Longo Group JSC

Unified registration number 42103081417

Consolidated Financial Statements

For the year ended 31.12.2022

Together with Independent Auditor's Report

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

Latvia, 2023

Contents

General Information	**3**
Management Report	**8**
Consolidated Financial Statements	**11**
Consolidated Statement of Comprehensive Income	12
Consolidated Statement of Financial Position	13
Consolidated Statement of Changes in Equity	15
Consolidated Statement of Cash Flows	16
Notes to the Consolidated Financial Statements	17
Independent Auditor’s Report	**50**

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		31.12.2022
	SIA ALPPES Capital	46%
	Other shareholders	54%
	TOTAL:	**100%**
	** total shareholding is split in A type and B type shares, more details in Note 20.*	
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	
Subsidiaries	Longo Latvia LLC, Latvia (100%)	
	Longo Lithuania 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 - 31.12.2022	
Previous financial period	01.01.2021 - 31.12.2021	

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

Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

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

Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

"Thanks to our **great team effort** over multiple countries we have managed to source **more than 12 000 cars** until the end of 2022"

Jacob Willem Hoogenboom
Group COO

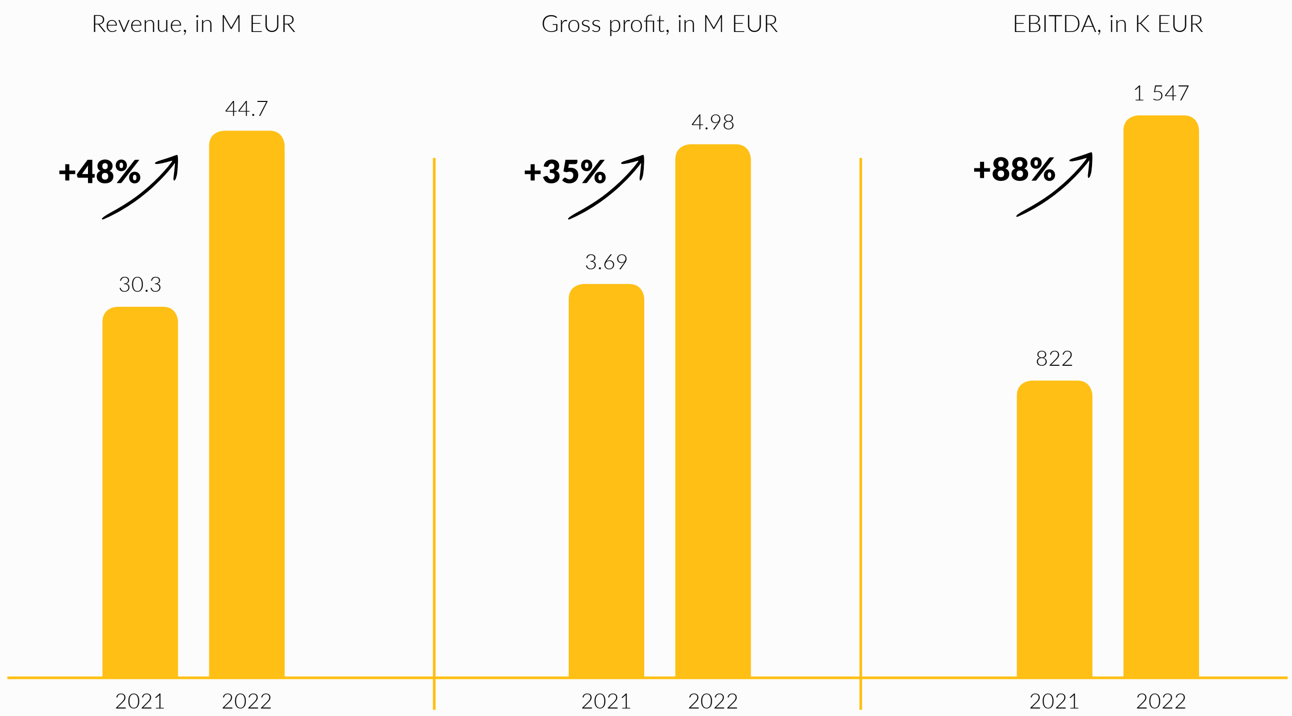
12 000+

"We are proud of achieving **6.5M total website visits** in 2022 thus supporting the **outstanding revenue growth** of the Group"

Kristīne Kalēja
Group Head of Marketing

6.5M

Financial performance highlights



Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

Management Report

25 APRIL 2023

Business results & other information

Overall, 2022 was a successful year for Longo. Despite the unfavorable macroeconomic conditions, the Group continues to demonstrate growth in sales and profitability. Perpetual development and optimization of processes, as well as great ambitions, have led Longo to a record high revenue of 44.7 million EUR, up 48% over last year. The Group has earned almost 5 million EUR in gross profit.

The Group's EBITDA for 2022 is 1.55 million EUR, which is an increase of 88% compared to the previous year. The EBITDA margin for 2022 is 3.3%, up 0.7 percentage points from last year. Longo concluded 2022 with a net profit of 167 thousand EUR.

In 2022, the Group expanded its operations to Poland. In addition, Longo opened two new branches in Lithuania in Panevėžys and Klaipėda. Another major milestone that ensured Longo's growth in 2022 is the admission of bonds for trading on the Nasdaq Baltic First North Market by Nasdaq Riga on 31 March 2022.

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 and more in 2021. Longo is well prepared for providing comprehensive customer service through digital channels, including launching the first fully online reservation system in the Baltics.

The Group joined the Entrepreneurs for Peace movement and has donated 10 thousand EUR to support Ukraine after the military invasion by the Russian Federation.

Future prospects

At the beginning of 2023, new 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.

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.

"Perpetual development and optimization of processes, as well as great ambitions, have led Longo to **a record high revenue of 44.7 million EUR,** up 48% over last year

Edgars Cērps
Group CEO and Co-Founder

Largest used car dealer in the Baltics

Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

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 payments systems. To spread the credit risk, Longo deposits its cash reserves with different banks and payments systems.

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 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 December 31, 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

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

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

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

Signed on behalf of the Group on 25 April 2023 by:

Edgars Cērps Chairman of the Board	**Jacob Willem Hoogenboom** Member of the Board	**Jevgenijs Sokolovs** Chief Accountant

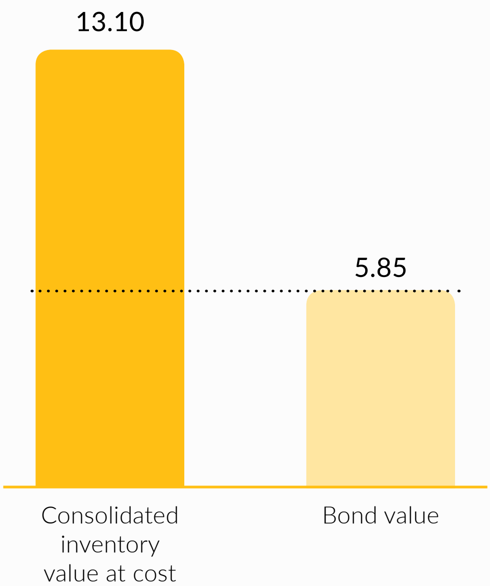
This document has been signed with a secure electronic signature and has a time-stamp.

Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

Longo current inventory comfortaby covers the value of issued bonds

Longo inventory value, in M EUR

As of 31 Dec 2022



Consolidated Financial Statements

Consolidated Statement of **Comprehensive Income**

	Notes	2022 EUR	2021 EUR
Revenue from vehicle sales	4	44,719,585	30,288,837
Cost of sales	5	(39,743,477)	(26,601,592)
Gross profit		**4,976,108**	**3,687,245**
Selling expenses	6	(1,102,507)	(608,581)
Administrative expenses	7	(4,576,795)	(3,543,786)
Other operating income	8	1,519,176	759,590
Other operating expenses	9	(91,854)	(50,373)
Interest expenses and similar expenses	10	(556,719)	(206,800)
Net operating expenses		**(4,808,699)**	**(3,649,950)**
Profit before tax		**167,409**	**37,295**
Income tax	11	(516)	96,037
Net profit/(loss) for the year		**166,893**	**133,332**
Other comprehensive income/(loss)			
Items that are or may be reclassified subsequently to profit or loss			
Foreign operations - foreign currency translation differences		**(149)**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**166,744**	**133,332**

The accompanying notes on pages 17 to 49 are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 25 April 2023 by:

Edgars Cērps
Chairman of the Board

Jacob Willem Hoogenboom
Member of the Board

Jevgenijs Sokolovs
Chief Accountant

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

Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

Consolidated Statement of **Financial Position**

ASSETS

Non-Current Assets	Notes	31.12.2022 EUR	31.12.2021 restated* EUR
Intangible assets			
Intangible assets	12	690,960	475,768
Intangible assets development costs	12	12,474	2,733
Total intangible assets		**703,434**	**478,501**
Tangible assets			
Right-of-use assets	13	1,894,801	1,478,513
Property and equipment	13	421,279	323,234
Leasehold improvements	13	122,074	127,227
Construction in progress	13	145,610	-
Total tangible assets		**2,583,764**	**1,928,974**
Deferred tax assets	11	323,999	318,075
Total non-current financial assets		**323,999**	**318,075**
TOTAL NON-CURRENT ASSETS		**3,611,197**	**2,725,550**
Current Assets			
Inventories			
Goods for resale and raw materials	14	13,064,264	8,053,706
Work in progress	14	111,499	174,856
Total inventories		**13,175,763**	**8,228,562**
Receivables and other current assets			
Other assets	15	875,830	629,091
Trade and other receivables	16	161,931	213,438
Prepayments to suppliers and similar	17	862,064	565,922
Contract assets	18	139,848	37,947
Total receivables and other current assets		**2,039,673**	**1,446,398**
Cash and cash equivalents	**19**	**1,424,762**	**2,890,919**
Total current assets		**16,640,198**	**12,565,879**
TOTAL ASSETS		**20,251,395**	**15,291,429**

* Information regarding the restatements made in the financial statements is disclosed in Note 2.

