



JSC Longo Group

Unified registration number 42103081417

Condensed Consolidated Interim Financial Statements

For the period ended 30.09.2022

Prepared in accordance with International
Financial Reporting Standards as adopted
by the EU | Unaudited

Latvia, 2022

Contents

General Information	3
Management Report	4
Consolidated Financial Statements	8
Consolidated Statement of Comprehensive Income	9
Consolidated Statement of Financial Position	10
Consolidated Statement of Changes in Equity	12
Consolidated Statement of Cash Flows	13
Notes to the Consolidated Financial Statements	14

General Information

Name of the Parent Group	Longo Group
Legal status of the Parent Group	JSC
Unified registration number, place and date of registration	42103081417, Riga, Latvia, 30.10.2017
Registered office	Mūkusalas iela 72A, Riga, Latvia
Shareholders	30.09.2022
	SIA ALPPES Capital 46%
	Other shareholders 54%
	TOTAL 100%
Board Members	Edgars Cērps - Chairman of the Board from 28.12.2020 Jacob Willem Hoogenboom - Member of the Board from 28.12.2020
Council Members	Aigars Kesenfelds - Chairman of the Council from 28.12.2020 Māris Keišs - Deputy of the Council from 01.03.2021 Alberts Pole - Member of the Council from 01.03.2021 Kristaps Ozols - Member of the Council from 01.03.2021 Jonathan Neil Smith - Member of the Council from 01.03.2021 Mārtiņš Baumanis - Member of the Council 28.12.2020-01.03.2021
Subsidiaries	Longo Latvia LLC, Latvia (100%) Longo LT LLC, Lithuania (100%) Longo Estonia LLC, Estonia (100%) Longo Shared Services LLC, Lithuania (100%) Longo Netherlands LLC, Netherlands (100%) Longo Belgium LLC, Belgium (100%) Maxxus LLC, Germany (100%) Longo Poland LLC, Poland (100%)
Financial period	01.01.2022 - 30.09.2022
Previous financial period	01.01.2021 - 30.09.2021

Management Report

15 November 2022

General information

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.

Longo's mission is to deliver 3 (three) customer promises:

- Wide assortment (the largest and competitively priced popular used car models in the Baltics);
- Convenient and safe user experience (end-to-end, both digital and on-site);
- Highest quality (used cars with guaranteed mileage, full available history and freshly serviced and cleaned).



Largest used car dealer in the Baltics*



Total sales incl. VAT from the inception



12 000+

Cars sourced and imported in-house since start of operations



Cars published on the Group's website As at 30.09.2022



Total web site visits 9M 2022



Number of employees

*Source: Registry offices in Estonia, Latvia and Lithuania; Longo market analysis on available public intelligence



