JOINT STOCK COMPANY 'LONGO GROUP'
(UNIFIED REGISTRATION NUMBER 42103081417)

ANNUAL REPORT FOR 2023

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

TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT

Riga, 2024

CONTENTS

Information about the Company

Name of the Company	Longo Group	
Legal status of the Company	JOINT STOCK COMPANY	
Unified registration number, place and date of registration	42103081417, Riga, 30 October 2017	
Registered office	Mūkusalas iela 72A, Riga, LV–1004, Latvia	
Shareholders		**31.12.2023**
	SIA ALPPES Capital	45,40%
	Other shareholders	54,60%
	TOTAL	**100%**
Members of the Board	Edgars Cērps - Chairman of the Board from 28.12.2020	
	Jacob Willem Hoogenboom - Member of the Board from 28.12.2020	
Members of the Council	Aigars Kesenfelds - Chairman of the Council from 28.12.2020	
	Māris Keišs - from 01.03.2021	
	Alberts Pole - from 01.03.2021	
	Kristaps Ozols - from 01.03.2021	
	Smith Neil Jonathan - from 01.03.2021	
Subsidiaries	Longo Latvia SIA, Latvia (100%)	
	Longo Lithuania UAB, Lithuania (100%)	
	Longo Estonia OU, Estonia (100%)	
	Longo Shared Services UAB, Lithuania (100%)	
	Longo Netherlands B.V., The Netherlands (100%)	
	Longo Belgium BVBA, Belgium (99%)	
	Maxxus GmbH, Germany (100%)	
	Longo Poland sp. z o.o., Poland (100%)	
	Longo IP Holdings LLC, Latvia (100%)	
Reporting year	1 January 2023 - 31 December 2023	
Previous reporting year	1 January 2022 - 31 December 2022	
Auditors	KPMG Baltics SIA, 1 Roberta Hirsa Street, Riga, LV-1045, Licence No. 55	
	Certified Auditor In Charge Rainers Vilāns	
	Certificate No. 200	

Management Report

Line of business

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

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

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

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

Business results

Overall, 2023 was a successful year for Longo, despite the unfavorable macroeconomic conditions. The Company was able to increase revenues compared to the previous year, reaching a turnover of 1.4 million EUR. The Company's net loss in 2023 was EUR 0.6 million. This result was mainly due to the one-time start-up costs incurred by Longo Group in connection with the start-up of operations in Poland.

Future prospects

The Group has ambitious plans for year 2024 and beyond - to increase its revenue even further while delivering profit. It is to be achieved by boosting its brand awareness, expanding its physical network, and increasing the car assortment. The Company also plans to increase its turnover in order to be able to support subsidiary companies in the implementation of 2024 plans.
The Company obeys local laws relating to environmental protection.

Risk management

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

Interest rate risk
Longo's interest rate risk arises primarily from its debt. As at December 31, 2023, long-term debt in the amount of EUR 4.8 million has been financed with a variable interest rate (6% + 3M EURIBOR) with a maturity of June 30, 2025.

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

Liquidity risk

The Company manages liquidity risk in line with the principle of prudence, ensuring that appropriate credit resources are available to cover liabilities in due time.
Bonds (LV0000860062) with outstanding value of 1.5M EUR are expiring in November 2024, which creates a potential liquidity risk, which could put pressure on the Company's working capital position. To manage this risk and ensure that it has sufficient working capital to meet its financial obligations as they come due, the company is taking several measures:
• Actively working on refinancing process;
• Strengthening cash management practices;
• Scenario planning and respective stress testing.

Subsequent events

In March and April 2024, the Company sold bonds (ISIN:LV0000860146) worth EUR 1 million.
There have been no other significant events after the end of the reporting period.

