

Riga, 31. July 2024

**Hestio AS**

Reg. No. 40003972121;

Kleistu street 18A-2, Riga, LV-1067

**Consolidated annual report for year 2023**

and an Independent Auditors' Report

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**CONCERN INFORMATION**

Name of the Concern	Hestio AS		
Legal status of the Concern	Limited liability company		
Registration No., place and date	40003972121, Riga, 22.11.2007		
Registered office	Kleistu street 18A-2, Riga, LV-1067		
Major shareholders	"Bastions ZS" JSC (66.69 %), Reg. No. 40003218044, Legal address: Zemgalu street 8, Riga, LV-1006		
	Uzņēmumu vadība Ltd (33.31%), Reg. No. 50103799391, Legal address: Vienibas street 186A-19, Riga, LV-1058		
Members of the Board	From 11.07.2022 - 27.06.2023	Artūrs Dombrovskis	Chairman of the Board
	From 11.07.2022. - 24.10.2023	Ineta Laizāne	Member of the Board
	From 11.07.2023 - of approval of the financial statement	Reinis Tutāns	Member of the Board
	From 11.07.2023 - at the moment of approval of the financial statement	Gustavs Dreimanis	Member of the Board
	From 12.07.2022. - 24.10.2023	Vika Lamberte	Member of the Board
	From 25.10.2023 - at the moment of approval of the financial statement	Ivars Muzikants	Chairman of the Board
Council members	From 11.07.2022 - 09.02.2023.	Andris Laizāns Ivars Muzikants	Chairman of the Board Deputy Chairman of Council
		Guntis Rozenbahs Māra Zepa	Council member Council member
	From 10.02.2023 - 24.10.2023.	Andris Laizāns Ivars Muzikants	Chairman of the Board Deputy Chairman of Council
		Guntis Rozenbahs Māra Zepa Atis Zvidriņš	Council member Council member Council member
	From 25.10.2023 - at the moment of approval of the financial statement	Andris Laizāns Artūrs Dombrovskis	Chairman of the Board Deputy Chairman of Council
		Andris Upmiņš Māra Zepa Atis Zvidriņš	Council member Council member Council member
Annual report drawn up by	Kristine Korpa	–	Chief Accountant
Reporting year	from 01.01.2023	to	31.12.2023
Previous reporting year	from 01.01.2022	to	31.12.2022
Type of company's activity	Retail of office items and coffee machine rental		
NACE classification code	47.91; 53.20; 56.10; 77.33		
Auditors	Grant Thornton Baltic Audit SIA Blaumana str. 22 Riga, LV - 1011 License No. 183		Certified Auditor Ieva Aizsila Certificate No. 233

## **MANAGEMENT REPORT**

### **Type of activity**

Retail of office items and coffee machine rental

### **Performance and Financial Situation of the Company**

After several years of consistent turnover growth in 2023 it decreased by 1.2% year-on-year and reached EUR 12.9 million. The primary focus of the Company's management and financial resources has been the reorganization of both management and internal processes and changes in the sales strategy in order to ensure an increase in profitability, as well as laying the groundwork for the achievement of medium and long-term goals. After making the changes, the Company achieved excellent sales and profitability figures during the last calendar quarter of 2023.

At the beginning of last year all the processes for roasting our own brand of coffee in the subsidiary Auron Coffee Roastery were launched. This included making recipes, bulk procurement of green coffee beans, roasting, quality control and packaging. By setting up an efficient production process, Auron Coffee Roastery is a significant source of profit within the Hestio Group. As a result, Hestio's consolidated EBITDA increased by 11% compared to 2022.

### **Financial risk management**

The main financial risks arising from the Company's financial instruments are interest rate risk, liquidity risk, and credit risk.

#### *Foreign currency risk*

The Company have not Foreign currency risk, all deals are in euro

#### *Interest rate risk*

The Company is exposed to interest rate risk mainly through its current borrowings. The Company's policy is to ensure that the majority of its borrowings are at a fixed rate.

#### *Liquidity risk*

The Company manages its liquidity risk by maintaining an adequate level of cash and cash equivalents or by arranging an adequate amount of committed credit facilities with banks.

#### *Credit risk*

The Company is exposed to credit risk through its trade receivables, issued current loans, as well as cash and cash equivalents. The Company manages its credit risk by continuously assessing the credit history of customers and assigning credit terms on an individual basis. In addition, receivable balances are monitored on an ongoing basis to ensure that the Company's exposure to bad debts is minimised.

### **Future Development Plans**

Based on the implementation of the 2023 reorganization and strategic changes, in 2024 the Company will strive to improve profitability by streamlining business lines, further developing its pricing policy together with improved customer retention methods. The Company's management team will purposefully continue to strengthen the company's positions in the existing directions, as well as use opportunities to expand its market positions to pursue the achievement of strategic goals.

