Prospectus dated January 25, 2021

Prospectus for the public offering

of

31,250,000 newly issued bearer shares with no par value (*Stückaktien*) from a capital increase against cash contributions expected to be resolved by a shareholders' meeting of the Company on or about February 2, 2021

and of

15,625,000 existing bearer shares with no par value (*Stückaktien*) from the holdings of the Selling Shareholders

and of

up to 7,031,250 existing bearer shares with no par value (*Stückaktien*) from the holdings of the Lending Shareholders in connection with a possible over-allotment, provided that the total number of such over-allotment shares will not exceed 15% of the final number of new shares and existing shares placed in the offering,

and at the same time

for the admission to trading

on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)

of

up to 31,250,000 newly issued bearer shares with no par value (*Stückaktien*) from a capital increase against cash contributions expected to be resolved by a shareholders' meeting of the Company on or about February 2, 2021

and of

173,118,150 existing bearer shares with no par value (*Stückaktien*) (existing share capital), each such share with a notional value of €1.00

of

AUTO1 Group SE

Price Range: €32.00 – €38.00

International Securities Identification Number (ISIN): DE000A2LQ884
German Securities Code (*Wertpapierkennnummer* (*WKN*)): A2LQ88
Ticker Symbol: AG1

Joint Global Coordinators and Joint Bookrunners

BNP PARIBAS | **Citigroup** | **Goldman Sachs Bank Europe SE** | **Deutsche Bank**

Joint Bookrunners

Barclays | **HSBC** | **Numis Securities** | **RBC Capital Markets**

Co-Lead Managers

Crédit Agricole Corporate and Investment Bank | **COMMERZBANK** | **Mizuho Securities** | **Wells Fargo Securities**

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I. SUMMARY OF THE PROSPECTUS

A. – Introduction and Warnings

This prospectus (the "**Prospectus**") relates to shares of AUTO1 Group SE (the "**Company**" and, together with its consolidated subsidiaries, "**AUTO1 Group**", "**we**", "**us**" or "**our**"), Bergmannstrasse 72, 10961 Berlin, Federal Republic of Germany ("**Germany**"), legal entity identifier ("**LEI**") 391200S2LPXG5ZD5G304, www.auto1-group.com, each such share having the International Securities Identification Number ("**ISIN**") DE000A2LQ884 (each share of the Company, a "**Share**").

The Shares are offered by the Company, together with BNP PARIBAS, 16 Boulevard des Italiens, 75009 Paris, France, LEI R0MUWSFPU8MPRO8K5P83 ("**BNP PARIBAS**"), Citigroup Global Markets Europe AG, Reuterweg 16, 60323 Frankfurt am Main, Germany, LEI 6TJCK1B7E7UTXP528Y04 ("**Citigroup**"), Goldman Sachs Bank Europe SE, Marienturm, Taunusanlage 9-10, 60329 Frankfurt am Main, Germany, LEI 8IBZUGJ7JPLH368JE346 ("**Goldman Sachs**"), Deutsche Bank Aktiengesellschaft, Mainzer Landstraße 11-17, 60329 Frankfurt am Main, Germany, LEI 7LTWFZYICNSX8D621K86 ("**Deutsche Bank**" and, together with BNP PARIBAS, Citigroup and Goldman Sachs, the "**Joint Global Coordinators**"), Barclays Bank Ireland PLC, One Molesworth Street, Dublin 2, D02 RF29, Ireland, LEI 2G5BKIC2CB69PRJH1W31 ("**Barclays**"), HSBC Trinkaus & Burkhardt AG, Königsallee 21/23, 40212 Düsseldorf, Germany, LEI JUNT405OW8OY5GN4DX16 ("**HSBC**"), Numis Securities Limited, 10 Paternoster Square, London EC4M 7 LT, United Kingdom, LEI 213800P3F4RT97WDSX47 ("**Numis Securities**"), RBC Capital Markets (Europe) GmbH, Taunusanlage 17, 60325 Frankfurt am Main, Germany, LEI 549300SXSTGQY3EA1B18 ("**RBC Capital Markets**" and, together with the Joint Global Coordinators, Barclays, HSBC and Numis Securities, the "**Joint Bookrunners**"), Crédit Agricole Corporate and Investment Bank, 12 Place des Etats-Unis, CS 70052, 92547 Montrouge Cedex, France, LEI 1VUV7VQFKUOQSJ21A208 ("**Crédit Agricole Corporate and Investment Bank**"), COMMERZBANK Aktiengesellschaft, Kaiserstraße 16 (Kaiserplatz), 60311 Frankfurt am Main, Germany, LEI 851WYGNLUQLFZBSYGB56 ("**COMMERZBANK**"), Mizuho Securities Europe GmbH, Taunustor 1, 60310 Frankfurt am Main, Germany, LEI 213800G8QEXN34A2YG53 ("**Mizuho Securities**"), and Wells Fargo Securities, LLC, 500 West 33rd Street, New York, NY 10001, United States of America, LEI VYVVCKR63DVZZN70PB21 ("**Wells Fargo Securities**" and, together with the Joint Bookrunners, Crédit Agricole Corporate and Investment Bank, COMMERZBANK and Mizuho Securities, the "**Underwriters**"). The Company and the Underwriters will apply for the admission to trading of the Shares and assume responsibility for the contents of this Prospectus.

On January 25, 2021, the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*), Marie-Curie-Straße 24-28, 60439 Frankfurt am Main, Germany, www.bafin.de, approved this Prospectus as the competent authority under Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC, as amended.

This summary should be read as an introduction to this Prospectus. Investors should base any decision to invest in the Shares on the consideration of this Prospectus as a whole. Investors in the Shares could lose all or part of their invested capital. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled this summary, including any translation thereof, but only where this summary is misleading, inaccurate or inconsistent, when read together with the other parts of this Prospectus, or where it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the Shares.

B. – Key Information on the Issuer

B.1 – Who is the Issuer of the Securities?

Registration and Applicable Laws – AUTO1 Group SE has its registered seat in Munich, Germany, and the LEI 391200S2LPXG5ZD5G304. The Company is incorporated in Germany. As a European company (*Societas Europaea* (*SE*)) incorporated in Germany, the Company is subject to both European legislation on such companies as well as German law.

Principal Activities – We operate Europe's leading platform for the purchase and sale of used cars. Our offering is fully online and based on a vertically-integrated platform (*i.e.*, highly innovative end-to-end technology solutions and an unmatched data set direct our operations along the entire value chain). With more than 615,000 used cars sold in 2019 alone, we are Europe's preferred destination for buying and selling used cars, with approximately twice as many used cars sold compared to our closest peer in the European Union (*source: OC&C Strategy and Analytics GmbH, Germany, "The European Used Car Market – Evolving Trends"*).

Sales of used cars, including sales among businesses, represented a market of approximately €600 billion in Europe in 2019 (*source: OC&C Strategy and Analytics GmbH, Germany, "The European Used Car Market – Evolving Trends"*). We estimate that online penetration in this market is still at a very early stage of development and that the market share of online sales of used cars to consumers amounts to approximately 1% in Europe. We believe that this indicates a unique market opportunity.

Our leading position is based on our broad sourcing funnels, which in 2019 enabled us to source an average of approximately 1,600 used cars per day in a fast, easy and reliable manner. Under our well-known consumer brands such as "wirkaufendeinauto.de", we offer a compelling and technologically advanced online experience for consumers in ten European countries to sell their used cars quickly and at competitive, haggle-free prices. In addition, we provide professional dealers with fast and convenient remarketing solutions, enabling these dealers to quickly market excess inventory at scale.

We sell the cars we source under two complementary offerings: Under our merchant brand "AUTO1", we operate Europe's largest wholesale platform for sales of used cars. We sell these cars via online auctions to more than 60,000 professional dealers across Europe. Under our retail brand "Autohero", we have created an easy, hassle-free way for consumers to purchase used cars online. In nine European countries, we offer consumers a large variety of attractive used cars at fixed prices, a compelling online customer experience and a convenient fulfillment process.

Our operations are built on a vertically-integrated, proprietary technology platform specifically designed to facilitate the purchase, sale, inventory management and delivery of used cars across Europe. By analyzing more than five million data points on average per day, we have created what we believe is the largest data set for used car trades in Europe, and most of this data set is proprietary. As both our sourcing funnels and sales channels grow, this database and our analytics capabilities continue to expand and help us further improve the accuracy of our prices and the composition of our offerings. In addition, our fully-integrated fulfillment infrastructure allows us to facilitate the intake, storage and delivery of used cars across Europe at competitive prices.

After our launch in 2012, we swiftly expanded our business, with revenue increasing at a compound annual growth rate of approximately 93% between 2014 and 2019. While the effects of the COVID-19 pandemic adversely affected us in the six-month period ended June 30, 2020, our business quickly rebounded. As a result, revenue increased by 90.5% in the following quarter, which enabled us to achieve profitability on an Adjusted EBITDA (as defined in B.2) level for the entire AUTO1 Group for a full nine-month period for the first time. Even during the renewed outbreak of the COVID-19 pandemic in recent months, our business has proven resilient and we estimate that our revenue amounted to €2.8 billion in 2020. While we intend to invest significantly in our "Autohero" offering and will therefore likely not be profitable in the near term, we expect to again achieve profitability based on our Adjusted EBITDA (as defined in B.2) within the next three years.

We believe that the following competitive strengths have been the primary drivers of our success in the past and will continue to set us apart from our competitors in the future:

- An unmatched breadth of sourcing and the scale of our offering cement our clear leadership position;
- Our strong brands and superior customer experience;
- Our proprietary technology platform, driven by the largest data set for used car trades in Europe;
- Operational excellence through our pan-European, scalable fulfillment infrastructure; and
- An entrepreneurial, founder-led management team.

To achieve continued success, we have identified the following key elements of our strategy:

- seize the vast market opportunity in the highly fragmented market for used cars with an accelerating offline to online shift;
- become Europe's leading retailer for used cars;
- leverage our longstanding relationships with professional dealers to grow our remarketing solutions; and
- continue to scale our business to drive growth and profitability.

Major Shareholders – As of the date of this Prospectus, SVF Midgard (Cayman) Ltd directly holds 19.99% of the Shares, HKVV GmbH directly holds 15.69% of the Shares, BM Digital GmbH directly holds 15.69% of the Shares, OUR993 S.à r.l. directly holds 10.77% of the Shares, Piton Capital Investments Coöperatief B.A. directly holds 7.91% of the Shares, OUR993 XIII S.à r.l. directly holds 3.59% of the Shares and DN Capital – Global Venture Capital III LP directly holds 3.55% of the Shares.

Controlling Shareholders – The Company is not controlled by any of its direct or indirect shareholders.

Key Managing Directors – The members of the Company's management board are Christian Bertermann and Markus Boser.

Statutory Auditors – The Company's statutory auditor is KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin office, Klingelhöferstraße 18, 10785 Berlin, Germany.

B.2 – What is the Key Financial Information regarding the Issuer?

Unless indicated otherwise, all financial information presented in the tables below is shown in millions of Euro (in € million). Certain financial information, including percentages, has been rounded according to established commercial standards. As a result, rounded figures in the tables below may not add up to the aggregate amounts in such tables (sum totals or subtotals), which are calculated based on unrounded figures. Financial information presented in parentheses denotes the negative of such number presented. A dash ("–") signifies that the relevant figure is not available or zero, while a zero ("0.0") signifies that the relevant figure has been rounded to zero.

Selected Consolidated Financial Information of AUTO1 Group

Selected Data from the Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	(audited, unless stated otherwise) (in € million)			(unaudited) (in € million)	
Revenue	**2,177.4**	**2,852.4**	**3,476.0**	**2,531.0**	**2,050.5**
Cost of sales	(1,979.3)	(2,609.9)	(3,133.4)	(2,283.3)	(1,847.4)
Gross profit	**198.1**	**242.4**	**342.5**	**247.7**	**203.1**
Other operating income	1.9	6.3	11.6	6.1	9.9
Personnel expenses	(120.2)	(162.1)	(228.8)	(166.2)	(99.4)
Other operating expenses	(144.4)[(1)]	(193.6)	(218.1)	(159.2)	(114.1)
EBITDA	**(64.7)[(1)]**	**(107.0)**	**(92.8)**	**(71.6)**	**(0.5)**
Depreciation and amortization	(13.2)	(15.0)	(20.6)	(13.6)	(24.2)
EBIT	**(77.9)[(1)]**	**(122.0)**	**(113.4)**	**(85.3)**	**(24.8)**
Interest income and other finance income	–	0.3	0.7	0.0	0.0
Interest expense and other finance costs	(3.9)	(3.4)	(6.4)	(4.4)	(44.9)
Other financial result	–	–	–	–	(13.1)
Earnings before tax	**(81.8)[(1)]**	**(125.1)**	**(119.1)**	**(89.7)**	**(82.7)**
Income tax expense	(1.1)	(0.6)	(2.1)	(1.0)	(0.6)
Loss for the period	**(82.8)[(1)]**	**(125.7)**	**(121.3)**	**(90.7)**	**(83.3)**
Foreign currency translation differences	(0.0)	0.3	(0.8)	(0.2)	0.2
Total comprehensive income	**(82.9)[(1)]**	**(125.4)**	**(122.1)**	**(90.9)**	**(83.1)**

(1) Unaudited. As adjusted for an accounting error with respect to certain value-added tax receivables that had been overstated.

Selected Data from the Consolidated Statement of Financial Position

	As of December 31,			As of September 30,
	2017	**2018**	**2019**	**2020**
	(audited, unless stated otherwise) (in € million)			(unaudited) (in € million)
Non-current assets	103.6	127.7	176.6	60.5
Current assets	332.7[(1)]	409.9	428.8	511.8
Total assets	**436.3[(1)]**	**537.7**	**605.4**	**572.3**
Total equity	**139.6[(1)]**	**238.4**	**153.3**	**59.7**
Non-current liabilities	160.6	153.3	298.0	341.8
Current liabilities	136.1	145.9	154.0	170.8
Total liabilities	**296.7**	**299.2**	**452.1**	**512.6**

(1) Unaudited. As adjusted for an accounting error with respect to certain value-added tax receivables that had been overstated.

Selected Data from the Consolidated Statement of Cash Flows

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2017	2018	2019	2019	2020
		(audited) (in € million)		(unaudited) (in € million)	
Net cash flow from operating activities	(138.0)	(69.6)	(138.4)	(80.0)	133.3
Net cash from/(used in) investing activities	(1.5)	(7.9)	(3.3)	(1.9)	(1.4)
Net cash from/(used in) financing activities	136.5	141.5	82.7	19.9	62.8
Net change in cash and cash equivalents	**(3.0)**	**64.0**	**(58.9)**	**(62.1)**	**194.7**

Key Financial and Operating Data

	As of and for the fiscal year ended December 31,			As of and for the nine-month period ended September 30,	
	2017	2018	2019	2019	2020
	(unaudited, unless stated otherwise)			(unaudited)	
Revenue growth (in %)	*–*	*31.0*[(1)]	*21.9*[(1)]	*–*	*(19.0)*
Operating expenses (in € million)[(2)]	(235.5)	(333.6)	(390.6)	(287.0)	(196.2)
Adjusted EBITDA (in € million)[(3)]	(37.4)	(91.1)	(60.4)	(39.3)	7.0
Sold cars (in thousands)	416	538	616	453	340
Average revenue per unit (in €)[(4)]	5,239	5,306	5,646	5,581	6,029
Gross profit per unit (in €)[(5)]	477	451	556	546	597
Average number of employees[(6)]	2,777	3,546	4,418	4,342	4,165

(1) Audited.
(2) Defined as the sum of personnel expenses (excluding share-based payments) and other operating expenses (excluding expenses for the assessment of value added taxes and expenses for correction of trade payables and other non-operating expenses), less other operating income.
(3) Defined as EBITDA adjusted for non-operating effects, which comprise (i) share-based payments, (ii) change of basis of assessment for value added taxes, (iii) correction of payables and (iv) other non-operating expenses ("**Adjusted EBITDA**").
(4) Defined as revenue divided by the number of cars sold.
(5) Defined as gross profit divided by the number of cars sold.
(6) Full-time equivalent.

Key Consolidated Quarterly Financial Information

	For the three-month period ended						
	March 31,	June 30,	September 30,	December 31,	March 31,	June 30,	September 30,
	2019				2020		
	(unaudited) (in € million)						
Revenue	808.4	797.4	925.2	945.0	877.4	403.8	769.4
Gross profit	84.7	75.1	87.9	94.8	89.1	27.4	86.7
Adjusted EBITDA	(4.1)	(23.7)	(11.5)	(21.1)	1.2	(10.2)	16.0

B.3 – What are the Key Risks that are Specific to the Issuer?

- We rely on strong demand for used cars in Europe, which in turn depends on the performance of the economy in the European Economic Area. A number of adverse developments, in particular the outbreak of the COVID-19 pandemic, have significantly increased the risk of a severe recession, which could adversely affect our business.
- We may be adversely affected by a general decline in individual car ownership or sudden declines in demand for certain types of used cars.
- We have experienced rapid growth and have never been profitable for a full fiscal year. We expect growth to slow down going forward, and cannot guarantee that we will ever become and remain profitable.
- We have a limited operating history and may not be able to manage future growth efficiently.
- We may not be able to source a desirable inventory of used cars at competitive prices or at all.
- Acceptance of our online offering as a suitable platform for the sale and purchase of used cars may decrease or fail to improve.
- Used cars in our inventory may be stolen, damaged or destroyed before we can sell these cars.

- If we fail to expeditiously sell our inventory, we may experience excess inventory. We could also be forced to offer our used cars at significantly lower prices than originally anticipated, which would adversely affect our margins.
- Any failure to maintain, protect and enhance the recognition and reputation of our brands may adversely affect our business.
- We depend on third parties for the completion of our transactions and our fulfillment, and there is no guarantee that these third parties will continue to be available and perform their services properly.
- Given that we are a technology company, we may experience disruptions, failures or breaches of our technology platform.
- Given that we are a relatively new enterprise, our internal controls may not be sufficient.
- We may require additional capital which might not be available on economically acceptable terms, or at all.
- Due to the nature of our operations, we may be adversely affected by changes in laws and regulations, in particular those governing the trading of used cars, electronic commerce and the automotive industry in general.

C. – Key Information on the Securities

C.1 – What are the Main Features of the Securities?

This offering (the "**Offering**") relates to (i) 31,250,000 newly issued Shares from a capital increase against cash contributions expected to be resolved by a shareholders' meeting of the Company on or about February 2, 2021 (the "**New Shares**"), (ii) 15,625,000 existing Shares (the "**Existing Shares**") from the holdings of BM Digital GmbH, brightgiant UG (haftungsbeschränkt), DN Capital – Global Venture Capital III LP, HKVV GmbH, Markus Boser, OUR356 S.à r.l., OUR993 S.à r.l., OUR993 XIII S.à r.l., Piton Capital Investments Coöperatief B.A., Princeville Global Auto Investments Limited and Tanjung Buai Ventures Sdn. Bhd. (together, the "**Selling Shareholders**"), and (iii) up to 7,031,250 existing Shares from the holdings of DN Capital – Global Venture Capital III LP and Piton Capital Investments Coöperatief B.A. (together, the "**Lending Shareholders**") in connection with a possible over-allotment (the "**Over-Allotment Shares**" and, together with the New Shares and the Existing Shares, the "**Offer Shares**"). The total number of Over-Allotment Shares will not exceed 15% of the final number of New Shares and Existing Shares placed in the Offering. All Shares, including the Offer Shares, will be listed as part of the Listing (as defined in C.2).

Number and Nature of Shares – 173,118,150 Shares are outstanding. All Shares are bearer shares with no par value (*Stückaktien*), each such Share representing a notional value of €1.00.

ISIN and Denomination – The ISIN of the Shares is DE000A2LQ884 and the Shares are denominated in Euros.

Rights Attached to the Shares, Relative Seniority and Transferability – All Shares carry full dividend rights. Each Share carries one vote at the Company's shareholders' meeting. The Shares are subordinated to all other securities and claims in case of an insolvency of the Company and freely transferable in accordance with the legal requirements for bearer shares.

Dividend Policy – The Company does not intend to pay dividends for the foreseeable future.

C.2 – Where will the Securities be traded?

All Shares are expected to be admitted to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime Standard) (the "**Listing**").

C.3 – What are the Key Risks that are Specific to the Securities?

Future issuances of new Shares or sales of a significant number of existing Shares could adversely affect the market price of the Shares. In addition, any issuance of new Shares could lead to substantial dilution.

D. – Key Information on the Offer of the Securities and the Admission to Trading

D.1 – Under which Conditions and Timetable can I invest in this Security?

Scope of the Offering	The Offering consists of a public offering in Germany and private placements in certain jurisdictions outside Germany. In the United States of America, the Offer Shares will only be offered and sold to qualified institutional buyers as defined in, and in reliance on, Rule 144A under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or pursuant to another available exemption from, or in transactions not subject to, the registration requirements of the Securities Act. Outside the United States of America, the Offer Shares will be offered and sold only in offshore transactions in compliance with Regulation S under the Securities Act.
Price Range and Target Proceeds	The Company targets gross proceeds of approximately €1.0 billion from the sale of the New Shares. The price range of €32.00 to €38.00 per Offer Share (the "**Price Range**") has been set to ensure that at the low end of the Price Range, the Company would still achieve its target proceeds. If the Offer Shares are placed at a higher offer price for the Offering (the "**Offer Price**"), the number of New Shares will be reduced accordingly.
Offer Period	January 26, 2021 through February 2, 2021 (the "**Offer Period**"), provided that the Offer Period will not commence prior to the publication of this Prospectus and may be shortened or extended.
Offer Price	The Offer Price and the final number of Offer Shares placed in the Offering are expected to be determined by the Company and the Selling Shareholders, after consultation with the Joint Bookrunners, on February 2, 2021. The Offer Price will be set on the basis of the purchase orders submitted by investors during the Offer Period that have been collated in the order book prepared during a bookbuilding process. These orders will be evaluated according to the prices offered and the expected investment horizons of the respective investors. This method of setting the Offer Price is, in principle, aimed at achieving the highest Offer Price.
Cornerstone Investment	Subject to certain termination rights and closing of the Offering, Lone Spruce, L.P., Lone Cypress, Ltd., Lone Cascade, L.P., Lone Sierra, L.P., Lone Monterey Master Fund, Ltd. and SCGE Fund, L.P. (together, the "**Cornerstone Investors**") have agreed to purchase Offer Shares with an aggregate value of €300 million at the Offer Price. The Cornerstone Investors have been guaranteed full allocation of such number of Offer Shares for which they have provided their purchase commitments.
Greenshoe Option	Certain Selling Shareholders have granted Goldman Sachs, acting for the account of the Underwriters, an option to acquire up to 7,031,250 Shares at the Offer Price, less agreed commissions (the "**Greenshoe Option**"), for the sole purpose of enabling the Goldman Sachs to perform its redelivery obligation under the securities loan from the Lending Shareholders.
Listing and Closing	The Company, together with the Underwriters, will apply for the Listing on January 25, 2021. Listing approval is expected to be granted on February 3, 2021 and trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime Standard) is expected to commence on February 4, 2021. Delivery of the Offer Shares against payment of the Offer Price is expected to take place on February 5, 2021.
Dilution of New Shareholders	€26.97 per Share, or 536.2% (assuming an Offer Price at the low end of the Price Range and payment of the discretionary fee in full).
Accretion of Existing Shareholders	€4.69 per Share, or 1,379.4% (assuming an Offer Price at the low end of the Price Range and payment of the discretionary fee in full).
Total Expenses	Approximately €53.5 million (assuming an Offer Price at the mid-point of the Price Range, placement of the maximum number of Existing Shares, full exercise of the Greenshoe Option and payment of the discretionary fee in full).
Expenses Charged to Investors	Only customary transaction and handling fees charged by the investors' brokers.

D.2 – Who is the Offeror and the Person asking for Admission to Trading?

Offerors .... In addition to the Company, the Offer Shares are being offered by BNP PARIBAS and Crédit Agricole Corporate and Investment Bank, public limited companies (*sociétés anonymes*) incorporated in, and operating under the laws of, France, and with their registered seats in Paris and Montrouge, respectively, Citigroup, Deutsche Bank and COMMERZBANK stock corporations (*Aktiengesellschaften*) incorporated in, and operating under the laws of, Germany, and with their registered seats in Frankfurt am Main, HSBC, a stock corporation (*Aktiengesellschaft*) incorporated in, and operating under the laws of, Germany, and with its registered seat in Düsseldorf, Goldman Sachs, a European company (*Societas Europaea* (*SE*)) incorporated in, and operating under the laws of, Germany, and with its registered seat in Frankfurt am Main, Barclays, a public limited company incorporated in, and operating under the laws of, Ireland, and with its registered seat in Dublin, Numis Securities, a private limited company incorporated in, and operating under the laws of, the United Kingdom, and with its registered seat in London, RBC Capital Markets and Mizuho Securities, limited liability companies (*Gesellschaften mit beschränkter Haftung*) incorporated in, and operating under the laws of, Germany, and with their registered seats in Frankfurt am Main, and Wells Fargo Securities, a limited liability company incorporated in, and operating under the laws of, the state of Delaware, United States of America, and with its registered seat in Wilmington.

Admission to Trading.......... The Company, together with the Underwriters, will apply for the Listing on January 25, 2021. Listing approval is expected to be granted on February 3, 2021 and trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime Standard) is expected to commence on February 4, 2021.

D.3 – Why is this Prospectus being Produced?

Reasons for the Offering and the Listing .... The Company intends to pursue the Offering and the Listing to receive the net proceeds from the sale of the New Shares and to gain access to the capital markets. The Selling Shareholders intend to pursue the Offering to receive the net proceeds from the sale of the Existing Shares and to diversify their investments.

Use of Proceeds.................... Assuming completion of the Offering at the mid-point of the Price Range and payment of the discretionary fee in full, the Company would receive net proceeds of approximately €969.3 million from the Offering. Assuming an Offer Price at the mid-point of the Price Range, we intend to use these net proceeds in the following order of priority: (i) approximately €200 million to market our "Autohero" brand, (ii) approximately €110 million for capital expenditures in our "Autohero" operations, in particular the acquisition of additional branded transporters and the expansion of our refurbishment capabilities, over the next three years, (iii) approximately €100 million to fund operational investments outside of marketing in our "Autohero" offering as well as changes in inventory growth that are not funded by our non-recourse financing, (iv) approximately €214 million to repay outstanding amounts under a convertible loan, (v) approximately €335 million to create a cash reserve for unforeseen financing needs, in particular due to the ongoing COVID-19 pandemic or faster than expected growth, and (vi) approximately €10.3 million for general corporate purposes. Assuming additional funds are required to repay our convertible loan, we intend to use a reduced share of the net proceeds to strengthen our balance sheet and *vice versa*.

Net Proceeds......................... Approximately €969.3 million attributable to the Company and approximately €756.1 million attributable to the Selling Shareholders (assuming completion of the Offering at the mid-point of the Price Range, placement of the maximum number of Existing Shares, full exercise of the Greenshoe Option and payment of the discretionary fee in full).

Underwriting Agreement..... On January 25, 2021, the Company, the Selling Shareholders, the Lending Shareholders and the Underwriters entered into an underwriting agreement pursuant to which the Underwriters have undertaken to acquire the Offer Shares with a view to offering them to investors in the Offering, subject to certain conditions, in particular the execution of a pricing agreement.

Conflicts of Interest............. There are no conflicting interests with respect to the Offering or the Listing.

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II. PROSPEKTZUSAMMENFASSUNG

A. – Einleitung mit Warnhinweisen

Dieser Prospekt (der „**Prospekt**") bezieht sich auf Aktien der AUTO1 Group SE (die „**Gesellschaft**" und zusammen mit ihren konsolidierten Tochtergesellschaften „**AUTO1 Gruppe**", „**wir**", „**uns**" oder „**unser**"), Bergmannstrasse 72, 10961 Berlin, Bundesrepublik Deutschland („**Deutschland**"), Rechtsträgerkennung („**LEI**") 391200S2LPXG5ZD5G304, www.auto1-group.com, wobei jede dieser Aktien die internationale Wertpapier-Identifikationsnummer („**ISIN**") DE000A2LQ884 hat (jede Aktie der Gesellschaft eine „**Aktie**").

Die Aktien werden von der Gesellschaft zusammen mit der BNP PARIBAS, 16 Boulevard des Italiens, 75009 Paris, Frankreich, LEI R0MUWSFPU8MPRO8K5P83 („**BNP PARIBAS**"), der Citigroup Global Markets Europe AG, Reuterweg 16, 60323 Frankfurt am Main, Deutschland, LEI 6TJCK1B7E7UTXP528Y04 („**Citigroup**"), der Goldman Sachs Bank Europe SE, Marienturm, Taunusanlage 9-10, 60329 Frankfurt am Main, Deutschland, LEI 8IBZUGJ7JPLH368JE346 („**Goldman Sachs**"), der Deutsche Bank Aktiengesellschaft, Mainzer Landstraße 11-17, 60329 Frankfurt am Main, Deutschland, LEI 7LTWFZYICNSX8D621K86 („**Deutsche Bank**" und zusammen mit BNP PARIBAS, Citigroup und Goldman Sachs die „**Joint Global Coordinator**"), Barclays Bank Ireland PLC, One Molesworth Street, Dublin 2, D02 RF29, Irland, LEI 2G5BKIC2CB69PRJH1W31 („**Barclays**"), HSBC Trinkaus & Burkhardt AG, Königsallee 21/23, 40212 Düsseldorf, Deutschland, LEI JUNT405OW8OY5GN4DX16 („**HSBC**"), Numis Securities Limited, 10 Paternoster Square, London EC4M 7 LT, Vereinigtes Königreich, LEI 213800P3F4RT97WDSX47 („**Numis Securities**"), RBC Capital Markets (Europe) GmbH, Taunusanlage 17, 60325 Frankfurt am Main, Deutschland, LEI 549300SXSTGQY3EA1B18 („**RBC Capital Markets**" und zusammen mit den Joint Global Coordinators, Barclays, HSBC und Numis Securities die „**Joint Bookrunner**") Crédit Agricole Corporate and Investment Bank, 12 Place des Etats-Unis, CS 70052, 92547 Montrouge Cedex, Frankreich, LEI 1VUV7VQFKUOQSJ21A208 („**Crédit Agricole Corporate and Investment Bank**"), COMMERZBANK Aktiengesellschaft, Kaiserstraße 16 (Kaiserplatz), 60311 Frankfurt am Main, Deutschland, LEI 851WYGNLUQLFZBSYGB56 („**COMMERZBANK**"), und Mizuho Securities Europe GmbH, Taunustor 1, 60310 Frankfurt am Main, Germany, LEI 213800G8QEXN34A2YG53 („**Mizuho Securities**") und Wells Fargo Securities, LLC, 500 West 33rd Street, New York, NY 10001, Vereinigte Staaten von Amerika, LEI VYVVCKR63DVZZN70PB21 („**Wells Fargo Securities**" und zusammen mit den Joint Bookrunnern, Crédit Agricole Corporate and Investment Bank, COMMERZBANK und Mizuho Securities die „**Konsortialbanken**") angeboten. Die Gesellschaft und die Konsortialbanken werden die Zulassung der Aktien zum Handeln beantragen und übernehmen die Verantwortung für den Inhalt dieses Prospekts.

Die Bundesanstalt für Finanzdienstleistungsaufsicht, Marie-Curie-Straße 24-28, 60439 Frankfurt am Main, Deutschland, www.bafin.de, hat diesen Prospekt am 25. Januar 2021 als die zuständige Behörde unter der Verordnung (EU) 2017/1129 des Europäischen Parlaments und des Rates vom 14. Juni 2017 über den Prospekt, der beim öffentlichen Angebot von Wertpapieren oder bei deren Zulassung zum Handel an einem geregelten Markt zu veröffentlichen ist und zur Aufhebung der Richtlinie 2003/71/EG, in der jeweils gültigen Fassung, gebilligt.

Diese Zusammenfassung sollte als Prospekteinleitung verstanden werden. Anleger sollten sich bei jeder Entscheidung, in die Aktien zu investieren, auf diesen Prospekt als Ganzes stützen. Die Anleger könnten das gesamte angelegte Kapital oder einen Teil davon verlieren. Für den Fall, dass vor einem Gericht Ansprüche aufgrund der in diesem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger nach nationalem Recht die Kosten für die Übersetzung dieses Prospekts vor Prozessbeginn zu tragen haben. Zivilrechtlich haften nur diejenigen Personen, die diese Zusammenfassung samt etwaiger Übersetzungen vorgelegt und übermittelt haben, und dies auch nur für den Fall, dass diese Zusammenfassung, wenn sie zusammen mit den anderen Teilen dieses Prospekts gelesen wird, irreführend, unrichtig oder widersprüchlich ist oder dass sie, wenn sie zusammen mit den anderen Teilen dieses Prospekts gelesen wird, nicht die Basisinformationen vermittelt, die in Bezug auf Anlagen in die Aktien für die Anleger eine Entscheidungshilfe darstellen würden.

B. – Basisinformationen über die Emittentin

B.1 – Wer ist die Emittentin der Wertpapiere?

Sitz und geltendes Recht – Die AUTO1 Group SE hat ihren eingetragenen Sitz in München, Deutschland, und die LEI 391200S2LPXG5ZD5G304. Die Gesellschaft ist in Deutschland inkorporiert. Als Societas Europaea (SE), die in Deutschland inkorporiert ist, unterliegt die Gesellschaft europäischen Rechtsvorschriften sowie deutschem Recht.

Haupttätigkeiten – Wir betreiben die führende Plattform für den Kauf und Verkauf von Gebrauchtwagen in Europa. Unser Angebot ist vollständig online und basiert auf einer vertikal integrierten Plattform (das heißt hoch innovative, durchgehende Technologielösungen und ein unerreichter Datenbestand steuern unsere Geschäftstätigkeit entlang der gesamten Wertschöpfungskette). Mit mehr als 615.000 verkauften Gebrauchtwagen allein im Jahre 2019 sind wir Europas bevorzugter Anbieter für den Kauf und Verkauf von Gebrauchtwagen, mit im Vergleich zu unserem nächsten Konkurrenten rund zweimal so vielen verkauften Gebrauchtwagen in der Europäischen Union (*Quelle: OC&C Strategy and Analytics GmbH, Deutschland, „The European Used Car Market – Evolving Trends“*).

Im Jahre 2019 bildeten Verkäufe von Gebrauchtwagen, einschließlich von Verkäufen zwischen Unternehmen, in Europa einen Markt von rund €600 Mrd. (*Quelle: OC&C Strategy and Analytics GmbH, Deutschland, „The European Used Car Market – Evolving Trends“*). Wir schätzen, dass der Onlineanteil in diesem Markt nach wie vor in einem sehr frühen Entwicklungsstadium ist und dass der Marktanteil von Onlineverkäufen von Gebrauchtwagen an Konsumenten in Europa rund 1% ausmacht. Wir glauben, dass dies auf eine einzigartige Marktchance hindeutet.

Unsere führende Position basiert auf unseren breiten Einkaufskanälen, die es uns im Jahre 2019 ermöglicht haben, durchschnittlich rund 1.600 Gebrauchtwagen am Tag schnell, einfach und verlässlich zu beziehen. Unter unseren bekannten Verbrauchermarken wie „wirkaufendeinauto.de“ bieten wir ein überzeugendes und technologisch fortschrittliches Onlineerlebnis, sodass Konsumenten in zehn europäischen Ländern ihre Gebrauchtwagen schnell und zu wettbewerbsfähigen Preisen und ohne Feilschen verkaufen können. Daneben bieten wir gewerblichen Händlern schnelle und bequeme Remarketing-Lösungen, wodurch wir es ihnen ermöglichen, überschüssige Bestände schnell und in großem Umfang zu vermarkten.

Wir verkaufen die Autos, die wir beziehen, unter zwei sich ergänzenden Angeboten: Unter unserer Händlermarke „AUTO1“ betreiben wir die größte Großhandelsplattform für Gebrauchtwagenverkäufe in Europa. Wir verkaufen diese Autos europaweit über Onlineauktionen an mehr als 60.000 gewerbliche Händler. Unter unserer Handelsmarke „Autohero“ haben wir eine einfache, stressfreie Option geschaffen, mit der Konsumenten Gebrauchtwagen online kaufen können. Wir bieten Verbrauchern in neun Ländern Europas eine große Auswahl an attraktiven Gebrauchtwagen zu Festpreisen, ein überzeugendes Kundenerlebnis und eine bequeme Auftragserledigung.

Unsere Abläufe bauen auf einer vertikal integrierten, firmeneigenen, speziell für die Abwicklung des Kaufs, Verkaufs, Bestandsmanagements und der Lieferung von Gebrauchtwagen in Europa entwickelten Technologieplattform auf. Durch die Analyse von durchschnittlich mehr als fünf Millionen Datenpunkten pro Tag haben wir die unserer Einschätzung nach größte Datenbank für den Gebrauchtwagenhandel in Europa geschaffen und der Großteil dieses Datenbestands ist firmeneigen. Während sowohl unsere Einkaufskanäle als auch unsere Verkaufskanäle expandieren, wachsen diese Datenbank und unsere Analyseressourcen und helfen uns dabei, die Genauigkeit unserer Preise und die Zusammensetzung unserer Angebote weiter zu verbessern. Zudem ermöglicht uns unsere vollständig integrierte Infrastruktur zur Auftragserledigung, die vereinfachte Aufnahme, Lagerung und Lieferung von Gebrauchtwagen in ganz Europa zu konkurrenzfähigen Preisen.

Nach unserem Einstieg im Jahre 2012 haben wir unser Geschäft rasch ausgeweitet, wobei sich unsere Umsatzerlöse zwischen 2014 und 2019 mit einer durchschnittlichen jährlichen Wachstumsrate von rund 93% erhöht haben. Obwohl uns die Auswirkungen der COVID-19 Pandemie im zum 30. Juni 2020 endenden Sechsmonatszeitraum beeinträchtigten, konnte sich unser Geschäft davon schnell wieder erholen. Infolgedessen erhöhten sich die Umsatzerlöse um 90,5% im nachfolgenden Quartal, wodurch wir in der Lage waren, erstmalig Profitabilität für die gesamte AUTO1 Gruppe auf Basis des Bereinigten EBITDA (wie in B.2 definiert) für einen vollen Neunmonatszeitraum zu erreichen. Selbst während des erneuten Ausbruchs der COVID-19 Pandemie in den letzten Monaten hat sich unser Geschäft als widerstandsfähig erwiesen und wir schätzen, dass unsere Umsatzerlöse im Jahre 2020 €2,8 Mrd. betrugen. Auch wenn wir beabsichtigen, in erheblichem Umfang in unser „Autohero“ Angebot zu investieren und daher wahrscheinlich in nächster Zeit nicht profitabel sein werden, erwarten wir, innerhalb der nächsten drei Jahre erneut Profitabilität aus Basis unseres Bereinigten EBITDA (wie in B.2 definiert) zu erreichen.

Wir glauben, dass die folgenden Wettbewerbsstärken die wesentlichen Treiber unseres Erfolgs in der Vergangenheit waren und uns auch in Zukunft von unseren Wettbewerbern unterscheiden werden:

- eine unerreichte Bandbreite im Einkauf sowie die Größe unseres Angebots zementieren unsere klare Führungsposition;
- unsere starken Marken sowie ein überlegenes Kundenerlebnis;
- unsere firmeneigene Technologieplattform, die durch den größten Datenbestand in Bezug auf Gebrauchtwagentransaktionen in Europa angetrieben wird;
- operative Exzellenz aufgrund einer paneuropäischen, skalierbaren Infrastruktur zur Auftragserledigung; und
- ein unternehmerisches, von den Gründern geführtes Führungsteam.

Um weiterhin erfolgreich zu sein, haben wir die folgenden Schlüsselfaktoren unserer Strategie bestimmt:

- die Ergreifung der enormen Marktchance im stark fragmentierten Gebrauchtwagenmarkt, der sich immer stärker von offline nach online verschiebt;
- die Erlangung der Stellung als führender Einzelhändler für Gebrauchtwagen in Europa;
- die Ausweitung unserer Remarketing-Lösungen unter Nutzung unserer langjährigen Beziehungen zu gewerblichen Händlern; und
- die weitere Vergrößerung unseres Geschäfts, um das Wachstum und die Profitabilität zu befördern.

Hauptanteilseigner – Zum Datum dieses Prospekts hält die SVF Midgard (Cayman) Ltd unmittelbar 19,99% der Aktien, die HKVV GmbH hält unmittelbar 15,69% der Aktien, die BM Digital GmbH hält unmittelbar 15,69% der Aktien, die OUR993 S.à r.l. hält unmittelbar 10,77% der Aktien, die Piton Capital Investments Coöperatief B.A. hält unmittelbar 7,91% der Aktien, die OUR993 XIII S.à r.l. hält unmittelbar 3,59% der Aktien und die DN Capital – Global Venture Capital III LP hält unmittelbar 3,55% der Aktien.

Beherrschende Anteilseigner – Die Gesellschaft wird durch keinen ihrer unmittelbar oder mittelbaren Anteilseigner beherrscht.

Hauptgeschäftsführer – Die Mitglieder des Vorstands der Gesellschaft sind Christian Bertermann und Markus Boser.

Abschlussprüfer – Der Wirtschaftsprüfer der Gesellschaft ist die KPMG AG Wirtschaftsprüfungsgesellschaft, Büro Berlin, Klingelhöferstraße 18, 10785 Berlin, Deutschland.

B.2 – Welches sind die wesentlichen Finanzinformationen über die Emittentin?

Die in den untenstehenden Tabellen aufgeführten Finanzinformationen werden in Millionen Euro (€ Mio.) gezeigt, soweit nicht anders angegeben. Bestimmte Finanzinformationen, einschließlich von Prozentsätzen, wurden auf eine Dezimalstelle hinter dem Komma kaufmännisch gerundet. Daher entsprechen die gerundeten Zahlen in den untenstehenden Tabellen möglicherweise nicht in allen Fällen den Gesamtwerten (Summen oder Zwischensummen) in diesen Tabellen, die auf Basis von ungerundeten Zahlen berechnet werden. Bei in Klammern angegebenen Finanzinformationen handelt es sich um den negativen Wert der gezeigten Zahlen. Ein Gedankenstrich („–“) zeigt an, dass die jeweilige Zahl nicht verfügbar ist oder Null beträgt, während eine Null („0,0“) bedeutet, dass die jeweilige Zahl auf Null gerundet wurde.

Ausgewählte Konzernfinanzinformationen der AUTO1 Gruppe

Ausgewählte Daten aus der Konzern-Gesamtergebnisrechnung

	Für das zum 31. Dezember endende Geschäftsjahr			Für den zum 30. September endenden Neunmonatszeitraum	
	2017	2018	2019	2019	2020
	(geprüft, soweit nicht anders angegeben) (in € Mio.)			(ungeprüft) (in € Mio.)	
Umsatzerlöse	**2.177,4**	**2.852,4**	**3.476,0**	**2.531,0**	**2.050,5**
Materialaufwand	(1.979,3)	(2.609,9)	(3.133,4)	(2.283,3)	(1.847,4)
Rohergebnis	**198,1**	**242,4**	**342,5**	**247,7**	**203,1**
Sonstige betriebliche Erträge	1,9	6,3	11,6	6,1	9,9
Personalaufwand	(120,2)	(162,1)	(228,8)	(166,2)	(99,4)
Sonstige betriebliche Aufwendungen	(144,4)[1]	(193,6)	(218,1)	(159,2)	(114,1)
EBITDA	**(64,7)[1]**	**(107,0)**	**(92,8)**	**(71,6)**	**(0,5)**
Aufwand für planmäßige Abschreibungen	(13,2)	(15,0)	(20,6)	(13,6)	(24,2)
EBIT	**(77,9)[1]**	**(122,0)**	**(113,4)**	**(85,3)**	**(24,8)**

	Für das zum 31. Dezember endende Geschäftsjahr			Für den zum 30. September endenden Neunmonatszeitraum	
	2017	2018	2019	2019	2020
	(geprüft, soweit nicht anders angegeben) (in € Mio.)			(ungeprüft) (in € Mio.)	
Zinserträge und sonstige Finanzerträge	–	0,3	0,7	0,0	0,0
Zinsaufwendungen und sonstige Finanzaufwendungen	(3,9)	(3,4)	(6,4)	(4,4)	(44,9)
Sonstiges Finanzergebnis	–	–	–	–	(13,1)
Ergebnis vor Steuern	**(81,8)[(1)]**	**(125,1)**	**(119,1)**	**(89,7)**	**(82,7)**
Ertragssteueraufwand	(1,1)	(0,6)	(2,1)	(1,0)	(0,6)
Konzernverlust	**(82,8)[(1)]**	**(125,7)**	**(121,3)**	**(90,7)**	**(83,3)**
Umrechnungsdifferenzen aus der Fremdwährungsumrechnung	(0,0)	0,3	(0,8)	(0,2)	0,2
Konzerngesamtergebnis	**(82,9)[(1)]**	**(125,4)**	**(122,1)**	**(90,9)**	**(83,1)**

(1) Ungeprüft. Angepasst, um einen buchhalterischen Fehler im Hinblick auf Umsatzsteuerforderungen, die zu hoch ausgewiesen worden waren, zu korrigieren.

Ausgewählte Daten aus der Konzernbilanz

	Zum 31. Dezember			Zum 30. September
	2017	2018	2019	2020
	(geprüft, soweit nicht anders angegeben) (in € Mio.)			(ungeprüft) (in € Mio.)
Langfristige Vermögenswerte	103,6	127,7	176,6	60,5
Kurzfristige Vermögenswerte	332,7[(1)]	409,9	428,8	511,8
Summe Aktiva	**436,3[(1)]**	**537,7**	**605,4**	**572,3**
Gesamtes Eigenkapital	**139,6[(1)]**	**238,4**	**153,3**	**59,7**
Langfristige Verbindlichkeiten	160,6	153,3	298,0	341,8
Kurzfristige Verbindlichkeiten	136,1	145,9	154,0	170,8
Summe Verbindlichkeiten	**296,7**	**299,2**	**452,1**	**512,6**

(1) Ungeprüft. Angepasst, um einen buchhalterischen Fehler im Hinblick auf Umsatzsteuerforderungen, die zu hoch ausgewiesen worden waren, zu korrigieren.

Ausgewählte Daten aus der Konzernkapitalflussrechnung

	Für das zum 31. Dezember endende Geschäftsjahr			Für den zum 30. September endenden Neunmonatszeitraum	
	2017	2018	2019	2019	2020
	(geprüft) (in € Mio.)			(ungeprüft) (in € Mio.)	
Cashflow aus der betrieblichen Tätigkeit	(138,0)	(69,6)	(138,4)	(80,0)	133,3
Cashflow aus der Investitionstätigkeit	(1,5)	(7,9)	(3,3)	(1,9)	(1,4)
Cashflow aus der Finanzierungstätigkeit	136,5	141,5	82,7	19,9	62,8
Netto Veränderung der liquiden Mittel	**(3,0)**	**64,0**	**(58,9)**	**(62,1)**	**194,7**

Wesentliche Finanz- und operative Daten

	Für das zum 31. Dezember endende Geschäftsjahr			Für den zum 30. September endenden Neunmonatszeitraum	
	2017	2018	2019	2019	2020
	(ungeprüft, soweit nicht anders angegeben)			(ungeprüft)	
Umsatzwachstum (in %)	–	*31,0*[(1)]	*21,9*[(1)]	–	*(19,0)*
Operative Kosten (in € Mio.)[(2)]	(235,5)	(333,6)	(390,6)	(287,0)	(196,2)
Bereinigtes EBITDA (in € Mio.)[(3)]	(37,4)	(91,1)	(60,4)	(39,3)	7,0
Verkaufte Autos (in Tausend)	416	538	616	453	340
Umsatzerlös je Einheit (in €)[(4)]	5.239	5.306	5.646	5.581	6.029
Rohergebnis je Auto (in €)[(5)]	477	451	556	546	597
Durchschnittliche Mitarbeiterzahl[(6)]	2.777	3.546	4.418	4.342	4.165

(1) Geprüft.
(2) Definiert als die Summe aus Personalaufwand (ohne aktienbasierte Vergütung) und sonstigen betrieblichen Aufwendungen (ohne Kosten für die Bewertung von Umsatzsteuern und Kosten für die Korrektur von Verbindlichkeiten sowie sonstigen nicht operativen Effekten), abzüglich sonstiger betrieblicher Erträge.
(3) Definiert als EBITDA, bereinigt um nicht operative Effekte, die (i) aktienbasierte Vergütung, (ii) die Änderung der Bewertungsgrundlage für Umsatzsteuern, (iii) die Korrektur von Verbindlichkeiten sowie (iv) sonstige nicht operative Kosten umfassen („**Bereinigtes EBITDA**“).
(4) Definiert als Umsatzerlöse geteilt durch die Anzahl der verkauften Autos.
(5) Definiert als Rohergebnis geteilt durch die Anzahl der verkauften Autos.
(6) Vollzeitäquivalent.

Wesentliche Konzernfinanzinformationen für Quartale

	Für den Dreimonatszeitraum endend zum						
	31. März	30. Juni	30. September	31. Dezember	31. März	30. Juni	30. September
	2019				2020		
	(ungeprüft) (in € Mio.)						
Umsatzerlöse	808,4	797,4	925,2	945,0	877,4	403,8	769,4
Rohergebnis	84,7	75,1	87,9	94,8	89,1	27,4	86,7
Bereinigtes EBITDA	(4,1)	(23,7)	(11,5)	(21,1)	1,2	(10,2)	16,0

B.3 – Welches sind die zentralen Risiken, die für die Emittentin spezifisch sind?

- Wir sind auf eine starke Nachfrage nach Gebrauchtwagen in Europa angewiesen. Diese wiederum hängt von der wirtschaftlichen Entwicklung im Europäischen Wirtschaftsraum ab. Eine Reihe von nachteiligen Entwicklungen, insbesondere der Ausbruch der COVID-19 Pandemie, haben das Risiko einer schweren Rezession erheblich erhöht, was unsere Geschäftstätigkeit beeinträchtigen könnte.
- Wir könnten durch eine generelle Verringerung des individuellen Autobesitzes oder plötzliche Rückgänge der Nachfrage nach bestimmten Arten von Gebrauchtwagen beeinträchtigt werden.
- Wir sind rapide gewachsen und waren noch nie für ein ganzes Geschäftsjahr profitabel. Wir erwarten, dass sich das Wachstum zukünftig verlangsamen wird und es ist nicht sicher, dass wir jemals profitabel sein werden und bleiben können.
- Unsere Unternehmenshistorie ist begrenzt und wir werden möglicherweise nicht in der Lage sein, zukünftiges Wachstum effizient zu gestalten.
- Wir sind möglicherweise nicht in der Lage, einen attraktiven Bestand an Gebrauchtwagen zu wettbewerbsfähigen Preisen oder überhaupt zu beziehen.
- Die Akzeptanz unseres Onlineangebots als geeignete Plattform für den Kauf und Verkauf von Gebrauchtwagen könnte nachlassen oder sich nicht erhöhen.
- Gebrauchtwagen in unserem Bestand könnten gestohlen, beschädigt oder zerstört werden, bevor wir diese Fahrzeuge veräußern können.
- Wenn wir es nicht schaffen, unseren Bestand schnell zu verkaufen, könnten wir überschüssige Bestände verzeichnen. Wir könnten zudem gezwungen sein, unsere Gebrauchtfahrzeuge zu deutlich niedrigeren Preisen als ursprünglich angenommen anzubieten, was unsere Margen beeinträchtigen könnte.

- Jedes Versäumnis, die Erkennbarkeit und den Ruf unserer Marken aufrechtzuerhalten, zu schützen und zu verbessern, könnte sich nachteilig auf unser Geschäft auswirken.
- Beim Vollzug unserer Transaktionen und der Auftragserledigung sind wir auf Dritte angewiesen und es ist nicht sicher, dass diese Dritten weiterhin verfügbar sein und ihre Dienstleistungen ordnungsgemäß erbringen werden.
- Da wir ein Technologieunternehmen sind, könnten wir Störungen, Ausfällen oder Beeinträchtigungen unserer Technologieplattform ausgesetzt sein.
- Da wir ein relativ junges Unternehmen sind, sind unsere internen Kontrollen möglicherweise nicht ausreichend.
- Wir könnten zusätzliches Kapital benötigen, das möglicherweise nicht zu ökonomisch akzeptablen Bedingungen oder überhaupt nicht verfügbar ist.
- Aufgrund der Natur unseres Betriebs könnten sich Änderungen von Gesetzen und Vorschriften, insbesondere von den Gesetzen und Vorschriften, die den Handel mit Gebrauchtwagen, den elektronischen Handel sowie die Autoindustrie insgesamt regeln, nachteilig auf uns auswirken.

C. – Basisinformationen über die Wertpapiere

C.1 – Welches sind die wichtigsten Merkmale der Wertpapiere?

Dieses Angebot (das „**Angebot**") bezieht sich auf (i) 31.250.000 neu ausgegebene Aktien aus einer Kapitalerhöhung gegen Bareinlagen, die voraussichtlich am oder um den 2. Februar 2021 von einer Hauptversammlung der Gesellschaft beschlossen werden wird (die „**Neuen Aktien**"), (ii) 15.625.000 bestehende Aktien (die „**Bestehenden Aktien**") aus dem Bestand von BM Digital GmbH, brightgiant UG (haftungsbeschränkt), DN Capital – Global Venture Capital III LP, HKVV GmbH, Markus Boser, OUR356 S.à r.l., OUR993 S.à r.l., OUR993 XIII S.à r.l., Piton Capital Investments Coöperatief B.A., Princeville Global Auto Investments Limited and Tanjung Buai Ventures Sdn. Bhd. (zusammen die „**Veräußernden Aktionäre**") sowie (iii) bis zu 7.031.250 bestehende Aktien aus dem Bestand von DN Capital – Global Venture Capital III LP und Piton Capital Investments Coöperatief B.A. (zusammen die „**Verleihenden Aktionäre**") in Verbindung mit einer möglichen Mehrzuteilung (die „**Mehrzuteilungsaktien**" und zusammen mit den Neuen Aktien und den Bestehenden Aktien die „**Angebotsaktien**"). Die Gesamtzahl der Mehrzuteilungsaktien wird nicht mehr als 15% der endgültig im Rahmen dieses Angebots platzierten Neuen Aktien und Bestehenden Aktien betragen. Alle Aktien, einschließlich der Angebotsaktien, werden im Rahmen der Börsennotierung (wie in C.2 definiert) zugelassen.

Anzahl und Art der Aktien – Es sind 173.118.150 Aktien ausgegeben. Alle Aktien sind Inhaberaktien (Stückaktien) mit einem rechnerischen Anteil am Grundkapital von je €1,00.

ISIN und Währung – Die ISIN der Aktien lautet DE000A2LQ884 und die Aktien sind in Euro denominiert

Mit den Aktien verbundene Rechte, relativer Rang und Übertragbarkeit – Alle Aktien sind voll dividendenberechtigt. Jede Aktie gewährt eine Stimme in der Hauptversammlung der Gesellschaft. Die Aktien sind im Falle einer Insolvenz der Gesellschaft gegenüber allen anderen Wertpapieren und Forderungen nachrangig und sind nach den gesetzlichen Bestimmungen für Inhaberaktien frei übertragbar.

Dividendenpolitik – Die Gesellschaft beabsichtigt auf absehbare Zeit nicht, Dividenden zu zahlen.

C.2 – Wo werden die Wertpapiere gehandelt?

Es wird erwartet, dass alle Aktien zum Handel am regulierten Markt der Frankfurter Wertpapierbörse und zugleich zum Teilbereich des regulierten Marktes mit zusätzlichen Zulassungsfolgepflichten (*Prime Standard*) zugelassen werden (die „**Börsennotierung**").

C.3 – Welches sind die zentralen Risiken, die für die Wertpapiere spezifisch sind?

Künftige Emissionen von neuen Aktien oder Verkäufe einer erheblichen Anzahl von bestehenden Aktien könnten den Preis der Aktien beeinträchtigen. Zudem könnte jede Ausgabe von neuen Aktien zu einer erheblichen Verwässerung führen.

D. – Basisinformationen über das Angebot der Wertpapiere und die Zulassung zum Handel

D.1 – Zu welchen Konditionen und nach welchem Zeitplan kann ich in dieses Wertpapier investieren?

Umfang des Angebots	Das Angebot besteht aus einem öffentlichen Angebot in Deutschland und Privatplatzierungen in bestimmten Rechtsordnungen außerhalb Deutschlands. In den Vereinigten Staaten von Amerika werden die Angebotsaktien nur qualifizierten institutionellen Anlegern entsprechend und in Übereinstimmung mit und unter Berufung auf Rule 144A nach dem U.S. Securities Act von 1933 in der jeweils gültigen Fassung (der „**Securities Act**“) oder gemäß einer anderen anwendbaren Ausnahme von den Registrierungsanforderungen des Securities Act bzw. in Transaktionen, die diesen Registrierungsanforderungen nicht unterfallen, angeboten und verkauft. Außerhalb der Vereinigten Staaten von Amerika werden die Angebotsaktien nur im Rahmen von Offshore-Transaktionen in Übereinstimmung mit der Regulation S des Securities Act angeboten und verkauft.
Preisspanne und angestrebte Erlöse	Die Gesellschaft strebt mit dem Verkauf der Neuen Aktien Bruttoerlöse von rund €1,0 Mrd. an. Die Preisspanne von €32,00 bis €38,00 je Angebotsaktie (die „**Preisspanne**“) wurde so festgesetzt, dass sichergestellt ist, dass die Gesellschaft am unteren Ende der Preisspanne unverändert die angestrebten Erlöse erzielen würde. Sofern die Angebotsaktien zu einem höheren Angebotspreis für das Angebot (der „**Angebotspreis**“) platziert werden, wird die Anzahl der Neuen Aktien entsprechend reduziert.
Angebotszeitraum	Vom 26. Januar 2021 bis zum 2. Februar 2021 (der „**Angebotszeitraum**“), wobei der Angebotszeitraum nicht vor der Veröffentlichung dieses Prospekts beginnen wird und verkürzt oder verlängert werden kann.
Angebotspreis	Der Angebotspreis und die endgültige Anzahl der im Rahmen des Angebots platzierten Angebotsaktien werden von der Gesellschaft und den Veräußernden Aktionären nach Rücksprache mit den Joint Bookrunnern voraussichtlich am 2. Februar 2021 festgelegt. Der Angebotspreis wird auf Grundlage der von den Anlegern während des Angebotszeitraums eingereichten Orders festgelegt, die in dem im Rahmen eines Bookbuilding-Verfahrens erstellten Orderbuch zusammengefasst wurden. Diese Orders werden anhand der angebotenen Preise und der erwarteten Anlagehorizonte der jeweiligen Anleger bewertet. Diese Methode zur Festlegung des Angebotspreises zielt grundsätzlich darauf ab, den höchsten Angebotspreis zu erreichen.
Cornerstone Investition	Vorbehaltlich bestimmter Kündigungsrechte und abhängig vom Vollzug des Angebots haben die Lone Spruce, L.P., die Lone Cypress, Ltd., die Lone Cascade, L.P., die Lone Sierra, L.P., die Lone Monterey Master Fund, Ltd. und die SCGE Fund, L.P. (zusammen die „**Cornerstone Investoren**“) vereinbart, dass sie Angebotsaktien mit einem Gesamtwert von €300 Mio. zum Angebotspreis erwerben werden. Den Cornerstone Investoren ist die vollständige Zuteilung einer solchen Anzahl von Angebotsaktien, für die sie ihre Kaufzusagen abgegeben haben, garantiert worden.
Greenshoe-Option	Bestimmte Veräußernde Aktionäre haben der Goldman Sachs, die für Rechnung der Konsortialbanken handelt, eine Option zum Erwerb von bis zu 7.031.250 Aktien zum Angebotspreis abzüglich vereinbarter Provisionen eingeräumt (die „**Greenshoe-Option**“), ausschließlich um Goldman Sachs in die Lage zu versetzen, ihre Rücklieferungspflicht gegenüber den Verleihenden Aktionären zu erfüllen.
Börsennotierung und Vollzug	Die Gesellschaft wird die Börsennotierung zusammen mit den Konsortialbanken am 25. Januar 2021 beantragen. Die Zulassung zur Börsennotierung wird voraussichtlich am 3. Februar 2021 erteilt und der Handel am regulierten Markt der Frankfurter Wertpapierbörse und zugleich zum Teilbereich des regulierten Marktes mit zusätzlichen Zulassungsfolgepflichten (*Prime Standard*) wird voraussichtlich am 4. Februar 2021 aufgenommen. Die Lieferung der Angebotsaktien gegen Zahlung des Angebotspreises wird voraussichtlich am 5. Februar 2021 erfolgen.

Verwässerung neuer Aktionäre .... €26,97 je Aktie oder 536,2% (unter der Annahme des Vollzugs des Angebots am unteren Ende der Preisspanne und der vollständigen Zahlung der Ermessensvergütung).

Wertzuwachs bestehender Aktionäre .... €4,69 je Aktie oder 1.379,4% (unter der Annahme des Vollzugs des Angebots am unteren Ende der Preisspanne und der vollständigen Zahlung der Ermessensvergütung).

Gesamtkosten .... Rund €53,5 Mio. (unter der Annahme eines Angebotspreises zur Mitte der Preisspanne, der Platzierung der maximalen Anzahl an Bestehenden Aktien, vollständiger Ausübung der Greenshoe-Option sowie der vollständigen Zahlung der Ermessensvergütung).

Kosten, die Anlegern in Rechnung gestellt werden . Ausschließlich marktübliche Transaktions- und Abwicklungskosten, die durch die Broker der Anleger in Rechnung gestellt werden.

D.2 – Wer ist der Anbieter und/oder die die Zulassung zum Handel beantragende Person?

Anbieter .... Neben der Gesellschaft werden die Angebotsaktien von der BNP PARIBAS und der Crédit Agricole Corporate and Investment Bank, in Frankreich inkorporierten und nach französischem Recht tätigen Aktiengesellschaften mit ihren eingetragenen Sitzen in Paris bzw. Montrouge, der Citigroup, der Deutschen Bank und der COMMERZBANK, in Deutschland inkorporierten und nach deutschem Recht tätigen Aktiengesellschaften mit ihren eingetragenen Sitzen in Frankfurt am Main, der HSBC, einer in Deutschland inkorporierten und nach deutschem Recht tätigen Aktiengesellschaft mit eingetragenem Sitz in Düsseldorf, der Goldman Sachs, einer in Deutschland inkorporierten und nach deutschem Recht tätigen Societas Europaea (SE) mit eingetragenem Sitz in Frankfurt am Main, der Barclays, einer in Irland inkorporierten und nach irischem Recht tätigen Aktiengesellschaft mit eingetragenem Sitz in Dublin, der Numis Securities, einer im Vereinigten Königreich inkorporierten, und nach britischem Recht tätigen Gesellschaft mit beschränkter Haftung mit eingetragenem Sitz in London, der RBC Capital Markets und der Mizuho Securities, in Deutschland inkorporierten und nach deutschem Recht tätigen Gesellschaften mit beschränkter Haftung mit ihren eingetragenen Sitzen in Frankfurt am Main sowie der Wells Fargo Securities, einer im Staate Delaware, Vereinigte Staaten von Amerika, inkorporierten und nach dem Recht des Staates Delaware, Vereinigte Staaten von Amerika, tätigen Gesellschaft mit beschränkter Haftung mit eingetragenem Sitz in Wilmington angeboten.

Zulassung zum Handel .... Die Gesellschaft wird die Börsennotierung zusammen mit den Konsortialbanken am 25. Januar 2021 beantragen. Die Zulassung zur Börsennotierung wird voraussichtlich am 3. Februar 2021 erteilt und der Handel am regulierten Markt der Frankfurter Wertpapierbörse und zugleich zum Teilbereich des regulierten Marktes mit zusätzlichen Zulassungsfolgepflichten (*Prime Standard*) wird voraussichtlich am 4. Februar 2021 aufgenommen.

D.3 – Weshalb wird dieser Prospekt erstellt?

Gründe für das Angebot und die Börsennotierung .. Die Gesellschaft beabsichtigt, das Angebot und die Börsennotierung zu verfolgen, um die Nettoerlöse aus der Veräußerung der Neuen Aktien sowie Zugang zu den Kapitalmärkten zu erhalten. Die Veräußernden Aktionäre beabsichtigen, das Angebot zu verfolgen, um die Nettoerlöse aus der Veräußerung der Bestehenden Aktien zu erhalten und ihre Investitionen zu diversifizieren.

Zweckbestimmung der Erlöse	Unter der Annahme eines Angebotspreises zur Mitte der Preisspanne und der vollständigen Zahlung der Ermessensvergütung würde die Gesellschaft Nettoerlöse in Höhe von rund €969.3 Mio. aus dem Angebot erhalten. Unter der Annahme eines Angebotspreises zur Mitte der Preisspanne beabsichtigen wir, diese Nettoerlöse mit der folgenden Reihenfolge der Priorität zu verwenden: (i) rund €200 Mio. um unsere Marke „Autohero" zu vermarkten, (ii) rund €110 Mio. für Investitionen in unseren „Autohero" Betrieb über die nächsten drei Jahre, insbesondere in den Ankauf zusätzlicher Markentransporter und den Ausbau unserer Aufarbeitungsmöglichkeiten, (iii) rund €100 Mio. um operative Investitionen in unser „Autohero" Angebot außerhalb von Marketing zu finanzieren sowie Veränderungen im Wachstum unseres Umlaufvermögens, die nicht durch unsere regresslose Finanzierung gedeckt werden, (iv) rund €214 Mio. um ausstehende Beträge unter einer Wandelanleihe zurückzuzahlen, (v) rund €335 Mio. um eine Barreserve für unerwartete Finanzierungserfordernisse zu schaffen, insbesondere aufgrund der anhaltenden COVID-19-Pandemie oder eines unerwartet schnelleren Wachstums sowie (vi) rund €10,3 Mio. für allgemeine Unternehmenszwecke. Sofern weitere Mittel erforderlich sind, um unsere Wandelanleihe zurückzuzahlen, beabsichtigen wir, einen geringeren Anteil der Nettoerlöse zur Stärkung unserer Bilanz zu nutzen und umgekehrt.
Nettoerlöse	Rund €969.3 Mio., die der Gesellschaft zustehen und rund €756.1 Mio., die den Veräußernden Aktionären zustehen (unter der Annahme eines Angebotspreises zur Mitte der Preisspanne, der Platzierung der maximalen Anzahl an Bestehenden Aktien, vollständiger Ausübung der Greenshoe-Option sowie der vollständigen Zahlung der Ermessensvergütung).
Zeichnungsvereinbarung	Am 25. Januar 2021 haben die Gesellschaft, die Veräußernden Aktionäre, die Verleihenden Aktionäre und die Konsortialbanken eine Übernahmevereinbarung abgeschlossen, in der sich die Konsortialbanken verpflichtet haben, dass sie unter bestimmten Bedingungen, insbesondere dem Abschluss einer Preisfestsetzungsvereinbarung, die Angebotsaktien erwerben werden, um sie Investoren im Rahmen des Angebots anzubieten.
Interessenkonflikte	In Bezug auf das Angebot oder die Börsennotierung bestehen keine Interessenkonflikte.

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1. RISK FACTORS

*This prospectus (the "**Prospectus**") relates to an initial public offering (the "**Offering**") of shares in AUTO1 Group SE (the "**Company**" and, together with its consolidated subsidiaries, "**AUTO1 Group**", "**we**", "**us**" or "**our**") and the admission to trading on the regulated market (regulierter Markt) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) and the simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) of the Company's entire share capital.*

An investment in the shares of the Company is subject to risks. According to Article 16 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC, as amended, the risk factors featured in a prospectus must be limited to risks which are specific to the issuer and/or to the securities and which are material for taking an informed investment decision. Therefore, the following risks are only those risks that are specific to AUTO1 Group and to the Company's shares and based on the Company's current assessment material for making an informed investment decision, and consequently do not cover general risks faced by any company operating in the markets in which AUTO1 Group operates with a platform similar to AUTO1 Group's platform.

The following risk factors are categorized into subcategories based on their respective nature. Within each such subcategory, the order of risk factors is based on the Company's current assessment with respect to the probability of occurrence and expected magnitude of the adverse impact of such risk factors, with at least the two most material risk factors (i.e., those the Company believes are most likely to have a material adverse impact) mentioned at the beginning of each subcategory.

1.1 Risks related to our Markets

1.1.1 We rely on strong demand for used cars in Europe, which in turn depends on the performance of the economy in the European Economic Area. A number of adverse developments, in particular the outbreak of the COVID-19 pandemic, have significantly increased the risk of a severe recession, which could adversely affect our business.

We operate a platform that enables professional dealers and consumers to purchase and sell used cars online. Our operations extend to more than 30 European countries and our revenue amounted to €3,476.0 million in the fiscal year ended December 31, 2019 (€2,050.5 million in the nine-month period ended September 30, 2020). We generate such revenue through sales of used cars and value-added services. Therefore, we rely on strong demand for such cars, which in turn depends on consumer confidence and spending power, two factors that are strongly influenced by overall economic conditions. Consequently, adverse macroeconomic developments typically directly affect demand for our used cars and service offerings.

Since spring 2020, the global outbreak of COVID-19, a novel strain of the coronavirus, has had an unprecedented effect on all of our markets. In response, governments, states and cities, including those in all major European economies, have taken various preventative measures, such as imposing restrictions on travel and business operations and may continue to do so going forward. As a result, business activity has seen a significant slowdown and even ground to a halt in certain areas (*e.g.*, tourism), while unemployment rates have risen sharply. In the used car market, car registration agencies were temporarily closed, professional dealers sought to reduce their inventory and some consumers chose to delay or abandon car purchases. As a result, we experienced significantly weaker demand for our used cars, as evidenced by the decline of our revenue by 49.4% in the three-month period ended June 30, 2020 compared to the same period during the previous year. In recent months, COVID-19 has once again spread across our markets, resulting in weaker demand.

The adverse impacts of the COVID-19 pandemic and of measures to combat this pandemic have compounded existing recession fears in Europe, underpinned by weak economic growth and low inflation rates. Fiscal policy measures to combat these fears did not result in a significant uptake of economic activity. Furthermore, while the exit of the United Kingdom from the European Union (so-called Brexit) was completed on January 1, 2021, the agreements governing the future relationship between the United Kingdom and the European Union are untested. Due to these adverse developments, the European Commission estimates that gross domestic product in the Eurozone declined by 7.4% in 2020, and will only partially recover from this severe contraction in 2021 (*source: European Commission*). If the European countries in which we operate experience a severe recession, this would reduce consumer confidence and spending power, and materially adversely affect our business and prospects.

1.1.2 *We may be adversely affected by a general decline in individual car ownership or sudden declines in demand for certain types of used cars.*

Demand for our used cars may be adversely affected by trends that lead to an overall decline in demand for cars. A growing share of younger people no longer purchase or lease their own cars, opting for ride-hailing services such as Uber and Lyft, ride-sharing services, car rental services and public transportation instead. This trend may continue or even intensify, in particular as urbanization continues and a growing share of the population migrates to major cities. As a result, overall demand for vehicles, including for our used cars, may decline, which could adversely affect our business prospects.

Furthermore, demand for certain types of used cars may suddenly decline due to the introduction of innovative technologies for new vehicles (*e.g.*, autonomous driving systems). The vast majority of the cars we buy and sell do not offer such innovative features and there is no guarantee that we will be able to quickly source more innovative vehicles as it may take several years before they become available in the used car market. Consequently, we may not be able to adapt our offering accordingly. In addition, sourcing and selling such cars may be more complex.

Likewise, actions by manufacturers or dealers may have a significant impact on demand in the used car market. If these parties decide to offer greater incentives for the sale of new cars (*e.g.*, discounts or attractive financing), or generally lower prices for new cars, this could make buying a new vehicle more attractive. As a result, prices for used cars may decline. Prices may also decline due to bankruptcies of rental car companies or other companies with large fleets or an increased number of returns of leased vehicles, which could result in oversupply. By comparison, any significant increase in market prices due to a scarcity of used cars could impact our ability to source desirable inventory at acceptable prices, which could have a material adverse effect on our continued growth and margins.

In addition, new regulation or actions by governmental authorities may lead to a sudden decline for certain types of used cars, including cars in our inventory. For example, many German cities have banned, or been ordered by courts to ban, cars using older diesel engines from within the city limits to help reduce levels of particulate matter (*Feinstaub*). As a result, demand for the affected cars declined significantly in Germany and prices for these cars, including vehicles in our inventory, dropped suddenly. Such sudden developments may prevent us from successfully selling affected vehicles, adversely affect our margins and cause us to incur write-downs on our inventory.

