

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

ANNUAL REPORT FOR 2021

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

AND THE INDEPENDENT AUDITOR'S REPORT

Riga, 2022

CONTENTS

Information about the company	3
Management Report	4
Financial statements	
Profit and Loss Statement	5
Balance Sheet	6
Notes to the Financial Statements	8
Independent Auditor's Report	16

Information about the company

Name of the parent company	Longo Group
Legal status of the parent company	JOINT STOCK COMPANY
Unified registration number, place and date of registration	42103081417, Rīga, 30 October 2017
Registered office	Mūkusalas iela 72A, Rīga, LV-1004, Latvia
Shareholders	31.12.2021
	SIA ALPPES Capital 46%
	Other shareholders 54%
	TOTAL 100%
Members of the Board	Edgars Cērps - Chairman of the Board from 28.12.2020 Jacob Willem Hoogenboom - Member of the Board from 28.12.2020
Members of the Council	Aigars Kesenfelds - Chairman of the Council from 28.12.2020 Māris Keišs - from 01.03.2021 Alberts Pole - from 01.03.2021 Kristaps Ozols - from 01.03.2021 Smith Neil Jonathan - from 01.03.2021 Mārtiņš Baumanis - 28.12.2020 - 01.03.2021
Subsidiaries	Longo Latvia AS, Latvia (100%) Longo Lithuania UAB, Lithuania (100%) Longo Estonia OU, Estonia (100%) Longo Shared Services UAB, Lithuania (100%) Longo Netherlands B.V., The Netherlands (100%) Longo Belgium BVBA, Belgium (99%) Maxxus GmbH, Germany (100%)
Reporting year	1 January 2021 - 31 December 2021
Previous reporting year	1 January 2020 - 31 December 2020
Auditors	KPMG Baltics SIA, Vesetas iela 7, Rīga, LV-1013, License No. 55 Certified Auditor In Charge Rainers Vilāns Certificate No. 200

Management Report

29 April 2022

Line of business

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

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

2021 was the third year of operation for the Company. At the end of the reporting year, the Company's subsidiaries operate in Latvia, Lithuania and Estonia, as well as in the Netherlands, Belgium and Germany. The Group seeks to change and improve the retail industry of used cars in the Baltics by providing a fully transparent, reliable and world class purchasing experience of used cars via both online and physical sales channels. Being a fully vertically integrated entity, the Group carefully selects and sources (purchases) most of its cars from the Netherlands, Belgium, Germany and the Baltic states. The Group has its own preparation center in Lithuania with facilities based in the Panevezys region. To ensure the highest quality standards, before cars are sold, they are thoroughly checked, conditioned and if needed repaired by Longo's professional team. The Group also offers its customers vehicle financing solutions of its partners.

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

Operational and financial results

2021 was a successful year for the Longo Group. Even with disruptions in the Group's business caused by COVID-19 restrictions and worldwide supply shortages, the Group managed to increase revenues over that of the previous year to EUR 1.1 million and earned a profit of EUR 35.3 thousand for the first time.

Financial risk management

Credit risk

Receivables are comprised of amounts due from subsidiaries. Credit risk refers to the risk that the Company will incur financial losses due to default of a counterparty. Longo Group AS believes that all subsidiaries are solvent and credit risk is continuously monitored, in particular if contractual payments become overdue.

Credit risk on cash and cash equivalents is limited because the counterparties are banks. To spread credit risk, Longo Group AS deposits its cash reserves with different banks.

Interest rate risk

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

Capital risk

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

Liquidity risk

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

Further development of the Company

The Group has ambitious plans for 2022 - to generate strong profit while increasing its revenue even further. It is to be achieved by boosting its brand awareness, opening a car sales branch in Poland and increasing the car assortment. A totally new concept in the market is planned - opening of showrooms in shopping malls and similar locations where customers have the opportunity to interact with sales representatives and order cars to be delivered for test drives. Also the Company plans to increase net sales to be able to support its subsidiaries in achieving their goal for 2022.