Ivars Muzikants  
(Chairman of the Board)

Reinis Tutāns  
(Board member)

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**CONSOLIDATED INCOME STATEMENT**

(classified per function of expenditure)

	Note	2023	2022
	number	EUR	EUR
		Total	Total
Net turnover:	2	12 898 708	13 037 735
<i>c) from other main activity types.</i>		12 898 708	13 037 735
Production cost of goods sold, acquisition cost of goods sold or services provided	3	(7 435 059)	(7 586 950)
<b>Gross profit or loss</b>		<b>5 463 649</b>	<b>5 450 785</b>
Selling expenses	4	(4 723 180)	(4 792 818)
Administrative expenses	5	(628 867)	(443 816)
Other operating income	6	55 089	92 658
Other operating expenses	7	(42 924)	(153 274)
Other interest and similar income:		22	-
<i>b) from other persons.</i>		22	-
Interest payments and similar expenses:		(152 624)	(62 969)
<i>b) to other persons.</i>		(152 624)	(62 969)
<b>Profit or loss before the corporate income tax</b>		<b>(28 835)</b>	<b>90 566</b>
Corporate income tax for the reporting year		(427)	(16 846)
<b>Profit or loss of the reporting year</b>		<b>(29 262)</b>	<b>73 720</b>

Notes on pages 10 to 20 form an integral part of these financial statements

Ivars Muzikants  
(Chairman of the Board)

Reinis Tutāns  
(Board member)

**Annual report drawn up by:**

Kristine Korpa  
(Chief Accountant)

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**CONSOLIDATED BALANCE SHEET**

**ASSETS**

	Note number	<b>31.12.2023</b> EUR Total	<b>31.12.2022</b> EUR Total
<b>Long-term investments</b>			
<b>Intangible assets</b>			
Concessions, patents, licences, trademarks and similar rights		12 308	15 345
Other intangible assets		141 582	157 995
Goodwill		168 624	221 378
<b>Total intangible assets</b>	8	<b>322 514</b>	<b>394 718</b>
<b>Fixed assets</b>			
Long-term investment in leased fixed assets		133 281	204 241
Technology devices and equipment		233 233	224 943
Other fixed assets and inventory		1 915 733	1 818 591
Advance payments for fixed assets		-	1 381
<b>Total fixed assets</b>	9	<b>2 282 247</b>	<b>2 249 156</b>
		-	-
<b>Total long-term investments</b>		<b>2 604 761</b>	<b>2 643 874</b>
<b>Current assets</b>			
<b>Inventories</b>			
Raw materials, direct materials and auxiliary materials		82 153	60 364
Finished products and goods for sale		964 711	1 215 000
Advance payments for inventories		17 573	17 850
<b>Total inventories</b>		<b>1 064 437</b>	<b>1 293 214</b>
<b>Receivables</b>			
Trade receivables	10	918 614	944 236
Other receivables	11	44 394	53 794
Prepaid expenses		18 387	16 813
Accrued income		15 268	2 589
<b>Total receivables</b>		<b>996 663</b>	<b>1 017 432</b>
<b>Cash and cash equivalents</b>		<b>561 303</b>	<b>783 293</b>
<b>Total current assets</b>		<b>2 622 403</b>	<b>3 093 939</b>
<b>TOTAL ASSETS</b>		<b>5 227 164</b>	<b>5 737 813</b>

**CONSOLIDATED BALANCE SHEET**

**LIABILITIES**

	Note number	<b>31.12.2023</b> EUR Total	<b>31.12.2022</b> EUR Total
<b>Equity capital</b>			
Share capital (equity capital)	12	1 380 000	1 380 000
f) other reserves		29 726	30 775
Retained earnings or uncovered losses of previous years		60 394	(13 326)
Profit or loss of the reporting year		(29 262)	73 720
<b>Total equity capital</b>		<b>1 440 858</b>	<b>1 471 169</b>
<b>Creditors</b>			
<b>Long-term liabilities</b>			
Loans to bonds	13	1 020 795	990 000
Borrowings from credit institutions	14	89 460	183 730
Other borrowings	15	335 930	429 864
Taxes and mandatory state social insurance contributions		-	13 011
<b>Total long-term liabilities</b>		<b>1 446 185</b>	<b>1 616 605</b>
<b>Short-term liabilities</b>			
Borrowings from credit institutions	14	168 876	318 391
Other borrowings	15	364 629	302 325
Trade payables		1 209 165	1 219 155
Amounts owed to subsidiary companies		-	-
Taxes and mandatory state social insurance contributions		287 839	477 735
Other liabilities	16	157 832	177 693
Accrued liabilities	17	151 780	154 740
<b>Total short-term liabilities</b>		<b>2 340 121</b>	<b>2 650 039</b>
<b>Total liabilities</b>		<b>3 786 306</b>	<b>4 266 644</b>
<b>TOTAL LIABILITIES</b>		<b>5 227 164</b>	<b>5 737 813</b>

