MODERN OFFICE BUILDING IN EXCELLENT LOCATION IN VILNIUS

UAB Sostinės bokštai Bond Issue
4th Tranche

Investment Memorandum
August 2024



Hero

realco

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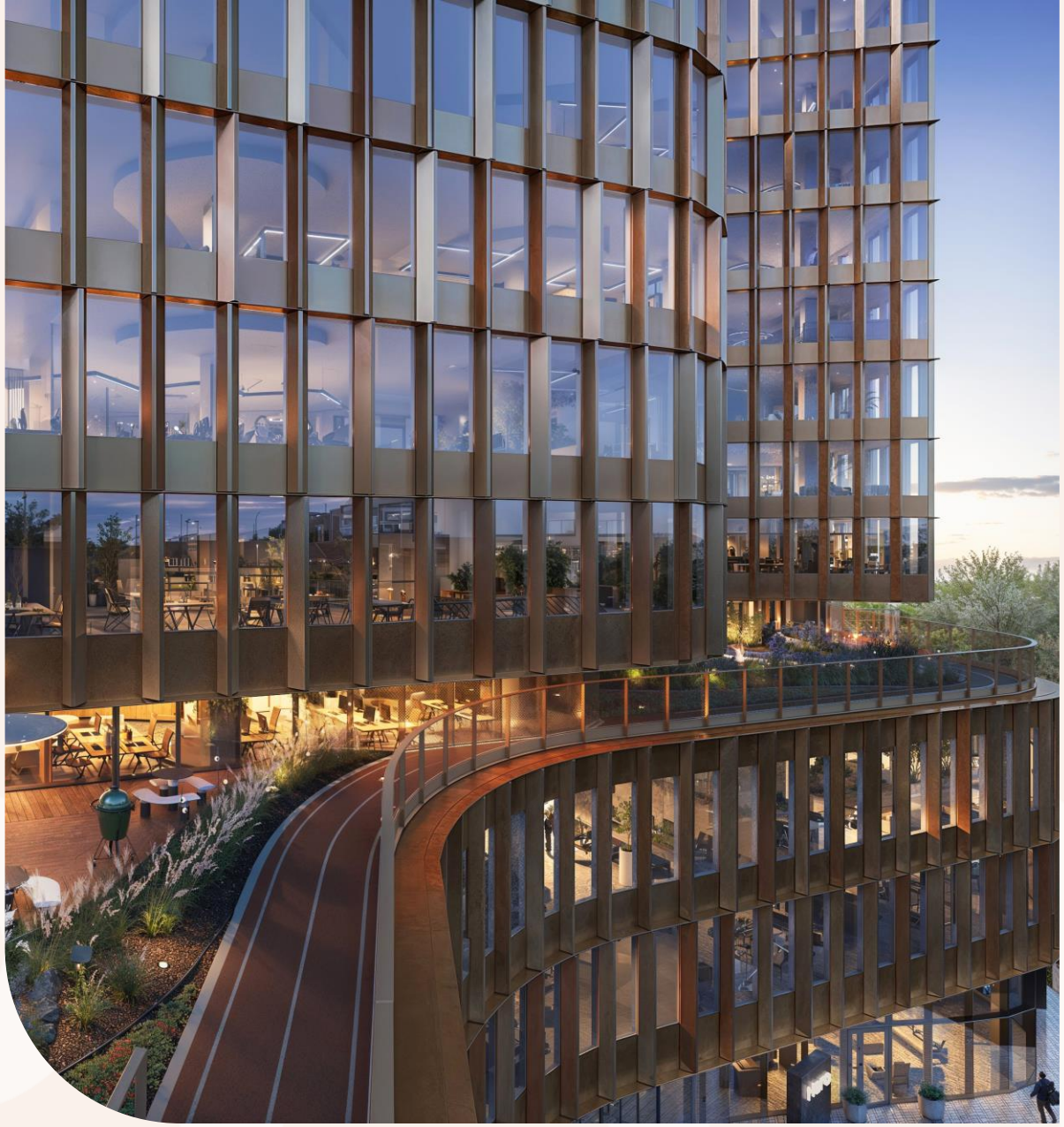
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EXECUTIVE SUMMARY

UAB Sostinės Bokštai, registered in Lithuania, is looking to raise up to EUR 67m in total through the issuing of bonds. The funds will be used for the development of an A+ class office building in the heart of Vilnius – HERO (the "Property", "Project"). The bonds will be issued in different tranches. The first-third tranches of the bonds were issued during the period from 18th May 2023 to 20th May 2024 in the total amount of EUR 19.5m.

The distribution of bonds is carried out in accordance with the conditions of the base prospectus approved by the Bank of Lithuania on 12 March 2024 and the final terms for tranche 4 approved by the shareholders on 19 July 2024.

The gross leasable area in the fifteen-storey building HERO will be 31,606 m². The project is scheduled for completion in 2025, with an estimated total development cost of EUR 112m.

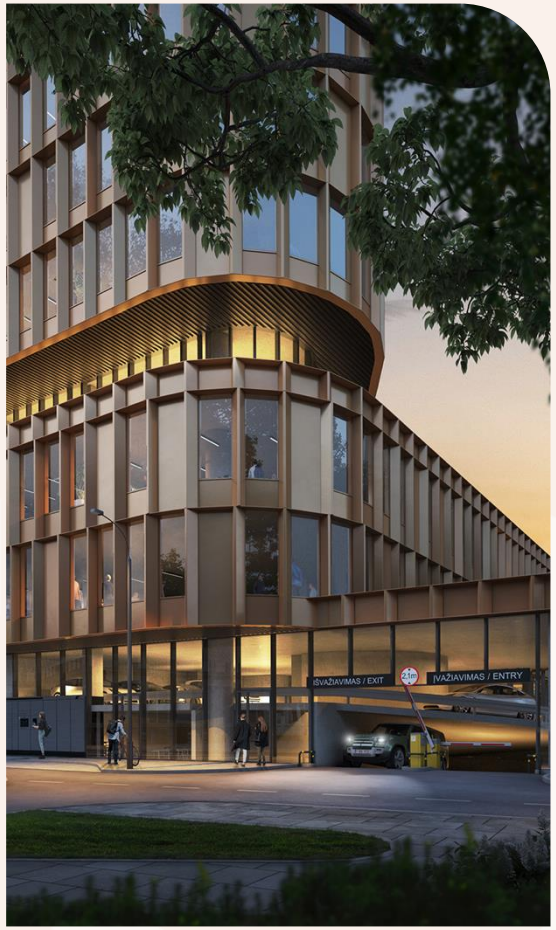
The developer of the Project is Realco UAB, one of the largest and most successful real estate project developers in Lithuania. Realco has provided a wide portfolio of apartment buildings and business premises to the market. Realco UAB and UAB Sostinės Bokštai are related through the same UBO's.

SUMMARY OF THE TERMS

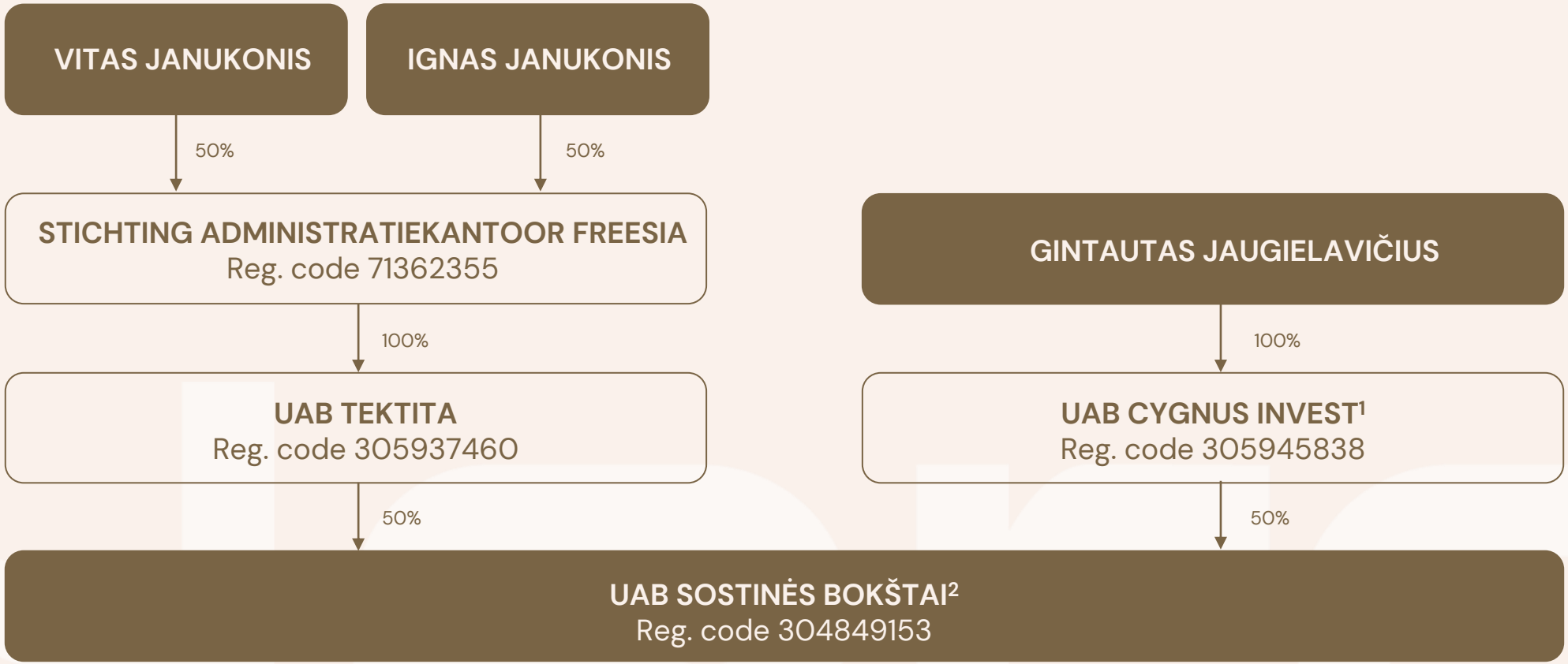
Total issue size	Up to EUR 67,000,000 (multiple tranches)
1st – 3rd tranche	EUR 19,500,000 (issued 18 May 2023 – 20 May 2024)
4th tranche	Up to EUR 4,000,000 (issue date 6 September 2024)
Maturity	18 May 2026
Interest rate	6M EURIBOR + 6.0%
Type of placement	Public offering in Lithuania, Latvia and Estonia
Admission to trading	First North operated by Nasdaq Vilnius, within 6 months from the Issue date
Collateral	1st rank mortgage on the building and land plot located at Kalvarijų st. 24, Vilnius, Lithuania
Arranger	Redgate Capital AS
Managers & distributors	AB Šiaulių bankas, UAB Evernord FMI
Legal adviser	Sorainen
Collateral agent	Audifina, UAB
Issuing agent	AB Šiaulių bankas

