Company Presentation

JUNE 2022

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TARGET MARKET

The target market assessment by the product manufacturer Signet Bank AS has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties, professional clients, and retail clients, each as defined in Directive 2014/65/EU (MIFID II); (ii) all channels for distribution of the Bonds to eligible counterparties, professional clients and retail clients are appropriate.

Any person subsequently offering, selling or recommending the Bonds (a Distributor) should take into consideration the manufacturer’s target market assessment, however, a Distributor subject to MIFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer’s target market assessment) and determining appropriate distribution channels

Agenda

Longo at a glance

Market opportunity

Business overview

Financial highlights

Transaction overview

Key highlights of Longo Group

BUSINESS STRENGTH

Largest used car dealer in terms of units sold (more than 2x closest competitor) in the Baltics[1]

>10 000
Cars sourced and imported in-house since start of operations

100+
Employees as at 31 Mar 2022

50M EUR
Annual sales run rate based on April results

FINANCIAL STABILITY

63%
Equity-to-Asset ratio[3]

2.0
Estimated post-money stock coverage ratio[2]

10.4M
Consolidated inventory at cost as at 31 Mar 2022

(1) Source: Registry offices in Estonia, Latvia and Lithuania; Longo market analysis on available public intelligence
(2) Inventory coverage ratio = (Pledged Inventory + Cash) / Secured Financial indebtedness
(3) Equity-to-Asset ratio = (Equity + Subordinated Debt)/ Total Assets

Longo 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 Panevezys, **Lithuania,** where all cars are serviced, repaired, cleaned and photographed

03. Sales Operations

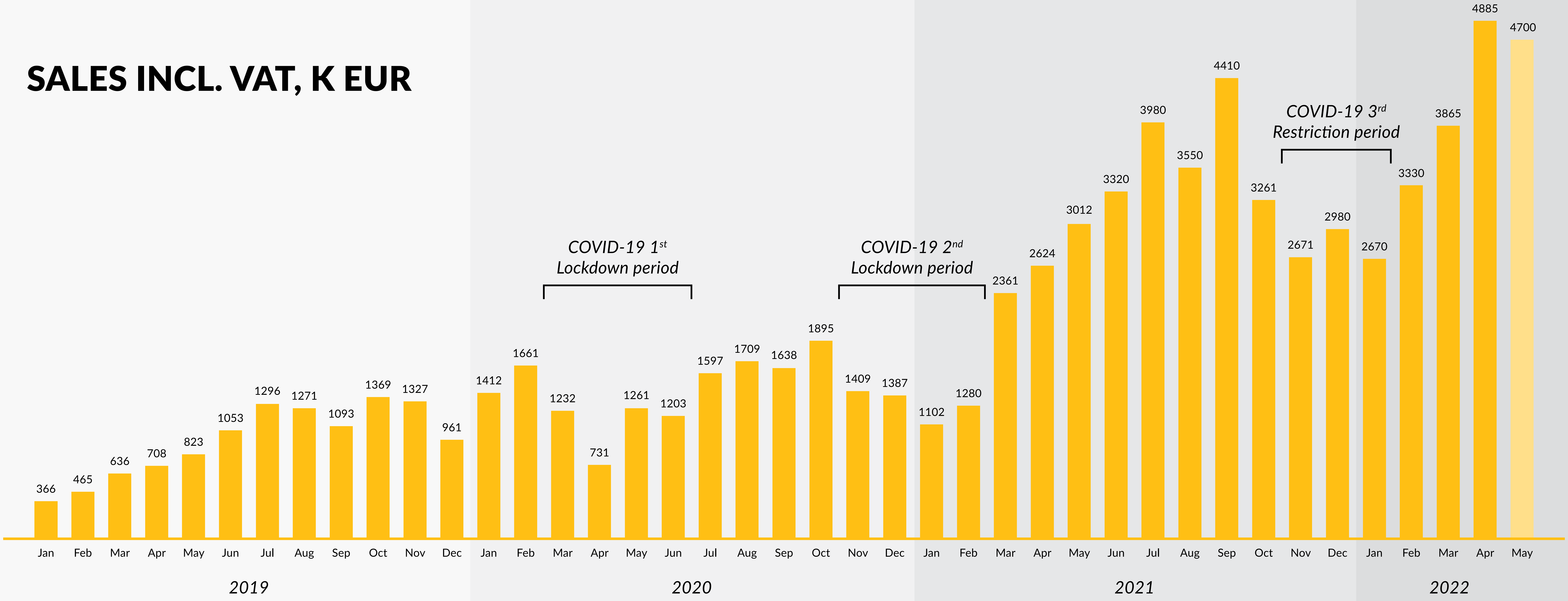
Longo stores, markets and sells cars in **Tallinn, Riga Vilnius and Panevezys**

04. Aftersales

Longo also provides aftersales warranty and reengages customers for the next purchase

Longo is on continuous path of increasing revenues

SALES INCL. VAT, K EUR

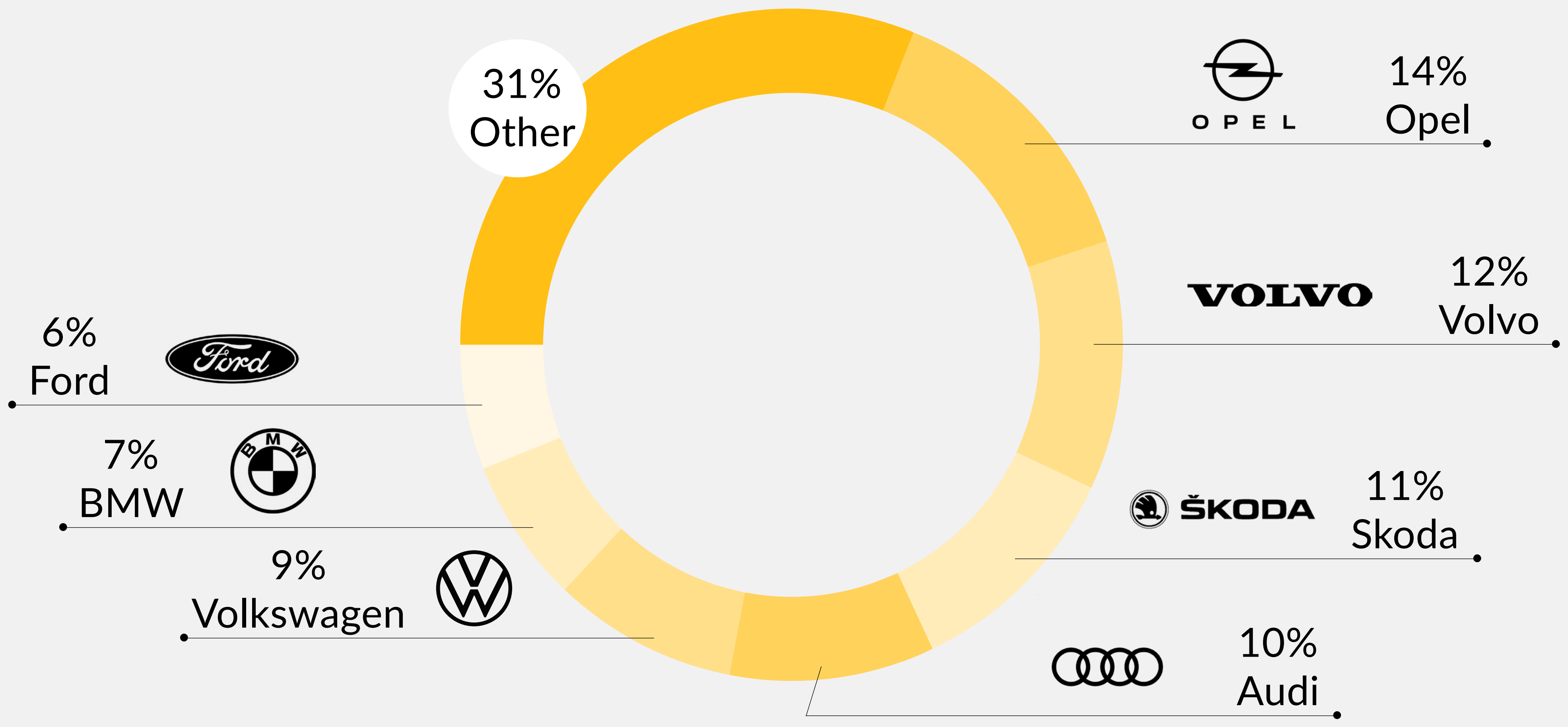


*May 2022 results are estimated with the current progress
Note: All sales and margin date for a standalone Longo business consolidated from BI. Year 2022 numbers are unaudited and estimated.
Source: Longo Group AS Business Intelligence system

Longo inventory is diversified, while collateral substantially exceeds bond value

