Annual Review
2023

Taking care of investors' financial well-being since 1993

ORION 30
SERVING INVESTORS
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CAPITAL MARKETS | INVESTMENT BANKING

CEO: The world & Lithuania in 2023

In 2023, the global economy faced a challenging environment marked by continued recovery efforts from the COVID-19 pandemic, inflationary pressures and geopolitical tensions. Central banks, especially the European Central Bank (ECB) and the US Federal Reserve Bank (FED), have played a crucial role in attempts to stabilise economies and control inflation through monetary policy measures (raising base interest rates).

In response to the prolonged inflation in the Eurozone, the ECB raised the base interest rates 6 times from 2.5 % to 4.5 %. The ECB's actions were aimed at tightening the monetary conditions by reducing excessive demand and returning inflation to 2 % over the medium term. The US Federal Reserve Bank raised the base interest rates 4 times from 4.5 % to 5.5 % in 2023.

Under the influence of the strict monetary policy of the central banks, the inflation decreased consistently in 2023, but still remained above the target of 2 %. Like in the USA, the inflation reached 3.4 % in the European Union and 2.9 % in the Eurozone at the end of the year. The rate of inflation decline was significant enough, thus the central banks took a pause in raising interest rates at the end of the year already leading to speculations in November that we would see the first reductions in base interest rates in Europe and the USA as soon as March 2024.

The situation in Lithuania

Lithuania continued to focus on security issues, especially in light of the ongoing war in Ukraine. This was reflected in higher defence spending and close cooperation with partner states, the importance of this connection being symbolically marked at the NATO summit held in Vilnius in July.

Strengthening the state's defence capabilities and expansion of the country's defence potential have remained among the most important tasks of Lithuania. More than 2 billion euros (2.52 % of GDP) was allocated to the defence of Lithuania in 2023. It is predicted that in 2024 Lithuania's defence spending will reach 2.35 billion Euros, or 2.75 % of GDP. Although last year's fund growth was covered only by a temporary bank solidarity levy, there was increasing discussion about the idea of developing defence bonds.

The Lithuanian economy remained sluggish in 2023. Despite the initial forecasts of a small growth, the GDP of Lithuania shrank by 0.3 % during the year and amounted to 72.1 billion Euros. The economic activity was mostly reduced by the drop in industrial production. The situation is worsened by deteriorating external ➔

demand, especially from the main trading partners in Europe, increased interest rates, and a decrease in temporary orders.

It is worth noting that the inflationary pressure is weakening after the decrease in the prices of energy and raw materials, the disappearance of supply disruptions and the application of a strict monetary policy: after reaching a record high level - almost 19 % - in the first half of the year, inflation declined at the end of the year and finally settled at 8.7 %. However, the increased interest burden depressed private consumption and prevented businesses from investing more in development. On the other hand, infrastructure projects and government initiatives to promote fixed growth have helped maintain the pulse of capital investment.

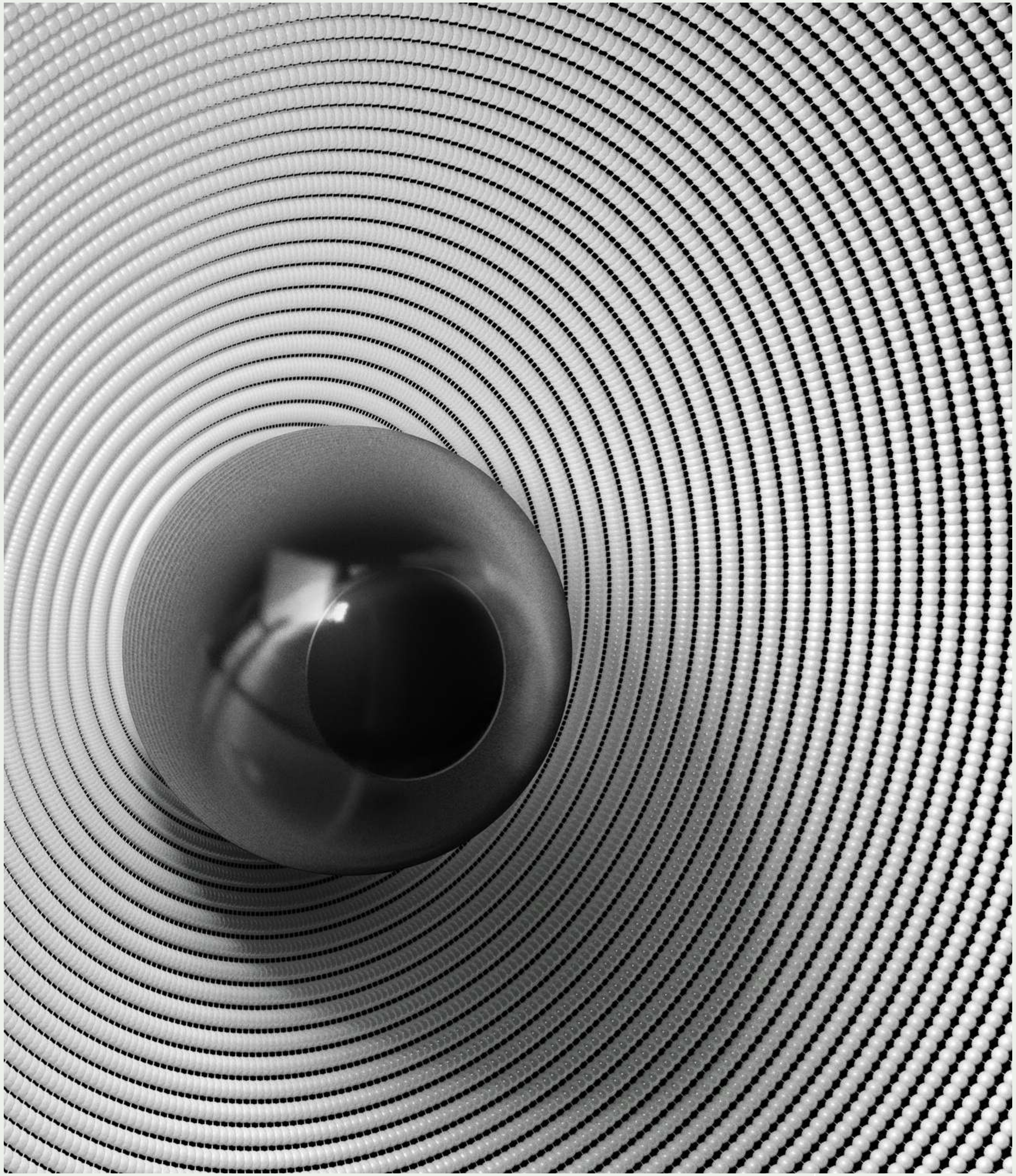
The labour market was stable throughout the year, with unemployment remaining low and wage growth outpacing inflation, providing some support to domestic consumption. Lithuania continued to be characterised by a competitive business environment, a favourable tax procedure, and a qualified workforce, which attracted foreign investments.

The situation in the capital markets

Year 2023 was significantly better for markets than it could have been expected at the end of 2022. Most market participants expected the year to end with a minor positive change, but the escalation of the topic of artificial intelligence became the axis driving the majority of the market news.

Regional banks in the USA faced liquidity problems in March 2023, when the base interest rates increased and the prices of fixed bonds dropped accordingly, the banks faced significant losses, which led to a massive flight of capital from regional banks to large banks, thereby further deepening the already difficult situation of these banks. Within weeks, "Silicon Valley Bank", "Signature Bank", and "First Republic Bank" went bankrupt. The US Federal Reserve Bank saved from systematic problems by announcing that banks facing liquidity problems would be able to buy their bonds at par value, and this was followed by the announcement that the FED would bail out all banks. Although the mentioned news were denied / specified that only systemically important banks would be bailed out, this was enough to stabilise the market and the situation of regional banks.

The topic of artificial intelligence revolved around the whole year 2023. The largest share returns were generated by companies related to or developing this technology in one way or another. "Nvidia" rose by 239 %, "Meta Platforms" by 194 %, "Alphabet" by 59 %, "Microsoft" by 57 %. The SnP 500 index rose by 24.8 % during the year, Nasdaq 100 by almost 54 %. In comparison, the OMX Baltic Stock Exchange index rose by 4.48 % during the year. ➔



The Chinese market, which inspired high hopes at the beginning of 2023, did not live up to expectations. Although China did not have the inflationary problems of the western world and could stimulate the markets instead of restricting the economy, the stimulus did not work. Domestic consumption is relatively weak, the real estate sector has stalled and foreign capital has withdrawn from the Chinese market for the first time in 20 years, with the CSI 300 index down by 11.4 % within the year.

Forecasts for year 2024

Lithuania's economy is expected to grow in 2024. This is based on the increasing purchasing power of the population, expected higher investments, and more favourable conditions in foreign trade partner countries. The Eurozone, which is Lithuania's main export market, shows signs of stabilisation. The highest growth of economic activity in 7 months was recorded in this region in December 2023. In addition, the improving situation in the industrial sector is indicated by the decreasing level of inventories in Germany. This is a good sign for export-oriented Lithuanian companies.
Furthermore, the outlook for domestic demand is also positive, with real revenue starting to rise and growing EU support flows in 2024 will lead to faster economic development. Wages are expected to increase at a significantly faster pace (+7 %) compared to inflation (+1.7 %) in 2024. This increase in purchasing power will stimulate domestic consumption, further contributing to the overall growth of Lithuania's economy. It is predicted that the real GDP of Lithuania will increase by about 2 percent compared to 2023, but the possibility of faster growth is not ruled out.
Most major central banks are expected to move from restrictive to looser monetary policies, which will have a significant impact on financial market returns in 2024. A continuation of the global equity bull market with more significant volatility, a rally in bond prices, and a low probability of a severe global recession are expected. Tactical allocations are seen in emerging markets, while European stocks are likely to face risks from a potential economic slowdown.
The European region faces the risk of an economic slowdown and a higher probability of a recession than other regions, but the ECB's changing policy towards less austerity will affect the capital markets. With the recession out of the way, we are likely to see a stronger increase in stock prices. We prioritise cyclical stocks as well as growth stocks over value stocks. Interest rate reductions should have a positive effect on the bond market and as a potential safety net in a recession.