1.1.3 *We face intense competition, including competition from some of our own customers, which could adversely affect our revenue and put pressure on our prices.*

The market for used cars is particularly competitive and has been characterized by changes in market shares, increased price competition and the development and introduction of new services and technologies by returning and new competitors. Our key competitors include independent used car dealers, branded car dealerships, other online dealers of used cars, websites and apps for the publication of classified advertisements, and rental car companies, which directly sell used cars from their fleets to consumers and professional dealers. If we fail to provide an attractive, reliable offering at competitive prices, potential purchasers or sellers of used cars may decide to trade their vehicles via any of our competitors. Given that professional dealers who currently represent our main customer group are at the same time competitors who maintain their own offerings of used cars, such dealers may decide to stop purchasing from us if they believe we threaten their competitive position. Likewise, providers of classified advertisements may prevent us from advertising on their websites and apps to prevent us from expanding our market position in the used car market.

Furthermore, new competitors may enter the online market for used cars or intensify their online efforts, including large automotive manufacturers. Our current and potential competitors may have greater financial, technical, marketing and other resources. They may also have more extensive relationships in the automotive industry, longer operating histories and greater name recognition. In addition, if such competitors were to merge or enter into partnerships, this may further improve their competitive position. As a result, our competitors may be able to respond to the needs of potential purchasers or sellers of used cars more quickly and to undertake more extensive marketing campaigns. If we are unable to compete successfully, the number of used cars offered to us as well as demand for cars in our inventory could decline.

1.1.4 Demand for used cars is subject to seasonal fluctuations.

Demand for used cars tends to fluctuate between different quarters and individual months. For example, the first quarter tends to be the strongest quarter in any given fiscal year, while the other three quarters are somewhat weaker. During these quarters, demand also tends to fluctuate between different months. In addition, professional dealers tend to trade fewer used cars during the fourth quarter. As a result, our inventory tends to build up during this quarter, and to be sold down during the first quarter of the following fiscal year.

Given these seasonal fluctuations, any factor that adversely affects demand for our used cars during periods where we generally experience particularly high demand (*e.g.*, unfavorable economic conditions, malfunctions of our websites or apps and special offers from our competitors) and our ability to meet such demand (*e.g.*, an inability to source sufficient inventory or logistics constraints) may have a disproportionate effect on our performance and we may incur excess inventory and may be forced to write down some of our inventory. In addition, any negative effects of weak overall demand during those periods are likely to be exacerbated by industry-wide price reductions designed to clear out excess inventory. Given that a significant share of our costs is fixed, our profitability may be adversely affected by seasonal changes in demand.

1.2 Risks related to our Business Activities

1.2.1 We have experienced rapid growth and have never been profitable for a full fiscal year. We expect growth to slow down going forward, and cannot guarantee that we will ever become and remain profitable.

We launched our business in 2012, and between 2014 and 2019, our revenue grew rapidly from €128.5 million to €3,476.0 million. As a result, we were able to capture a significant share of the online market for used cars. With more than 615,000 used cars sold in 2019, we have become the biggest seller of used cars in the European Union (*source: OC&C Report*). While we plan to further grow our business, we expect our growth rates to slow down as we become a mature company. Consequently, our past growth rates are not indicative of our future growth and there is no guarantee that we will experience significant growth or any growth at all.

We have never been profitable for a full fiscal year and between January 1, 2017 and September 30, 2020, we incurred aggregate losses of €413.1 million. Even if we are able to grow our overall business and benefit from economies of scale, there is no guarantee that we will ever become and remain profitable. In addition, we anticipate that we will, from time to time, continue to make significant investments, including investments aimed at further enhancing the recognition and perception of our brands, improving our customer experience and further developing our technology platform and infrastructure. There is, however, no guarantee that such investments will yield the desired results and they might prove even more expensive than anticipated.

While our strategic goal is to continue to improve our margins and to achieve profitability on an Adjusted EBITDA level within the next three years, we may not be able to reach this goal or ever become profitable. Strategic decisions to target faster growth in order to solidify our competitive position may mean that we reach breakeven later or record losses for periods even after we have reached breakeven. In particular, we intend to rapidly grow our offering to consumers under our "Autohero" brand, which accounted for just 3.9% of our revenue in the nine-month period ended September 30, 2020. Given that this offering currently incurs significant losses, a rapid expansion of our consumer offering may adversely affect our overall profitability, preventing us from reaching breakeven as intended. In addition, external developments could increase our cost base and offset any positive effects from efficiency improvements we actually achieve and we may not be able to recover higher costs by charging increased prices. Consequently, we may never become and remain profitable.

If our growth slows, we will need to use our operating leverage to improve our gross profit margins, increase the efficiency of our operations and improve our cost base (*e.g.*, by reducing marketing costs) to still achieve profitability. Taking cost saving measures may, however, adversely affect our market position and consequently exacerbate the deceleration of our growth. This may offset the effects of any cost saving measures and other operational improvements. As a result, we may be faced with both a slowdown of our growth as well as a failure to ever become profitable.

1.2.2 We have a limited operating history and may not be able to manage future growth efficiently.

Our rapid expansion was fueled by the introduction of additional websites and apps in various European countries, the addition of over 400 drop-off and pick-up locations and other parts of our complex fulfillment platform and the constant expansion of ancillary services to both professional dealers and consumers. This expansion has increased the complexity of our business and placed, and will continue to place, significant strain on our management, personnel, operations, systems, technical performance, financial resources, and internal financial control and reporting functions. If we continue to experience rapid growth, there is no guarantee that we will be able to manage such growth efficiently, which could damage our reputation and negatively affect our results. If we fail to manage future growth efficiently, we may be required to take steps to slow down our growth, which may adversely affect our business and competitive position.

A continued expansion of our business will make our operations more complex and challenging, which increases the risk of disruptions. As our operations have expanded, we have grown to approximately 4,200 employees (full-time equivalent). We expect the total number of our employees to continue to increase. Efficiently managing our growth will require us to continue to hire, train, manage and integrate qualified employees, and failure to do so may harm our business. In addition, efficiently managing our growth will require us to establish consistent policies across our different markets and functions, and any failure to do so could likewise harm our business. In addition, any failure to effectively upgrade our technology systems or other parts of our platform to support our growth could result in unanticipated system disruptions, long response times, or poor experiences for our customers and other partners. To manage the growth of our operations and personnel and improve our platform, we will be required to commit substantial financial, operational, and technical resources. These improvements will be particularly challenging if we acquire new businesses with different technology systems, which we would have to integrate into our existing systems. There is no guarantee that we will be able to make the investments required to manage our future growth efficiently.

1.2.3 We may not be able to source a desirable inventory of used cars at competitive prices or at all.

To provide a large, attractive offering of used cars, we depend on consumers and professional dealers to be willing and able to offer us suitable used cars for purchase. In the three-month period ended September 30, 2020, we sourced approximately 87% of our used vehicles from consumers, while the remaining cars were provided by professional dealers (*e.g.*, large corporations, traditional car dealerships and leasing companies selling used cars from their fleets). There can be no assurance that the supply of desirable cars will be sufficient to meet our needs and to continue to grow our offerings. In particular, we currently primarily sell younger models free from defects under our "Autohero" offering, while mostly selling older models under our "AUTO1" offering to professional dealers. If our consumer offering expands and accounts for a significantly larger share of the cars we sell, we may consider adding cars to our consumer offering that may also be desirable for our offering to professional dealers and *vice versa*. There is, however, no guarantee that we will be able to source sufficient quantities of these cars at competitive prices to maintain and expand our offerings as intended. If we lack desirable inventory, we may lose potential and existing customers and related revenue.

When purchasing used cars, we use proprietary algorithms, taking into account our database with data on over four million trades of used cars. These algorithms calculate the price we are willing to offer to the relevant seller, which in turn is based on the projected sales price we can achieve. As part of these calculations, our algorithms take into account approximately 150 different data points per car to assess mechanical soundness and suitability for both our consumer and professional dealer offerings. There is, however, no guarantee that the values calculated by our proprietary algorithms will prove correct and that such algorithms will function properly at all times. If we fail to adjust our prices to reflect market trends or fail to recognize those trends, it could adversely affect our ability to source an attractive inventory of used cars at competitive prices. It may be particularly hard for our algorithms to react to sudden declines in demand for certain types of used vehicles (see "*1.1.2 We may be adversely affected by a general decline in individual car ownership or sudden declines in demand for certain types of used cars.*").

Given that the prices we offer depend on the characteristics of individual cars, we need to be able to adequately assess such cars, in particular with respect to their mileage and potential defects. To this end, we inspect cars we source from consumers at our more than 400 drop-off locations. There is, however, no guarantee that our employees will be able to detect all relevant defects, given that inspections are typically completed quickly. In the three-month period ended September 30, 2020, these inspections took 24 minutes or less for approximately 92% of the used cars offered to us for a physical inspection. Furthermore, potential sellers may manipulate the mileage indicators of their cars or otherwise seek to conceal defects. As a result, we may end up overpaying for cars we source or become subject to liability claims from our customers.

In addition, we have entered into cooperation agreements with automotive manufacturers such as Renault Deutschland AG, and other third parties, and may enter into additional cooperation agreements with third parties in the future. Under these agreements, the third parties supply us with used cars obtained by them as part of their operations (*e.g.*, in connection with returns or updates of their fleets). We remarket these cars to professional dealers through auctions under our "AUTO1" brand. If any agreements with major third parties were to be terminated (*e.g.*, because they prefer to market their used cars themselves or through one of our competitors), this could result in us losing access to a large number of used cars and consequently adversely affect the size of our offering and our growth.

1.2.4 Acceptance of our online offering as a suitable platform for the sale and purchase of used cars may decrease or fail to improve.

We estimate that online penetration for sales of used cars to consumers amounts to approximately 1% in the European market. As a result, the used car market lags significantly behind many other industries, where online offerings have been able to capture a significant share of the overall market in recent years. The acceptance of our online offering has been particularly high among professional dealers. While consumers have also shown willingness to sell used cars online, the vast majority of consumers still purchase vehicles offline, and in many cases directly acquire used cars from other consumers (*e.g.*, following marketing through classified advertisements).

There is no guarantee that consumers and professional dealers will continue to be willing to buy and sell used cars online and that overall online acceptance in the used vehicle market will increase. If the acceptance of our online offering decreases or fails to improve, we will not be able to acquire an attractive inventory of used cars and to sell these cars to potential purchasers. Consequently, we will not be able to achieve the future growth we target. Our success will largely depend on our ability to attract customers who have historically sold and purchased used cars offline, in particular in contact with traditional used car dealerships. A number of factors may deter them from dealing cars online, including:

- an inability to source a wide variety of used cars at competitive prices; or
- concerns about buying and selling cars without a physical storefront or face-to-face interaction with sales personnel (*e.g.*, due to an inability to physically test-drive and examine cars); or
- an actual or perceived lack of security of online transactions and concerns regarding the privacy of personal information; or
- delivery times associated with online orders; or
- delayed deliveries or deliveries of incorrect or defective cars; or
- any inconvenience associated with dropping off, returning or exchanging cars purchased online; or
- a lack of usability, functionality and features with respect to our websites and apps.

If our customer experience fails to meet the expectations of existing or future customers, this could deter such customers from buying and selling used cars through our online platform and adversely affect our business.

In addition, our future success depends on our ability to provide adequate functionality for customers who use mobile devices to purchase and sell used cars through our apps. Customers may not accept our apps as a viable platform to buy or sell used vehicles (*e.g.*, due to an actual or perceived lack of security and disruptions of our apps). Furthermore, there is no guarantee that we can introduce features and services from our websites to our apps as well. Consequently, an acceleration of the shift towards the use of mobile devices may adversely affect demand for our online offering.

1.2.5 Used cars in our inventory may be stolen, damaged or destroyed before we can sell these cars.

Used cars in our inventory comprise a large share of our total assets. As of September 30, 2020, the value of our overall inventory amounted to €132.9 million. Given the size of this inventory, we require significant space to store our used cars. To this end, we have entered into logistics services agreements with a number of specialized third-party service providers. Under these agreements, our logistics partners handle the transport of our used cars and also store these cars in their large-scale logistics compounds, in particular for our "AUTO1" offering. We have, however, only limited control over the third parties operating these logistics compounds and cannot guarantee that used cars in our inventory will be properly protected (*e.g.*, against theft or vandalism).

In addition, given that our cars are typically stored in unroofed parking lots, *force majeur* events such as flooding, fires or hail, may affect a large number of our used cars. For example, in May 2017 a hail storm at a third-party logistics compound in Lüdersfeld, Germany, resulted in damages of approximately €1.6 million to our used cars. We only avoided incurring a loss because the damages were covered by our insurance policies, which may not always be the case. Similar events may cause us to incur large, uninsured damages, deprive us of a significant portion of our inventory, reduce customer satisfaction if we cannot deliver sold cars and consequently adversely affect our profitability and continued growth.

1.2.6 If we fail to expeditiously sell our inventory, we may experience excess inventory. We could also be forced to offer our used cars at significantly lower prices than originally anticipated, which would adversely affect our margins.

The sourcing of used cars offered by us is based on our projections of future demand. If actual sales are materially lower than our forecasts, we would experience excess inventory. An oversupply of used cars would cause pressure on our sales prices and margins and decrease inventory sales velocity. A failure to expeditiously sell our inventory could result in excess inventory, which may force us to take on additional financing. Given that used cars, in particular more recent models, tend to depreciate rapidly, we may also be forced to write down the value of our inventory or decide to offer significant discounts, which could adversely affect our margins. For example, towards the end of the fiscal year ended December 31, 2018, we decided to clear out certain used cars from our inventory that had been held in inventory considerably longer than anticipated, among other things due to a sudden decline in demand for vehicles with diesel engines as a result of the banning of these vehicles in certain German cities. To sell this excess inventory, we significantly lowered the prices on these cars. This decision strongly contributed to the decrease of our gross profit margin by 60 basis points from 9.1% in the fiscal year ended December 31, 2017 to 8.5% in the fiscal year ended December 31, 2018.

Our proprietary algorithms decide on the allocation of cars in our inventory to either our consumer offering or our offering to professional dealers. If these algorithms allocate used cars better suited for consumers to our offering to professional dealers and *vice versa*, this could prevent us from expeditiously selling such cars or achieving a satisfactory sales price.

In addition, recalls by automotive manufacturers are a common occurrence and have accelerated in frequency and scope in recent years. In case of such recalls, we may have to temporarily remove the affected used cars from our inventory and may be unable to liquidate such inventory in a timely manner or at all. The same may occur if regulatory changes (*e.g.*, the introduction of stricter emission standards) prevent consumers from driving certain used cars in cities or at all, consequently reducing demand for the affected vehicles. As a result, we may incur write-downs or experience a significant decline of our gross margin.

1.2.7 We may not be able to procure or provide financing for used car purchases by consumers or to repossess the financed cars serving as collateral.

To support the attractiveness of our offering to consumers under our "Autohero" brand, we seek to help them obtain financing for car purchases. To this end, we have entered into agreements with 13 banks and branches across Europe, who provide the loans granted to consumers purchasing our used cars and pay us a commission for such referrals. If these banks are no longer willing to provide financing to our customers or only grant such financing on disadvantageous terms, we may not be able to offer attractive financing options. As a result, demand for our used cars may suffer and we may not be able to grow our business as envisaged.

Going forward, we intend to increasingly provide financing to consumers buying under our "Autohero" offering ourselves, including by using local fronting banks in countries where this is required to comply with local licensing requirements (see "*1.4.4 We may not be able to obtain and maintain the licenses required to operate our business as intended.*"). As a result, we may incur a growing amount of receivables, which may require us to obtain additional financing or scale back the financing we provide. If we cannot offer consumers attractive financing options, this could adversely affect demand for our consumer offering and prevent us from generating a higher margin on such sales.

In addition, we plan to use our sold cars as security when offering consumer financing, and to cooperate with third-party collection agents to repossess such cars, should purchasers default on their obligations. We may, however, not be able to locate the relevant cars and successfully repossess them (*e.g.*, if they are transported outside Europe). Furthermore, the residual value of the repossessed cars may be lower than anticipated (*e.g.*, if they are involved in accidents), and we may not be able to take recourse against the relevant customers. As a result, we may incur significant losses even where we use sold cars as security for our financing solutions.

1.2.8 We may be adversely affected by fraudulent behavior of sellers or purchasers of our used cars or an inability to correctly assess their creditworthiness.

In the past, some of the cars acquired by us turned out to have been stolen and third parties will likely continue to seek to sell us stolen cars. Given the large number of used cars we source, we do not check publicly available registers for all of these cars, and the process and details of public registers differ between the various European markets in which we operate. Consequently, it may be difficult to detect that cars offered to us have been stolen. Criminals attempting such sales tend to be sophisticated, presenting us with fake identities, forged car documentation (*e.g.*, a fake registration document (*Fahrzeugbrief*) and vehicle registration (*Fahrzeugschein*)), or obtain such documentation by submitting false information to the relevant governmental agencies. Given that applicable laws in many European jurisdictions, including Germany, prevent us from acquiring ownership if cars purchased by us were stolen, we may be required to return such cars to their actual owners without being able to recover the money we paid for them. In addition, our reputation may suffer as a result of such transactions.

When deciding whether to provide financing to consumers, we analyze their creditworthiness by relying, among other things, on the assessments of third-party credit agencies. There is, however, no guarantee that the systems of these agencies will function properly or that there are no gaps or errors in their assessment. Going forward, we may develop and rely on our own automated credit assessment software. Our credit risk algorithms are, however, unproven and may not function as envisaged. Consequently, we may fail to correctly assess the creditworthiness of consumers. If purchases or payments are not properly authorized or payment confirmations are transmitted in error, the relevant purchasers may turn out to have insufficient funds or be able to defraud us, which could adversely affect our operations and result in increased legal expenses and fees. High levels of fraud could result in us having to comply with additional requirements or pay higher payment processing fees or fines. If we sell the relevant claims to third parties, we may become liable *vis-à-vis* such third parties if consumers default on their payments. Furthermore, permitting new and innovative online payment options may increase the risk of fraud.

1.2.9 Any failure to maintain, protect and enhance the recognition and reputation of our brands may adversely affect our business.

Maintaining leading brands is key in the online sector, and competition among online offerings tends to favor the market participants with the strongest brands. Consequently, the recognition and reputation of our brands, in particular our merchant brand "AUTO1" and our consumer brands "wirkaufendeinauto.de" and "Autohero", is critical for the growth and continued success of our business. As competition in our markets intensifies, we anticipate that maintaining and enhancing our brands will become increasingly difficult and expensive, and investments to increase the value of our brands may not be successful.

Any failure to make payments and deliver used cars on time, provide a quality customer experience and customer service and comply with applicable laws could damage our reputation and brands and result in the loss of customers. Any negative publicity may be accelerated through social media (*e.g.*, Facebook, Instagram and Twitter) due to its immediacy and accessibility as a means of communication. Social media and websites immediately publish posts from users, often without filters or checks on the accuracy of the content posted. New and existing customers value readily available information concerning digital offerings and often act on such posts without further investigation or authentication. Allegations against us may be posted on social media, in Internet chat rooms or on blogs or websites by anyone on an anonymous basis. In addition, we may be the target of harassment or other detrimental conduct by third parties, including from our competitors. Any negative publicity, even if factually incorrect or based on isolated incidents, could damage our reputation, diminish the value of our brands, undermine the trust and credibility we have established, have a negative impact on our ability to attract new or retain existing customers and require us to spend significant time and money to address such negative publicity.

In addition, AUTO1 FT GmbH ("**FinTech**"), a joint venture in which we hold a minority stake of approximately 6% (see "*1.4.2 We may be involved in litigation or other proceedings that could adversely affect our business*"), has registered a combined word and figurative trademark (*kombinierte Wort- und Bildmarke*), which includes our "AUTO1" brand. We have filed an application for the cancellation of this trademark and requested that FinTech cease using it. However, our application may not be successful and FinTech has refused to comply with our request. As a result, counterparties may be confused and our "AUTO1" brand may be adversely affected.

1.2.10 Our significant investments in marketing may fail to drive attention for our websites and apps and may not result in additional transactions completed through our platform.

We have made, and will continue to make, significant investments in our marketing efforts, including television and radio commercials, search engine marketing and other forms of online marketing, to attract large numbers of consumers seeking to sell their used cars or purchase such cars. For our "Autohero" brand alone, we intend to make significant investments in mass marketing campaigns between 2021 and 2023. In addition, we commission a large number of classified advertisements for used cars from our "Autohero" offering. The allocation of our marketing investments is driven by analyzing the data we collect from relevant traffic to our websites and apps as well as trades entered into by our customers. We may, however, not be able to accurately measure the effectiveness of our marketing expenses. Consequently, there can be no assurance that our assumptions regarding required customer acquisition costs and resulting revenue as well as the marketing needed to source and expeditiously sell an attractive inventory will prove to be correct.

In addition, we cannot guarantee that our current marketing channels will continue to be effective, permissible and generally available to us in the future. For television marketing, the program during which we broadcast our commercials may not achieve the anticipated number of viewers. For our online marketing, the relevant partners may be unable to deliver the anticipated traffic to our websites and apps. In particular, the popularity of social media channels tends to fluctuate, making it difficult to predict which channels are best suited to reach a young mass audience. For classified advertisements, we depend on third-party website operators such as mobile.de GmbH and AutoScout24 GmbH for our largest market Germany. If these third parties were to increase the fees they charge for classified advertisements or prevent us from listing on their websites (*e.g.*, to prevent us from establishing a competing consumer offering), this may increase our marketing costs and adversely affect our ability to successfully market our "Autohero" offering to a large number of consumers.

Furthermore, visitors that subsequently visit our websites and apps might not enter into the anticipated transactions. New regulation may adversely affect certain marketing channels, in particular regulation aimed at controlling and censoring social media and increasing data protection. If we are not able to attract sufficient traffic to our websites and apps, translate a sufficient number of visits into transactions, build and maintain a loyal customer base and expand our relevance in the market for used cars, this could adversely affect our future growth and competitive position.

1.2.11 If our websites do not achieve a high ranking in organic search results or are removed from app stores, this could reduce traffic to our websites and apps and prevent us from competing successfully.

A significant number of visitors are directed to our websites through organic search results generated by search engines such as Google and Bing. There is, however, no guarantee that the algorithms employed by such search engines will continue to rank our websites highly, even if we seek to optimize our rankings. If we do not achieve a high ranking for our websites, we may need to increase our spending on other forms of marketing or may potentially suffer a significant decrease in traffic to our websites and apps. In addition, search engines may consider our search efforts to optimize the rankings of our websites and apps manipulative or deceptive and therefore see them as a violation of their terms of services. This may result in our websites being excluded from organic search results, which could significantly reduce our ability to attract relevant traffic to our websites and apps.

Furthermore, our apps rely on app stores operated by third parties, in particular Apple, which make apps available for download. The structure of these app stores may change and third-party operators may decide to exclude our apps from their offering (*e.g.*, if we do not agree to changes in terms and conditions), which may adversely affect the availability of our apps. These operators may also charge us fees to list our apps for download, which could adversely affect our margins or result in us discontinuing to offer our apps through third-party app stores.

1.2.12 We may not be able to effectively communicate with our customers through email and other messages.

We use newsletters (*e.g.*, emails) as a free marketing tool to promote our offering, websites and apps to customers. To this end, we have already acquired more than 57 million email addresses of consumers. Our emails may, however, be shown as "spam" or given a lower priority, which could reduce the likelihood of customers opening or responding positively to them. Actions by third parties to block, impose restrictions on, or charge for the delivery of, emails and other messages, as well as legal or regulatory changes limiting our right to send such messages or imposing additional requirements, could impair our ability to communicate with customers. If we are not able to use unpaid marketing tools in the form of emails or other messages efficiently, this could impair our marketing efforts or make them more expensive if we have to increase spending on paid marketing channels.

Furthermore, malfunctions of our email and messaging services could result in erroneous messages being sent and customers no longer wanting to receive any messages from us. Furthermore, our process to obtain consent from visitors to our websites and apps to receive newsletters and other messages from us and to allow us to use their data may be insufficient or invalid. As a result, such individuals or third parties may accuse us of sending unsolicited advertisements and other messages, which could result in claims being brought against us.

1.2.13 We may fail to efficiently operate and expand our fulfillment platform, which could adversely affect our margins.

We operate more than 400 locations that serve as drop-off and pick-up points for our sourcing from consumers and "Autohero" offering, local storage for a limited number of cars and local operations centers, where we can provide additional services, including inspections, deregistration of acquired cars, refurbishments and small repairs as well as the registration of sold cars. Furthermore, we have entered into service agreements with a number of third-party logistics services providers, who handle large-scale car transports and the storage of our used cars in more than 150 logistics compounds. We also operate a fleet of smaller car transporters bearing our "Autohero" brand. Our entire fulfillment platform is operated by our proprietary technology platform.

This fulfillment infrastructure is considerably more complex than platforms operated by any of our competitors. Between 2017 and 2019, the number of routes in our fulfillment network quadrupled, increasing by approximately 300% to approximately 95,000 routes, and approximately 60% of these routes were for cross border transports. In 2019, approximately 47% of all cars for which we arranged delivery were transported across borders. Any failure or disruption of these operations (*e.g.*, due to software malfunctions, fires, natural disasters, acts of terrorism, vandalism or sabotage) could adversely affect our ability to transport cars in a timely manner, cause our logistics costs to increase and harm our reputation. In addition, pickup and delivery times for our cars vary due to a variety of factors (*e.g.*, the location from which they are shipped, the availability of car transporters and the location of the relevant seller and/or purchaser). Customers may expect faster pickup or delivery times and a more convenient process than we can provide, and if we are unable to meet their expectations, or if our competitors are able to transport cars faster or more conveniently, our reputation and competitiveness may suffer and we could lose customers, which could adversely affect our revenue.

To create our extensive fulfillment platform, we have made significant investments and we expect to continue to do so as we further expand our operations. As part of our expansion plans, we intend to further expand our refurbishment capabilities and our fleet of smaller car transporters by more than 90 transporters in 2021 to make deliveries to consumers under our “Autohero” offering. If we continue to add fulfillment capabilities or expand our business model and the number of countries included in our offering, our operations may become even more complex. As a result, we may experience inefficiencies and disruptions, which may adversely affect our margins and require additional investments. Furthermore, we may be forced to rely on additional third-party service providers to offer sufficient logistics capacities, and there is no guarantee that a sufficient number of qualified service providers will be available. The associated transition may not be smooth and we may be unable to react to any challenges in a cost-effective and timely manner.

1.2.14 We depend on third parties for the completion of our transactions and our fulfillment, and there is no guarantee that these third parties will continue to be available and perform their services properly.

We work with a number of third parties, in particular providers of logistics services, car registration agencies and banks who provide financing to our customers. Given that these third parties are independent from us, we have only limited or no control over their operations. If these third parties fail to perform as we expect, experience difficulty meeting our requirements or standards, fail to conduct their business ethically, fail to provide satisfactory services to our customers or breach their agreements with us, if any, this could adversely affect customer satisfaction and thus prevent us from successfully operating our business. Furthermore, our partners may increase prices for their services or otherwise seek to negotiate more favorable terms, and there is no guarantee that we will be able to pass increased costs on to our customers.

In addition, if such third parties cease their operations, temporarily or permanently, face financial distress or other business disruptions, increase their fees, or, if our relationships with them deteriorate, we could suffer from increased costs, be involved in legal disputes with or against them, experience delays in providing customers with similar services or no longer be able to provide such services at all. For example, from March through June 2020 and from November 2020 to January 2021, car registration agencies in many European countries were shut down or only offered limited access to combat the continued spread of COVID-19. As a result, transactions arranged through our websites and apps could not be completed or only after considerable delays, given that the registration of the transfer of used cars with the competent car registration agency is a legal requirement for completing such transfers. Any future interruptions of the operations of third parties who are integral to our operations, for example due to a renewed spread of the COVID-19 pandemic, could adversely affect our ability to run our operations and continue our growth.

1.2.15 Dissatisfaction with our customer service could prevent us from expanding our business as intended.

To provide customer service, we communicate via email and through our telephone hotlines. The satisfaction of our customers depends in particular on the effectiveness of our customer service, in particular our ability to deal with complaints (*e.g.*, with respect to the quality of used cars, technical problems, payment and shipping, defects, invoicing and the transfer of purchase prices to sellers) in a timely and satisfying manner. Any unsatisfactory response or lack of responsiveness (*e.g.*, due to interruptions of our hotlines) could reduce customer satisfaction and loyalty and therefore adversely affect our revenue.

1.2.16 We may experience significant returns.

Consumers who purchase used cars under our "Autohero" offering have the right to return such cars within a period of 14 days from delivery and to receive full refunds, assuming they have driven no more than 100 kilometers. In the three-month period ended September 30, 2020, the return rate for used cars sold under this offering amounted to 3.9%. Returning cars is more cost-intensive than returns for other goods sold online due to the size and weight of vehicles. If we face high levels of returns (*e.g.*, due to consumers being dissatisfied with our used cars or customer service), we may incur significant costs. Continued growth of our "Autohero" offering is likely to increase the absolute number of returns, which may force us to allocate additional resources to the handling of such returns and may further complicate our operations.

In addition, when offering remarketing solutions, we typically purchase the cars offered by the selling professional dealer immediately after completion of the relevant auction for on sale. In such case, we assume full responsibility for any defects these cars may have, assuming they were not previously disclosed to the relevant bidder. In case of such defects, we may be required to compensate the purchaser or take back the deficient vehicle, which may result in significant transport costs and there is no guarantee that we will be able to successfully take recourse against the seller.

1.2.17 Given that we are a technology company, we may experience disruptions, failures or breaches of our technology platform.

Given that the sale and purchase of used cars through our websites and apps is at the core of our business, we depend on the efficient and uninterrupted operation of our technology platform, in particular our proprietary pricing algorithms. The same is true for other key functions such as marketing, logistics, forecasting and accounting. We also store data in our data centers (*e.g.*, proprietary information regarding car transactions and customer behavior). Such data is essential to our business and our ability to correctly price used cars. Given that the Internet is characterized by rapid technological advances, our future success will depend on our ability to adapt our websites and apps as well as other parts of our platform to such advances (*e.g.*, advances in the field of machine learning, artificial intelligence, augmented reality and virtual reality) and to sustain their interoperability with our operating systems.

A disruption or failure of our technology platform (*e.g.*, due to software or hardware malfunctions, system implementations or upgrades, computer viruses, third-party security breaches, employee error, misuse or power disruptions) could lead to extended interruptions of our operations, a corresponding loss of revenue and profits, cause breaches of data security, loss of intellectual property or critical data, or the release and misappropriation of sensitive information, or otherwise impair our operations. It may become increasingly difficult to maintain and improve the availability of our websites and apps, especially during peak usage times and as our product offering becomes more complex and the number of visitors increases. If we fail to effectively address capacity constraints, adequately respond to disruptions or upgrade our technology platform accordingly, our websites and apps could become unavailable or fail to load quickly, and customers may decide to use other platforms and may not return, which would adversely affect our business.

Furthermore, our security practices may be insufficient and third parties may breach our systems (*e.g.*, through Trojans, spyware, ransomware or other malware attacks, or breaches by our employees or third-party service providers), which may result in unauthorized use or disclosure of information. Such attacks might lead to blackmailing attempts, forcing us to pay substantial amounts to release our captured data or resulting in the unauthorized release of such data. Given that techniques used in these attacks change frequently and often are not recognized until launched against a target, it may be impossible to properly secure our systems. In addition, technical advances or a continued expansion and increased complexity of our platform could increase the likelihood of security breaches. Any leakage of sensitive information could lead to a misuse of data violate applicable privacy, data security and other laws, cause significant legal and financial risks and negative publicity, and adversely affect our business and reputation.

1.2.18 Given that we are a relatively new enterprise, our internal controls may not be sufficient.

We are a relatively new enterprise, having launched our operations in 2012. As a result, our internal control systems had to evolve over time, and these systems have only recently been updated in anticipation of the Offering and the corresponding listing of the Company's shares. Consequently, these systems are still untested. Moreover, our management team has no experience in managing a public company. Consequently, there is no guarantee that our decision-making processes and internal controls have developed sufficiently to prevent errors, inefficiencies and compliance violations. For example, we have been forced to make certain error corrections in the consolidated financial statements of the Company as of and for the fiscal year ended December 31, 2019, as we discovered that value-added tax receivables had been overstated in previous years. In addition, we strengthened our internal controls in response to individual cases of fraud and misconduct by employees. Similar instances, in particular with respect to our accounting and tax functions, may occur (*e.g.*, if our accounting software fails to function properly). In such case or if we otherwise discover deficiencies in our internal control systems, we may be required to undertake corresponding corrections, incur unexpected costs and trust in our business and operations may be adversely affected.

Complying with the various laws and regulations applicable to our business is particularly challenging and this challenge will increase as we continue to grow. Consequently, there is no guarantee that our compliance and risk management systems are sufficient to ensure that our employees, third-party contractors, in particular professional dealers and logistics services providers, related parties and agents are or will be in compliance with all applicable laws and regulations. The criteria for determining compliance are often complex and subject to change and new interpretation (see "*1.4.1 We may be adversely affected by changes in laws and regulations, in particular those governing the trading of used cars, electronic commerce and the automotive industry in general.*"). If we fail to comply with applicable laws and regulations, we may breach representations made to our customers or governmental authorities, and such governmental authorities may require remedial actions. In addition, such violations may be punishable by criminal and civil sanctions, including substantial fines, and harm our reputation.

1.2.19 We may not be able to attract and retain qualified employees.

Our business is led by our founders, who have managed our successful expansion since the start of our operations in 2012. Due to the continued growth of our business, we are highly dependent on our ability to attract and retain top management talent, including our founders, as well as qualified employees, in particular marketing, programming and sales personnel as our existing teams may not be adequately staffed to handle the increased workload that may result from such continued growth. Competition for such qualified employees is intense, in particular in Berlin, Germany, where our headquarters are located. Due to our comparably short operating history and limited resources, it may be difficult for us to attract and retain the services of qualified employees.

In addition, shifting demographics are expected to result in fewer students, fewer graduates and fewer people entering the workforce in Europe in the future. Moreover, many individuals of younger generations have changing expectations regarding their careers, engagement and the integration of work in their overall lifestyles, all of which may render such individuals less suitable to fill vacancies within AUTO1 Group. An inability to attract and retain qualified employees could adversely affect our ability to maintain and expand our operations and competitive position.

1.2.20 Our employees may temporarily be unable or unwilling to work due to strikes, labor disputes or the effects of the COVID-19 pandemic.

If relationships with our employees were to deteriorate, we could experience strikes, unionization efforts or other types of conflicts. As a result, our operations could be interrupted and our reputation could suffer. This risk could be exacerbated by the temporary introduction of short-time work (*Kurzarbeit*) with respect to parts of our German workforce as well as our use of similar schemes in other European countries. These measures were introduced in connection of the slowdown of our operations caused by the spread of the COVID-19 pandemic across Europe. Outbreaks of COVID-19 or a spread of other viruses among our workforce may deprive us of key employees as they are required to isolate and may even force us to shut down facilities once a significant share of the workforce is affected. Isolation may also be required where employees return from business or leisure trips to areas particularly affected by the COVID-19 pandemic. As a result, our operations may be interrupted and we would still be required to pay the affected employees their full salary, while not receiving any labor in return.

1.3 Risks related to our Financial Situation

1.3.1 We may require additional capital which might not be available on economically acceptable terms, or at all.

In the medium- to long-term (*e.g.*, due to the limited term of our non-recourse financing), we will likely require additional capital to finance our future growth and further scale our operations. We recorded negative cash flows from operating activities during the periods for which financial information is included in this Prospectus, and require periodic injections of capital in order to continue our business. If we are not able to raise the required capital on economically acceptable terms, or at all, we may be forced to limit or even scale back our operations, which may adversely affect our growth, business and market share and could ultimately lead to an insolvency of the Company.

If we choose to raise capital by issuing new shares, our ability to place such shares at attractive prices, or at all, depends on the condition of equity capital markets in general and the share price of the Company in particular, and such share price may be subject to considerable fluctuations. If we choose to raise capital through debt financing, such financing may require us to post collateral in favor of the relevant lenders or accept other restrictions on our business and financial position (*e.g.*, in the form of covenants). Such restrictions may adversely affect our operations and prevent us from growing our business as intended. A breach of the relevant covenants may trigger immediate prepayment obligations or may lead the relevant lenders to seize collateral posted by us, all of which may adversely affect our business. In addition, if we raise capital through debt financing on unfavorable terms, this could adversely affect our operational flexibility and profitability.

1.3.2 An increase in interest rates may adversely affect our margins.

The external financing we use to finance our inventory bears interest at a floating rate. A general rise in interest rates would therefore increase our current interest expenses and our future refinancing costs. To the extent we seek to hedge this risk through derivative interest rate hedging instruments, there is no guarantee that such instruments will be available or that we will not incur any mark-to-market losses from such hedges.

1.4 Risks related to Regulatory, Legal and Tax Matters

1.4.1 We may be adversely affected by changes in laws and regulations, in particular those governing the trading of used cars, electronic commerce and the automotive industry in general.

We are required to comply with a wide range of laws and regulations relating to, among other things, the purchase and sale of used cars, the state of such cars, the use of the Internet in general and the e-commerce sector in particular, online payments, consumer protection, data protection and employment matters, and the application of such laws and regulations by local authorities may vary. Key laws applicable to our used cars, business and operations include:

- Regulation (EU) 2018/858 of the European Parliament and of the Council of May 30, 2018 on the approval and market surveillance of motor vehicles and their trailers, and of systems components and separate technical units intended for such vehicles with respect to the technical standards our used cars must comply with;

- Council Directive (EC) 1999/37 on the registration documents for vehicles, as amended, with respect to the registration process for used cars;

- Directive 2001/95/EC of the European Parliament and of the Council of 3 December 2001 on general product safety, as amended, with respect to product liability;

- local laws regarding the sale and purchase of used cars, such as the German Civil Code (*Bürgerliches Gesetzbuch*); and

- Directive (EU) 2011/83 of the European Parliament and of the Council of October 25, 2011 on consumer rights, as amended, with respect to consumer protection.

Any changes in the laws and regulations applicable to our business and operations, including used cars in our inventory, as well as our platform, or changes to the application and interpretation of such laws and regulations by authorities and courts, may give rise to substantial compliance costs, adjustment expenses and other costs as well as fines in connection with our business activities, or prevent us from executing our strategy as planned. Even legislative initiatives and the corresponding public debates could result in significant uncertainty, regardless of whether such initiatives ultimately become law. In particular, privacy-related regulation, especially Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, could interfere with our strategy to collect and use personal information as part of our data-driven approach. We must comply with such regulations to the extent they are applicable to us as noncompliance could lead to the imposition of fines or other sanctions.

1.4.2 We may be involved in litigation or other proceedings that could adversely affect our business.

In the ordinary course of our business activities, we are regularly exposed to various litigation, in particular regarding warranty for vehicle defects, delays of payments or deliveries, competition law, intellectual property disputes, labor disputes and tax matters. Such litigation is subject to inherent uncertainties, and unfavorable rulings could require us to pay monetary damages or result in an injunction prohibiting us from performing a critical activity (*e.g.*, certain ways of marketing). Even if the legal claims brought against us are without merit, defending such claims could be time-consuming and expensive, and could divert management's attention from other business concerns, and we may decide to settle such claims, which could prove expensive.

We are currently defending a lawsuit brought by FinTech. We originally set up this joint venture to provide car financing solutions to purchasers of our expanding used car offering. As part of this joint venture, in 2018 we entered into a service agreement with FinTech with an original term of 20 years, requiring us, among other things, to exclusively promote certain financial products to purchasers of our used cars, if and to the extent such products are offered by FinTech. In return, the service agreement required FinTech to pay us certain fees. While FinTech did subsequently provide some purchaser financing for our merchant segment, the business did not develop as anticipated and its product offering did not significantly further our own business. When FinTech negotiated a grace period with one of its creditors in March 2020, we decided to make use of a contractually-agreed extraordinary termination right and terminated the service agreement. As a precautionary measure, we subsequently terminated the agreement for a second time due to a violation of our governance rights in FinTech.

The validity of our terminations is, however, being disputed by FinTech, which filed a lawsuit to this effect with the district court (*Landgericht*) of Berlin in April 2020. We are defending this lawsuit, yet the duration and outcome of these proceedings are currently unclear. The pending litigation or other possible disputes related to FinTech and its other shareholders may cause us to incur additional costs. Should the court rule in favor of FinTech, we may seek to exercise other termination rights. There is, however, no guarantee that such rights will be available to us, that courts will uphold our termination and that a termination will be possible without a need to pay compensation or incurring additional costs. If we ultimately cannot terminate the service agreement with FinTech, we would be bound for the remainder of the term of this service agreement. As a result, we may be restricted in offering financing products to purchasers of used cars, if and to the extent such products are covered by the service agreement, which may adversely affect the attractiveness of our offering and our margins. In addition, our "AUTO1" brand may be adversely affected if FinTech continues to utilize this brand (see "1.*2.9 Any failure to maintain, protect and enhance the recognition and reputation of our brands may adversely affect our business*").

1.4.3 We use standardized documents, contracts and terms and conditions, which would increase the impact if any agreement or clause were held to be invalid.

We maintain legal relationships with a large number of professional dealers, consumers and service providers. In this context, we regularly use standardized documents, contracts, and terms and conditions. In particular, we have drafted standardized sales and purchase agreements with respect to both the sourcing of used cars from consumers and through our remarketing solutions and for the sale of these cars under our “AUTO1” and “Autohero” offerings.

Standardized terms and conditions have to comply with the statutory laws on general terms and conditions (*allgemeine Geschäftsbedingungen*) in the different jurisdictions in which we operate, which means that in many jurisdictions they are subject to intense scrutiny by the courts. The standard is even stricter if such terms and conditions are used *vis-à-vis* consumers. If standardized documents, contracts, or terms and conditions we use contain provisions which are interpreted in a manner disadvantageous to us, or if any clauses are held to be invalid and thus replaced by statutory provisions which are disadvantageous to us, a large number of our contractual relationships could be affected. This could provide our counterparties with unexpected legal rights and remedies (*e.g.*, withdrawal rights), cause us to incur unexpected expenses and prevent us from operating our business as currently operated. In some cases, courts may even determine that our standardized sales and purchase agreements are generally invalid, and as a result we may not have entered into a valid contractual relationship with the relevant counterparty.

1.4.4 We may not be able to obtain and maintain the licenses required to operate our business as intended.

The operation of our business requires a number of licenses. In the future, we may require additional licenses (*e.g.*, if national laws change or we provide additional services such as acting as a broker for vehicle insurance). In particular, if we were to extend our financing offering to consumers for purchases of our used cars to certain countries, national law would require us to obtain a local license to provide such financing. There is, however, no guarantee that we will be able to obtain all required licenses or that we will manage to comply with all requirements imposed on us thereunder. If we fail to obtain and maintain such licenses, we may not be able to conduct our business as intended, which may adversely affect our growth and profitability.

In addition, regulators of jurisdictions where consumers reside but in which we do not have a local license could require that we obtain such license or otherwise comply with various national laws and regulations, even if we believe we are not required to do so. For example, we plan to offer financing through local fronting banks in certain countries to avoid having to obtain local financing licenses. Even if we believe we are not subject to the licensing requirements of those jurisdictions, regulators may seek to impose punitive fines for operating without a license or demand we seek a license in those jurisdictions, any of which may inhibit our ability to do business in those jurisdictions.

1.4.5 We may be not be able to acquire, utilize and maintain our domains and trademarks.

We have registered various combined word and figurative trademarks (*kombinierte Wort- und Bildmarken*) for our key brands “AUTO1”, “Autohero” and “wirkaufendeinauto.de” as well as a number of local brands. In addition, we have registered a number of Internet domains, in particular www.auto1-group.com, www.auto1.com, www.autohero.com and www.wirkaufendeinauto.de. In the future, we expect to register additional similar rights, in particular as we expand our offering to consumers and into other target markets.

Such rights are regulated by the relevant regulatory bodies and subject to trademark laws and other related laws in the jurisdictions in which we have registered them. If we cannot obtain or maintain the required word and figurative trademarks as well as Internet domains on reasonable terms and prevent third parties from registering utilizing domains and trademarks that interfere with them, we may incur significant additional expenses, and we may be unable to operate our business as intended. Furthermore, the regulations governing domain names and laws protecting trademarks and similar proprietary rights could change (*e.g.*, through the establishment of additional generic or country code top level domains or changes in registration processes), which may prevent us from using these rights as intended.

1.4.6 We may not be able to protect our intellectual property against infringements from third parties.

We have developed and obtained proprietary software, processes, know-how and other intellectual property, including copyrights, brands, trademarks and trade secrets, and such intellectual property is of key importance to our operations. In particular, our proprietary pricing algorithms for the valuation of used cars as well as the corresponding transaction data forms the backbone of our sourcing and sales operations. There is, however, no guarantee that applicable laws and regulations and the funds available to us will allow us to effectively protect such intellectual property. If these laws and regulations were to change, this could make it even more difficult to protect our intellectual property effectively. Furthermore, some of our intellectual property could be challenged or found invalid through administrative processes or litigation, and third parties may independently develop or otherwise acquire equivalent intellectual property.

We may be required to spend significant funds on monitoring and protecting our intellectual property and we may not be able to discover all infringements, misappropriations or other violations of our intellectual property. If we initiate litigation against infringements of our intellectual property, such litigation may prove costly and there is no guarantee that it will ultimately be successful and that the rulings we obtain will adequately remedy the damage we have suffered. In addition, we provide certain information to third-party service providers who help us assess the performance of our business (*e.g.*, Google Analytics). Consequently, we only have limited control to ensure that such information is not misused by such service providers or passed on to third parties, including our competitors.

1.4.7 We may be accused of infringing on the intellectual property of third parties.

As we utilize a variety of intellectual property for our business, customers, regulatory authorities or other third parties may allege that we infringe on their intellectual property, and we may therefore become subject to allegations and litigation against us. Even unfounded allegations of infringement may adversely affect our reputation and business and may require significant resources to defend against. If we try to obtain licenses from such third parties to settle these disputes, there is no guarantee that such licenses will be available to us on acceptable terms, or at all, in which case we may be required to alter our brands and change the way we operate.

Furthermore, some of the agreements we enter into with third parties may contain clauses regarding the protection of their intellectual property licensed to us. A violation of these clauses (*e.g.*, the unauthorized sub-licensing or disclosure of a confidential source code) may require us to pay significant penalties, prevent us from utilizing such intellectual property in the future and result in litigation against us. In addition, some of our proprietary technology was developed on the basis of proprietary and non-proprietary software licensed from third parties. If these licenses were to be challenged or found invalid through litigation or other proceedings, we may not be able to continue to utilize such proprietary technology. In addition, the licensors or other third parties may claim that the use of such technology is outside the scope of the relevant license and therefore infringes upon their intellectual property.

1.4.8 Tax audits and investigations as well as changes to the general tax environment could lead to an increase of our tax burden.

As of the date of this Prospectus, a regular tax audit of AUTO1 Group by the competent tax authority with respect to the fiscal years ended December 31, 2014 through 2017 is ongoing. Consequently, AUTO1 has not received final and binding tax assessments for these periods or any subsequent fiscal years. The lack of more recent final and binding tax assessments increases the uncertainty regarding the tax authority's interpretation of applicable tax laws for periods for which no final and binding assessment has been received. There is no guarantee that our own tax assessments are complete and correct or that its interpretation of applicable tax laws will correspond to the interpretation of competent tax authorities. As a result, tax audits by such tax authorities may result in AUTO1 Group being required to pay subsequent taxes and amend its interpretation of tax laws going forward, which may lead to an increase of our tax burden.

For example, value-added taxes are particularly relevant to our business as we engage in purchases and sales of a large number of used cars across borders within the European Union. Recently, we discovered that we did not report value-added taxes owed in a number of our European markets, including Germany. We have since entered into settlement discussions with the competent tax authorities. While discussions are still ongoing in several countries, we expect that our exposure to this risk does not exceed €2.0 million. There is, however, no guarantee that this amount will be sufficient to settle any outstanding tax obligations and that we will not incur additional tax obligations with respect to our past operations, in particular for value-added taxes.

In addition, our tax burden depends on various tax laws, as well as their application and interpretation, and any changes of such tax laws may adversely affect us. In addition, amendments to tax laws may take effect retroactively, and their application or interpretation by tax authorities or courts may change unexpectedly, which could also lead to an increase of our burden.

1.5 Risks related to the Company's Shares

1.5.1 Future issuances of new shares or sales of a significant number of existing shares could adversely affect the market price of the shares. In addition, any issuance of new shares could lead to substantial dilution.

The articles of association of the Company provide for an authorized capital in an amount of €86,559,075.00 and conditional capital in an aggregate amount of €86,559,075.00. In the future, AUTO1 Group may require additional capital to finance its business operations and continued growth. The Company may seek to raise such capital through the issuance of additional shares or debt securities with conversion rights (*e.g.*, convertible bonds or option bonds), which could reduce the market price of the Company's shares. If such offerings are made without granting subscription rights to the Company's existing shareholders, this could substantially dilute the economic and voting rights of such existing shareholders and reduce the value of their interests in the Company. Such dilution may also arise from the acquisition of, or investments in, companies in exchange for newly issued shares of the Company.

In addition, we have instituted a share-based compensation program for key employees, freelancers, consultants and other supporters of the Company. Upon completion of the Offering, these persons will hold compensation claims against the Company, and the Company may choose to settle such claims by issuing new shares from the Company's conditional capital. Furthermore, we have obtained funds through a convertible loan. Under certain circumstances, the claims of lenders under this convertible loan are contributed to the Company in exchange for new shares of the Company. While the Company currently intends to repay the convertible loan as soon as possible after completion of the Offering, a certain portion of the claims of lenders will have to be settled in shares. As a result, existing shareholders may experience significant dilution even after completion of the Offering.

Furthermore, any sale of a significant number of existing shares, in particular after all lock-up undertakings of the Company and the existing shareholders entered into in connection with the Offering expire or under any exemptions from these undertakings (*e.g.*, following a waiver or the enforcement of security granted in connection with margin loan financing), may have an adverse effect on the market price of the shares. As a result, the Company may not be able to obtain new capital by issuing new shares or other instruments.

1.5.2 There is no guarantee that following the Offering a liquid market for the Company's shares will develop.

The Company's shares have never been publicly traded and there is no guarantee that an active and liquid market for the Company's shares will develop and persist. Consequently, investors may not be able to sell their shares in the Company at or above the final offer price for the shares sold in this Offering in the foreseeable future, or at all. In addition, such lack of trading history will make it harder for investors to assess the future volatility of the Company's share price. The price of these shares may turn out to be volatile and investors may lose all or part of their investments.

1.5.3 There is no guarantee that the Company will ever be able to pay dividends.

The Company does not intend to pay dividends for the foreseeable future. The continued operation and expansion of our business will require substantial funding. Any determination to pay dividends in the future will be at the discretion of the Company's management board and will depend upon our results of operations, our financial condition, restrictions imposed by applicable laws and other factors management deems relevant. Consequently, the Company may not be able to pay dividends in the foreseeable future or at all.

Even if the Company were to become profitable in the future and its management were to decide that we have excess liquidity, there is no guarantee that this will allow the Company to pay dividends. Such dividends may only be distributed from the net retained profits (*Bilanzgewinn*) of the Company calculated based on the Company's unconsolidated financial statements prepared in accordance with the accounting principles of the German Commercial Code (*Handelsgesetzbuch* ("**HGB**")). Accounting principles set forth in the HGB differ from International Financial Reporting Standards, as adopted by the European Union ("**IFRS**") in material respects and the results set out in the Company's consolidated financial statements and its unaudited condensed consolidated interim financial statements may not be indicative of the Company's future dividend payments and even a profit under IFRS may not enable to Company to pay any dividends.

1.5.4 We may fail to comply with the additional requirements that will be applicable to us following the Offering.

Following the Offering, the Company will for the first time be subject to the legal requirements of a company listed on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), including requirements relating to corporate governance, listing standards and timely reporting as well as securities and investor relations issues. We will have to implement the necessary changes to our internal control systems and there is no guarantee that we will be able to comply with these additional requirements without difficulties and inefficiencies, and any violations could cause us to incur significant additional costs and/or expose us to regulatory or civil litigation or penalties.

2. GENERAL INFORMATION

2.1 Responsibility Statement

The following persons assume responsibility for the contents of this prospectus (the "**Prospectus**") pursuant to Section 8 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) in conjunction with Article 11 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC, as amended (the "**Prospectus Regulation**"), and declare that the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts, and that this Prospectus makes no omission likely to affect its import:

- AUTO1 Group SE (the "**Company**" and, together with its consolidated subsidiaries, "**AUTO1 Group**", "**we**", "**us**", "**our**" or "**ourselves**"), with its registered offices at Bergmannstrasse 72, 10961 Berlin, Federal Republic of Germany ("**Germany**"), legal entity identifier ("**LEI**") 391200S2LPXG5ZD5G304, and registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich, Germany, under docket number HRB 241031;

- BNP PARIBAS, 16 Boulevard des Italiens, 75009 Paris, France, LEI R0MUWSFPU8MPRO8K5P83 ("**BNP PARIBAS**");

- Citigroup Global Markets Europe AG, Reuterweg 16, 60323 Frankfurt am Main, Germany, LEI 6TJCK1B7E7UTXP528Y04 ("**Citigroup**");

- Goldman Sachs Bank Europe SE, Marienturm, Taunusanlage 9-10, 60329 Frankfurt am Main, Germany, LEI 8IBZUGJ7JPLH368JE346 ("**Goldman Sachs**");

- Deutsche Bank Aktiengesellschaft, Mainzer Landstraße 11-17, 60329 Frankfurt am Main, Germany, LEI 7LTWFZYICNSX8D621K86 ("**Deutsche Bank**" and, together with BNP PARIBAS, Citigroup and Goldman Sachs, the "**Joint Global Coordinators**");

- Barclays Bank Ireland PLC, One Molesworth Street, Dublin 2, D02 RF29, Ireland, LEI 2G5BKIC2CB69PRJH1W31 ("**Barclays**");

- HSBC Trinkaus & Burkhardt AG, Königsallee 21/23, 40212 Düsseldorf, Germany, LEI JUNT405OW8OY5GN4DX16 ("**HSBC**");

- Numis Securities Limited, 10 Paternoster Square, London EC4M 7 LT, United Kingdom, LEI 213800P3F4RT97WDSX47 ("**Numis Securities**");

- RBC Capital Markets (Europe) GmbH, Taunusanlage 17, 60325 Frankfurt am Main, Germany, LEI 549300SXSTGQY3EA1B18 ("**RBC Capital Markets**" and, together with the Joint Global Coordinators, Barclays, HSBC and Numis Securities, the "**Joint Bookrunners**");

- Crédit Agricole Corporate and Investment Bank, 12 Place des Etats-Unis, CS 70052, 92547 Montrouge Cedex, France, LEI 1VUV7VQFKUOQSJ21A208 ("**Crédit Agricole Corporate and Investment Bank**");

- COMMERZBANK Aktiengesellschaft, Kaiserstraße 16 (Kaiserplatz), 60311 Frankfurt am Main, Germany, LEI 851WYGNLUQLFZBSYGB56 ("**COMMERZBANK**");

- Mizuho Securities Europe GmbH, Taunustor 1, 60310 Frankfurt am Main, Germany, LEI 213800G8QEXN34A2YG53 ("**Mizuho Securities**"); and

- Wells Fargo Securities, LLC, 500 West 33rd Street, New York, NY 10001, United States of America, LEI VYVVCKR63DVZZN70PB21 ("**Wells Fargo Securities**" and, together with Crédit Agricole Corporate and Investment Bank, COMMERZBANK and Mizuho Securities, the "**Co-Lead Managers**" and, together with the Joint Bookrunners, the "**Underwriters**").

2.2 General Disclaimers

If any claims are asserted before a court of law based on the information contained in this Prospectus, the investor appearing as plaintiff may have to bear the costs of translating this Prospectus prior to the commencement of the court proceedings pursuant to the national legislation of the member states of the European Economic Area (the "**EEA**").

The information contained in this Prospectus will not be supplemented subsequent to the date hereof, except for any significant new factor, material mistake or material inaccuracy relating to the information included in this Prospectus which may affect the assessment of the Offer Shares and which arises or is noted between the time when this Prospectus is approved and the closing of the offer period or the time when trading of the Company's shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) commences, whichever occurs later, which will be disclosed in a supplement to this Prospectus pursuant to Article 23 of the Prospectus Regulation without undue delay. The obligation to supplement the Prospectus pursuant to Article 23 of the Prospectus Regulation will no longer apply following the expiration of the validity of this Prospectus at the end of the first day of trading in the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), currently expected to occur on February 4, 2021.

2.3 Competent Authority Approval

This Prospectus has been approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* ("**BaFin**")), Marie-Curie-Straße 24-28, 60439 Frankfurt am Main, Germany, www.bafin.de, as the competent authority under the Prospectus Regulation. BaFin has only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Company or the quality of the Company's shares and investors should make their own assessment as to the suitability of investing in the Company's shares.

2.4 Purpose of this Prospectus

This Prospectus relates to the offering of up to 53,906,250 bearer shares of the Company with no par value (*Stückaktien*), each such share representing a notional value of €1.00 (the "**Offering**"), comprising:

- 31,250,000 newly issued bearer shares with no par value (*Stückaktien*) from a capital increase against cash contributions (the "**IPO Capital Increase**") expected to be resolved by a shareholders' meeting of the Company on or about February 2, 2021 (the "**New Shares**");

- 15,625,000 existing bearer shares with no par value (*Stückaktien*) (the "**Existing Shares**") from the holdings of BM Digital GmbH, brightgiant UG (haftungsbeschränkt), DN Capital – Global Venture Capital III LP, HKVV GmbH, Markus Boser, OUR356 S.à r.l., OUR993 S.à r.l., OUR993 XIII S.à r.l., Piton Capital Investments Coöperatief B.A., Princeville Global Auto Investments Limited and Tanjung Buai Ventures Sdn. Bhd. (together, the "**Selling Shareholders**"); and

- up to 7,031,250 existing bearer shares with no par value (*Stückaktien*) from the holdings of DN Capital – Global Venture Capital III LP and Piton Capital Investments Coöperatief B.A. (together, the "**Lending Shareholders**") in connection with a possible over-allotment (the "**Over-Allotment Shares**" and, together with the New Shares and the Existing Shares, the "**Offer Shares**").

Certain Selling Shareholders have granted Goldman Sachs, acting for the account of the Underwriters, an option to acquire up to 7,031,250 shares of the Company at the Offer Price, less agreed commissions (the "**Greenshoe Option**"), for the sole purpose of enabling the Goldman Sachs to perform its redelivery obligation under the securities loan from the Lending Shareholders. The Greenshoe Option may only be exercised during the Stabilization Period and will terminate 30 calendar days after the commencement of trading of the Company's shares.

The Selling Shareholders are offering the Existing Shares and they are selling shares under the Greenshoe Option as set forth below:

Selling Shareholder	Number of Existing Shares offered	Maximum number of shares sold under Greenshoe Option
BM Digital GmbH	1,371,900	–
brightgiant UG (haftungsbeschränkt)	753,646	246,354
DN Capital – Global Venture Capital III LP	1,279,948	282,552
HKVV GmbH	1,807,000	–
Markus Boser	95,000	–
OUR356 S.à r.l	623,748	535,371
OUR993 S.à r.l.	3,883,305	3,333,089
OUR993 XIII S.à r.l.	1,296,376	1,112,696
Piton Capital Investments Coöperatief B.A.	2,852,027	647,973
Princeville Global Auto Investments Limited	990,315	9,685
Tanjung Buai Ventures Sdn. Bhd.	671,735	863,530
Total	**15,625,000**	**7,031,250**

Subject to certain termination rights and closing of the Offering, Offer Shares with an aggregate value of €300 million are expected to be allocated to Lone Spruce, L.P., Lone Cypress, Ltd., Lone Cascade, L.P., Lone Sierra, L.P., Lone Monterey Master Fund, Ltd. (together, "**Lone Pine**") and SCGE Fund, L.P. ("**Sequoia**" and, together with Lone Pine, the "**Cornerstone Investors**"), see "*3.7 Cornerstone Investment*".

DN Capital – Global Venture Capital III LP is offering up to 2,531,250 Over-Allotment Shares, while Piton Capital Investments Coöperatief B.A. is offering the remaining up to 4,500,000 Over-Allotment Shares.

For the purpose of admission to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), this Prospectus relates to up to 31,250,000 New Shares and 173,118,150 existing bearer shares with no par value (*Stückaktien*) of the Company, corresponding to the Company's entire share capital.

The Offering consists of an initial public offering in Germany and private placements in certain jurisdictions outside Germany. In the United States of America (the "**United States**"), the Offer Shares will only be offered and sold to qualified institutional buyers ("**QIBs**") as defined in, and in reliance on, Rule 144A ("**Rule 144A**") under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or pursuant to another available exemption from, or in transactions not subject to, the registration requirements of the Securities Act. Outside the United States, the Offer Shares will only be offered and sold in offshore transactions in compliance with Regulation S under the Securities Act ("**Regulation S**").

2.5 Forward-Looking Statements

This Prospectus contains forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts or events or to facts or events as of the date of this Prospectus. This applies, in particular, to statements in this Prospectus containing information on AUTO1 Group's future earnings capacity, plans and expectations regarding its business growth and profitability, and the general economic conditions to which AUTO1 Group is exposed. Statements made using words such as "predicts", "forecasts", "projects", "plans", "intends", "endeavors", "expects" or "targets" generally indicate forward-looking statements.

The forward-looking statements contained in this Prospectus are subject to opportunities, risks and uncertainties, as they relate to future events, and are based on estimates and assessments made to the best of the Company's present knowledge. These forward-looking statements are based on assumptions, uncertainties and other factors, the occurrence or non-occurrence of which could cause AUTO1 Group's actual results, including its financial condition and profitability, to differ materially from those expressed or implied in the forward-looking statements. These expressions can be found, in particular, in the Sections "*9.5 Key Factors Affecting Our Business*", "*9.9.2.2 Our Current and Future Capital Expenditures*", "*10. Profit Estimate*", "*11. Markets and Competition*", "*12. Business*", "*23. Recent Developments and Trend Information*" and wherever information is contained in this Prospectus regarding the Company's plans, intentions, beliefs, or current expectations relating to AUTO1 Group's future financial condition and results of operations, plans, liquidity, business prospects, growth, strategy and profitability, investments and capital expenditure requirements, future growth in demand as well as the economic and regulatory environment which AUTO1 Group is subject to.

In light of these uncertainties and assumptions, future events mentioned in this Prospectus may not occur. In addition, the forward-looking estimates and forecasts reproduced in this Prospectus from third-party sources could prove to be inaccurate (for further information on the third-party sources used in this Prospectus, see "*2.6 Sources of Market Data*"). Actual results, performance or events may turn out to be better or worse compared to the results, performance and events described in the forward-looking statements, in particular due to:

- adverse developments of the European economy, in particular due to the effects of COVID-19, a novel strain of the coronavirus;
- reduced demand for cars, in particular used cars;
- competition, in particular new platforms launched by competitors;
- changes in laws, regulations and governmental policies, in particular relating to online platforms;
- dependence on third parties, in particular fulfillment service providers;
- interruptions of AUTO1 Group's information technology systems;
- an inability to retain key employees of AUTO1 Group;
- increased regulatory controls;
- litigation and product liability claims; and
- reputational risks in connection with the public perception of AUTO1 Group.

Moreover, it should be noted that all forward-looking statements only speak as of the date of this Prospectus and that neither the Company nor the Underwriters assume any obligation, except as required by law, to update any forward-looking statement or to conform any such statement to actual events or developments.

2.6 Sources of Market Data

Unless otherwise specified, the information contained in this Prospectus on the market environment, market developments, growth rates, market trends and competition in the markets in which AUTO1 Group operates are based on the Company's assessments. These assessments, in turn, are based in part on internal market observations and on various market studies.

In October 2020, AUTO1 Group commissioned an independent market study from OC&C Strategy and Analytics GmbH, Germany ("**OC&C**"), on the European used car market titled "*The European Used Car Market – Evolving Trends*" (the "**OC&C Report**"). The OC&C Report is not an expert report within the meaning of Item 1.3 of Annex I of Commission Delegated Regulation (EU) 2019/980 of March 14, 2019. Neither the Company nor the Underwriters have verified any of the market data or other information included in the OC&C Report, nor have they asked OC&C to modify or otherwise adjust the OC&C Report. Upon request of OC&C, the Company did, however, deliver certain factual information to OC&C and the Company has discussed the underlying assumptions of the OC&C Report with OC&C.

The following sources were used in the preparation of this Prospectus:

- Autovista Group Limited, "*How will COVID-19 shape used car markets*?", report dated September 16, 2020, https://autovistagroup.com/news-and-insights/september-latest-whitepaper-update-how-will-covid-19-shape-used-car-markets ("**Autovista**");
- Deutsche Automobil Treuhand, DAT Report 2020, https://report.dat.de/ ("**DAT**");
- Euromonitor International Ltd, database on online penetration, www.euromonitor.com/solutions-page ("**Euromonitor**"). Research by Euromonitor should not be considered as the opinion of Euromonitor as to the value of any security or the advisability of investing in the Company and accordingly, such information should not be relied upon for making any investment decision in respect of the Company;
- European Commission, "European Economic Forecast – Autumn 2020", November 2020, https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/autumn-2020-economic-forecast_en ("**European Commission**");
- European Commission, "Study on the second hand cars market", October 1, 2014, https://ec.europa.eu/info/publications/study-second-hand-cars-market_en ("**Consumer Market Study**");
- Finaccord, "*Automotive Finance and Leasing for Consumers in Europe*", July 2019, www.finaccord.com/Home/Reports/Automotive-Finance-and-Leasing-for-Consumers-in-Eu ("**Finaccord**"); and
- the OC&C Report, DE: www.occstrategy.com/de/publikationen/erkenntnisse/id/6169/the-european-used-car-market-evolving-trends.

Information on the aforementioned websites and information accessible via these websites is neither part of, nor incorporated by reference into, this Prospectus, and such information has not been scrutinized or approved by BaFin.

It should be noted, in particular, that reference has been made in this Prospectus to information concerning markets and market trends. Such information was obtained from the aforementioned sources. The Company has accurately reproduced such information and, as far as the Company is aware and able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Prospective investors are, nevertheless, advised to consider these data with caution. For example, market studies are often based on information or assumptions that may not be accurate or appropriate, and their methodology is inherently predictive and speculative. The fact that information from the aforementioned third-party sources has been included in this Prospectus should not be considered as a recommendation by the relevant third parties to invest in, purchase, or take any other action with respect to, shares in the Company.

In addition, certain sources of market data included in this Prospectus were prepared before the initial spread and/or renewed outbreak of the COVID-19 pandemic and have not been updated for the potential effects of this pandemic. The Company is not able to determine whether the third parties who have prepared such sources will revise their estimates and projections due to the potential impact of COVID-19 on future market developments.

Irrespective of the assumption of responsibility for the content of this Prospectus by the Company and the Underwriters (see "*2.1 Responsibility Statement*"), neither the Company nor the Underwriters have independently verified the figures, market data or other information on which third parties have based their studies. Accordingly, the Company and the Underwriters make no representation or warranty as to the accuracy of any such information from third-party studies included in this Prospectus. In addition, prospective investors should note that the Company's own estimates and statements of opinion and belief are not always based on studies of third parties.

2.7 Documents Available for Inspection

For the period during which this Prospectus remains valid, the following documents will be available on the Company's website www.auto1-group.com under the "Investor Relations" section:

- the Company's articles of association (the "**Articles of Association**");
- the unaudited condensed consolidated interim financial statements of the Company as of and for the nine-month period ended September 30, 2020 prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("**IFRS**"), on interim financial reporting (IAS 34);
- the audited consolidated financial statements of the Company as of and for the fiscal years ended December 31, 2019 and 2018 prepared in accordance with IFRS and the additional requirements pursuant to Section 315e para. 1 of the German Commercial Code (*Handelsgesetzbuch* ("**HGB**"));
- the audited consolidated financial statements of AUTO1 Group GmbH (now AUTO1 Group AG), the former parent company of AUTO1 Group, as of and for the fiscal year ended December 31, 2017 prepared in accordance with generally accepted accounting principles of the HGB; and
- the audited unconsolidated financial statements of the Company as of and for the fiscal year ended December 31, 2019 prepared in accordance with generally accepted accounting principles of the HGB.

The Company's future consolidated financial statements, unconsolidated financial statements and condensed interim consolidated financial statements will be available from the Company on its website and the paying agent designated in this Prospectus (see "*3.4.3 Dividend Rights, Paying Agent and Liquidation Rights*"). The Company's consolidated and unconsolidated financial statements will also be published in the German Federal Gazette (*Bundesanzeiger*).

Information on the Company's website www.auto1-group.com and information accessible via this website is neither part of, nor incorporated by reference into, this Prospectus, and such information has not been scrutinized or approved by BaFin.

Furthermore the OC&C Report is available on OC&C's website at www.occstrategy.com/de/publikationen/erkenntnisse/id/6169/the-european-used-car-market-evolving-trends.

2.8 Currency Presentation

In this Prospectus, "**Euro**" and "**€**" refer to the single European currency adopted by certain participating member states of the European Union, including Germany.

2.9 Presentation of Financial Information

Where financial information in the tables included this Prospectus is labeled "audited", this means that it has been taken from the audited financial statements of the Company prepared in accordance with IFRS and the additional requirements pursuant to Section 315e para. 1 of the HGB mentioned in Section "*2.7 Documents Available for Inspection*". The label "unaudited" indicates financial information that has not been taken from the audited financial statements mentioned above, but was taken either from the unaudited condensed consolidated interim financial statements mentioned in Section "*2.7 Documents Available for Inspection*" or the accounting records or internal reporting system of AUTO1 Group, or is based on calculations of figures from the aforementioned sources.

Unless indicated otherwise, all financial information with respect to the fiscal year ended December 31, 2018 presented in the text, tables and discussion in this Prospectus is taken from the comparable financial information included in the audited consolidated financial statements of the Company as of and for the fiscal year ended December 31, 2019, while all financial information with respect to the fiscal year ended December 31, 2017 presented in the text, tables and discussion in this Prospectus is taken from the comparable financial information included in the audited consolidated financial statements of the Company as of and for the fiscal year ended December 31, 2018.

Unless indicated otherwise, all financial information presented in the text and tables included in this Prospectus is shown in millions of Euro (in € million). Certain financial information, including percentages, has been rounded according to established commercial standards. As a result, rounded figures in the tables included in this Prospectus may not add up to the aggregate amounts in such tables (sum totals or subtotals), which are calculated based on unrounded figures.

Financial information presented in parentheses denotes the negative of such number presented. A dash ("–") signifies that the relevant figure is not available or zero, while a zero ("0.0") signifies that the relevant figure has been rounded to zero.

2.10 Alternative Performance Measures

Throughout this Prospectus, we present financial information and operating data that is not prepared in accordance with IFRS, or any other internationally accepted accounting principles, including Adjusted EBITDA, the Adjusted EBITDA margin, operating expenses (*i.e.*, the sum of personnel expenses (excluding share-based payments) and other operating expenses (excluding expenses for the assessment of value added taxes and expenses for correction of trade payables and other non-operating expenses), less other operating income), the number of cars sold, average revenue per unit (*i.e.*, revenue divided by the number of cars sold ("**RPU**")) and gross profit per unit (*i.e.*, gross profit divided by the number of cars sold ("**GPU**")) (together, the "**Alternative Performance Measures**"). We present these Alternative Performance Measures because we use them to measure our operating performance and as a basis for our strategic planning, and because we believe that such Alternative Performance Measures will be used by investors and analysts to assess our performance.

Such Alternative Performance Measures should not be considered as alternatives or substitutes for profit for the period, EBIT or other data from the Company's consolidated statements of profit or loss and other comprehensive income, consolidated statements of financial position or consolidated statements of cash flows prepared in accordance with IFRS, or as measures of profitability or liquidity.

The Alternative Performance Measures do not necessarily indicate whether cash flows will be sufficient for AUTO1 Group's cash requirements and may not be indicative of its future results. Furthermore, the Alternative Performance Measures are not recognized under IFRS, should not be considered as substitutes for an analysis of AUTO1 Group's operating results prepared in accordance with IFRS, and may not be comparable to similarly titled information published by other companies.

For further information on the Alternative Performance Measures, see "*9.2 Key Financial and Operating Data*".

3. THE OFFERING

3.1 Subject Matter of the Offering

This Prospectus relates to the Offering of up to 53,906,250 bearer shares of the Company with no par value (*Stückaktien*), each such share representing a notional value of €1.00, comprising:

- 31,250,000 New Shares;
- 15,625,000 Existing Shares; and
- up to 7,031,250 Over-Allotment Shares.

Subject to certain termination rights and closing of the Offering, Offer Shares with an aggregate value of €300 million are expected to be allocated to the Cornerstone Investors, see "*3.7 Cornerstone Investment*".

The Offering consists of an initial public offering in Germany and private placements in certain jurisdictions outside Germany. In the United States, the Offer Shares will only be offered and sold to QIBs as defined in, and in reliance on, Rule 144A, or pursuant to another available exemption from, or in transactions not subject to, the registration requirements of the Securities Act. Outside the United States, the Offer Shares will be offered and sold only in offshore transactions in compliance with Regulation S.

