
<td>10 037</td>
<td>n.a.</td>
<td>1.48</td>
<td>21.10</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>184 414</strong></td>
<td><strong>12.20</strong></td>
<td><strong>19.02</strong></td>
<td><strong>304.42</strong></td>
</tr>
</tbody>
</table>

¹ Summus Capital share of property net operating income (excl. minorities).
² Summus Capital share of the properties (excl. minorities). Values based on assessment by independent real estate appraisers as of YE 2020, with only exceptions of Riga Plaza and Veerenni 2 that are valued at cost.
³Veerenni 2 has been added to the portfolio only in January 2021.

Portfolio overview
Property portfolio in Estonia

1. DE LA GARDIE

De La Gardie shopping centre was constructed in 2000 and is situated in one the busiest retail streets in Tallinn’s Old Town, which is very popular amongst 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.

Sector: Retail
Location: Tallinn Old Town, Estonia
Acquisition year: 2014
Net leasable area (m²): 15,434
Key tenant(s): Mediq, Stora Enso, Hanza Mechanics

2. PUNANE 56

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, i.e. specialised retail tenants.

Sector: Industrial/stock-office
Location: Tallinn, Estonia
Acquisition year: 2015
Net leasable area (m²): 4,651
Key tenant(s): Clemco Baltic, Baltic Promotions

3. Warehouse properties

A portfolio of three 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, Hanza Mechanics Tartu AS and Mediq Eesti OÜ. All lease agreements are on triple-net conditions.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Location</th>
<th>Acquisition year</th>
<th>Net leasable area (m²)</th>
<th>Key tenant(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial</td>
<td>Tallinn, Tartu, Estonia</td>
<td>2014</td>
<td>15,434</td>
<td>Clemco Baltic, Baltic Promotions</td>
</tr>
<tr>
<td>Industrial</td>
<td>Tallinn, Tartu, Estonia</td>
<td>2014</td>
<td>15,434</td>
<td>Mediq, Stora Enso, Hanza Mechanics</td>
</tr>
</tbody>
</table>

Portfolio overview
Property portfolio in Estonia

Auriga shopping center

This is the largest shopping center 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 center are well known international and local brands. In 2018 a total of two million visitors came to the center, what was a record figure.

Veerenni 1 – Health center

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

Veerenni 2 – Health center

Veerenni 2 is the second phase of the Veerenni private medical center cluster which is located across the street from the first phase of the Veerenni project. Veerenni is the biggest private medical center in Estonia, one which brings together various health segment companies under one roof. The center is commissioned in autumn 2020.
The NORDIKA shopping center (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 center has more than sixty retailers, services, and restaurants, generating an average of 13,000 visitors per day. This is the first shopping mall on the route from the borders of Belarus, and a number of customers come all the way from this country to visit the shopping center.

**Nordika**
- **Sector:** Retail
- **Location:** Vilnius, Lithuania
- **Acquisition year:** 2016
- **Net leasable area (m²):** 35,631
- **Key tenant(s):** Senukai, Rimi, Jysk, Elktromarkt

**PARK TOWN West Hill**
- **Sector:** Office
- **Location:** Vilnius, Lithuania
- **Acquisition year:** 2018
- **Net leasable area (m²):** 6,890
- **Key tenant(s):** Alna, Tietoenator

**PARK TOWN East Hill**
- **Sector:** Office
- **Location:** Vilnius, Lithuania
- **Acquisition year:** 2020
- **Net leasable area (m²):** 15,086
- **Key tenant(s):** Yara, Markmonitor
The BOD Group High Technology Centre is located in the northern area of Vilnius, in Visoriai Information Technology Park. In 2013, when it was built, our factory building was classed as being the most energy-efficient industrial building in Europe by the German Chamber of Commerce. The BOD Group itself is the largest industrially recorded CD, DVD, and Blu-Ray manufacturer in the Baltic States. The group consists of several manufacturers.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Industrial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
<td>Vilnius, Lithuania</td>
</tr>
<tr>
<td>Acquisition year</td>
<td>2016</td>
</tr>
<tr>
<td>Net leasable area (m²)</td>
<td>22 609</td>
</tr>
<tr>
<td>Key tenant(s)</td>
<td>BOD Group</td>
</tr>
</tbody>
</table>
Property portfolio in Latvia

Riga Plaza

Built in 2009 Riga Plaza is currently the fourth largest shopping center 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 p.a. 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.

Sector: Retail
Location: Riga, Latvia
Acquisition year: 2020
Net leasable area (m²): 51,754
Key tenant(s): Maxima, Apollo, Peek & Cloppenburg
Near term investments

1. DEPO DIY (Signed property)

The acquisition of DEPO DIY store is planned in 4Q 2021 as sale and leaseback deal. Building is under construction and leased to leading player in the DIY segment of the Latvian market DEPO. Property is located in a clearly visible and accessible area, which is the main shopping area in the Riga Imanta district.