Edgars Cērps
Chairman of the Board

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Financial Statements

Profit and Loss Statement for 2023

	Piezīme	2023 EUR	2022 EUR
Net sales	**3**	1 444 103	1 352 351
from management services	**3**	*1 203 852*	*1 123 041*
from franchise services	**3**	*240 251*	*229 310*
Cost of services	**4**	(2 228 482)	(1 270 456)
Gross revenue		**(784 379)**	**81 895**
Administrative expenses	**5**	(143 743)	(31 100)
Other operating income	**6**	24 580	18 452
Other operating expenses	**7**	(24 841)	(19 891)
Other interest and similar income			
a) from related parties	**8**	1 171 175	896 459
b) from other persons	**8**	13 796	-
Interest and similar expenses			
a) to related parties	**9**	(1 697)	(26 990)
b) to other parties	**9**	(813 660)	(467 279)
Profit or (loss) before income tax		**(558 769)**	**451 546**
Corporate income tax	**10**	(69)	(82)
Profit or (loss) of the reporting year after corporate income tax		**(558 838)**	**451 464**
Profit or (loss) of the reporting year		**(558 838)**	**451 464**

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

Edgars Cērps
Chairman of the Board

Olīvija Lavrenova
Senior accountant

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Balance Sheet as at 31 December 2023

ASSETS

		31.12.2023	31.12.2022
LONG-TERM INVESTMENTS		**EUR**	**EUR**
Intangible assets			
Other intangible assets	**11**	863 254	648 025
Advance payments for intangible assets	**11**	505	2 679
Total intangible assets		**863 759**	**650 704**
Fixed assets			
Other fixed assets	**11**	25 267	26 462
Total fixed assets		**25 267**	**26 462**
Long-term financial investments			
Investments in related companies	**12**	7 819 053	5 777 991
Loans to related parties	**13**	11 942 276	14 677 532
Total long-term financial investments		**19 761 329**	**20 455 523**
TOTAL LONG-TERM INVESTMENTS		**20 650 355**	**21 132 689**
CURRENT ASSETS			
Receivables			
Due from related parties	**14**	184 267	299 271
Prepaid expenses		45 314	13 657
Other debtors	**15**	33 427	98 594
Deferred income		6 890	-
Total receivables		**269 898**	**411 522**
Short-term financial investments			
Other securities	**16**	1 002 666	**-**
Total Short-term financial investments		**1 002 666**	**-**
Cash and cash equivalents		**355 679**	**890 755**
TOTAL CURRENT ASSETS		**1 628 243**	**1 302 277**
TOTAL ASSETS		**22 278 598**	**22 434 966**

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

Edgars Cērps	Olīvija Lavrenova
Chairman of the Board	Senior accountant

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Balance Sheet as at 31 December 2023

EQUITY AND LIABILITIES

		31.12.2023	31.12.2022
EQUITY		**EUR**	**EUR**
Share capital	**17**	13 017 058	12 969 926
Share premium	**17**	250 000	250 000
Accumulated losses/profit:			
accumulated losses/profit brought forward from previous years		179 302	(272 162)
profit or (loss) of the reporting year		(558 838)	451 464
TOTAL EQUITY		**12 887 522**	**13 399 228**
LIABILITIES			
Long-term liabilities			
Bonds	**18**	7 383 507	5 249 958
Due to related parties	**18**	-	169 667
Total long-term liabilities		**7 383 507**	**5 419 625**
Short-term liabilities			
Bonds	**18**	1 838 501	3 196 086
Due to related parties	**18, 19**	-	199 204
Trade payables		13 958	11 975
Taxes and social contributions	**20**	35 763	53 814
Other liabilities	**21**	37 759	63 207
Accrued liabilities	**22**	81 588	91 827
Total short-term liabilities		**2 007 569**	**3 616 113**
TOTAL LIABILITIES		**9 391 076**	**9 035 738**
TOTAL EQUITY AND LIABILITIES		**22 278 598**	**22 434 966**

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

Edgars Cērps
Chairman of the Board

Olīvija Lavrenova
Senior accountant

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Notes to the Financial Statements

1. General information

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

The Company provides management, lending and franchise services to its subsidiaries.

The annual report of 2023 has been approved by decision of the Board made on 30 April 2024.

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

2.Summary of significant accounting principles

a) Basis of preparation

The financial statements for the year ended on 31 December 2023 were prepared in accordance with the 'Accounting Law' and the 'Annual Reports and Consolidated Annual Report Law' of the Republic of Latvia.