LONGO INVENTORY AT SALES PRICE, IN M EUR

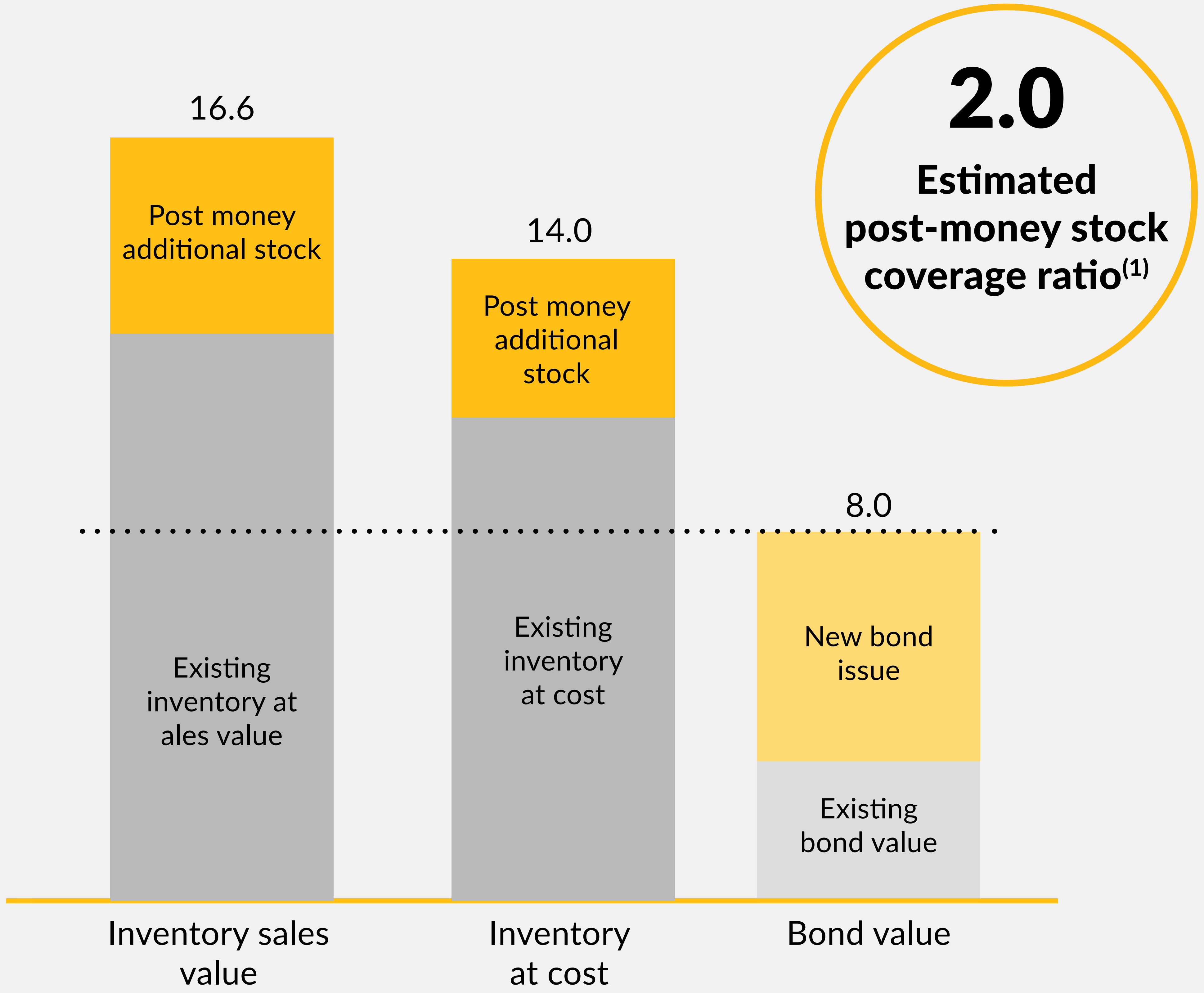
At 31.03.2022.



After publishing, cars sell in less than 60 days

LONGO INVENTORY VALUE, IN M EUR

At 31.03.2022 and Post Money



Note: Inventory of Longo Latvia AS, Longo LT UAB and Longo Estonia OÜ will be pledged to secure all issued bonds (total value of inventory to be pledged is 10.1m EUR at cost as at 31.03.2022)
Source: 3M 2022-Longo Group AS consolidated unaudited financial data
(1) Inventory coverage ratio = (Pledged Inventory + Cash) / Secured Financial indebtedness

Agenda

Longo at a glance

Market opportunity

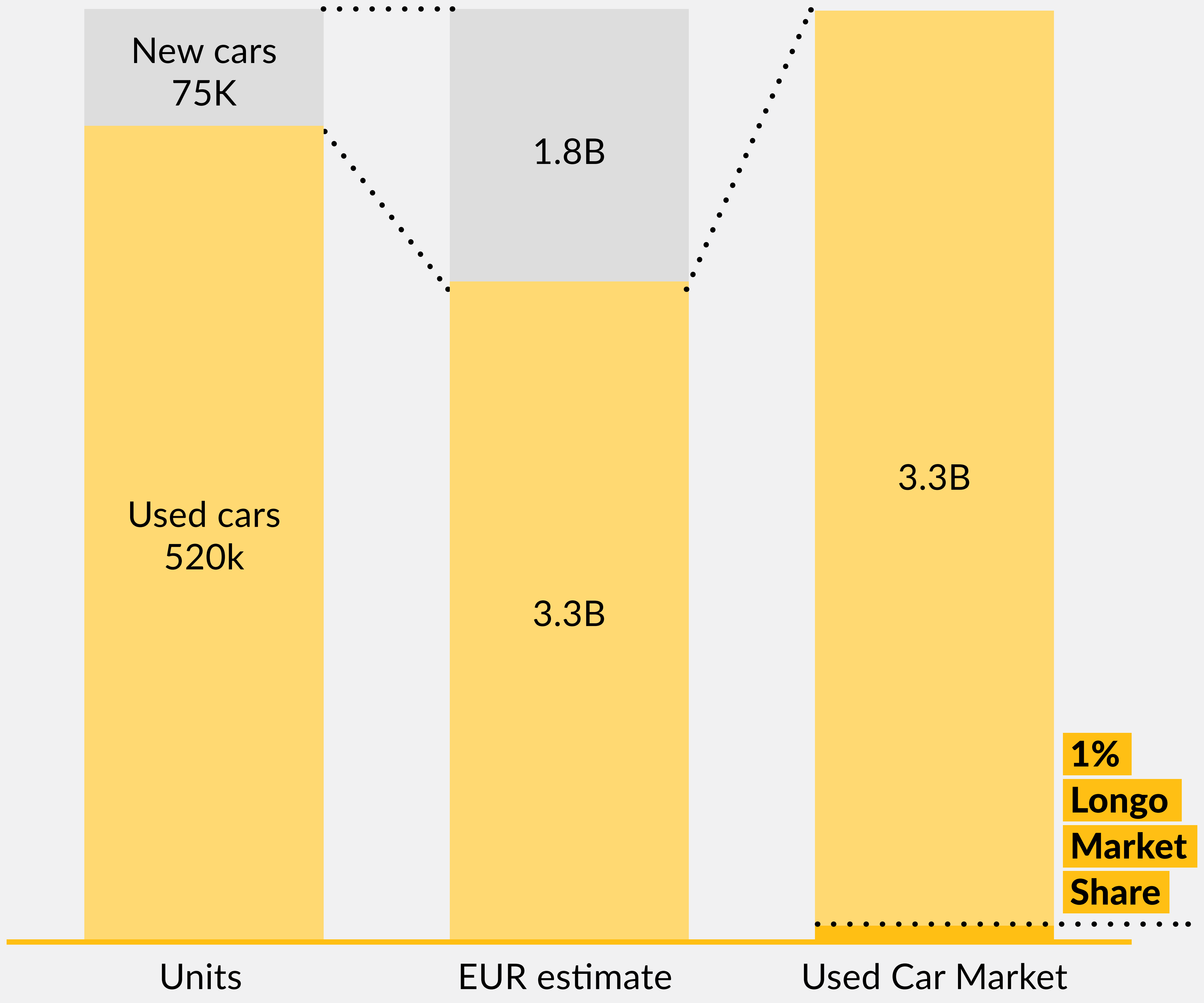
Business overview

Financial highlights

Transaction overview

Longo growth opportunity is in further Baltic car retail market consolidation

Passenger car sales, Baltics 2021 (estimate)



- Used car market is one of the largest and most fragmented retail sectors
- European players like Aures Holdings in Czech Republic and Kamux in Finland managed to achieve 8-10% market share
- Key driver for consolidation is the ability to increase inventory for sale

Note: Preliminary analysis. Average used car price estimated at 6K EUR for a used car and 20K EUR for a first registration car. We estimate only the local consumer market, besides substantial volumes of further vehicle export
Source: CSDD, Statistics Bureau, company registry, desktop search

Agenda

- Longo at a glance
- Market opportunity
- **Business overview**
- Financial highlights
- Transaction overview

Experienced management to deliver our ambitious business plan

EDGARS CĒRPS
Chief Executive Officer

Experience

- Finance, IT and Operations experience on 4 continents
- Development and implementation of ERP, IT and finance systems

- Strategy Consulting and Private Equity Focus on strategy in retail and FMCG
- Commercial due diligences
- IT and digitalization projects

Education

JACOB W. HOOGENBOOM
Chief Operating Officer

Experience

- Strategy Consulting at Bain & Co.
- Sr. consultant in Strategy Practice
- Focus on Strategy and Ops in FS, Ops improvement implementation, Customer experience excellence

- Sales and management experience in major bank across multiple countries
- Head of representative office (Sales operations, Financial engineering)

Education

DĀRTA KERŠULE
Chief Financial Officer

Experience

- Regional CFO at Eleving Group, responsible for Baltics, Georgia and Armenia- non-bank leasing and consumer lending solutions

- Head of Finance at Balta part of PZU (previously part of RSA)- non life insurance market leader in Latvia at the time

- Audit experience at E&Y assurance department

Education

KRISTĪNE KALĒJA
Head of Marketing

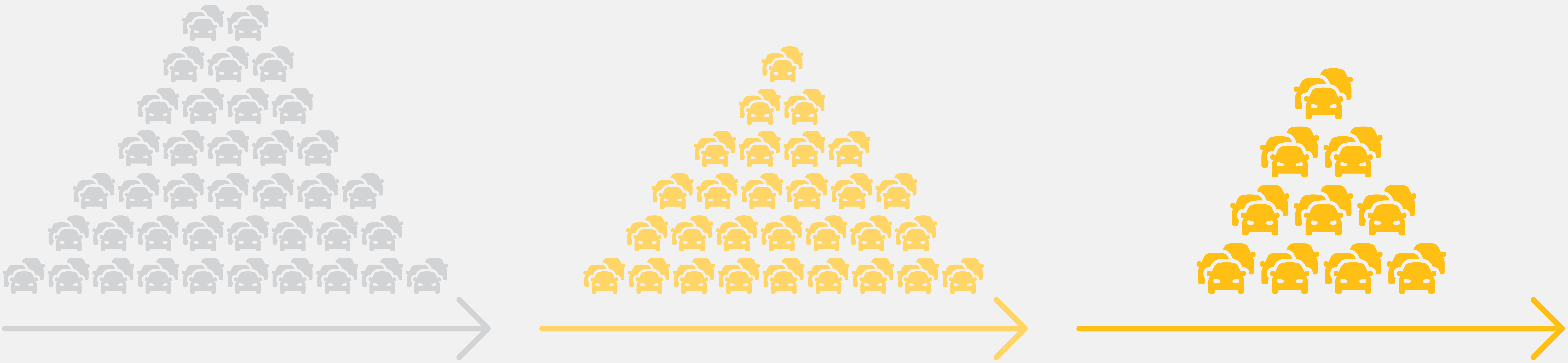
Experience

- Digital marketing and E-commerce experience at a 220.lv (no. 1 e-shop in Latvia - part of MCI.TechVentures 1.0 Group)
- In 3 years achieved brand aided awareness 99% among internet users in Latvia

