



Longo Group JSC

Unified registration number 42103081417

Condensed Consolidated Interim Financial Statements

For the period ended 31.03.2024



PREPARED IN ACCORDANCE WITH IFRS
ACCOUNTING STANDARDS AS ADOPTED BY THE EU

Unaudited

Latvia, 2024

Contents

General Information	3
Management Report	7
Consolidated Financial Statements	9
Consolidated Statement of Comprehensive Income	10
Consolidated Statement of Financial Position	11
Consolidated Statement of Changes in Equity	13
Consolidated Statement of Cash Flows	14
Notes to the Consolidated Financial Statements	15

General Information

Name of the Parent Group	Longo Group
Legal status of the Parent Group	Joint Stock Company
Unified registration number, place and date of registration	42103081417, Riga, Latvia, 30 October 2017
Registered office	Mūkusalas iela 72A, Riga, Latvia
Shareholders	<p>31.03.2024</p> <p>SIA ALPPES Capital 45.40%</p> <p>Other shareholders 54.60%</p> <p>TOTAL: 100%</p>
Board Members	<p>Edgars Cērps - Chairman of the Board from 28.12.2020</p> <p>Jacob Willem Hoogenboom - Member of the Board from 28.12.2020</p>
Council Members	<p>Aigars Kesenfelds - Chairman of the Council from 28.12.2020</p> <p>Māris Keišs - Deputy of the Council from 01.03.2021</p> <p>Alberts Pole - Member of the Council from 01.03.2021</p> <p>Kristaps Ozols - Member of the Council from 01.03.2021</p> <p>Jonathan Neil Smith - Member of the Council from 01.03.2021</p>
Subsidiaries	<p>Longo Latvia LLC, Latvia (100%)</p> <p>Longo LT LLC, Lithuania (100%)</p> <p>Longo Estonia LLC, Estonia (100%)</p> <p>Longo Shared Services LLC, Lithuania (100%)</p> <p>Longo Netherlands LLC, Netherlands (100%)</p> <p>Longo Belgium LLC, Belgium (100%)</p> <p>Maxxus LLC, Germany (100%)</p> <p>Longo Poland LLC, Poland (100%)</p> <p>Longo IP Holdings LLC, Latvia (100%)</p>
Financial period	01.01.2024 - 31.03.2024
Previous financial period	01.01.2023 - 31.03.2023

Longo's mission is to deliver 3 customer promises:



Wide assortment

Largest and widest competitively priced assortment of popular used car models in the Baltics



Convenient and safe

Most convenient and safest used car shopping experience end-to-end, both digital and on-site



Highest standards

Only quality cars with guaranteed mileage, full available history and freshly serviced and cleaned



Longo controls each step of the business from buying and transporting cars to preparing and selling them

01. Sourcing (Car Purchasing) Operations

Longo has established a network in Western Europe, where it reviews, inspects and buys cars



02. Preparation Operations

Longo transports cars to Panevežys, Lithuania, where all cars are serviced, repaired, cleaned and photographed



03. Sales Operations

Longo stores, markets and sells cars in the Baltics and Poland



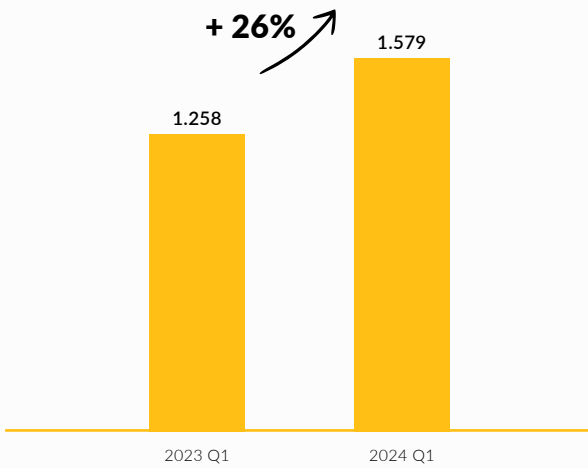
04. Aftersales

Longo also provides aftersales warranty and reengages customers for next purchase



