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Birštono vilos: investment presentation

23.08.2019

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Summary

Real estate development company UAB (Joint-Stock Company) Prime Real Estate specialising in exclusive second home projects wants to raise financing for a residential real estate project in the Birštonas resort.

1. Loan is secured by sales receivables:

100% of the loan paid to the project owner is secured by the amount receivable after the building is completed.

2. Strong preliminary sales:

24% of flats already sold* with advance payments of > 30%.

€ 2.96 M preliminary sales value (incl. VAT).

3. Ongoing construction:

50% - completion rate of block C, blocks A & B - 20%.

6 mos. - time remaining to complete block C.

4. Experienced and stable team:

15 years working in one team. Project's management has a combined experience of 70 years in RE sector.

MAIN INVESTMENT TERMS:

Annual interest: **8-11%****, paid at the end

Loan term: **24 mos.**

Collateral: Land plot; assets under development

Current value: € 1.7 M (excl. VAT)

Numatoma vertė € 9.4 M (excl. VAT)

Loan Up to 40.5% LTC*** (*loan-to-cost*)

Risk rating **A-** (low risk)



* Data as of 23.08.2019

** Interest depends on the investment amount. See slide 31 for more.

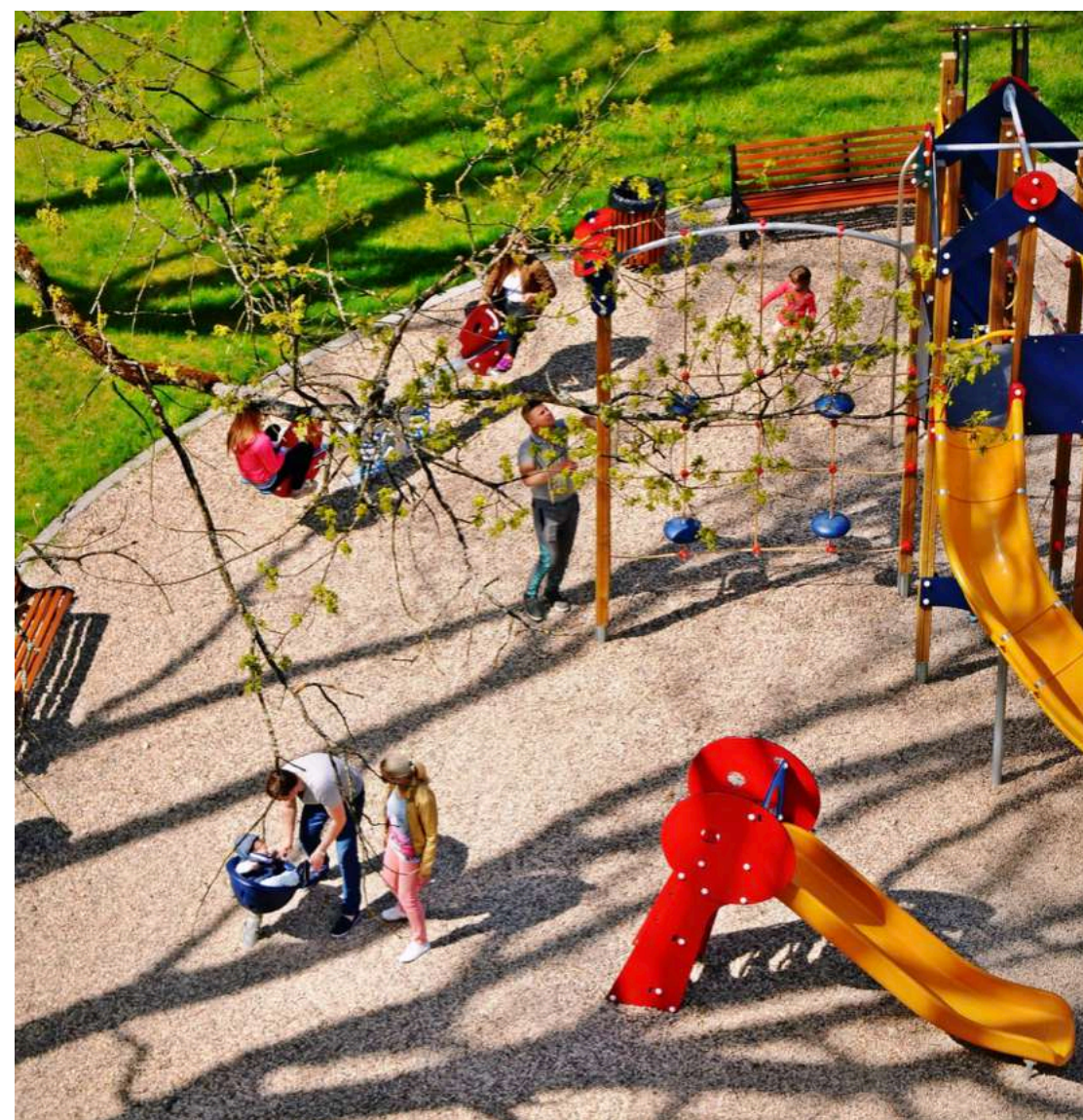
*** LTC - loan to total amount needed to complete the project ratio.

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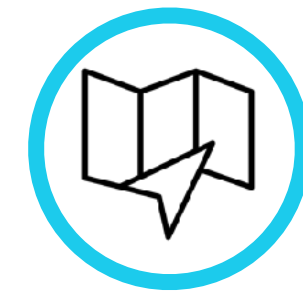


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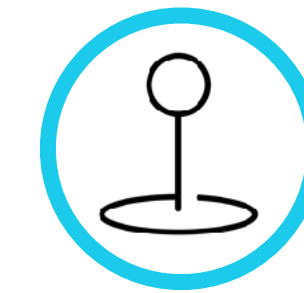
Location - Birštonas



The closest resort to Vilnius and Kaunas:



45 km to Kaunas,
90 km to Vilnius.



1 M people within
100 km radius

Birštonas is the most rapidly growing and developing resort in Lithuania. In 2018 the hotel occupancy rate of the resort fell behind to only those of the 3 largest Lithuanian cities. The resort attracts visitors by its modern SPAs, well-developed environment, mineral water springs and fresh air. The municipality intends to continue investing in the infrastructure making it an extremely promising resort. In the nearest plans - a pontoon pier on the Nemunas river bank with a restaurant and an amphitheater; bicycle path expansion; additional benches; and more lighting of the paths.