- Marketing and sales experience in automotive retail and manufacturing industry

Education

Sourcing & pricing is competitive advantage of Longo



Access to 10 000+ B2B cars per week

Longo is locally present in its core sourcing countries and has built up a network of hundreds of sourcing partners

1 000+ cars shortlisted & priced

Through a disciplined process of elimination, Longo selects only the most suitable vehicles that meet strict quality standards in every way

100+ Longo cars purchased

As a consequence, all purchased Longo cars are a perfect match in both quality and price

Longo has built an in-house preparation center to handle large sourcing volumes

OBJECTIVES OF PREPARATION CENTRE:

DRAMATICALLY REDUCE TIME TO MARKET

- Reduce dependencies on external service capacity
- Enable serious economies of scale
- Focused team of 55 employees, smooth processes

UNIFORM HIGH LEVELS OF PREPARATION

- Full diagnosis of every car by qualified mechanic
- Proper in-house cleaning and polishing of every car
- Reduce fraud possibilities

UNLOCK COMPETITIVE ADVANTAGE

- 3D photostudio – unique in Baltics
- Unbeatable cost levels through scale
- "50-point checklist" as unique part of customer value proposition

Current output
90-120 CARS PER WEEK

Further mid-term increase can be achieved to
150-180 CARS PER WEEK

7500+
cars prepared since opening

Longo has built best in class web site - digital first approach

90 - 100K
TOTAL WEB SITE VISITORS WEEKLY

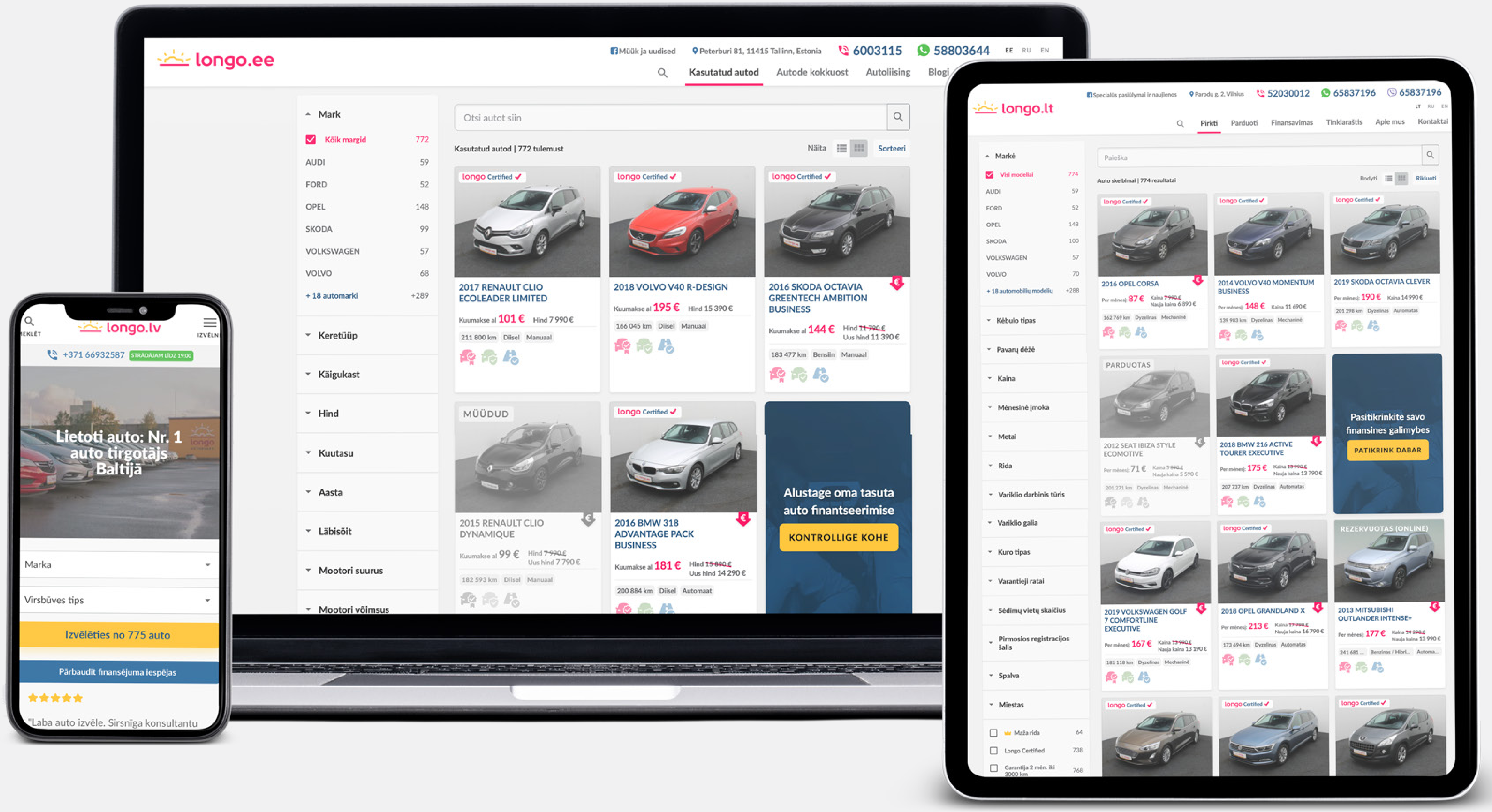
35% new visitors

65% returning visitors

75% MOBILE TRAFFIC

<35% BOUNCE RATE

Average session duration: **3 min 30 sec**



Longo is the only company in the Baltics to offer zoomable 360˚ exterior and interior car photos

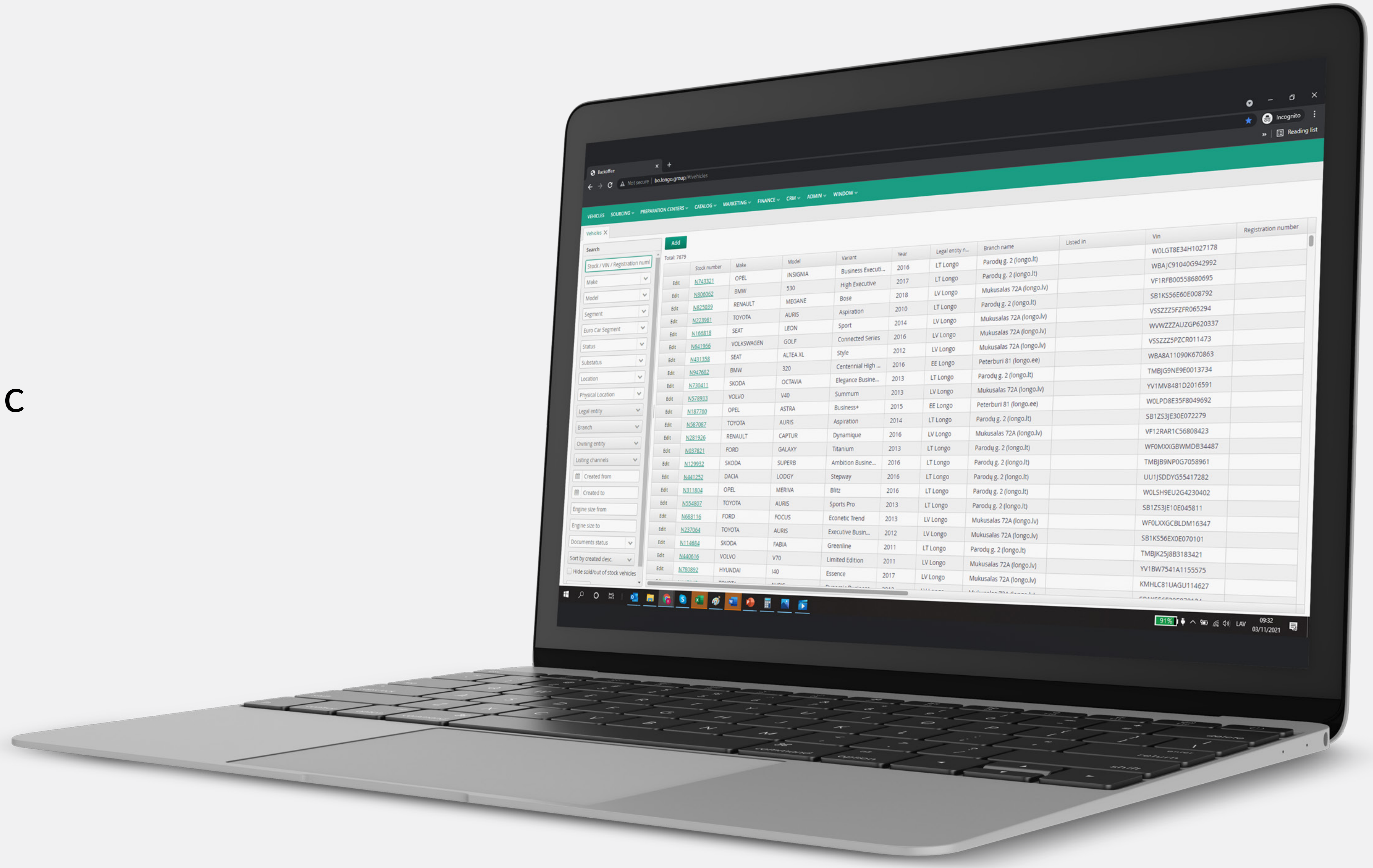
- 8 available perspectives for each angle
- HD zoom available for every shot
- 360˚ interior spinner
- Works great on mobile and tablet
- Full screen mode

Longo has built a fully integrated IT system

One of the main competitive advantages of Longo is the **custom-made integrated IT system** to fit its specific business needs.