BNP PARIBAS, Citigroup, Goldman Sachs and Deutsche Bank are acting as Joint Global Coordinators and, together with Barclays, HSBC, Numis Securities and RBC Capital Markets, also as Joint Bookrunners. Crédit Agricole Corporate and Investment Bank, COMMERZBANK, Mizuho Securities and Wells Fargo Securities are acting as Co-Lead Managers.

3.2 Price Range, Offer Period, Offer Price and Allotment

The Company targets gross proceeds of approximately €1.0 billion from the sale of the New Shares. The price range of €32.00 to €38.00 per Offer Share (the "**Price Range**") has been set to ensure that at the low end of the Price Range, the Company would still achieve its target proceeds. If the Offer Shares are placed at a higher offer price for the Offering (the "**Offer Price**"), the number of New Shares will be reduced accordingly. Consequently, the Company would issue 31,250,000 New Shares at the low end, 28,571,429 New Shares at the mid-point and 26,315,789 New Shares at the high end of the Price Range.

The period during which investors may submit purchase orders for the Offer Shares is expected to commence on January 26, 2021, and to expire on February 2, 2021 (the "**Offer Period**"), provided that the Offer Period will not commence prior to publication of this Prospectus. On the last day of the Offer Period, offers to purchase Offer Shares may be submitted (i) until 12:00 p.m. (noon) Central European Time by private investors and (ii) until 2:00 p.m. Central European Time by institutional investors. Multiple purchase orders are permitted.

Subject to the publication of a supplement to this Prospectus, if required, the Company, the Selling Shareholders and the Underwriters reserve the right to reduce the total number of Offer Shares, to increase or decrease the upper limit and/or the lower limit of the Price Range and/or to extend or shorten the Offer Period.

Reductions in the number of Offer Shares, changes to the Price Range or an extension or shortening of the Offer Period will not invalidate any offers to purchase Offer Shares that have already been submitted. If such changes require the publication of a supplement to this Prospectus, investors who submitted purchase orders prior to the publication of the supplement have the right to withdraw these offers to purchase within two working days following the publication of such supplement pursuant to Article 23 para. 1 of the Prospectus Regulation in conjunction with Article 21 para. 2 of the Prospectus Regulation, provided that the significant new factor, material mistake or material inaccuracy requiring the publication of a supplement to this Prospectus arose or was noted before the closing of the Offer Period or the delivery of the Offer Shares. Instead of withdrawing their offers to purchase placed prior to the publication of the supplement, investors may change their orders or place new limited or unlimited offers to purchase within two working days following the publication of the supplement.

Any changes to the terms of the Offering will be published by means of electronic media such as Reuters or Bloomberg, and, if required, by Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse, as amended ("**MAR**"), the German Securities Prospectus Act (*Wertpapierprospektgesetz*), or the German Securities Trading Act (*Wertpapierhandelsgesetz* ("**WpHG**")), as an ad-hoc release via an electronic information dissemination system, on the Company's website www.auto1-group.com under the "Investor Relations" section and as a supplement to this Prospectus. Investors who have submitted purchase orders will not be notified individually. Under certain conditions, the Joint Global Coordinators, acting on behalf of the Underwriters, may terminate the underwriting agreement, entered into between the Company, the Selling Shareholders, the Lending Shareholders and the Underwriters on January 25, 2021 (the "**Underwriting Agreement**"), even after commencement of trading (*Aufnahme des Handels*) of the Company's shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (see "*19.4 Termination and Indemnification*"). Investors who engage in short-selling bear the risk of being unable to satisfy their delivery obligations.

The Offer Price will be determined at the end of the bookbuilding process by the Company and the Selling Shareholders after consultation with the Joint Global Coordinators. The Offer Price will be set on the basis of the purchase orders submitted by investors during the Offer Period that have been collated in the order book prepared during a bookbuilding process. These orders will be evaluated according to the prices offered and the expected investment horizons of the respective investors. This method of setting the Offer Price is, in principle, aimed at achieving the highest possible Offer Price. Consideration will also be given to whether the Offer Price and the number of Offer Shares to be placed allow for the reasonable expectation that the share price will demonstrate a steady performance in the secondary market given the demand for the Company's shares as reflected in the order book. Attention will be paid not only to the prices offered by investors and the number of investors interested in purchasing shares at a particular price, but also to the composition of the Company's shareholder structure that would result at a given price, and expected investor behavior. The Company, the Selling Shareholders and the Lending Shareholders will not specifically charge any expenses and taxes related to the Offering to investors.

The Offer Price and the final number of Offer Shares placed in the Offering (*i.e.*, the results of the Offering) are expected to be set on February 2, 2021. After the Offer Price has been set, the Offer Shares will be allotted to investors on the basis of the purchase orders then available. The Offer Price and the final number of Offer Shares (*i.e.*, the results of the Offering) are expected to be published on or about February 2, 2021, by means of an ad-hoc release on an electronic information dissemination system and on the Company's website www.auto1-group.com under the "Investor Relations" section. Investors who have placed orders to purchase Offer Shares with an Underwriter can obtain information from such Underwriter about the Offer Price and the number of Offer Shares allotted to them on the business day following the setting of the Offer Price. Book-entry delivery of the allotted Offer Shares against payment of the Offer Price is expected to take place two business days after commencement of trading. Should the placement volume prove insufficient to satisfy all orders placed at the Offer Price, the Underwriters reserve the right to reject orders, or to only accept them in part.

Investors will not be charged expenses by the Company, the Selling Shareholders, the Lending Shareholders or the Underwriters in connection with the Offering. Investors will have to bear customary transaction and handling fees charged by their brokers through which they hold their securities.

3.3 Expected Timetable for the Offering

The following is the expected timetable of the Offering, which may be extended or shortened:

January 25, 2021	Approval of the Prospectus by BaFin
	Publication of the approved Prospectus on the Company's website www.auto1-group.com under the "Investor Relations" section
	Application for admission of the Company's shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and simultaneous admission to the sub-segment of the regulated market with additional post admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)
January 26, 2021	Commencement of the Offer Period
February 2, 2021	Expiration of the Offer Period
	Determination of the Offer Price and final number of Offer Shares to be allocated
	Resolution on the IPO Capital Increase for the issuance of the New Shares
	Publication of the Offer Price in the form of an ad-hoc release on an electronic information dissemination system and on the Company's website www.auto1-group.com under the "Investor Relations" section
February 3, 2021	Registration of the consummation of the IPO Capital Increase in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich, Germany, and creation of the New Shares
	Admission of the Company's shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)
February 4, 2021	Commencement of trading in the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)
February 5, 2021	Book-entry delivery of the Offer Shares against payment of the Offer Price (settlement and closing)

This Prospectus will be published on the Company's website www.auto1-group.com under the "Investor Relations" section. Printed copies of this Prospectus are available from the Company free of charge during normal business hours at the following address: AUTO1 Group SE, Bergmannstrasse 72, 10961 Berlin, Germany (telephone: +49 (0) 30 2016 3836 0).

3.4 Information on the Shares

3.4.1 Share Capital of the Company and Governing Law

As of the date of this Prospectus, the share capital of the Company amounts to €173,118,150.00 and is divided into 173,118,150 bearer shares with no par value (*Stückaktien*), each such share representing a notional value of €1.00.

The shares of the Company were created pursuant to the laws applicable to a European company (*Societas Europaea* (*SE*)), in particular Council Regulation (EC) No. 2157/2001 of October 8, 2001 on the statute for a European company (SE), as amended (the "**SE Regulation**"), in conjunction with the German Stock Corporation Act (*Aktiengesetz* ("**AktG**")).

As part of the IPO Capital Increase, which is expected to be resolved by a shareholders' meeting of the Company on or about February 2, 2021, up to 31,250,000 New Shares will be issued from a capital increase against cash contributions. Upon registration of the IPO Capital Increase, the Company's share capital will be increased from €173,118,150.00 by up to €31,250,000.00 to up to €204,368,150.00. The consummation of the IPO Capital Increase is expected to be registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich, Germany, on or about February 3, 2021.

3.4.2 Voting Rights

Each share in the Company carries one vote at the Company's shareholders' meeting. All of the Company's shares confer the same voting rights. There are no restrictions on voting rights.

3.4.3 Dividend Rights, Paying Agent and Liquidation Rights

Each share in the Company carries full dividend rights.

The paying agent of the Company is Deutsche Bank.

In the event of the Company's liquidation, any proceeds will be distributed to the holders of the Company's shares in proportion to their interest in the Company's share capital.

3.4.4 Form and Certification of the Shares

All of the Company's shares are bearer shares with no par value (*Stückaktien*). The Company's shares are represented by a global share certificate, deposited with Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany ("**Clearstream**"). The global share certificate for the New Shares is expected to be deposited with Clearstream on or about February 3, 2021.

Pursuant to Section 5 para. 2 sentence 1 of the Articles of Association, the Company's management board (*Vorstand* (the "**Management Board**")) determines the form of the share certificates. Section 5 para. 2 sentence 3 of the Articles of Association excludes the shareholders' right to receive individual share certificates.

All shares of the Company provide holders thereof with the same rights and no shares provide any additional rights or advantages.

3.4.5 Currency of the Securities Issue

The Company's shares are denominated in Euros.

3.4.6 Delivery and Settlement

Delivery of the Offer Shares against payment of the Offer Price is expected to take place on February 5, 2021. The Offer Shares will be made available to investors as co-ownership interests in the global share certificates.

The Offer Shares purchased in the Offering will be credited to a securities deposit account maintained by a German bank with Clearstream.

3.4.7 ISIN/WKN/Ticker Symbol

International Securities Identification Number (ISIN) DE000A2LQ884

German Securities Code (*Wertpapierkennnummer* (*WKN*)) A2LQ88

Ticker Symbol AG1

3.4.8 Identification of Target Market

Solely for the purpose of fulfilling the product governance requirements set forth in (i) Directive 2014/65/EU of the European Parliament and of the Council of May 15, 2014 on markets in financial instruments, as amended ("**MiFID II**"), (ii) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 of April 7, 2016 supplementing MiFID II and (iii) local implementing measures (together, the "**MiFID II Requirements**"), and disclaiming any and all liability, whether arising in tort, contract or otherwise, which a "manufacturer" (for the purposes of the MiFID II Requirements) may otherwise have with respect thereto, the Offer Shares have been subject to a product approval process. As a result of such process, it has been determined that the Offer Shares are (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II, and (ii) eligible for distribution through all distribution channels permitted by MiFID II (the "**Target Market Assessment**").

Notwithstanding the Target Market Assessment, the price of the Offer Shares may decline and investors could lose all or part of their investment. The Offer Shares offer no guaranteed income and no capital protection, and an investment in the Offer Shares is only suitable for investors who:

- do not need a guaranteed income or capital protection;
- either alone or together with an appropriate financial or other adviser, are capable of evaluating the merits and risks of such an investment; and
- who have sufficient resources to be able to bear any losses that may result from such an investment.

The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions with respect to the Offering and does not constitute (i) an assessment of suitability or appropriateness for the purposes of MiFID II or (ii) a recommendation to any investor or group of investors to invest in, purchase, or take any other action with respect to, the Offer Shares.

3.5 Transferability of Shares and Limitations on Disposal

The Company's shares are freely transferable in accordance with the legal requirements for bearer shares. Except for the restrictions set forth in Section "*3.9 Lock-up Agreements and Undertakings*", there are no prohibitions on disposals or restrictions with respect to the transferability of the Company's shares.

3.6 Allotment Criteria

The allotment of Offer Shares to retail investors and institutional investors will be determined by the Company and the Selling Shareholders after consultation with the Joint Global Coordinators. The decision ultimately rests with the Company. Allotments will be made on the basis of the quality of individual investors (*e.g.*, the expected investment horizon and trading behavior) as well as individual orders and other important allotment criteria to be determined by the Company after consultation with the Joint Global Coordinators. The Company, the Selling Shareholders and the Underwriters will adhere to the Principles for the Allotment of Share Issues to Private Investors (*Grundsätze für die Zuteilung von Aktienemissionen anPrivatanleger*) issued by the German Commission of Stock Exchange Experts (*Börsensachverständigenkommission*) of the German Federal Ministry of Finance (*Bundesministerium der Finanzen*) on June 7, 2000. "Qualified Investors" (*qualifizierte Anleger*) under the German Securities Prospectus Act (*Wertpapierprospektgesetz*) in connection with the Prospectus Regulation, as well as "professional clients" (*professionelle Kunden*) and "suitable counterparties" (*geeignete Gegenparteien*) as defined in the WpHG are not viewed as "private investors" within the meaning of the allotment rules,

Notwithstanding the above, Offer Shares with an aggregate value of €300 million will be allocated to the Cornerstone Investors at the Offer Price pursuant to investment agreements entered into with these Cornerstone Investors. For a description of the guaranteed allocation to the Cornerstone Investors, see "*3.7 Cornerstone Investment*". The Cornerstone Investors may, at their sole discretion, submit additional orders to purchase Offer Shares. Consequently, the Cornerstone Investors may be allocated additional Offer Shares on a non-guaranteed basis.

Existing shareholders of the Company, including the Selling Shareholders and the Lending Shareholders, may purchase Offer Shares in the Offering, and such Offer Shares would not be subject to any lock-up restrictions.

3.7 Cornerstone Investment

On January 23, 2021, Company and the Cornerstone Investors entered into individual investment agreements (the "**Cornerstone Investor Agreements**"), pursuant to which each Cornerstone Investor has committed to purchase shares of the Company with an aggregate value of €150 million in the Offering (*i.e.*, €300 million in aggregate for the entire cornerstone investment). Assuming an Offer Price at the mid-point of the Price Range, the Cornerstone Investors would acquire 8,571,429 Offer Shares, corresponding to approximately 16.9% of the Offer Shares (assuming placement of the maximum number of Existing Shares at the mid-point of the Price Range and full exercise of the Greenshoe Option).

The placement of Offer Shares with the Cornerstone Investors will be made under and as part of the Offering at the Offer Price per Offer Share. In the Cornerstone Investor Agreements, the Company has guaranteed the Cornerstone Investors full allocation of such number of Offer Shares for which they have provided their respective purchase commitments. The obligation of the Cornerstone Investors to purchase and acquire the Offer Shares and the Company's obligation to facilitate delivery of such number of Offer Shares (acting through a settlement agent), are subject to the condition precedent that (i) the admission to trading of the shares of the Company to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and (ii) the closing of the Offering occur. The settlement of the investment of the Cornerstone Investors will occur as part of the completion of the Offering.

Prior to the settlement of the Offering, the Cornerstone Investor Agreements may be terminated under certain circumstances (*e.g.*, by the Cornerstone Investors, within twelve hours (disregarding any time during days which are not business days in Frankfurt am Main, Germany and San Francisco, California, United States) after a release has been published by the Company that includes information that requires the subsequent publication of a supplement to this Prospectus, if such information would reasonably be expected to constitute a material adverse development in the condition, financial or otherwise, shareholders' equity, results of operation, business or prospects of AUTO1 Group, taken as a whole, that makes it inadvisable for the Cornerstone Investors to continue their investment decision).

3.8 Stabilization Measures, Over-Allotments and Greenshoe Option

In connection with the placement of the Offer Shares, Goldman Sachs, acting for the account of the Underwriters, will act as stabilization manager and may, as stabilization manager, make over-allotments and take stabilization measures in accordance with Article 5 paras. 4 and 5 of the MAR in conjunction with Articles 5 through 8 of Commission Delegated Regulation (EU) 2016/1052 of March 8, 2016 supplementing the MAR.

Stabilizations measures may be taken on any trading venue where the Company's shares are traded. Such measures aim at supporting the market price of the Company's shares during the Stabilization Period, thereby alleviating selling pressure generated by short-term investors and maintaining an orderly market in the Company's shares. These measures may result in the market price of the Company's shares being higher than would otherwise have been the case. Moreover, the market price may temporarily be at an unsustainable level.

Goldman Sachs is under no obligation to take any stabilization measures. Therefore, no assurance can be provided that any stabilization measures will be taken. Where stabilization measures are taken, these may be terminated at any time without notice. Such measures may start from the date the Company's shares commence trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and must end no later than 30 calendar days thereafter (the "**Stabilization Period**").

As a result of these stabilization measures, investors may, in addition to the New Shares and Existing Shares be allocated up to 7,031,250 Over-Allotment Shares as part of the allocation of the Offer Shares ("**Over-Allotment**"). For the purpose of such potential Over-Allotment, Goldman Sachs will be provided with up to 7,031,250 Over-Allotment Shares from the holdings of the Lending Shareholders in the form of a securities loan. The total number of Over-Allotment Shares will not exceed 15% of the final number of New Shares and Existing Shares placed in the Offering.

Certain Selling Shareholders have granted Goldman Sachs, acting for the account of the Underwriters, the Greenshoe Option for the sole purpose of enabling the Goldman Sachs to perform its redelivery obligation under the securities loan from the Lending Shareholders. The Greenshoe Option may only be exercised during the Stabilization Period and will terminate 30 calendar days after the commencement of trading of the Company's shares.

Goldman Sachs, acting for the account of the Underwriters, may exercise the Greenshoe Option to the extent Over-Allotment Shares were allocated to investors in the Offering. The number of shares acquired under the Greenshoe Option is to be reduced by any shares of the Company held by Goldman Sachs when the Greenshoe Option is exercised, if such shares were acquired by Goldman Sachs in the context of stabilization measures.

Public announcements regarding stabilization measures will be made (i) prior to the start of the Offering, (ii) by the end of the seventh daily market session following the date any stabilization measures were taken, and (iii) within one week after the end of the Stabilization Period.

Within one week after the end of the Stabilization Period, Goldman Sachs will ensure adequate public disclosure as to whether stabilization measures were taken, the date on which stabilization measures started and last occurred, and the price range within which stabilization measures were carried out, for each of the dates during which stabilization measures were carried out and the trading venue(s) on which the stabilization measures were carried out, where applicable.

Exercise of the Greenshoe Option will be disclosed to the public promptly, together with all appropriate details, including the date of exercise of the Greenshoe Option and the number and nature of Over-Allotment Shares involved, in accordance with Article 8 lit. (f) of Commission Delegated Regulation (EU) 2016/1052 of March 8, 2016 supplementing the MAR.

3.9 Lock-up Agreements and Undertakings

3.9.1 Lock-up of the Company

In the Underwriting Agreement, the Company agreed with the Underwriters that, for the period commencing on January 25, 2021 and ending 180 calendar days after the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (currently expected to take place on February 4, 2021), the Company will not, and for a further period of three months thereafter it will not without the prior written consent of the Joint Global Coordinators:

- announce or effect any increase of the share capital of the Company from authorized capital; or
- propose a capital increase to its shareholders' meeting; or
- announce, effect or propose the issuance of securities with conversion or option rights on shares of the Company or any economically similar transactions.

The Company may, however, (i) issue or sell any shares or other securities, including actual or virtual options, under management participation plans to former and future employees, supporters, former, current and future members of executive bodies, service providers and business partners of the Company or its subsidiaries or their respective investment vehicles, and (ii) pursue any corporate actions undertaken by the Company for the purpose of entering into any agreement regarding, or resolution upon, the entering into any joint venture or the acquisition of any companies, provided that in the case of (ii), the parties to the joint venture or acquiring entity to which such shares are issued, agree towards the Joint Bookrunners to be bound by the same lock-up undertaking as the Company. The lock-up of the Company does not apply to any capital increase in connection with the Offering.

3.9.2 Lock-up of the Existing Shareholders

For the period commencing on January 25, 2021 and ending 180 calendar days after the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (currently expected to take place on February 4, 2021), the existing shareholders of the Company, including for 54,325,600 shares directly or indirectly held by Mr. Christian Bertermann and Mr. Hakan Koç in their role as founders of the Company, have undertaken that they will not, without the prior written consent of the Joint Global Coordinators:

- sell, market, transfer or otherwise dispose of shares or other securities of the Company; or
- grant, issue or sell any option or conversion rights on the shares of the Company; or
- vote in favor of a proposed increase of the share capital of the Company or issuance of financial instruments that carry conversion or option rights to shares in the Company; or
- enter into other transactions or perform any actions with a similar economic effect to those described above.

The foregoing does not apply to (i) transfers to affiliates of such shareholders, (ii) transfers to any other shareholder immediately prior to the Offering, (iii) future pledges, charges or any other security interest granted to one or more of the Joint Global Coordinators or their affiliates having been agreed by one or more of the Joint Global Coordinators or their affiliates, (iv) any transfers of shares pursuant to enforcement of any security interest entered into in accordance with (iii), and (v) any transfers of shares received by the Joint Global Coordinators or their affiliates in accordance with (iv) and this (v), provided in each case that such transferee(s) agree(s) towards the Underwriters to be bound by the same lock-up undertaking. In addition, the foregoing does not apply with respect to (i) transfers between shareholders of the Company and (ii) transfers by shareholders to their direct or indirect shareholders or interest holders, provided in each case that such transferee(s) agree(s) towards the Underwriters to be bound by the same lock-up undertaking. In addition, certain shareholders may transfer up to 1,417,450 shares in aggregate to Sphera Master Fund, L.P. No. 234 and this potential transferee would not be required to enter into any lock-up undertaking.

In the view of the Joint Global Coordinators, current market practice in relation to any waiver under such lock-up agreements and undertakings is that, upon request from the parties to such agreements and undertakings who are considering a sale within the relevant period, the Joint Global Coordinators will consider the appropriateness of a sell-down process, taking into account the passage of time, the share price performance, expected market demand and other relevant factors. Any such waiver would be in the sole discretion of the Joint Global Coordinators.

The lenders under our Convertible Loan have entered into substantially the same lock-up undertakings with regard to the new shares to be issued in connection with the conversion of the Convertible Loan (see "*12.13.2 Our Convertible Loan*").

3.9.3 Lock-up of the Members of the Management Board

For the period commencing on January 25, 2021 and ending twelve months after the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (currently expected to take place on February 4, 2021), the members of the Management Board have agreed that they will not, without the prior written consent of the Joint Global Coordinators:

- sell, market, transfer or otherwise dispose of shares or other securities of the Company; or
- vote in favor of a proposed increase of the share capital of the Company or issuance of financial instruments that carry conversion or option rights to shares in the Company; or
- enter into other transactions or perform any actions with a similar economic effect to those described above.

The foregoing does not apply to (i) transfers to affiliates and certain other related persons of such shareholders, (ii) transfers to any other shareholder immediately prior to the Offering, (iii) pledges, charges or any other security interest granted to one or more of the Joint Global Coordinators or their affiliates, (iv) any transfers of shares pursuant to enforcement of any pledge entered into in accordance with (iii), and (v) any transfers of shares received by the Joint Global Coordinators or their affiliates in accordance with (iv) and this (v), provided in each case that such transferee(s) agree(s) towards the Underwriters to be bound by the same lock-up undertaking. The foregoing further does not apply to members of the Management Board who within the lock-up period will incur tax liabilities in connection with their claims under incentive programs or due to the Offering itself, but only insofar as the sale of the shares is necessary to pay such tax liabilities. The foregoing shall further not apply to the tender, sale and transfer of shares of the Company in a takeover bid for the shares of the Company pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz* ("**WpÜG**")).

3.10 Admission to Trading

The Company, together with the Underwriters, will apply for the admission of its shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) on January 25, 2021. The listing approval (admission decision) for the Company's shares is expected to be granted on February 3, 2021. Trading in the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) is expected to commence on February 4, 2021.

The underwriters for an issuance often make purchase offers at the time of first trading in order to support the development of the initial share price. Such purchase offers, when made by the Underwriters or their respective affiliates, may lead to the development of a higher initial share price than would have been the case in the absence of such measures.

3.11 Designated Sponsor

Goldman Sachs has been mandated as designated sponsor of the Company's shares traded on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). Pursuant to the designated sponsor agreement expected to be entered into between Goldman Sachs and the Company, Goldman Sachs will, among other things, place limited buy and sell orders for the Company's shares in the electronic trading system of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) during regular trading hours. This is intended to achieve greater liquidity in the market for the Company's shares.

3.12 Interests of Parties Participating in the Offering

The Company will receive the proceeds from the sale of the New Shares (after deduction of fees and commissions). Accordingly, the Company has an interest in the success of the Offering on the best possible terms.

The Selling Shareholders will receive the proceeds from the sale of the Existing Shares and the shares sold under the Greenshoe Option (after deduction of fees and commissions). Accordingly, the Selling Shareholders have an interest in the success of the Offering on the best possible terms.

Under our virtual share incentive programs (see "*17.5.1 Existing Incentive Programs*"), we have issued virtual shares to certain key employees, freelancers, consultants and other supporters of AUTO1 Group. These virtual shares will result in compensation claims in case of an exit event. The listing of the Company's shares will constitute such an exit event. In addition, the amounts that beneficiaries under our long-term incentive program can claim will depend on the results of the Offering. Accordingly, these beneficiaries have an interest in the listing and the success of the Offering on the best possible terms.

In addition, our co-founders and board members Christian Bertermann and Hakan Koç may have claims to receive additional shares in the Company under a long-term incentive program following completion of the Offering (see "*17.5.1.3 Long-Term Incentive Program 2017*"). Accordingly, they have an interest in the listing and the completion of the Offering.

An entity owned and controlled by Christian Bertermann, our Chief Executive Officer and a member of the Management Board, is among the lenders under a convertible loan. Following completion of the Offering, this entity will receive new shares of the Company and become a lender under an amended convertible loan (see "*12.13.2 Our Convertible Loan*"). The number of shares to be issued and the loan amount outstanding will depend on the results of the Offering. Accordingly, Christian Bertermann has an interest in the listing and the success of the Offering on the best possible terms.

In connection with the Offering and the admission to trading of the Company's shares, the Underwriters have formed a contractual relationship with the Company, the Selling Shareholders and the Lending Shareholders. The Underwriters are acting for the Company, the Selling Shareholders and the Lending Shareholders on the Offering and on coordinating the structuring and execution of the Offering. Upon successful completion of the Offering, the Underwriters will receive a commission and the size of this commission depends on the results of the Offering. As a result, the Underwriters have a financial interest in the success of the Offering on the best possible terms.

Furthermore, the Underwriters and any of their respective affiliates, acting as investors for their own accounts, may acquire shares in the Offering, and in such capacity may retain, purchase or sell for their own account such shares or related investments and may offer or sell such shares or other investments outside the Offering. In addition, the Underwriters or any of their respective affiliates may enter into financing arrangements, including swaps or contracts for differences, pursuant to which the Underwriters or their respective affiliates may, from time to time, acquire, hold or dispose of shares in the Company.

The Underwriters or their respective affiliates have, and may from time to time in the future continue to have, business relations with AUTO1 Group and the existing shareholders of the Company, including lending activities, or may perform services for AUTO1 Group or the existing shareholders of the Company in the ordinary course of business. In particular, the Underwriters have agreed to act as original noteholders for the issuance of certain senior and mezzanine notes to finance our inventory (see "*12.13.1 Our Non-Recourse Financing*"). As long as the Underwriters directly hold such notes, they will receive the interest we have to pay thereon.

Some of the parties who have entered into lock-up agreements and undertakings *vis-à-vis* the Underwriters (see "*3.8 Lock-Up Agreements and Undertakings*") may obtain margin loans or other financing facilities during the relevant lock-up period or anytime thereafter, including from lenders affiliated with one or more of the Underwriters. In such case, such Underwriters or their respective affiliates would receive shares of the Company as security for such financing and, in case of enforcement of such security interest, may transfer, sell and/or appropriate the relevant shares of the Company.

None of the aforementioned interests in the Offering constitute a conflict of interests or a potential conflict of interests. Consequently, there are no conflicts of interest with respect to the Offering.

4. PROCEEDS AND COSTS OF THE OFFERING AND LISTING

The Company will only receive the proceeds from the sale of the New Shares. The Company will not receive any proceeds from the sale of the Existing Shares and the Over-Allotment Shares from the holdings of the Lending Shareholders.

The Company targets gross proceeds of approximately €1.0 billion, which is the amount of gross proceeds the Company would receive if all 31,250,000 New Shares were placed at the low end of the Price Range. If the final Offer Price exceeds the low end of the Price Range, the Company will reduce the number of New Shares with a view to keeping the gross proceeds attributable to the Company at approximately €1.0 billion. Accordingly, the number of New Shares would amount to 31,250,000 New Shares at the low end, 28,571,429 New Shares at the mid-point and 26,315,789 New Shares at the high end of the Price Range.

Assuming placement of the maximum number of Existing Shares, full exercise of the Greenshoe Option and payment of the discretionary fee in full, the Company estimates that at the low end, mid-point and high end of the Price Range, net proceeds attributable to the Company would amount to €969.2 million, €969.3 million and €969.4 million, respectively.

Assuming placement of the maximum number of Existing Shares, full exercise of the Greenshoe Option and payment of the discretionary fee in full, the Company estimates that at the low end, mid-point and high end of the Price Range, gross proceeds attributable to the Selling Shareholders would amount to approximately €725.0 million, €778.9 million and €832.8 million, respectively, and net proceeds attributable to the Selling Shareholders would amount to approximately €703.7 million, €756.1 million and €808.5 million, respectively.

Assuming an Offer Price at the mid-point of the Price Range, placement of the maximum number of Existing Shares, full exercise of the Greenshoe Option and payment of the discretionary fee in full, the costs of the Company and the Selling Shareholders related to the Offering of the Offer Shares and the listing of the Company's entire share capital, including underwriting and placement commissions payable to the Underwriters, are expected to total approximately €53.5 million; thereof, the Selling Shareholders will bear approximately €22.8 million and the Company will bear the remaining approximately €30.7 million.

Assuming an Offer Price at the mid-point of the Price Range, placement of the maximum number of Existing Shares, full exercise of the Greenshoe Option and payment of the discretionary fee of up to €19.6 million at the mid-point of the Price Range in full, the commission payable to the Underwriters would amount to €46.3 million.

5. REASONS FOR THE OFFERING AND LISTING AND USE OF PROCEEDS

The Company intends to pursue the Offering and to list its shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) to receive the net proceeds from the sale of the New Shares and to gain access to the capital markets. The Company believes that this access will benefit its future growth and expand its financing options.

The Selling Shareholders intend to pursue the Offering to receive the net proceeds from the sale of the Existing Shares and to diversify their investments.

Assuming completion of the Offering at the mid-point of the Price Range and payment of the discretionary fee in full, the Company would receive net proceeds of approximately €969.3 million from the Offering. Assuming an Offer Price at the mid-point of the Price Range, we intend to use these net proceeds in the following order of priority: (i) approximately €200 million to market our “Autohero” brand, (ii) approximately €110 million for capital expenditures in our “Autohero” operations, in particular the acquisition of additional branded transporters and the expansion of our refurbishment capabilities, over the next three years, (iii) approximately €100 million to fund operational investments outside of marketing in our “Autohero” offering as well as changes in inventory growth that are not funded by our Non-Recourse Financing (see “*12.13.1 Our Non-Recourse Financing*”), (iv) approximately €214 million to repay outstanding amounts under our Convertible Loan (see “*12.13.2 Our Convertible Loan*”), (v) approximately €335 million to create a cash reserve for unforeseen financing needs, in particular due to the ongoing COVID-19 pandemic or faster than expected growth, and (vi) approximately €10.3 million for general corporate purposes. Assuming additional funds are required to repay our convertible loan, we intend to use a reduced share of the net proceeds to strengthen our balance sheet and *vice versa*.

6. DIVIDEND POLICY; RESULTS AND DIVIDENDS PER SHARE

6.1 General Provisions Relating to Profit Allocation and Dividend Payments

The shareholders' share of the Company's profits is determined based on their respective interests in the Company's share capital. For a European company (*Societas Europaea* (*SE*)) with a two-tier management and control system under European and German law such as the Company, the distribution of dividends for any given fiscal year and the amount and payment date thereof, are resolved by the Company's shareholders' meeting (*Hauptversammlung*) of the subsequent fiscal year, based upon either a joint proposal by the Management Board and the Supervisory Board or upon the Management Board's or the Supervisory Board's proposal. The shareholders' meeting must be held within the first six months of each fiscal year.

Dividends may only be distributed from the net retained profits (*Bilanzgewinn*) of the Company. The net retained profits are calculated based on the Company's unconsolidated financial statements prepared in accordance with generally accepted accounting principles of the HGB. Accounting principles set forth in the HGB differ from IFRS in material respects.

When determining the net retained profits, the net income or loss for the fiscal year (*Jahresüberschuss/-fehlbetrag*) must be adjusted for retained profit/loss carryforwards (*Gewinn-/Verlustvorträge*) from the previous fiscal year and withdrawals from, or appropriations, to reserves (retained earnings). Certain reserves must be set aside by law and deducted when calculating the net retained profits available for distribution.

The Management Board must prepare unconsolidated financial statements (balance sheet, income statement and notes to the unconsolidated financial statements) and a management report for the previous fiscal year by the statutory deadline and present these to the Supervisory Board and the auditors immediately after preparation. At the same time, the Management Board must present a proposal for the allocation of the Company's net retained profits to the Supervisory Board pursuant to Article 61 of the SE Regulation in conjunction with Section 170 para. 2 AktG. According to Article 61 of the SE Regulation in conjunction with Section 171 AktG, the Supervisory Board must review the unconsolidated financial statements, the Management Board's management report and the proposal for the allocation of the net retained profits and report to the shareholders' meeting in writing on the results of such review.

The shareholders' meeting's resolution on the allocation of the net retained profits requires a simple majority of votes cast to be passed. Pursuant to Section 20 para. 3 of the Articles of Association, the shareholders' meeting may also resolve that the dividends be distributed partially or entirely in kind (*e.g.*, as a distribution of treasury shares if such shares are held by the Company at that time). Notifications of any distribution of dividends resolved upon are published in the German Federal Gazette (*Bundesanzeiger*) without undue delay after the shareholders' meeting.

Dividends resolved by the shareholders' meeting are due and payable in compliance with the rules of the respective clearing system on the third business day following the relevant shareholders' meeting, unless a later due date is specified in the dividend resolution or the Articles of Association. Since all of the Company's dividend entitlements are evidenced by the global share certificates deposited with Clearstream, Clearstream will transfer the dividends to the shareholders' custodian banks for crediting to their accounts. German custodian banks are under an obligation to distribute these funds to their customers. Shareholders using a custodian bank located outside Germany must inquire at their respective bank about the terms and conditions applicable in their case. To the extent dividends can be distributed by the Company in accordance with the HGB and corresponding decisions are taken, there are no restrictions on shareholders' rights to receive such dividends.

Generally, withholding tax (*Kapitalertragsteuer*) is withheld from dividends paid. For further information on the taxation of dividends, see "*20.1 General Taxation of Dividends*".

Any dividends not claimed become time-barred within three years pursuant to the general statute of limitations. Once the statute of limitations applies, the right to receive the relevant dividend payments passes to the Company.

6.2 Dividend Policy and Dividends per Share

Between its foundation in May 2018 and the date of this Prospectus, the Company did not make any distributions of profits or reserves to its shareholders.

We currently intend to retain all available funds and any future earnings to support our operations and to finance the growth and development of our business. Therefore, we currently do not intend to pay dividends for the foreseeable future. Any future decision to pay dividends will be made in accordance with applicable laws and will, among other things, depend on our results of operations, financial condition, contractual restrictions and capital requirements.

7. CAPITALIZATION AND INDEBTEDNESS; STATEMENT ON WORKING CAPITAL

The following tables set forth the actual capitalization and indebtedness of AUTO1 Group (i) as of November 30, 2020, (ii) the capital increases implemented prior to the Offering, (iii) the effects of the Offering and the IPO Capital Increase, (iv) the effects of the initial issuance of Notes under our Non-Recourse Financing, (v) the effects of the issuance of new shares under, and partial repayment of, the Convertible Loan, and (vi) total numbers as adjusted for these effects. The adjustments are based on the assumption that these developments had been completed on November 30, 2020 and that there were no tax effects.

Investors should read the following tables in conjunction with the Section "9. Management's Discussion and Analysis of Net Assets, Financial Condition and Results of Operations", the consolidated financial statements of the Company included in this Prospectus, including the related notes thereto, and additional financial information contained elsewhere in this Prospectus.

7.1 Capitalization

		Adjustments for the effects of the				
	As of November 30, 2020	Further capital increases[(1)]	Offering and IPO Capital Increase[(2)]	Non-Recourse Financing[(3)]	Convertible Loan[(4)]	Total
			(unaudited) (in € million)			
Total current debt (includes current portion of non-current debt)[(5)]	**170.1**	–	–	–	–	**170.1**
Thereof guaranteed	–	–	–	–	–	–
Thereof secured	–	–	–	–	–	–
Thereof unguaranteed/ unsecured	170.1	–	–	–	–	170.1
Total non-current debt (excludes current portion of non-current debt)[(6)]	**341.0**	–	–	**35.0**	**(308.8)**	**67.3**
Thereof guaranteed	–	–	–	–	–	–
Thereof secured	–	–	–	35.0	–	35.0
Thereof unguaranteed/ unsecured	341.0	–	–	–	(308.8)	32.3
Shareholder equity[(7)]	**44.7**	**0.0**	**969.3**	–	**94.7**	**1,108.7**
Share capital[(8)]	3.5	169.7	28.6	–	8.1	209.7
Legal reserves[(9)]	587.1	(169.7)	944.5	–	274.0	1,636.0
Other reserves[(10)]	(545.9)	–	(3.8)	–	(187.4)	(737.0)
Total	**555.8**	**0.0**	**969.3**	**35.0**	**(214.0)**	**1,346.1**

(1) The adjustments reflect (i) the increase of the Company's share capital by €8,594.00 from €3,453,769.00 to €3,462,363.00 against a contribution in kind comprising 365 shares in WKDA FRSM UG (haftungsbeschränkt) and (ii) the increase of the Company's share capital by €169,655,787.00 from €3,462,363.00 to €173,118,150.00 through a capital increase from own reserves.

(2) The adjustments reflect (i) the increase of the Company's share capital by €28,571,429.00 from €173,118,150.00 to €201,689,579.00 against cash contributions, and (ii) expected net proceeds from this Offering attributable to the Company of €969.3 million (based on the issuance of 28,571,429 New Shares at an Offer Price of €35.00 per share at the mid-point of the Price Range and costs of the Offering attributable to the Company of approximately €30.7 million, of which €26.9 million are deductible and €3.8 million are recognized under other reserves (assuming placement of the maximum number of Existing Shares and payment of the discretionary fee in full)).

(3) The adjustments reflect the proceeds from the initial issuance of Mezzanine Notes under our Non-Recourse Financing with a principal amount of €35.0 million, but do not reflect an interim issuance of Senior Notes, which will be repaid upon completion of the initial financing arrangements shortly after completion of the Offering. The Non-Recourse Financing is secured by our inventory.

(4) The adjustments reflect (i) the increase of the Company's share capital by €8,059,961.00 from €201,689,579.00 to €209,749,540.00 against contributions in kind in the form of claims of lenders under our Convertible Loan in an aggregate amount of €282.1 million, (ii) the repayment of the Post-IPO Convertible Loan in an amount of €214.0 million, and (iii) the derecognition of the Convertible Loan, with the difference between the carrying amount of the Convertible Loan of €308.8 million and the aforementioned effects (*i.e.*, €187.4 million) being reflected under other reserves (assuming completion of the Offering at the mid-point of the Price Range).

(5) Referred to as current liabilities in the unaudited condensed consolidated interim financial statements of the Company as of and for the nine-month period ended September 30, 2020.

(6) Referred to as non-current liabilities in the unaudited condensed consolidated interim financial statements of the Company as of and for the nine-month period ended September 30, 2020. Reflects borrowings (non-current), other financial liabilities (non-current), provisions (non-current), other liabilities (non-current) and income tax liabilities.

(7) Referred to as total equity in the unaudited condensed consolidated interim financial statements of the Company as of and for the nine-month period ended September 30, 2020.

(8) Referred to as subscribed capital in the unaudited condensed consolidated interim financial statements of the Company as of and for the nine-month period ended September 30, 2020.

(9) Referred to as capital reserve in the unaudited condensed consolidated interim financial statements of the Company as of and for the nine-month period ended September 30, 2020.

(10) Comprises other equity reserve and retained earnings, each as referred to in the unaudited condensed consolidated interim financial statements of the Company as of and for the nine-month period ended September 30, 2020.

7.2 Indebtedness

		Adjustments for the effects of the				
	As of November 30, 2020	**Further capital increases[(1)]**	**Offering and IPO Capital Increase[(2)]**	**Non-Recourse Financing[(3)]**	**Convertible Loan[(4)]**	**Total**
			(unaudited) (in € million)			
A. Cash[(5)]	180.8	–	969.3	35.0	(214.0)	971.1
B. Cash equivalents	–	–	–	–	–	–
C. Other current financial assets[(6)]	1.0	–	–	–	–	1.0
D. Liquidity (A)+(B)+(C)	**181.8**	–	**969.3**	**35.0**	**(214.0)**	**972.1**
E. Current financial debt (includes debt instruments, but excludes current portion of non-current financial debt)	–	–	–	–	–	–
F. Current portion of non-current financial debt[(7)]	15.3	–	–	–	–	15.3
G. Current financial indebtedness (E)+(F)	**15.3**	–	–	–	–	**15.3**
H. Net current financial indebtedness (G)-(D)	**(166.5)**	–	**(969.3)**	**(35.0)**	**214.0**	**(956.8)**
I. Non-current financial debt (excludes current portion and debt instruments)[(8)]	32.1	–	–	–	–	32.1
J. Debt instruments[(9)]	308.8	–	–	35.0	(308.8)	35.0
K. Non-current trade and other payables	–	–	–	–	–	–
L. Non-current financial indebtedness (I)+(J)+(K)	**340.9**	–	–	**35.0**	**(308.8)**	**67.1**
M. Total financial indebtedness (H)+(L)	**174.4**	**–**	**(969.3)**	**–**	**(94.7)**	**(889.6)**

(1) The adjustments reflect (i) the increase of the Company's share capital by €8,594.00 from €3,453,769.00 to €3,462,363.00 against a contribution in kind comprising 365 shares in WKDA FRSM UG (haftungsbeschränkt) and (ii) the increase of the Company's share capital by €169,655,787.00 from €3,462,363.00 to €173,118,150.00 through a capital increase from own reserves.

(2) The adjustments reflect (i) the increase of the Company's share capital by €28,571,429.00 from €173,118,150.00 to €201,689,579.00 against cash contributions, and (ii) expected net proceeds from this Offering attributable to the Company of €969.3 million (based on the issuance of 28,571,429 New Shares at an Offer Price of €35.00 per share at the mid-point of the Price Range and costs of the Offering attributable to the Company of approximately €30.7 million, of which €26.9 million are deductible and €3.8 million are recognized under other reserves (assuming placement of the maximum number of Existing Shares and payment of the discretionary fee in full)).
(3) The adjustments reflect the proceeds from the initial issuance of Mezzanine Notes under our Non-Recourse Financing with a principal amount of €35.0 million, but do not reflect an interim issuance of Senior Notes, which will be repaid upon completion of the initial financing arrangements shortly after completion of the Offering. The Non-Recourse Financing is secured by our inventory.
(4) The adjustments reflect (i) the increase of the Company's share capital by €8,059,961.00 from €201,689,579.00 to €209,749,540.00 against contributions in kind in the form of claims of lenders under our Convertible Loan in an aggregate amount of €282.1 million, (ii) the repayment of the Post-IPO Convertible Loan in an amount of €214.0 million, and (iii) the derecognition of the Convertible Loan, with the difference between the carrying amount of the Convertible Loan of €308.8 million and the aforementioned effects (*i.e.*, €187.4 million) being reflected under other reserves (assuming completion of the Offering at the mid-point of the Price Range).
(5) Referred to as cash and cash equivalents in the unaudited condensed consolidated interim financial statements of the Company as of and for the nine-month period ended September 30, 2020.
(6) Comprises deposits that relate to rental agreements in an amount of €0.9 million shown under other financial assets (current) in the unaudited condensed consolidated interim financial statements of the Company as of and for the nine-month period ended September 30, 2020 as well as receivables from employees in an amount of €0.0 million shown under trade and other receivables in the unaudited condensed consolidated interim financial statements of the Company as of and for the nine-month period ended September 30, 2020.
(7) Referred to as borrowings (current) and other financial liabilities (current) in the unaudited condensed consolidated interim financial statements of the Company as of and for the nine-month period ended September 30, 2020, and includes current lease liabilities of €15.2 million.
(8) Referred to as other financial liabilities (non-current) in the unaudited condensed consolidated interim financial statements of the Company as of and for the nine-month period ended September 30, 2020, which includes non-current lease liabilities of €32.1 million.
(9) Referred to as borrowings (non-current) in the unaudited condensed consolidated interim financial statements of the Company as of and for the nine-month period ended September 30, 2020, which includes our Convertible Loan (see "*12.13.2 Our Convertible Loan*").

7.3 Contingent and Indirect Liabilities

As of November 30, 2020, our indirect and contingent indebtedness amounted to €112.2 million, comprising:

- current other provisions of €8.1 million;
- current other liabilities, excluding prepayments, current lease liabilities and accruals, of €20.0 million relating to liabilities in connection with personnel expenses;
- current tax liabilities of €1.2 million;
- current trade payables of €82.8 million;
- non-current other provisions of €0.1 million;
- non-current other liabilities, excluding prepayments, current lease liabilities and accruals, of €0.0 million; and
- non-current tax liabilities of €0.0 million.

Other than described above, there were no contingent or indirect liabilities of AUTO1 Group as of November 30, 2020.

7.4 Statement on Working Capital

The Company is of the opinion that AUTO1 Group is in a position to meet the payment obligations that become due within the next twelve months from the date of this Prospectus.

8. DILUTION

As of September 30, 2020, the net book value of AUTO1 Group (*i.e.*, total assets less total non-current liabilities and total current liabilities) amounted to €59.7 million, and would amount to €0.34 per share of the Company based on 173,118,150 outstanding shares of the Company immediately prior to the Offering. The net book value of AUTO1 Group is shown as total equity in the Company's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended September 30, 2020.

The dilutive effect of the Offering is illustrated in the table below, demonstrating the amount by which the Offer Price exceeds the net book value per share after completion of the Offering and assuming the Offering had been completed on September 30, 2020. In this respect, the net book value as of September 30, 2020 is adjusted for the effects of the successful completion of the Offering, assuming (i) the execution of the IPO Capital Increase for 31,250,000 New Shares at the low end of the Price Range, 28,571,429 New Shares at the mid-point of the Price Range and 26,315,789 New Shares at the high end of the Price Range, respectively, as well as (ii) an increase in the net book value by €969.2 million, €969.3 million and €969.4 million, respectively (in each case not taking into account any tax effects). The adjusted net book value is expressed as a per share figure, assuming 204,368,150 shares, 201,689,579 shares or 199,433,939 shares of the Company outstanding upon completion of the Offering at the low end, mid-point and high end, respectively, of the Price Range (this per share figure being referred to as the "**Post-IPO Equity**"):

	As of September 30, 2020		
	Low end	**Mid-point**	**High end**
		(unaudited) (in €, unless stated otherwise)	
Net book value per share[(1)]	0.34	0.34	0.34
Gross proceeds from the Offering (in € million)	1,000.0	1,000.0	1,000.0
Estimated total costs of the Offering (in € million)[(2)]	30.8	30.7	30.6
Net proceeds from the Offering (in € million)	969.2	969.3	969.4
Post-IPO Equity (in €million)	1,028.9	1,029.0	1,029.1
Post-IPO Equity per share	5.03	5.10	5.16
Amount by which the offer price exceeds the Post-IPO Equity per share (immediate dilution of new shareholders of the Company)	26.97	29.90	32.84
Percentage by which the offer price exceeds the Post-IPO Equity per share (in %)	*536.2*	*586.3*	*636.4*
Amount by which the Post-IPO Equity per share exceeds the net book value per share immediately prior to the Offering (immediate accretion to the existing shareholders of the Company)	4.69	4.76	4.82
Percentage by which the Post-IPO Equity per share exceeds the net book value per share immediately prior to the Offering (in %)	*1,379.4*	*1,400.0*	*1,417.6*

(1) Based on 173,118,150 outstanding shares of the Company immediately prior to the Offering and a net book value of AUTO1 Group in an amount of €59.7 million as of September 30, 2020, shown as total equity in the unaudited condensed consolidated interim financial statements of the Company as of and for nine-month period ended September 30, 2020.

(2) Including underwriting and placement commissions payable to the Underwriters and assuming payment of the discretionary fee in full.

9. MANAGEMENT'S DISCUSSION AND ANALYSIS OF NET ASSETS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Investors should read the following management's discussion and analysis of net assets, financial condition and results of operations in conjunction with the Sections "1. Risk Factors" and "12. Business".

The financial information contained in the following text and tables is taken or derived from the Company's audited consolidated financial statements as of and for the fiscal years ended December 31, 2018 and December 31, 2019, the audited unconsolidated financial statements of the Company as of and for the fiscal year ended December 31, 2019, and the unaudited condensed consolidated interim financial statements of the Company as of and for the nine-month period ended September 30, 2020, as well as the Company's accounting records or internal reporting systems.

Unless indicated otherwise, all financial information with respect to the fiscal year ended December 31, 2018 presented in the text, tables and discussion is taken from the comparable financial information included in the audited consolidated financial statements of the Company as of and for the fiscal year ended December 31, 2019, while all financial information with respect to the fiscal year ended December 31, 2017 presented in the text, tables and discussion is taken from the comparable financial information included in the audited consolidated financial statements of the Company as of and for the fiscal year ended December 31, 2018.

The audited consolidated financial statements of the Company have been prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315e para. 1 HGB. The audited unconsolidated financial statements have been prepared in accordance with German generally accepted accounting principles of the HGB. The unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with IFRS for interim financial reporting (IAS 34).

*KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin office, Klingelhöferstraße 18, 10785 Berlin, Germany ("**KPMG**"), has audited and issued unqualified independent auditor's reports (uneingeschränkte Bestätigungsvermerke des unabhängigen Abschlussprüfers) with respect to the Company's German language consolidated financial statements as of and for the fiscal years ended December 31, 2018 and December 31, 2019 and the Company's German language unconsolidated financial statements as of and for the fiscal year ended December 31, 2019. The aforementioned audited consolidated financial statements and audited unconsolidated financial statements of the Company and the respective independent auditor's reports thereon are included in this Prospectus. Certain financial information with respect to the fiscal years ended December 31, 2018 and 2017 included in these financial statements has been restated to reflect the correction of accounting errors (see "9.6 Key Factors Affecting Comparability").*

Where financial information in the following tables is labeled "audited", this means that it has been taken from the audited financial statements mentioned above. The label "unaudited" is used in the following tables to indicate financial information that has not been taken from the audited financial statements mentioned above, but has been taken either from the Company's unaudited condensed consolidated interim financial statements mentioned above or the Company's accounting records or internal reporting systems, or has been calculated based on figures from the aforementioned sources.

Unless indicated otherwise, all financial information presented in the text and tables included in this Prospectus is shown in millions of Euro (in € million). Certain financial information, including percentages, has been rounded according to established commercial standards. As a result, rounded figures in the tables below may not add up to the aggregate amounts in such tables (sum totals or subtotals), which are calculated based on unrounded figures.

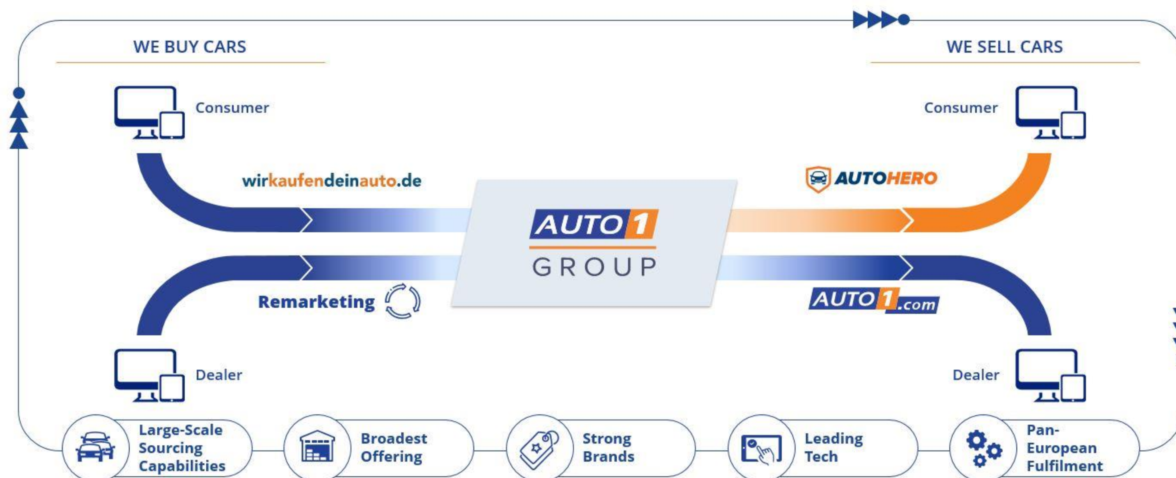
Financial information presented in parentheses denotes the negative of such number presented. A dash ("–") signifies that the relevant figure is not available or zero, while a zero ("0.0") signifies that the relevant figure has been rounded to zero.

9.1 Overview

We operate Europe's leading platform for the purchase and sale of used cars. Our offering is fully online and based on a vertically-integrated platform (*i.e.*, highly innovative end-to-end technology solutions and an unmatched data set direct our operations along the entire value chain). With more than 615,000 used cars sold in 2019 alone, we are Europe's preferred destination for buying and selling used cars, with approximately twice as many used cars sold compared to our closest peer in the European Union (*source: OC&C Report*).

Sales of used cars, including sales among businesses, represented a market of approximately €600 billion in Europe in 2019 (*source: OC&C Report*). We estimate that online penetration in this market is still at a very early stage of development and that the market share of online sales of used cars to consumers amounts to approximately 1% in Europe. We believe that this indicates a unique market opportunity.

Our business revolves around two complementary sales channels, which are fueled by two distinct sourcing funnels, as illustrated by the following graphic:



* *Source: Company information.*

Our leading position is based on our broad sourcing funnels, which in 2019 enabled us to source an average of approximately 1,600 used cars per day in a fast, easy and reliable manner. Under our well-known consumer brands such as "wirkaufendeinauto.de", we offer a compelling and technologically advanced online experience for consumers in ten European countries to sell their used cars quickly and at competitive, haggle-free prices. In addition, we provide professional dealers with fast and convenient remarketing solutions, enabling these dealers to quickly market excess inventory at scale.

We sell the cars we source under two complementary offerings: Under our merchant brand "AUTO1", we operate Europe's largest wholesale platform for sales of used cars. We sell these cars via online auctions to more than 60,000 professional dealers across Europe. Under our retail brand "Autohero", we have created an easy, hassle-free way for consumers to purchase used cars online. In nine European countries, we offer consumers a large variety of attractive used cars at fixed prices, a compelling online customer experience and a convenient fulfillment process.

Our operations are built on a vertically-integrated, proprietary technology platform specifically designed to facilitate the purchase, sale, inventory management and delivery of used cars across Europe. By analyzing more than five million data points on average per day, we have created what we believe is the largest data set for used car trades in Europe, and most of this data set is proprietary. As both our sourcing funnels and sales channels grow, this database and our analytics capabilities continue to expand and help us further improve the accuracy of our prices and the composition of our offerings. In addition, our fully-integrated fulfillment infrastructure allows us to facilitate the intake, storage and delivery of used cars across Europe at competitive prices, with approximately 47% of all cars for which we arranged delivery being transported across borders in 2019.

9.2 Key Financial Information and Operating Data

We use revenue, gross profit, earnings before interest, taxes and depreciation ("**EBITDA**"), EBITDA adjusted for non-operating effects, which comprise (i) share-based payments, (ii) change of basis of assessment for value added taxes, (iii) correction of payables and (iv) other non-operating expenses ("**Adjusted EBITDA**"), the average number of our employees, and the number of cars sold as key performance indicators in order to assess the success of our business. We believe that these indicators, together with other relevant financial and operating data, including the other Alternative Performance Measures (see "*2.10 Alternative Performance Measures*"), will be helpful for investors when assessing our performance. Such financial information and operating data, however, do not necessarily indicate whether cash flows will be sufficient for our cash requirements and may not be indicative of our future results.

The following table provides an overview of certain key financial data relating to our performance for the dates and periods indicated:

	As of and for the fiscal year ended December 31,			As of and for the nine-month period ended September 30,	
	2017	2018	2019	2019	2020
	(audited, unless stated otherwise)			(unaudited)	
Revenue (in € million)	2,177.4	2,852.4	3,476.0	2,531.0	2,050.5
Revenue growth (in %)	–	*31.0*	*21.9*	–	*(19.0)*
Gross profit (in € million)	198.1	242.4	342.5	247.7	203.1
Gross profit margin (in %)[(1), (2)]	*9.1*	*8.5*	*9.9*	*9.8*	*9.9*
Other operating income (in € million)	1.9	6.3	11.6	6.1	9.9
Operating expenses (in € million)[(1), (3)]	(235.5)	(333.6)	(390.6)	(287.0)	(196.2)
Adjusted EBITDA (in € million)[(1)]	(37.4)	(91.1)	(60.4)	(39.3)	7.0
Adjusted EBITDA margin (in %)[(1), (4)]	*(1.7)*	*(3.2)*	*(1.7)*	*(1.6)*	*0.3*
EBITDA (in € million)	(64.7)[(1)]	(107.0)	(92.8)	(71.6)	(0.5)
EBITDA margin (in %)[(1), (5)]	*(3.0)*	*(3.8)*	*(2.7)*	*(2.8)*	*(0.0)*
EBIT (in € million)	(77.9)[(1)]	(122.0)	(113.4)	(85.3)	(24.8)
EBIT margin (in %)[(1), (6)]	*(3.6)*	*(4.3)*	*(3.3)*	*(3.4)*	*(1.2)*
Sold cars (in thousands)[(1)]	416	538	616	453	340
RPU(in €)[(1)]	5,239	5,306	5,646	5,581	6,029
GPU (in €)[(1)]	476	451	556	546	597
Inventory (in € million)	241.7	208.3	248.1	224.6	132.9
Inventory days of sales (in days)[(1), (7)]	36	32	27	26	29
Average number of employees[(1), (8)]	2,777	3,546	4,418	4,342	4,165

(1) Unaudited.
(2) Defined as gross profit divided by revenue.
(3) Defined as the sum of personnel expenses (excluding share-based payments) and other operating expenses (excluding expenses for the assessment of value added taxes and expenses for correction of trade payables and other non-operating expenses), less other operating income.
(4) Defined as Adjusted EBITDA divided by revenue.
(5) Defined as EBITDA divided by revenue.
(6) Defined as EBIT divided by revenue.
(7) Defined as average inventory (*i.e.*, the average of the inventory at the beginning and at the end of the period) divided by cost of sold cars.
(8) Full-time equivalent.

To calculate Adjusted EBITDA, we adjust our EBITDA for non-operating effects. For purposes of our internal management, we define non-operating effects as effects that do not reflect the regular operating performance of our business. These effects comprise (i) share-based payments, (ii) change of basis of assessment for value added taxes, (iii) correction of payables and (iv) other non-operating expenses. We believe that adjusting our EBITDA for non-operating effects allows for a comparison of the performance of AUTO1 Group on a more consistent basis.

The following table provides an overview of our Adjusted EBITDA for the periods indicated:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2017	2018	2019	2019	2020
	(unaudited, unless stated otherwise) (in € million)			(unaudited) (in € million)	
EBITDA	(64.7)	(107.0)[1]	(92.8)[1]	(71.6)	(0.5)
Share-based payments	10.1[1]	10.8[1]	36.9[1]	26.9	(10.6)
Change of basis of assessment for value added taxes	17.2	5.0	6.6	4.3	–
Correction of payables	–	–	(12.4)	–	12.4
Other non-operating expenses	–	–	1.2	1.2	5.7
Adjusted EBITDA	**(37.4)**	**(91.1)**	**(60.4)**	**(39.3)**	**7.0**

(1) Audited.

9.3 Segment Information

Starting from January 1, 2020, we have been managing our business based on two operating segments, which are also our reportable segments in accordance with IFRS 8. Our merchant segment comprises our sales to professional dealers under our "AUTO1" brand, including sales in connection with our remarketing solutions. Our retail segment comprises our sales to consumers under our "Autohero" brand. We measure the performance of our segments on the basis of revenue and gross profit.

The following table provides certain financial information and operating data for our merchant and retail segments for the periods indicated:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2017	2018	2019	2019	2020
	(unaudited) (in € million, unless stated otherwise)			(unaudited) (in € million, unless stated otherwise)	
Merchant					
Revenue	2,173.8	2,820.4	3,394.6	2,481.2	1,970.6
thereof from used cars sourced from consumers	2,073.8	2,654.0	3,105.8	2,280.0	1,739.1
thereof from used cars sourced through remarketing	100.0	166.4	288.8	201.2	231.5
Revenue growth (in %)	–	*29.7*	*20.4*	–	*(20.6)*
Gross profit	202.4	241.8	341.1	246.9	201.4
Gross profit margin (in %)[1]	*9.3*	*8.6*	*10.0*	*10.0*	*10.2*
Sold cars (in thousands)	416	535	610	450	334
thereof used cars sourced from consumers (in thousands)	405	515	571	423	298
thereof used cars sourced through remarketing (in thousands)	10	20	39	27	36
RPU (in €)	5,231	5,272	5,566	5,513	5,897
RPU for used cars sourced from consumers (in €)	5,115	5,154	5,438	5,391	5,828
RPU for used cars sourced through remarketing (in €)	9,887	8,301	7,442	7,422	6,473
GPU (in €)	487	452	559	549	603

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2017	2018	2019	2019	2020
	(unaudited) (in € million, unless stated otherwise)			(unaudited) (in € million, unless stated otherwise)	
Retail					
Revenue	3.6	32.0	81.4	49.7	80.0
Revenue growth (in %)	–	*788.9*	*154.4*	–	*61.0*
Gross profit	–	–	1.5	0.8	1.7
Gross profit margin (in %)[(1)]	–	–	*1.8*	*1.6*	*2.1*
Sold cars (in thousands)	–	3	6	3	6
RPU (in €)	–	12,515	14,196	14,440	13,401
GPU (in €)	–	–	254	227	282

(1) Defined as gross profit divided by revenue.

9.4 Quarterly Financial Information and Operating Data

The following table provides an overview of certain financial information and operating data for the quarters indicated:

	For the three-month period ended						
	March 31,	June 30,	September 30,	December 31,	March 31,	June 30,	September 30,
	2019				2020		
	(unaudited) (in € million, unless stated otherwise)						
Merchant							
Revenue	797.8	782.8	900.6	913.3	843.8	388.6	738.2
thereof from used cars sourced from consumers	737.6	718.2	824.2	825.8	766.8	342.6	629.7
thereof from used cars sourced through remarketing	60.1	64.7	76.5	87.5	77.0	46.0	108.5
Revenue growth[(1)]	–	*(1.9)*	*15.0*	*1.4*	*(7.6)*	*(53.9)*	*90.0*
Gross profit	84.6	74.9	87.5	94.2	88.4	27.1	86.0
Gross profit margin[(1), (2)]	*10.6*	*9.6*	*9.7*	*10.3*	*10.5*	*7.0*	*11.7*
Sold cars[(3)]	144	145	162	160	152	65	117
thereof used cars sourced from consumers[(3)]	136	136	151	148	141	57	100
thereof used cars sourced through remarketing[(3)]	8	9	10	12	11	8	17
RPU[(4)]	5,558	5,405	5,571	5,714	5,552	5,973	6,303
RPU for used cars sourced from consumers[(4)]	5,426	5,295	5,445	5,574	5,438	5,993	6,283
RPU for used cars sourced through remarketing[(4)]	7,930	7,015	7,412	7,487	7,017	5,829	6,421
GPU[(4)]	589	517	541	589	581	416	734
Retail							
Revenue	10.6	14.5	24.6	31.7	33.6	15.2	31.2
Revenue growth[(1)]	–	*36.8*	*69.7*	*28.9*	*6.0*	*(54.8)*	*105.3*
Gross profit	0.1	0.2	0.5	0.7	0.7	0.3	0.7
Gross profit margin[(1), (2)]	*1.0*	*1.4*	*1.9*	*2.1*	*2.1*	*2.2*	*2.1*
Sold cars[(3)]	1	1	2	2	2	1	2
RPU[(4)]	13,994	14,180	14,807	13,827	14,218	12,944	12,828
GPU[(4)]	146	194	284	293	293	288	268

	For the three-month period ended						
	March 31,	June 30,	September 30,	December 31,	March 31,	June 30,	September 30,
	2019				2020		
	(unaudited) (in € million, unless stated otherwise)						
AUTO1 Group							
Revenue	808.4	797.4	925.2	945.0	877.4	403.8	769.4
Revenue growth[(1)]	–	*(1.4)*	*16.0*	*2.1*	*(7.2)*	*(54.0)*	*90.5*
Gross profit	84.7	75.1	87.9	94.8	89.1	27.4	86.7
Gross profit margin[(1), (2)]	*10.5*	*9.4*	*9.5*	*10.0*	*10.2*	*6.8*	*11.3*
Adjusted EBITDA	(4.1)	(23.7)	(11.5)	(21.1)	1.2	(10.2)	16.0
Adjusted EBITDA margin[(1), (5)]	*(0.5)*	*(3.0)*	*(1.2)*	*(2.2)*	*(0.1)*	*(2.5)*	*2.1*
EBITDA	(8.6)	(40.4)	(22.6)	(21.2)	(14.1)	(17.5)	31.1
Sold cars[(3)]	144	146	163	162	154	66	120
RPU[(4)]	5,602	5,466	5,664	5,829	5,685	6,097	6,436
GPU[(4)]	587	515	538	585	577	414	725
Inventory	180.7	229.4	224.6	248.1	250.1	78.0	132.9
Inventory days of sales[(6)]	25	26	25	6	29	41	14

(1) In %.
(2) Defined as gross profit divided by revenue.
(3) In thousands.
(4) In €.
(5) Defined as Adjusted EBITDA divided by revenue.
(6) In days. Defined as average inventory (*i.e.*, the average of the inventory at the beginning and at the end of the period) divided by cost of sold cars.

9.5 Key Factors Affecting Our Business

The key factors discussed below have significantly affected our results of operations, financial condition and cash flows during the periods for which financial information is included in this Prospectus, and we believe that these factors will continue to affect us in the future:

9.5.1 Demand for Used Cars

Demand for used cars is a key driver affecting our revenue and profitability. In 2019, sales of used cars, including sales to consumers, sales among professional dealers, sales from corporates to intermediaries and dealers, and sales from intermediaries to dealers, amounted to approximately €600 billion and the European used car market (comprising the member states of the European Union, Norway, Switzerland, Ukraine, Albania, Bosnia and Herzegovina, North Macedonia, and the Republic of Moldova) is expected to remain robust, as evidenced by an expected compound annual growth rate ("**CAGR**") of 5% between 2019 and 2025 (*source: OC&C Report*). The development of the overall market depends on a number of factors, some of which are beyond our control. Such external factors include economic conditions, the introduction of new models, financing conditions and their impact on consumer spending with respect to used vehicles. As the only pan-European online platform for used cars, we benefit from growing online penetration. We estimate that online penetration for sales to consumers currently amounts to approximately 1% in the European used car market. Driven by our online offering, we expect this share to increase significantly in the upcoming years. At the same time, competition from both other online platforms and offline dealers of used cars, in particular the breadth, quality and pricing of their offerings, affect demand for our own used vehicles.

In addition to external factors, our own strategy and the degree to which we are able to successfully implement this strategy influence demand for our offering. In particular, our ability to constantly source a large number of relevant used cars, the prices we can offer, our delivery times and our ability to successfully market our used vehicles, as well as the additional services and customer service we can offer, drive demand for our used cars. By providing a compelling offering with respect to all of these aspects, we were able to increase the number of used cars sold from approximately 415,000 in the fiscal year ended December 31, 2017 to more than 615,000 in the fiscal year ended December 31, 2019.

9.5.2 Development of Our Two Sales Channels

We sell the cars we source through two distinct channels: Under our merchant brand "AUTO1", we operate Europe's largest wholesale platform for used cars, which we market to professional dealers across Europe. Following the rapid expansion of our "AUTO1" offering, in 2017 we piloted a complementary offering under our retail brand "Autohero", for which we have seen rapidly rising demand. The decision whether a used car in our inventory will be offered under our "AUTO1" or "Autohero" offering is already made when sourcing the relevant car. To this end, our proprietary pricing algorithms calculate the price a used car is likely to achieve under either offering and then price and allocate the relevant car accordingly. In the three-month period ended September 30, 2020, we generated 95.9% of our revenue from our merchant segment, with the retail segment accounting for the remaining 4.1% of our revenue.

In our merchant segment, we typically sell our used cars in 24-hour auctions across more than 30 European markets. As a result, this segment achieved inventory days of sales of just 14 days in the three-month period ended September 30, 2020, significantly reducing our working capital requirements for our "AUTO1" offering. Our customers in this segment comprise professional dealers. From approximately 29,000 professional dealers viewing at least one used car per month under our "AUTO1" offering in 2017, the customer base of our merchant segment has grown to approximately 61,000 such dealers in 2019. Between 2018 and 2019, we added more professional dealers than ever before, and our customer base continues to expand. Given that we have established close relationships with these professional dealers who view our offering as a key source of used cars, we see no need to make significant marketing investments to further promote our "AUTO1" brand.

By comparison, our relatively young retail segment has historically incurred losses. We offer used cars under our "Autohero" brand at fixed prices in nine European countries. These used cars are typically younger and of higher value compared to our "AUTO1" offering, as evidenced by the fact that the RPU amounted to €12,828 for our "Autohero" offering in the three-month period ended September 30, 2020, compared to an RPU of €6,303 for our "AUTO1" offering during the same period. Building a sufficiently broad offering will be key to growing our "Autohero" offering. Consequently, the continued expansion of our retail segment will likely result in an increase of our working capital requirements.

In addition, we plan to make significant marketing investments to enhance the recognition of the "Autohero" brand. Between 2021 and 2023, we intend to make significant investments in promoting our "Autohero" brand through mass marketing channels. We expect that these efforts will result in rapid growth for our retail segment. At the same time, we see significant potential to increase our gross profit per vehicle for used cars sold under our "Autohero" offering. Therefore, we expect our "Autohero" offering to achieve a higher gross margin than our "AUTO1" offering by 2024. Driven by significant economies of scale, we expect our retail segment to eventually become profitable. Combined with the strong position of our merchant offering, we believe that this trend will allow us to achieve profitability on an Adjusted EBITDA basis on a group level within the next three years. In the long term, we believe our "Autohero" offering will become the focus of our operations.

9.5.3 Our Sourcing

Our continued growth depends on our ability to source a large number of in-demand used cars at attractive prices. Since launching our business in 2012, we have purchased more than two million used cars. Unlike other businesses that purchase new products wholesale from manufacturers, there is no single source for used vehicles for us, as even professional dealers only trade in a comparably small number of cars annually. The vast majority of used cars are held by consumers who typically only sell these cars when they are in the market for a different vehicle. Consequently, our sourcing focuses on direct purchases of used vehicles from consumers. In the three-month period ended September 30, 2020, we sourced approximately 87% of our used vehicles from consumers, while the remaining cars were provided by professional dealers

The costs for the used cars we purchase, including transport costs for the transport to customers, registration and de-registration costs, as well as write-downs on our inventory, are recorded under cost of sold cars on the Company's consolidated statement of profit or loss and other comprehensive income, and represent the largest share of our cost base. To be able to purchase a large number of used cars from consumers, we have to offer competitive prices. At the same time, we need to ensure that we can sell the vehicles we purchase at a premium. Therefore, we evaluate used cars offered to us based on expected sales prices, which are calculated by our proprietary algorithms. Our effectiveness in calculating the best purchase price is a key factor in further expanding our offering and improving our profitability. We have recently been able to significantly improve the customer experience of consumers selling us their used cars (see "*9.5.4 Spread of the COVID-19 Pandemic Across Our Markets*"). Our ability to constantly improve the effectiveness of our sourcing is evidenced by the fact that the realized profit per unit (*i.e.*, the difference between the price at which we sold a used car, including auction fees, and the car at which we purchased such car) for used cars sold in the nine-month period ended September 30, 2020 on average exceeded the target profit per unit by €21 per used car, while it fell short of the target profit per unit on average by €197 per used car in 2017.

To fund an expanding inventory as we continue to grow our "Autohero" and "AUTO1" offerings, we have arranged for an asset-backed securitization program, providing us with up to €485 million in inventory financing (see "*12.13.1 Our Non-Recourse Financing*"). The average interest we expect to pay on the external part of such Non-Recourse Financing amounts to less than 2.0% *per annum*. As collateral for this debt funding, we can use the used cars in our inventory and our receivables from car sales. The senior and mezzanine tranches under our Non-Recourse Financing will enable us to finance up to 90% of our inventory. By financing the vast majority of our inventory at attractive interest rates, we limit the cash requirements for our continued expansion and expect to be able to offer even more competitive prices when sourcing our used cars.