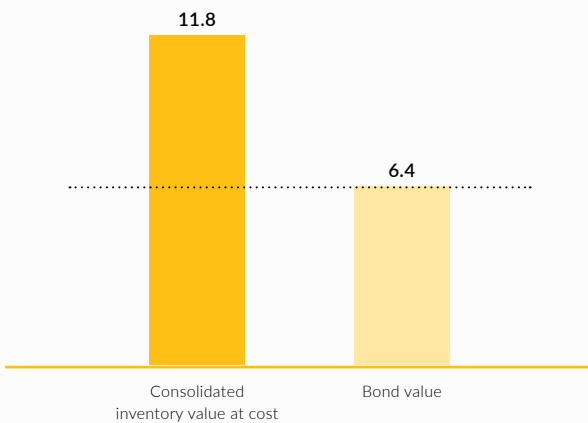
Longo demonstrates total gross profit, including supplementary income, per car sold increase Q1 2024 compared to Q1 2023

Total gross profit, including supplementary income, per car sold, EUR



Longo current inventory comfortably covers the nominal value of issued secured bonds

Longo inventory value, in M EUR
As of 31 Mar 2024



Management Report

30 MAY 2024

Business results

In the beginning of year 2024 Longo management team has continued to focus on improving profitability of the Group - most notably finalizing the reshaping of the sourcing strategy. The efforts have paid off and also there have been stabilization in used car prices in the market, thus ensuring increase of 13% in gross profit compared to Q1 2023.

An impressive 50% increase was achieved in Other operating income from sales of lease and insurance products of partners - driven by successful launch of additional warranty sales in 2023 in Lithuania, Latvia and Poland and continuous push in leasing financing sales.

Longo has sold EUR 10 million worth of cars during Q1 2024, which is a decrease of 8.9% compared to the same period in 2023. The decrease in revenues is mainly driven by decrease in average sales price of a car, as count wise sales were fairly at previous years level - 934 vs 946 cars sold in Q1 2023.

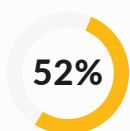
Main focus of the Group in the year 2024 is gaining momentum in sales and returning to growth - both in terms of cars sold and total revenue while maintaining higher gross margins. During 2023 there have been significant improvements in main areas of business, especially in sourcing and preparation - enabling the Group to move towards increasing the sales in 2024.

The EBITDA of the Group in Q1 2024 was EUR 0.01 million - it has improved by EUR 0.1 million compared to Q1 2023 - driven by improved gross profitability and increase in other operating income. Q1 is low season in used car sales therefore EBITDA is expected to pick up significantly starting Q2 2024.

The Group continues to be committed to executing its set strategy and working hard on the core pillars of operation - procurement, sales, preparation operations and efficient inventory management. Recognizing signs of market stabilization, in the middle of Q2 2024 Longo prudently started to expand its inventory to support the expected increase in demand.

Equity ratio

As of 31 Mar 2024



M EUR	2024 Q1	2023 Q1
Revenue	9.97	10.94
Gross profit	0.95	0.84
EBITDA	0.01	(0.10)

Future prospects

The Group has ambitious plans for year 2024 and beyond - to increase its revenue while improving the profitability further. It is to be achieved by boosting its brand awareness and further diversifying its car assortment based on customer preferences that Longo gathers from market intelligence.

“The team effort to improve profitability of Longo Group has paid off and there has been **increase of 13% in gross profit** compared to Q1 2023”

Edgars Cērps

Group CEO and Co-Founder



Largest specialized used car dealer in the Baltics

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 Group. 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 31 March 2024, a long-term debt of EUR 4.9 million is financed at a floating interest rate (6% + 3M EURIBOR) for a period of 1.25 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. Ratio as at 31 March 2024 was 52%. 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

The Group management decided to begin scaling up its inventory before the high season of sales therefore selling the held bonds (ISIN:LV0000860146) worth EUR 0.5 million in April 2024.