Travel and tourism expert Rimvydas Širvinskas-Makalius:
"Birštonas is one of my favourite resorts."

The increasing visitor flows and interest in the resort also grows the number of potential real estate buyers. In addition, unlike in the seaside resorts, the tourism in Birštonas is not influenced by seasons, making the location attractive for investment in rental apartments.

Location - Birštonas

140 000+ tourists visited Birštonas in 2018 - growing and non-seasonal tourist flows.

59.4% - occupancy rate of hotels, guesthouses and motels in 2018 - an attractive investment for rent.

Number of tourists in Lithuanian resorts

| No. City | 2017 | 2018 | Change |
|----------------|---------|---------|----------------|
| 1 Palanga | 307 959 | 345 710 | 12.3 % |
| 2 Druskininkai | 329 651 | 336 712 | 2.1 % |
| 3 Birštonas | 109 842 | 143 746 | +30,9 % |
| 4 Trakai | 71 147 | 78 234 | 10 % |
| 5 Neringa | 61 724 | 76 202 | 23.5 % |
| 6 Anykščiai | 22 810 | 24 532 | 7.5 % |

Occupancy rate of hotels, guesthouses and motels in the largest cities and resorts

| No. City | 2017 | 2018 | Change |
|----------------|-------|-------|---------------|
| 1 Kaunas | 64.6% | 69.3% | 4.7 % |
| 2 Vilnius | 66.2% | 64.7% | -1.5 % |
| 3 Klaipėda | 56.4% | 60.4% | 4 % |
| 4 Birštonas | 53.3% | 59.4% | +6.1 % |
| 5 Druskininkai | 56.5% | 57.5% | 1 % |
| 6 Lietuva | 53.7% | 55.2% | 1.5 % |
| 7 Šiauliai | 48.4% | 48.8% | 0.4 % |
| 8 Panevėžys | 41.7% | 45.5% | 3.8 % |
| 9 Palanga | 44.2% | 44.2% | 0 % |
| 10 Neringa | 28.8% | 36.4% | 7.6 % |

Location - Birštonas



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Location - project



Birštono vilos is surrounded by the park - pine forest - and the Nemunas river.

In front of the apartments there is a park with children playgrounds, fitness equipment, mini golf, table tennis and other activities. 50 meters away lies unique mineral water evaporation tower, which emits air enriched with healthy minerals causing seaside atmosphere effect.

On the other side, just 100 meters away flows the Nemunas river, which is also seen from the apartments on the upper floors.

- | | | | |
|---|---|---|---------------------|
|  | Central park of Birštonas |  | Grocery store „Iki” |
|  | „Eglės” sanatorium |  | Bus station |
|  | „Vytautas Mineral SPA” |  | Tennis courts |
|  | Mineral water evaporation tower | | |
|  | Birštonas ponds & „Birštonas Wake Park” | | |

Buildings' information

| | |
|--------------------------------|--|
| Address | Kęstučio st. 1, Birštonas |
| Area for sale | 3 943 m ² |
| No. of flats | 78 units |
| Avg. flat area | 50 m ² |
| Price with partial finishing | 2 200 €/m ² (incl. VAT) |
| Price with turn-key finishing* | +700 €/m ² (incl. VAT) |
| No. of floors | 4 floors |
| Construction progress | Blocks A & B - 1 st floor built; Block C - façade works. |
| Development value | € 9.4 M (excl. VAT) |
| Preliminary sales | 2.96 M EUR (incl. VAT), with 30%+ advance payments. |

* For customer convenience, all apartments are sold with the turn-key level of finishing excluding all portable furniture.



Uniqueness

The tallest residential building in Birštonas centre

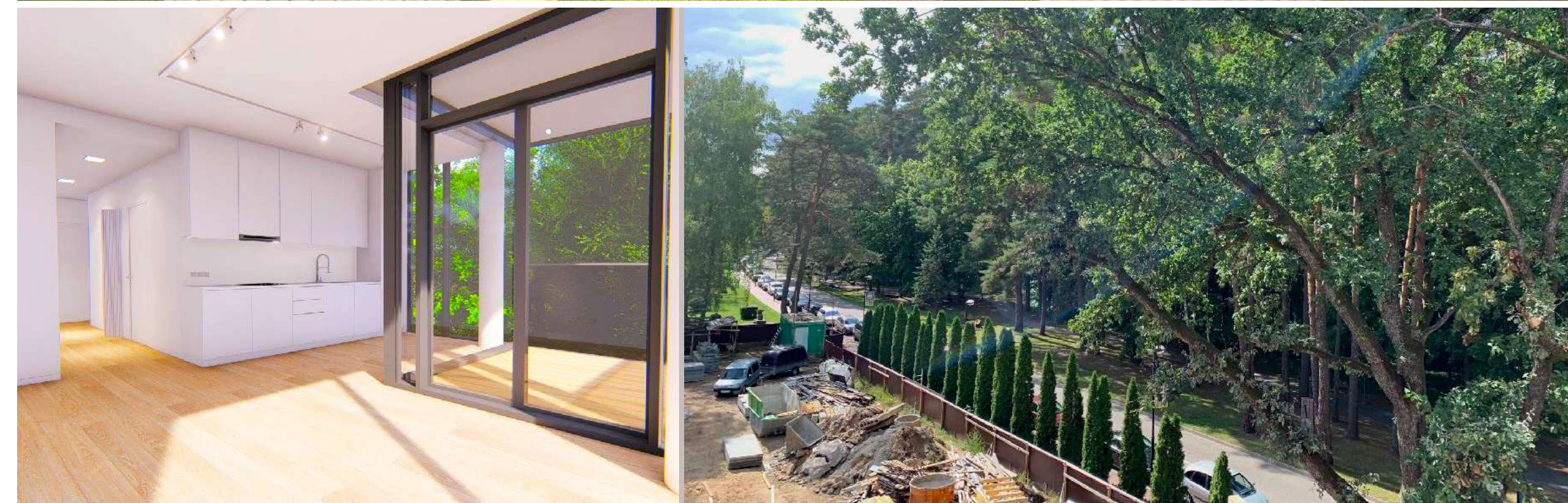
The detailed plan of the project was approved in 2010, allowing for an exclusive building height of 15 meters. No similar projects nearby will be built in the future as the maximum allowed height of new buildings was recently restricted to 9 meters. For this reason, the upper (3rd and 4th) floors are unique.