- **Sector**: Retail
- **Location**: Riga, Latvia
- **Acquisition year**: 4Q 2021
- **Net leasable area (m²)**: 17 300
- **Key tenant(s)**: DEPO DIY

2. 2 Targeted properties

Summus targets to acquire two additional properties in Riga, Latvia during 1H 2022 - a brand new warehouse and energy efficient logistics complex and a local shopping center.

- **Sector**: Retail and Industrial
- **Location**: Riga, Latvia
- **Acquisition year**: 1H 2022
- **Net leasable area (m²)**: n.a.
- **Key tenant(s)**: n.a.
Tenants and occupancy

- Diversified and stable tenant base with over 320 tenants. Anchor tenants are established regional names representing various sectors.

- Top 10 tenants make up ca. 45% of total rental revenue, as Summus aims to own properties where anchor tenants generate more than 50% of the total cash flow. Largest tenant BOD Group does not exceed 10% of total rental income.

- High and stable occupancy rate of above 96% in the last years.

- Weighted average unexpired lease term (WAULT) of 5.5 years ensures relatively stable and predictable cash flows.

Top 10 tenants by rental income, th EUR 2021 budgeted

- BOD Group
- Kesko Senukai
- Confido
- Rimi
- Yara
- Apollo group
- Maxima
- Synlab
- PEEK & CLOPPENBURG
- Alna

Tenants by rental income, 2021 budgeted

Tenants by NLA, 2021 budgeted
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<td>— <strong>Sustainability strategy</strong></td>
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<tr>
<td>— Financial overview</td>
</tr>
<tr>
<td>— Strategy</td>
</tr>
<tr>
<td>— Nasdaq First North listing disclosures</td>
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<tr>
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<tr>
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</table>
## Sustainability strategy

Summus believes that the best way to increase asset value and wellbeing of tenants and employees is through sustainable management

### At least 50% of the portfolio with BREEAM or LEED certification in 2022

- Park Town West hill, Park Town East hill and Veerenni 2 (17% of portfolio) were BREEAM Excellent or LEED Gold certified during construction
- Scheduled or ongoing certification process in Nordika, BOD, Veerenni 1 (34% of the portfolio)

### Green turnaround in existing properties to improve portfolio’s energy efficiency and decrease environmental impact

- Ongoing building management system (BMS) and automatization upgrades
- Energy, water heating and cooling consumption reduction solutions in multiple properties
- Green electricity usage to be increased from 30% to 50%

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**Example: BOD Group High Technology Centre**

Self-sustainable in its power needs by using BOD Group’s patented PV-Geothermal heating and cooling system. Awarded the title of most energy-efficient industrial building in Europe by the German Chamber of Commerce in 2013.
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Financial Highlights

**Revenue and EBITDA, EUR m**

**Adjusted earnings before tax**, EUR m

**Pro-forma Net operating income**, EUR m

**Property balance sheet value, EUR m**

**Capitalization ratio**, %

**Debt service coverage ratio**

---

1. Earnings before tax, adjusted for Shareholder interest expense and other income (mostly gains / losses from property revaluations and acquisitions). Largest part of shareholder interest is non-cash expenditure and will not reoccur from Q2 2021, as shareholder loans have been converted into Equity.

2. Net operating income, attributable to Summus Capital (excluding minority share);

3. Calculated as (Equity + Shareholder loans) / Assets

4. Calculated as EBITDA / (loan principal amortization + interest expense on loans from third parties). For 1H 2021 ratio calculated based on 6m figures for informative purposes only.

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**Financial overview**
<table>
<thead>
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<th>Funding profile (as of 30 June 2021)</th>
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</thead>
<tbody>
<tr>
<td><strong>EUR 126m</strong> Shareholders’ equity</td>
</tr>
<tr>
<td><strong>EUR 21m</strong> Subordinated loans</td>
</tr>
<tr>
<td><strong>EUR 10m</strong> Unsecured Notes</td>
</tr>
<tr>
<td><strong>EUR 9m</strong> Minority shareholder loans</td>
</tr>
<tr>
<td><strong>EUR 182m</strong> Secured bank loans</td>
</tr>
<tr>
<td><strong>EUR 27m</strong> Other liabilities</td>
</tr>
</tbody>
</table>

**Adjusted Equity**

**EUR 21m** Shareholder's equity plus Subordinated loan from majority shareholder in the amount of EUR 20.9m.

**EUR 10m** Unsecured Notes

**EUR 9m** Minority shareholder loans

**EUR 182m** Secured bank loans

**EUR 27m** Other liabilities

Non-interest bearing liabilities, such as payables and provisions, and structuring loans that have an offsetting position on the asset side of the balance sheet.
## Consolidated Balance sheet