To be completed	GLA	Development cost	Sustainability
2025	**31,606 m²**	**EUR 112m**	**BREEAM Excellent & WELL Gold**





OWNERSHIP STRUCTURE



[1] 8 May 2024 - UAB "Flos Investment" changed its name to UAB „Cygnus Invest".
[2] Vitas Janukonis, Ignas Janukonis and Gintautas Jaugielavičius are the owners of UAB Sostinės Bokštai. Realco UAB has the same UBO's.

KEY INVESTMENT HIGHLIGHTS

MODERN OFFICE BUILDING IN AN EXCELLENT LOCATION IN VILNIUS

The business centre HERO is being built in the Central Business District of Vilnius to provide:

- **Premium class** offices in the capital city
- Two fifteen and fourteen-storey buildings connected by a three-storey stylobate
- Gross leasable area of **31,606 m²**
- Health-oriented environment
- Wide range of services and shops
- Intelligent ventilation, cooling and heating system
- Large floor plate on one floor – 4,000 m², this is a great advantage in such a location
- Good access by both public and private transport, including scooters and bicycles

HIGHEST STANDARDS

HERO offices are the first in Lithuania to seek **WELL Gold certificate** issued by the International WELL BUILDING Institute ™ (IWBI™). For this purpose, the business centre will be evaluated by the institute's experts, according to more than 100 criteria applied to healthy offices. The certificate confirms that the building has been designed and constructed to maximum extent focusing on human well-being and health. Moreover, HERO will meet the highest sustainability standards and shall qualify for **BREEAM Excellent sustainability certificate**, which demonstrates our social responsibility, quality control and environmental-conscious approach.

RELIABLE AND EXPERIENCED DEVELOPER

Since 2006, Realco has completed 9 residential projects — Ozo parkas, Linkmenų ežerai, Žvėryno panoramos, Šventosios vartai, Prie Vilnelės, 7 Vakarai, GO Life, Vileišio 27 and Algirdo 3. The company has made **3,935 flats** and **202,544 m²** available to the market. Realco is currently developing **3 new residential projects** in Vilnius city: Baltupis, Just-in and Parodų St., where it will build **1,564 flats in projects covering 82,893 m²**. In Spain on the Costa del Sol, in one of the most expensive districts in Marbella, Realco developing two luxury villa and apartment projects. The company has extensive experience in developing commercial and public buildings. These include the Ozas shopping and entertainment centre, Delfi sports centre, as well as the Penta, Alfa, Beta and Gama commercial projects. In total, Realco has developed more than **55,170 m²** of commercial space.

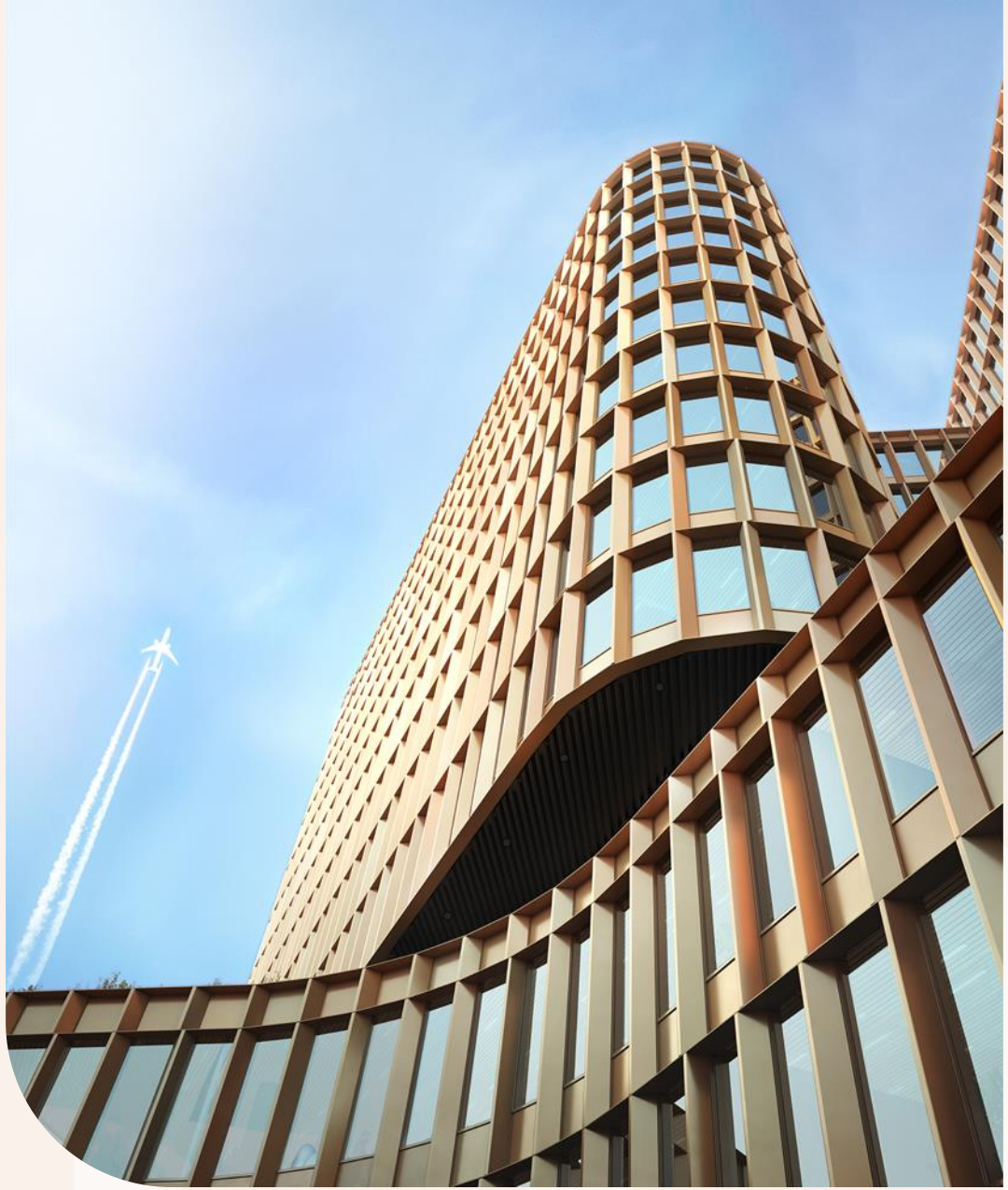


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OVERVIEW OF THE DEVELOPMENT

PREMIUM CLASS OFFICE BUILDING WITH GLA OF 31,606 M² WILL BE DEVELOPED IN LITHUANIA IN 2025

OVERVIEW OF THE PROPERTY

The property is being developed on a land plot at Kalvarijų st. 24, which is located in the central business district of Vilnius, the capital of Lithuania. It is designed that the office building will offer 44,639 m² of gross building area, out of which 32,010 m² will be overground and 12,629 m² underground. The net leasable area will be 31,606 m² accommodated over 15 floors.

HERO offices will be among the most contemporary in Lithuania and will feature modern architectural designs, great aesthetics, multifunctional spaces, abundant integrated technologies, smart solutions, and scalable recreational areas with plenty of natural greenery. HERO business centre will seek to obtain WELL Gold and BREEAM Excellent certificates. WELL Gold recognizes the offices that had been designed with exclusive emphasis on human well-being and health, whereas BREEAM Excellent represents one of the highest standards in assessment of building sustainability.