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Ivars Muzikants  
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Reinis Tutāns  
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**CONSOLIDATED CASH FLOW STATEMENT**

(indirect method)

	Note number	2023 EUR	2022 EUR
<b>Cash flow of principal activity</b>			
Profit or loss before enterprise income tax		(28 835)	90 566
<b>Corrections:</b>		-	-
Corrections of decrease in value of fixed assets		719 566	580 827
Corrections of decrease in value of intangible assets		73 445	74 084
Profit or loss from fluctuations of foreign currency rates		-	-
Revenue from participation in fixed capital of related		(11 633)	(11 633)
Other revenue from interest and similar revenue		-	-
Interest payments and similar costs		132 181	50 822
<b>Profit or loss before corrections of influence of changes in balances of current assets and short-term creditors</b>		<b>884 724</b>	<b>784 666</b>
<b>Corrections:</b>		-	-
Increase or decrease in balances of debts of debtors		131 017	(204 113)
Increase or decrease in balances of stocks		242 851	(385 221)
Increase or decrease in balances of debts to be paid to suppliers, contract		(253 928)	480 132
<b>Gross cash flow of principal activity</b>		<b>1 004 664</b>	<b>675 464</b>
<b>Expenses for interest payments</b>		(132 181)	(50 822)
<b>Expenses for enterprise income tax payments</b>		(16 487)	(16 846)
<b>Net cash flow of principal activity</b>		<b>855 996</b>	<b>607 796</b>
<b>Investment activity cash flow</b>		-	-
Acquisition of fixed assets and intangible assets		(395 840)	(762 869)
Revenue from sale of fixed assets and intangible investments		21 300	13 273
Loans issued		-	-
Interest received		-	-
<b>Investment activity cash flow</b>		<b>(374 540)</b>	<b>(749 597)</b>
<b>Financing activity cash flow</b>		-	-
Loans received		30 795	990 000
Expenses for repayment of loans		(490 456)	(605 638)
Expenses for purchase of leased fixed asset		(243 785)	(239 834)
<b>Financing activity cash flow</b>		<b>(703 446)</b>	<b>144 528</b>
<b>Result of fluctuations of foreign currency exchange rates</b>		-	-
<b>Net cash flow of the reporting year</b>		<b>(221 990)</b>	<b>2 727</b>
<b>Balance of cash and its equivalents at the beginning of the reporting year</b>		<b>783 293</b>	<b>780 566</b>
<b>Balance of cash and its equivalents at the end of the reporting</b>		<b>561 303</b>	<b>783 293</b>

Notes on pages 10 to 20 form an integral part of these financial statements.

Ivars Muzikants  
(Chairman of the Board)

Reinis Tutāns  
(Board member)

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(Accountant)

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	<b>Share capital</b>	<b>Reserves</b>	<b>Retained earnings</b>	<b>Total equity</b>
	EUR	EUR	EUR	EUR
<b>As at 31.12.2021</b>	<b>860 000</b>	-	<b>506 674</b>	<b>1 366 674</b>
Increase / decrease in share capital	520 000	-	(520 000)	-
Increase / decrease in reserve balance	-	30 775	-	<b>30 775</b>
Increase / decrease in share capital	-	-	73 720	<b>73 720</b>
<b>As at 31.12.2022</b>	<b>1 380 000</b>	<b>30 775</b>	<b>60 394</b>	<b>1 471 169</b>
Increase / decrease in reserve balance	-	(1 049)	-	<b>(1 049)</b>
Profit for the financial year	-	-	(29 262)	<b>(29 262)</b>
<b>As at 31.12.2023</b>	<b>1 380 000</b>	<b>29 726</b>	<b>31 132</b>	<b>1 440 858</b>

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(Member of the Board)

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(Chief Accountant)

## NOTES TO THE FINANCIAL STATEMENTS

### (1) Significant accounting principles

#### Principles of preparation of financial statements

The Annual Report has been prepared in accordance with the laws "On Accounting" and "Law On the Annual Financial Statements and Consolidated Financial Statements".

The income statement has been classified using function of expenditure method.

The cash flow statement is prepared using the indirect method.

#### Consolidation

The consolidated financial statements of the Group include:

Company name	Registration number	Country of incorporation	Principal activities	Controlled since
HESTIO, AS	40003972121	Latvia	Holding company	-
AURON COFFEE ROASTERY SIA; Rīga Mellužu iela 13-11A, LV-1067*	40103391496	Latvia	Coffee production	15.11.2021

\*The

Subsidiaries are the entities controlled by the Parent Company. Control is achieved when the Parent Company:

- Has the power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee;
- Has the ability to use its power to affect its returns.