In addition to sourcing cars from consumers, we increasingly offer remarketing solutions to professional dealers, including large corporations, leasing companies and car rental companies, which regularly sell a large number of used vehicles as these cars are phased out from their operations. Traditionally, remarketing options of these dealers were limited to small networks of local dealers with whom they had already established relationships. Our remarketing solutions enable professional dealers to utilize our platform to monetize excess inventory. As part of these solutions, we typically purchase cars only after they have already been successfully auctioned under our "AUTO1" offering. Given that we bear almost no inventory risk for used cars sourced under our remarketing solutions, our gross margin is lower for these vehicles. In addition, we do not invest in marketing for our remarketing solutions, as we can rely on the recognition of our "AUTO1" brand. Going forward, we may also decide to purchase used cars offered to us through our remarketing solutions for our "Autohero" offering. This approach may allow us to unlock additional value, but would also increase our inventory risk. In 2019, we sold approximately 39,000 used cars we had previously sourced through our remarketing solutions, reflecting an increase of 94% compared to the previous year and a CAGR of approximately 100% between 2016 and 2019.

9.5.4 Spread of the COVID-19 Pandemic Across Our Markets

In 2020, the effects of the COVID-19 pandemic temporarily slowed down our rapid growth, as registration agencies in many countries were closed or only offered limited access and most professional dealers in our markets shut down their operations. The result was a significant delay or even a halt in used car trades. While the first quarter of 2020 was already impacted by the outbreak of COVID-19, the effects of this pandemic on our business are most strongly reflected in the reduction of the number of used cars we sold to approximately 66,000 in the three-month period ended June 30, 2020, a contraction of 57.1% compared to the corresponding prior year period. As a result, our revenue decreased by 49.4% in the three-month period ended June 30, 2020 compared to the corresponding prior year period. We were, however, able to quickly reduce our sourcing of used cars and associated operating expenses to reflect this decline in demand. As a result, we managed to achieve a negative Adjusted EBITDA margin of 2.5% in the three-month period ended June 30, 2020, compared to a negative Adjusted EBITDA margin of 3.0% during the corresponding prior year period.

As the outbreak of the COVID-19 pandemic forced us to temporarily limit our operations, we took additional steps to improve our sourcing from consumers. To this end, we introduced our sell-from-home solution, significantly increasing the information potential sellers can provide to us before presenting their used cars at our drop-off locations. By obtaining more in-depth information, our proprietary algorithms can calculate much more accurate initial price quotes. Consequently, our sell-from-home solution has helped us significantly reduce the spread between the initial price quotes presented on our websites and apps compared to the final price offered at our drop-off locations. This is reflected in the strong increase in our conversion rate (*i.e.*, the share of potential sellers who actually accept our offers after their cars have been inspected at one of our locations), which doubled in the markets where we have rolled out our sell-from-home solution (*i.e.*, Belgium, France, Germany, Italy and Spain) in the three-month period ended September 30, 2020 compared to the corresponding prior year period. In addition, consumers completed 77% more evaluations of used cars through our sell-from-home solution during this period, compared to the number of physical inspections completed at our drop-off locations during the corresponding prior year period. We believe this evidences how much consumers value our sell-from-home solution. We believe that our optimized sourcing from consumers has further broadened our most important sourcing funnel. In addition, we expect that our sell-from-home solution will also result in a reduction of cost of sold cars.

Our proprietary algorithms were able to swiftly detect the decline in demand and close our sourcing funnels accordingly, resulting in a decrease of our inventory by €172.1 million in the three-month period ended June 30, 2020 compared to the previous quarter. As a result, we were able to prevent excess inventory despite the adverse effects of the pandemic. Furthermore, we managed to repay debt drawn under a revolving credit facility while also increasing our cash and cash equivalents, in order to mitigate liquidity risks in an uncertain market environment. We consider our proprietary technology platform at the heart of our business a key competitive advantage that far exceeds the understanding of the used car market any of our much smaller competitors can hope to achieve.

As the measures to combat the COVID-19 pandemic were initially lifted towards the beginning of the summer, we were able to quickly reignite our growth. Partly driven by catch-up effects in the wake of an initial economic recovery, we were able to achieve an increase in the number of our used cars sold of 81.8% in the three-month period ended September 30, 2020 compared to the previous quarter. At the same time, we were able to fully benefit from our optimized sourcing from consumers, as evidenced by the improvement of our gross profit margin from 9.5% in the three-month period ended September 30, 2019 to 11.3% in the three-month period ended September 30, 2020.

We believe that our ability to quickly restart our operations at even higher margins evidences the resilience of our business model. As a result, we were able to achieve continued success despite the renewed outbreak of the COVID-19 pandemic in recent months. In particular, we saw a continued strong increase in demand under our "Autohero" offering and high acceptance of our sell-from-home solution for our sourcing from consumers. Going forward, we believe that the COVID-19 outbreak will result in increased acceptance of online offerings in general, which we expect will strongly benefit us as the leading online platform for the purchase and sale of used cars in Europe.

9.5.5 Our Marketing Efforts

Our marketing activities are aimed at driving the maximum relevant traffic to our websites and apps and enhancing the recognition of our already well-established retail and merchant brands. We consider these activities a key component of our operations, which is why we utilize what we believe is the largest marketing budget among used car dealers in Europe. We primarily focus on online marketing (*e.g.*, search engine marketing, retargeting, affiliate marketing, price comparison marketing and paid social media), while also using traditional marketing channels such as radio and television advertising. During the periods for which financial information is included in this Prospectus, we primarily focused our marketing efforts on consumer brands for our sourcing. Going forward, we intend to put a strong focus on enhancing the recognition of our "Autohero" brand.

Our marketing expenses are recorded under our other operating expenses on the Company's consolidated statement of profit or loss and other comprehensive income and represent a significant share of our cost base. These efforts focus on brand marketing, which accounted for approximately 83% of our marketing expenses in the three-month period ended September 30, 2020. While we expect to increase our marketing expenses to drive the expansion of our retail segment, our rapid expansion helps us benefit from economies of scale. This is already evidenced by the reduction of our marketing ratio (*i.e.*, our marketing costs divided by our revenue) from 3.0% in the fiscal year ended December 31, 2017 to 2.5% in the three-month period ended September 30, 2020.

In addition, we use technology solutions to derive the maximum value from our marketing investments. To this end, we track our customer acquisition costs and have been able to improve our sign-up to purchase conversion ratio (*i.e.*, the ratio of potential customers who entered a car search and email address into our websites to the number of sales through our websites) by approximately 10% in the three-month period ended September 30, 2020 compared to the corresponding prior year period. Going forward, we plan to further improve our customer acquisition costs through additional information technology solutions, in particular customer profiling, marketing automation and customer journey optimization.

9.5.6 Expansion of Our Platform

At the heart of our business model is our vertically-integrated platform, comprising our technology and fulfillment solutions, and we have assembled a workforce of qualified employees to manage this platform in-house. As a technology company, we have made significant investments in the design of our websites and apps as well as our technology infrastructure. We consider these investments essential as we seek to provide a convenient, immersive customer experience that differentiates us from traditional used car dealers. At the same time, we do not capitalize any of our investments in research and development for our technology platform.

We believe that traditional car dealers and publishers of classified ads, including websites publishing online ads, offer very little in terms of logistics and convenience to facilitate the sale and purchase of used cars. To offer our customers a modern, distinct shopping experience, we have built a fulfillment platform comprising over 400 drop-off and pick-up locations in ten countries. We constantly seek to optimize the geographic distribution of these locations, including by changing locations. In this process, we benefit from the low capital expenditures required for our drop-off and pick-up locations, given that we generally only lease our locations and require limited equipment. In addition, we have longstanding relationships with more than third-party logistics services providers, who handle large-scale car transports for us and store our inventory at more than 150 logistics compounds. In the last three years, we used more than 250 different providers. We believe that we have built robust capacity for used car transports, which allows us to react quickly to customer demand.

Our logistics costs form a significant part of our cost base and comprise both internal logistics costs (*i.e.*, costs for transporting and storing used cars who have not been sold yet), which are recorded under our other operating expenses, and external logistics costs (*i.e.*, logistics costs incurred after the sale of used cars, in particular for deliveries to customers), which are recorded under our cost of sales. In the three-month period ended September 30, 2020, our internal logistics costs amounted to approximately €66 per car sold during this period. We can, however, generate additional profits by passing certain transport costs on to our customers, in particular under our “AUTO1” offering. In the three-month period ended September 30, 2020, the average revenue we generated from transport fees generated under our “AUTO1” offering amounted to approximately €150 per used car, compared to an average revenue of approximately €80 per car for the corresponding period two years earlier, and we recorded transport fees for approximately 50% of all cars sold under this offering.

Going forward, our logistics costs may increase as we expand our “Autohero” offering to consumers, for whom we offer free deliveries in certain key markets such as Germany, and for which we intend to further expand our fleet of branded car transporters by more than 90 transporters in 2021. In addition, we plan to expand our refurbishment capabilities to be able to include additional used cars in our offerings. We have already been able to significantly improve our refurbishment operations for our “Autohero” offering. In the three-month period ended September 30, 2020, we recorded average refurbishment costs of €864 per used car sold under our “Autohero” offering, but expect to reduce these costs as we optimize our operations going forward, improve the utilization of our refurbishment facilities and insource additional parts of our operations. Assuming we achieve sufficient size for our “Autohero” offering, we see a potential to reduce the refurbishment costs per car by half.

Another key part of our platform are our employees. To handle anything from our sourcing through sales, marketing, fulfillment, technology and design, we have constantly grown our workforce, from 2,777 employees (full-time equivalent) on average in the fiscal year ended December 31, 2017 to approximately 4,200 employees (full-time equivalent) as of the date of this Prospectus. Due to the dynamic nature of our growth, however, the significant increase of our workforce took place in step with our overall expansion. This is evidenced by our stable personnel expense ratio (*i.e.*, our personnel expenses divided by our revenue), which amounted to 2.7% in the three-month period ended September 30, 2020 compared to 6.3% for the corresponding prior year period.

9.5.7 Financing for Purchasers of Our Used Cars

In certain markets, a significant share of consumers who purchase used cars requires financing for this expensive type of purchase. In 2018, approximately 59% of all used car transactions involved such financing (*source: Finaccord*). While we already support our customers by cooperating with 13 banks and branches across Europe who offer such financing, this service only has a limited effect on our financial results. Given that we typically do not assume the credit risk ourselves, we only receive a commission from these banks. Such commissions are recorded under revenue on the Company's consolidated statement of profit or loss and other comprehensive income. In the three-month period ended September 30, 2020, such fees accounted for 1.2% of the revenue of our "Autohero" offering.

As we continue to expand our offering to consumers under our "Autohero" brand, we plan to significantly increase our revenue from consumer financing by directly providing consumers with financing for their used car purchases, including in cooperation with local fronting banks where this is required under national licensing requirements. Given the currently attractive refinancing rates, we expect to generate a net margin on such financing transactions (*i.e.*, the difference between interest paid by consumers purchasing our used cars and our own refinancing rates), which we expect could amount to approximately 2.0% to 5.0% *per annum*. As we assume the credit risk of consumers to whom we provide financing, we may, however, incur a higher amount of write-offs on bad debts. In addition, we may see an increase of our refinancing needs and record a corresponding increase of our financial liabilities. Going forward, we may also decide to sell the receivables from providing financing to consumers to third parties in factoring transactions, providing us with instant liquidity for a customary factoring fee.

9.5.8 Seasonality

Demand for used cars tends to fluctuate between different quarters and individual months. The first quarter tends to be the strongest quarter in any given fiscal year, while the other three quarters are somewhat weaker. During these quarters, demand also tends to fluctuate between different months. This seasonality influences our revenue, which is generally higher in the first quarter. In addition, professional dealers tend to trade fewer used cars during the fourth quarter. As a result, our inventory tends to build up during this quarter, and to be sold down during the first quarter of the following fiscal year.

9.5.9 Share-Based Incentive Programs

We have implemented virtual share incentive programs for certain key employees, freelancers, consultants and other supporters of AUTO1 Group. The beneficiaries of our incentive programs accrue claims, which reflect the development of the equity value of the Company. These claims, among other things, require the occurrence of an exit event such as the Offering. For further information on our virtual share incentive programs, see "*17.5.1 Existing Incentive Programs*".

We originally recorded any increase in potential claims under our virtual share incentive programs as share-based payment on the Company's consolidated statement of profit or loss and other comprehensive income. In addition, we record the corresponding obligations under our non-current liabilities on the Company's consolidated statement of financial position. With respect to certain exit events, the shareholders of the Company have agreed, however, to reimburse the Company for any claims under our virtual share incentive programs *pro rata* in proportion to their shareholding in the Company. The Company's corresponding reimbursement claims were recorded under other financial assets.

The shareholders' reimbursement obligation does not, however, cover an exit event in the form of the Offering. In addition, in anticipation of the Offering, we resolved to settle claims under our existing virtual share incentive programs in shares instead of cash. As a result of these developments, we derecognized the claims under these incentive programs and corresponding reimbursement claims recorded on the Company's consolidated statement of financial position in the nine-month period ended September 30, 2020, with the updated value of the claims of beneficiaries being recognized in equity.

Assuming placement of 28,571,429 New Shares at the mid-point of the Price Range and an exercise price for our virtual share incentive programs that corresponds to the Offer Price (*i.e.*, an exercise price of €35.00), and full vesting of all claims upon completion of the Offering, the Company expects that compensation claims under our existing virtual share incentive programs would amount to approximately €196.3 million in the aggregate. To the extent such claims are not yet recognized in equity, they will result in corresponding expenses following completion of the Offering.

Going forward, we intend to implement a new virtual share incentive program for certain key employees of AUTO1 Group. Claims under this incentive program will be recorded as expenses under our personnel expenses on the Company's consolidated statement of profit or loss and other comprehensive income. For further information on our future share-settled incentive program, see "*17.5.2 Future Incentive Program*".

In addition to virtual share incentive programs for certain key employees, freelancers, consultants and other supporters of AUTO1 Group, we have established incentive programs for our founders and for our members of the Management Board, see "*17.2.2.2 Variable Remuneration*" and "*17.5.1.3 Long-Term Incentive Program 2017*".

9.6 Key Factors Affecting Comparability

In the fiscal year ended December 31, 2019, we discovered that certain value-added tax receivables had been overstated in previous years. This error was corrected by restating the relevant line items recorded in the Company's consolidated statement of financial position and its consolidated statement of profit or loss and other comprehensive income for the prior year.

Adjustments affecting the fiscal year ended December 31, 2017 and previous fiscal years were recorded in the accumulated deficit as of January 1, 2018 accordingly. To ensure comparability, financial information as of and for the fiscal year ended December 31, 2017 has been restated for the purposes of this Prospectus. Unless indicated otherwise, all financial information with respect to the fiscal years ended December 31, 2018 and 2017 presented in the text, tables and discussion included in this Prospectus has been adjusted to reflect the error correction.

9.6.1 For the Fiscal Year Ended December 31, 2018

9.6.1.1 Consolidated Statement of Financial Position

The following table provides an overview of the effects of the error correction on the Company's consolidated statement of financial position as of December 31, 2018:

	As reported earlier	Adjustments	Restated
		(audited) (in € million)	
Trade receivables	41.3	(3.5)	37.8
Other assets (current)	68.2	(26.8)	41.3
Other	458.5	–	458.5
Total assets	**568.0**	**(30.4)**	**537.7**
Trade payables	75.6	1.7	77.3
Other	222.0	–	222.0
Total liabilities	**297.5**	**1.7**	**299.2**
Accumulated deficit	(391.4)	32.1	(423.4)
Other	661.8	–	661.8
Total equity	**270.5**	**(32.1)**	**238.4**

9.6.1.2 *Consolidated Statement of Profit or Loss and Other Comprehensive Income*

The following table provides an overview of the effects of the error correction on the Company's consolidated statement of profit or loss and other comprehensive income for the fiscal year ended December 31, 2018:

	As reported earlier	Adjustments	Restated
		(audited) (in € million)	
Revenue	2,855.9	(3.5)	2,852.4
Other operating expenses	(188.6)	(5.0)	(193.6)
Other	(2,784.4)	–	(2,784.4)
Loss for the year	**(117.1)**	**(8.6)**	**(125.7)**
Total comprehensive income	**(116.8)**	**(8.6)**	**(125.4)**

9.6.2 For the Fiscal Year Ended December 31, 2017

9.6.2.1 *Consolidated Statement of Financial Position*

The following table provides an overview of the effects of the error correction on the Company's consolidated statement of financial position as of December 31, 2017:

	As reported earlier	Adjustments	Restated
		(unaudited) (in € million)	
Other assets (current)	32.9	(23.5)	9.4
Other	426.9	–	426.9
Total assets	**459.8**	**(23.5)**	**436.3**
Total liabilities	**296.7**	–	**296.7**
Accumulated deficit	(274.0)	(23.5)	(297.5)
Other	437.0	–	437.0
Total equity	**163.1**	**(23.5)**	**139.6**

9.6.2.2 *Consolidated Statement of Profit or Loss and Other Comprehensive Income*

The following table provides an overview of the effects of the error correction on the Company's consolidated statement of profit or loss and other comprehensive income for the fiscal year ended December 31, 2017:

	As reported earlier	Adjustments	Restated
		(unaudited) (in € million)	
Revenue	2,177.4	–	2,177.4
Other operating expenses	(127.2)	(17.2)	(144.4)
Other	(2,115.8)	–	(2,115.8)
Loss for the year	**(65.7)**	**(17.2)**	**(82.8)**
Total comprehensive income	**(65.7)**	**(17.2)**	**(82.9)**

9.7 Results of Operations

The following table shows selected financial information taken from the Company's consolidated statement of profit or loss and other comprehensive income for the periods indicated:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2017	2018	2019	2019	2020
	(audited, unless stated otherwise) (in € million)			(unaudited) (in € million)	
Revenue	**2,177.4**	**2,852.4**	**3,476.0**	**2,531.0**	**2,050.5**
Cost of sales	(1,979.3)	(2,609.9)	(3,133.4)	(2,283.3)	(1,847.4)
Gross profit	**198.1**	**242.4**	**342.5**	**247.7**	**203.1**
Other operating income	1.9	6.3	11.6	6.1	9.9
Personnel expenses	(120.2)	(162.1)	(228.8)	(166.2)	(99.4)
Other operating expenses	(144.4)(1)	(193.6)	(218.1)	(159.2)	(114.1)
EBITDA	**(64.7)(1)**	**(107.0)**	**(92.8)**	**(71.6)**	**(0.5)**
Depreciation and amortization	(13.2)	(15.0)	(20.6)	(13.6)	(24.2)
EBIT	**(77.9)(1)**	**(122.0)**	**(113.4)**	**(85.3)**	**(24.8)**
Interest income and other finance income	–	0.3	0.7	0.0	0.0
Interest expense and other finance costs	(3.9)	(3.4)	(6.4)	(4.4)	(44.9)
Other financial result	–	–	–	–	(13.1)
Earnings before tax	**(81.8)(1)**	**(125.1)**	**(119.1)**	**(89.7)**	**(82.7)**
Income tax expense	(1.1)	(0.6)	(2.1)	(1.0)	(0.6)
Loss for the period	**(82.8)(1)**	**(125.7)**	**(121.3)**	**(90.7)**	**(83.3)**
Foreign currency translation differences	(0.0)	0.3	(0.8)	(0.2)	0.2
Total comprehensive income	**(82.9)(1)**	**(125.4)**	**(122.1)**	**(90.9)**	**(83.1)**

(1) Unaudited.

9.7.1 Revenue

Our revenue comprises revenue from our merchant and retail segments. Revenue in our merchant segment mainly consists of revenue from sales of used cars to professional dealers, but also includes fees from auction services, remarketing, logistics services and all other fees in connection with providing vehicles to professional dealers. Revenue in our retail segment comprises revenue from sales of used vehicles to individual consumers and commissions or interest received on consumer financing.

9.7.1.1 *Comparison of the Nine-Month Periods Ended September 30, 2019 and 2020*

In the nine-month period ended September 30, 2020, our revenue decreased by €480.5 million, or 19.0%, from €2,531.0 million in the nine-month period ended September 30, 2019 to €2,050.5 million, reflecting the strong adverse impact of the spread of the COVID-19 pandemic across our European markets, which forced us to temporarily shut down our operations. This development was particularly pronounced with respect to our merchant segment, where revenue declined by 20.6% during this period as many professional dealers temporarily suspended their operations. By comparison, our "Autohero" offering recorded a continued strong increase of its revenue by 61.0% in the nine-month period ended September 30, 2020 as we further expanded this offering and saw strong demand from consumers across our nine European markets.

9.7.1.2 *Comparison of the Fiscal Years Ended December 31, 2019 and 2018*

Our revenue increased by €623.6 million, or 21.9%, from €2,852.4 million in the fiscal year ended December 31, 2018 to €3,476.0 million in the fiscal year ended December 31, 2019, driven by growing demand for our online offering as well as our continued expansion into, and increased penetration of, additional markets across Europe, in particular in Southeastern Europe and Sweden. Revenue from sales under our "AUTO1" offering grew by 20.4% during this period, driven by growing overall demand as well as the continued expansion of our remarketing solutions. Our relatively young "Autohero" offering experienced even faster growth of 154.4% in the fiscal year ended December 31, 2019, as we fully marketed this offering in nine European markets for the first time.

9.7.1.3 *Comparison of the Fiscal Years Ended December 31, 2018 and 2017*

In the fiscal year ended December 31, 2018, our revenue increased by €675.0 million, or 31.0%, from €2,177.4 million in the fiscal year ended December 31, 2017 to €2,852.4 million. Such growth was mainly due to ongoing strong expansion of our "AUTO1" offering, which grew by 29.7% during this period, driven by continued strong demand for our used cars from professional dealers. In addition, we decided to build on the early success of our "Autohero" offering, which we piloted in Germany in the fiscal year ended December 31, 2017, by expanding pilot operations to additional European countries in the fiscal year ended December 31, 2018. As a result, revenue for this segment grew very rapidly in the fiscal year ended December 31, 2018.

9.7.2 Cost of Sales

Cost of sales represents the costs of sold cars and other cost of sales (*e.g.*, transport costs for the transport to customers, registration and de-registration costs, as well as write-downs on our inventory).

The following table provides a breakdown of our cost of sales for the periods indicated:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2017	2018	2019	2019	2020
		(audited) (in € million)		(unaudited) (in € million)	
Cost of sold cars	(1,928.4)	(2,545.4)	(3,038.2)	(2,215.9)	(1,782.0)
Other cost of sales	(50.9)	(64.6)	(95.2)	(67.3)	(65.4)
Total	**(1,979.3)**	**(2,609.9)**	**(3,133.4)**	**(2,283.3)**	**(1,847.4)**

9.7.2.1 *Comparison of the Nine-Month Periods Ended September 30, 2019 and 2020*

In the nine-month period ended September 30, 2020, our cost of sales decreased by €435.9 million, or 19.1%, from €2,283.3 million in the nine-month period ended September 30, 2019 to €1,847.4 million, reflecting the decline in revenue as we temporarily suspended our operations in light of the COVID-19 pandemic, which was the main driver behind the decline of our cost of sold cars by €433.9 million. Likewise, other cost of sales, which primarily reflect costs for the delivery of used cars, decreased by €2.0 million during this period.

As a result of our ability to further optimize our pricing and anticipate the decline in demand resulting from the COVID-19 pandemic, we were able to slightly improve our gross profit margin by 10 basis points from 9.8% in the nine-month period ended September 30, 2019 to 9.9% in the nine-month period ended September 30, 2020.

9.7.2.2 *Comparison of the Fiscal Years Ended December 31, 2019 and 2018*

Our cost of sales increased by €523.5 million, or 20.1%, from €2,609.9 million in the fiscal year ended December 31, 2018 to €3,133.4 million in the fiscal year ended December 31, 2019, mainly due to the increase in our cost of sold cars by €492.8 million as we further expanded the number of sourced cars. Other cost of sales increased by €30.6 million in the fiscal year ended December 31, 2018, reflecting the increased number of used cars delivered to our customers and the corresponding transportation and storage costs, while write-downs on our inventory decreased by €5.5 million.

As a result of our ability to improve our sourcing by leveraging our transaction data to optimize our purchase prices, our gross profit margin improved by 140 basis points from 8.5% in the fiscal year ended December 31, 2018 to 9.9% in the fiscal year ended December 31, 2019.

9.7.2.3 *Comparison of the Fiscal Years Ended December 31, 2018 and 2017*

In the fiscal year ended December 31, 2018, cost of sales increased by €630.6 million, or 31.9%, from €1,979.3 million in the fiscal year ended December 31, 2017 to €2,609.9 million, as we increased the number of cars purchased for our expanding offering, which is reflected in the increase of cost of sold cars by €617.0 million. In addition, our other cost of sales increased by €13.7 million due to additional logistics costs incurred for the transportation and handling of an increasing number of used cars as our business continued to grow.

Towards the end of the fiscal year ended December 31, 2018, we decided to clear out certain used cars from our inventory that had been held in inventory considerably longer than anticipated. These cars included diesel-powered vehicles, which were in low demand in Germany at the time due to the introduction of diesel bans in a number of cities. To significantly reduce our inventory, we significantly lowered our prices for the cars we were looking to clear from our inventory. As a result, our gross profit margin decreased by 60 basis points from 9.1% in the fiscal year ended December 31, 2017 to 8.5% in the fiscal year ended December 31, 2018.

9.7.3 Other Operating Income

Other operating income primarily comprises fees and claims in connection with the settlement of car deals, late payment fees, rental income, insurance reimbursements, exchange rate gains and income from the release of provisions.

9.7.3.1 *Comparison of the Nine-Month Periods Ended September 30, 2019 and 2020*

Our other operating income increased by €3.8 million, or 62.3%, from €6.1 million in the nine-month period ended September 30, 2019 to €9.9 million in the nine-month period ended September 30, 2020. Such other operating income primarily comprised currency translation gains and shifts in income between periods.

9.7.3.2 *Comparison of the Fiscal Years Ended December 31, 2019 and 2018*

In the fiscal year ended December 31, 2019, other operating income increased by €5.3 million, or 84.1%, from €6.3 million in the fiscal year ended December 31, 2018 to €11.6 million. Such other income mainly comprised compensation for damages claims against insurance providers covering used cars in our inventory in an amount of €3.6 million and a management fee from AUTO1 FT GmbH ("**FinTech**") (see "*12.12 Litigation*") for providing corporate functions and support services.

9.7.3.3 *Comparison of the Fiscal Years Ended December 31, 2018 and 2017*

Our other operating income increased by €4.4 million from €1.9 million in the fiscal year ended December 31, 2017 to €6.3 million in the fiscal year ended December 31, 2018. Such operating income primarily comprised income from currency translation, the reversal of provisions for outstanding provisions and luxury tax refunds in connection with used cars purchased in Austria and the Netherlands, which were subsequently exported to other countries.

9.7.4 Personnel Expenses

Personnel expenses comprise wages and salaries, social security contributions, share-based payment and other personnel expenses.

The following table provides a breakdown of our personnel expenses for the periods indicated:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	(audited, unless stated otherwise) (in € million)			(unaudited) (in € million)	
Wages and salaries	(87.1)[1]	(119.8)	(151.6)	(109.4)	(85.9)
Social security contributions	(20.7)[1]	(28.3)	(35.4)	(26.3)	(20.4)
Share-based payment	(10.1)	(10.8)	(36.9)	(26.9)	10.6
Other	(2.3)[1]	(3.3)	(4.8)	(3.6)	3.8
Total	**(120.2)**	**(162.1)**	**(228.8)**	**(166.2)**	**(99.4)**

(1) Unaudited.

9.7.4.1 *Comparison of the Nine-Month Periods Ended September 30, 2019 and 2020*

In the nine-month period ended September 30, 2020, our personnel expenses decreased significantly by €66.8 million, or 40.2%, from €166.2 million in the nine-month period ended September 30, 2019 to €99.4 million, as we temporarily introduced short-time work (*Kurzarbeit*) with respect to parts of our German workforce and used similar measures to reduce personnel expenses in other European markets to mitigate the adverse effects of the COVID-19 pandemic. As a result of these measures, our average number of employees (full-time equivalent) decreased from 4,342 in the nine-month period ended September 30, 2019 to 4,165 in the nine-month period ended September 30, 2020, primarily due to the reduction of our workforce. In addition, share-based payment expenses decreased by €37.5 million in the nine-month period ended September 30, 2020 compared to the corresponding prior year period. This reflects the fact that we resolved to settle claims under our virtual share incentive programs in shares instead of cash (see "*9.5.9 Share-Based Incentive Programs*").

9.7.4.2 *Comparison of the Fiscal Years Ended December 31, 2019 and 2018*

Our total personnel expenses increased by €66.7 million, or 41.1%, from €162.1 million in the fiscal year ended December 31, 2018 to €228.8 million in the fiscal year ended December 31, 2019, driven by the increase of wages and salaries by €31.8 million. This reflects the rise in the average number of employees (full-time equivalent) from 3,546 to 4,418, with the number of employees increasing both at our headquarters in Berlin, Germany, as well as at our multiple drop-off and pick-up locations. In addition, share-based payment expenses rose by €26.1 million in the fiscal year ended December 31, 2019, given that an increased equity value was used to calculate the value of our share-based compensation, reflecting the continued success of our business.

9.7.4.3 *Comparison of the Fiscal Years Ended December 31, 2018 and 2017*

In the fiscal year ended December 31, 2018, personnel expenses increased by €41.9 million, or 34.9%, from €120.2 million in the fiscal year ended December 31, 2017 to €162.1 million, primarily as a result of the increase in the average number of employees (full-time equivalent) from 2,777 to 3,546 as we continued to expand our platform across Europe. This is reflected in the increase of wages and salaries by €32.7 million and social security contributions by €7.6 million in the fiscal year ended December 31, 2018.

9.7.5 Other Operating Expenses

Other operating expenses comprise marketing costs, internal logistics costs (*i.e.*, logistics costs incurred for the transportation from a drop-off location to a logistics compound and storage of used cars which have not been sold yet), legal and consulting fees, impairment on receivables and other expenses.

The following table provides a breakdown of our other operating expenses for the periods indicated:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2017	2018	2019	2019	2020
		(audited) (in € million)		(unaudited) (in € million)	
Marketing costs	(65.0)[1]	(96.9)	(122.7)	(87.7)	(49.5)
Internal logistics costs	(24.4)[1]	(33.9)	(45.0)	(33.2)	(23.5)
Legal and consulting	(6.0)	(8.7)	(6.5)	(5.3)	(8.4)
Impairment on receivables	(0.8)	(0.2)	(0.5)	0.0	0.0
Other expenses	(48.1)[1]	(54.0)	(43.4)	(32.9)	(32.7)
Total	**(144.4)**	**(193.6)**	**(218.1)**	**(159.2)**	**(114.1)**

(1) Unaudited.

9.7.5.1 *Comparison of the Nine-Month Periods Ended September 30, 2019 and 2020*

In the nine-month period ended September 30, 2020, our other operating expenses decreased by €45.1 million, or 28.3%, from €159.2 million in the nine-month period ended September 30, 2019 to €114.1 million, primarily due to the reduction of our marketing costs by €38.2 million during this period, reflecting our decision to temporarily suspend marketing activities in light of lower demand due to the COVID-19 pandemic. In addition, internal logistics costs decreased by €9.7 million in the nine-month period ended September 30, 2020 as a result of a decline in the number of car transports.

9.7.5.2 *Comparison of the Fiscal Years Ended December 31, 2019 and 2018*

Other operating expenses increased by €24.5 million, or 12.7%, from €193.6 million in the fiscal year ended December 31, 2018 to €218.1 million in the fiscal year ended December 31, 2019. The increase was primarily due to a rise of marketing costs by €25.8 million as we continued to commission more radio and television commercials for our "wirkaufendeinauto.de" brand and other local sourcing brands. In addition, internal logistics costs increased by €11.1 million, reflecting the increased number of used cars sourced and transported between our drop-off and pick-up locations and third-party logistics compounds. These developments were only partially offset by the decline in other expenses by €10.6 million in the fiscal year ended December 31, 2019, reflecting our more stringent cost management during this period.

9.7.5.3 *Comparison of the Fiscal Years Ended December 31, 2018 and 2017*

In the fiscal year ended December 31, 2018, other operating expenses increased by €49.2 million, or 34.1%, from €144.4 million in the fiscal year ended December 31, 2017 to €193.6 million. This increase was mainly driven by higher marketing costs, which rose by €31.9 million, among other things, reflecting increased marketing spending for our consumer brands in connection with our sourcing. An increase of internal logistics costs by €9.4 million primarily reflects an increased number of used cars sourced, transported and stored as part of our growing business.

9.7.6 EBITDA

9.7.6.1 *Comparison of the Nine-Month Periods Ended September 30, 2019 and 2020*

In the nine-month period ended September 30, 2020, our EBITDA improved by €71.1 million, or 99.3%, from a negative EBITDA of €71.6 million in the nine-month period ended September 30, 2019 to a negative EBITDA of €0.5 million, evidencing our ability to continue to achieve economies of scale and to improve our cost base despite the adverse effects of the COVID-19 pandemic.

As a result, our EBITDA margin improved by 280 basis points from a negative margin of 2.8% in the nine-month period ended September 30, 2019 to a negative margin of 0.0% in the nine-month period ended September 30, 2020.

Adjusting for the effects of share-based payments and other non-operating effects, our Adjusted EBITDA margin improved by 190 basis points from a negative margin of 1.6% in the nine-month period ended September 30, 2019 to a positive margin of 0.3% in the nine-month period ended September 30, 2020 as we were able to achieve profitability on an Adjusted EBITDA level for the entire AUTO1 Group for the first time.

9.7.6.2 *Comparison of the Fiscal Years Ended December 31, 2019 and 2018*

Our EBITDA improved by €14.2 million, or 13.3%, from a negative EBITDA of €107.0 million in the fiscal year ended December 31, 2018 to a negative EBITDA of €92.8 million in the fiscal year ended December 31, 2019, driven by economies of scale we were able to achieve in our "AUTO1" offering to professional dealers, as well as our more stringent cost management.

Due to these developments, our EBITDA margin improved by 110 basis points to a negative margin of 2.7% in the fiscal year ended December 31, 2019, compared to a negative margin of 3.8% in the fiscal year ended December 31, 2018.

Adjusting for the effects of share-based payments and other non-operating effects, our Adjusted EBITDA margin improved by 150 basis points to a negative margin of 1.7% in the fiscal year ended December 31, 2019, compared to a negative margin of 3.2% in the fiscal year ended December 31, 2018, as a result of the significant increase in adjustments for share-based payments.

9.7.6.3 *Comparison of the Fiscal Years Ended December 31, 2018 and 2017*

In the fiscal year ended December 31, 2018, our EBITDA shrunk by €42.3 million, or 65.4%, from a negative EBITDA of €64.7 million in the fiscal year ended December 31, 2017 to a negative EBITDA of €107.0 million, as we recorded significant expenses with the ramp-up of our consumer offering, as well as increased marketing costs for our sourcing from consumers.

As a result of these developments, our EBITDA margin slightly declined from a negative margin of 3.0% in the fiscal year ended December 31, 2017 by 80 basis points to a negative margin of 3.8% in the fiscal year ended December 31, 2018.

Adjusting for the effects of share-based payments and other non-operating effects, our Adjusted EBITDA margin declined by 150 basis points to a negative margin of 3.2% in the fiscal year ended December 31, 2018, compared to a negative margin of 1.7% in the fiscal year ended December 31, 2017, Adjustments in the fiscal year ended December 31, 2018 primarily related to share-based payments, while the value-added tax correction represented a key correction in the previous fiscal year.

9.7.7 Depreciation and Amortization

9.7.7.1 *Comparison of the Nine-Month Periods Ended September 30, 2019 and 2020*

In the nine-month period ended September 30, 2020, amortization and depreciation increased by €10.6 million, or 77.9%, from €13.6 million in the nine-month period ended September 30, 2019 to €24.2 million, reflecting impairment expenses on a loan and interest thereon in an aggregate amount of €5.7 million, as well as an increase in the number of rental agreements and higher rent thereon.

9.7.7.2 *Comparison of the Fiscal Years Ended December 31, 2019 and 2018*

Amortization and depreciation increased by €5.6 million, or 37.3%, from €15.0 million in the fiscal year ended December 31, 2018 to €20.6 million in the fiscal year ended December 31, 2019, rising faster than our revenue due to the increase in the number of drop-off and pick-up locations.

9.7.7.3 *Comparison of the Fiscal Years Ended December 31, 2018 and 2017*

In the fiscal year ended December 31, 2018, amortization and depreciation increased by €1.8 million, or 13.6%, from €13.2 million in the fiscal year ended December 31, 2017 to €15.0 million, reflecting our expanding platform.

9.7.8 Financial Result

Our financial result represents the difference between (i) interest income and other finance income on the one hand, and (ii) interest expense and other interest and similar expenses on the other hand.

The following table provides a breakdown of our finance result for the periods indicated:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2017	2018	2019	2019	2020
		(audited) (in € million)		(unaudited) (in € million)	
Interest income	–	0.2	0.4	0.0	0.0
Other finance income	–	0.0	0.2	–	–
Total interest income and other finance income	–	**0.3**	**0.7**	**0.0**	**0.0**
Interest expenses	(3.8)	(3.3)	(6.4)	(4.4)	(44.9)
Other interest and similar expenses	(0.0)	(0.0)	–	–	–
Total interest expense and other finance costs	**(3.9)**	**(3.4)**	**(6.4)**	**(4.4)**	**(44.9)**
Other financial result	–	–	–	–	**(13.1)**
Financial result	**(3.9)**	**(3.1)**	**(5.7)**	**(4.4)**	**(58.0)**

9.7.8.1 *Comparison of the Nine-Month Periods Ended September 30, 2019 and 2020*

In the nine-month period ended September 30, 2020, our financial result deteriorated from a finance expense of €4.4 million in the nine-month period ended September 30, 2019 by €53.6 million to a finance expense of €58.0 million. This was driven by the significant increase in our interest expenses by €40.5 million, reflecting interest on our Convertible Loan, which we entered into in February 2020. Interest on the Convertible Loan accelerated in the three-month period ended September 30, 2020 in anticipation of the Offering (see "*12.13.2 Our Convertible Loan*"). In addition, we recorded a negative other financial result in an amount of €13.1 million during this period, reflecting the higher value of an embedded derivative under our Convertible Loan which increased in anticipation of the Offering in January 2021.

9.7.8.2 *Comparison of the Fiscal Years Ended December 31, 2019 and 2018*

Our financial result decreased by €2.6 million, or 83.9%, from a finance expense of €3.1 million in the fiscal year ended December 31, 2018 to a finance expense of €5.7 million in the fiscal year ended December 31, 2019, driven by the increase of our interest expenses by €3.1 million due to the increased funds drawn under a revolving facility to finance our inventory.

9.7.8.3 *Comparison of the Fiscal Years Ended December 31, 2018 and 2017*

In the fiscal year ended December 31, 2018, our financial result improved by €0.8 million, or 20.5%, from a finance expense of €3.9 million in the fiscal year ended December 31, 2017 to a finance expense of €3.1 million, primarily as a result of the decrease of interest expenses by €0.5 million, which reflects the fact that we drew less financing under our revolving facility due to a capital increase (see "*16.1.2 Development of the Share Capital*").

9.7.9 Income Taxes

Income taxes represent current income tax expenses and deferred income taxes.

The following table provides a breakdown of our income taxes for the periods indicated:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2017	**2018**	**2019**	**2019**	**2020**
		(audited) **(in € million)**		**(unaudited)** **(in € million)**	
Deferred tax expense	–	–	(0.1)	–	–
Current tax expense (current year)	(1.1)	(1.0)	(2.0)	(1.0)	(0.6)
Current tax expense (changes in estimates related to prior years)	0.0	0.4	–	–	–
Total	**(1.1)**	**(0.6)**	**(2.1)**	**(1.0)**	**(0.6)**

9.7.9.1 *Comparison of the Nine-Month Periods Ended September 30, 2019 and 2020*

In the nine-month period ended September 30, 2020, total income taxes decreased by €0.4 million, or 40.0%, from €1.0 million in the nine-month period ended September 30, 2019 to €0.6 million.

9.7.9.2 *Comparison of the Fiscal Years Ended December 31, 2019 and 2018*

Total income taxes increased by €1.5 million from a tax expense of €0.6 million in the fiscal year ended December 31, 2018 to a tax expense of €2.1 million in the fiscal year ended December 31, 2019, primarily driven by the increase of tax expenses for the current year by €1.0 million. Such tax expenses primarily result from internal service level agreements among local entities of AUTO1 Group.

9.7.9.3 *Comparison of the Fiscal Years Ended December 31, 2018 and 2017*

In the fiscal year ended December 31, 2018, our total income taxes decreased by €0.5 million, or 45.5%, from a tax expense of €1.1 million in the fiscal year ended December 31, 2017 to a tax expense of €0.6 million. This decrease resulted from tax income of €0.4 million from tax repayments for prior periods.

9.8 Assets, Equity and Liabilities

9.8.1 Assets

The following table provides a breakdown of our assets as of the dates indicated:

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	(audited, unless stated otherwise) (in € million)			(unaudited) (in € million)
Intangible assets	0.1	0.0	0.0	0.1
Property, plant and equipment	39.3	46.7	55.1	53.3
Investments accounted for using the equity method	–	0.0	0.0	0.0
Other financial assets (non-current)	63.2	80.0	118.7	4.4
Other assets (non-current)	1.0	1.0	2.2	2.1
Deferred tax assets	–	–	0.6	0.6
Non-current assets	**103.6**	**127.7**	**176.6**	**60.5**
Inventories	241.7	208.3	248.1	132.9
Trade and other receivables	27.6	37.8	46.8	51.6
Income tax receivables	0.5	3.5	1.1	0.5
Other financial assets (current)	1.0	2.5	0.8	0.9
Other assets (current)	9.4(1)	41.3	74.3	73.5
Cash and cash equivalents	52.5	116.5	57.6	252.3
Current assets	**332.7(1)**	**409.9**	**428.8**	**511.8**
Total assets	**436.3(1)**	**537.7**	**605.4**	**572.3**

(1) Unaudited.

9.8.1.1 <u>September 30, 2020 compared to December 31, 2019</u>

In the nine-month period ended September 30, 2020, our total assets decreased by €33.1 million, or 5.5%, from €605.4 million as of December 31, 2019 to €572.3 million as of September 30, 2020 due to the decrease of our non-current assets.

These non-current assets declined by €116.1 million, or 65.7%, in the nine-month period ended September 30, 2020 from €176.6 million as of December 31, 2019 to €60.5 million as of September 30, 2020, driven by the significant reduction of our non-current other financial assets by €114.3 million, reflecting the derecognition of reimbursement claims against our shareholders in connection with claims of beneficiaries under our existing virtual share incentive programs (see "*9.5.9 Share-Based Incentive Programs*").

By comparison, our current assets increased by €83.0 million, or 19.4%, in the nine-month period ended September 30, 2020 from €428.8 million as of December 31, 2019 to €511.8 million as of September 30, 2020. This increase was primarily due to the growth of cash and cash equivalents by €194.7 million during this period, reflecting proceeds obtained through our Convertible Loan (see "*12.13.2 Our Convertible Loan*") and funds from the reduction of our inventory. Such inventory decreased by €115.2 million in the nine-month period ended September 30, 2020, reflecting our ability to quickly adapt to lower demand in light of the spread of the COVID-19 pandemic and our successes in improving inventory turnover.

9.8.1.2 *December 31, 2019 compared to December 31, 2018*

In the fiscal year ended December 31, 2019, our total assets increased by €67.7 million, or 12.6%, from €537.7 million as of December 31, 2018 to €605.4 million as of December 31, 2019, driven by an increase in both current and non-current assets.

The latter rose by €48.9 million, or 38.3%, in the fiscal year ended December 31, 2019, from €127.7 million as of December 31, 2018 to €176.6 million as of December 31, 2019, driven by an increase in non-current other financial assets by €38.7 million, mainly reflecting receivables of the Company against its existing shareholders in connection with share-based payments in case of certain exit events (see "*9.5.9 Share-Based Incentive Programs*"). In addition, property plant and equipment increased by €8.4 million, reflecting further investments in office equipment and the outfitting of additional drop-off and pick-up locations as well as new rental agreements for our locations, as these agreements were recognized as right-of-use assets pursuant to IFRS 16.

Our current assets increased by €18.9 million, or 4.6%, in the fiscal year ended December 31, 2019, from €409.9 million as of December 31, 2018 to €428.8 million as of December 31, 2019, primarily due to the increase of our inventories by €39.8 million as we continued to expand our product offerings under our "AUTO1" and "Autohero" brands. Current other assets increased by €33.0 million, mainly due to value-added tax receivables resulting from the continued growth of our business. Furthermore, trade and other receivables rose by €9.0 million as a result of timing differences in the payment of receivables. These developments were only partially offset by the decrease in cash and cash equivalents by €58.9 million in the fiscal year ended December 31, 2019, reflecting our cash outflows to fund our continued expansion.

9.8.1.3 *December 31, 2018 compared to December 31, 2017*

Our total assets increased by €101.4 million, or 23.2%, from €436.3 million as of December 31, 2017 to €537.7 million as of December 31, 2018, driven by an increase in both current and non-current assets.

In the fiscal year ended December 31, 2018, non-current assets increased by €24.1 million, or 23.3%, from €103.6 million as of December 31, 2017 to €127.7 million as of December 31, 2018, primarily due to the increase of non-current other financial assets by €16.8 million, mainly reflecting receivables of the Company against its existing shareholders in connection with share-based payments in case of certain exit events (see "*9.5.9 Share-Based Incentive Programs*") as well as a loan provided to FinTech. Furthermore, our property plant and equipment increased by €7.4 million, which reflects further investments in office equipment and the outfitting of additional drop-off and pick-up locations as well as new rental agreements for our locations, as these agreements were recognized as right-of-use assets pursuant to IFRS 16.

Current assets increased by €77.2 million, or 23.2%, in the fiscal year ended December 31, 2018, from €332.7 million as of December 31, 2017 to €409.9 million as of December 31, 2018, primarily due to the increase in cash and cash equivalents by €64.0 million, reflecting cash inflows in connection with a capital increase (see "*16.1.2 Development of the Share Capital*"). In addition, trade and other receivables increased by €10.2 million as we continued to grow our number of sales of used cars completed during the period, while other current assets increased by €31.9 million as value-added tax receivables grew due to the overall growth of our business. These developments were only partially offset by the decline in inventories by €33.4 million in the fiscal year ended December 31, 2018, which reflects the reduction of our inventory towards the end of the year as we sold used cars that had been in our inventory longer than anticipated, including diesel-powered vehicles. Furthermore, we were able to shorten the duration for which cars were held in inventory by achieving faster inventory turnover.

9.8.2 Equity

The following table provides a breakdown of our equity as of the dates indicated:

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	(audited, unless stated otherwise) (in € million)			(unaudited) (in € million)
Subscribed capital	3.1	3.4	3.4	3.5
Capital reserves	373.7	587.1	587.1	587.1
Other reserves	60.2	71.3	107.4	97.1
Retained earnings	(297.5)[(1)]	(423.4)	(544.7)	(628.0)
Total equity	**139.6[(1)]**	**238.4**	**153.3**	**59.7**

(1) Unaudited.

9.8.2.1 <u>*September 30, 2020 compared to December 31, 2019*</u>

In the nine-month period ended September 30, 2020, our equity decreased by €93.6 million, or 61.1%, from €153.3 million as of December 31, 2019 to €59.7 million as of September 30, 2020. This decrease was primarily driven by a further reduction of our retained earnings, which declined by €83.3 million during this period, primarily reflecting our losses in the nine-month period ended September 30, 2020.

9.8.2.2 <u>*December 31, 2019 compared to December 31, 2018*</u>

In the fiscal year ended December 31, 2019, our equity decreased by €85.1 million, or 35.7%, from €238.4 million as of December 31, 2018 to €153.3 million as of December 31, 2019. This decrease was driven by the continued reduction of our retained earnings, which decreased by €121.3 million as a result of the losses incurred during the period. By comparison, our other reserves increased by €36.1 million in the fiscal year ended December 31, 2019, reflecting an increase in compensation claims against shareholders of the Company in connection with share-based payment obligations (see "*9.5.9 Share-Based Incentive Programs*").

9.8.2.3 <u>*December 31, 2018 compared to December 31, 2017*</u>

Equity increased by €98.8 million, or 70.8%, in the fiscal year ended December 31, 2018, from €139.6 million as of December 31, 2017 to €238.4 million as of December 31, 2018, reflecting capital received in an amount of €213.7 million as part of a capital increase completed at the beginning of 2018 (see "*16.1.2 Development of the Share Capital*"). In addition, our other reserves increased by €11.1 million due to higher compensation claims against shareholders of the Company in connection with share-based payment obligations (see "*9.5.9 Share-Based Incentive Programs*"). These effects were only partially offset by our losses for the year in an amount of €125.7 million in the fiscal year ended December 31, 2018, which were the main driver behind the decrease of our retained earnings by €125.9 million during the period.

9.8.3 Liabilities

The following table provides a breakdown of our liabilities as of the dates indicated:

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	(audited) (in € million)			(unaudited) (in € million)
Borrowings (non-current)	70.0	50.0	151.0	305.7
Other financial liabilities (non-current)	26.8	30.4	36.3	34.1
Share-based payment obligation	60.7	71.6	108.5	–
Provisions (non-current)	1.6	0.4	0.1	0.1
Other liabilities (non-current)	1.5	1.0	2.1	1.8
Income tax liabilities	–	–	0.0	0.0
Non-current liabilities	**160.6**	**153.3**	**298.0**	**341.8**

	As of December 31,			As of September 30,
	2017	2018	2019	2020
		(audited) (in € million)		(unaudited) (in € million)
Borrowings (current)	58.3	20.2	20.4	0.0
Trade payables	36.0	77.3	52.1	80.2
Other financial liabilities (current)	11.8	13.4	17.5	15.7
Provisions (current)	2.4	2.4	3.0	8.0
Other liabilities (current)	26.3	30.8	60.1	65.6
Income tax liabilities	1.2	1.8	0.9	1.2
Current liabilities	**136.1**	**145.9**	**154.0**	**170.8**
Total liabilities	**296.7**	**299.2**	**452.1**	**512.6**

9.8.3.1 *September 30, 2020 compared to December 31, 2019*

In the nine-month period ended September 30, 2020, our total liabilities increased by €60.5 million, or 13.4%, from €452.1 million as of December 31, 2019 to €512.6 million as of September 30, 2020, driven by increases in both our non-current and current liabilities.

Our non-current liabilities increased by €43.8 million, or 14.7%, from €298.0 million as of December 31, 2019 to €341.8 million as of September 30, 2020 due to an increase of our non-current borrowings by €154.7 million as we entered into our Convertible Loan for €255 million to obtain additional financing (see "*12.13.2 Our Convertible Loan*"). By comparison, we derecognized liabilities for share-based payment obligations in an amount of €108.5 million during this period, reflecting the fact that we resolved to settle such obligations in shares instead of cash (see "*9.5.9 Share-Based Incentive Programs*").

In the nine-month period ended September 30, 2020, our current liabilities increased by €16.8 million, or 10.9%, from €154.0 million as of December 31, 2019 to €170.8 million as of September 30, 2020, driven by the increase in trade payables by €28.1 million as a result of stricter payment targets implemented by us. These developments were only partially offset by the decline in current borrowings by €20.4 million in the nine-month period ended September 30, 2020 as we repaid certain existing financing.

9.8.3.2 *December 31, 2019 compared to December 31, 2018*

In the fiscal year ended December 31, 2019, our total liabilities increased from €299.2 million as of December 31, 2018 by €152.9 million, or 51.1%, to €452.1 million as of December 31, 2019, primarily driven by a strong increase in non-current liabilities.

Such non-current liabilities increased by €144.7 million, or 94.4%, in the fiscal year ended December 31, 2019, from €153.3 million as of December 31, 2018 to €298.0 million as of December 31, 2019, driven by an increase of non-current borrowings by €101.0 million, reflecting new debt funding in the form of revolving facility to finance our inventory with a maximum line of credit of €235 million obtained by us. In addition, our share-based payment obligations increased by €36.9 million, mainly as a result of the increase of the Company's equity value used to calculate these obligations.

Our current liabilities increased by €8.1 million, or 5.6%, in the fiscal year ended December 31, 2019, from €145.9 million as of December 31, 2018 to €154.0 million as of December 31, 2019, primarily due to the increase in current other liabilities by €29.3 million, reflecting our strong growth. By comparison, trade payables decreased by €25.2 million in the fiscal year ended December 31, 2019 as a result of changes in working capital in the ordinary course.

9.8.3.3 *December 31, 2018 compared to December 31, 2017*

Our total liabilities remained almost unchanged in the fiscal year ended December 31, 2018, increasing from €296.7 million as of December 31, 2017 by €2.5 million, or 0.8%, to €299.2 million as of December 31, 2018.

In the fiscal year ended December 31, 2018, our non-current liabilities decreased by €7.3 million, or 4.5%, from €160.6 million as of December 31, 2017 to €153.3 million as of December 31, 2018. This decrease was mainly due to the reduction in our non-current borrowings by €20.0 million, as we drew a lower amount under our revolving facility. Share-based payment obligations, however, increased by €10.9 million in the fiscal year ended December 31, 2018, primarily as a result of the granting of additional virtual shares being granted under our virtual share incentive programs.

Current liabilities increased by €9.8 million, or 7.2%, in the fiscal year ended December 31, 2018, from €136.1 million as of December 31, 2017 to €145.9 million as of December 31, 2018, mainly driven by the increase in trade payables by €41.3 million resulting from our strong growth during the period. This development was only partially offset by the decrease in our current borrowings by €38.1 million, which reflects less funding for inventory required at the end of the year as we were able to reduce the number of used cars in our inventory.

9.9 Liquidity and Capital Resources

9.9.1 Consolidated Statement of Cash Flows

The following table provides a breakdown of our cash flows for the periods indicated:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2017	2018	2019	2019	2020
	(audited, unless stated otherwise) (in € million)			(unaudited) (in € million)	
Net loss for the period	**(82.8)[1]**	**(125.7)**	**(121.3)**	**(90.7)**	**(83.3)**
Adjustments for	**31.3**	**28.6**	**64.7**	**44.9**	**77.4**
Amortization and depreciation	13.2	15.0	20.6	13.6	24.2
Financial result	3.9	3.1	5.7	4.4	58.0
Income tax expense	1.1	0.6	2.1	1.0	0.6
Change in provisions and employee benefit obligations	3.1	(1.2)	0.3	(0.9)	5.0
Change in receivables from share-based payments	10.1	10.8	36.9	26.9	(10.6)
Gain/loss from the disposal of property, plant and equipment	–	–	(0.2)	–	–
Other non-cash effects	(0.0)	0.3	(0.8)	(0.2)	0.2
Changes in operating assets and liabilities	**(82.9)[1]**	**30.7**	**(75.5)**	**(29.9)**	**142.2**
Change in operating assets	(82.1)[1]	(14.1)	(81.7)	(85.9)	220.4
Change in operating liabilities	(0.7)	44.8	6.2	56.1	(78.2)
Other cash flows used in operating activities	**(3.6)**	**(3.2)**	**(6.3)**	**(4.4)**	**(3.0)**
Interest received	–	0.3	0.2	0.0	–
Interest paid	(3.6)	(3.5)	(4.9)	(3.4)	(2.5)
Taxes paid	–	–	(1.6)	(1.0)	(0.6)
Net cash flow from operating activities	**(138.0)**	**(69.6)**	**(138.4)**	**(80.0)**	**133.3**
Payments for investment in property, plant and equipment and financial assets	(1.6)	(8.7)	(3.6)	(2.2)	(1.7)
Proceeds from sale of property, plant and equipment and financial assets	0.1	0.9	0.3	0.3	0.3
Net cash from/(used in) investing activities	**(1.5)**	**(7.9)**	**(3.3)**	**(1.9)**	**(1.4)**

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2017	2018	2019	2019	2020
	(audited, unless stated otherwise) (in € million)			(unaudited) (in € million)	
Proceeds from capital increase	100.2	213.7	–	–	0.0
Payments to shareholders	–	(0.3)	–	–	–
Proceeds from/(payments for the repayment of) liabilities to banks and shareholder loan	48.0	(58.0)	101.0	35.0	81.0
Payments for lease transactions	(11.6)	(13.9)	(18.3)	(15.1)	(18.2)
Net cash from/(used in) financing activities	**136.5**	**141.5**	**82.7**	**19.9**	**62.8**
Net change in cash and cash equivalents	**(3.0)**	**64.0**	**(58.9)**	**(62.1)**	**194.7**

(1) Unaudited.

9.9.1.1 *Net Cash Flow from Operating Activities*

9.9.1.1.1 Comparison of the Nine-Month Periods Ended September 30, 2019 and 2020

In the nine-month period ended September 30, 2020, our net cash flow from operating activities changed from a cash outflow of €80.0 million in the nine-month period ended September 30, 2019 by €213.3 million to a cash inflow of €133.3 million. This change primarily resulted from a reduction of our working capital (*i.e.*, our operating assets and liabilities) by €172.1 million, in particular the reduction of our inventory in light of the COVID-19 pandemic. Adjustments for non-cash effective items amounted to €77.4 million in the nine-month period ended September 30, 2020 compared to €44.9 million during the corresponding prior year period, primarily comprising adjustments for financial result in an amount of €58.0 million, primarily reflecting the higher value of our Convertible Loan in anticipation of the Offering.

9.9.1.1.2 Comparison of the Fiscal Years Ended December 31, 2019 and 2018

Our net cash flow from operating activities changed from a cash outflow of €69.6 million in the fiscal year ended December 31, 2018 by €68.8 million, or 98.9%, to a cash outflow of €138.4 million in the fiscal year ended December 31, 2019, driven by changes in operating assets and liabilities, which resulted in a cash outflow of €75.5 million during the period (compared to a cash inflow of €30.7 million during the prior year). These changes reflect the increase of our working capital, primarily resulting from acquiring additional used cars to increase our inventory. By comparison, adjustments for non-cash effective items increased by €36.1 million in the fiscal year ended December 31, 2019, driven by an increase in adjustments for the receivables against the shareholders of the Company in connection with share-based payment obligations (see "*9.5.9 Share-Based Incentive Programs*") by €26.1 million.

9.9.1.1.3 Comparison of the Fiscal Years Ended December 31, 2018 and 2017

In the fiscal year ended December 31, 2018, our net cash flow from operating activities changed from a cash outflow of €138.0 million in the fiscal year ended December 31, 2017 by €68.4 million, or 49.6%, to a cash outflow of €69.6 million, driven by the reduction of cash outflows for changes in operating assets and liabilities. These amounted to €82.9 million in the fiscal year ended December 31, 2017, while we recorded a cash inflow of €30.7 million for such adjustments in the fiscal year ended December 31, 2018. The change primarily resulted from the reduction of used cars in our inventory towards the end of the year. These developments were only partially offset by the increase in our net loss for the period by €42.9 million in the fiscal year ended December 31, 2018 as we continued to rapidly expand our business.

9.9.1.2 *Net Cash Flow from/(used in) Investing Activities*

9.9.1.2.1 Comparison of the Nine-Month Periods Ended September 30, 2019 and 2020

Our net cash flow from/(used in) investing activities improved from a cash outflow of €1.9 million in the nine-month period ended September 30, 2019 by €0.5 million, or 26.3%, to a cash outflow of €1.4 million in nine-month period ended September 30, 2020. Such cash outflows primarily comprised payments for investments in property, plant and equipment and financial assets, which mainly reflect our investments in adding additional equipment for drop-off and pick-up locations.

9.9.1.2.2 Comparison of the Fiscal Years Ended December 31, 2019 and 2018

In the fiscal year ended December 31, 2019, our net cash flow from/(used in) investing activities changed from a cash outflow of €7.9 million in the fiscal year ended December 31, 2018 by €4.6 million, or 58.2%, to a cash outflow of €3.3 million. Such cash outflows consisted of payments for investments in property, plant and equipment and financial assets, which mainly reflect our investments in adding additional equipment for drop-off and pick-up locations.

9.9.1.2.3 Comparison of the Fiscal Years Ended December 31, 2018 and 2017

Our net cash flow from/(used in) investing activities changed from a cash outflow of €1.5 million in the fiscal year ended December 31, 2017 by €6.4 million to a cash outflow of €7.9 million in the fiscal year ended December 31, 2018, as we significantly increased our investments in information technology, additional equipment for drop-off and pick-up locations and for our corporate headquarters, as reflected in the increase in payments for investments in property, plant and equipment by €2.1 million. In addition, we incurred cash outflows for payments in financial assets of €5.0 million in connection with our investment in FinTech (see "*12.12 Litigation*").

9.9.1.3 *Net Cash Flow from/(used in) Financing Activities*

9.9.1.3.1 Comparison of the Nine-Month Periods Ended September 30, 2019 and 2020

In the nine-month period ended September 30, 2020, our net cash flow from/(used in) financing activities increased from a cash inflow of €19.9 million in the nine-month period ended September 30, 2019 by €42.9 million to a cash inflow of €62.8 million. These cash inflows reflect proceeds from our Convertible Loan (see "*12.13.2 Our Convertible Loan*") of €255.0 million, which were only partially offset by cash used for the repayment of existing financing in an amount of €171.0 million and transactions costs of €3.0 million.

9.9.1.3.2 Comparison of the Fiscal Years Ended December 31, 2019 and 2018

Our net cash flow from/(used in) financing activities changed from a cash inflow of €141.5 million in the fiscal year ended December 31, 2018 by €58.8 million, or 41.6%, to a cash inflow of €82.7 million in the fiscal year ended December 31, 2019. We mainly obtained these cash inflows through additional borrowings under our revolving facility to finance our inventory, which resulted in funds of €101.0 million being drawn by us.

9.9.1.3.3 Comparison of the Fiscal Years Ended December 31, 2018 and 2017

In the fiscal year ended December 31, 2018, our net cash flow from/(used in) financing activities changed from a cash inflow of €136.5 million in the fiscal year ended December 31, 2017 by €5.0 million, or 3.7%, to a cash inflow of €141.5 million. Such cash inflows primarily comprised the funds obtained through a capital increase at the beginning of 2018, which amounted to €213.7 million (see "*16.1.2 Development of the Share Capital*"). By comparison, we recorded cash outflows of €58.0 million for the repayment of borrowings under our revolving facility as we were able to repay parts of the facility following the reduction of our inventory.

9.9.2 Our Capital Expenditures

Our capital expenditures are defined as payments for investment in property, plant and equipment, intangible assets and lending to an associated company.

Capital expenditures are not recognized as a measure under IFRS and should not be considered as a substitute for an analysis of the consolidated statement of financial position of the Company and the consolidated statement of cash flows of the Company prepared in accordance with IFRS. In addition, our definition of capital expenditures may not be comparable to similarly titled information published by other companies.

9.9.2.1 *Our Past Capital Expenditures*

The following table provides a breakdown of our capital expenditures for the periods presented:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,
	2017	**2018**	**2019**	**2020**
		(audited) **(in € million)**		**(unaudited)** **(in € million)**
Payments for investment in property, plant and equipment	1.6	3.7	3.6	1.7
Payments for investment in intangible assets	0.0	0.0	0.0	0.0
Payments for loan to associated company	–	5.0	–	–
Capital expenditures(1)	**1.6**	**8.7**	**3.6**	**1.7**

(1) Referred to as "Payments for investment in property, plant and equipment and financial assets" in the audited consolidated financial statements of the Company.

In the nine-month period ended September 30, 2020, our capital expenditures amounted to €1.7 million, with the majority relating to payments for investment in property, plant and equipment, which comprised investments in information technology and equipment for our headquarters.

In the fiscal year ended December 31, 2019, our capital expenditures amounted to €3.6 million, mostly relating to payments for investment in property, plant and equipment, which reflect our investments in information technology, additional equipment for drop-off and pick-up locations as we expanded our business and equipment for our headquarters.

Our capital expenditures amounted to €8.7 million in the fiscal year ended December 31, 2018, primarily comprising payments for loan to associated company in an amount of €5.0 million, reflecting our investment in FinTech. Furthermore, our capital expenditures during this period included payments for property, plant and equipment in an amount of €3.7 million as we invested in information technology, additional equipment for drop-off and pick-up locations and equipment for our headquarters.

In the fiscal year ended December 31, 2017, our capital expenditures amounted to €1.6 million and primarily comprised payments for investment in property, plant and equipment, reflecting further investments in information technology, equipment for drop-off and pick-up locations and equipment for our overhead functions.

9.9.2.2 *Our Current and Future Capital Expenditures*

Between September 30, 2020 and the date of this Prospectus, our capital expenditures amounted to approximately €3.5 million, primarily comprising investments in transporters for the expansion of our branded fleet for our "Autohero" offering. We financed these capital expenditures from the proceeds from our Convertible Loan.

As of the date of this Prospectus, the Management Board has resolved on future capital expenditures in an aggregate amount of approximately €18.0 million for the fiscal year ending December 31, 2021, comprising:

- €7.7 million for the purchase of additional transporters bearing our "Autohero" brand; and
- €10.3 million for additional equipment for the expansion of our refurbishment capabilities.

We expect that these capital expenditures will predominantly be invested in Germany, France, Spain and Italy and plan to finance them from a portion of the net proceeds of the Offering.

9.10 Quantitative and Qualitative Disclosure of Market and Other Risks

9.10.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum exposure to credit risk.

The exposure to credit risk with our commercial counterparties is mitigated to the extent that we receive cash upfront as a prepayment for car sales. Some insignificant impairments arise incidentally, primarily relating to fees for remarketing services and late payments. Such impairment losses are measured using the following provision matrix: current: 0.40%; one to 180 days overdue: 20%; 181 to 360 days overdue: 30%; more than 360 days overdue: 60%. Impairment losses amounted to €0.5 million in the fiscal year ended December 31, 2019 (fiscal year ended December 31, 2018: €0.2 million). If the prospect of recovery is classified as very low, such receivables are written off. The write-off represents a derecognition event. As the impairment losses were immaterial, we do not disclose this amount in a separate line item on the consolidated statement of profit or loss and other comprehensive income of the Company.

As of December 31, 2019, our cash and cash equivalents amounted to €57.6 million (December 31, 2018: €116.5 million). These cash and cash equivalents are deposited at banks or financial institutions that have high credit ratings from international rating agencies.

The estimated impairment of cash and cash equivalents has been calculated based on expected losses within twelve months and reflects the short maturities. We assume that cash and cash equivalents present a low default risk on the basis of the external ratings of banks and financial institutions.

We use a similar approach to the one used for debt instruments when determining the expected losses from cash and cash equivalents. We did not incur any impairment losses in the fiscal years ending December 31, 2019 and 2018.

The carrying amount of financial assets represents our maximum exposure to credit risk. Such trade receivables amounted to €72.3 million as of December 31, 2019 (December 31, 2018: €16.6 million).

9.10.2 Market Risk

Market risks arise from foreign exchange risk on intercompany financing denominated in Euros provided by the Company to its subsidiaries, where the functional currency of such subsidiaries differs from Euros. The exposure to fluctuations in exchange rates are, however, immaterial.

9.10.3 Interest Rate Risk

Interest rate risk is the risk associated with interest bearing financial instruments, including the effects of positive or negative interest rate changes on profits, cash flows or equity. Given our significant cash and cash equivalents, further increases in the fees banks charge for maintaining cash in accounts would have a negative financial impact on us. On the other hand, our debt financing bears interest at a floating rate. Consequently, an increase in the Euro Interbank Offered Rate would adversely impact our financing expenses, but reduce the costs for maintaining cash in bank accounts.

9.10.4 Liquidity Risk

Liquidity risk is the risk that we encounter difficulty in meeting the obligations associated with our financial liabilities that are settled by delivering cash or another financial asset. Liquidity management within AUTO1 Group aims to ensure that – as far as possible – sufficient liquid funds are always available for the Company to be able to meet its payment obligations when they fall due, under both normal and strained conditions, without suffering unsustainable losses or damaging our reputation.

We use cost accounting to calculate our product and service costs. This makes it possible to monitor cash requirements and optimize the flows to employed capital.

We aim to keep cash and cash equivalents at a level that is above the expected cash outflows for financial liabilities. We also monitor the level of expected inflows from trade and other receivables, together with expected outflows for trade and other payables. As of December 31, 2019, the expected cash flows from trade and other receivables due within two months amounted to €45.0 million (as of December 31, 2018: €34.4 million). This does not include potential effects from extreme circumstances (*e.g.*, natural catastrophes), which cannot be reasonably predicted.

In addition, we had secured a revolving credit facility of €235.0 million in the fiscal year ended December 31, 2019. The credit facility was secured by our current inventory.

The following are the remaining contractual maturities of financial liabilities as of the dates presented:

	As of December 31, 2019				
	< 1 year	1 - 5 years	> 5 years	Total	Carrying amount
			(audited) (in € million)		
Financial liabilities to banks	20.4	151.0	–	171.4	171.4
Other financial liabilities	2.6	–	–	2.6	2.6
Trade and other payables	52.1	–	–	52.1	52.1
Liabilities arising from lease obligations	14.9	30.3	6.0	51.3	51.3
Total	**90.0**	**181.3**	**6.0**	**277.3**	**277.3**

	As of December 31, 2018				
	< 1 year	1 - 5 years	> 5 years	Total	Carrying amount
			(audited) (in € million)		
Financial liabilities to banks	20.2	50.0	–	70.2	70.2
Other financial liabilities	0.1	–	–	0.1	0.1
Trade and other payables	77.3	–	–	77.3	77.3
Liabilities arising from lease obligations	13.3	23.8	6.6	43.7	43.7
Total	**110.9**	**73.8**	**6.6**	**191.3**	**191.3**

9.10.5 Capital Management

When managing our capital, we aim to:

- safeguard our ability to continue as a going concern, so that we can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

The Company mainly controls AUTO1 Group's liquidity risks by retaining sufficient capital reserves and through our Non-Recourse Financing ("*12.13.1 Our Non-Recourse Financing*") as well as through the continuous monitoring of expected and actual cash flows and maintaining a balanced portfolio of financial assets and liabilities with regard to maturities.

The following table shows our total equity and equity ratio as of the dates presented:

	As of December 31,	
	2018	**2019**
	(audited) (in € million, unless stated otherwise)	
Total equity	238.4	153.3
Total equity and liabilities	537.7	605.4
Equity ratio (in %)	**44.3%**	**25.3%**

9.11 Significant Accounting Policies

For a description of our significant accounting policies, please see pages F-10 *et seq.* and F-30 *et seq.* of this Prospectus.

9.12 Additional Information from the Audited Unconsolidated Financial Statements of the Company

Certain information from the audited unconsolidated financial statements of the Company prepared in accordance with German generally accepted accounting principles of the HGB as of and for the fiscal year ended December 31, 2019 is presented below. Accounting principles set forth in the HGB differ from IFRS in material respects.

In the fiscal year ended December 31, 2019, the Company's revenue amounted to €0.9 million, compared to revenue of €0.3 million in the fiscal year ended December 31, 2018.

The Company's net loss for the year amounted to €1.0 million in the fiscal year ended December 31, 2019, compared to €0.0 million in the fiscal year ended December 31, 2018.

The Company's equity amounted to €702.4 million as of December 31, 2019, compared to €703.4 million as of December 31, 2018.

For further information on the Company's audited unconsolidated financial statements, see pages F-120 *et seq.* of this Prospectus.

10. PROFIT ESTIMATE

10.1 Profit estimate of Adjusted EBITDA of AUTO1 Group for the period from January 1, 2020 to December 31, 2020

Our profit estimate of Adjusted EBITDA of AUTO1 Group prepared by AUTO1 Group SE (the "**Company**" and, together with its consolidated subsidiaries, "**AUTO1 Group**", "**we**", "**us**" or "**our**") for the period from January 1, 2020 to December 31, 2020 (hereinafter referred to as "**Adjusted EBITDA Estimate 2020**" and, together with the explanatory notes to the Adjusted EBITDA Estimate 2020, the "**Profit Estimate**") is not a representation of facts and should therefore not be interpreted as such by prospective investors.

The Profit Estimate is based on assumptions made by the management board (*Vorstand*) of the Company (the "**Management Board**") with respect to the development and the preparation of the Adjusted EBITDA of AUTO1 Group for the period from January 1, 2020 to December 31, 2020 as set out below. These assumptions also relate in part to factors that AUTO1 Group cannot influence. While the Management Board believes that these assumptions are reasonable on the date as of which the Profit Estimate is published, they may subsequently prove to have been unjustified or incorrect. If any of these assumptions prove to have been unjustified or incorrect, the actual Adjusted EBITDA of AUTO1 Group for the period from January 1, 2020 to December 31, 2020 could materially deviate from the Profit Estimate. Accordingly, prospective investors should treat this information with caution and should not place undue reliance on the Profit Estimate.