Signed on behalf of the Group on 30 May 2024 by:

Edgars Cērps

Chairman of the Board

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Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

	Notes	01.01.2024-31.03.2024 EUR	01.01.2023-31.03.2023 EUR
Revenue from vehicle sales		9 967 720	10 938 372
Cost of sales		(9 017 912)	(10 097 850)
Gross profit		949 808	840 522
Selling expenses		(367 253)	(353 354)
Administrative expenses	1	(1 362 619)	(1 154 587)
Other operating income		530 493	349 792
Other operating expenses		(7 850)	(3 352)
Other income from interest and similar income		36 184	-
Interest expenses and similar expenses	2	(241 100)	(192 717)
Net operating expenses		(1 412 145)	(1 354 218)
Profit/(loss) before tax		(462 337)	(513 696)
Income tax		16 919	10 717
Net profit/(loss) for the period		(445 418)	(502 979)
EBITDA		7 426	(103 530)
Other comprehensive loss			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Translation of financial information of foreign operations to presentation currency		(5 260)	(6 106)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(450 678)	(509 085)

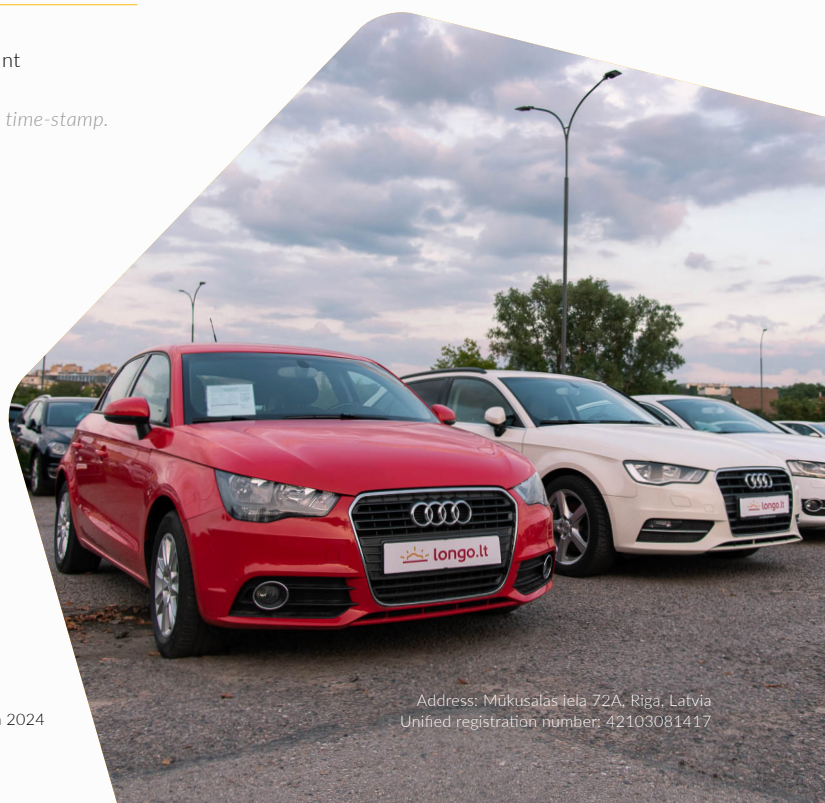
The accompanying notes on pages 15 to 19 are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 30 May 2024 by:

Edgars Cērps
Chairman of the Board

Ina Volkova
Responsible Accountant

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Consolidated Statement of Financial Position