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### Reporting period

The reporting period is 12 months                      01.01.2023    to    31.12.2023

The previous period is 12 months from              01.01.2022    to    31.12.2022

#### Accounting principles

The financial statement has been drawn up assuming that the company will continue its operations in the future, the recording and assessment methods are applied consistently compared with the previous financial year and assessments are performed with due caution.

- a) only the profit acquired till the balance sheet date has been included in the report;
- b) or all expected risk amounts and losses incurred in the reporting year, or in the previous years have been included, even if they have become known during the time period between the balance sheet date and the day when the annual report has been signed;
- c) all depreciation and amortisation amounts have been calculated and taken into account.

The amounts of Balance and Profit or Loss statement items are provided on an accrual basis, namely, income and expense items are provided taking into consideration their time of occurrence, and not the time of cash receipt or issue. The expenses are reconciled with the revenue in the respective reporting periods. Amounts indicated on balance sheet items at the beginning of each reporting year (opening balances) correspond to amounts on the same balance sheet items in the prior reporting year (closing balances) (except for in cases when error corrections are made).

The components of assets and liabilities were assessed separately. Set-off between the asset and liability items of the balance sheet, or between the income and expense items of the profit and loss statement is prohibited (except for excluding long-term investments). In the Balance Sheet and Profit or Loss Account items the amounts are provided taking into account the content and nature of the operating transactions, not just their legal form. The Balance Sheet and Profit and Loss Account items are assessed in accordance with the purchase costs or production costs. Acquisition cost is the purchase price of a good or service (including the received discounts), plus the additional costs related to the purchase. Production cost is the cost of acquiring raw materials, basic materials and auxiliary materials and other expenses directly related to the production of the relevant item. The production cost price may also include such parts of costs, that are indirectly related to the production of the object, if these costs can be referred to the same time period

### **Transactions in foreign currencies**

Financial reports are prepared in the single currency of the European Union, euro (EUR).

All transactions in foreign currencies are converted into euro according to the official currency exchange rate set by the European Central Bank on the respective day of transaction. All monetary assets and liabilities are converted into euro according to the exchange rate set by the European Central Bank on the last day of the financial year.

Profit or loss gained as a result of currency exchange rate fluctuations have been recognized in the income statement for the respective period.

### **Related parties**

A related party is a person or an entity that is related to the reporting Company.

A person or a close member of that person's family is related to the reporting Company if that person has control, joint control or significant influence over the reporting Company or is a member of the key management personnel of the reporting Company or of a parent of the reporting Company.

An entity is related to the reporting Company if they are members of the same group. Also an entity is related to the reporting Company if the entity is controlled, jointly controlled or significantly influenced by a related person of the reporting Company or this related person of the reporting Company is a member of the key management personnel of that entity or of a parent of that entity.

### **Intangible assets and fixed assets**

Fixed assets are displayed in their acquisition value less depreciation. The acquisition value of fixed assets consists of purchase price, import duties and non-refundable purchase taxes, other costs directly attributable to delivery of the assets to their location and getting in the working condition pursuant to the suggested use. Depreciation and amortisation is calculated over the useful life of the asset according to the linear method applying the following depreciation rates as the basis of calculation:

Office equipment	30%
Computer hardware	33%
Motor vehicles	16%
Other fixed assets	14-50%

If it is established that the fixed asset is no longer functional or is partially functional, it is liquidated or its accounting value is reduced, according to its actual market value and degree of depreciation.

Intangible assets are displayed in their acquisition value less depreciation. Depreciation has been calculated within the period of useful life of an asset according to the linear method, applying the following rates:

Licenses	10-20%
Other intangible investments	30%

Gains or losses from sales of fixed assets are displayed in the income statement of the respective period. Repair or renovation expenses that increase the useful life of fixed assets or their value are capitalised and written off within the period of useful life of assets. Other repair or renovation expenses are recognised as the loss of the accounting period.

Expenses related to leasehold improvements are capitalised and displayed in the fixed assets. Depreciation is calculated over the lease period using the linear method. Loan issue expenses that are directly related to formation of fixed assets and construction in progress are capitalised, if such expenses are reasonably attributable and directly related. Loan issue expenses are capitalised before putting the fixed assets into operation.

Research costs are recognized as losses of the reporting year at the moment when they are incurred. The Company's development costs are capitalized if their recoverability in the future may be substantially proved. Amortization is calculated during the whole recovery period of development costs.

### **Nemateriālā vērtība**

Intangible value reflects the excess of the cost resulting from the business combination over the net identifiable assets acquired by the Group and the fair value of possible liabilities on the acquisition date. Initially, intangible value is measured at the fair value of the consideration received, including the recognized amount of non-controlling interests in the acquired entity, less the recognized sum of acquired identifiable assets and assumed liabilities (usually at fair value) on the acquisition date. Intangible value is included in the composition of intangible investments.

