



JSC Longo Group

Unified registration number 42103081417

Condensed Consolidated Report

For the quarter ended 31.03.2022

Prepared in accordance with international
Financial reporting standards as adopted
by the EU

Latvia, 2022

General information

Name of the Parent Group	Longo Group
Legal status of the Parent Group	JSC
Unified registration number, place and date of registration	42103081417, Latvia, 1004
Registered office	Mūkusalas iela 72A, Riga, Latvia
Shareholders	31.03.2022.
	SIA ALPPES Capital 46%
	Other shareholders 54%
	TOTAL 100%
Board Members	Edgars Cērps - Chairman of the Board from 28.12.2020 Jacob Willem Hoogenboom - Member of the Board from 28.12.2020
Council Members	Aigars Kesenfelds - Chairman of the Council from 28.12.2020 Māris Keišs - Deputy of the Council from 01.03.2021 Alberts Pole - Member of the Council from 01.03.2021 Kristaps Ozols - Member of the Council from 01.03.2021 Jonathan Neil Smith - Member of the Council from 01.03.2021 Mārtiņš Baumanis - Member of the Council 28.12.2020-01.03.2021
Subsidiaries	Longo Latvia JSC, Latvia (100%) Longo LT LLC, Lithuania (100%) Longo Estonia LLC, Estonia (100%) Longo Shared Services LLC, Lithuania (100%) Longo Netherlands LLC, Netherlands (100%) Longo Belgium LLC, Belgium (100%) Maxxus LLC, Germany (100%)
Financial period	01.01.2022 - 31.03.2022
Previous financial period	01.01.2021 - 31.03.2021

Management report

26 May 2022

General information

The Group was established in 2018 and is the leading used car retailer in the Baltics. It is present in Latvia, Lithuania and Estonia, 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 solutions of its partners to customers.

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

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

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



Largest used
car dealer



10 000

Number of cars Sourced
up to end of Q1 2022



Monthly total
web site visits



Edgars Cērps
CEO and Co-Founder of Longo Group

Business results

2022 start has been successful for Longo. The Group managed to grow its revenues compared to previous year Q1 by impressive 120% reaching 8,9 million EUR turnover and hit EBITDA of 0,2 million EUR. In gross profit the Group has earned 1,1 million EUR which is 143% more than in the same period in 2021.

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 first fully online reservation system in the Baltics. Longo customers now are able to reserve a car by paying a fully refundable reservation fee just with a few clicks.

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

Q1 2022 Highlights

120%

Impressive growth of car sales revenue of **120%** vs Q1 2021



143%

Gross profit increase **143%** compared to Q1 2021



63%

Strong Equity position of **63%**

290%

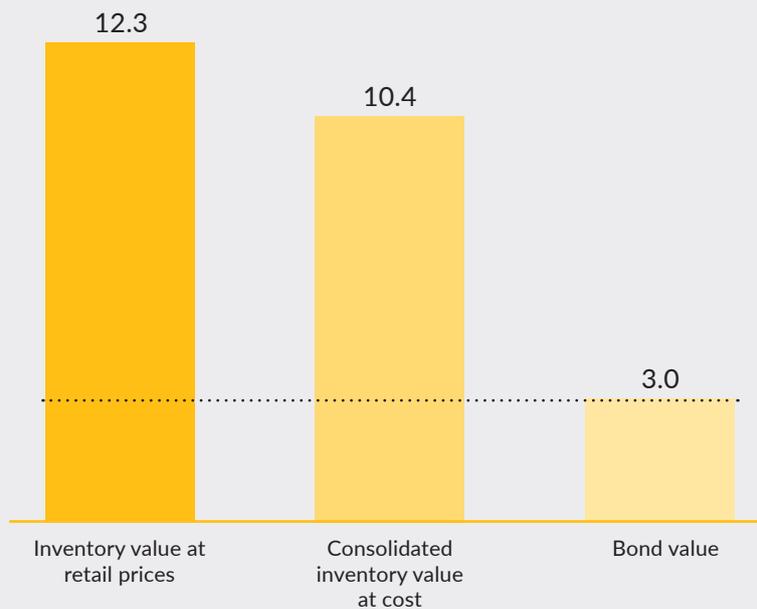
Focus on financing sales resulted in **unprecedented 290% growth** in commission income vs Q1 2021