Large windows, high ceilings and loggias

Ceilings on 1st to 3rd floors will reach 2.90 m. and on the penthouse floor - up to 5.20 m. All apartments will be equipped with loggias and large windows, making even the tiniest flat full of daylight, opening up beautiful sceneries of nature, and creating a feel of a spacious home.

Views of pine forest and the Nemunas river

Perhaps there is no better location to live in Birštonas. On one side, the view of the pines of the city park will open through the windows, and on the other, the scenery of the Nemunas river. City center - just few minutes by foot.



Professional solutions

Turn-key level of finishing - buyer gets more

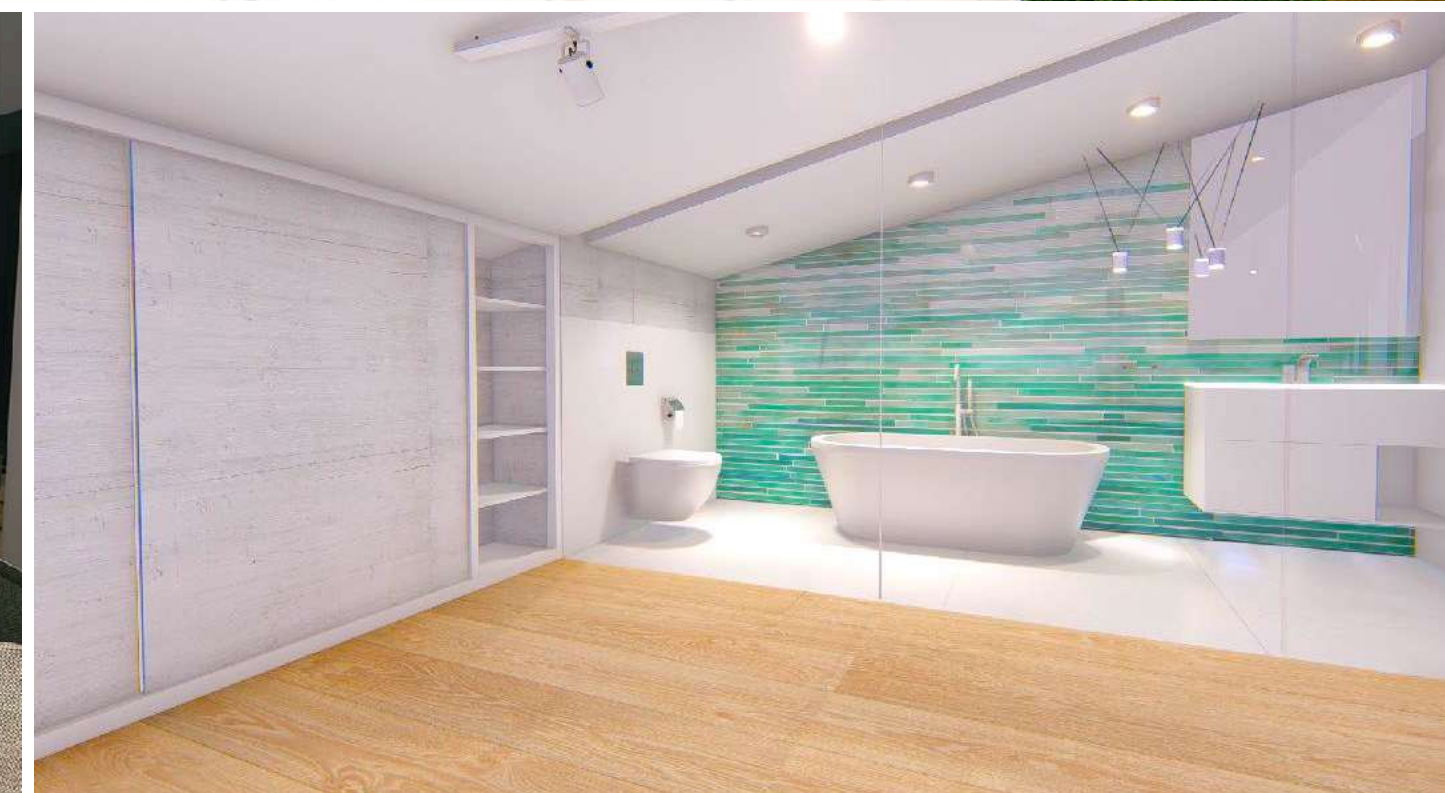
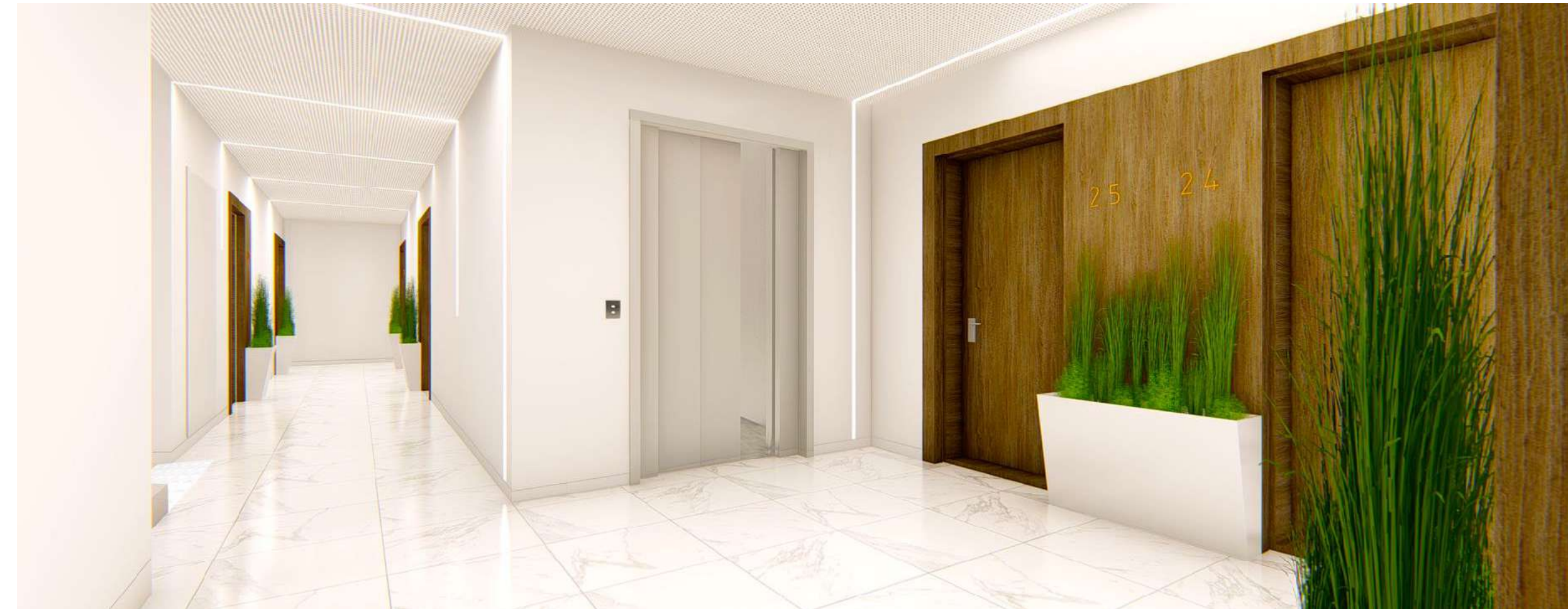
All apartments are sold with turn-key finishing level - equipped with natural wood flooring, painted walls, kitchen with integrated household appliances (Electrolux), fully equipped bathrooms (Villeroy and Boch, Hansgrohe), installed lighting fixtures (excl. portable furniture). Such level of finishing is usually approximately 600-800 €/m² more expensive than partial finishing.