Intangible value is attributed to cash-generating units and, after initial recognition, is shown at the initial cost value, less accumulated impairment losses. Possible impairment tests for intangible values are conducted annually or more frequently if events or changes in circumstances indicate that its value may have decreased. The company's intangible value is written off over 10 years.

Negative intangible value arising from acquisition is recognized in the profit or loss calculation at the moment of its occurrence.

### **Evaluation of inventories**

Cost price of inventories is determined using FIFO method. Inventories are evaluated according to the cost price or the lowest market values on the balance date.

If inventory units are damaged, have become partly or totally obsolete, or the expenses of production completion or selling increase substantially - corresponding inventory units has to be valued at the net sales price. (Net sales price is the forecasted sales price in ordinary business, less the calculated products completion and selling expenses).

### **Receivables**

Receivables are recognized according to the amount of initial invoices, less accruals for doubtful debts. Accruals are made if receipt of full amount of the debt is doubtful. Debts are written off if their recovery is considered as impossible.

#### *Provisions for bad and doubtful debtors*

Provisions for bad and doubtful debtors are estimated over the whole year based on expected budget created as for proportional income and expense flows. Accounts receivables can be written off from the provisions if their recovery is considered to be impossible. At the end of the year the Company evaluates all account receivables - bad debts are written off, but doubtful debts are assigned to Provisions for doubtful debts.

### **Cash**

Cash is cash in hand and non-cash in payment accounts and deposit accounts.

### **Financial leasing liabilities**

Lease is classified as a financial lease if in fact all risks and remunerations that are a characteristic of ownership are transferred to a tenant and if it corresponds to at least one of the following conditions:

- a) ownership to the leased asset will be transferred to the tenant upon expiration of the leasing term;
- b) the lease term includes the majority of the asset's time of useful use;
- c) the leased assets are so specific that only the tenant is entitled to use them without a significant modification.

The assets for financial lease are initially recognised as the Company's assets after their true value or after the current value of the minimum leasing payments if it is lower than the true value. Each of these values are determined on the date of acquiring the lease asset. Lease liabilities are included in the balance sheet as long-term and short-term liabilities of financial lease. Financial expenditure are reflected in the income statement on the relevant period so that a regular and periodic cost rate from the liability surplus would be provided for each reporting period.

### **Operative lease**

Costs of operating lease are charged to the income statement on a linear method basis over the period of the lease.

### **Loans and borrowings**

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement as interest income/ expense when the liabilities are derecognised through the amortisation process.

### **Leaseback**

Leaseback transactions have been booked in the company. They are not included in the profit and loss account. Leaseback transactions are related to the sale of fixed assets owned by the Company and their return.

### **Accrued liabilities**

#### *Provisions for unused vacation compensation*

The provision sum is established by multiplying the average wage for the last six months of the reporting period with the number of days of unused annual leaves on the end date of the reporting period, including also the mandatory state social insurance contributions made by the employer.

#### *Provision for not received expense invoices*

Accrued liabilities for unreceived invoices are clearly known trade liability sums for the goods or services received within the reporting year when a relevant payment document (an invoice) has failed to be received on the date of drawing up the balance sheet. The liability sums are calculated, based on the price, which is defined in the relevant agreement, and on the documents that approve actual receipt of the goods or services.

### **Recognition of income**

Revenue recognition from the sale of goods is recognised as soon as a significant portion of ownership and risks of goods are transferred to the customer, and the reward can be measured reliably. Revenue from rendering of services is recognised in proportion to the stage of completion of the order. Dividend income is recognised when the shareholder's right to receive payment is established. Interest income is recognised in the corresponding period of time.

### **Corporate income tax**

As of taxation year of 2018, corporate income tax will be calculated for distributed profit (dividends) and conditionally distributed profit by applying the rate of 20%. Corporate income tax will be recognised at the moment when the participants of the Company will make a decision on distribution of profit, or when the costs not promoting further development of the Company (conditionally distributed profit) will be recorded.

### **Application of assumptions**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as income and expenses. The management has assessed its income statement and concluded that the financial statements give a true and fair view of the financial position of the Company, based on all the information currently available.

### **Subsequent events**

Post-year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

**(2) Net turnover:**

Net turnover - proceeds from company's major activity - rendering of services without value added tax.

