



Longo Group JSC

Unified registration number 42103081417

Condensed Consolidated Interim Financial Statements

For the period ended 31.03.2023

Unaudited

Prepared in accordance with International
Financial Reporting Standards as adopted by the EU
Latvia, 2023

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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	31.03.2023
	SIA ALPPES Capital 46%
	Other shareholders 54%
	TOTAL: 100%
Board Members	Edgars Cērps - Chairman of the Board from 28.12.2020 Jacob Willem Hoogenboom - Member of the Board from 28.12.2020
Council Members	Aigars Kesenfelds - Chairman of the Council from 28.12.2020 Māris Keišs - Deputy of the Council from 01.03.2021 Alberts Pole - Member of the Council from 01.03.2021 Kristaps Ozols - Member of the Council from 01.03.2021 Jonathan Neil Smith - Member of the Council from 01.03.2021
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%)
Financial period	01.01.2023 - 31.03.2023
Previous financial period	01.01.2022 - 31.03.2022

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



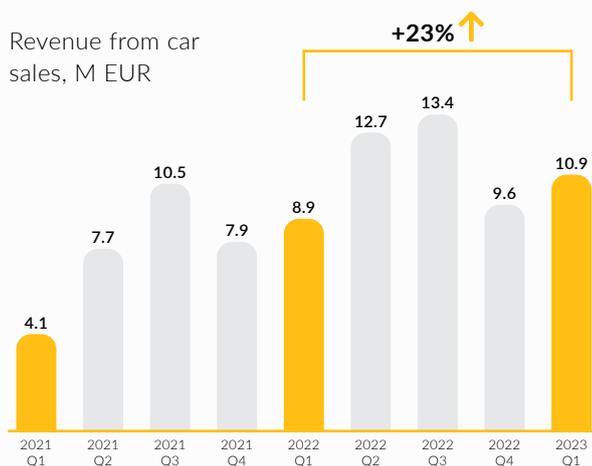
04. Aftersales

Longo also provides aftersales warranty and reengages customers for next purchase



Longo demonstrates strong year-on-year growth per quarters

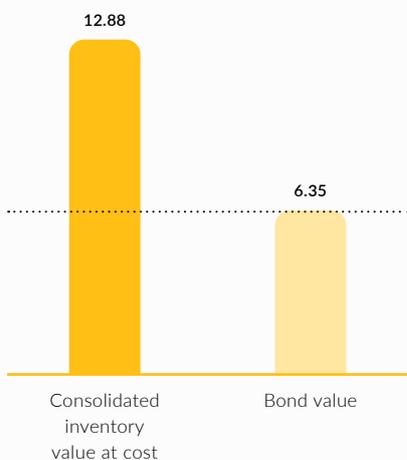
Revenue from car sales, M EUR



Longo current inventory comfortably covers the value of issued bonds

Longo inventory value, in M EUR

As of 31 Mar 2023



Management Report

30 MAY 2023

Business results

Perpetual development and improvement of processes and dedication of the team, have led Longo to first quarter 2023 revenue of EUR 10.9 million, which is 23% up compared to Q1 2022. Even in harsh market conditions the Group has successfully preserved its leading position across main markets of operation.

Due to multiple external factors - high inflation and interest rate environment, soaring energy costs, along with weakened customer demand and drop in used car retail prices at the end of the year 2022, the gross profit of Longo in first three months is down 22% compared to same period last year to EUR 0.84 million, with gross margin being 7.7%. Longo is on its path to recovering the margins and thus its profitability - each month of Q1 has shown improvement in margin and the positive trend continues in April and May as well. The Group is making 10.4% and 11.5% gross margins in these months respectively.

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. In line with its growth strategy, at the beginning of 2023 Longo has opened two new sales branches - in Narva, Estonia and Daugavpils, Latvia. In total now there are 4 branches supporting sales of the main sales locations. Recognizing signs of market stabilization, Longo prudently began expanding its inventory towards the end of the first quarter to support the expected increase in demand.

Future prospects

The Group has ambitious plans for year 2023 and beyond - to become profitable while increasing its revenue even further. It is to be achieved by boosting its brand awareness, expanding its physical network, and increasing the car assortment. 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. During Q1 insurance was available in Lithuania, during Q2 it is planned to be launched in Latvia and afterwards - Estonia.

Equity ratio

As of 31 Mar 2023



M EUR	2023 Q1	2022 Q1
Revenue	10.94	8.93
Gross profit	0.84	1.07
EBITDA	(0.09)	0.22

“Even in harsh market conditions, the Group has successfully preserved its leading position across main markets of operation”

Edgars Cērps

Group CEO and Co-Founder



Largest 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 Company. Longo considers all of its material counterparties to be creditworthy as they represent well-established financial institutions. The Group's exposure to credit risk is continuously monitored, in particular, if agreed payments are delayed.

