JOINT STOCK COMPANY ‘LONGO GROUP’
(UNIFIED REGISTRATION NUMBER 42103081417)

ANNUAL REPORT FOR 2022

PREPARED IN ACCORDANCE WITH THE ANNUAL REPORTS AND CONSOLIDATED ANNUAL REPORTS LAW

TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT

Riga, 2023

CONTENTS

Information about the Company

Name of the Company	Longo Group
Legal status of the Company	JOINT STOCK COMPANY
Unified registration number, place and date of registration	42103081417, Riga, 30 October 2017
Registered office	Mūkusalas iela 72A, Riga, LV–1004, Latvia
Shareholders	

	31.12.2022
SIA ALPPES Capital	46%
Other shareholders	54%
TOTAL	**100%**

Members of the Board	Edgars Cērps - Chairman of the Board from 28.12.2020
	Jacob Willem Hoogenboom - Member of the Board from 28.12.2020
Members of the Council	Aigars Kesenfelds - Chairman of the Council from 28.12.2020
	Māris Keišs - from 01.03.2021
	Alberts Pole - from 01.03.2021
	Kristaps Ozols - from 01.03.2021
	Smith Neil Jonathan - from 01.03.2021
Subsidiaries	Longo Latvia SIA, Latvia (100%)
	Longo Lithuania UAB, Lithuania (100%)
	Longo Estonia OU, Estonia (100%)
	Longo Shared Services UAB, Lithuania (100%)
	Longo Netherlands B.V., The Netherlands (100%)
	Longo Belgium BVBA, Belgium (99%)
	Maxxus GmbH, Germany (100%)
	Longo Poland sp. z o.o., Poland (100%)
Reporting year	1 January 2022 - 31 December 2022
Previous reporting year	1 January 2021 - 31 December 2021
Auditors	KPMG Baltics SIA, 1 Roberta Hirsa Street, Riga, LV-1045, Licence No. 55
	Certified Auditor In Charge Rainers Vilāns
	Certificate No. 200

Management Report

Line of business

The core activity of AS Longo Group (the Company) is activities of holding companies. The Company also provides lending services to its subsidiaries (hereinafter the Company with its subsidiaries is referred to as the Group).

Development of the Company and its financial performance during the reporting year

Longo Group was established in 2018 and is the leading used car retailer in the Baltics. It is present in Estonia, Latvia, Lithuania and Poland, as well as in the Netherlands, Belgium and Germany. The Group brings a new meaning to the Baltic used car retail industry by providing a fully transparent, reliable and world class used car purchase experience via both online and physical sales channels. Being a fully vertically integrated company, the Group carefully selects and sources (purchases) most of its cars from the Netherlands, Belgium, Germany and the Baltic countries. The Group has its own preparation center in Lithuania with facilities based in the Panevėžys region. To ensure the highest quality standards, before cars are sold, they are thoroughly checked, conditioned and, if needed, repaired by Longo's professional team. The Group is also offering financing and extended warranty solutions of its partners to customers.

The Group's data-driven approach and significant online presence has allowed it to build efficient operations spanning multiple geographies and becoming a leader of the used car retail market in the Baltics. In order to support and control each step of the business, as well as make data driven decisions daily, Longo has heavily invested in IT infrastructure and developed its own proprietary integrated IT system.

Business results

Overall, 2022 was a successful year for Longo, despite the unfavorable macroeconomic conditions. The Company was able to increase revenues compared to the previous year, reaching a turnover of 1.4 million EUR and made a profit of 451.4 thousand EUR.

Future prospects

At the beginning of 2023, new Group sales locations were opened in Narva, Estonia and Daugavpils, Latvia.

The Group has ambitious plans for year 2023 and beyond - to increase its revenue even further while delivering profit. It is to be achieved by boosting its brand awareness, expanding its physical network, and increasing the car assortment. The Company also plans to increase its turnover in order to be able to support subsidiary companies in the implementation of 2023 plans.

The Company obeys local laws relating to environmental protection.

Risk management

Credit risk

Receivables of the Company consist mainly of receivables from finance companies. Credit risk of the Group refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. Longo considers all of its material counterparties to be creditworthy as they represent well-established financial institutions. The Company's exposure to credit risk is continuously monitored, in particular, if agreed payments are delayed.

The credit risk on cash and cash equivalents is limited because the counterparties are banks and payment systems. To spread the credit risk, Longo Group deposits its cash reserves with different banks.

Interest rate risk

Longo's interest rate risk arises primarily from its debt. As at 31 December 2022, a long-term debt of EUR 5,42 million is financed:
•EUR 2,88 million at fixed rates (6% on average) for a period of on average 3 years;
•EUR 2,54 million at a floating interest rate (6% + 3M EURIBOR) for a period of 2,5 years.