At the moment, the US economy looks stronger than other regions. It is likely that the FED will start reducing the base interest rates in the middle of the year, which will provide additional strength to the capital markets. 2024 is the presidential election year in the USA. Historically, when there was a change of president, the market ended the year positively together with the outgoing president, and the following year, when the new one was in charge of the White House, the markets used to reach the bottom in May, and the strongest rise in stock prices used to be in June - August. It is likely that the history would repeat itself this year, and the FED's plan to start cutting interest rates in June would not disturb the markets. The US markets, like other regions, are expected to experience periods of higher volatility.■

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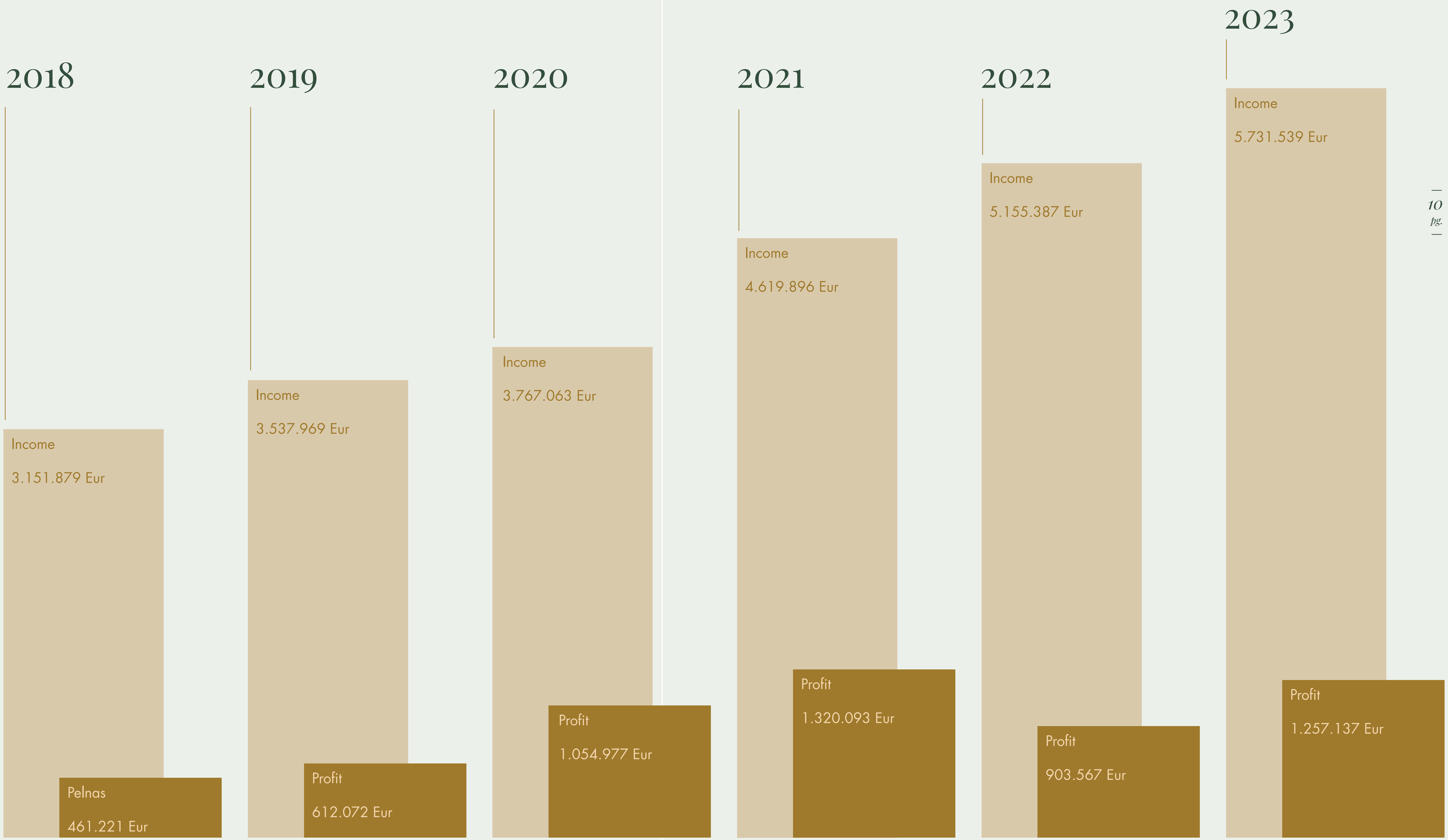


Our results

Since 1993	One of the longest-running independent investment banking companies in Lithuania
1,789 billion Eur	The value of Investor assets and securities managed, held and administered in 2023
150+ million Eur	M&A project value
250+ million Eur	Capital raised for businesses
7	Number of Lithuanian companies we helped with initial public offering.
1,18 billion Eur	Annual trading turnover of the capital markets department
12 funds	12 successfully distributed funds with a total amount exceeding 28 million Eur
500+	Issuers accounting services provided to more than 500 Lithuanian companies

Our clients

Our Services

Investment banking

Edita Klegerytė
Head of investment banking
Vilnius region

Simona Mazeliauskienė
Head of investment banking
Kaunas region

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.

1,789 billion Eur

Investor assets under management and value of securities in 2023.

Capital markets

Mantvidas Žėkas
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.

1,18 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

ORION CAPITAL MARKETS | INVESTMENT BANKING
MEMBER OF: Pandea Global M&A

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.

150+ million Eur

M&A project value

250+ million Eur

Capital raised

Issuers accounting

Justina Nedzinskaitė
Head of Finance Department

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 smooth settlement of securities;
- 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 mandatory purchase of shares from minority shareholders and other related services.

Market making
- Trading in shares on the Baltic and Warsaw stock exchanges;
- The service is provided to 6 companies.

500+ businesses

We provide issuers accounting services for more than 500 Lithuanian companies.

Depositary

Asta Garbulytė
Head of Depository

DEPOSITARY 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.

358 million Eur

358 million EUR asset value of supervised funds.

4 management companies;
40 funds

Providing depositary services for four management companies and twenty funds.

Our Insights

Cross-border M&A activity overview

„Orion" Corporate finance and M&A team:

Mykantas Urba
Head of Corporate Finance

Aurelijus Rimkus
Head of Corporate Clients

Simas Žirgulis
Senior Associate

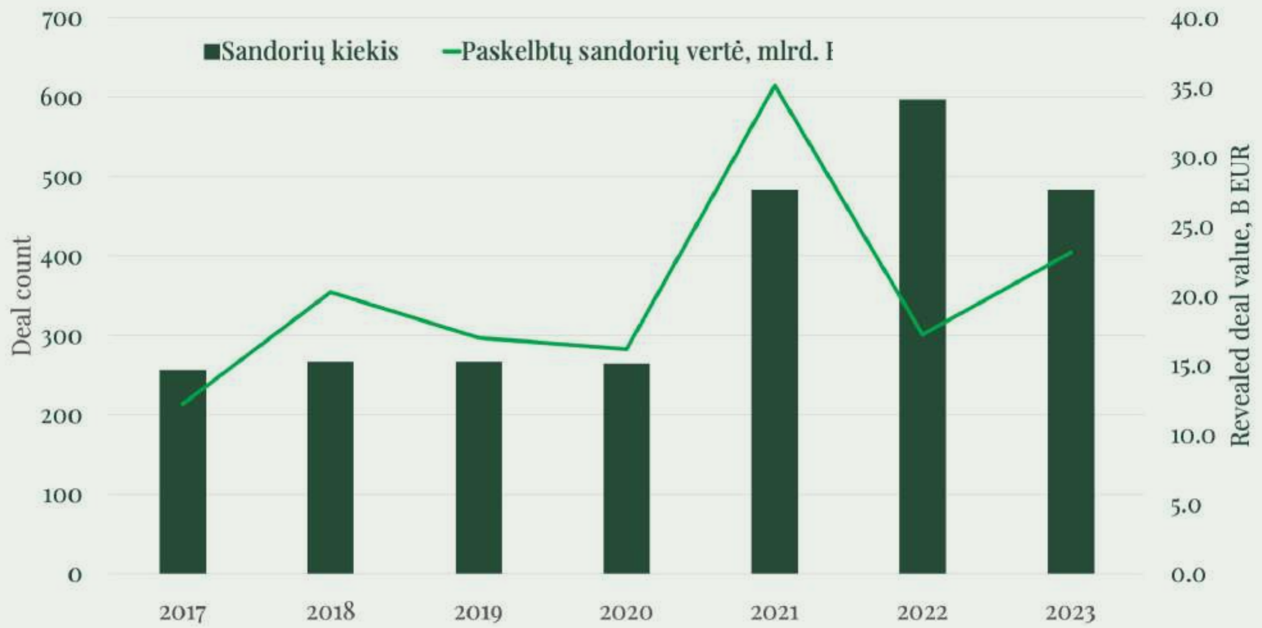
Matas Čipkus
Associate

Erikas Šveistys
Associate

Matas Jakubėlis
Associate

Orion Securities M&A team looks at the cross-border transactions activity in the slowing global M&A market, which has seen a second consecutive year of declining transaction volumes and values.

The global M&A market declined by 16% in both transaction volumes and values, with Western Europe recording an 11% decline in transaction volumes and 27% decline in values respectively, and Central and Eastern Europe (CEE) showing a 15% contraction in both deal volumes and values compared to last year. However, cross-border transactions remained an important part of the M&A market. Companies and investors looked beyond their home ➔



countries for growth opportunities to diversify or optimize their operations.

Growing cross-border transaction activity in the CEE region

The CEE region, which includes the Baltic States, was the only region in the world where the value of cross-border transactions increased in the last 12 months. The total value of transactions disclosed in 2023 was EUR 23.1 billion and that is up by 36% from a year ago. Despite a 19% drop in the volume of transactions to 483, this is the third highest number of transactions since 2007. In addition to that the CEE region in 2023 as many as 62% of the transactions had a buyer from outside the CEE region.