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

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

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

Accounting principles

The financial statements were prepared in accordance with the following policies:

i) Going concern assumption that the Company will continue as a going concern.
ii) Consistent valuation principles with those used in the prior year.
iii) Items were valued in accordance with the principle of prudence:
- the financial statements reflect only the profit generated to the date of the balance sheet;
- all incurred liabilities and current or prior year losses have been taken into consideration even if discovered within the period after the date of the balance sheet and preparation of the financial statements;
- all impairments and depreciation have been taken into consideration irrespective of whether the financial result was a loss or profit.

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

b) Going concern

These financial statements are prepared on a going concern basis, the Company's result of 2023 is loss of EUR 558 838.

c) Revenue recognition

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

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

d) Intangible and fixed assets

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

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

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

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

Fixed assets:

Computers	3 years
Furniture	5 years
Other fixed assets	5 years

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

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

e) Investments

Investments in subsidiary

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

f) Financial instruments and financial risks

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

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

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.

In addition to financial assets measured at amortized cost, financial assets that do not meet the conditions for amortized cost measurement or are designated as at fair value through profit or loss (FVTPL) are measured at fair value with changes recognized in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Derecognition

Financial assets

The Company 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 Company 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 Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company 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.

Impairment

Non-derivative financial assets

Financial instruments and contract assets

The Company recognises loss allowances for ECLs on:
– financial assets measured at amortised cost;
– debt investments measured at FVOCI; and
– contract assets.

The Company 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.

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

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

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

Credit risk

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

Interest rate risk

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

Liquidity risk

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

Bonds (LV0000860062) with outstanding value of 1.5M EUR are expiring in November 2024, which creates a potential liquidity risk, which could put pressure on the Company's working capital position. To manage this risk and ensure that it has sufficient working capital to meet its financial obligations as they come due, the company is taking several measures:
• Actively working on refinancing process;
• Strengthening cash management practices;
• Scenario planning and respective stress testing.

g) Reporting period

The reporting period comprises the 12 months from 1 January 2023 to 31 December 2023.

h) Long-term and short-term items

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

i) Accounts receivable

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

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

j) Loans issued

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

k) Borrowings

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

l) Accrued expenses for unused vacations and other accrued liabilities

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

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

m) Currency unit and revaluation of foreign currency

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

n) Lease transactions

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

o) Related parties

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

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

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

p) Contingent liabilities and assets

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

r) Use of estimates

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

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

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

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 Company.

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.

3. Net sales

		2023	2022
		EUR	**EUR**
Income from management services		1 203 852	1 123 041
Income from franchise services		240 251	229 310
	TOTAL:	**1 444 103**	**1 352 351**
Income from management services by country:			
Lithuania		500 602	410 942
The Netherlands		225 145	283 484
Latvia		217 958	197 185
Estonia		174 959	187 975
Belgium		62 914	36 618
Poland		22 274	837
Germany		-	6 000

4.Cost of services

	2023 EUR	2022 EUR
Marketing expenses	649 485	186 395
Employees' salaries	601 085	558 058
Other administration expenses*	430 919	38 993
Amortisation and depreciation	154 441	106 153
IT services	135 890	95 345
Compulsory state social security contributions	126 645	131 632
Rent of premises and office maintenance	87 113	60 134
Professional services	28 796	28 887
Other personnel expenses	14 108	64 859
TOTAL:	**2 228 482**	**1 270 456**
Average number of employees	16	16

*Administrative expenses include one-time start-up costs of EUR 399 752 incurred by Longo Group in connection with the start-up of operations in Poland.