Each step of lifecycle of vehicle is being traced via integrated modules:

- Sourcing & logistics
- Preparation
- CRM
- Sales & marketing
- Finance



Integration between systems and processes

Automation of processes

Track record and financial data of each vehicle

Access to real time data

Agenda

Longo at a glance

Market opportunity

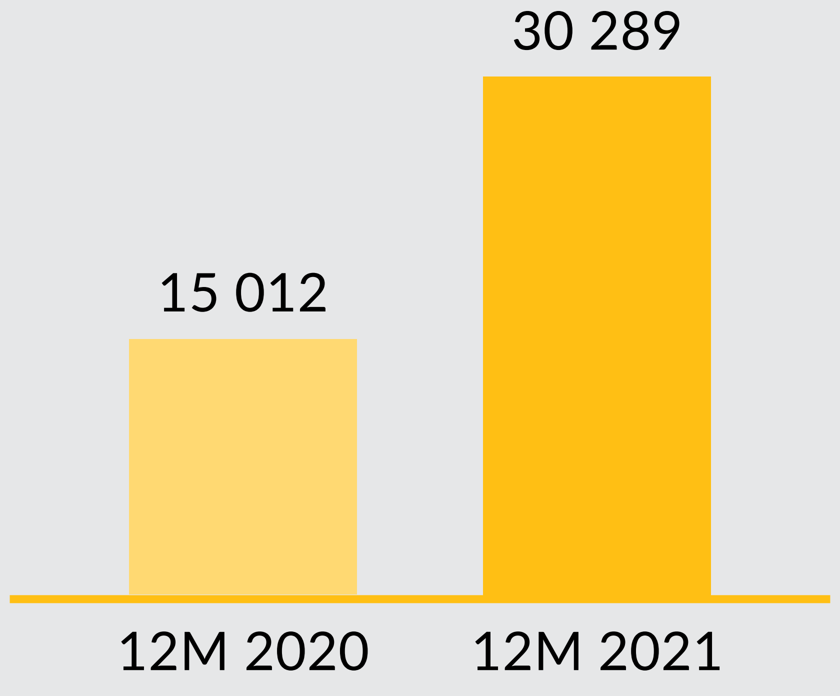
Business overview

Financial highlights

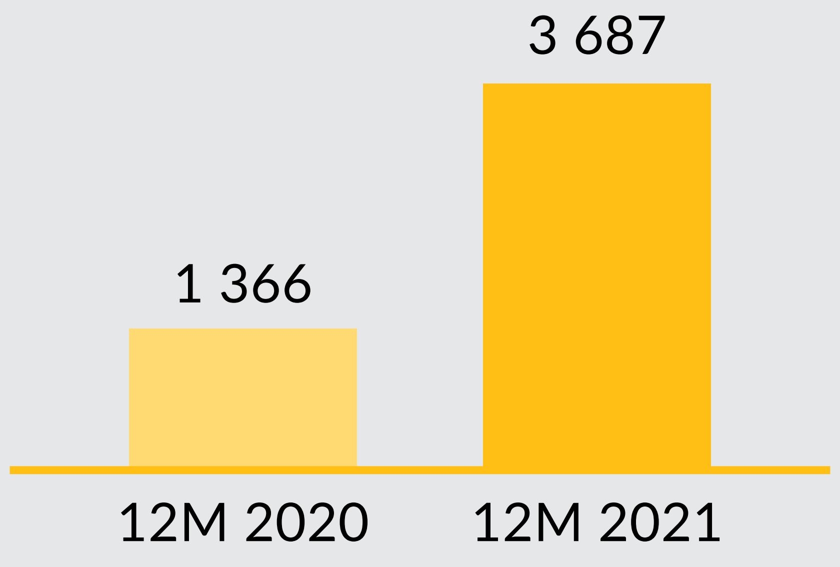
Transaction overview

Key financial indicators demonstrate a strong progress

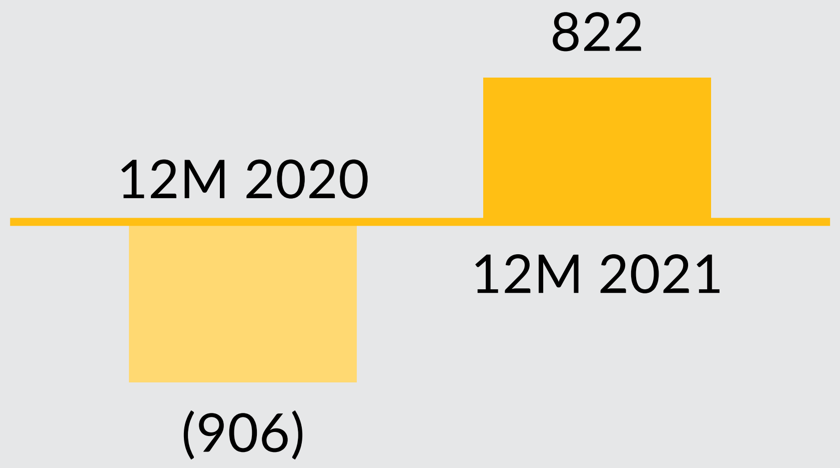
Revenue, K EUR



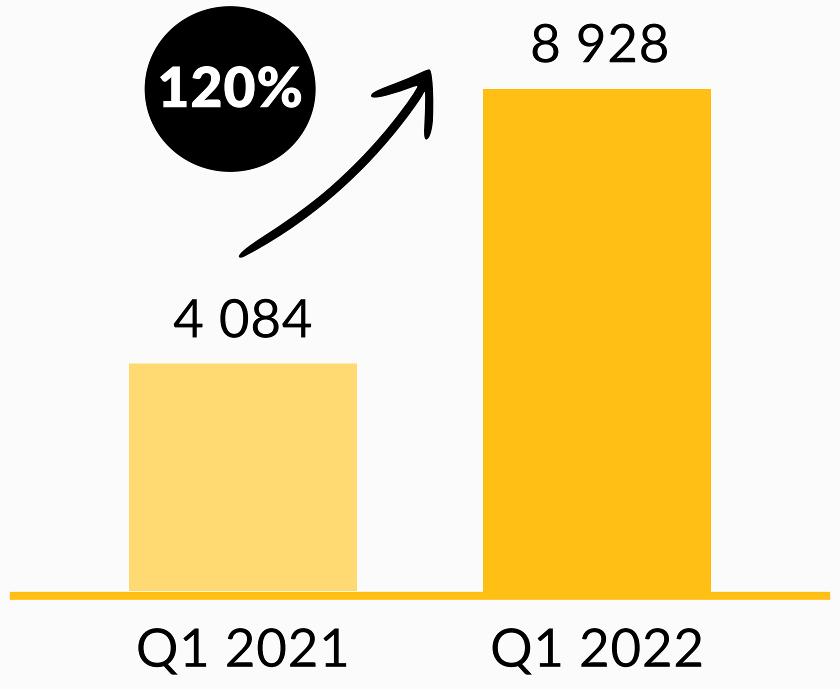
Gross profit, K EUR



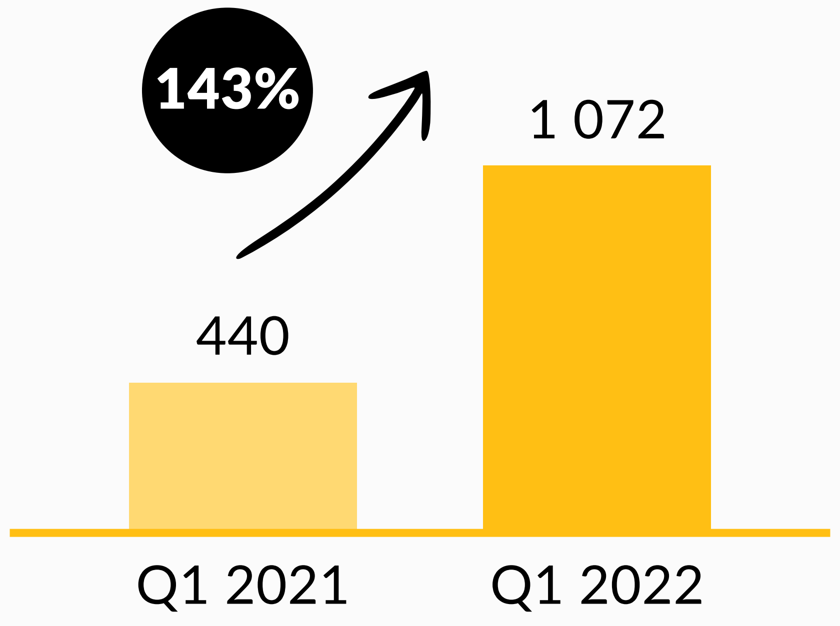
EBITDA[1], K EUR



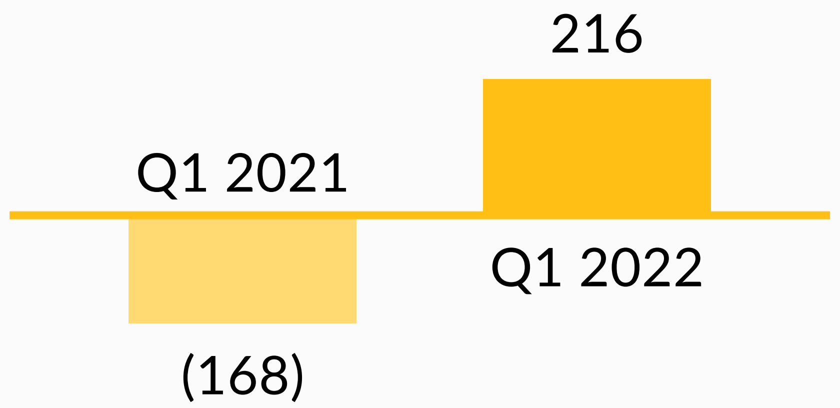
Revenue, K EUR



Gross profit, K EUR



EBITDA[2], K EUR



Source: Source: 12M 2021 - Longo Group AS consolidated audited financial data,
3M 2022 – Longo Group AS consolidated unaudited financial data

[1] EBITDA in 2020 was negative due to business ramp up mostly, as well as Covid-19 restrictions
[2] EBITDA in Q1 2021 was negative due to Covid-19 restrictions

Income statement

Longo Group has delivered strong results in terms of revenue growth and profitability in Q1 2022:

- 2022 start has been successful for Longo. The Group managed to grow its revenues compared to previous year Q1 by impressive 120% reaching 8.9 million EUR turnover and hit EBITDA of 0.2 million EUR.

- In gross profit the Group has earned 1.1 million EUR which is 143% more than in the same period in 2021.