<b>Type of activity</b>	<b>2023</b>	<b>2022</b>
	EUR	EUR
Revenue from sales and services	12 898 708	13 037 735
<b>Total</b>	<b>12 898 708</b>	<b>13 037 735</b>

**(3) Production cost of goods sold, acquisition cost of goods sold or services provided**

	<b>2023</b>	<b>2022</b>
	EUR	EUR
Cost of goods purchased	6 786 980	7 442 090
Costs of raw materials and supplies	585 276	181 784
Excise tax	139 617	45 762
Cost of goods after inventory	15 342	33 888
Item value changes	(26 709)	(11 842)
Received discounts	(65 447)	(104 732)
<b>Total</b>	<b>7 435 059</b>	<b>7 586 950</b>

**(4) Selling expenses**

	<b>2023</b>	<b>2022</b>
	EUR	EUR
Staff costs	2 076 313	2 331 220
Depreciation of fixed and intangible assets	781 070	666 128
Transport costs	528 271	477 717
Mandatory social insurance contributions	450 304	517 276
Communication costs, IT costs	222 465	133 526
Rentals	179 510	172 608
Office expenses	158 866	179 195
Advertising and marketing expenses	103 302	76 788
Employee Engagement and Sustainability	102 112	76 427
Staff meals	39 490	46 520
Packing material	36 788	37 848
Disposal of low-value inventory	10 498	19 483
Business trip expenses	2 629	5 120
Vacation reserves	(12 005)	10 414
Other selling expenses	43 567	42 548
<b>Total</b>	<b>4 723 180</b>	<b>4 792 818</b>

**(5) Administrative expenses**

	<b>2023</b>	<b>2022</b>
	EUR	EUR
Personnel expenses	409 866	234 284
Mandatory social insurance contributions	96 687	55 245
Communication expenses	41 698	37 827
Professional services expenses	32 221	58 123
Bank service expenses	4 449	5 456
Other administration expenses	43 946	52 881
<b>Total</b>	<b>628 867</b>	<b>443 816</b>

**(6) Other operating income**

	<b>2023</b>	<b>2022</b>
	EUR	EUR
Proceeds from sale of fixed assets	7 372	18 410
Income from fixed assets sales	11 633	1 640
Other income*	36 084	72 608
<b>Total</b>	<b>55 089</b>	<b>92 658</b>

**(7) Other operating expenses**

	<b>2023</b>	<b>2022</b>
	EUR	EUR
Cost of goods for own consumption	24 924	57 014
Provisions for bad and doubtful debts	4 923	7 031
Paid fines and penalties	4 815	1 041
Non-business costs	1 563	67 027
Nature conservation expenses	987	697
Loss from exchange rate fluctuations	-	623
Other expenses	5 712	19 841
<b>Total</b>	<b>42 924</b>	<b>153 274</b>

**\* Information on profit or loss from disposal of long-term investment objects**

Long-term investment object	Balance value at the moment of exclusion	Alienation income	Alienation expenses	Gross income or profit	Profit or loss from the object's alienation
	EUR	EUR	EUR	EUR	EUR
Object Nr. 1	1 443	5 950	-	4 507	4 507
Object Nr.2	1 230	6 300	-	5 070	5 070
Object Nr. 3	4 390	6 446	-	2 056	2 056
<b>Total</b>	<b>7 063</b>	<b>18 696</b>	<b>-</b>	<b>11 633</b>	<b>11 633</b>

**(8) Intangible assets**

		<b>Concessions, patents, licenses, trade marks and similar rights</b>	<b>Other intangible assets</b>	<b>Intangible asset</b>	<b>Total intangible assets</b>
		EUR	EUR	EUR	EUR
<b>Acquisition value</b>	<b>31.12.2022</b>	<b>80 796</b>	<b>169 025</b>	<b>263 770</b>	<b>513 591</b>
Additions		1 240	-	-	1 240
<b>Acquisition value</b>	<b>31.12.2023</b>	<b>82 036</b>	<b>169 025</b>	<b>263 770</b>	<b>514 831</b>
<b>Accumulated amortization</b>	<b>31.12.2022</b>	<b>(65 451)</b>	<b>(11 030)</b>	<b>(42 392)</b>	<b>(118 873)</b>
Amortization charge		(4 277)	(16 413)	(52 754)	(73 444)
<b>Accumulated amortization</b>	<b>31.12.2023</b>	<b>(69 728)</b>	<b>(27 443)</b>	<b>(95 146)</b>	<b>(192 317)</b>
<b>Net book value</b>	<b>31.12.2022</b>	<b>15 345</b>	<b>157 995</b>	<b>221 378</b>	<b>394 718</b>
<b>Net book value</b>	<b>31.12.2023</b>	<b>12 308</b>	<b>141 582</b>	<b>168 624</b>	<b>322 514</b>