<table>
<thead>
<tr>
<th>Thousand EUR</th>
<th>2018</th>
<th>2019 (audited)</th>
<th>2020 (audited)</th>
<th>1H 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>4 016</td>
<td>3 178</td>
<td>2 361</td>
<td>4 717</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>31</td>
<td>88</td>
<td>311 412</td>
<td>333 623</td>
</tr>
<tr>
<td>Investment properties</td>
<td>164 821</td>
<td>164 870</td>
<td>311 412</td>
<td>333 623</td>
</tr>
<tr>
<td>Receivables and prepayments</td>
<td>185</td>
<td>820</td>
<td>12 129</td>
<td>0</td>
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<tr>
<td>Financial investments</td>
<td>520</td>
<td>1 965</td>
<td>13 519</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>169 574</td>
<td>168 877</td>
<td>327 955</td>
<td>351 954</td>
</tr>
<tr>
<td>Inventories</td>
<td>23</td>
<td>9</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Receivables and prepayments</td>
<td>999</td>
<td>4 154</td>
<td>5 798</td>
<td>5 303</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>8 238</td>
<td>21 688</td>
<td>11 477</td>
<td>18 052</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>9 260</td>
<td>25 851</td>
<td>17 278</td>
<td>23 358</td>
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<tr>
<td><strong>Total assets</strong></td>
<td>178 834</td>
<td>194 727</td>
<td>345 233</td>
<td>375 313</td>
</tr>
<tr>
<td><strong>Liabilities and equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Issued capital</td>
<td>68</td>
<td>68</td>
<td>68</td>
<td>1 200</td>
</tr>
<tr>
<td>Retained earnings (loss)</td>
<td>7 604</td>
<td>12 293</td>
<td>13 073</td>
<td>36 400</td>
</tr>
<tr>
<td>Profit (loss) for the period</td>
<td>5 149</td>
<td>617</td>
<td>22 605</td>
<td>3 435</td>
</tr>
<tr>
<td>Minority interests</td>
<td>1 959</td>
<td>2 181</td>
<td>6 556</td>
<td>6 569</td>
</tr>
<tr>
<td>Reserves</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>78 913</td>
</tr>
<tr>
<td>Subordinated loan</td>
<td>0</td>
<td>0</td>
<td>20 814</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>14 779</td>
<td>15 159</td>
<td>42 302</td>
<td>147 333</td>
</tr>
<tr>
<td>Liabilities to banks</td>
<td>86 736</td>
<td>83 803</td>
<td>157 796</td>
<td>176 729</td>
</tr>
<tr>
<td>Unsecured Notes</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>10 000</td>
</tr>
<tr>
<td>Loan liabilities</td>
<td>58 475</td>
<td>70 205</td>
<td>118 903</td>
<td>19 899</td>
</tr>
<tr>
<td>Payables and prepayments</td>
<td>0</td>
<td>0</td>
<td>2 407</td>
<td>0</td>
</tr>
<tr>
<td>Provisions</td>
<td>6 749</td>
<td>6 874</td>
<td>7 076</td>
<td>9 755</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>151 960</td>
<td>160 883</td>
<td>286 182</td>
<td>216 384</td>
</tr>
<tr>
<td>Loan liabilities to banks</td>
<td>3 684</td>
<td>5 632</td>
<td>8 856</td>
<td>5 012</td>
</tr>
<tr>
<td>Payables and prepayments</td>
<td>8 411</td>
<td>13 053</td>
<td>7 893</td>
<td>6 584</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>12 095</td>
<td>18 686</td>
<td>16 748</td>
<td>11 596</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>164 054</td>
<td>179 569</td>
<td>302 931</td>
<td>227 980</td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td>178 834</td>
<td>194 727</td>
<td>345 233</td>
<td>375 313</td>
</tr>
</tbody>
</table>

1. Investment properties increased due to two large acquisitions during 2020 (Park Town East Hill and Riga Plaza) and acquisition of Veerenni 2 during 2021.
2. Financial investments include, among others, long-term loan receivables (Vikingu 3), deferred CIT (LT) and long-term receivables Vikingi 2 and Procedo Capital.
3. Cash balance has significantly increased in 1H 2021 due to the issue of Notes.
4. As of 1 April 2021 majority of shareholder loans have been converted into equity as voluntary reserves. The remaining part is structured as subordinated loan that is subordinated to the Notes.
5. Unsecured notes in the amount of EUR 10m were issued in June 2021.
6. In 2020 loan liabilities include shareholder loans (EUR 98.6m), loans from Minority shareholders (EUR 9.1m), and loans from third parties related to acquisition of Riga Plaza. As of 1H 2021 loan liabilities include: loans from Minority shareholders (EUR 8.7m) and structuring liabilities (EUR 11.2m).

