



Taking care of investors' financial
well-being for 30 years now

Annual Review
2022



Alius Jakubėlis | Chairman of the Board

Chairman of the board: The world & Lithuania in 2022

2022 was the worst year for global markets since 2008. Most stock market indices recorded double-digit losses. Higher-than-usual (2%) inflation crept in crossing the 6-8% mark, which has not been seen for a long time, and the repeated mantra of Central Banks that this was temporary was negated in the middle of the year. Hope that businesses would resolve supply chain problems caused by Covid-19 by themselves also did not work out. The outbreak of the war in Ukraine further deepened the problems of inflation. The price of gas in Europe jumped more than 20 times in the middle of the year compared to 2020-2021. Many investors started looking for similar situations that have occurred historically. The 1980s were remembered, when the US Federal Reserve Bank raised base interest rates to 20% in an attempt to control high, persistent inflation. In the second half of the year, the central banks of the world were forced to change their tone and start actively raising their base interest rates. Europe ended the year with a 10.4% inflation and 2.5% base interest rates, and the US with a 6.5% inflation and 4.5% base interest rates. It should be noted that, based on historical

data, base interest rates were 0.5-1.5% higher than inflation, therefore the current situation is concerning.

The geopolitical situation is still shrouded in uncertainty. The war in Ukraine continues, and the western world is making every effort to support Ukraine both militarily and financially. While the Russian government seeks to turn the failed "three-day" war into a long-term conflict. China's involvement in the war by providing weapons to Russia also poses a significant threat. And the issue of Taiwan is still relevant as well. China's bid to annex this country could result in long-term economic ramifications, as Taiwan produces about 26% of the world's semiconductors.

Lithuania is doing well

After the Russian invasion of Ukraine, the development of the Lithuanian economy in 2022 decreased to 1.9%. Quarterly growth was modest throughout the year, but turned negative in the fourth quarter (-1.7%). Reduced exports to some Eastern European countries and lower private spending have weighed on economic activity, since high →

inflation has not been offset by rising wages.

After reaching its highest point in September 2022, inflation began to decline at the end of the year due to falling raw material prices and domestic efforts to curb the rise in energy prices for consumers, including reduction of the VAT rate for thermal energy. By contrast, non-energy price inflation remains relatively high, reflecting the lagged impact of rapid cost increases in previous months.

Situation in capital markets

Shares of growth companies, which were dominant for the whole decade, were massively sold off in 2022, and market participants chose safer investments. 2022 has practically become a period of search for a safety net, the role of which was assumed by the energy sector and the US dollar. In the wake of the war in Ukraine, high prices of energy raw materials ensured excellent results for this sector, while the US dollar reached parity with the euro for the first time since 2002. Fears of inflation and rising base interest rates weighed on capital markets, however rising bond yields have made the markets remember this particular asset class. High volatility in the markets and rising value of money have influenced investors to deleverage, which could be felt throughout the second half of the year. Long touted by some investors as a hedge against traditional asset classes and a potential hedge against inflation, cryptocurrencies have not become a safety net in the face of market turmoil. The largest cryptocurrency Bitcoin has lost more than 60% of its value in 2022.

Forecast for 2023

In 2023, global GDP growth is likely to shrink from 3.4% to 2.9% and inflation should slow down from

8.8% to 6.6%. In Lithuania, inflation is expected to shrink from 18.9% to 9.5%, while GDP is expected to grow by 1.3%. The war in Ukraine and high inflation with its consequences are currently having the greatest impact on global economy. When the war broke out in 2022, Europe experienced a shock after realizing that it was unprepared. Gas reserves that were depleted in 2022 did not become so by chance. A number of

countries rushed to invest in energy independence and replenish their gas reserves, thus causing a shock to the gas market and unwittingly putting enormous upward pressure on inflation. Gas reserves were filled in September-October and tensions seemed to subside. Gas prices began to return to pre-war levels. However the war is not over and the possible intervention of China in the supply of weapons to Russia may have

a negative impact not only on the course of the war, but also on the prices of raw materials. If the situation in the front lines does not worsen, it is likely that we have already passed the peak of inflation. The good news is that Russia's influence on Europe is decreasing, countries are building gas terminals and investing in renewable energy, we were not freezing in winter, and businesses were not coming to a standstill, →





as was forecasted by the Russian government.

Central banks are likely to continue raising their base interest rates by the middle of the year, after which there will be a waiting period. Most major investment banks do not see a possible reduction in interest rates this year. The value of money will remain high, and businesses will look for alternatives to tightened bank financing. Bonds will become particularly attractive. Base interest rate is likely to reach 4% in Europe and 5.5% in the US.

The development of the Lithuanian economy in the coming year will be mainly influenced by the course of the Russian war against Ukraine, and the government's efforts to mitigate the negative economic consequences of the war. The global prices of raw materials, especially of energy and food, have risen sharply due to the war, the sanctions imposed and the response to them.

According to the data provided by the Bank of Lithuania, annual inflation in 2022 reached 18.9%. As the effect of a higher comparative base, lower raw material prices and waning supply chain disruptions strengthens, annual inflation is expected to decrease by nearly a half to 9.5% in 2023.

It is also expected that in 2023 the demand for Lithuanian goods and services in foreign markets will return to pre-war levels. Based on such a forecast of the Bank of Lithuania, it is likely that Lithuania's GDP will grow by 1.3% in 2023, compared to 2.5% in 2022. Although the increase is almost two times lower, the persistent uncertainty prevents making more optimistic forecasts.

A significant increase in the unemployment rate is not expected

in 2023. The Bank of Lithuania predicts that the unemployment rate will reach 6.7% in 2023 compared to 6.1% last year.

In an environment of high base rates and high inflation, this year investors will direct their investments to private debt funds, bonds, and money market instruments. And investment funds that invest in physical assets (forests, land, gold, etc.) will be a good choice for those seeking protection against inflation. As interest rates rise, the liquidity risk that borrowers will not be able to service or refinance existing loans is significantly increasing, therefore it is very important to diversify one's investments. Cash is slowly regaining its "value", however the resilience of banks where it is held needs to be carefully assessed. There is a high possibility that we will see a wave of new defaults this year, therefore it is important to get reliable consultations from investment advisers to help assess all counterparty risks.

Investors have faced significant market fluctuations and challenges over the past few years, therefore investing discipline, patience and assessment of one's investment goals are essential. I wish you a successful year in investing.■

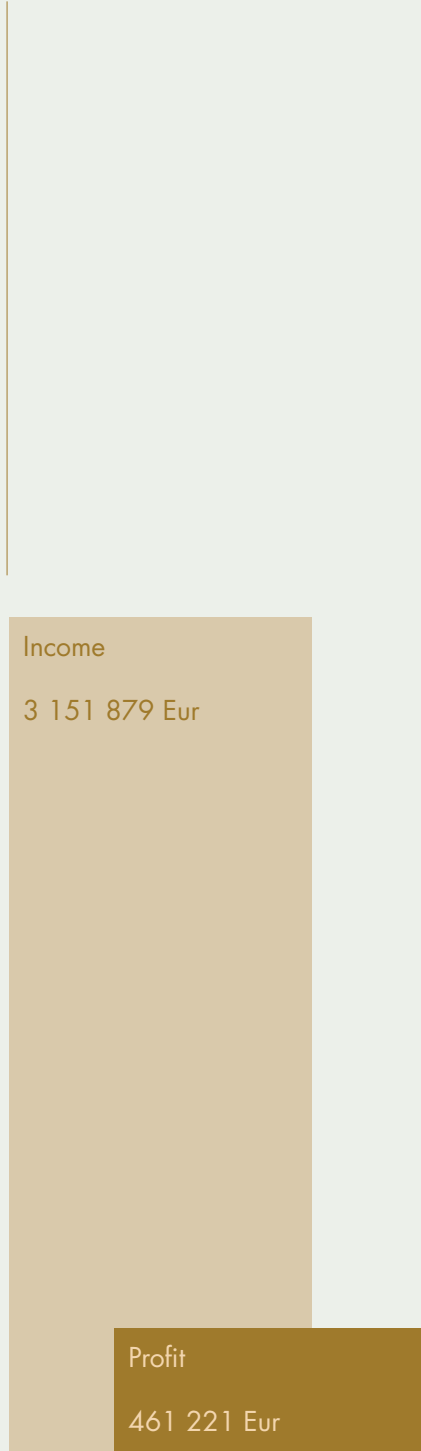


Our services:

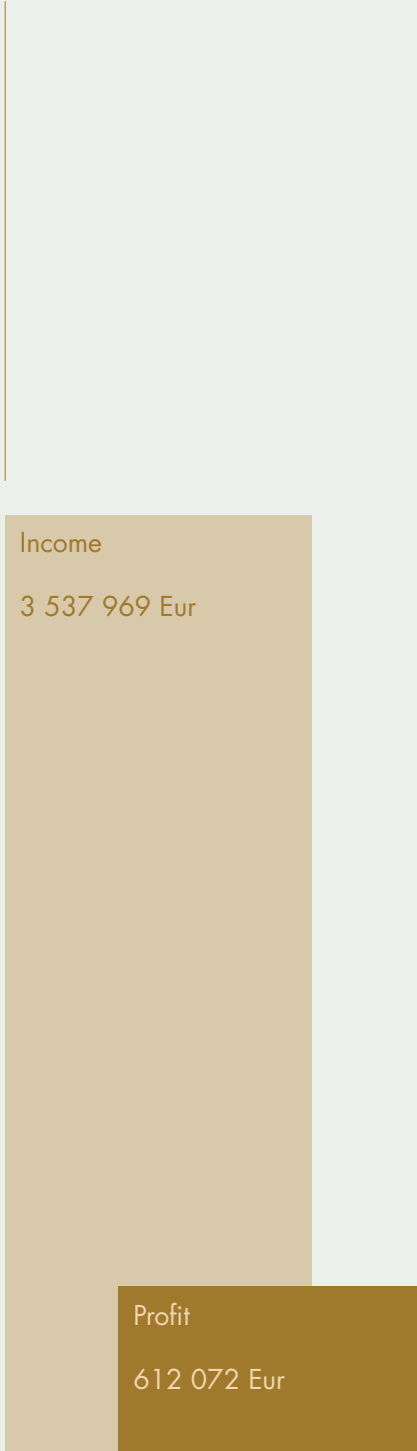
Investment banking
Capital markets
Corporate finance
Issuers accounting
Depository