5.Administrative expenses

	2023 EUR	2022 EUR
Marketing expenses	90 396	13 985
Legal services	4 618	10 211
Other administration expenses	47 982	4 348
Bank commissions	747	2 556
TOTAL:	**143 743**	**31 100**

6.Other operating income

	2023 EUR	2022 EUR
Other operating income	14 899	14 531
Revenues for reimbursement of expenses of related companies	9 681	3 921
TOTAL:	**24 580**	**18 452**

7.Other operating expenses

	2023 EUR	2022 EUR
Other operating expenses	14 094	14 542
Finance costs	10 738	5 322
Fines	9	27
TOTAL:	**24 841**	**19 891**

8.Other interest income and similar income

	2023 EUR	2022 EUR
a) from related parties		
Interest on loans to subsidiaries	1 171 175	896 459
b) from other persons		
Interest income on bonds acquired	13 077	-
Interest income from bank deposit	719	-
TOTAL:	**1 184 971**	**896 459**

9.Interest and similar expenses

	2023 EUR	2022 EUR
a) to related parties		
Interest payments on loans from shareholders	1 697	26 990
b) to other parties		
Interest expenses on bonds	813 660	467 279
TOTAL:	**815 357**	**494 269**

10.Corporate income tax

	2023 EUR	2022 EUR
Current tax	69	82
Corporate income tax charged to the income statement:	**69**	**82**

11.Intangible and fixed assets

As at 01.01.2022	Other intangible assets* EUR	Advance payments for intangible assets	Other fixed assets	TOTAL EUR
Historical cost	562 135	2 733	76 484	**641 352**
Accumulated amortization and depreciation	(109 078)	-	(49 799)	**(158 877)**
Carrying amount	**453 057**	**2 733**	**26 685**	**482 475**
2022				
Acquisitions	34 120	255 575	11 149	**300 844**
Reclassifications	255 629	(255 629)	-	**-**
Amortisation and depreciation	(94 781)	-	(11 372)	**(106 153)**
As at 31.12.2022				
Historical cost	851 884	2 679	87 632	**942 195**
Accumulated amortization and depreciation	(203 859)	-	(61 170)	**(265 029)**
Carrying amount	**648 025**	**2 679**	**26 462**	**677 166**
2023				
Acquisitions	7 551	345 690	13 060	**366 301**
Reclassifications	347 864	(347 864)	-	**-**
Amortisation and depreciation	(140 186)	-	(14 255)	**(154 441)**
As at 31.12.2023				
Historical cost	1 207 299	505	100 692	**1 308 496**
Accumulated amortization and depreciation	(344 045)	-	(75 425)	**(419 470)**
Carrying amount	**863 254**	**505**	**25 267**	**889 026**

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

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

12.Investments in subsidiaries

31 December 2023				Holding	Investment	Net assets	Profit or (loss) for the year
Subsidiary	Registration number	Country	Line of business	**%**	EUR	EUR	EUR
Longo Latvia SIA	40203147079	Latvia	Sale of motor vehicles	100%	2 200 000	493 947	(60 995)
Longo Lithuania UAB	304837699	Lithuania	Sale of motor vehicles	100%	2 500 000	1 172 641	(113 286)
Longo Estonia OU	14554950	Estonia	Sale of motor vehicles	100%	1 200 000	254 841	(280 658)
Longo Shared Service UAB	305217797	Lithuania	Repairs of motor vehicles	100%	1 400 000	681 787	(35 820)
Longo Netherlands B.V.	71706267	The Netherlands	Sourcing of motor vehicles	100%	300 000	250 727	(1 113)
Longo Belgium BVBA	BE 0881764642	Belgium	Sourcing of motor vehicles	99%	60 588	49 677	(5 308)
Maxxus GMBH	HRB18213	Germany	Sourcing of motor vehicles	100%	16 313	(16 227)	(2 178)
Longo Poland sp. z o.o.	0000964768	Poland	Sale of motor vehicles	100%	139 352	67 213	44 002
Longo IP Holdings SIA	40203527894	Latvia	Leasing of intellectual property and similar products, except copyrighted works	100%	2 800	2 800	-
			TOTAL:		**7 819 053**	**2 957 406**	**(455 356)**

As of the end of 2023, Management has performed an impairment test with the following assumptions: 41% growth in 2024, 33% growth in 2025 and 21% growth in 2026, terminal revenue growth assumption of 2%, EBITDA margin in the range of 1.6% to 10.1% and weighted average cost of capital (WACC) - 14.5% and has concluded that provisions are not necessary.