Longo current inventory comfortably covers the value of issued bonds

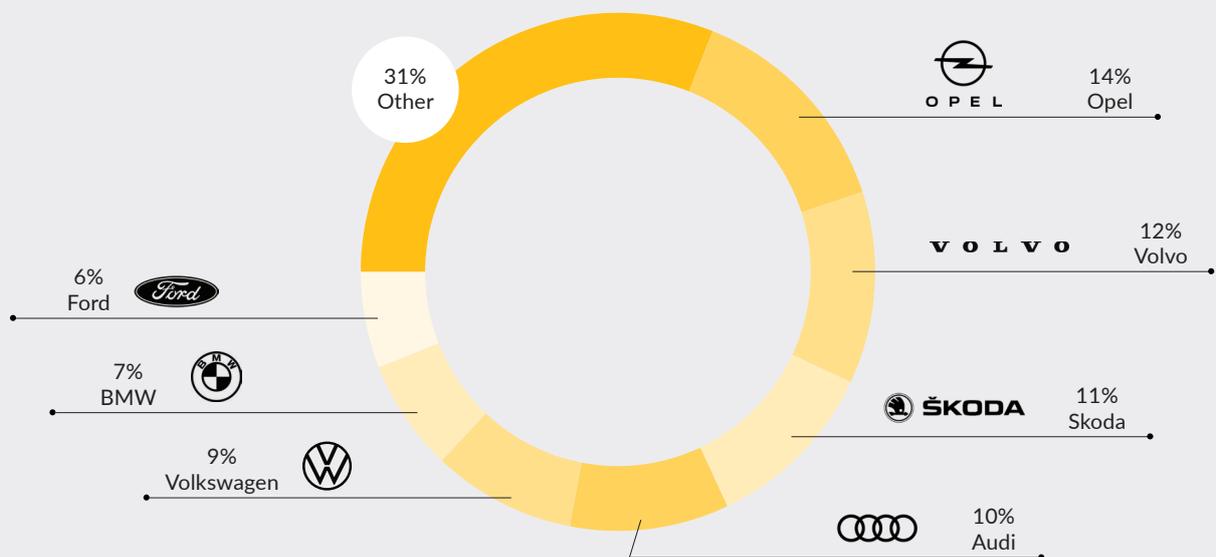
Longo inventory value, in M EUR

As of 31 Mar 2022



Inventory split per makes, at retail price values

As of 31 Mar 2022



Risk management

Credit risk

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

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

Interest rate risk

The Group is not exposed to interest rate risk because all of its liabilities are interest bearing borrowings with a fixed interest rate.

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 March 31, 2022 was 63%. 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

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.

Signed on behalf of the Group on 26 May 2022 by:

Edgars Cērps

Chairman of the Board

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Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

	Notes	Q1 2022 EUR	Q1 2021 EUR
Revenue from vehicle sales		8,927,799	4,084,270
Cost of sales		(7,855,589)	(3,643,547)
Gross profit		1,072,210	440,723
Selling expense		(243,572)	(104,520)
Administrative expenses	1	(1,067,875)	(708,616)
Other operating income		292,604	75,226
Other operating expense		(20,762)	(13,392)
Interest expense and similar expense	2	(96,710)	(73,719)
Net operating expenses		(1,136,315)	(825,021)
Profit before tax		(64,105)	(384,298)
Income tax		7,663	-
Net profit/(loss) for the year		(56,442)	(384,298)
EBITDA		216 285	(167 522)
Total comprehensive income for the year		(56,442)	(384,298)

The accompanying notes are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 26 May 2022 by:

Edgars Cērps
Chairman of the Board

Jevgenijs Sokolovs
Chief accountant

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Consolidated Statement of Financial Position

Assets

	Notes	31.03.2022. EUR	31.12.2021. EUR
NON-CURRENT ASSETS			
Intangible assets			
Intangible assets		528,662	475,768
Intangible assets development costs		16,919	2,733
Total intangible assets		545,581	478,501
Tangible assets			
Right-of-use assets		2,041,683	1,478,513
Property and equipment		360,172	323,234
Leasehold improvements		141,471	127,227
Total tangible assets		2,543,326	1,928,974
Deferred tax assets		325,738	318,075
Total non-current financial assets		325,738	318,075
TOTAL NON-CURRENT ASSETS		3,414,645	2,725,550
CURRENT ASSETS			
Inventories			
Goods for resale and raw materials		10,441,197	8,053,706
Work in progress		91,214	174,856
Total inventories	3	10,532,411	8,228,562
Receivables and other current assets			
Other assets		515,832	666,588
Trade and other receivables		344,605	213,438
Prepayments to suppliers and similar		946,673	565,922
Contract assets		417,343	37,947
Total receivables and other current assets		2,224,453	1,483,895
Cash and cash equivalents		742,888	2,890,919
TOTAL CURRENT ASSETS		13,499,752	12,603,376
TOTAL ASSETS		16,914,397	15,328,926

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Consolidated Statement of Financial Position

