



**Longo Group JSC**

Unified registration number 42103081417

# Consolidated Financial Statements

For the year ended 31.12.2023

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

**Audited**

Latvia, 2024

# Contents

<b>General Information</b>	<b>3</b>
<b>Management Report</b>	<b>8</b>
<b>Consolidated Financial Statements</b>	<b>10</b>
Consolidated Statement of Comprehensive Income	11
Consolidated Statement of Financial Position	12
Consolidated Statement of Changes in Equity	14
Consolidated Statement of Cash Flows	15
Notes to the Consolidated Financial Statements	16
<b>Independent Auditor's Report</b>	<b>48</b>

# 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	31.12.2023 SIA ALPPES Capital 45.40% Other shareholders 54.60% <b>TOTAL: 100%</b>
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 LT LLC, Lithuania (100%) Longo Estonia LLC, Estonia (100%) Longo Shared Services LLC, Lithuania (100%) Longo Netherlands LLC, Netherlands (100%) Longo Belgium LLC, Belgium (100%) Maxxus LLC, Germany (100%) Longo Poland LLC, Poland (100%) Longo IP Holdings LLC, Latvia (100%)
Financial period	01.01.2023 - 31.12.2023
Previous financial period	01.01.2022 - 31.12.2022

## Longo's mission is to deliver 3 customer promises:



### Wide assortment

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



### Convenient and safe

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



### Highest standards

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



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

## 01. Sourcing (Car Purchasing) Operations

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



## 02. Preparation Operations

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



## 03. Sales Operations

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



## 04. Aftersales

Longo also provides aftersales warranty and reengages customers for next purchase





**FT** FINANCIAL  
TIMES

statista 

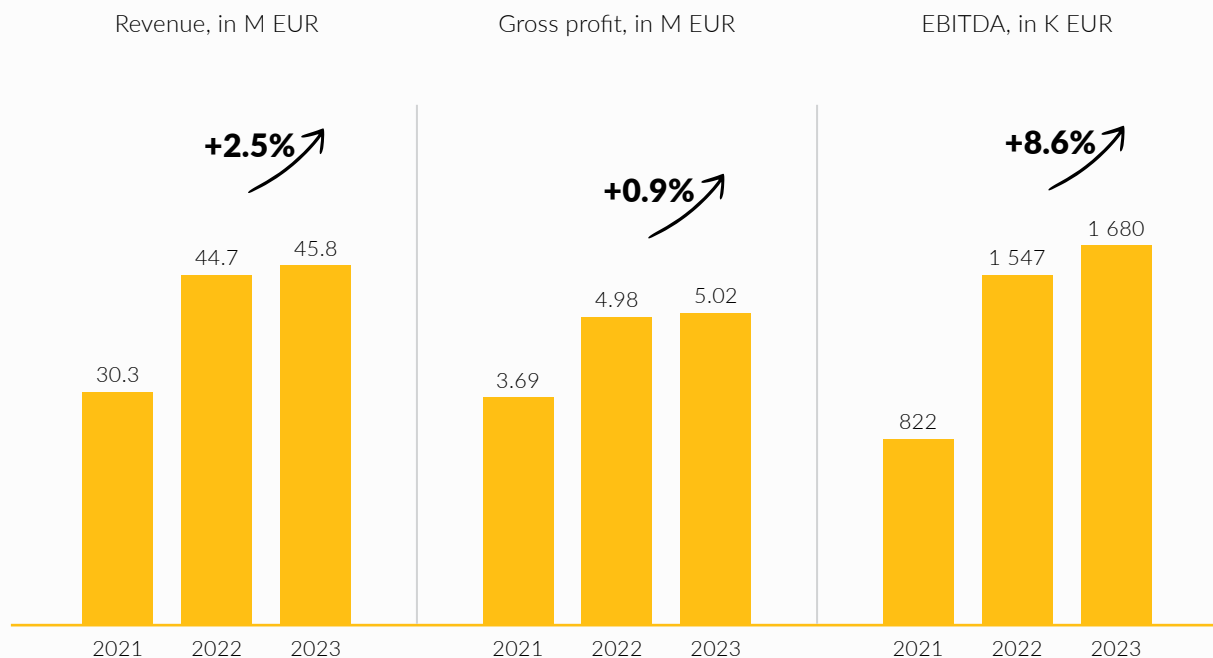
**1000 EUROPE'S  
FASTEST GROWING  
COMPANIES 2024**

## **Longo Group has been recognized by the Financial Times as one of the 1000 Fastest Growing European Companies**

The Group is recognized as the fastest-growing company in Latvia and also claims the tenth spot in the automotive sector across Europe (among 17 outstanding companies)

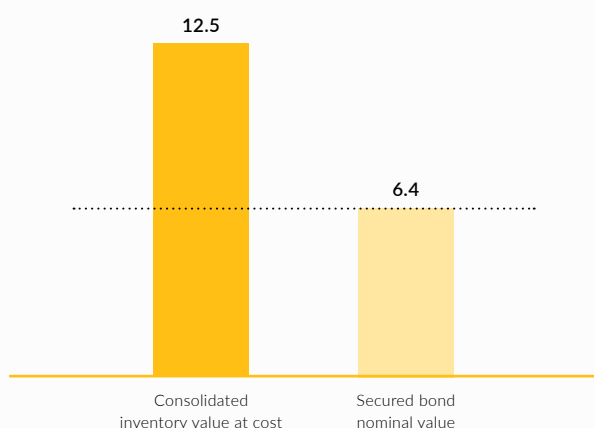


# Financial performance highlights



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

Longo inventory value, in M EUR  
As of 31 Dec 2023



# Management Report

19 APRIL 2024

## Business results

Longo has sold 45.8 million worth of cars during year 2023, which is an increase of 2.5% compared to the same period in 2022. Even in uncertain market conditions the Group has ensured growth in its main markets of operation.

The year 2023 can be marked as a period of investment in the future of Longo Group - there have been significant changes and improvements in all areas of business. Most notably - improved processes in Longo Shared services, enhanced quality and dynamics of pricing procedures and redesigned marketing strategy of the Group. First comprehensive radio campaign was launched across three Baltic countries and there was significant reduction in performance marketing cost per view. At the end of 2023, Longo Group own web traffic consistently generated over 100 thousand unique visitors per week. This allowed Longo to eliminate classified platform expenditures across all sales markets. Besides, the Group has increased focus on and expanded supplementary income channel offers.

Due to multiple external factors - high inflation and interest rate environment, soaring energy costs, along with weakened customer demand and significant drop in used car retail prices at the end of the year 2022- especially impacting the profitability of first two quarters of the year, total gross profit of Longo in year 2023 has improved just by slight 0.9% compared to same period last year. Gross profit of the group was EUR 5.02 million, with gross margin being 11%. Longo has recovered the margins - each month of first three quarters has shown improvement with Q3 gross margin being highest yet. There is slight decrease in Q4 gross margin compared to Q3 mainly due to seasonality effect. If comparing Q4 2023 to the same quarter in 2022, gross profit of the Group has increased by 31.5% to EUR 1.1 million, gross margin being up to 11.9% from 8.7% - demonstrating the results of process improvements

introduced in sourcing and pricing operations, as well as stabilization of market prices. In the beginning of Q1 2024 the tendency continues and there is a significant improvement in Gross profit year on year.

Mainly driven by one-off start-up costs Longo Group incurred due to launching operations in Poland and the weak gross profit in the first two quarters of the year, the net loss of the Group in 2023 was EUR 0.5 million. Longo Poland operation is expected to reach break even and start contributing to profitability of the Group during the year 2024.

Increased focus on supplementary income channels has paid off and other operating income from sales of lease and insurance products of its partners has brought EUR 1.9 million income to Longo Group- it is 28.3% more than in previous year.