Capital risk

The Company's objective in capital management (net debt and total equity) is to ensure continuity of its own operations and those of the Group and to provide an optimum return to its shareholders in the foreseeable future. Management aims to maintain an optimum capital and funding structure that ensures the lowest cost of capital available to the Company.

Liquidity risk

The Company manages liquidity risk in line with the principle of prudence, ensuring that appropriate credit resources are available to cover liabilities in due time.

Subsequent events

In January 2023, the Company sold additional 0,5m EUR of its issued bonds (ISIN LV0000860096).

There have been no other significant events after the end of the reporting period.

Edgars Cērps	Jacob Willem Hoogenboom
Chairman of the Board	Member of the Board

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Financial Statements

Profit and Loss Statement for 2022

	Piezīme	2022 EUR	2021 EUR
Net sales	**3**	1 352 351	1 098 879
from management services	**3**	*1 352 351*	*1 098 879*
Cost of services	**4**	(1 270 456)	(1 054 979)
Gross revenue		**81 895**	**43 900**
Administrative expenses	**5**	(31 100)	(29 396)
Other operating income	**6**	18 452	7 987
Other operating expenses	**7**	(19 891)	(21 830)
Other interest and similar income			
a) from related parties	**8**	896 459	196 235
Interest and similar expenses			
a) to related parties	**9**	(26 990)	(146 336)
b) to other parties	**9**	(467 279)	(15 216)
Profit or (loss) before income tax		**451 546**	**35 344**
Corporate income tax	**10**	(82)	(17)
Profit or (loss) of the reporting year after corporate income tax		**451 464**	**35 327**
Profit or (loss) of the reporting year		**451 464**	**35 327**

The accompanying notes on pages 8 to 15 are an integral part of these financial statements.

Edgars Cērps	Jacob Willem Hoogenboom	Olīvija Lavrenova
Chairman of the Board	Member of the Board	Senior accountant

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Balance Sheet as at 31 December 2022

ASSETS

		31.12.2022	31.12.2021
LONG-TERM INVESTMENTS		**EUR**	**EUR**
Intangible assets			
Other intangible assets	**11**	648 025	453 057
Advance payments for intangible assets	**11**	2 679	2 733
Total intangible assets		**650 704**	**455 790**
Fixed assets			
Other fixed assets	**11**	26 462	26 685
Total fixed assets		**26 462**	**26 685**
Long-term financial investments			
Investments in related companies	**12**	5 777 991	5 776 901
Loans to related parties	**13**	14 677 532	9 945 842
Total long-term financial investments		**20 455 523**	**15 722 743**
TOTAL LONG-TERM INVESTMENTS		**21 132 689**	**16 205 218**
CURRENT ASSETS			
Receivables			
Due from related parties	**14**	299 271	39 213
Prepaid expenses		13 657	11 871
Other debtors	**15**	98 594	24 468
Deferred income	**16**	-	10 732
Total receivables		**411 522**	**86 284**
Cash and cash equivalents		**890 755**	**1 340 572**
TOTAL CURRENT ASSETS		**1 302 277**	**1 426 856**
TOTAL ASSETS		**22 434 966**	**17 632 074**

The accompanying notes on pages 8 to 15 are an integral part of these financial statements.

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Chairman of the Board	Member of the Board	Senior accountant

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Balance Sheet as at 31 December 2022

EQUITY AND LIABILITIES

		31.12.2022	31.12.2021
EQUITY		**EUR**	**EUR**
Share capital	**17**	12 969 926	12 969 926
Share premium	**17**	250 000	250 000
Accumulated losses:			
accumulated losses brought forward from previous years		(272 162)	(307 489)
profit or (loss) of the reporting year		451 464	35 327
TOTAL EQUITY		**13 399 228**	**12 947 764**
LIABILITIES			
Long-term liabilities			
Bonds	**18**	5 249 958	4 261 271
Due to related parties	**18**	169 667	9 000
Total long-term liabilities		**5 419 625**	**4 270 271**
Short-term liabilities			
Bonds	**18**	3 196 086	180 996
Due to related parties	**18, 19**	199 204	9 175
Trade payables		11 975	14 309
Taxes and social contributions	**20**	53 814	46 579
Other liabilities	**21**	63 207	57 576
Accrued liabilities	**22**	91 827	105 404
Total short-term liabilities		**3 616 113**	**414 039**
TOTAL LIABILITIES		**9 035 738**	**4 684 310**
TOTAL EQUITY AND LIABILITIES		**22 434 966**	**17 632 074**

The accompanying notes on pages 8 to 15 are an integral part of these financial statements.