Every modern housing feature under one roof

A+ energy efficiency rating. Smart Home system controlled by smartphone. Autonomous heating. Individual recuperation, ventilation and air conditioning systems. 3-pane windows. Underfloor heating. Electric vehicle charging stations and more.

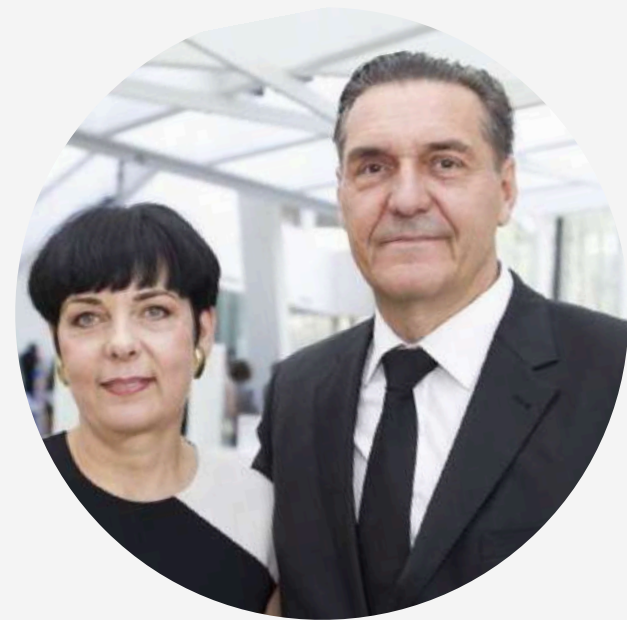
No extra worries for the customers

An administrator who will maintain the environment, stairwells, windows and more will be assigned. At extra cost, the developer offers to furnish the flats fully so that it would be ready for moving in or renting out.



Architecture

According to the architect Algirdas Kaušpėdas, one of the authors of the project, the buildings are integrated into the environment. Façade that consist mainly of glass surfaces stands out by its own personality but at the same time respects the environment. The architecture also responds to the local context of the resort.



“We tried to plan for the largest possible apartments’ spaces. The interior unites with the exterior thanks to large windows. Loggias can be used as additional rooms, in which fresh air of Birštonas is constantly circulating. The flats are open, they let nature in.” - project’s co-authors Vilija Kaušpedienė and Algirdas Kaušpėdas, architects of the team of “JP Architecture”.



