

A grayscale background image of a person with their back to the camera, arms outstretched, standing in a vast, open landscape with mountains in the distance. The person is wearing a light-colored t-shirt. The overall tone is serene and expansive.

Hestio

A GREAT WORKSPACE
Delivered

COMPANY DESCRIPTION
2023 - 12

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This document (the “Document”) has been drawn up and made public solely for the purposes of listing the securities of Hestio AS, registration number: 40003972121, legal address: Kleistu iela 18a-2, Rīga, LV-1067, (the “Issuer”) and admitting the securities to trading on multilateral trading facility First North operated by Nasdaq Riga AS.

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This Company Description is not a prospectus for the purposes of the Prospectus Regulation and no competent authority of any Member State has examined or approved the contents thereof. This Company Description has been prepared on a basis that all offers of the debt securities are issued by the Issuer according to the Terms of the Notes Issue dated 20 December 2022, which is available in the attachment hereof, and will be made pursuant to an exemption from the obligation to publish a prospectus under the Prospectus Regulation. The issue of the Notes is a private placement and there is no intention of the Issuer to list the current Notes on a regulated market for the purposes of the Markets in Financial Instruments Directive 2014/65/EU, as amended (“MiFID II”), however there is intention of the Issuer to request admission to trading of the Notes on Nasdaq Riga First North.

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RESPONSIBLE PERSONS

The Issuer and its management board are responsible for the information contained in this Document and Securities Note (Terms of the Notes Issue dated 20 December 2022) in the attachment.

Hereby I, Management Board Member of Hestio AS Reinis Tutāns certify that, by paying sufficient attention to this purpose, the information included in this Document and Terms of the Notes Issue is true, in accordance with the facts, and no information which may affect its meaning is concealed therein.

Reinis Tutāns / Management Board Member of Hestio AS
19 December 2023

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Nasdaq First North Listing Disclosures



ABOUT US

We are a *prominent workspace solution provider*, proudly serving the Latvian market since our establishment in 2007. Distinguished as a market leader within the office supplies sector, we have earned the trust of a diverse clientele comprising over 8 000 customers across various industries, including both private enterprises and public sector organisations.

Our core business areas encompass the following key domains:

- Office supplies
- Coffee machine rental services
- Water filtration systems
- Printer full rental services
- Production and reconditioning of printer cartridges
- Coffee roasting
- Workspace environmental maintenance and cleaning



VISION

To empower companies in the Baltic region to establish the most exceptional working environments through the utilization of Hestio solutions.



MISSION

To provide contemporary and sustainable workspace solutions that enhance the well-being of individuals and facilitate a seamless working rhythm.



VALUES

We operate with unwavering passion.
We consistently attain our objectives.
We take responsibility for our actions.
We derive genuine enjoyment from our work.

CUSTOMER PROMISE

We understand that the workplace is a pivotal facet of any organization.

Employees seek a contemporary, well-structured workspace where their comfort is paramount.

Our comprehensive range of Hestio solutions is specifically designed to meet these expectations.

We are your trusted partner in crafting the optimal workplace environment.

HESTIO STRENGTHS

Diversified and Competitive Service Portfolio:

We offer a versatile and competitive range of services to meet the diverse needs of our clients.

Customized Service Approach:

Recognizing the uniqueness of each customer, we are committed to delivering responsive and personalized service tailored to individual requirements.

Efficient Digital Platform:

Our digital platform has been thoughtfully designed to provide a seamless and convenient shopping experience for our customers.

Experienced and Agile Professional Team:

We take pride in our team of highly experienced professionals who are not only adept at their roles but also quick learners. This combination of skills enables us to deliver efficient and effective solutions for our clients.

Continuous Learning and Adaptation:

Our team of professionals is characterized by a passion for learning and staying updated with industry developments. This enables us to adapt quickly to changing dynamics and ensure that we get the job done right, every time.



EXECUTIVE SUMMARY

- 15+ years of industry expertise
- Diversified model, with recurring revenues exceeding 48%
- Integrated multi-service portfolio
- Experienced management team
- Vertically integrated supply chain, including a successful coffee roasting subsidiary launch and a strategic 2022 cartridge production and reconditioning merger
- Strong focus on sustainability and reducing our carbon footprint



13 + mil. EUR
turnover



8 000 +
customers



400 + suppliers



20 000 + products



80 000 +
order deliveries to
business customers



150 + employees

*Based on 2022 FY data

HESTIO DEVELOPMENT TIMELINE

2009



The Company is established. The initiation of the operations within the office supplies industry, encompassing stationery, food and household goods, office equipment, and furniture.

2014



The launch of the Freschezza coffee brand is a celebration of the sheer delight of coffee.

2015



The initiation of the coffee machine rental business.

2018



Commencement of active engagement with the public sector and participation in government procurement tenders at both state and local levels.

2019



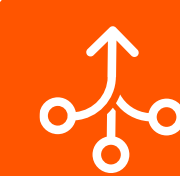
The initiation of the water filtration system rental services and corporate gift services.

2021



The launch of the commercial cleaning service. Embarking on the development of our coffee production business through our 100% subsidiary, SIA Auron Coffee Roastery.

2022



The execution of a M&A transaction to consolidate our position in the market, involving SIA Baltijas Biroju Serviss. Obtaining ISO 9001:2015 & 14001:2015 certification.

2023



Successful rebranding process and transition to the new hestio.lv e-commerce platform. Extended ISO certification, and refined coffee production process with SCA (Specialty Coffee Association).

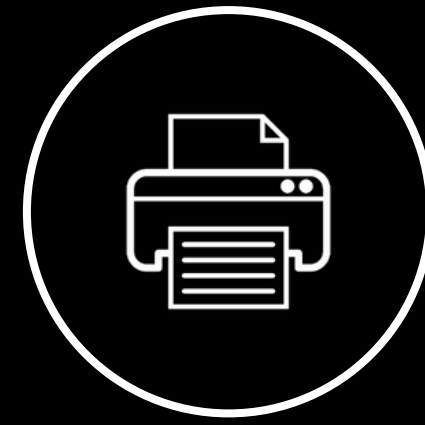


WIDE RANGE OF GOODS AND SERVICES



PRODUCTS FOR WORK & WORKPLACE

- Office paper and paper products
- Stationery
- Packaging supplies
- Office furniture and furnishing
- Stamps and stamping accessories



OFFICE EQUIPMENT & CARTRIDGES

- Printer cartridges
- Computer equipment and accessories
- Office equipment
- Printing equipment rental and service



BREAK ROOM SUPPLIES

- Groceries
- Coffee machine rental
- Water equipment rental
- Fruit deliveries
- Hobby and leisure goods



CLEANLINESS & HYGIENE

- Household goods
- Occupational health and safety (COVID-19)
- Hygiene and disinfection dispenser service
- Workspace environmental maintenance and cleaning



CORPORATE GIFTS

- Business gift sets (with and without personalization)
- Flowers and houseplants
- Presentation advertising (personalized printing)

ErichKrause

grite

jura

Post-it

MultiCopy
The reliable paper

am

Amoos

FRESCHENZA
coffee

Scotch

d.rect
OFFICE

Esselte

CENTRUM

3M



01

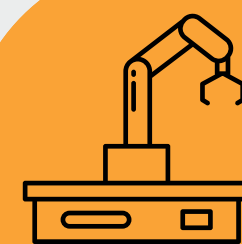
SERVICE CONTRACTS (RECURRING REVENUE)

Hestio offers a unique subscription-based access model encompassing a comprehensive suite of products and services tailored for contractual business clients. Our subscription plans are meticulously crafted to cater to the precise requirements of businesses, regardless of their size.

In the Latvian market we are the sole provider of coffee and water services with such a comprehensive range of related and unrelated goods and services.

The range of products presented includes, but is not limited to:

- Office coffee service
- Water filtration systems rentals
- Managed print services
- IT equipment rental
- Corporate gifts delivery services
- Workspace environmental maintenance and cleaning



02

PRODUCTION

Recent investments in our coffee roasting business and the acquisition of a printer cartridge production and reconditioning have bestowed significant competitive advantages upon our office coffee service and managed print service divisions.

Our in-house commercial solutions are prominently recognized in the market under the brand names 'GO Print' and 'RE Print'.