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Chairman of the Board	Member of the Board	Senior accountant

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Notes to the Financial Statements

1. General information

AS Longo Group (the Company) is registered in the Republic of Latvia. The Company was registered with the Enterprise Register of the Republic of Latvia on 30 October 2017 as a joint stock company for an unlimited duration, subject to general business law.

The Company provides management and lending services to its subsidiaries.

The annual report of 2022 has been approved by decision of the Board made on 25 April 2023.

The shareholders have the right to amend the financial statements after their approval by the Board of Directors.

2.Summary of significant accounting principles

a) Basis of preparation

The financial statements for the year ended on 31 December 2022 were prepared in accordance with the 'Accounting Law' and the 'Annual Reports and Consolidated Annual Report Law' of the Republic of Latvia.

The Company's financial statements and its financial performance is affected by accounting policies, assumptions, estimates and management judgement, which should be made in the course of preparation of the financial statements. The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current and next financial period. All estimates and assumptions made according to the 'Accounting Law' and the 'Annual Reports and Consolidated Annual Report Law' of the Republic of Latvia are the best possible estimates under the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Company's results and financial situation due to their materiality. Future events may impact assumptions that were used as the basis for estimates. Any impact from changes in the estimates is reflected in the financial statements as determined.

As at the reporting date, the Company conforms to the status of a small company according to the provisions of the 'Annual Reports and Consolidated Annual Reports Law' of the Republic of Latvia, and it uses the exemption under the law and does not prepare the statement of changes in shareholders' equity and the cash flow statement for the reporting year.

The profit and loss statement was prepared according to the function of expenses method. The financial statements were prepared on the historical cost basis.

Accounting principles

The financial statements were prepared in accordance with the following policies:
i) Going concern assumption that the Company will continue as a going concern.
ii) Consistent valuation principles with those used in the prior year.
iii) Items were valued in accordance with the principle of prudence:
- the financial statements reflect only the profit generated to the date of the balance sheet;

- all incurred liabilities and current or prior year losses have been taken into consideration even if discovered within the period after the date of the balance sheet and preparation of the financial statements;

- all impairments and depreciation have been taken into consideration irrespective of whether the financial result was a loss or profit.

iv) Income and expenses incurred during the reporting year have been taken into consideration irrespective of the payment date or date when the invoice was issued or received. Expenses were matched with revenue for the reporting period;
vi) Assets and liabilities were valued separately.
vii) The comparatives for 2022 disclosed in the financial statements for 2021 were classified in line with the principles used in 2022 and is comparable. The opening balances agree with the prior year closing balances.
viii) All material items, which would influence the decision-making process of users of the financial statements, have been recognised and insignificant items have been combined and their details disclosed in the notes.
ix) Business transactions are recorded taking into account their economic contents and substance, rather than the legal form.

b) Going concern

These financial statements are prepared on a going concern basis, the Company's result of 2022 is profit of EUR 451 464.

On December 31, 2022, the Company's short-term liabilities regarding current assets amount to EUR 2,313,836.

Bondholders (LV0000860062) have the right to early redemption of bonds (put option) on November 30, 2023, which creates a potential liquidity risk, which could put pressure on the Company's working capital position. To manage this risk and ensure that it has sufficient working capital to meet its financial obligations as they come due, the company is taking several measures:
• Strengthening cash management practices;
• Scenario planning and respective stress testing;
• Exploring various potential refinancing options.

c) Revenue recognition

Income from services
Income from services provided is recognized in the profit and loss statement as generated.

Interest income
Interest income and expense is recognized in the profit and loss account using the effective interest rate method.

d) Intangible and fixed assets

Intangible assets and fixed assets are recognised at historical cost, less accumulated amortization and depreciation. Amortization and depreciation is calculated from the first day of the month following their putting to operation until the first day of the month following their disposal. Amortization and depreciation is calculated on a straight-line basis and written-off over the useful lives of the assets.
Internally generated intangible assets cost value is increased by Group's information technology costs - salaries and social security contribution capitalization. Asset useful life is reassessed by management at each year end and amortization periods adapted accordingly.

The Company has set a limited useful life for self-created intangible investments - 7 years.

2. Summary of accounting principles used (*continued*)

The depreciation method is reviewed at least on an annual basis, at the year-end.