Taking care of investors' financial well-being since 1993

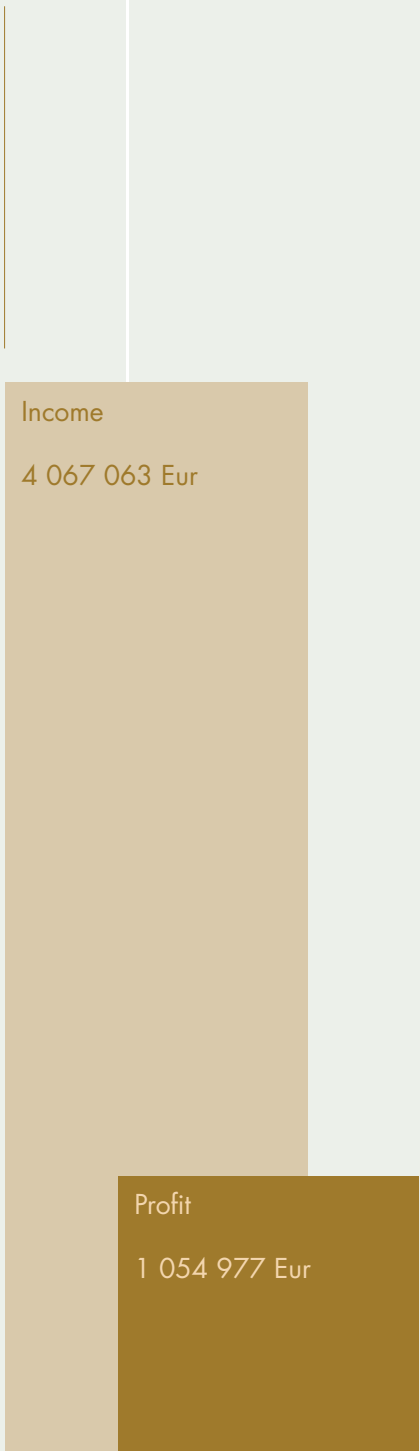
2018



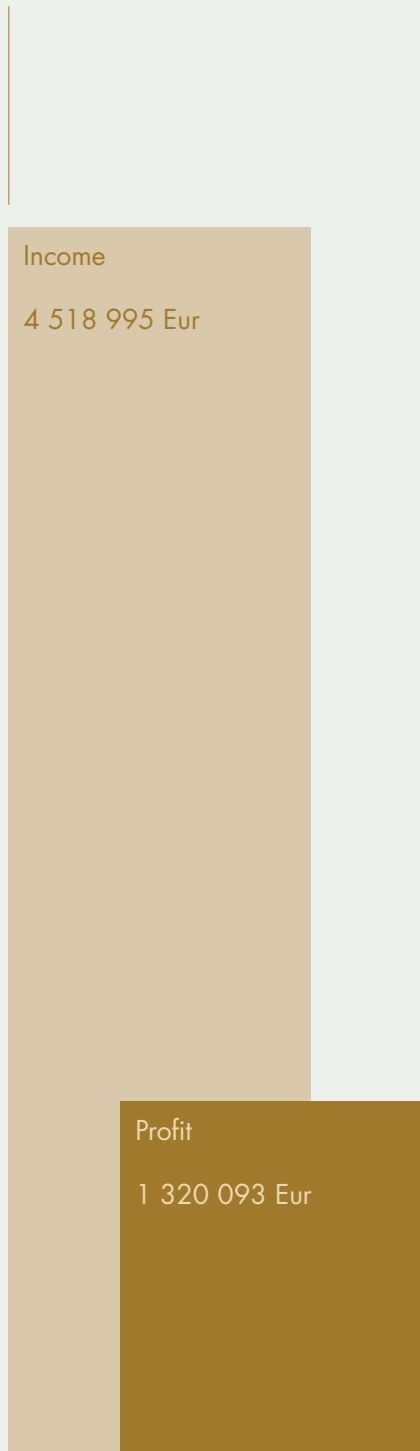
2019



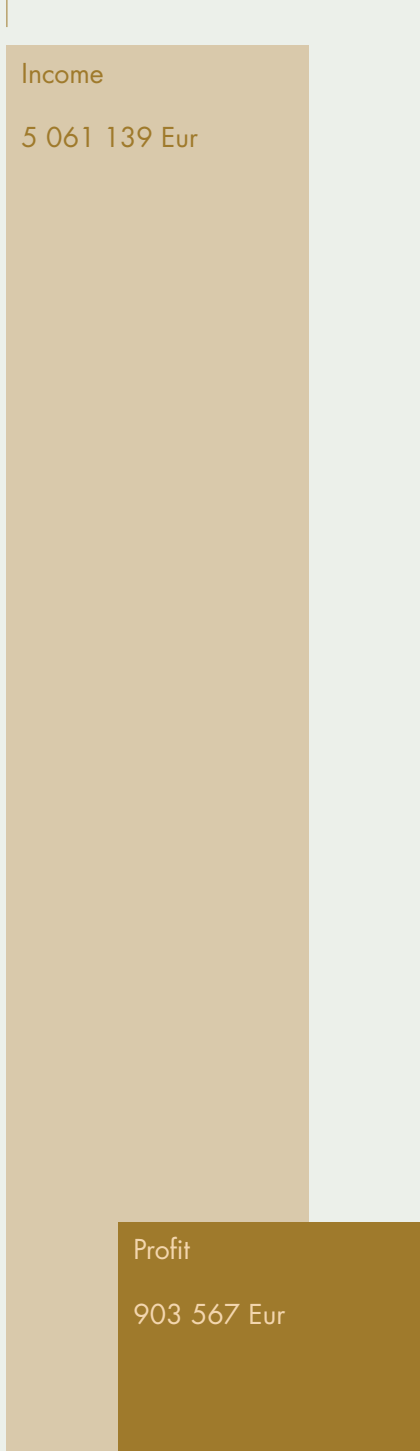
2020



2021



2022



Our results

13 pg.	Since 1993	One of the longest-running independent investment banking companies in Lithuania
	1,477 billion Eur	The value of Investor assets and securities managed, held and administered in 2022
	150+ million Eur	M&A project value
	200+ million Eur	Capital raised for businesses
	7	Number of Lithuanian companies we helped with initial public offering.
	1,77 billion Eur	Annual trading turnover of the capital markets department
	11 fondų	11 successfully distributed funds with a total amount exceeding 41 million Eur
	400+	Issuers accounting services provided to more than 400 Lithuanian companies

Our clients

	RÁTO	Inbalance grid	MEDICINOS BANKAS	BALTIC CHAMPIGNONS	Si Sun Investment Group	14 pg.
	I Asset Management	au ga Y Group	GLENGLOSSAUGH	ZABOLIS PARTNERS	Grand Hotel Kempinski	
	VILKYŠKIŲ	leafood	paysera	MODUS ASSET MANAGEMENT		
	Grīgeo	Skuba	EWA	4WIND	OlainFarm	iCOR
	e-energija	VILNIAUS PREKYBA	KELT krematoriumas	BaIPol		
	CIRCLEPLAST	NOVATURAS	CiViNiTY			

“Orion Securities” has joined the international network of “Pandea Global M&A” advisors



“Orion Securities” has become an official member of the “Pandea Global M&A” network of advisors. “Pandea Global M&A” is an international organization that brings together carefully selected independent firms that advise businesses on M&A transactions ranging in value from EUR 5 million to EUR 500 million. The “Pandea” network has been operating since the 1990s and has a large number of members in 30 countries, and the value of their executed transactions exceeds EUR 27 trillion.

“For the past few years, we have been observing an increasing interest in international M&A transactions involving Lithuanian companies. The Baltic region is becoming interesting for European institutional and strategic investors, meanwhile, Lithuanian businesses are increasingly looking for acquisition opportunities to expand their activities abroad. Therefore, we think that by joining the “Pandea Global M&A” network, we will be able to create valuable cooperation

opportunities for both our clients and our colleagues from the “Pandea”, says Mykantas Urba, head of the corporate finance department at “Orion Securities”.

M. Urba adds: “This international network of advisors gives our team better access to foreign buyers and investors, while to our clients located in Lithuania, it gives access to a larger number of acquisition objects that would open up new geographies. Our cooperation will also provide access and opportunity to consult with the “Pandea” consultants, who could help and advise our clients on business development issues abroad.”

Investment banking firm “Orion” has been providing comprehensive investment, capital markets, and corporate finance services since 1993. We not only advise the largest Lithuanian business owners during M&A transactions, but also help them discover new investment opportunities and potentially interesting new objects for development, and perform due diligence and analyses of the companies.■

Our Services

—
17
pg.
—

Orion services

Investment banking



Karolis Pikūnas
Head of Investment Banking

By providing professional services and personal attention:

1

We help to understand the principles of financial markets and potential risks;

2

We provide consultations on how to properly form an investment portfolio;

3

We provide access to a wide range of investment opportunities;

4

We help you choose investment products that meet the goals and risk level of the individual investor.

—
18
pg.
—

1,477 billion Eur

Investor assets under management and value of securities in 2022.

Capital markets

—
19
pg..
—



Mantvidas Žekas
Head of Capital Markets

1

We help to form an investment portfolio;

2

We provide strategies to protect your investment portfolio from potential market fluctuations;

3

We offer currency and commodity hedging transactions;

4

We actively monitor the positions of existing investors and promptly execute your orders and consult on market issues.

9:00–23:00

We are available by phone, e-mail, Skype, Viber, Whats App, Telegram and other channels.

1,77 billion Eur

Annual trading turnover of the Capital markets division;

We offer a wide range of financial instruments: stocks, bonds, currencies, commodities, etc.

Corporate finance

—
20
pg..
—



Mykantas Urba
Head of Corporate Finance

1

We help attract alternative financing: bonds, private debt, private investors;

2

We provide consultations on acquisitions, sales or mergers;

3

We help companies go public through IPOs or bond offers.

200+ million Eur

— M&A project value

150+ million Eur

— Capital raised

Issuers accounting

—
21
pg.—



Justina Nedzinskaitė
Head of Finance Department

400+ businesses

— We provide issuers accounting services for more than 400 Lithuanian companies.

ISSUERS

ACCOUNTING
ACCOUNTING AND
OTHER SERVICES FOR
COMPANIES

Issuers accounting

- Accounting of joint-stock company and private limited liability company shareholders, bondholders;
- Registration of securities transactions; registration of options; no notarial registration required;
- Escrow account for settlements;
- Payment of dividends, coupons; inheritances;
- Registration of the issue of securities in the depository, representation of the issuer in the depository during material events;
- Advising on convening shareholders' meetings; organization of share repurchases from minority shareholders, etc.

Market making

- Trading in shares on the Baltic and Warsaw stock exchanges;
- The service is provided to 8 companies.

Depository

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22
pg.—



Jolita Jonaitienė
Head of Depository

DEPOSITORY SERVICES:

- Safekeeping/control of financial instruments;
- Verification of ownership and accounting;
- Ensuring the fair value of net assets;
- Control over the issue and redemption of units/shares;
- Cash flow monitoring;
- Control of investment rules;
- Transaction monitoring.

267 million Eur

— 267 million EUR
asset value of
supervised funds.

3 management companies; 17 funds

— Providing depository services for three management companies and eight funds.

Our Insights

Changes in business valuations: are we living in a buyer's or a seller's market?

„Orion“ Corporate finance and M&A team:



Mykantas Urba
Head of Corporate Finance



Lukas Žilinskas
Corporate Finance Vice President



Simas Žirgulis
Associate



Matas Čipkus
Financial analyst



Erikas Šveistys
Financial analyst



Matas Jakubėlis
Financial analyst

When considering selling a business, one of the first steps is to understand the value of your business. “Orion Securities” M&A experts review how different investors view business valuations and what changes in business valuations have been observed in the past year of 2022. The majority of investors seeking to acquire businesses can be classified into one of two groups: institutional or strategic investors. Since different

groups of investors have different requirements and priorities, they will likely value the same business slightly differently.