The Group continues to be committed to executing its set strategy and working hard on the core pillars of operation - procurement, sales, preparation operations and efficient inventory management.

## Future prospects

The Group has ambitious plans for year 2024 and beyond - to improve its profitability while increasing its revenue. It is to be achieved by boosting its brand awareness, expanding its physical network, and further diversifying its car assortment. There is continuous focus on increasing the capacity of refurbishing center of the Group.

Longo continues to successfully sell financing of its partners as well as has introduced new additional service to cater their customer needs - extended warranty insurance provided by its insurance partner. The management of Longo Group is firmly confident in the potential business opportunities within the fragmented used car market in the Baltic region and Poland.

“Continuous dedication of the team, as well as development and improvement of processes have led Longo to selling cars worth EUR 45.8 million during year 2023 thus ensuring 2.5% growth even in uncertain market conditions”

**Edgars Cērps**

Group CEO and Co-Founder



**Largest specialized used car dealer in the Baltics**



## Risk management

### *Credit risk*

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

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

### *Interest rate risk*

Longo's interest rate risk arises primarily from its debt. As at 31 December 2023, a long-term debt of EUR 4.9 million is financed at a floating interest rate (6% + 3M EURIBOR) for a period of 1.5 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 31 December 2023 was 55%. Overall management of the borrowings is driven by monitoring and complying with the lender imposed covenants as well as planning the further borrowing needs to ensure business development of the Group.

### *Liquidity risk*

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

## Events after the reporting period

The Group management decided to begin scaling up its inventory before the high season of sales therefore selling the held bonds (ISIN:LV0000860146) worth EUR 1 million in March and April 2024.

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

Signed on behalf of the Group on 19 April 2024 by:

---

**Edgars Cērps**

Chairman of the Board

---

**Jacob Willem Hoogenboom**

Member of the Board

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



# Consolidated Financial Statements

# Consolidated Statement of Comprehensive Income

	Notes	2023 EUR	2022 EUR
Revenue from vehicle sales	4	45 840 353	44 719 585
Cost of sales	5	(40 817 600)	(39 743 477)
<b>Gross profit</b>		<b>5 022 753</b>	<b>4 976 108</b>
Selling expenses	6	(1 666 357)	(1 102 507)
Administrative expenses	7	(4 952 268)	(4 576 795)
Other operating income	8	1 949 255	1 519 176
Other operating expenses	9	(31 842)	(91 854)
Other income from interest and similar income	10	14 093	-
Interest expenses and similar expenses	11	(884 545)	(556 719)
<b>Net operating expenses</b>		<b>(5 571 664)</b>	<b>(4 808 699)</b>
<b>Profit/Loss before tax</b>		<b>(548 911)</b>	<b>167 409</b>
Income tax	12	17 937	(516)
<b>Net profit/(loss) for the period</b>		<b>(530 974)</b>	<b>166 893</b>
<b>Other comprehensive loss</b>			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Translation of financial information of foreign operations to presentation currency		4 532	(149)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(526 442)</b>	<b>166 744</b>

The accompanying notes on pages 16 to 47 are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 19 April 2024 by:

**Edgars Cērps**  
Chairman of the Board

**Jacob Willem Hoogenboom**  
Member of the Board

**Olīvija Lavrenova**  
Senior Group Accountant

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

# Consolidated Statement of Financial Position

## ASSETS

NON-CURRENT ASSETS	Notes	31.12.2023 EUR	31.12.2022 EUR
<b>Intangible assets</b>			
Intangible assets	13	960 060	690 960
Intangible assets development costs	13	504	12 474
<b>Total intangible assets</b>		<b>960 564</b>	<b>703 434</b>
<b>Tangible assets</b>			
Right-of-use assets	14	1 292 304	1 894 801
Property and equipment	14	497 312	421 279
Leasehold improvements	14	97 706	122 074
Construction in progress	14	29 406	145 610
<b>Total tangible assets</b>		<b>1 916 728</b>	<b>2 583 764</b>
Deferred tax assets	12	342 518	323 999
<b>Total non-current financial assets</b>		<b>342 518</b>	<b>323 999</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3 219 810</b>	<b>3 611 197</b>
<b>CURRENT ASSETS</b>			
<b>Inventories</b>			
Goods for resale and raw materials	15	12 573 927	13 064 264
Work in progress	15	85 699	111 499
<b>Total inventories</b>		<b>12 659 626</b>	<b>13 175 763</b>
<b>Receivables and other current assets</b>			
Other assets	16	657 976	875 830
Prepayments to suppliers and similar	17	568 916	862 064
Trade and other receivables	18	208 724	161 931
Contract assets	19	135 573	139 848
<b>Total receivables and other current assets</b>		<b>1 571 189</b>	<b>2 039 673</b>
<b>Short-term financial investments</b>			
Other investments	20	1 002 666	-
<b>Total short-term financial investments</b>		<b>1 002 666</b>	-
<b>Cash and cash equivalents</b>	21	<b>1 253 098</b>	<b>1 424 762</b>
<b>TOTAL CURRENT ASSETS</b>		<b>16 486 579</b>	<b>16 640 198</b>
<b>TOTAL ASSETS</b>		<b>19 706 389</b>	<b>20 251 395</b>

The accompanying notes on pages 16 to 47 are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 19 April 2024 by:

**Edgars Cērps**  
Chairman of the Board

**Jacob Willem Hoogenboom**  
Member of the Board

**Olīvija Lavrenova**  
Senior Group Accountant

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

# Consolidated Statement of Financial Position

## EQUITY AND LIABILITIES

EQUITY	Notes	31.12.2023 EUR	31.12.2022 EUR
Share capital	22	13 017 058	12 969 926
Share premium	22	250 000	250 000
Share-based payment reserve	23	12 215	48 007
Foreign currency translation reserve		4 532	(149)
Accumulated losses/Retained earnings			
brought forward		(4 882 016)	(5 048 909)
for the period		(530 974)	166 893
<b>TOTAL EQUITY</b>		<b>7 870 815</b>	<b>8 385 768</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	24	8 152 534	6 733 960
<b>Total non-current liabilities</b>		<b>8 152 534</b>	<b>6 733 960</b>
<b>Current liabilities</b>			
Loans and borrowings	24	2 430 326	3 856 638
Trade payables		273 983	404 840
Taxes payable	25	465 596	465 108
Corporate income tax		296	817
Other liabilities	26	83 978	106 530
Accrued liabilities	27	428 861	297 734
<b>Total current liabilities</b>		<b>3 683 040</b>	<b>5 131 667</b>
<b>TOTAL LIABILITIES</b>		<b>11 835 574</b>	<b>11 865 627</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>19 706 389</b>	<b>20 251 395</b>

The accompanying notes on pages 16 to 47 are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 19 April 2024 by:

**Edgars Cērps**  
Chairman of the Board

**Jacob Willem Hoogenboom**  
Member of the Board

**Oļīvija Lavrenova**  
Senior Group 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	Share-based payment reserve	Retained earnings / Accumulated loss	Total
<b>Balance at 01.01.2022</b>		12 969 926	250 000	-	38 007	(5 048 909)	8 209 024
<i>Total comprehensive income</i>							
Profit for the period		-	-	-	-	166 893	166 893
Other comprehensive income		-	-	(149)	-	-	(149)
<b>Total comprehensive income for the period</b>		-	-	(149)	-	166 893	166 744
<i>Transactions with owners of the Group</i>							
<i>Contributions and distributions</i>							
Equity-settled share-based payment		-	-	-	10 000	-	10 000
<b>Total transactions with owners of the Group</b>		-	-	-	10 000	-	10 000
<b>Balance at 31.12.2022</b>		12 969 926	250 000	(149)	48 007	(4 882 016)	8 385 768
<b>Balance at 01.01.2023</b>		12 969 926	250 000	(149)	48 007	(4 882 016)	8 385 768
<i>Total comprehensive income</i>							
Profit for the period		-	-	-	-	(530 974)	(530 974)
Other comprehensive income		-	-	4 681	-	-	4 681
<b>Total comprehensive income for the period</b>		-	-	4 681	-	(530 974)	(526 293)
<i>Transactions with owners of the Group</i>							
<i>Contributions and distributions</i>							
Issues of ordinary shares		47 132	-	-	(47 132)	-	(0)
Equity-settled share-based payment	23	-	-	-	11 340	-	11 340
<b>Total transactions with owners of the Group</b>		47 132	-	-	(35 792)	-	11 340
<b>Balance at 31.12.2023</b>		13 017 058	250 000	4 532	12 215	(5 412 990)	7 870 815

The accompanying notes on pages 16 to 47 are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 19 April 2024 by:

**Edgars Cērps**  
Chairman of the Board

**Jacob Willem Hoogenboom**  
Member of the Board

**Oļivija Lavrenova**  
Senior Group Accountant

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

# Consolidated Statement of Cash Flows

	Notes	2023 EUR	2022 EUR
<b>Cash flows to/from operating activities</b>			
Profit/Loss before tax		(548 911)	167 409
Adjustments for:			
Amortization and depreciation	13, 14	1 047 612	828 236
Interest expense	11	873 804	551 397
Interest income	10	(14 093)	-
(Gain)/Loss from disposal of property and equipment		52 586	14 522
Equity settled share-based payment transactions	23	11 340	10 000
Income from COVID-19 related rent concession		-	(2 048)
<b>Cash flow from operating activities before working capital changes</b>		<b>1 422 338</b>	<b>1 569 515</b>
(Increase)/ decrease in inventories		516 137	(4 947 201)
(Increase)/ decrease in trade and other receivables		464 209	(491 374)
(Decrease)/ increase in advances received and trade payables		(152 921)	132 029
(Decrease)/ increase in accrued liabilities		131 127	51 706
(Increase)/ decrease in accrued income		4 275	(101 901)
<b>Cash flows used in/from operations</b>		<b>2 385 165</b>	<b>(3 787 226)</b>
Interest received		-	-
Corporate income tax paid		(1 098)	533
<b>Net cash flows used in operating activities</b>		<b>2 384 067</b>	<b>(3 786 693)</b>
<b>Cash flows to/from investing activities</b>			
Other securities acquired	20	(1 000 000)	-
Acquisition of property and equipment and other intangible assets	13, 14	(610 198)	(744 051)
Proceeds of property and equipment and other intangible assets	13, 14	-	3 700
Interest received	10, 20	12 527	-
Payments for acquisition of securities	20	(1 100)	-
<b>Net cash flows to/from investing activities</b>		<b>(1 598 771)</b>	<b>(740 351)</b>
<b>Cash flows to/from financing activities</b>			
Repayments of borrowings	24	-	(1 000)
Payments for borrowings issuance costs	24	(64 481)	(212 410)
Repayment of liabilities for right-of-use assets	24	(695 951)	(547 741)
Borrowing received	24	-	1 000 001
Bonds sold	24	2 250 000	3 320 000
Bonds repurchased	24	(1 685 000)	-
Interest paid	24	(710 451)	(444 714)
Cash payments for the interest portions of lease liabilities	24	(55 759)	(53 249)
<b>Net cash flows to/from financing activities</b>		<b>(961 641)</b>	<b>3 060 887</b>
Change in cash		<b>(176 345)</b>	<b>(1 466 157)</b>
Effects of currency translation on cash and cash equivalents		4 681	-
Cash at the beginning of the period		1 424 762	2 890 919
<b>CASH AT THE END OF THE PERIOD</b>	21	<b>1 253 098</b>	<b>1 424 762</b>

The accompanying notes on pages 16 to 47 are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 19 April 2024 by:

**Edgars Cērps**  
Chairman of the Board

**Jacob Willem Hoogenboom**  
Member of the Board

**Olīvija Lavrenova**  
Senior Group Accountant

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



# 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:

Subsidiary name	Registration number	Country of incorporation	Principal activities	% equity interest	
				2023	2022
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%	100%
Longo IP Holdings LLC	40203527894	Latvia	Leasing of intellectual property and similar products, except copyrighted works	100%	-

On December 14, 2023 the Group has registered a new subsidiary in Latvia - Longo IP Holdings LLC, with leasing of intellectual property as principal activity and issued capital of EUR 2 800.

Assets and liabilities in Polish subsidiary are translated into euro at the rate prevailing on the balance sheet date. Income and expenses in Polish subsidiaries 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 in finance costs.

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

Consolidated annual report of 2023 has been approved by decision of the board on 19 April 2024 by.

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



## 2. Summary of significant accounting policies

### **BASIS OF PREPARATION**

These consolidated annual financial statements as of and for the year ended 31.12.2023 are prepared in accordance with IFRS Accounting Standards as adopted in the European Union (further Accounting Standards).

The Group's consolidated annual financial statements and its financial result are affected by accounting policies, assumptions, estimates and management judgement (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 Accounting Standards are best estimates undertaken in accordance with 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 Group's results and financial situation due to their materiality. Future events 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.*

A number of new standards or amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Longo Group has not early adopted the new standards or amended standards in preparing these consolidated financial statements.

The following new and amended standards are not expected to have a significant impact on the Longo Group consolidated financial statements:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- Non-current Liabilities with Covenants (Amendments to IAS 1).
- Lease liability in a Sale and Leaseback (Amendments to IFRS 16).
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7).
- Lack of Exchangeability (Amendments to IAS 21).

*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 and corporate bond at fair value through profit or loss ("FVTPL").

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.

### **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 2023.

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 IAS38 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.

## 2. Summary of significant accounting policies (continued)

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 13.

### **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.
---	---------------

### **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.



## 2. Summary of significant accounting policies (continued)

### **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.

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 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.

##### *Impairment*

##### *Non-derivative financial assets*

##### *Financial instruments and contract assets*

The 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.

## 2. Summary of significant accounting policies (continued)

### **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.

### **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*

## 2. Summary of significant accounting policies (continued)

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

- 1) 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.
- 2) 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
- 3) the underlying asset is not dependent on, or highly interrelated with, other assets.

### **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.

### **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 of 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.

## 2. Summary of significant accounting policies (continued)

### **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 a 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 principles is applied if value added tax is not recoverable on 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, which 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.

### **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.

The Group is recognizing accruals for the potential warranty costs at the moment when car is sold. The amount of accruals is based on historical statistics about realized warranty costs and estimated trend of the costs. As at December 31, 2023 Group had accrued 6 454 EUR for the potential warranty expenses. Actual warranty costs have increased concurrently as the sales volumes have grown.

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.

## 2. Summary of significant accounting policies (continued)

### **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	31.12.2023	31.12.2022
Contract based assets	135 573	139 848

#### *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 18**.

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

#### *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 of used cars. Sales are based on the network of physical car lots and 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 cost incurred (e.g. repairs). All of the mentioned are variable constraints included in the price. A margin then is added in order to make profit from the deal. Subsequently 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.



## 2. Summary of significant accounting policies (continued)

### **INCOME TAXES**

Corporate income tax is 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 operates.

Current corporate income tax rates for the foreign subsidiaries are:

<b>Country</b>	<b>Tax rate</b>
Latvia	20%
Lithuania	15%
Estonia	20%
Netherlands	19%
Belgium	20%
Germany	30%
Poland	19%

### **DEFERRED TAX ASSETS AND LIABILITIES**

Deferred tax is 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 per cent of their gross amount, or 20/80 of net expense in Latvia. Corporate income tax on other deemed profit items is recognised at the time when expense is incurred in the reporting year. Thus, the effective tax rate in the reporting period for the subsidiaries 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 a 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 32**.