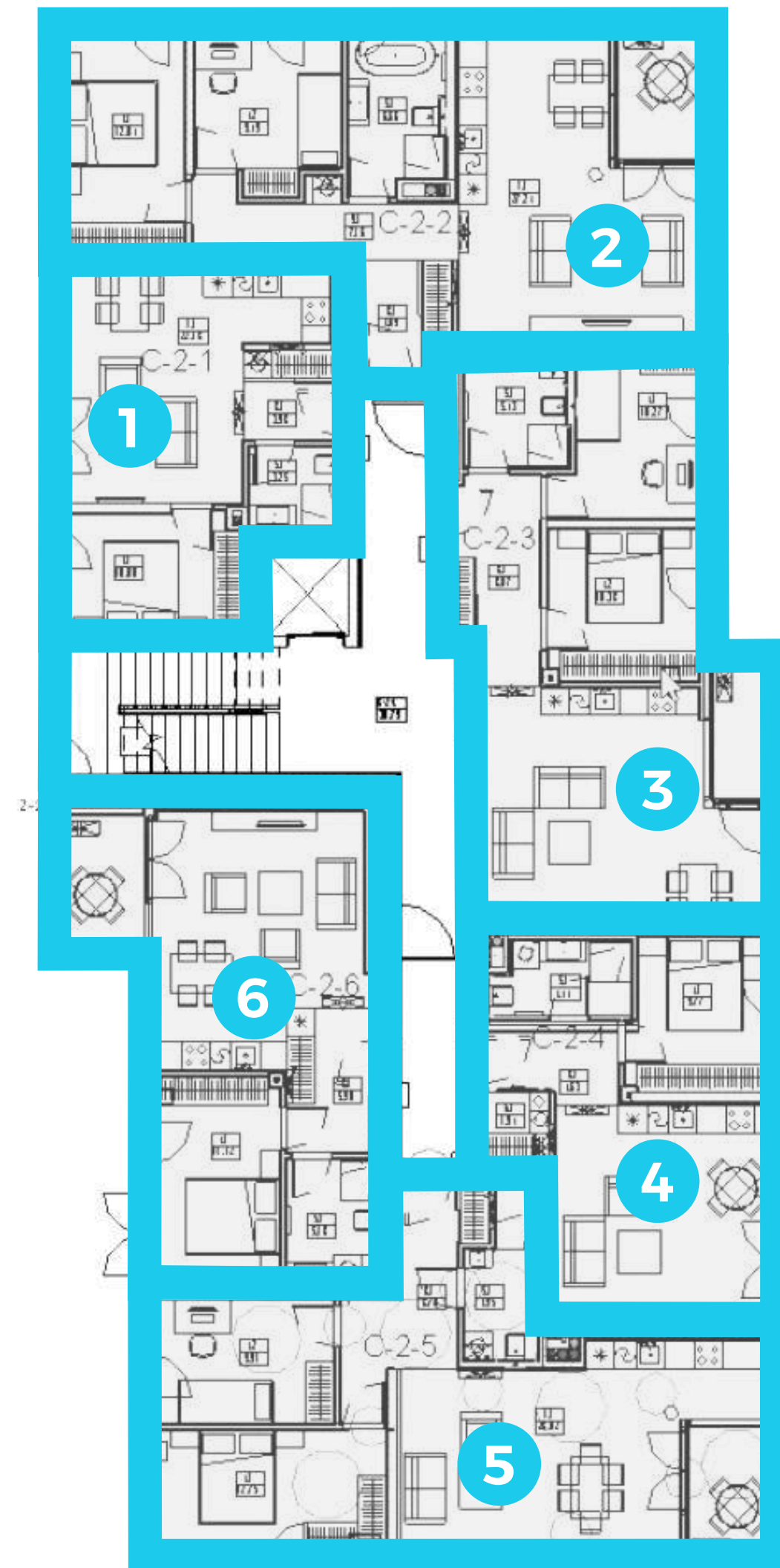
Layout and window view

Up to **7** apartments per floor with a variety of window views.

From **39** m² with an option to combine several apartments.

From € **99 000** with turn-key level of finishing.

The area of the apartments ranges from 39.5 to 67 m². At the request of the buyer there is a possibility to combine several apartments. Apartments' size variety makes the project suitable for both first and second home.



C block's standard floor plan.

Construction progress

- 2019 Q3 **1** C block's frame finished, roof covered.
A & B blocks' frame under construction.
- 2019 Q4 **2** C block - continuing façade works.
A & B blocks - constructing frame.
- 2020 Q1 **3** C - start of interior works.
A & B - covering roof.
- 2020 Q2 **4** C - carrying out turnkey finishing.
A & B - start of façade works.
- 2020 Q3 **5** Completion of block C.
A & B - start of interior works.
- 2020 Q4 **6** A & B - carrying out turnkey finishing.
- 2021 Q1 **7** Completion of A & B.



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Sales

Block A:
Sold: 5/28 (18%)
Construction progress: 20%

Block B:
Sold: 4/28 (14%)
Construction progress: 20%

Block C:
Sold: 10/22 (45%)
Construction progress: 50%

€ 2 960 000 preliminary sales value (incl. VAT) 24% of flats are already sold. 30%+ advance payments size.

Sales: facts & forecasts

Value of flats sold:
(including VAT)

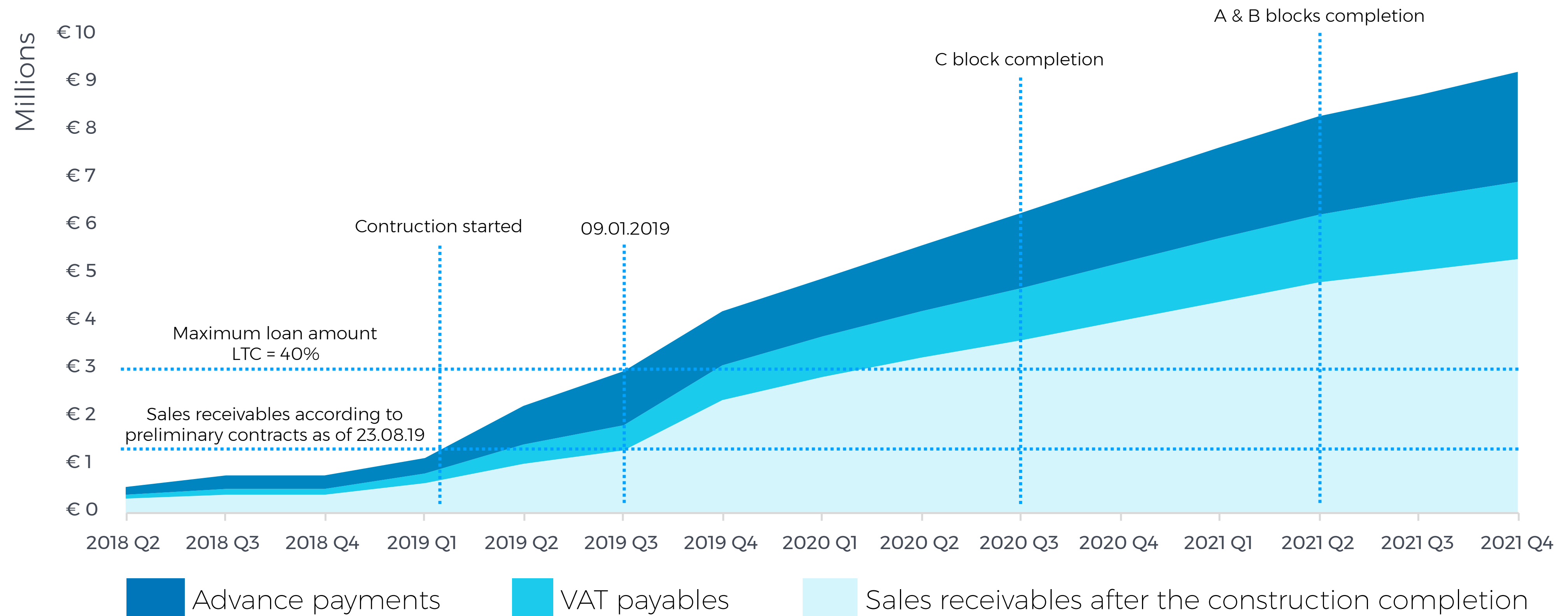
€ 2 960 000

Receivables from preliminary sales:
(after VAT and advance payments):

€ 1 316 000

Flats already sold:
under preliminary agreements

19/78 units (24 %)



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Developer

Project developer UAB (Joint-Stock Company) Prime Real Estate is owned by Prime Partners holding, which has a portfolio of real estate development companies UAB Prime Real Estate and UAB Saulės sonata, investment company UAB Avestis and investment banking company UAB Prime investment. The project's development company started its activities in the field of real estate consulting and mediation in 1993. Since 2004 the company has been actively engaged in real estate development in the most popular Lithuanian resorts.