The accompanying notes on pages 17 to 49 are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 25 April 2023 by:

Edgars Cērps
Chairman of the Board

Jacob Willem Hoogenboom
Member of the Board

Jevgenijs Sokolovs
Chief Accountant

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

Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

Consolidated Statement of **Financial Position**

EQUITY AND LIABILITIES

Equity	Notes	31.12.2022 EUR	31.12.2021 restated* EUR
Share capital	20	12,969,926	12,969,926
Share premium		250,000	250,000
Share-based payment reserve	21	48,007	38,007
Foreign currency translation reserve		(149)	-
Accumulated losses/Retained earnings			
brought forward		(5,048,909)	(5,182,241)
for the period		166,893	133,332
Total Equity		**8,385,768**	**8,209,024**

Liabilities			
Non-current liabilities			
Loans and borrowings	22	6,733,960	5,393,945
Total non-current liabilities		**6,733,960**	**5,393,945**
Current liabilities			
Loans and borrowings	22	3,856,638	602,674
Trade payables		404,840	324,908
Taxes payable	23	465,108	424,149
Corporate income tax		817	284
Other liabilities	24	106,530	87,377
Accrued liabilities	25	297,734	249,068
Total current liabilities		**5,131,667**	**1,688,460**
Total Liabilities		**11,865,627**	**7,082,405**
TOTAL EQUITY AND LIABILITIES		**20,251,395**	**15,291,429**

* Information regarding the restatements made in the financial statements is disclosed in Note 2.

The accompanying notes on pages 17 to 49 are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 25 April 2023 by:

Edgars Cērps
Chairman of the Board

Jacob Willem Hoogenboom
Member of the Board

Jevgenijs Sokolovs
Chief Accountant

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

Consolidated Statement of
Changes in Equity

	Notes	Share capital	Share premium	Foreign currency translation reserve	Other reserves	Retained earnings / Accumulated loss	Total
Balance at 01.01.2021, as previously reported		**7,000,000**	**-**	**-**	**-**	**(5,144,744)**	**1,855,256**
Impact of correction of errors	2	-	-	-	-	(37,497)	(37,497)
Balance at 01.01.2021 (restated)		**7,000,000**	**-**	**-**	**-**	**(5,182,241)**	**1,817,759**
Total comprehensive income							
Profit for the period		-	-	-	-	133,332	**133,332**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**133,332**	**133,332**
Transactions with owners of the Group							
Contributions and distributions							
Issues of ordinary shares		6,219,927	250,000	-	-	-	**6,469,927**
Decrease in capital		(250,001)	-	-	-	-	**(250,001)**
Equity-settled share-based payment	21	-	-	-	38,007	-	**38,007**
Total transactions with owners of the Group		**5,969,926**	**250,000**	**-**	**38,007**	**-**	**6,257,933**
Balance at 31.12.2021 (restated)		**12,969,926**	**250,000**	**-**	**38,007**	**(5,048,909)**	**8,209,024**
Balance at 01.01.2022		**12,969,926**	**250,000**	**-**	**38,007**	**(5,048,909)**	**8,209,024**
Total comprehensive income							
Profit for the period		-	-	-	-	166,893	**166,893**
Other comprehensive income		-	-	(149)	-	-	**(149)**
Total comprehensive income for the period		**-**	**-**	**(149)**	**-**	**166,893**	**166,744**
Transactions with owners of the Group							
Contributions and distributions							
Equity-settled share-based payment	21	-	-	-	10,000	-	**10,000**
Total transactions with owners of the Group		**-**	**-**	**-**	**10,000**	**-**	**10,000**
Balance at 31.12.2022		**12,969,926**	**250,000**	**(149)**	**48,007**	**(4,882,016)**	**8,385,768**

* Information regarding the reclassifications made in the financial statements is disclosed in Note 2.

The accompanying notes on pages 17 to 49 are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 25 April 2023 by:

Edgars Cērps
Chairman of the Board

Jacob Willem Hoogenboom
Member of the Board

Jevgenijs Sokolovs
Chief Accountant

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

Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

Consolidated Statement of **Cash Flows**

Cash flows to/from operating activities	Notes	2022 EUR	2021 EUR
Profit before tax		167,409	37,295
Adjustments for:			
Amortisation and depreciation	12, 13	828,236	577,697
Interest expense	10	551,397	206,800
Interest income		-	(10)
(Gain)/Loss from disposal of property and equipment		14,521	4,716
Equity settled share-based payment transactions	21	10,000	38,007
Income from COVID-19 related rent concession		(2,048)	(15,621)
Cash flow from operating activities before working capital changes		**1,569,515**	**848,884**
(Increase)/ decrease in inventories		(4,947,201)	(1,630,056)
(Increase)/ decrease in trade and other receivables		(491,374)	(1,031,804)
(Decrease)/increase in advances received and trade payables		132,029	185,756
(Decrease)/ increase in accrued liabilities		51,706	(43,060)
(Decrease)/ increase in accrued income		(101,901)	(19,931)
Cash flows used in/from operations		**(3,787,226)**	**(1,690,211)**
Interest received		-	10
Corporate income tax paid		533	(11,214)
Net cash flows used in operating activities		**(3,786,693)**	**(1,701,415)**
Cash flows to/from investing activities			
Acquisition of property and equipment and other intangible assets	12, 13	(744,051)	(334,251)
Proceeds of property and equipment and other intangible assets	12, 13	3,700	5,756
Net cash flows used in operating activities		**(740,351)**	**(328,495)**
Cash flows to/from financing activities			
Proceeds from issue of share capital		-	250,001
Decrease of share capital		-	(250,001)
Repayments for borrowings	22	(1,000)	(1,192,356)
Payments for borrowings issuance costs	22	(212,410)	(72,020)
Repayment of liabilities for right-of-use assets	22	(547,741)	(375,068)
Borrowing received	22	1,000,001	2,697,105
Bonds issued	22	3,320,000	2,530,000
Interest paid	22	(444,714)	(104,106)
Cash payments for the interest portions of lease liabilities	22	(53,249)	(44,672)
Net cash flows to/from financing activities		**3,060,887**	**3,438,883**
Change in cash		**(1,466,157)**	**1,408,973**
Cash at the beginning of the year		2,890,919	1,481,946
Cash at the end of the year	**19**	**1,424,762**	**2,890,919**

The accompanying notes on pages 17 to 49 are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 25 April 2023 by:

Edgars Cērps
Chairman of the Board

Jacob Willem Hoogenboom
Member of the Board

Jevgenijs Sokolovs
Chief Accountant

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

Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

Notes to the Consolidated Financial Statements

1. Corporate information

Longo Group JSC (the "Parent Group") and its subsidiaries (together "the Group") is a Latvian group. The Parent Group was incorporated on October 10, 2017 as a joint stock group for an unlimited duration, subject to general group law.

The consolidated financial statements of the Group include:

				% equity interest	
Subsidiary name	**Registration number**	**Country of incorporation**	**Principal activities**	**2022**	**2021**
Longo Group JSC	42103081417	Latvia	Holding activity	-	-
Longo Latvia LLC	40203147079	Latvia	Car sales	100%	100%
Longo LT LLC	304837699	Lithuania	Car sales	100%	100%
Longo Estonia LLC	14554950	Estonia	Car sales	100%	100%
Longo Shared Service LLC	305217797	Lithuania	Car repair services	100%	100%
Longo Netherlands LLC	71706267	Netherlands	Car procurement	100%	100%
Longo Belgium LLC	BE 0881764642	Belgium	Car procurement	100%	100%
Maxxus LLC	HRB18213	Germany	Car procurement	100%	100%
Longo Poland LLC	9662161899	Poland	Car sales	100%	-

On April 8, the Group has registered a new subsidiary in Poland - Longo Poland Sp.z.o.o, with car sales as principal activity and issued capital of PLN 5 000.

Assets and liabilities in a Polish subsidiary are translated into euro at the rate prevailing on the balance sheet date. Income and expenses in a Polish subsidiary are translated into euro using an average rate. Translation differences that arise when translating the financial statements of subsidiaries are recognized in other comprehensive income and accumulated in a separate component of equity, called translation differences.

Foreign currency denominated transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or if items have been revalued, at the measurement dates exchange rates.

Foreign exchange gains and losses arising in respect of business operations, such as sales and purchases, are recognized in EBIT. Foreign exchange differences arising from financing transactions are recognized.

The core business activity of the Group is vehicle sales to customers.

Consolidated annual report of 2022 has been approved by decision of the board on 25 April 2023.

Shareholders have the financial statements approval rights after their approval by the Board of Directors.

Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

2. Summary of significant accounting policies

BASIS OF PREPARATION

These consolidated annual financial statements as of and for the year ended 31.12.2022 are prepared in accordance with International Financial Reporting Standards as adopted in the European Union (further IFRS).

The Group's consolidated annual financial statements and its financial result are affected by accounting policies, assumptions, estimates, and management judgment (Note 3), which necessarily have to be made in the course of preparation of the annual consolidated financial statements. The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current and next financial period. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard.

Estimates and judgments 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 judgments for certain items are especially critical for the Group's results and financial situation due to their materiality. Future events may occur, which cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the consolidated financial statements when determinable.

New standards, interpretations and amendments not yet effective.

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group hasdecided not to adopt early.

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8);
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.

Except for COVID-19-Related Rent Concessions, the Group has no transactions that are affected by the newly effective standards or amendments to standards or its accounting policies are already consistent with the new requirements.

Significant accounting principles:

A) In accordance with IFRS 9 Financial Instruments standard, the impairment of financial asset is based on the expected credit loss method. The significant financial assets of Longo are trade receivables arising from normal business operations. For these trade receivables, the group applies a simplified provision matrix approach. According to this approach, a loss is recognized by using the provision matrix, except for situations where financial assets are assessed to be impaired due to credit risk. In Longo the amount of impairment losses from trade receivables has been historically low.

B) The consolidated financial statements are prepared on a historical cost basis, except for share based payment transactions whose amounts initially are determined at fair value at the time of granting.

C) Intercompany transactions, balances, and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

2. Summary of significant accounting policies (continued)

Reclassifications in comparative indicators

In 2022, a subsidiary discovered a retrospective technical error in calculation of Other assets. The error resulted in an overstatement of Other assets in amount of EUR 37 497 recognised for the 2020 financial year and a corresponding overstatement of retained earnings.

The error has been corrected by restating each of the affected financial statement line items for the prior period.

Reconciliation of balance sheet items as at 31 December 2021:

ASSETS	01.01.2021 EUR	Correction of error EUR	01.01.2021 restated* EUR	31.12.2021 restated* EUR
Other assets	349,584	(37,497)	312,087	629,091
Total non-current assets	**8,512,612**	**(37,497)**	**8,475,115**	**12,565,879**
TOTAL ASSETS	**11,067,101**	**(37,497)**	**11,029,604**	**15,291,429**
EQUITY AND LIABILITIES				
Accumulated losses	(5,144,744)	(37,497)	(5,182,241)	(5,182,241)
Total equity	**1,855,256**	**(37,497)**	**1,817,759**	**8,209,024**
TOTAL EQUITY AND LIABILITIES	**11,067,101**	**(37,497)**	**11,029,604**	**15,291,429**

The Group's presentation currency is euro (EUR). The financial statements cover the period from 01.01.2022 till 31.12.2022, with a comparative period in 2021. Accounting policies and methods are consistent with those applied in the previous years, except as described in Reclassifications in comparative indicators.

Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

2. Summary of significant accounting policies (continued)

BASIS OF CONSOLIDATION

The financial statements of the subsidiaries are prepared for the same reporting period as for the Parent company, using consistent accounting policies. The consolidated financial statements comprise the financial statements of the Parent company (Longo Group JSC) and its subsidiaries as at 31 December 2022.

Control is achieved when the Parent company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. The financial statements of the Parent company and its subsidiaries are consolidated in the Group's consolidated financial statements by adding together like items of assets and liabilities as well as income and expense. All intercompany transactions, balances and unrealised gains and losses on transactions between members of the Group are eliminated in full on consolidation.

If the Group loses control over a subsidiary, it:

- Derecognises the related assets and liabilities of the subsidiary;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in the statement of comprehensive income;

Internally generated intangible assets

Internally generated intangible assets primarily include the development costs of Group's information management systems. These costs are capitalized only if they satisfy the criteria as defined by IAS 38 and described below.

Internal and external development costs on management information systems arising from the development phase are capitalized. Significant improvement costs are added to the initial cost of assets if they specifically meet the capitalization criteria.

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.

Internally generated intangible assets are amortized over their useful lives of 7 years.

According to IAS38, development costs shall be capitalized if, and only if, the Group can meet all of the following criteria:

- the project is clearly identified and the related costs are itemized and reliably monitored;
- the technical and industrial feasibility of completing the project is demonstrated;
- there is a clear intention to complete the project and to use or sell the intangible asset arising from it;
- the Group has the ability to use or sell the intangible asset arising from the project;
- the Group can demonstrate how the intangible asset will generate probable future economic benefits;
- the Group has adequate technical, financial and other resources to complete the project and to use or sell the intangible asset.

When these conditions are not satisfied, development costs generated by the Group are recognized as an expense when incurred.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is completed and the asset is available for use.

Additional information is included in **Notes 3** and **12**.

LICENSES AND OTHER INTANGIBLE ASSETS

Intangible non-current assets are stated at cost and amortized over their estimated useful lives on a straight-line basis. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Losses from impairment are recognized where the carrying value of intangible non-current assets exceeds their recoverable amount.

Other intangible assets mainly consist of acquired computer software products.

Amortization is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Other intangible assets - acquired IT Systems	over 7 years.

2. Summary of significant accounting policies (continued)

PROPERTY AND EQUIPMENT

Equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Computers	over 3 years;
Furniture	over 5 years;
Vehicles	over 7 years;
Leasehold improvements	according to lease term;
Other equipment	over 3 years.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of equipment is the higher of an asset's net selling price and its value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statement of comprehensive income in the impairment expense caption.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognized.

FINANCIAL INSTRUMENTS

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost reflects any adjustments for the amortisation of transaction costs, interest income, foreign exchange gains or losses, and impairment losses. The carrying amount of the asset is reduced by the amount of any impairment loss. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Derecognition

Financial assets

The Group derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

2. Summary of significant accounting policies (continued)

Impairment

Non-derivative financial assets

Financial instruments and contract assetsThe Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Loss allowances for trade receivables (including lease receivables) and contract assets are always measured at an amount equal to lifetime ECLs.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Cash and cash equivalents

Cash equivalents are short-term, highly liquid assets that are readily convertible to cash without the significant risk of changes in value within 3 months or less. Cash and cash equivalents comprise non-cash balances on current accounts at banks, payment systems and cash balances.

OPERATING LEASE – GROUP AS LESSEE

Lease liability

Initial recognition

At the commencement date of the lease, the Group measures the lease liability at the present value of the lease payments that are not paid at that date in accordance with lease term. Lease payments included in the measurement of the lease liability comprise:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The Group has elected for all classes of underlying assets not to separate non-lease components from lease components in lease payments. Instead, Group accounts for each lease component and any associated non-lease components as a single lease component. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease term is the non-cancellable period for which the Group has the right to use an underlying asset, together with both:

A) Periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and

B) Periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

At the commencement date, the Group assesses whether it is reasonably certain to exercise an option to extend the lease or to purchase the underlying asset, or not to exercise an option to terminate the lease.

Subsequent measurement

After the commencement date, the Group measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications specified, or to reflect revised in-substance fixed lease payments.

Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

2. Summary of significant accounting policies (continued)

RIGHT-OF-USE ASSETS

Initial recognition

At the commencement date of the lease, the Group recognises right-of-use asset at cost. The cost of a right-of-use asset comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are to produce inventories.

Subsequent measurement

Group measures the right-of-use asset at cost, less any accumulated depreciation and accumulated impairment losses; and adjusted for the remeasurement of the lease liability. Depreciation of the right-of-use asset is recognised on a straight-line basis in profit or loss. If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Group applies IAS 36 to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Initial recognition exemptions applied

As a recognition exemption the Group elects not to apply the recognition requirements of right-of-use asset and lease liability to:

A) Short term leases – for all classes of underlying assets; and

B) Leases of low-value assets – on a lease-by-lease basis.

For leases qualifying as short-term leases and/or leases of low-value assets, the Group does not recognise a lease liability or right-of-use asset. The Group recognises the lease payments associated with those leases as an expense on either a straight-line basis over the lease term.

A) Short term leases

A short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less. A lease that contains a purchase option is not a short-term lease. This lease exemption is applied for all classes of underlying assets.

B) Leases of low-value assets

The Group defines a low-value asset as one that:

- has a value, when new of 5 000 EUR or less. Group assesses the value of an underlying asset based on the value of the asset when it is new, regardless of the age of the asset being leased.
- the Group can benefit from use of the assets on its own, or together with, other resources that are readily available to the Group; and
- the underlying asset is not dependent on, or highly interrelated with, other assets.

The Group has applied COVID-19-Related Rent Concessions – Amendment to IFRS 16. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances.

The Group negotiated rent concessions with its landlords for a number of its car lots as a result of the impact of the COVID-19 pandemic during the year. The Group applied the practical expedient for COVID-19-related rent concessions consistently to eligible rent concessions relating to its car lots leases.

The amount recognised in profit or loss for the reporting period to reflect changes in lease payments arising from rent concessions to which the Group has applied the practical expedient for COVID-19-related rent concessions is EUR 2 048 (2021: EUR 15 621). See **Note 8**.

INVENTORIES

Inventories are valued at the lower of cost and net realisable value.

Net realizable value represents the estimated selling price for inventories in the ordinary course of business less estimated costs necessary to make the sale.

Inventories contain only vehicles which are purchased for the sole purpose of selling them to customers.

Value of inventories is measured on a stock item by item basis. Write-off of each individual stock item is performed on sale of respective individual stock item.

CASH AND CASH EQUIVALENTS

Cash comprises cash at bank and on hand with an original maturity of less than three months.

VACATION PAY RESERVE

Vacation pay reserve is calculated based on national legislation requirements in each respective country.

Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

2. Summary of significant accounting policies (continued)

RESERVES

Share-based payment reserve

Share-based payment reserve is used to record the effect of transactions with owners in their capacity as owners.

PROVISIONS

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all provisions to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

PENSIONS

The Group pays social security contributions for state pension insurance and to the state-funded pension scheme in accordance with legislation. State-funded pension scheme is a defined contribution plan under which the Group pays fixed contributions determined by the law and has no legal or constructive obligations to pay further contributions if the state pension insurance system or state-funded pension scheme are not able to settle their liabilities to employees. The social security contributions are recognised as an expense on an accrual basis and are included within staff costs.

ACCRUALS AND DEFERRALS

Accruals and deferrals are recorded to recognise revenues and costs as they are earned or incurred.

CONTINGENCIES

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. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

SHARE-BASED PAYMENTS

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee.

Fair value of share options is determined using valuation method using multiples of similar companies and discounting the value based on characteristics (limitations) of the share options granted.

INCOME AND EXPENSES

Expenses are recognized as incurred. Expenses are recognized net of the amount of value added tax. In certain situations, value added tax incurred on services received or calculated in accordance with legislation requirements is not recoverable in full from the taxation authority. In such cases, value added tax is recognized as part of the related expense item as applicable. The same principle is applied if value added tax is not recoverable on the acquisition of an asset.

Revenue is recognized in accordance with the related standard's requirements and to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

The effective interest rate method

Under IFRS 9, for all financial instruments measured at amortized cost, interest income or expense is recorded at the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

2. Summary of significant accounting policies (continued)

REVENUE AND EXPENSES FROM CONTRACTS WITH CUSTOMERS (ACCORDING TO IFRS 15)

Revenue from contracts with customers in scope for IFRS 15 encompasses sold goods or services provided as output of the Group's ordinary activities. The Group uses the following criteria to identify contracts with customers:

- the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- can be identified each party's rights regarding the goods or services to be transferred;
- can be identified the payment terms for the goods or services to be transferred;
- the contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract);
- it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Performance obligations are promises in the contracts (either explicitly stated or implied) with Group's customers to transfer to the customers distinct goods or services. Promised goods or services represent separate performance obligations if the goods or services are distinct. A promised good or service is considered distinct if the customer can benefit from the good or service on its own or with other readily available resources (i.e. distinct individually) and the good or service is separately identifiable from other promises in the contract (distinct within the context of the contract). Both of these criteria must be met to conclude that the good or service is distinct.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of vehicles, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

In order to maintain customer service and satisfaction at the highest level, The Group is offering to its customers free warranty of two months for the sold vehicles. The management of the Group has concluded that it is assurance warranty and therefore no separate performance obligation is recognized.

Customer has a right of return of the purchased vehicle for 14 days after the purchase is made. The Group is following the trend of such returns and as the rate of return is low, is not adjusting the revenue for it.

The Group recognizes revenue when (or as) it satisfies a performance obligation to transfer a promised good or service to a customer. Revenue is recognized when customer obtains control of the respective good or service. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue from satisfied performance obligations is recognized over time, if one of the following criteria is met:

- customer simultaneously receives and consumes the benefits;
- customer controls the asset as it is created or enhanced;
- the Group's performance creates an asset and has a right to payment for performance completed,

Payment terms for goods or services transferred to customers according to contract terms are within 1 to 5 days from the provision of services or sale of goods. The transaction price is generally determined by the contractually agreed conditions. Invoices typically are issued after the goods have been sold or service provided.