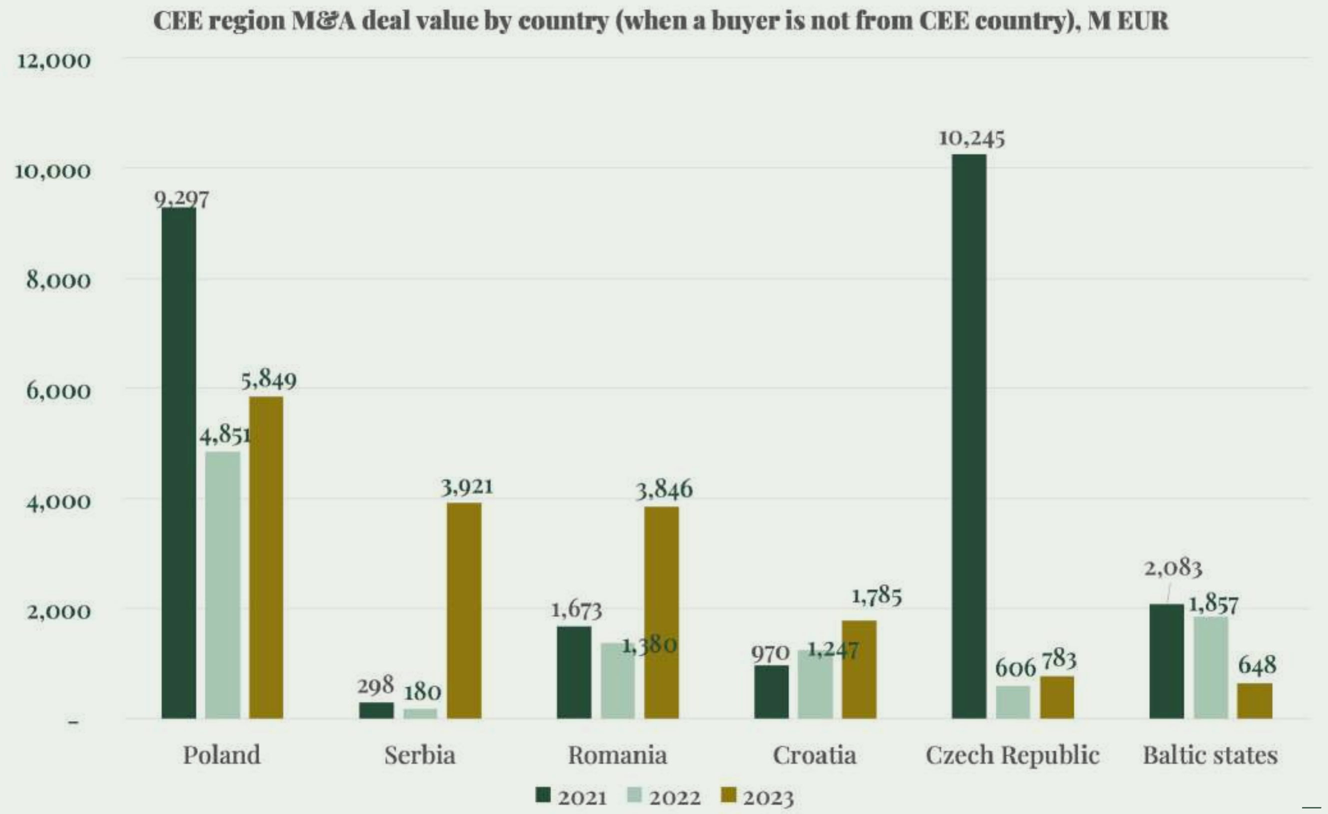
In 2023 the CEE region had the highest number of M&A transactions by German buyers, but their total announced transaction value was only the tenth highest. Investors from the US expanded their activities with 65 acquisitions in the CEE region, which is equal to the second highest deal volume, but the US is the first in terms of total disclosed deal value, with a total deal value of almost EUR 4 billion. This means that M&A deals by American investors in the region were larger, although they were outnumbered by the one made by German investors.

Most of the value of transactions by American investors came from acquisitions by private equity funds. One such example is the acquisition of the Czech optical manufacturer Meopta - Optika by the Carlyle Group, the world's second largest private equity firm, for EUR 700 million.

The role of the United Kingdom (UK) in cross-border M&A in the CEE region is notable for the 56 transactions completed and the fifth largest value of deals announced. UK-based Halma's acquisition of Sewertronics, a Polish provider

Country	Number of deals
Germany	77
USA	65
United Kingdom	56
France	42
Switzerland	27

Country	Value of deals, M EUR
USA	3,980
Netherlands	3,235
UAE	2,500
Japan	1,629
United Kingdom	1,611



of wastewater pipe rehabilitation solutions, was worth EUR 59 million.

Foreign (non-CEE) investors were most interested in the Polish, Serbian, Romanian, Croatian and Czech markets this year, with all of them showing year-on-year growth in annual announced deal values. Although deal volumes were lower than in 2021 and 2022, looking at the longer term, in almost all countries in the CEE region, these would be the historic highs.

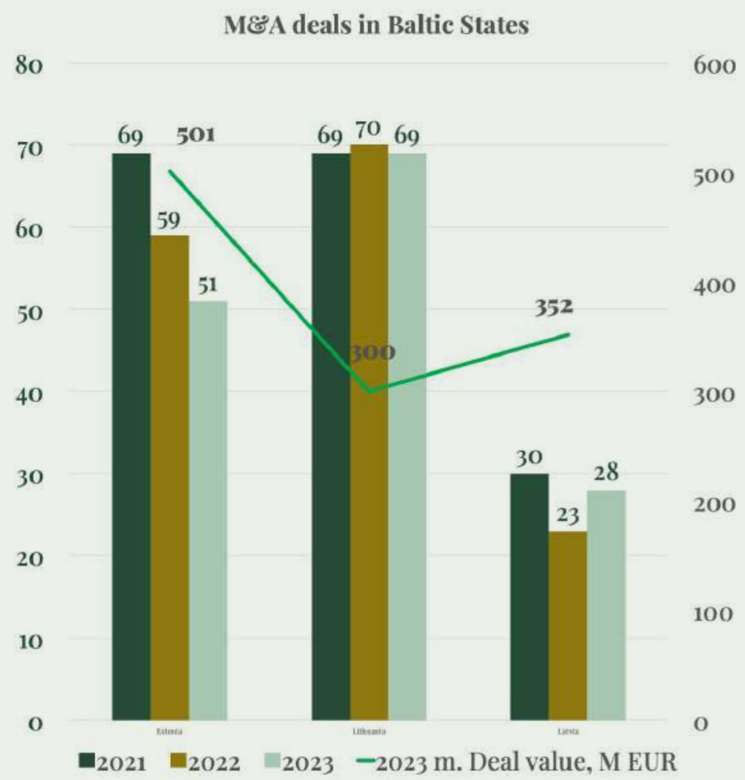
As in the previous year, foreign (non-CEE) investors focused on acquisitions of Polish companies, and that was reflected in both the volume and value of transactions. Given the size of this market and the M&A activity in neighboring Germany, this seems natural.

Somewhat more surprising are the Balkan countries that attracted the attention of foreign investors such as Serbia and Croatia, which adopted the euro in 2023. There are also several reasons for foreign investors' interest in the Romanian market, but these are largely due to cheaper labor than in other EU countries, a strong manufacturing base, favorable GDP forecasts and EU support programmes.

In this context, the Baltic countries stood out in a negative sense. Unlike many other CEE countries, the value of cross-border transactions in the Baltic States declined for the third consecutive year, suggesting that the attention of non-CEE investors to Baltic companies has weakened.

The situation in the Baltics: values retreated

In the Baltic M&A market Lithuania stands out for the consistency of its deal volume, which has remained almost constant over the last three years and is the highest compared to Estonia and Latvia. In contrast to Lithuania, the number of transactions in Estonia has been decreasing every year from 69 deals in 2021 to 51 deals in 2023, while the value of announced deals has dropped over 3.5 times, from EUR 1.75 billion to EUR 501 million. The Estonian figures are at least partly affected by the ➔



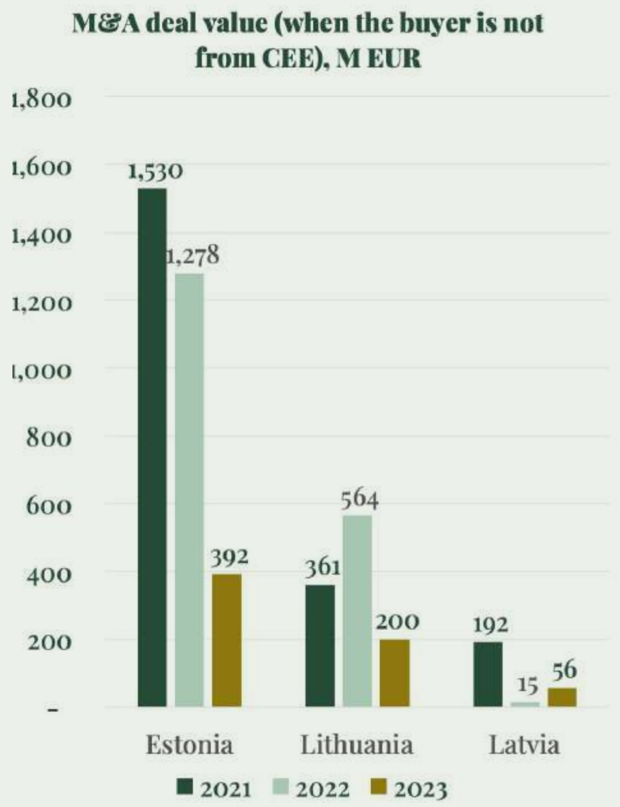
lower intensity of start-up funding, with Bolt alone adding EUR 628 million to the Estonian statistics in 2022.

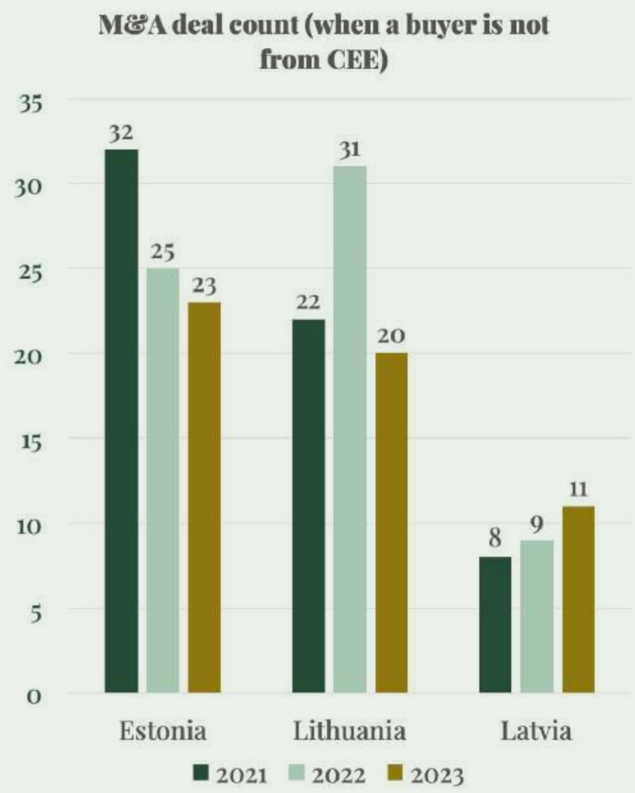
In neighboring Latvia the total value of M&A deals in 2023 was the highest in the last three years and was higher than in Lithuania, although the latter announced more than twice as many completed deals in the same year. Thus, while fewer deals were completed in Latvia, they were larger than in Lithuania. One example is the management buy-out transaction in Latvia, in which the management of Latvijas Gaze acquired a 28.97% share package from the Luxembourg investment fund Marguerite Gas II. The transaction amounted to EUR 111 million.