Our production processes adhere to the ISO 9001:2015 and 14001:2015 certification requirements, all under the oversight of experienced professionals who manage production, conduct rigorous testing of finished products, oversee packaging, and ensure warranty repairs meet the highest standards.



03

E-COMMERCE (DELIVERIES ON-DEMAND)

Hestio is strategically engineered to streamline the purchasing process for businesses, delivering both time and cost savings.

Our intuitive web platform is designed to ensure an efficient and optimized procurement process, empowering our business customers to make informed and cost-effective decisions.

Our product and service catalogue includes a wide range of categories:

- Cleaning and hygiene products
- Break room supplies
- Office essentials
- Technology, ink & toner
- Office furniture



04

PUBLIC PROCUREMENT

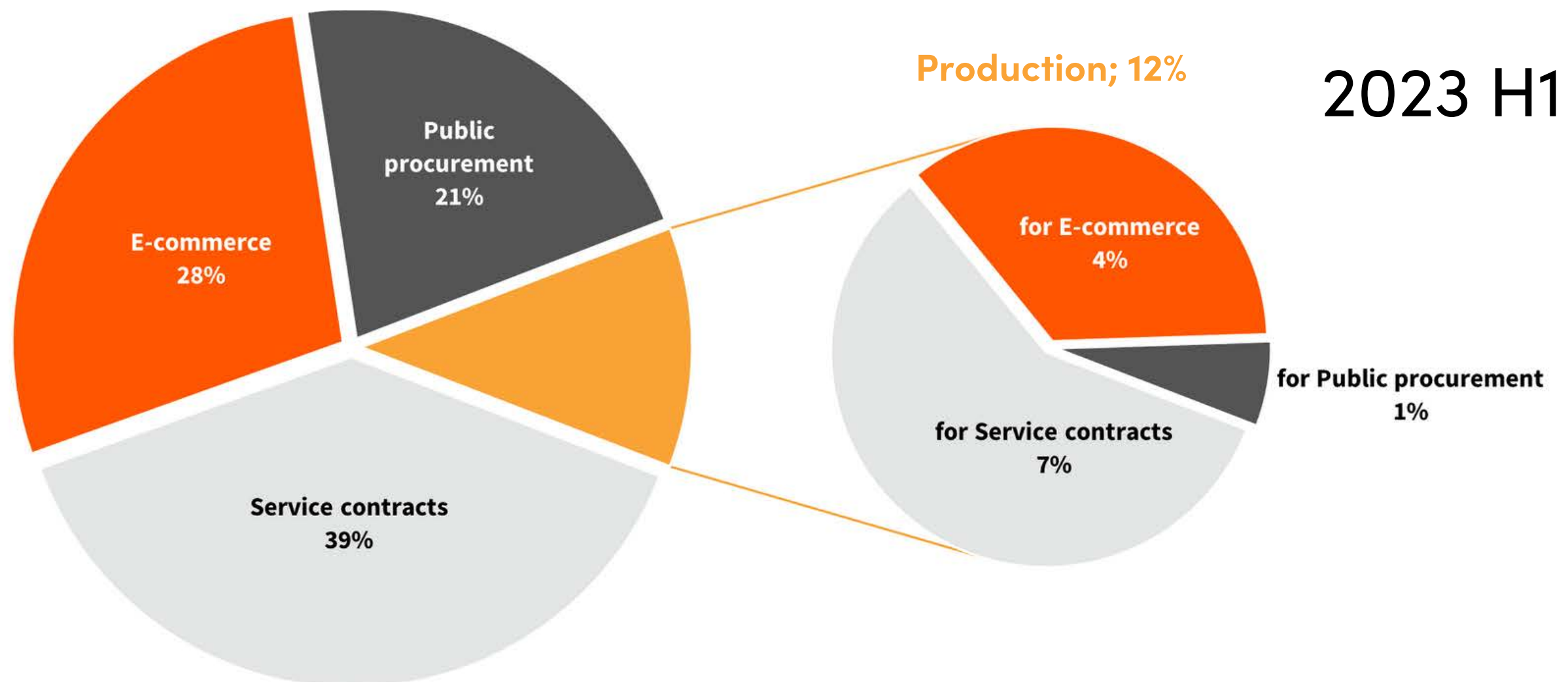
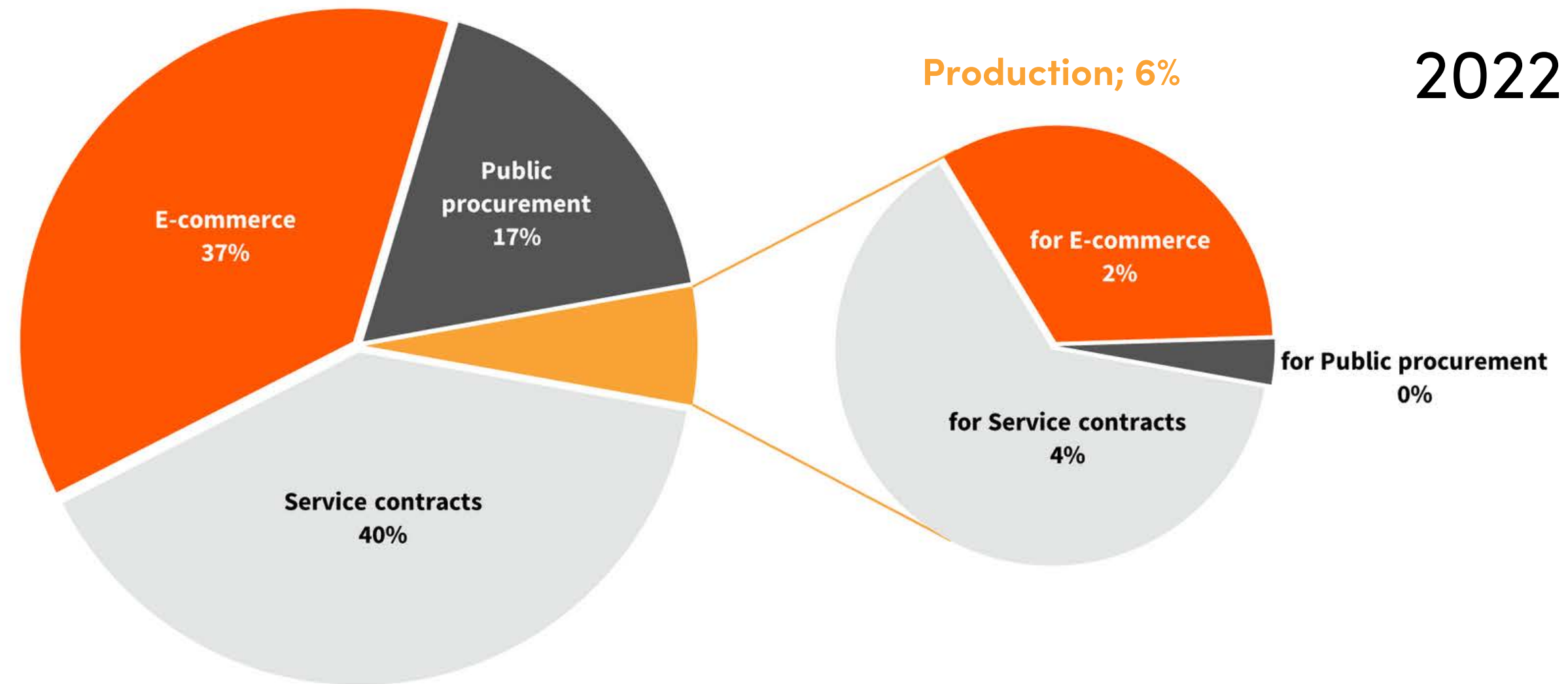
Our success in collaborating with state and municipality-controlled companies and institutions hinges on our experienced team, unwavering corporate compliance, and a steadfast reputation.

Our team has substantial experience in public procurements, including with respect to bidding process, tailored contracting and execution for:

- Government and municipality tenders
- Latvian government procurement system
- State-owned enterprise tenders

PILLARS OF HESTIO

REVENUE SPLIT



Our primary revenue stream is driven by services subscriptions, public procurement, and e-commerce.