10.2 Definition of Adjusted EBITDA

We use Adjusted EBITDA as a key performance indicator to manage our business and we believe Adjusted EBITDA to be indicative of our operating performance. The measure Adjusted EBITDA is not recognized under International Financial Reporting Standards, as adopted by the European Union ("**IFRS**") and should not be considered as a substitute for net results or earnings after taxes, cash flow from operating activities or any other performance indicator as determined or defined by IFRS.

The way we measure Adjusted EBITDA may not be consistent with the way other companies determine these measures, similar measures or measures with similar names. Accordingly, Adjusted EBITDA as presented herein may not be comparable to these measures, similar measures or measures with similar names as presented by other companies.

For the purpose of the Profit Estimate, Adjusted EBITDA is defined as follows: Loss for the period before income tax expense, interest expense and other finance costs, interest income and other finance income, depreciation and amortization and before adjustments for share-based payments (including the effect from our decision to settle claims under our existing virtual share incentive programs in shares instead of cash), correction of payables as well as other non-operating expenses. In previous years, the adjustments also included effects from the change of basis of assessment for value-added taxes.

The following table provides a reconciliation of loss for the period to Adjusted EBITDA of AUTO1 Group for the purpose of the Profit Estimate:

	Loss for the Period
+	Income tax expense
+	Interest expense and other finance costs
-	Interest income and other finance income
+	Depreciation and amortization
	EBITDA
+/-	Share-based payments
+/-	Correction of payables
+/-	Other non-operating expenses
	Adjusted EBITDA

10.3 Adjusted EBITDA Estimate 2020

Based on the data recorded in the accounting systems of AUTO1 Group and the current knowledge of our management about the business development of AUTO1 Group for the period from January 1, 2020 to December 31, 2020 as well as the assumptions of management with respect to past events and actions, we estimate that Adjusted EBITDA of AUTO1 Group for the period from January 1, 2020 to December 31, 2020 amounted to between negative €14.8 million and negative €15.8 million, which represents a substantial improvement compared to the fiscal year ended December 31, 2019.

10.4 Explanatory Notes to the Adjusted EBITDA Estimate 2020

10.4.1 10.3.2.1 Basis of Preparation

The Profit Estimate was prepared in accordance with the principles of the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e. V.*, "**IDW**") IDW Accounting Practice Statement: Preparation of Profit Forecasts and Estimates in Accordance with the Specific Requirements of the Regulation on Prospectuses (IDW AcPS AAB 2.003) (*IDW Rechnungslegungshinweis: Erstellung von Gewinnprognosen und -schätzungen nach den besonderen Anforderungen der Prospektverordnung (IDW RH HFA 2.003)*).

While Adjusted EBITDA is not an IFRS measure of operating income, operating performance or liquidity, the Adjusted EBITDA Estimate 2020 was derived using accounting principles of the IFRS. With respect to the accounting policies applied, reference is made to the notes to the condensed consolidated interim financial statements of the Company as of and for the nine-month period ended September 30, 2020 in connection with the notes to the consolidated financial statements of the Company as of and for the fiscal year ended December 31, 2019.

The Profit Estimate has been compiled and prepared on a basis which is both (i) comparable with the historical financial information of AUTO1 Group included in this Prospectus (*i.e.*, the most recent condensed consolidated interim financial statements of the Company as of and for the nine-month period ended September 30, 2020 prepared in accordance with the IFRS on interim financial reporting (IAS 34) in connection with the audited consolidated financial statements of the Company as of and for the fiscal years ended December 31, 2019 and 2018 prepared in accordance with the IFRS and the additional requirements pursuant to Section 315e para. 1 of the German Commercial Code (*Handelsgesetzbuch*), and (ii) consistent with the Company's accounting policies.

The Profit Estimate has been prepared solely for the inclusion in this Prospectus and represents our best estimates as of January 24, 2021.

The Profit Estimate is based on the following assumptions made by our management about transactions and events that have already taken place and have not yet been finally recorded in our accounting records. We are still in the process of preparing the consolidated financial statements as of and for the fiscal year ended December 31, 2020. In the course of preparing these consolidated financial statements, changes may still occur with regard to matters that have not yet been processed, but also with regard to matters that have already been processed. The assumptions for the Profit Estimate relate to factors beyond the control of AUTO1 Group and factors that can be influenced by AUTO1 Group (even if only to a small extent).

The Adjusted EBITDA Estimate 2020 reflects adjusting events up to and including January 24, 2021. Adjusting events are events that are relevant to the closing of accounts which occurred on or before the balance sheet date (*i.e.*, December 31, 2020), but which only become known after the balance sheet date until the date the consolidated financial statements are prepared. Such events are not within our control. Adjusting events between January 24, 2021 and the date of preparation of the consolidated financial statements of the Company for the fiscal year ended December 31, 2020 may therefore affect the accuracy of the Adjusted EBITDA Estimate 2020.

10.4.2 Factors and Assumptions

10.4.2.1 *Factors Beyond Our Control and Related Assumptions*

The Adjusted EBITDA Estimate 2020 is subject to factors beyond our control. These factors, and our assumptions regarding their impact, are described below:

10.4.2.1.1 Factor 1: Unforeseen Events

For the purpose of the Adjusted EBITDA Estimate 2020, we assume that no material unforeseen events occurred that could result in material or lasting constraints on the ongoing operations of the entities comprising AUTO1 Group, such as but not limited to *force majeure,* including natural disasters (*e.g.*, fires, floods, hurricanes, storms and earthquakes), war or terrorist attacks, extraordinary macroeconomic events or cyber-attacks, maintenance outages, power or equipment failure, social unrest, work stoppages and public health concerns, except for the spread and persistence of the COVID-19 pandemic.

10.4.2.1.2 Factor 2: Economic and Political Development in the European Economic Area

Demand for AUTO1 Group's used cars depends on economic and political conditions in the European Economic Area. For the purpose of the Adjusted EBITDA Estimate 2020, we estimate that gross domestic product in the Eurozone declined by 7.4% in the fiscal year ended December 31, 2020 compared to the prior year based on estimates of the European Commission (*source: European Commission*) and therefore had a negative impact on our Adjusted EBITDA Estimate 2020. For the purpose of the Adjusted EBITDA Estimate 2020, we also estimate that the political environment in the countries most relevant to AUTO1 Group remained stable and therefore did not have a particular impact on our Adjusted EBITDA Estimate 2020.

10.4.2.1.3 Factor 3: Demand for Used Cars in the European Used Car Market:

Demand for used cars in the European market is also affected by various factors, such as the introduction of new models, the availability of financing conditions for used cars and the resulting impact on consumer spending. For the purpose of the Adjusted EBITDA Estimate 2020, we estimate that demand for used cars in the European market declined, primarily due to the spread and persistence of the COVID-19 pandemic and the resulting impact on the economic conditions in the European Economic Area.

10.4.2.1.4 Factor 4: COVID-19 Pandemic

For the purpose of the Adjusted EBITDA Estimate 2020, we estimate that the spread and persistence of the COVID-19 pandemic across our European markets negatively impacted our growth due to the resulting far-reaching containment measures. In the used car market, car registration agencies were temporarily closed, professional dealers sought to reduce their inventory and some consumers chose to delay or abandon car purchases. As a result, we experienced significantly weaker demand for our used cars and we were unable to complete transactions arranged through our websites and apps, given that the registration of the transfer of used cars with the competent car registration agency is a legal requirement for completing such transfers.

10.4.2.1.5 Factor 5: Competitive Environment

The European used car market is highly competitive, fragmented and rapidly changing. At the same time, competition from both other online platforms and offline dealers of used cars, in particular the breadth, quality and pricing of their offerings, affect demand for our own used vehicles. For the purpose of the Adjusted EBITDA Estimate 2020, we estimate that we were able to maintain our relative market position compared to the fiscal year ended December 31, 2019.

10.4.2.1.6 Factor 6: Increasing Online Penetration

For the purpose of the Adjusted EBITDA Estimate 2020, we estimate that online penetration for sales of used cars to consumers continues to increase. In light of the spread and persistence of the COVID-19 pandemic and the resulting impact on the demand for used cars, the positive effect of growing online penetration on AUTO1 Group for the period from January 1, 2020 to December 31, 2020 was less pronounced than in the fiscal year ended December 31, 2019.

10.4.2.1.7 Factor 7: Dependency on Third Parties

We work with a number of third parties, in particular providers of logistics services, car registration agencies and banks who provide financing to our customers. Given that these third parties are independent from us, we have only limited or no control over their operations. For the purpose of the Adjusted EBITDA Estimate 2020, we estimate that temporary interruptions of the operations of third parties, in particular due to the spread and persistence of the COVID-19 pandemic, negatively affected our operations.

10.4.2.1.8 Factor 8: Legal and Regulatory Framework

We are required to comply with a wide range of laws and regulations in the markets we operate in, relating to, among other things, the purchase and sale of used cars, the state of such cars, the use of the internet in general and the e-commerce sector in particular, online payments, consumer protection, data protection and employment matters, and the application of such laws and regulations by local authorities may vary. For the purpose of the Adjusted EBITDA Estimate 2020, we estimate that no additional changes in the legal and regulatory framework occurred for the period from January 1, 2020 to December 31, 2020 and/ or that any changes in the legal and regulatory framework had no material impact and that we were in compliance with all laws and regulations. For the purpose of the Adjusted EBITDA Estimate 2020, we furthermore estimate that we incurred no material penalties from any litigation and regulatory proceedings, including tax proceedings.

10.4.2.2 *Factors That Can Be Influenced By Us and Related Assumptions*

In addition to the factors and assumptions that are beyond our control, the Adjusted EBITDA Estimate 2020 is subject to factors that can be influenced by us. These factors, and our assumptions regarding their impact, are described below. The following descriptions already exclude our adjustments to Adjusted EBITDA described above.

10.4.2.2.1 Factor 9: Revenue

Our revenue primarily comprises revenue from our merchant segment and to a lesser extent revenue from our retail segment. Revenue in our merchant segment mainly consists of revenue from sales of used cars to professional dealers, but also includes fees from auction services, remarketing, logistics services and all other fees in connection with providing vehicles to professional dealers. Revenue in our retail segment comprises revenue from sales of used vehicles to individual consumers and commissions or interest received on consumer financing.

For the purpose of the Adjusted EBITDA Estimate 2020, we estimate that revenue amounted to €2.8 billion and therefore declined strongly compared to the fiscal year ended December 31, 2019 due to the spread and persistence of the COVID-19 pandemic and its impact on the European used car market.

- **Revenue in our merchant segment**: For the period from January 1, 2020 to December 31, 2020, we estimate that revenue declined compared to the fiscal year ended December 31, 2019, mainly due to fewer used cars sold due to the spread and persistence of the COVID-19 pandemic. The decline of demand for used cars was anticipated by our proprietary algorithms and we therefore closed our sourcing funnels early and suspended our marketing activities temporarily, which resulted in lower purchased used cars. These developments adversely affected the development of sales volume in our merchant segment. The decline in sales volume was slightly offset by a price increase per used car sold due to a shift away from low-value used cars enabled by our sell-from-home solution.

- **Revenue in our retail segment**: For the period from January 1, 2020 to December 31, 2020, we estimate that revenue increased compared to the fiscal year ended December 31, 2019, mainly driven by a higher number of used cars sold related to the full effect of the expansion of our "Autohero" offering in new European markets, which only started in the fiscal year ended December 31, 2019, and the launch of concurrent marketing campaigns, in particular towards the end of the period from January 1, 2020 to December 31, 2020. A decline in price per used car sold had a slightly adverse impact on our revenue, as we continued to source a broader selection of cars.

10.4.2.2.2 Factor 10: Gross Profit

For the purpose of the Adjusted EBITDA Estimate 2020, we estimate that gross profit declined noticeably compared to the fiscal year ended December 31, 2019, mainly due to the overall decline in revenue caused by the spread and persistence of the COVID-19 pandemic. On the other hand, we were able to optimize our pricing in connection with the introduction of the sell-from-home solution, which reduced our purchasing costs in our merchant and retail segments. In addition, we anticipated the decline in demand resulting from the spread and persistence of the COVID-19 pandemic early, which allowed us to reduce our sourcing of used cars and associated expenses and our excess inventory risk.

10.4.2.2.3 Factor 11: Other Operating Income

For the purpose of the Adjusted EBITDA Estimate 2020, we estimate that other operating income did not change materially compared to the fiscal year ended December 31, 2019 and therefore did not materially affect our Adjusted EBITDA for the period from January 1, 2020 to December 31, 2020.

10.4.2.2.4 Factor 12: Personnel Expenses

For the purpose of the Adjusted EBITDA Estimate 2020, we estimate that personnel expenses declined strongly compared to the fiscal year ended December 31, 2019 as we temporarily introduced short-time work (*Kurzarbeit*) with respect to parts of our German workforce and used similar measures to reduce personnel expenses in other European markets to combat the adverse financial effects of the spread and persistence of the COVID-19 pandemic.

10.4.2.2.5 Factor 13: Other Operating Expenses

For the purpose of the Adjusted EBITDA Estimate 2020 we estimate that other operating expenses declined strongly compared to the fiscal year ended December 31, 2019, reflecting (i) our decision to temporarily suspend marketing activities, primarily in our merchant segment, in light of lower demand due to the spread and persistence of the COVID-19 pandemic and (ii) lower internal logistic costs due to the decline in the number of car transports.

10.4.3 Other Explanatory Notes

The Adjusted EBITDA Estimate 2020 does not take into account any extraordinary events, results due to non-recurring activities and extraordinary tax expenses within the meaning of IDW Accounting Practice Statement 2.003 (AcPS AAB 2.003), except where explicitly stated otherwise in the explanatory notes.

As the Adjusted EBITDA Estimate 2020 relates to a period that has ended and is based on several assumptions regarding uncertain events and actions, it inherently involves considerable uncertainties. As a result of such uncertainties, the actual Adjusted EBITDA of AUTO1 Group for the period from January 1, 2020 to December 31, 2020 may differ from the Adjusted EBITDA Estimate 2020, even substantially.

The Profit Estimate was prepared on January 24, 2021.

11. MARKETS AND COMPETITION

11.1 Markets

We operate Europe's leading platform for the purchase and sale of used cars. With operations in more than 30 countries across Europe, including our home market Germany and more than 615,000 used vehicles sold in 2019, we are Europe's preferred destination for buying and selling used cars.

11.1.1 The European Used Car Market

11.1.1.1 <u>*Overall Market Size*</u>

The European market is one of the largest automotive markets worldwide. The used car market is a key part of the automotive ecosystem. In 2019, market volume for sales in the European used car market (comprising the member states of the European Union, Norway, Switzerland, Ukraine, Albania, Bosnia and Herzegovina, North Macedonia, and the Republic of Moldova), including sales to consumers, sales among professional dealers, sales from corporates to intermediaries and dealers, and sales from intermediaries to dealers, amounted to approximately €600 billion, with approximately 47.1 million used cars transacted. Despite recent developments that adversely affected the overall economy such as the exit of the United Kingdom from the European Union (so-called Brexit), the used car market has seen consistent growth, with market volume for sales to consumers growing by 5.9% between 2017 and 2019. Going forward, this trend is expected to continue, as the overall market volume for sales in the European used car market to consumers is forecast to grow at a CAGR of 4.6% between 2019 and 2022 and 5.5% between 2022 and 2025 (*source: OC&C Report*).

Due to the spread of the COVID-19 pandemic, market volume for sales of used cars fell sharply in the six-month period ended June 30, 2020. The used car market was, however, less affected than the overall automotive market. In addition, demand in the used car market recovered swiftly as evidenced by an estimated growth of approximately 10% across our core markets in the three-month period ended September 30, 2020 compared to the corresponding prior year period (*source: OC&C Report*).

The used car market comprises various sub-segments. In 2019, sales of used cars to end users, in particular consumers, amounted to €450 billion and therefore accounted for 75% of the overall used car market in Europe. Consumers primarily purchase their used cars from professional dealers and such purchases accounted for 54% of all acquisitions by end users during this period. 45% of used car purchases by end users are attributable to direct sales from one consumer to another. The remaining 1% of purchases by consumers are attributable to sales from businesses that are not classic professional dealers such as leasing companies or retailers (*e.g.*, our "Autohero" offering)). An additional key segment of the used car market are trades before used cars are sold to end users. These trades typically take place among professional dealers. In 2019, the market volume for sales of used cars among businesses (*e.g.*, dealer to dealer or corporate to dealer, including via intermediaries) amounted to approximately €150 billion in Europe.

In addition, professional financing of used cars amounted to €95 billion in our nine target markets for our "Autohero" offering in 2018, with Germany accounting for €40 billion of this financing market (*source: Finaccord*). Accounting for such used car financing (*i.e.*, including the value of loans, adjusted for the different level of profitability), the overall market size of the European used car market extended to approximately €710 billion during this period (*source: OC&C Report*).

11.1.1.2 <u>*Lack of A Pan-European Used Car Market*</u>

While the realization of a European single market has resulted in the abolishment of trade barriers and enabled free movement of goods and services, the European used car market remains highly fragmented. The top ten dealers had a market share of less than 2% in Europe in 2019. On the sale side, mostly small players operate locally or regionally. Most professional dealers do not possess the necessary capabilities, specifically logistics and sourcing networks, to service a pan-European used car market. As a result, approximately ten times as many used cars were sold in the nine largest European markets in 2019 compared to the number of used cars imported during this period (*source: OC&C Report*), and most cross-border transactions were limited to parties located close to national borders.

These difficulties are compounded by the fact that various member states of the European Union have enacted diverse laws and regulations with respect to car registration and inspection, financing procedures, local taxation and other areas affecting used vehicle trades. In addition, logistics infrastructures and third-party services are typically limited to national markets. Consequently, any professional dealer seeking to trade used cars outside his home country would have to invest significant time and money to overcome these restrictions.

In addition, demand varies strongly between individual used car markets. Consumers in Western and Northern Europe expect used cars to not only be safe and reliable, but also to feature recent technical innovations and meet low-emission standards. Consumers in Southern Europe tend to prefer compact cars that are cheaper. In Eastern Europe, used car buyers typically look for prestigious brands and models, and are prepared to accept older technologies and minor deficiencies. Consequently, used cars tend to gradually move East as they age. The result of the strong discrepancies in demand is large diversity in the European market for used cars, with each country showing its own dynamics with respect to demand and supply. Due to these numerous challenges, the European Commission considers the European used car market the worst functioning market for goods in the European Union (*source: Consumer Market Study*).

11.1.1.3 *Challenges for Consumers*

Both consumers and professional dealers face unique challenges when it comes to buying and selling used cars. For many consumers, vehicles represent the most expensive purchase. Consequently, consumers spend considerable time and effort preparing for this big-ticket purchase. For used cars, however, consumers can typically only choose from local offerings of limited size and have to pick up purchased cars in person. Moreover, given the significant variability between the types of used cars on offer (*e.g.*, in terms of age, mileage, features and condition), there is little transparency with respect to pricing. This issue is compounded by the fact that most professional dealers prefer to negotiate prices, which allows them to exploit their superior market insight compared to consumers. To press this advantage, professional dealers often try to exert time pressure, denying consumers a chance to inspect the used car on offer in detail. In addition, it often proves difficult for consumers to settle disputes with respect to defects of their used cars.

Due to these factors, we believe that many consumers find the overall experience of buying and selling used cars through professional dealers time-consuming, unsatisfactory and stressful. Given the small size of most professional dealers, they typically do not provide any logistics support or other services, making it difficult for consumers to deal across larger distances and further adding to the unsatisfactory customer experience.

Consumers face similar challenges when they purchase used cars from, or sell them to, other consumers. For such sales, consumers are fully dependent on their own market knowledge and cannot rely on any logistics infrastructure. In addition, asserting claims against private persons as sellers can be difficult, while such sellers find it hard to properly assess the creditworthiness of other consumers. This issue is compounded by the fact that cases of fraud or extortion are not uncommon. Consequently, we believe most consumers find the experience of dealing used cars among consumers inferior to trades involving a professional counterparty.

11.1.1.4 *Challenges for Professional Dealers*

Given their limited size, professional dealers usually operate locally, can only finance a small assortment of used cars and have limited floor space available to showcase these cars. Consequently, sourcing the right inventory is key for such dealers, yet like consumers, they typically only have access to limited supply from other local dealers and individual consumers looking to sell their used vehicles. Sourcing from auction providers, who sell cater to professional dealers, is also impracticable. Most of these providers only conduct physical auctions, making it impracticable for dealers from further afield to attend such auctions. As a result, professional dealers are unable to further scale their offering and build an assortment that separates them from their competitors. In addition, consumers will often trade in their existing car to finance their purchases. This makes used car transactions more complex for professional dealers, who have to factor in the resale of such trade-in vehicles and the floor space they will take up. The traditional business model is therefore time consuming for dealers and limits the scale they can achieve.

11.1.1.5 *Information on Key Markets*

The most important national used car markets in Europe are Germany, France, Italy, Poland, Spain, the Netherlands, Sweden, Austria and Belgium, which together accounted for approximately 75% of the overall market volume for sales in the European used car market in 2019 (*source: OC&C Report*).

The following table provides a breakdown of our nine key markets in Europe:

	Market volume of sales to consumers in 2019	**Expected growth between 2019 and 2025 (CAGR)**	**Market share of top ten dealers**
	(in € billion)	**(in %)**	**(in %)**
Austria	16.1	4.3	17
Belgium	10.2	4.2	19
France	93.8	2.5	12
Germany	89.7	5.2	4
Italy	40.6	4.4	4
The Netherlands	24.3	8.1	9
Poland	26.8	9.2	1
Spain	25.3	3.5	3
Sweden	20.3	4.0	22

* S*ource: OC&C Report*.

11.1.2 Key Trends

The used car market is currently impacted by a number of key trends, which together influence the performance of individual market participants, both online and offline, in particular:

11.1.2.1 *Macroeconomic Developments*

The European Union has seen continued population growth. This has contributed to the growth of the European car parc to 256 million cars, the result of an increase at a CAGR of 1.9% between 2017 and 2019. Used car prices have been increasing over the last few years, driven by factors like inflation, growth in disposable income per capita and a higher share of disposable income spent on cars, which are expected to continue. In addition, car penetration rates have been growing at a CAGR of 1.7% between 2017 and 2019. Despite an expected slight decrease in the size of the population, the growth of the car par, of used car prices and of car penetration rates are expected to continue for the majority of countries in Europe (*source: OC&C Report*).

11.1.2.2 *A Trend Towards Younger Used Cars and More Frequent Trades*

European consumers increasingly purchase younger used cars instead of new vehicles and therefore demand higher quality standards. While sales of new cars have been declining or at best been stable, sales of used vehicles aged between one and three years have grown disproportionally in all nine major European car markets. As a result, the average age of used cars has decreased in recent years.

For example, in Germany the average age decreased to 6.2 years in 2019, compared to 6.5 in 2017. In addition, consumers are willing to spend more money on higher quality used cars. The purchase price for a used vehicle in Germany amounted to approximately €12,500 on average in 2019, up by 5.3% compared to €11,300 in 2017. Between 2019 and 2025, average prices for used cars are expected to grow at a CAGR of approximately 3% in Europe (*source: OC&C Report*).

11.1.2.3 *Increasing Online Penetration*

Online penetration in the used car market is still very low. We estimate that online penetration (*i.e.*, the share of purchases where the order process of a car from purchase to delivery is arranged fully online) for sales of used cars to consumers currently amounts to approximately 1% in the European used car market. This is significantly lower than online penetration in a number of other mass markets such as toys and games, consumer electronics and apparel, where online penetration amounted to 48%, 37% and 17%, respectively, in 2020 (*source: Euromonitor*).

While consumers search for car brands and models online and compare prices via the Internet, the actual purchase typically still takes place offline. Based on surveys we commissioned from YouGov Deutschland GmbH in our European target markets, we estimate that more than 45% of consumers looking to buy a used car are considering buying a car online. We believe that these factors signify strong catch-up potential, and that there is significant room for online penetration for sales in the European used car market to grow in the upcoming years.

11.1.2.4 *Aging of Younger Generations*

We believe that favorable demographic developments will further accelerate the migration from offline to online in the used car market, primarily driven by so-called "millennials" or members of "generation Y" (*i.e.*, people born between the early 80s and the middle of the 90s) with a high affinity for the Internet in general and e-commerce in particular. This affinity is even more pronounced with members of the so-called "generation Z" (*i.e.*, people born between the middle of the 90s and the early 2010s). Most members of these generations are at the beginning of their careers or have not even entered the job market and will therefore be an important economic factor for decades to come.

Members of these generations have been influenced by media and technology unlike any previous generations. They are the first generations of digital natives, and their affinity for technology will shape the direction of online offerings. In addition, they have shown an increased interest in alternative mobility concepts, including car-sharing and ride-hailing service providers. In Europe, most consumers, however, do not consider car sharing a suitable replacement to car ownership. Consequently, these concepts are not expected to materially affect car penetration rates in the near future (*source: OC&C Report*).

11.1.2.5 *Innovations and Technological Advances*

The European automotive market is driven by innovations and technological advances, in particular the areas of autonomous driving and alternative drives (*e.g.*, hybrid and electric engines). In addition, a number of European countries have granted subsidies or tax benefits to stimulate demand for environmentally friendly cars. Though demand has initially been slow, the increasing economic viability of such cars has resulted in continuous growth for cars with alternative drives.

Consumers in the used car market, in particular in Western and Northern Europe, are looking for ways to participate in these advancements, but on a budget. While new models are entering the market, the used car market follows the aforementioned trends with a short delay. We believe that used car dealers who can procure younger used cars that feature state-of-the-art technology will benefit the most from shifting consumer demand.

11.1.2.6 *Governmental Intervention*

To reduce emissions, the European Union and a number of national governments, including the German government, have introduced programs and passed legislation to reduce the number of high-emission vehicles. These measures include the establishment of European emission standards. In recent years, governments have taken even more stringent measures to protect the health of citizens and the environment (*e.g.*, by establishing zones where cars with diesel engines are generally prohibited). As a result, demand for used cars with diesel engines decreased Germany since 2017. Subsequently, many of these vehicles were exported to other European countries (*source: OC&C Report*). We believe that market participants with a pan-European used car offering can take advantage of varying national regulation and resulting price differences in the various national markets across the European Union. In particular, we expect changes in emissions standards to potentially increase regional pricing differences for used cars if individual countries, regions or even cities implement different standards, which could result in increasing sales velocity in the used car market.

To stimulate economies suffering from the effects of the COVID-19 pandemic, several European governments have introduced incentive programs for car purchases, which are likely to impact the used car market. In France, a scrappage scheme provides consumers with an additional incentive to buy used cars, which serves as a trade-in to receive a scrapping premium. As a result, used car transactions increased significantly following the introduction of these incentives (*source: Autovista*). Spain and Italy have introduced similar incentive programs for car purchases, which aim to promote low-emission cars or electric vehicles and incentivize the scrapping of older, high-emission vehicles.

While Germany did not introduce a new program to stimulate automotive sales as a response to the COVID-19 pandemic, it increased an existing program, providing subsidies to consumers for purchases of new electric vehicles or hybrid cars, and tax benefits for corporations to the same effect. This program increases demand for specific new cars, making other types of cars available in the used car market. To the extent European or national economic stimulus programs, in particular programs aimed at supporting the car market, are enacted or continued, this will likely help support demand for used cars in the short-term to medium-term.

11.1.2.7 *Long-Term Impact of the COVID-19 Pandemic*

In 2020, the outbreak of the COVID-19 pandemic had a significant impact on the used car market in Europe, and the long-term impacts of this pandemic are still unclear. In addition to overall economic effects, fear of contagion may halt the advance of shared mobility. In the wake of the COVID-19 pandemic, consumers prefer personal transport to public mass transport, in particular in urban areas. Initial surveys in Germany show that people are more open to owning their own vehicles (*source: OC&C Report*). At the same time, however, a growing share of people has turned to working remotely, therefore no longer requiring any transport to commute to work.

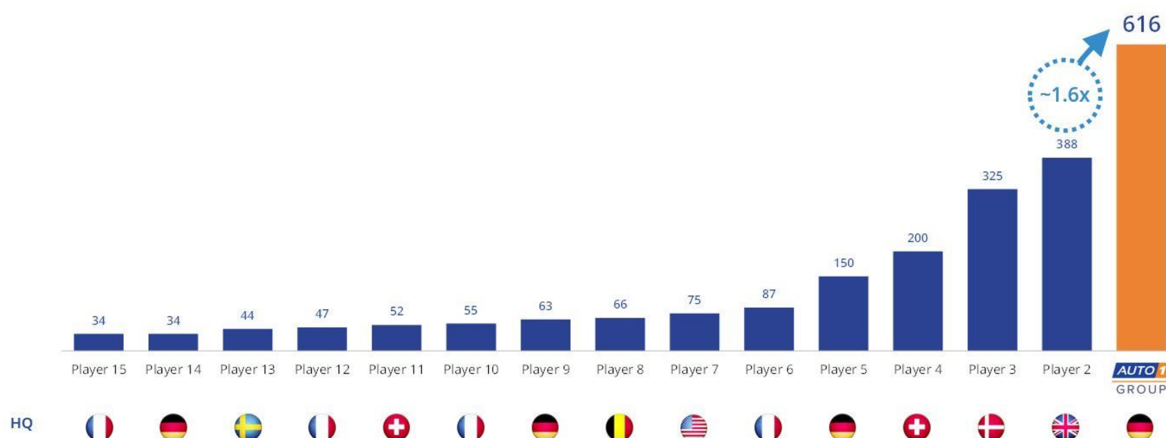
Due to the COVID-19 pandemic, people are increasingly turning to online offerings instead of purchasing in physical stores. Due to governmental restrictions and health concerns, consumers were forced to rely on online offerings. In addition, we believe that habits established during the COVID-19 pandemic are likely to persist and permanently change consumer behavior, as customers have recognized the benefits of buying and selling online. Thus, the acceleration in the shift towards online offerings is expected to be sustainable and pronounced. Given that infrequent online customers tend to be older and are therefore likely to consider cars an important asset, this shift in consumer behavior will likely be particularly beneficial for the online used car market, as it connects the natural target group for used cars with the online customer experience.

Due to the economic effects of the COVID-19 pandemic, consumers have become more price-conscious. The pandemic and the measures enacted to combat it have had a material adverse effect on the European economy, with the gross domestic product in the Eurozone decreasing by 7.4% in 2020. As a result, the unemployment rate in the European Union is expected to further increase from 7.7% in 2020 to 8.6% in 2021 (*source*: *European Commission*). We believe that consumers will increasingly turn to buying used cars as a more price-efficient alternative to meet their mobility requirements.

11.2 Competition

The used car market is highly competitive, fragmented and rapidly changing. We face competition from a diversified group of competitors. Given the limited scale of our competitors, their lack of fulfillment infrastructure and/or the absence of a focus on the used car market, we do not expect these competitors to pose a threat to our continued expansion. With more than 615,000 used vehicles sold in 2019, we are the largest seller of used vehicles in the European Union (*source: OC&C Report*), making us the leading platform for buying and selling used cars.

The following graphic illustrates our significant size advantage over our direct competitors based on the number of used cars sold:



* The order of competitors is based on the number of used cars sold in the European Union in thousands, including light commercial vehicles and passenger cars, but excluding sales by dealer groups owned by automotive manufacturers (*e.g.*, Porsche Holding Salzburg) (*source: OC&C Report*). Data for dealers are provided for 2018, while data for intermediaries are provided for 2019. The position of AUTO1 Group reflects the number of used cars sold by AUTO1 Group in 2019, based on information of the Company.

Given our strong market position, we believe that there is no competitor with a comparable offering. Nevertheless, we face competition from a number of parties in the used car market.

Our direct competitors who focus on buying and selling used cars themselves include:

- traditional professional dealers with a physical storefront, in particular branded car dealers and independent used car dealers; and
- smaller online offerings to consumers such as brumbrum S.p.A. and Clicars Spain S.L.

These direct competitors, however, are much smaller than AUTO1 Group. In Germany, the top ten dealers accounted for 252,000 used car transactions in aggregate in 2019, corresponding to 4% of the total number of used car transactions, with no dealer accounting for more than 1% (*source: OC&C Report*). While professional dealers typically offer a number of repair and aftersales services, they lack logistics capacities, in particular for cross-border transactions, and offer only limited customer support. Likewise, most only offerings offer very limited fulfillment services. Due to the limited scope of their operations, our direct competitors are typically limited to parts of the market in one country or even a single city.

In addition, a number of parties seek to facilitate used car transactions, in particular:

- publishers of classified advertisements, in particular operators of online advertisement websites such as mobile.de GmbH and AutoScout24 GmbH, who facilitate trades between other parties (*e.g.*, professional dealers and consumers);

- operators of specialized auction platforms such as ADESA Europe NV, Autorola GmbH and BCA Autoauktionen GmbH, who only cater to professional dealers, large corporations and leasing companies when these parties look to buy and sell used cars via online auctions; and

- auction websites such as www.carsale24.com, who support consumers in the sale of their used cars.

While these intermediaries help facilitate a comparably large number of used car transactions, they offer very limited logistics and other services, if any, and assume no responsibility for the quality of used cars traded via their marketplaces.

In addition, certain major companies regularly sell a large number of used cars, including:

- large corporations with fleets of corporate cars, who phase out these cars after certain time periods;

- leasing companies such as Sixt Leasing SE, who sell used cars once they are returned by the lessee;

- car rental companies such as Sixt GmbH & Co. Autovermietung KG, who sell used cars from their fleets once they have reached a certain age or mileage;

- automotive manufacturers, who sell cars that have been returned (*e.g.*, due to certain defects or to fulfill a manufacturer's return policies); and

- and specialized automotive financing providers operated by major automotive manufacturers.

These major companies do not focus on the sale of used cars, only selling vehicles on an opportunistic basis when these vehicles become available for sale. Consequently, these companies focus on the prices they can generate on selling their supply of used cars at any given time, but do not pursue a long-term strategy for such sales.

12. BUSINESS

12.1 Our Mission

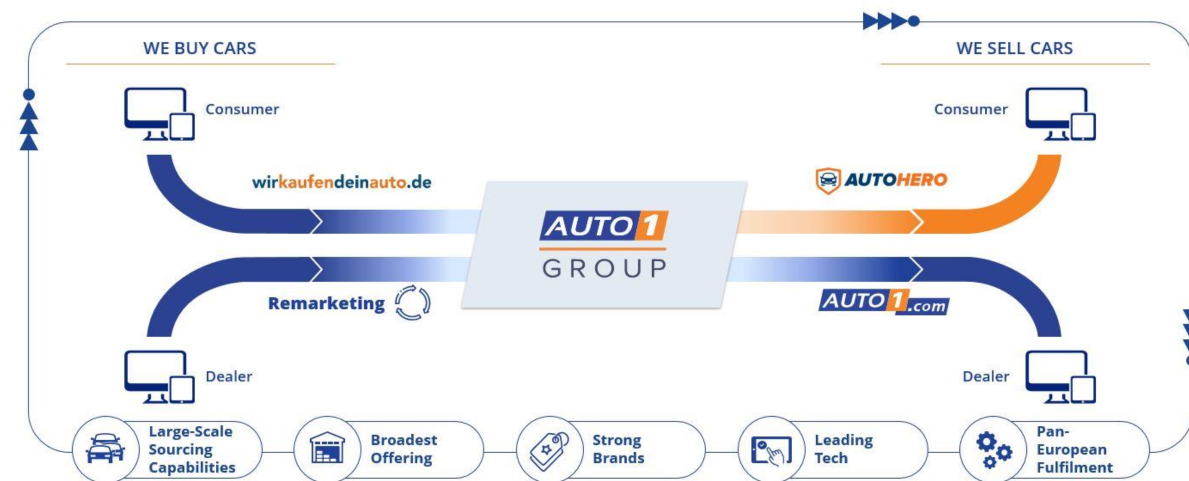
Our mission is to build the best way to buy and sell cars online.

12.2 Overview of Our Business

We operate Europe's leading platform for the purchase and sale of used cars. Our offering is fully online and based on a vertically-integrated platform (*i.e.*, highly innovative end-to-end technology solutions and an unmatched data set direct our operations along the entire value chain). With more than 615,000 used cars sold in 2019 alone, we are Europe's preferred destination for buying and selling used cars, with approximately twice as many used cars sold compared to our closest peer in the European Union (*source: OC&C Report*).

Sales of used cars, including sales among businesses, represented a market of approximately €600 billion in Europe in 2019 (*source: OC&C Report*). We estimate that online penetration in this market is still at a very early stage of development and that the market share of online sales of used cars to consumers amounts to approximately 1% in Europe. We believe that this indicates a unique market opportunity.

Our business revolves around two complementary sales channels, which are fueled by two distinct sourcing funnels, as illustrated by the following graphic:



* *Source: Company information.*

Our leading position is based on our broad sourcing funnels, which in 2019 enabled us to source an average of approximately 1,600 used cars per day in a fast, easy and reliable manner. Under our well-known consumer brands such as "wirkaufendeinauto.de", we offer a compelling and technologically advanced online experience for consumers in ten European countries to sell their used cars quickly and at competitive, haggle-free prices. In addition, we provide professional dealers with fast and convenient remarketing solutions, enabling these dealers to quickly market excess inventory at scale.

We sell the cars we source under two complementary offerings: Under our merchant brand "AUTO1", we operate Europe's largest wholesale platform for sales of used cars. We sell these cars via online auctions to more than 60,000 professional dealers across Europe. Under our retail brand "Autohero", we have created an easy, hassle-free way for consumers to purchase used cars online. In nine European countries, we offer consumers a large variety of attractive used cars at fixed prices, a compelling online customer experience and a convenient fulfillment process.

Our operations are built on a vertically-integrated, proprietary technology platform specifically designed to facilitate the purchase, sale, inventory management and delivery of used cars across Europe. By analyzing more than five million data points on average per day, we have created what we believe is the largest data set for used car trades in Europe, and most of this data set is proprietary. As both our sourcing funnels and sales channels grow, this database and our analytics capabilities continue to expand and help us further improve the accuracy of our prices and the composition of our offerings. In addition, our fully-integrated fulfillment infrastructure allows us to facilitate the intake, storage and delivery of used cars across Europe at competitive prices.

After our launch in 2012, we swiftly expanded our business, with revenue increasing at a CAGR of approximately 93% between 2014 and 2019. While the effects of the COVID-19 pandemic adversely affected us in the six-month period ended June 30, 2020, our business quickly rebounded. As a result, revenue increased by 90.5% in the following quarter, which enabled us to achieve profitability on an Adjusted EBITDA level for the entire AUTO1 Group for a full nine-month period for the first time. Even during the renewed outbreak of the COVID-19 pandemic in recent months, our business has proven resilient and we estimate that our revenue amounted to €2.8 billion in 2020 (see "*10. Profit Estimate*"). While we intend to invest significantly in our "Autohero" offering and will therefore likely not be profitable in the near term, we expect to again achieve profitability based on our Adjusted EBITDA within the next three years.

12.3 Our Market Opportunity

The automotive market is one of the largest commercial markets, with sales of used cars accounting for almost two thirds of all transactions. In 2019, sales in the European market for used cars, including sales among businesses, amounted to approximately €600 billion, and the used car market in the European Union is expected to grow at a CAGR of 5% between 2019 and 2025 (*source: OC&C Report*). In addition, financing of used cars amounted to €95 billion in the nine target markets of our "Autohero" offering in 2018 (*source: Finaccord*). In the past, sales of used cars were almost exclusively conducted offline. We estimate that online penetration for sales to consumers in the European market for used cars amounts to approximately 1%. Given that many consumers already rely on online searches when considering the purchase of a used vehicle, we believe that a significant share of this market is ready to go online.

Both consumers and professional dealers face unique challenges when it comes to buying and selling used cars. For consumers, there is only limited choice from local offerings, no convenience due to a lack of fulfillment services and little transparency in terms of pricing. Professional dealers seek to press their advantages, undermining the trust consumers can place in these dealers. At the same time, professional dealers themselves are unable to achieve scale and are limited to local markets, resulting in a high degree of fragmentation of the used car market. In 2019, the top ten dealers accounted for just 4% of the market volume in the German used car market. (*source: OC&C Report*). Given the challenges both consumers and professional dealers face, we believe that the European market for used cars needs a holistic platform that facilitates seamless transactions across borders.

12.4 Our Solution

We believe that we offer the best solution to the challenges of the European used car market, as we have designed our platform as a solution that meets the needs of both professional dealers and consumers:

- **Superior Customer Experience**: We seek to provide the best customer experience by making the buying and selling of used cars as convenient as possible. Our intuitive and immersive websites and apps comprise a number of attractive features. Following a transaction, our seamless fulfillment process completes the superior customer experience.

- **Directly Transactional**: With 24-hour online availability for a broad range of used cars, we allow our customers to buy and sell used cars wherever and whenever they want.

- **Trusted Partner**: By using unbiased algorithms fueled by a vast data set to calculate the prices we offer to sellers and purchasers, we create price transparency, eliminate the haggling process and ensure fair pricing. In addition, we provide professional car inspections and ensure the required documentation for our used cars.

- **Excellent Execution**: We want to take the complexity out of buying and selling used cars by arranging logistics for both pickup and delivery, and by providing a wide range of services (*e.g.*, deregistration and registration services).

- **Pan-European**: By extending our offering to more than 30 countries across Europe, we have opened up a cross-border market for used cars.

12.5 Our Strengths

We believe that the following competitive strengths have been the primary drivers of our success in the past and will continue to set us apart from our competitors in the future:

12.5.1 Unmatched breadth of sourcing and scale of offering cement our clear leadership position

Our growth has been fueled by our ability to source a large number of used cars at competitive prices. We are the largest purchaser of used cars in Europe and we expect that we will continue to enjoy strong interest from consumers considering us their first port of call to sell their used vehicles. This allows us to constantly replenish our inventory with in-demand used cars at attractive prices. To finance this inventory, we have arranged for an asset-backed securitization program, providing us with up to €485 million in inventory financing (see "*12.13.1 Our Non-Recourse Financing*").

We primarily sell our used cars to a broad base of professional dealers under our merchant brand "AUTO1", who see our offering as a fast, easy and reliable way of finding the used cars they need. Given that we sell most of the used cars under this offering via auction processes through our online platform, we create competition among our network of professional dealers. This helps ensure that we can achieve the best price. Our professional dealer base is diversified both in terms of geography and customer share, limiting our concentration risk. Furthermore, this dealer base has proven very loyal, with approximately 85% of the revenue from our merchant offering being attributable to existing professional dealers in 2019. By establishing the broadest sourcing funnel and becoming the leading wholesale supplier of professional dealers with more than two million used cars sold under our "AUTO1" offering, we have taken a leadership position in the European used car market.

12.5.2 Strong brands and superior customer experience

We believe that our "AUTO1" brand is the trusted brand for professional dealers and strongly benefits from our longstanding presence in the professional used car market, our marketing to professional dealers, recommendations and the strong and lasting relationships we have formed as we built our merchant offering. For our local sourcing brands such as "wirkaufendeinauto.de" (*i.e.*, "we buy your car") in Germany and its local language equivalents in nine other European countries, we have invested significant funds in mass market advertising campaigns, especially radio and television commercials. Based on surveys we commissioned from YouGov Deutschland GmbH, we believe that this has helped us achieve a brand awareness of approximately 62% for Germans over the age of 18.

To provide a superior customer experience, we have developed custom-designed websites and apps, which together recorded more than one million daily views on average in 2019. These online displays offer an attractive user interface that is immersive, easy to use and intuitive. We complement our online displays with a convenient fulfillment process, which includes delivery services, registration support and a dedicated customer service.

12.5.3 Proprietary technology platform, driven by the largest data set for used car trades in Europe

As a technology company, we build on our software solutions to revolutionize the used car market. To ensure efficient pricing, we have developed proprietary algorithms that automatically evaluate used cars and overall market demand in real time. Utilizing our proprietary pricing algorithms, we have already engaged in more than four million trades for used cars, with each such trade having yielded proprietary data to our database. By designing the modern way to price used cars, we bring liquidity and transparency to the used car market.

To fuel our proprietary algorithms, we have amassed a database comprising 160 terabytes of data with respect to numerous automotive brands, models and features, in particular transaction data, as well as data on customer behavior and customer journeys. We believe that this is the largest data set for used car trades of any player in the used car market in Europe. As we continue to expand our business with respect to both the sale and purchase of used cars, this database is updated and expanded automatically. We consider our proprietary technology platform a key competitive advantage.

12.5.4 Operational excellence through our pan-European, scalable fulfillment infrastructure

To offer our customers a modern and distinct customer experience, we focus on their needs and have built our operations to achieve operational excellence. Our scalable fulfillment infrastructure comprises over 400 drop-off and pick-up locations in ten countries. In addition, we have longstanding relationships with third-party logistics services providers, who handle large-scale car transports for us and store our inventory at more than 150 logistics compounds. Through our internal logistics team and third-party logistics partners, we arranged for more than one million used cars to be transported or picked up by purchasers in 2019. We believe that the high number of transports we arrange makes us the largest customer of the European automotive logistics industry that is not a major original equipment manufacturer.

Our efficient fulfillment infrastructure sets us apart from other players in the used car market. This infrastructure even enables us to handle cross-border transports of used vehicles between our various European markets, and approximately 47% of all cars for which we arranged delivery were transported across borders in 2019. We believe that we are the only pan-European, vertically integrated technology platform for the purchase and sale of used cars that takes care of the full vehicle journey. As a result, we can ensure high service quality, swift delivery, required documentation for our merchandise and a consistently superior customer experience, deepening the relationships with our customers and allowing us to generate additional fees.

12.5.5 Entrepreneurial, founder-led management team

Our management team, led by our founder and Chief Executive Officer Christian Bertermann, combines entrepreneurial spirit with longstanding industry experience and a lasting commitment to our mission. Christian Bertermann and Hakan Koç, who until November 30 2020 was also a member of the Management Board and has now joined the Supervisory Board, developed the initial concept behind AUTO1 Group and managed our business from its inception. The Management Board is supervised by a Supervisory Board comprising internationally experienced high-profile individuals. This Supervisory Board is chaired by Dr. Gerhard Cromme, former chairman of the supervisory board of thyssenkrupp AG and Siemens AG, who also served as chairman of the government commission on the German Corporate Governance Code.

Our top managers are supported by an entrepreneurial team of experienced professionals, whose commitment to AUTO1 Group is evidenced by the fact that approximately 70% of our 23 leading executives joined us within the first two years of our launch in 2012. We believe that our stable management team forms the backbone that will help us deliver on our goal of building an offering that revolutionizes all sides of the used car trade.

12.6 Our Strategy

To achieve continued success, we have identified the following key elements of our strategy:

12.6.1 Seize the vast market opportunity in the highly fragmented market for used cars with an accelerating offline to online shift

We estimate that online penetration for sales to consumers in the European used car market amounts to approximately 1%. This is significantly lower than online penetration in a number of other mass markets such as toys and games, consumer electronics and apparel, where online penetration amounted to 48%, 37% and 17%, respectively, in 2020 (*source: Euromonitor*). In the upcoming years, we expect online penetration to accelerate significantly, as professional dealers and consumers recognize the multiple benefits associated with buying and selling used cars online. The potential for the creation of a dominant online offering is compounded by the fragmentation of the European market for used cars. We believe that competition in the fragmented used car market will greatly favor the market participant with the strongest brands and platform. From our position as the leading platform for used car trades by professional dealers, we plan to seize the vast market opportunity in the European used car market by driving the migration from offline to online. In the long-term, we believe we have the potential to capture a market share of 10% in this market.

12.6.2 Become Europe's leading retailer for used cars

We piloted our "Autohero" offering in Germany in 2017, and extended it to eight other European markets in the following two years. Building on the rapid growth we have achieved, we plan to make our "Autohero" offering the leading retailer for used cars in Europe. To this end, we can draw on our experience of quickly scaling new businesses and leverage our existing sourcing funnels and technology and operations platform, in particular our extensive database, our proven pricing algorithms and our pan-European fulfillment network.

To further accelerate growth of our "Autohero" offering, we intend to invest approximately €410 million of the net proceeds from the Offering, in particular in marketing, personnel to support our customers, an increase of working capital, branded transporters and additional refurbishment capabilities. In addition, we seek to offer tailor-made financing solutions to enhance our customer experience and improve the margins of our "Autohero" offering. The expansion of this offering will allow us to further leverage our sourcing funnels, as we can sell younger models at higher prices under this offering. In addition, we can utilize and further optimize our pricing algorithms by collecting additional transaction data. We expect that our "Autohero" offering will help us reshape our business in the long term by making our retail offering the focus of our operations.

12.6.3 Leverage our longstanding relationships with professional dealers to grow our remarketing solutions

We believe that professional dealers have high demand for easy remarketing solutions (*i.e.*, options to sell used cars from their inventory or trade-in vehicles to other professional dealers). By offering these dealers a convenient solution and access to a much wider network, we enable them to remarket excess inventory faster, easier, more reliably and at more competitive prices. In 2019, we already purchased approximately 39,000 used cars through our remarketing solutions. Given that we only acquired these cars after the relevant auctions under our "AUTO1" offering had been completed, we took on almost no inventory risk.

When expanding our remarketing solutions, we plan to leverage our longstanding relationships with professional dealers across Europe, who are already familiar with our "AUTO1" brand. Furthermore, we intend to continue to invest in the development and design of new and updated technology solutions, websites and apps for our remarketing offering. We believe that this will allow us to broaden our sourcing and earn attractive margins without increasing our risk exposure or capital expenditure requirements.

12.6.4 Continue to scale our business to drive growth and profitability

Since starting our business in 2012, we have rapidly grown our revenue. With well-established brands, broad sourcing funnels, longstanding relationships with professional dealers, a vertically integrated technology platform, fulfillment excellence and a rapidly expanding consumer offering, we believe we have put all pieces into place that will allow us to achieve continued growth. Driven by increasing online penetration, we expect that our proven business model and our experienced management team will be able to deliver attractive growth rates for years to come.

We plan to fuel our growth by leveraging our existing sourcing infrastructure to purchase and sell more used cars. In particular, we intend to purchase a higher shares of the cars offered to us when sourcing from consumers as we further expand our "Autohero" offering. Furthermore, we believe that by expanding our retail offering, we will be able to obtain a growing number of trade-in vehicles. For example, in 2019, 75% of used car buyers in Germany already owned a car, which they could potentially trade in (*source: DAT*). By being able to accept most of the trade-in vehicles offered to us, in particular for inclusion in our "AUTO1" offering, we can act on both sides of the trade for consumers and open an additional sourcing funnel to further expand our leading position in the European used car market. In addition, we plan to selectively expand into additional European markets, in particular for our sourcing from consumers and our "Autohero" offering. Furthermore, we will consider making selective acquisitions and entering into strategic cooperation agreements to support our continued growth, if attractive opportunities arise.

As we continue to grow the number of used cars we buy and sell, we expect to benefit from significant economies of scale. Given that our platform is already set up to manage significantly increased offerings without requiring significant additional investments, we believe that our growing scale will result in a decrease of the share of fixed costs. At the same time, we plan to further automate our operations by investing in pricing, inspection and logistics technologies. Based on the strong improvements in profitability we achieved in the past, we are confident that we will be one of the few businesses that can combine rapid growth with taking the next step to becoming profitable and thereby generate sustainable returns for our shareholders.

12.7 Our Operations

We have created Europe's leading platform for the sale and purchase of used cars. Our operations cover more than 30 countries across Europe, and we sold more than 615,000 used vehicles through our websites and apps in 2019. Since starting our business in 2012, we have achieved rapid growth, and have constantly expanded our business both on the sourcing and sale side. This proven business model is supported by a broad, scalable technology and fulfillment platform that ensures a superior customer experience and differentiates us from our competitors in the used car market.

We target the entire used car market in Europe, one of the largest commercial markets. Tastes of consumers vary greatly, as reflected in the broad range of automotive brands, models, colors, features and price points. To reflect these tastes, we strive to compile a true mass market assortment by constantly sourcing a large number of used cars. Since January 1, 2019, we offered more than 30,000 used vehicles under our merchant brand "AUTO1" and our retail brand "Autohero" on average.

We primarily source the used cars offered on our websites and apps from consumers under established consumer brands such as "wirkaufendeinauto.de" in Germany, but have also established a remarketing offering for professional dealers, including large corporations, leasing companies and car rental companies. On the sale side, we originally only offered used vehicles to professional dealers under our "AUTO1" brand, and these dealers still represent our most important customer group. Following a pilot launch in 2017, we have successfully established a rapidly expanding consumer offering under our "Autohero" brand. As we grow our business, we benefit from engaging consumers and professional dealers both as sellers and buyers of used cars. Our business model is set up to ensure that any expansion of a sourcing funnel or offering helps us to further leverage and improve our platform and consequently benefits the other parts of our operations.

12.7.1 Our Sourcing

Our ability to source a large number of relevant used cars at attractive prices is a key strength that helps fuel our continued growth. In 2019, we sourced an average of approximately 1,600 used cars per day. Overall, we sourced used cars from 78 different automotive brands, covering 1,047 different models, with purchase prices ranging between €1.00 and approximately €415,000.00 between January 1, 2019 and September 30, 2020. Germany is our most important sourcing market.

Unlike other businesses that purchase new products wholesale from manufacturers, there is no single source for used vehicles for us, as even professional dealers only trade in a comparably small number of cars annually. The vast majority of used cars are held by consumers who only sell these cars once they are looking for a different vehicle. Consequently, our sourcing focuses on direct purchases of used vehicles from consumers. In addition, we are increasingly offering remarketing solutions to professional dealers that enable them to utilize our platform to monetize excess inventory, and to large corporations, leasing companies and car rental companies, which regularly sell a large number of used vehicles. In the three-month period ended September 30, 2020, we sourced approximately 87% of our used vehicles from consumers, while the remaining cars were provided by professional dealers.

Our sourcing funnels allow us to constantly replenish our inventory with in-demand used cars at attractive prices. To finance this inventory, we have arranged for an asset-backed securitization program, providing us with up to €485 million in inventory financing (see "*12.13.1 Our Non-Recourse Financing*"). The average interest we expect to pay on the external part of our Non-Recourse Financing amounts to less than 2.0% *per annum* and the senior tranche under this financing has received investment grade ratings from two credit rating agencies registered with the European Securities and Markets Authority. As collateral for this debt funding, we can use the used cars in our inventory. The senior and mezzanine tranches under our Non-Recourse Financing will enable us to finance up to 90% of the purchase price for the used cars we source. Consequently, we only require equity for approximately 10% of our inventory. We believe we are the first player in the automotive market, including original equipment manufacturers and professional dealers, who has been able to obtain this kind of low-risk, high-impact inventory financing. Our Non-Recourse Financing enables us to maintain what we estimate to be the largest inventory of any used car dealer in Europe, while also allowing us to offer better conditions to purchasers of our used cars.

12.7.1.1 *Our Sourcing from Consumers*

To attract purchase offers from a large number of consumers, we have established our key brand "wirkaufendeinauto.de" (*i.e.*, "we buy your car") in Germany and local language equivalent brands in nine other European countries. Utilizing these well-known brands, our sourcing revolves around our websites and apps. Consumers can access these websites and apps to submit certain car data such as model, age and mileage online, enabling us to instantly provide them with instant and reliable price quotes. These price quotes are calculated by our proprietary pricing algorithms 24 hours a day. If potential sellers consider our price quotes attractive, they can then use our websites and apps to book an appointment to complete the sale.

We operate more than 400 drop-off locations, where consumers can then present their used cars to our local employees, who are their first physical point of contact. Following an inspection of the offered vehicle, our car-trading professionals confirm and/or update the information regarding the offered car through our proprietary inspection software. We seek to make this process as swift and convenient as possible, evidenced by the fact that the physical inspection was completed within 24 minutes or faster for approximately 92% of the used cars offered to us for a physical inspection in the three-month period ended September 30, 2020. The used vehicle information collected and recorded by our experienced staff enables our pricing algorithms to calculate the final offer presented to the prospective seller. To review the functioning of our pricing algorithms, we employee a team of pricing experts, who review and approve a share of these final offers. This strict pricing process ensures that consumers are offered transparent, haggle-free prices (*i.e.*, we do not negotiate the prices we offer), while we remain in full control with respect to the quality and pricing of our sourced cars.

During the COVID-19 pandemic, we further improved this process by taking the next step towards a fully digitalized used car offering. To this end, we developed a sell-from-home solution, where consumers can submit significantly more data when requesting price quotes via our websites and apps. In addition, they can upload images so we can already assess certain visual features ahead of the physical inspection. As a result, our pricing algorithms can calculate much more accurate price quotes. We believe this sell-from-home solution has significantly improved customer satisfaction and the efficiency of our sourcing operations. This is evidenced by the fact that our conversion rate (*i.e.*, the share of potential sellers who accept our final offer after presenting their car at one of our drop-off locations) more than doubled in the markets where we rolled out our sell-from-home solution (*i.e.*, Belgium, France, Germany, Italy and Spain) in the three-month period ended September 30, 2020 compared to the corresponding prior year period. In addition, we completed 77% more inspections through our sell-from-home solution compared to the number of physical inspections during the corresponding prior year period. By offering consumers reliable price quotes instantly, we believe we can strengthen the trust consumers place in our initial price quotes and derive the maximum value from our well-known consumer brands.

Before we purchase used cars offered to us, our algorithms analyze the expected GPU, anticipated sales speed, existing stock in inventory and market trends. If these algorithms consider the relevant used cars particularly difficult to sell (*e.g.*, due to the fact that the relevant automotive brand or model is relatively uncommon or such cars suffer from specific defects), we typically do not purchase them straight away. In keeping with our dedication to satisfy consumers, even in cases where we decline to directly purchase used cars, we offer the respective sellers the option to list their used vehicles via our "AUTO1" auction platform, thereby giving them access to a pan-European network of professional dealers. As a result, sellers will typically be able to swiftly obtain attractive bids even for uncommon used cars, while we can generate additional revenue from the sale of these cars by acting as a pure marketplace. Thus, our unique access to both consumers and professional dealers enables us to create liquidity even for hard-to-market used vehicles.

In addition to logistics and haggle-free pricing, we seek to offer consumers a convenient and seamless fulfillment experience. We assist consumers in the deregistration of their used cars, leveraging our longstanding experience in these administrative processes. Furthermore, we offer to handle the repayment process for any outstanding car financing by deducting the relevant portion of the sales price and directly transmitting the funds to the respective financing provider. For electric vehicles, where some cars are sold while the battery for the car is only leased, we manage the process of transitioning the relevant lease agreement. We believe that consumers who sell their cars to us greatly value our consumer-centric range of services. Finally, we generally transmit the purchase price via wire transfer within one or two business days after completion of the hand-over, giving consumers near instant access to the funds they need to purchase their next car.

In line with our goal of providing a superior customer experience, we provide customer service via email and through our telephone hotlines. The high quality of our customer service helps us to limit complaints that cannot be resolved successfully. The result of our clear focus on customer service has been the generally high satisfaction among consumers selling us their used cars, evidenced by a net promoter score of 60 as shown in surveys conducted at our drop-off and pick-up locations in October 2020.

12.7.1.2 *Our Remarketing Solutions*

Through our remarketing solutions operating under our "AUTO1" brand, we can source used cars from professional dealers as well as large corporations, leasing companies and car rental companies. Traditional car dealers only have very limited space and capital available to store and display the used cars they offer. Consequently, if they miscalculate the attractiveness of cars they source, this space will quickly fill up, preventing them from achieving fast, profitable inventory turnover. This risk is compounded by the fact that professional dealers typically offer customers the option to trade in their existing car when selling these consumers a new car. For example, in 2019, 75% of used car buyers in Germany already owned a car, which they could potentially trade in (*source: DAT*). Professional dealers often find it hard to accept trade ins of used cars that do not fit their own portfolio (*e.g.*, cars of the wrong brand or with too much mileage). Likewise, large corporations, leasing companies and car rental companies constantly replenish their fleets, which results in them owning excess vehicles. Building on our well-established relationships with over 60,000 professional dealers, we have created compelling remarketing solutions under our "AUTO1" brand to enable these car-trading professionals to achieve swift, profitable turnover for excess inventory.

Professional dealers using our remarketing solutions can easily list any car from their inventories in 24-hour auctions under our "AUTO1" offering, marketing such cars across Europe to other professional dealers. Thus, we help create a pan-European used car market, with 50% of used cars sourced through our remarketing solutions in 2019 being sold across borders. To provide dealers using these remarketing solutions with maximum flexibility, we do not require any minimum number of used cars to be listed by individual dealers. When setting up auctions, professional dealers can enter all relevant vehicle information themselves and in real-time, or rely on the support of our mobile inspection team, which provides on-site inspections and uploads the result of their assessment.

Following completion of an auction and assuming at least the minimum sales price set by the selling professional dealer has been achieved, or the seller accepted a lower offer made by a buyer, we enter into a sales agreement with the winner of the auction and then purchase the relevant car at a slight discount. As a result, we significantly limit our inventory risk in connection with sales and purchases under our remarketing solutions. The efficiency of these solutions is evidenced by the sell-through rate (*i.e.* the share of cars offered that were actually sold), which nearly doubled between 2018 and the three-month period ended September 30, 2020. Once cars have been sold successfully, we take over the complete fulfillment process to ensure smooth transactions for both buyers and sellers. In addition, we seek to provide a flexible, accommodating customer service process to handle any disputes that might arise *vis-à-vis* professional dealers using our remarketing solutions and dealers buying the used cars listed thereunder. We believe that our remarketing offering presents professional dealers with an attractive option to manage their inventories, while allowing us to earn attractive returns at minimal risk.

Our remarketing offering is proving increasingly attractive to larger professional dealers, evidenced by the growing activity of new users of our remarketing solutions. Over time, dealers utilizing our remarketing solutions become more active and trade a growing number of used cars as our proprietary software solutions become an integral part of their processes. In 2019, professional dealers using these solutions for the first time traded approximately four times as many used cars compared to new dealers who joined in 2016. Given the size of our offerings, we can even handle complex remarketing requests. As we make remarketing fast and easy, we expect to become the preferred remarketing option for many of our existing customers who are professional dealers. In 2019, we already sold approximately 39,000 used cars we had previously sourced through our remarketing solutions, reflecting growth at a CAGR of approximately 100% between 2016 and 2019.

Our remarketing solutions comprise proprietary software that professional dealers can seamlessly integrate into their own processes and, if needed, their existing inventory management systems. Going forward, we intend to expand the range of our remarketing solutions to make our software compatible with even more inventory management systems. Furthermore, we intend to continue to invest in the development and design of new and updated technology solutions, websites and apps for our remarketing offering. By using advanced technology solutions, we can ensure that our sourcing through remarketing does not require significant personnel, given that one key account manager can function as contact point for multiple professional dealers. As a result, we can leverage a small workforce, evidenced by the fact that the average number of transactions through our remarketing solutions per employee (full-time equivalent) quadrupled in the three-month period ended September 30, 2020, compared to the three-month period ended March 31, 2016.

In addition to offering remarketing solutions to traditional professional dealers, we have entered into cooperation agreements with automotive manufacturers such as Renault Deutschland AG and other third parties. Under these agreements, the relevant third parties supply us with used cars obtained by them as part of their operations (*e.g.*, in connection with returns or updates of their fleets). We remarket these cars to professional dealers through auctions under our "AUTO1" brand. As a result of these agreements, we have constant access to a large number of used vehicles on attractive conditions, including relatively rare models and electric vehicles.

12.7.2 Our Sales Channels

Since the launch of our business in 2012, we have sold more than two million used cars through our offering to professional dealers under our merchant brand "AUTO1" and our consumer offering operating under our retail brand "Autohero". We are the largest seller of used cars in the European Union (*source: OC&C Report*) and we sell our cars in over 30 countries across Europe, with five of our six largest markets being located in Western Europe.

The decision whether a used car in our inventory will be offered under our "AUTO1" or "Autohero" brand is already made when sourcing the relevant car. To this end, our proprietary pricing algorithms take into account data on past transactions, current demand and market research to calculate the price a used car is likely to achieve under either offering and then price and allocate the relevant car accordingly.

Our "AUTO1" offering typically comprises older models, which are traded at bigger price ranges across the European Union and consequently provide professional dealers with an opportunity to achieve a higher margin. By comparison, our "Autohero" offering typically consists of younger models, and we ensure that the relevant vehicles are free from deficiencies. As a result, prices for these cars tend to be higher. In the three-month period ended September 30, 2020, the RPU amounted to €12,828 for our "Autohero" offering, compared to a RPU of €6,303 for our "AUTO1" offering during the same period. By establishing two complementary product offerings with specific characteristics for the used cars sold under each offering, we can make full use of our broad sourcing funnels, while at the same time ensuring that we will continue to be able to source a sufficient number of vehicles for both our large, established "AUTO1" offering to professional dealers as well as our rapidly growing "Autohero" offering to consumers.

In addition, we have proven that we are able to adapt to changing demands in the used car markets. In recent years, electric vehicles and hybrid cars have been in growing demand from environmentally conscious consumers. From 2017 to 2019, we more than tripled the number of such vehicles we sold from 1,797 to 5,519 and believe that this makes us one of the largest traders of electric vehicles and hybrid cars in Europe.

12.7.2.1 Our Offering to Professional Dealers

We believe that our "AUTO1" brand has become the preferred destination for more than 60,000 professional dealers who regularly search our offering for used cars to replenish their own inventory. In 2019, the used cars on offer via our "AUTO1" websites and apps comprised approximately 140,000 different vehicle variations, with thousands of auctions ending daily. Given the longstanding relationships we have with many of the professional dealers who use our offering, this dealer base has proven very loyal. In 2019, we generated 85% of our revenue from our "AUTO1" offering from professional dealers who were existing customers. Moreover, the customer base for our "AUTO1" offering is diversified both in terms of geography and customer share. In 2019, professional dealers from our largest market accounted for approximately 17% of used cars sold under our "AUTO1" offering, while the overall top 100 dealers accounted for just 9% of these cars. Consequently, we are not dependent on any single professional dealer or market.

Our "AUTO1" websites and apps are structured as an auction platform, where we list our used cars with a minimum price that ensures we can at least recover the costs of sourcing for the relevant car as well as a minimum margin. Auctions typically run for 24-hours. Only professional dealers can access our "AUTO1" websites and apps after creating an account with us and providing us with confirmation that they are indeed professional traders (*Gewerbetreibende*). If the initial auction is not successful, we repeatedly offer the relevant used cars at dynamically adjusted prices until a sale has been completed. Our auction process creates competition among our network of professional dealers, which helps ensure that we can achieve the best price.

For all used cars listed under our "AUTO1" brand, we ensure that the relevant documentation (*e.g.*, registration document (*Fahrzeugbrief*) and vehicle registration (*Fahrzeugschein*)) is complete and available. We typically, however, do not refurbish cars sold under our "AUTO1" offering. In fact, we even offer cars that suffer from defects or have been involved in accidents, given that many professional dealers operate their own repair shops and can efficiently remedy such defects. By giving these dealers access to a wide selection of used cars, including cars they can repair and refurbish to accommodate their customers' needs, we enable professional dealers to generate a margin on meaningful steps of the value chain.

Following completion of the sale, we offer to handle the delivery process in cooperation with experienced third-party providers of large-scale car transporters, offering cross-border delivery to all countries across Europe to which we have extended our "AUTO1" offering. Given that we can charge for these deliveries, our fulfillment services add to the margin we can generate for our "AUTO1" offering. Our longstanding experience in logistics helps us ensure short delivery times. The registration of the sold vehicle under the relevant local jurisdiction is then up to the buyer. We believe that our "AUTO1" offering is the broadest, most liquid offering for professional dealers in Europe and makes us the preferred source of new inventory for car-dealing professionals.

12.7.2.2 *Our Offering to Consumers*

Following the rapid expansion of our merchant offering, in 2017 we piloted a complementary offering to consumers under our "Autohero" brand in Germany. In the following two years, we extended this offering to eight additional European markets, and have already sold more than 15,000 used cars thereunder. Establishing a direct consumer offering allows us to leverage the broad range of data we have collected from our sourcing operations and our sales to professional dealers. Going forward, we intend to significantly expand our "Autohero" business, including by investing approximately €410 million of the net proceeds from the Offering in this expansion, to become the leading online retailer for used cars in Europe.

We use our proprietary algorithms to identify used cars which we can source at prices that allow us to achieve attractive returns when they are sold directly to consumers. Used cars suitable for our "Autohero" offering are typically younger models, with lower mileage compared to cars sold under our "AUTO1" offering. In the three-month period ended September 30, 2020, the used cars offered under our "Autohero" brand had an average age of 4.5 years and an average value of approximately €12,800. Through our retail offering, we can now buy and sell vehicles when they first enter the used car market, and continue to engage in trades of these vehicles as they are sold over the course of their useful lives. Under our "Autohero" brand, we primarily sell used cars who have less than 100,000 kilometers in mileage, are younger than 8 years, have not been involved in accidents and have only a limited number of previous owners.

We believe that our websites and apps offer a truly immersive way of experiencing used cars online. Consumers can directly search our "Autohero" offering by automotive brand, model, maximum price, age, mileage and fuel type (*e.g.*, gasoline, diesel or electric). On average, we provide more than 20 photos for each of the used cars in our "Autohero" offering, which also show any imperfections, and we have developed software solutions that enable a 360° inspection of the interior. As the size of our offering and the recognition of our "Autohero" brand increase, we expect that a growing number of consumers will directly access our websites and apps when searching for used cars that meet their needs. In addition, we support our "Autohero" offering by listing our used cars through classified advertisements on websites such as www.mobile.de and www.autoscout24.de. These advertisements help attract attention to our consumer offering and to direct users to our platform.

Used cars offered under our "Autohero" brand are sold with all relevant documentation (*e.g.*, registration document (*Fahrzeugbrief*) and vehicle registration (*Fahrzeugschein*)), fully refurbished and with technical inspections completed to ensure they are ready to drive immediately. Sales are completed entirely online through local websites and apps for each of the nine countries in which we operate under our "Autohero" brand. All prices listed are fixed prices (*i.e.*, consumers can directly purchase the relevant car at the listed price). In addition, we have integrated attractive financing options into our online offering. Our customers can obtain the required acquisition financing from third-party financing providers, who in turn pay us a commission for financing arranged through our websites and apps. Going forward, we plan to provide financing to consumers ourselves. We expect that this will enable us to offer consumers even more attractive financing options, while allowing us to generate attractive returns on such consumer financing (see "*9.5.7 Financing for Purchasers of Our Used Cars*").

Following a sale, we offer extensive fulfillment services. We take care of the registration process, ensuring that the process remains as convenient as possible for consumers. The sold cars are delivered through our network of over 400 pick-up locations. We even offer home-delivery, making the purchase of our used cars comparable to buying daily goods. The time and place of delivery are agreed between the relevant purchaser and our experienced customer service team. We aim for fast delivery times, evidenced by the fact that on average, it took just 11 days after completion of the sale for used cars sold under our "Autohero" offering to be delivered in the three-month period ended September 30, 2020. Going forward, we intend to further expand our own branded fleet of small-scale car transporters by more than 90 transporters in 2021 to provide consumers with a unique customer experience when having cars delivered to their door steps. We believe that a majority of consumers purchasing under our "Autohero" offering will opt for home deliveries in the future as they value this unique customer experience and consequently we plan to further expand our fleet of branded transporters to approximately 250 transporters over the next three years.

Going forward, we plan to offer value-added services to consumers such as extended warranties, insurance brokerage, service plans and a second set of tires, in order to achieve a fully-integrated service offering. By creating a fully-rounded offering, we intend to provide consumers with the customer experience for used car purchases they have long been looking for.

In addition, we enable consumers to trade in an existing car when purchasing under our "Autohero" offering. For example, in 2019, 75% of used car buyers in Germany already owned a car, which they could potentially trade in (*source: DAT*). Consequently, we believe that there is a considerable room to further increase the number of trade-in vehicles under our "Autohero" offering and thereby further add to our complementary offerings.

Consumers purchasing under our "Autohero" offering have a 14-day exchange or return right that is easy to exercise, assuming the relevant car has been driven no more than 100 kilometers. Our return and claims management processes are designed to maintain high customer satisfaction. We believe that consumers greatly value the fact that they can directly deal with us as a trusted, well-known partner when it comes to resolving complaints and remedying deficiencies of their purchased vehicles. The satisfaction of our customers is evidenced by the net promoter score of 54 for our "Autohero" offering, as shown in surveys we conducted at our pick-up locations in the three-month period ended September 30, 2020. Going forward, we strive to increase this net promoter score to 80 in the long-term. As a result of our strong quality controls and dedicated customer service, we were able to maintain a low return rate of just 3.9% of the used cars sold under our "Autohero" offering in the three-month period ended September 30, 2020. We believe this represents a significantly lower return rate compared to other online offerings.