The Company complies to local laws relating to environmental protection.

Subsequent events

Longo Group JSC bonds have been admitted to trading on the Nasdaq Baltic First North Market by Nasdaq Riga as of 31 March 2022 (Note 23).

The Company or its subsidiaries have no direct exposure to the conflict in Ukraine and there are no immediate accounting implications. For more details on other events refer to Note 23.

Signed on behalf of the Company on 29 April 2022 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 it has a time-stamp

Financial Statements
Profit and Loss Statement for 2021

	Note	2021 EUR	2020 EUR
Net sales	3	1,098,879	963,149
<i>from management services</i>	3	1,098,879	963,149
Cost of services	4	(1,054,979)	(903,359)
Gross revenue		43,900	59,790
Administrative expense	5	(29,396)	(101,550)
Other operating income	6	7,987	22,550
Other operating expenses	7	(21,830)	(61,017)
Other interest and similar income			
<i>a) from related parties</i>	8	196,235	151,567
Interest and similar expenses			
<i>a) to related parties</i>	9	(146,336)	(128,875)
<i>b) to other parties</i>	9	(15,216)	(7,490)
Profit or (loss) before income tax		35,344	(65,025)
Corporate Income tax	10	(17)	(47)
Profit or (loss) of the reporting year after corporate income tax		35,327	(65,072)
Profit or (loss) of the reporting year		35,327	(65,072)

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

financial statements. Signed on behalf of the Company on 29 April 2022 by:

 Edgars Cērps
 Chairman of the Board

 Jacob Willem Hoogenboom
 Member of the Board

 Jevgenijs Sokolovs
 Chief accountant

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

Balance Sheet as at 31 December 2021

ASSETS		31.12.2021	31.12.2020
		EUR	EUR
LONG-TERM INVESTMENTS			
Intangible assets			
Other intangible assets	11	453,057	244,881
Advance payments for intangible assets	11	2,733	35,669
Total intangible assets		455,790	280,550
Fixed assets			
Other fixed assets	11	26,685	37,318
Total fixed assets		26,685	37,318
Long-term financial investments			
Investments in related companies	12	5,776,901	6,276,901
Loans to related parties	13	9,945,842	6,064,398
Total long-term financial investments		15,722,743	12,341,299
TOTAL LONG-TERM INVESTMENTS		16,205,218	12,659,167
CURRENT ASSETS			
Receivables			
Due from related parties	14	39,213	255,671
Prepaid expenses		11,871	6,608
Other debtors	15	24,468	13,729
Deferred income	16	10,732	167,019
Total receivables		86,284	443,027
Cash and cash equivalents		1,340,572	536,121
TOTAL CURRENT ASSETS		1,426,856	979,148
TOTAL ASSETS		17,632,074	13,638,315

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

financial statements. Signed on behalf of the Company on 29 April 2022 by:

 Edgars Cērps
 Chairman of the Board

 Jacob Willem Hoogenboom
 Member of the Board

 Jevgenijs Sokolovs
 Chief accountant

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

Balance Sheet as at 31 December 2021

EQUITY AND LIABILITIES

		31.12.2021.	31.12.2020.
		EUR	EUR
EQUITY			
Share capital	17	12,969,926	7,000,000
Share premium	17	250,000	-
Accumulated losses:			
accumulated losses brought forward from previous years		(307,489)	(242,417)
profit or (loss) of the reporting year		35,327	(65,072)
TOTAL EQUITY		12,947,764	6,692,511
LIABILITIES			
Long-term liabilities			
Bonds	18	4,261,271	-
Due to related parties	18	9,000	6,042,428
Total short-term liabilities		4,270,271	6,042,428
Short-term liabilities			
Bonds	18	180,996	-
Other loans	18	-	502,796
Due to related parties	18	9,175	132,211
Trade payables		14,309	120,523
Taxes and social contributions	19	46,579	78,505
Other liabilities	20	57,576	757
Accrued liabilities	21	105,404	68,584
Total short-term liabilities		414,039	903,376
TOTAL LIABILITIES		4,684,310	6,945,804
TOTAL EQUITY AND LIABILITIES		17,632,074	13,638,315