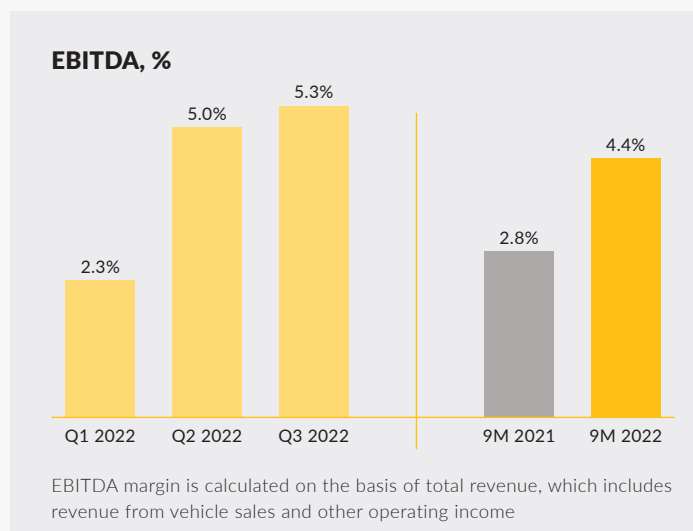
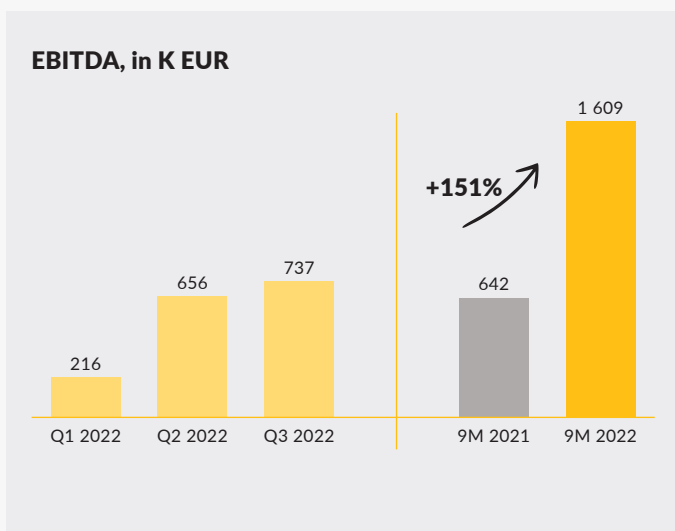
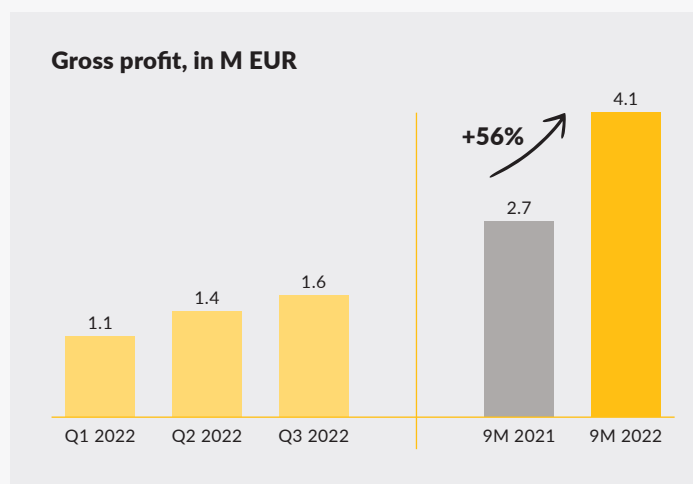
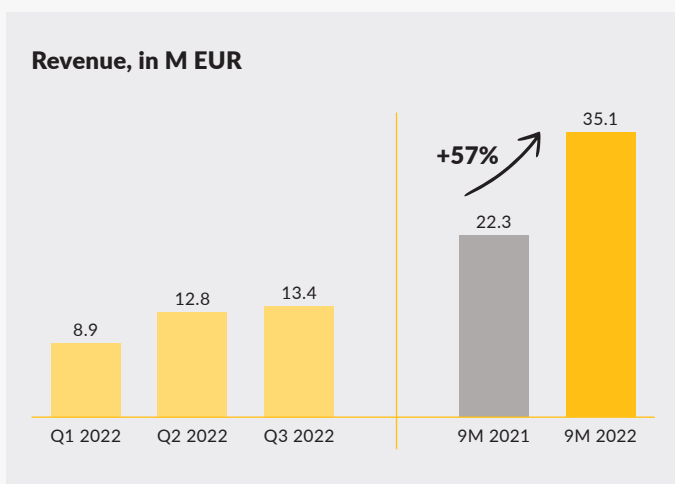
Edgars Cērps
CEO and Co-Founder of Longo Group

Business results

First 9 months and especially Q3 of 2022 have been successful for Longo. The Group managed to grow its revenue compared to previous year 9M by 57% reaching 35 million EUR turnover while significantly improving its profitability. In gross profit during first nine months of 2022 the Group has earned 4,1 million EUR.

The Group's EBITDA for 9M 2022 was 1,6 million EUR, which is an increase of 151% to previous year's 9M period. EBITDA margin for Q3 isolated reached a record 5.3%. The net profit for the period has already surpassed more than 4 times the total net profit of whole previous year.

The significance of digital channels in used car retail remained strong in 2022 as consumers had scaled down their visits to physical car lots and switched to online shopping more already in 2020 and 2021. Longo is well prepared for providing comprehensive customer service through digital channels, including launching first fully online reservation system in the Baltics.



Future prospects

The Group has ambitious plans for year 2022 and beyond - to deliver strong profit while increasing its revenue even further. It is to be achieved by boosting its brand awareness, expanding its physical network, and increasing the car assortment. A totally new concept in the market has been launched (and it is planned to establish new locations) - opening of showrooms in shopping malls and similar locations, where customers have opportunity to interact with sales representatives and order cars to be delivered for test drives.