Equity and Liabilities

EQUITY	Notes	31.03.2022. EUR	31.12.2021. EUR
Share capital		12,969,926	12,969,926
Share premium		250,000	250,000
Share-based payment reserve		38,007	38,007
Accumulated losses/Retained earnings			
brought forward		(5,011,412)	(5,144,744)
for the period		(56,442)	133,332
TOTAL EQUITY		8,190,079	8,246,521
LIABILITIES			
Non-current liabilities			
Loans and borrowings	4	6,956,197	5,393,945
Total non-current liabilities		6,956,197	5,393,945
Current liabilities			
Loans and borrowings	4	559,608	602,674
Trade payables		290,166	324,908
Taxes payable		475,646	424,149
Corporate Income tax		7	284
Other liabilities		163,552	87,377
Accrued liabilities		279,142	249,068
Total current liabilities		1,768,121	1,688,460
TOTAL LIABILITIES		8,724,318	7,082,405
TOTAL EQUITY AND LIABILITIES		16,914,397	15,328,926

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Consolidated Statement of Changes in Equity

	Share capital	Share premium	Other Reserves	Retained earnings / Accumulated loss	Total
Balance at 01.01.2022.	12,969,926	250,000	38,007	(5,011,412)	8,246,521
<i>Total comprehensive income</i>					
Profit for the period	-	-	-	(56,442)	(56,442)
Total comprehensive income for the period	-	-	-	(56,442)	(56,442)
Balance at 31.03.2022.	12,969,926	250,000	38,007	(5,067,854)	8,190,079

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Consolidated Statement of Cash Flows

	Notes	Q1 2022 EUR	Q1 2021 EUR
Cash flows to/from operating activities			
Profit before tax		(64,105)	(384,298)
Adjustments for:			
Amortisation and depreciation		183,680	143,057
Interest expense		95,737	73,719
Loss from disposal of property, plant and equipment		-	4,716
Equity settled share-based payment transactions		-	-
Income from COVID-19 related rent concession		(1,228)	(3,081)
Operating profit before working capital changes		214,084	(165,887)
(Increase)/ decrease in inventories		(2,303,849)	197,370
(Increase)/ decrease in trade and other receivables		(361,162)	(774,734)
(Decrease)/increase in advances received and trade payables		84,915	567,230
Increase in accrued liabilities		38,089	(131,402)
Increase in accrued income		(379,396)	31,771
Cash flow used in/from operations		(2,707,319)	(275,652)
Corporate income tax paid		(277)	(89)
Net cash flows used in operating activities		(2,707,596)	(275,740)
Cash flows to/from investing activities			
Acquisition of property and equipment and other intangible assets		(177,219)	(187,696)
Proceeds of property and equipment and other intangible assets		-	5,756
Net cash flows to/from investing activities		(177,219)	(181,941)
Cash flows to/from financing activities			
Repayments for borrowings			(200,035)
Payments for borrowings issuance costs		(18,802)	-
Repayment of liabilities for right-of-use assets		(118,105)	(111,617)
Borrowing received		500,001	203,464
Bonds issued		470,000	-
Interest paid		(84,056)	(17,964)
Cash payments for the interest portions of lease liabilities		(12,255)	(12,442)
Net cash flows to/from financing activities		736,783	(138,594)
Change in cash		(2,148,031)	(596,275)
Cash at the beginning of the period		2,890,919	1,481,946
Cash at the end of the period		742,888	885,671

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Notes to the Financial Statements

1. ADMINISTRATIVE EXPENSES

	Q1 2022 EUR	Q1 2021 EUR
Employees' salaries	545,678	358,513
Amortization and depreciation	183,680	143,057
Social tax contributions	69,125	54,176
Office and branches' maintenance expenses	67,914	33,566
Other personnel expenses	57,107	48,363
Professional services	40,622	25,035
IT services	20,862	12,452
Recruitment fees	13,186	2,983
Audit fees	12,435	-
Insurance	8,945	3,026
Legal services	6,750	15,067
Business trips	6,233	358
Communication expenses	5,132	3,106
Transportation expenses	4,914	3,976
Representation	3,376	738
Bank commissions	2,801	1,410
Other administration expenses	19,115	2,790
TOTAL:	1,067,875	708,616

2. INTEREST EXPENSE AND SIMILAR EXPENSE

	Q1 2022 EUR	Q1 2021 EUR
Interest expenses on issued bonds	77,433	-
Interest expenses on lease liabilities	13,308	12,182
Interest expenses on loan facilities	4,996	61,537
Other financial expenses	973	-
TOTAL:	96,710	73,719