Revenue volume stemming from service subscriptions is steadily on the rise driven by expanse of production. These service subscriptions not only enable us to generate recurring revenue but also foster robust and enduring relationships with our clientele.

The growth of subscription services is a global trend projected to persist. Customers are increasingly seeking convenience and personalized experiences. Subscription services offer a seamless avenue for customers to access the products and services they require on a recurring basis, providing them with a hassle-free and efficient solution.

Presently, Hestio primarily operates within the Latvian market region. However, noteworthy clientele subscriptions have been secured in both Estonia and Lithuania. Despite the relatively modest contribution to overall revenue, the Company operates with a broader vision, aiming to extend its reach beyond the confines of Latvia and strategically expand across the Baltic region in the forthcoming phases of its business development.

SERVICE CONTRACTS (RECURRING REVENUE)

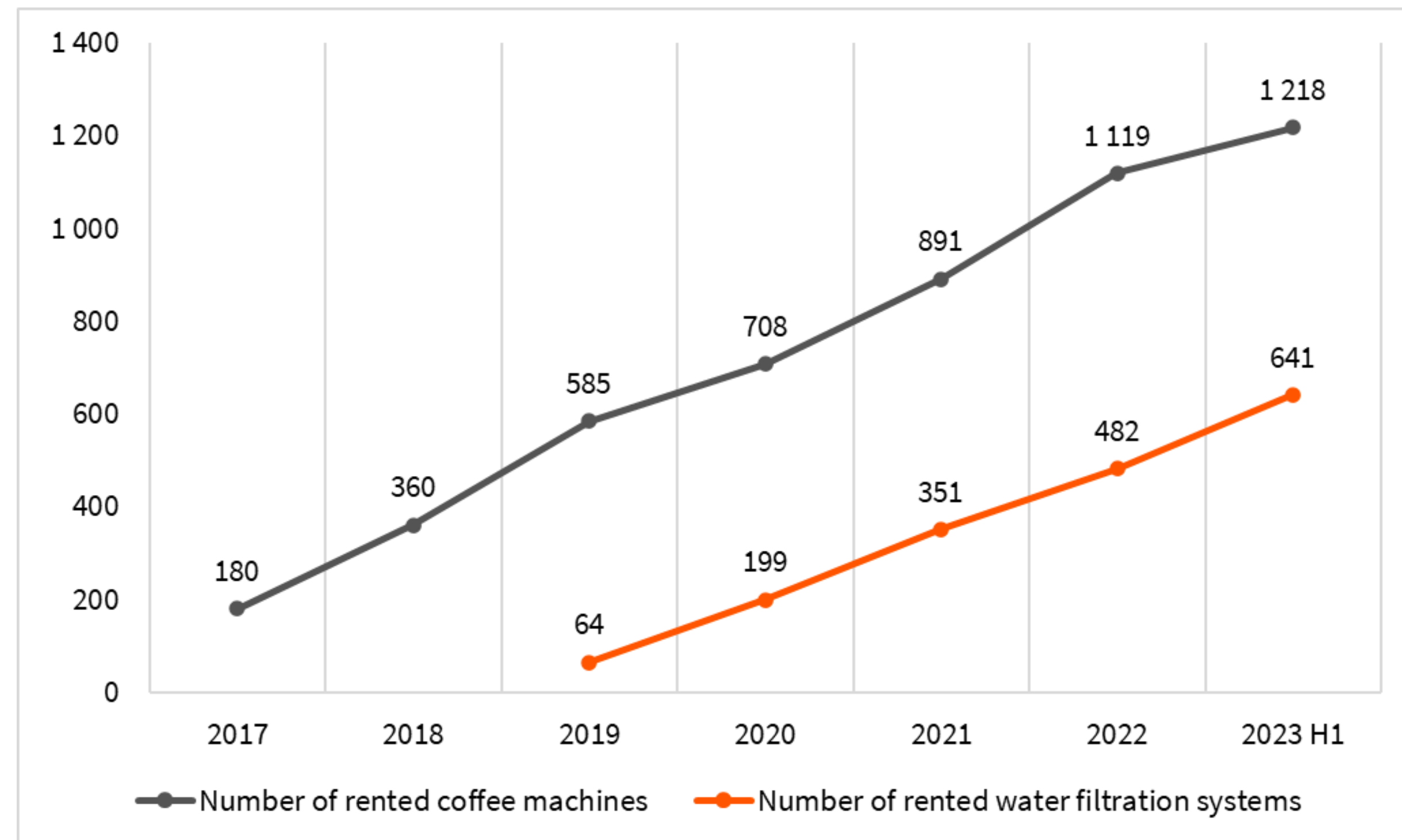


Customers who consistently engage in repeat purchases are instrumental in maintaining a stable revenue stream for our Company. This category includes both individuals and entities that acquire subscription-based products or services, as well as those who make frequent purchases of consumable goods.

Our existing customer base represents a significant segment of our revenue stream, providing the improved predictability and consistency.

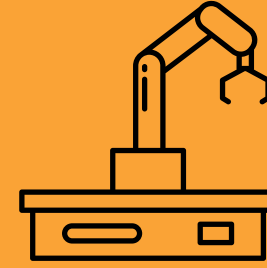
This dependable revenue flow is often underpinned by contractual agreements, which bolster the stability and reliability of our Company's financial position.

A meticulous focus on delivering a precise value proposition to customer segments, coupled with a disciplined approach in our service department, fosters the expansion of our rental fleet.



Our clients enjoy 35 000 + cups of our coffee daily

PRODUCTION



Laser printer cartridges

Committed to delivering an exceptional printing experience to our valued customers, we offer an extensive product range compatible with leading brands. We employ state-of-the-art technology and equipment to produce top-quality items.

Our "GoPrint" and "RePrint" laser printer cartridges adhere to original equipment manufacturer (OEM) standards. We stand firmly behind the quality of our products, and as a testament to our commitment, we offer a 100% satisfaction guarantee across our entire range.

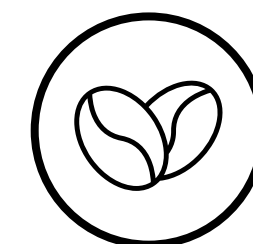


Coffee Roastery

Our small-batch coffee roastery is conveniently located near our main office. We meticulously curate the finest coffee beans from various corners of the globe and expertly roast them to perfection in our state-of-the-art roasting facility.

Freshness is our hallmark, and we ensure that our coffee is delivered promptly to our partners nationwide.

Our unwavering commitment to crafting the ideal cup of coffee is upheld by our team of seasoned baristas and roasters who tirelessly work to create distinct blends and single-origin coffees, all poised to delight the most discerning coffee connoisseurs.



100+ tonnes of coffee beans per year

Elastīgs un aizrautīgs
TELPU UKOPŠANAS PARTNERIS

Uzzināt vairāk >

VISAS AKCIJAS >

JURA® KAFIJAS AUTOMĀTS BEZ NOMAS MAKSAS

Mani cenu piedāvājumi %

Manas pirtākās preces

hestio.lv iesaka

TOP pirtākās preces

 2-02-195 Papīrs A4, UPM Office copy/print 5.06 € Bez PVN 3.24 € Akcijas cena pirt	 8-04-129 Kafija, pupiņu, Freschezza Gran Crema, 1kg 14.13 € Bez PVN 13.14 € 6 un vairāk pirt	 8-08-657 Piens UHT, Laciate, 2.0%, 1L 1.05 € Bez PVN 0.98 € 24 un vairāk pirt	 8-08-656 Piens UHT, Laciate, 3.2%, bez laktozes, 1L 1.37 € Bez PVN pirt	 10-09-224 Kosmētiskās salvetes Bulkysoft, F1, 2 slāņi, 100 loksnes /iepak. 1.29 € Bez PVN pirt	 9-08-1567 Trauku mazgāšanas līdzeklis Frosch ar citronu ekstraktu, 500ml 2.25 € Bez PVN pirt
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400 000 annual web page visits

220 000 annual web page users

E-COMMERCE
(DELIVERY ON-DEMAND)

The intuitive web page, accessibility, and personalized approach empower Hestio to engage directly with our business customers and establish a straightforward and efficient online presence.

Our web platform serves as the direct link connecting customers to Hestio.

With a contemporary digital user interface (UI) and user experience (UX), we ensure that customers experience satisfaction when utilizing Hestio's products and services.