Income from commissions

Income from commissions is received from financing companies for selling their lease and credit products to Groups customers.

Other income

Other income arises from additional services provided by the Group to its customers. Main additional source of income from commissions are lease preparation and transportation services. Income is recognized at the moment of cash receipt as likelihood and timing of settlement is uncertain. The performance obligation is satisfied when respective service has been provided.

CONTRACT BALANCES

Contract assets

Contract-based assets according to IFRS 15 comprise of accrued financing fees included in the accrued income, and advance payments received relating to additional warranty product included in deferred income.

In the following table is presented the contract based balance sheet items according to IFRS 15

EUR	31.12.2022	31.12.2021
Contract based assets	139,848	37,947

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

These receivables are disclosed in balance sheet caption 'Trade and other receivables' **Note 16**.

Trade receivables are non-interest bearing and are generally on terms of 1 to 15 days.

Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

2. Summary of significant accounting policies (continued)

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the agency services below, because it typically controls the goods or services before transferring them to the customer.

The Group generates the majority of its revenues from contracts from the sale of cars. Revenues for car sales are recognised in point in time, when invoice is issued and a car is transferred to customer.

The Group revenues from contracts mainly consist of car sales. Table below includes the revenue categories and business models identified as material for the Group's earnings and the respective timing of recognition:

Revenues	Business type	Timing of recognition
Revenue from sale of motor vehicles	Group business consists of retail sales ofused cars. Sales are based on the network of physical car lotsand efficient online showrooms in Group's websites.	Income is recognised when the car is delivered to client (point in time)
Revenue from transportation services	Group offers its customers additional services provided by third parties in connection with the sale of the used car.	Income is recognised when service is provided (point in time).

* The quantitative information of those positions are presented in **Note 4**.

The transaction price is generally determined by the contractually agreed conditions.

Sale of motor vehicles

The Group earned its revenues from the sales of used vehicles that were bought from third parties. The Group is calculating minimum sales price based on initial cost plus additional costs incurred (e.g. repairs). All of the mentioned are variable constraints included in the price. A margin then is added in order to make a profit from the deal. Subsequently, the car is sold based on market demand, it can be sold with margin or at bargain price as well. The performance obligation is satisfied upon sales of car since the payment is immediate.

Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

2. Summary of significant accounting policies (continued)

INCOME TAXES

Corporate income taxes are paid on distributed profits and deemed profit distributions. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date in the countries where the Group and the Parent Company operate.

Current corporate income tax rates for the foreign subsidiaries are:

Country	Tax rate
Latvia	20%
Lithuania	15%
Estonia	20%
Netherlands	25%
Belgium	29%
Germany	30%
Poland	19%

DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes are provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying value for accounting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Corporate income tax on profits and deferred income tax expense or benefit of subsidiaries are reported in the consolidated statement of comprehensive income.

In Latvia and Estonia, legal entities are not required to pay income tax on earned profits. Corporate income tax is paid on distributed profits and deemed profit distributions. Starting from 1 January 2018, both distributed profits and deemed profit distributions are subject to the tax rate of 20% of their gross amount, or 20/80 of net expense in Latvia. Corporate income tax on other deemed profit items is recognized at the time when the expense is incurred in the reporting year. Thus, the effective tax rate in the reporting period for the Bank in Latvia and Estonia and the Group in Latvia was close to 0%.

In other jurisdictions where the Group operates earnings are taxable when earned. The effective tax rate in the reporting period for the all operations of the Group was close to zero. The assessment of the recognisable amount of the tax asset is based on reasonably certain three year forecast to utilised accumulated tax loss by the respective entities. The recognised deferred tax asset represents unutilised tax loss in Lithuania.

RELATED PARTIES

The parties are considered related when one party has a possibility to control the other one or has significant influence over the other party in making financial and operating decisions. Related parties of the Group are shareholders who could control or who have significant influence over the group in accepting operating business decisions, key management personnel of the Group including close family members of any above-mentioned persons, as well as entities over which those persons have control or significant influence, including subsidiaries.

SEGMENT REPORTING

Segment revenue and expenses are items directly attributable to the operating segment. Certain expenses such as centralized procurement are allocated to the segments on a reliable basis in the internal management reporting.

Other activities comprise Group level operations that are not directly employed by the individual segment in its operating activities. Sales between segments are carried out on arm's length and eliminated on consolidation.

Reportable segments are operating segments or their aggregation which meet certain criteria. No less frequently than once a year, the Group assess and identify all potential business segments and determine whether these segments should be accounted for separately. The Group reports the segment if it contributes 10% or more of the entity's total sales (combining internal and inter-segment sales), earns 10% or more of the combined reported profit of all operating segments that did not report a loss (or 10% or more of the combined reported loss of all operating segments that reported a loss), or has 10% or more of the combined assets of all operating segments. See Note 30.

The group considers sales entities in Latvia, Lithuania and Estonia as an operating segment.

The Group`s subsidiaries in Netherlands, Germany and Belgium (car sourcing activities), Shared Service center in Lithuania (car preparation activities) and holding company in Latvia (administrative support) are engaged in sale of cars and services to Group`s entities only, with no external sales. The Group`s subsidiary in Poland does not meet the criteria of operating segment in 2022. The Group doesn`t consider these subsidiaries as operating segments.

The Group`s chief executive officer reviews the internal management reports of each division on monthly basis.

There is a high level of integration between both segments, this integration includes transfer of goods and services. Inter-segment pricing is determined on an arm`s length basis.

SUBSEQUENT EVENTS

Post-period-end events that provide additional information about the Group's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material.

Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

3. Significant accounting judgments, estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingencies. The significant areas of estimation used in the preparation of the financial statements relate to capitalization of development costs, initial recognition of rights-of-use assets, recoverability of deferred tax assets, and fair value of employee share options. Although these estimates are based on management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates.

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

INITIAL RECOGNITION OF RIGHTS-OF-USE ASSETS

At initial recognition and reassessment of the rights-of-use assets, the Group has to make assumptions and estimates which directly influence the amount of rights-of-use assets. One of those assumptions is a discount rate used for determining the present value of rights-of-use liabilities.

The Group also has to make assumptions in situations where lease term either not clearly stated in the lease agreement or is different from the term which the Group expects to use the asset. In such situations, the Group uses in its assessment 5 year term as the actual lease term. See Note 13.

CAPITALIZATION OF DEVELOPMENT COSTS

For capitalization of expenses in process of developing Group's enterprise resource planning (ERP) system and other IT systems, management uses certain assumptions. Capitalization of salary expenses of IT personnel is based on employee timesheets and hours dedicated to development of new functionality. Therefore, these salary expenses of involved personnel are capitalized under Other intangible assets while remaining are recognized as salary expenses in Statement of comprehensive income.

Expenses from amortization of capitalized development costs are included in statement of comprehensive income caption "Administrative expense".

FAIR VALUE OF EMPLOYEE SHARE OPTIONS

Group's employees have entered a share option agreements with Longo Group JSC. Under the agreements, respective employees obtain rights to acquire Longo Group shares under several graded vesting scenarios.

In estimating fair value for the share option the most appropriate valuation model would depend on the terms and conditions of the grant.

Expense for share-based remuneration is measured at fair value at the grant date. Share-based remuneration is in a form of conditional share share options. The grant date is the date at which the entity and the participating employee agree to a share-based payment arrangement and an internal approval is obtained. Expense for share-based remuneration is re-measured only if the compensation arrangement is modified so that the fair value after modification has increased compared to the fair value before modification.

The expense is recognised on a straight-line basis over the period of the remuneration program as intention is to receive services from employees over the whole period. For share options granted a corresponding increase in equity is recognised as other reserves.

Estimates of actual or expected forfeitures are re-estimated at each reporting date and if necessary, previously recognised other reserves are reversed directly to the retained earnings. After deferral period, when vesting conditions are met and conditional share option exercised, previously recognised other reserves are transferred to issued share capital and share premium accounts. See Note 21.

LEASE TERM DETERMINATION UNDER IFRS 16 (GROUP AS A LESSEE)

In determining the lease term and assessing the length of the non-cancellable period of a lease, IFRS 16 requires that an entity shall determine the period for which the contract is enforceable. In the assessment of lease term determination, the Group considers the enforceable rights and obligations of both parties. If both the lessee and the lessor can terminate the contract without more than an insignificant penalty at any time or after the end of the non-cancellable term, then there are no enforceable rights and obligations beyond the non-cancellable term. These considerations are also applied for lease agreements without a fixed term and agreements that are "rolled over" on a monthly basis until either party gives notice. As a result, such agreements are considered as short-term leases in accordance with IFRS 16 definition and the Group does not recognize a lease liability or right-of-use asset for these leases. The Group considers that after the non-cancellable term lapses, the Group does not have enforceable rights and obligations under such agreements.

In considering the Group's options to extend or not to terminate the lease, the Group firstly evaluates what the rights of the Group and the lessor under such options are. The Group considers whether options included in the lease agreements (1) give a unilateral right for one party (i.e., Group) and (2) create an obligation to comply for the other party (i.e., lessor). If neither party in the contract has an obligation, then the Group assessment is that no options are to be considered in the context of lease term assessment. In such situations, the lease term would not exceed the non-cancellable contractual term. In determining the lease term, the Group has assessed the penalties under the lease agreements as well as economic incentives to prolong the lease agreements, such as the underlying asset being strategic. The judgment of the Group management has been that the impact of such factors is not significant due to the contractual features and the Group's business model, which is not reliant on strategic assets.

Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

4. Revenue from vehicle sales

	2022 EUR	2021 EUR
Revenue from vehicle sales	44,526,516	30,206,641
Revenue from transportation services	193,069	82,196
TOTAL:	**44,719,585**	**30,288,837**
Revenue from vehicle sales by countries:		
Lithuania	23,336,449	14,173,835
Latvia	11,040,154	9,619,159
Estonia	10,328,324	6,495,843
Poland	14,658	-
TOTAL:	**44,719,585**	**30,288,837**

Essential business models and revenue recognition methods

The Group revenues from contracts mainly consist of car sales. Table below includes the revenue categories and business models identified as material for The Group`s earnings and the respective timing of recognition:

Revenues	Business type	Timing of recognition
Revenue from car sales	Sales of cars	Income is recognised when the sales happens (Point in time)
Revenue from services	Sales of services	Income is recognised when invoice is issued and service is rendered to a customer (point in time)

The transaction price is generally determined by the contractually agreed conditions.