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

financial statements. Signed on behalf of the Company on 29 April 2022 by:

Edgars Cērps
Chairman of the Board

Jacob Willem Hoogenboom
Member of the Board

Jevgenijs Sokolovs
Chief accountant

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

Notes to the Financial Statements

1. General information

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

The Company provides management and lending services to its subsidiaries.

On 30 November 2021 AS Longo Group registered with the Latvian Central Depository a bond issue of EUR 3 million. As at 31 December 2021, AS Longo Group had raised EUR 2 530 000 through bonds (31 December 2020: EUR 0). The issue is secured by assets of AS Longo Latvia and UAB Longo Lithuania. 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.

On 30 December 2021, AS Longo Group registered with the Latvian Central Depository a subordinated bond issue of EUR 3 million. As at 31 December 2021, AS Longo Group had raised EUR 1 991 000 through bonds (31 December 2020: EUR 0). The issue is not secured. The bonds are issued at par, have a maturity of five years and carry a fixed coupon of 6% per annum, paid monthly in advance.

The annual report of 2021 has been approved by decision of the Board made on 29 April 2022.

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

2. Summary of significant accounting principles

a) Basis of preparation

The financial statements for the year ended on 31 December 2021 were prepared in accordance with the law 'On Accounting' and the 'Annual Reports and Consolidated Annual Report Law' of the Republic of Latvia.

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

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

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

Accounting principles

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

- i) Going concern assumption that the Company will continue as a going concern.
- ii) Consistent valuation principles with those used in the prior year.
- iii) Items were valued in accordance with the principle of prudence:
 - the financial statements reflect only the profit generated to the date of the balance sheet;
 - all incurred liabilities and current or prior year losses have been taken into consideration even if discovered within the period after the date of the balance sheet and preparation of the financial statements;
 - all impairments and depreciation have been taken into consideration irrespective of whether the financial result was a loss or profit.
- iv) Income and expenses incurred during the reporting year have been taken into consideration irrespective of the payment date or date when the invoice was issued or received. Expenses were matched with revenue for the reporting period;
- v) Assets and liabilities were valued separately.
- vi) According to management opinion, the classification of certain items in 2021 was changed compared to the financial statements for 2020. The reclassification has no impact on the financial result. The comparatives for 2020 disclosed in the financial statements for 2021 were classified in line with the principles used in 2021 and is comparable. The opening balances before reclassification agree with the prior year closing balances.
- vii) All material items, which would influence the decision-making process of users of the financial statements, have been recognised and insignificant items have been combined and their details disclosed in the notes.
- ix) Business transactions are recorded taking into account their economic contents and substance, rather than the legal form.

b) Going concern

These financial statements are prepared on a going concern basis. As at 31 December 2021, the Company's current assets exceed its short-term liabilities by EUR 1 003 817 and the result of 2021 is profit of EUR 35 327.

The Company quickly restructured its operations during the Covid-19 restrictions and the results of this exercise give rise to an optimistic future outlook.

The war in Ukraine and the related events take place during an economic uncertainty which may consequently interact and escalate the overall impact on the market conditions. As the business activities of AS Longo Group and its subsidiaries are not related to Russia, Ukraine or Belarus the management does not expect any impact on significant judgements and estimates. After the year end, performance improved year-on-year.

c) Revenue recognition

Income from services

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

Interest income

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

d) Intangible and fixed assets

Intangible assets and fixed assets are recognised at historical cost, less accumulated amortization and depreciation. Amortization and depreciation is calculated from the first day of the month following their putting to operation until the first day of the month following their disposal. Amortization and depreciation is calculated on a straight-line basis and written-off over the useful lives of the assets.