Institutional investors' priorities

Institutional investors are mainly various private and venture capital funds, private investors and their groups. The investment period of this group of investors usually varies between 3 and 7 years in order to →

optimize and expand the acquired company while growing its financial results. At the end of this period, the investor's goal is to realize the investment, achieving the maximum return for investors.

When looking for acquisition targets, institutional investors usually look for financially strong and sustainable businesses, which at the same time have solid growth potential. In this case, a lot of attention is paid to the historical results of the company and the need for investments, in order to understand what the normalized cash flow is and its potential. The structure of the balance sheet is also important - the asset base and the level of indebtedness. All of this helps the investor assess whether the company being purchased will be able to service debt payments and interest costs, carry out expansion and ultimately generate the required rate of return.

Strategic investors' priorities

Strategic investors are usually the acquired company's competitors, customers, suppliers, or other participants in this or adjacent markets. These investors seek vertical or horizontal integration. This helps to achieve synergies that allow them to optimize costs or open new sales channels by expanding geographically or expanding the supply of existing products and services.

The more synergies that can be realistically realized by acquiring a particular company, the more value it provides to a strategic investor and the more he will be willing to pay for the purchase. Even if the financial results of the acquired company are not very good, it can still be attractive to a strategic buyer, for example, because of its unique product or market share.

The activity of buyers by type

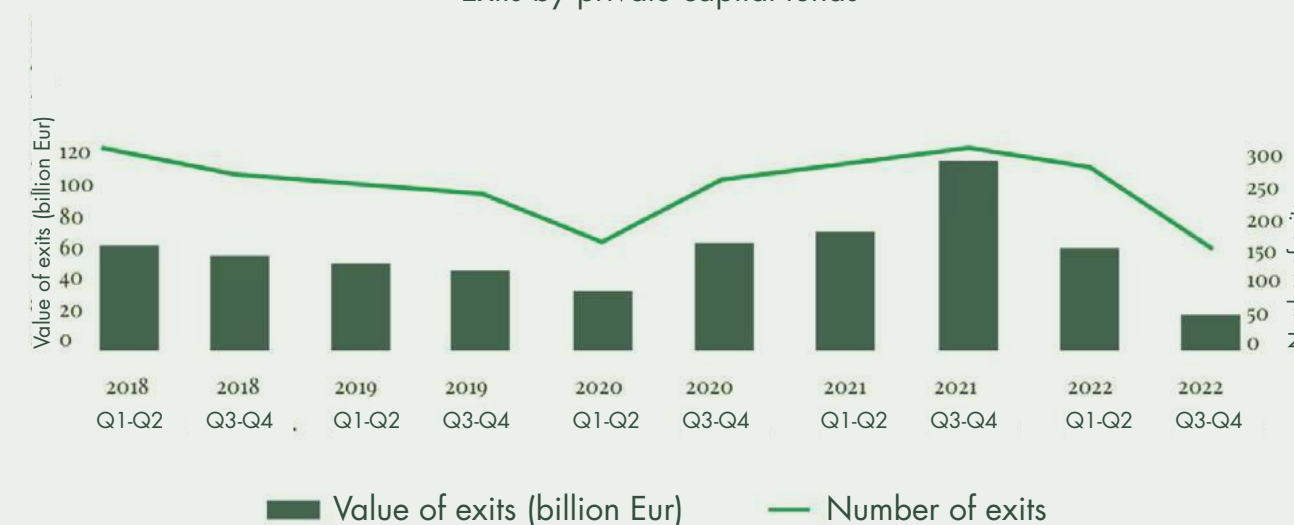
Interestingly, the exit of private equity funds from investments in 2022 in Europe was the lowest recorded in this decade and more than halved from 2021. However, this does not mean that private equity funds have not invested, as the total value of private equity fund deals in Europe has only shrunk by around 20%. This shows that the funds last year were less active in realizing previously made investments than in seeking new ones. This may have been due to increased uncertainty because of geopolitical and macroeconomic challenges - war, inflation, energy costs, and others.

One of the fundamental reasons affecting the activity of private equity funds, as well as the size of the valuations they offer, is the growing interest rates and as a result, an increase in the borrowing cost. Both the European Central Bank (ECB) and the US Central Bank (FED) have been actively raising base interest rates since last year, which today already exceed 3-4%. This complicates the financing of transactions by private capital funds and increases the cost of servicing the loan, while the investment return decreases in parallel. As a result, funds are sort of forced to use lower valuations to ensure the same returns to investors. On the other hand, this could be a time of opportunities for strategic investors. While not all strategic investors use their funds to settle deals, debt financing is less common and has a more lenient effect on strategic investors and their valuations.

Investors' activity in the Baltic region

In 2022 in the Baltic region, institutional investors were even more active than in 2021, as 2022 was record-high in both the number

Exits by private capital funds



Source: Dealogic

and the value of transactions. Institutional investors executed 5 more transactions, while strategic investors implemented 38 transactions less than in 2021.

It can be said that institutional investors took advantage of the opportunity to allocate capital while some strategic investors were more cautious and postponed their plans for the future due to the previously mentioned reasons.

Investors' activity by geography

"According to the statistics of the last two years, it is noticeable that foreign strategic investors were less afraid to invest in companies operating in the Baltic States due to geopolitical and macroeconomic threats, while domestic strategic investors cancelled or postponed their development plans through companies' acquisitions or mergers. This can be partly explained by the fact that companies in the Baltic region were relatively more affected by both the inflation and the growth of energy costs than, for example, Western European players, so the appetite for investments from

domestic strategic players was possibly lower," says Mykantas Urba, head of the corporate finance department at "Orion Securities".

Investments of foreign institutional investors in the Baltic region in 2022 decreased by about 25%, but domestic institutional investments increased by as much as 75%. Foreign institutional investors are likely to have invested in their more familiar home markets, and ongoing geopolitical turmoil has not boosted confidence in the Baltic region.

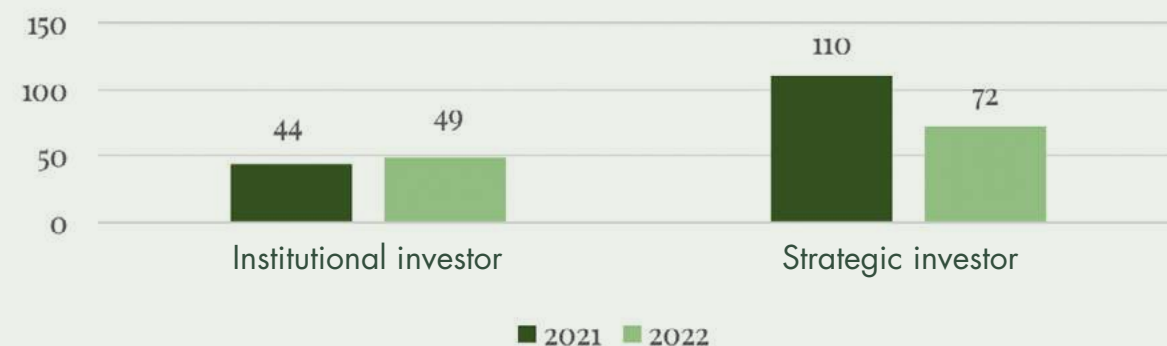
"Therefore, the passivity of foreign institutional investors was used by domestic institutional investors, who usually invest more in the local Baltic market anyway, as the withdrawal of foreign institutional investors possibly created more favorable conditions for acquiring companies in the Baltic region," says M. Urba.