Performance obligations

The Group's performance obligations consist from advance payments from customers in amount of EUR 7 900 (EUR 22 891 in 2021) and are fully satisfied in January 2023.

The performance obligation is satisfied upon sales of the car and payment is generally due immediately and sale happens only when the payment is received.

5. Cost of sales

	2022 EUR	2021 EUR
Cost of cars sold	39,743,477	26,601,592
TOTAL:	**39,743,477**	**26,601,592**

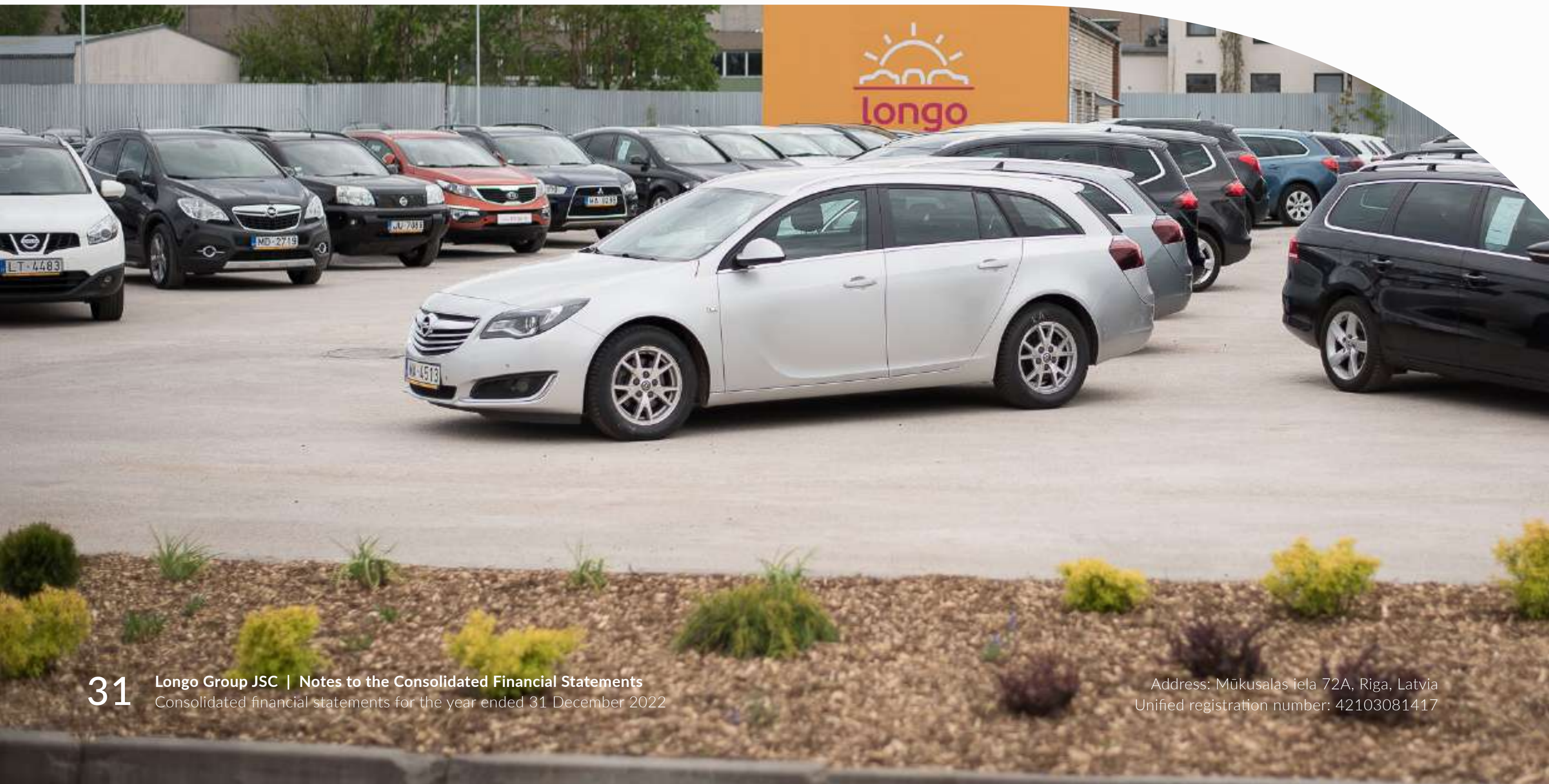
Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

6. Selling expenses

	2022 EUR	2021 EUR
Online advertising and marketing	817,092	455,438
Cars selling expenses	214,369	127,554
Marketing fees	57,193	15,734
Total marketing expenses	**1,088,654**	**598,726**
Other selling expenses	13,853	9,855
TOTAL:	**1,102,507**	**608,581**

7. Administrative expenses

	2022 EUR	2021 EUR
Employees' salaries	2,292,262	1,810,993
Amortization and depreciation	828,236	577,697
Office and branches' maintenance expenses	303,393	165,508
Social tax contributions	302,456	250,724
Other personnel expenses	238,955	227,330
Professional services	150,193	208,415
IT services	97,897	65,811
Audit fees	67,331	49,718
Recruitment fees	50,274	23,347
Insurance	40,293	17,788
Business trips	37,456	13,123
Transportation expenses	26,555	16,475
Communication expenses	21,653	14,083
Legal services	20,293	27,064
Representation	19,527	11,693
Bank commissions	11,987	9,227
Other administration expenses	68,034	54,790
TOTAL:	**4,576,795**	**3,543,786**



8. Other operating income

		2022 EUR	2021 EUR
Commissions from lease and insurance companies			
Recognised at point in time		1,276,652	620,555
Recognised over time		139,848	37,327
	TOTAL:	**1,416,500**	**657,882**
Commissions by countries:			
Lithuania		728,876	258,015
Estonia		415,354	221,787
Latvia		272,270	178,080
	TOTAL:	**1,416,500**	**657,882**
Other operating income		100,628	62,445
Reversal of allowance for slow-moving inventory		-	23,642
Income from IFRS 16 COVID-19-Related Rent Concessions		2,048	15,621
	TOTAL:	**1,519,176**	**759,590**

Table below includes the income categories for the Group`s earnings and the respective timing of recognition:

Income	Income from received commissions
Business type	Group offers its customers financing products provided by third parties in connection with the sale of the used car. The credit risks for these products are borne by finance companies. Group is entitled to financing commissions from its sales of these products. Parts of the fees are contingent on the continuation of the agreement between the finance company and the client.
Timing of recognition	Income is recognised when the sale of financing product happens (Point in time) or over time when fees are contingent on the continuation of the agreement.

9. Other operating expenses

		2022 EUR	2021 EUR
BPM expenses		33,638	-
Loss on sale of fixed assets		14,522	4,716
Penalty fees paid		10,054	8,385
Donations		10,000	-
Other taxes		5,771	-
Write-offs of bad debts		336	1,546
Other operating expenses		17,533	35,726
	TOTAL:	**91,854**	**50,373**

10. Interest expenses and similar expenses

		2022 EUR	2021 EUR
Interest expenses on issued bonds		467,279	15,216
Interest expenses on lease liabilities		57,128	46,737
Interest expenses on loan facilities		26,990	142,836
Other financial expenses		5,322	2,011
	TOTAL:	**556,719**	**206,800**

Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

11. Corporate income tax payable

	2022 EUR	2021 EUR
Current corporate income tax charge for the reporting year	(6,440)	(116)
Deferred corporate income tax due to changes in temporary differences	5,924	96,153
Corporate income tax charged to the income statement:	**(516)**	**96,037**

Deferred corporate income tax Change in net deferred corporate income tax asset:	2022 EUR	2021 EUR
At the beginning of the period	318,075	221,922
Charge to statement of income	5,924	96,153
Net deferred income tax asset at the period end	**323,999**	**318,075**

Actual corporate income tax charge for the reporting year, if compared with theoretical calculations:

	2022 EUR	2021 EUR
Profit before tax	167,409	37,295
Income tax rate	20%	20%
Tax calculated at the applicable tax rate	33,482	7,459
Undistributed earnings taxable on distribution*	(62,941)	(28,411)
Non-deductible expenses	12,853	116
Effect of different tax rates of subsidiaries operating in other jurisdictions	(3,362)	(2,085)
Deferred tax assets recognized for tax losses carried forward	-	(96,153)
Unrecognized deferred tax asset	20,484	30,536
Actual corporate income tax for the reporting year:	**516**	**(88,538)**
Corporate income tax charged to the statement of comprehensive income:	**516**	**(88,538)**
Effective income tax rate	0.31%	-237.40%

* In Latvia and Estonia corporate income tax expenses are not recognized before profit distribution in accordance with local legislation.

The Group has not recognised EUR 20 484 of tax asset in subsidiary in Poland because management considered it not probable that future taxable profits would be available against which such losses can be used.

Deferred corporate income tax:	**Statement of financial position**		**Statement of comprehensive income**	
	31.12.2022 EUR	**31.12.2021 EUR**	**2022 EUR**	**2021 EUR**
Deferred corporate income tax liability				
Accelerated depreciation for tax purposes	(1,906)	367	(2,273)	194
Other	3,487	-	3,487	346
Gross deferred corporate income tax liabilities	**1,581**	**367**	**1,214**	**540**
Deferred corporate income tax asset				
Tax loss carried forward	(314,133)	(308,977)	(5,156)	(90,992)
Unused vacation accrual	(11,447)	(9,465)	(1,982)	(5,701)
Gross deferred corporate income tax assets	**(325,580)**	**(318,442)**	**(7,138)**	**(96,693)**
Net deferred corporate income tax assets prior to the reversal of deferred tax	**(323,999)**	**(318,075)**	**(5,924)**	**(96,153)**
Net deferred corporate income tax assets	(323,999)	(318,075)		
Net deferred corporate income tax expense/ (benefit)			(5,924)	(96,153)

Based on five-year business plan the Group believes that the tax asset arising from tax losses will be utilized in the nearest few years against future profits.

A deferred tax asset has been recognized in subsidiaries in Lithuania.

Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

12. Intangible assets

	Licenses	Internally generated intangible assets	Intangible assets development costs	Other intangible assets	Total intangible assets
Cost	303	305,574	35,670	2,201	**343,748**
Accumulated amortization	(200)	(60,693)	-	(536)	**(61,429)**
As at 1 January 2021	**103**	**244,881**	**35,670**	**1,665**	**282,319**
2021					
Additions	-	23,108	223,624	-	**246,732**
Amortization charge	(101)	(49,990)	-	(459)	**(50,550)**
Transfer*	-	256,561	(256,561)	-	**-**
Cost	303	585,243	2,733	2,201	**590,480**
Accumulated amortization	(301)	(110,683)	-	(995)	**(111,979)**
As at 31 December 2021	**2**	**474,560**	**2,733**	**1,206**	**478,501**
2022					
Additions	-	61,696	265,370	-	**327,066**
Amortization charge	(2)	(101,825)	-	(306)	**(102,133)**
Transfer*	-	255,629	(255,629)	-	**-**
Cost	303	902,568	12,474	2,201	**917,546**
Accumulated amortization	(303)	(212,508)	-	(1,301)	**(214,112)**
As at 31 December 2022	**0**	**690,060**	**12,474**	**900**	**703,434**

* Transfer between IA setting up costs and Internally generated IA represents intangible assets recognised during 2022 for which recognition criteria for internally generated IA have been met.

Amortization costs are included in Administrative expenses (Note 7).

13. Property and equipment and Right-of-use assets

	Right-of-use assets	Advance payments for tangible assets	Leasehold improvements	Property and equipment	TOTAL
Cost	1,984,769	-	179,294	425,949	**2,590,012**
Accumulated depreciation	(380,095)	-	(31,382)	(128,287)	**(539,764)**
As at 1 January 2021	**1,604,674**	**-**	**147,912**	**297,662**	**2,050,248**
2021					
Additions	280,811	61,263	210	73,837	**416,121**
Transferred	-	(61,263)	-	61,263	**-**
Disposals (historical cost)	(68,396)	-	-	(14,112)	**(82,508)**
Depreciation charge	(406,972)	-	(20,895)	(99,969)	**(527,836)**
Disposals (depreciation)	68,396	-	-	4,553	**72,949**
Cost	2,197,184	-	179,504	546,937	**2,923,625**
Accumulated depreciation	(718,671)	-	(52,277)	(223,703)	**(994,651)**
As at 31 December 2021	**1,478,513**	**-**	**127,227**	**323,234**	**1,928,974**
2022					
Additions	1,009,852	161,810	20,509	235,068	**1,427,239**
Transferred	-	-	-	-	**-**
Disposals (historical cost)	(53,559)	(16,200)	-	(17,737)	**(87,496)**
Depreciation charge	(568,328)	-	(25,662)	(132,578)	**(726,568)**
Disposals (depreciation)	28,323	-	-	13,292	**41,615**
Cost	3,153,477	145,610	200,013	764,268	**4,263,368**
Accumulated depreciation	(1,258,676)	-	(77,939)	(342,989)	**(1,679,604)**
As at 31 December 2022	**1,894,801**	**145,610**	**122,074**	**421,279**	**2,583,764**

Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

13. Property and equipment and Right-of-use assets (continued)

Right-of-use assets and lease liabilities

Right-of-use assets and other liabilities for rights to use assets are shown as follows in the consolidated statement of financial position and statement of comprehensive income:

ASSETS		31.12.2022 EUR	31.12.2021 EUR
Non-current assets			
Right-of-use assets (premises)		1,799,610	1,411,622
Right-of-use assets (vehicles)		86,071	44,073
Right-of-use assets (other)		9,120	22,818
	TOTAL:	**1,894,801**	**1,478,513**
EQUITY AND LIABILITIES			
Non-current liabilities			
Lease liabilities		1,314,335	1,123,674
Current liabilities			
Lease liabilities		659,675	412,503
	TOTAL:	**1,974,010**	**1,536,177**

Leases in the statement of comprehensive income	2022 EUR	2021 EUR
Administrative expense		
Expenses relating to leases of low-value assets and short-term leases	(38,905)	(39,049)
Depreciation of right-of-use assets	(568,328)	(406,972)
Other income		
Income from COVID-19-Related discount	2,048	15,621
Net finance costs		
Interest expense for right to assets	(57,128)	(46,737)
Total cash outflow from leases	**(662,313)**	**(477,137)**

The average incremental borrowing rate for lease liabilities initially recognized as of 31 December 2022 is 3.61% (3.24% in 2021) per year.

The cost relating to variable lease payments that do not depend on an index or a rate amounted to EUR nil for the year ended December 31, 2022. There were no leases with residual value guarantees. The Group is reasonably certain not to exercise termination or extension options. The Group has committed to 7 new premises lease agreements starting 1 January 2022 with initial term from 3 to 5 years, average discount rate of 4.69%, and total present value at the commencement date of EUR 939 416. The Group also commited to 1 vehicle lease with initial term of 5 years, 4.26% discount rate and total present value at the commencement date of EUR 69 818.

Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

14. Inventories

	31.12.2022 EUR	31.12.2021 EUR
Acquired vehicles for purpose of selling them to customers	13,174,577	8,030,385
NRV allowance	*(160,113)*	*-*
Raw materials	49,800	23,321
Work in progress	111,499	174,856
TOTAL:	**13,175,763**	**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 on December 31. Management had performed analysis to determine profit margins for all cars that were sold in 2023, and concluded that adjustments in amount of EUR 160 113 to net realizable value should be expensed through profit or loss in 2022. In Latvia, Estonia (since 2022) and Lithuania inventories are pledged as bonds` collateral, total amount of pledged inventory in these countries is EUR 12 665 412 (31.12.2021: EUR 5 774 456).

Included in cost of goods sold for the years ended December 31, 2022, and 2021, are inventory write-offs of EUR 160 113 and EUR 0, respectively.

15. Other assets

	31.12.2022 EUR	31.12.2021 restated EUR
BPM asset declared to tax authorities	599,629	305,442
BPM asset to be declared to tax authorities	220,793	285,103
BPM tax receivable	55,408	38,546
TOTAL:	**875,830**	**629,091**

The Group is purchasing majority of its cars in the Netherlands where there is special tax (BPM) for vehicles. The tax is being paid by the buyers of motorized vehicles which are being used in The Netherlands. In case the vehicle is exported out of the country, it is possible to receive a refund of this tax. For each of the used vehicles that are exported out of the Netherlands and have BPM remaining, Groups subsidiary Longo Netherlands BV is claiming the tax back from tax authorities. As the process of submitting the refund request is complicated, the Group initially recognizes asset for all of the imported cars based on BPM amounts for individual cars provided by sellers and information available on publicly available database. When criteria for BPM claim are met, the Group recognizes BPM asset receivable. As at December 31, 2022 Group had recognized EUR 220 793 for BPM asset to be claimed, EUR 599 629 as claims and EUR 55 408 as accounts receivable as they were approved by tax authority. Payments expected to be received within 4 and 2 months respectively.

16. Trade and other receivables

	31.12.2022 EUR	31.12.2021 EUR
Receivables for sold motor vehicles and commissions	167,307	226,129
Impairment allowance	(5,376)	(12,691)
TOTAL:	**161,931**	**213,438**

Receivables for sold motor vehicles and commissions

	Not overdue EUR	Overdue up to 30 days EUR	Overdue up to 60 days EUR	Overdue more than 90 days EUR	ECL EUR	TOTAL EUR
2022						
Finance companies	53,426	-	-	-	-	**53,426**
Private persons	108,406	99	-	5,376	(5,376)	**108,505**
Total undiscounted financial assets	**161,832**	**99**	**-**	**5,376**	**(5,376)**	**161,931**
2021						
Finance companies	89,708	11,489	1,101	7,315	(7,315)	**102,298**
Private persons	110,191	99	850	5,376	(5,376)	**111,140**
Total undiscounted financial assets	**199,899**	**11,588**	**1,951**	**12,691**	**(12,691)**	**213,438**

Movements in the impairment allowance for trade receivables:	
Impairment allowance for trade receivables as at 01.01.2021	**17,818**
Additional allowances	-
Decrease of allowances due to write-off of debts	(5,127)
Impairment allowance for trade receivables as at 31.12.2021	**12,691**
Additional allowances	-
Decrease of allowances due to received debts	(7,315)
Impairment allowance for trade receivables as at 31.12.2022	**5,376**

17. Prepayments to suppliers and similar

	31.12.2022 EUR	31.12.2021 EUR
VAT receivable and other taxes*	561,474	460,387
Advances paid for goods and services	214,168	97,531
Security deposits	86,422	8,004
TOTAL:	**862,064**	**565,922**

* Increase in VAT receivable is due to obligation to pre-paying VAT on intra-community acquisition of cars in Poland.

18. Contract assets

	31.12.2022 EUR	31.12.2021 EUR
Commissions receivable	139,848	37,947
TOTAL:	**139,848**	**37,947**

Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

19. Cash and cash equivalents

	31.12.2022 EUR	31.12.2021 EUR
Cash at banks and payment systems	1,418,890	2,808,821
Cash on hand*	5,872	60,392
Cash in transit	-	21,706
TOTAL:	**1,424,762**	**2,890,919**

This financial asset is not impaired as of 31.12.2022 (31.12.2021: 0 EUR).

*The cash on hand is held in regional offices and is kept there to ensure daily cash transactions.

The Group has not created ECL allowances for cash and cash equivalents on the basis that placements with banks are of short term nature and the lifetime of these assets under IFRS 9 is so short that the low probability of default would result in immaterial ECL amounts (31.12.2020: EUR 0).

20. Share capital

The share capital of the Parent Group is EUR 12 969 926 and consists 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**

Shares are split in A type and B type shares. B type shares do not provide a shareholder with voting rights and rights to dividends, liquadition quota is limited to EUR 0.10 per share.

	A shares	B shares
SIA ALPPES Capital	39%	49%
Other shareholders*	61%	51%
TOTAL:	**100%**	**100%**

* Other shareholders individually don't control more than 15% of Longo Group shares.

Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

21. Share based payment reserve

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 Group.

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 Group since stock options were granted to the employee, for each following month the employee has worked for the Group 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 Group 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 key terms and conditions related to the grant under this program are as follows: all options are to be settled by the physical delivery of shares.

The exercise price of the share options under typical circumstances is equal to the nominal price of the underlying shares. The contractual maximum term of the share options are till 2026. There are cash settlement alternatives. Given absence of an ongoing sale of subsidiaries or Longo Group JSC or any listing process initiated and any other relevant cash settlement events, cash settlement is considered not to be probable.