2. Summary of accounting principles used (continued)

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

Useful lives of fixed and intangible assets

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

Intangible assets:	5 and 7 years
Fixed assets:	
Computers	3 years
Furniture	5 years
Other fixed assets	5 years

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

e) Investments

Investments in subsidiary

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

f) Financial instruments and financial risks

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

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

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

Key financial risks related to the Company's financial instruments are:

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

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

Credit risk

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

Interest rate risk

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

Liquidity risk

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

g) Reporting period

The reporting period comprises the 12 months from 1 January 2021 to 31 December 2021.

h) Long-term and short-term items

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

i) Accounts receivable

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

j) Loans issued

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

k) Borrowings

Borrowings are initially recognised at the amounts received net of borrowing costs. In future periods borrowings are carried at cost calculated using the effective interest rate.

The difference between the amount received, net of borrowing costs, and the value of the loan at maturity is gradually charged to the profit and loss statement.

m) Corporate income tax

On 1 January 2018 the Law on Enterprise Income Tax of the Republic of Latvia entered into force and set out a new regime for paying taxes. The tax rate is 20% from the taxable base determined by dividing the value of the amount taxable with corporate income tax by coefficient 0.8, includes:

- distributed profit (dividends calculated, payments equivalent to dividends, conditional dividends), and
- conditionally or theoretically distributed profit (non-operating expenses and other specific cases provided for by the law).

The use of tax losses carried forward from previous periods is limited: it will be possible to utilise 15% these losses to decrease the amount of tax calculated on dividends in the reporting period by not more than 50%. It will be possible to carry forward unused tax losses and utilise them in the previously described manner only until 2022.

n) Accrued expenses for unused vacations and other provisions

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

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

2. Summary of accounting principles used (continued)

o) Currency unit and revaluation of foreign currency

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

p) Lease transactions

Operating lease

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

r) Related parties

Related parties represent both legal entities and private individuals related to the company in accordance with the following rules. A person or a close member of that person's family is related to a reporting entity if that person:

- i. has control or joint control over the reporting entity;
- ii. has a significant influence over the reporting entity; or
- iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

An entity is related to a reporting entity if any of the following conditions applies:

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

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

s) Contingent liabilities and assets

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

t) Use of estimates

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

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

Impairment

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

3. Net sales

	2021	2020
	EUR	EUR
Income from provision of services to subsidiaries	1,098,879	963,149
TOTAL:	1,098,879	963,149

Revenue by country:

Latvia	219,932	305,063
Lithuania	386,363	353,838
Estonia	160,782	235,791
The Netherlands	279,736	34,229
Belgium	34,964	17,114
Germany	17,102	17,114

4. Cost of services

	2021	2020
	EUR	EUR
Employees' salaries	581,493	540,238
Compulsory state social security contributions	137,127	126,907
Other personnel expenses	86,088	680
Professional services	69,684	20,476
Amortisation and depreciation	65,820	72,401
IT services	64,566	48,313
Rent of premises and office maintenance	25,567	76,295
Other administration expenses	24,634	18,049
TOTAL:	1,054,979	903,359

Average number of employees

18

17

5. Administrative expenses

	2021 EUR	2020 EUR
Legal services	19,896	14,881
Marketing expenses	7,183	157
Other administration expenses	1,370	-
Early termination penalty under a lease contract		85,868
Bank commissions	947	644
TOTAL:	29,396	101,550

6. Other operating income

	2021 EUR	2020 EUR
Transport income	-	5,626
Rent income	-	9,034
Other operating income	7,987	7,890
TOTAL:	7,987	22,550

7. Other operating expenses

	2021 EUR	2020 EUR
Loss from liquidation of a subsidiary	16,475	-
Other	399	591
Loss on disposal of fixed assets	3,589	27,469
Finance costs	1,000	30,280
Fines	367	2,677
TOTAL:	21,830	61,017

On 9 November 2021, voluntary liquidation of subsidiary Car Stock LVA SIA was completed. The Company recognised a loss of EUR 16 475.