**(9) Fixed assets**

		<b>Investments in leasehold improvements</b>	<b>Machinery and equipment</b>	<b>Other fixed assets and inventory</b>	<b>Advances for fixed assets</b>	<b>Total fixed assets</b>
		EUR	EUR	EUR	EUR	EUR
<b>Acquisition value</b>	<b>31.12.2022</b>	<b>288 778</b>	<b>230 603</b>	<b>3 372 830</b>	<b>1 381</b>	<b>3 893 592</b>
Additions		36 169	13 669	670 923	64 073	784 834
Transferred fixed assets				65 454	(65 454)	
Disposal		-	-	(125 130)		(125 130)
Transfer to another item (to		-	-	(21 138)	-	(21 138)
<b>Acquisition value</b>	<b>31.12.2023</b>	<b>324 947</b>	<b>244 272</b>	<b>3 962 939</b>	<b>-</b>	<b>4 532 158</b>
<b>Accumulated depreciation</b>	<b>31.12.2022</b>	<b>(84 537)</b>	<b>-</b>	<b>(1 559 899)</b>	<b>-</b>	<b>(1 644 436)</b>
Depreciation charge		(107 129)	(11 039)	(612 437)	-	(730 605)
Amortization of intangible assets that have been liquidated or reclassified		-	-	125 130	-	125 130
<b>Accumulated depreciation</b>	<b>31.12.2023</b>	<b>(191 666)</b>	<b>(11 039)</b>	<b>(2 047 206)</b>	<b>-</b>	<b>(2 249 911)</b>
<b>Net book value</b>	<b>31.12.2022</b>	<b>204 241</b>	<b>230 603</b>	<b>1 812 931</b>	<b>1 381</b>	<b>2 249 156</b>
<b>Net book value</b>	<b>31.12.2023</b>	<b>133 281</b>	<b>233 233</b>	<b>1 915 733</b>	<b>-</b>	<b>2 282 247</b>

**(10) Trade receivables**

	<b>31.12.2023</b>	<b>31.12.2022</b>
	EUR	EUR
Trade receivables carrying amount	934 463	958 300
Provisions for bad and doubtful debtors	(15 849)	(14 064)
<b>Total</b>	<b>918 614</b>	<b>944 236</b>

**(11) Other creditors**

	<b>31.12.2023</b>	<b>31.12.2022</b>
	EUR	EUR
Security deposits	35 676	37 286
Supplier surplus	8 549	16 508
Corporate income tax advance payment	168	-
<b>Total</b>	<b>44 393</b>	<b>53 794</b>

**(12) Share capital (equity capital)**

On December 31, 2023 and 2022, the share capital is fully paid. It consists of 1,380,000 capital shares with a nominal value of EUR 1.00.

	<b>31.12.2023</b>	<b>31.12.2022</b>
	EUR	EUR
	1 380 000	1 380 000

**(13) Loans to bonds**

On December 20, 2022, Hestio AS issued bonds with a maturity date of September 1, 2027, and an annual interest rate of 4.5%. The nominal value of one bond is 0.01 EUR, with a total value of 990,000.00 EUR. Coupon payments are made 4 times a year. The ISIN code for these bonds is LV0000802650.

The bond terms stipulate certain financial covenants to be met in 2023, including the Net Net Debt/ EBITDA ratio and Debt Service Coverage Ratio (DSCR) indicators.

	<b>31.12.2023</b>	<b>31.12.2022</b>
	EUR	EUR
Loans to be paid in 1 to 5 years	1 020 795	990 000
<b>Total</b>	<b>1 020 795</b>	<b>990 000</b>

**(14) Borrowings from credit institutions**

	<b>Date of payment</b>	<b>31.12.2023</b>	<b>31.12.2022</b>
		EUR	EUR
<b>Long-term borrowings (from 1 to 5 years)</b> (see note 20 for information of Attīstības finanšu institūcija	25.03.2024	89 460	183 730
<b>Total</b>	<b>X</b>	<b>89 460</b>	<b>183 730</b>
<b>Short-term borrowings</b>	<b>Date of payment</b>	<b>31.12.2023</b>	<b>31.12.2022</b>
		EUR	EUR
Swedbank, AS (creditline)	04.03.2024	142 606	20 121
Attīstības finanšu institūcija ALTUM JSC	31.12.2023	26 270	298 270
<b>Total short-term borrowings</b>	<b>X</b>	<b>168 876</b>	<b>318 391</b>

**(15) Other borrowings**

	<b>31.12.2023</b>	<b>31.12.2022</b>
	EUR	EUR
<b>Long-term borrowings ( 1 - 5 year)</b>		
Swedbank Līzings SIA	335 930	429 864
<b>Total</b>	<b>335 930</b>	<b>429 864</b>
	<b>31.12.2023</b>	<b>31.12.2022</b>
	EUR	EUR
<b>Short-term borrowings (up to 1 year)</b>		
Swedbank Līzings Ltd.	364 629	302 325
<b>Total</b>	<b>364 629</b>	<b>302 325</b>

*The company has 4 financial leasing agreements for cars with Ltd. "Luminor līzings Latvija", 5 financial leasing agreements for cars and 27 for other fixed assets with Ltd. "Swedbank līzings".*

**(16) Other liabilities**

	<b>31.12.2023</b>	<b>31.12.2022</b>
	EUR	EUR
<b>Short-term other creditors</b>		
Salary	146 977	141 308
Overpayments made by customers	3 191	32 731
Security fee received from debtors	7 434	3 011
Settlement of claims against staff and short-term loans	230	643
<b>Total long-term other creditors</b>	<b>157 832</b>	<b>177 693</b>