12.7.3 Marketing and Sales

We consider our marketing activities a key component of our operations, which is why we utilize what we believe is the largest marketing budget of any used car dealer in Europe. In 2019 and the nine-month period ended September 30, 2020, our marketing costs amounted to €122.7 million and €49.5 million, respectively. To derive the maximum value from our marketing investments, we track our customer acquisition costs and have been able to improve our sign-up to purchase conversion ratio (*i.e.*, the ratio of potential customers who entered a car search and email address into our websites to the number of sales through our websites) by approximately 10% in the three-month period ended September 30, 2020 compared to the corresponding prior year period. Going forward, we plan to further improve our customer acquisition costs through additional information technology solutions, in particular customer profiling, marketing automation and customer journey optimization.

We believe that having well-known brands significantly enhances our ability to drive traffic to our websites and apps and to attract new customers. Consequently, we focus our marketing activities on enhancing our brands. As a result, the vast majority of our marketing budget is allocated to brand marketing. In the three-month period ended September 30, 2020, we acquired approximately 83% of our customers through paid and unpaid brand marketing, compared to 71% during the three-month period ended March 31, 2019. We believe that constantly investing in the marketing of our brands, in particular our consumer brands, will help us reduce customer acquisition costs, increase customer loyalty and thereby increase both the number of our returning and new customers.

We believe that our "AUTO1" brand is the trusted brand for professional dealers and strongly benefits from our longstanding presence in the professional used car market, our marketing to professional dealers, recommendations and the strong and lasting relationships we have formed as we built our merchant offering. We consider our local sourcing brands such as "wirkaufendeinauto.de" in Germany the trusted brands for consumers to sell their used car fast and easy online. To promote these brands, we have invested significant funds in mass market advertising campaigns, especially radio and television commercials. Based on surveys we commissioned from YouGov Deutschland GmbH we believe that this has helped us achieve a brand awareness of approximately 62% for Germans over the age of 18 who are considering whether to sell a used car. Going forward, we intend to make significant investments in promoting our "Autohero" brand through mass marketing channels between 2021 and 2023. Through our continued marketing investments, we seek to achieve a brand awareness of more than 50% for our "Autohero" brand and establish this brand as the best-known retail brand for used cars in Europe by 2023.

Our websites and apps that are programmed and updated in-house are designed with a view to making the process of buying and selling used cars online transparent, easy and fun. In 2019, more than 69 million unique visitors accessed these websites and apps. Our online tour options provide an interactive way for customers to search for used cars and to take a virtual tour of the interior and exterior of their chosen vehicle. Recently, we added features that allow our customers to take virtual test drives via video for used cars offered to consumers. We believe that our online displays enhance the customer experience we provide and will help alleviate any potential fears that buying and selling used cars online is riskier due to a lack of personal inspection.

Our marketing team comprises more than 100 employees, whose efforts are supported by our unique technology platform. We utilize our data-driven analytics capabilities based on our proprietary software in order to link marketing expenses with respect to individual marketing channels and campaigns in our various target markets to the relevant benefits we derive from them (*i.e.*, visits to our websites and apps as well as subsequent transactions). Our sophisticated algorithms enable us to account for the time lag between marketing efforts and actual conversions. As a result, we have been able to achieve accelerating growth by more efficient spending of our marketing budget. We believe that our targeted marketing efforts result in high amounts of relevant traffic and that we will be able to further optimize the efficiency of our marketing efforts and reduce our customer acquisition costs by increasing our data-gathering capabilities and by strictly adhering to our data-driven approach.

In order to achieve mass recognition among consumers and to reach a diverse base of professional dealers, we employ a wide range of both paid marketing channels and unpaid marketing channels:

12.7.3.1 *Our Paid Marketing Channels*

Online marketing is a key marketing tool for us, as this allows us to target customers that are open to our innovative online offering. We engage in search engine marketing (in particular for Google and Bing). To this end, we constantly analyze a large number of search terms in languages relevant to our target markets in order to find the most relevant terms and to ensure a high ranking of our websites and apps. We also rely on social media marketing and running advertisements on social media platforms such as Youtube and Facebook. In addition, we engage in retargeting, affiliate marketing and other online marketing activities. By analyzing the data on website and app visits and resulting transactions through our automated marketing technology systems, we are able to reallocate our online marketing budget in real time, helping us to efficiently utilize our significant resources. In addition, we list used cars from our "Autohero" offering through classified advertisements on websites such as www.mobile.de and www.autoscout24.de.

Furthermore, television and radio advertisements are a key marketing channel for our consumer brands such as "wirkaufendeinauto.de". Going forward, we intend to also commission such advertisements for our "Autohero" brand to significantly enhance the recognition of this brand. We believe that television and radio advertisements are an effective way to reach a large viewership that corresponds to our mass market offering for used cars and that enhances the recognition and overall perception of our consumer brands.

12.7.3.2 *Our Unpaid Marketing Channels*

In order to effectively position our "AUTO1" offering with professional dealers, we use certain unpaid marketing channels (*i.e.*, marketing efforts that do not require us to make payments to any third parties). These channels include our communication through social channels such as Facebook, Instagram and Twitter. All of these social channels help us improve the recognition of our brands, generate additional word-of-mouth-referrals and thereby new customers. Furthermore, we regularly distribute newsletters and other messages to professional dealers. As of September 30, 2020, we had approximately 515,000 followers on Facebook for our various brands.

In addition, we endeavor to enhance the ranking of our websites in organic searches, a process known as search engine optimization. By analyzing the relevance of key search terms and designing our websites and apps to fit the intended searches and to provide relevant products, we try to ensure that our websites and apps are ranked high in organic searches and that the maximum relevant traffic is directed to them.

Furthermore, we directly approach our customers via email in order to inform them about our current offering and latest solutions. To this end, we have already acquired more than 57 million email addresses of consumers.

12.7.3.3 *Our Salesforce*

For our offerings to professional dealers under our "AUTO1" brand, we have established a sales force of automotive professionals who serve more than 30 European countries. These automotive experts seek out professional dealers that could be potential new customers for our offering, introduce our solutions to them and work as key account managers. To ensure continued satisfaction and long-term relationships, our key account managers also handle customer support and deal with any complaints. To train our salesforce to be a competent partner for professional dealers, we focus on providing our employees with relevant know-how and constantly hold additional training sessions for them.

12.7.4 Our Fulfillment Infrastructure

We consider our fulfillment infrastructure a unique asset that separates us from other online competitors and traditional used car dealers. We believe that we are the only pan-European, vertically integrated platform for the purchase and sale of used cars that takes care of the full vehicle journey, starting with the intake of newly acquired inventory, through deregistration, refurbishment, registration after sale, collection by, or delivery to, the new car owner.

This infrastructure is steered by our proprietary logistics software that coordinates the storage and shipping of our inventory and provides us with live updates on the status and location of all used cars in our inventory. We believe that our automated logistics services process enables us to efficiently direct our operations and thereby minimize logistics costs. As a result, we can offer our customers, in particular professional dealers, competitive prices for the delivery of used vehicles, eliminating the need for a third party and ensuring we have full control over the distribution journey.

Our physical fulfillment infrastructure, in particular *vis-à-vis* consumers, comprises more than 400 drop-off and pick-up locations across Europe. At these locations, sellers can drop off their used cars, receive and accept our final and binding offer and hand over their cars and corresponding documentation. In turn, consumers can inspect and pick up their newly acquired cars. Our local staff possesses extensive automotive know-how and seeks to provide a superior customer experience.

Our local staff have extensive experience in administrative services associated with the sale and purchase of used cars. In particular, they are charged with helping in the deregistration and registration required under local laws in the jurisdictions where we operate our locations. Since starting this service, we have handled the deregistration or registration and provided documentation services more than four million times, in many cases doing so to provide a service to our customers. Furthermore, staff at our drop-off and pick-up locations are tasked with submitting all relevant car data into our technology systems to enable us to keep track of our inventory and transaction data. We consider our qualified, dedicated local employees the backbone of our pan-European operations.

To add to our fulfillment capabilities, we have established longstanding relationships with logistics partners, using more than 250 partners in the last three years. In particular, we have entered into service agreements with third-party logistics services providers, who handle large-scale car transports for us. These logistics services providers also store our inventory at more than 150 logistics compounds across Europe. Our drop-off and pick-up locations are located within a radius of 70 kilometers of these compounds. With this efficient setup, we can handle transports throughout Europe. Through our internal logistics team and third-party logistics partners, we arranged for more than one million used cars to be transported or picked up by purchasers in 2019, and approximately 47% of all cars for which we arranged delivery were transported across borders. By increasing the annual number of third-party transports we arranged from approximately 200,000 to approximately 840,000 between 2015 and 2019, we demonstrated that we have access to high-quality logistics capabilities. At the same time, we were able to decrease the lead times for our transports from approximately seven days to approximately five days during this period.

The majority of our transports are performed by third-party logistics services providers, with whom we have long-term agreements (see "*12.13.3 Logistics Agreements with Third-Party Logistics Services Providers*"). Consequently, we consider our transport capabilities well-prepared for our expected future growth. In the three-month period ended September 30, 2020, the average delivery time for used cars sold under our "Autohero" offering between entering into the respective purchase agreement to physical delivery amounted to just 11 days.

To prepare used cars for sale under our "Autohero" offering, we have refurbishment capabilities at 70 logistics compounds, provided that we currently only use these capabilities at 22 of such compounds. When a used car arrives at these compounds, the car is cleaned and prepared for an entry check. Thereafter, both pictures and videos are taken in our photo booths and the car is listed under our "Autohero" offering. To this end, we are rolling out a standardized photo booth solution across Europe, provided that currently most pictures are still being taken by third-party employees. Following the listing, third-party employees take care of car maintenance, perform smart repairs to remove minor exterior defects, and resolve any defects that might impact whether or not the car is safe to drive. This may include painting the used car and/or replacing certain parts. Once the refurbishment is completed, our quality managers perform a quality check. We finish the refurbishment process with an exit check once the relevant car has been sold.

We constantly work on refining our refurbishment approach. Between 2019 and the three-month period ended September 30, 2020, we were able to reduce our average refurbishment costs per car from €907 to €864 and reduce the time that elapses between the acquisition of a used car and the completion of the refurbishment process by approximately 60%. During the same period, we increased the average weekly output of our refurbishment operations from approximately 120 used cars to approximately 300 used cars. Going forward, we plan to significantly increase our refurbishment capabilities. To this end, we estimate that we can increase the number of logistics compounds with utilized refurbishment capabilities from currently 22 to 70 without requiring any major investments, which we expect would provide us with the capacity to refurbish approximately 180,000 used cars *per annum*. If we were to extend these capabilities to all of our more than 140 logistics compounds located in countries where we operate our "Autohero" offering, we estimate that we could increase our refurbishment capacity to approximately 370,000 used cars *per annum*.

For the delivery of cars to consumers under our "Autohero" brand, we plan to expand our own fleet of custom-built, branded transporters. These smaller transporters have been specifically designed to allow us to present the used cars we deliver to consumers and provide them with an exciting, distinctive customer experience. Going forward, we plan to significantly expand this fleet of branded transporters by more than 90 transporters in 2021 in order to enhance the recognition of our "Autohero" brand and make online purchases of used cars a unique experience for consumers. We believe that branded deliveries will be an experience worth sharing with others. Consequently, we expect a majority of consumers purchasing under our "Autohero" offering will opt for home deliveries in the future as they value this unique customer experience. We therefore plan to further expand our fleet of branded transporters to approximately 250 transporters over the next three years.

12.7.5 Our Financing Solutions

For purchases by consumers under our "Autohero" offering, we offer flexible financing options. The actual financing for the used cars is currently provided by 13 banks and branches across Europe, who in turn remunerate us with a commission. While this setup already allows us to benefit from the consumer financing opportunity of our retail business, we have no control over the actual financing decisions of our local bank. In addition, we have only limited control over the customer experience these banks provide.

To take full control of the consumer financing opportunity, we intend to provide a growing share of consumer financing ourselves, including by cooperating with local fronting banks in markets where this is required to comply with local licensing requirements. Before making such financing, we will complete an automated credit check, including the assessments of third-party credit agencies.

By offering tailor-made financing solutions, we can take full control over financing decisions and factor in the overall benefits of purchases. This may allow us to make financing available to consumers at relatively favorable conditions and still generate attractive returns on our sales. We expect that tailor-made financing solutions will contribute to a superior customer experience and significantly improve the margins of our "Autohero" offering (see "*9.5.7 Financing for Purchasers of Our Used Cars*").

12.7.6 Software and Technology

We are a technology company and believe that we have the most advanced and sophisticated technology platform among used car dealers. This platform is operated by more than 300 technology employees of approximately 50 different nationalities, approximately 70% of whom are engineers. These employees are located at four technology centers. Approximately 80% of their time is invested in new projects and innovations, allowing us to roll out more than 18 new releases (*e.g.*, updates and news features for our websites and apps) on average per day. As we continually seek to expand and optimize our technology infrastructure, we add approximately 65,000 lines of code on average per day. In addition, a data science team ensures constant monitoring of our transaction systems to ensure that our pricing algorithms are constantly functioning and learn from every transaction.

12.7.6.1 Our Technology Platform

Our technology platform is both scalable and vertically integrated across our value chain. Our websites, apps handle approximately 250,000 user sessions per day and directly deliver the relevant data into our systems. In addition, we have access to a vast trove of external data (*e.g.*, data on transactions completed via online classified advertisements). As every car for which we can obtain the required data (*e.g.*, because it is auctioned via our "AUTO1" offering) feeds into our database and is matched against approximately 10,000 clusters, each such car provides us with additional data points and the option to subsequently review the accuracy of our pricing models. On average, we collect more than five million data points on average per day. These instant data transfers enable our pricing algorithms to provide live updates on the different values in the business to consumer and business to business markets as well as pricing discrepancies between national markets within the European Union.

We believe that our ability to collect and analyze data provides us with a key competitive advantage, which is why we have designed our technology platform with a view to integrating the collection of data from multiple relevant access points (*e.g.*, by using Google Analytics to track customer journeys as well as the information provided by our websites and apps). In the future, we seek to further improve our ability to track cross-device journeys to analyze and to improve the success of our offering and the content of these websites and apps.

By utilizing a microservices architecture, cloud technologies and integrating the data gathering and analysis across our value chain, we have created what we consider a best-in-class setup, allowing us to utilize our increased knowledge in various ways:

- We can tailor our operations to optimize the entire used car journey and adapt our technology platform to our evolving business needs.
- By constantly analyzing our data with respect to past transactions completed through our websites and apps, we can optimize the pricing of both our sourcing and our offering.

- Our in-depth knowledge of expected purchaser behavior as well as current and future inventory levels enable us to base our sourcing decisions on more accurate forecasts made in real time.

- By analyzing customer behavior, we can tailor the content of our websites and apps to ensure that they stay relevant and that we provide customers with an immersive experience.

- Our integrated functions across our value chain provide us with high visibility on the journey of our used cars and the effectiveness of our fulfillment infrastructure.

- By constantly analyzing our data on advertising performance and marketing expenses, we can optimize our marketing efforts to maximize our return on these efforts.

- Our ability to analyze various relevant operational performance indicators in real time helps us to steer our business more efficiently and to analyze potential adverse developments earlier.

12.7.6.2 *Security*

When expanding and operating our technology platform, we constantly focus on security and reliability. The resilience of our technology platform is evidenced by the fact that we achieved 99.9% uptime in 2019. To achieve such a resilient technology platform, we have implemented various state-of-the-art security measures, in particular:

- cloud storage;

- firewalls;

- automated backups;

- encryption of sensitive data;

- cloud protection to prevent so-called distributed denial-of-service attacks;

- disaster recovery systems;

- internal audits;

- penetration and security testing;

- a virtual private network;

- information sharing based on a strict need-to-know principle;

- code reviews by at least two programmers;

- multi-factor authentication; and

- central password authentication.

12.7.7 Our Commitment to Sustainability

Sustainability forms an integral part of our business model. By bringing transparency, liquidity and simplicity to the European used car market, we make this market accessible for everyone. Our platform spanning across borders helps younger models to spread across markets. As a result, older models, who are less environmentally friendly, can be scrapped. In addition, we empower smaller businesses by providing professional dealers, most of whom are national or even local in terms of size and reach, to access a pan-European ecosystem.

Our operations are set up with a view to being environmentally friendly, including setting up eco-friendly workplaces and ensuring that our fleet of branded transporters for our "Autohero" offering comprises only low-emission vehicles. In addition, we set high environmental standards for our partners, in particular third-party logistics services providers.

We are also committed to diversity in the workplace. Our workforce comprises more than 70 nationalities and is spread across more than 30 European countries. Approximately 30% of our employees are women, and the Company intends to appoint one female member of the Supervisory Board prior to the completion of the Offering to replace a male member (see 17.3.1.2 *"Future Members of the Supervisory Board*"), and to further increase the share of female members of the Supervisory Board to at least one third within two years. In addition, the Supervisory Board has resolved to appoint at least one female member of the Management Board and to increase the share of female members to at least 25% by January 1, 2026.

12.8 Intellectual Property

12.8.1 Trademarks and Registered Designs

As of the date of this Prospectus, we have registered approximately 50 trademarks, including combined word and figurative trademarks (*kombinierte Wort- und Bildmarken*), for our most important brands "wirkaufendeinauto.de", "AUTO1" and "Autohero". We constantly monitor our trademarks by commissioning the services of specialized third-party service providers in order to maintain and to protect these key assets, including by pursuing any infringements by third parties.

12.8.2 Domains

We are the legal or beneficial owners of various domains, including the following domains that are essential to our business:

- www.wirkaufendeinauto.de;
- www.auto1.com;
- www.autohero.com; and
- www.auto1-group.com.

12.8.3 Proprietary Software

Our operations utilize a broad range of proprietary software, in particular our proprietary algorithm for the pricing of used cars. We originally designed this software in 2013 and have repeatedly updated the algorithm and added functionality and data. In addition, our websites and apps have been specifically designed by our dedicated in-house team to ensure an immersive, convenient and stable shopping experience.

12.9 Compliance Management

Our compliance team, which comprises a dedicated compliance officer as well as ten additional employees, has established a compliance management system aimed at ensuring lawful conduct by its employees. In addition, a compliance committee comprising our chief financial officer, general counsel, vice president tax/risk management and our compliance officer discusses compliance-related topics on a quarterly basis.

Our compliance system is designed to identify potential violations in advance and to systematically prevent their occurrence and is supervised by our compliance officer. This compliance system comprises, among other things, compliance guidelines offering an overview of our compliance regime and our mandatory compliance policies, regular training courses on relevant compliance risks and measures as well as adequate measures to allow employees to report potential compliance violations. Our compliance system is, among other things, aimed at preventing bribery and corruption, and violations of anti-money laundering and data protection laws and regulations.

12.10 Employees

As of the date of this Prospectus, we employ approximately 4,200 employees (full-time equivalent), most of whom are located in Germany.

In the fiscal year ended December 31, 2019, we employed 4,418 employees (full-time equivalent) on average (fiscal year ended December 31, 2018: 3,546 employees (full-time equivalent) on average; fiscal year ended December 31, 2017: 2,777 employees (full-time equivalent) on average).

The following table provides a breakdown of our average number of employees by function for the periods indicated:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2017	2018	2019	2019	2020
		(unaudited)		(unaudited)	
Drop-off locations and pricing	1,637	2,023	2,227	2,202	1,951
Remarketing key account management	105	154	212	202	261
"Autohero" sales and customer support	9	40	111	100	168
Technology	153	201	331	322	319
Headquarters and overhead	873	1,129	1,538	1,516	1,466
Total	**2,777**	**3,546**	**4,418**	**4,342**	**4,165**

12.11 Insurance Coverage

We have taken out a number of group insurance policies that are customary in our industry (*e.g.*, property and loss of earnings insurance, business liability insurance, including insurance for product liability and transport insurance) and cover all relevant entities of AUTO1 Group. Our insurance policies contain market-standard exclusions and deductibles. We regularly review the adequacy of our insurance coverage and consider our insurance coverage market standard insurance coverage customary in our industry. There is, however, no guarantee that we will not suffer any losses for which no insurance coverage is available or that the losses will not exceed the amount of insurance coverage under existing insurance policies.

We have also taken out a directors and officers ("**D&O**") insurance policy that covers the current and future members of the Management Board and Supervisory Board as well as equivalent bodies of other entities of AUTO1 Group, with a total coverage of up to €100.0 million for members of the Management Board and €120.0 million for members of the Supervisory Board, as well as various sub-limits depending on the specific nature of claims. The D&O insurance provides for a deductible for all members of the Management Board in line with the AktG.

12.12 Litigation

In the course of our business activities, we are regularly exposed to numerous legal risks, particularly in the areas of product liability, competition, intellectual property disputes and tax matters (see "*1.4 Risks related to Regulatory, Legal and Tax Matters*"). We are currently defending a lawsuit brought by FinTech, a joint venture in which we hold a minority stake of approximately 6%. We originally set up this joint venture to provide car financing solutions to purchasers of our expanding used car offering. As part of this joint venture, in 2018 we entered into a service agreement with FinTech with an original term of 20 years, requiring us, among other things, to exclusively promote certain financial products to purchasers of our used cars, if and to the extent such products are offered by FinTech. In addition, the service agreement could be interpreted to the effect that FinTech may utilize a combined word and figurative trademark (*kombinierte Wort- und Bildmarke*) registered on behalf of FinTech, and this trademark includes our "AUTO1" brand. In return, the service agreement required FinTech to pay us certain fees. While FinTech did subsequently provide some purchaser financing for our merchant segment, the business did not develop as anticipated and its product offering did not significantly further our own business. When FinTech negotiated a grace period with one of its creditors in March 2020, we decided to make use of a contractually-agreed extraordinary termination right and terminated the service agreement. As a precautionary measure, we subsequently terminated the agreement for a second time due to a violation of our governance rights in FinTech.

The validity of our termination is, however, being disputed by FinTech, which filed a lawsuit to this effect with the district court (*Landgericht*) of Berlin in April 2020. We are defending this lawsuit, yet the duration and outcome of these proceedings are currently unclear. The pending litigation or other possible disputes related to FinTech and its other shareholders may cause us to incur additional costs. Should the court rule in favor of FinTech, we may seek to exercise other termination rights. There is, however, no guarantee that such rights will be available to us, that courts will uphold our termination and that a termination will be possible without a need to pay compensation or incurring additional costs. If we ultimately cannot terminate the service agreement with FinTech, we would be bound for the remainder of the term of this service agreement. As a result, we may be restricted in offering financing products to purchasers of used cars, if and to the extent such products are covered by the service agreement, which may adversely affect the attractiveness of our offering and our margins. In addition, our "AUTO1" brand may be adversely affected if FinTech continues to utilize this brand (see "1*.2.9 Any failure to maintain, protect and enhance the recognition and reputation of our brands may adversely affect our business*"). In addition, we have filed an application for the cancellation of FinTech's trademark, which includes our "AUTO1" brand, and requested that FinTech cease using it. However, our application may not be successful and FinTech has refused to comply with our request. As a result, counterparties may be confused and our "AUTO1" brand may be adversely affected (see "*1.4.2 We may be involved in litigation or other proceedings that could adversely affect our business*").

During the twelve-month period prior to the date of this Prospectus, there were no other governmental, legal or arbitration proceedings (including pending or threatened proceedings that we are aware of), which may have, or have had, a significant effect on the financial position or profitability of the Company or AUTO1 Group.

12.13 Material Agreements

12.13.1 Our Non-Recourse Financing

On December 5, 2020, AUTO1 Funding B.V. (the "**Notes Issuer**"), a special purpose vehicle, as issuer, the Underwriters and certain other banks, as original mezzanine and senior noteholders, AUTO1 European Cars B.V. ("**AUTO1 B.V.**"), an indirect subsidiary of the Company which owns the vast majority of the used cars in our inventory, as borrower, AUTO1 Group AG, a direct subsidiary of the Company, as junior noteholder and operating agent, and Crédit Agricole Corporate and Investment Bank, as security trustee and notes agent, as well as certain other entities, entered into various agreements for an asset-backed non-recourse securitization program (the "**Non-Recourse Financing**"), which provides up to €485 million in financing to AUTO1 B.V.

The Non-Recourse Financing is structured as a two-level financing: Financing is provided to the Notes Issuer through the issuance of the following notes:

- up to €400 million of senior notes (the "**Senior Notes**");
- up to €35million of mezzanine notes (the "**Mezzanine Notes**"); and
- up to €50 million junior notes (the "**Junior Notes**" and, together with the Senior Notes and the Mezzanine Notes, the "**Notes**").

These funds are then passed on to AUTO1 B.V. in the form of loans. The Company expects to generate approximately €35 million from the initial issuance of Notes.

The Senior Notes generally rank senior to the Mezzanine Notes, which in turn rank senior to the Junior Notes. To comply with Regulation (EU) 2017/2402 of the European Parliament and of the Council of December 12, 2017 laying down a general framework for securitization and creating a specific framework for simple, transparent and standardized securitizations, AUTO1 Group AG, a subsidiary of the Company, has committed to subscribe for the Junior Notes and is, on an ongoing basis, required to retain a material net economic interest in the Non-Recourse Financing of at least 5% by holding and/or subscribing for Junior Notes.

The Senior Notes and the Junior Notes will be issued on a revolving basis (*i.e.*, after repayment of such Notes, the repaid amount may be re-borrowed through the issuance of new Notes) in the form of promissory notes (*Schuldscheindarlehen*) or registered notes (*Namensschuldverschreibungen*).

To pass on the funds that will be obtained from the issuance of the Notes, the Notes Issuer, as lender, and AUTO1 B.V., as borrower, have entered into loan facility agreements (the "**CarCo Loans**"). The terms of the CarCo Loans mirror the commitments, amounts and other terms of the Notes and comprise senior and junior **CarCo Loans** in the form of revolving loans and a mezzanine CarCo Loan in the form of a term loan.

12.13.1.1 *Use of Proceeds*

All proceeds from the issuance of the Notes are expected to be, used to extend CarCo Loans from the Notes Issuer to AUTO1 B.V. Funds originating from the issuance of Senior Notes and Mezzanine Notes may only be used to purchase vehicles meeting certain criteria (*e.g.*, such vehicles must be free of most encumbrances or third-party rights (other than security granted over them in connection with the Notes and CarCo Loans), have been in our inventory for no more than 300 days, be covered by satisfactory insurance and be located in Austria, Belgium, France, Germany, Italy (subject to ratings confirmation), the Netherlands, Poland, Spain or Sweden, provided that other jurisdictions may be approved by the noteholders).

12.13.1.2 *Interest*

The Senior Notes carry interest at the aggregate of the Euro Interbank Offered Rate plus a margin of 1.75% *per annum*, provided that interest thereon may not be negative. In the event that a holder of Senior Notes funds itself through proceeds from the issuance of commercial paper or a liquidity facility, the costs of such funding, including the costs of hedging, may be used to calculate interest *in lieu* of the Euro Interbank Offered Rate.

The Mezzanine Notes carry interest at the aggregate of the Euro Interbank Offered Rate plus a margin of 4.50% *per annum*, provided that the Euro Interbank Offered Rate used may not be negative.

The Junior Notes carry interest at a rate of 5.00% *per annum*.

Interest and commitment fees payable by AUTO1 B.V. under the CarCo Loans equal the amounts payable by the Notes Issuer under the Notes.

12.13.1.3 *Term and Availability*

The Senior Notes and the Mezzanine Notes may only be issued on a biweekly basis during the availability period, while Junior Notes may be issued on a daily basis. For the Senior Notes and the Mezzanine Notes, the availability period is scheduled to end in January 2023, and for the Junior Notes the availability period is scheduled to end in July 2024. The availability periods of the CarCo Loans equal the availability period of the respective Notes.

The subscribers of the Senior Notes and the Mezzanine Notes will only be required to subscribe for new Notes if, after giving effect to the proposed issuance, the sum of all amounts outstanding under the relevant class of Notes would not exceed certain availability thresholds. Subject to further adjustments, taking into account, among other things, the overall commitments and amounts outstanding under the Senior Notes and/or the Mezzanine Notes, Senior Notes can be drawn for up to 80% of the value of eligible used cars in our inventory and Mezzanine Notes can be drawn for up to 90% of the value of eligible used cars in our inventory. Accordingly, subject to further adjustments, the borrowing base for the Senior Notes and the Mezzanine Notes amounts to up to 80% and 90%, respectively, of the value of eligible used cars in our inventory. The same applies for the senior and mezzanine CarCo Loans to be made available by the Notes Issuer to the AUTO1 B.V.

All amounts outstanding under the Notes and CarCo Loans must be repaid in full on the applicable maturity date. The Notes and the corresponding CarCo Loans are scheduled to mature in July 2024.

Upon request, the respective noteholders may agree to extend the availability period of any class of Notes. In such case, the availability period under the respective CarCo Loan would be extended correspondingly.

The Issuer also has an option to enter into interest rate hedging, which would provide for a cap on interest payable under the Senior Notes and the Mezzanine Notes.

12.13.1.4 *Security*

In connection with our Non-Recourse Financing, the security trustee was granted various security rights, including a pledge over the shares of AUTO1 B.V., account pledges by AUTO1 B.V., AUTO1 Group AG (prior to the transfer of the respective account to AUTO1 B.V.) and the Notes Issuer, pledges over, or security transfers of, used cars owned by AUTO1 B.V., and security assignments of trade receivables from the sale of used cars and of receivables under the CarCo Loans.

12.13.1.5 *Covenants*

The Notes Issuer and AUTO1 B.V. are required to comply with a number of covenants restricting, among other things, additional indebtedness, acquisitions, mergers or restructurings, the disposal of assets, the granting of further security and the payment of shareholder distributions. In addition, they are required to maintain certain accounts into which funding obtained under the Notes and the CarCo Loans, respectively, and proceeds from the sale of used cars financed from these amounts are required to be deposited, and these accounts are subject to account pledges.

12.13.1.6 *Mandatory Repayments*

If on any settlement date during the availability period the total amounts outstanding under the Senior Notes and/or Mezzanine Notes exceed the applicable borrowing base, the excess amount must be repaid. If such excess is not cured within five business days following such settlement date, an early amortization event under the relevant class of Notes occurs, following which the availability period for the Notes is terminated. In addition, the noteholders may opt to declare an event of default and accelerate the relevant class of Notes.

With respect to the CarCo Loans, if on any business day during the availability period the total amounts outstanding under the senior CarCo Loans and/or mezzanine CarCo Loans exceed the applicable borrowing base, the excess amount must also be repaid. If such excess is not cured within five business days following the relevant business day on which such excess occurred, an early amortization event under the relevant class of CarCo Loans occurs, following which the availability period for the CarCo Loans is terminated. After the expiration of a further ten business days without such excess being cured, the Issuer may, upon instruction by the noteholders, accelerate the relevant class of CarCo Loan. In addition, any failure to repay the relevant excess amount by AUTO1 B.V. not cured within ten business days gives rise to an event of default under the senior Notes.

Under certain circumstances, holders of Senior Notes or Mezzanine Notes may declare an early amortization event or an enforcement event. In such case, an automatic termination of the availability period of the Senior Notes and the Mezzanine Notes (and in case of an enforcement event also of the Junior Notes) would occur. The same applies for the Notes Issuer with respect to the corresponding CarCo Loans.

12.13.1.7 *Events of Default*

The Notes and CarCo Loans provide for certain events of default relating to, among other things, the non-payment of interest or principal under the Notes or the CarCo Loans or other material breaches under the Notes. In case of an event of default, the noteholders or the Notes Issue may cancel their commitments, declare all amounts outstanding under the Notes or the CarCo Loans immediately due and payable and direct the security trustee to enforce security rights.

Furthermore, the Notes and the CarCo Loans provide for certain early amortization events, which trigger an early repayment obligation with respect the Senior Notes and Mezzanine Notes or the corresponding CarCo Loans, to be satisfied over the course of an eighteen-month amortization period with the proceeds from the repayment of CarCo Loans and the sale of used cars, respectively.

In case of an early amortization event under a CarCo Loan, an early amortization event will occur with respect to the Notes, and *vice versa*.

12.13.2 Our Convertible Loan

In February 2020, the Company, as borrower, entered into a convertible loan agreement for a term loan facility of €255 million with Orion Investors S.à r.l., a Luxembourg investment vehicle acting for its ring-fenced compartment 13, BP-PE 18, LLC, SVF Asgaard (Cayman) Ltd, an affiliate of our Major Shareholder SVF Midgard (Cayman) Ltd, and BM Digital GmbH, an entity owned and controlled by our Chief Executive Officer Christian Bertermann, as lenders (the "**Convertible Loan**"). The Convertible Loan has been drawn in full. All amounts made available under the Convertible Loan were used to support the expansion and development of our business.

In connection with this Offering, the lenders under the Convertible Loan have exercised certain conversion rights. As a result, parts of the amounts outstanding under the Convertible Loan will be converted into equity and the Company is required to deliver a certain number of new shares to these lenders following completion of the Offering. The new shares are expected to be issued from a capital increase against contributions in kind in the form of a portion of the outstanding amounts under the Convertible Loan expected to be resolved by the shareholders' meeting of the Company on February 2, 2021. The new shares are expected to be transferred to the lenders under the Convertible Loan within ten business days following completion of the Offering. These shares will be subject to substantially the same lock-up undertakings as the shares of the existing shareholders of the Company (see "*3.9.2 Lock-up of the Existing Shareholders*").

The number of shares to be issued by the Company corresponds to (i) 1.25x the portion of the lenders' outstanding commitments that is contributed as part of the capital increase, divided by (ii) the conversion price. This conversion price is equal to the lower of (i) an amount of €4.0 billion, divided by the fully diluted pre-money share capital of the Company at the time of the conversion (among other things, taking into account our virtual share incentive program) and (ii) the Offer Price. Assuming an Offer Price at the mid-point of the Price Range, the Company expects to issue 8,059,961 new shares to the lenders under the Convertible Loan, while an amount of approximately €214.0 million is expected to remain outstanding under the Convertible Loan (such remaining amount reflecting the favorable economic conditions for conversion granted to the lenders under the Convertible Loan). With respect to the outstanding portion of the loans, the Convertible Loan will be amended upon settlement of the Offering (the "**Post-IPO Convertible Loan**"), currently expected to occur on February 5, 2021. The Company intends to use approximately €214 million from the net proceeds of the Offering to repay the Post-IPO Convertible Loan.

12.13.2.1 <u>Interest and Term</u>

Loans granted under the Post-IPO Convertible Loan carry interest of 5.00% *per annum*. Interest is due and payable annually in arrears.

Subject to a conversion, any amounts outstanding under the Post-IPO Convertible Loan must be repaid within three years following completion of the Offering. Immediately following completion of the Offering, we will have an extraordinary prepayment right with respect to the Post-IPO Convertible Loan. The Company intends to exercise this extraordinary prepayment right and to use approximately €214 million of the net proceeds from the Offering to repay any outstanding amounts under the Post-IPO Convertible Loan following completion of the Offering.

12.13.2.2 <u>Conversion Rights</u>

In case the Post-IPO Convertible Loan is not repaid immediately following completion of the Offering, each lender will have the right to request the conversion of its loan, in full or in part, into shares of the Company through the issuance of new shares or the transfer of existing shares to such lender. Such conversion right may be exercised for the first time 180 days after the settlement of the Offering, currently expected to occur on February 5, 2021.

The number of shares we must deliver to the relevant lender upon exercise of his conversion rights is calculated by dividing the loan amount to be converted (including, at the discretion of the Company, any interest accrued) by a certain conversion price. The conversion price will be equal to the Offer Price and be subject to certain adjustments customary for equity-linked instruments. Irrespective of whether a lender has requested a conversion or not, we may, however, at all times prepay the Post-IPO Convertible Loan, provided that the repayment amount is increased by a prepayment premium.

12.13.2.3 *Covenants*

The Post-IPO Convertible Loan will provide for a number of covenants, including a negative pledge, restrictions on substantial changes to the general nature of our business and certain other limitations. These include restrictions on the Company and the AUTO1 Group incurring additional indebtedness, limitations on acquisitions, mergers and joint ventures, a limitation on the disposal of assets and restrictions regarding the payment of dividends and share buy-backs other than repurchases of shares from former or existing employees up to a certain amount.

12.13.2.4 *Events of Default and Subordination*

The Post-IPO Convertible Loan will provide for customary events of default, including a cross-default if we fail to pay any financial indebtedness in excess of €25 million when due or if an event of default occurs under any of our other financing arrangements. In case of an event of default, lenders may declare all or parts of their loans and accrued but unpaid interest immediately due and payable.

12.13.3 Logistics Agreements with Third-Party Logistics Services Providers

In the last three years, we have used the services of more than 250 third-party logistics services providers. When commissioning such services, we typically enter into corresponding logistics agreements in the relevant country (*e.g.*, for the pick-up, storage and delivery of used cars we buy and sell). Some of these agreements provide for an exclusivity clause for the benefit of the respective service provider, provided that such provider commits to deliver a certain capacity and service level.

Our logistics agreements typically comprise a general framework agreement based on the German Freight Forwarders' Standard Terms and Conditions (*Allgemeine Deutsche Spediteurbedingungen*), a supplemental agreement, which further specifies the conditions for the respective services providers and in some cases excludes the German Freight Forwarders' Standard Terms and Conditions (*Allgemeine Deutsche Spediteurbedingungen*), and a number of annexes, which, among other things, set out the prices for transports between our drop-off and pick-up locations, the logistics compounds of the relevant service provider and our customers (*e.g.*, based on ZIP-codes), as well as the projected number of pick-ups and deliveries per week or month.

Our logistics agreements typically have a fixed term of three to six years, and thereafter automatically extend annually, unless such agreements are terminated with a three-month notice period. Under some of these agreements, we commit to a minimum number of used car transports, but may claim damages and/or contractual penalties, if the respective logistics services provider is unable to handle the agreed number of transports. Our service providers are required to provide us with constantly updated reports on the transport movements of their trucks.

12.13.4 Media Agreement with SevenVentures

On January 12, 2021, AUTO1 Group AG entered into a media agreement with SevenVentures GmbH, an advertising time marketer of ProSiebenSat1 Group, regarding advertising time for television commercials for, among others, our German consumer brands "wirkaufendeinauto.de" and "Autohero" on associated television channels. The agreement has a fixed term and is set to expire on December 31, 2021. We can exercise a termination right with a three-month notice period with effect from the end of a calendar month.

Under the media agreement, we have to pay for a certain base media volume and may exercise options to increase our annual media volume, subject to an additional discount. Pursuant to the general terms and conditions referred to in the media agreement, we have to provide the content to be broadcasted, are responsible for such content and must indemnify ProSiebenSat1 Group for all damages arising out of, or in connection with, the performance of the agreement.

As in previous years, we also plan to enter into a similar agreement for a smaller media volume with SevenVentures Austria GmbH regarding advertising time for television commercials in Austria.

12.13.5 Lease Agreement for Our Headquarters

On September 22, 2015, AUTO1 Group AG entered into a lease agreement for office space located at Bergmannstrasse 71/72, 10961 Berlin, Germany, as amended. The lease agreement has a fixed term and is set to expire on February 28, 2026. The leased office space amounts to approximately 5,000 square meters, with an additional lease for basement space on the same property.

On February 14, 2018, AUTO1 Group AG entered into a second lease agreement for approximately 2,500 square meters of additional office space, and later a separate lease agreement for a number of parking lots, both located at Potsdamer Platz 1, 10785 Berlin, Germany. The lease agreement has a fixed term and is set to expire on August 15, 2028. Under the lease agreement, we must notify the landlord of any changes to our corporate structure or shareholder structure, and the landlord may, under certain conditions, refuse the transfer of the lease to a legal successor.

We may sublease our office space rented under the aforementioned lease agreements to other entities of AUTO1 Group.

13. REGULATORY AND LEGAL ENVIRONMENT

Our online offerings for the sale and purchase of used cars extend to more than 30 European countries. Therefore, our business is subject to various regulatory requirements under European law and the applicable national laws of the European countries in which we operate.

While the relevant laws and regulations are typically of a national scope, within the European Union, a considerable degree of regulatory harmonization exists in a number of areas relevant to our business. The European Union has created a common regulatory framework that applies not only in our most important market Germany, but in all member states of the European Union and comprises directives and regulations. Directives only become effective once they are transposed into national law in the respective member state of the European Union and the implementation of directives may vary between member states. Regulations, however, do not require implementation into national law and apply directly and uniformly in all member states of the European Union.

The following description provides an overview of selected regulations applicable to our business.

13.1 European Approval and Technical Standards for Road Safety and Emissions

In the European Union, vehicles must comply with certain regulatory requirements, in particular those set out below. The relevant regulations are primarily directed at manufacturers, but may also affect our business operations. For example, we may become liable for product defects, if it turns out that a used car we sold does not comply with applicable requirements. Furthermore, if it turns out that a certain model does not comply with these requirements, we may be prevented from selling this type of car and may become subject to recalls and reporting obligations.

To ensure the safety of all road users as well as a high level of health and environmental protection, vehicles, components and technical units must comply with various European legislation, in particular Regulation (EU) 2018/858 of the European Parliament and of the Council of May 30, 2018 on the approval and market surveillance of vehicles and their trailers, and of systems components and separate technical units intended for such vehicles (the "**Approval Regulation**"). The Approval Regulation provides for a European approval system. By granting a European approval, the granting governmental authority of the member state certifies that a model, entire system (*e.g.*, a braking system) or an individual component (*e.g.*, a set of tires) conforms to the relevant regulations and technical requirements.

To receive European approval, manufacturers must ensure that their vehicles fulfill a number of technical requirements. In particular, Regulation (EC) No 661/2009 of the European Parliament and of the Council of July 13, 2009 concerning type-approval requirements for the general safety of motor vehicles, their trailers and systems, components and separate technical units intended therefor, as amended, establishes requirements with regards to road safety, including requirements regarding steering, braking, replacement lining assemblies, replacement brake discs and replacement brake drums as well as mechanical coupling components. In addition, Regulation (EC) No 715/2007 of the European Parliament and of the Council of June 20, 2007 on type approval of motor vehicles with respect to emissions from light passenger and commercial vehicles (Euro 5 and Euro 6) and on access to vehicle repair and maintenance information, as amended, sets forth emissions-related requirements, including specific emissions limits that vehicles must comply with under specified testing conditions.

In general, a valid European approval is a prerequisite for a car to be registered, sold and operated in the European Union. To track conformity of manufactured vehicles with the corresponding approval, manufacturers must issue a certificate of conformity for each individual vehicle.

The relevant national approval authority informs the competent authorities in all other member states of the European Union of a grant, refusal or withdrawal of the European approval. Consequently, such other member states do not conduct separate assessments. A member state may, however, suspend the sale and purchase of approved vehicles in its territory for a certain period of time, if it considers the approval to be flawed. The original approval authority may also withdraw its approval in the event of significant safety or health risks or non-compliance with applicable requirements.

Furthermore, the Approval Regulation contains several measures to ensure continued compliance of vehicles with applicable regulations (*e.g.*, market surveillance to complement approval requirements, recall and safeguard procedures). For these measures, the member states appoint market surveillance authorities that carry out regular checks to verify compliance. In addition, distributors of vehicles, including professional sellers of used cars, have to check if their vehicles comply with certain formal requirements, (*e.g.*, bear the required statutory plate or approval mark). Such distributors must also report cases of non-compliance to the competent regulatory authorities and manufacturers.

In Germany, the Federal Motor Transport Authority (*Kraftfahrt-Bundesamt* ("**FMTA**")) is the competent authority to grant approval and conduct market surveillance and recalls. Pursuant to Section 27 of the German EU-Vehicle Approval Regulation (*EG-Fahrzeuggenehmigungsverordnung*), new vehicles may only be sold for road use in Germany, if they are accompanied by a valid certificate of conformity. The local registration authorities may prohibit the use of a vehicle pursuant to Section 5 of the German Vehicle Registration Regulation (*Fahrzeug-Zulassungsverordnung*), if the relevant car does not conform to an approved type of car.

13.2 Product Safety

As distributors of vehicles, we have to comply with requirements on general product safety. Directive 2001/95/EC of the European Parliament and the Council of December 3, 2001 on general product safety, as amended (the "**Product Safety Directive**"), applies in the absence of specific provisions for the safety of vehicles. Under the Product Safety Directive, distributors may only supply products that comply with the general safety requirement, must monitor the safety of their products on the market and provide the necessary documents ensuring that such products can be traced. If a distributor discovers that a product is dangerous, such distributor must notify the competent governmental authorities and cooperate with them. Unsafe products may be listed in a database publicly accessible throughout the European Union.

In Germany, the Product Safety Directive has been implemented by the German Product Safety Act (*Produktsicherheitsgesetz*). Additional details are set out in various regulations on the safety of specific products and product groups. A violation of the requirements of European or national law may result in fines and, in severe cases, criminal sanctions.

13.3 Rules Applicable to the Sale and Purchase of Used Vehicles

Under the national laws of Germany, the sale and purchase of used vehicles is subject to general provisions on purchase agreements. These include the seller's obligation to provide the buyer with a product free from defects. In line with Directive (EG) 1999/44 of the European Parliament and the Council of May 25, 1999, as amended, a defect is any deviation of the actual condition of the product from the targeted condition. Such targeted condition can be based on a condition agreed between the relevant parties, the contractually stipulated use of the product, or in the absence of such understandings, the ordinary use of the product.

With respect to the sale and purchase of used vehicles, certain specific conditions and terms have become essential elements of negotiations and price comparisons for consumers and professional dealers, and their relevance has been subject to extensive case law. Particularly relevant are the terms "bought as seen", "accident-free", "checkbook maintained", "mileage according to odometer" and the number of previous owners. Furthermore, an impending prohibition of the use of vehicles by the FMTA may constitute a defect.

In case of a defect, the purchaser may generally require the seller to repair or replace the relevant product free of charge. While a replacement is usually not possible for used cars, the Federal Court of Germany (*Bundesgerichtshof*) has ruled that a used vehicle of the same model, with similar specifications and in a similar condition can be a suitable replacement. Depending on the circumstances, the purchaser may also require a reduction of the purchase price, have the contract rescinded or claim compensation for damages.

13.3.1 Exclusion of Liability for the Sale and Purchase of Used Cars by Professional Dealers

Among professional dealers and, to the extent possible under consumer protection laws (see "*13.3.2 Additional Provisions for the Sale of Used Vehicles to Consumers*"), *vis-à-vis* consumers, liability due to a defect is typically excluded in the purchase agreement for a used vehicle. This exclusion is, however, limited in case standardized terms are used (see "*13.6 Standardized Terms*" below) and invalid in case of a fraudulent concealment of the defect. The Federal Court of Germany (*Bundesgerichtshof*) has set forth the specific requirements for fraudulent concealment and knowledge of defects of used vehicles for professional dealers. In case of a resale, the dealer has a duty to examine the purchased vehicle before reselling it. The required depth of examination increases depending on the presence of signs of defects and the capabilities of the dealer. A final purchaser can claim damages for a defect, which could have been recognized during the examination of the reseller (*e.g.*, the car was not "accident-free" as was agreed upon), even if the warranty was excluded in the purchase agreement.

The same duty of inspection applies for professional dealers when buying used vehicles. If a professional dealer fails to conduct the required examination, such dealer cannot assert warranty rights for defects against the seller, if the relevant defects could have been recognized during his examination. A final purchaser may, however, still assert claims against the reseller.

13.3.2 Additional Provisions for the Sale of Used Vehicles to Consumers

In Germany, the sale of products, including used cars, to consumers is subject to further statutory provisions, which, among other things, implement Council Directive (EEC) 93/13 of April 5, 1993 on unfair terms in consumer contracts, as amended, and Directive (EC) 1999/44 of the European Parliament and of the Council of May 25, 1999 on certain aspects of the sale of consumer goods and associated guarantees, as amended (the "**Consumer Goods Directive**"). These directives and the implementing national laws further restrict the exclusion of liability for defects, except for damages, and any other provisions that would be detrimental to consumers. For used products, the Consumer Goods Directive does, however, allow for a reduction of the limitation period for warranty claims to one year.

In addition, within the first six months after the purchase, it is presumed for the benefit of the consumer that any defect of the product was already present when such product was purchased. Consequently, consumers do not have to prove the existence of a defect at the time of purchase for asserting warranty rights.

13.4 Further Consumer Protection Provisions

Due to our online operations, the following additional European directives on consumer protection and the national laws implementing or complementing these directives impose responsibilities on us:

- Directive (EC) 2000/31 of the European Parliament and of the Council of June 8, 2000 on certain legal aspects of information society services, in particular electronic commerce, in the internal market, as amended;
- Directive (EC) 2005/29 of the European Parliament and of the Council of May 11, 2005 concerning unfair business-to-consumer commercial practices in the internal market, as amended; and
- Directive (EU) 2011/83 of the European Parliament and of the Council of October 25, 2011 on consumer rights, as amended (the "**Consumer Rights Directive**").

13.4.1 Information Requirements

Online platforms are subject to extensive and formalized information requirements. For example, they have to provide potential customers with detailed and accurate information on the main characteristics of their products, price and payment details and on statutory withdrawal rights (see "*13.4.2 Withdrawal Rights*"). Operators of online platforms have to observe these requirements when designing and structuring their websites and apps as well their ordering, payment and logistics processes.

As a result of changing legislation, operators of online platforms are regularly required to adapt their offerings and processes. For example, the Consumer Rights Directive requires online operators to ensure that during the order process, consumers explicitly acknowledge that their order implies an obligation to pay. If placing an order requires activating a button or a similar function, such button must be labelled "order with obligation to pay" or be similarly labelled, and the operator must ensure that consumers are made aware of certain key information relating to the purchase directly before placing orders by activating such button.

13.4.2 Withdrawal Rights

Consumers have the right to withdraw from online purchases without cause within 14 days from the day on which such consumers come into possession of the relevant products. Online operators are required to inform consumers of their statutory withdrawal rights and failure to do so results in an extension of the withdrawal period by twelve months. Consumers must exercise their withdrawal rights by explicitly declaring their withdrawal (*e.g.*, in writing, per email or telephone). A return of the relevant products without comment does not constitute a valid declaration of withdrawal.

Following a valid exercise of the statutory withdrawal right, consumers are required to return the relevant products within 14 days. During the same period, sellers are required to reimburse the purchase price, including shipping costs, if any. Such sellers are, however, not required to reimburse consumers for any additional costs, if consumers have expressly opted for a more expensive type of delivery (*e.g.*, express delivery). Consumers generally have to bear the expenses for the return, unless the seller has agreed to bear them or failed to properly inform consumers that they will have to bear such expenses in case of a withdrawal. In addition, consumer are required to compensate online operators for any losses in the value of the returned products, unless (i) such losses were caused by the customary handling of the products in order to examine their condition, features and functionalities or (ii) the sellers failed to properly inform the consumers of their statutory withdrawal rights.

13.4.3 Consequences of Non-Compliance

Failure to comply with the provisions on consumer protection may give rise to civil liability, administrative orders or fines, and may even result in the invalidity of the relevant purchase agreements. Competitors and consumer protection associations could issue formal warnings, and the latter may also assert claims for injunctive relief.

13.5 Roadworthiness and Vehicle Registration

In Europe, cars are subject to national registration procedures before they can be used on public roads. Pursuant to Council Directive (EC) 1999/37 on the registration documents for vehicles, as amended (the "**Registration Documents Directive**"), a registration certificate must be issued to the person applying for registration by the competent national registration authority. The actual registration procedures differ between member states of the European Union.

Directive 2014/45/EU of the European Parliament and of the Council of April 3, 2014 on periodic roadworthiness tests for vehicles and their trailers, as amended, which applies to all vehicles registered in the European Union, establishes the minimum requirements for a regime of mandatory periodic roadworthiness tests. The directive sets forth the minimum frequency of testing and minimum testing requirements as well as the consequences of deficiencies and requires member states to issue roadworthiness certificates. In case of dangerous deficiencies, member states may suspend the authorization of the relevant vehicle. Individual member states can set higher standards as regards the minimum requirements for roadworthiness. Pursuant to the Registration Documents Directive, member states of the European Union must record electronic data on, among other things, the outcome of mandatory periodic roadworthiness tests.

In Germany, the Registration Regulation stipulates that vehicles may only be registered and admitted for road use by the local registration authorities if they conform to an approved type of car under the Approval Regulation and coverage through vehicle insurance has been obtained. If a used car is sold, the purchaser is required to re-register the vehicle on the basis of the registration certificate and the roadworthiness certificate.

Pursuant to the Registration Documents Directive, the registration certificate and the roadworthiness certificate issued by a member state of the European Union must be recognized by all other member states. Pursuant to Section 7 of the Registration Regulation, vehicles that were previously registered in a different member state are only subject to additional inspections prior to their re-registration in Germany, if evidence of a previous inspection on roadworthiness cannot be produced.

13.6 Standardized Terms

Purchase agreements for used cars typically include a number of specific provisions deviating from agreements for the sale of other consumer goods. To harmonize these provisions, most of our agreements include standardized terms (*allgemeine Geschäftsbedingungen*). Such terms have to comply with statutory laws on general terms and conditions. They are subject to a strict fairness control by the competent courts regarding the content of such terms and conditions and the way they are presented to the other contractual party by the person using them. The standard is even stricter if they are used *vis-à-vis* consumers.

Extensive case law exists as to the sale of used cars and the corresponding standardized terms. In particular, specific exclusions of warranty and any shortening of the statute of limitation have been ruled to be invalid (*e.g.*, regarding liability for damages from injuries to life, body or health and in case of gross negligence).

The lawfulness of standard terms may be challenged by customers, both consumers and professional dealers. If a provision is considered invalid, the parties are only bound by the remaining parts of the agreement.

13.7 Data Protection and Data Privacy

The collection, processing and other use of personal data is extensively regulated by European (*e.g.*, Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the "**Data Protection Regulation**")) and national legislation (*e.g.*, the German Federal Data Protection Act (*Bundesdatenschutzgesetz* (the "**Data Protection Act**")) in Germany).

In general, European data protection and data privacy laws regulate when and how personal data may be collected, for which purposes it may be processed, for how long such data may be stored and to whom and how they may be transferred. The Data Protection Regulation contains strict requirements for obtaining the consent of data subjects (*i.e.*, the persons to whom personal data relates) to the use and processing of their personal data. Such consent may be withdrawn at any time and without cause, preventing the continued use of the affected data. In addition, a transfer of personal data to entities outside Europe is subject to specific requirements.

The Data Protection Regulation also requires organizational measures, such as the installation of a data protection officer (*Datenschutzbeauftragter*) who, among other things, must monitor compliance with the Data Protection Regulation. In addition, it may require so-called privacy impact assessments, at least in cases where the data processing is likely to result in a high risk to the rights and freedoms of individuals.

In addition to the Data Protection Regulation and the Data Protection Act, various sector-specific statutes set forth rules which apply to certain industries or businesses and prevail over the general provisions of the Data Protection Act. In Germany, operators of online platforms have to comply with the specific requirements of the German Tele Media Act (*Telemediengesetz* (the "**Tele Media Act**")), which takes into consideration particular aspects of online communication. For example, the Tele Media Act provides for additional information obligations which are stricter than the general requirements of the Data Protection Act (*e.g.*, a requirement to include an imprint on websites and apps).

The following selected areas of data protection and data privacy are of particular relevance to our business:

13.7.1 Individual Rights of Data Subjects

Under the Data Protection Regulation, data subjects have a right to require information about what data have been recorded with respect to them, how their data is being processed, the right to data portability as well as the right to restrict certain processing of their data. Furthermore, the Data Protection Regulation establishes a so-called "right to be forgotten". Therefore, data subjects may require that data relating to such data subjects are deleted when there is a problem with the underlying legality of the processing or where the data subjects have withdrawn their consent to the use and storage of such data.

13.7.2 Web Analysis

Web analysis technology, such as cookies or tracking tools (*e.g.*, Google Analytics), enables us to utilize traffic to our websites and apps to personalize our offering and marketing efforts to better match the interests of our users. Even though most web analysis tools allow for the anonymization of data (*i.e.*, by collecting only a part of the users' IP addresses) and do not allow for a subsequent allocation of such data to individual users, the use of such tools may still be subject to data privacy laws.

On May 28, 2020 the Federal Court of Germany (*Bundesgerichtshof*), based on a decision by the European Court of Justice of October 1, 2019, ruled that under German law, the use of certain cookies requires a clear affirmative act of the user and that a pre-activated checkbox does not fulfil this requirement. The use of cookies may be restricted further by a new regulation of the European Parliament and of the Council, which is currently undergoing the European legislative process. This legislation provides for an opt-in regime, pursuant to which the use of certain cookies requires a clear affirmative act establishing a freely given, specific, informed and unambiguous indication of users of websites and apps.

13.7.3 Profiling

The Data Protection Regulation imposes various restrictions on profiling. Profiling can be defined as any form of automated processing of personal data intended to evaluate certain personal aspects relating to a natural person or to analyze or predict such person's performance at work, economic situation, location, health, personal preferences, reliability or behavior.

13.7.4 Email Advertisements

Subject to certain exceptions, email advertisements (*e.g.*, newsletters) may only be sent to recipients who have given their explicit prior consent to receiving such communication. In Germany, case law demands that in certain cases consent must be obtained through a so-called double opt in procedure. This procedure requires that recipients give their consent twice (*i.e.*, firstly by filling out an online registration form and secondly by confirming their email address after they have registered).

When obtaining consent, the respective sender has to clearly inform the recipients of the scope and consequences of their consent. For example, a declaration of consent may not be hidden in general terms and conditions but must be clearly highlighted. Consent may be withdrawn at any time without cause.

As an exception from the consent requirement, personalized product recommendations may be sent to customers by email without their explicit prior consent, provided that such recommendations only relate to products identical or similar to those previously purchased by these customers and that these customers have been duly informed about their right to object to receiving such recommendations.

13.7.5 Social Plugins

Operators of online platforms use social plugins (*e.g.*, Facebook's "Like" or "Share" buttons) to promote their websites and apps through social media and to communicate with their customers and followers. The use of such social plugins may, however, infringe data privacy laws, depending on the technical design of the relevant plugin. Therefore, some German data protection authorities recommend the use of a two-click-solution, pursuant to which users must first activate the relevant social plugins before being able to actually click on the relevant buttons.

13.7.6 Payment Processes

Directive (EU) 2015/2366 of the European Parliament and of the Council of November 25, 2015 on payment services in the internal market, among other things, covers online-based payment services, provides for a uniform regulation of payments via Internet and mobile phones and increased customer protection and requirements for user authentication.

13.7.7 Consequences of Non-Compliance

Non-compliance with the Data Protection Regulation may result in severe fines. Depending on the individual infringement, fines of up to the higher of 4% of the annual worldwide turnover for the last year and €20.0 million may be imposed. In addition, the Data Protection Regulation grants individual data subjects the right to claim damages for violations of their rights under the Data Protection Regulation.

13.7.8 New Proposal for a Data Privacy Regulation

On January 10, 2017, the European Commission released a proposal for a regulation of the European Parliament and of the Council concerning the respect for private life and the protection of personal data in electronic communications. While the proposal is still subject to legislative procedure and debate, it contains several provisions aimed at ensuring the confidentiality of electronic communications and also sets forth strict requirements for unsolicited communication as part of direct marketing efforts.

13.8 Cybersecurity

We have to comply with various cybersecurity requirements. In particular, the Data Protection Regulation and the Data Protection Act stipulate that entities that collect and process personal data, including operators of online platforms, must implement certain technical and organizational measures to ensure that such data is processed and stored safely, remains confidential and can be restored and accessed again after interruptions. These measures may include physical security against unauthorized access and manipulation (*e.g.*, secure storage and transportation of physical data carriers), password security, authorization concepts, logging of subsequent changes of data, separation of data that has been collected for different purposes, reasonable encryption and protection against accidental loss, destruction or damage of data. Furthermore, the effectiveness of such measures must be tested regularly.

In addition, operators of online platforms must ensure that appropriate compliance measures cover the detection and control of technology related risks. In Germany, the German Act to Increase the Security of Information Technology Systems (*Gesetz zur Erhöhung der Sicherheit informationstechnischer Systeme*) amended the Tele Media Act in 2015. German law requires operators of websites and apps to protect their technology, in particularly any data they collect and store, against outside attacks in accordance with the current standards of technology.

Directive (EU) 2016/1148 of the European Parliament and of the Council of July 6, 2016 concerning measures for a high common level of security of network and information systems, among other things, requires digital service providers, including online platforms, to:

- carefully review their existing network security mechanisms;
- implement state of the art security measures aimed at ensuring a level of security appropriate to the risk of the respective provider; and
- establish proper notification measures to promptly notify the competent authority of any incident which has a substantial impact on the services offered in the European Union.

Furthermore, the Data Protection Regulation generally requires us to inform the competent supervisory authorities of any breach of personal data stored or processed by us within 72 hours of becoming aware of such breach. Where the relevant breach is likely to result in a high risk to the rights and freedoms of the affected data subjects, we are also required to inform these data subjects of the breach without undue delay.

13.9 Fair Competition

We are subject to a number of private competition laws. On a European level, general rules governing private competition are set forth in Directive (EC) 2005/29 of the European Parliament and of the Council of May 11, 2005 concerning unfair business-to-consumer commercial practices in the internal market, Directive (EC) 2006/114 of the European Parliament and of the Council of December 12, 2006 concerning misleading and comparative advertising and Directive (EU) 2016/943 of the European Parliament and of the Council of June 8, 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure. In addition, there are various directives and regulations containing other prohibitions of misleading information in relation to specific kinds of products and services. In Germany, private competition is governed by the German Act against unfair Competition (*Gesetz gegen den unlauteren Wettbewerb* (the "**Unfair Competition Act**")).

In general, these rules are designed to protect market participants, such as competitors and consumers, in order to ensure free and open competition in the market and thereby enhance competitiveness and economic efficiency. The Unfair Competition Act prohibits any unfair business practices (*e.g.*, bait advertising and deception of origin). With regards to the sale of products, market practices are always considered misleading if they contain untrue statements or other information that is likely to be deceptive with respect to the main characteristics of the relevant products and warranty rights of consumers. Non-compliance with the rules on fair competition may result in claims for injunctive relief being asserted by competitors or consumer protection bodies, claims for damages being asserted by competitors, and, in countries other than Germany, fines being imposed by the competent authorities.

13.10 Trademarks

The registration and protection of trademarks is regulated by international, European and national legislation:

- On an international level, trademark registration and protection are, among other things, governed by the Madrid Agreement Concerning the International Registration of Marks of April 14, 1891, as amended (the "**MMA**"), the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks of June 27, 1989, as amended (the "**PMMA**"), and the Paris Convention for the Protection of Industrial Property of March 20, 1883, as amended.

- On a European level, trademarks are governed by Directive (EU) 2015/2436 of the European Parliament and of the Council of December 16, 2015 to approximate the laws of the member states relating to trademarks and, with respect to the creation of a union wide trademark registration and protection regime, by Regulation (EU) 2017/1001 of the European Parliament and of the Council of June 14, 2017 on the European Union trade mark, as amended.

- In Germany, trademarks are governed by the German Federal Trademark Act (*Markengesetz*).

Trademarks may be registered with a national trademark authority (*e.g.*, the German Patent and Trade Mark Office (*Deutsches Patent und Markenamt*)), the European Union Intellectual Property Office for union wide registration, and, following either national or union-wide registration, via the World Intellectual Property Organization in countries which are parties to the MMA or PMMA for ten-year periods. Such registrations may be renewed repeatedly.

Upon receiving an application, the competent trademark authority will examine whether there are grounds for refusal of granting the trademark registration (*e.g.*, due to a lack of distinctive character of the relevant trademark). Furthermore, proprietors of earlier trademarks may oppose the application for registration within three months of the publication of the application (*e.g.*, if the new trademark and the products or services sold thereunder are identical or similar to their trademark and the products or services sold thereunder). Upon registration of a European Union trademark, the proprietor may prohibit any third party from using such trademark commercially without his prior consent. In addition, national trademark laws of the member states of the European Union stipulate that the proprietor of a European trademark is entitled to, among other things, receive compensation for damages arising from the illegal use of his trademark.

14. SHAREHOLDER INFORMATION

As of the date of this Prospectus, the following shareholders of the Company directly hold an interest in the Company's share capital and voting rights that would qualify as a notifiable interest within the meaning of Sections 33 *et seq.* WpHG, if these provisions were already applicable to the Company (the "**Major Shareholders**"):

- SVF Midgard (Cayman) Ltd, with its registered offices in George Town, Cayman Islands;
- HKVV GmbH, with its registered offices in Schönefeld, Germany;
- BM Digital GmbH, with its registered offices in Schönefeld, Germany;
- OUR993 S.à r.l., with its registered offices in Luxembourg, Grand Duchy of Luxembourg;
- Piton Capital Investments Coöperatief B.A., with its registered offices in Amsterdam, the Netherlands;
- OUR993 XIII S.à r.l., with its registered offices in Luxembourg, Grand Duchy of Luxembourg; and
- DN Capital – Global Venture Capital III LP, with its registered offices in St. Helier, Jersey, Channel Islands.

The following table sets forth (i) the direct shareholdings of the Major Shareholders, (ii) the ultimate controlling shareholders of the Major Shareholders within the meaning of Sections 33 *et seq.* WpHG immediately prior to the Offering, and (iii) their expected shareholdings, together with the expected shareholdings of the public float, upon completion of the Offering, assuming placement of the maximum number of Existing Shares at the low end of the Price Range and full exercise of the Greenshoe Option:

Ultimate Shareholder	Direct Shareholder	Ownership of the Company: immediately prior to the Offering	Ownership of the Company: upon completion of the Offering
		(in %)[1]	
SoftBank Group Corp.[2]	SVF Midgard (Cayman) Ltd	19.99	16.94[8]
Despoina Zinonos through DST Global[3]	OUR993 S.à r.l./ OUR993 XIII S.à r.l./ OUR356 S.à r.l.	16.09	8.35
Hakan Koç[4]	HKVV GmbH	15.69	12.41
Christian Bertermann[5]	BM Digital GmbH	15.69	12.62
–[6]	Piton Capital Investments Coöperatief B.A.	7.91[8]	4.99[8]
DN Capital – GVC III General Partner Limited[7]	DN Capital – Global Venture Capital III LP/ DN Capital – GVC III Auto1 SPV L.P.	6.07[8], [9]	4.38[8], [9]
Treasury shares		0.46	0.39
Other shareholders		18.10	13.55
Public float		–	26.38
Total		**100.00**	**100.00**

(1) Percentages have been rounded according to established commercial standards. As a result, such percentages may not add up to the sum totals, which are calculated based on unrounded figures. Shareholdings do not take into account any shares (i) that may be issued to lenders under our Convertible Loan (see "*12.13.2 Our Convertible Loan*") or (ii) that may be issued to beneficiaries under our existing incentive programs (see "*17.5.1 Existing Incentive Programs*") or (iii) that have been sold prior to the Offering, but for which the transfer has not been completed as of the date of this Prospectus.

(2) SVF Midgard (Cayman) Ltd holds 19.99% of the voting rights in the Company. The voting rights held by SVF Midgard (Cayman) Ltd are attributed to SoftBank Group Corp. through SB Investment Advisers (UK) Limited, SVF Investments (UK) Limited, SVF Holdings (UK) LLP, Softbank Vision Fund L.P., and SVF GP (Jersey) Limited pursuant to Section 34 para. 1 sentence 1 no. 1, para. 2 WpHG. In addition, SVF Asgaard (Cayman) Limited, an affiliate of SVF Midgard (Cayman) Ltd has provided part of the Convertible Loan to the Company (see "*12.13.2 Our Convertible Loan*"). The Convertible Loan qualifies as an instrument within the meaning of Section 38 para. 1 no. 2 WpHG. Such instrument is attributed to SoftBank Group Corp. through SVF Asgaard (Cayman) Limited, SVF Holdings (UK) LLP, SoftBank Vision Fund L.P. and SVF GP (Jersey) Limited.

(3) OUR993 S.à r.l. holds 10.77% of the voting rights in the Company and OUR993 XIII S.à r.l. holds 3.59% of the voting rights in the Company. The voting rights held by OUR993 S.à r.l. are attributed to Despoina Zinonos through DarkSky Nominees Limited, DST Global IV, L.P., DST Managers Limited, DST Global Advisors Limited, Cardew Services Limited and Galileo (PTC) Limited pursuant to Section 34 para. 1 sentence 1 no. 1, para. 2 WpHG. The voting rights held by OUR993 XIII S.à r.l. are attributed to Despoina Zinonos through DarkSky XIII Nominees Limited, DST Investments XIII, L.P., DST Managers Limited, DST Global Advisors Limited, Cardew Services Limited and Galileo (PTC) Limited pursuant to Section 34 para. 1 sentence 1 no. 1, para. 2 WpHG. In addition to the voting rights held by OUR993 S.à r.l. and OUR993 XIII S.à r.l., OUR356 S.à r.l. holds 1.73% of the voting rights in the Company, which are also attributed to Despoina Zinonos pursuant to Section 34 para. 1 sentence 1 no. 1, para. 2 WpHG.

(4) Hakan Koç is the sole shareholder of HKVV GmbH.

(5) Christian Bertermann is the sole shareholder of BM Digital GmbH.

(6) Piton Capital Investment Coöperatief B.A. is a Dutch cooperative company (*Genossenschaft*) with different members investing in different classes of shares, and none of these members controls Piton Capital Investment Coöperatief B.A. in relation to its investment in the Company.

(7) DN Capital – Global Venture Capital III L.P. holds 3.55% of the voting rights in the Company and DN Capital – GVC III Auto1 SPV L.P. holds 2.52% of the voting rights in the Company, provided that these two entities are not acting in concert with respect to the Company. The voting rights held by DN Capital – Global Venture Capital III L.P. are attributed to DN Capital – GVC III General Partner Limited through DN Capital – GVC III GP L.P. pursuant to Section 34 para. 1 sentence 1 no. 1 WpHG. At the same time, the voting rights held by DN Capital – Global Venture Capital III L.P. are attributed to DN Capital (UK) LLP pursuant to Section 34 para. 1 sentence 1 no. 6 WpHG. The voting rights held by DN Capital – GVC III Auto1 SPV L.P. are attributed to DN Capital – Global Venture Capital III L.P. pursuant to Section 34 para. 1 sentence 1 no. 1 WpHG. The voting rights held by DN Capital – Global Venture Capital III L.P. are attributed to DN Capital – GVC III General Partner Limited through DN Capital – GVC III GP L.P. pursuant to Section 34 para. 1 sentence 1 no. 1 WpHG.

(8) On January 23, 2021, SVF Midgard (Cayman) Ltd agreed to purchase 1,700,943 shares of the Company from Piton Capital Investments Coöperatief B.A. at a purchase price of €32.335 per share. On January 24, 2021, SVF Midgard (Cayman) Ltd agreed to purchase an additional 1,391,681 shares of the Company from DN Capital – Global Venture Capital III LP at the same purchase price per share. The completion of these sales is expected to occur in the first half of February 2021.

(9) On January 23, 2021, Sequoia agreed to purchase 1,546,312 shares of the Company from DN Capital – GVC III Auto1 SPV L.P. at a purchase price of €32.335 per share. On the same day, Lone Pine agreed to purchase 1,546,312 shares of the Company from DN Capital – GVC III Auto1 SPV L.P. at a purchase price of €32.335 per share. The completion of these sales is expected to occur early in February 2021. For further information on the cornerstone investments by the Cornerstone Investors, see "*3.7 Cornerstone Investment*".

The Company is not controlled by any of its direct or indirect shareholders.

15. GENERAL INFORMATION ON THE COMPANY AND AUTO1 GROUP

15.1 Incorporation

The Company was incorporated as a European company (*Societas Europaea* (*SE*)) under European and German law by articles of association dated May 14, 2018. Its legal name was "Blitz 18-757 SE". The Company has its registered offices in Munich, Germany, and is registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich, Germany, under docket number HRB 241031. The Company's founders were Blitzstart Gruendungs Ltd., with the registered offices at Suite 48, 88-90 Hatton Garden, London EC1N 8PN, United Kingdom, registered in the register of companies under company no. 07294019, and Blitz Beteiligungs GmbH, with its registered offices at Theresienhöhe 30, 80339 Munich, Germany, registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich, Germany, under docket number HRB 130671. The Company commenced its business in July 2018.

On July 23, 2018, the Company's shareholders' meeting resolved to change the Company's legal name to AUTO1 Group SE. The change in legal name was registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich, Germany, on July 31, 2018.

On November 28, 2018 the Company became the parent company of AUTO1 Group as the shareholders of AUTO1 Group GmbH (now AUTO1 Group AG) contributed their shares in AUTO1 Group GmbH to the Company as part of a capital increase against cash contributions with a premium in kind (see "*16.1.2 Development of the Share Capital*").

15.2 Governing Law

The Company is organized under European law as a European company (*Societas Europaea* (*SE*)) and therefore subject to European legislation on such companies, in particular to the SE Regulation. As a company registered in Germany, the Company is also subject to German law. If any matter is not covered or only partially covered by the SE Regulation, the provisions of German law that apply to a German stock corporation (*Aktiengesellschaft*) also apply to the Company. Therefore, the Company is generally governed by German law, subject to the provisions of the SE Regulation. Thus, the AktG as well as other laws applicable to a German stock corporation (*Aktiengesellschaft*), in particular the German Transformation Act (*Umwandlungsgesetz* ("**UmwG**")), the HGB, the WpHG and the WpÜG, apply to the Company.