8. Other interest income and similar income

	2021 EUR	2020 EUR
Interest on loans to subsidiaries	196,235	151,567
TOTAL:	196,235	151,567

9. Interest and similar expenses

	2021 EUR	2020 EUR
Interest payments on loans from shareholders	146,336	128,875
Interest expenses on other loans	-	7,490
Interest expenses on bonds	15,216	-
TOTAL:	161,552	136,365

10. Corporate income tax

	2021 EUR	2020 EUR
Current tax	17	47
Corporate income tax charged to the income statement:	17	47

11. Intangible and fixed assets

	Other intangible assets* EUR	Advance payments for intangible assets	Other fixed assets	TOTAL EUR
As at 01.01.2020				
Historical cost	229,536	37,967	102,213	369,716
Accumulated amortization and depreciation	(14,219)	-	(16,405)	(30,624)
Carrying amount	215,317	37,967	85,808	339,092
2020				
Acquisitions	-	73,740	5,631	79,371
Disposals	-	-	(35,135)	(35,135)
Reclassifications	76,038	(76,038)	-	-
Amortisation and depreciation	(46,474)	-	(25,927)	(72,401)
Amortization and depreciation of disposed assets	-	-	6,941	6,941
As at 31.12.2020				
Historical cost	305,574	35,669	72,709	413,952
Accumulated amortization and depreciation	(60,693)	-	(35,391)	(96,084)
Carrying amount	244,881	35,669	37,318	317,868

Continuation of the table

2021

Acquisitions	-	223,625	14,735	238,360
Disposals	-	-	(10,961)	(10,961)
Reclassifications	256,561	(256,561)	-	-
Amortisation and depreciation	(48,385)	-	(17,435)	(65,820)
Amortization and depreciation of disposed assets	-	-	3,028	3,028

As at 31.12.2021

Historical cost	562,135	2,733	76,483	641,351
Accumulated amortization and depreciation	(109,078)	-	(49,798)	(158,876)
Carrying amount	453,057	2,733	26,685	482,475

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

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

12. Investments in subsidiaries

31 December 2021				Holding	Investment	Net assets	Profit or (loss) for the year
Subsidiary	Registration number	Country	Line of business	%	EUR	EUR	EUR
Longo Latvia AS	40203147079	Latvia	Sale of motor vehicles	100%	2,200,000	563,590	(84,730)
Longo Lithuania UAB	304837699	Lithuania	Sale of motor vehicles	100%	1,600,000	975,126	96,972
Longo Estonia OU	14554950	Estonia	Sale of motor vehicles	100%	900,000	(292,465)	(57,422)
Longo Shared Service UAB	305217797	Lithuania	Repairs of motor vehicles	100%	700,000	37,880	(52,652)
Longo Netherlands B.V.	71706267	The Netherlands	Sale of motor vehicles	100%	300,000	238,035	195,876
Longo Belgium BVBA	BE 0881764642	Belgium	Sale of motor vehicles	99%	60,588	54,611	5,346
Maxxus GMBH	HRB18213	Germany	Sale of motor vehicles	100%	16,313	(9,270)	9,030
Car Stock LVA SIA*	42103103659	Latvia	Sale of motor vehicles	-	-	-	2,514
TOTAL:					5,776,901	1,567,507	114,934

*- On 9 November 2021, voluntary liquidation of subsidiary Car Stock LVA SIA was completed. The Company recognised a loss of EUR 16 475.