The group considers each sales entity: in Latvia, Lithuania, Estonia and Poland as an individual 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 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.

### 3. Significant accounting judgments, estimates and assumptions

The preparation of the financial statements in conformity with Accounting Standards 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 asset, NRV for inventory and fair value of employee share options. Although these estimates are based on the 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 is either not clearly stated in the lease agreement or is different from 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 14**.

#### **COMMITMENTS AND CONTINGENCIES**

The Group shall comply with financial covenants set out in the Terms for the senior secured and subordinated bonds issued. One of the covenants is Interest Coverage Ratio that is calculated as ratio of EBITDA to Net Finance Charges for the Relevant Period. Definition of EBITDA in the Terms includes not taking into account any exceptional items which are not in line with the ordinary course of business. It is judgment of the management of Longo Group JSC to treat expenses as exceptional.

#### **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 time sheets 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 22**.

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

IFRS 16 requires that in determining the lease term and assessing the length of the non-cancellable period of a lease, an entity shall determine the period for which the contract is enforceable. In 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 at 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 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 recognise a lease liability or right-of-use asset for these leases. 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. The Group considers whether options included in the lease agreements (1) give an unilateral right for one party (i.e. Group) and (2) creates an obligation to comply for the other party (i.e. lessor). If neither party in the contract has an obligation then 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.

### 3. Significant accounting judgments, estimates and assumptions (continued)

#### **LEASE LIABILITY INCREMENTAL BORROWING RATE DETERMINATION UNDER IFRS 16 (GROUP AS A LESSEE)**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group has used market rates as its incremental borrowing rate. The Group considers market rates used as an appropriate measure for incremental borrowing rates as they correctly reflect the ability to finance a specific asset purchase.

It is further considered that the way how local lenders would approach asset financing at each subsidiary level. As per Group's assessment each of the Group's subsidiaries would qualify as a good quality borrower in the local markets in the context of overall Group results.

#### **INVENTORIES NET REALIZABLE VALUE AND WRITE-OFFS**

Management evaluates the net realizable value of inventories (**Note 15**) based upon the expected sales prices and selling costs per various product groups and assesses the physical condition of inventories during the annual stock count. If the net realizable value of inventories is lower than the cost of inventories, a write-off is recorded. At the end of each reporting year the inventories are reviewed for any indications of damages or slow-moving inventories. In cases when damaged or slow-moving inventories are identified write-offs are recognized. During the reporting year stock-counts of the inventories are performed with the purpose to identify damaged inventories.

At each reporting date, a detailed review for net realizable value is executed for inventory. Management had performed analysis to determine margins for all cars that were sold in 2023, and concluded that no adjustments to net realizable value should be expensed through profit or loss in the reporting period (2022: EUR 160 113).

#### **RECOVERABILITY OF DEFERRED TAX ASSET**

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The deferred tax assets are recognized based on profitability assumptions over 5 year horizon. In developing these assumptions the Group considers both positive and negative evidence of past performance and future development plans to ensure that assumptions used are reasonable, realistic and achievable.

At each reporting date, the Group's management analyses the recoverability of deferred tax and reduces the deferred tax asset if it is no longer probable that during the period of utilization of tax losses future taxable profits will be available against which unused tax losses can be utilized (**Note 12**).

#### **INTANGIBLE ASSETS**

The Group has capitalised expenses for internally generated intangible assets on the basis of expectation that those will generate probable future economic benefits. The future recoverability of capitalised expenses expenditure is dependent on a number of factors. Management applies judgement to determine the components of implementation costs to which the purchase consideration should be allocated, which will determine the amounts that should be capitalised and the amounts that should be expensed as incurred.

The Group has assigned finite lives of 7 years to its internally generated intangible assets.

#### **FINANCIAL ASSETS**

A number of the Group's accounting policies and disclosures requires the measurement of fair values for financial assets and liabilities.

The fair value determination policy outlines the methodology used by the entity to determine the fair value of financial assets, including the specific valuation techniques and inputs utilized. Fair value levels, as defined by accounting standards, categorize the inputs used in the valuation process:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

These levels reflect the degree of judgment and reliability associated with the inputs used in determining fair value. Financial assets valued at FVTPL often involve Level 1 or Level 2 inputs, while assets with significant unobservable inputs may be classified as Level 3.



## 4. Revenue from vehicle sales

	2023 EUR	2022 EUR
<b>Revenue from contracts with customers recognised point in time:</b>		
Revenue from vehicle sales	45 677 437	44 526 516
Revenue from transportation services	162 916	193 069
<b>TOTAL:</b>	<b>45 840 353</b>	<b>44 719 585</b>
<b>Revenue from vehicle sales by countries:</b>		
Lithuania	24 195 962	23 336 449
Latvia	11 609 098	11 040 154
Estonia	9 147 803	10 328 324
Poland	871 076	14 658
Other	16 413	-
<b>TOTAL:</b>	<b>45 840 353</b>	<b>44 719 585</b>

### 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 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

	2023 EUR	2022 EUR
Cost of cars sold	40 817 600	39 743 477
<b>TOTAL:</b>	<b>40 817 600</b>	<b>39 743 477</b>

## 6. Selling expenses

	2023 EUR	2022 EUR
Online advertising and marketing	1 413 808	817 092
Cars selling expenses	171 162	214 369
Marketing fees	51 747	57 193
<b>Total marketing expenses</b>	<b>1 636 717</b>	<b>1 088 654</b>
Other selling expenses	29 640	13 853
<b>TOTAL:</b>	<b>1 666 357</b>	<b>1 102 507</b>

Administrative and selling expenses include startup costs of EUR 379 985 attributable to launching Longo Group subsidiary in Poland. This is an exceptional item which is not in line with the ordinary course of business. Longo Poland operation is expected to reach break even and start contributing to profitability of the Group during year 2024.

## 7. Administrative expenses

	2023 EUR	2022 EUR
Employees' salaries	2 539 062	2 292 262
Amortization and depreciation	1 047 612	828 236
Social tax contributions	321 589	302 456
Office and branches' maintenance expenses	302 752	303 393
IT services	127 444	97 897
Professional services	158 709	150 193
Other personnel expenses	110 458	238 955
Audit fees	69 735	67 331
Other administrative expenses	65 610	68 034
Insurance	55 334	40 293
Recruitment fees	38 804	50 274
Business trips	23 584	37 456
Communication expenses	26 846	21 653
Transportation expenses	16 310	26 555
Representation	16 829	19 527
Legal services	19 256	20 293
Bank commissions	12 334	11 987
<b>TOTAL:</b>	<b>4 952 268</b>	<b>4 576 795</b>

Administrative and selling expenses include startup costs of EUR 379 985 attributable to launching Longo Group subsidiary in Poland. This is an exceptional item which is not in line with the ordinary course of business. Longo Poland operation is expected to reach break even and start contributing to profitability of the Group during year 2024.