Useful lives of fixed and intangible assets
The management estimates the useful lives of fixed assets in proportion to the expected duration of use of the asset (its expected capacity or effectiveness) based on historical experience with similar fixed assets and future plans. According to management estimates, the useful lives of certain fixed and intangible assets are the following: Intangible assets: 5 and 7 years

Fixed assets:	
Computers	3 years
Furniture	5 years
Other fixed assets	5 years

Fixed assets are measured in accordance with the cost method and carried at cost less accumulated depreciation and impairment losses. Depreciation is not calculated for land. In case the fair value of fixed assets at the balance sheet date is lower than their carrying amount, and such impairment is expected to be permanent, fixed assets are recognized at the lower value. The revaluation result is recognized in the profit and loss statement.

e) Investments

Investments in subsidiary
Investments in subsidiary are initially recognized at cost. If the value of such investments at the balance sheet date is lower than the acquisition cost or valuation in the previous year's balance sheet, and such decrease is expected to be permanent, investments are recognized at the lower value.

f) Financial instruments and financial risks

A financial instrument is an agreement that simultaneously results in financial assets of one party and financial liabilities or equity securities of the other party.

The key financial instruments of the Company are financial assets such as loans and financial liabilities such as bonds and borrowings arising directly out of business activities.

Financial risks connected with the Company's financial instruments, financial risk management

Key financial risks related to the Company's financial instruments are:
- Credit risk is the risk that the Company may incur financial losses if parties to the transactions fail to fulfil their liabilities under the contracts, and credit risk is primarily connected with trade receivables and investment securities;
- Interest rate risk – risk that the Company may incur losses due to fluctuations in interest rates;
- Liquidity risk – risk that the Company will not be able to meet its financial liabilities in due time.

Management has implemented the following procedures to control the key risks:

Credit risk
Financial assets that potentially expose the Company to a certain level of credit risk concentration primarily represent trade receivables and cash. At the reporting date, the Company was not subject to a significant concentration of credit risk other than in relation to amounts due from related parties. The Company's partners in cash transactions are local financial institutions with appropriate credit history.

Interest rate risk
In order to manage the interest rate risk, the Company's management primarily signs loan agreement with fixed interest rates.

Liquidity risk
The Company manages liquidity risk in line with the principle of prudence, ensuring that appropriate credit resources are available to cover liabilities in due time.

g) Reporting period

The reporting period comprises the 12 months from 1 January 2022 to 31 December 2022.

h) Long-term and short-term items

Amounts with terms of receipt, payment or write off due in more than one year after the reporting date are classified as long term. Amounts to be received, paid or written off within a year are classified as short term.

i) Accounts receivable

Receivables are disclosed at amortised cost net of impairment allowances. Impairment allowances are recognized when objective evidence exists that the Company will not be able to recover the full amount of receivables according to the previously agreed repayment terms. The amount of allowance represents the difference between the carrying and recoverable amount of receivables. The allowance is charged to the profit and loss statement.

j) Loans issued

Loans are measured at amortized cost using the effective interest rate. Profit or loss is recognised in the profit or loss statement upon derecognition or impairment of as well as during the amortisation process.

k) Borrowings

Borrowings are initially recognised at the amounts received net of borrowing costs. In future periods borrowings are carried at cost calculated using the effective interest rate.
The difference between the amount received, net of borrowing costs, and the value of the loan at maturity is gradually charged to the profit and loss statement.

l) Accrued expenses for unused vacations and other provisions

The provision for unused vacations is calculated by multiplying the employee's average daily salary during the last six months of the reporting year and the number of accrued vacation days at the reporting date, taking into account statutory social security contributions of the employer.

Other provisions include costs of services that relate to the reporting year but that have not been invoiced yet (for example, telecommunication services, audit of the annual report), and accrued interest expenses on received loans if interest payments are still outstanding. Provisions are estimated by reference to contracted amounts.

2. Summary of accounting principles used (*continued*)

m) Currency unit and revaluation of foreign currency

All amounts in these consolidated financial statements are expressed in the official currency of the Republic of Latvia – euro (EUR).
Transactions in foreign currencies are translated into euros at the reference exchange rate published by the European Central Bank as at the transaction date.
All monetary asset and liability items were revalued to euros according to the reference exchange rate published by the European Central Bank on the reporting date. Non-monetary items of assets and liabilities are revalued to euros in accordance with the reference exchange rate published by the European Central Bank on the transaction date.
Profit or loss arising from the fluctuations in the exchange rate on assets and liabilities denominated in a foreign currency are recognized in the profit and loss statement in the respective period in which the fluctuation occurs.

n) Lease transactions

Operating lease
Payments for operating lease are recognized in the profit and loss statement on a straight line basis over the period of lease.

o) Related parties

Related parties represent both legal entities and private individuals related to the Company in accordance with the following rules. A person or a close member of that person's family is related to a reporting entity if that person:
i. has control or joint control over the reporting entity;
ii. has a significant influence over the reporting entity; or
iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

An entity is related to a reporting entity if any of the following conditions applies:
i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
iii. Both entities are joint ventures of the same third party;
iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
vi. The entity is controlled, or jointly controlled by a person identified in (a);
vii. A person identified (in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); viii. The entity or any member of the group to which the entity belongs provides management personnel services to the entity or the parent of company of the entity.