31 December 2020				Holding	Investment	Net assets	Profit or (loss) for the year
Subsidiary	Registration number	Country	Line of business	%	EUR	EUR	EUR
Longo Latvia AS	40203147079	Latvia	Sale of motor vehicles	100%	2,200,000	648,320	(392,101)
Longo Lithuania UAB	304837699	Lithuania	Sale of motor vehicles	100%	1,600,000	1,032,548	(389,516)
Longo Estonia OU	14554950	Estonia	Sale of motor vehicles	100%	900,000	(389,437)	(279,403)
Longo Shared Service UAB	305217797	Lithuania	Repairs of motor vehicles	100%	700,000	90,532	(379,269)
Longo Netherlands B.V.	71706267	The Netherlands	Sale of motor vehicles	100%	300,000	502,778	(55,065)
Longo Belgium BVBA	BE 0881764642	Belgium	Sale of motor vehicles	99%	60,588	49,265	27,952
Maxxus GMBH	HRB18213	Germany	Sale of motor vehicles	100%	16,313	(18,300)	(6,162)
Car Stock LVA SIA*	42103103659	Latvia	Sale of motor vehicles	100%	500,000	481,011	8,969
TOTAL:					6,276,901	2,396,717	(1,464,595)

The impairment test was based on the following assumptions: 100% growth in 2023, 50% growth in 2024 and 10% in subsequent periods, terminal growth rate of 2%, EBITDA margin of 4.2% and weighted average cost of capital (WACC) of 10.5%.

13. Loans to related parties

	31.12.2021	31.12.2020
	EUR	EUR
Longo Lithuania UAB	2,995,593	2,150,572
Longo Latvia AS	2,185,003	1,182,191
Longo Netherlands B.V.	2,148,371	1,675,663
Longo Shared Services UAB	2,080,321	841,500
Longo Estonia OU	353,071	37,631
Longo Belgium BVBA	183,483	176,841
TOTAL:	9,945,842	6,064,398

In accordance with the credit line agreements signed on 30 December 2020 between the Company and its subsidiaries the credit line expires in 5 years and the interest rate is 3%.

14. Due from related parties

	31.12.2021	31.12.2020
	EUR	EUR
<i>Payments for management services</i>		
Longo Netherlands B.V.	12,513	96,116
Longo Lithuania UAB	8,222	71,705
Longo Latvia AS	7,896	5,133
Longo Estonia OU	6,156	36,907
Longo Shared Services UAB	3,676	15,095
Longo Belgium BVBA	459	27,450
Maxxus GMBH	291	-
Car Stock LVA SIA	-	3,265
TOTAL:	39,213	255,671

15. Other receivables

	31.12.2021.	31.12.2020.
	EUR	EUR
VAT to receive	11,246	12,509
Security deposits	7,965	-
Advance payments for goods and services	5,376	1,220
TOTAL:	24,468	13,729

16. Accrued income

	31.12.2021.	31.12.2020.
	EUR	EUR
<i>Accrued income for management services</i>		
Longo Lithuania UAB	4,594	67,029
Longo Latvia AS	2,916	24,802
Longo Estonia OU	2,545	47,772
Longo Netherlands B.V.	339	20,562
Longo Belgium BVBA	169	6,854
Maxxus GMBH	169	-
TOTAL:	10,732	167,019

17. Share capital

The share capital is EUR 12 969 926 consisting of 129 699 256 shares. The par value of each share is EUR 0.1. All the shares are fully paid. The movements on the Share capital caption during the year are as follows:

	Share capital EUR	Share premium EUR	Total EUR
Opening balance as at 1 January 2020	5,000,000	-	5,000,000
Subscriptions	2,000,000	-	2,000,000
Redemptions	-	-	-
Closing balance as at 31 December 2020	7,000,000	-	7,000,000
			-
Opening balance as at 1 January 2021	7,000,000	-	7,000,000
Subscriptions	6,219,927	250,000	6,469,927
Redemptions	(250,001)	-	(250,001)
Closing balance as at 31 December 2021	12,969,926	250,000	13,219,926

On 23 April 2021, the share capital was reduced by EUR 250 001 and increased by EUR 6 219 927. The par value of each share is EUR 0.10 and the total share premium is EUR 250 000.