## Consolidated Profit and loss statement

<table>
<thead>
<tr>
<th>Thousand EUR</th>
<th>2018</th>
<th>2019 (audited)</th>
<th>2020 (audited)</th>
<th>1H 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>13 959</td>
<td>15 533</td>
<td>17 743</td>
<td>13 294</td>
</tr>
<tr>
<td>Other income</td>
<td>10</td>
<td>68</td>
<td>41</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td><strong>13 969</strong></td>
<td><strong>15 601</strong></td>
<td><strong>17 784</strong></td>
<td><strong>13 294</strong></td>
</tr>
<tr>
<td>Raw materials and consumables used</td>
<td>(2 997)</td>
<td>(3 292)</td>
<td>(3 426)</td>
<td>(3 033)</td>
</tr>
<tr>
<td>Other operating expense</td>
<td>(1 253)</td>
<td>(1 225)</td>
<td>(2 582)</td>
<td>(1 375)</td>
</tr>
<tr>
<td>Employee expense</td>
<td>(187)</td>
<td>(198)</td>
<td>(264)</td>
<td>(132)</td>
</tr>
<tr>
<td>Depreciation and impairment loss</td>
<td>(865)</td>
<td>(861)</td>
<td>(1 002)</td>
<td>(406)</td>
</tr>
<tr>
<td>Other expense</td>
<td>(7)</td>
<td>(6)</td>
<td>(5 101)</td>
<td>(4)</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td><strong>8 660</strong></td>
<td><strong>10 018</strong></td>
<td><strong>5 410</strong></td>
<td><strong>8 344</strong></td>
</tr>
<tr>
<td>Profit (loss) from subsidiaries</td>
<td>4 255</td>
<td>0</td>
<td>26 393</td>
<td>0</td>
</tr>
<tr>
<td>Gain (loss) from financial investments</td>
<td>0</td>
<td>(10)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Interest income</td>
<td>210</td>
<td>152</td>
<td>278</td>
<td>410</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(6 124)</td>
<td>(8 454)</td>
<td>(9 351)</td>
<td>(5 256)</td>
</tr>
<tr>
<td>Other financial income and expense</td>
<td>(11)</td>
<td>(4)</td>
<td>235</td>
<td>(63)</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td><strong>6 989</strong></td>
<td><strong>1 701</strong></td>
<td><strong>22 965</strong></td>
<td><strong>3 435</strong></td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(1 129)</td>
<td>(830)</td>
<td>(209)</td>
<td>0</td>
</tr>
<tr>
<td><strong>Profit for the period</strong></td>
<td><strong>5 860</strong></td>
<td><strong>871</strong></td>
<td><strong>22 757</strong></td>
<td><strong>3 435</strong></td>
</tr>
<tr>
<td>Profit attributable to parent company</td>
<td>5 149</td>
<td>616</td>
<td>22 606</td>
<td>3 196</td>
</tr>
<tr>
<td>Profit attributable to minority interest</td>
<td>711</td>
<td>409</td>
<td>-151</td>
<td>239</td>
</tr>
</tbody>
</table>

Auditor: KPMG Estonia for years 2019 and 2020

1. Significant increase in revenue during 1H 2021 coming from the additions of Park Town II, Riga Plaza and Veerenni 2 to the portfolio.
2. Management expenses, legal, consulting, and bank services. Increase due to increased acquisition activity.
3. Net gain / loss from revaluation of investment properties
5. Significant part of Interest expense has historically been associated with interest on shareholder loans (EUR 5.3m in 2020) that has predominantly been a non-cash item, as only a minor part of the interest was actually paid out.
6. In 1H 2021 interest expenses on shareholder loans have significantly decreased, as majority of shareholder loans have been converted into Equity as of 1 Apr 2021. However, in the same period, interest expenses on bank loans have increased.
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— Group and Business overview
— Portfolio overview
— Sustainability strategy
— Financial overview
— **Strategy**
— Nasdaq First North listing disclosures
— Notes issue
— Appendices
Medium term strategy

- Strong commercial real estate portfolio with focus on Baltics
- Sustainable open-ended investment and management strategy
- Portfolio market value of >EUR 500m
- Portfolio based on mixed use and diversification
- Majority of portfolio comprised of green assets
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— Group and Business overview
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— Financial overview
— Strategy
— **Nasdaq First North listing disclosures**
— Notes issue
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Transactions with related parties

As per the last audited report for the year ended 31 December 2020 the Issuer had transactions with the following related parties:

Related parties shall mean the following parties:

- Management, higher supervisory body and individuals with material share and the entities under their control or significant influence
- Close family members of the management, higher supervisory body and individuals with material share and the entities under their control or significant influence