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

Interest rate risk

Longo's interest rate risk arises primarily from its debt. As at 31 March 2023, a long-term debt of EUR 5.91 million is financed:

- EUR 2.87 million at fixed rates (6% on average) for a period of on average 3 years;
- EUR 3.03 million at a floating interest rate (6% + 3M EURIBOR) for a period of 2.25 years.

Capital risk

The Group's objective when managing capital (net debt and total equity) is to ensure the continuity of its operations and within foreseeable future achieve optimal returns to shareholders. Management aims to maintain an optimal capital and funding structure that ensures the lowest cost of capital available to the Group.

The Group monitors equity capital on the basis of the capitalization ratio as defined in Bond prospectus. This ratio is calculated as Ratio of Adjusted Equity (the aggregate book value of the Group's total equity on a consolidated basis, increased by Subordinated Debt) to consolidated assets of the Group. Ratio as at March 31, 2023 was 53%. Overall management of the borrowings is driven by monitoring and complying with the lender imposed covenants as well as planning the further borrowing needs to ensure business development of the Group.

Liquidity risk

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

Events after the reporting period

In May 2023, the Group sold additional 0.3 million EUR of its issued bonds (ISIN LV0000860096)

Signed on behalf of the Group on 30 May 2023 by:

Edgars Cērps

Chairman of the Board

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Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

	Notes	01.01.2023-31.03.2023 EUR	01.01.2022-31.03.2022 EUR
Revenue from vehicle sales		10,938,372	8,927,799
Cost of sales		(10,097,850)	(7,855,589)
Gross profit		840,522	1,072,210
Selling expenses		(353,354)	(243,572)
Administrative expenses	1	(1,154,587)	(1,067,875)
Other operating income		349,792	292,604
Other operating expenses		(3,352)	(20,762)
Interest expenses and similar expenses	2	(192,717)	(96,710)
Net operating expenses		(1,354,218)	(1,136,315)
Profit before tax		(513,696)	(64,105)
Income tax		10,717	7,663
Net profit/(loss) for the year		(502,979)	(56,442)
EBITDA		(89 261)	215,312
Other comprehensive loss			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Foreign operations - foreign currency translation differences		(6,106)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(509,085)	(56,442)

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

Signed on behalf of the Group on 30 May 2023 by:

Edgars Cērps
Chairman of the Board

Jevgenijs Sokolovs
Chief Accountant

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Consolidated Statement of Financial Position

ASSETS

NON-CURRENT ASSETS	Notes	31.03.2023 EUR	31.12.2022 EUR
Intangible assets			
Intangible assets		763,112	690,960
Intangible assets development costs		14,833	12,474
Total intangible assets		777,945	703,434
Tangible assets			
Right-of-use assets		1,680,476	1,894,801
Property and equipment		450,052	421,279
Leasehold improvements		117,704	122,074
Construction in progress		128,958	145,610
Total tangible assets		2,377,190	2,583,764
Deferred tax assets		334,730	323,999
Total non-current financial assets		334,730	323,999
TOTAL NON-CURRENT ASSETS		3,489,865	3,611,197
CURRENT ASSETS			
Inventories			
Goods for resale and raw materials	3	12,936,763	13,064,264
Work in progress	3	127,810	111,499
Total inventories		13,064,573	13,175,763
Receivables and other current assets			
Other assets		893,116	875,830
Trade and other receivables		398,924	161,931
Prepayments to suppliers and similar	4	1,456,651	862,064
Contract assets		102,746	139,848
Total receivables and other current assets		2,851,437	2,039,673
Cash and cash equivalents		923,481	1,424,762
TOTAL CURRENT ASSETS		16,839,491	16,640,198
TOTAL ASSETS		20,329,356	20,251,395

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Consolidated Statement of Financial Position

EQUITY AND LIABILITIES

EQUITY	Notes	31.03.2023 EUR	31.12.2022 EUR
Share capital		12,969,926	12,969,926
Share premium		250,000	250,000
Share-based payment reserve		48,007	48,007
Foreign currency translation reserve		(6,106)	(149)
Accumulated losses/Retained earnings			
brought forward		(4,882,016)	(5,048,909)
for the period		(502,979)	166,893
TOTAL EQUITY		7,876,832	8,385,768
LIABILITIES			
Non-current liabilities			
Loans and borrowings	5	7,014,687	6,733,960
Total non-current liabilities		7,014,687	6,733,960
Current liabilities			
Loans and borrowings	5	3,866,713	3,856,638
Trade payables		360,524	404,840
Taxes payable		655,006	465,108
Corporate income tax		550	817
Other liabilities		244,204	106,530
Accrued liabilities		310,840	297,734
Total current liabilities		5,437,837	5,131,667
TOTAL LIABILITIES		12,452,524	11,865,627
TOTAL EQUITY AND LIABILITIES		20,329,356	20,251,395