31 December 2022				Holding	Investment	Net assets	Profit or (loss) for the year
Subsidiary	Registration number	Country	Line of business	**%**	EUR	EUR	EUR
Longo Latvia SIA	40203147079	Latvia	Sale of motor vehicles	100%	2 200 000	554 901	(8 688)
Longo Lithuania UAB	304837699	Lithuania	Sale of motor vehicles	100%	1 600 000	385 047	(22 487)
Longo Estonia OU	14554950	Estonia	Sale of motor vehicles	100%	900 000	235 500	(39 627)
Longo Shared Service UAB	305217797	Lithuania	Repairs of motor vehicles	100%	700 000	17 607	(18 139)
Longo Netherlands B.V.	71706267	The Netherlands	Sourcing of motor vehicles	100%	300 000	251 508	13 473
Longo Belgium BVBA	BE 0881764642	Belgium	Sourcing of motor vehicles	99%	60 588	43 197	(825)
Maxxus GMBH	HRB18213	Germany	Sourcing of motor vehicles	100%	16 313	3 839	(3 256)
Longo Poland sp. z o.o.	0000964768	Poland	Sale of motor vehicles	100%	1 090	106 718	(107 808)
			TOTAL:		**5 777 991**	**1 598 317**	**(187 357)**

As of the end of 2022, Management has performed an impairment test with the following assumptions: 33% growth in 2023 and 2024, 10% growth in 2025, terminal revenue growth assumption of 2%, EBITDA margin in the range of 2.4% to 9.1% and weighted average cost of capital (WACC) - 10.5% and has concluded that provisions are not necessary.

13.Loans to related parties

	31.12.2023 EUR	31.12.2022 EUR
Longo Estonia OU	2 033 734	4 066 162
Longo Netherlands B.V.	3 309 498	3 992 287
Longo Latvia SIA	2 287 354	3 468 387
Longo Lithuania UAB	3 518 158	1 922 052
Longo Poland Sp.z.o.o.	223 185	791 268
Longo Shared Services UAB	-	380 481
Longo Belgium BVBA	545 347	56 895
Maxxus GmbH	25 000	-
TOTAL:	**11 942 276**	**14 677 532**

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

14.Due from related parties

	31.12.2023 EUR	31.12.2022 EUR
Payments for management services		
Longo Lithuania UAB	166 347	237 785
Longo Estonia OU	-	23 379
Longo Shared Services UAB	6 651	21 679
Longo Latvia SIA	-	8 198
Longo Netherlands B.V.	9 847	6 746
Longo Poland Sp.z.o.o.	-	837
Longo Belgium BVBA	1 422	641
Maxxus GMBH	-	6
TOTAL:	**184 267**	**299 271**

15.Other receivables

	31.12.2023 EUR	31.12.2022 EUR
Security deposits	7 403	76 133
VAT to receive	22 040	20 814
Advance payments for goods and services	3 984	1 647
TOTAL:	**33 427**	**98 594**

16.Other securities

	Interest rate per annum (%)	31.12.2023 EUR	31.12.2022 EUR
Bonds	9%+3M ERIBOR	1 002 666	-
KOPĀ:		**1 002 666**	**-**

On 23 November 2023, the Group management decided to slightly scale down inventory due to the seasonality of the business therefore deploying its shortterm liquidity by buying bonds (ISIN:LV0000860146) worth EUR 1 million.

17.Share capital

The share capital is EUR 13 017 058 consisting of 130 170 584 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 2022	**12 969 926**	**250 000**	**13 219 926**
Closing balance as at 31 December 2022	**12 969 926**	**250 000**	**13 219 926**
Opening balance as at 1 January 2023	**12 969 926**	**250 000**	**13 219 926**
Issue of ordinary shares	47 132	**-**	**47 132**
Closing balance as at 31 December 2023	**13 017 058**	**250 000**	**13 267 058**

During year 2023 several employees have exercised their share options and converted them into ordinary shares therefore there have been issue of 471 329 Longo Group JSC shares with nominal value of EUR 0.10.
The par value of each share is EUR 0.10 and the total share premium is EUR 250 000.