Energy prices fluctuations

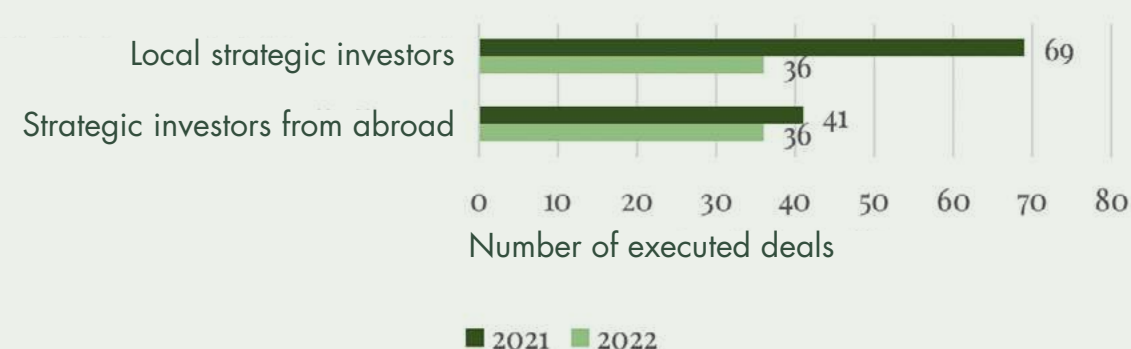
As for companies' valuations, it's worth mentioning, that a record year of M&A was followed by a record year of electricity and gas prices, which strongly affected companies



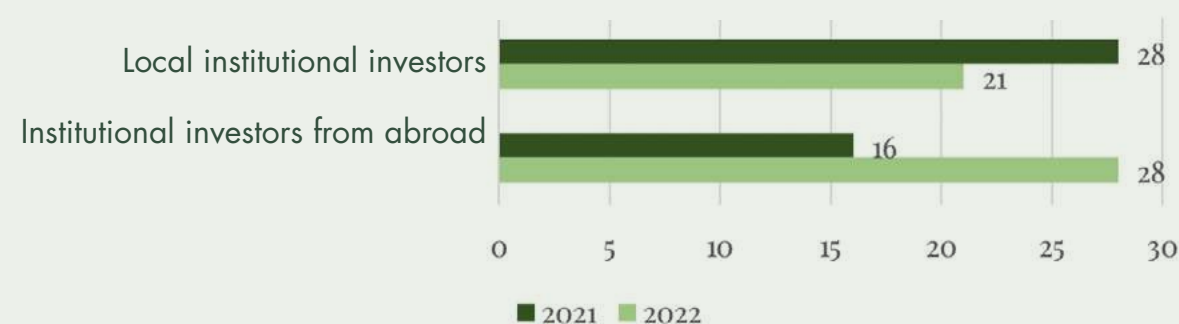
Investor (buyers) by type in the Baltics



Activity of strategic investors in the Baltics by geography



Activity of institutional investors in the Baltics by geography



dependent on energy. Looking at the average monthly prices on the Nord Pool power exchange, it can be seen that electricity prices have been rising monthly even several times compared to last year.

The 3rd quarter of 2022 was exceptional when in August the average electricity price for 1 kWh reached EUR 480 and was almost 4.5 times higher than at the same time in 2021. The same trend can be seen in gas prices. Profitability margins of companies involved in high consumption of electricity and/or gas were shrinking, as costs, which increased several times, could not be passed on to the end user. Decreasing orders, rising costs, and prices that were not fixed on time worsened the profitability indicators of companies, which in parallel reduced the valuations of companies.

"The companies that fixed the price of electricity on time were not only happy with the controlled costs, which allowed them to achieve the goals set at the beginning of the year, but also allowed them to be more competitive due to the opportunity to offer products or services to customers at a more reasonable price. Such companies, that made appropriate decisions in time, avoided major consequences, strengthened their positions in the market, maintained or even increased the valuation of their company," says Lukas Žilinskas, Vice president of the corporate finance department at "Orion Securities".

Global changes in company valuations

According to the latest data from "S&P Global Market Intelligence", the last year saw declines in the company's valuation multiples (EV/EBITDA) across many industries worldwide. Rising interest rates, inflation, energy costs, and other

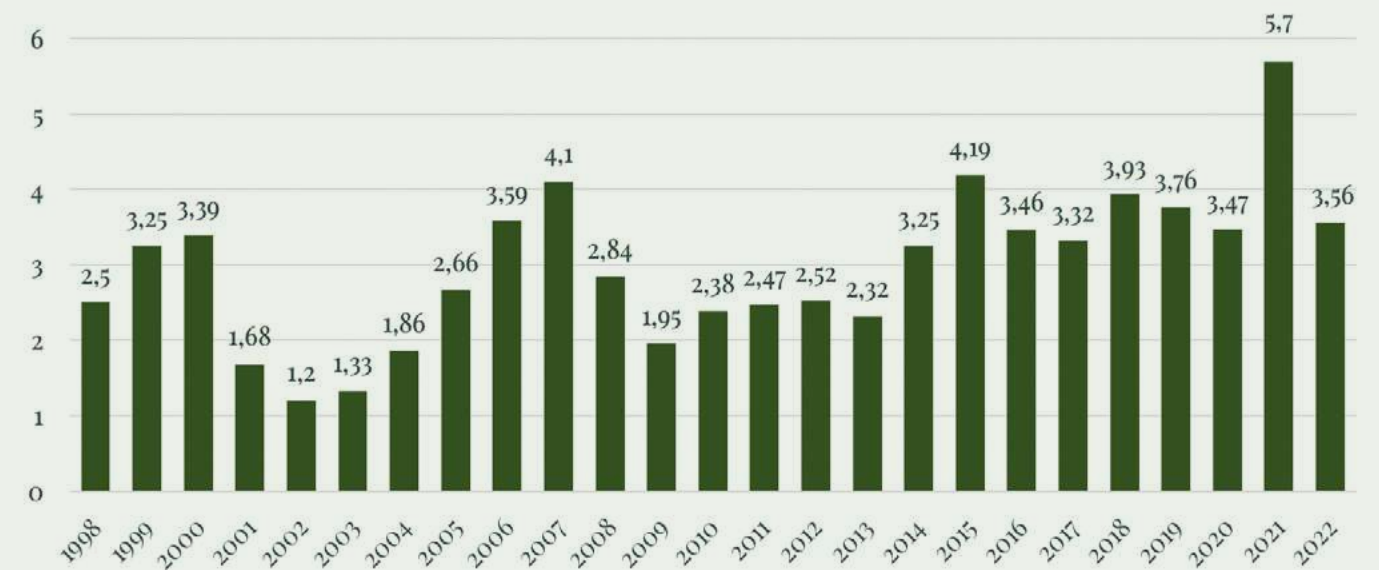
factors have negatively affected company valuations in sectors such as manufacturing, services, real estate, health care, and non-essential goods and services. However, not all sectors experienced the same impact, and some even enjoyed growth in valuations. While energy prices rose, companies heavily dependent on these costs (mainly manufacturers) suffered, and the valuations of companies in the energy sector increased. The same trend was also noted in the valuations of companies in the raw materials and essential consumer goods and services sector.

To sum up, the war, the rising inflation rate, and the energy crisis had a significant impact on companies, which were unable to control these effects, and their financial results. The overall decrease in the strategic and institutional investors' activity and the decrease in the values of certain sectors indicate that last year's global transaction market belonged more to the buyers.