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Consolidated Statement of Changes in Equity

	Share capital	Share premium	Foreign currency translation reserve	Other reserves	Retained earnings / Accumulated loss	Total
Balance at 01.01.2022	12,969,926	250,000	-	38,007	(5,048,909)	8,209,024
<i>Total comprehensive income</i>						
Profit for the period	-	-	-	-	(56,442)	(56,442)
Total comprehensive income for the period	-	-	-	-	(56,442)	(56,442)
Balance at 31.03.2022	12,969,926	250,000	-	38,007	(5,105,351)	8,152,582
Balance at 01.01.2023						
Balance at 01.01.2023	12,969,926	250,000	(149)	48,007	(4,882,016)	8,385,768
<i>Total comprehensive income</i>						
Profit for the period	-	-	-	-	(502,979)	(502,979)
Other comprehensive income	-	-	(6,106)	-	-	(6,106)
Total comprehensive income for the period	-	-	(6,106)	-	(502,979)	(509,085)
Balance at 31.03.2023	12,969,926	250,000	(6,106)	48,007	(5,384,995)	7,876,832

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Consolidated Statement of Cash Flows

Cash flows to/from operating activities	Notes	01.01.2023-31.03.2023 EUR	01.01.2022-31.03.2022 EUR
Profit before tax		(513,696)	(64,105)
Adjustments for:			
Amortization and depreciation		234,648	183,680
Interest expense	2	189,787	95,737
Income from COVID-19 related rent concession		-	(1,228)
Cash flow from operating activities before working capital changes		(89,261)	214,084
(Increase)/ decrease in inventories		111,190	(2,303,849)
(Increase)/ decrease in trade and other receivables		(848,910)	(361,162)
(Decrease)/ increase in advances received and trade payables		283,256	84 915
(Decrease)/ increase in accrued liabilities		13,106	38,089
(Increase)/ decrease in accrued income		26,371	(379,396)
Cash flows used in/from operations		(504,248)	(2,707,319)
Corporate income tax paid		(267)	(277)
Net cash flows used in operating activities		(504,515)	(2,707,596)
Cash flows to/from investing activities			
Acquisition of property and equipment and other intangible assets		(157,910)	(177,219)
Net cash flows to/from investing activities		(157,910)	(177,219)
Cash flows to/from financing activities			
Payments for borrowings issuance costs		(12,670)	(18,802)
Repayment of liabilities for right-of-use assets		(162,202)	(118,105)
Borrowing received		-	500,001
Bonds issued		500,000	470,000
Interest paid		(155,815)	(84,056)
Cash payments for the interest portions of lease liabilities		(8,169)	(12,254)
Net cash flows to/from financing activities		161,144	736,784
Change in cash		(501,281)	(2,148,031)
Cash at the beginning of the period		1,424,762	2,890,919
CASH AT THE END OF THE PERIOD		923,481	742,888

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Notes to the Consolidated Financial Statements

1. Administrative expenses

	01.01.2023-31.03.2023 EUR	01.01.2022-31.03.2022 EUR
Employees' salaries	561,362	545,678
Amortization and depreciation	234,648	183,680
Office and branches' maintenance expenses	86,687	67,914
Social tax contributions	81,058	69,125
Other personnel expenses	37,144	57,107
Professional services	33,560	40,622
IT services	31,643	20,862
Recruitment fees	16,242	13,186
Audit fees	16,162	12,435
Insurance	15,085	8,945
Business trips	8,266	6,233
Communication expenses	5,638	5,132
Transportation expenses	4,728	4,914
Representation	4,056	3,376
Bank commissions	3,052	2,801
Legal services	1,634	6,750
Other administrative expenses	13,622	19,115
TOTAL:	1,154,587	1,067,875

2. Interest expenses and similar expenses

	01.01.2023-31.03.2023 EUR	01.01.2022-31.03.2022 EUR
Interest expenses on issued bonds	173,821	77,433
Interest expenses on lease liabilities	14,269	13,308
Other financial expenses	2,930	973
Interest expenses on loan facilities	1,697	4,996
TOTAL:	192,717	96,710

3. Inventories

	31.03.2023 EUR	31.12.2022 EUR
Acquired vehicles for purpose of selling them to customers	12,884,460	13,014,464
<i>Lithuania</i>	5,844,519	5,249,795
<i>Latvia</i>	3,191,157	3,973,670
<i>Estonia</i>	2,647,534	3,742,559
<i>Poland</i>	506,239	593,445
<i>NRV allowance</i>	-	(160,113)
<i>Netherlands</i>	853,023	78,184
<i>Belgium</i>	257,038	-
<i>Intercompany consolidation eliminations</i>	(385,040)	(455,176)
<i>Commitment to purchase cars</i>	(30,010)	(7,900)
Raw materials	52,303	49,800
Work in progress	127,810	111,499
TOTAL:	13,064,573	13,175,763

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 and other costs associated with preparing the car for sale. At the reporting date, a detailed review for net realizable value is executed for cars that have been in inventory on March 31. Management had performed analysis to determine profit margins for all cars that were sold after the reporting period, and concluded that no adjustments to net realizable value should be expensed through profit or loss in Q1 2023. In Latvia, Estonia and Lithuania inventories are pledged as bonds' collateral, total amount of pledged inventory in these countries is EUR 11 683 210 (31.12.2022: EUR 12 665 412).