The company has been working on second home projects for over 15 years.

The company specialises in integrated, turn-key residential and recreational facilities in Neringa, Druskininkai and Birštonas. All projects are implemented only in the most prestigious resorts. The company always takes into consideration the resort's specialisation, landscape, cultural and historical heritage.

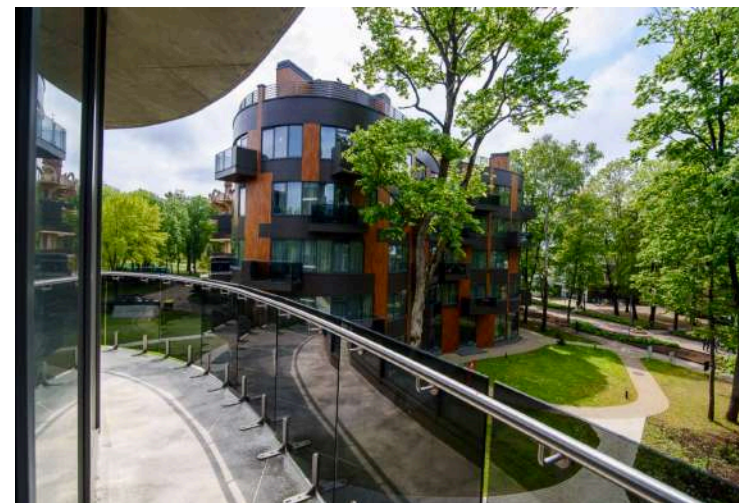
Prime Real Estate has many years of experience not only in real estate development, but also as a rental agent, sales agent and operator and has been involved in projects such as King Mindaugas Apartments, Europa City Vilnius Hotel, Domus Galerija and more.



Developer's second home projects

Saulės sonata:

- Second home project in Druskininkai;
- 4th out of 7 buildings completed in 2019;
- 80% of apartments sold;
- Recognized as the Best second home project in 2008.



Vila Nova:

- Second home project in Pervalka;
- Recreational building reconstruction;
- All apartments sold out;
- Recognized as the Best second home project in 2007.



Developers consulting projects

Domus Galerija:

- Created concept;
- Attracted funding;
- Formed tenant structure;
- Signed lease agreement.



Europa City Hotel:

- Created concept;
- Attracted funding;
- Carried out hotel operator search;
- Signed agreement with the hotel operator.



Project's management



Rimvydas Baranauskas

- Worked at Deloitte in Boston;
- In 1995 established Deloitte in Lithuania;
- Founder and sole owner of the Prime group since 1997;
- Author and initiator of the Birštono vilos project;
- Experienced working with premium first and second home projects in Lithuanian resorts (Pervalka, Druskininkai, Birštonas) - 20,000+ m², and commercial real estate in Vilnius and Lithuanian resorts - 50,000+ m².



Marius Karalius

- Has been working with the Prime group for 13 years;
- Birštono vilos project manager;
- Owner and manager of real estate project management company UAB MKF;
- Project manager at Vila Nova and Saulės Sonata;
- 17 years experience in RE development and construction, developing non-standard and heritage RE projects.



Arūnas Raščius

- Has been working with the Prime group for 17 years;
- Prime group partner responsible for project acquisition, sales, financial strategy, structuring and organisation;
- Member of the Board of AB Montuotojas (INVL Group);
- Member of the Board of UAB Inservis (INVL Group).



Algirdas Ožechauskas

- Has been working with the Prime group for 14 years;
- Director of UAB Prime Real Estate and UAB Saulės Sonata ;
- Successfully implemented the project Vila Nova (Pervalka) and is leading the implementation of Saulės Sonata (Druskininkai);
- Has been working on second home projects for the last 14 years.

The project management team has been working together for the last 15 years. The team has almost 70 years of combined experience in the real estate sector.

Prime partners are professionals in various real estate areas, so they carry out the whole process from idea to sale. Together the team has successfully implemented second home projects at other resorts. The company has successfully completed sales amounting to more than € 25 M.