18. Creditors

<i>Long-term</i>	Annual interest rate (%)	Maturity date	31.12.2021	31.12.2020
			EUR	EUR
<i>Long-term loans secured by bonds</i>				
Bond issue of EUR 2.53 million ¹⁾	6%	30-11-24	2,354,970	-
Bond issue of EUR 1.91 million ²⁾	6%	31-12-26	1,906,301	-
TOTAL:			4,261,271	-
<i>Other borrowings</i>				
Loans from related companies ³⁾	6%	31-12-24	9,000	6,042,428
TOTAL:			9,000	6,042,428
TOTAL LONG-TERM LOANS:			4,270,271	6,042,428

Short-term

	Annual interest rate (%)	Maturity date	31.12.2021	31.12.2020
			EUR	EUR
<i>Short-term loans secured by bonds</i>				
Bond issue of EUR 2.53 million ¹⁾	6%	30-11-24	98,416	-
Bond issue of EUR 1.91 million ²⁾	6%	31-12-26	82,580	-
TOTAL:			180,996	-
<i>Other borrowings</i>				
Accrued interest on a loan from related parties ³⁾	6%	31-12-21	9,175	132,211
Other loans	10%	31-12-21	-	500,000
Accrued interest on other loans	10%	31-12-21	-	2,796
TOTAL:			9,175	635,007
TOTAL SHORT-TERM LOANS:			190,171	635,007

1) On 30 November 2021, the Company registered with the Latvian Central Depository a bond issue of EUR 3 million.

As at 31 December 2021, the Company has raised a total of EUR 2 530 000 (31 December 2020: EUR 0).

The bond issue is secured by assets of Longo Latvia AS and Longo LT UAB. The bonds are issued at par, have a maturity of three years and carry a fixed coupon of 6% per annum, paid monthly as after payment.

2) On 30 December 2021, the Company registered with the Latvian Central Depository a subordinated bond issue of EUR 3 million.

As at 31 December 2021, the Company has raised a total of EUR 1 991 000 (31 December 2020: EUR 0).

The issue is not secured. The bonds are issued at par, have a maturity of five years and carry a fixed coupon of 6% per annum, paid monthly in advance. The shareholders have purchased the entire issue of subordinated bonds.

As at 31 December 2021, those liabilities are split between short and long term.

3) As at 31 December 2021, interest rate for the credit lines was 6%. Contracts were signed on 17 July 2021 and the credit line expires on 31 December 2024 with the total limit of EUR 4.5 million.

19. Taxes and compulsory state social security contributions

	31.12.2021	31.12.2020
	EUR	EUR
Social security contributions	28,400	51,459
Personal income tax	18,173	16,050
Risk duty	6	5
Corporate income tax	-	10,991
Value added tax	(11,126)	(12,509)
TOTAL:	35,453	65,996
Including:		
Overpaid taxes	(11,126)	(12,509)
Tax liabilities	46,579	78,505

Overpaid taxes are presented in Note 15. Other receivables.

20. Other creditors

	31.12.2021	31.12.2020
	EUR	EUR
Liabilities against employees for salaries	39,963	-
Liabilities for staff bonuses	16,471	-
Advance payments to staff	1,142	757
TOTAL:	57,576	757

21. Accrued liabilities

	31.12.2021	31.12.2020
	EUR	EUR
Accrued vacation expenses	74,954	45,459
Accrued liabilities for services received	30,450	23,125
TOTAL:	105,404	68,584

22. Commitments and contingencies

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

The option program is based on the following principles:

Employee share options are granted free of charge to employees with management responsibilities. Members of the board of the Company and its subsidiaries 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 the Company

- Thereafter (after the first year has passed) the employee is entitled to exercise a proportion of its share options twice a year on days set by the Company's management. This proportion is calculated as follows: after the employee has worked at least one year for the Company since granting the options, for each following month the employee has worked for the Company the employee can exercise 1/48 of the total amount of share options received initially. Based on the time the specific employees have already worked for the Company or other employment related criteria, the Board of the Company can entitle specific employees to exercise a greater proportion of their share options after the end of the one year period.