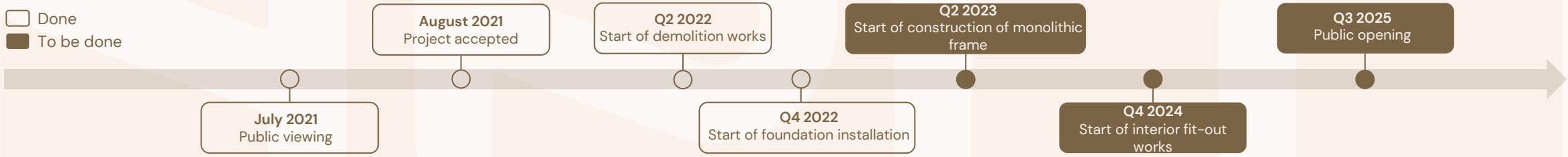
TERRITORY AND TECHNICAL PARAMETERS

Building density	74%	**Amount of greenery**	10%
Building intensity	4.59	**Underground floors**	3
Height	54.8 m		

KEY PROPERTY FACTS

Property type	**Premium class office building**
Address	Kalvarijų st. 24, Vilnius, Lithuania
Gross building area (GBA)	44,639 m²
Gross leasable area (GLA)	31,606 m²
Land Plot	6,979 m²
Parking spaces	438
Floors	15
Start of construction / Commissioning	Q2 2022 / 2025
Total development cost	EUR 112m
Developer	Realco UAB
Architectural bureau	Cloud architects

PROJECT DEVELOPMENT STAGES



PROJECT KEY ASSUMPTIONS

INVESTMENT INTO DEVELOPMENT OF PREMIUM CLASS OFFICE BUILDING IN VILNIUS – BUSINESS CENTRE HERO

MAIN ASSUMPTIONS

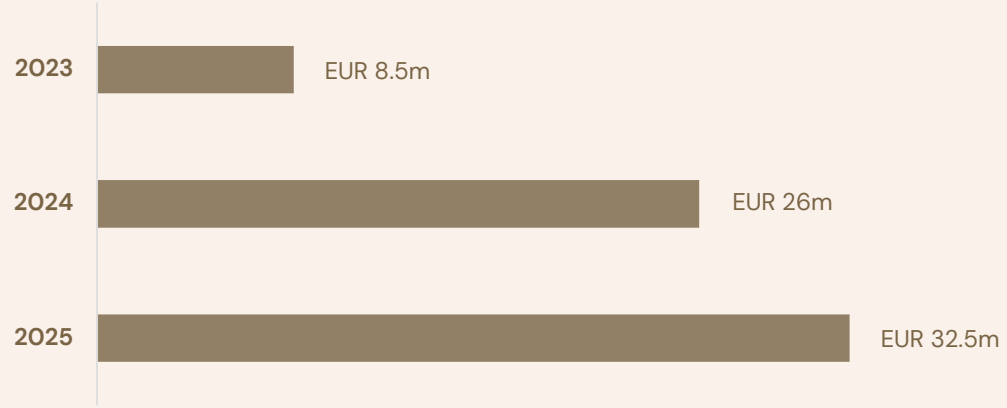
Financing structure



Total development costs (excl. financing costs)

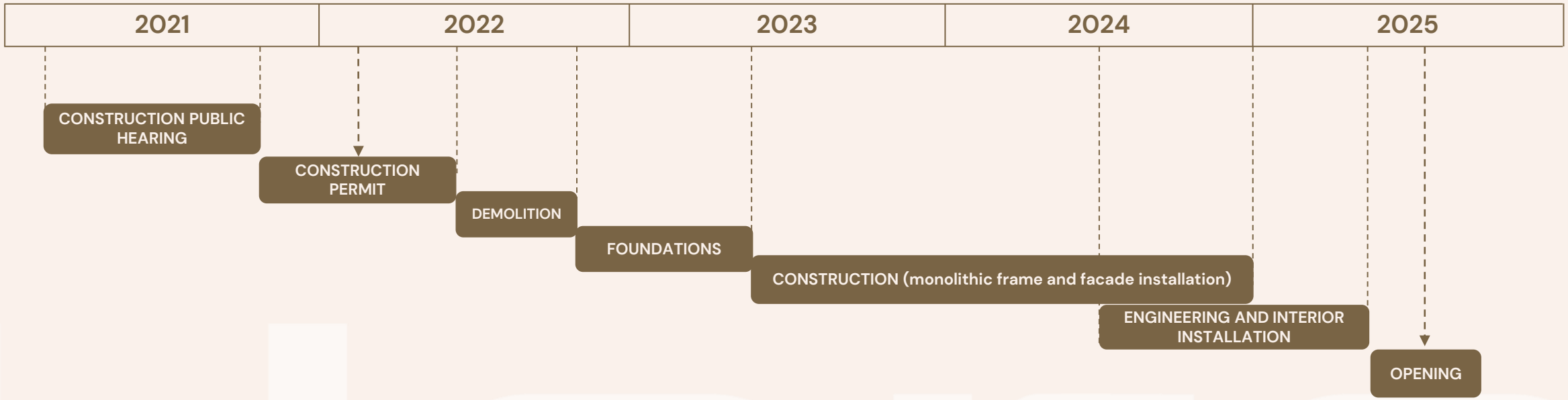
Type	Total cost (EUR k)	Per m² of GLA (EUR)	% of the total
Land (Kalvarijų st. 24)	25,940	821	26.1%
Construction costs	70,812	2,240	71.1%
Management costs	2,899	92	2.8%

Use of proceeds from bond issues





LANDMARK BUILDING COMPLETED BY THE END OF 2025



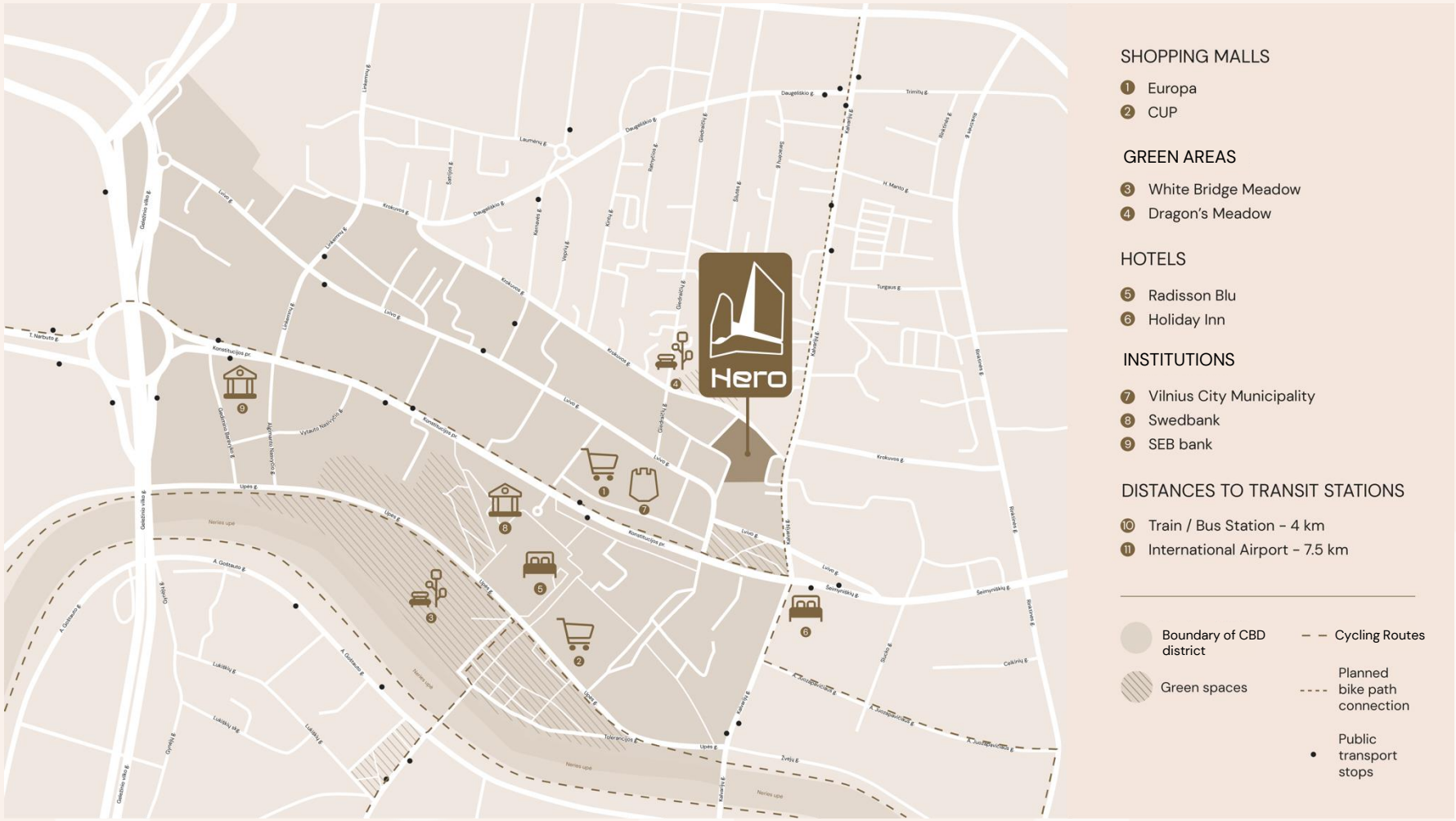
The HERO project had been received a construction permit in Q2 2022, with dismantling works and the existing building demolished in subsequent three months. Afterwards, the developer started excavation works and installation of foundations.

Installation of the monolithic frame started in Q2 2023. Currently, the installation works are at the 12th floor. The installation of the facade has also started. The construction of the monolithic frame and the facade installation will be completed in Q4 2024.

Mounting of the engineering systems and interior fitting works will start in Q3 2024. The company anticipates to complete all the works within 12 months. In parallel, Phase 3 shall also encompass the completion of the facade and roof construction. The opening of the HERO offices is scheduled to take place in Q3 2025.