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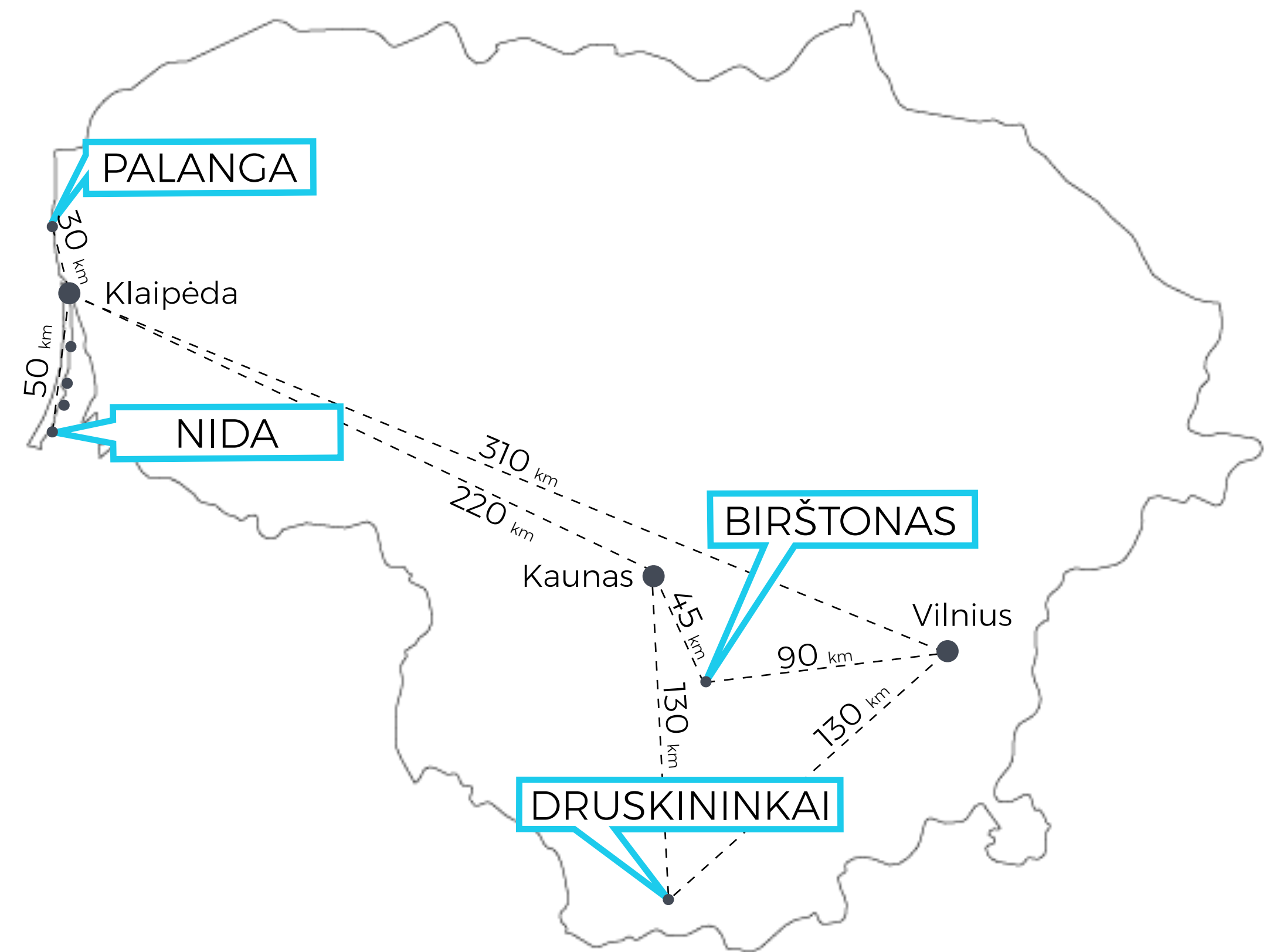
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Market overview

Typically, new construction is concentrated in the major cities of Lithuania, so unique projects such as Birštono vilos cannot be directly compared. In this case, the market potential is best reflected by the preliminary sales of the project itself. Although the construction of Birštono vilos has just begun recently, 9 (16%) flats are already sold in blocks A & B and 10 (45%) in block C.

The total value of pre-sales is almost € 3 M (incl. VAT) and the amount of advance payments already paid is 30+%.

The main competitors of Birštono vilos are projects in other resorts - Druskininkai, Palanga and Neringa (seaside) region. However, visitors of these resorts are quite different from each other (in 2018, 35% of tourists in Druskininkai were foreigners, whereas the rate was only 10% for Birštonas*). Also, Birštonas is the closest resort to the two largest cities of Lithuania (Vilnius & Kaunas) and, unlike seaside resorts, has stable tourist flows throughout the year.



Resorts' overview

| Criterion | Palanga | Neringa | Druskininkai | Birštonas |
|-----------------|---------|---------|--------------|-----------|
| Active months* | 4-5 | 3 | 12 | 12 |
| Occupancy rate | 44.2 % | 36.4 % | 57.5 % | 59.4 % |
| No. of tourists | 307 959 | 76 202 | 336 712 | 143 746 |
| Vilnius | 330 km | 360 km | 130 km | 90 km |
| Kaunas | 240 km | 270 km | 130 km | 45 km |
| Klaipėda | 30 km | 50 km | 340 km | 265 km |

Comparable projects

Below are the most comparable projects in Lithuanian resorts. In order to compare prices of these projects to that of the Birštono vilos, the average price indicated was adjusted to the same furnishing level. The average cost of projects with partial and complete finishing were increased by 700 and 200 €/m² respectively, while the cost for those including portable furniture was reduced by 300 €/m².

| DRUSKININKAI / BIRŠTONAS | PALANGA | NERINGA |
|--|--|--|
|  <p>Druskininkai forest 📍 Druskininkai 💰 3 050 €/m² (C) 📁 58/79 sold (73%) 🏗️ 2018</p> |  <p>Eglės apartamentai 📍 Palanga 💰 4 200 €/m² (C) 📁 52/75 sold (69%) 🏗️ 2018</p> |  <p>Juodkrantės terasos 📍 Juodkrantė, Neringa 💰 3 700 €/m² (P) 📁 7/22 sold (64%) 🏗️ 2017</p> |
|  <p>Saulės sonata 📍 Druskininkai 💰 2 800 €/m² (E) 📁 124/155 sold (80%) 🏗️ 2019</p> |  <p>Cuprum apartamentai 📍 Palanga 💰 3 600 €/m² (P) 📁 32/39 sold (82%) 🏗️ 2017</p> |  <p>Pervalkos jūra 📍 Pervalka, Neringa 💰 3 400 €/m² (I) 📁 19/28 sold (68%) 🏗️ 2019</p> |
|  <p>Muziejaus apartamentai 📍 Birštonas 💰 2 700 €/m² (P) 📁 7/16 sold (44%) 🏗️ 2019</p> |  <p>Gintarinė kopa 📍 Palanga 💰 3 200 €/m² (C) 📁 21/24 sold (88%) 🏗️ 2018</p> |  <p>Kalno namai 📍 Juodkrantė, Neringa 💰 3 200 €/m² (C) 📁 63/118 sold (53%) 🏗️ 2020</p> |

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Forecasted P&L statement

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| Project revenue | + 9 400 000 |
| Sales until 23.08.2019 | + 2 450 000 |
| Advance payments until 23.08.2019 | + 1 130 000 |
| Sales receivable according to preliminary sales until 23.08.2019 | + 1 320 000 |
| Proceeds from remaining apartment sales | + 6 950 000 |
| Remaining A & B blocks sales value | + 5 250 000 |
| Remaining C block sales value | + 1 400 000 |
| Parking sales value | + 300 000 |
| Project expenses | - 7 400 000 |
| Construction costs (93%) | - 6 880 000 |
| Sales expenses (3%) | - 220 000 |
| Administrative and other expenses (2%) | - 150 000 |
| Reserve (2%) | - 150 000 |
| Operating income | 2 000 000 |
| Interest expense | - 680 000 |
| Earnings before tax | 1 320 000 |