However, despite all the emerging challenges, the M&A market in 2022, especially in the Baltic countries, remained active and even surpassed the transaction indicators of 2020. "At the beginning of 2023 positive signs are visible - although inflation is still high but already decreasing, lower and more stable energy prices allow us to expect that transactions in the M&A market will continue actively – institutional investors will continue to actively seek to allocate money, and strategic buyers will look for opportunities for additional synergies, which will allow companies to support the level of their valuations", summarizes M. Urba. ■

M&A market: investors are here, but requirements for transactions are getting higher

Global value of M&A deals (trillion USD)



Although the ongoing war in Ukraine, high inflation, and tight central bank policies remain the main fears of investors, many see 2023 as a “year of opportunities”. Opportunities occurring in the M&A market during times of change are often accompanied by increased risks, and businesses will need to make more efforts to manage them. The increased risks require the more active involvement of M&A advisors to ensure optimal purchase and sale strategies. In order to understand and apply the lessons of the current situation, we need to review the statistics of the transaction market, assess whether geopolitical ruptures or rising inflation has a stronger influence, and also take into account the expectations for this year of large investors.

After a record-breaking 2021, 2022 began with optimism. However, deteriorating macroeconomic conditions had a negative impact on the implementation execution of transactions. “The rising cost of borrowing and the tightening of debt financing conditions had a strong influence - rising interest rates made it difficult to finance transactions with borrowed money, which led to a more conservative assessment

of investments,” says Mykantas Urba, head of the corporate finance department at “Orion Securities”.

A record low or a return to historical averages?

Comparing 2022 with 2021, the global value of mergers and acquisitions (M&A) transactions has shrunk by 37.5%.

The war in Ukraine has brought even more confusion. Investors were worried about security issues, while EU sanctions on Russia increased energy costs and affected supply chains, causing the value of deals done in Q1 to fall by almost 60% y-o-y in 2021.

“Although the second quarter of the year showed signs of recovery, with the value of M&A transactions almost equal to last year’s result, the third quarter recorded a negative annual change of more than 64% compared to the same period last year. The record amount of withdrawn M&A deals, which aimed to acquire a company operating in Europe, reached 43%, the highest since 2008. This illustrates the increased uncertainty, which was influenced by the energy crisis caused by the war, the threat of recession, and inflation,”

explains M. Urba.

On the other hand, 2021 has been at record highs since 2008. By looking at a longer period, it looks like we are returning to historical averages, which in the overall context, including 2021, does not look so negative. In 2022 European M&A deals value fell by 24%, but this equated to 21.9% higher deal value in Europe than during the pandemic in 2020. Meanwhile, in the US, where the value of M&A transactions after the pandemic grew by almost 140%, in 2022 suffered a decline of more than 40%. “It could be said that the European M&A market is less cyclical than the US, with smaller upswings, but not such large downswings,” clarifies M. Urba.

Will the Baltic region maintain its attractiveness?

The war made investors doubt the attractiveness of the Baltic region. Macroeconomic uncertainty also had an impact on investors’ activity and forced them to avoid hasty decisions. Statistics show that the number of transactions, compared to the same period last year, decreased by about 21%.

The record-breaking end of 2021 gave a positive impulse for the beginning of 2022. Estonia’s unicorn “Bolt” has raised a record EUR 628 million investment, and in the first quarter of the year 2022, 42

deals were announced in the Baltic countries. However, the dynamics of transactions changed at the beginning of the second quarter of the year, when the number of transactions began to decrease, and in the third quarter of the year, the number of M&A transactions was the lowest. However, while the declining amount of transactions indicated a slowdown, there was no shortage of large deals. At the beginning of the 2nd quarter, a cyber security solutions company “Nord Security” founded in Lithuania, raised EUR 100 million financing from large foreign investors, thus raising its valuation to EUR 1.6 billion. The good news was also shared by the financial technology startup “kevin.”, which received EUR 65 million in investments from global investors.

During the 3rd quarter, the US private equity fund “Blackstone” acquired the remaining 11.6% of “Luminor Holding” shares from the bank “Nordea”. The size of the transaction was almost EUR 330 million and currently, “Blackstone” owns 80% of “Luminor Holding” shares.

In the 4th quarter, Ignitis renewables, a subsidiary company of AB Ignitis Grupe announced the acquisition of a 300 MWp solar energy project, which →

is being developed in Latvia. The value of the transaction amounts to around EUR 213 million.

“Looking at the year-to-date developments, our region’s transaction dynamics were in line with global trends, with the total number of transactions declining by around a fifth. Looking at quarterly trends, the biggest drop in M&A activity was recorded in Q3, when our region suffered from high gas and electricity prices. These dynamics suggest that inflation rather than geopolitical uncertainty was a more important factor for the transaction environment in the region.” - summarises Lukas Žilinskas, Vice president of the corporate finance department at “Orion Securities”.

What to expect in 2023?

To better understand investors’ views on this year’s M&A market, financial analysts at “Orion Securities” conducted a survey of strategic investors.

In the survey, the opinion of strategic investors about M&A activity was divided. About 30% predict a slowdown in M&A activity, but 33% think that the M&A market will become more active (of which 22% think that activity will increase slightly, and 11% believe that the market will be extremely active).

The survey shows how investors will try to reduce risks in the M&A process. 54% highlighted the importance of better pre-deal preparation. This includes not only the selection of advisors but also the appointment of a dedicated person within the company.

No less important (41% of respondents) for investors will be conducting a more detailed than usual due diligence on the company, seeking to get to know the company

and its risks. Finally, investors will reduce risks by using stricter payment terms (30% of respondents), which may include deferred payments, tying them to the company’s future performance, etc.

L. Žilinskas claims: “In 2023 in the Lithuanian M&A market, we will see large strategic and institutional players looking for acquisition opportunities, who have more financing opportunities to acquire part or entire business after the difficult last year. In the current market, we can notice more detailed due diligence carried out by buyers before the transaction, which gives comfort to the buyer in identifying potential risks and including them in the warranties section of the sales and purchase agreement. Deferred payments linked to the company’s financial performance in the future are becoming more common during agreements.”

The survey also shows investors’ plans in the M&A market in 2023. 45% of the participants say they have no plans to expand by acquiring other companies, 37% are planning to make one acquisition, and the remaining 17% are planning to make two, indicating that more than half of the strategic investors surveyed are thinking about making an M&A transaction this year.

“Overall, the M&A market, which experienced a slowdown last year, appears to be returning to historic levels. Macroeconomic and geopolitical challenges do not deter investors from investing in companies in the Baltic region, but require better pre-deal preparation and more detailed due diligence of companies that would allow to identify and hedge risks, as well as synergies that can be realized,” says M. Urba. ■

Depository – additional protection for investors



Orion depository team (left to right): Jolita Jonaitienė – Head of Depository; Justina Nedzinskaitė – Head of Finance department; Inga Serebrenikova – Fund control specialist; Marius Mykolaitis – Head of Investors Services.

All investment funds established in Lithuania (or in any country of the European Union) and operating under the laws of the Alternative Investment Fund Managers Directive (AIFMD) or Undertakings for Collective Investment in Transferable Securities (UCITS), as well as pension funds, must appoint a depository. Such an obligation for the manager of investment funds arises when the assets under management reach EUR 100 million. But in most cases, the investor does not know

what the depository does and why it’s needed. In this review, Jolita Jonaitienė, Head of Depository at “Orion”, explains the depository functions and responsibilities.