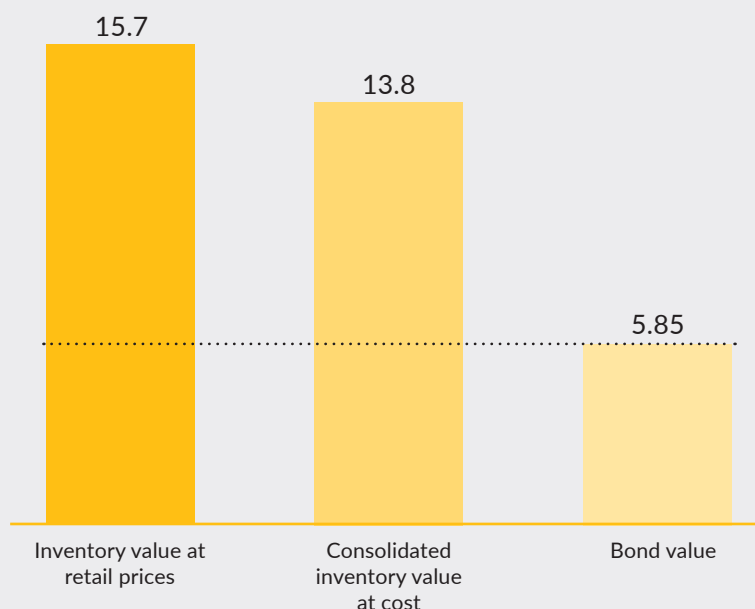
Additionally, Longo Group is working on its geographic expansion - new sales location in Poland has been established and is already operating. The company will focus on building the full-scale operations.

In order to support the ambitious growth plans of Longo new sourcing channels are to be introduced, including local consumer sourcing. There will be continuous focus on increasing the capacity of refurbishing center of the Group.

The Group obeys local laws relating to environmental protection.

Longo inventory value, in M EUR

As of 30 Sep 2022



Risk management

Credit risk

Receivables of the Group 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 Group'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 deposits its cash reserves with different banks and payment systems.

Interest rate risk

Longo's interest rate risk arises primarily from its debt. As at 30 September 2022 a long-term debt of EUR 8,51 million is financed:

- EUR 5,66 million at fixed rates (6% on average) for a period of on average 3 years;
- EUR 2,85 million at a floating interest rate (6% + 3M EURIBOR) for a period of 2,2 years.

Capital risk

The Group's objective when managing capital (net debt and total equity) is to ensure the continuity of its operations and within foreseeable future achieve optimal returns to shareholders. Management aims to maintain an optimal capital and funding structure that ensures the lowest cost of capital available to the Group.

The Group monitors equity capital on the basis of the capitalization ratio as defined in Bond prospectus. This ratio is calculated as Ratio of Adjusted Equity (the aggregate book value of the Group's total equity on a consolidated basis, increased by Subordinated Debt) to consolidated assets of the Group. The ratio as at September 30, 2022 was 56%. Overall management of the borrowings is driven by monitoring and complying with the lender imposed covenants as well as planning the further borrowing needs to ensure business development of the Group.

Liquidity risk

Prudent liquidity risk management of Longo means maintaining sufficient cash reserve to cover planned liabilities of the Group.

Events after the reporting period

No significant events have occurred after the reporting period.

Signed on behalf of the Group on 15 November 2022 by:

Edgars Cērps

Chairman of the Board

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



Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

	Notes	01.01.2022 - 30.09.2022 EUR	01.01.2021 - 30.09.2021 EUR
Revenue from vehicle sales		35,120,449	22,314,447
Cost of sales		(30,980,724)	(19,664,017)
Gross profit		4,139,725	2,650,430
Selling expenses		(816,158)	(364,477)
Administrative expenses	1	(3,408,998)	(2,548,208)
Other operating income		1,154,310	495,524
Other operating expenses		(59,641)	(27,271)
Interest expenses and similar expenses	2	(374,888)	(156,391)
Net operating expenses		(3,505,375)	(2,600,823)
Profit before tax		634,350	49,607
Income tax		(14,111)	(99)
Net profit/(loss) for the year		620,239	49,508
EBITDA		1,608,948	641,739
Other comprehensive income/(loss)		(700)	-
Total comprehensive income for the period		619,539	49,508

The accompanying notes on pages 14 to 16 are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 15 November 2022 by:

Edgars Cērps
Chairman of the Board

Jevgenijs Sokolovs
Chief accountant

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

Consolidated Statement of Financial Position

Assets

NON-CURRENT ASSETS	Notes	30.09.2022 EUR	31.12.2021 EUR
Intangible assets			
Intangible assets		646,418	475,768
Intangible assets development costs		8,278	2,733
Total intangible assets		654,696	478,501
Tangible assets			
Right-of-use assets		1,800,557	1,478,513
Property and equipment		391,925	323,234
Leasehold improvements		128,593	127,227
Construction in progress		63,939	-
Total tangible assets		2,385,014	1,928,974
Deferred tax assets		304,006	318,075
Total non-current financial assets		304,006	318,075
TOTAL NON-CURRENT ASSETS		3,343,716	2,725,550
CURRENT ASSETS			
Inventories			
Goods for resale and raw materials		13,715,789	8,053,706
Work in progress	3	127,167	174,856
Total inventories		13,842,956	8,228,562
Receivables and other current assets			
Other assets		1,211,660	666,588
Trade and other receivables		366,356	213,438
Prepayments to suppliers and similar	4	1,529,353	565,922
Contract assets		155,668	37,947
Total receivables and other current assets		3,263,037	1,483,895
Cash and cash equivalents		568,540	2,890,919
TOTAL CURRENT ASSETS		17,674,533	12,603,376
TOTAL ASSETS		21,018,249	15,328,926

The accompanying notes on pages 14 to 16 are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 15 November 2022 by:

Edgars Cērps
Chairman of the Board

Jevgenijs Sokolovs
Chief accountant

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

Consolidated Statement of Financial Position

Equity and Liabilities

EQUITY	Notes	30.09.2022 EUR	31.12.2021. EUR
Share capital		12,969,926	12,969,926
Share premium		250,000	250,000
Share-based payment reserve		38,007	38,007
Foreign currency translation reserve		(700)	-
Accumulated losses/Retained earnings			
brought forward		(5,011,412)	(5,144,744)
for the period		620,239	133,332
TOTAL EQUITY		8,866,060	8,246,521
LIABILITIES			
Non-current liabilities			
Loans and borrowings	5	10,101,595	5,393,945
Total non-current liabilities		10,101,595	5,393,945
Current liabilities			
Loans and borrowings	5	369,485	602,674
Trade payables		436,070	324,908
Taxes payable		627,390	424,149
Corporate income tax		39	284
Other liabilities		238,255	87,377
Accrued liabilities		379,355	249,068
Total current liabilities		2,050,594	1,688,460
TOTAL LIABILITIES		12,152,189	7,082,405
TOTAL EQUITY AND LIABILITIES		21,018,249	15,328,926

The accompanying notes on pages 14 to 16 are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 15 November 2022 by:

Edgars Cērps
Chairman of the Board

Jevgenijs Sokolovs
Chief accountant

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

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Foreign currency translation reserve	Other Reserves	Retained earnings / Accumulated loss	Total
Balance at 01.01.2021	7,000,000	-	-	-	(5,144,744)	1,855,256
<i>Total comprehensive income</i>						
Profit for the period	-	-	-	-	49,508	49,508
Total comprehensive income for the period	-	-	-	-	49,508	49,508
<i>Transactions with owners of the Group</i>						
<i>Contributions and distributions</i>						
Issues of ordinary shares	6,219,927	250,000	-	-	-	6,469,927
Decrease in capital	(250,001)	-	-	-	-	(250,001)
Total transactions with owners of the Group	5,969,926	250,000	-	-	-	6,219,926
Balance at 30.09.2021	12,969,926	250,000	-	-	(5,095,236)	8,124,690
Balance at 01.01.2022	12,969,926	250,000	-	38,007	(5,011,412)	8,246,521
<i>Total comprehensive income</i>						
Profit for the period	-	-	-	-	620,239	620,239
Other comprehensive income	-	-	(700)	-	-	(700)
Total comprehensive income for the period	-	-	(700)	-	620,239	619,539
Balance at 30.09.2022	12,969,926	250,000	(700)	38,007	(4,391,173)	8,866,060

The accompanying notes on pages 14 to 16 are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 15 November 2022 by:

Edgars Cērps
Chairman of the Board

Jevgenijs Sokolovs
Chief accountant

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

Consolidated Statement of Cash Flows

	01.01.2022 - 30.09.2022 EUR	01.01.2021 - 30.09.2021 EUR
Cash flows to/from operating activities		
Profit before tax	634,350	49,607
Adjustments for:		
Amortization un depreciation	603,244	443,485
Interest expense	371,354	149,437
(Gain)/Loss from disposal of property and equipment	(1,946)	4,716
Income from COVID-19 related rent concession	(1,563)	(13,621)
Operating profit before working capital changes	1,605,439	633,624
(Increase)/ decrease in inventories	(5,614,394)	620,643
(Increase)/ decrease in trade and other receivables	(1,661,421)	(1,331,257)
(Decrease)/ increase in advances received and trade payables	437,054	562,743
(Decrease)/ increase in accrued liabilities	138,302	(37,209)
(Decrease)/ increase in accrued income	(117,721)	(150,477)
Cash flow used in/from operations	(5,212,741)	298,067
Corporate income tax paid	(245)	(5,607)
Net cash flows used in operating activities	(5,212,986)	292,460
Cash flows to/from investing activities		
Acquisition of property and equipment and other intangible assets	(504,928)	(131,703)
Proceeds of property and equipment and other intangible assets	3,700	5,756
Net cash flows to/from investing activities	(501,228)	(125,947)
Cash flows to/from financing activities		
Proceeds from issue of share capital	-	250,001
Decrease of share capital	-	(250,001)
Repayments of borrowings	-	(1,192,356)
Payments for borrowings issuance costs	(191,359)	-
Repayment of liabilities for right-of-use assets	(393,632)	(272,340)
Borrowings received	1,000,001	2,696,105
Bonds issued	3,320,000	-
Interest paid	(304,223)	(66,314)
Cash payments for the interest portions of lease liabilities	(38,952)	(34,586)
Net cash flows to/from financing activities	3,391,835	1,130,509
Change in cash	(2,322,379)	1,297,022
Cash at the beginning of the year	2,890,919	1,481,946
Cash at the end of the year	568,540	2,778,968

The accompanying notes on pages 14 to 16 are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 15 November 2022 by:

Edgars Cērps
Chairman of the Board

Jevgenijs Sokolovs
Chief accountant

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

Notes to the Consolidated Financial Statements

1. ADMINISTRATIVE EXPENSES

	01.01.2022 - 30.09.2022 EUR	01.01.2021 - 30.09.2021 EUR
Employees' salaries	1,697,076	1,299,630
Amortization and depreciation	603,244	443,485
Office and branches' maintenance expenses	232,094	98,065
Social tax contributions	223,509	184,302
Other personnel expenses	198,314	153,199
Professional services	113,956	197,203
IT services	68,240	45,081
Audit fees	49,006	-
Recruitment fees	44,571	18,791
Insurance	28,521	10,392
Business trips	25,661	7,454
Legal services	16,533	23,839
Transportation expenses	16,433	9,170
Communication expenses	16,019	9,587
Representation	14,679	6,709
Bank commissions	8,454	6,634
Other administration expenses	52,688	34,667
TOTAL:	3,408,998	2,548,208

2. INTEREST EXPENSES AND SIMILAR EXPENSES

	01.01.2022 - 30.09.2022 EUR	01.01.2021 - 30.09.2021 EUR
Interest expenses on loan facilities	23,844	113,328
Interest expenses on lease liabilities	41,633	35,319
Interest expenses on issued bonds	305,877	-
Other financial expenses	3,534	7,744
TOTAL:	374,888	156,391

3. GOODS FOR RESALE AND RAW MATERIALS

	30.09.2022 EUR	31.12.2021 EUR
Acquired vehicles for purpose of selling them to customers	13,665,611	8,030,385
<i>Lithuania</i>	6,108,517	3,276,363
<i>Latvia</i>	3,621,508	2,498,093
<i>Estonia</i>	3,281,480	2,443,304
<i>Netherlands</i>	992,503	244,978
<i>Belgium</i>	217,328	-
<i>Germany</i>	22,100	-
Intercompany consolidation eliminations	(486,584)	(432,353)
Commitment to purchase cars	(91,241)	-
Raw materials	50,178	23,321
Work in progress	127,167	174,856
TOTAL:	13,842,956	8,228,562

Inventory is measured at lower of cost and net realizable value. The cost of an individual car included in the inventory balance is determined using the purchase price for the car including directly attributable repair costs for reconditioning the car for selling purposes. At the reporting date, a detailed review for net realizable value is executed for cars that have been in inventory for more than 90 days. In Latvia, Estonia and Lithuania inventories are pledged as bonds' collateral, total amount of pledged inventory in these countries is EUR 13 011 505 (31.12.2021: EUR 5 774 456).

There were no write-downs identified for inventory as at 30.09.2022 (31.12.2021: 0 EUR).