Related party transaction – a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

p) Contingent liabilities and assets

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are recognized in these financial statements to the extent that there is a reasonable likelihood that the Company will receive an inflow of funds.

r) Use of estimates

The preparation of financial statements requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period when those estimates are reviewed and in future periods.

Impairment
An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the profit and loss statement.

3. Net sales

		2022	**2021**
		EUR	**EUR**
Income from provision of services to subsidiaries		1 352 351	1 098 879
	TOTAL:	**1 352 351**	**1 098 879**
Revenue by country:			
Lithuania		640 252	386 363
The Netherlands		283 484	279 736
Latvia		197 185	219 932
Estonia		187 975	160 782
Belgium		36 618	34 964
Germany		6 000	17 102
Poland		837	-

4.Cost of services

		2022	**2021**
		EUR	**EUR**
Employees' salaries		558 058	581 493
Marketing expenses		186 395	-
Compulsory state social security contributions		131 632	137 127
Amortisation and depreciation		106 153	65 820
IT services		95 345	64 566
Other personnel expenses		64 859	86 088
Rent of premises and office maintenance		60 134	25 567
Other administration expenses		38 993	24 634
Professional services		28 887	69 684
	TOTAL:	**1 084 061**	**1 054 979**
Average number of employees		16	18

5.Administrative expenses

	2022 EUR	2021 EUR
Marketing expenses	13 985	7 183
Legal services	10 211	19 896
Other administration expenses	4 348	1 370
Bank commissions	2 556	947
TOTAL:	**31 100**	**29 396**

6.Other operating income

	2022 EUR	2021 EUR
Other operating income	14 531	7 987
Revenues for reimbursement of expenses of related companies	3 921	-
TOTAL:	**18 452**	**7 987**

7.Other operating expenses

	2022 EUR	2021 EUR
Other operating expenses	14 543	399
Finance costs	5 322	1 000
Fines	27	367
Loss from liquidation of a subsidiary	-	16 475
Loss on disposal of fixed assets	-	3 589
TOTAL:	**19 892**	**21 830**

8.Other interest income and similar income

	2022 EUR	2021 EUR
Interest on loans to subsidiaries	896 459	196 235
TOTAL:	**896 459**	**196 235**

9.Interest and similar expenses

	2022 EUR	2021 EUR
Interest expenses on bonds	467 279	15 216
Interest payments on loans from shareholders	26 990	146 336
TOTAL:	**494 269**	**161 552**

10.Corporate income tax

	2022 EUR	2021 EUR
Current tax	82	17
Corporate income tax charged to the income statement:	**82**	**17**

11.Intangible and fixed assets

	Other intangible assets* EUR	Advance payments for intangible assets	Other fixed assets	TOTAL EUR
As at 01.01.2021				
Historical cost	305 574	35 669	72 709	**413 952**
Accumulated amortization and depreciation	(60 693)	-	(35 391)	**(96 084)**
Carrying amount	**244 881**	**35 669**	**37 318**	**317 868**
2021				
Acquisitions	-	223 625	14 735	**238 360**
Disposals	-	-	(10 961)	**(10 961)**
Reclassifications	256 561	(256 561)	-	**-**
Amortisation and depreciation	(48 385)	-	(17 435)	**(65 820)**
Amortization and depreciation of disposed assets	-	-	3 028	**3 028**
As at 31.12.2021				
Historical cost	562 135	2 733	76 484	**641 352**
Accumulated amortization and depreciation	(109 078)	-	(49 798)	**(158 876)**
Carrying amount	**453 057**	**2 733**	**26 685**	**482 475**
2022				
Acquisitions	34 120	255 575	11 148	**300 843**
Disposals	-	-	-	**-**
Reclassifications	255 629	(255 629)	-	**-**
Amortisation and depreciation	(94 781)	-	(11 372)	**(106 153)**

11.Intangible and fixed assets (*Continuation of the table*)

As at 31.12.2022				
Historical cost	851 884	2 679	87 632	**942 195**
Accumulated amortization and depreciation	(203 859)	-	(61 170)	**(265 029)**
Carrying amount	**648 025**	**2 679**	**26 462**	**677 166**

* Other intangible assets consist mainly of IT systems developed by the Company.

Depreciation costs are included in Note 4 - "Costs of services".