18.Creditors

Long-term	*Annual interest rate (%)*	*Maturity date*	**31.12.2023**	**31.12.2022**
Long-term loans secured by bonds			**EUR**	**EUR**
Bonds 3.00 million EUR notes issue[1)]	6%	30.12.2026	2 872 469	2 708 794
Bonds 4.90 million EUR notes issue[2)]	6%+3M EURIBOR	30.06.2025	4 511 038	2 541 164
		TOTAL:	**7 383 507**	**5 249 958**
Other borrowings				
Loans from related parties[4)]	6%	31.12.2024	-	169 667
		TOTAL:	**-**	**169 667**
		TOTAL LONG-TERM LOANS:	**7 383 507**	**5 419 625**

Current	*Annual interest rate (%)*	*Maturity date*	**31.12.2023**	**31.12.2022**
Short-term loans secured by bonds			**EUR**	**EUR**
Bonds 3.00 million EUR notes issue[1)]	6%	30.12.2026	124 347	117 296
Bonds 4.90 million EUR notes issue[2)]	6%+3M EURIBOR	30.06.2025	241 690	144 380
Bonds 1.515 million EUR notes issue[3)]	6%	30.11.2024	1 472 464	2 934 410
		TOTAL:	**1 838 501**	**3 196 086**
Other borrowings				
Accrued interest on loans from related parties[4)]		05.01.2023	-	877
			-	**877**
		TOTAL SHORT-TERM LOANS:	**1 838 501**	**3 196 963**

1) On 30 December 2021, the Group registered with the Latvian Central Depository a subordinated bond facility through which it can raise up to EUR 3 million.
The Group has raised a total of EUR 3 000 000 as at 31 December 2023 (EUR 2 830 000 at 31 December 2022).
The notes are issued at par, have a maturity of five years and carry a fixed coupon of 6% per annum, paid monthly in advance. All subordinated bond facility is acquired by the shareholders as a result of conversion of loan facility.
2) On 10 June 2022, the Group registered with the Latvian Central Depository a bond facility through which it can raise up to EUR 5 million.
The Group has raised a total of EUR 4 900 000 as at 31 December 2023 (EUR 2 850 000 at 31 December 2022).
This bond issue is secured by the assets of Longo Latvia LLC, Longo LT LLC and Longo Estonia LLC. The notes are issued at par, have a maturity of three years and carry a coupon of 6%+3M EURIBOR per annum, paid monthly in advance.
The bonds of JSC Longo Group have been admitted to trading on the Nasdaq Baltic First North Market by Nasdaq Riga since June 28, 2023.
3) On 30 November 2021, the Group registered with the Latvian Central Depository a bond facility through which it can raise up to EUR 3 million.
Part of the Noteholders have used the right to early redemtion of the notes (put option) on 30 November 2023 therefore the Group has bonds outstanding for EUR 1 515 000 as at 31 December 2023 (EUR 3 000 000 at 31 December 2022).
This bond issue is secured by the assets of Longo Latvia LLC and Longo LT LLC. The notes are issued at par, have a maturity of three years- therefore are recognised as short-term liability, and carry a fixed coupon of 6% per annum, paid monthly in advance.
The bonds of JSC Longo Group have been admitted to trading on the Nasdaq Baltic First North Market by Nasdaq Riga since March 31, 2022.
4) Shareholders` loan in a form of a credit line, duration up to 5 years, was converted to subordinated bonds.
Accordingly, those liabilities are split between current and non-current as at 31 December 2023.
The Group is preparing for refinancing process of its senior secured bonds expiring November 2024 and June 2025.

19.Accounts payable to affiliated companies

		31.12.2023	**31.12.2022**
		EUR	**EUR**
Longo Estonia OU		-	79 522
Longo Latvia SIA		-	68 755
Longo Lithuania UAB		-	50 050
	TOTAL:	**-**	**198 327**

20.Taxes and compulsory state social security contributions

		31.12.2023	**31.12.2022**
		EUR	**EUR**
Social security contributions		19 848	30 776
Personal income tax		15 886	22 992
Corporate income tax		22	40
Risk duty		7	6
Value added tax		(22 040)	(20 814)
	TOTAL:	**13 723**	**33 000**
	Including:		
	Overpaid taxes*	**(22 040)**	**(20 814)**
	Tax liabilities	**35 763**	**53 814**

*Overpaid taxes are presented in Note 15. Other receivables.