Looking only at cross-border M&A statistics, where the buyer of the company is from outside the CEE region, both Lithuanian and Estonian deals are declining. Looking at the last three years, 2023 saw the lowest number of deals of this type: 23 deals in Estonia, 20 in Lithuania and 11 in Latvia. The same trend is also visible in the annual values of M&A transactions. In Estonia, the value of this type of deals has decreased almost 4-fold over the same period, in Lithuania almost 3-fold, but of the 10 largest deals in the Baltic region, foreign investors (from outside the Baltics) have been involved in as many as 6 of them. One example is the acquisition of Estonian micro-connector manufacturer Höhle for EUR 39 million by Irish-American automotive technology supplier Aptiv.

"There are at least several reasons for the slowdown in the global and Baltic M&A market in recent years. Persistent geopolitical threats, high inflation rates and a high interest rate, which make it difficult to finance deals and get buyers and sellers to agree on the value of a company, more complex deal structures and more detailed due diligence than usual, have prolonged or even terminated the process of selling a company", comments Erikas Šveistys, Associate at Corporate Finance department at Orion Securities.

As in previous years large start-ups were the ones with the largest deals and the attention of international investors. In 2023 the technology and energy sectors stood out with three significant deals: the acquisition of a 3.33% shareholding of cybersecurity company NordVPN by investment group Warburg Pincus for EUR 95 million, the raising of an EUR 85 million investment for the company PVcase developing software for solar power plants, and the raising of a EUR 108 million investment for Estonian energy start-up Elcogen within two rounds of investment.
Growing interest of Lithuanian investors in acquisitions abroad
Lithuanian businesses and investors have also been looking for acquisition opportunities abroad with several high-profile deals: the Lithuanian start-up PVcase acquired Anderson





Optimization, a solar power plant siting platform in the US, and the Lithuanian hi-tech and laser optics company Altechna, managed by the Lithuanian venture capital fund LitCapital, acquired the US-based company Alpine Research Optics. In 2022, a similar achievement was recorded by Oxylabs, a public data collection solutions company, which acquired Webshare Software Company in Silicon Valley, USA, providing similar services.

"Recently, we can observe a growing interest of Lithuanian investors and companies in acquisitions abroad. While earlier the expansion was more focused on neighboring countries, today the ambitions are much more global and there are more and more bold moves to all European markets or even the US. These acquisitions are often aimed at entering large and mature markets that are difficult to reach organically, as well as at introducing high value-added products, services or technological solutions to their product portfolio". says Simonas Žirgulis, Senior Project Manager, Corporate Finance at Orion Securities.
With inflation rates falling in Europe and Central Banks' plans to gradually start lowering interest rates already this year, 2024 could be expected to see both stronger foreign investor involvement in CEE or the Baltics as well as a general upturn in the M&A market after the slower pace of recent years.

The market will actively monitor potential sales process of Luminor bank and Eco Baltia, one of the largest environmental management and recycling companies in the Baltics, as well as the airBaltic IPO planned for the second half of 2024. Despite the improvement in economic conditions, the tense geopolitical situation in the region, which is likely to remain a limiting factor for foreign investors looking to invest here, is encouraging foreign investors to refrain from excessive optimism.■

How do management buy-outs open up opportunities for both business owners and management?

Experts at Orion Securities, an investment banking firm with more than 30 years of experience in M&A, review the specifics of management buy-outs (MBOs), which are rarely analyzed in Lithuania. This article addresses the questions of how to implement these types of transactions, what opportunities do they open up, and why the number of MBOs is growing rapidly?

MBO transactions take place when management acquires a majority or full shareholding from an owners of a business. Usually, financial partners or investors are attracted to raise capital needed to complete a transaction.

What determines the growing number of MBOs both globally and in Lithuania?
Statistics show that both globally and in Europe the number of MBO transactions is increasing in a period of heightened economic uncertainty. "In recent years with the prevailing mood of geopolitical and economic imbalance, we have seen an increase in such transactions in Lithuania as well." says Mykantas Urba, Head of corporate finance at Orion Securities.

It's great when a business can be grown and handed over from one generation to the next, however, it is not always the case that family members want or are able to take over and develop a business further. Thus often business owners are forced consider the sell of the company.

"Many of Lithuania's big companies were established after the restoration of Lithuania's independence 30 years ago. A lot of those owners have been ready for some time now to hand over their businesses and take advantage of the value they have created over the years. However, it is not always easy to find the right buyer, especially in times of economic uncertainty. In this case MBO transactions open opportunities for shareholders to transfer their business to trustworthy hands and to maintain the confidentiality of both the company's operations and the sales process itself." says Mykantas Urba.

As Lithuanian businesses grow and the sustainable management practices are being established, the older tendency when the owner of the company is also a CEO has been changing as well. Often the management of the company, that contributed to the creation and development of the business, knows very well the potential of the company, risks, team and other important aspects. This knowledge of the company provides great opportunity to acquire the company, to accept the risks of business development and take advantage of the full financial rewards.

An MBO transaction can be much quicker and smoother than selling a business to third parties
Selling a business is a complex and time consuming process, and the prevailing economic uncertainties often create additional challenges. Increased uncertainty creates more risks that buyers want to protect themselves from.

Erikas Šveistys, the financial analyst at Orion Securities, says "Today we see an increased caution in Lithuania's M&A market. Buyers are carrying out more thorough due dilligence checks, incorporating more risk management mechanisms into contracts and using deferred payment mechanisms. This slightly increases the risk that buyers and sellers will not find a compromise. In the case of an MBO, the management is well versed in the company's operations, the due diligence process is greatly reduced or eliminated, the likelihood of the transaction being completed is greatly increased, and owners selling the business know that they are leaving it behind in safe hands. This can make the transaction between management and shareholders much quicker and smoother than with third parties.

"We've noticed that negotiations between management and shareholders are much more concrete, shorter and more likely to succeed." says Mykantas Urba. It is therefore not surprising that Lithuania is now also seeing an increase in these type of transactions.

MBO financing options
Despite the fact that MBOs make negotiations between buyers and sellers much easier, there is often a financing problem. Quite often the company's management does not have the necessary funds to acquire the company. However, this does not detract from the rapidly growing number of such transactions, as MBOs are financed by a wide range of investors, including major banks as well as Baltic and Polish private debt funds. In addition, with the help of advisers, it is also possible to borrow by issuing bonds for example.

"We find that major banks in Lithuania are willing to finance MBO transactions and often can offer around 50% of the financing needed. At the same time, rising interest rates and geopolitical and economic uncertainty have led to a surge in private debt fund activity. "Among private investors, we see an increased interest in private debt products compared to equity investments. Current environment allows management to attract around 70-80% (and sometimes more) of the financing needed to complete the transaction." says Mykantas Urba, Head of corporate finance at Orion Securities.

Of course, a company's financial performance and creditworthiness are also important for financing a transaction. It is recommeneded to use financial advisors who can help manage the process, advise on the structure of the financing and help you find the right financing partners.

To sum up, in the current period of economic and geopolitical uncertainty, an increase in MBO transactions is natural. It allows to satisfy the interests of both shareholders and a management of a company, and to implement the process of acquisition or sale much faster. The high interest rate market offers a large pool of financiers willing to provide financing for MBO transactions.■

M&A trends in Lithuanian healthcare sector: the market is consolidating, but still lags behind European standards

The team of Orion Securities, an investment banking firm that has been advising on M&A transactions for more than 30 years, looks at the current M&A trends in our country's healthcare sector.

Record M&A activity in the global medical sector

M&A activity in the healthcare sector remained high in 2022, with one of the highest transaction volumes in Europe in the last five years, reaching 300 transactions, leaving behind only the exceptionally successful year for the whole M&A market in 2021. A similar situation was also seen in the US, where, in the pandemic years of 2021 and 2022, the record levels of deal value and transaction volumes in the healthcare sector were seen. On both sides of the Atlantic, transaction activity has been driven by private equity funds that see the potential of healthcare clinics. In Lithuania consolidation in the healthcare sector started only a few years ago and still has a lot of potential for growth. Why is it worthy to consolidate?

High levels of consolidation - a sign of a mature industry

Normally, a high level of consolidation is a sign of a mature industry. As the organic growth of individual companies slows down, attempts are made to increase efficiency by exploiting economies of

Source: Bain & Company. Global Healthcare Private Equity and M&A Report

scale and realizing synergies through mergers and acquisitions. In the medical sector, the merger of individual healthcare clinics, in addition to the above-mentioned advantages, helps to increase the accessibility of services to the patients, gives more flexibility to doctors and allows sharing information and knowledge more efficiently.

"Health sector consolidation is not a new phenomenon in the world. There was active consolidation before the financial crisis of 2007-08, and the market has taken more than a decade to recover. Global transaction values and volumes only returned to pre-crisis levels in 2018-19, although there has been a gradual increase in activity since 2015," says Mykantas Urba, head of corporate finance at Orion Securities.

"Consolidation of the health sector is taking place differently in different countries. The pace of consolidation is influenced by both macroeconomic factors and specific decisions of national governments. In the US, for example, healthcare consolidation has been driven by the Affordable Care Act, better known as Obamacare. As a result, consolidation in the US medical sector has started earlier, while European countries are catching up." says Matas Jakubėlis, financial analyst at Orion Securities.

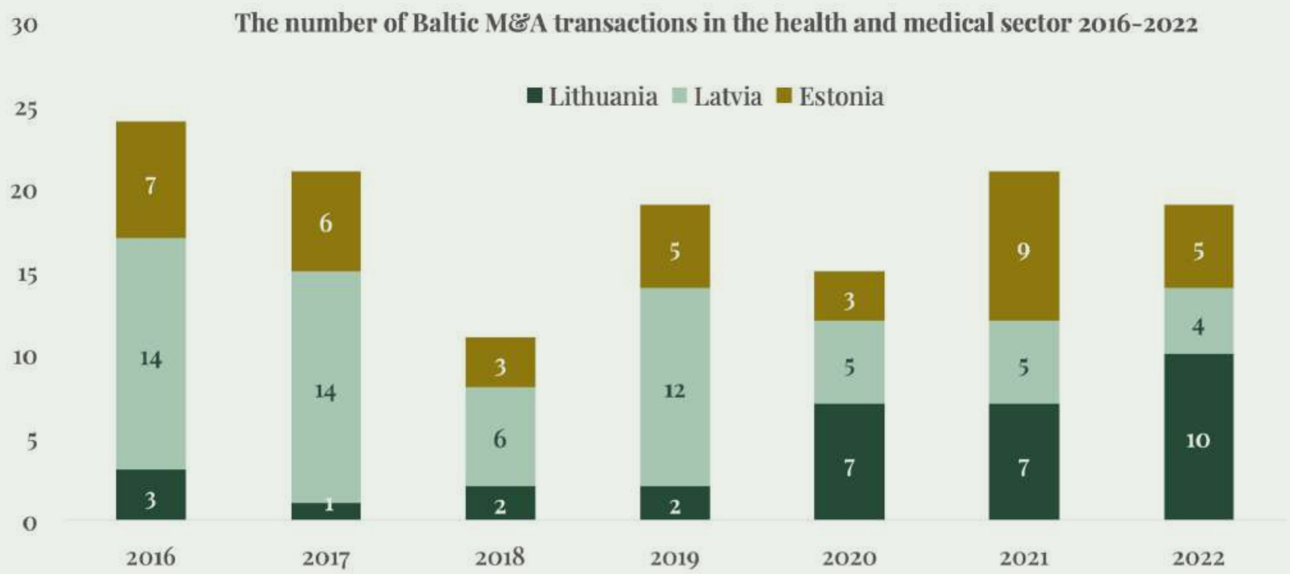
Current situation and prospects

According to financial experts at Orion Securities, most foreign private equity funds take a long-term view of the health sector and are less sensitive to short-term changes in the economic environment.