We offer in-house adapted solutions that enable customers to configure customized purchasing programs. These programs encompass tailored pricing, exclusive deals, and a host of unique features and services.

Hestio's versatile solutions are designed to cater to businesses of all sizes, offering comprehensive service packages and support. Whether you require a full spectrum of services or are a novice entrepreneur embarking on your business journey, Hestio has a solution tailored to meet your specific needs.

PUBLIC PROCUREMENT



Hestio's engagement with government entities as customers underscores our capacity to excel in competitive selection processes. We possess a solid track record of exceptional performance, financial stability, and the essential insurance coverage required for such engagements.

Hestio consistently proves its ability to meet the precise requirements of government institutions, delivering within stringent and specialized conditions.

Our commitment to providing high-quality service within strict timelines demonstrates our expertise in navigating the distinct demands of government procurement.

Public procurement encompasses three distinct sectors:

- Government and municipality tenders
- Government procurement system
- State-owned enterprise tenders

Hestio actively engages in the following government procurement system catalogues:

- Stationery and office paper
- Metal, bedroom furniture and chairs
- Groceries
- Household goods

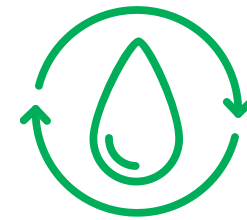


650+ tonnes of office paper per year



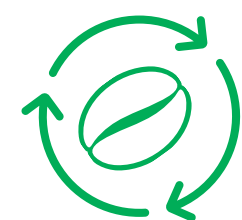
SUSTAINABILITY

We are constantly exploring solutions to minimize our environmental impact through our operations. We advocate for responsible consumption, by making our own decisions and offering quality products and services to our clients. In our current product range, we already feature 2 000 + environmentally friendly items. Sustainability is undoubtedly the direction we look towards ourselves, and we aim to encourage our clients to join us on this journey.



REDUCTION OF PLASTIC BOTTLE USAGE

By supplying water filtration systems to our clients, we not only provide purified and refreshing water but also promote the reduction of plastic bottle usage. This initiative contributes significantly to minimizing reliance on disposable bottles.



REUSE OF COFFEE BEAN CHAFF

We channel coffee chaff, a byproduct of the coffee roasting process, to CleanR for further utilization at the Getliqi EKO landfill. There, bio waste is harnessed for biogas production, subsequently employed in the generation of both electrical and thermal energy.



REUSE OF PACKAGING

When fulfilling customer orders, we consciously opt for the reuse of packaging materials received from our suppliers, whenever feasible. This initiative not only promotes a circular economy but also significantly reduces our ecological footprint.



REDUCTION OF EMPTY TONER CARTRIDGE SHELLS

Our RePrint brand cartridges offer an eco-conscious alternative, incorporating the utilization of refilled cartridges. Upon completion of use, for both GoPrint and RePrint, we extend an option to our customers to return empty cartridges. Subsequently, we strive to either reuse these casings or pass them on for recycling.

OUR KEY CUSTOMERS'



'Within the Latvian market

2 | Hestio | Business Overview

COMPETITIVE LANDSCAPE

	 SERVICES						 E-COMMERCE				 PRODUCTION			 PUBLIC PROCUREMENT	
	COFFEE MACHINE RENTAL & SERVICE	WATER EQUIPMENT RENTAL & SERVICE	PRINTING EQUIPMENT RENTAL & SERVICES	HYGIENE DISPENSER RENTAL & SERVICES	VENDING	ROOM & OUTDOOR CLEANING	STATIONERY	GROCERIES	HOUSEHOLD GOODS	PAPER HYGIENE	WATER PRODUCTION	COFFEE PRODUCTION	CARTRIDGE PRODUCTION	PUBLIC PROCUREMENT	ENTERPRISE INFORMATION SYSTEM (EIS)
 Hestio	✓	✓	✓			only room cleaning	✓	✓	✓	✓		✓	✓	✓	✓
 rouing! <small>BIROJS BEZ APSTAJAS</small>	✓		✓				✓	✓	✓	✓			✓	✓	
Officeday	✓						✓	✓	✓	✓				✓	✓
 @ COFFEE ADDRESS	✓				✓			only coffee service related products						✓	
VENDEN	✓	✓						only coffee service related products			✓			✓	✓
 elis				✓						✓				✓	
 H HAGBERG						✓								✓	



NAVIGATING MARKET CHANGES FOR OPPORTUNITIES

Businesses seek *integrated workspace solutions* and streamlined services that enhance efficiency and cost-effectiveness.

Growing interest in *workplace well-being* and employee satisfaction.

Accelerated *digital transformation*, leading to increased reliance on online platforms for procurement.

The global *surge in coffee consumption*, driven by factors such as the rise of specialty coffee, an increased awareness of diverse coffee origins.

Rise in demand for *sustainable and eco-friendly* products and services in e-commerce.

FUTURE OUTLOOK



Enhance profitability by refining our pricing policy, implementing customer retention strategies, integrating support and service departments, and optimizing the overall Company management structure.



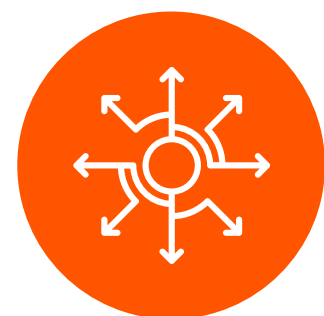
Respond to the evolving landscape of remote work by *expanding beyond the B2B industry* and aligning our strategies with market demands.



Elevate the quality of our existing services and enhance customer convenience by positioning ourselves as a comprehensive one-stop-shop service provider. This involves further *deepening our expertise* in the workspace solution service industry.



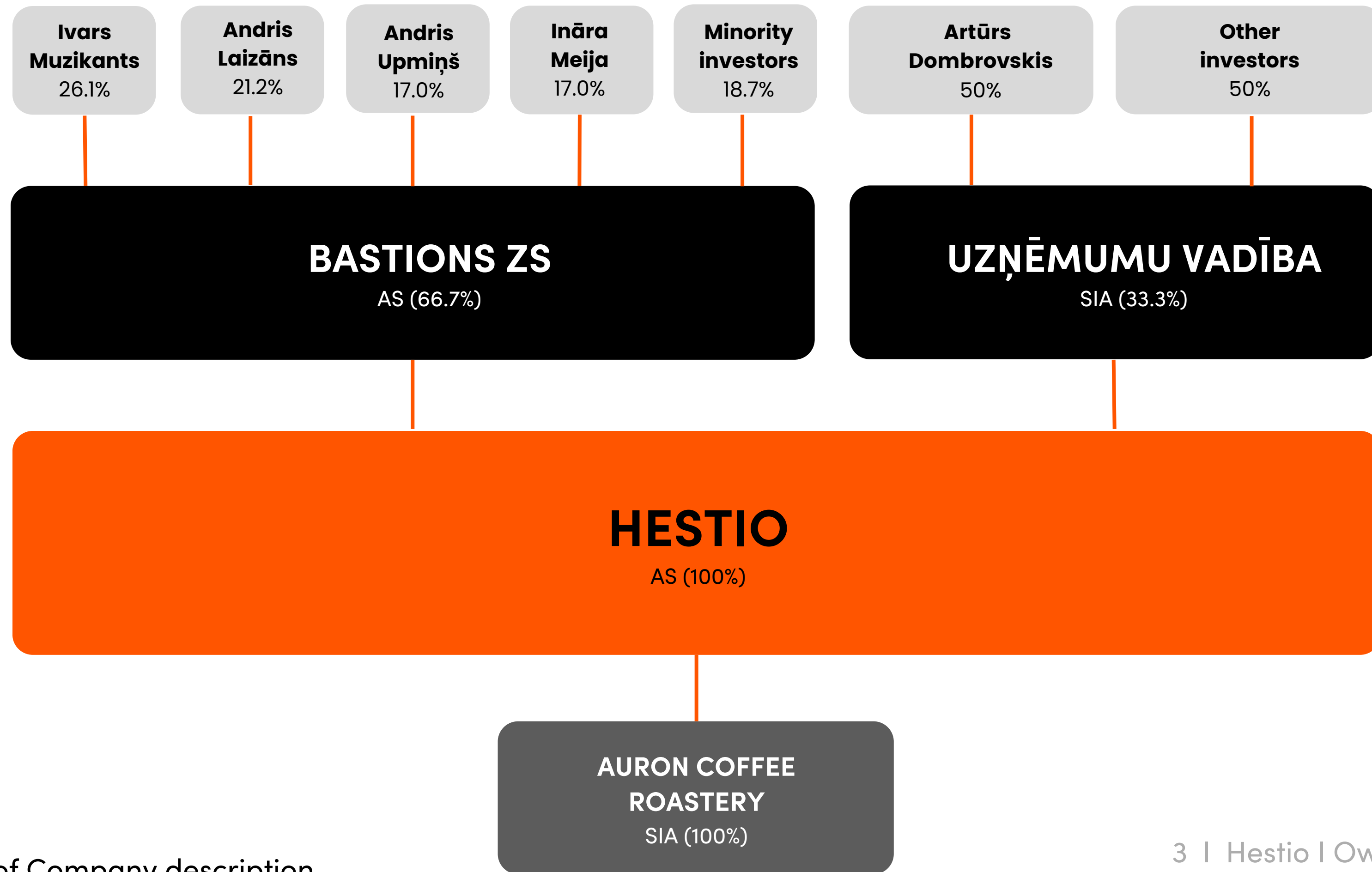
Position continued growth and *customer satisfaction* in the e-commerce sector by expanding our product catalogue, optimizing the user experience through advanced technology and prioritizing sustainability in our supply chain.