12.Investments in subsidiaries

31 December 2022				Holding	Investment	Net assets	Profit or (loss) for the year
Subsidiary	Registration number	Country	Line of business	**%**	EUR	EUR	EUR
Longo Latvia SIA	40203147079	Latvia	Sale of motor vehicles	100%	2 200 000	554 901	-8 688
Longo Lithuania UAB	304837699	Lithuania	Sale of motor vehicles	100%	1 600 000	385 047	-22 487
Longo Estonia OU	14554950	Estonia	Sale of motor vehicles	100%	900 000	235 500	-39 627
Longo Shared Service UAB	305217797	Lithuania	Repairs of motor vehicles	100%	700 000	17 607	-18 139
Longo Netherlands B.V.	71706267	The Netherlands	Sourcing of motor vehicles	100%	300 000	251 508	13 473
Longo Belgium BVBA	BE 0881764642	Belgium	Sourcing of motor vehicles	99%	60 588	43 197	-825
Maxxus GMBH	HRB18213	Germany	Sourcing of motor vehicles	100%	16 313	3 839	-3 256
Longo Poland sp. z o.o.	0000964768	Poland	Sale of motor vehicles	100%	1 090	106 718	-107 808
			TOTAL:		**5 777 991**	**1 598 317**	**(187 358)**

Management has performed an impairment test with the following assumptions: 33% growth in 2023 and 2024, 10% growth in 2025, terminal revenue growth assumption of 2%, EBITDA margin in the range of 2.4% to 9.1% and weighted average cost of capital (WACC) - 10.5% and has concluded that provisions are not necessary.

31 December 2021				Holding	Investment	Net assets	Profit or (loss) for the year
Subsidiary	Registration number	Country	Line of business	**%**	EUR	EUR	EUR
Longo Latvia SIA	40203147079	Latvia	Sale of motor vehicles	100%	2 200 000	563 590	-84 730
Longo Lithuania UAB	304837699	Lithuania	Sale of motor vehicles	100%	1 600 000	975 126	96 972
Longo Estonia OU	14554950	Estonia	Sale of motor vehicles	100%	900 000	-292 465	-57 422
Longo Shared Service UAB	305217797	Lithuania	Repairs of motor vehicles	100%	700 000	37 880	-52 652
Longo Netherlands B.V.	71706267	The Netherlands	Sourcing of motor vehicles	100%	300 000	238 035	195 876
Longo Belgium BVBA	BE 0881764642	Belgium	Sourcing of motor vehicles	99%	60 588	54 611	5 346
Maxxus GMBH	HRB18213	Germany	Sourcing of motor vehicles	100%	16 313	-9 270	9 030
Car Stock LVA SIA*	42103103659	Latvia	Sale of motor vehicles	-	-	-	2 514
			TOTAL:		**5 776 901**	**1 567 507**	**114 934**

13.Loans to related parties

		31.12.2022	**31.12.2021**
		EUR	**EUR**
Longo Estonia OU		4 066 162	2 080 321
Longo Netherlands B.V.		3 992 287	2 148 371
Longo Latvia SIA		3 468 387	2 185 003
Longo Lithuania UAB		1 922 052	2 995 593
Longo Poland Sp.z.o.o.		791 268	-
Longo Shared Services UAB		380 481	353 071
Longo Belgium BVBA		56 895	183 483
	TOTAL:	**14 677 532**	**9 945 842**

In accordance with the credit line agreements signed on 30 December 2020 between the Company and its subsidiaries the credit line expires in 5 years and the interest rate is 7,5%.

14.Due from related parties

		31.12.2022	**31.12.2021**
		EUR	**EUR**
Payments for management services			
Longo Lithuania UAB		237 785	8 222
Longo Estonia OU		23 379	6 156
Longo Shared Services UAB		21 679	3 676
Longo Latvia SIA		8 198	7 896
Longo Netherlands B.V.		6 746	12 513
Longo Poland Sp.z.o.o.		837	-
Longo Belgium BVBA		641	459
Maxxus GMBH		6	291
	TOTAL:	**299 271**	**39 213**

15.Other receivables

		31.12.2022 EUR	31.12.2021 EUR
Security deposits		76 133	7 965
VAT to receive		20 814	11 126
Advance payments for goods and services		1 647	5 376
	TOTAL:	**98 594**	**24 468**

16.Accrued income

Accrued income for management services		31.12.2022 EUR	31.12.2021 EUR
Longo Lithuania UAB		-	4 594
Longo Latvia SIA		-	2 916
Longo Estonia OU		-	2 545
Longo Netherlands B.V.		-	339
Longo Belgium BVBA		-	169
Maxxus GMBH		-	169
	TOTAL:	**-**	**10 732**

17.Share capital

The share capital is EUR 12 969 926 consisting of 129 699 256 shares. The par value of each share is EUR 0.1. All the shares are fully paid.
The movements on the Share capital caption during the year are as follows:

	Share capital EUR	Share premium EUR	Total EUR
Opening balance as at 1 January 2021	**7 000 000**	**-**	**7 000 000**
Subscriptions	6 219 927	250 000	**6 469 927**
Redemptions	(250 001)	-	**(250 001)**
Closing balance as at 31 December 2021	**12 969 926**	**250 000**	**13 219 926**
Opening balance as at 1 January 2022	**12 969 926**	**250 000**	**13 219 926**
Closing balance as at 31 December 2022	**12 969 926**	**250 000**	**13 219 926**

The par value of each share is EUR 0.10 and the total share premium is EUR 250 000.