## 8. Other operating income

	2023 EUR	2022 EUR
<b>Commissions from lease and insurance companies</b>		
Recognised at point in time	1 646 222	1 276 652
Recognised over time	122 854	139 848
<b>TOTAL:</b>	<b>1 769 076</b>	<b>1 416 500</b>
<b>Commissions by countries:</b>		
Lithuania	1 022 710	728 876
Estonia	405 479	415 354
Latvia	332 062	272 270
Poland	8 825	-
<b>TOTAL:</b>	<b>1 769 076</b>	<b>1 416 500</b>
Other operating income	180 179	100 628
Income from IFRS 16 COVID-19-Related Rent Concessions	-	2 048
<b>TOTAL:</b>	<b>1 949 255</b>	<b>1 519 176</b>

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

<b>Income</b>	Income from received commissions
<b>Business type</b>	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.
<b>Timing of recognition</b>	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

	2023 EUR	2022 EUR
Other operating expenses	18 353	17 533
Penalty fees paid	6 558	10 054
Other taxes	6 426	5 771
Donations	400	10 000
Loss on sale of fixed assets	102	14 522
Write-offs of bad debts	3	336
BPM expenses	-	33 638
<b>TOTAL:</b>	<b>31 842</b>	<b>91 854</b>

## 10. Other income from interest and similar income

	01.01.2023-31.12.2023 EUR	01.01.2022-31.12.2022 EUR
Interest income on bonds acquired	13 076	-
Interest income from bank deposit	1 017	-
<b>TOTAL:</b>	<b>14 093</b>	<b>-</b>

Information about the Group's other investments is included in **Note 20**.

## 11. Interest expenses and similar expenses

	2023 EUR	2022 EUR
Interest expenses on issued bonds	813 659	467 279
Interest expenses on lease liabilities	58 448	57 128
Other financial expenses	10 741	5 322
Interest expenses on loan facilities	1 697	26 990
<b>TOTAL:</b>	<b>884 545</b>	<b>556 719</b>



## 12. Corporate income tax payable

	2023 EUR	2022 EUR
Current corporate income tax charge for the reporting year	(582)	(6 440)
Deferred corporate income tax due to changes in temporary differences	18 519	5 924
<b>Corporate income tax charged to the income statement:</b>	<b>17 937</b>	<b>(516)</b>

### Deferred corporate income tax

#### Change in net deferred corporate income tax asset:

	2023 EUR	2022 EUR
At the beginning of the period	323 999	318 075
Charge to statement of income	18 519	5 924
<b>Net deferred income tax asset at the period end</b>	<b>342 518</b>	<b>323 999</b>

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

	2023 EUR	2022 EUR
Loss/Profit before tax	(548 911)	167 409
Income tax rate	20%	20%
Tax calculated at the applicable tax rate	(109 782)	33 482
Undistributed earnings taxable on distribution*	80 934	(62 941)
Non-deductible expenses	(2 859)	12 853
Effect of different tax rates of subsidiaries operating in other jurisdictions	7 854	(3 362)
Unrecognized deferred tax asset	5 916	20 484
<b>Actual corporate income tax for the reporting year:</b>	<b>(17 937)</b>	<b>516</b>
<b>Corporate income tax charged to the statement of comprehensive loss:</b>	<b>(17 937)</b>	<b>516</b>

\* 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 5 916 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 income	
	31.12.2023 EUR	31.12.2022 EUR	2023 EUR	2022 EUR
<b>Deferred corporate income tax liability</b>				
Accelerated depreciation for tax purposes	1 475	(1 906)	3 381	(2 273)
Other	2 301	3 487	(1 186)	3 487
<b>Gross deferred corporate income tax liabilities</b>	<b>3 776</b>	<b>1 581</b>	<b>2 195</b>	<b>1 214</b>
<b>Deferred corporate income tax asset</b>				
Tax loss carried forward	(336 828)	(314 133)	(22 695)	(5 156)
Unused vacation accrual	(9 466)	(11 447)	1 981	(1 982)
<b>Gross deferred corporate income tax assets</b>	<b>(346 294)</b>	<b>(325 580)</b>	<b>(20 714)</b>	<b>(7 138)</b>
<b>Net deferred corporate income tax assets prior to the reversal of deferred tax</b>	<b>(342 518)</b>	<b>(323 999)</b>	<b>(18 519)</b>	<b>(5 924)</b>
Net deferred corporate income tax assets	(342 518)	(323 999)		
Net deferred corporate income tax expense/ (benefit)			(18 519)	(5 924)

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.

## 13. Intangible assets

	Licenses	Internally generated intangible assets	Intangible assets development costs	Other intangible assets	Total intangible assets
Cost	303	585 243	2 733	2 201	590 480
Accumulated amortization	(301)	(110 683)	-	(995)	(111 979)
<b>As at 1 January 2022</b>	<b>2</b>	<b>474 560</b>	<b>2 733</b>	<b>1 206</b>	<b>478 501</b>
<b>2022</b>					
Revaluation surplus					
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)
<b>As at 31 December 2022</b>	<b>0</b>	<b>690 060</b>	<b>12 474</b>	<b>900</b>	<b>703 434</b>
<b>2023</b>					
Additions	1 192	66 160	347 658	-	415 010
Amortization charge	(775)	(157 743)	-	(153)	(158 671)
FX effect	-	(9)	-	-	(9)
Transfer*	5 680	354 748	(359 628)	-	800
Cost	7 175	1 323 476	504	2 201	1 333 356
Accumulated amortization	(1 078)	(370 260)	-	(1 454)	(372 792)
<b>As at 31 December 2023</b>	<b>6 097</b>	<b>953 216</b>	<b>504</b>	<b>747</b>	<b>960 564</b>

\* Transfer between IA setting up costs and Internally generated IA represents intangible assets recognised during 2023 for which recognition criteria for internally generated IA have been met.

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





## 14. Property and equipment and Right-of-use assets

	Right-of-use assets	Advance payments for tangible assets	Leasehold improvements	Property and equipment	TOTAL
Cost	2 197 184	-	179 504	546 937	<b>2 923 625</b>
Accumulated depreciation	(718 671)	-	(52 277)	(223 703)	<b>(994 651)</b>
<b>As at 1 January 2022</b>	<b>1 478 513</b>	<b>-</b>	<b>127 227</b>	<b>323 234</b>	<b>1 928 974</b>
<b>2022</b>					
Additions	1 009 852	161 810	20 509	235 068	<b>1 427 239</b>
Disposals (historical cost)	(53 559)	(16 200)	-	(17 737)	<b>(87 496)</b>
Depreciation charge	(568 328)	-	(25 662)	(132 578)	<b>(726 568)</b>
Disposals (depreciation)	28 323	-	-	13 292	<b>41 615</b>
Cost	3 153 477	145 610	200 013	764 268	<b>4 263 368</b>
Accumulated depreciation	(1 258 676)	-	(77 939)	(342 989)	<b>(1 679 604)</b>
<b>As at 31 December 2022</b>	<b>1 894 801</b>	<b>145 610</b>	<b>122 074</b>	<b>421 279</b>	<b>2 583 764</b>
<b>2023</b>					
Additions	61 413	60 693	1 630	132 865	<b>256 601</b>
Transferred	-	(146 417)	930	144 687	<b>(800)</b>
Modifications	83 447	-	-	-	<b>83 447</b>
Disposals (historical cost)	(132 261)	(30 480)	-	(13 857)	<b>(176 598)</b>
Depreciation charge	(682 914)	-	(25 949)	(180 079)	<b>(888 941)</b>
Disposals (depreciation)	61 730	-	(979)	(7 253)	<b>53 498</b>
FX effect	6 088	-	-	(330)	<b>5 758</b>
Cost	3 172 163	29 406	202 573	1 027 963	<b>4 432 105</b>
Accumulated depreciation	(1 879 860)	-	(104 867)	(530 651)	<b>(2 515 378)</b>
<b>As at 31 December 2023</b>	<b>1 292 304</b>	<b>29 406</b>	<b>97 706</b>	<b>497 312</b>	<b>1 916 728</b>