15.3 Legal and Commercial Name

The Company's legal name is AUTO1 Group SE. The Company is the holding company of AUTO1 Group and primarily operates under the commercial name "AUTO1". AUTO1 Group also operates under additional commercial names, in particular our consumer brands "wirkaufendeinauto.de" and "Autohero".

15.4 Registration and Duration

The Company has its registered offices at Bergmannstrasse 72, 10961 Berlin, Germany (telephone: +49 (0) 30 2016 3836 0), LEI 391200S2LPXG5ZD5G304. The Company's registered seat is Munich, Germany, and the Company is registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich, Germany, under docket number HRB 241031.

The Company has been established for an unlimited duration.

15.5 History of AUTO1 Group

AUTO1 Group was founded by Christian Bertermann and Hakan Koç. In August 2012, we started to purchase used cars from consumers under the "wirkaufendeinauto.de" brand. To market these cars, we launched our "AUTO1" offering to professional dealers in January 2013. In the following years, we expanded our operations to more than 30 markets across Europe. In July 2015, we added remarketing solutions for professional dealers to our range of products. In November 2017, we piloted our consumer offering "Autohero" in Germany, and we have subsequently expanded this offering to eight additional European markets. We believe that we have already become the largest purchaser and seller of used cars in Europe measured by the number of vehicles traded, and plan to successfully continue our unparalleled growth story.

15.6 Corporate Purpose

Section 2 of the Articles of Association defines the Company's corporate purpose as follows:

- The object of the Company is (i) the trading in, and marketing of, cars and other goods, (ii) the development, marketing and operation of online platforms for the trading of cars and other goods, (iii) the development, marketing and provision of technological and digital services, in particular in the areas of e-commerce/online-trading, logistics services, and other services in connection with the aforementioned lines of business, and (iv) the holding and management of participations of any kind and the administering of its own assets.

- The Company may carry out all transactions and actions which are related to the aforementioned lines of business or otherwise appropriate to directly or indirectly serve the objects of the Company.

- The Company may establish branch offices and permanent establishments in Germany and abroad, may establish or purchase other Companies in Germany and abroad or hold participating interests in and manage such other Companies. The business purpose of subsidiaries and companies in which the Company holds a participating interest may also include lines of business other than those referred to in the first bullet.

- The Company may limit its business activity to one or several of the lines of business referenced to in the first bullet. The Company may further carry out its business activities, in whole or in part, indirectly through subsidiaries, through companies in which the Company holds a participating interest and through joint ventures. In particular, it may transfer and/or spin off its operations, in whole or in part, to dependent companies of the Company. The Company may also limit its business to acting as a management holding company and/or restrict itself to managing its own assets.

15.7 Group Structure

The Company is the holding company of AUTO1 Group. AUTO1 Group's business is conducted by the Company's various subsidiaries. The group of consolidated companies comprising AUTO1 Group includes all companies whose financial and business policy can be controlled by the Company, either directly or indirectly, and the equity interests of AUTO1 Group whose financial and business policy can be influenced by the Company to a significant extent. As of the date of this Prospectus, AUTO1 Group comprises 62 companies, 32 of which are based in Germany.

15.8 Significant Subsidiaries

The following table presents an overview of the Company's significant subsidiaries:

As of the date of this Prospectus			As of and for the fiscal year ended December 31, 2019			
Legal name and country of residence	**Company's share of capital**	**Issued capital**	**Capital reserves**	**Result for the year**	**Payables to the Company**	**Receivables from the Company**
	(unaudited) (in %)	**(unaudited) (in €)**	**(unaudited) (in € million)**			
AUTO1 European Cars B.V., The Netherlands ...	100.0	1,000.00	0.0(1)	0.0(1)	620.6(1)	388.1(1)
AUTO1 Group AG, Germany..............	100.0	3,518,787.00	256.0(2)	(96.2)(2)	380.7(2)	560.8(2)
Autohero GmbH, Germany...............	100.0	25,000.00	(0.8)(2)	(2.2)(2)	7.8(2)	3.6(2)

(1) Prepared in accordance with generally accepted accounting principles of Dutch law.
(2) Prepared in accordance with generally accepted accounting principles of the HGB.

15.9 Auditor

KPMG, Klingelhöferstraße 18, 10785 Berlin, Germany, has audited and issued unqualified independent auditor's reports (*uneingeschränkte Bestätigungsvermerke des unabhängigen Abschlussprüfers*) on:

- the German language unconsolidated financial statements of the Company as of and for the fiscal year ended December 31, 2019 prepared in accordance with generally accepted accounting principles of the HGB;

- the German language consolidated financial statements of the Company as of and for the fiscal years ended December 31, 2019 and 2018 prepared in accordance with IFRS; and

- the German language consolidated financial statements of AUTO1 Group GmbH (now AUTO1 Group AG), the former parent company of AUTO1 Group, as of and for the fiscal year ended December 31, 2017 prepared in accordance with generally accepted accounting principles of the HGB.

KPMG is a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Rauchstraße 26, 10787 Berlin, Germany.

16. SHARE CAPITAL OF THE COMPANY AND APPLICABLE REGULATIONS

16.1 Share Capital of the Company and Applicable Regulations

16.1.1 Current Share Capital; Shares

As of the date of this Prospectus, the share capital of the Company amounts to €173,118,150.00 and is divided into 173,118,150 bearer shares (*Inhaberaktien*) with no par value (*Stückaktien*), each such share representing a notional value of €1.00. The share capital has been fully paid up. The Company's shares were created pursuant to the laws of Germany.

The shares of the Company are denominated in Euros.

Each share of the Company carries one vote at the shareholders' meeting of the Company. There are no restrictions on voting rights and the shares carry full dividend rights.

For information on the Company's existing shareholders, see "*14. Shareholder Information*".

16.1.2 Development of the Share Capital

The Company was incorporated as a European company (*Societas Europaea* (*SE*)) on May 14, 2018. As of that date, its share capital amounted to €120,000.00 and was divided into 120,000 registered shares with no par value (*Stückaktien*), each such share representing a notional value of €1.00.

On November 10, 2018, the Company's shareholders' meeting resolved to increase the Company's share capital against cash contributions from €120,000.00 by €2,990,000.00 to €3,110,000.00 by issuing 2,990,000 new registered shares with no par value (*Stückaktien*). The cash contributions amounted to €1.00 per share. The capital increase was registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich, Germany, on November 14, 2018.

On November 22, 2018, the Company's shareholders' meeting resolved to increase the Company's share capital against cash contributions with a premium in kind (*Barkapitalerhöhung mit Sachaufgeld*) from €3,110,000.00 by €310,765.00 to €3,420,765.00 by issuing 310,765 new registered shares with no par value (*Stückaktien*). The cash contributions amounted to €1.00 per share. In addition, the shareholders of the Company at the time contributed 3,420,765 shares in AUTO1 Group GmbH, representing the entire share capital of AUTO1 Group GmbH (except for 98,022 treasury shares held by AUTO1 Group GmbH), to the Company as a premium. The capital increase was registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich, Germany, on November 28, 2018.

On March 11, 2020, the Company's shareholders' meeting resolved to increase the Company's share capital against cash contributions from €3,420,765.00 by €33,004.00 to €3,453,769.00 by issuing 33,004 new registered shares with no par value (*Stückaktien*). The cash contributions amounted to €1.00 per share. The capital increase was registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich, Germany, on June 3, 2020.

On December 15, 2020 the Company's shareholders' meeting resolved to increase the Company's share capital against contributions in kind (*Sachkapitalerhöhung*) from €3,453,769.00 by €8,594.00 to €3,462,363.00 by issuing 8,594 new registered shares with no par value (*Stückaktien*). The contribution in kind comprised 365 shares in WKDA FRSM UG (haftungsbeschränkt) with its registered seat in Berlin, Germany, and registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Charlottenburg, Germany, under HRB 169944, an indirect subsidiary of the Company, previously granted to Mr. Alexandru Marin, an employee of AUTO1 Group, under a management incentive program. The capital increase was registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich, Germany, on December 18, 2020.

On January 6, 2021, the Company's shareholders' meeting resolved to increase the Company's share capital through a capital increase from own reserves from €3,462,363.00 by €169,655,787.00 to €173,118,150.00 without issuing new shares. The capital increase was registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich, Germany, on January 11, 2021.

On January 14, 2021, the Company's shareholders' meeting resolved, among other things, on a share split and a change of the form of the Company's shares from registered shares to bearer shares. The share split and the change in the form of the Company's shares were registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich, Germany, on January 18, 2021.

As part of the IPO Capital Increase, which is expected to be resolved by a shareholders' meeting of the Company on or about February 2, 2021, up to 31,250,000 New Shares will be issued from a capital increase against cash contributions. Upon registration of the IPO Capital Increase, the Company's share capital will be increased from €173,118,150.00 by up to €31,250,000.00 to up to €204,368,150.00. The consummation of the IPO Capital Increase is expected to be registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich, Germany, on or about February 3, 2021.

The shareholders' meeting of the Company expected to be held on February 2, 2021 is expected to resolve on a capital increase against contributions in kind in the form of a portion of the outstanding amounts under the Convertible Loan (see "*12.13.2 Our Convertible Loan*"). The consummation of the capital increase is expected to be registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich, Germany, within ten business days following completion of the Offering.

16.1.3 Authorized Capital

Pursuant to Section 4 para. 3 of the Articles of Association, the Management Board is authorized, with the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions on or prior to January 13, 2026 by up to €86,559,075.00 against contributions in cash and/or in kind by issuing new no-par value bearer shares (authorized capital 2021).

The Management Board is authorized, with the consent of the Supervisory Board, to define the further content of shareholders' rights and the terms and conditions for the new stock issuance. Profit participation rights of new shares may be determined in deviation from Section 60 para. 2 AktG; in particular, the new shares may carry profit participation rights from the beginning of the fiscal year preceding their issuance, provided that the Company's shareholders' meeting has not already resolved on the appropriation of profits for such fiscal year when the new shares are issued.

As a rule, shareholders must be granted preemptive rights to the new shares. Such preemptive rights may also be granted by way of indirect preemptive rights within the meaning of Section 186 para. 5 sentence 1 AktG. The Management Board is, however, authorized, with the consent of the Supervisory Board, to fully or partially exclude shareholders' preemptive rights:

- to exclude fractional amounts;
- to the extent this is required in order to grant holders or creditors, respectively, of conversion or option rights attached to convertible and/or option bonds or convertible profit participation rights, that are or were issued by the Company or a national or foreign subsidiary in which the Company directly or indirectly holds a majority in terms of voting rights and capital, or, in case of a conversion right of the Company, to holders or creditors, respectively, being obligated thereby, preemptive rights, to the extent they would be entitled to after exercising their conversion or option rights or after fulfilling a conversion or option obligation, respectively;
- pursuant to Section 186 para. 3 sentence 4 AktG with respect to capital increases against cash contributions, if the issue price of the new shares is not substantially below the stock exchange price and the shares that are issued when this authorization is used in total do not exceed 10% of the registered share capital, neither at the time this authorization became effective nor at the time it is used. New and existing shares of the Company that are issued or sold during the term of this authorization on the basis of a different authorization with exclusion of preemptive rights pursuant to Section 186 para. 3 sentence 4 AktG or by applying this provision accordingly, are to be taken into account when calculating the aforementioned 10% threshold. Furthermore, shares of the Company that are or still can be issued for the purpose of fulfilling conversion or option rights or fulfilling conversion or option obligations attached to convertible and/or option bonds or convertible participation rights are to be taken into account, to the extent that the bonds or participation rights are issued during the term of this authorization on the basis of a different authorization with exclusion of preemptive rights by applying Section 186 para. 3 sentence 4 AktG accordingly;

- when increasing the share capital in exchange for contributions in kind, in particular to acquire companies, parts of companies or shareholdings, in the context of joint ventures and mergers and/or for the purpose of acquiring other assets, including rights and claims; and

- to issue the new shares as contributions in cash and/or in kind as part of participation programs and/or share-based compensation, to the extent no other authorization for the exclusion of preemptive rights is used for this purpose. The shares may only be issued to persons who participate in the participation program as a member of the Management Board, a member of the management of a company dependent from the Company or an employee of the Company or a company dependent from the Company, or to whom the share-based remuneration is or was granted as a member of the Management Board, a member of the management of a company dependent from the Company or an employee of the Company or a company dependent from the Company, or to third parties who grant to these persons the economic ownership of the shares and/or the economic fruits from the shares. In particular, the new shares may also be issued on preferential terms, including an issue at the lowest issue price within the meaning of Section 9 para. 1 AktG, and/or against contribution of remuneration claims. The new shares may also be issued through a credit institution or a company operating in accordance with Section 53 para. 1 sentence 1 of the German Banking Act (*Kreditwesengesetz*) or Section 53b para. 1 sentence 1 or para. 7 of the German Banking Act (*Kreditwesengesetz*), which assumes these shares subject to an obligation to offer them to the persons mentioned above. In total, the shares that are issued when this authorization for the exclusion of preemptive rights is used may not exceed 10% of the registered share capital, neither at the time this authorization becomes effective nor at the time it is used. The nominal amount of any contingent capital of the Company resolved pursuant to Section 192 para. 2 no. 3 AktG must be taken into account when calculating the aforementioned 10% threshold. To the extent shares are granted to members of the Management Board, the Company's Supervisory Board will decide on the respective grant in accordance with the allocation of responsibilities under the AktG.

Furthermore, shareholders' preemptive rights are excluded to the extent that the new shares are issued against contributions in cash and/or in kind to fulfil claims of lenders under our Convertible Loan, which are converted into shares of the Company in accordance with the provisions of the Convertible Loan (see "*12.13.2 Our Convertible Loan*"). The new shares issued for this purpose may not exceed 7.5% of the share capital, neither at the time this authorization became effective nor at the time it is exercised. To determine the number of shares that are issued to fulfill the claims under the Convertible Loan, a conversion price may be used which is significantly lower than the stock exchange price of the existing shares of the Company. In particular, the Offer Price may be used as conversion price.

The Company's shareholders' meeting expected to be held on February 2, 2020 is expected to resolve on a new authorized capital 2021 for up to 50% of the Company's share capital following the consummation of the IPO Capital Increase and the conversion of the Convertible Bond. The terms and duration of this new authorized capital will substantially correspond to those of the Company's existing authorized capital 2021.

16.1.4 Authorization to Issue Convertible Bonds and/or Option Bonds and Conditional Capital 2021

The Management Board is authorized, with the consent of the Supervisory Board, to issue bearer and/or registered convertible bonds and/or option bonds (together, "**Bonds**") with a total nominal amount of up to €2.8 billion on one or more occasions on or prior to January 13, 2026 with a limited or unlimited term, and to grant the holders or creditors of such Bonds conversion or option rights for a total of up to 79,934,175 new bearer shares with no par value corresponding to a *pro rata* amount of the share capital of up to €79,934,175.00 in accordance with the terms and conditions of the Bonds and/or to provide for corresponding conversion rights for the Company.

The Bonds may be issued against contributions in cash and/or in kind. The authorization of the Company's shareholders' meeting of January 14, 2021 includes additional provisions on the issuance and terms of the Bonds. When such Bonds are issued, the shareholders are generally entitled to statutory preemptive rights. The Management Board is, however, authorized, with the consent of the Supervisory Board, to exclude shareholders' preemptive rights in whole or in part if certain conditions are met (*e.g.*, to exclude fractional amounts, for limited issuances against cash payments or for issuances against contributions in kind).

To serve conversion rights or obligations or option rights, the Company's shareholders' meeting of January 14, 2021 created a conditional capital. Pursuant to Section 4 para. 5 of the Articles of Association, the share capital of the Company is conditionally increased by up to €79,934,175.00 through the issuance of up to 79,934,175 new bearer shares with no par value (*Stückaktien*) (conditional capital 2021).

The conditional capital increase serves to grant shares to holders or creditors of convertible bonds as well as to holders of option rights from option bonds issued on or prior to January 13, 2026 by the Company or a national or foreign company in which the Company directly or indirectly holds a majority of the voting rights and capital on the basis of the authorization in accordance with the resolution of the Company's shareholders' meeting of January 14, 2021. It will only be carried out to the extent that the conversion or option rights from the aforementioned bonds are actually exercised or conversion obligations from such bonds are fulfilled and to the extent that no other forms of fulfillment are used. The new shares are issued at the option or conversion price to be determined in each case in accordance with the aforementioned authorization resolution of the Company's shareholders' meeting of January 14, 2021.

The new shares participate in the Company's profits from the beginning of the fiscal year in which they are created through the exercise of conversion or option rights or through the fulfillment of conversion obligations. They already participate in the profits of the Company from the beginning of the fiscal year preceding their issuance instead if, at the time of the issuance, a resolution on the appropriation of the profits for the relevant fiscal year has not been passed yet. The Management Board is authorized, with the consent of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase.

16.1.5 Conditional Capital 2020

To serve stock options granted to member of the Management Board Christian Bertermann under a long-term incentive plan (the "**LTIP 2020**") (see "*17.2.2 Management Service Agreements*"), the Company's shareholders' meeting of December 15, 2020 created a conditional capital. Pursuant to Section 4 para. 4 of the Articles of Association, the share capital of the Company is conditionally increased by up to €6,624,900.00 through the issuance of up to 6,624,900 new bearer shares with no par value (*Stückaktien*). Such conditional capital will only be utilized to the extent that Mr. Bertermann exercises his right to subscribe for shares of the Company and the Company does not grant treasury shares or cash payments to fulfil Mr. Bertermann's subscription rights.

16.1.6 Authorization to Purchase and Sell Treasury Shares

As of the date of this Prospectus, the Company holds 802,854 treasury shares with no par value (*Stückaktien*), each such share representing a notional value of €1.00.

The Management Board is authorized, with the consent of the Supervisory Board, to acquire treasury shares of the Company on or prior to January 13, 2026 in an amount of up to 10% of the Company's share capital existing at the time of the granting of the authorization or – if this value is lower – at the time of its exercise. The shares acquired on the basis of this authorization, together with any other treasury shares held by the Company or attributable to it in accordance with Sections 71a *et seq.* AktG, may at no time exceed 10% of the existing share capital of the Company.

Treasury shares may be acquired via a stock exchange, by means of a public purchase offer addressed to all shareholders, by means of a public invitation to submit tenders and/or from participants in share-based incentive or remuneration programs in connection with the settlement of such programs, in each case in accordance with the additional provisions of the authorizing resolution.

The Management Board, with the consent of the Supervisory Board, may utilize acquired treasury shares in a number of ways, including:

- for sale, provided that the sales price per share is not significantly lower than the stock exchange price of the Company's shares (Section 71 para. 1 no. 8 AktG in conjunction with Section 186 para. 3 sentence 4 AktG);
- in return for contributions in kind, in particular for the acquisition of companies, parts of companies or equity interests in companies or in mergers, or for the acquisition of other assets, including rights and receivables;

- to fulfill option and/or conversion rights or obligations attached to convertible and/or option bonds and/or convertible profit participation rights, which are granted by the Company or by entities dependent from the Company or entities in which the Company holds a majority interest;
- within the framework of employee participation programs and/or as share-based remuneration; and
- to fulfill claims of lenders under the Convertible Loan;

in each case in compliance with the provisions of the authorizing resolution.

Subject to the provisions of the authorizing resolution, the Company may also utilize derivatives in connection with the acquisition of treasury shares.

16.2 General Provisions Governing a Liquidation of the Company

Apart from a liquidation as a result of insolvency proceedings, the Company may only be liquidated with a vote of 75% or more of the share capital represented at the vote. Furthermore, the commencement of insolvency proceedings regarding the assets of the Company, the rejection of insolvency proceedings for insufficient assets to cover the costs of the proceedings, a cancellation of the Company for lack of funds or the imposition of a final decision of the registry court about a material defect in the Articles of Association could lead to a cancellation of the Company. In the event of the Company's liquidation, Article 63 of the SE Regulation in conjunction with the AktG provide that any assets remaining once all of the Company's liabilities have been settled are distributed among the Company's shareholders in proportion to their shareholdings. The AktG provides certain protections for creditors in the event of a liquidation of the Company.

16.3 General Provisions Governing a Change in the Share Capital

Pursuant to Articles 5, 57 and 59 of the SE Regulation in conjunction with the AktG, a European company (*Societas Europaea* (*SE*)) requires a resolution of the shareholders' meeting passed by a majority of at least 75% of the share capital represented at the vote to increase the share capital and change the articles of association accordingly. Yet pursuant to the Articles of Association, capital increases may be resolved by the Company's shareholders' meeting with a simple majority of the share capital represented at the vote, if at least 50% of the Company's share capital is represented at the vote.

The shareholders' meeting may also create authorized capital. This requires a resolution passed by a majority of at least 75% of the share capital represented at the vote, authorizing the Management Board to issue a specific number of shares within a period of no more than five years. The aggregate nominal amount of the new shares may not exceed 50% of the share capital existing at the time the authorization is granted (*i.e.*, at the time the authorized capital is registered in the commercial register (*Handelsregister*)).

In addition, the shareholders' meeting can create conditional capital through a resolution passed with a majority of at least 75% of the share capital represented at the vote, for the purposes of (i) granting exchange or subscription rights to holders of convertible bonds or other securities granting a right to subscribe for shares; (ii) preparing for a merger with other companies; or (iii) granting subscription rights to managers and employees of the Company or an affiliated company by way of an approval resolution or authorization resolution. The nominal amount of conditional capital may not exceed 10% of the share capital at the time the resolution is passed in cases where it is created to grant subscription rights to managers and employees, and may not exceed 50% in all other cases.

Resolutions to reduce the Company's share capital require a majority of at least 75% of the share capital represented at the vote.

16.4 General Provisions Governing Subscription Rights

Pursuant to Article 5 of the SE Regulation in conjunction with Section 186 AktG, all shareholders generally have the right to subscribe for new shares of the Company issued in case of a capital increase. The same applies to convertible bonds, bonds with warrants, profit participation rights and participating bonds. Subscription rights are freely transferable and may be traded on German stock exchanges for a prescribed period before the deadline for subscription expires. Yet shareholders do not have the right to demand admission to trading for subscription rights. The Company's shareholders' meeting may resolve to exclude shareholders' subscription rights with a vote of 75% or more of the share capital represented at the vote. The exclusion of shareholders' subscription rights, in full or in part, also requires a report from the Management Board to the shareholders' meeting that justifies the exclusion and demonstrates that the Company's interest in excluding subscription rights outweighs the interests of the shareholders to be granted subscription rights. An exclusion of shareholders' subscription rights is, in particular, permissible if:

- the Company increases its share capital against cash contributions;
- the amount of the capital increase of the issued shares under exclusion of subscription rights does not exceed 10% of the outstanding share capital, both at the time when the authorization takes effect and at the time when it is exercised; and
- the price at which the new shares are issued is not materially lower than the stock exchange price of the Company's shares.

16.5 Exclusion of Minority Shareholders

16.5.1 Squeeze-Out under Stock Corporation Law

Pursuant to Article 9 para. 1 lit. (c) (ii) of the SE Regulation in conjunction with Sections 327a *et seq.* AktG, which govern the so-called "squeeze-out under stock corporation law", upon request of a shareholder holding 95% or more of the Company's share capital, the Company's shareholders' meeting may resolve to transfer the shares of minority shareholders to such majority shareholder against payment of an adequate compensation in cash. The amount of the cash payment offered to minority shareholders must to reflect "the circumstances of the Company" at the time the shareholders' meeting passes the resolution. The amount of the cash payment is based on the full value of the Company, which is generally determined using the capitalized earnings method. Minority shareholders are entitled to file for a valuation proceeding (*Spruchverfahren*), wherein the court will review the fairness (*Angemessenheit*) of the cash payment.

16.5.2 Squeeze-Out and Tender Rights under Takeover Law

Under Sections 39a and 39b WpÜG, in case of a so-called "squeeze-out under takeover law", an offeror holding at least 95% of the voting share capital of a target company (as defined in the WpÜG) following a takeover bid or mandatory offer, may, within three months of the expiration of the deadline for acceptance of the offer, petition the regional court (*Landgericht*) of Frankfurt am Main, Germany, to order the transfer of the remaining voting shares to such offeror against payment of an adequate compensation. Such transfer does not require a resolution of the shareholders' meeting. The consideration paid in connection with the takeover or mandatory offer is considered adequate if the offeror has obtained at least 90% of the share capital that was subject to the offer. The nature of the compensation must be the same as the consideration paid under the takeover offer or mandatory offer, while at all times compensation in cash must also be offered.

In addition, following a takeover offer or mandatory offer, the shareholders in a target company who have not accepted the offer may do so up to three months after the acceptance period has expired (Section 39c WpÜG), provided the offeror is entitled to petition for the transfer of the outstanding voting shares in accordance with Section 39a WpÜG.

The provisions for a squeeze-out under stock corporation law cease to apply once an offeror has petitioned for a squeeze-out under takeover law, and only apply again when these proceedings have been definitively completed.

16.5.3 Squeeze-Out under Reorganization Law

Pursuant to Section 62 para. 5 sentence 1 UmwG, a majority shareholder holding at least 90% of the Company's share capital may require the Company's shareholders' meeting to resolve to transfer the shares of the minority shareholders to such majority shareholder against payment of an adequate compensation in cash, provided that (i) the majority shareholder is a stock corporation (*Aktiengesellschaft*), a partnership limited by shares (*Kommanditgesellschaft auf Aktien*), or a European company (*Societas Europaea* (*SE*)) having its seat in Germany; and (ii) the squeeze-out is performed to facilitate a merger under the UmwG between the majority shareholder and the Company. The shareholders' meeting held to approve the squeeze-out must take place within three months of the conclusion of the merger agreement.

The procedure for a squeeze-out under the UmwG is essentially identical to the "squeeze-out under stock corporation law" described above, including the minority shareholders' right to judicial review of the appropriateness of the cash compensation.

16.5.4 Integration

Pursuant to Article 9 para. 1 lit. (c) (ii) of the SE Regulation in conjunction with Section 319 *et seq.* AktG, the Company's shareholders' meeting may vote for an integration (*Eingliederung*) into another stock corporation that has its registered offices in Germany, provided the prospective parent company holds at least 95% of the shares of the Company. The former shareholders of the Company are entitled to adequate compensation, which generally must be provided in the form of shares in the parent company. In such case, Section 305 para. 3 sentence 1 AktG stipulates that shares must be issued based on the appropriate valuation in case a merger had taken place between the two companies. Fractional amounts may be paid out in cash.

16.6 Shareholder Notification Requirements; Mandatory Offers; Managers' Transactions

Once the Company's shares are admitted to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Company will be subject to WpHG provisions governing, among other things, disclosure requirements for significant shareholdings, the WpÜG provisions governing takeover bids and mandatory offers, as well as the MAR provisions governing, among other things, directors' obligations to disclose transactions in the Company's shares, debt instruments, related derivatives or other related financial instruments.

16.6.1 Notification Requirements of Shareholders

16.6.1.1 Notification Thresholds and Attribution Rules

Pursuant to Section 33 para. 1 WpHG, anyone who acquires or whose shareholding in any other way reaches or exceeds 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the total number of voting rights in the Company, is required to concurrently notify both the Company and BaFin of such occurrence. Subsequent notifications are required if such person (i) acquires additional shares or in any other way reaches or exceeds a higher threshold, or (ii) sells or in any other way falls below the aforementioned thresholds.

All such notifications must be submitted without undue delay, and no later than within four trading days. The four-day notification period starts at the time the person or entity subject to the notification requirement has knowledge of or, in consideration of the circumstances should have had knowledge of, his proportion of voting rights reaching, exceeding or falling below the aforementioned thresholds. The WpHG contains a conclusive presumption that the person or entity subject to the notification requirement has knowledge at the latest two trading days after such an event occurs. Moreover, a person or entity is deemed to already hold shares as of the point in time such person or entity has an unconditional and due claim of transfer related to such shares. If a threshold has been reached or crossed due to a change in the total number of voting rights, the notification period starts at the time the person or entity subject to the notification requirement has knowledge about such change, or upon the publication of the revised total number of voting rights by the Company, at the latest.

In connection with these requirements, Section 34 WpHG contains various attribution rules. For example, voting rights attached to shares held by a subsidiary are attributed to its parent company. Similarly, voting rights attached to shares held by a third party for the account of a person or entity are attributed to such person or entity. Voting rights which a person or entity is able to exercise as a proxy according to such person's or entity's discretion are also attributed to such person or entity. Furthermore, any coordination by a person or entity with a third party on the basis of an agreement or in any other way generally results in an attribution of the full amount of voting rights held by, or attributed to, the third party as well as to such person or entity. Such acting-in-concert generally requires a consultation on the exercise of voting rights or other efforts designed to effect a permanent and material change in the business strategy of the Company (*e.g.*, fundamental changes to AUTO1 Group's business model or a sale of a substantial part of AUTO1 Group's assets). Accordingly, the exercise of voting rights does not necessarily have to be the subject of acting-in-concert. Coordination in individual cases, however, is not considered as acting in concert.

Except for the 3%-threshold, Section 38 para. 1 WpHG sets forth similar notification requirements towards the Company and BaFin, if the aforementioned thresholds are reached, exceeded or undercut, because the shareholder holds financial instruments that (i) confer to him (a) the unconditional right to acquire already issued shares of the Company to which voting rights are attached when due or (b) discretion to exercise his right to acquire such shares, or (ii) relate to such shares and have a similar economic effect as the aforementioned instruments, whether or not conferring a right to a physical settlement. Thus, the latter mentioned notification requirements also apply, for example, to share swaps against cash consideration and contracts for difference. In general, the number of voting rights from financial instruments is calculated by reference to the full nominal amount of shares underlying the financial instrument, except where such financial instrument is only settled in cash. Details for such calculations are set forth in Commission Delegated Regulation (EU) 2015/761 of December 17, 2014 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to certain regulatory technical standards on major holdings.

In addition, a person or entity is subject to a notification requirement towards the Company and BaFin if the sum of the voting rights from shares and (financial) instruments held or attributed to such person or entity reaches, exceeds or falls below the aforementioned thresholds, again except for the 3% threshold.

16.6.1.2 *Exceptions to Notification Requirements*

There are certain exceptions to the notification requirements. For example, a company is exempt from notification obligations if its parent company has filed a group notification pursuant to Section 37 para. 1 WpHG. If the Company's parent company is itself a subsidiary, then the relevant company is exempt from notification obligations if its parent's parent company has filed such group notification. Moreover, shares or instruments held by a credit institution or a credit securities services company with a registered seat in the European Union or in a member state of the EEA are not taken into account for determining the notification obligation or proportion of voting rights held, provided (i) the shares or instruments are held in such credit institution's or credit securities services company's trading book, (ii) they amount to no more than 5% of the Company's voting rights, do not grant the right to acquire more than 5% of the voting rights, or do not have a similar economic effect and (iii) it is ensured that the voting rights pertaining to such shares or instruments are not exercised or otherwise utilized.

16.6.1.3 *Fulfillment of Notification Requirements*

If any notification obligation is triggered, the notifying person or entity is required to fully complete the notification form set forth as an annex to the German Securities Trading and Insider List Regulation (*Wertpapierhandelsanzeige- und Insiderverzeichnisverordnung*). The notice may be submitted either in the German or the English language, in writing, via fax or via electronic communications. Irrespective of the event triggering the notification, the notice must include (i) the number and proportion of voting rights, (ii) the number and proportion of instruments and (iii) the aggregate number and proportion of voting rights and instruments held by, or attributed to, the notifying person or entity. In addition, the notice must include certain attribution details (*e.g.*, the first name, surname and date of birth of the notifying individual or the legal name, seat and state of a notifying entity, the event triggering the notification, the date on which the threshold was reached or crossed and whether voting rights or instruments are attributed).

As a domestic issuer in Germany, the Company is required to publish such notices without undue delay, but no later than three trading days after receipt, via media outlets or outlets where it can be assumed that the notice will be disseminated in the entire European Union and in all member states of the EEA. Such publications may only be made in the German and/or the English language. The Company is also required to transmit these publications to BaFin, specifying the time of publication and the media used and to the German Company Register (*Unternehmensregister*) for storage.

16.6.1.4 Consequences of Violations of Notification Requirements

Rights of shares held by shareholders, or from which voting rights are attributed to shareholders, do not exist for as long as the notification requirements are not fulfilled or not fulfilled appropriately. This temporary nullification of rights applies, in particular, to dividend, voting and subscription rights. Yet it does not apply to entitlements to dividend and liquidation gains if the notifications were not omitted willfully and have since been submitted. If the shareholder willfully or grossly negligently fails to disclose the correct proportion of voting rights held, the rights attached to shares held by or attributed to such shareholder cease to exist for a period of six months after such shareholder has correctly filed the necessary notification, except if the variation was less than 10% of the actual voting right proportion and no notification with respect to reaching, exceeding or falling below the aforementioned thresholds, including the 3% threshold, was omitted. In addition, a fine may be imposed for failure to comply with notification obligations. Pursuant to Sections 38 para. 1 and 39 para. 1 WpHG, the same rules apply if a shareholder fails to file a notice or provides false information with regard to holdings in instruments or aggregate holdings in shares and instruments.

16.6.1.5 Special Notification Requirements for more than 10% of the Voting Rights

Pursuant to Section 43 WpHG, a shareholder who reaches or exceeds the threshold of 10% of the voting rights of the Company, or a higher threshold, is required to notify the Company within 20 trading days regarding the objective being pursued through the acquisition of such voting rights, as well as regarding the source of funds used for the purchase. Changes in those objectives must also be reported within 20 trading days. The Articles of Association have not made use of the option to release shareholders from this disclosure obligation. In calculating whether the 10%-threshold has been reached, the aforementioned attribution rules apply. The Company is required to publish any notification pursuant to Section 43 WpHG without undue delay following the receipt of such notification, and in any event no later than within three trading days therefrom. Furthermore, the Company is required to publish any acts of non-compliance with notification obligations by a shareholder in the same manner.

16.6.2 Mandatory Offers

Pursuant to the WpÜG, every person whose share of voting rights reaches or exceeds 30% of the voting rights of the Company is required to publish this fact, including the percentage of its voting rights, within seven calendar days of crossing this threshold. Such publication must be furnished on the Internet and by means of an electronic system for disseminating financial information. The WpÜG contains a series of provisions intended to ensure the attribution of shareholdings to the person who actually controls the voting rights attached to such shares.

Once the share of voting rights reaches or exceeds 30% of the voting rights of the Company, such shareholder is required to make a mandatory tender offer to all shareholders of the Company. Under certain conditions, BaFin may grant an exemption from this rule. If the relevant shareholder fails to give notice of reaching or exceeding the 30%-threshold or fails to submit the mandatory tender offer, such shareholder is barred from exercising the rights associated with these shares (including voting rights and, in case of willful failure to send the notice and failure to subsequently send the notice in a timely manner, the right to dividends) for the duration of the delinquency. A fine may also be imposed in such cases.

16.6.3 Managers' Transactions

A person discharging managerial responsibilities within the meaning of Article 3 para. 1 no. 25 MAR (*i.e.*, the members of the Management Board and the Supervisory Board), must notify the Company and BaFin of transactions undertaken for their own account relating to the Company's shares or to financial instruments based on the Company's shares (subject to a €20,000.00 *de minimis* exception per calendar year for all such transactions). This also applies to persons closely associated with a person discharging managerial responsibilities within the meaning of Article 3 para. 1 no. 26 MAR. Such notifications must be made promptly and no later than three business days after the date of the relevant transaction. The Company must ensure that such notifications are made public within two business days after receipt by the Company.

During a closed period of 30 calendar days before the announcement of an interim financial report or a year-end report which the Company is required to make public according to (i) the rules of the trading venue where the Company's shares are admitted to trading or (ii) national law, persons discharging managerial responsibilities are prohibited from conducting for their own account or for the account of a third party any transactions directly or indirectly relating to shares or debt instruments of the Company, or to derivatives or other financial instruments linked to such securities.

16.7 Short Selling Regulation (Ban on Naked Short-Selling)

Pursuant to Regulation (EU) No. 236/2012 of the European Parliament and of the Council of March 14, 2012 on short selling and certain aspects of credit default swaps, as amended (the "**Short Selling Regulation**"), the European Commission's delegated regulation for the purposes of detailing the Short Selling Regulation, and the German EU Short Selling Implementation Act (*EU-Leerverkaufs-Ausführungsgesetz*) of November 15, 2012, the short-selling of the Company's shares is only permitted under certain conditions. In addition, under the provisions of the Short Selling Regulation, significant net-short selling positions in the Company's shares must be reported to BaFin and published if they exceed a specific percentage. The reporting and publication process is detailed in the German Regulation on Net-Short Positions (*Netto-Leerverkaufspositionsverordnung*) of December 17, 2012. The net short-selling positions are calculated by offsetting the short positions of a natural person or legal entity in the Company's shares with its long positions in such shares. The details are regulated in the Short Selling Regulation and the other regulations the European Commission enacted on short-selling. In certain situations described in the Short Selling Regulation, BaFin may restrict short-selling and comparable transactions.

17. GOVERNING BODIES OF THE COMPANY

17.1 Overview on the Governing Bodies of the Company

As a European stock corporation (*Societas Europaea* (*SE*)) with a two-tier management and control system, the Company's governing bodies are the Management Board, the Supervisory Board and the shareholders' meeting. The responsibilities and powers of these governing bodies are determined by the SE Regulation, the German Act on the SE-Implementation (*SE-Ausführungsgesetz* ("**SEAG**")), the AktG, the Articles of Association and the rules of procedure of both the Supervisory Board and the Management Board.

The shareholders' meeting elects the members of the Supervisory Board, which in turn appoints the members of the Management Board. The Supervisory Board represents the Company in and out of court *vis-à-vis* the members of the Management Board. The Supervisory Board is responsible for the appointment of members of the Management Board, the revocation of appointments, and the conclusion of service agreements of members of the Management Board as well as for the change and termination of these service agreements.

Simultaneous membership in the Supervisory Board and the Management Board is not permitted under the AktG, as the Supervisory Board is tasked with supervising the management of the Company by the Management Board. In exceptional cases and for an interim period, a member of the Supervisory Board may, however, assume a vacant seat on the Management Board. During this period, such individual may not perform any duties pertaining to his position on the Supervisory Board. In addition, the duration of such stand-in arrangements may not exceed one year.

The Management Board is responsible for managing the Company in accordance with applicable laws, the Articles of Association and the rules of procedure of the Management Board, including the schedule of responsibilities. The Management Board represents the Company in dealings with third parties. As set out in Article 40 of the SE Regulation in conjunction with the AktG, the Supervisory Board advises and oversees the Management Board's administration of the Company, but is itself generally not authorized to manage or represent the Company.

The Articles of Association may designate types of transactions that may only be conducted with the prior consent of the Supervisory Board. In addition, the Supervisory Board may itself determine that certain types of transactions are subject to its prior approval. In the current rules of procedures of the Management Board, the Supervisory Board has set forth that, among other things, the following matters are subject to prior consent by the Supervisory Board:

- Incurring or granting any indebtedness or guaranty, or agreeing to guaranty or to accept guaranty for any third-party debt or obligation exceeding €7.5 million annually, in each case except in the ordinary course of business;
- Transferring or encumbering any technology owned or licensed by AUTO1 Group, except for (i) the granting of licenses in the ordinary course of business or (ii) transactions between companies of the AUTO1 Group;
- Changing the existing or establishing a new business strategy and engaging in any business unrelated to that described in the most recent annual budget or multi-year planning as approved by the Supervisory Board;
- Acquiring any asset with a value exceeding €5.0 million, except for (i) acquisitions in the ordinary course of business or (ii) transactions between companies of AUTO1 Group;
- Acquiring or disposing of companies, interests in companies and parts of companies, in each case for a consideration or transaction value exceeding €5.0 million, except for transactions between companies of the AUTO1 Group;
- Entering into, amending or terminating any agreement pursuant to which the relevant company of AUTO1 Group acquires goods or services with a commercial value of €7.5 million or more annually, except for (i) any agreements in the ordinary course of the car dealing business or (ii) agreements between companies of the AUTO1 Group;

- Appointing or terminating, or agreeing to an amendment of, any employment agreement with a fixed salary (*Fixgehalt*) exceeding €500,000 *per annum*;

- Initiating or settling of litigation with an amount in dispute of €3.5 million or more; and

- Entering into off-balance sheet financing agreements (*e.g.*, factoring agreements) with an annual value exceeding €3.5 million in total.

The Management Board is also required to obtain the prior consent of the Supervisory Board to certain transactions concluded by subsidiaries of the Company, if such transactions require consent of the Supervisory Board had they been undertaken by the Company. In addition, the Supervisory Board may make other types of transactions and measures subject to its prior consent by amending the rules of procedure of the Management Board or the Supervisory Board or through a resolution of the Supervisory Board. By comparison, measures or transactions specifically addressed in the annual budget or multi-year planning as approved by the Supervisory Board do not require separate consent by the Supervisory Board, unless the relevant measure or transaction exceeds the amount or limit provided for such measure or transaction in the approved annual budget or multi-year planning.

Each member of the Management Board and Supervisory Board owes a duty of loyalty, duty of legality and duty of care to the Company. In discharging these duties, each member of these bodies must consider a broad spectrum of interests, particularly those of the Company and its shareholders, employees and creditors. In addition, the Management Board must also take into consideration the shareholders' rights to equal treatment and equal access to information. If members of the Management Board or Supervisory Board breach their duties, they may be jointly and severally liable with the other members of the Management Board or the Supervisory Board to the Company for any damages the Company has incurred.

Under German law, shareholders generally have no right to directly assert claims against members of the Management Board or Supervisory Board if they believe that such members have violated their duties to the Company (*i.e.*, only the Company has the right to enforce such claims against the members of the Management Board or Supervisory Board). With respect to claims against members of the Management Board, the Company is represented by the Supervisory Board, and with respect to claims against members of the Supervisory Board, the Company is represented by the Management Board. The Federal Court of Germany (*Bundesgerichtshof*) has ruled that the Supervisory Board is generally required to assert claims against members of the Management Board, if it is likely that such claims can be pursued and enforced successfully, unless significant interests of the Company conflict with the pursuit of such claims and outweigh the interests of the Company asserting such claims against members of the Management Board.

If either the Supervisory Board or the Management Board decides not to pursue claims of the Company against members of the respective other governing body for violations of their duties, such claims must nevertheless be asserted if the shareholders' meeting adopts a resolution to this effect with a simple majority of the votes validly cast. The shareholders' meeting may also appoint a special representative (*besonderer Vertreter*) to assert such claims. Shareholders whose aggregate shareholdings amount to 10% of the Company's share capital or a *pro rata* share of €1 million in the Company's share capital may also motion for the competent court to appoint such a special representative. If there are facts that justify the suspicion that the Company was harmed by dishonesty or a gross violation of laws or the Articles of Association, shareholders whose aggregate shareholdings amount to 1% of the Company's share capital or a *pro rata* share of €100,000.00 of the Company's share capital may under certain conditions assert claims of the Company against members of the Management Board or Supervisory Board in their own names. Yet such claims become inadmissible once the Company itself files a suit to assert such claims.

In addition, the Company's shareholders' meeting may appoint special auditors (*Sonderprüfer*) to audit transactions, particularly management transactions, with a simple majority of the votes validly cast. If the shareholders' meeting rejects a motion to appoint special auditors, the competent court appoints such special auditors upon a motion by shareholders whose aggregate shareholdings amount to 1% of the Company's share capital or a *pro rata* share of €100,000.00 of the Company's share capital, if there are facts that justify the suspicion that the relevant occurrence involved acts of dishonesty or gross violations of the law or the Articles of Association. If the shareholders' meeting has resolved to appoint special auditors, the competent court appoints different special auditors upon a motion by shareholders whose aggregate shareholdings amount to 1% of the Company's share capital or a *pro rata* share of €100,000.00 of the Company's share capital, if such appointment appears necessary due to reasons concerning the original special auditors.

Via the shareholders' forum of the German Federal Gazette (*Bundesanzeiger*), which is also accessible via the website of the German Company Register (*Unternehmensregister*), shareholders and shareholder associations may solicit other shareholders to file a motion, jointly or by proxy, for the appointment of special auditors, for the appointment of a special representative, the convention of a shareholders' meeting, or the exercise of voting rights in a shareholders' meeting.

The Company may only waive or settle claims for damages against members of the Management Board or the Supervisory Board, if at least three years have elapsed since such claims arose and if the shareholders' meeting has consented to such waiver or settlement by a simple majority vote, provided that a minority of the shareholders whose aggregate shareholdings amount to at least 10% of the Company's share capital does not object to such resolution in the minutes of the shareholders' meeting.

Under German law, neither individual shareholders nor other persons may use their influence on the Company to cause a member of the Management Board or the Supervisory Board to act in a manner that would be detrimental to the Company. Any person who uses its influence over the Company to cause a member of the Management Board or the Supervisory Board, an authorized representative (*Prokurist*) or an authorized agent (*Handlungsbevollmächtigter*) to act to the detriment of the Company or its shareholders may be liable to compensate the Company and the affected shareholders for the resulting losses. In particular, a controlling shareholder may not use its influence to cause the Company to act contrary to its own interests, unless (i) the Company and the controlling shareholder enter into a domination agreement (*Beherrschungsvertrag*) or (ii) the controlling shareholder compensates the Company for any disadvantages resulting from its influence. Moreover, the members of the Management Board and the Supervisory Board are jointly and severally liable in addition to the person using its influence if such members acted in breach of their duty of care towards the Company.

17.2 Management Board

Under the Articles of Association, the Management Board comprises one or more members. The Supervisory Board determines the exact number of the members of the Management Board. The Supervisory Board has set the current size of the Management Board to two members.

The Supervisory Board may appoint members of the Management Board for a maximum term of up to six years. Reappointments or extensions, each for a maximum term of up to six years, are permissible.

The Supervisory Board may revoke the appointment of a member of the Management Board prior to the expiration of the relevant member's term for good cause (*wichtiger Grund*) (*e.g.*, a gross breach of fiduciary duties, inability to properly manage the Company or if the Company's shareholders' meeting has passed a vote of no-confidence with respect to such member, unless the vote of no-confidence was clearly passed for arbitrary reasons).

The Management Board has a quorum if at least half its members are present or participate in the vote. Members of the Management Board who abstain from voting are counted for purposes of calculating the quorum. If the Management Board comprises three or more members, the chairman of the Management Board has a casting vote in case of a tie. The Management Board generally passes resolutions in meetings. If no member of the Management Board objects, resolutions may also be passed outside meetings (*i.e.*, orally, by telephone or in writing (*Textform*)).

The Company is represented *vis-à-vis* third parties and in court proceedings by two members of the Management Board or a member of the Management Board jointly with any authorized representative (*Prokurist*), if the Management Board comprises several members. If only a single member of the Management Board is appointed or if the Supervisory Board has authorized a single member of the Management Board to represent the Company alone, such member may solely represent the Company *vis-à-vis* third parties.

The rules of procedure for the Management Board provide for an allocation of responsibilities among the members of the Management Board. The Supervisory Board may amend or repeal this allocation of responsibilities at any time.

Additional provisions regarding, among other things, the composition of the Management Board, the duties of its members, the overall responsibility of the Management Board, the plan regarding the allocation of responsibilities for particular functions and the Management Board's internal organization are set forth in the rules of procedure of the Management Board, which were adopted by the Supervisory Board on January 23, 2021.

17.2.1 Members of the Management Board

The following table sets forth the current members of the Management Board, their respective age and position, and the duration of their remaining term:

Name	Age	First Appointed	Appointed until	Responsibilities
Mr. Christian Bertermann	37	2018(1)	2025	Strategy, Communications, Human Resources, Marketing, Purchasing, Sales, and Technology
Mr. Markus Boser	53	2018(2)	2025	Legal, Accounting, Corporate Finance, Tax, Treasury, Compliance, including Anti-Money Laundering, and Risk Management

(1) Prior to joining the Management Board, Christian Bertermann co-founded and led AUTO1 Group GmbH (now AUTO1 Group AG), the former parent company of AUTO1 Group.
(2) Markus Boser joined AUTO1 Group GmbH (now AUTO1 Group AG), the former parent company of AUTO1 Group, in May 2016.

Christian David Karl Bertermann was born in Munich, Germany, on January 21, 1984.

Mr. Bertermann holds a Diploma in business administration and economics from the University of Mannheim. In 2010, he joined CityDeal as head of products and was, after the company's sale to Groupon USA, promoted to vice president products international for the parent company Groupon, Inc. In the summer of 2012, he co-founded AUTO1 Group and has, since then, served as our Chief Executive Officer.

Alongside his office as a member of the Management Board, Mr. Bertermann is, or was within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside AUTO1 Group:

Currently:

- BM Digital GmbH (director); and
- Moin Moin Kiel Immobilien Services GmbH (director).

Previously:

- Bluecity Management GmbH (director);
- Blueshield GmbH (director);
- CHM Invest I GmbH (director);
- CHM Invest II GmbH (director); and
- CHM Vorrats GmbH (director).

Other than listed above, Mr. Bertermann has not been a member of any administrative, management or supervisory body of any other company or partnership outside Auto1 Group within the last five years.

Markus Boser was born in Washington, D.C., United States, on September 22, 1967.

Mr. Boser holds a bachelor's degree in business administration, government and economics from the University of Virginia, a J.D. from Columbia University and an LL.M. (law) from the University of Tübingen, Germany. He began his career in 1992 as an associate for Simpson Thacher & Bartlett LLP. From 1996 to 2005, Mr. Boser served as director for Deutsche Bank Aktiengesellschaft. In 2005, he joined J.P. Morgan Chase & Co., where he last served as managing director, head of tech media and telecommunications for Europe, the Middle-East and Africa. Mr. Boser then joined AUTO1 Group and has served as our Chief Financial Officer since May 2016.

Alongside his office as a member of the Management Board, Mr. Boser is a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside AUTO1 Group:

- Ammonite (St Neots) Limited (director); and
- Ammonite (St Neots) Nominees Limited (director).

Other than listed above, Mr. Boser has not been a member of any administrative, management or supervisory body of any other company or partnership outside AUTO1 Group within the last five years.

The members of the Management Board can be reached at the Company's offices at Bergmannstrasse 72, 10961 Berlin, Germany (telephone: +49 (0) 30 2016 3836 0).

17.2.2 Management Service Agreements

Each member of the Management Board has entered into a service agreement with the Company governed by German law. Mr. Bertermann's and Mr. Boser's service agreement is each set to expire on December 31, 2025. Given that the existing long-term remuneration of Mr. Boser only covers the period until February 2024, Mr. Boser is entitled to terminate the service agreement towards the end of February 2024, if the Company and Mr. Boser do not agree on a subsequent long-term remuneration until September 1, 2023.

17.2.2.1 *Fixed Remuneration*

The members of the Management Board receive a fixed base compensation in cash which is paid in twelve equal installments as a monthly salary. The annual fixed compensation amounts to €500,000.00 for Mr. Bertermann and €500,000.00 for Mr. Boser.

17.2.2.2 *Variable Remuneration*

The variable remuneration of the members of the Management Board does not include any short-term incentive components. The Company has, however, established individual long-term incentive programs for each member of the Management Board:

17.2.2.2.1 Variable Remuneration of Christian Bertermann

The variable remuneration of Mr. Bertermann comprises 7,500,000 stock options ("**Stock Options**"), which were granted under the LTIP 2020 on December 17, 2020 based on an authorization resolved by the Company's shareholders' meeting on December 15, 2020. The Stock Options will be served by utilizing the conditional capital 2020 (see "*16.1.5 Conditional Capital 2020*").

Each Stock Option relates to one share of the Company and has an exercise price of €15.76 (the "**Exercise Price**").

The Stock Options will vest in quarterly tranches over a period of five years commencing on January 1, 2021 and ending on December 31, 2025 and are subject to certain leaver provisions. They have a fixed term ending on December 31, 2027. Upon expiry of such term, unexercised Stock Options will be forfeited without compensation.

Vested Stock Options may be exercised for the first time after expiry of a four-year waiting period for 4/5 of the Stock Options ending on December 31, 2024 and a five-year waiting period for the remaining 1/5 of the Stock Options ending on December 31, 2025. After expiry of the relevant waiting period, and subject to the fulfilment of certain exercise conditions (*e.g.*, the completion of the Offering and the achievement of the relevant performance hurdles), vested Stock Options can be exercised during certain exercise windows, unless the exercise would fall into certain black-out periods.

The exercise of Stock Options is subject to achievement of the following performance hurdles:

- The three-month volume weighted average price of the shares of the Company in Xetra-trading or comparable successor trading systems (the "**VWAP**") amounts to at least €45.02, both (i) at the beginning of the relevant exercise window and (ii) on any date on or before January 1, 2026.

- The CAGR for the total number of used cars sold in our retail segment over the relevant performance period amounts to at least 70%. The relevant performance period corresponds to the relevant waiting period.

The settlement value per Stock Option is the difference between the VWAP at exercise and the Exercise Price (the "**Settlement Value**") and capped at €119.30 per Stock Option. Upon exercise of Stock Options, Mr. Bertermann would have a claim for a number of shares of the Company corresponding to (i) the aggregate Settlement Value for the exercised Stock Options, divided by (ii) the VWAP at exercise less €1.00. The Company may also settle Stock Options in cash or by delivering treasury shares.

17.2.2.2.2 Variable Remuneration of Markus Boser

The variable remuneration of Mr. Boser comprises a long-term incentive in the form of shares of the Company, the value of which was originally linked to the valuation of the Company upon occurrence of certain future liquidity events such as the Offering. Following the conversion into common shares and an adjustment of their number based on the valuation underlying the Offering, these shares (the "**Restricted Shares**") remain subject to certain vesting and related leaver provisions as well as certain transfer restrictions.

Immediately prior to completion of the Offering, Mr. Boser will hold 2,064,746 Restricted Shares, 1,379,274 of which will be vested and 685,472 of which will not be vested. The latter will vest in accordance with a certain vesting schedule, with the last Restricted Shares vesting in February 2024.

All Restricted Shares will be subject to the lock-up agreements entered into by the members of the Management Board (see "*3.9.3 Lock-up of the Members of the Management Board*"). In addition, not yet vested Restricted Shares will be subject to comprehensive transfer restrictions until they become vested. After expiration of the relevant lock-up and transfer restrictions, respectively, any vested Restricted Shares will be freely transferable.

17.2.2.3 *Other Benefits of Members of the Management Board*

In addition to monetary compensation, the members of the Management Board receive certain non-monetary benefits (*e.g.*, company cars that may also be used for private purposes). Furthermore, the members of the Management Board are covered by our D&O insurance. The Company believes that the terms of this insurance policy are in line with market practice (see "*12.11 Insurance Coverage*").

17.3 Supervisory Board

In accordance with Article 9 para. 1 lit. (c) (i) and 40 para. 3 of the SE Regulation in conjunction with Sections 95 and 96 AktG as well as Section 9 para. 1 of the Articles of Association, the Supervisory Board comprises five members. All of the members are appointed by the Company's shareholders' meeting and represent the shareholders. Pursuant to Article 9 para 1 lit. (c) (ii) of the SE Regulation in conjunction with Section 100 para. 5 AktG, the members of the Supervisory Board as a whole must be familiar with the industry in which the Company conducts its business.

The Company intends to appoint one female member of the Supervisory Board prior to the completion of the Offering to replace a male member (see 17.3.1.2 *"Future Members of the Supervisory Board*"), and to further increase the share of female members of the Supervisory Board to at least one third within two years. In addition, the Supervisory Board has resolved to appoint at least one female member of the Management Board and to increase the share of female members to at least 25% by January 1, 2026.

According to the Articles of Association, members of the Supervisory Board may be elected for a maximum term lasting until the end of the shareholders' meeting which resolves on the discharge (*Entlastung*) of the relevant members of the Supervisory Board for the fourth fiscal year after the commencement of the term of office. The fiscal year in which the term of office commenced is not counted towards the aforementioned number of four years. For members of the Supervisory Board who leave office before the end of their term, a successor must be elected for the remaining term of the leaving member, unless the Company's shareholders' meeting specifies a different term for such successor. Reelections of members of the Supervisory Board are permissible.

When electing members of the Supervisory Board, the shareholders' meeting may also appoint substitute members who replace any members of the Supervisory Board leaving their office before the end of their term. Unless stipulated otherwise in the election, the substitute members, in the order of their election, replace members of the Supervisory Board ending their term prematurely which were elected by the same shareholders' meeting. In such case, the office of the substitute member would end, once a successor for the former member of the Supervisory Board is elected through a by-election. Otherwise, the term of office corresponds to the remaining term of office of the former member. If the term of office of the substitute member ends due to a by-election, the substitute member regains its previous position as a substitute member for other members of the Supervisory Board.

The Supervisory Board elects a chairman and a deputy chairman from among its members to serve for the duration of those members' terms, unless a shorter period is determined at the time of their respective election. If the chairman or his deputy leaves office before the end of his term, the Supervisory Board must hold a new election without undue delay.

Each member of the Supervisory Board and each substitute member may resign from office with or without cause by giving written notice one month in advance to the chairman of the Supervisory Board, or, in case of a resignation by the chairman, to the deputy chairman. The chairman of the Supervisory Board or, in case of a resignation of the chairman, the deputy chairman, may approve a shorter notice period or a waiver of the notice period. In case of a resignation for cause, the one-month notice period does not apply.

The Supervisory Board must hold at least two meetings in each calendar half-year. Meetings of the Supervisory Board are generally called at least ten calendar days in advance by the chairman of the Supervisory Board, not taking into account the day on which the invitation is sent and the day of the meeting itself. Notice of meetings may be given in writing, by telefax, or via electronic communication. In urgent cases, the chairman may shorten this period and may convene the meeting orally or by telephone.

The rules of procedure of the Supervisory Board provide that resolutions of the Supervisory Board are generally passed in meetings. At the order of the chairman, resolutions of the Supervisory Board may also be passed in writing, by telefax, by telephone or by electronic communication (or a combination of these forms of voting). Absent members of the Supervisory Board may also participate in the voting by submitting their votes in writing through another member of the Supervisory Board.

The Articles of Association provide that the Supervisory Board has a quorum if at least half of the total number of members provided for in the Articles of Association participates in the vote. Any members who abstain from voting are considered present for purposes of calculating the quorum. Unless otherwise provided for by mandatory law, resolutions of the Supervisory Board are passed with a simple majority of the votes cast. If a vote by the Supervisory Board results in a tie, the chairman has a deciding vote. Such resolutions are documented by the chairman and circulated to all members of the Supervisory Board.

The Supervisory Board may adopt rules of procedure and form committees in accordance with applicable laws and the Articles of Association. The Supervisory Board determines the composition, competences and procedures of such committees, if any. To the extent permitted by law and by the Articles of Association, the Supervisory Board may delegate any of its duties, decision-making powers and rights to the chairman, to any of the Supervisory Board member(s) or to any committee(s) established from among its members. The rules of procedure of the Supervisory Board were adopted on January 23, 2021.

17.3.1 Members of the Supervisory Board

17.3.1.1 *Current Members of the Supervisory Board*

The following table sets forth the current members of the Supervisory Board, their respective age and position, and the duration of their remaining term:

Name	Age	First Appointed	Appointed until	Responsibilities
Dr. Gerhard Cromme	77	2018[(2)]	2024	Chairman of the Supervisory Board
Mr. Andrin Bachmann	48	2018[(2)]	2024	Deputy chairman of the Supervisory Board
Mr. Anthony Doeh[(1)]	38	2020	2024	Member of the Supervisory Board
Mr. Gerd Häusler	69	2018[(2)]	2024	Member of the Supervisory Board
Mr. Hakan Koç	36	2020[(3)]	2024	Member of the Supervisory Board

(1) Anthony Doeh's position as a member of the Supervisory Board is expected to be terminated on or around February 2, 2021. Ms. Sylvie Mutschler-von Specht is expected to be elected in his place (see "*17.3.1.2 Future Members of the Supervisory Board*").
(2) Prior to joining the Supervisory Board, Dr. Gerhard Cromme, Andrin Bachmann and Gerd Häusler were members of the supervisory board of AUTO1 N.V., an affiliate of the Company. In this capacity, they regularly met and rendered advice to AUTO1 Group.
(3) Prior to joining the Supervisory Board, Hakan Koç co-founded and led AUTO1 Group GmbH (now AUTO1 Group AG), the former parent company of AUTO1 Group, and served as a member of the Management Board until November 30, 2020.

Dr. Gerhard Cromme was born in Vechta, Germany, on February 25, 1943.

Dr. Cromme holds degrees in law from the University of Münster and the University of Lausanne, and in economics from the University Sorbonne in Paris and Harvard University (PMD) as well as a doctorate of law from the University of Münster. He began his career in 1971 at Compagnie de Saint-Gobain S.A., where Dr. Cromme eventually became chairman of the management board of Vereinigte Glaswerke GmbH and deputy general delegate responsible for Saint-Gobain's German business. In 1986, he joined Krupp group as chairman of the management board of Krupp Stahl AG, before being appointed chairman of the management board of Fried. Krupp AG Hoesch-Krupp in 1989. From 1999 to 2001, he served as co-chairman of the executive board of ThyssenKrupp AG. Since 2001, Dr. Cromme has served on various supervisory boards, including holding several chairmanships (*e.g.*, with Axel Springer SE, E.ON Ruhrgas AG, Siemens AG, thyssenkrupp AG and Volkswagen AG). Until 2008, he was chairman of the government commission on the German Corporate Governance Code. In recent years, Dr. Cromme has increasingly been engaged as a business angel and investor in the areas of digital start-ups and venture capital.

Alongside his office as chairman of the Supervisory Board, Dr. Cromme is, or was within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside AUTO1 Group:

Currently:

- Aroundtown S.A. (chairman of the advisory board);
- eClear AG (member of the supervisory board);
- Highview Enterprises Ltd. (member of the supervisory board); and
- Target Global (chairman of the advisory board).

Previously:

- ODDO BHF-Group (co-chairman of the supervisory board); and
- Siemens AG (chairman of the supervisory board).

Other than listed above, Mr. Cromme has not been a member of any administrative, management or supervisory body of any other company or partnership outside AUTO1 Group within the last five years.

Andrin Bachmann was born in Zurich, Switzerland, on April 23, 1972.

Mr. Bachmann holds a master's degree in computer science from the Swiss Federal Institute of Technology (ETH Zürich). After graduating, he co-founded Glocalnet AB, a telecommunications company in Sweden, where he served in several executive and non-executive board positions. After Glocalnet AB's public offering, Mr. Bachmann joined M/C Venture Partners, a private equity firm, where he was a partner and subsequently a venture -partner. In 2010, he co-founded Piton Capital LLP a venture capital firm focused on network effects. In his capacity as a partner at Piton Capital LLP and as an angel investor, Mr. Bachmann has been involved in dozens of technology businesses around the world.

Alongside his office as deputy chairman of the Supervisory Board, Mr. Bachmann is, or was within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside AUTO1 Group:

Currently:

- Ascender Capital Ltd (director);
- Booksy Group Inc (director);
- Colibri SAS dba ManoMano (board member);
- JamesEdition B.V. (director);
- Lantum Ltd (director); and
- SUSI Partners AG (director).

Previously:

- FanDuel Ltd (director);
- JamesEdition AB (board member);
- Videdressing (board member); and
- TakeEatEasy.be SA (director).

Other than listed above, Mr. Bachmann has not been a member of any administrative, management or supervisory body of any other company or partnership outside AUTO1 Group within the last five years.

Anthony Doeh was born in London, United Kingdom, on August 5, 1982.

Mr. Doeh holds a first class master's degree in economics and management from Oxford University. In 2004, he began his career as an investment banker at Merrill Lynch. In 2012, Mr. Doeh joined Moelis & Company as a vice president and was promoted to managing director in 2017. Since 2019, he has served as a partner at SoftBank Investment Advisers. Mr. Doeh's position as a member of the Supervisory Board is expected to be terminated on or around February 2, 2021.

Alongside his office as member of the Supervisory Board, Mr. Doeh is a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside AUTO1 Group:

- Cambridge Mobile Telematics, Inc. (member of the board of directors).

Other than listed above, Mr. Doeh has not been a member of any administrative, management or supervisory body of any other company or partnership outside AUTO1 Group within the last five years.

Gerd Häusler was born in Banteln, Germany, on May 5, 1951.

Mr. Häusler holds degrees in law and economics from the University of Frankfurt am Main and Geneva. He started his career in 1978 at the Central Bank of Germany (*Deutsche Bundesbank*), holding various positions, most recently as a member of the management board and member of the Central Bank council. From 1996 to 2000, Mr. Häusler was a member of the management board of Dresdner Bank AG. In 2001, he joined the International Monetary Fund as financial counsellor of the managing director and director of the international capital markets department. In 2006, he took the office of vice-chairman and managing director of Lazard Ltd., Frankfurt am Main, Paris and London. After serving for RHJ International and the risk committee of Bayerische Landesbank, Mr. Häusler joined Bayerische Landesbank as chief executive officer in 2010.

Alongside his office as member of the Supervisory Board, Mr. Häusler is, or was within the last five years been, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside AUTO1 Group:

Currently:

- Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft (member of the supervisory board); and

- Scope Foundation (chairman of the board of trustees).

Previously:

- Bayerische Landesbank (chairman of the supervisory board); and

- BHF Kleinwort Benson Group (chairman of the board).

Other than listed above, Mr. Häusler has not been a member of any administrative, management or supervisory body of any other company or partnership outside AUTO1 Group within the last five years.

Hakan Koç was born in Kiel, Germany, on May 11, 1984.

Mr. Koç holds a bachelor of law from Bucerius Law School, Hamburg, Germany. He started his career in 2010 as an entrepreneur in residence at Rocket Internet SE. In 2011, Mr. Koç took a position at home24 SE, where he was appointed chief product officer. In the summer of 2012, Mr. Koç left home24 SE to co-found AUTO1 Group, where he served as Co-Chief Executive Officer until 2020. Since then, he has been a member of the Supervisory Board.

Alongside his office as a member of the Supervisory Board, Mr. Koç is, or was within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside AUTO1 Group:

Currently:

- Famko Immobilien Verwaltungs GmbH (director);

- Moin Moin Kiel Immobilien Services GmbH (director); and

- Moin Moin Projektentwicklung GmbH (director).

Previously:

- Bluecity Management GmbH;
- Blueshield UG (director);
- CHM Invest I GmbH (director);
- CHM Invest II GmbH (director);
- HKVV GmbH (director); and
- CHM Vorrats GmbH (director).

Other than listed above, Mr. Koç has not been a member of any administrative, management or supervisory body of any other company or partnership outside AUTO1 Group within the last five years.

The members of the Supervisory Board can be reached at the Company's offices at Bergmannstrasse 72, 10961 Berlin, Germany (telephone: +49 (0) 30 2016 3836 0).

17.3.1.2 *Future Members of the Supervisory Board*

Following the resignation of Anthony Doeh from his office as a member of the Supervisory Board, which is expected to occur on February 2, 2021, the Company's shareholders' meeting expected to be held on or around February 2, 2021 is expected to elect Ms. Sylvie Mutschler-von Specht to the Supervisory Board with effect from that date.

Sylvie Mutschler-von Specht was born in Hamburg, Germany, on January 27, 1964.

Ms. Mutschler-von Specht holds degrees in economics from St. Gallen University and Wharton School of Economics. She began her career at Südmilch as a marketing assistant in 1988. Subsequently, Ms. Mutschler-von Specht founded her own retail company, which she sold in 1995. Since then, she has been managing the Mutschler-Group, focusing on the development of commercial real estate in Germany, Switzerland, Croatia, Portugal and the United States. In 2007, Ms. Mutschler-von Specht founded Mutschler Ventures AG, which primarily invests in technology companies during their early growth stages. In 2017, she was appointed as a member of the board of AvS – International Trusted Advisors GmbH. Since 2018, she also serves as a member of the board of Bergos Berenberg AG.

Alongside her office as member of the Supervisory Board, Ms. Mutschler-von Specht is a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside AUTO1 Group:

- Aeyde GmbH (member of the board of directors);
- A & S Beteiligungen AG (president of the board of directors);
- AvS – International Trusted Advisors GmbH (member of the advisory board);
- Bergos Berenberg AG (member of the board of directors);
- C+H Development Holding AG (president of the board of directors);
- MIAG Mutschler Immobilien AG (president of the board of directors);
- Mobbot S.A. (member of the board of directors);
- Mutschler Outlet Holding AG (chief executive officer and member of the board of directors);
- Mutschler Ventures AG (chief executive officer and member of the board of directors); and
- Premium Property AG (managing director and member of the board).

Other than listed above, Ms. Mutschler-von Specht has not been a member of any administrative, management or supervisory body of any other company or partnership outside AUTO1 Group within the last five years.

17.3.2 Supervisory Board Committees

Under the Articles of Association, the Supervisory Board may establish committees from among its members. Each committee must comprise at least three members of the Supervisory Board. To the extent permitted by law and by the Articles of Association, the Supervisory Board may delegate any of its duties, decision-making powers and rights to these committees.

As of the date of this Prospectus, the Supervisory Board has established the following committees:

17.3.2.1 Audit and Risk Committee

The audit and risk committee has the following responsibilities:

- reviewing the financial reporting of the Company, monitoring its accounting processes, the effectiveness of internal control systems, the risk management system and the internal audit system as well as the auditing of the financial statements, in particular the selection and independency of the auditors and the additional services rendered by the auditors, and of the compliance systems;

- preparing resolutions of the Supervisory Board in connection with (i) the annual financial statements and the consolidated financial statements of the Company and (ii) the Supervisory Board's proposal to the shareholders' meeting regarding the election of the Company's auditors, including conducting the selection process;

- discussing interim financial statements with the Management Board and, if relevant, with the auditors;

- instructing the auditors and cooperating with the auditors; and

- approving measures and transactions of the Management Board, to the extent such approval is required pursuant to the rules of procedure of the Management Board.

The audit and risk committee comprises three members. The following table sets forth the current members of the audit and risk committee:

Name	Responsibilities
Gerd Häusler[1]	Chairman of the audit and risk committee
Dr. Gerhard Cromme[1]	Deputy chairman of the audit and risk committee
Andrin Bachmann[1]	Member of the audit and risk committee

The chairman of the Supervisory Board may not simultaneously hold the position of chairman of the audit and risk committee.

The audit and risk committee performs its duties in compliance with applicable laws, in particular Regulation (EU) No. 537/2014 of the European Parliament and the Council of April 16, 2014 on specific requirements regarding the statutory audit of public-interest entities, as amended, the Articles of Association and the rules of procedure of the Supervisory Board.

The chairman of the audit and risk committee regularly conducts discussions with the auditors. As a rule, the chief financial officer of the Company also attends these discussions. In certain cases, discussions may also take place without the chief financial officer. In connection with the fulfillment of its responsibilities, the audit and risk committee may request information from the auditor, the Management Board, the audit department and the senior executives of the Company directly reporting to the Management Board.

17.3.2.2 *Presidential and Nomination Committee*

The presidential and nomination committee has the following responsibilities:

- preparing the Supervisory Board's proposals to the shareholders' meeting regarding the election of Supervisory Board members and identifying suitable Supervisory Board candidates;
- preparing resolutions of the Supervisory Board on specific objectives regarding its composition and the skills and expertise profile;
- preparing the self-assessment of the Supervisory Board and its committees;
- preparing resolutions of the Supervisory Board on selecting, appointing, dismissing and remunerating the members of the Management Board as well as entering into, amending and terminating their service agreements;
- preparing resolutions of the Supervisory Board pursuant to Sections 87a and 162 AktG;
- resolving on certain transactions and measures *vis-à-vis* members of the Management Board pursuant to Section 112 AktG;
- granting consent pursuant to Section 88 AktG;
- granting loans to the persons listed in Sections 89, 115 AktG;
- approving contracts of members of the Supervisory Board pursuant to section 114 AktG; and
- approving measures and transactions of the Management Board, to the extent such approval of the presidential and nomination committee is provided for in the rules of procedure of the Management Board.

The presidential and nomination committee comprises three members. One of the members is the chairman of the Supervisory Board. The following table sets forth the current members of the presidential and nomination committee:

Name	Responsibilities
Dr. Gerhard Cromme	Chairman of the presidential and nomination committee
Hakan Koç..	Deputy chairman of the presidential and nomination committee
Gerd Häusler	Member of the presidential and nomination committee

17.3.3 Remuneration and Other Benefits of the Members of the Supervisory Board

The chairman of the Supervisory Board receives a fixed annual remuneration of €150,000.00, while the deputy chairman receives €60,000.00 and all other members of the Supervisory Board receive €50,000.00. Any additional remuneration for membership in committees of the Supervisory Board is credited against the increased remuneration of the chairman and the deputy chairman of the Supervisory Board.