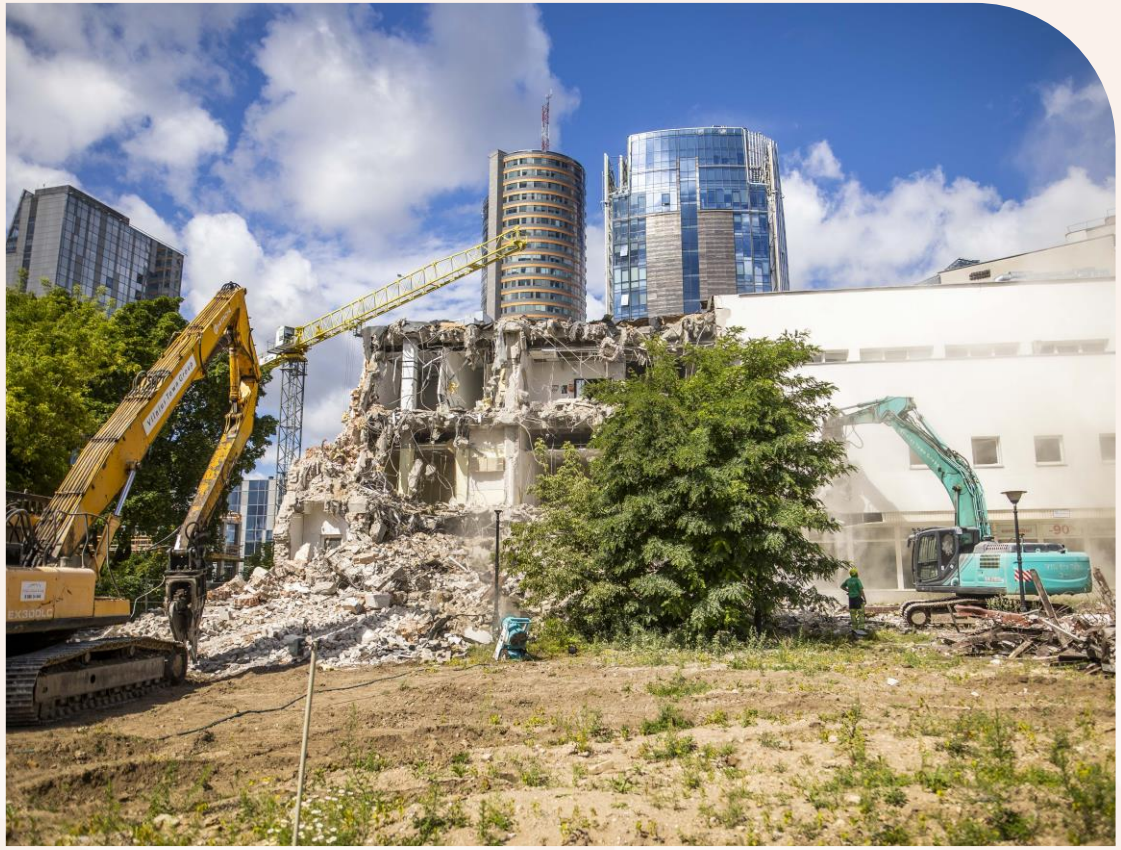
LOCATION OVERVIEW

- HERO Business Centre will be located in the Central Business District of Vilnius. Konstitucijos Avenue is the pivotal area for corporate premises, with exclusively developed business, services, retail, and logistic infrastructure in the vicinity.
- Relevant business concentration and co-tenancy, inclusive Vilnius City Municipality, Centre of Registers, commercial banks, notaries, lawyer offices, hotels, shopping centres, education, health, recreational destinations.
- The buildings stands close to one of the city's arterial routes, with public transport stops within 1-min walking distance that offer commuting to all residential and suburban districts of the city.
- The distance between Lithuanian International Airport and the HERO Business Centre is 10 km (ca 25 minutes by public / 14 minutes by private car or taxi).

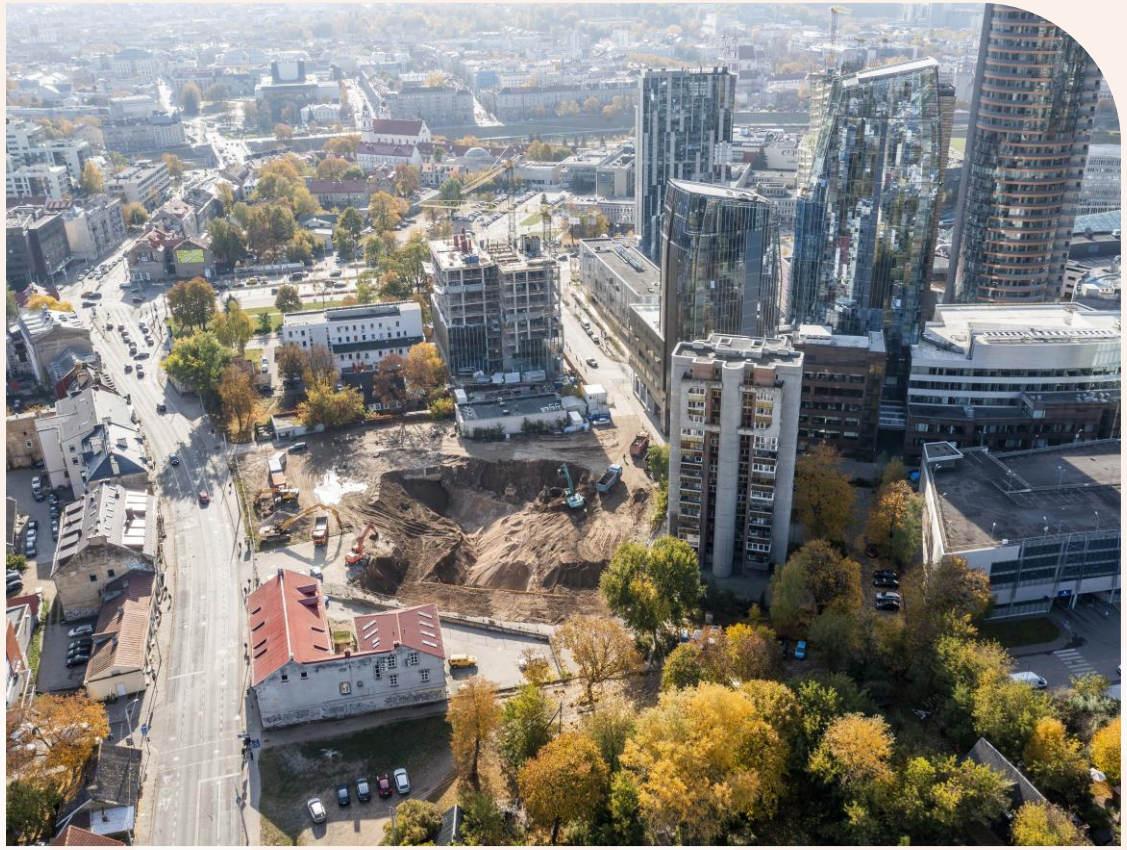



K29
QUADRUM
SEB BANK
TOWER
SWEDBANK
ARTERY
VILNIUS CITY MUNICIPALITY
EUROPA
BURĖS
HERO
FLOW

CONSTRUCTION WORKS PROGRESSING IN LINE WITH THE SCHEDULE



DEMOLITION OF THE OLD BUILDING JULY 2022



EXCAVATION NOVEMBER 2022

CONSTRUCTION WORKS PROGRESSING IN LINE WITH THE SCHEDULE



FOUNDATION INSTALLATION WORKS JULY 2023



THE 4TH FLOOR RISES MARCH 2024

CONSTRUCTION WORKS PROGRESSING IN LINE WITH THE SCHEDULE



MAY 2024



THE 12TH FLOOR RISES JULY 2024

CONSTRUCTION WORKS PROGRESSING IN LINE WITH THE SCHEDULE



THE FACADE IS INSTALLED JULY 2024

EXTERIOR DESIGN





EXTERIOR DESIGN





INTERIOR DESIGN





INTERIOR DESIGN





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OVERVIEW OF REALCO IN DEVELOPING COMMERCIAL PROJECTS

REALCO – ONE OF THE LEADING REAL ESTATE DEVELOPERS IN LITHUANIA, OPERATING SINCE 2006

ABOUT REALCO

Realco UAB is a Lithuanian real estate developer. The company focuses on general contractor functions, design and construction. Since starting its operations back in 2006, Realco has become one of the largest and strongest real estate developers in Lithuania. Strong business traditions, the integration of innovative technologies into working processes and a team of professional specialists formed in a purpose-oriented manner have helped the company to achieve its goals and gain a trustworthy reputation.

Realco builds and develops residential, public and commercial projects. During the process of creating buildings and spaces, the company focuses a lot of attention on maintaining harmony with the environment and the local infrastructure. Realco invests in high-quality materials and integral architectural solutions, which help every project become an integral part of the city.



ALFA

Completed in **2008**

Leasable area **8,700 m²**

Underground parking **240 cars**



BETA

Completed in **2010**

Leasable area **22,300 m²**

Underground parking **670 cars**



GAMA

Completed in **2013**

Leasable area **10,570 m²**

Underground parking **360 cars**



The **Penta** business centre was developed with special attention paid to the environment and people's welfare. Its quality and cost-effectiveness are guaranteed by A class energy effectiveness and LEED Gold sustainable construction certificates, exceptional architecture, solid interior design, functional workplaces and modern IT solutions that build confidence in the project. For the convenience of people working in the business centre, guarded parking areas and separate spaces for electric cars were installed, while the green recreational zone in the courtyard invites workers to get some rest and use their break wisely.