According to M. Jakubėlis, although inflation and rising interest rates have a negative impact on the consolidation of the medical sector, a change in the general trend or a drastic decrease in activity is not expected.

"The negative impact of lower access to capital has already been seen in the second half of 2022 and expensive borrowing will continue to have a negative impact on the overall M&A market. However, it can be said that the healthcare sector is an exception as it is not cyclical. Demand for the most healthcare services remains stable during recessions as well and demographic trends will increase the need for these services." says M. Jakubėlis.

"Investors see the health sector as still growing strongly and able to generate very attractive returns. In past recessions, acquisitions made by private equity funds in the healthcare sector have generated 30% or even 40% annual returns. Higher interest rates and lower values of companies can be an excellent earning opportunity for investors with a lot of →



liquid assets, and a way for strategic investors to grow faster," says M. Urba.

Consolidation in Lithuania and Europe

In Lithuania, as in the most other European countries and the US, the highest M&A activity was recorded in 2021-2022. By 2020, transaction activity in the health sector in Lithuania lagged not only behind the European average, but also compared to other Baltic countries. The increase in the number of deals and the emergence of private equity investment funds focused on the health sector, such as INVL Baltic Sea Growth Fund managed by Invalda INVL, suggests that consolidation of the health sector in Lithuania will gain acceleration.

"Unlike in Lithuania, in Latvia the active consolidation process started earlier and the sector is now at a later, more advanced stage." says M. Jakubėlis.

It is worth noting that consolidation of healthcare services depends on the medical services provided. In Western countries, certain areas such as ophthalmology, dentistry and dialysis are strongly consolidated. In dentistry, for example, it can be seen that several dominant market players are emerging in certain countries: Zahneins in Germany (with revenues of around EUR 218 million in 2021), which brings together more than 80 dental clinics in the country, Dentalpro in Italy, with 260 owner-operated dental centers in 16 regions of Italy (with revenues of around EUR 258 million in 2021), and Vitaldent in Spain, which has 300 dental centers nationwide. However, it is interesting, that only a few larger groups have so far succeeded in creating cross-border European dental networks in the market: Colosseum (620 dental clinics) and the European Dental Group, backed by Nordic Capital (4,000 dental clinics), so even in this category, we are likely to see more and more consolidation transactions taking place across borders.

In Lithuania, the consolidation of the health sector is being accelerated by the previously mentioned INVL Baltic Sea Growth Fund. Through the InMedica UAB medical clinic network managed by the fund, medical centers and clinics in Panevėžys, Joniškis, Vilnius and Kaunas, as well as dental service centers in Vilnius and Klaipėda were acquired in 2022. In 2023, InMedica continued the consolidation of its dental network and in March acquired Vilnius Implantology Centre Clinic from OP Group. Currently, the InMedica Group manages 71 dental clinics in the Baltic States.

High-quality medical services and skilled professionals are likely to attract in the future more attention not only from local but also from international investors. "We still feel that foreign investors, especially private equity funds, are expressing interest in local companies in the medical sector," says M. Urba.
In conclusion, the process of consolidation of healthcare institutions should continue. A resilient, non-cyclical sector in its early stages of life has lots of opportunities to improve efficiency through mergers and acquisitions.■

M&A trends in the defense and security industry in times of geopolitical instability

Orion Securities M&A team looks at the M&A market in the defense sector, which has been growing for more than a decade and has become even more active in the last few years. Orion team examines the opportunities it presents for Lithuanian investors and companies.

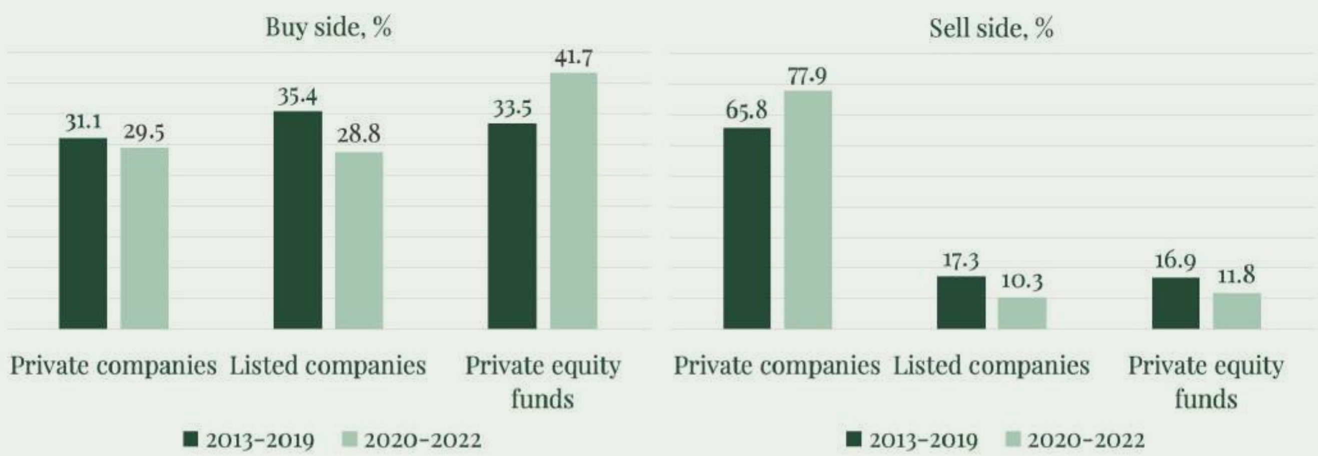
Geopolitical instability, especially since Russia's declaration of war against Ukraine, has led to an increase in national defense budgets, and in the face of the Israeli-Palestinian conflict, defense spending requires even greater attention. These and more geopolitical factors have led to a very high level of M&A transactions in the defense and security industry in 2023.

Increasing the security and defense budgets of NATO countries

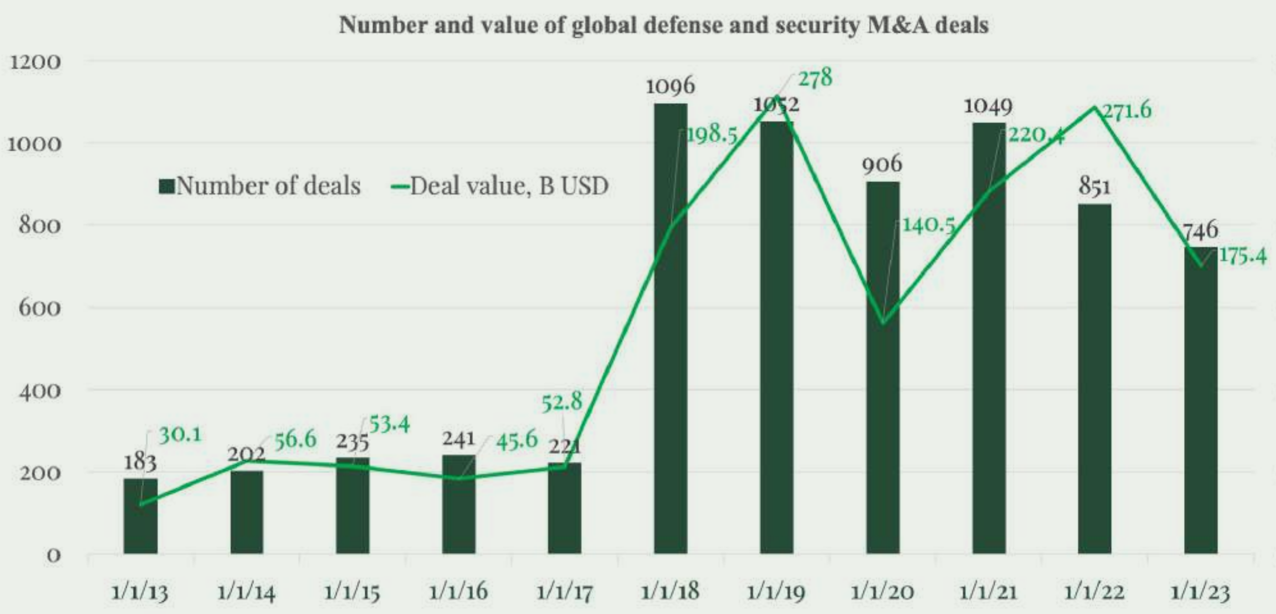
In response to the military conflicts in Ukraine and the Middle East, NATO countries' security and defense budgets are at record highs from 2022. The US defense budget remained one of the largest in the world, reaching $ 877 billion in 2022. Defense and security spending by EU countries in the same year amounted to $ 260.6 billion. This represents a 6% increase compared to 2021.

However, the countries of NATO eastern wing - Poland, Germany and the Baltic States - have recently stood out. Poland has increased defense spending to 4% of GDP in 2023. Meanwhile, Germany has set a 2% of GDP threshold for defense in the same year. Estonia spent 3.21% of GDP on defense, Latvia 2.25% and Lithuania 2.52%.

In the context of rising tensions between NATO and Russia, Lithuania spent around USD 1.73 billion on defense in 2022 and that is a ➔



Source: KPMG International.



Source: Institute for Mergers, Acquisitions, and Alliances ir Mordor Intelligence

27% increase compared to 2021. Lithuanian defense spending is projected to reach USD 2.23 billion in 2024, or 2.71% of GDP.

Private equity funds dominate in the global defense and security M&A market

"We have noticed that the increased importance of the defense sector has been accompanied by increased M&A activity in the security and defense industry." says Matas Jakubėlis, financial analyst at Orion Securities.

"After a quiet period between 2013 and 2017, the global defense M&A market saw a record increase in volume and deal size in 2018, and 2019 has seen even more activity in this market. One of the reasons for the significant growth are increases in defense budgets in major economies around the world, including the US, China and India." says M. Jakubėlis. Due to increasing private equity investments, the volume of M&A deals in the defense sector in 2022 was one of the highest in the last decade.

On the sell side, private companies dominate the market, accounting for 77.9% of all transactions between 2020 and 2022. Meanwhile, private equity funds dominate the buy-side, accounting for 41.7% of all deals between 2020 and 2022.