Expand our market share within current business sectors and broaden the range of services offered to customers by actively exploring M&A prospects.



LEGAL AND OWNERSHIP STRUCTURE'



'As at date of Company description

SUPERVISORY BOARD



**ANDRIS
LAIZĀNS**

Chairman of the
Supervisory Board

Indirectly owns 14.1% of shares

9+ years of experience as chairman of the board of Hestio AS. Well-versed in both - the Company's operations and business activity. Former director and head of the legal department of AAS Balta.

LL.B
University of Latvia



**ARTŪRS
DOMBROVSKIS**

Deputy Chairman of the
Supervisory Board

Indirectly owns 16.6% of shares

13+ years of industry experience in management positions. Strong analytical skills, financial acumen, and the ability to organize and oversee all key operational structures.

BA in Economics and Business
Administration
BA School of Business and
Finance



**ATIS
ZVIDRIŅŠ**

Member of the
Supervisory Board

Financier and experienced board member with 10+ years track record in alternative investment fund industry. Currently investment director and investment committee member at Altum investment fund. Serves on the supervisory boards of Primekss, Mogotel and iCotton.

EMBA Riga Business School
(expected Y2025)
B.Sc., Economics and Business
Stockholm School of Economics in
Riga



**MĀRA
ZĒPA**

Member of the
Supervisory Board

Indirectly owns 7.6% of shares

A lawyer with practical experience in the field of commercial law, finance and insurance. From 1996 to 2021, a sworn attorney. Held the position of arbitrator in the arbitration court of the Association of Latvian Commercial Banks.

LL.M
Turība University



**ANDRIS
UPMIŅŠ**

Member of the
Supervisory Board

Indirectly owns 11.3% of shares

Extensive years of experience working within the boards of financial and insurance sector companies. Respective years of experience as the financial director at Hestio AS.

Engineer - mechanic
Riga Technical University

MANAGEMENT BOARD



**GUSTAVS
DREIMANIS**

Member of the Management Board, Chief Marketing Officer

CMO boasting 15+ years of experience in executive roles, proficiently operating in both B2B and B2C sectors. Possesses a strong background in sales management and marketing.

BA in Business Administration
Turība University



**IVARS
MUZIKANTS**

Chairman of the Management Board

Indirectly owns 17.5% of shares

Vast experience in managing and developing businesses. On the board of several companies related to finance, insurance, production, logistics, including board and council positions.

Engineer - mathematician
Riga Technical University



**REINIS
TUTĀNS**

Member of the Management Board, Chief Financial Officer

Financial leader with a deep understanding of financial metrics, responsible for planning, budgeting, and forecasting. Oversees the accounting and finance department and provides financial advice and support to the CEO and management.

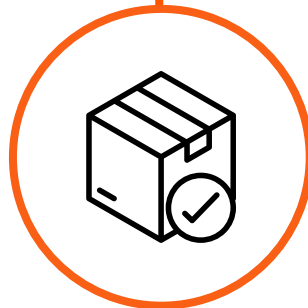
BA in Business Administration
Riga Business School

BUSINESS OPERATIONS



Sourcing and Procurement

To secure business continuity, Hestio maintains dependable and trustworthy relationships with manufacturers and suppliers. Our collaboration with meticulously chosen suppliers and the implementation of contractual safety provisions form the cornerstone of an exceptional customer experience.



Storage and Delivery (logistics)

Hestio guarantees the precise fulfillment of orders within the stipulated terms and conditions. To ensure the highest service and product quality for end customers, rigorous quality checks are conducted at various stages of each delivery. We maintain an unwavering commitment to the continuous improvement of our service quality. We firmly believe that the path to achieving this objective is through persistent dedication and continuous refinement.



Sales, marketing and Customer Service

The synergy between our sales, marketing, and customer service departments is pivotal in delivering an exceptional customer experience. Our sales team not only generates leads but also converts them into loyal customers. Meanwhile, the marketing department plays a critical role in raising awareness about the Company and orchestrating effective marketing campaigns. To further enhance customer satisfaction, our dedicated customer service department offers unparalleled support and assistance to our valued clientele.



Advanced IT system and Data Automation

Our digital user interface (UI) and user experience (UX) are instrumental in enhancing customer satisfaction with Hestio products and services. Our solutions empower customers to establish customized purchasing programs with tailored pricing, exclusive deals, and specialized services. A digital approach is central to our operations, leveraging digital marketing techniques to effectively reach and engage with customers. Furthermore, we harness data and analytics to gain a comprehensive understanding of customer preferences, enabling us to better serve their needs.



Data Analytics and Business Intelligence

Across our business lines and revenue sources, we rigorously analyze our financial performance. This informs strategic recommendations for management and departments to optimize our operations. We utilize advanced tools like Power BI for comprehensive financial insights. Our proactive financial monitoring covers key metrics, including cash flow, liquidity, and business cycles, enabling agile responses to market dynamics. We also evaluate investment returns and long-term project profitability. Our financial strategy leverages both internal and external financial resources, underscoring our commitment to financial health and vitality.

INCOME STATEMENT¹

HESTIO AS

€K	FY 2020 <i>Audited</i>	FY 2021 <i>Audited</i>	FY 2022 <i>Audited</i>	FY H1 2023 <i>Unaudited</i>
Net turnover	8 190	9 776	13 058	6 292
Cost of goods sold	(5 101)	(5 753)	(7 644)	(3 798)
Gross profit or loss	3 089	4 023	5 414	2 494
Selling expenses	(2 777)	(3 575)	(5 114)	(2 578)
Other operating income	38	188	50	16
Other operating expenses	(68)	(71)	(139)	(18)
Other interest and similar income	0	0	2	2
EBIT	282	565	213	(84)
Interest payments and similar expenses	(36)	(39)	(51)	(65)
Corporate income tax	0	(4)	(17)	(0)
Profit or loss of the reporting period	245	522	145	(149)

¹Financial statements 2020, 2021, 2022, audited by SIA Grant Thornton Baltic Audit

Following several years of consistent growth the first half of 2023 generated an unsatisfactory return in the form of a loss due to reduced sales efficiencies as its operational activities significantly expanded.

In order to turn this around the sales strategy has been revised together with the restructuring of inner processes including quality control.

Company's management is confident that the executed changes will allow for resumed growth and improved profitability in coming reporting periods.