### 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	31.12.2023 EUR	31.12.2022 EUR
<b>Non-current assets</b>		
Right-of-use assets (premises)	1 227 465	1 799 610
Right-of-use assets (vehicles)	64 839	86 071
Right-of-use assets (other)	-	9 120
<b>TOTAL:</b>	<b>1 292 304</b>	<b>1 894 801</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Non-current liabilities</b>		
Lease liabilities	769 027	1 314 335
<b>Current liabilities</b>		
Lease liabilities	591 824	659 675
<b>TOTAL:</b>	<b>1 360 851</b>	<b>1 974 010</b>

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

Leases in the statement of comprehensive income	2023 EUR	2022 EUR
<b>Administrative expense</b>		
Expenses relating to leases of low-value assets and short-term leases	(37 703)	(38 905)
Depreciation of right-of-use assets	(682 914)	(568 328)
<b>Other income</b>		
Income from COVID-19-Related discount	-	2 048
<b>Net finance costs</b>		
Interest expense for right to assets	(58 448)	(57 128)
<b>Total cash outflow from leases</b>	<b>(779 065)</b>	<b>(662 313)</b>

The average incremental borrowing rate for lease liabilities initially recognized as of 31 December 2023 is 3.99% (3.61% in 2022) 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, 2023. 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 5 new premises lease agreements starting 1 January 2023 with initial term from 2 to 5 years, average discount rate of 6,28%, and total present value at the commencement date of EUR 54 597.

## 15. Inventories

	31.12.2023 EUR	31.12.2022 EUR
Acquired vehicles for purpose of selling them to customers	12 489 480	13 174 577
<i>NRV allowance</i>	-	(160 113)
Raw materials	84 447	49 800
Work in progress	85 699	111 499
<b>TOTAL:</b>	<b>12 659 626</b>	<b>13 175 763</b>

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 at 31 December 2023. Management had performed analysis to determine profit margins for all cars that were sold in 2023, and concluded that no adjustments to net realizable value should be expensed through profit or loss in year 2023. In Latvia, Estonia, and Lithuania inventories are pledged as bonds` collateral, total amount of pledged inventory in these countries is EUR 12 381 295 (31.12.2022: EUR 12 665 412).

## 16. Other assets

	31.12.2023 EUR	31.12.2022 EUR
BPM asset declared to tax authorities	583 425	599 629
BPM tax receivable	74 551	55 408
BPM asset to be declared to tax authorities	-	220 793
<b>TOTAL:</b>	<b>657 976</b>	<b>875 830</b>

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, 2023 Group had recognized EUR 583 425 as claims and EUR 74 551 as accounts receivable as they were approved by tax authority. Payments expected to be received within 4 and 2 months respectively.

## 17. Prepayments to suppliers and similar

	31.12.2023 EUR	31.12.2022 EUR
VAT receivable and other taxes	338 376	561 474
Prepays	81 496	-
Advances paid for goods and services	80 296	214 168
Security deposits	68 748	86 422
<b>TOTAL:</b>	<b>568 916</b>	<b>862 064</b>

## 18. Trade and other receivables

	31.12.2023 EUR	31.12.2022 EUR
Receivables for sold motor vehicles and commissions	214 100	167 307
Impairment allowance	(5 376)	(5 376)
<b>TOTAL:</b>	<b>208 724</b>	<b>161 931</b>

### 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
<b>2023</b>						
Finance companies	135 473	-	-	-	-	<b>135 473</b>
Private persons	73 251	-	-	5 376	(5 376)	<b>73 251</b>
<b>Total undiscounted financial assets</b>	<b>208 724</b>	<b>-</b>	<b>-</b>	<b>5 376</b>	<b>(5 376)</b>	<b>208 724</b>
<b>2022</b>						
Finance companies	53 426	-	-	-	-	<b>53 426</b>
Private persons	108 406	99	-	5 376	(5 376)	<b>108 505</b>
<b>Total undiscounted financial assets</b>	<b>161 832</b>	<b>99</b>	<b>-</b>	<b>5 376</b>	<b>(5 376)</b>	<b>161 931</b>

### Movements in the impairment allowance for trade receivables:

<b>Impairment allowance for trade receivables as at 01.01.2022</b>	<b>12 691</b>
Additional allowances	-
Decrease of allowances due to write-off of debts	(7 315)
<b>Impairment allowance for trade receivables as at 31.12.2022</b>	<b>5 376</b>
Additional allowances	-
Decrease of allowances due to received debts	-
<b>Impairment allowance for trade receivables as at 31.12.2023</b>	<b>5 376</b>

## 19. Contract assets

	31.12.2023 EUR	31.12.2022 EUR
Commissions receivable	135 573	139 848
<b>TOTAL:</b>	<b>135 573</b>	<b>139 848</b>

## 20. Other investments, including derivatives

Current investments	31.12.2023 EUR	31.12.2022 EUR
Corporate bond-trading portfolio at FVTPL	1 002 666	-
<b>TOTAL:</b>	<b>1 002 666</b>	<b>-</b>

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

Corporate bonds have stated interest rate 9% + 3M EURIBOR and are held for trading.

Information about the Group's exposure to credit and market risks, and fair value measurement, is included in **Note 30**.

## 21. Cash and cash equivalents

	31.12.2023 EUR	31.12.2022 EUR
Cash at banks and payment systems	1 134 758	1 418 890
Cash on hand*	38 298	5 872
Cash in transit	80 042	-
<b>TOTAL:</b>	<b>1 253 098</b>	<b>1 424 762</b>

This financial asset is not impaired as of 31.12.2023 (31.12.2022: 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 (31.12.2022: EUR 0).

## 22. Share capital

The share capital of the Parent Group is EUR 13 017 058 and consists 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
<b>Opening balance as at 1 January 2022</b>	<b>12 969 926</b>	<b>250 000</b>	<b>13 219 926</b>
<b>Closing balance as at 31 December 2022</b>	<b>12 969 926</b>	<b>250 000</b>	<b>13 219 926</b>
<b>Opening balance as at 1 January 2023</b>	<b>12 969 926</b>	<b>250 000</b>	<b>13 219 926</b>
Issue of ordinary shares	47 132	-	<b>47 132</b>
<b>Closing balance as at 31 December 2023</b>	<b>13 017 058</b>	<b>250 000</b>	<b>13 267 058</b>

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.

Shares are split in A type and B type and C type shares. B type shares do not provide a shareholder with voting rights and rights to dividends, liquidation quota is limited to EUR 0.10 per share. C type shares are held just by employees and ex-employees of Longo Group, they do not provide a shareholder with voting rights.

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

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

## 23. 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 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 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 2028. 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:

	2023		2022	
	Number	Weighted average exercise price	Number	Weighted average exercise price
<b>Outstanding at 1 January</b>	<b>1 568 750</b>	-	<b>1 350 000</b>	-
Granted during the year	400 000	-	425 000	-
Terminated due to failed conditions	64 059	-	206 250	-
Exercised	471 329	-	-	-
<b>Outstanding at 31 December</b>	<b>1 433 362</b>	-	<b>1 568 750</b>	-
Exercisable at the end of the period	743 379	-	340 610	-

The total value of Share option program is EUR 140 000 (2022: 175 000 EUR), value of granted and vested at 31 December 2023 EUR 12 215 (2022: 48 007 EUR), expense attributable to the granted and vested shares in 2023 were recognized in Administrative expenses (Note 7) and as Share based payment reserve. Fair value of one share is EUR 0.12 (2022: EUR 0.11).

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 (2022: 0). The weighted average remaining contractual life for the share options outstanding as at 31 December 2023 is 3 years (2022: 2 years).