Completed in **2017**

Leasable area **13,600 m²**

Underground parking **407 cars**

OVERVIEW OF REALCO IN DEVELOPING RESIDENTIAL PROJECTS

REALCO – ONE OF THE LEADING REAL ESTATE DEVELOPERS IN LITHUANIA, OPERATING SINCE 2006

EXPERIENCE IN RESIDENTIAL PROJECTS

Since 2006, Realco has completed 9 residential projects in Vilnius and Šventoji, including Ozo parkas, Linkmenų ežerai, Žvėryno panoramos, Šventosios vartai, Prie Vilnelės, 7 Vakarai, GO Life, Vileišio 27 and Algirdo 3. The company has already made 3,935 flats or apartments in 202,544m² available to the market.



Ozo parkas

Completed in **2017**

Flats **1 624**

City **Vilnius**



Linkmenų ežerai

(3 phases)

Completed in **2019**

Flats **840**

City **Vilnius**



Šventosios vartai

Completed in **2020**

Apartments **99**

City **Šventoji**



Žvėryno panoramos

(3 phases)

Completed in **2020**

Flats **406**

City **Vilnius**



7 vakarai

Completed in **2023**

Flats **298**

City **Vilnius**



Go life

Completed in **2023**

Flats **279**

City **Vilnius**



Prie Vilnelės

Completed in **2023**

Flats **232**

City **Vilnius**



Vileišio 27

Completed in **2024**

Apartments **66**

City **Vilnius**



Algirdo 3

Completed in **2024**

Apartments **89**

City **Vilnius**

OVERVIEW OF REALCO IN DEVELOPING RESIDENTIAL PROJECTS

CURRENT PROJECTS

Realco is currently developing 3 new residential projects in Vilnius city: Baltupis, Just-in and Parodų St., where it will build 1,564 flats in projects covering 82,893 m².
In Spain, on the Costa del Sol, in one of the most expensive districts in Marbella, Realco is developing two luxury villa and apartment projects.



Baltupis

Apartments **367**

City **Vilnius**



Just-in

Apartments **523**

City **Vilnius**

MANAGEMENT OF REALCO



Julius Dovidonis
General Manager

Julius Dovidonis has been working in the real estate market for 20 years, including 17 years as the CEO in REALCO UAB, one of the largest real estate development companies in Lithuania,. By actively participating in all stages of development of the company's projects, he has accumulated extensive experience in developing both residential projects, business centres and public facilities. In developing the HERO Business Centre, Julius is responsible for strategic and financial decisions.



Gintarė Žemaitė
Head of Commercial Property Development

Gintarė is an expert of commercial real estate, with almost 20 years of executive experience and proven track record in the fields of asset management and lease. As the Head of Commercial Property Development at UAB Realco, she is one of the key persons overseeing the development of the Project. Previously, she has worked for large institutional investors and developers, supervising volumes of real estate portfolios with a combined value of over EUR 400 million, cross-Baltic.



Vygantas Laucius
Head of Construction

Vygantas Laucius has been working in the construction sector for over two decades and has been managing Realco Statyba for more than 15 years. The company managed by Vygantas is the general contractor for the HERO Business Center, responsible for the construction part of the project.



Tadas Černauskas
Project Manager

Tadas is a project manager at UAB Realco statyba (the General Contractor). Tadas is one of the key persons in charge of construction works on the Project. Tadas has many years of experience in managing the construction processes of residential and commercial real estate projects. He has been with UAB Realco statyba for 4 years, but his total experience as a project manager in different construction companies is more than 15 years.

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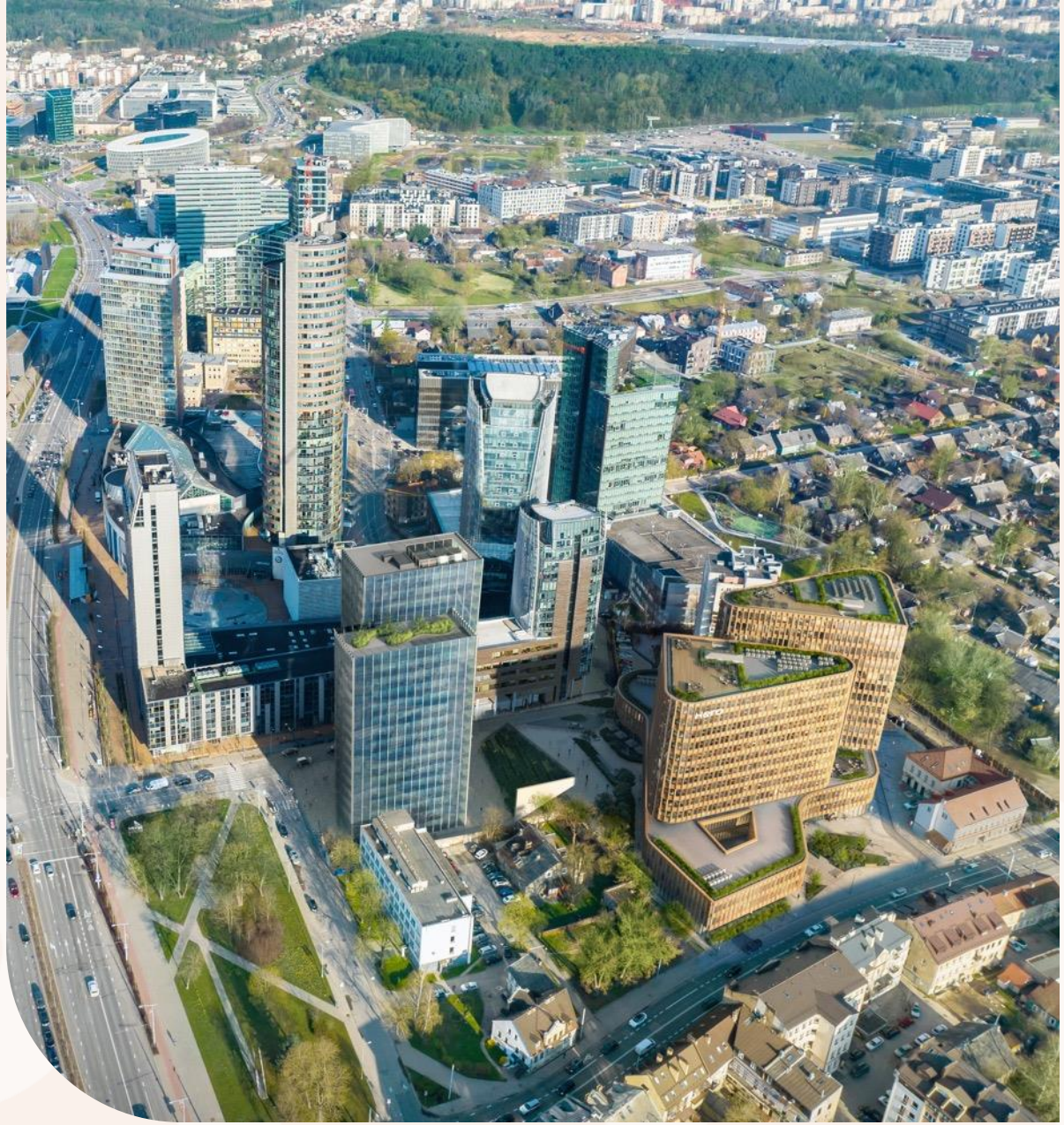
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LITHUANIAN ECONOMY

DYNAMIC ECONOMY WITH A HISTORY OF EMERGING FROM DIFFICULT TIMES WITH NEW-FOUND CONFIDENCE

TRUSTED ENVIRONMENT FOR DOING BUSINESS

Lithuania, as a member of the European Union, is part of the largest single market in the world. Since 1st January 2015, Lithuania has also been a member of the Eurozone; and since 2018, a member of the OECD.

According to the latest World Bank annual rankings, Lithuania is ranked 11th among 190 economies in the "ease of doing business". In the 2024 Index of Economic Freedom, Lithuania was ranked 15th, belonging to the group of mostly free economies. According to the latest Forbes Best Countries for Business, Lithuania is ranked 27th.

LITHUANIA'S ECONOMIC DEVELOPMENT AND OUTLOOK

In 2023, GDP declined only marginally (0.3% annually), partly due to increased investments. Economic activity is anticipated to remain stagnant in the first half of 2024, followed by a recovery in the second half. Projections suggest that the economy will grow by 1.5% and 2.8% in 2024 and 2025 respectively, supported by government investments. Additionally, improvements in household spending, fueled by a slowdown in inflation, are expected to positively impact the economy. Inflation is forecasted to be at a modest 1% in 2024.

In 2024, an expansionary fiscal policy is anticipated, with the government aiming to boost the income of low earners and public sector employees, leading to a significant increase in the public budget. The upcoming elections are likely to influence the constructive adoption of necessary but unpopular laws.

KEY INDICATORS

% YoY	2021	2022	2023	2024F	2025F
GDP growth	6.0	2.4	-0.3	1.5	2.8
Exports	17.0	12.2	-3.3	0.5	4.0
Unemployment, % of labour force	7.1	5.9	6.8	7.0	6.6
Wages and salaries	10.5	13.3	12.2	9.2	7.5
HICP inflation	4.6	18.9	8.7	1.0	2.7

GDP GROWTH (2019–2023 AVG.)

Between 2019 and 2023, the annual average real GDP growth rate in Lithuania was 2.6%. Meanwhile, the EU's average growth was 1.2%. This means that based on the average, during the last five years, Lithuania's economy grew faster than the economy of the EU.



2.6%

UNEMPLOYMENT RATE Q1 2024

The unemployment rate in Lithuania increased slightly, to 7.9% in Q1 2024 (it was 7.5% in Q1 2023). This indicator is a bit higher than the European Union's average of 6.1%.