K EUR	Audited 12M Period ended 31 Dec 2020	Audited 12M Period ended 31 Dec 2021	Audited 3M Period ended 31 Mar 2021	Unaudited 3M Period ended 31 Mar 2022
Revenue	15 012	30 289	4 084	8 928
Cost of goods sold	(13 646)	(26 602)	(3 644)	(7 856)
Gross profit	**1 366**	**3 687**	**440**	**1 072**
Commission income form lease issuance	459	658	72	281
Selling expense	(228)	(609)	(105)	(244)
Administrative expense	(2 495)	(2 966)	(565)	(884)
Other operating income	275	102	3	12
Other operating expense	(283)	(50)	(13)	(21)
EBITDA	**(906)**	**822**	**(168)**	**216**
Interest expense	(298)	(207)	(73)	(96)
Depreciation & amortization	(658)	(578)	(143)	(184)
Change in DCIT	66	96	-	8
Profit (loss) for the period	**(1 796)**	**133**	**(384)**	**(56)**
Gross margin %	9.1%	12.2%	10.8%	12.0%
EBITDA %	(6.0%)	2.7%	(4.1%)	2.4%

Note: Other income and expenses of 12M period ended 31 Dec 2020 include COVID government subsidies of 93 KEUR and HQ office agreement termination penalty
Source: 12M 2021 - Longo Group AS consolidated audited financial data,
3M 2022 – Longo Group AS consolidated unaudited financial data

Statement of financial position

• There is an increase in inventory balance compared to 31.12.2021 as Longo Group is stocking up for significantly increasing sales volumes, thus also a decrease in cash and cash equivalents

• Increase compared to 31.12.2021 in loans and other borrowings as the rest of the issued bonds were sold in amount of 470k EUR and additional loan in amount of 500k EUR from shareholders received

• Share capital of the Group was strengthened by capitalizing outstanding shareholder loan in May 2021

K EUR	Audited 12M Period ended 31 Dec 2020	Audited 12M Period ended 31 Dec 2021	Unaudited 3M Period ended 31 Mar 2022
Property and equipment	282	1 929	2 543
Intangible assets	2 050	479	546
Deferred tax	222	318	326
Total non-current assets	**2 554**	**2 726**	**3 415**
Inventory and raw materials	6 598	8 228	10 532
Other assets	350	667	516
Trade and other receivables	27	213	345
Prepayments to suppliers and similar	38	566	947
Contract assets	18	38	417
Cash and cash equivalents	1 482	2 891	743
Total current assets	**8 513**	**12 603**	**13 500**
TOTAL ASSETS	**11 067**	**15 329**	**16 915**
Share capital	7 000	13 258	13 258
Retained earnings/ (losses)	(3 349)	(5 145)	(5 011)
Current year profit/ (loss)	(1 796)	133	(56)
TOTAL EQUITY	**1 855**	**8 246**	**8 191**
Long-term borrowings from shareholders and subordinated bonds	6 175	2 007	2 500
Bonds and other borrowings	503	2 454	2 911
Lease liabilities [1]	1 644	1 536	2 105
Trade and other payables	428	325	290
Taxes payable	254	424	476
Other liabilities	43	88	163
Accrued liabilities	165	249	279
Total liabilities	**9 212**	**7 083**	**8 724**
TOTAL EQUITY AND LIABILITIES	**11 067**	**15 329**	**16 915**

[1] Operating leases recognized on the balance sheet in accordance with IFRS 16
Source: 12M 2021 - Longo Group AS consolidated audited financial data,
3M 2022 – Longo Group AS consolidated unaudited financial data

Strategic vision of Longo - profitable growth and transformation in the Baltics used car market

Become undisputed leader in used car sales in the Baltics

- Institutionalize Longo retail concept for rapid roll out to new locations in the Baltics
- Strengthen the leadership position in the Baltics

Growth with focus on profitability

- Continue driving profitability through economies of scale
- Enhance supplementary offer to increase profitability further

Highest standards and excellent customer experience

- Brand, Data, IT and Culture are key to long term success
- Continuously invest in digital capabilities, delivery and online marketing to capture market opportunity and changing consumer trends

Longo presents well balanced investment opportunity

FINANCIAL POSITION

Secured transaction

- Collateral comfortably covers the existing and planned bond issue
- Estimated post-money coverage ratio[1] is 2.0
- Liquid assets in high demand

Solid financial performance

- 63% Equity-to-Asset ratio of the Group[2]
- Annual sales run rate based on April results is 50M EUR

MANAGERIAL & STRATEGIC CRITERIA

Brand and IT

- Largest high quality used car retailer in Baltics
- ~800 cars in published stock
- Proprietary in-house integrated IT system

Experienced team and strategic advisors

- Well proven management team
- Substantial advisory board experience

Efficient operations

- Below 60 days sales time from car publishing
- ~400 cars sold per month and growing

[1] Inventory coverage ratio = (Pledged Inventory + Cash) / Secured Financial indebtedness
[2] Equity-to-Asset ratio = (Equity + Subordinated Debt)/ Total Assets

Agenda

Longo at a glance

Market opportunity

Business overview

Financial highlights

Transaction overview

We are planning the following bond structure

ISSUER	**AS LONGO GROUP**
Status	Senior secured bonds
Collateral	• Commercial pledge on assets of AS Longo Latvia, Longo LT UAB and Longo Estonia OÜ
Guarantors	Corporate guarantees from Longo Latvia AS, Longo LT UAB, Longo Estonia OÜ, Longo Netherlands B.V.
Issue size	**Up to EUR 5'000'000**
Coupon rate	**3M EURIBOR (floor at 0)+ 6%, monthly**
Maturity	**3 years**, bullet
Call Option	@101% after 1st year, @100% last 3 months before maturity
Financial Covenants	• To maintain consolidated Interest coverage ratio[(1)] of at least 2x • To maintain consolidated Equity ratio[(2)] of at least 30% • To maintain Inventory Coverage ratio[(3)] of at least 1.5x
Type of Placement	Private placement with EUR 100,000 minimum subscription
Listing	Nasdaq Baltic First North within 12 months after the Issue Date
Arranger	Signet Bank AS
Collateral agent	ZAB Vilgerts SIA

• Proceeds from bond issue will be used to further increase inventory

Proposed timeline	
Subscription period	Starting from 13 June 2022
Issue date	30 June 2022

[(1)] Interest coverage ratio = EBITDA / Interest expense, calculated for a period of trailing 12 months,
[(2)] Equity ratio = (Equity + Subordinated debt) / Total Assets,
[(3)] Inventory coverage ratio = (Pledged Inventory + Cash) / Secured Financial indebtedness

Risk factors

BELOW IS A DESCRIPTION OF THE RISK FACTORS THAT ARE MATERIAL FOR THE ASSESSMENT OF THE MARKET RISK ASSOCIATED WITH THE NOTES AND RISK FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE NOTES. SHOULD ONE OR MORE OF THE RISKS DESCRIBED BELOW MATERIALISE, THIS MAY HAVE A MATERIAL ADVERSE EFFECT ON THE CASH FLOWS, RESULTS OF OPERATIONS, AND FINANCIAL CONDITION OF THE ISSUER AND THE GROUP. MOREOVER, IF ANY OF THESE RISKS MATERIALISE, THE MARKET VALUE OF THE NOTES AND THE LIKELIHOOD THAT THE ISSUER WILL BE IN A POSITION TO FULFIL ITS PAYMENT OBLIGATIONS UNDER THE NOTES MAY DECREASE, IN WHICH CASE THE POTENTIAL INVESTORS COULD LOSE ALL OR PART OF THEIR INVESTMENTS.

BEFORE DECIDING TO PURCHASE THE NOTES, POTENTIAL INVESTORS SHOULD CAREFULLY REVIEW AND CONSIDER THE FOLLOWING RISK FACTORS, IN ADDITION TO ALL OTHER INFORMATION PRESENTED IN THE TERMS OF THE NOTES ISSUE, AND CONSULT WITH THEIR OWN PROFESSIONAL ADVISORS IF NECESSARY. MOREOVER, POTENTIAL INVESTORS SHOULD BEAR IN MIND THAT SEVERAL OF THE DESCRIBED RISK FACTORS CAN OCCUR SIMULTANEOUSLY AND TOGETHER WITH OTHER CIRCUMSTANCES COULD HAVE A POTENTIALLY STRONGER IMPACT ON THE ISSUER OR THE GROUP. THIS IS NOT AN EXCLUSIVE LIST OF RISK FACTORS, AND ADDITIONAL RISKS, OF WHICH THE ISSUER IS NOT PRESENTLY AWARE, COULD ALSO HAVE A MATERIAL ADVERSE EFFECT ON THE ISSUER AND THE GROUP.

1. RISK FACTORS

1.1. Important note

The risks indicated in this section, if some or all of them materialize, may reduce the Issuer's ability to fulfil its obligations or cause its insolvency or restructuring in the worst-case scenario.

This section may not feature all of the potential risks, which may affect the Issuer and the Group.

1.2. Risks related to the economic and regulatory environment

1.2.1. Macroeconomic risk

The Group's main business is sale of used cars. The Group's business operations are currently centred in the Republic of Latvia, the Republic of Lithuania and the Republic of Estonia, while in April 2022 the Group established a new subsidiary in Poland, as it plans to launch the car sales also in this market. The Group's business is, to a certain extent, dependent on the general economic environment across the European Union (EU) (due to the geographical focus of their activities) and in particular within the Baltics. The general economic environment has a major impact on the spending propensity of European customers and, in turn, on the demand for mobility services.

During phases of economic weakness, demand for mobility services may fall as a result of cost-saving measures by both private households and companies. A downturn in the overall economy could therefore adversely affect demand for used cars which could have a material adverse effect on the business operations, financial conditions, results of operations and cash flows of the Group.

The Republic of Lithuania is the Group's main market, comprising of 47% (forty-seven per cent) of the Group's total turnover during 2021. The Group's turnover in the Republic of Latvia was 32% (thirty-two per cent) and in the Republic of Estonia 21% (twenty-one per cent) of the Group's total turnover. The Group is therefore particularly sensitive to the economic environment in the Baltics.

The Baltics are not immune to regional and global macroeconomic fluctuations. The Baltic economies are closely linked with the economies of the other European Member States and the European Monetary System. A slowdown in the EU may negatively affect the economies of the Baltic states, causing an adverse effect on the Group's business operations.