- Share options are granted as potential shares in AS Longo Group regardless of the company in which the employee works.

The following table illustrates the number and weighted average exercise price of the share options:

	2021		2020	
	Number	Weighted average exercise price	Number	Weighted average exercise price
1 January	-	-	-	-
Granted during the year	286 283	-	-	-
Terminated employment during the year	-	-	-	-
31 December	286,283	-	-	-
Exercisable at the end of the period	-	-	-	-

The total value of the share option programme is EUR 186 000, as at 31 December 2021 EUR 38 007 (2020: 0 EUR), which is attributable to shares granted by the end of the period, were not recognised as expenses as part of the share based payment reserve. The fair value per share is EUR 0.14 (2020: EUR 0).

There have been no forfeited or expired share options during the year.

The exercise price at the end of the year was EUR 0.0 (2020: n/a). The weighted average maturity date for share options in circulation as at 31 December 2021 was 2 years (2020: n/a).

23. Subsequent events

Since the reporting date, a number of significant events have taken place:

1) On 7 January 2022, the Company registered Commercial Pledge Act No. 100196196 to secure a bond issue with the maximum secured amount of EUR 3 540 000. The pledge extends to all property of the pledger (subsidiary Longo Latvia AS) collectively as at the date of pledge and future components of this collective property.

2) In January 2022, the Company received a shareholder's loan of EUR 500 000 as part of the credit line (**Note 18**).

3) On 31 March 2022, bonds of AS Longo Group were listed on Nasdaq Riga Baltic First North.

4) On 8 April 2022, the Company established a subsidiary in Poland, Longo Poland Sp.o.z.s. The primary business of the subsidiary is sales of motor vehicles, Longo Group AS holds 100% of the registered share capital of PLN 5 000.

The invasion of Ukraine by Russia has significantly changed the political and economic landscape in the world and it will impact the Latvian economy too. The availability and prices of energy resources is a critical matter. The war can impact customer behaviour and investment decisions.

The Company and its subsidiaries do not depend on imports or exports to Russia, Belarus or Ukraine, nor on third parties that may be impacted by the events. At present, unaudited sales volumes of the Company and its subsidiaries increase year-on-year and the demand is not expected to diminish. The management is closely monitoring developments to be able to make a reasonable assessment of the business impact.

No other significant subsequent events have occurred in the period from the year-end to the date of these financial statements that would require adjustments to be made to these financial statements and disclosures added to the notes thereto.

Signed on behalf of the Company on 29 April 2022 by:

Edgars Cērps
Chairman of the Board

Jacob Willem Hoogenboom
Member of the Board

Jevgenijs Sokolovs
Chief accountant

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



KPMG Baltics SIA
Vesetas iela 7
Riga, LV-1013
Latvia

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

Independent Auditors' Report

To the shareholders of AS "Longo Group"

Our Opinion on the Financial Statements

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

- the balance sheet as at 31 December 2021,
- the profit and loss statement for the year then ended,
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of AS "Longo Group" as at 31 December 2021, and of its financial performance for the year then ended in accordance with the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Basis for Opinion

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

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and independence requirements included in the 'Law on Audit Services' of the Republic of Latvia that are relevant to our audit of the 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.

Other Matter

The corresponding figures presented are based on financial statements of the Company as at and for the year ended 31 December 2020, which were audited by another independent auditor whose report dated 18 October 2021 expressed an unqualified opinion.

Reporting on Other Information

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

- Information about the Company, as set out on page 3 of the accompanying Annual Report,
- the Management Report, as set out on page 4 of the accompanying Annual Report.

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as



described in the *Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia* section of our report.

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

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

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

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

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

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

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

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

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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



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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

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

KPMG Baltics SIA
Licence No. 55

Rainers Vilāns

Rainers Vilāns
Partner pp. KPMG Baltics SIA
Latvian Sworn Auditor
Certificate No. 200
Rīga, Latvia
29 April 2022

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