**(17) Accrued liabilities**

	<b>31.12.2023</b>	<b>31.12.2022</b>
	EUR	EUR
Provisions for unused leave	131 454	144 115
Accrued commitments for services received	20 326	10 625
<b>Total</b>	<b>151 780</b>	<b>154 740</b>

**(18) Average number of employees**

	<b>2023</b>	<b>2022</b>
Members of the Board	2	4
Other employees	146	143
<b>Average number of employees of reporting year</b>	<b>151</b>	<b>147</b>

**(19) Information on issued guarantees, warranties, and other possible liabilities and pledged assets**

In connection with the received loan (see note No. 14), the objects of the commercial pledge are the fixed assets of Hestio AS and their accessories, intangible investments, stocks worth EUR 2,500,000.00

**(20) Information on lease and rent agreements, that have important influence on company's activity**

Premises lease agreement No. Ī-22 no 30.05.2016, concluded with ABAVA Ltd

**(21) Reverse lease**

In 2023, the Group has posted Leaseback transactions for a total amount of EUR 362,253, which are not included in the profit and loss statement. The return lease is related to the sale of fixed assets owned by the Group to SIA "Swedbank Līzings" and their return. The return is presented in the balance sheet as Finance Lease, in 2022 the Group had Leaseback transactions for the total amount of EUR 484,006.

**(22) Important events after the end of the report year**

In the period between the last day of the reporting year and the signing date of these financial statements, there have been no other significant events that would materially impact the Company's financial position as of December 31, 2023.

**(23) Financial risk management**

The financial assets of the group mainly consist of debts of buyers and customers, as well as demand deposits in credit institutions. The majority of financial liabilities consist of debts owed to suppliers for goods and services. Funds are mainly placed in well-known Latvian financial institutions. The group's financial creditors are Latvian credit institutions that lend to the group's long-term and short-term financial transactions. Consequently, the concern is exposed to the risk of changes in interest rates, and this may significantly affect its performance. There is no significant difference between the balance sheet value of financial assets and liabilities and their fair value. In the reporting year, the concern did not use derivative financial instruments.

**(24) Information on the payments for members of the council and the board**

The remuneration of members of the Supervisory Board and Board for fulfilment of their duties at the Supervisory Board and Board, as well as for performance of their work obligations is as follows:

<b>Type of costs</b>	<b>2023</b>	<b>2022</b>
	EUR	EUR
Wages	164 792	200 638
Mandatory state social insurance contributions	38 874	47 530
<b>Total</b>	<b>203 666</b>	<b>248 168</b>

**(25) Personnel expenses**

	<b>2023</b>	<b>2022</b>
	EUR	EUR
Wages	2 151 376	2 223 831
Mandatory state social insurance contributions	507 469	530 048
<b>Other personnel expenses</b>	<b>2 658 845</b>	<b>2 753 878</b>

**(26) Proposal for Distribution of Profit or Covering of Loss**

The losses of 2023 will be covered from the accumulated profits of previous years.

Ivars Muzikants  
(Chairman of the Board)

Reinis Tutāns  
(Board member)

**Annual report drawn up by:**

Kristine Korpa  
(Chief Accountant)

THIS DOCUMENT IS SIGNED  
ELECTRONICALLY WITH A SECURE  
ELECTRONIC SIGNATURE AND

## INDEPENDENT AUDITORS' REPORT

To the Shareholder of HESTIOAS

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### *Our Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated financial statements for 2023 on pages 5 to 20 of HESTIO AS (“the Company”) and its subsidiaries (“the Group”), which comprise the consolidated balance sheet as of 31 December 2023 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

**In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of HESTIO AS and its subsidiaries as of 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the ‘Law On the Annual Reports and Consolidated Annual Reports’ of the Republic of Latvia.**

### *Basis for Opinion*

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (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 ((including International Independence Standards) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) and Law on Audit Services of the Republic of Latvia.

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

### *Reporting on Other Information*

The Company’s management is responsible for the other information. The other information comprises

- Information about the Company, as set out on page 3 of the accompanying Consolidated Annual Report,
- the Management Report, as set out on page 4 of the accompanying Consolidated Annual Report.

Our opinion on the consolidated financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Group and its environment obtained in the course of our audit, 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.

*Other reporting responsibilities in accordance with the legislation of the Republic of Latvia*

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

*Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

*Auditor's Responsibility for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

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WITH A SECURE ELECTRONIC SIGNATURE AND  
CONTAINS TIME STAMP

Raivis Irbītis  
Member of the Board

Ieva Aizsila  
Sworn auditor  
Certificate No. 233

Riga, 31<sup>th</sup> July 2024