STATEMENT OF FINANCIAL POSITION¹

HESTIO AS

ASSETS, €K	FY 2020 <i>Audited</i>	FY 2021 <i>Audited</i>	FY 2022 <i>Audited</i>	FY H1 2023 <i>Unaudited</i>
Intangible assets	83	124	395	359
Fixed assets	1 293	1 724	1 983	2 084
Long-term financial investments	0	82	135	135
Total long-term investments	1 376	1 930	2 513	2 578
Inventories	667	907	1 233	1 059
Receivables	489	821	1 010	984
Cash and cash equivalents	648	781	783	137
Total current assets	1 804	2 509	3 026	2 180
TOTAL ASSETS	3 180	4 439	5 539	4 758

EQUITY & LIABILITIES, €K	FY 2020 <i>Audited</i>	FY 2021 <i>Audited</i>	FY 2022 <i>Audited</i>	FY H1 2023 <i>Unaudited</i>
Share capital	150	860	1 380	1 380
Retained earnings	711	524	149	0
Total equity capital	861	1 384	1 529	1 380
Bonds	0	0	990	1 006
Taxes and other payables	895	846	511	294
Total long-term liabilities	895	846	1 501	1 300
Other borrowings	304	511	574	277
Accounts payable	696	1 044	1 124	966
Taxes and mandatory state social insurance contributions	255	329	451	524
Other liabilities	169	325	360	312
Total short-term liabilities	1 424	2 209	2 509	2 079
TOTAL EQUITY & LIABILITIES	3 180	4 439	5 539	4 758

¹Financial statements 2020, 2021, 2022, audited by SIA Grant Thornton Baltic Audit

INCOME STATEMENT¹

SIA AURON COFFEE ROASTERY

€K	FY 2020 <i>Audited</i>	FY 2021 <i>Audited</i>	FY 2022 <i>Audited</i>	FY H1 2023 <i>Unaudited</i>
Net turnover	-	-	286	542
Cost of goods sold	-	-	(228)	(400)
Gross profit or loss	-	-	58	142
Selling expenses	(0)	(14)	(123)	(77)
Other operating income	-	-	42	4
Other operating expenses	-	-	(14)	(13)
EBIT	(0)	(14)	(37)	56
Interest payments and similar expenses	-	(3)	(14)	(11)
Corporate income tax	(0)	-	-	-
Profit or loss of the reporting year	(0)	(17)	(51)	45

¹Financial statements 2020, 2021, 2022, audited by SIA Grant Thornton Baltic Audit

STATEMENT OF FINANCIAL POSITION¹

SIA AURON COFFEE ROASTERY

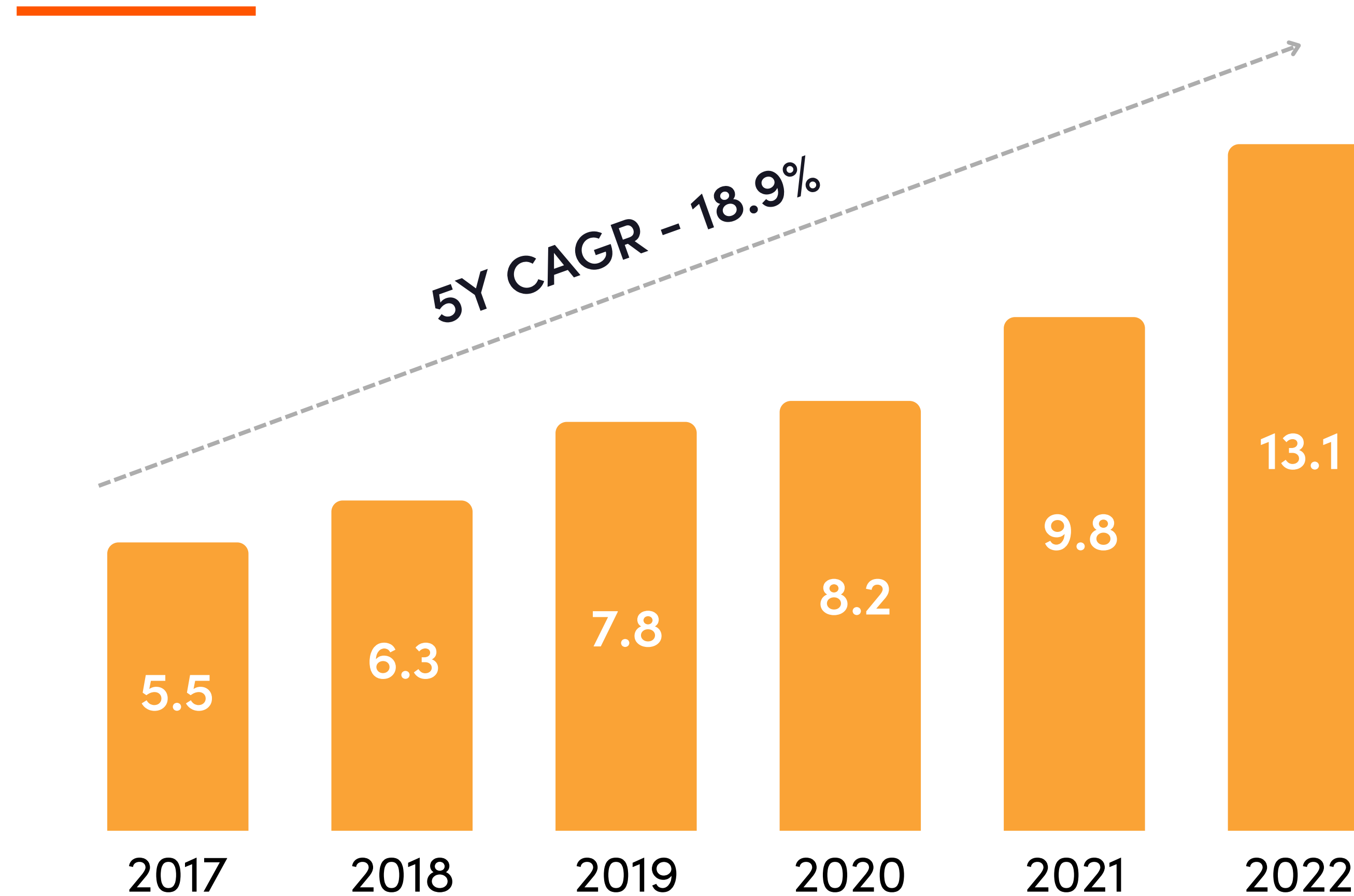
ASSETS, €K	FY 2020 <i>Audited</i>	FY 2021 <i>Audited</i>	FY 2022 <i>Audited</i>	FY H1 2023 <i>Unaudited</i>
Fixed assets	-	189	266	267
Total long-term investments	-	189	266	267
Inventories	-	1	82	190
Receivables	0	4	44	3
Cash and cash equivalents	0	2	-	-
Total current assets	0	7	126	194
TOTAL ASSETS	0	196	392	461

EQUITY & LIABILITIES, €K	FY 2020 <i>Audited</i>	FY 2021 <i>Audited</i>	FY 2022 <i>Audited</i>	FY H1 2023 <i>Unaudited</i>
Share capital	0	38	38	38
Retained earnings	0	(17)	(37)	11
Total equity capital	0	21	1	49
Taxes and other payables	-	148	213	129
Total long-term liabilities	-	148	213	129
Other borrowings	-	26	46	197
Accounts payable	-	1	95	48
Taxes and mandatory state social insurance contributions	0	0	27	33
Other liabilities	-	0	9	4
Total short-term liabilities	0	27	177	283
TOTAL EQUITY & LIABILITIES	0	196	392	461

¹Financial statements 2020, 2021, 2022, audited by SIA Grant Thornton Baltic Audit

REVENUE 2017-2022

MIL. EUR



Hestio has proven its capacity to operate within a volatile market while sustaining consistent growth through strategic shifts in its business model and a steadfast focus on its core competencies.

As an adaptable organization, Hestio has showcased its agility in responding to market dynamics by introducing novel products and services.

Additionally, a successful merger and acquisition (M&A) transaction significantly contributed to the revenue growth witnessed in 2022.