The global economy and most industries have seen strong headwinds since the beginning of 2020, driven by the outbreak of the global pandemic (COVID-19). Although the Baltic markets experienced an economic downturn as a result of the global pandemic, the recession in the Republic of Lithuania, the Republic of Latvia and the Republic of Estonia was among the lowest in the EU. During 2021 the economy has already been recovering and the Republic of Lithuania, the Republic of Estonia, and the Republic of Latvia showed real GDP growth of 4.9% (four-point-nine per cent), 8.3% (eight-point-three per cent), and 4.7% (four-point-seven per cent), respectively.

	Latvia			Estonia			Lithuania		
	2021	2022F	2023F	2021	2022F	2023F	2021	2022F	2023F
Real GDP (% yoy)	4.7	2.1	3.2	8.3	3.2	3.4	4.9	2.6	2.9
CPI (% yoy)	3.2	9.5	3.6	3.2	9.8	3.9	4.6	10.9	2.8
Unemployment (%)	7.6	7.3	-	4.5	5.8	-	7.1	6.5	-

Source: Bloomberg consensus

While the Baltics have demonstrated faster than expected economic recovery during 2021 and in the beginning of 2022 have also demonstrated solid GDP growth rates, the economists have revised downwards their GDP forecasts for 2022, as a result of rising inflationary pressures and negative effects from the war in Ukraine that leaves a proportionately bigger impact on the Baltic economies. Thus, overall uncertainty remains elevated and future economic growth rates could turn out to be lower and/or inflation could become higher, resulting in lower than expected consumer disposable income and demand for the Group's products and/or higher cost base, and thus lower business and financial performance of the Group.

1.2.2. Geopolitical risk

On 24 February 2022, Russia launched a military assault on Ukraine. This has led to significant volatility in the global credit markets and on the global economy. Although, as of the date of the Terms of the Notes Issue, the restrictive measures imposed against Russia and Belarus have had no direct material impact on the Group's performance, introduction of new sanctions packages, general deterioration of the economic situation and other aspects related to geopolitical events may affect the Group's business results.The vaccination rates in the Baltics, especially in Latvia, have been among the lowest in the European Union and, thus, the current or next waves of the COVID-19 pandemic may hit the region disproportionately harder. Therefore, the likelihood of future lockdowns or severe restrictive measures may not be ruled out. Thus, any further restrictions as a result of government actions, could have an adverse effect on the Group's financial position and cash flows, and may affect its ability to meet the financial obligations.

The Group sells cars in the Baltic countries (and plans to sell cars also in Poland) and transports cars across a variety of national jurisdictions and geographical areas. This entails a risk of business interruptions that may result from political circumstances, trade disputes or inadequacies in the legal systems and law enforcement mechanisms in certain countries in which the Group operates. The political circumstances or inadequacies of the legal systems and law enforcement mechanisms in certain countries in which the Group operates may have a material negative impact on the Group's reputation, revenue, cash flows and financial condition.

1.2.3. The global pandemic risk

The global economy has experienced a period of uncertainty since the outbreak of Covid-19, in March 2020. The global outbreak of Covid-19 pandemic, and the extraordinary health measures and restrictions on both a local and global basis imposed by authorities across the world has, and could continue to cause, disruptions in the Group's value chain also in the future. As a result of the Covid-19 situation, national authorities adopted several laws and regulations with immediate effect and which provide a legal basis for the government to implement measures in order to limit contagion and the consequences of the pandemic. The pandemic situation has been continuously changing, and new laws and regulations that could directly, or indirectly, affect the Group's operations may enter into force. Additionally, the spread of pandemic among the Group's workforce can cause operation disruptions, thus, negatively affecting the Group's revenue base. Thus, the effects of the Covid-19 (or a new pandemic) situation could negatively affect the Group's revenue and operations going forward, where the severity of the situation in the future and the exact impacts for the Group are uncertain.

During the three waves of the global pandemic which took place from March till June 2020, from November 2020 till February 2021 and from November 2021 till January 2022 respectively, as sales activities were lower the Group was required to significantly reduce its cost base while working on the processes and system improvements. As a result, the Group has successfully emerged from the global pandemic disruption. The Group's latest monthly revenue has grown by 194% (one hundred and ninety four per cent) from pre-pandemic levels (measured from February 2020 to April 2022).

1.2.4. Regulatory risk

The Group is subject to national Latvian, Lithuanian, Estonian, Dutch, Belgian, German and Polish laws and regulations, as well as EU laws and regulations that regulate the industry, consumer rights protection, personal data processing, prevention of money laundering and terrorism and proliferation financing or govern the industry in which the Group operates. Any uncertainty as to the regulatory trends or changes in policies in relation to the Group's industry may delay or prevent the achievement of the strategic plans or increase the cost of implementing such plans. The sale of the Group's products and the provision of services are subject to a high level of regulation and oversight applicable to the consumer sector.

The Group complies with all legislative requirements and other regulations as of the date of the Terms of the Notes Issue. Legislation and regulations may change however, and the management cannot guarantee, in such cases, it would be able to comply immediately, without material measures to be in line with the requirements of any revised legislation or other regulations. Adapting the Group's operations to any of the changes described above may incur costs for the Group that are difficult to anticipate, which in turn may have a material adverse effect on the Group's business operations, financial conditions and results of operations.

1.2.5. Taxation risk

The Group currently operates in 7 (seven) countries (the Republic of Latvia, the Republic of Lithuania, the Republic of Estonia, the Netherlands, Belgium, Germany and Poland) all with different tax regimes. Changes to local tax regimes or challenges to the current tax structures of the Group's business could have a material adverse effect on the business operations, financial conditions, or results of operations and cash flows of the Group. Additionally, certain tax positions taken by the Group require the judgement of management and, thus, could turn out to be inefficient or challenged by tax authorities due to the possible erroneous interpretation of tax legislation.

1.2.6. Relations with key vendors and supply chain risk

The Group imports its products from third-party suppliers, mainly in the Netherlands, Belgium and Germany. In total, the Group has more than 300 (three hundred) different partners. In 2021, approximately 39 % (thirty-nine per cent) of the Group's supply, by value, was delivered by 12 (twelve) different suppliers. The Group also relies on arrangements with third-party logistics companies for the delivery of its products.

Accordingly, the Group relies on third parties to transport its products over large geographical distances. Any disruption to the supply chain caused by issues with the Group's suppliers can have a material adverse effect on its inventory levels, assortment of products, revenues, financial conditions and the Group's competitive position.

Delays in shipments of the Group's products or an interruption of the delivery of products, due to the unavailability of products, personnel, transportation, work stoppages, delays in customs inspections, political instability, security requirements or other factors beyond the Group's control. Further, costs and delays associated with the transitioning between suppliers could also adversely impact the Group's ability to meet consumer demands and may result in fewer sales. Any of these risks could have a material adverse effect on the Group's business operations, financial conditions and results of operations.

1.2.7. The risk of rising costs of purchased cars and the inability to transfer the increased costs to the end buyer

The Group's key cost items are purchased cars and employee salaries. The Group is subject to the current market prices of used cars. Considering the current inflationary environment and the recent trends of rising prices of used cars due to a combination of shortage of chip, slowed down production and other disruptive factors in the new car supply chain, there is a risk that the Group will purchase its car stock at an increased price and will not be able to sell the cars to the end customer due to insufficient demand at the given price levels. In such case the Group would be forced to sell the inventory at a time when the used car market prices have decreased and, thus, experience lower sales margins. However 1) as the changes in purchase prices affect all of the used cars market and Longo has the access to significantly more suppliers than competitors thus higher chance to pay lower price for its Inventory 2) and the average sales time of a car after it is published is short- around 60 days, the above mentioned risk is comparably low.

Additionally, as a result of rising inflation, the Group may be required to significantly increase the salaries of its employees, and might not be fully compensate the overall cost increase through increase of end price to its customers, which could result in adverse effect on the Group's profitability and financial condition.

1.2.8. Inventory management risk

The Group maintains a certain level of inventory in order to ensure the optimal flow of the inventory and the ability to satisfy customer demands. The Group's total inventory level was EUR 10.5 million (ten-point-five million Euro) as of 31 March 2022, constituting around 62% (sixty-two per cent) of the Group's total assets.

Insufficient levels of inventory can leave a significantly negative impact on the Group's revenue. However, in the event of high levels of unsold products, the Group could be required to sell some of its products at lower prices, which could negatively affect the Group's operating profits and have a materially adverse impact on its business operations and financial conditions.

Alternatively, the Group may underestimate the demand of one product compared to another and acquire stock inadequately as a result. To be responsive to shifting customer demands, the Group must manage its product selection and inventory levels closely. If the Group misjudges, fails to identify or fails to react swiftly to changes in consumer preferences, its sales could decrease, and the Group could see a significant increase in its inventories. Conversely, if the Group underestimates consumer interest in its products, it may experience inventory shortages and lower revenue and profitability than the Group could otherwise have achieved. Therefore, it is important for the Group to optimize inventory levels accordingly.

1.2.9. In-house preparation centre risk

The Group's business is, to a certain extent, dependent on the Group's ability to prepare used cars for sale in its in-house preparation centre. Currently the Group's in-house preparation centre output capacity is around 120 (one hundred and twenty) cars per week, with further possible mid-term increase to around 150 (one hundred and fifty) to 180 (one hundred and eighty) cars per week. With an increase in volumes, there could be a need to recruit more technicians to meet the customer demand (please refer to the risk factor "Key employee dependency"). If the in-house preparation centre output capacity would not meet the customer demand, it would lead to lower revenue and profitability the Group could have otherwise achieved.

1.2.10. Warranties risk

The Group has warranty obligations to its customers. There is a risk that the assumptions made on the current administrations of those commitments proves not to be adequate. If materialized, there is a risk it will cause a negative impact on the Group's earnings and financial position

1.2.11. Financial leverage risk

Historically, the operations of the Group have mainly been financed through shareholder funds and a Existing Notes in the amount of EUR 3m. Nevertheless, while the capitalization was 63% (sixty-three per cent) as of 31 March 2022, the financial leverage of the Group will increase as a result of the Notes issue and could increase further due to potential additional external financing in the future, which could result in negative consequences for the Group's business operations. Such consequences would include, but are not limited to, requiring the Group to dedicate a substantial portion of its cash flows for financing debt, increasing vulnerability to a downturn in the Group's business operations or general economic conditions, placing the Group at a competitive disadvantage relative to its competitors with lower leverage, limiting flexibility in reacting to competition or changes in the business or industry.