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Loan terms

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|------------------------|-------------------------------------|
| Loan duration | 24 mos. |
| Loan amount | Up to € 3 000 000 (LTC=40%) |
| Interest paid | At the end of the loan |
| Borrower | UAB Prime Real Estate |
| Collateral | Land plot; assets under development |
| Collateral seniority | Primary mortgage |
| Repayment | 100% of amount at the project's end |
| Early repayment | Not sooner than 6 mos. |
| Risk rating | A- (low risk) |
| Annual interest | Investment amount, € |
| 8.0 % | 1 000 - 9 999 |
| 8.5 % | 10 000 - 19 999 |
| 9.0 % | 20 000 - 49 999 |
| 9.5 % | 50 000 - 99 999 |
| 10.0 % | 100 000 - 199 999 |
| 10.5 % | 200 000 - 499 999 |
| 11.0 % | 500 000 - 2 500 000 |

Additional safeguards:

1. The total amount paid to the developer shall not exceed the amount receivable from sales (excl. VAT) made according to the preliminary sale contracts. 100% of the loan amount is always secured by receivables from sales.

2. The loan disbursed may be higher than the receivables from notarial contracts only if the project owner provides an additional shareholder loan to finance the operations of the company (in a ratio of 30/70, shareholder / loan paid out).

3. All proceeds from notarial contracts are held in a special account managed by Röntgen. Funds from this account may be used for the further construction of blocks A & B only when the first two conditions of investor protection are met.

4. The loan may not exceed € 3 000 000 (LTC = 40.5%). The LTC indicator shows the ratio of total project cost to loan. It is a common practice for development projects to have LTC of up to 70%, thus this project is structured with a relatively conservative LTC.

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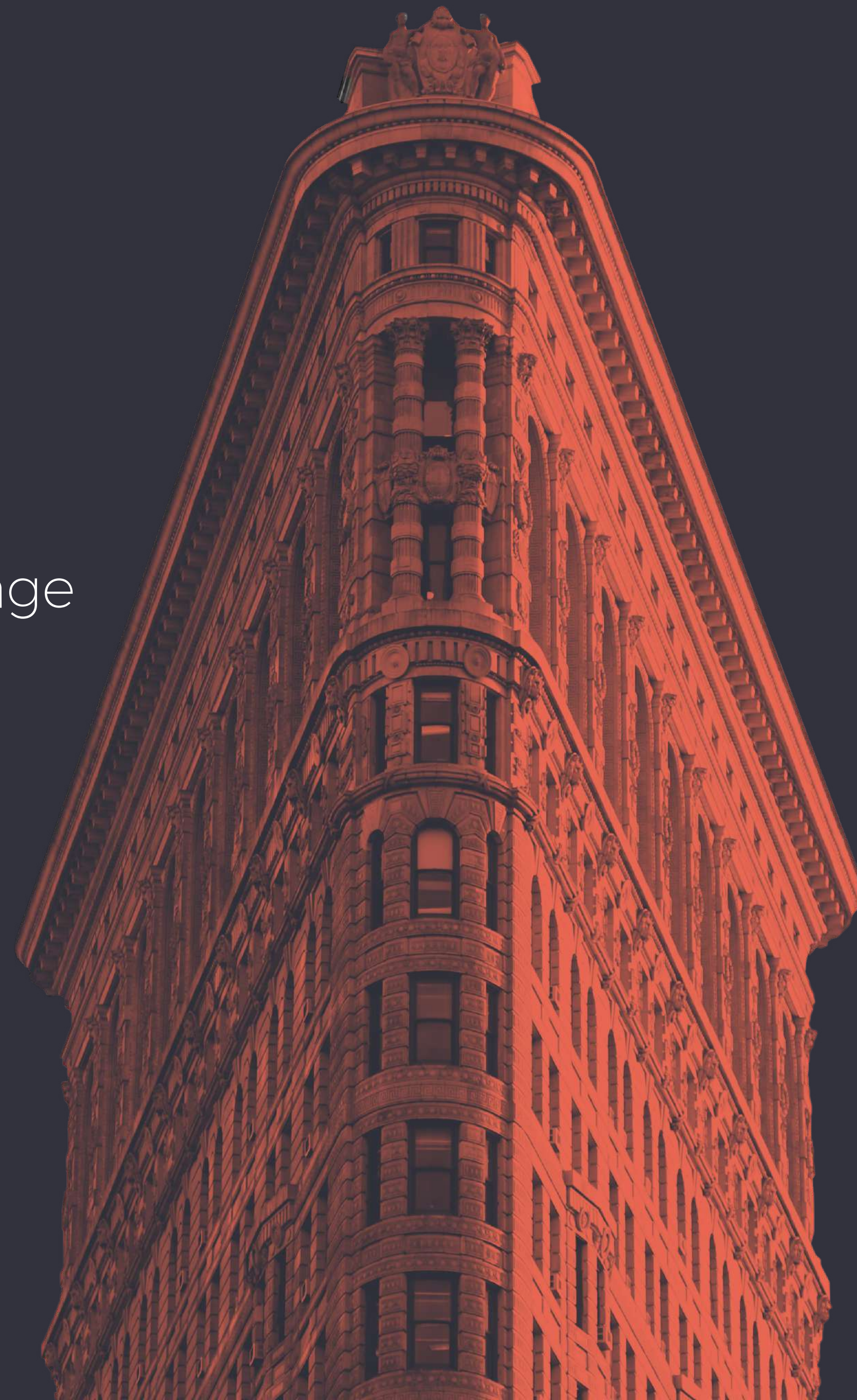
Interested in the project? Got any questions?

Continue your investment process at Röntgen webpage or contact us!

INVEST

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Professional investment tool becomes an open platform



For more detailed information contact:

Martynas Stankevičius, CEO

martynas@rontgen.lt

+370-614-62622