### Balances / transactions (31.12.2020, EUR)

<table>
<thead>
<tr>
<th>Balances</th>
<th>Close family members of the management, higher supervisory body and individuals with material share and the entities under their control or significant influence</th>
<th>Management, higher supervisory body and individuals with material share and the entities under their control or significant influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable(^1)</td>
<td>98 708 839</td>
<td>-</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>87 957</td>
<td>-</td>
</tr>
</tbody>
</table>

**Transactions**

<table>
<thead>
<tr>
<th>Transactions</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans given</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loans received</td>
<td>30 078 262</td>
<td>-</td>
</tr>
<tr>
<td>Interest paid</td>
<td>638 030</td>
<td>20 267</td>
</tr>
<tr>
<td>Purchases of goods and services</td>
<td>600 005</td>
<td>-</td>
</tr>
</tbody>
</table>

\(^1\) Accounts payable – loans from shareholders and close family members of the shareholders. On 1 April 2021 shareholder loans in the amount of EUR 78m have been converted into Equity, and the outstanding balance of shareholder loans that are subordinated to the Notes as of 30 June 2021 was EUR 21m.
Other disclosures

Legal proceedings and arbitrage
At the moment of preparing the Company Description and Securities Note, none of the Group companies is involved in:

- any ongoing legal proceedings or any historical legal proceedings from the previous reporting periods against the Issuer or any Group company,
- any insolvency applications, insolvency proceedings or legal protection proceedings,
- any legal proceedings in connection with fraud or other economic violation in which management board members or supervisory board members of the Group, or directors of the Issuer have been involved.

Material contracts, patents, and other documents
At the moment of preparing the Company Description and Securities Note the Issuer has no significant agreements apart from loan contracts with banks (Luminor, SEB, Šiaulių Bankas), which would not classify as daily course of business. Currently, no share incentive programs are in place for employees and management.

Important agreements
Management functions are outsourced to professional service providers, based on respective agreements. The Issuer has no knowledge of any other important agreements or internal decisions that could have been concluded within the Group or between the Issuer and any related company and that could affect the Issuer’s ability to fulfil its liabilities due to Investors regarding the issued Notes

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

Significant recent and known trends
During 2020 and 2021 many economic sectors were affected by Covid-19 virus outbreak, and the Issuer has been operating in an environment of elevated uncertainty and has been to some extent affected by physical and other restrictions imposed by governments, especially during Q1 2021. At the moment of preparing the Company Description and Securities Note, the Issuer has no information at its disposal regarding any known trends that have negatively affected the Issuer or the activity, apart from the aforementioned COVID-19 impact.

Changes in Management Board or Supervisory Board
As of 1 July 2021, Priit Pedaja has joined the Supervisory Board of Summus Capital OÜ.
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## Term sheet

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Summus Capital OÜ (Estonia)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of notes</strong></td>
<td>Unsecured</td>
</tr>
<tr>
<td><strong>Seniority of notes</strong></td>
<td>JUND – Junior Debt</td>
</tr>
<tr>
<td><strong>ISIN</strong></td>
<td>LV0000802478</td>
</tr>
<tr>
<td><strong>Issue size</strong></td>
<td>EUR 10,000,000</td>
</tr>
<tr>
<td><strong>Annual coupon rate</strong></td>
<td>6.75%</td>
</tr>
<tr>
<td><strong>Coupon frequency</strong></td>
<td>Quarterly</td>
</tr>
<tr>
<td><strong>Maturity</strong></td>
<td>18.06.2024, bullet</td>
</tr>
<tr>
<td><strong>Nominal value</strong></td>
<td>EUR 1 000</td>
</tr>
<tr>
<td><strong>Call option</strong></td>
<td>After first year @102; after the second year @101</td>
</tr>
<tr>
<td><strong>Put option</strong></td>
<td>None</td>
</tr>
</tbody>
</table>
| **Financial covenants**¹       | • Equity to Total Assets at least 30%  
                                  • Debt service coverage ratio (DSCR) at least 1.2x starting from 31 December 2021 |
| **Admission to trading**        | Nasdaq Riga First North (alternative market) |
| **Arranger and Certified Adviser** | Signet Bank AS                       |
| **Ratings and Outlook**         | Senior unsecured rating BB by Scope |

¹ for full list of covenants please refer to the Terms of the Issue
Certified Adviser

Signet Bank AS acts as the First North Certified Adviser for «Summus Capital OÜ»

Official name: Signet Bank AS
Registration number: 40003076407
Main field of activity: Banking services
Address: Antonijas iela 3, Riga, LV-1010, Latvia
Web page: https://www.signetbank.com/

Representative
Kristiāna Janvare, CFA
E-mail: Kristiana.Janvare@signetbank.com
Phone: +371 67 081 128

Signet Bank AS is advising «Summus Capital OÜ» with the preparation of admission documents. The agreement is valid from the day of submitting the application for admission to trading on First North to Nasdaq Riga until the actual first trading day of the Notes on First North platform.