ASSETS

NON-CURRENT ASSETS	Notes	31.03.2024 EUR	31.12.2023 EUR
Intangible assets			
Intangible assets		1 017 483	960 060
Intangible assets development costs		4 038	504
Total intangible assets		1 021 521	960 564
Tangible assets			
Right-of-use assets		1 202 981	1 292 304
Property and equipment		455 923	497 312
Leasehold improvements		90 992	97 706
Construction in progress		47 990	29 406
Total tangible assets		1 797 886	1 916 728
Deferred tax assets		361 722	342 518
Total non-current financial assets		361 722	342 518
TOTAL NON-CURRENT ASSETS		3 181 129	3 219 810
CURRENT ASSETS			
Inventories			
Goods for resale and raw materials	3	11 908 899	12 573 927
Work in progress	3	177 260	85 699
Total inventories		12 086 159	12 659 626
Receivables and other current assets			
Other assets		665 818	657 976
Prepayments to suppliers and similar		1 323 615	568 916
Trade and other receivables		483 208	208 724
Contract assets		116 652	135 573
Total receivables and other current assets		2 589 293	1 571 189
Short-term financial investments			
Other investments	4	501 541	1 002 666
Total short-term financial investments		501 541	1 002 666
Cash and cash equivalents		1 496 238	1 253 098
TOTAL CURRENT ASSETS		16 673 231	16 486 579
TOTAL ASSETS		19 854 360	19 706 389

The accompanying notes on pages 15 to 19 are an integral part of these consolidated financial statements.

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Consolidated Statement of Financial Position

EQUITY AND LIABILITIES

EQUITY	Notes	31.03.2024 EUR	31.12.2023 EUR
Share capital		13 017 058	13 017 058
Share premium		250 000	250 000
Share-based payment reserve		12 215	12 215
Foreign currency translation reserve		(877)	4 532
Accumulated losses/Retained earnings			
brought forward		(5 412 990)	(4 882 016)
for the period		(445 418)	(530 974)
TOTAL EQUITY		7 419 988	7 870 815
LIABILITIES			
Non-current liabilities			
Loans and borrowings	5	8 150 174	8 152 534
Total non-current liabilities		8 150 174	8 152 534
Current liabilities			
Loans and borrowings	5	2 374 771	2 430 326
Trade payables		568 855	273 983
Taxes payable		875 031	465 596
Corporate income tax		-	296
Other liabilities		194 588	83 978
Accrued liabilities		270 953	428 861
Total current liabilities		4 284 198	3 683 040
TOTAL LIABILITIES		12 434 372	11 835 574
TOTAL EQUITY AND LIABILITIES		19 854 360	19 706 389

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Chairman of the Board

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Consolidated Statement of Changes in Equity

	Notes	Share capital	Share premium	Foreign currency translation reserve	Other Reserves	Retained earnings / Accumulated loss	Total
Balance at 01.01.2023		12 969 926	250 000	(149)	48 007	(4 882 016)	8 385 768
<i>Total comprehensive income</i>							
Profit for the period		-	-	-	-	(530 974)	(530 974)
Other comprehensive income		-	-	4 681	-	-	4 681
Total comprehensive income for the period		-	-	4 681	-	(530 974)	(526 293)
<i>Transactions with owners of the Group</i>							
<i>Contributions and distributions</i>							
Issues of ordinary shares		47 132	-	-	(47 132)	-	-
Equity-settled share-based payment		-	-	-	11 340	-	11 340
Total transactions with owners of the Group		47 132	-	-	(35 792)	-	11 340
Balance at 31.12.2023		13 017 058	250 000	4 532	12 215	(5 412 990)	7 870 815
Balance at 01.01.2024		13 017 058	250 000	4 532	12 215	(5 412 990)	7 870 815
<i>Total comprehensive income</i>							
Profit for the period		-	-	-	-	(445 418)	(445 418)
Other comprehensive income		-	-	(5 409)	-	-	(5 409)
Total comprehensive income for the period		-	-	(5 409)	-	(445 418)	(450 827)
Balance at 31.03.2024		13 017 058	250 000	(877)	12 215	(5 858 408)	7 419 988

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Consolidated Statement of Cash Flows