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**
Outstanding at 1 January	**1,350,000**	**-**	**-**	**-**
Granted during the year	425,000	-	1,350,000	-
Terminated due to failed conditions	206,250	-	-	-
Outstanding at 31 December	**1,568,750**	**-**	**1,350,000**	**-**
Exercisable at the end of the period	340,610	-	-	-

The total value of Share option program is EUR 175 000 (2021: 186 000 EUR), value of granted and vested at 31 December 2022 EUR 48 007 (2021: 38 007 EUR), expense attributable to the granted and vested shares in 2022 were recognized in Administrative expenses (Note 7) and as Share based payment reserve. Fair value of one share is EUR 0.11 (2021: EUR 0.14).

There have been no expired share options during the year.

The exercise price for options outstanding at the end of the year was 0.0 EUR (2021: 0). The weighted average remaining contractual life for the share options outstanding as at 31 December 2022 is 2 years (2021: 2 years).

Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

22. Loans and borrowings

Non-current	Interest rate per annum (%)	Maturity	31.12.2022 EUR	31.12.2021 EUR
Liabilities for issued debt securities				
Bonds 3.00 million EUR notes issue[1)]	6%	30-11-24	-	2,354,970
Bonds 2.83 million EUR notes issue[2)]	6%	31-12-26	2,708,794	1,906,301
Bonds 2.85 million EUR notes issue[3)]	6%+3M EURIBOR	30-06-25	2,541,164	-
		TOTAL:	**5,249,958**	**4,261,271**
Lease liabilities[4)]	3%-8%	up to 5 years	1,314,335	1,123,674
		TOTAL:	**1,314,335**	**1,123,674**
Loans from related parties[5)]	6%	31-12-24	169,667	9,000
		TOTAL:	**169,667**	**9,000**
		TOTAL NON CURRENT BORROWINGS:	**6,733,960**	**5,393,945**

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.

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. All subordinated bond facility is acquired by the shareholders as a result of conversion of loan facility.

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 Longo Group JSC 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.

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

Current	Interest rate per annum (%)	Maturity	31.12.2022 EUR	31.12.2021 EUR
Liabilities for issued debt securities				
Bonds 3.00 million EUR notes issue[1)]	6%	30-11-24	2,934,410	98,416
Bonds 2.83 million EUR notes issue[2)]	6%	31-12-26	117,296	82,580
Bonds 2.85 million EUR notes issue[3)]	6%+3M EURIBOR	30-06-25	144,380	-
		TOTAL:	**3,196,086**	**180,996**
Lease liabilities[4)]	3%-8%	up to 5 years	659,675	412,503
		TOTAL:	**659,675**	**412,503**
Accrued interest on loans from related parties		05-01-23	877	9,175
		TOTAL:	**877**	**9,175**
		TOTAL CURRENT BORROWINGS:	**3,856,638**	**602,674**

Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

22. Loans and borrowings (continued)

Movements of interest bearing liabilities and equity

	Liabilities				Equity	
	Debt securities EUR	**Lease liabilities EUR**	**Loan from related parties EUR**	**Other loans and borrowings EUR**	**Share capital/ Share premium EUR**	**Total EUR**
Balance at 01 January 2022	**4,442,267**	**1,536,177**	**18,175**	**(0)**	**13,219,926**	**19,216,545**
Proceeds from loans and borrowings	-	-	1,000,001	-	-	**1,000,001**
Proceeds from debt securities	3,320,000	-	-	-	-	**3,320,000**
Repayment of borrowings	-	-	(1,000)	-	-	**(1,000)**
Payment of lease liabilities	-	(547,741)	-	-	-	**(547,741)**
Capitalised borrowing costs	(212,410)	-	-	-	-	**(212,410)**
Interest paid	(410,093)	(53,249)	(34,621)	-	-	**(497,963)**
Total changes from financing cash flows	**2,697,497**	**(600,990)**	**964,380**	**-**	**-**	**3,060,887**
Other changes						
Liability-related						
New leases	-	983,743	-	-	-	**983,743**
Securitised/ Capitalised loans	839,000	-	(839,000)	-	-	**-**
Income from IFRS 16 COVID-19-Related Rent Concessions	-	(2,048)	-	-	-	**(2,048)**
Interest expense	467,280	57,128	26,990	-	-	**551,398**
Total liability-related other changes	**1,306,280**	**1,038,823**	**(812,010)**	**-**	**-**	**1,533,093**
Total equity-related other changes	**-**	**-**	**-**	**-**	**-**	**-**
As at 31 December 2022	**8,446,044**	**1,974,010**	**170,545**	**(0)**	**13,219,926**	**23,810,525**

Balance at 01 January 2021	**-**	**1,643,987**	**6,174,639**	**502,796**	**7,000,000**	**15,321,422**
Proceeds of issue of Share capital	-	-	-	-	250,001	**250,001**
Decrease in Share capital	-	-	-	-	(250,001)	**(250,001)**
Proceeds from loans and borrowings	-	-	2,697,105	-	-	**2,697,105**
Proceeds from debt securities	2,530,000	-	-	-	-	**2,530,000**
Repayment of borrowings	-	-	(692,356)	(500,000)	-	**(1,192,356)**
Payment of lease liabilities	-	(375,068)	-	-	-	**(375,068)**
Capitalised borrowing costs	(72,020)	-	-	-	-	**(72,020)**
Interest paid	(11,000)	(44,672)	(46,188)	(46,918)	-	**(148,778)**
Total changes from financing cash flows	**2,446,980**	**(419,740)**	**1,958,561**	**(546,918)**	**-**	**3,438,883**
Other changes						
Liability-related						
New leases	-	280,813	-	-	-	**280,813**
Securitised/ Capitalised loans	1,991,000	-	(8,210,926)	-	6,219,926	**(0)**
Income from IFRS 16 COVID-19-Related Rent Concessions	-	(15,621)	-	-	-	**(15,621)**
Capitalised borrowing costs	(9,279)	-	-	-	-	**(9,279)**
Interest expense	13,566	46,737	95,901	44,122	-	**200,326**
Total liability-related other changes	**1,995,287**	**311,930**	**(8,115,025)**	**44,122**	**-**	**(5,763,687)**
Total equity-related other changes	**-**	**-**	**-**	**-**	**6,219,926**	**6,219,926**
As at 31 December 2021	**4,442,267**	**1,536,177**	**18,175**	**(0)**	**13,219,926**	**19,216,545**

23. Taxes payable

	31.12.2022 EUR	31.12.2021 EUR
VAT	311,844	293,515
Social security contributions	109,377	99,279
Personal income tax	42,935	31,346
Other taxes	952	9
TOTAL:	**465,108**	**424,149**

24. Other liabilities

	31.12.2022 EUR	31.12.2021 EUR
Liabilities against employees for salaries	60,251	51,442
Advances received from customers	19,166	22,892
Unidentified payments from customers	13,925	2,874
Provisions for warranties	11,921	7,746
Employees expenses claims	1,267	2,423
TOTAL:	**106,530**	**87,377**

25. Accrued liabilities

	31.12.2022 EUR	31.12.2021 EUR
Accrued unused vacation	182,991	163,517
Accrued liabilities for sevices/goods received	82,408	61,958
Accruals for bonuses	32,335	23,593
TOTAL:	**297,734**	**249,068**

26. Related party disclosures

Receivables and payables incurred are not secured with any kind of pledge.

The income, expense items and loans with related parties for years 2022 and 2021 were as follows:

	2022 EUR	2021 EUR
Loans outstanding	160,667	-
Subordinated bonds	1,330,000	1,991,000
Interest expense	125,240	106,697
Purchases from related parties	-	32,000
TOTAL:	**1,615,907**	**2,097,697**

Key management personnel compensation

	2022 EUR	2021 EUR
Board Members		
Remuneration	241,384	241,003
Social security contribution expenses	56,943	56,853
TOTAL:	**298,327**	**297,856**

There are no outstanding balances as of 31 December 2022 with members of the Group's Management Board members (none at 31 December 2021). There are no emoluments granted to the members of the Board and commitments in respect of retirement pensions for former members of the Board.

27. 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.

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) 3.01

B) 56%

C) 2.51

As part of the sourcing process, the Group has committed to purchase vehicles with total costs of EUR 7 900 (2021: EUR 171 025). Commitment was realised in January 2023 in full.

28. Financial risk management

The risk management function within the Group is carried out in respect of financial risks and legal risks. Financial risk comprises interest rate risk, credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The legal risk management function is intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

FINANCIAL RISKS

The main financial risks arising from the Group's financial instruments are liquidity risk and credit risk. The Group is not exposed to market risk.

Market risk

The Group has no exposure to market risks, which are the risks that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks in theory arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements and changes in the level of volatility or market rates or prices such as interest rates and foreign exchange rates.

Currency risk

Currency risks as defined by IFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency. At 31st December 2022, the Group's Polish zloty functional currency entity had Euro denominated net monetary liabilities of EUR 905 733 (2021: EUR 0). At 31st December 2022, if the Euro had strengthened/weakened by 5% against the Polish zloty with all other variables held constant, the profit attributable to shareholders of the Group would have been EUR 41 172 (2021: EUR 0) lower/higher, arising mainly from foreign exchange losses/gains taken to the profit and loss account on translation. The sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date.

The remainder of the Group's income and expenses are generated almost exclusively in euros. According to the Group's treasury policy, all intercompany financing is issued in the Group`s functional currency. All intra-Group finance transactions, trade payables and receivables are denominated in the Group`s functional currency.

The Group's net investment in companies outside the Eurozone consists of subsidiary investments in Poland. Foreign exchange risk associated with the net investment is not hedged.

Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

28. Financial risk management (continued)

Interest rate risk

The Group's loans and bonds comprise of long-term fixed rate borrowings EUR 5 931 043 (2021: EUR 4 460 442) and floating rate borrowings EUR 2 685 544 (2021: EUR 0). Due to the Euribor-tied bonds, the Group is subject to the cash flow risk arising from floating rate borrowings.

Effective interest rates of borrowings were average 7.17% at the end of 2022 and 6.55% at the end of 2021.

At 31 December 2022, if interest rates had been 100 basis points higher/ lower with all other variables held constant, post-tax profit for the year would have been EUR 26 855 lower/higher. The 100 basis point increase or decrease represents management's assessment of a reasonable possible change in those interest rates over the period until the next annual balance sheet date.

Concentration risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group is maintaining a network of sales entities in different geographies, as well as depositing its cash reserves with different banks and payment systems.