Certified Adviser and employees of the Certified Adviser do not have any direct or indirect shareholdings in the Issuer and are not represented in Board or Council of the Issuer.
**Investor rights**

Any Noteholder has the right to receive Coupon and Nominal payments in accordance with the Section 4.2.7. “Coupon payments” and 4.2.8. “Procedure of Notes repayment”, as well as exercise other rights fixed in the Terms of the Issue and legislation of the Republic of Latvia.

Subordination 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 Legal acts.

Early redemption: Noteholders shall not have rights to demand early redemption of Notes (put option), except in case of occurrence of the events of default in accordance with the Section 5.2. “Event of default”.

Restrictions on free circulation of the Notes: There are no restrictions regarding transfer (sale and purchase) of the Notes in the secondary market. 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.

Representation of the Note holders: 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.

**Significant investor rights if Issuer breaches its obligations**

In the event of default in accordance with the Section 5.2. “Event of default” of the Terms of the Issue, a Noteholder has the right to submit a written notification to the Issuer regarding that the immediate repayment deadline has set in. The Issuer undertakes to pay the Nominal value of Notes along with the accrued Coupon and contractual penalty, in accordance with Section 5.3. “Contractual penalty”, within 5 (five) Business Days after the receipt of the notification.

The Issuer is in default if at least one of the following occurs and as long as it has not been rectified:

- The Issuer has failed to make a Coupon payment in full for more than 5 (five) Business Days following the planned payment date;
- The Issuer has failed to make a Nominal value payment in full for more than 5 (five) Business Days following the planned payment date;
- The Issuer has violated the conditions of the Section 5.4. “Financial Covenants”;
- The Issuer has failed to service other liabilities in the amount of over EUR 500,000;
- Insolvency proceedings have been initiated against the Issuer;
- The Issuer has submitted an application for liquidation in the relevant state authorities in Latvia.

1 for full overview please refer to the Terms of the Issue
Risk factors (1)


BEFORE DECIDING WHETHER TO ACQUIRE 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 ISSUE, AND CONSULT WITH THEIR OWN PROFESSIONAL ADVISORS IF NECESSARY. MOREOVER, POTENTIAL INVESTORS SHOULD BE AWARE THAT SEVERAL OF THE DESCRIBED RISK FACTORS CAN CO-OCUR 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.

Important note

The risks indicated in this section may reduce Issuer’s ability to fulfil its obligations and cause its insolvency in the worst-case scenario. Bondholders have to take into account that Bonds are not secured with collateral and third parties have not guaranteed Bonds and Coupon payments related thereto.

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

Macroeconomic risk

The Group’s real estate properties are all located in the Baltic States. Hence, the Issuer 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 Baltic economies are subject to regional and global macroeconomic fluctuations. Baltic economies are closely linked with the health of the overall EU and the euro area. A slowdown in the EU may negatively affect economies of the Baltic States leading to an adverse effect on the Issuer’s business operations.

The global economy and most industries have seen strong headwinds since the first quarter of 2020, driven by the spread of the novel coronavirus COVID-19. The full impact on economy is still uncertain as the situation continues rapidly evolving, but the pandemic has resulted in a real GDP contraction of 6.1% for the EU.

Although the Baltic countries also experienced an economic downturn as a result of the Covid-19 pandemic, the recession in Lithuania, Estonia, and Latvia was among the lowest in Europe. Particularly, Lithuania’s economy proved to be the most resilient among the Baltic countries and, possibly, also of the countries of the EU. In 2020, Lithuania, Estonia, and Latvia showed real GDP contraction of 0.8%, 2.9%, and 3.6%, respectively.

While rebound in economic activity is generally expected in the second half of 2021, for example, real GDP growth of Lithuania, Estonia, and Latvia is expected at the levels of 2.7%, 3.1%, and 3.5%, respectively (Bloomberg consensus estimates), the overall economic outlook and the depth of the consequences of the pandemic on individual economic sectors are subject to high levels of uncertainty.

CoVid-19 risk

CoVid-19 pandemic has directly impacted also the Baltic real estate market that was growing rapidly before the pandemic. Nevertheless, overall investment level in Baltic commercial real estate market remained stable for 2020, exceeding EUR 1bn (Colliers).

The retail property segment has been one of the most significantly affected by the pandemic. Fully or partially closed shops due to waves of restrictions have significantly adjusted the turnover of major shopping centres, leading to lower income for property owners in 2020. Depending on the structure of shopping centres tenants, occupancy changes and discounts granted to tenants, the total operating income of the companies operating such retail properties has declined.