TERM SHEET

ISSUER	Hestio AS
ISSUE SIZE	Initial total nominal value: EUR 990'000.00 Compounded total nominal value as of 19 December 2023: EUR 1'013'196.16
TYPE OF NOTES	Secured Notes
DATE OF ISSUE	20 December 2022
COLLATERAL	1st rank commercial pledge on the assets of Issuer
MATURITY	1 September 2027
ANNUAL COUPON RATE, COUPON FREQUENCY	<ul style="list-style-type: none"> • 4.50% fixed, quarterly p.a., paid quarterly • 3.00% fixed, quarterly p.a., compounded to the total Nominal Value • Additional return fee described in section 12.2. in Terms of the Notes
CALL OPTION	@106% during Year 1; @105% during Year 2; @100% after Year 2
PUT OPTION	-
NOMINAL VALUE	EUR 0.01
FINANCIAL COVENANTS (BASED ON CONSOLIDATED DATA EACH HALF YEAR FOR 12 MONTH PERIOD)	<ul style="list-style-type: none"> • Net Debt / EBITDA (recurring normalised): max 3.5x • DSCR: no less than 1.3x till December 2023 / no less than 1.5x starting June 2024
TYPE OF PLACEMENT	Private Notes (private placement of notes)
LISTING	Nasdaq Riga First North within 12 months from the Issue Date
USE OF PROCEEDS	Working capital financing for acquisition of other legal entity assets

CERTIFIED ADVISER

ZAB Eversheds Sutherland Bitāns SIA acts as the First North Certified Adviser for Hestio AS

Official name: ZAB Eversheds Sutherland Bitāns SIA

Registration number: 40203329751

Main field of activity: Legal services

Address: Lāčplēša iela 20a-9, Rīga, LV-1011, Latvia

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Representative

Justīne Ignatavičute

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Telephone: +371 28665066

ZAB Eversheds Sutherland Bitāns SIA is advising Hestio AS with the preparation of admission documents. The agreement is valid from the day of submitting the application for admission to trading on First North to Nasdaq Riga and shall remain valid without a term until terminated by either agreement party. Certified Adviser and employees of the Certified Adviser do not have any direct or indirect shareholdings in the Issuer and are not represented in Board of the Issuer.

EVERSHEDS
SUTHERLAND
BITĀNS

RISK FACTORS

Below is a description of the risk factors that are material for the assessment of the market risk associated with the notes and risk factors that may affect the Issuer's ability to fulfil its obligations under the notes, as well as the market price and value of the notes. Should one or more of the risks described below materialise, this may have a material adverse effect on the cash flows, results of operations, and financial condition of the the Issuer Hestio AS and its subsidiary SIA Auron Coffee Roastery (further referred as the Group). Moreover, if any of these risks materialise, the market value of the notes and the likelihood that the Issuer will be in a position to fulfil its payment obligations under the notes may decrease, in which case the prospective investors could lose all or part of their investments.

The risk factors described herein are the risks which the Issuer has deemed material; however, they are not the only factors affecting the Issuer's activities. Therefore, the Issuer does not claim that the statements below regarding the risks of acquiring and/or holding any notes are exhaustive. Also, other factors and uncertainties than those mentioned herein, which are currently unknown or deemed immaterial, could negatively affect the Issuer's cash flows, results of operations and, thereby, the Issuer's ability to fulfil its obligations under the notes, as well as the market price and value of the notes. Moreover, prospective investors should bear in mind that several of the described risk factors can occur simultaneously and together with other circumstances could have a potentially stronger impact on the Group.

Before deciding to purchase the notes, prospective investors should carefully review and consider the following risk factors, in addition to all other information presented in this D and Terms of the Notes Issue, and consult with their own professional advisors if necessary.

RISKS RELATED TO THE ECONOMIC AND REGULATORY ENVIRONMENT

Macroeconomic risk

The Group's results of operations and financial performance are subject to changes in the general economic conditions of the markets in which it sells its products of total consolidated revenue for the year ended December 31, 2021. Changes in general economic conditions directly impact consumer confidence and consumer spending as well as the general business climate and levels of business investment, all of which affect the demand for the Group's products and services. Moreover, consumer confidence, consumer spending and/or general economic conditions may deteriorate significantly and remain depressed for extended periods of time. A negative development in general economic conditions or consumer confidence and consumer spending could have a negative effect on Group's results of operations, revenue and cash flows.

Downturns in general economic conditions and uncertainties regarding future economic prospects which affect consumers' disposable income pose a risk to the Group's business, because consumers and businesses may postpone spending in response to tighter credit markets, unemployment, negative financial news or declines in income or asset values, which could have a material adverse effect on demand for the Group's products. Discretionary spending is affected by many factors, including general business conditions, inflation, interest rates, consumer debt levels, unemployment rates and availability of consumer credit. These and other such macroeconomic factors are outside the Group's control.

Geopolitical risk

In February 2022, Russia started invasion of Ukraine. This has led to significant volatility in the global credit markets and on the global economy. Furthermore, war in Ukraine has resulted in sanctions on Russian and Belarussian suppliers and have triggered production chain disruptions in many industries globally that could potentially negatively affect the availability and cost of certain materials, and have intensified general inflationary pressures. The Group may not be able to transfer the rising costs to its customers by increasing the prices of its products and services, and such price increases may not be sufficient to fully cover the negative impact from rising costs or may come with a delay that could potentially leave a negative impact on the Group's margins and financial performance.

Introduction of new sanctions packages, general deterioration of the economic situation or investor sentiment towards the Baltics and other aspects related to geopolitical events may affect the Group's business results.

Regulatory risk

The food and beverage industry is regulated by various European and national legislation and regulations related to food safety and hygiene, packaging, nutritional information.

Changes to the local tax regime or challenges to the current tax structures of the Group's business could have a material adverse effect on the Group's business, financial condition, or results of operations. Additionally, certain tax positions taken by the Group require the judgement of management and, thus, could turn to be inefficient or challenged by tax authorities due to possible erroneous interpretation of tax legislation.

Retention of key personnel

The Group's business and prospects depend to a significant extent on the continued services of its key personnel in its various business areas. Financial difficulties or lack of industry sustainability could negatively impact the Group's ability to retain key employees. The loss of any of the members of its senior management or other key personnel or the inability to attract a sufficient number of qualified employees could adversely affect its business and results of operations.

Employee risk

The Group's employees are a significant part of the overall operations of the Group. In the future the Group may be unable to attract enough skilled employees that would fit the needs and the corporate culture of the Group. Training of new employees also takes time and resources. Any difficulties in attracting new and/or to retain existing employees could have a material adverse effect on the Group's service quality and reputation, business operations, financial conditions, and results of operations.

Operational risks

Operational risk is a possibility of experiencing losses due to insufficient or unsuccessful internal processes, personnel management, systems, or external circumstances. Thorough personnel selection is carried out, accurate descriptions of job duties are compiled, division of duties is coordinated, which allows the Group and management to reduce operational risks. The Group's internal controls, procedures, compliance systems and risk management systems may prove to be inadequate to prevent and discover previous or future breaches of laws and regulations and generally to manage risks which could have a material adverse effect on the Group's business operations, financial conditions, and results of operations.

Counterparty credit risk

Group is engaged in numerous sales transactions with its clients and suppliers, and the Group is subject to the risk that one or more of these counterparties becomes insolvent and therefore becomes unable to discharge their obligations to the Group. Such risk may be exacerbated by events or circumstances that are inherently difficult to anticipate or control. If one of the Group's counterparties were to default on its obligations or otherwise be unable to discharge its contractual obligations, this could have an adverse effect on the Group's financial condition and results of operation.

Competition risks

The market segment in which the Group operates is highly competitive. There is a risk new notable market players not yet present in the Baltics could enter the market, thus creating additional competition for the local market players, which could lead to a loss of market share with a material adverse effect on the Group's business operations, financial conditions, and results of operation.

RISKS RELATED TO THE ECONOMIC AND REGULATORY ENVIRONMENT

Risk of supply and logistics chain disruptions

A disruption in the Group's supply and logistics chain caused by transportation disruptions, delays or increased expenses, labour strikes, product recalls or other unforeseen events could adversely affect the Group's operations. If the Group cannot secure alternative sources of supply or effectively manage a disruption if it occurs. These events could cause the Group's revenue to decline, require additional resources to restore its supply and logistics chain or otherwise adversely affect the Group's business, financial condition, and results of operations.

Risk of increase in labour and employment costs

Although, the Group has made substantial investments in digitalization to achieve productivity gains, labour and employment costs make up the majority of the Group's operating expenses. The Group's labour and employment costs may rise in the future, or rise faster than expected, as a result of minimum wage increases, inflationary pressure, increased workforce activism, government decrees and changes in social and pension contribution rules. The Group may not be able to offset increases in labour and employment costs through productivity gains. If labour and employment costs increase in the future, the Group's operating costs will increase, which could, if the Group cannot recover these costs from its clients or consumers through increased selling prices or offset them through productivity gains or other measures, have a material adverse effect on the Group's business, financial condition, and results of operations.