Any of these or other consequences or events could have a material adverse effect on the Group's ability to satisfy its obligations on Financial Indebtedness.

1.2.12. Key employee dependency

Retention of senior management is important to the Group's business operations, due to the limited availability of experienced and talented retail executives. If the Group were to lose the services of members from its senior management team and be unable to employ suitable replacements in a timely manner, its business, results of operations and financial condition could be materially and adversely affected.

In the future, the Group's activities will be affected by its ability to attract, preserve, and motivate highly qualified and experienced personnel. There is relatively high competition for personnel with the relevant skills and experience in the Baltics. To retain and motivate its employees, the Group has introduced employee stock options to its key senior management personnel.

1.2.13. Employee risk

As of 31 March 2022, the Group employs 109 (one hundred and nine) full-time employees, 26 (twenty-six) of whom are in the Republic of Latvia, 69 (sixty-nine) in the Republic of Lithuania, 8 (eight) in the Republic of Estonia, 5 (five) in the Netherlands, and 1 (one) in the Kingdom of Belgium. The Group's employees are a significant part of the overall customer experience and brand image of the Group. Therefore, it is of high importance for the Group to have a professional and highly skilled team of employees with low employee turnover rate. To retain and motivate its personnel, the Group has a performance bonus scheme in place.

Additionally, in the future the Group may be unable to attract enough skilled employees that would fit the needs and the corporate culture of the Group. Training of new employees also takes time and resources. Any difficulties in attracting new and/or to retain existing employees could have a material adverse effect on the Group's service quality and reputation, business operations, financial conditions and results of operations.

1.2.14. Operational risks

Operational risk is a possibility of experiencing losses due to insufficient or unsuccessful internal processes, personnel management, systems, or external circumstances. Thorough personnel selection is carried out, accurate descriptions of job duties are compiled, division of duties is coordinated, which allows the Group and management to reduce operational risks. The Group's internal controls, procedures, compliance systems and risk management systems may prove to be inadequate to prevent and discover previous or future breaches of laws and regulations and generally to manage risks which could have a material adverse effect on the Group's business operations, financial conditions and results of operations.

1.2.15. Competition risk

Neither the Group nor any other person guarantees the minimum liquidity of the Notes. Thus, the Investors should consider the fact that they may not be able to sell or may face difficulties in selling their Notes on the secondary market at their fair market value or at all.

1.2.16. Corporate governance and policy-related risk

The Group's success is dependent on its reputation and brand image. To this end, the Group must earn customers' confidence by providing products and services that meet customer demands and appeal to customers' preferences, including with respect to sustainability, innovation, quality, reliability, and value (total cost of ownership). This requires the management to make the right strategic decisions and invest in technologies, products and services that continue to meet customers' requirements. Within the Group, this requires the sharing of knowledge and information through appropriate management structures and processes. Furthermore, suitable policies, guidelines, trainings, and advice need to be implemented. If the Group fails to implement the correct processes and management structures, the Group may be unable to anticipate customer demands which could materially affect Group's brand and financial results.

Furthermore, the Group operates in an industry where efficiency improvements and cost savings are crucial in order to maintain competitiveness and profitability. The Group's ability to achieve the targets is also dependent on assumptions relating to several external factors, including development of the used cars marketplace, political, legal, fiscal, market and economic conditions, regulatory developments and wage increases, all of which are difficult to predict and are beyond the Group's control. These assumptions may prove to be inaccurate. If the Group fails this may have a material adverse effect on its business operations, financial conditions and results of operation.

1.2.17. IT system and process risk

The Group's ability to manage critical business operations depends on the ability of its IT systems, including the IT infrastructure, and processes to work effectively and securely without interruptions. There is a risk, these systems will be disrupted by, for example, software failures, computer viruses, hacking, ransomware, sabotage and physical damage, and the high pace of change in the overall IT environment introduces increases risk of data breaches. For the performance of all the Group's internal communication and the possibility to conduct all forms of work within the Group, and for the maintenance of all external communication and customer relations, the everyday functionality of the IT system is of vital importance.

Therefore, any malfunction within these areas constitutes a risk that would severely impair the performance of the Group and the services offered to customers. There is also the underlying risk such a failure, or major disruption or difficulties in maintaining, upgrading and integrating these systems, may lead to a degraded reputation for the Group among its customers. Any intrusion into the Group's IT systems, for example, from increasingly sophisticated attacks by cybercrime groups, could disrupt its business, resulting in the disclosure of confidential information and/or create significant financial and/or legal exposure and the risk of damage to the Group's reputation and/or brand. The degree to which IT failure and the materialization of any IT risk may affect the Group is uncertain and presents a significant risk to the Group's operations.

1.2.18. E-commerce risk

The Group offers its customers an online shopping experience through websites that provide for the pre-purchasing experience by viewing all cars online through the Group's local websites. The Group's websites currently contain more than 770 (seven-hundred and seventy) cars with full technical information, certification, high quality pictures, including 360 (three-hundred and sixty) degree interior viewing, exterior tours, created in a unique 3D photo studio in Baltics managed by the Group. In March 2022, 93% (ninety-three per cent) of sales originated from the Group's websites.

There is a need to keep up-to-date with rapid technological, legal and behaviour changes and according to that, implement new functionalities on the Group's websites, which creates a risk of unexpected costs being incurred. There is always the inherent risk customers will find the Group's websites difficult to use and utilize them less than expected.

Furthermore, the Group bears liability for any online content published on its websites.

Failure to respond accordingly to these risks and uncertainties could reduce the revenues generated by online leads, as well as have a detrimental effect on the brand, reputation and prospects of the Group.

1.2.19. Risk of natural disasters and other business disruption

The Group's operations are vulnerable to damage or interruption from various natural disasters and business disruptions, such as fire, flood, power losses, telecommunication failures, terrorist attacks, acts of war, human error, and other events. A significant natural disaster could have a material adverse impact on the Group's ability to conduct its business, and insurance coverage may be insufficient to compensate losses that may occur. Although the Group has implemented business continuity plans, acts of terrorism, war, civil unrest, violence or human error could cause disruptions to the Group's business or the economy as a whole. Any of these occurrences may have a material adverse effect on the Group's business operations, financial conditions, results of operations and cash flows.

1.2.20. Privacy and data protection breach risk

The Group's business is subject to a variety of laws and regulations that regulate user privacy issues, data protection, advertising, marketing, disclosures, distribution, electronic contracts and other communications, consumer protection and online payment services. Severity of consequences in case of non-compliance with the said privacy laws may differ from jurisdiction-to-jurisdiction.

The introduction of new products or the expansion of the Group's activities in certain jurisdictions may subject the Group to additional obligations under privacy-related laws and regulations.

Existing and proposed laws and regulations can be costly to comply with and can delay or impede the development of new products, the expansion into new markets, result in negative publicity, increase the Group's operating costs, require significant management time and attention, and subject the Group to inquiries or investigations, claims or other remedies, including demands which may require the Group to modify or cease existing business practices and/or pay fines, penalties or other damages. This may have a material adverse effect on the Group's business, financial condition, results of operations, prospects and cash flows.

Although the Group has adopted and continues to adopt appropriate technical and organisational measures (for example, adopting internal documents (policies, procedures, risk assessments, etc.) regulating privacy matters, conducting trainings of employees, appointing personal data protection officers, etc., to ensure compliance with applicable privacy laws and regulations, the Group cannot guarantee its employees will comply at all times with such laws and regulations. If the Group's employees fail to comply with such laws and regulations in the future, the Group may become subject to fines or other penalties which may have an adverse impact on its reputation, business, financial condition, results of operations, prospects and cash flows.

1.3. Risks related to the Notes

1.3.1. Notes repayment risk

The Notes will rank pari-passu with other senior Secured Financial Indebtedness of the Issuer. Directly after the Notes issue, the Group's only Secured Financial Indebtedness will be the Notes and Existing Notes. However, the Group is not prohibited from taking on additional Financial Indebtedness, including Secured Financial Indebtedness and pledging assets in favour of other creditors in the future if the Covenants set forth in Clause 5 of these Terms of the Notes Issue are met.

In the case of the Group's insolvency, Noteholders have the same right to receive their investment as other creditors of the relevant group in accordance with applicable local regulatory enactments. There are no contracts or other transaction documents, which would subordinate the claims of Noteholders to other secured obligations of the Group.

The Issuer may not have the ability to repay or refinance these obligations. If the maturity date or date when the put option is exercised occurs at a time when other arrangements prohibit the Issuer from repaying the Notes, it could try to obtain waivers of such prohibitions from the lenders and the Noteholders under those arrangements, or the Issuer could attempt to refinance the borrowings that contain the restrictions. If the Issuer fails to obtain the waivers or refinances these borrowings, it would be unable to repay the Notes.

1.3.2. Liquidity risk

Neither the Group nor any other individual guarantees the minimum liquidity of the Notes. Thus, the Noteholders should consider the fact they may not be able to sell or may face difficulties in selling their Notes on the secondary market at their fair market value or at all.

1.3.3. Delisting risk

After registration of the Notes the Issuer plans to request admission to trading of the Notes on the Multilateral Trading Facility (MTF) First North operated by Nasdaq Riga. There is a risk Nasdaq Riga will not accept the Notes to be admitted to trading on First North or order the Notes are delisted from First North before maturity after admission to trading has taken place due to changes in legal acts, including Nasdaq Riga regulations, or recommendations by the FCMC.

1.3.4. Price risk

The development of market prices of the Notes depends on various factors, such as changes of interest rates, central bank policies, overall economic development, or demand for the Notes.

The Notes bear a fixed interest rate. Thus, Potential Investors who seek to sell the Notes before their final maturity are exposed to interest rate risk, if the market interest rate increases, the price of fixed rate Notes typically declines.

Neither the Issuer, nor any other person undertakes to maintain a certain price level of the Notes. The Potential Investors are thus exposed to the risk of unfavourable price development of their Notes if they sell the Notes prior to final maturity. If a Potential Investor decides to hold the Notes until maturity, the Notes will be redeemed at their Nominal Value.