The office sector has also experienced significant changes in 2020. The pandemic has forced businesses to change their work organization model, and a large proportion of employees have been working remotely. The companies, however, did not terminate their lease contracts and landlords of office buildings have been able to maintain a sufficiently stable stream of rental income, especially in high quality office space. However, in 2020 sizeable new office space appeared on the market, coinciding with the pandemic, resulting in rising vacancy rates, and also throughout 2021 new office space will enter the market. According to Colliers data, vacancy levels for A class office space at the end of 2020, reached 5.3% in Vilnius (Lithuania), 8.4% in Tallinn (Estonia), and 24% in Riga (Latvia). Demand for office space in Lithuania is strongly supported by the successful development of Lithuania’s global business services sector.

Logistics and industrial property segment was the least affected during the pandemic and has seen increasing investor attention in 2020, 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 segment. The Group holds properties in all three Baltic countries, with Lithuania being the largest market with nearly one half of total property value, and in the following real estate segments: retail (33%), office (24%), medical (12%), and industrial (12%). According to Management estimate, the overall impact on the Group’s revenue from the pandemic was estimated at 3%, while the occupancy rate declined by 3.3 percentage points to 96.2%.

Extended periods of slower economic growth 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.

Competition risk

Commercial real estate is a competitive industry. To maintain the attractiveness of its properties the Issuer has to react quickly to changes in the competitive environment. Possible responses to competitors’ actions include upgrading properties with new features, their refurbishment, rent reductions and greater promotion and marketing activities. These could result in unforeseen substantial expenses adversely affecting the Issuer’s financial position and cash flows.

Supply of commercial premises increases with commissioning of newly developed properties. If additions to the supply are not matched by an increase in demand for commercial space, new properties could raise vacancy levels and reduce rent rates in the market, especially, for older and lower quality premises as tenants tend to prefer newer spaces. Therefore, elevated development activity in office and retail property markets in the Baltics may have an adverse effect on the Issuer’s rental income and, in turn, on its value of properties, financial position and cash flows.

Property acquisition risk

Any decision by the Group to acquire property is based on thorough evaluation and due diligence of an asset. Numerous factors that the Group assesses include the technical shape of a property, operating and financial performance, tenants mix, future cash flow generative, rate of return and how an asset fits the Group’s investment strategy and existing portfolio. However, there is a risk that the Group’s Management in its examination of potential investment target could fail to identify and address certain important factors and associated risks.

The Group aims to acquire full title to each property, however in some cases it may decide to acquire property 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-ownships 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 guarantee that cash flow projections in property appraisals will resemble actual future cash flows. Hence, newly acquired real estate assets could require unforeseen investments and/or demonstrate lower than expected performance and financial return adversely affecting the Group’s financial position and cash flows.
Risk factors (2)

Tenant risk
The Issuer’s revenue is mainly comprised of rents paid by tenants at its retail and office properties. If a tenant decides not to renew or extend a lease agreement, there is a risk that a new tenant may not be found at the equivalent economic terms or at all for some time adversely affecting rental income of the property. The Issuer 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). Any decrease in rental income is likely to negatively affect the Issuer’s value of properties, financial position and cash flows.

Issuer’s tenants have a period, generally up to 40 days, after the date of invoice, depending on the type of customer, in which to effect payment. As a result,Issuer 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 Issuer’s tenants, for example, as a result of an economic downturn or an adverse change in their business.

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 Issuer, this could have a material adverse effect on the Group’s business, financial condition and results of operations.

Refinancing risk
At maturity of the Group’s debts, the Group will be required to refinance such debt, and its ability to successfully refinance such debt is dependent on the conditions of the financial markets in general at such time. As a result, the Group’s access to financing sources at a particular time may not be available on favorable terms, or at all. The Group’s inability to refinance its debt obligations on favorable terms could have a material adverse effect on its business, financial condition and results of operations.

Asset liquidity risk
Property investments can be relatively illiquid for reasons including but not limited to the long-term nature of leases, commercial properties being tailored to tenants’ specific requirements and varying demand for commercial property. Such illiquidity may affect the Issuer’s ability to vary its portfolio or dispose of properties in a timely fashion and/or at satisfactory prices in response to changes in economic, property market or other conditions. This may have a material adverse effect on the Issuer’s business, financial condition, results of operations and prospects.

If the Group is required to dispose of investments at any time (for example due to a requirement of the lending bank), there can be no assurance that, at the time the Issuer seeks to dispose of assets (whether voluntarily or otherwise) related market conditions will be favorable or that the Group will be able to maximize the returns on such disposed assets. It may be especially difficult to dispose of certain types of real estate during recessionary times. To the extent that market conditions are not favorable, the Group may not be able to dispose of property assets at a gain and may even have to dispose of property assets at a loss. Furthermore, the Group may be unable to dispose of investments at a price, which would tie up the capital invested in such assets and could impede the Group’s ability to take advantage of other investment opportunities.

Real estate portfolio fair value fluctuation risk
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). Since these factors are subject to variation over time, the fair value of the Group’s properties could be affected by factors including appreciation and depreciation of the properties, and therefore the Group’s financial condition could be adversely affected.