21.Other liabilities

		31.12.2023	**31.12.2022**
		EUR	**EUR**
Liabilities against employees for salaries		37 669	37 118
Liabilities for staff bonuses		90	272
Advance payments to staff		-	25 817
	TOTAL:	**37 759**	**63 207**

22.Accrued liabilities

	31.12.2023 EUR	31.12.2022 EUR
Accrued vacation expenses	47 437	64 239
Accrued liabilities for services received	34 151	27 588
TOTAL:	**81 588**	**91 827**

23.Commitments and contingencies

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

The share based option program is based on following principles:

Employee stock options are granted free of charge to employees with management responsibilities. Company's and its subsidiaries' management and supervisory board members are also considered employees regardless of whether they have concluded employment agreements or other types of agreements such as management agreements.
-The standard share option plan is with monthly vesting after 1 year of working with Company
-Thereafter (after the first year has passed) the employee is entitled to exercise a proportion of its stock options twice a year on days set by Company's management. This proportion is calculated as follows: after the employee has worked at least one year for the Company since stock options were granted to the employee, for each following month the employee has worked for the Company the employee can exercise 1/48 of the total amount of stock options it received initially. Company's management board, taking into account the time specific employees have already worked for the Company or other employment related criteria, can entitle specific employees to exercise a greater proportion of their stock options after the one year period has passed.
-Share options are given as potential shares in Longo Group JSC without consideration in which company the employee work. This is important because Longo Group JSC as an owner of all subsidiaries of Longo Group JSC accumulates the value, rather than just individual subsidiary within the group.

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

	2023		2022	
	Number	Weighted average exercise price	Number	Weighted average exercise price
1 January	**1 568 750**	**-**	**1 350 000**	**-**
Granted during the year	400 000	-	425 000	-
Terminated employment during the year	64 059	-	206 250	-
Excercised	471 329	-	-	-
31 December	**1 433 362**	**-**	**1 568 750**	**-**
Exercisable at the end of the period	743 379	-	340 610	-

The total value of the share option programme is EUR 140 000 (2022: 175 000 EUR), as at 31 December 2023 EUR 12 215 (2022: 48 007 EUR), which is attributable to shares granted by the end of the period, were not recognised as expenses as part of the share based payment reserve. The fair value per share is EUR 0.12 (2022: EUR 0,11).
There have been no forfeited or expired share options during the year.

The exercise price at the end of the year was EUR 0.0 (2022: 0). The weighted average maturity date for share options in circulation as at 31 December 2023 is 3 years (2022: 2 years).

24.Subsequent events

In March and April 2024, the Company sold bonds (ISIN:LV0000860146) worth EUR 1 million.

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

Edgars Cērps Chairman of the Board	Olīvija Lavrenova Senior accountant

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

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Independent Auditors' Report

To the shareholders of Longo Group AS

Our Opinion on the Financial Statements

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

— the balance sheet as at 31 December 2023,

— the profit and loss statement for the year then ended,

— the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Longo Group AS as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Basis for Opinion

In accordance with the 'Law on Audit Services' of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibility for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) developed by the International Ethics Standards Board for Accountants (IESBA Code) and the independence requirements included in the 'Law on Audit Services' of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and the 'Law on Audit Services' of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Reporting on Other Information

The Company's management is responsible for the other information. The other information comprises:

— Information about the Company, as set out on page 3 of the accompanying Annual Report,

— the Management Report, as set out on page 4 of the accompanying Annual Report.

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia* section of our report.

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

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

Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia

In addition, in accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion, in all material respects:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

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

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

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

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

KPMG Baltics SIA
Licence No. 55

Rainers Vilāns

Rainers Vilāns
Member of the Board
Latvian Sworn Auditor
Certificate No. 200
Riga, Latvia
30 April 2024

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