7.9%

GOVERNMENT DEBT (% OF GDP, Q1 2024)

Lithuania stands out in the EU for having a low level of gross government debt. In Q1 2024, the government debt, measured as a % of GDP, was over two times lower than the EU's average of 82.0%. Low levels of debt increases the capacity for government spending that help to soften the effects of unexpected economic shocks.



40.1%

Sources: SEB Nordic Outlook January 2024 & May 2024, Eurostat, European Commission, Lithuania.eu, OECD, World Bank, The Heritage Foundation, Forbes, Bank of Lithuania

OFFICE MARKET IN LITHUANIA

TOTAL MARKET STOCK REACHES OVER 1.1 MILLION M²

OUTLOOK FOR THE VILNIUS OFFICE MARKET

The Vilnius office market is demonstrating **growth and resilience**. The total stock exceeded 1,122,140 m² in 2023 and is expected to reach 1,155,540 m² in 2024, while vacancy is projected to remain between 8-9%. New supply in 2024 is forecasted to be 33,400 m².

Over the past five years, the supply of new office space has been increasing by nearly 100,000 m² annually. Reduced developer activity is expected to affect the new supply in 2024. Projections indicate 33,400 m² of new leasable space, with over 70% of it already preleased/reserved. There's a **notable emphasis on the CBD area** from developers. In both 2023 and expectedly in 2024, a significant portion of the new supply is derived from this part of the city.

In H2 2023, the take-up amounted to 48,500 m², with the last quarter being the most active, recording a take-up of over 30,000 m². The take-up for the entire year of 2023 stood at 83,000 m² and for Q1 2024 25,700 m². Increased demand for office space could be anticipated from the expected arrival of new companies in Lithuania and by a more substantial recovery in the economy.

Although the overall vacancy rate increased from 8.1% to 8.5% in Q1 2024, vacancies for class A offices slightly decreased from 7.2% to 7.1%. In H2 2023, 80% of the new class A supply delivered was leased out. Overall vacancy is projected to remain between 8-9% in 2024. While hybrid work with 1-2 days of remote work per week has become normality, most employers are now trying to reintegrate their employees into the office.

The balance between supply and demand kept rental rates stable in 2023. However, with indexation clauses in lease contracts, **a new base price level was projected to be established** in Q1 2024.

"Most employers are now trying to bring as many employees as possible into the office to work"

According to Newsec, one of the biggest Northern Europe licenced providers of property and business valuations.

Source: Newsec Baltic Office Outlook 2023 Q3 & 2024 Q1 & Vilnius Office Outlook 2023 H2

VILNIUS OFFICE MARKET Q1 2024

Key indicators		QoQ	YoY	Forecast
Supply				
Stock	1,139,900 m²	↑	↑	↑
New supply	14,400 m²	↓	↑	↓
Under construction	120,000 m²	↑	↑	↑
Demand				
Take-up	25,700 m²	↓	↑	↔
Vacancy				
Total	8.5%	↑	↑	↑
A class	7.1%	↓	↑	↓
B class	9.6%	↑	↑	↑
Rent rates				
Prime	19.0-22.0 EUR/m²	↔	↑	↔
A class	16.0-20.0 EUR/m²	↑	↑	↔
B class	12.0-16.0 EUR/m²	↔	↑	↔
Yields				
Prime	6.50-6.75%	↑	↑	↔
Secondary	7.50-8.75%	↑	↑	↔

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GENERAL INFORMATION & TERMS OF THE 4th TRANCHE

GENERAL INFORMATION

Issuer	UAB „Sostinės bokštai“
Incorporation country	Lithuania
Co. Reg. No	304849153
LEI code	9845009C3QBB08EFB768
Webpage	www.realco.lt
Type of security	Secured floating rate non-convertible bonds
ISIN	LT0000407629
Currency of issue	EUR
Nominal	EUR 1,000
Issue size	Up to EUR 67,000,000
Interest rate	6M EURIBOR + 6.0%
Interest payment frequency	Semi-annually, 18 May and 18 November
First issue date	18 May 2023
Maturity date	18 May 2026
Use of proceeds	To finance the development of the commercial property at Kalvarijų st. 24, Vilnius, Lithuania
Collateral	1st rank mortgage over: • office building, unique No. 1099-4035-8012, address: Kalvarijų st. 24A, Vilnius, Lithuania; • office building, unique No. 4400-5858-8104, address: Kalvarijų st. 24, Vilnius, Lithuania; • land plot, total size 0.6979 ha, unique No. 4400-6123-4635, cadastral No. 0101/0032:1181, address Kalvarijų st. 24, Vilnius, Lithuania.
Covenants	• LTC < 80%[1] • Subordinated debt
Early redemption	Bonds may be redeemed at the option and sole discretion of the Issuer in whole or in part on any business day. Premium after first issue date: up to 1y: 1%; 1y-2y: 0.5%; over 2y: n/a
Admission to trading	First North Bond List, Nasdaq Vilnius, within 6 months from the Issue date

[1] Actual LTC as at 30 June 2024 - 47%

4th TRANCHE

Size of the 4th tranche	Up to EUR 4,000,000
Subscription period	19 August 2024 – 4 September 2024
Issue yield	6M EURIBOR value five business days before the issue date + 6.0%
Issue price	EUR 1,029.80
Issue date	6 September 2024
Offering	Public offering in Lithuania, Latvia and Estonia

LEGAL AND ADMINISTRATIVE

Arranger	Redgate Capital AS
Managers & distributors	AB Šiaulių bankas, UAB Evernord FMI
Legal adviser	Sorainen
Collateral agent	Audifina UAB
Issuing agent	AB Šiaulių bankas
Depository	Nasdaq CSD SE
Governing law	The agreement shall be governed by the Lithuanian laws
Documentation language	English
Standards of the financial statements	IFRS

TARGET MARKET DESCRIPTION

Manufacturer target market (MIFID II product governance), for whom the product is intended for is eligible counterparties, professional clients and retail clients (execution with appropriateness). All distribution channels can be used. Investors should: have at least average understanding of relevant financial instruments (have several investment holdings, frequent investment/trading activity); be able to bear moderate to high losses on the capital invested; have a moderate risk tolerance; have a time horizon and an investment objective that meets the terms of the bonds.

No negative target market has been assigned for this product.

No PRIIPs key information document (KID) has been prepared.

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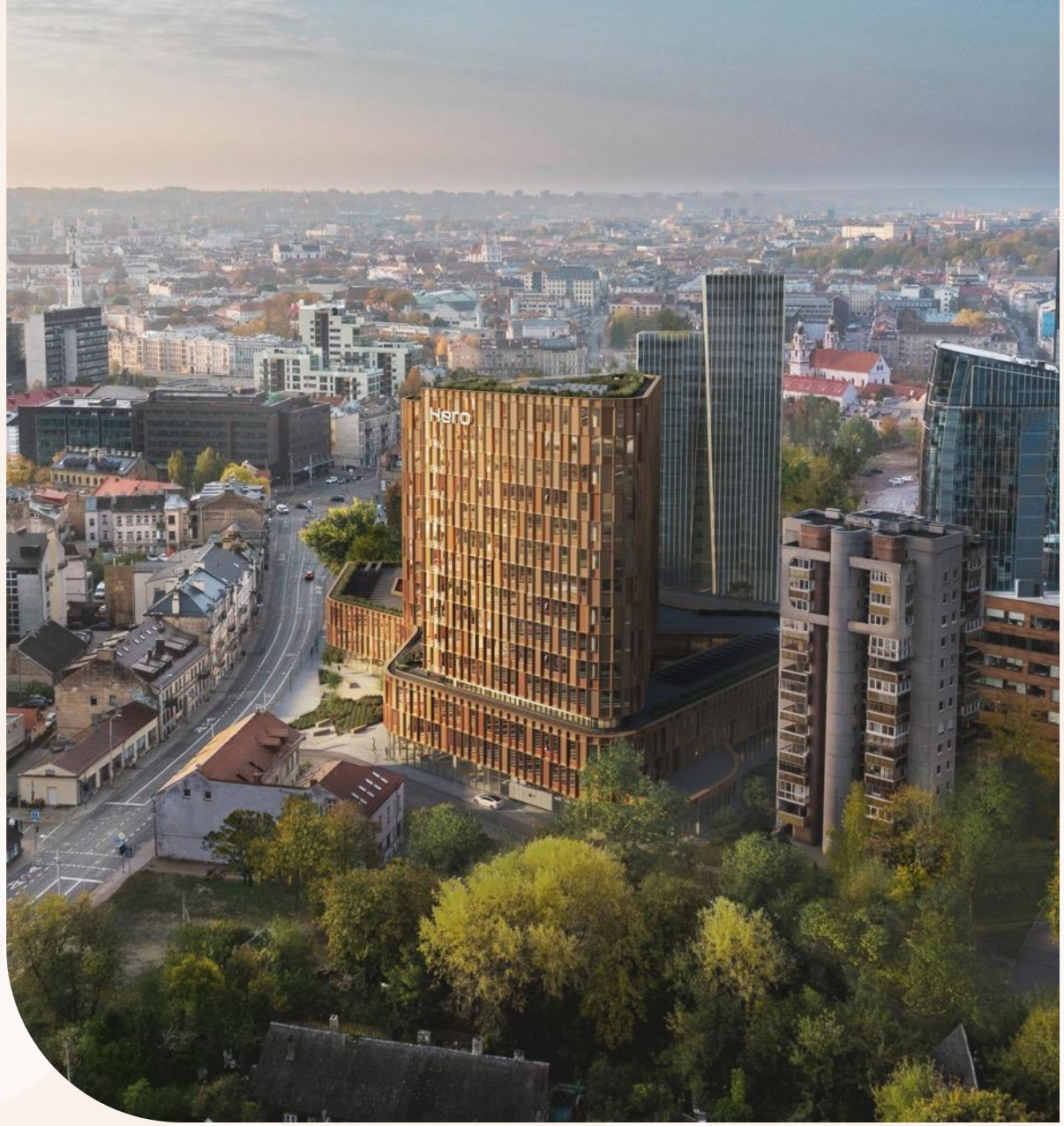
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OVERVIEW OF THE RISKS (1/3)

CHANGES IN ISSUER'S FINANCIAL STANDING

The Issuer is a limited liability company established for the purposes of development of the Project, with the minimum share capital of EUR 2,500. Based on the Issuer's unaudited interim financial statements for the twelve months period ended 31 December 2023, the own capital of Issuer is EUR 16,956,162, which is composed of the share capital of EUR 2,500 and undistributed profit of EUR 16,953,662. The undistributed profit was accumulated due to re-evaluation of the assets owned by the Issuer. The real estate assets owned by the Issuer were acquired from the funds lent to the Issuer by its shareholders. Any adverse change in the Issuer's financial condition or prospects may have a material adverse effect on the liquidity of the bonds, which may lead to a significant decrease in the market price of the bonds, or may render the Issuer unable to fully redeem the bonds, which may lead to investors losing part or all of their invested funds.