1.3.5. Early redemption risk

According to the Terms of the Notes Issue, the Notes may be redeemed prematurely at the initiative of the Issuer. If the early redemption right is exercised by the Issuer, the rate of return from the investment into the Notes may be lower than initially expected, as the Potential Investor might not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on such Notes being redeemed. The Group's redemption right may also adversely impact the Potential Investor's ability to sell such Notes.

1.3.6. Tax risk

Tax rates and tax payment procedures applicable at the time of purchasing the Notes by tax residents, non-residents of Latvia, and residents of other countries may change. The Issuer will not compensate the increase in taxes to Potential Investors, therefore Potential Investors may receive smaller payments related to Notes.

1.3.7. Resolutions of Investors risk

The majority resolution of the Investors is binding on all Investors. Thus, a Potential Investor is subject to the risk of being outvoted by a majority resolution of the other Potential Investors. As such, certain rights of such Potential Investor against the Issuer may be amended or reduced, or even cancelled, without its consent.

1.3.8. Risk that some Noteholders might have more preferential terms than others

While the Issuer will try to maintain the proportional reduction principle to the extent possible in final allocation of the Notes, in case the total number of Notes subscribed for is higher than the number of Notes available, the Issuer has a right to refuse all or part of the subscribed Notes to any Potential Investor due to perceived risks that might not be directly measurable and subjective, thus, the proportionality principle might not be observed.

Additionally, the Issuer has the right to sell the Notes at a price lower than their Nominal value to selected Noteholders and / or enter into agreements that may add additional rights to selected Noteholders if the Issuer perceives them as especially important for this Notes issue due to the size of their investment or added experience. This may result in a situation where some Noteholders might gain preferential terms for investment into the Notes than the rest of the Noteholders.

1.4. Risks related to Collateral and Guarantees

1.4.1. Risks associated with the Collateral Agent Agreement

The Noteholders are represented by the Collateral Agent in all matters relating to the Collateral. There is a risk the Collateral Agent, or anyone appointed by it, does not properly fulfil its obligations in terms of perfecting, maintaining, enforcing or taking other necessary actions in relation to the Collateral. Subject to the terms of the Collateral Agent Agreement, the Collateral Agent is entitled to enter into agreements with a third-party or take any other actions necessary for the purpose of maintaining, releasing or enforcing the Collateral or for the purpose of settling, among others, the Noteholders rights to the Collateral.

1.4.2. Risks associated with the value of the Collateral

The value of the Collateral is not fixed and is subject to changes in several factors, primarily the demand and supply conditions for used cars, which at times can be unpredictable and are out of the Group's control. Thus, the value of the Collateral might decline if unfavourable market conditions in the used car segment would result in a decline in prices of used cars. Additionally, if a sudden necessity to sell the Collateral were to arise, the Group might be forced to sell the Collateral at a discount to its market value and derive less value than expected from it.

Moreover, the Collateral structure could change over time due to changes in the Group's inventory and overall asset structure. Additionally, the Collateral is subject to damage defects, and the risk of theft. The cars can get damaged which could affect the resale value, if such a necessity were to arise. Any of these risks related to the Collateral can negatively affect the value of the Collateral and the Group's ability to meet its obligations under the Notes.

Considering the Collateral Agent does not supervise the quality of the Collateral during the duration of the Issuer's obligations and the Collateral Agent has no liability to the Noteholders in this regard, there is a risk the Collateral may be taken over, but the realisation of the Collateral may be insufficient to fully satisfy the Noteholders' claims.

1.4.3. The Collateral and the Guarantees will be subject to certain limitation on enforcement and may be limited by the applicable law or subject to certain defences that may limit its validity and enforceability

The Collateral and the Guarantees provide the Collateral Agent, acting for the benefit of the Noteholders, with a claim against the relevant Collateral Provider and the Guarantor. However, the Collateral and the Guarantees will be limited to the maximum amount that can be guaranteed by the relevant Collateral Provider without rendering the relevant Collateral and Guarantee voidable or otherwise ineffective under the applicable law, and enforcement of each Collateral and Guarantee would be subject to certain generally available defences.

Enforcement of any of the Collateral and the Guarantees against any Collateral Provider will be subject to certain defences available to Collateral Providers in the relevant jurisdiction. Although laws differ among jurisdictions, laws and defences generally include those that relate to corporate purpose or benefit, fraudulent conveyance or transfer, voidable preference, insolvency or bankruptcy challenges, financial assistance, preservation of share capital, thin capitalization, capital maintenance or similar laws, regulations or defences affecting the rights of creditors generally. If one or more of these laws and defences are applicable, a Collateral Provider may have no liability or decreased liability under its Collateral and Guarantee depending on the amounts of its other obligations and applicable law.

There is a possibility the entire Guarantee or Collateral may be set aside, in which case the entire liability may be extinguished. If a court decided a Guarantee or Collateral was a preference, fraudulent transfer or conveyance and voids such Guarantee or Collateral, or holds it unenforceable for any other reason, the Noteholders may cease to have any claim in respect of the relevant Guarantor or Collateral Provider and would be a creditor solely of the Issuer and, if applicable, of any other Guarantor or Collateral Provider under the relevant Guarantee or Collateral which has not been declared void or held unenforceable.

The Notes will be guaranteed by the Guarantors, which are organised or incorporated under the laws of 4 (four) jurisdictions. In the event of a bankruptcy, insolvency or similar event of a Guarantor, bankruptcy, insolvency or similar proceedings could be initiated against that Guarantor in any of the relevant jurisdictions. The rights of Noteholders under the Guarantees will thus be subject to the laws of a number of jurisdictions, and it may be difficult to enforce such rights in several bankruptcy, insolvency and other similar proceedings.

Moreover, such multi-jurisdictional proceedings are typically complex and costly for the creditors. In addition, the bankruptcy, insolvency, administration and other laws of the jurisdiction of organization of the Issuer or the Guarantors may be materially different from, or in conflict with, one another, including in relation to the creditor's rights, the priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceeding. The application of these various laws in multiple jurisdictions could trigger disputes over laws of which jurisdiction(s) should apply and could adversely affect the ability to realise any recovery under the Notes and the Guarantees.

1.4.4. The enforcement of the Guarantee and the Collateral will be subject to the procedures and limitations set out in the Collateral Agent Agreement and these Terms of the Notes Issue

Even when the Collateral is enforceable, the enforcement is subject to the procedures and limitations agreed in the Collateral Agent Agreement and these Terms of the Notes Issue. There can be no assurance as to the ability of the Noteholders to instruct the Collateral Agent to initiate any enforcement procedures. Furthermore, any enforcement of security may be delayed due to the provisions of the Collateral Agent Agreement and these Terms of the Notes Issue.

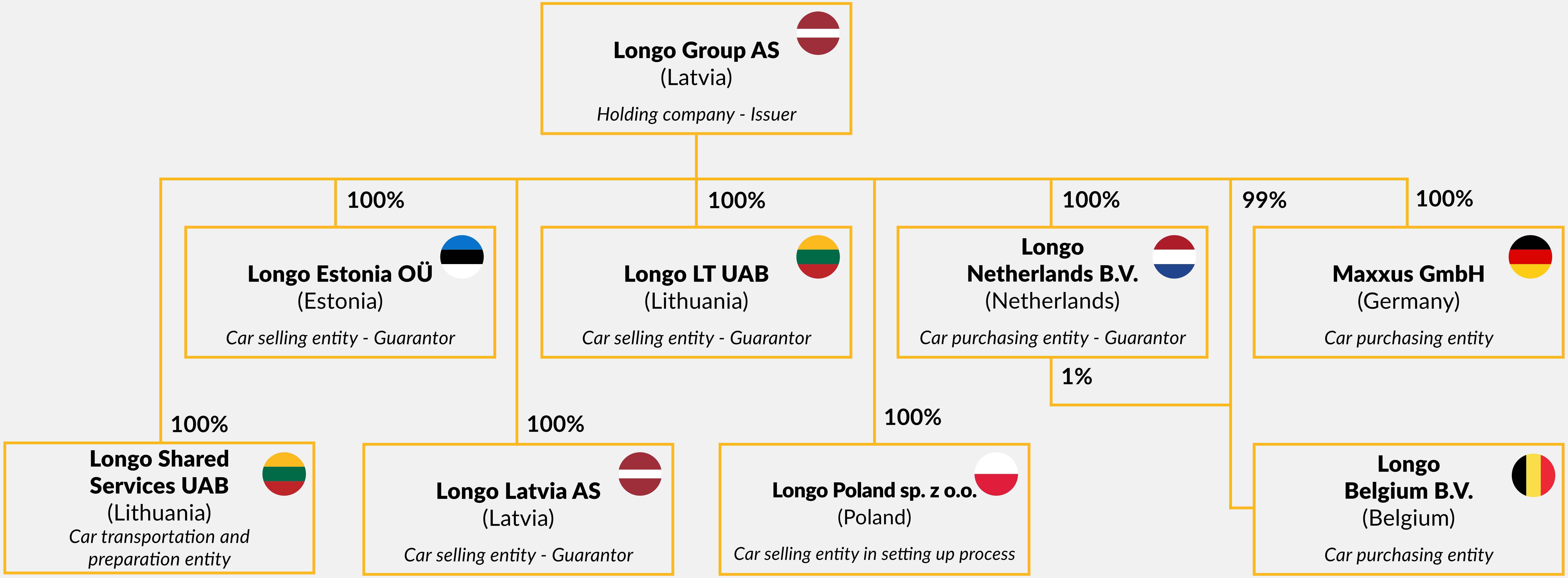
1.4.5. The rights of the Noteholders depend on the Collateral Agent's actions and financial standing

By subscribing for, or accepting the assignment of, any Note, each of the Noteholders will accept the appointment of the Collateral Agent as the agent and representative of the Noteholders, to represent and act for such secured creditors, i.e., Noteholders, in relation to the Collateral.

Only the Collateral Agent is entitled to exercise the rights under the Collateral and enforce the same. Any failure by an agent to perform its duties and obligations properly, or at all, may adversely affect the enforcement of the rights of the Noteholders due to, for example, inability to enforce the security and/or receive any or all amounts payable from the security in a timely and effective manner.

Appendix

Legal structure of AS Longo Group



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