3. GOODS FOR RESALE AND RAW MATERIALS

	31.03.2022. EUR	31.12.2021. EUR
Acquired vehicles for purpose of selling them to customers	10,405,402	8,030,385
<i>Lithuania</i>	4,276,629	3,276,363
<i>Estonia</i>	3,020,630	2,443,304
<i>Latvia</i>	2,823,389	2,498,093
<i>Netherlands</i>	465,456	244,978
<i>Belgium</i>	237,693	-
<i>Germany</i>	18,962	-
<i>Intercompany consolidation eliminations</i>	(437,358)	(432,353)
Raw materials	35,795	23,321
Work in progress	91,214	174,856
TOTAL:	10,532,411	8,228,562

Inventory is measured at lower of cost and net realizable value. The cost of an individual car included in the inventory balance is determined using the purchase price for the car including directly attributable repair costs for reconditioning the car for selling purposes. At the reporting date, a detailed review for net realizable value is executed for cars that have been in inventory for more than 90 days. In Latvia and Lithuania inventories are pledged as bonds' collateral, totals amount of pledged inventory in these countries is EUR 7 100 019 (31.12.2021: EUR 5 774 456).

There were no write-downs identified for inventory as at 31.03.2022. (31.12.2021.: 0 EUR).

4. LOANS AND BORROWINGS

<i>Non-current Liabilities for issued debt securities</i>	<i>Interest rate per annum (%)</i>	<i>Maturity</i>	31.03.2022. EUR	31.12.2021. EUR
Bonds 3.00 million EUR notes issue ¹⁾	6%	30-11-24	2,730,877	2,354,970
Subordinated bonds 1.91 million EUR notes issue ²⁾	6%	31-12-26	1,905,980	1,906,301
TOTAL:			4,636,857	4,261,271
Lease liabilities ³⁾	3%-4%	up to 5 years	1,810,339	1,123,674
TOTAL:			1,810,339	1,123,674
Loans from related parties ⁴⁾	6%	31-12-24	509,001	9,000
TOTAL:			509,001	9,000
TOTAL NON CURRENT BORROWINGS:			6,956,197	5,393,945

¹⁾ On 30 November 2021 Parent Group registered with the Latvian Central Depository a bond facility through which it can raise up to EUR 3 million.

Group has raised a total of EUR 3 000 000 as at 31 March 2022 (EUR 2 530 000 at 31 December 2021).

This bond issue is secured by assets of Longo Latvia JSC and Longo LT UAB. The notes are issued at par, have a maturity of three years and carry a fixed coupon of 6% per annum, paid monthly in advance.

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

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

The notes are issued at par, have a maturity of five years and carry a fixed coupon of 6% per annum, paid monthly in advance. All subordinated bond facility is acquired by shareholders as a result of conversion of loan facility.

Accordingly, those liabilities are split between current and non-current as at 31 March 2021.

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

³⁾ Group has entered into several lease agreements for office premises and car lots as well as several vehicle rent agreements.

⁴⁾ Shareholders` loan in a form of credit line, duration up to 5 years.

<i>Current Liabilities for issued debt securities</i>	<i>Interest rate per annum (%)</i>	<i>Maturity</i>	31.03.2022. EUR	31.12.2021. EUR
Bonds 3.00 million EUR notes issue ¹⁾	6%	30-11-24	180,000	98,416
Subordinated bonds 1.91 million EUR notes issue ²⁾	6%	31-12-26	82,580	82,580
TOTAL:			262,580	180,996
Lease liabilities ³⁾	3%-4%	up to 5 years	294,398	412,503
TOTAL:			294,398	412,503
Accrued interest on loans from related parties	6.00%	05-04-22	2,630	9,175
TOTAL:			2,630	9,175
TOTAL CURRENT BORROWINGS:			559,608	602,674

5. COMMITMENTS AND CONTINGENCIES

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

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) 2.24

(b) 63%

(c) 2.7

6. EVENTS AFTER REPORTING PERIOD

On April 8 2022 the Group has established a new subsidiary in Poland, whose main activity will be car sales in respective country, with registered issued capital of PLN 5 000.

Management expects that the military invasion of Ukraine by Russia and the potential social and economic impact in Baltics, Netherlands, Germany and Belgium will not result in assumptions and estimates used in these Financial statements requiring revisions which may lead to adjustments to the carrying value of assets and liabilities within the next financial year. The Group business doesn't depend on imports or exports to/from Russia, Belarus or Ukraine, nor on third parties that may be impacted by the events. Currently the Group's sales are increasing compared to previous year respective period and no decrease in demand is observed.

At this stage management is monitoring the situation closely to be able to reliably estimate the impact on business as events are unfolding day-by-day.

Signed on behalf of the Group on 26 May 2022 by:

Edgars Cērps

Chairman of the Board

Jevgenijs Sokolovs

Chief accountant

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