"Private equity funds often find defense companies as attractive investments because of their predictable cash flows and growth potential. In addition, the close cooperation of security and defense companies with national defense departments has enabled private equity funds to enter the defense sector with less reputational risk." says M. Jakubėlis.

While global defense M&A volume declined last year, it is expected to grow to USD 196.7 billion in 2024 and increase to USD 349.30 billion by 2029.

Increased importance of the defense impacts the pace of consolidation of defense companies

"While the US leads both in terms of defense budgets and the number of M&A deals, after 30 years of gradual consolidation, European defense companies seem ready for a new wave of M&A growth." says M. Jakubėlis.

In the summer of 2023, Rheinmetall, a German supplier of military equipment and systems, completed the purchase of 100% share package of Spanish-owned Expal Systems valued at EUR 1.3 billion. With the acquisition of the Spanish ammunition manufacturer, the company aims to expand its core arms and ammunition business, focusing on increasing spare production capacity and a broader product range.

Thales, a major French producer of defense technology, software and sensors, surprised investors by announcing three acquisitions in a row, including a USD 3.6 billion deal for US cybersecurity group Imperva. This is one of Thales' most significant deals since 2017, when it acquired digital security company Gemalto for EUR 4.8 billion.

Meanwhile, Britain's BAE Systems has announced plans to acquire US aerospace systems supplier Ball Aerospace from Ball Corporation for USD 5.6 billion in cash. Subject to regulatory objections, the transaction is expected to close in the first half of 2024.

The transactions in the US (acquisitions of Aerojet Rocketdyne and Wencor Group) were complemented by the acquisition of Kuwait's ALAFCO aircraft portfolio by Irish-owned Macquarie AirFinance. Finally, at the end of 2023, the British Rolls-Royce asset transaction, amounting to over USD 1.89 billion, completed an extraordinary year in the M&A market for the security and defense industry.

Defense M&A activity in the Baltics keeps pace

"The Baltic countries have also seen significant defense M&A transactions in the last few years, with companies from the world's largest countries targeting the space segment developed by Lithuanian and Latvian companies, and Estonian military robotics solutions." M. Jakubėlis comments on the local market.
US private equity firm AE Industrial Partners in 2021 has acquired Latvia's UAV Factory, a global market leader in tactical unmanned aerial vehicles (UAVs) and market leader in intelligence and surveillance technologies, ISR.

A year later, the Norwegian technology company Kongsberg Defence & Aerospace (KONGSBERG) acquired a 77% share package of Lithuanian small satellite developer NanoAvionics. The acquisition was a strategic move by KONGSBERG to expand its space equipment supply by including products and technologies to produce small satellites.

In early 2023, a majority shareholding of Estonian Milrem Robotics, Europe's leading developer of advanced unmanned ground vehicles and robotic warfare solutions, was acquired by Abu Dhabi's technology and defense giant Edge Group. The deal is the largest foreign investment in Estonia's growing defense industry.

What opportunities does the growing activity in the defense industry create for Lithuanian investors?

"The growth of defense and security businesses in Lithuania, with the Alliance's increased focus on the region, may lead to increased investment in defense companies. In particular, the number of new start-ups in this industry will increase. We are already seeing the emergence of new businesses in artificial intelligence, space warfare and cyberspace. These are start-ups that focus on security technologies." says M. Jakubėlis.

In Lithuania, the Ministry of Economy ➔

The 5 biggest defense and security M&A deals since 2022

Source: Army Technology

Target company of the transaction	Buy side	Deal value (USD billion)	Publication date	Transaction type
Ball Aerospace & Technologies	BAE Systems	5,55	August 2023	Acquisition
Aerojet Rocketdyne	L3Harris Technologies	4,70	December 2022	Acquisition
ALAFCO's aircraft portfolio	Macquarie AirFinance	2,20	January 2023	Property transaction
Wencor Group	HEICO	2,05	May 2023	Acquisition
Rolls-Royce assets	Undisclosed	1,89	November 2023	Property transaction

and Innovation, together with INVEGA, has started supervising the MILInvest venture capital initiative, which has led to the creation of two funds, ScaleWolf Accelerator and ScaleWolf VC. These funds focus on Lithuanian companies and start-ups developing defense and security technologies.

"Modern warfare has drawn everyone's attention to how advanced technologies can strongly influence the geopolitical scenario. This is also seen by young Lithuanian businesses that develop advanced technologies and sell them to, for example, the Ukrainian army. Nowadays, attacks are not only carried out with weapons, but also with cyber-attacks that obtain information about the opponent or disrupt essential technologies such as satellite communication networks. We can therefore expect to see investment not only in physical technology, but also in software tools that ensure cyber security." says M. Jakubėlis.

Trends for 2024

"This year M&A in the security and defense sector will continue to be relevant to the pursuit of military superiority through innovations such as artificial intelligence, quantum sciences, space warfare and cyberspace. There will be a growing demand for offensive and defensive hypersonic technologies such as gliders and cruise missiles. Private equity firms will continue to focus on mid-market growth-oriented acquisitions as the platforms in the cyber and crypto areas are being developed more and more often." summarizes M. Jakubėlis.

In the short term, M&A trends will be strongly influenced by the need to increase the production of military equipment such as missile launchers, tanks, and ammunition. The growing interest of private equity funds in this sector, which started to grow in 2018, has continued to the present day, and the volatility of the geo-political situation suggests that it will continue to be sustained and that investments in the sector will continue to grow vigorously, not only in the United States, but also globally in the foreseeable future. ■

Fund depositary: why has it become so important to investors recently?

Asta Garbulytė – Head of Depositary

Marius Mykolaitis – Head of Corporate Clients

Investment funds are a popular and attractive way to invest money and seek higher returns. Investors who choose this method of investment should be careful and aware of how their money is protected against possible illegal actions or fund manager's mistakes. Here an important role is played by a licensed institution - the depositary of funds, whose essential function is to protect the investments of investors, their interests, and to ensure that the fund manager acts fairly and honestly towards all fund investors.

"At present, with a criminal investigation underway in Lithuania regarding the possible fraud with a record amount of money by one of the largest investment fund managers, the issue of ensuring investor security is more relevant than ever. This case shows that investors cannot fully trust the fund manager and his actions. Investors must take full responsibility ➔

themselves in seeking additional ways to ensure the security and control of their investments. One such way is to make sure that the investment fund has a professional fund depositary. A new trend is growing in the market, when more and more institutional investors create conditions for fund management companies due to the obligation of a depositary when managing investment funds," says Marius Mykolaitis, Head of Business Clients at Orion Securities.

The fund depositary is mandatory for all investment funds that operate under European Union legislation, such as the laws for managers of alternative collective investment undertakings (AIFMD) or collective investment undertakings (UCITS), as well as for pension funds. Such an obligation for the fund management company arises when the total managed assets, including borrowed funds, reach €100 million. Additionally, management companies can independently choose a depositary for any of their managed funds without exceeding the €100 million threshold. By choosing a depositary, management companies increase the control over their employees' actions, the transparency of investment values, and the security of the assets entrusted by fund investors. As well such fund management company gains a competitive advantage in attracting investors funds over management companies without a depositary.

Additional Security layer for Fund Investors

The fund depositary performs many functions that help ensure the security and operation of the fund's assets. For example, the depositary safeguards the financial instruments that make up the fund's assets and verifies their ownership rights, registration, and value. The depositary also monitors the transactions made by the fund manager and checks whether they comply with the investment rules and regulations.

Furthermore, the depositary controls the issuance and redemption of investment units or shares, i.e., calculations and distribution of funds. Its functions also include the supervision of the fund's cash accounts, where the fund's money is kept. Typically, the depositary has a control mechanism for such accounts that does not allow the management company to dispose of these funds without the depositary's consent/ approval. When confirming orders, it is always considered whether the management company's instructions do not contradict the laws and the fund's rules.

To detect discrepancies in the fund's account in a timely manner, the depositary continuously monitors changes in cash flows to assess whether all operations comply and all funds are used according to the fund's rules and legal requirements. The depositary controls money transfers from the fund's accounts and oversees the financial movements of companies controlled by the funds (SPVs/ operating companies). Upon noticing suspicious money movements, the depositary requests justification for the financial operations from the fund management company.

"Having noticed a possible mistake by the fund manager, actions that do not match the fund's founding documents or applicable laws, the depositary has the duty to immediately inform the supervisory institution of the fund management companies - the Bank of Lithuania," says M. Mykolaitis.

According to the Bank of Lithuania, there are over 40 management companies licensed in Lithuania, managing more than 160 investment funds. Most investment funds are intended for informed investors and are not very strictly regulated. Only professional and informed investors, who can properly assess risks and protect their interests, can invest in such funds. Therefore, unlike pension or investment funds operating under stricter laws, funds intended for informed investors do not need a depositary, a custodian of assets is sufficient.

The asset custodian is responsible for the safekeeping of funds and financial instruments. This liability is limited as the asset custodian does not control the management company's decisions regarding the mentioned instruments. The functions of the depositary are significantly broader and additionally include monitoring of transactions, control of investment rules, monitoring of cash flows, ownership verification and accounting, ensuring the correctness of the value of net assets, control of the issuance and redemption of investment units/shares.

"The fund depositary is an important partner for investors who choose to invest in investment funds. Investors who want to invest in funds more safely should choose those funds that have a fund depositary with a professional team," concludes M. Mykolaitis.■

Investment bank Orion Securities has successfully applied blockchain technology to securities accounting

Orion Securities regulated by Lithuanian Bank applied blockchain technology solution to make securities accounting more transparent, safer and faster.

The applied solution, that was developed together with partners SUSPERHOW, is called Axiology and has been successfully implemented to selected group of investors. This cutting-edge technology allows Orion Securities to inspect and control all the transactions in their decentralized ledger via a user-friendly dashboard. It guarantees full control and enhanced security in managing securities. The rest of companies clients will be able to enjoy the benefits of the technology very soon.

Since blockchain gaining popularity in 2008 finance and accounting industries have conceptualized its application and how it will change traditional systems. It has changed the way we think about how data, information, assets, or even its management. This technology can not only increase the transparency of organizations, but also help detect fraud quickly and can take customer safety to new heights. Due to the potential of this technology, it's not surprising that blockchain technology is predicted to increase the world's gross domestic product (GDP) by $1.76 trillion by 2030.

Having worked with traditional securities accounting for almost 30 years, the team at investment banking company Orion Securities has decided to use decentralized and tamper-proof nature of blockchain to change the way how securities accounting is done by addressing key issues and vulnerabilities embedded in the traditional accounting models.