4. Prepayments to suppliers and similar

	31.03.2023 EUR	31.12.2022 EUR
VAT receivable and other taxes*	1,033,172	561,474
Advances paid for goods and services	333,069	214,168
Security deposits	90,410	86,422
TOTAL:	1,456,651	862,064

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



5. Loans and borrowings

Non-current	Interest rate per annum (%)	Maturity	31.03.2023 EUR	31.12.2022 EUR
<i>Liabilities for issued debt securities</i>				
Bonds EUR 3.00 million notes issue ²⁾	6%	31-12-26	2,872,767	2,708,794
Bonds EUR 3.35 million notes issue ³⁾	6%+3M EURIBOR	30-06-25	3,033,217	2,541,164
TOTAL:			5,905,984	5,249,958
Lease liabilities ⁴⁾	3%-8%	up to 5 years	1,108,703	1,314,335
TOTAL:			1,108,703	1,314,335
Loans from related parties ⁵⁾	6%	31-12-24	-	169,667
TOTAL:			-	169,667
TOTAL NON CURRENT BORROWINGS:			7,014,687	6,733,960

¹⁾ On 30 November 2021, the Group registered with the Latvian Central Depository a bond facility through which it can raise up to EUR 3 million. The Group has raised a total of EUR 3 000 000 as at 31 March 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 and carry a fixed coupon of 6% per annum, paid monthly in advance. The notes are recognised as short-term liability as the Noteholders have the right to early redemption of the notes (put option) on 30 November 2023.

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

The Group has raised a total of EUR 3 000 000 as at 31 March 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.

³⁾ On 10 June 2022, the Group registered with the Latvian Central Depository a bond facility through which it can raise up to EUR 5 million.

The Group has raised a total of EUR 3 350 000 as at 31 March 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,

Accordingly, those liabilities are split between current and non-current as at 31 March 2023.

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.

Current	Interest rate per annum (%)	Maturity	31.03.2023 EUR	31.12.2022 EUR
<i>Liabilities for issued debt securities</i>				
Bonds EUR 3.00 million notes issue ¹⁾	6%	30-11-24	2,941,662	2,934,410
Bonds EUR 3.00 million notes issue ²⁾	6%	31-12-26	122,788	117,296
Bonds EUR 3.35 million notes issue ³⁾	6%+3M EURIBOR	30-06-25	153,186	144,380
TOTAL:			3,217,636	3,196,086
Lease liabilities ⁴⁾	3%-8%	up to 5 years	649,077	659,675
TOTAL:			649,077	659,675
Accrued interest on loans from related parties		05-01-23	-	877
TOTAL:			-	877
TOTAL CURRENT BORROWINGS:			3,866,713	3,856,638

6. Commitments and contingencies

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

These financial covenants are the following:

- A) To maintain consolidated Interest Coverage Ratio (The ratio of EBITDA to Net Finance Charges for the Relevant Period) of at least 2x (two times), calculated for the Relevant Period at the end of each quarter;
- B) To maintain consolidated Equity Ratio (Ratio of Adjusted Equity (the aggregate book value of the Group's total equity on a consolidated basis, increased by Subordinated Debt, according to the most recent Financial Report) to consolidated assets of the Group calculated according to the most recent Financial Report) at least 30% (thirty per cent) calculated for the Relevant Period at the end of each quarter;
- C) To maintain Inventory Coverage Ratio (The ratio of Pledged Inventory plus consolidated Cash and Cash Equivalents of the Group divided by the Secured Financial Indebtedness) for the Collateral Provider of at least 1.5x (one point five times), calculated for the Relevant Period at the end of each quarter.

During the reporting period the Group complied with all externally imposed capital requirements to which it was subjected to.

All of the covenants are fulfilled with following ratios:

- A) 2.02
- B) 53%
- C) 2.06

As part of the sourcing process, the Group has committed to purchase vehicles with total costs of EUR 30 010 (2022: EUR 7 900). Commitment was realised in April 2023 in full.

7. Events after the reporting period

In May 2023, the Group sold additional 0.3 million EUR of its issued bonds (ISIN LV0000860096)

Signed on behalf of the Group on 30 May 2023 by:

Edgars Cērps
Chairman of the Board

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