The Issuer deems this risk factor to be of high relevance.

LIQUIDITY RISK

Liquidity risk is the risk that the Issuer is unable to maintain a sufficient reserve of cash and other liquid financial assets that can be used to meet its payment obligations as they fall due and to redeem the bonds. The liquidity indicator of the Issuer (all short-term assets divided by all short-term liabilities) on 31 December 2022 was 0.07 and on 31 December 2023 was 3.73. The availability of liquidity for business activities and the ability to access long-term financing are necessary to enable the Issuer to meet its payment obligations in cash, whether scheduled or unscheduled. Although the Issuer monitors its liquidity position and follows procedures to manage liquidity risk, a reduction in the Issuer's liquidity position could have a material adverse effect on the Issuer's business, financial condition, results of operations or prospects, as well as ability to redeem the bonds at their maturity.

The Issuer deems this risk factor to be of high relevance.

CONSTRUCTION COST AND PROJECT'S SUCCESS RISK

The Issuer's employee and persons contracted by the Issuer invoked all available information and analytical resources when planning the Project, however there is no guarantee, that all information on which the planned investments in the Project were based was true and exhaustive. Furthermore, the outbreak of COVID-19 together with increased geopolitical tension because of the war between Russia and Ukraine which started in February 2022 caused high pressure on the global building materials supply chain and rise of materials and local labour costs.

The Project's construction costs were planned considering various scenarios, including negative ones and many materials necessary for the constructions were bought in advance. However, as the situation in global markets and building materials supply chain is changing frequently, by the time of completion of the Project and key variables regarding which investments assumptions have been made, could significantly change and adjustments to the initial calculations might be required in the later stages of the Project due to reasons indicated above.

An unexpected increase in construction costs or inability to secure construction material required to complete the Project may reduce the overall profitability of the Project, delay the completion of the Project and as a result adversely affect the Issuer's activities, financial situation and ability to redeem the bonds. Even if economic and geopolitical situation would stabilize until completion of the Project, there is no guarantee the investments made will generate anticipated or planned return on the Project.

Moreover, the Issuer cannot provide any assurance that there will not be any disputes with its suppliers or that it will be able to maintain business relationships with its existing suppliers. Any disruption to the Issuer's supply chain as a result of an issue with a supplier, or any damage to such supplier's integrity could cause the Issuer significant time and expense in remediation of any deficiencies and could impact its reputation, which could adversely affect its reputation and profitability.

The Issuer deems this risk factor to be of medium relevance.

ECONOMIC ENVIRONMENT AND INSOLVENCY RISK

The Issuer's activities and results depend on the economic processes in Lithuania and internationally. Since the beginning of the COVID-19 pandemic the businesses across the globe are facing economic disruptions, supply-demand imbalances, and high uncertainty about the prospects of the business development. The war between Russia and Ukraine is also contributing to already existing economic tension, however currently it is hard to estimate what impact the war will have on Lithuanian economy.

Even if currently there is no material economic downturn both domestically and internationally, in the event of its occurrence, the demand for the Issuer's services may decrease, the risk of insolvency of the Company's tenants and/or other contractors may increase, which may have a negative impact on the implementation and results of the Issuer's business strategy and the Project may not generate expected positive returns. These factors individually, or in combination might cause the insolvency of the Issuer. The Issuer is subject to the Law on Insolvency of Legal Entities of the Republic of Lithuania and Issuer's insolvency may affect the investors' ability to recover their investments.

The Issuer deems this risk factor to be of medium relevance.

RISK OF INCREASE OF PROJECT COSTS DUE TO INFLATION

Lithuania and other European economies have faced an excessive inflation in the year 2022. Though expected to subside in the upcoming years, in the next years inflation still could be significantly higher than historic average levels. Relevant expenses of the Issuer, e. g., investment to equipment and workforce, are closely related to the general price level. Though the Issuer has succeeded to hold the estimated cost of the Project under control (so far no changes were needed to the initial cost estimate of the Project that was approved on 11 April 2023), growing inflation in the future may prevent the Issuer from changing the prices of its services respectively to preserve the existing profit margin or may lead to higher losses. Thus, the Issuer's expenditures would increase considerably due to inflation and the Issuer would have to cover its increased costs from internal resources, unless the Issuer manages to increase its prices. Thus, strong inflation may have a considerable adverse influence on the Issuer's financial situation and business results.

The Issuer deems this risk factor to be of medium relevance.

*The risks presented on these slides outline some of the key risks related to the Issuer's business and the bond issuance. The list of the risks is not exhaustive and other risks may adversely affect the Issuer, its financial position and the investment in the bonds. Additional risks and uncertainties relating to the Issuer that are not currently known to the Issuer, or that are currently deemed immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer.

OVERVIEW OF THE RISKS (2/3)

INTEREST RATE RISK

The operations of the Issuer are inherently exposed to interest rate risk. Considerable increases in interest rates (including EURIBOR) at which funding is available to the Issuer may negatively impact the profitability of the Issuer. Interest rates are affected by numerous factors beyond the control of the Issuer, which may not be estimated adequately. Such factors include the changes in the overall economic environment, level of inflation, monetary policies of the central banks, etc. Further, the ongoing war in Ukraine may also further increase the inflationary pressure and market volatility and therefore also contribute to rising interest rate levels. Therefore, interest rate risk may have a material adverse effect on the Issuer's business, financial condition, and results of operations.

The Issuer deems this risk factor to be of low relevance.

EXPOSURE AND CONDUCT OF OTHER MARKET PARTICIPANTS

The Issuer's access to financing may be adversely affected by the market practices of other market participants. The markets are interrelated, so defaults and failures to conduct sound business by the other market players could lead to market-wide liquidity problems or other market-wide issues, which could adversely affect the Issuer's access to capital resources. In addition, the Issuer has exposure to many counterparties arising from trading, clearing, funding or other relationships with them. A failure of such market participants to meet their obligations may result in the default of the Issuer before other counterparties and clients, which in turn may have a material adverse effect on the Issuer's operations and financial position.

The Issuer deems this risk factor to be of low relevance.

REAL ESTATE MARKET RISK

Potential negative development of Lithuanian real estate market could have a negative impact on both real estate market prices and market transaction volume. Currently increase in geopolitical risks caused by the Russia's war in Ukraine is considered as one factor which could have a negative effect on the Lithuanian real estate market. Decreases in prices and volumes could have an adverse effect on the Issuer's financial position and could degrade the value and liquidity of real estate mortgaged in favour of the bondholders as a collateral which in turn could have adverse effect on the bondholders' ability to fully satisfy their claims against the Issuer under the bonds.

The Covid-19 pandemic, and the associated lockdown restrictions, has led to widespread agile and homeworking for some of the Lithuania's office-based workforce. As a result, the future role of offices has been subject to considerable discussion among both landlords and occupiers, and more widely in the media. There is a risk that if agile and/or homeworking continues at high levels, and is sustained in the long-term, it could lead to occupiers requiring less space, increased vacant space and downward pressure on rental levels. Office space which has fewer desks, more collaboration space, meeting rooms, video conference facilities and other amenities is likely to be more desirable to occupiers. Buildings that are unable to meet these objectives may suffer in value unless they can be redeveloped or repurposed. If the Issuer fails to develop or update its properties to meet these objectives, this would likely have a material adverse effect on the Issuer's performance.

The Issuer deems this risk factor to be of medium relevance.

REAL ESTATE DEVELOPMENT RISK

Real estate development usually poses a higher risk than investing in completed objects, because they have no operating income (e.g. leasing). At the same time, high costs are incurred, including construction and development costs, real estate taxes and insurance. Real estate development also faces the risk that significant financial resources will be invested in projects that can be terminated for legal and regulatory reasons, or be severely delayed, or incur higher than planned costs. This may have a significant negative impact on the Issuer's financial state and limit the ability to settle properly with the bondholders.

The Issuer deems this risk factor to be of medium relevance.

COUNTERPARTY RISK

A counterparty risk is inherent to all business activities that the Issuer is engaged in. Such a counterparty risk may result in financial losses (including, but not limited to, revenue not being received from customers, funds deposited in banks, partners in long-term projects failing to perform their obligations, etc.) to the Issuer. A default of the Issuer's counterparty may affect the completion of the Issuer's commenced investment projects, the quality of the services provided by the Issuer or may harm the Issuer's reputation. Although the Issuer monitors and manages the counterparty risk, the occurrence of any of the mentioned counterparty risks may have an adverse impact on the Issuer's business and financial position.