We believe that blockchain technology will be more widely used in the upcoming years in financial and accounting industries due to the tightening regulatory requirements to the financial institutions. Applying blockchain technology allows us to address both security issues

Marius Mykolaitis – Head of Corporate Clients

Karolis Pikūnas – Orion CEO

and provide peace of mind to our investors claims Karolis Pikūnas, CEO at Orion Securities.

Operational efficiency and transparency to investors

First of all implementation of blockchain technology ensures transparency to investors. Transaction and changes to securities are recorded with decentralized approach and can be easily viewed by investors real time.

Growing concern about fraud in financial industry was another key driving point to choosing blockchain technology. By creating an immutable record of transactions, blockchain technology significantly reduces the risk of fraud and errors in the securities market.

And finally it results in higher operational efficiency due to streamlined transaction management and the reduction of the manual record-keeping and reconciliation, which to this day lies at the base of traditional accounting practices. The project has led to a game-changing shift in securities accounting, offering a consistent and immutable audit trail of transactions. It has accelerated settlement times and provided real-time visibility into transaction details across all participants involved says Marius Mykolaitis, Head of Business Clients at Orion Securities.

Though this is a significant step forward it's just the beginning. The potential of blockchain in securities accounting is immense and promising. As technology offers data accuracy that reduces the likelihood of errors and fraudulent activities, it will continue to revolutionize security accounting sector, ensuring more security, transparency and efficiency in the transactions.

As this technology continues to evolve and mature, embracing blockchain will become the norm rather than an exception for organizations in the securities market. One day it might even become a requirement by regulatory organs such as central banks claims Marius Mykolaitis.■

Nuclear Renaissance: what is it promising for investors?

Mantvidas Žėkas
Head of Capital Markets

Rokas Bazys
Senior Financial Broker

Povilas Petručionis
Financial broker

Climate change creates pressure and demand to switch to cleaner ways of generating electricity that reduce carbon dioxide emissions into the atmosphere. A constant growing demand for energy, especially from the developing regions worldwide, complicates this goal. Markets for energy infrastructure and raw materials are becoming increasingly important and attracting more investor attention.

Growing interest in nuclear energy

Over the past few years we have been seeing more and more headlines about the nuclear renaissance - the rebirth of nuclear energy. Interest in nuclear energy has grown significantly, both at public and political level for several main reasons:

- The war in Ukraine has sparked an energy crisis and led to discussions among the Western world about energy independence which could be achieved through nuclear energy.
- On 9 March 2022 the European Commission adopted Commission Delegated Regulation (EU) 2022/1214, which provides the classification of nuclear energy as a sustainable investment and recognizes the potential of nuclear energy to contribute to the decarbonization of the EU economy.
- The technological advantage of the Small Modular Reactor (SMR) under development is growing.
- Systemic disadvantages of renewable energy are becoming apparent.

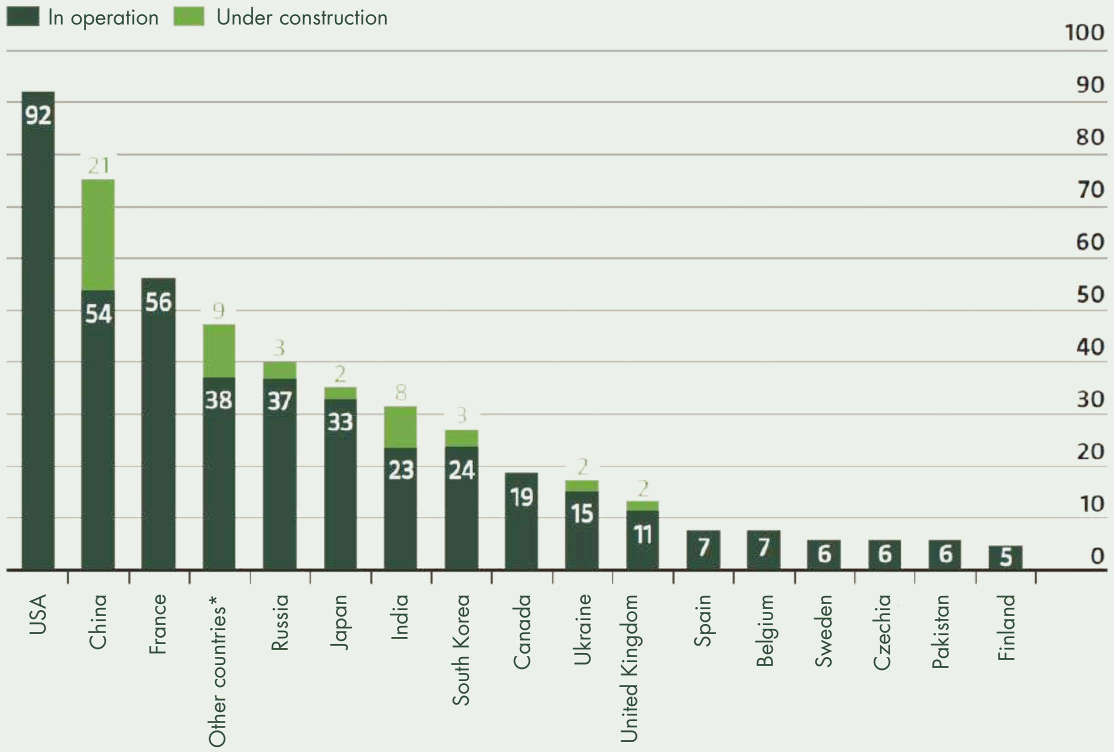
The growing activity of different countries in the nuclear energy sector is evident with an increasing number of announcements over the last few years about nuclear power plant upgrades, lifetime extensions or the construction of new reactors. For example in 2022 France announced plans to restart 32 reactors and build 14 new reactors, the UK announced plans to build 8 new reactors, and Japan has initiated the restart of 10 reactors that were shut down after the Fukushima accident.

China stands out on the global stage with confirmed plans of building 45 new reactors. There are currently around 440 nuclear reactors in operation around the world, as well as approved plans for the construction of 100 new reactors, and proposals for around 300 new reactors are under consideration.

Uranium market - structural deficit

On the other hand, the uranium market is experiencing a supply downturn and has been in a structural deficit since 2018. After the Fukushima accident in 2011, the general sentiment towards nuclear energy turned negative, with Japan and Germany committing to shut down all their nuclear reactors. Falling demand has allowed reactor maintenance companies to build up large stockpiles of uranium, and the price of the raw material has fallen from USD 70 to USD 18 in five ➔

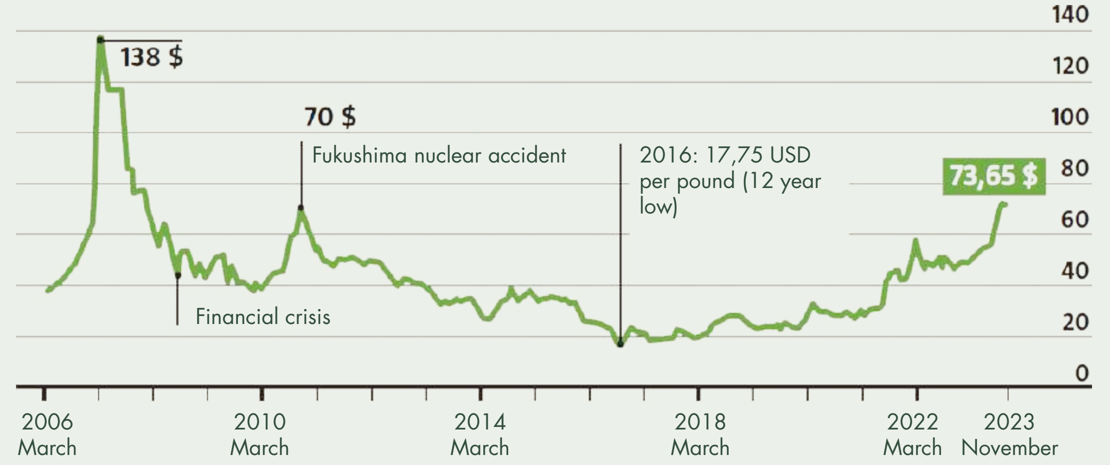
Nuclear reactors in operation and under construction in the world, 2023.



Other countries (working and usable): Slovakia, Switzerland and Hungary (4 each), Argentina and Germany (3 each), Belarus, Bulgaria, Brazil, UAE, Mexico, PAR, Romania and Taiwan (2 each), Armenia, Iran, Netherlands and Slovenia (1 each). Other countries (reactors under construction): Turkey (4), Egypt (3), Bangladesh (2).

Sources: Statista, Ocean Wall

Uranium price (US dollars per pound of U308)



Source: „Trade Tech", „Numerco", UxC, LLC

years. The sharp fall in the price of uranium has led to lower investment in the development of new projects and uranium mining companies have temporarily closed some mines.

Every year since 2018 uranium consumption has exceeded the decreasing quantities of mined uranium. The difference has been compensated by secondary supply from recycling and previously accumulated stocks, which have now shrunk to critical levels. The last time a similar situation occurred in 2006-2007, the price of physical uranium experienced a sharp increase, rising to USD 136.

This market environment has created the conditions that some investors call "the fundamental investment of the decade". The current price of uranium is currently around USD 80 per pound (0.454 kg) and has risen by around 50% since the beginning of the year, and by around 236% since 2020. The uranium market itself, however, is relatively small, with the 33 major uranium companies having an aggregate market capitalization of only around USD 55.42 billion.

The main market players

Companies or structures related to uranium mining can be divided into five categories: diversified miners that mine several different commodities (BHP Group); unlisted companies (Orano, Rosatom); listed miners (Cameco - CCJ, Kazatomprom - KAP); listed developers of uranium projects and explorers of new uranium fields (Nexgen Energy - NXE); ETFs and trust funds.

Among the most popular choices among investors are Kazakhstan's Kazatomprom and Canada's Cameco, the largest uranium producers, which are almost alone among the listed companies today in engaging in large-scale mining. However, some investors are sceptical about Kazatomprom because of its joint ventures with Russia's Rosatom.

In addition to these industry leaders, investors can choose from several companies with small-scale uranium mining operations and a large number of companies with uranium mining projects being prepared. In fact, several exchange-traded funds tracking the uranium price, or the share price of uranium companies have recently been created and they have contributed to the increase in turnover and liquidity: the largest uranium price tracker, the Sprott Physical Uranium Trust, has a GAV of USD 4.64 billion.