Depository operates for the benefit and interests of the fund’s participants

The essential function of the depository is to protect fund investors’ investments and their interests and to ensure that the fund manager acts

fairly towards all fund investors. Depositary functions and services include:

- Safekeeping/control of financial instruments;
- Ownership Verification and record keeping;
- Ensuring the fair value of net assets;
- Transaction monitoring;
- Oversight duties;
- Control over the issue and redemption of units/shares;
- Cash flow monitoring.

Safekeeping/control of financial instruments

The law mandates that all assets of the fund must be safekept/controlled or the right of ownership is verified by a single depositary. Safekeeping of financial instruments is one of the crucial functions of the depositary as it is the most fundamental element of investor protection. Safekeeping includes verifying ownership, correct registration, records management, regular coordination, and monitoring and assessment of safekeeping.

The fund's financial instruments are always kept in a segregated depositary's account making it easy to determine the assets of that specific fund at any given time. In cases when the fund acquires other assets, for instance, real estate, the depositary follows the required procedures for verifying the ownership and record keeping. This means that the depositary is verifying the ownership of such assets, and only then registers it in the name of the fund. Fund's assets list is regularly updated and verified. Usually, external data registers, such as the State Enterprise Centre of Registers, are used to authenticate ownership.

Oversight duties

As operating for the benefit and interests of the fund's participants, the depositary monitors the fund's

transactions and ensures compliance with the investment restrictions outlined in the rules and legal acts. Ex-ante and/or ex post control measures are used to implement this function. Ex ante control may be applied when the property is acquired under a pre-contract. For example, if the fund invests in commercial real estate according to the rules, then the depositary checks whether the newly purchased investment is specifically in real estate of such purpose. If the rules stipulate that the fund can invest only a certain percentage of its assets in this type of asset (for example, 30%), the depositary, before executing the transaction, assesses whether this will not violate the fund's rules or restrictions of legal acts.

Ex post control measures are more often applied when, for instance, the fund carries out active trading of financial instruments. Then, with the expected regularity the depositary reviews the executed transactions and evaluates their compliance with the investment strategy set in the foundation documents of the fund and the applicable diversification restrictions.

The correct value of investment units - peace of mind for the investor. The depositary plays a significant role in ensuring the correct value of investment units by verifying that the net asset value (NAV) of the fund provided by the management company is calculated by the applicable accounting standards, legal acts, and fund's rules. The depositary acts as an independent verifier each time NAV is calculated and ensures that the value is correct. If any errors are identified, the depositary ensures that they are corrected before announcing the NAV to investors, providing them with peace of mind that the presented

value of the investment unit reflects the real situation of the fund and is accurate.

Another essential function of the depositary is its control over the issue and redemption of the investment units of the fund. The depositary ensures that the issue, redemption, or cancellation of investment units is carried out by the foundation documents and applicable legal acts. The depositary checks whether the number of fund units assigned to the investor is correct based on the submitted application and the transferred amount of money. In the case of redemption of units, it ensures that the correct amount of money has been transferred on time to the investor of the fund who submitted the redemption application. The depositary also regularly checks whether the total number of units in the fund's accounts matches the total number of investment units in circulation recorded in the fund's register.

Control over the disposition of the fund's assets

In the addition to supervisory functions already listed, the depositary performs the maintenance of the fund's cash accounts where the fund assets are safekept. Usually, the depositary has a mechanism of control for such accounts, which practically prevents the management company from disposition of these assets without the depositary's consent or approval. When carrying out instructions of the management company, it is always taken into account whether they comply with applicable laws and regulations and the fund's rules.

In order to detect any discrepancies in the fund account on time, the depositary is constantly monitoring changes in cash flows to assess

whether all transactions are in line and whether all income is used under the requirements of the fund's rules and legal acts. When the transactions take place, the depositary supervises that each fund's amount is transferred to the fund account and that it is done on time.

"Orion Securities" is a licensed brokerage firm that is supervised by the Bank of Lithuania and provides depositary services to the funds operating under AIFMD and UCITS. The depositary team consists of professionals in the fields of finance, investment funds, and depositary, with many years of experience in the largest banks in the country.■

2022: active participation in the Baltic startup ecosystem and 3 carefully selected investments

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Matas Jakubėlis
Head of "Orion Ventures"

In 2022 "Orion Ventures" actively participated in the startup ecosystem of all three Baltic states: by joining the Latvian Business Angels Network "LatBAN" and the Estonian Business Angels Network "EstBAN". These associations allow us to reach startups in neighboring countries and expand our cooperation opportunities with foreign venture capital funds and business angels. Over this year "Orion Ventures" continued to explore investment opportunities in Lithuania and joined the "ColInvest Capital" venture capital fund in order to discover joint investment synergies with Lithuanian business angels. Throughout 2022, "Orion Ventures" evaluated more than 100 potential companies from all over Europe. After carefully analyzing the potential growth of various startups, we selected three favorites and invested in them.

The first of them, "Leafood" - one of the largest vertical farms in Europe. "Leafood" provides vertical farming services based on advanced technology solutions to ensure a reliable supply of sustainably grown leafy greens. This company attracted our attention because of its strong team with multiple years of experience in vertical farming and the wholesale sector, a technological solution offered to grow over a ton of greens a day, and commercial contracts that ensure growing future income.

The second investment was in "Inbalance grid", a company that develops smart charging stations for electric cars, which optimizes electricity consumption and meets the growing demand for charging stations without the need to change the existing electrical infrastructure in the city. Considering the fact that sales of the cars with internal combustion engines will be banned from 2035, the number of electric cars in Lithuania and throughout Europe will continue to grow. This growth and the changing behaviour of consumers is a strong advantage for "Inbalance grid". In other words, the company is solving a pressing problem by developing the charging infrastructure for electric cars that society needs.

Last but not least, "Orion Ventures" invested in the Estonian startup "EyeVi", which offers an on-demand mapping technology for cost-effective and fast high-precision geodata collection and processing. We invested in this company because "EyeVi" offers a unique solution based on artificial intelligence and lidar technology to sustainably maintain road infrastructure. In addition to that, one of the advantages of this company is a commercial contract with "Google".

In recent years, artificial intelligence, space technology, electric and self-driving cars, and deep technology companies have been receiving more and

more investments. Across Europe, investments in the medical technology, and biotechnology sectors have intensified since the Covid-19 pandemic. We predict that these areas will receive even more venture capital investments in the next few years, therefore, we are actively scouting for startups that are developing technologies in the listed areas. ■

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#start-up



W Invest – members club for women investors



From the left: Viktorija Valantiejiūtė and Deimantė Zakarauskaitė – “W invest” initiative organisers

Women for women about investing

That's right: women invest DIFFERENTLY. Research shows that men are more prone to speculative investing. They like higher-risk products that often offer the potential for higher returns.

Women, meanwhile, tend to opt for a longer investment horizon and focus on overall long-term returns. They are more concerned with understanding all the possible risks and having a way out of an adverse event.

Often, low-risk tolerance is beneficial in long-term investments. Therefore, when it comes to investment management, women are really ahead of men.