The Issuer deems this risk factor to be of medium relevance.

COMPETITION RISK

Commercial real estate is competitive industry. To maintain the attractiveness of its properties, the Issuer must quickly react to changes in the competitive environment. Possible responses to competitors' actions include upgrading properties with new features (e.g. smart technologies and environmental solutions), refurbishment, rent discounts, and greater promotion and marketing activities. These could all result in unforeseen substantial expenses that could adversely affect the Issuer's financial position and cash flow.

The Issuer deems this risk factor to be of low relevance.

PROJECT MANAGEMENT RISK

The general contractor has implemented investment projects on a large scope. Although the general contractor invokes all available information and analytical resources when planning investments, there is no guarantee that all the information on which the planned investments were based was true and exhaustive. Furthermore, there is no guarantee that the Issuer's investment plans, and the investments made, will generate the anticipated or planned return on investment; also, there is no guarantee that the Issuer's investment in the Project will not cost more than was anticipated.

A failure of the anticipated investment projects, where the return on investment from these projects is lower than was expected or the prices of such investments are higher than was planned, may have a significant adverse effect on the Issuer's activities, its financial situation and its business results.

The Issuer deems this risk factor to be of medium relevance.

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OVERVIEW OF THE RISKS (3/3)

REFINANCING RISK

At the maturity of the bonds, the Issuer might be required to refinance its debt. The Issuer's ability to successfully refinance such a debt is dependent on the conditions of the financial markets in general at such a time. As a result, the Issuer's access to financing sources at a particular time may not be available on favourable terms, or at all. The Issuer's inability to refinance its debt obligations on favourable terms could have a material adverse effect on the Issuer's business, financial condition and results of operations, as well as on the investor's recovery under the bonds.

The Issuer deems this risk factor to be of high relevance.

PRICE RISK

The issue price of the bonds with a fixed interest rate may be lower or higher than their nominal value. Moreover, in the secondary market, the price of the bonds may decrease due to the market situation or events related to the Issuer. Besides the activities of the Issuer, the value of the bonds may be affected by developments in the financial markets; e.g. when the interest rates are rising, the value of the existing bonds may fall.

The Issuer deems this risk factor to be of high relevance.

CREDIT AND DEFAULT RISK

Any person who purchases the bonds is relying on the financial status of the Issuer, but the respective persons shall have no rights against any other person. Bondholders are subject to the risk of a partial or total failure of the Issuer to make the interest and/or redemption payments that the Issuer is obliged to make under the bonds. The worse the creditworthiness of the Issuer, the higher the risk of loss. A materialisation of the credit risk may result in a partial or total failure of the Issuer to make the payments.

In addition, even if the likelihood that the Issuer will be able to fully perform all of its obligations under the bonds when they fall due has not decreased, the market participants could nevertheless be of that opinion. In particular, the market participants may be of such an opinion if the market participants' assessment of the creditworthiness of the corporate debtors in general, or debtors operating in the industries sector, changes in an adverse manner. If any of these risks occur, the third parties would only be willing to purchase the bonds for a lower price than before the materialization of the aforesaid risk. The market value of the bonds may therefore decrease.

The Issuer deems this risk factor to be of medium relevance.

INFLATION RISK

Inflation reduces the purchasing power of a bonds' future coupons and principal. Inflation may lead to higher interest rates which could negatively affect the bond price in the secondary market. In addition to that, currently high inflation is viewed globally as one of the main macroeconomic factors posing significant risk to global economic growth and consequentially to the value of both equity and debt securities.

The Issuer deems this risk factor to be of low relevance.

EARLY REDEMPTION RISK

According to the terms of the issuance, the bonds may be redeemed prematurely on the initiative of the Issuer. If the early redemption right is exercised by the Issuer, the rate of return from an investment into the bonds may be lower than initially anticipated. Also, the bondholders might not have the option to invest in financial instruments offering similar risk/return characteristics at the time of the early redemption, or could face additional costs in selecting a new investment.

The Issuer deems this risk factor to be of low relevance.

LIQUIDITY, LISTING AND INACTIVE SECONDARY MARKET RISK

The bonds constitute a new issue of securities by the Issuer. There is no public market for the bonds and other securities of the Issuer. The liquidity of the bonds cannot be guaranteed even if the bonds are admitted to trading on Nasdaq Vilnius First North. The bondholders might bear a loss due to not being able to sell the bonds or having to sell them at an unfavourable price.

The Issuer deems this risk factor to be of high relevance.

CONTINUOUS OFFERING

Offering under the prospectus is in the amount of up to EUR 53.5m (being a part of total EUR 67m issue). Although the Issuer plans to proceed with the public issue of up to the amount of EUR 53.5m, it may happen that the Issuer will not issue all anticipated units of bonds and will not raise the estimated funds required for successful development of the Project. Such situation would have a significant influence on the amount of total proceeds from the bonds, development of the Project, financial stability of the Issuer and the amount of bonds available on the market. Should this happen, the Issue will look for alternative sources of funding, including drawing the additional amounts under the signed loan agreements.

The Issuer deems this risk factor to be of medium relevance.

RISK OF INSUFFICIENT VALUE OF THE COLLATERAL

The Issue is secured by a 1st ranking mortgage over the collateral. Apart from the collateral, there are no other securities securing the Issue. According to the appraisal report dated 11 April 2023 the value of the collateral was EUR 28.9m. The certificate on asset price stated that as on 31 December 2023 the most likely price of the Project was EUR 39m. Collateral consists of real estate property currently constructed as a part of the Project. As a result, the value of the collateral directly depends on the construction progress and successful completion of the Project and in case of Issuer's default before the end of construction stage the value of the collateral could be not high enough to cover Issuer's obligations to the bondholders, taking into account that in such case the expenses of the trustee will have to be settled in priority to the claims of the bondholders. In addition to that, in case of negative development of Lithuanian real estate market and resulting significant drop in the value of the collateral even after completion of the Project, the value of collateral could be not high enough to satisfy all claims of the bondholders. Furthermore, in case of enforcement on the collateral, the costs of enforcement will have to be covered from the proceeds of the sale of the collateral before distribution of remaining proceeds to cover the obligations for the bonds. The procedure of enforcement on collateral may also delay settlement with the bondholders.

The Issuer deems this risk factor to be of medium relevance.

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CONTACT INFORMATION

For additional information about the project, please contact us.



DINAS PETRIKAS

Representative - Lithuania

+370 6824 3474

dinas.petrikas@redgategroup.eu

Redgate Capital



EGLĖ DŽIUGYTĖ

Head of Markets

+370 6713 2787

egle.dziugyte@sb.lt

ŠIAULIŲ BANKAS



VYGANTAS GALČIUS

Financial Department Manager

+370 6869 7744

vygantas.galcius@realco.lt

realco



VISMANTĖ ŠEPETIENĖ

Chief Executive Officer

+370 6866 8382

vismante.sepetiene@evernord.com

EVERNORD

For subscription info, please contact Redgate Capital, Šiaulių Bankas or Evernord.

Redgate Capital broker@redgategroup.eu

ŠIAULIŲ BANKAS Platinimai@sb.lt

APPENDIX 1. SOSTINĖS BOKŠTAI FINANCIALS

BALANCE SHEET, EUR K

	2021	2022	2023	H1 2024[1]
Investment property	27,000	28,900	39,000	48,028
Intangible assets	5	2	0	0
Non-current assets	**27,005**	**28,902**	**39,000**	**48,028**
Prepayments	2	163	134	90
Trade and other receivables	57	22	14	77
Cash and cash equivalents	3	16	5,108	2,727
Current assets	**63**	**201**	**5,256**	**2,894**
TOTAL ASSETS	**27,068**	**29,103**	**44,256**	**50,922**
Share capital	3	3	3	3
Retained earnings	15,380	13,441	16,954	16,617
TOTAL EQUITY	**15,382**	**13,444**	**16,957**	**16,620**
Loans from related parties	7,736	9,372	12,009	13,393
Payables	0	0	26	26
Other non-current liabilities	0	0	13,500	19,500
Deferred tax liabilities	3,658	3,537	357	357
Non-current liabilities	**11,394**	**12,908**	**25,892**	**33,276**
Loans	96	1,970	0	0
Payables	195	12	100	213
Loans from related parties	0	767	1,143	584
Other current liabilities	0	1	164	229
Current liabilities	**292**	**2,750**	**1,407**	**1,026**
TOTAL LIABILITIES	**11,685**	**15,659**	**27,299**	**34,302**
TOTAL EQUITY AND LIABILITIES	**27,068**	**29,103**	**44,256**	**50,922**

[1] Unaudited

INCOME STATEMENT, EUR K

	2021	2022	2023	H1 2024[1]
Incr./decr. in the value of assets and investments	24,385	-1,997	704	0
Impairment losses	-4,397	0	0	0
Other income	14	10	0	0
Administrative costs	-131	-72	-144	-261
Depreciation and amortisation	-1	-2	-2	0
Operating profit	**19,871**	**-2,062**	**558**	**-261**
Results of other activities	0	2	0	0
Financial income	0	0	34	35
Financial expenses	-19	0	-261	-111
Profit (loss) before tax	**19,852**	**-2,059**	**332**	**-337**
Income tax	-3,658	121	3,180	0
Net profit (loss)	**16,194**	**-1,938**	**3,512**	**-337**


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