Risk of information technology system failures, network disruptions and breaches in data security

The Group relies on information technology networks and systems to securely process, transmit and store electronic information and to communicate internally and with customers, partners and vendors. The Group may be subject to information technology system failures, network disruptions and breaches in data security. Information technology system failures could disrupt its operations by causing transaction errors, processing inefficiencies, delays or cancellations of customer orders, inability to carry out service activities remotely, loss of customers, other business disruptions, or the loss of or damage to intellectual property through security breaches. The Group's information systems could also be penetrated by outside parties who intend to extract information, corrupt information, disrupt business processes, or misappropriate its customer information. Such breaches and cyberattacks could lead to shutdowns or disruptions of the Group's systems and potential unauthorized disclosure of sensitive or confidential information, including personal data of, among others, the Group's employees, customers, contractors, vendors and other business partners.

RISKS RELATED TO THE COLLATERAL

Risks associated with the value of the Collateral

The value of the Collateral is not fixed and is subject to changes in several factors, primarily the demand and supply conditions for the Issuer's products, which at times can be unpredictable and are out of the Issuer's control. Thus, the value of the Collateral might decline if unfavourable market conditions would result in a decline in prices of the Issuer's products. Additionally, if a sudden necessity to sell the Collateral (or any part of it) were to arise, the Issuer might be forced to sell the Collateral at a discount to its market value and derive less value than expected from it.

Moreover, the structure of Collateral could change over time due to changes in the Issuer's inventory and overall asset structure. Additionally, the Collateral is subject to damage defects, and the risk of theft or legal disputes. Any of these risks related to the Collateral can negatively affect the value of the Collateral and the Issuer's ability to meet its obligations under the Notes.

The Collateral will be subject to certain limitation on enforcement and may be limited by the Applicable Law or subject to certain defences that may limit its validity and enforceability

The Collateral provides the Noteholders with a claim against the Issuer. However, the Collateral will be limited to the maximum amount that can be guaranteed by the Issuer without rendering the Collateral voidable or otherwise ineffective under the applicable law, and enforcement of Collateral would be subject to certain generally available defences.

Enforcement of the Collateral against the Issuer will be subject to certain defences available to the Issuer in the relevant jurisdiction. Laws and defences generally include those that relate to corporate purpose or benefit, fraudulent conveyance or transfer, voidable preference, insolvency or bankruptcy challenges, financial assistance, preservation of share capital, thin capitalization, capital maintenance or similar laws, regulations or defences affecting the rights of creditors generally. If one or more of these laws and defences are applicable, the Issuer may have no liability or decreased liability under its Collateral depending on the amounts of its other obligations and Applicable Law.

There is a possibility that the entire Collateral may be set aside, in which case the entire liability may be extinguished. If a court decides that the Collateral was a preference, fraudulent transfer or conveyance and voids such Collateral, or holds it unenforceable for any other reason, the Noteholders may cease to have any claim in respect of the Issuer.

RISKS RELATED TO THE NOTES

Collateral risk

If the Issuer fails to make the Coupon payments and / or Nominal Value payments, and / or payments stipulated in the Notes Issue in a timely manner, the Bond Holders will initiate the takeover and realization of the Collateral. There is a risk that there may be no legal and practical possibility to take over or sell the Collateral in full or in part and no buyer may be interested in buying the Collateral.

Considering that the Bond Holders do not supervise the quality of the Collateral during the duration of Issuer's obligations, there is a risk that the Collateral may be taken over but the realization of the Collateral may be insufficient to fully satisfy the Bond Holders' claims.

Repayment risk

In case of the Issuer's insolvency, Investors have the same right to receive their investment as other creditors of the relevant group in accordance with the Applicable Law. Should the Issuer become insolvent, legal protection proceedings or out-of-court legal protection proceedings of the Issuer are initiated during the term of the Notes, an Investor may forfeit interest payable on, and the principal amount of, the Notes in whole or in part. Investor is always solely responsible for the economic consequences of its investment decisions.

Liquidity risk

Neither the Issuer nor any other person guarantees the minimum liquidity of the Notes. Thus, the Investors should consider the fact that they may not be able to sell or may face difficulties in selling their Notes on the secondary market at a fair market value or at all.

Price risk

The development of market prices of the Notes depends on various factors, such as changes of interest rates, central bank policies, overall economic development or demand for the Notes. The Notes shall bear a fixed interest rate. Thus, Investors who seek to sell the Notes before their final maturity are exposed to interest rate risk: if the market interest rate increases, the price of fixed rate Notes typically declines. Neither the Issuer, nor any other person undertakes to maintain a certain price level of the Notes. The Investors are thus exposed to the risk of unfavourable price development of their Notes if they sell the Notes prior to final maturity. If an Investor decides to hold the Notes until maturity, the Notes will be redeemed at their Nominal Value.

Early redemption risk

According to these Terms of the Notes Issue, the Notes may be redeemed prematurely at the initiative of the Issuer. If the early redemption right is exercised by the Issuer, the rate of return from the investment into the Notes may be lower than initially expected, as the Investor might not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on such Notes being redeemed. The Issuer's redemption right may also adversely impact the Investor's ability to sell such Notes.

Tax risk

Tax rates and tax payment procedure applicable at the moment of purchase of Notes to the tax residents, non-residents of Latvia and residents of other countries may change. The Issuer will not compensate the increase in taxes to Investors, therefore Investors may receive smaller net payments related to the Notes.

Resolutions of Investors risk

The decision by the Majority Noteholders is binding on all Investors. Thus, an Investor is subject to the risk of being outvoted by a majority of the other Investors. As such, certain rights of an Investor against the Issuer may be amended or reduced or even cancelled without its consent.

TRANSACTIONS WITH RELATED PARTIES

As per Hestio AS financial statements for the period ending 31 December 2022

€K	Companies controlled by beneficial owner ¹	Other related parties ²
Receivables from related parties		
Loans issued	67	
Trade and other receivables	49	
Borrowings and payables		
Loans received		
Trade and other payables	33	
Income and expenses		
Sales to related parties	16	
Purchases from related parties	345	129
Interest income	2	
Interest expense		

¹Companies controlled by beneficial owner: SIA Auron Coffee Roastery.

²Other related parties are entities which are under control or joint control of the shareholders of the Group, but not part of the Group.

OTHER STATEMENTS

LEGAL PROCEEDINGS

At the date of this Document and Terms of the Notes Issue, the Issuer and its subsidiaries are not involved in:

- any ongoing legal proceedings or any historical legal proceedings from the previous reporting periods against the Issuer or any of its subsidiary;
- any insolvency applications, insolvency proceedings or legal protection proceedings;
- any legal proceedings in connection with fraud or other economic violation in which management board members or supervisory board members of the of the Issuer or any its subsidiary have been involved.

IMPORTANT AGREEMENTS

The Issuer has no knowledge of any other important agreements or internal decisions that could have been concluded within the Company or between the Issuer and any related Company and that could affect the Issuer's capability to fulfil its liabilities due to Noteholders regarding the issued Notes.

EMPLOYEE SHARE OPTIONS

At the date of this Document and Terms of the Notes Issue, the Issuer has not adopted any employee share option plans.

SUBSTANTIAL CHANGES IN FINANCIAL SITUATION OF THE ISSUER

As of the publication of the last financial statement, the financial situation or performance of the Issuer has not worsened. The Issuer is unaware of any factors, claims, obligations, or events which would negatively affect the financial situation or performance of the Issuer in future.

SIGNIFICANT RECENT AND KNOWN TRENDS

In 2020 and 2021 economy and financial markets were affected by the global pandemic COVID-19.

In February 2022, Russia invaded Ukraine, which led to uncertainty for the global economy and development of capital markets, including availability of resources, changes in purchasing demands and increased inflation.

The Issuer has no information at its disposal regarding any known trends that have negatively affected the Issuer or the activity, apart from the aforementioned.




Hestio

A GREAT WORKSPACE
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Contact us

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