18.Creditors

Long-term	*Annual interest rate (%)*	*Maturity date*	**31.12.2022 EUR**	**31.12.2021 EUR**
Long-term loans secured by bonds				
Bonds 3.00 million EUR notes issue[1)]	6%	30.11.2024	-	2 354 970
Bonds 2.83 million EUR notes issue[2)]	6%	31.12.2026	2 708 794	1 906 301
Bonds 2.85 million EUR notes issue[3)]	6%+3M EURIBOR	30.06.2025	2 541 164	-
		TOTAL:	**5 249 958**	**4 261 271**
Other borrowings				
Loans from related parties[4)]	6%	31.12.2024	169 667	9 000
		TOTAL:	**169 667**	**9 000**
		TOTAL LONG-TERM LOANS:	**5 419 625**	**4 270 271**

Current	*Annual interest rate (%)*	*Maturity date*	**31.12.2022 EUR**	**31.12.2021 EUR**
Short-term loans secured by bonds				
Bonds 3.00 million EUR notes issue[1)]	6%	30.11.2024	2 934 410	98 416
Bonds 2.83 million EUR notes issue[2)]	6%	31.12.2026	117 296	82 580
Bonds 2.85 million EUR notes issue[3)]	6%+3M EURIBOR	30.06.2025	144 380	-
		TOTAL:	**3 196 086**	**180 996**
Other borrowings				
Accrued interest on loans from related parties[4)]		31.12.2021	877	9 175
			877	**9 175**
		TOTAL SHORT-TERM LOANS:	**3 196 963**	**190 171**

1) On 30 November 2021, the Group registered with the Latvian Central Depository a bond facility through which it can raise up to EUR 3 million.
The Group has raised a total of EUR 3 000 000 as at 31 December 2022 (EUR 2 530 000 at 31 December 2021).
This bond issue is secured by the assets of Longo Latvia LLC and Longo LT LLC. The notes are issued at par, have a maturity of three years and carry a fixed coupon of 6% per annum, paid monthly in advance. The notes are recognised as short-term liability as the Noteholders have the right to early redemtion of the notes (put option) on 30 November 2023.

18. Creditors (*continued*)

2) On 30 December 2021, the Group registered with the Latvian Central Depository a subordinated bond facility through which it can raise up to EUR 3 million.

The Group has raised a total of EUR 2 830 000 as at 31 December 2022 (EUR 1 991 000 at 31 December 2021).

The notes are issued at par, have a maturity of five years and carry a fixed coupon of 6% per annum, paid monthly in advance.

As at 31 December 2022, those liabilities are split between short and long term. Interest payments for 2023 are discounted at the effective interest rate, the result is recognized as part of short-term liabilities.

3) On 10 June 2022, the Group registered with the Latvian Central Depository a bond facility through which it can raise up to EUR 5 million.

The Group has raised a total of EUR 2 850 000 as at 31 December 2022 (EUR 0 at 31 December 2021).

This bond issue is secured by the assets of Longo Latvia LLC, Longo LT LLC and Longo Estonia LLC. The notes are issued at par, have a maturity of three years and carry a coupon of 6%+3M EURIBOR per annum, paid monthly in advance.

Accordingly, those liabilities are split between current and non-current as at 31 December 2022.

The bonds of JSC Longo Group have been admitted to trading on the Nasdaq Baltic First North Market by Nasdaq Riga since March 31, 2022.

4) On December 31, 2022, the interest rate for credit lines was 6%. The contracts were concluded on July 17, 2021, the repayment date of the credit lines is December 31, 2024, the total credit line limit is EUR 4.5 million.

19.Accounts payable to affiliated companies

		31.12.2022 EUR	31.12.2021 EUR
Longo Estonia OU		79 522	-
Longo Latvia SIA		68 755	-
Longo Lithuania UAB		50 050	-
	TOTAL:	**198 327**	**-**

20.Taxes and compulsory state social security contributions

		31.12.2022 EUR	31.12.2021 EUR
Social security contributions		30 776	28 400
Personal income tax		22 992	18 173
Corporate income tax		40	-
Risk duty		6	6
Value added tax		(20 814)	(11 126)
	TOTAL:	**33 000**	**35 453**
	Including:		
	Overpaid taxes	**(20 814)**	**(11 126)**
	Tax liabilities	**53 814**	**46 579**

Overpaid taxes are presented in Note 15. Other receivables.