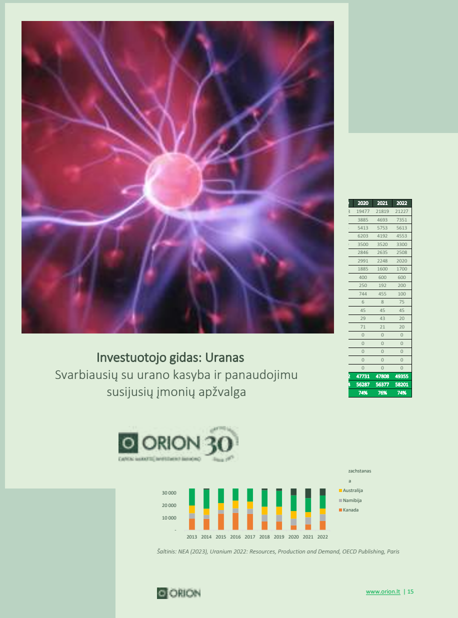
The prospect of innovative SMR reactors

Finally, it is necessary to highlight the progress made in nuclear energy through the development of small modular reactors (SMRs), which differ in size and power from convection reactors. SMRs have a capacity of up to 300 MWe, compared with around 700-1000 MWe for a conventional reactor. Experts point out that the advantages of these reactors may include safety, lower costs, efficient use of fuel and flexibility (it is discussed that SMRs could be used in coal-fired thermal power plants that are being closed).

The US, the UK, the Netherlands, Canada and many other countries have already made specific investments to develop SMR technology. Romania, for example, is already exploring the application of SMR reactors in its electricity grid infrastructure. The industry is still very young, with companies such as Hitachi, Rolls-Royce, BWXT, Westinghouse and Bill Gates' Terra Power competing for leadership.

In summary, nuclear energy, as a clean energy source, can provide not only a temporary solution to the energy crisis, but also a long-term alternative to burning fossil fuels. Looking at the current situation, it is likely that interest in nuclear energy will grow and that the shares of uranium mining companies will come under the investors' magnifying glass. ■

Investor guide: Uranium
An overview of the most important companies involved in uranium mining and utilization



Capital Markets team at Orion Securities has prepared a detailed investor guide for investors interested in uranium mining and uranium mining companies.

This guide provides an overview of the trends affecting the uranium market and explains how they are shaping the market's growth.

DOWNLOAD DOCUMENT

2023: active participation in the start-up ecosystem in the Baltics and conferences in Finland and Portugal

In 2023 Orion Ventures actively participated in the startup ecosystem of all three Baltic countries: Lithuanian business angel network LitBAN, Latvian business angel network LatBAN and Estonian business angel network EstBAN events. Orion Ventures also continued to look for investment opportunities to invest together with the venture capital fund Colnvest Capital, to develop investment synergies with Lithuanian business angels.

In 2023 Orion Ventures was recognized by Startup Lithuania as one of the participants of the Lithuanian venture capital funds ecosystem and thus increased its visibility in the society.

In addition to that Orion Ventures participated in the Slush (Finland) and 2023 Web Summit (Portugal) conferences, during which the fund managers got to know companies of various profiles, venture capital funds from all over the world and gained knowledge about the latest trends in investment in startups around the world.

Matas Jakubėlis
Head of Orion Ventures

During 2023, Orion Ventures evaluated more than 100 potential companies from all over Europe and after carefully analyzing the growth potential of the startups, chose one favorite to invest in.

Orion Ventures has invested in Vectiopep, a biotech company from Estonia, which has developed a technology to transport therapeutic mRNA into patients, enabling the use of immunotherapy in a new way to treat cancer. Vectiopep has developed an innovative technology to deliver a molecular message to the immune system that cannot be delivered with existing technologies. The mRNA delivered in this way teaches the immune system to seek out and destroy cancer cells.

The Orion Ventures team met Vectiopep through the Estonian business angel network EstBAN.

Orion Ventures also invested more funds in the already existing portfolio company Astrolight - a space and cyber security company established in Lithuania, which is developing a new, significantly safer, and faster means of communication. Orion Ventures decided to increase its share of equity in this company, as it noticed that the company's results were growing faster than expected.

In recent years, artificial intelligence, electric and self-driving cars, and deep technology companies have been receiving more and more investment. Anlot of attention is being paid to startups in the security and defense industry due to the ongoing conflicts in Ukraine and the Middle East. We predict that these areas will receive even more venture capital investments in the next few years, and we ourselves are actively looking and evaluating startups developing technologies in the listed areas.

Orion Ventures' investment portfolio consists of:

- Astrolight - A space and cyber security company established in Lithuania, developing a new, significantly safer and faster means of communication.
- Vectiopep - A biotech company from Estonia that has developed a technology to deliver therapeutic mRNA to patients, enabling the use of immunotherapy in a new way to treat cancer.
- Eyevi - An Estonian AI technology company that helps engineers perform road network inspections faster and more cost-effectively.
- Inbalance grid - Developer of a network of smart electric car charging stations operating in Lithuania, Latvia, Estonia and Poland.
- Leya Ai - A language learning platform based on artificial intelligence, which allows you to achieve fluent English proficiency thanks to personalized lessons.
- More Mins - Virtual communication operator established by Lithuanians, providing cheap international communication services all over the world.
- Leafood - Sustainable new generation vertical farm, ensuring a constant supply of greens grown in Lithuania. ■

#Start-up

INVEST
WOMEN'S
WEALTH
CLUB

W Invest – members club for women investors

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. ■

We decided to establish a club for investing women and establish a community where women could learn about investing, explore different investment opportunities, asset classes, and apply the acquired knowledge in practice and turn investing into a consistent habit. – Viktorija Valantiejūtė

The club has two main functions: education and community building. By providing information, fostering collaboration and discussion among women investors, we help create an environment where they can improve their knowledge, share experiences and even collaborate on building their own investment portfolios. – Marija Kisieliūtė

Viktorija Valantiejūtė
Co-founder

Marija Kisieliūtė
Co-founder

women_invest

Statement of comprehensive income

	2023	2022
Service and commission revenue	5,341,911	5,061,139
Service and commission costs	(1,100,710)	(1,071,119)
Net service and commission revenue	**4,241,201**	**3,990,020**
Interest revenue	389,628	94,248
Interest costs	(33,156)	(102,168)
Net interest revenue	**356,472**	**(7,920)**
Net profit (loss) from transactions in securities and derivative financial instruments and transactions in foreign currency	133,372	39,742
Change in impairment and other provisions	1,762	(3,920)
Personnel costs	(2,077,031)	(1,867,506)
Depreciation and amortisation	(72,768)	(70,649)
Administrative costs	(1,100,117)	(1,038,117)
Other revenue (costs)	-	-
Profit (loss) before taxation	**1,482,891**	**1,041,650**
Corporate income tax revenue (costs)	(225,754)	(138,083)
Net profit (loss)	1,257,137	903,567
Other comprehensive income:		
Items that will not be subsequently reclassified to profit (loss)	-	-
Items that will or may be subsequently reclassified to profit (loss)	-	-
Other comprehensive income	-	-
Total comprehensive income	**1,257,137**	**903,567**

Statement of financial position

	December 31 2023	**December 31 2022**
ASSETS		
Non-current assets	94,524	6,273
Non-current intangible assets	153,760	207,696
Non-current tangible assets	700	8,058
Deferred income tax assets	147,591	108,858
Other non-current financial assets	6	212 550
Total non-current assets	**396,581**	**543,435**
CURRENT ASSETS		
Loans	603,018	227,768
Derivative financial instruments	15,899	3,983
Securities measured at fair value through profit (loss)	851,684	697,870
Trade receivables and prepayments	1,039,053	1,404,133
Other current assets	179,362	166,376
Cash and cash equivalents	911,313	1,046,066
Total current assets	**3,600,329**	**3,546,196**
TOTAL ASSETS	**3,996,910**	**4,089,631**
LIABILITIES AND EQUITY		
Share capital	1,592,654	1,592,654
Legal reserve	159,292	159,292
Retained result	1,257,261	930,124
Total equity	**3,009,207**	**2,682,070**
NON-CURRENT LIABILITIES		
Lease (finance lease) liabilities	54,975	113,667
Total non-current liabilities	**54,975**	**113,667**
CURRENT LIABILITIES		
Loans received	257,251	766,732
Derivative financial instruments	114,205	13,400
Other financial liabilities	159,469	139,024
Trade debts	251,024	305,993
Payroll liabilities	47,460	-
Income tax payable	50,414	68,745
Other current liabilities	52,905	-
Total current liabilities	**932,728**	**1,293,894**
TOTAL EQUITY AND LIABILITIES	**3,996,910**	**4,089,631**

To the shareholders of
UAB FMĮ Orion Securities:

Report on the audit of the financial statements

Opinion
We have audited the financial statements of UAB FMĮ Orion Securities (hereinafter – „the Company"), which comprise the statement of financial position as at 31 December 2023, 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 2023, 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 Handbook of the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of the Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, 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: capital markets brokerage services, 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 recognised based on issued invoices or by charging the customer's accounts directly in accordance to the contractual commissions and other fees rates. The Company's service and commission revenue in 2023 amounted to EUR 5.34 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 recognised based on issued invoice or by contracts. We have performed control and detailed tests for revenue recognised after 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 6 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 the audit of the financial statements.

The audit engagement partner for this independent auditor's report is Arūnas Užbalis.

Auditor Arūnas Užbalis
Auditor certificate No. 000543ЖROSK Consulting UAB
Audit company certificate No. 001514
Vilnius, Lithuania, 27 March 2024

General information

UAB FMJ "Orion Securities" (hereinafter referred to as the Company) is a private limited company registered in the Republic of Lithuania. The registered office address thereof is:

Antano Tumėno Str. 4,
Vilnius, Lithuania.

The Company is engaged in financial intermediation, which includes four main groups of services provided: securities brokerage services, corporate finance services, market marketing services, and asset management services. The Company started its operations on 12 August 1993.

Shareholders of the Company as on the 31st of December in 2023 and in 2022:

	31 December 2023		**31 December 2022**	
	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, each with a nominal value of 20.27 euros, are ordinary and were fully paid as on the 31st of December in 2023 and 2022. The authorised capital did not change in 2023 and 2022. The Company had not purchased its own shares.

36 employees on average worked at the Company in Lithuania in 2023 (there were 33 employees in 2022).

The Company's management approved these financial statements on 27 March 2024, shareholders have the right to approve or dismiss the annual financial statements and demand that management to prepare new financial statements.

UAB FMJ "Orion Securities" operates as a financial brokerage company under category A License No. A106 issued on 6 September 2007 by Decision No. 2K-286 of the Securities Commission of the Republic of Lithuania.

Category A license entitles the Company to provide the following investment services:

- accept and transmit orders;
- execute orders at the expense of clients;
- enter into transactions at their own expense;
- manage financial instrument portfolios;
- give investment recommendations;
- distribute financial instruments under the obligation to distribute them;
- distribute financial instruments without the obligation to distribute them.

The Company provides the following additional services:
- distributes units of investment funds;
- keeps, records, and manages financial instruments;
- provides loans aimed at enabling the client to make a transaction with financial instruments, if the provider is associated with that transaction;
- performs company analysis and evaluation.

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