## 24. Loans and borrowings

Non-current	Interest rate per annum (%)	Maturity	31.12.2023 EUR	31.12.2022 EUR
Liabilities for issued debt securities				
Bonds 3.00 million EUR notes issue <sup>1)</sup>	6%	30.12.2026	2 872 469	2 708 794
Bonds 4.90 million EUR notes issue <sup>2)</sup>	6%+3M EURIBOR	30.06.2025	4 511 038	2 541 164
<b>TOTAL:</b>			<b>7 383 507</b>	<b>5 249 958</b>
Lease liabilities <sup>4)</sup>	3%-9%	up to 5 years	769 027	1 314 335
<b>TOTAL:</b>			<b>769 027</b>	<b>1 314 335</b>
Loans from related parties <sup>5)</sup>	6%	31.12.2024	-	169 667
<b>TOTAL:</b>			<b>-</b>	<b>169 667</b>
<b>TOTAL NON-CURRENT BORROWINGS:</b>			<b>8 152 534</b>	<b>6 733 960</b>

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 redemption 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) 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, 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.

Current	Interest rate per annum (%)	Maturity	31.12.2023 EUR	31.12.2022 EUR
Liabilities for issued debt securities				
Bonds 3.00 million EUR notes issue <sup>1)</sup>	6%	30.12.2026	124 347	117 296
Bonds 4.90 million EUR notes issue <sup>2)</sup>	6%+3M EURIBOR	30.06.2025	241 690	144 380
Bonds 1.515 million EUR notes issue <sup>3)</sup>	6%	30.11.2024	1 472 464	2 934 410
<b>TOTAL:</b>			<b>1 838 501</b>	<b>3 196 086</b>
Lease liabilities <sup>4)</sup>	3%-9%	up to 12 months	591 825	659 675
<b>TOTAL:</b>			<b>591 825</b>	<b>659 675</b>
Accrued interest on loans from related parties		05.01.2023	-	877
<b>TOTAL:</b>			<b>-</b>	<b>877</b>
<b>TOTAL CURRENT BORROWINGS:</b>			<b>2 430 326</b>	<b>3 856 638</b>

## 24. Loans and borrowings (continued)

### Movements of interest bearing liabilities and equity

	Liabilities			Equity		Total EUR
	Debt securities EUR	Lease liabilities EUR	Loan from related parties EUR	Other loans and borrowings EUR	Share capital/ Share premium EUR	
<b>Balance at 01 January 2023</b>	<b>8 446 045</b>	<b>1 974 010</b>	<b>170 545</b>	<b>(0)</b>	<b>13 219 926</b>	<b>23 810 525</b>
Proceeds from debt securities	2 250 000	-	-	-	-	2 250 000
Bonds repurchased	(1 685 000)	-	-	-	-	(1 685 000)
Payment of lease liabilities	-	(695 951)	-	-	-	(695 951)
Capitalised borrowing costs	(64 481)	-	-	-	-	(64 481)
Interest paid	(707 877)	(55 759)	(2 574)	-	-	(766 210)
<b>Total changes from financing cash flows</b>	<b>(207 359)</b>	<b>(751 710)</b>	<b>(2 574)</b>	<b>-</b>	<b>-</b>	<b>(961 643)</b>
<b>Other changes</b>						
<i>Liability-related</i>						
New leases	-	80 102	-	-	-	80 102
Securitised/ Capitalised loans	169 667	-	(169 667)	-	-	-
Interest expense	813 659	58 448	1 697	-	-	873 804
<b>Total liability-related other changes</b>	<b>983 326</b>	<b>138 550</b>	<b>(167 970)</b>	<b>-</b>	<b>-</b>	<b>953 905</b>
Equity-settled share-based payment	-	-	-	-	47 132	47 132
<b>Total equity-related other changes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47 132</b>	<b>47 132</b>
<b>As at 31 December 2023</b>	<b>9 222 012</b>	<b>1 360 850</b>	<b>-</b>	<b>-</b>	<b>13 267 058</b>	<b>23 849 920</b>
<b>Balance at 01 January 2022</b>	<b>4 442 267</b>	<b>1 536 177</b>	<b>18 175</b>	<b>(0)</b>	<b>13 219 926</b>	<b>19 216 545</b>
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)
<b>Total changes from financing cash flows</b>	<b>2 697 497</b>	<b>(600 990)</b>	<b>964 380</b>	<b>-</b>	<b>-</b>	<b>3 060 887</b>
<b>Other changes</b>						
<i>Liability-related</i>						
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
<b>Total liability-related other changes</b>	<b>1 306 280</b>	<b>1 038 823</b>	<b>(812 010)</b>	<b>-</b>	<b>-</b>	<b>1 533 093</b>
<b>Total equity-related other changes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>As at 31 December 2022</b>	<b>8 446 045</b>	<b>1 974 010</b>	<b>170 545</b>	<b>(0)</b>	<b>13 219 926</b>	<b>23 810 525</b>



## 25. Taxes payable

	31.12.2023 EUR	31.12.2022 EUR
VAT	352 502	311 844
Social security contributions	77 312	109 377
Personal income tax	35 096	42 935
Other taxes	686	952
<b>TOTAL:</b>	<b>465 596</b>	<b>465 108</b>

## 26. Other liabilities

	31.12.2023 EUR	31.12.2022 EUR
Liabilities against employees for salaries	62 136	60 251
Advances received from customers	11 769	19 166
Provisions for warranties	6 455	11 921
Employees expenses claims	3 010	1 267
Unidentified payments from customers	608	13 925
<b>TOTAL:</b>	<b>83 978</b>	<b>106 530</b>

## 27. Accrued liabilities

	31.12.2023 EUR	31.12.2022 EUR
Accrued unused vacation	164 901	182 991
Accrued liabilities for services/goods received	263 960	82 408
Accruals for bonuses	-	32 335
<b>TOTAL:</b>	<b>428 861</b>	<b>297 734</b>





## 28. Related party disclosures

As at 31 December 2023 and 31 December 2022 Longo Group JSC individually controls the Group.

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

The income, expense items and loans with related parties for years 2023 and 2022 were as follows:

	2023 EUR	2022 EUR
Loans outstanding	-	160 667
Subordinated bonds LV0000802544	1 660 000	1 330 000
Bonds LV0000860062	200 000	-
Loans interest expense	1 697	98 250
Bonds interest expense	91 374	26 990
<b>TOTAL:</b>	<b>1 953 071</b>	<b>1 615 907</b>

Key management personnel compensation

	2023 EUR	2022 EUR
<b>Board Members</b>		
Remuneration	237 123	241 384
Social security contribution expenses	55 937	56 943
<b>TOTAL:</b>	<b>293 060</b>	<b>298 327</b>

There are no outstanding balances as of 31 December 2023 with members of the Group's Management Board members (none at 31 December 2022). There are no emoluments granted to the members of the Board and commitments in respect of retirement pensions for former members of the Board.

## 29. Commitments and contingencies

The Group shall comply with the following financial covenants set out in the Terms of the senior secured bonds issued (ISIN LV0000860062 and LV0000860096) and subordinated bonds issued (ISIN LV0000802544).

These financial covenants are the following:

- 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;
- 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;
- 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:

- 2.1x
- 55%
- 2.2

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

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

## 30. 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**

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. The Group has exposure to market risk from corporate bond, but has assessed the exposure to be within acceptable limits for the Group.

#### **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 2023, the Group's Polish zloty functional currency entity had Euro denominated net monetary liabilities of EUR 380 393 (2022: EUR 905 733). At 31st December 2023, 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 18 114 (2022: EUR 41 172) 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 Company'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.

#### **Interest rate risk**

The Group's loans and bonds comprise of long-term fixed rate borrowings EUR 4 469 280 (2022: EUR 5 931 043) and floating rate borrowings EUR 4 752 728 (2022: EUR 2 685 544). 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 8.86% at the end of 2023 and 7.17% at the end of 2022.