Cash flows to/from operating activities	Notes	01.01.2024-31.03.2024 EUR	01.01.2023-31.03.2023 EUR
Profit before tax		(462 337)	(513 696)
Adjustments for:			
Amortization and depreciation		282 942	234 648
Interest expense	2	236 079	189 787
Interest income		(31 620)	-
Cash flow from operating activities before working capital changes		25 064	(89 261)
(Increase)/ decrease in inventories		573 467	111 190
(Increase)/ decrease in trade and other receivables		(1 037 025)	(848 910)
(Decrease)/ increase in advances received and trade payables		814 917	283 256
(Decrease)/ increase in accrued liabilities		(158 633)	13 106
(Increase)/ decrease in accrued income		18 921	26 371
Cash flows used in/from operations		236 711	(504 248)
Corporate income tax paid		(296)	(267)
Net cash flows used in operating activities		236 415	(504 515)
Cash flows to/from investing activities			
Proceeds from sale of other securities		500 000	-
Acquisition of property and equipment and other intangible assets		(136 970)	(157 910)
Interest received		32 308	-
Payments for sale of other securities		438	-
Net cash flows to/from investing activities		395 776	(157 910)
Cash flows to/from financing activities			
Repayments of borrowings		-	(12 670)
Repayment of liabilities for right-of-use assets		(181 189)	(162 202)
Bonds issued		-	500 000
Interest paid		(189 380)	(155 815)
Cash payments for the interest portions of lease liabilities		(13 072)	(8 169)
Net cash flows to/from financing activities		(383 641)	161 144
Change in cash		248 549	(501 281)
Effects of currency translation on cash and cash equivalents		(5 409)	-
Cash at the beginning of the period		1 253 098	1 424 762
CASH AT THE END OF THE PERIOD		1 496 238	923 481

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Chairman of the Board

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Responsible Accountant

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Notes to the Consolidated Financial Statements

1. Administrative expenses

	01.01.2024-31.03.2024 EUR	01.01.2023-31.03.2023 EUR
Employees' salaries	701 844	561 362
Amortization and depreciation	282 942	234 648
Office and branches' maintenance expenses	90 557	86 687
Social tax contributions	83 562	81 058
Other personnel expenses	55 920	37 144
IT services	44 404	31 643
Professional services	31 567	33 560
Audit fees	17 532	16 162
Insurance	12 909	15 085
Other administrative expenses	12 222	13 622
Communication expenses	6 294	5 638
Business trips	5 690	8 266
Legal services	5 049	1 634
Representation	3 394	4 056
Bank commissions	3 101	3 052
Transportation expenses	2 935	4 728
Recruitment fees	2 697	16 242
TOTAL:	1 362 619	1 154 587

2. Interest expenses and similar expenses

	01.01.2024-31.03.2024 EUR	01.01.2023-31.03.2023 EUR
Interest expenses on issued bonds	223 006	173 821
Interest expenses on lease liabilities	13 072	14 269
Other financial expenses	5 022	2 930
Interest expenses on loan facilities	-	1 697
TOTAL:	241 100	192 717

3. Inventories

	31.03.2024 EUR	31.12.2023 EUR
Acquired vehicles for purpose of selling them to customers	11 774 093	12 489 480
<i>Lithuania</i>	5 560 318	5 844 519
<i>Latvia</i>	3 170 401	3 191 157
<i>Estonia</i>	1 989 733	2 647 535
<i>Poland</i>	101 956	506 239
<i>Netherlands</i>	508 866	823 012
<i>Belgium</i>	474 142	257 038
<i>Intercompany consolidation eliminations</i>	(31 323)	(780 020)
Raw materials	134 806	84 447
Work in progress	177 260	85 699
TOTAL:	12 086 159	12 659 626

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 on March 31. Management had performed analysis to determine profit margins for all cars that were sold after the reporting period, and concluded that no adjustments to net realizable value should be expensed through profit or loss in Q1 2024. In Latvia, Estonia and Lithuania inventories are pledged as bonds' collateral, total amount of pledged inventory in these countries is EUR 10 720 452 (31.12.2023: EUR 11 683 211).