Risk of reliance on the performance of the Management
The Issuer has an agreement with Zenith Family Office to render management board service to the Issuer and its Subsidiaries. Thus, the Group relies on the experience, skill and judgment of the Management, in identifying, selecting and negotiating the acquisition of suitable investments. 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.

Zenith Family Office needs personnel in order to facilitate management of the Group and provide related services. Therefore, the success of the Group’s operations depends on Zenith’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.

Risk of dependency on managing employees
In the future, the Group’s activities will be affected by its and Zenith Family Office’s ability to attract, preserve, and motivate highly qualified and experienced personnel. There is competition for personnel with the relevant skills and experience in Babits and in other countries, and it is comparatively high; however, the Group and Zenith 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.

Risk of dependency on external service providers
The Group utilizes external service providers in its operations in connection with maintaining and constructing the Group’s properties, generally in relation to the Group Management, as well as in connection with the 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 Issuer’s business. The failure to procedure services or to transfer the increase in their costs to tenants may have a material adverse effect on the Group’s business, result of operations, and financial condition.

Group’s reputation risk
The Group’s ability to secure funding, attract and retain tenants at its properties as well as Zenith Family Office’s 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.

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.

In response to the Covid-19 pandemic, the Group and Zenith Family Office implemented remote work policies, where it was possible and most employees switched to working from home, all as systems are remotely available.

Insurance coverage risk
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.
Risk factors (3)

Technical risk
Although the Group invests in the maintenance of its existing properties and conducts a thorough technical examination of potential investment targets, its properties could be subject to technical problems such as construction defects, other 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.

Environmental liabilities risk
As the owner of real estate property, the Group could be held liable for possible environmental damage caused by operations carried out in such property if such operations have not been carried out in accordance with applicable regulations. Although in the Group’s view properties that it targets to acquire are generally not used for operations that could be particularly harmful to the environment, it cannot be ruled out that the Group could be held liable for environmental damage incurred in a property owned by the Group. Such environmental liability could, if materialized, have a material adverse effect on the Group’s business, results of operations, and financial condition.

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, earthquake, 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 Issuer’s business, financial condition, results of operations and cash flows may be adversely affected.

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 business is investing in real estate properties whose space is leased out to tenants. There is a risk that the Group may be drawn into legal disputes with tenants or counterparties in real estate transactions. Negative outcome of such disputes could adversely affect Group’s operations, financial position and cash flows. The Management uses its best endeavors to conclude agreements correctly and communicate in a respectful manner with all counterparties. All misunderstandings are tried to be settled by a mutual agreement. Nevertheless, the emergence of disputes cannot be excluded.

Changes in legislation risk
The Issuer’s operations are regulated by the legislation of each country where it 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 preparing 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 practices, corporate dividend activities, environmental protection 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 Issuer’s business, results of operations, and financial condition.

RISKS RELATED TO NOTES

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 its business, financial condition, or results of operations. 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.

Notes repayment risk
The Notes will rank pari passu with other unsecured liabilities of the Group. In case of Issuer’s insolvency, Noteholders have the same right to receive their investment as other creditors of the relevant group in accordance with applicable local regulatory enactments. 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 favor of other creditors.

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

As of 31 December 2020, the Group had outstanding unsecured interest bearing obligations towards the Minority shareholders of Subsidiaries in the amount of EUR 9,132,274.00 that rank pari passu with the Notes. As of 31 December 2020, the Subsidiaries of the Issuer had secured obligations towards Banks in the amount of EUR 164,651,636.00 that are senior to the Notes.

Liquidity risk
Neither the Issuer nor any other person guarantees the minimum liquidity of the Notes. Thus, the Potential 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.

Delisting risk
After 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. There is a risk that Nasdaq Riga would not accept the Notes to be admitted to trading on First North or order to delete 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 Financial and Capital Market Commission of Latvia.

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 unfavorable 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.

Foreign exchange risk
The Notes will be denominated and payable in EUR. If 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.
Risk factors (4)

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 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.

Tax risk
Tax rates and tax payment procedure applicable at the moment of purchase of Notes to the tax residents, non-residents of Estonia, and residents of other countries may change. The Issuer will not compensate for the increase in taxes to Noteholders, therefore Noteholders may receive smaller payments related to Notes.

Resolution of Noteholders risk
The majority resolution of the Noteholders is binding on 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 such Noteholder against the Issuer may be amended or reduced, or even cancelled, without its consent.
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Appendices

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Contact information

Finance
Aavo Koppel
Aavo.koppel@summus.ee
+372 50 48 886

Investment management
Hannes Pihl
hannes.pihl@summus.ee
+372 50 24 668

info@summus.ee
Tartu maantee 7-7,
10145 Tallinn, Estonia
https://summus.ee/