At 31 December 2023, 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 47 527 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:

	31.12.2023	31.12.2022
Latvia	466 953	1 050 644
Estonia	56 980	108 320
Lithuania	240 166	85 653
Belgium	42 819	73 476
The Netherlands	249 503	54 628
Poland	188 045	45 115
Germany	8 631	6 929
<b>TOTAL:</b>	<b>1 253 098</b>	<b>1 424 765</b>

#### **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, 2023 was 55%. 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 29**.

## 30. 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.

The table below presents the cash flows payable by the Group and to the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the date of the statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flow. Cash flow payable for borrowings includes estimated interest payments assuming principal is paid in full at maturity date.

31.12.2023	Contractual cash flows					Total EUR
	Carrying value EUR	On demand	Up to 1 year EUR	2-5 years EUR	More than 5 years EUR	
<b>Liabilities</b>						
Loans from related parties	-	-	-	-	-	-
Liabilities for issued debt securities	(9 222 009)	-	(2 264 944)	(8 503 310)	-	<b>(10 768 254)</b>
Lease liabilities	(1 360 852)	-	(628 209)	(807 696)	-	<b>(1 435 905)</b>
Other liabilities	(357 961)	-	(357 961)	-	-	<b>(357 961)</b>
<b>Total undiscounted financial liabilities</b>	<b>(10 940 821)</b>	-	<b>(3 251 113)</b>	<b>(9 311 006)</b>	-	<b>(12 562 119)</b>

31.12.2022	Contractual cash flows					Total EUR
	Carrying value EUR	On demand	Up to 1 year EUR	2-5 years EUR	More than 5 years EUR	
<b>Liabilities</b>						
Loans from related parties	(169 667)	-	(11 057)	(179 847)	-	<b>(190 904)</b>
Liabilities for issued debt securities	(8 446 044)	-	(621 150)	(10 266 551)	-	<b>(10 887 700)</b>
Lease liabilities	(1 974 010)	-	(715 967)	(1 319 220)	(46 208)	<b>(2 081 396)</b>
Other liabilities	(511 370)	-	(511 370)	-	-	<b>(511 370)</b>
<b>Total undiscounted financial liabilities</b>	<b>(11 101 090)</b>	-	<b>(1 859 544)</b>	<b>(11 765 618)</b>	<b>(46 208)</b>	<b>(13 671 370)</b>

As disclosed in Note 29, 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 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. Receivables for sold motor vehicles and leasing commissions form 208 724 EUR in 2023 (161 931 EUR in 2022). 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 1 065 053 EUR in 2023 (1 379 647 EUR in 2022) and 816 021 PLN in 2023 (211 173 PLN in 2022), they are deposited in total of 8 banks or payment systems.

The Group limit its exposure to credit risk by investing only in liquid financial assets. The Group monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting day that has not been reflected in published ratings, the Group supplements this by reviewing changes in bond yields and, where available, credit default swap prices together with available press and regulatory information about debtors.

## 31. 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.

31 December 2023 In thousands of euro	Note	Carrying amount		Fair value			
		Total		Level 1	Level 2	Level 3	Total
<b>Financial assets not measured at fair value</b>							
Corporate bond-trading portfolio	20	1 003	1 003	-	-	1 003	<b>1 003</b>
<b>Total assets at fair value</b>		<b>1 003</b>	<b>1 003</b>	<b>-</b>	<b>-</b>	<b>1 003</b>	<b>1 003</b>
<b>Financial liabilities not measured at fair value</b>							
Issued debt securities	24	9 222	9 222	-	-	9 070	<b>9 070</b>
<b>Total liabilities at fair value</b>		<b>9 222</b>	<b>9 222</b>	<b>-</b>	<b>-</b>	<b>9 070</b>	<b>9 070</b>

31 December 2022 In thousands of euro	Note	Carrying amount		Fair value			
		Total		Level 1	Level 2	Level 3	Total
<b>Financial liabilities not measured at fair value</b>							
Issued debt securities	24	8 468	8 468	-	-	8 250	<b>8 250</b>
<b>Total liabilities at fair value</b>		<b>8 468</b>	<b>8 468</b>	<b>-</b>	<b>-</b>	<b>8 250</b>	<b>8 250</b>

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 2023 and 2022.

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.



## 32. 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, Estonia and Poland. 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.

2023	Latvia EUR	Estonia EUR	Lithuania EUR	Poland EUR	Group sales EUR	Group sourcing and administrative functions EUR	Eliminations EUR	IFRS 16 EUR	Group EUR
<b>Revenue</b>	17 682 128	13 922 570	30 679 523	1 538 598	63 822 819	39 889 659	(57 872 126)	-	<b>45 840 353</b>
internal	6 035 389	4 738 527	6 416 698	665 845	17 856 459	39 873 246	(57 872 126)	-	<b>(142 421)</b>
external	11 646 739	9 184 043	24 262 825	872 753	45 966 360	16 413	-	-	<b>45 982 774</b>
sales of cars	11 595 274	9 128 720	24 206 848	872 601	45 803 444	16 413	-	-	<b>45 819 858</b>
sale of services	51 465	55 322	55 977	152	162 916	-	-	-	<b>162 916</b>
<b>COS</b>	(16 938 864)	(13 528 744)	(29 475 402)	(1 666 814)	(61 609 824)	(41 088 925)	61 881 149	-	<b>(40 817 600)</b>
<b>Gross profit</b>	743 265	393 826	1 204 121	(128 216)	2 212 996	(1 199 266)	4 009 023	-	<b>5 022 753</b>
<b>EBITDA</b>	120 258	22 034	203 832	111 863	457 987	(266 329)	736 266	752 026	<b>1 679 949</b>
Depreciation and amortization	(27 934)	(32 816)	(28 110)	(6 601)	(95 462)	(269 237)	-	(682 914)	<b>(1 047 612)</b>
<b>Operating profit</b>	92 324	(10 782)	175 722	105 262	362 525	(535 566)	425 470	69 112	<b>321 542</b>
Finance costs	(153 316)	(269 876)	(304 483)	(61 261)	(788 937)	(23 020)	(47)	(58 448)	<b>(870 452)</b>
<b>Profit before income tax</b>	(60 993)	(280 658)	(128 762)	44 002	(426 411)	(558 587)	425 423	10 664	<b>(548 911)</b>
Income tax (expense) / income	(2)	-	15 476	-	15 474	2 463	-	-	<b>17 937</b>
<b>Assets</b>	4 280 211	2 993 334	6 876 605	1 009 952	15 160 102	27 685 171	(24 420 435)	1 292 304	19 717 143
<b>Liabilities</b>	(3 786 264)	(2 738 492)	(5 703 963)	(929 876)	(13 158 595)	(13 832 017)	16 502 331	(1 360 847)	(11 849 128)

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

### 33. Events after the reporting period

The Group management decided to begin scaling up its inventory before the high season of sales therefore selling the held bonds (ISIN:LV0000860146) worth EUR 1 million in March and April 2024.

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

Signed on behalf of the Group on 19 April 2024 by:

---

**Edgars Cērps**

Chairman of the Board

---

**Jacob Willem Hoogenboom**

Member of the Board

---

**Oļivija Lavrenova**

Senior Group Accountant

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





**KPMG Baltics SIA**  
Roberta Hirsā iela 1  
Rīga, LV-1045  
Latvia

T: + 371 67038000  
kpmg.com/lv  
[kpmg@kpmg.lv](mailto:kpmg@kpmg.lv)

## **Independent Auditors' Report**

### **To the shareholders of Longo Group AS**

#### *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 10 to 47 of the accompanying consolidated Annual Report, which comprise:

- the consolidated statement of financial position as at 31 December 2023,
- 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 material 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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards 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 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 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 9 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 IFRS Accounting Standards 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  
19 April 2024

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