4. Other securities

	Interest rate per annum (%)	31.03.2024 EUR	31.12.2023 EUR
Bonds 1.00 million EUR notes purchase	9% + 3M EURIBOR	501 541	1 002 666
TOTAL:		501 541	1 002 666

In November 2023, the Group management decided to slightly scale down inventory due to the seasonality of the business therefore deploying its short-term liquidity by buying bonds (ISIN:LV0000860146) worth EUR 1 million. The Group began scaling up its inventory before the high season of sales therefore selling the held bonds (ISIN:LV0000860146) worth EUR 0.5 million in March 2024.



5. Loans and borrowings

Non-current <i>Liabilities for issued debt securities</i>	Interest rate per annum (%)	Maturity	31.03.2024 EUR	31.12.2023 EUR
Bonds 3.00 million EUR notes issue ¹⁾	6%	30.12.2026	2 872 571	2 872 469
Bonds 4.90 million EUR notes issue ²⁾	6% + 3M EURIBOR	30.06.2025	4 533 593	4 511 038
TOTAL:			7 406 164	7 383 507
Lease liabilities ⁴⁾	3%-8%	up to 5 years	744 010	769 027
TOTAL:			744 010	769 027
TOTAL NON-CURRENT BORROWINGS:			8 150 174	8 152 534

1) 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 3 000 000 as at 31 March 2024 (EUR 3 000 000 at 31 December 2023).

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 the shareholders as a result of conversion of loan facility.

2) 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 4 900 000 as at 31 March 2024 (EUR 4 900 000 at 31 December 2023).

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.

The bonds of JSC Longo Group have been admitted to trading on the Nasdaq Baltic First North Market by Nasdaq Riga since June 28, 2023.

3) 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.

Part of the Noteholders have used the right to early redemption of the notes (put option) on 30 November 2023 therefore the Group has bonds outstanding for EUR 1 515 000 as at 31 March 2024 (EUR 1 515 000 at 31 December 2023).

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- therefore are recognised as short-term liability, and carry a fixed coupon of 6% per annum, paid monthly in advance.

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

Accordingly, those liabilities are split between current and non-current as at 31 March 2024.

The Group is preparing for refinancing process of its senior secured bonds expiring November 2024 and June 2025.

Current <i>Liabilities for issued debt securities</i>	Interest rate per annum (%)	Maturity	31.03.2024 EUR	31.12.2023 EUR
Bonds 3.00 million EUR notes issue ¹⁾	6%	30.12.2026	124 347	124 347
Bonds 4.90 million EUR notes issue ²⁾	6% + 3M EURIBOR	30.06.2025	241 587	241 690
Bonds 1.515 million EUR notes issue ³⁾	6%	30.11.2024	1 483 535	1 472 464
TOTAL:			1 849 469	1 838 501
Lease liabilities ⁴⁾	3%-8%	up to 12 months	525 302	591 825
TOTAL:			525 302	591 825
TOTAL CURRENT BORROWINGS:			2 374 771	2 430 326

6. Commitments and contingencies

There are restrictions in the prospectus for the senior secured bonds issued (ISIN LV0000860062 and LV0000860096) and subordinated bonds issued (ISIN LV0000802544). 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.

* Definition of EBITDA in the Terms includes not taking into account any exceptional items which are not in line with the ordinary course of business. It is judgment of the management of Longo Group JSC to treat expenses as exceptional.

Longo Group has established a subsidiary in Poland in 2022, Longo has set the start-up period of the subsidiary to be until the end of 2023. To better reflect ordinary expense level of the Group and ensure transparent reporting, all of the selling, administrative and other costs Longo Poland incurred until the end of 2023 are considered as exceptional items that are not in line with the ordinary course of business.

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) 2.20x
- b) 52%
- c) 1.95

As part of the sourcing process, the Group has committed to purchase vehicles with total costs of EUR 133 595. Commitment was realised in April 2024 in full.

7. Events after the reporting period

The Group management decided to begin scaling up its inventory before the high season of sales therefore selling the held bonds (ISIN:LV0000860146) worth EUR 0.5 million in April 2024.

Signed on behalf of the Group on 30 May 2024 by:

Edgars Cērps
Chairman of the Board

Ina Volkova
Responsible Accountant

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