The concentration risk on Groups financial assets (based on net exposure) is the following:

	31.12.2022	31.12.2021
Latvia	1,050,644	1,595,920
Estonia	108,320	389,725
Lithuania	85,653	279,868
Belgium	73,476	188,949
The Netherlands	54,628	645,751
Poland	45,115	-
Germany	6,929	16,826
TOTAL:	**1,424,765**	**3,117,039**

Capital risk management

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 fulfils externally imposed equity capital requirements. 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 December 31, 2022 was 56%. Overall management of the borrowings is driven by monitoring and complying the lender imposed covenants as well as planning the further borrowing needs to ensure business development of the Group. The Group fulfils externally imposed equity capital requirements as stated in Note 27.

28. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group manages its liquidity risk by arranging an adequate amount of committed credit facilities with related parties and by issuing bonds. The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

		Contractual cash flows				
31.12.2022	**Carrying value EUR**	**On demand**	**Up to 1 year EUR**	**2-5 years EUR**	**More than 5 years EUR**	**Total EUR**
Liabilities						
Loans from related parties	(169,667)	-	(11,057)	(179,847)	-	**(190,904)**
Liabilities for issued debt securities	(8,446,044)	-	(621,150)	(10,266,551)	-	**(10,887,701)**
Lease liabilities	(1,974,010)	-	(715,967)	(1,319,220)	(46,208)	**(2,081,395)**
Other liabilities	(511,370)	-	(511,370)	-	-	**(511,370)**
Total undiscounted financial liabilities	**(11,101,091)**	**-**	**(1,859,544)**	**(11,765,618)**	**(46,208)**	**(13,671,370)**

		Contractual cash flows				
31.12.2021	**Carrying value EUR**	**On demand**	**Up to 1 year EUR**	**2-5 years EUR**	**More than 5 years EUR**	**Total EUR**
Liabilities						
Loans from related parties	(18,175)	-	(9,715)	(11,160)	-	**(20,875)**
Liabilities for issued debt securities	(4,442,267)	-	(271,260)	(5,267,185)	-	**(5,538,445)**
Lease liabilities	(1,536,177)	-	(452,965)	(1,044,752)	(138,624)	**(1,636,341)**
Other liabilities	(412,285)	-	(412,285)	-	-	**(412,285)**
Total undiscounted financial liabilities	**(6,408,904)**	**-**	**(1,146,225)**	**(6,323,097)**	**(138,624)**	**(7,607,946)**

As disclosed in **Note 27**, the Group has secured bonds that contains a covenant. A future breach of covenant may require the Group to repay bonds earlier than indicated in above table. The covenant is monitored on a regular basis by the financial department and regularly reported to management to ensure compliance.

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. Groups' exposure to credit risk is continuously monitored, in particular, if agreed payments are delayed. Receivables for sold motor vehicles and leasing commisions form 161 931 EUR (226 120 EUR in 2021). All of the amount is received at the moment of preparation of the financial statements.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies, as well as banks and payment systems regulated by respective National Banks or financial conduct authorities. To spread the credit risk, Longo deposits its cash reserves with different banks. Cash and cash equivalents consist of 1 417 811 EUR (2 890 919 EUR in 2021) and 181 674 PLN (0 in 2021), they are deposited in total of 8 banks or payment systems.

There are no financial assets that were written off during the reporting period and are still subject to enforcement activity

Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

29. Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The following table shows the carrying amounts and fair value of financial liabilities, including their levels in the fair value hierarchy.

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

		Carrying amount		Fair value			
31 December 2022 In thousands of euro	**Note**		**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities not measured at fair value							
Issued debt securities	22	8,468	8,468	-	-	8,250	**8,250**
Total liabilities at fair value		**8,468**	**8,468**	**-**	**-**	**8,250**	**8,250**

		Carrying amount		Fair value			
31 December 2021 In thousands of euro	**Note**		**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities not measured at fair value							
Issued debt securities	22	2,453	2,453	-	-	2,530	**2,530**
Total liabilities at fair value		**2,453**	**2,453**	**-**	**-**	**2,530**	**2,530**

In this table, the Group has disclosed the fair value of each significant class of financial liabilities in a way that permits the information to be compared with the carrying amounts. In addition, it has reconciled the liabilities to the different categories of the financial instruments as defined in IFRS 9.

There have been no transfers between fair value hierarchy levels between 2022 and 2021.

The Group has not disclosed the fair values of financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair value.

30. Segment information

Management has defined the Group's reportable segments based on the reporting regularly presented to the CEO of the Group.

This reporting forms the basis for the CEO's strategic and operative decisions to allocate resources and for assessing performance. The primary measure of performance is operating profit (EBIT). The CEO also receives information about segments' revenue, gross profit and operating profit on a monthly basis.

Reportable segments comprise the following geographical areas: Latvia, Lithuania and Estonia. Other activities consist of head office and Group functions, including centralized procurement, marketing, finance and Group management.

Inter-segment revenues are eliminated upon consolidation and reflected in the 'eliminations' column. All other adjustments and eliminations are part of detailed reconciliations presented further below.

2022	Latvia EUR	Estonia EUR	Lithuania EUR	Group sales EUR	Group sourcing and administrative functions EUR	Eliminations EUR	IFRS 16 EUR	Group EUR
Revenue	17,171,381	15,615,393	29,469,879	62,256,654	46,078,914	(63,615,983)		**44,719,585**
internal	6,131,227	5,284,025	6,136,475	17,551,727	46,064,256	(63,615,983)	-	**(0)**
external	11,040,154	10,331,369	23,333,404	44,704,927	14,658	-	-	**44,719,585**
sales of cars	11,008,672	10,253,811	23,249,375	44,511,858	14,658	-	-	**44,526,516**
sale of services	31,482	77,558	84,029	193,069	-	-	-	**193,069**
COS	(16,394,864)	(14,919,761)	(28,305,330)	(59,619,955)	(47,655,676)	67,532,154	-	**(39,743,477)**
Gross profit	776,517	695,632	1,164,549	2,636,699	(1,576,762)	3,916,171	-	**4,976,108**
EBITDA	202,147	192,638	222,854	617,638	475,795	320,731	132,878	**1,547,042**
Depreciation and amortization	(27,249)	(24,247)	(19,693)	(71,189)	(188,719)	-	(568,328)	**(828,236)**
Operating profit	174,898	168,390	203,160	546,449	287,076	(109,395)	-	**724,130**
Finance costs	(183,580)	(208,017)	(225,132)	(616,730)	117,150	(13)	(57,128)	**(556,721)**
Profit before income tax	(8,682)	(39,627)	(21,972)	(70,281)	404,226	(109,408)	(57,128)	**167,409**
Income tax (expense) / income	(6)	-	(513)	(519)	3	-	-	**(516)**
Assets	6,359,713	5,330,552	5,946,892	17,637,157	28,067,746	(27,348,308)	1,894,801	**20,251,395**
Liabilities	(5,804,812)	(5,095,052)	(5,561,845)	(16,461,709)	(14,386,015)	20,956,106	(1,974,010)	**(11,865,628)**

2021	Latvia EUR	Estonia EUR	Lithuania EUR	Group sales EUR	Group sourcing and administrative functions EUR	Eliminations EUR	IFRS 16 EUR	Group EUR
Revenue	12,136,415	8,443,812	16,018,624	36,598,851	29,365,659	(35,675,673)	-	**30,288,837**
internal	2,517,256	1,947,969	1,844,789	6,310,014	29,365,659	(35,675,673)	-	**0**
external	9,619,159	6,495,843	14,173,834	30,288,836	-	-	-	**30,288,836**
sales of cars	9,597,684	6,468,603	14,140,354	30,206,641	-	-	-	**30,206,641**
sale of services	21,475	27,240	33,480	82,196	-	-	-	**82,196**
COS	(11,954,992)	(8,268,016)	(15,461,939)	(35,684,947)	(30,215,168)	39,298,523		**(26,601,592)**
Gross profit	181,423	175,796	556,685	913,904	(849,509)	3,622,850	-	**3,687,245**
EBITDA	(31,051)	(10,438)	179,228	137,739	210,796	37,896	435,361	**821,792**
Depreciation and amortization	(28,888)	(12,121)	(10,811)	(51,820)	(118,905)	-	(406,972)	**(577,697)**
Operating profit	(61,880)	(22,760)	166,516	81,876	91,873	70,346	-	**244,095**
Finance costs	(22,812)	(34,601)	(50,242)	(107,656)	(52,406)	-	(46,737)	**(206,800)**
Profit before income tax	(84,692)	(57,362)	116,274	(25,780)	39,467	70,346	(46,737)	**37,295**
Income tax (expense) / income	(38)	(61)	(19,302)	(19,401)	115,438	-	-	**96,037**
Assets	2,996,548	2,947,405	3,839,548	9,783,502	21,452,232	(17,422,817)	1,478,512	**15,291,429**
Liabilities	(2,432,959)	(2,672,279)	(3,432,014)	(8,537,252)	(8,221,034)	11,172,742	(1,496,861)	**(7,082,405)**

Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

31. Events after the reporting period

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

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

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

Signed on behalf of the Group on 25 April 2023 by:

Edgars Cērps
Chairman of the Board

Jacob Willem Hoogenboom
Member of the Board

Jevgenijs Sokolovs
Chief Accountant

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

Address: Mūkusalas iela 72A, Riga, Latvia
Unified registration number: 42103081417

KPMG Baltics SIA
Roberta Hirsa iela 1
Riga, LV-1045
Latvia

T: + 371 67038000
kpmg.com/lv
kpmg@kpmg.lv

Independent Auditors' Report

To the shareholders of Longo Group AS

Report on the Audit of the Consolidated Financial Statements

Our Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Longo Group AS ("the Company") and its subsidiaries ("the Group") set out on pages 11 to 49 of the accompanying consolidated Annual Report, which comprise:

- the consolidated statement of financial position as at 31 December 2022,
- the consolidated statement of comprehensive income for the year then ended,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated statement of cash flows for the year then ended, and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Longo Group AS and its subsidiaries as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 Consolidated Financial Statements* section of our report.

We are independent of the Group 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 consolidated 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 Group's management is responsible for the other information. The other information comprises:

- General Information, as set out on pages 3 to 7 of the accompanying consolidated Annual Report,

— the Management Report, as set out on pages 8 to 10 of the accompanying consolidated Annual Report.

Our opinion on the consolidated financial statements does not cover the other information included in the consolidated 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 Related to Other Information* section of our report.

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

If, based on the work we have performed and in light of the knowledge and understanding of the Group and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information

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 consolidated financial statements are prepared is consistent with the consolidated financial statements; and

— the Management Report has been prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

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

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.

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

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

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

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

KPMG Baltics SIA
Licence No. 55

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

THIS DOCUMENT HAS BEEN SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND IT HAS A TIME-STAMP


longo.lt
longo.lt