Did you know that women reach 0.81 percent in three years of investing higher returns than men? So by investing for 30 years, women would get 25 percent by the end of the term larger portfolio than men.■



women_invest

Statement of comprehensive income

	2022	2021
Income from services and commission fees	5.061.139	4.518.995
Costs of services and commission fees	(1.071.119)	(794.140)
Net income from services and commission fees	3.990.020	3.724.855
Interest income	94.248	100.901
Interest expense	(102.168)	(101.543)
Net interest income	(7.920)	(642)
Net profit (loss) of trade in securities and derivatives and transactions in foreign currency	39.742	119.273
Change in impairments and other provisions	(3.920)	303
Personnel expenses	(1.867.506)	(1.283.802)
Depreciation and amortisation	(70.649)	(36.529)
Administrative expenses	(1.038.117)	(1.048.100)
Other income (expenses)	–	–
Profit (loss) before taxation	1.041.650	1.475.358
Income tax benefit (expenses)	(138.083)	(155.265)
Net profit (loss)	903.567	1.320.093
Other comprehensive income, net of taxes	–	–
Total annual comprehensive income, net of taxes	903.567	1.320.093

Statement of financial position

	December 31 2022	December 31 2021
ASSETS		
Non-current assets		
Non-current intangible assets	6.273	3.508
Non-current tangible assets	207.696	256.380
Deferred income tax assets	8.058	7.495
Other non-current financial assets	212 550	56 939
Total non-current assets	434.577	324.322
CURRENT ASSETS		
Loans	227.768	544.754
Derivative financial instruments	3.983	–
Securities measured at fair value through profit (loss)	806.728	1.280.306
Trade receivables and prepayments	1.420.590	905.469
Other current assets	149.919	98.417
Cash and cash equivalents	1.046.066	867.211
Total current assets	3.655.054	3.696.157
TOTAL ASSETS	4.089.631	4.020.479
LIABILITIES AND EQUITY		
Share capital	1.592.654	1.592.654
Legal reserve	159.292	159.292
Retained result	930.124	1.326.557
Total equity	2.682.070	3.078.503
NON-CURRENT LIABILITIES		
Lease (finance lease) liabilities	113.667	139.106
Total non-current liabilities	113.667	139.106
CURRENT LIABILITIES		
Loans received	766.732	320.034
Derivative financial instruments	–	–
Other financial liabilities	13.400	32.696
Trade debts	139.024	79.455
Payroll liabilities	305.993	180.038
Income tax payable	–	95.418
Other current liabilities	68.745	95.229
Total current liabilities	1.293.894	802.870
TOTAL EQUITY AND LIABILITIES	4.089.631	4.020.479

Report on the audit of the financial statements

Opinion

We have audited the financial statements of UAB FMJ Orion Securities (hereinafter – „the Company“), which comprise the statement of financial position as at 31 December 2022, the statement of profit (loss) and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and the notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the

Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Each audit matter and our respective response are described below.

The key audit matter

Our response to the audit matter

Recognition of service and commission revenue

The Company provides 3 main types of services: brokerage in capital markets, corporate finance, and private and investment banking. Other services (market making, financial instrument accounting and custody) make up a small part of the Company’s revenue.

The Company’s revenue is accounted for by issuing invoices or charging directly from the customer’s accounts according to the contractual commissions and other fees rates.

The Company’s service and commission revenue in 2022 amounted to EUR 5.06 million. Significant changes related to transaction volumes, applicable commission rates and other fees could have a significant impact on the financial performance of the Company for the reporting year. Due to the significance of this amount, we consider this area to be a key audit matter.

Among others, we have performed the following audit procedures:
We have performed detailed tests and reviewed received third-party approvals for revenue accounted for by issuing invoices to customers or by contracts.

We have performed control and detailed tests for revenue accounted for after a transaction, and for which payment is deducted directly from the client’s account (according to the rates set by the Company, which are also provided for in the contract with the client).

We have checked the control procedures related to performed transactions:
• We have selected certain revenue records in the accounting system, and compared them with the details in the Company’s system, where transactions are recorded.

- We have compared selected transactions with transactions in the banking systems via which these transactions were formed (transaction date, amount, type).
- We have checked whether the commission charged for relevant transactions corresponds to the rates applied by the Company.
- We have tested the control of confirmation of completed transactions – checked selected transactions with confirming signatures and orders, reviewed orders made by clients via telephone calls/received confirmations regarding transactions, etc.

Other information

The other information comprises the information included in the Company’s annual report, but does not include the financial statements and our auditor’s report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon, except as specified below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In addition, our responsibility is to consider whether information included in the Company’s annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and whether annual report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of the financial statements, in our opinion, in all material respects:
• The financial information presented in the Company’s annual report is consistent with the financial statements; and
• The Company’s annual report has been prepared in accordance with the requirements of the Law on Reporting by Undertakings of the Republic of Lithuania.

Responsibilities of Management and Those Charged with Governance for Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements
Under the decision of the general shareholders’ meeting on 14 April 2022 we were appointed to audit the Company’s financial statements. Our appointment to audit the Company’s financial statements was approved by the decision of the general shareholders’ meeting for 2 years, and the total uninterrupted period of engagement is 5 years.

We confirm that our audit opinion expressed in the Opinion section of our report is consistent with the audit report for the financial statements presented to the Company and its management board.

We confirm that to the best of our knowledge and belief, services provided to the Company are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

In the course of audit, we have not provided any other services except for audit of the financial statements.

The audit engagement partner for this independent auditor’s report is Romanas Skrebnyskis.

Auditor
Romanas Skrebnyskis | Auditor certificate No. 000471
ROSK Consulting UAB | Audit company certificate No. 001514
Vilnius, Lithuania | 27 March 2023

General information

UAB FMĮ Orion Securities (hereinafter - the Company) is a private limited liability company registered in the Republic of Lithuania. Its registered office address is:

Antano Tumėno str. 4,
Vilnius, Lithuania.

The Company provides financial brokerage services, including the following four main groups of services: security contract brokerage, corporate finance, market making and asset management services. The Company began operating on 12 August 1993.

On 31 December 2022 and 2021, the Company’s shareholders were as follows:

	31 December 2022		31 December 2021	
	Number of shares held	Percentage	Number of shares held	Percentage
Orion Managing Partners B.V	55.008	70,01 %	55.008	70,01 %
(Registered office address: Minderbroederssingel 11 6041 KG, Roermond, The Netherlands Legal entity code: 856097378)				
UAB Suprema LT	15.714	20 %	15.714	20 %
(Registered office address: S. Fino str. 6-3, Vilnius, Lithuania Legal entity code: 304135030)				
Mindaugas Strėlis	7.850	9,99 %	7.850	9,99 %
Total	78.572	100 %	78.572	100 %

All shares whose nominal value per each is 20.27 euros are ordinary and were fully paid as of 31 December 2022 and 2021. Authorised share capital remained unchanged in 2022 and 2021. The Company did not acquire its own shares.

In 2022, the Company had an average of 33 employees in Lithuania (27 employees in 2021).

The management of the Company approved these financial statements on 27 March 2023; the shareholders may approve or not approve these annual financial statements and may ask the management to prepare new financial statements.

UAB FMĮ Orion Securities operates under category A financial brokerage firm license No A106, issued on 6 September 2007 by Resolution No 2K-268 of the Securities Commission of the Republic of Lithuania. Category A license grants the Company the right to

provide the following investment services:

- Accept and transfer orders;
- Execute orders at the expense of clients;
- Execute transactions at its own expense;
- Manage portfolios of financial instruments;
- Provide recommendations on investment;
- Offer financial instruments with the obligation to distribute them;
- Offer financial instruments without the obligation to distribute them.

The Company is providing the following additional services:

- Distributes units of investment funds;
- Secures, accounts for and manages financial instruments;
- Grants loans intended to allow the client to carry out transactions with financial instruments, if the grantor is associated with these transactions;
- Carries out an analysis and evaluation of companies.

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