21.Other liabilities

		31.12.2022 EUR	31.12.2021 EUR
Liabilities against employees for salaries		37 118	39 963
Liabilities for staff bonuses		25 817	16 471
Advance payments to staff		272	1 142
	TOTAL:	**63 207**	**57 576**

22.Accrued liabilities

		31.12.2022 EUR	31.12.2021 EUR
Accrued vacation expenses		64 239	74 954
Accrued liabilities for services received		27 588	30 450
	TOTAL:	**91 827**	**105 404**

23.Commitments and contingencies

The Group's employees have entered a share option agreements with Longo Group JSC. The aim of the share based options is to retain employees and increase their motivation through possibility to directly benefit from the growth in value of the Company.

The share based option program is based on following principles:

Employee stock options are granted free of charge to employees with management responsibilities. Company's and its subsidiaries' management and supervisory board members are also considered employees regardless of whether they have concluded employment agreements or other types of agreements such as management agreements.

-The standard share option plan is with monthly vesting after 1 year of working with Company

-Thereafter (after the first year has passed) the employee is entitled to exercise a proportion of its stock options twice a year on days set by Company's management. This proportion is calculated as follows: after the employee has worked at least one year for the Company since stock options were granted to the employee, for each following month the employee has worked for the Company the employee can exercise 1/48 of the total amount of stock options it received initially. Company's management board, taking into account the time specific employees have already worked for the Company or other employment related criteria, can entitle specific employees to exercise a greater proportion of their stock options after the one year period has passed.

-Share options are given as potential shares in Longo Group JSC without consideration in which company the employee work. This is important because Longo Group JSC as an owner of all subsidiaries of Longo Group JSC accumulates the value, rather than just individual subsidiary within the group.

The following table illustrates the number and weighted average exercise prices of the employee share option plan:

	2022		2021	
	Number	Weighted average exercise price	Number	Weighted average exercise price
1 January	**1 350 000**	**-**	**-**	**-**
Granted during the year	425 000	-	1 350 000	-
Terminated employment during the year	206 250	-	-	-
31 December	**1 568 750**	**-**	**1 350 000**	**-**
Exercisable at the end of the period	340 610	-	-	-

23.Commitments and contingencies (*continued*)

The total value of the share option programme is EUR 175 000 (2021: 186 000 EUR), as at 31 December 2022 EUR 48 007 (2021: 38 007 EUR), which is attributable to shares granted by the end of the period, were not recognised as expenses as part of the share based payment reserve. The fair value per share is EUR 0.11 (2021: EUR 0,14).
There have been no forfeited or expired share options during the year.

The exercise price at the end of the year was EUR 0.0 (2021: n/a). The weighted average maturity date for share options in circulation as at 31 December 2022 was 2 years (2021: n/a).

24.Subsequent events

Since the reporting date, a number of significant events have taken place:

1) At the beginning of 2023, new sales locations were opened in Narva, Estonia and Daugavpils, Latvia.

2) In January 2023, the Group sold additional 0,5m EUR of its issued bonds (ISIN LV0000860096).

No other significant subsequent events have occurred in the period from the year-end to the date of these financial statements that would require adjustments to be made to these financial statements and disclosures added to the notes thereto.

Edgars Cērps	Jacob Willem Hoogenboom	Olīvija Lavrenova
Chairman of the Board	Member of the Board	Senior accountant

This document has been signed with a secure electronic signature and it has a time-stamp.

KPMG

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Independent Auditors' Report

To the shareholders of Longo Group AS

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of Longo Group AS ("the Company") set out on pages 5 to 15 of the accompanying Annual Report, which comprise:

- the balance sheet as at 31 December 2022,
- the profit and loss statement for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Longo Group AS as at 31 December 2022, and of its financial performance and its 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 *Auditors' Responsibility 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) 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 IESBA Code and the '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 Annual Report,
- the Management Report, as set out on page 4 of the accompanying Annual Report.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 entity 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, in all material respects:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the 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 Financial Statements

Management is responsible for the preparation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

KPMG Baltics SIA
Licence No. 55

Rainers Vilāns

Rainers Vilāns
Member of the Board
Latvian Sworn Auditor
Certificate No. 200
Riga, Latvia
25 April 2023

This report is an English translation of the original Latvian. In the event of discrepancies between the two reports, the Latvian version prevails