4. PREPAYMENTS TO SUPPLIERS AND SIMILAR

	30.09.2022 EUR	31.12.2021 EUR
VAT receivable and other taxes*	1,232,195	460,387
Advances paid for goods and services	183,456	72,477
Security deposits	83,422	8,004
Prepays	30,280	25,054
TOTAL:	1,529,353	565,922

* Significant increase in VAT receivable is due to active sourcing activities in the Netherlands.

5. LOANS AND BORROWINGS

Non-current Liabilities for issued debt securities	Interest rate per annum (%)	Maturity	30.09.2022 EUR	31.12.2021 EUR
Bonds 3.00 million EUR notes issue ¹⁾	6%	30/11/2024	2,809,861	2,354,970
Bonds 2.66 million EUR notes issue ²⁾	6%	31/12/2026	2,538,973	1,906,301
Bonds 2.85 million EUR notes issue ³⁾	6%+3M EURIBOR	30/06/2025	2,556,105	-
TOTAL:			7,904,939	4,261,271
Lease liabilities ⁴⁾	3%-4%	up to 5 years	1,856,322	1,123,674
TOTAL:			1,856,322	1,123,674
Loans from related parties ⁵⁾	6%	31/12/2024	340,334	9,000
TOTAL:			340,334	9,000
TOTAL NON-CURRENT BORROWINGS:			10,101,595	5,393,945

¹⁾ On 30 November 2021, the Parent 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 30 September 2022 (EUR 2 530 000 at 31 December 2021).

This bond issue is secured by the assets of Longo Latvia JSC and Longo LT UAB. 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.

²⁾ On 30 December 2021, the Parent 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 2 660 000 as at 30 September 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. All subordinated bond facility is acquired by shareholders as a result of conversion of loan facility.

³⁾ On 10 June 2022, the Parent 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 30 September (EUR 0 at 31 December 2021).

This bond issue is secured by the assets of Longo Latvia JSC, Longo LT UAB and Longo Estonia OU. 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 30 September 2022.

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

⁴⁾ The Group has entered into several lease agreements for office premises and car lots as well as several vehicle rent agreements.

⁵⁾ Shareholders' loan in a form of a credit line, duration up to 5 years.

Current Liabilities for issued debt securities	Interest rate per annum (%)	Maturity	30.09.2022 EUR	31.12.2021 EUR
Bonds 3.00 million EUR notes issue ¹⁾	6%	30/11/2024	116,277	98,416
Bonds 2.66 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	115,249	-
TOTAL:			348,822	180,996
Lease liabilities ⁴⁾	3%-4%	up to 5 years	18,871	412,503
TOTAL:			18,871	412,503
Accrued interest on loans from related parties	6.00%	05/07/2022	1,792	9,175
TOTAL:			1,792	9,175
TOTAL CURRENT BORROWINGS:			369,485	602,674

6. COMMITMENTS AND CONTINGENCIES

There are restrictions in the prospectus for the senior secured bonds issued (ISIN LV0000860062 and LV0000860096).

These financial covenants are the following :

- (a) To maintain consolidated Interest Coverage Ratio (The ratio of EBITDA to Net Finance Charges for the Relevant Period) of at least 2x (two times), calculated for the Relevant Period at the end of each quarter;
- (b) To maintain consolidated Equity Ratio (Ratio of Adjusted Equity (the aggregate book value of the Group's total equity on a consolidated basis, increased by Subordinated Debt, according to the most recent Financial Report) to consolidated assets of the Group calculated according to the most recent Financial Report) at least 30% (thirty per cent) calculated for the Relevant Period at the end of each quarter;
- (c) To maintain Inventory Coverage Ratio (The ratio of Pledged Inventory plus consolidated Cash and Cash Equivalents of the Group divided by the Secured Financial Indebtedness) for the Collateral Provider of at least 1.5x (one point five times), calculated for the Relevant Period at the end of each quarter.

During the reporting period the Group complied with all externally imposed capital requirements to which it was subjected to.

All of the covenants are fulfilled with following ratios:

- (a) 4.2
- (b) 56%
- (c) 2.4

As part of the sourcing process, the Group has committed to purchase vehicles with total costs of EUR 91 241 (2021:EUR 171 025). Commitment was realised in October 2022 in full.

7. EVENTS AFTER THE REPORTING PERIOD

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

Signed on behalf of the Group on 15 November 2022 by:

Edgars Cērps
Chairman of the Board

Jevgenijs Sokolovs
Chief accountant

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