For membership in a committee of the Supervisory Board, the relevant members of the Supervisory Board receive an additional fixed annual remuneration of €5,000.00. In addition to this remuneration for committee membership, the chairman of a committee receives an additional fixed annual remuneration of €5,000.00, provided that in case of the chairman of the audit and risk committee, such additional fixed remuneration amounts to €45,000.00.

For physically attending meetings of the Supervisory Board or any other meetings at the Company that require the physical presence of the members of the Supervisory Board, each member present receives an attendance fee of €1,000.00 (if arriving from a location within Germany) or €2,000.00 (if arriving from outside Germany). If several meetings take place on the same day, the foregoing amount will be paid only once. If a meeting lasts for several days in a row, or if several meetings are held on several days in a row, any member of the Supervisory Board attending these meetings receives an additional €1,000.00 on each following day. Travel costs and accommodation expenses are not reimbursed separately.

In addition to the remuneration set forth above, the Company reimburses the members of the Supervisory Board for all reasonable out-of-pocket expenses incurred when fulfilling their duties as members of the Supervisory Board, and for any value added taxes payable on such out-of-pocket expenses and remuneration, provided that any out-of-pocket expenses in connection with the physical attendance at meetings is satisfied through payment of the attendance fee and not reimbursed separately.

Furthermore, the members of the Supervisory Board are covered by the D&O insurance policy of AUTO1 Group. The Company believes that the terms of this insurance policy are in line with market standards (see "*12.11 Insurance Coverage*").

17.4 Shareholdings of the Members of the Management Board and the Supervisory Board

Our co-founder and Chief Executive Officer Christian Bertermann, through BM Digital GmbH, indirectly holds 27,162,300 shares in the Company. Our co-founder and member of the Supervisory Board Hakan Koç, through HKVV GmbH, indirectly holds 27,163,300 shares in the Company. Therefore, Mr. Koç and Mr. Bertermann are among the Company's top three shareholders (see "*14. Shareholder Information*"). In addition, our Chief Financial Officer Markus Boser directly holds 2,064,746 shares in the Company. In total, our founders and members of the Management Board hold 56,390,346 shares in the Company, corresponding to 32.6% of the Company's total share capital. For a description of the lock-up agreements entered into by our founders and members of the Management Board, see "*3.9 Lock-up Agreements and Undertakings*".

Following completion of the Offering, Mr. Bertermann, through BM Digital GmbH, will receive additional shares in the Company in connection with a conversion of a portion of the outstanding amounts under the Convertible Loan (see "*12.13.2 Our Convertible Loan*"). In addition, our co-founders and board members Christian Bertermann and Hakan Koç may obtain claims to receive additional shares in the Company under the LTIP 2017 (see "*17.5.1.3 Long-Term Incentive Program 2017*").

Furthermore, P.A.C. alpha GmbH holds 1,593,000 shares in the Company, 593,000 of which are held in trust for the account of certain third parties, including 25,500 shares held in trust for member of the Supervisory Board Gerd Häusler. P.A.C alpha GmbH is a wholly-owned subsidiary of P.A.C. Pallas-Athene-Consulting GmbH & Co. KG, and chairman of the Supervisory Board Dr. Gerhard Cromme holds a 25% limited partnership interest (*Kommanditanteil*) in this entity. Dr. Cromme is also a managing director of, and holds all shares in, P.A.C. Verwaltungs GmbH, the sole general partner (*Komplementär*) of P.A.C. Pallas-Athene-Consulting GmbH & Co. KG. The remaining partnership interests (*Kommanditanteile*) in P.A.C. Pallas-Athene-Consulting GmbH & Co. KG are held by family members of Dr. Cromme.

17.5 Share Incentive Programs

17.5.1 Existing Incentive Programs

17.5.1.1 <u>*2013 Virtual Share Incentive Program*</u>

On November 18, 2013, we implemented a virtual share incentive program (the "**VSIP 2013**"), pursuant to which we have granted virtual performance shares with certain base prices (the "**2013 Virtual Performance Shares**") to certain key employees, freelancers, consultants and other supporters of the Company. The Company no longer grants 2013 Virtual Performance Shares. 2013 Virtual Performance Shares vest in four equal tranches during a period of four years from grant.

Due to the changes in the Company's share capital in January 2021 (see "*16.1.2 Development of the Share Capital*"), the number of 2013 Virtual Performance Shares and the corresponding base prices were adjusted accordingly. As a result, a total of 3,998,890 2013 Virtual Performance Shares at base prices ranging from €0.02 to €15.78 are outstanding as of the date of this Prospectus, 2,729,564 of which are vested.

The completion of the Offering will constitute a liquidity event under the VSIP 2013. Upon completion of the Offering, the overall payment claim of each beneficiary will correspond to the difference between (i) the Offer Price and (ii) the applicable base price, multiplied by the number of 2013 Virtual Performance Shares held by the respective beneficiary. These claims will be translated into a certain number of new virtual shares without underlying base prices (the "**2013 Virtual Shares**") by dividing such claim by the Offer Price. The existing vesting scheme of the VSIP 2013 will also apply to such 2013 Virtual Shares.

The beneficiaries are generally only entitled to request settlement of vested 2013 Virtual Shares after expiry of a twelve-month period following completion of the Offering and typically only at certain predefined exercise dates. The Company may elect to effect such settlement in cash or in shares. In case of a cash settlement, the beneficiaries are entitled to a gross cash payment equal to the number of relevant 2013 Virtual Shares multiplied by the three-day volume-weighted average price of the Company's shares in Xetra-trading or comparable successor trading systems at exercise. In case of a share settlement, a number of new shares in the Company issued from authorized capital or treasury shares, in each case equal to the relevant number of 2013 Virtual Shares, will be delivered to the beneficiaries against contribution/consideration in kind of their claims for cash payments.

For selected beneficiaries under the VSIP 2013, no translation of their 2013 Virtual Performance Shares into 2013 Virtual Shares will apply upon completion of the Offering. Instead, these beneficiaries will continue to hold their 2013 Virtual Performance Shares with an unchanged underlying base price. These beneficiaries may also only request settlement of vested 2013 Virtual Performance Shares after a twelve-month period following the completion of the Offering at certain pre-defined exercise dates. The Company may elect to effect such settlement in cash or in shares. In case of a cash settlement, the beneficiaries are entitled to a gross cash payment equal to the relevant number of 2013 Virtual Performance Shares multiplied by the difference between the three-day volume-weighted average price of the Company's shares in Xetra-trading or comparable successor trading systems at exercise and the applicable base price. In case of a share settlement, new shares in the Company issued from authorized capital or treasury shares will be delivered to the beneficiaries against contribution/consideration in kind of their cash payment claim, with the number of such shares being calculated by dividing such cash payment claims by the three-day volume-weighted price of the Company's shares in Xetra-trading or comparable successor trading systems at exercise.

Assuming an Offer Price at the mid-point of the Price Range, the Company expects that the value of claims under the VSIP 2013 would amount to approximately € 132.1 million in aggregate upon completion of the Offering.

17.5.1.2 *Virtual Bonus Pool*

We have created a bonus pool of virtual shares for the benefit of managers of local entities of AUTO1 Group outside Germany. These virtual shares and the claims resulting therefrom are allocated among the potential beneficiaries depending on the performance of their local operations relative to our overall performance, taking into account certain performance indicators (*e.g.*, EBIT, purchase volume and sales volume). Each beneficiary receives a certain share of the claims attributed to the respective country.

The completion of the Offering will constitute a liquidity event under the bonus pool and will result in an accelerated vesting of claims thereunder. Upon completion of the Offering, the overall payment claim of each manager, based on the achievement of performance indicators and the Offer Price, will be translated into a certain number of virtual shares (the "**Virtual Bonus Pool Shares**") by dividing the respective payment claim by the Offer Price.

The managers are generally only entitled to request settlement of their Virtual Bonus Pool Shares after expiry of a twelve-month period following completion of the Offering and typically only at certain predefined exercise dates. The Company may elect to effect such settlement in cash or in shares. In case of a cash settlement, the managers are entitled to a gross cash payment equal to the number of relevant Virtual Bonus Pool Shares multiplied by the three-day volume-weighted average price of the Company's shares in Xetra-trading or comparable successor trading systems at exercise. In case of a share settlement, a number of new shares in the Company issued from authorized capital or treasury shares, in each case equal to the relevant number of Virtual Bonus Pool Shares, will be delivered to the managers against contribution/consideration in kind of their cash payment claims.

Assuming an Offer Price at the mid-point of the Price Range, the Company expects that the payment claims under the bonus pool as per completion of the Offering would amount to approximately € 64.2 million in aggregate, corresponding to approximately 1,833,894 Virtual Bonus Pool Shares.

17.5.1.3 <u>Long-Term Incentive Program 2017</u>

We have implemented a long-term incentive program 2017 (the "**LTIP 2017**") for Christian Bertermann and Hakan Koç as founders of our business relating to their past services as members of the Management Board.

Each beneficiary under the LTIP 2017 has been granted a total of 3,397,300 virtual shares (the "**2017 Virtual Shares**"), which may vest over a performance period ending twenty-four months after completion of the Offering. The relevant performance parameters for determining such vesting are the multiple of money ("**MoM**") and the annual internal rate of return ("**IRR**") for the period from January 15, 2018 until the respective measurement date. In each case, such parameters are determined with respect to a reference share price of €15.78 compared to the daily volume-weighted average price of the Company's shares in Xetra-trading or comparable successor trading systems on the respective measurement date and the gross amount of any dividends per share declared until such measurement date, if any. Vesting of the 2017 Virtual Shares depends on the achieved MoM and IRR as follows:

- one third of the 2017 Virtual Shares of each beneficiary will vest, if during any period of thirty consecutive calendar days within the performance period, the MoM is greater than 2.0 and the IRR is greater than 35%;
- two thirds of the 2017 Virtual Shares of each beneficiary will vest if, during any period of thirty consecutive calendar days within the performance period, the MoM is greater than 2.5 and the IRR is greater than 30%;
- all 2017 Virtual Shares of each beneficiary will vest if, during any period of thirty consecutive calendar days within the performance period, the MoM is greater than 3.0 and the IRR is greater than 25%.

Subject to completion of the Offering, the Company may elect to effect settlement of vested 2017 Virtual Shares in cash or in shares. In case of a cash settlement, the beneficiaries will receive a gross cash payment per 2017 Virtual Share equal to the three-day volume-weighted average price of the Company's shares in Xetra-trading or comparable successor trading systems at the time of settlement. In case of a share settlement, a number of new shares in the Company issued from authorized capital or treasury shares, in each case equal to the relevant number of 2017 Virtual Shares, will be delivered to the beneficiaries against contribution/consideration in kind of their cash payment claims.

Any shares issued to Christian Bertermann under the LTIP 2017 during a period ending twelve months after the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) will be subject to a lock-up undertaking for the duration of this period (see "*3.9.3 Lock-up of the Members of the Management Board*"). In addition, the beneficiaries under the LTIP 2017 have agreed to a similar lock-up undertaking *vis-à-vis* the Company, provided that such undertaking will expire twelve months after completion of the Offering and that the Supervisory Board will resolve on any waiver of this lock-up undertaking.

17.5.2 Future Incentive Program

We are currently developing the details of a new long-term incentive program for certain key employees of AUTO1 Group. We intend to implement a program with several key employees over the next six months and to implement equity more broadly within the organization to create a program over the following years. We expect that this lead to total annual dilution of approximately 0.3% to 0.4% of the Company's share capital.

17.6 Certain Information Regarding the Members of the Management Board and the Supervisory Board

In the last five years, no member of the Management Board or the Supervisory Board has been:

- convicted of fraudulent offenses; or
- the subject of any official public incriminations and/or sanctions have been pending or imposed by statutory or legal authorities, including designated professional bodies; or
- disqualified from acting as a member of the administrative, management, or supervisory body of an issuer or from acting in the management or conduct of the affairs of any issuer.

Mr. Andrin Bachmann was a director of TakeEatEasy.be SA, Belgium, which filed for insolvency in July 2016. Otherwise, no member of the Management Board or the Supervisory Board has been associated with any bankruptcy, receivership, liquidation or companies put into administration, acting in its capacity as a member of any administrative, management or supervisory body in the last five years.

The members of the Supervisory Board were elected pursuant to nomination rights of certain shareholders set forth in a shareholders' agreement, which will be terminated upon completion of the Offering. In this context, Anthony Doeh, whose position as a member of the Supervisory Board is expected to be terminated on or around February 2, 2021, was elected on behalf of SVF Investments (UK) Limited, the parent company of our Major Shareholder of SVF Midgard (Cayman) Ltd, and is also a partner at SoftBank Investment Advisers (UK) Limited, the investment manager of SVF Midgard (Cayman) Ltd and an entity belonging to a group controlled by the ultimate parent of this Major Shareholder. Andrin Bachmann was elected on behalf of our Major Shareholder Piton Capital Investments Coöperatief B.A. and Mr. Bachmann also directly and indirectly holds an interest in Piton Capital Investments Coöperatief B.A. To the extent the interests of AUTO1 Group diverge from those of the shareholders represented by Mr. Doeh or Mr. Bachmann, this would result in conflicts of interest for Mr. Doeh and Mr. Bachmann, respectively. Otherwise, there are no conflicts of interest or potential conflicts of interest between the members of the Management Board and Supervisory Board with respect to their duties to the Company on the one hand and their private interests, membership in governing bodies of companies, or other obligations on the other hand.

None of the members of the Management Board or the Supervisory Board has entered into a service agreement with a company of AUTO1 Group that provides for benefits upon termination of employment or office.

There are no family relationships between the members of the Management Board and the Supervisory Board, either among themselves or in relation to the members of the respective other body.

17.7 Shareholders' Meetings

17.7.1 Convening of Shareholders' Meetings

Pursuant to Article 54 para. 1 of the SE Regulation, the annual shareholders' meeting of the Company must be held within the first six months of each fiscal year. At the option of the body convening the shareholders' meeting, the meeting is held either at the registered seat of the Company, in Berlin, in a German city with a stock exchange or at a place in Germany located within a radius of 50 kilometers around these locations. The Company's shareholders' meeting is generally convened by the Management Board. Notice must be issued in the German Federal Gazette (*Bundesanzeiger*) at least 30 days before the day of the shareholders' meeting. The day of the meeting and the day of the publication of the convocation in the German Federal Gazette (*Bundesanzeiger*) are not taken into account when calculating this 30-day period. This period is extended for the period for registration by the shareholders (see "*17.6.2 Shareholders' Rights to Participate in Shareholders' Meetings*").

A shareholders' meeting may also be convened by the Supervisory Board. In addition, shareholders whose aggregate shareholdings amount to at least 5% of the Company's share capital may request that a shareholders' meeting be held. Shareholders or shareholder associations may solicit other shareholders to submit such request, jointly or by proxy, in the shareholders' forum of the German Federal Gazette (*Bundesanzeiger*), which is also accessible via the website of the German Company Register (*Unternehmensregister*). If, following a request submitted by shareholders whose aggregate shareholdings amount to at least 5% of the Company's share capital, a shareholders' meeting of the Company is not held in a timely manner, the competent local court (*Amtsgericht*) may authorize the shareholders who have requested such meeting or their representatives to convene a shareholders' meeting of the Company.

17.7.2 Shareholders' Rights to Participate in Shareholders' Meetings

Pursuant to the Articles of Association, all shareholders of the Company who have duly submitted notification of attendance and evidence of their shareholdings are entitled to attend the shareholders' meeting and to exercise their voting rights. The registration for the shareholders' meeting must be received by the Company at the address specified in the convening notice at least six days prior to the day of the shareholders' meeting. The convening notice may provide for a shorter period to be measured in days. When calculating this period, the day of the meeting and the day of the receipt of the notice are not taken into account.

The shareholder's registration must be submitted in the German language or the English language in writing (*Textform*), or by way of other electronic means as specified by the Company in greater detail. The evidence of shareholdings must be provided in the form of proof set forth in Section 67c para. 3 AktG. Such evidence must refer to the beginning of the 21st day prior to the shareholders' meeting (so-called record date).

Voting rights may be exercised by proxy. The granting of the proxy, its revocation and the evidence of authorization to be provided to the Company must be submitted in writing (*Textform*), unless the convening notice provides for a less strict form. Details on the granting of proxy, its revocation and the evidence to be provided to the Company are provided together with the convening notice for the shareholders' meeting. The Management Board may allow shareholders to cast their votes in writing or by electronic communication without attending the shareholders' meeting (absentee vote) and may determine the scope and the procedure of the exercising of rights in such way. The Management Board may also provide that shareholders may participate in the shareholders' meeting without being present in person at the place of the shareholders' meeting or being represented, and may exercise all or specific shareholders' rights, in full or in part, by electronic communication (online participation).

17.7.3 Conduct of Shareholders' Meetings

The shareholders' meeting is chaired by the chairman of the Supervisory Board or by another member of the Supervisory Board or any other person determined by the chairman of the Supervisory Board. In the event that neither the chairman of the Supervisory Board nor any other member of the Supervisory Board or other person determined by the chairman of the Supervisory Board takes over the position of chairman of the shareholders' meeting, the chairman of the shareholders' meeting is elected by the Supervisory Board members present at the shareholders' meeting. In the event that no member of the Supervisory Board is present at the shareholders' meeting and no other person determined by the chairman of the Supervisory Board takes over the position of chairman of the shareholders' meeting, the chairman of the shareholders' meeting is elected by the shareholders' meeting under the chairmanship of the shareholder with the highest shareholding present at the shareholders' meeting.

The chairman of the shareholders' meeting chairs the proceedings of the meeting and directs the course of the proceedings. In particular, the chairman may exercise rules of order and make use of assistants. The chairman determines the sequence of speakers and the consideration of the items on the agenda as well as the form, procedure and further details of voting. The chairman may also, to the extent permitted by law, decide on the bundling of factually related items for resolution into a single vote. At the beginning of, or at any time during, the shareholders' meeting, the chairman may set a reasonable limit on the time allowed to speak or to ask questions, or on the combined time to speak and ask questions. The chairman may also determine an appropriate time frame for the course of the entire shareholders' meeting, for individual agenda items or individual speakers. If necessary, the chairman may close the list of requests to speak and order the end of the debate in the shareholders' meeting.

17.7.4 Resolutions of the Shareholders' Meeting

Pursuant to Section 18 para. 2 of the Articles of Association, resolutions of the shareholders' meeting are generally passed with a simple majority of the votes validly cast, provided that pursuant to Section 18 para. 4 of the Articles of Association, resolutions on the removal of members of the Supervisory Board require a majority of at least three quarters of the votes validly cast. If a majority of the share capital is required by law, a simple majority of the registered share capital represented at the vote is sufficient, unless a higher majority is required by mandatory law or the Articles of Association.

Pursuant to Articles 5, 57 and 59 of the SE Regulation, and Section 51 of the SEAG in conjunction with the AktG, resolutions of fundamental importance (*grundlegende Bedeutung*) require a majority of at least 75% of the share capital represented at the vote. Resolutions of fundamental importance include:

- the approval to conclude or amend corporate agreements (*Unternehmensverträge*);
- amendments to the corporate purpose of the Company;
- the creation of conditional or authorized capital;
- an exclusion of subscription rights as part of a capital increase by the shareholders' meeting or in the context of an issuance of, or authorization to issue, convertible and profit sharing certificates and other profit sharing rights;
- an authorization on the use of treasury shares;
- capital reductions;
- a liquidation of the Company or a subsequent continuation of the liquidated Company;
- the approval of contracts within the meaning of Section 179a AktG (transfer of the entire assets of the Company) and management actions of special significance that require the approval of the shareholders' meeting in compliance with legal precedents;
- an integration of the Company into another corporation; and
- any actions within the meaning of the UmwG.

Neither European law nor German law or the Articles of Association limits the rights of foreign shareholders or shareholders not domiciled in Germany to hold shares or exercise voting rights associated therewith.

17.7.5 Virtual Shareholders' Meetings

Pursuant to the German Act on Reducing the Effects of the COVID-19 Pandemic in Civil, Insolvency and Criminal Procedure Law (*Gesetz zur Abmilderung der Folgen der COVID-19-Pandemie im Zivil-, Insolvenz- und Strafverfahrensrecht*) dated March 27, 2020 (the "**COVID-19-Act**") as extended by regulation of the Federal Ministry of Justice and Consumer Protection (*Bundesministerium der Justiz und für Verbraucherschutz*) dated October 20, 2020, the Management Board may decide, with the approval of the Supervisory Board, to hold shareholders' meetings on or before December 31, 2021 as virtual shareholders' meetings without physical attendance of the shareholders or their representatives, provided that the following requirements are fulfilled:

- the entire shareholders' meeting is broadcast via audio and video transmission;
- shareholders may exercise their voting rights via electronic communication (absentee voting or electronic participation) and by authorizing proxy representatives;
- shareholders are granted the opportunity to ask questions via electronic communication; and
- shareholders who have exercised their voting rights are offered the opportunity to object to resolutions of the shareholders' meeting without the requirement to attend in person at the shareholders' meeting.

Under the COVID-19-Act, the Management Board, with the consent of the Supervisory Board, may shorten certain periods in connection with the convocation of, registration and providing evidence of shareholding for, shareholders' meetings held on or before December 31, 2021. In particular, the shareholders' meeting may be convened as late as on the 21st day prior to the day of the meeting.

17.8 German Corporate Governance Code

The German Corporate Governance Code, as amended on December 16, 2019 (the "**Code**"), contains recommendations and suggestions for the management and supervision of German companies listed on a stock exchange. The Code incorporates nationally and internationally recognized standards of good and responsible corporate governance. The purpose of the Code is to increase the transparency of the German system of corporate governance and supervision for investors. The Code includes recommendations and suggestions for management and supervision with regards to shareholders and shareholders' meetings, management and supervisory boards, transparency, accounting and auditing.

There is no obligation to comply with the recommendations or suggestions of the Code. Pursuant to Section 161 para. 1 AktG, the Management Board and the Supervisory Board are, however, required to declare that the Company has either complied or will comply with the recommendations of the Code, or which recommendations have not or will not be complied with, and explain why the Management Board and the Supervisory Board do not or will not comply with certain recommendations. This declaration must be submitted annually and must be made permanently accessible to the shareholders. There is no requirement to disclose any deviations from the suggestions of the Code.

As of the date of this Prospectus, the Company complies with all recommendations of the Code, apart from the following:

- ***Section F.2 of the Code – Reporting***: Section F.2 of the Code provides that the consolidated financial statements and the group management report should be made publicly accessible within 90 days following the end of the respective fiscal year, while mandatory interim financial information should be made publicly accessible within 45 days after the end of the respective reporting period.

  With respect to the consolidated financial statements, the group management report as well as any mandatory interim financial information required under statutory laws or applicable stock exchange rules, in each case to be published in, or to be prepared for, the fiscal year ending December 31, 2021, the Company has decided to publish the respective financial information within the respective publication periods stipulated by mandatory law or the applicable stock exchange rules for such financial information. The Company believes that a publication within such periods will sufficiently satisfy the need for information of the shareholders, creditors and other stakeholders as well as the public. Starting with the financial information to be published for the fiscal year ending December 31, 2022, the Company intends to comply with the publication timelines provided for in Section F.2 of the Code.

- ***Sections G.7, G.9, G.10 sentence 2 and G.11 of the Code – Remuneration of Management Board Members***: The variable long-term remuneration of the member of the Management Board, Mr. Markus Boser, comprises a certain number of Restricted Shares, which have been issued to Mr. Boser prior to the Offering as a long-term incentive with a performance component related to the valuation of the Company underlying the Offering. Based on such valuation, the number of Restricted Shares has been adjusted accordingly. While the value of the Restricted Shares will continue to be linked to the share price development following completion of the Offering, no additional performance components with respect to operating or strategic targets as contemplated by the recommendations in Sections G.7 and G.9 of the Code will apply for periods following completion of the Offering. In addition, the vesting schedule of the Restricted Shares provides for a staggered vesting over a four-year period (*i.e.*, in deviation from the recommendation in Section G.10 sentence 2 of the Code, parts of the long-term remuneration will be accessible to Mr. Boser prior to the expiry of a four-year period). Finally, in deviation from the recommendations in Section G.11 of the Code, following the completion of the Offering (and with the exception of a potential forfeiture of parts of the long-term remuneration in accordance with applicable vesting provisions), the variable remuneration of Mr. Boser will not be subject to any adjustments by, or retention or right to reclaim of, the Supervisory Board. Given that the non-compliance of the remuneration of Mr. Markus Boser with the aforementioned recommendations of the Code results from the fact that the variable long-term remuneration was granted as a long-term incentive which, except for the continued application of vesting provisions, has finally accrued prior to completion of the Offering, the Company deems it adequate not to apply additional restrictions.

18. CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

In accordance with IAS 24, transactions with persons or companies that are members of the same group as the Company or that are in control of or controlled by the Company must be disclosed unless they are already included as consolidated companies in the Company's consolidated financial statements. Control exists if a shareholder owns more than half of the voting rights in the Company or, by virtue of an agreement, has the power to control the financial and operating policies of the Company's management. The disclosure requirements under IAS 24 also extend to transactions with associated companies, including joint ventures, as well as transactions with persons who have significant influence over the Company's financial and operating policies, including close family members and intermediate entities. This includes the members of the Management Board and the Supervisory Board and close members of their families, as well as those entities over which the members of the Management Board and the Supervisory Board or their close family members are able to exercise a significant influence or in which they hold a significant share of the voting rights.

Set forth below in is a detailed description of such transactions with related parties for the fiscal years ended December 31, 2017, 2018 and 2019 and up to and including the date of this Prospectus. Business relationships between companies of AUTO1 Group are not included. Further information with respect to related party transactions, including quantitative amounts, are contained in the notes to the audited consolidated financial statements of the Company as of and for the fiscal years ended December 31, 2019, 2018 and 2017 as well as the unaudited condensed consolidated interim financial statements of the Company as of and for the nine-month period ended September 30, 2020, which are all included in this Prospectus in the Section "21. Financial Information" on pages F-1 et seq.

18.1 Transactions with Related Parties

18.1.1 Cost Sharing and Indemnity Agreement

On January 25, 2021, the Selling Shareholders, certain other shareholders and the Company entered into an agreement regarding their cooperation relating to the preparation of the Offering. As required by law, the Selling Shareholders have agreed that they will reimburse the Company for all external costs incurred in connection with the preparation and the execution of the Offering (except for costs relating to certain corporate measures such as the IPO Capital Increase) on a *pro rata* basis calculated in accordance with the ratio of (i) the gross proceeds from the Existing Shares placed in the Offering to (ii) the sum of the gross proceeds from the New Shares and Existing Shares placed in the Offering. The costs for which the Selling Shareholders will reimburse the Company include legal, auditor and other advisors' fees. With respect to commissions to be paid to the Underwriters in connection with the Offering, see "*19.2 Commissions*".

The obligations of the Selling Shareholders to reimburse the Company remain unaffected if the Offering is postponed or terminated. As required by law, the Selling Shareholders have also agreed to indemnify the Company from any potential liability in connection with the Offering on a *pro rata* basis in accordance with the aforementioned ratio, including for the *pro rata* share of any reasonable legal costs and expenses. Furthermore, the Company has agreed that upon indemnification by the Selling Shareholders and to the extent legally permissible, it will assign certain claims the Company may have against members of the Management Board or the Supervisory Board or third parties to the Selling Shareholders.

In addition to the Selling Shareholders, certain other shareholders who may also be transferring shares in the Company under an exception from the lock-up undertakings ("*3.9.2 Lock-up of the Existing Shareholders*") have agreed to share in the reimbursement obligation of the Selling Shareholders in case of such transfer.

18.1.2 Reimbursement for Share-Based Payments

Under a shareholders' agreement that will expire upon completion of the Offering, the shareholders of the Company have, among other things, agreed to reimburse the Company for any claims under our virtual share incentive programs *pro rata* in proportion to their shareholding in the Company. The shareholders' reimbursement obligation does not, however, cover an exit event in the form of the Offering.

For further information on these reimbursement claims and obligations, see "*9.5.9 Share-Based Incentive Programs*".

18.1.3 Receivables from FinTech

We have certain receivables from FinTech, a joint venture in which we hold a minority interest of approximately 6%. These receivables relate to a non-current loan provided by us for trade-in vehicles and the provision of vehicle-related services as part of sales under our merchant segment.

For further information on FinTech, see "*11.12 Litigation*".

The following table provides a breakdown of our receivables from FinTech as a related party as of the dates indicated:

	As of December 31,		
	2017	**2018**	**2019**
		(audited) **(in € million)**	
Receivables from related parties (non-current)	–	5.0	5.6
Receivables from related parties (current)	–	2.3	1.6
Total	–	**7.4**	**7.3**

The following table provides a breakdown of our income from transactions with FinTech as a related party for the periods indicated:

	For the fiscal year ended December 31,		
	2017	**2018**	**2019**
		(audited) **(in € million)**	
Sale of goods and other services to related parties	–	6.2	3.0
Purchase of goods and other services from related parties	–	–	(1.7)
Other income	–	0.2	0.4
Total	–	**6.4**	**1.8**

18.2 Relationships with Members of the Management Board and the Supervisory Board

In the fiscal year ended December 31, 2019, the members of the Management Board and the Supervisory Board received an aggregate remuneration of €1.5 million (fiscal year ended December 31, 2018: €0.8 million). In the fiscal year ended December 31, 2017, the members of the management board and the supervisory board of AUTO1 Group GmbH, the parent company of AUTO1 Group at the time, received an aggregate remuneration of €0.5 million. In addition, in the fiscal year ended December 31, 2018, certain members of the Supervisory Board received consulting fees for consulting services rendered to AUTO1 Group prior to being appointed as a member of the Supervisory Board.

For a description of the current remuneration of the members of the Management Board, see "*17.2.2 Management Service Agreements*".

For a description of the current remuneration of the members of the Supervisory Board, see "*17.3.3 Remuneration and Other Benefits of the Members of the Supervisory Board*".

On January 25, 2021, the Company acquired 802,854 shares in the Company free of charge (*unentgeltlich*) from member of the Management Board Markus Boser pursuant to a shareholders' agreement that will be terminated upon completion of the Offering.

As of September 30, 2020, AUTO1 Group had not made any pension commitments to members of the Management Board or the Supervisory Board.

19. UNDERWRITING

On January 25, 2021, the Company, the Selling Shareholders, the Lending Shareholders and the Underwriters entered into the Underwriting Agreement relating to the offer and sale of the Offer Shares in connection with the Offering.

Under the terms of the Underwriting Agreement and subject to certain conditions, including the execution of the pricing agreement, the Underwriters will be required to acquire such number of Offer Shares as will be specified and agreed in the pricing agreement, but in any event only up to the maximum number of Offer Shares set forth opposite the respective Underwriters' name below:

Joint Bookrunners	**Maximum number of Offer Shares to be underwritten**[1]	**Percentage of maximum number Offer Shares to be underwritten (in %)**
BNP PARIBAS, 16 Boulevard des Italiens, 75009 Paris, France	11,859,375	22.00
Citigroup Global Markets Europe AG, Reuterweg 16, 60323 Frankfurt am Main, Germany	11,859,375	22.00
Goldman Sachs Bank Europe SE, Marienturm, Taunusanlage 9-10, 60329 Frankfurt am Main, Germany	11,859,375	22.00
Deutsche Bank Aktiengesellschaft, Mainzer Landstraße 11-17, 60329 Frankfurt am Main, Germany	4,851,563	9.00
Barclays Bank Ireland PLC, One Molesworth Street, Dublin 2, D02 RF29, Ireland	3,773,436	7.00
HSBC Trinkaus & Burkhardt AG, Königsallee 21/23, 40212 Düsseldorf, Germany	2,156,250	4.00
Numis Securities Limited, 10 Paternoster Square, London EC4M 7 LT, United Kingdom	2,156,250	4.00
RBC Capital Markets (Europe) GmbH, Taunusanlage 17, 60325 Frankfurt am Main, Germany	2,156,250	4.00
Crédit Agricole Corporate and Investment Bank, 12 Place des Etats Unis, CS 70052, 92547 Montrouge Cedex, France	1,078,125	2.00
COMMERZBANK Aktiengesellschaft, Kaiserstraße 16 (Kaiserplatz), 60311 Frankfurt am Main, Germany	539,063	1.00

Joint Bookrunners	Maximum number of Offer Shares to be underwritten[(1)]	Percentage of maximum number Offer Shares to be underwritten (in %)
Mizuho Securities Europe GmbH, Taunustor 1, 60310 Frankfurt am Main, Germany	539,063	1.00
Wells Fargo Securities, LLC, 500 West 33rd Street, New York, NY 10001, United States of America	1,078,125	2.00
Total	**53,906,250**	**100.00**

(1) Assuming placement of the maximum number of Offer Shares and full exercise of the Greenshoe Option.

In connection with the Offering, the Underwriters and any of their respective affiliates, acting as an investor for their own account, may acquire Offer Shares in the Offering and in that capacity may retain, purchase or sell for their own account such Offer Shares or related investments and may offer or sell such Offer Shares or other investments outside the Offering. Accordingly, references in this Prospectus to Offer Shares being offered or placed should be construed as including any offering or placement of Offer Shares to the Underwriters or any of their respective affiliates acting in such capacity. The Underwriters do not intend to disclose the extent of any such investments or transactions, other than in accordance with any legal or regulatory obligation to do so. In addition, the Underwriters or their respective affiliates may enter into financing arrangements, including swaps with investors, due to which the Underwriters or their affiliates may, from time to time, acquire, hold or dispose of Offer Shares.

19.1 Underwriting Agreement

In the Underwriting Agreement, the Underwriters agreed to underwrite and purchase the Offer Shares with a view to offering them to investors in this Offering, subject to certain conditions, including the execution of a pricing agreement to determine the Offer Price.

The Underwriters agreed to remit the purchase price from the sale of the New Shares, less agreed upon and expenses, to the Company at the time the New Shares are delivered to investors. Furthermore, the Underwriters agreed to acquire the Existing Shares from the holdings of the Selling Shareholders, to sell the Existing Shares as part of the Offering and to remit the purchase price, less agreed commissions and expenses, to the Selling Shareholders at the time the Existing Shares are delivered to investors.

For purposes of a potential Over-Allotment, Goldman Sachs will be provided with up to 7,031,250 Over-Allotment Shares from the holdings of the Lending Shareholders in the form of a securities loan. Certain Selling Shareholders have granted Goldman Sachs an option to acquire a number of shares of the Company equal to the number of Over-Allotment Shares at the Offer Price, less agreed commissions.

The obligations of the Underwriters under the Underwriting Agreement are subject to various conditions, including:

- the agreement of the Underwriters, the Company and the Selling Shareholders on the Offer Price and the final number of Offer Shares to be purchased by the Underwriters;
- the absence of a material event (*e.g.*, a material adverse change, or any development involving a reasonably likely prospective material adverse change, in or affecting the condition, business, prospects, management, consolidated financial position, shareholders' equity, or results of operations of AUTO1 Group, or a suspension in trading (other than for technical reasons) in securities of the Company or in securities generally on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the London Stock Exchange or the New York Stock Exchange);
- receipt of certain customary deliverables (*e.g.*, legal opinions); and
- the admission of the Company's shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime Standard).

The Underwriters and their respective affiliates have provided, and may in the future provide, services to AUTO1 Group in the ordinary course of business and may extend credit to, and have regular business dealings with AUTO1 Group in their capacity as financial institutions. For a more detailed description of the interests of the Underwriters in the Offering, see "*3.12 Interests of Parties Participating in the Offering*".

19.2 Commissions

The Underwriters will offer the Offer Shares at the Offer Price. In return, the Underwriters will receive a fixed underwriting commission calculated as a percentage of the gross proceeds from the Offering. In addition, the Company and the Selling Shareholders may in their sole discretion decide to pay the Underwriters a discretionary fee, which is calculated as a percentage of the gross proceeds from the sale of the New Shares, the Existing Shares and the shares sold under the Greenshoe Option, respectively. To the extent any Offer Shares are allocated to existing shareholders of the Company or such shareholders' affiliates, the Underwriters will only receive 50% of the aforementioned fees and commissions with respect to these shares.

The Company will bear any fees in connection with the sale of the New Shares, while the Selling Shareholders will bear any fees in connection with the sale of the Existing Shares and any shares sold under the Greenshoe Option. Assuming placement of the maximum number of Existing Shares, full exercise of the Greenshoe Option and payment of the discretionary fee in full, the Company estimates that at the mid-point of the Price Range, the Underwriters would receive approximately €46.3 million in commissions in connection with the Offering. The Underwriters will withhold the base fees from the proceeds from the sale of the Offer Shares.

19.3 Greenshoe Option and Securities Loan

To cover potential Over-Allotments, the Lending Shareholders will provide Goldman Sachs with up to 7,031,250 Over-Allotment Shares free of charge in the form of a securities loan. The total number of Over-Allotment Shares will not exceed 15% of the final number of New Shares and Existing Shares placed in the Offering.

Goldman Sachs may exercise the Greenshoe Option provided by certain Selling Shareholders to the extent Over-Allotments were initially made. The number of shares of the Company that can be acquired under the Greenshoe Option is reduced by the number of shares of the Company held by Goldman Sachs on the date when the Greenshoe Option is exercised and that were acquired by Goldman Sachs in the context of stabilization measures, if any. The Greenshoe Option will terminate 30 calendar days after commencement of stock exchange trading of the Company's shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

19.4 Termination and Indemnification

Under certain circumstances, the Joint Global Coordinators, acting for the account of the Underwriters, may terminate the Underwriting Agreement, including after the Offer Shares have been allocated and admitted to trading, up to closing of the Offering, in particular, if:

- AUTO1 Group has sustained a loss or interference with respect to its business from fire, explosion, flood or other calamity (whether or not covered by insurance), or from any labor dispute or court or governmental action, order or decree; or
- any material change or development reasonably likely to result in a material change to the share capital of the Company has occurred; or
- any material change or development reasonably likely to result in a material change in the long-term debt of the Company or AUTO1 Group has occurred; or
- any material adverse change, or any development involving a reasonably likely prospective material adverse change, in or affecting the condition, business, prospects, management, consolidated financial position, shareholders' equity or results of operations of the Company or AUTO1 Group has occurred; or
- any material adverse change that would prevent the Company from performing any of its obligations under the Underwriting Agreement has occurred; or

- the Company or AUTO1 Group has incurred any liability or obligation, direct or contingent, or entered into any material transaction not in the ordinary course of business; or
- a suspension in trading on the stock exchanges in Frankfurt am Main, Germany, London, United Kingdom, or New York, United States, has occurred; or
- a general moratorium on banking activities is declared in Frankfurt am Main, Germany, London, United Kingdom, or New York, United States, by the relevant authorities; or
- a material disruption in commercial banking or securities settlement, payment or clearance services in Europe or the United States has occurred; or
- a material adverse change in national or international financial, political, or economic conditions or currency exchange rates or currency controls has occurred which could have a material adverse impact on the financial markets in Germany, the United Kingdom or the United States; or
- an outbreak or escalation of hostilities or the declaration of a national emergency or war which have a material adverse impact on the financial markets in Germany, the United Kingdom or the United States has occurred; or
- any acts of terrorism or any other calamity or crisis or any change in financial, political or economic conditions or currency exchange rates or currency controls have occurred which have a material adverse impact on the financial markets in Germany, the United Kingdom or the United States.

If the Underwriting Agreement is terminated, the Offering will not take place, in which case any allocations already made to investors will be invalidated and investors will have no claim for delivery of Offer Shares. Claims with respect to purchase fees already paid and costs incurred by an investor in connection with the purchase will solely be governed by the legal relationship between the investor and the financial intermediary to which the investor submitted its purchase order. Investors who engage in short-selling bear the risk of being unable to satisfy their delivery obligations.

In the Underwriting Agreement, the Company and the Selling Shareholders have agreed to indemnify the Underwriters against certain liabilities that may arise in connection with the Offering, including liabilities under applicable securities laws.

19.5 Selling Restrictions

The distribution of this Prospectus and the sale of the Offer Shares may be restricted by law in certain jurisdictions. No action has been or will be taken by the Company, the Selling Shareholders, the Lending Shareholders or the Underwriters to permit a public offering of the Offer Shares anywhere other than in Germany or the transmission or distribution of this Prospectus into any other jurisdiction, where additional actions for that purpose may be required.

Accordingly, neither this Prospectus nor any advertisement or any other offering material may be distributed or published in any jurisdiction other than in Germany, except in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required to inform themselves about and observe any such restrictions, including those set out in the following paragraphs. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

19.5.1 Selling Restrictions with respect to the United States

The Company does not intend to register either the Offering or any portion of the Offering in the United States, or to conduct a public offering of shares in the United States. The Offer Shares are not and will not be registered pursuant to the provisions of the Securities Act or with securities regulators of individual states of the United States. The Offer Shares may not be offered, sold or delivered, directly or indirectly, in or into the United States, except pursuant to an exemption from the registration and reporting requirements of the United States securities laws and in compliance with all other applicable United States legal requirements.

The Offer Shares may only be sold in or into the United States to persons who are QIBs as defined in, and in reliance on, Rule 144A, or pursuant to another available exemption from, or transactions not subject to, the registration requirements of the Securities Act, and outside the United States in accordance with Rule 903 of Regulation S and in compliance with other United States legal requirements, and no (i) "direct selling efforts" as defined in Regulation S or (ii) "general advertising" or "general solicitation", each as defined in Regulation D under the Securities Act in relation to the Offer Shares may take place. Any offer or sale of Offer Shares in reliance on Rule 144A will be made by broker dealers who are registered as such under the Securities Act. Terms used above have the meanings ascribed to them by Regulation S and Rule 144A.

In addition, until 40 days after the commencement of the Offering, an offer or sale of Offer Shares within the United States by any dealer, whether or not participating in the Offering, may violate the registration requirements of the Securities Act, if such offer or sale is does not comply with Rule 144A or another exemption from registration under the Securities Act.

19.5.2 Selling Restrictions with respect to the United Kingdom

In the United Kingdom, this Prospectus is only addressed and directed to:

- investors who have professional experience in matters relating to investments falling within Article 19 para. 5 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**");
- investors who are high net worth entities falling within Article 49 para. 2 lit. a) through d) of the Order; and
- other persons to whom it may otherwise lawfully be communicated

(all such persons together being referred to as "**Relevant Persons**").

In the United Kingdom, the Offer Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire Offer Shares in the United Kingdom will only be engaged in with, Relevant Persons. Any person in the United Kingdom who is not a Relevant Person should not act or rely on this Prospectus or any of its contents.

19.5.3 Selling Restrictions with respect to the EEA

In the member states of the EEA, no offer of Offer Shares to the public has been or will be made, except for (i) the offer to the public in Germany and (ii) any offers of Offer Shares in any member state of the EEA in accordance with the following exceptions under the Prospectus Regulation:

- to qualified investors as defined in Article 2 lit. (e) of the Prospectus Regulation; or
- to fewer than 150 natural or legal persons per member state of the EEA (other than qualified investors as defined in Article 2 lit. (e) of the Prospectus Regulation), subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- in any other circumstances falling within Article 1 para. 4 of the Prospectus Regulation.

For the purposes of this Prospectus, the expression "offer to the public" in relation to any member state of the EEA means a communication to persons in any form and by any means, presenting sufficient information on the terms of the Offering and the Offer Shares, so as to enable an investor to decide to purchase or subscribe to Offer Shares, including any placing of Offer Shares through financial intermediaries.

20. TAXATION IN THE FEDERAL REPUBLIC OF GERMANY

Income received from shares of the Company is subject to taxation. In particular, the tax laws of any jurisdiction with authority to impose taxes on the Company's shareholders and the tax laws of the Company's state of incorporation, statutory seat and place of effective management (i.e., Germany) may have an impact on the income received from shares of the Company.

The following section outlines certain key German tax principles that may be relevant with respect to the acquisition, holding or transfer of shares in the Company. It is important to note that the legal situation may change, possibly with retroactive effect. This summary is not and does not purport to be a comprehensive or exhaustive description of all tax considerations that may be relevant to shareholders of the Company. This presentation is based upon domestic German tax laws in effect as of the date of this Prospectus and the provisions of double taxation treaties currently in force between Germany and other countries. We cannot rule out that the German tax authorities or courts will interpret these laws and provisions differently than what is described in this section.

This section does not replace the need for individual shareholders of the Company to seek personal tax advice. Therefore, prospective shareholders are advised to consult their own tax advisors regarding the tax implications of acquiring, holding or transferring shares of the Company and what procedures are necessary to secure the repayment of German withholding tax (Kapitalertragsteuer), if possible. Only qualified tax advisors are in a position to adequately consider the particular tax situation of individual shareholders of the Company.

20.1 General Taxation of Dividends

Shareholders are taxed in particular in connection with the holding of shares (taxation of dividend income), upon the sale or disposal of shares (taxation of capital gains) and the gratuitous transfer of shares (inheritance and gift tax).

20.1.1 No Taxation in Case of Payments from a Tax-Recognized Contribution Account

In the future, the Company may pay dividends out of a tax-recognized contribution account (*steuerliches Einlagekonto*). To the extent the Company pays dividends from such tax-recognized contribution account, such dividends are not subject to withholding tax, personal income tax or corporate income tax, as the case may be (including the solidarity surcharge and church tax, if applicable). Any dividends paid out of a tax-recognized contribution account would, however, lower the acquisition costs of the shares, which may result in a higher amount of taxable capital gains upon the shareholder's sale of the shares. Special rules apply to the extent that dividends from the tax-recognized contribution account exceed the then lowered acquisition costs of the shares (the details are outlined below).

20.1.2 Withholding Tax

Dividends distributed by the Company that are not paid out of the tax-recognized contribution account (*steuerliches Einlagekonto*) are subject to a deduction at source (withholding tax) at a 25% rate plus a solidarity surcharge of 5.5% on the amount of withholding tax (amounting in total to a rate of 26.375%) and church tax (*Kirchensteuer*), if applicable. The basis for determining the dividend withholding tax is the dividend approved for distribution by the Company's shareholders' meeting.

In general, dividend withholding tax is withheld regardless of whether and, if so, to what extent the shareholder must report the dividend for tax purposes and regardless of whether the shareholder is a resident of Germany or of a foreign country.

As the Company's shares are admitted to be held in collective safe custody (*Sammelverwahrung*) with a central securities depository (*Wertpapiersammelbank*) pursuant to Section 5 of the German Act on Securities Accounts (*Depotgesetz*) and are entrusted to such central securities depository for collective safe custody in Germany, one of the following entities is responsible and authorized to collect withholding tax in Germany and to remit it to the relevant tax authority for the account of the relevant shareholder: (i) a domestic bank or financial service institute (*inländisches Kredit- oder Finanzdienstleistungsinstitut*), a domestic securities trading company (*inländisches Wertpapierhandelsunternehmen*) or a domestic securities trading bank (*inländische Wertpapierhandelsbank*), including the domestic branches of foreign banks or financial service institutes, which holds the shares in custody or that manages such shares and that pays out or credits the shareholder's investment income or that pays the investment income to a foreign entity, or (ii) the central securities depository (*Wertpapiersammelbank*) holding the collective deposit shares in custody if it pays the investment income to a

foreign entity, or (iii) the Company itself if and to the extent shares that are held in collective safe custody (*girosammelverwahrt*) by the central securities depository (*Wertpapiersammelbank*) are treated as shares being held separately (*abgesetzte Bestände*) (each person within the meaning of (i) through (iii) a "**Dividend Paying Agent**"). Aside from shares being held separately (*abgesetzte Bestände*), the Company generally does not assume any responsibility for the withholding of withholding tax.

Where dividends are distributed to a company resident in another member state of the European Union within the meaning of Article 2 of Council Directive 2011/96/EU of November 30, 2011 on the common system of taxation applicable in the case of parent companies and subsidiaries of different member states, as amended (the "**Parent-Subsidiary Directive**"), withholding of the dividend withholding tax may not be required (withholding tax exemption) or may be refunded, in each case only upon application and provided that certain additional requirements are met. This also applies to dividends distributed to a permanent establishment located in another member state of the European Union of such parent company or of a parent company that is tax resident in Germany, if the interest in the dividend-paying subsidiary is part of the respective permanent establishment's business assets. Further prerequisites for the exemption from withholding at the source or a refund of withholding tax under the Parent-Subsidiary Directive are that the shareholder has directly held at least 10% of the Company's registered share capital continuously for twelve months and that the German Federal Central Office of Taxation (*Bundeszentralamt für Steuern*), with its registered offices in An der Küppe 1, 53225 Bonn, Germany, has certified to the creditor of the dividends, based upon an application filed by such creditor on the officially prescribed form, that the prerequisites for exemption have been met. If there is a holding of at least 10% of the Company's registered share capital and the shares held in collective safe custody by Clearstream are treated as so-called stock being held separately (*abgesetzte Bestände*), the German tax authorities will not object when the main paying agent (*Hauptzahlstelle*) of the Company disburses dividends without deducting withholding tax, assuming a valid exemption certificate (*Freistellungsbescheinigung*) and proof that the relevant shares have been held separately are presented. An exemption certificate is granted upon application with the German Federal Central Office of Taxation (*Bundeszentralamt für Steuern*) at the aforementioned offices.

The dividend withholding tax rate for dividends paid to shareholders without a tax residence in Germany will be reduced in accordance with any applicable double taxation treaty between Germany and the relevant shareholder's country of residence, provided that the shares are neither held as part of the business assets of a permanent establishment or a fixed base in Germany nor as part of the business assets for which a permanent representative in Germany has been appointed. The reduction in the dividend withholding tax is generally obtained by applying to the German Federal Central Office of Taxation (*Bundeszentralamt für Steuern*) at the aforementioned offices for a refund of the difference between the dividend withholding tax withheld, including the solidarity surcharge, and the amount of withholding tax actually owed under the applicable double taxation treaty, which usually amounts to between 5% and 15%. Depending on the applicable double taxation treaty, a reduced withholding tax rate may be applicable in the tax withholding process, if the shareholder has applied for an exemption certificate (*Freistellungsbescheinigung*) from the German Federal Central Office of Taxation (*Bundeszentralamt für Steuern*). The applicable double taxation treaty may also provide for a full exemption from the German dividend withholding tax, if the relevant shareholder has directly held at least 10% of the Company's registered share capital and if further prerequisites are met. Forms for the refund and exemption procedure are available at the German Federal Central Office of Taxation (*Bundeszentralamt für Steuern*).

Corporations that are not tax residents in Germany will upon application receive a refund of two fifths of the dividend withholding tax that was withheld and remitted to the tax authorities subject to certain requirements. This applies regardless of any further reduction or exemption provided for under the Parent-Subsidiary Directive or a double taxation treaty.

Foreign corporations will generally have to meet certain stringent substance criteria defined by statute in order to receive an exemption from, or (partial) refund of, German dividend withholding tax.

Pursuant to special rules on the restriction of withholding tax credit, the aforementioned relief in accordance with applicable double taxation treaties as well as the credit of withholding tax described for shares held as private and as business assets (see "*20.2 Taxation of Dividends of Shareholders with a Tax Residence in Germany*") is subject to the following three cumulative prerequisites: (i) the relevant shareholder must qualify as beneficial owner of the shares in the Company for a continuous period of at least 45 days occurring within a period of 45 days prior and 45 days after the due date of the dividends, (ii) the shareholder has to bear at least 70% of the change in value risk related to the shares in the Company during the minimum holding period without being directly or indirectly hedged, and (iii) the shareholder is not required to fully or largely, directly or indirectly, transfer the dividends to third parties (the tests under (i) through (iii) together the "**Minimum Risk Test**").

Should any of the three prerequisites not be met, the following applies:

- As regards the taxation of dividends of shareholders with a tax residence in Germany, three fifths of the withholding tax imposed on the dividends may not be credited against the shareholder's (corporate) income tax liability, but may, upon application, be deducted from the shareholder's tax base in an assessment procedure for the relevant assessment period. A shareholder that has received gross dividends without any deduction of withholding tax (*i.e.*, due to a tax exemption without qualifying for a full tax credit) or that has already obtained a refund of taxes withheld, has to notify the competent local tax office accordingly and has to make a payment in an amount corresponding to 15% of the relevant dividends. The special rule on the restriction of withholding tax credit does not apply to a shareholder whose overall dividend earnings within an assessment period do not exceed €20,000.00 or who has been the beneficial owner of the shares in the Company for at least one uninterrupted year upon receipt of the dividends.

- As regards the taxation of dividends of shareholders without a tax residence in Germany who have applied for a full or partial refund of the withholding tax pursuant to a double taxation treaty, no refund is available. This restriction does not apply to a shareholder (i) that directly holds at least 10% of the shares in the Company and that is subject to (corporate) income tax in the country of its tax residence without any exemptions, or (ii) that has been the beneficial owner of the shares in the Company for at least one uninterrupted year upon receipt of the dividends, or (iii) if the applicable tax rate pursuant to the applicable double taxation treaty is at least 15%.

- In addition to the aforementioned statutory provisions, the German Federal Ministry of Finance (*Bundesministerium der Finanzen*) has published a decree outlining the treatment of transactions where the credit of withholding tax will be denied even when the statutory minimum tests described above are met, in order to prevent abuse.

Prospective shareholders should seek their own professional advice as to whether they can obtain a tax credit or tax refund with respect to withholding taxes on dividends.

In case of individual shareholders holding shares in the Company as private assets, the Dividend Paying Agent which keeps or administrates the shares and pays or credits the capital income is required to create so-called pots for offsetting losses (*Verlustverrechnungstöpfe*) to allow for negative capital income to be set off against current and future positive capital income. A set off of negative capital income at one Dividend Paying Agent against positive capital income at another Dividend Paying Agent is only possible in the course of the income tax assessment at the level of the respective shareholder. In such case, the relevant shareholder has to apply for a certificate confirming the amount of losses not offset with the Dividend Paying Agent where the pot for offsetting losses exists. The application is irrevocable and must reach the Dividend Paying Agent until December 15 of the respective year, as otherwise the losses will be carried forward by the respective Dividend Paying Agent to the following year.

Withholding tax will not be withheld by a Dividend Paying Agent if the shareholder provides such Dividend Paying Agent with an application for exemption (*Freistellungsauftrag*) to the extent such shareholder's capital income does not exceed the annual savers' allowance (*Sparerpauschbetrag*) of €801.00 (€1,602.00 for jointly filing individuals) as outlined on the application for exemption. Furthermore, no withholding tax will be levied if the shareholder provides the Dividend Paying Agent with a non-assessment certificate (*Nichtveranlagungsbescheinigung*) to be applied for with the competent tax office.

20.2 Taxation of Dividends of Shareholders with a Tax Residence in Germany

20.2.1 Individuals who hold the Shares as Private Assets

For individuals who are tax resident in Germany (generally, individuals whose domicile or usual residence is located in Germany) and who hold their shares in the Company as private assets, the withholding tax of 25% plus solidarity surcharge of currently 5.5% thereon, resulting in a total tax rate of 26.375% (plus church tax, if applicable) will generally serve as a final tax (*i.e.,* once such tax has been deducted, the shareholder's income tax liability on the dividends will be settled, and he or she will no longer have to declare them on his annual tax return (*Abgeltungsteuer* (the "**Flat Tax**"))).

The purpose of the Flat Tax is to provide for separate and final taxation of capital investment income earned (*i.e.,* taxation that is irrespective of the individual's personal income tax rate). Shareholders may apply to have their entire capital investment income, including dividends paid by the Company, assessed in accordance with the general rules and with an individual's personal income tax rate if this results in a lower tax burden. In this case, the base for taxation is the gross dividend income less the annual savers' allowance (*Sparerpauschbetrag*) of €801.00 (€1,602.00 for jointly filing individuals). Subject to the Minimum Risk Test, any tax and solidarity surcharge withheld is credited against the income tax and solidarity surcharge so determined, and any overpayment refunded. Income-related expenses cannot be deducted from capital gains in either case. The only possible deduction is the annual savers' allowance (*Sparerpauschbetrag*) of €801.00 (€1,602.00 for jointly filing individuals) on the entire private capital income. Furthermore, dividend income can only be offset by losses from capital income, except for losses generated by the disposal of shares.

If the individual owns (i) at least 1% of the shares in the Company and – by virtue of his professional activity (*berufliche Tätigkeit*) for the Company – is able to exercise a significant entrepreneurial influence on the business activity of the Company, or (ii) at least 25% of the shares in the Company, the tax authorities may upon application allow for the dividends to be taxed under the partial-income method (see "*20.2.2.2 Sole Proprietors (Individuals)*").

Entities required to collect withholding taxes on capital investment income are required to likewise withhold the church tax on payments to shareholders who are subject to church tax, unless the shareholder objects in writing to the German Federal Central Office of Taxation (*Bundeszentralamt für Steuern*) against the sharing of his private information regarding his affiliation with a religious denomination (*Sperrvermerk*). If church tax is withheld and remitted to the tax authority as part of the withholding tax deduction, the church tax on the dividends is also deemed to be discharged when it is deducted. The withheld church tax cannot be deducted in the tax assessment as a special expense (*Sonderausgabe*). 26.375% of the church tax withheld on the dividends is, however, deducted from the withholding tax (including the solidarity surcharge) withheld. If no church tax is withheld along with the withholding of the withholding tax, the shareholder who owes church tax is required to declare his dividends in his income tax return. The church tax on the dividends will then be imposed by way of a tax assessment.

Contrary to the above, dividend payments that are funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) and are paid to shareholders who are tax resident in Germany whose shares are held as private assets, do not form part of the shareholder's taxable income, but reduce the acquisition costs for such shares. If the dividend payment funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) exceeds the shareholder's acquisition costs, the German tax authorities take the view that negative acquisition costs will arise which may result in a higher capital gain in case of a disposal of the shares. This will not apply if (i) the shareholder or, in the event of a gratuitous transfer, its legal predecessor, or, if the shares have been gratuitously transferred several times in succession, one of his legal predecessors at any point during the five years preceding the disposal directly or indirectly held at least 1% of the share capital of the Company (a "**Qualified Participation**") and (ii) the dividend payment funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) exceeds the acquisition costs of the shares. In case of a Qualified Participation, a dividend payment funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) is considered a sale of the shares and is taxable as a capital gain if and to the extent the dividend payment funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) exceeds the acquisition costs of the shares. In this case the taxation corresponds to the taxation of capital gains of shareholders maintaining a Qualified Participation (see "*20.4 Taxation of Capital Gains*").

20.2.2 Shares Held as Business Assets

The Flat Tax does not apply to dividends from shares of the Company held as business assets of shareholders who are tax resident in Germany. In this case, the taxation depends on whether the shareholder is a corporation, an individual or a partnership. Subject to the Minimum Risk Test, the withholding tax withheld and paid to the tax authorities, including the solidarity surcharge (and church tax, if applicable), is credited against the income or corporate income tax and the solidarity surcharge (and church tax, if applicable) of the shareholder, and any overpayment will be refunded.

Dividend payments that are funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) and paid to shareholders who are tax resident in Germany and whose shares are held as business assets are generally fully tax-exempt in the hands of such shareholders. At the same time such dividend payments lead to a corresponding reduction of the acquisition costs/book value for the relevant shares. To the extent the dividend payments funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) exceed the acquisition costs/book value of the shares, a taxable capital gain should occur. The taxation of such gain corresponds to the taxation of shareholders whose shares are held as business assets (see "*20.4 Taxation of Capital Gains*"). As regards the application of the 95% exemption in case of a corporation, this is, however, not undisputed.

20.2.2.1 Corporations

In general, dividends received by corporations that are tax resident in Germany are effectively 95% exempt from corporate income tax and solidarity surcharge. 5% of the dividends are, however, treated as a non-deductible business expenses and, as such, are subject to corporate income tax (plus the solidarity surcharge) with a total tax rate of 15.825%.

Portfolio dividends (*i.e.,* dividends earned on direct shareholdings in a distributing corporation equal to less than 10% of its share capital at the beginning of the respective calendar year) are fully taxed at the corporate income tax rate (plus solidarity surcharge thereon). The acquisition of a shareholding of at least 10% during a calendar year is deemed to have occurred at the beginning of the respective calendar year. Participations which a shareholder holds through a commercial partnership are only attributable to such shareholder on a *pro rata* basis at the ratio of the interest share of the shareholder in the assets of the relevant partnership.

Business expenses actually incurred and with a direct business relationship to the dividends may be fully deducted.

Any dividends (after deducting business expenses related to the dividends) are fully subject to trade tax, unless the corporation held at least 15% of the Company's registered share capital at the beginning of the relevant tax assessment period, entitling it to an intercorporate privilege for trade tax purposes. In such case, the aforementioned exemption of 95% of the dividend income applies analogously for trade tax purposes. The applicable trade tax depends on the tax rate imposed by the local municipalities in which the shareholder maintains its operations or permanent establishment.

20.2.2.2 Sole Proprietors (Individuals)

If the shares in the Company are held as part of the business assets of a sole proprietor (individual) with his tax residence in Germany, 40% of any dividend is tax exempt (so-called partial income method (*Teileinkünfteverfahren*)). Only 60% of the expenses economically related to the dividends are tax deductible. The partial income method also applies when individuals hold the shares indirectly through a partnership (with the exception of individual investors who hold their shares through partnerships that are neither commercial partnerships nor deemed to be commercial partnerships). The partial income method does not, however, apply with respect to church tax (if applicable). If the shares are held as business assets of a domestic commercial permanent establishment, the full amount of the dividend income (after deducting business expenses that are economically related to the dividends) is also subject to trade tax, unless the respective shareholder held at least 15% of the Company's registered share capital at the beginning of the relevant tax assessment period. In the latter case, the net dividends (after deducting directly related expenses) are exempt from trade tax. Trade tax is, however, generally credited, in full or in part, as a lump sum against the relevant shareholder's personal income tax liability, depending on the tax rate imposed by the local municipality and certain individual tax-relevant circumstances of such shareholder.

20.2.2.3 *Partnerships*

If a shareholder is a partnership, the personal income tax or corporate income tax, as the case may be, and the solidarity surcharge (and church tax, if applicable) are levied at the level of each partner rather than at the level of the partnership. The taxation of each partner depends upon whether the partner is a corporation or an individual. If the partner is a corporation, dividends are generally 95% tax exempt. Dividends from an indirect shareholding representing less than 10% of the share capital for the relevant partner are, however, fully subject to taxation (see "*20.2.2.1 Corporations*"). If the partner is an individual and the shares are held as business assets of the partnership, only 60% of the dividend income is subject to income tax. In this case, the partial income method does not apply with respect to church tax, if applicable (see "*20.2.2.2 Sole Proprietors (Individuals)*"). Upon application and subject to further conditions, an individual who is a partner can have his personal income tax rate lowered for earnings not withdrawn from the partnership.

In addition, if the shares are held as business assets of a domestic permanent establishment of an actual or presumed commercial partnership, the full amount of dividend income is generally also subject to trade tax at the level of the partnership. In the case of partners who are individuals, the trade tax that the partnership pays on the relevant partner's portion of the partnership's income is generally credited as a lump sum, in full or in part, against the individual's personal income tax liability depending on the tax rate imposed by the local municipality and certain individual tax-relevant circumstances of such shareholder. If the partnership held at least 15% of the Company's registered share capital at the beginning of the relevant tax assessment period, the dividends (after deduction of business expenses economically related thereto) should generally not be subject to trade tax. In this case, trade tax should, however, be levied on 5% of the dividends to the extent they are attributable to the profit share of such corporate partners to whom at least 10% of the shares in the Company are attributable on a look-through basis, since this portion of the dividends should be deemed to be non-deductible business expenses. The remaining portion of the dividend income attributable to partners other than such specific corporate partners (which includes individual partners and should, according to a literal reading of the law, also include corporate partners to whom, on a look-through basis, only portfolio participations are attributable) should not be subject to trade tax. Due to a lack of case law and administrative guidance, the application of the rules for the taxation of portfolio participations is, however, unclear. Consequently, shareholders are strongly recommended to consult their own tax advisors.

20.2.2.4 *Financial and Insurance Sector*

Special rules apply to companies operating in the financial and insurance sectors, as well as pension funds (see "*20.5 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds*").

20.3 Taxation of Dividends of Shareholders without a Tax Residence in Germany

Dividends paid to shareholders of the Company (individuals and corporations) without a tax residence in Germany are taxed in Germany, provided that the shares are held as part of the business assets of a permanent establishment or a fixed base in Germany or as part of the business assets for which a permanent representative in Germany has been appointed. Subject to the Minimum Risk Test, the withholding tax (including solidarity surcharge) withheld and remitted to the German tax authorities is credited against the respective shareholder's personal income tax or corporate income tax liability, and any overpayment will be refunded. The same applies to the solidarity surcharge. These shareholders are essentially subject to the same rules applicable to tax resident shareholders, as discussed above.

In all other cases, the withholding of the dividend withholding tax discharges any tax liability of the shareholder in Germany. A refund or exemption is granted only as discussed with respect to dividend withholding tax (see "*20.1.2 Withholding Tax*").

Dividend payments that are funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) are generally not taxable in Germany.

20.4 Taxation of Capital Gains

20.4.1 Taxation of Capital Gains of Shareholders with a Tax Residence in Germany

20.4.1.1 <u>Shares Held as Private Assets</u>

Gains on the sale or disposal of shares of the Company that are held as private assets by shareholders with a tax residence in Germany and which were acquired after December 31, 2008, are generally taxable regardless of the length of time held. The tax rate is generally a uniform 25% plus the current 5.5% solidarity surcharge thereon (resulting in an aggregate tax rate of 26.375%) as well as any church tax, if applicable.

The taxable capital gains are the difference between (i) the proceeds from the disposal of the shares after deducting the direct sales costs and (ii) the acquisition costs of the shares. Under certain conditions, payments from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) reduce the acquisition costs of the shares and may lead to negative acquisition costs, which can increase capital gains if such shares are held as private assets and do not qualify as a Qualified Participation. Losses on the sale or disposal of shares can only be used to offset gains made on the sale or disposal of shares (in the Company or in other stock corporations) during the same assessment period or in subsequent assessment periods. In case of a derecognition or transfer of worthless shares (or other capital assets), the utilization of such losses is further restricted and can only be offset for up to €10,000.00 per calendar year.

If the shares are held in custody or administered by a domestic bank or financial service institute, a domestic securities trading company or a domestic securities trading bank including the domestic branches of foreign banks and financial service institutes, or if such entity or branch sells the shares and pays out or credits the capital gains (each a "**Domestic Paying Agent**"), such Domestic Paying Agent withholds a withholding tax of 25% plus the current 5.5% solidarity surcharge thereon and any church tax, if applicable, and remits such taxes to the tax authority. In such a case, the tax on the capital gain will generally be discharged. If the shares were only held in custody or administered by the respective Domestic Paying Agent continuously after acquisition, the amount of taxes withheld is generally based on the difference between the proceeds from the sale, after deducting expenses directly related to the sale, and the amount paid to acquire such shares. The withholding tax rate of 25% plus the current 5.5% solidarity surcharge thereon and any church tax, if applicable, will, however, be applied to 30% of the gross sales proceeds, if the shares were not administered by the same custodian bank since acquisition and the original cost of the shares cannot be verified or such verification is not admissible. In this case, the shareholder is entitled to, and in case the actual gain is higher than 30% of the gross proceeds required to, verify the original costs of the shares in his annual tax return.

Entities required to collect withholding taxes on capital investment income are also required to withhold the church tax for shareholders who are subject to church tax, unless the shareholder objects in writing to the German Federal Central Office of Taxation (*Bundeszentralamt für Steuern*) against the sharing of his private information regarding his affiliation with a denomination (*Sperrvermerk*). If church tax is withheld and remitted to the tax authority as part of the withholding tax deduction, then the church tax on the capital gain is also deemed to be discharged when it is deducted. The withheld church tax cannot be deducted in the tax assessment as a special expense (*Sonderausgabe*). 26.375% of the church tax withheld on the capital gain is, however, deducted from the withholding tax (including the solidarity surcharge) withheld.

If withholding tax or, if applicable, church tax on capital gains is not withheld by a Domestic Paying Agent, the respective shareholder is required to declare the capital gains in his income tax return. The income tax, the solidarity surcharge and any applicable church tax on the capital gains will then be collected by way of assessment.

In general, it is not possible to deduct income-related expenses in connection with capital gains, except for expenses directly related in substance to the disposal, which can be deducted when calculating the capital gains. Only the annual savers' allowance (*Sparerpauschbetrag*) of €801.00 (€1,602.00 for jointly filing individuals) may be deducted from the entire capital investment income.

A shareholder may request that his entire capital investment income, along with his other taxable income, are subject to the progressive income tax rate instead of the uniform tax rate for private capital investment income if this lowers his tax burden. In such case, the base for taxation would be the gross income less the annual savers' allowance (*Sparerpauschbetrag*) of €801.00 (€1,602.00 for jointly filing individuals). The prohibition on deducting income-related costs and the restrictions on offsetting losses also apply to tax assessments based on the progressive income tax rate. Any tax withheld is credited against the income tax so determined, and any overpayment refunded.

One exception to this rule is that a shareholder's capital gains are subject to the partial income method (*Teileinkünfteverfahren*) and not the Flat Tax. Consequently, 60% of the proceeds from the sale or disposal of shares are subject to the individual income tax rate, if the shareholder, or his legal predecessor in case of acquisition without consideration, has directly or indirectly held shares equal to at least 1% of the Company's share capital at any time during the previous five years. 60% of the expenses economically related to the proceeds from the sale or disposal of shares are tax-deductible.

In case of a Qualified Participation, withholding tax (including the solidarity surcharge and church tax, if applicable) is also withheld by the Domestic Paying Agent. The tax withheld, however, is not treated as a final tax. Hence, the shareholder is required to declare the gains from the sale in his income tax return. The withholding tax (including solidarity surcharge) withheld and remitted to the German tax authorities is credited against the respective shareholder's personal income tax liability, and any overpayment will be refunded.

Withholding tax will not be withheld by a Domestic Paying Agent if the shareholder provides such Domestic Paying Agent with an application for exemption (*Freistellungsauftrag*), to the extent such shareholder's capital income does not exceed the annual savers' allowance (*Sparerpauschbetrag*) of €801.00 (€1,602.00 for jointly filing individuals). Furthermore, no withholding tax will be levied if the shareholder provides the Domestic Paying Agent with a non-assessment certificate (*Nichtveranlagungsbescheinigung*) to be applied for with the competent tax office.

20.4.1.2 *Shares Held as Business Assets*

The Flat Tax does not apply to proceeds from the sale or disposal of shares held as business assets by shareholders tax resident in Germany. If the shares form part of a shareholder's business assets, taxation of the capital gains realized will then depend upon whether the shareholder is a corporation, sole proprietor or partnership. Dividend payments that are funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) reduce the original acquisition costs/book value. This may give rise to a higher taxable capital gain in case of a sale or disposal of shares. If the dividend payments funded from the Company's tax-recognized contribution account exceed the original acquisition costs/book value for tax purposes, a taxable capital gain may arise.

1. **Corporations**: In general, capital gains earned from the sale or disposal of shares by corporations domiciled in Germany are effectively 95% exempt from corporate income tax (including the solidarity surcharge) and trade tax, irrespective of the stake represented by the shares and the holding period of the shares. 5% of the capital gains are, however, treated as a non-deductible business expenses and, as such, are subject to corporate income tax (plus the solidarity surcharge thereon) and to trade tax. Losses from the sale of shares and any reductions in profits connected therewith generally do not qualify as tax-deductible business expenses.

2. **Sole proprietors (Individuals)**: If the shares of the Company form part of the business assets of a sole proprietor (individual) who is tax resident in Germany, only 60% of the capital gains on their sale are subject to the individual's personal tax rate plus the solidarity surcharge thereon (partial income method). Correspondingly, only 60% of losses from such sales and 60% of expenses economically related to such sales are deductible. For church tax, if applicable, the partial income method does not apply. If the shares are held as business assets of a commercial permanent establishment located in Germany, 60% of the capital gains are also subject to trade tax. The trade tax is fully or partially credited as a lump sum against the shareholder's personal income tax liability, depending on the tax rate imposed by the local municipality and certain individual tax-relevant circumstances of such shareholder.

3. **Commercial Partnerships**: If the shareholder is a partnership, personal income tax or corporate income tax, as the case may be, is assessed at the level of each partner rather than at the level of the partnership. The taxation of each partner depends upon whether the respective partner is a corporation or an individual. If the partner is a corporation, the tax principles applying to capital gains which are outlined in subsection 1 above apply. If the partner is an individual, the tax principles applying to capital gains that are outlined in subsection 2 above apply. Upon application and provided that additional prerequisites are met, an individual who is a partner may obtain a reduction of his personal income tax rate for profits not withdrawn from the partnership. In addition, capital gains from the sale or disposal of shares attributable to a permanent establishment maintained in Germany by an actual or presumed commercial partnership are subject to trade tax at the level of the partnership. In such case, generally only 60% of the gains are subject to trade tax to the extent the partners in the partnership are individuals, while 5% are subject to trade tax to the extent the partners are corporations and shares are sold. Under the principles discussed above, losses on sales and other reductions in profits related to the shares sold are generally not deductible if the partner is a corporation, and 60% thereof are taken into account if they are attributable to the share in the profits of an individual. If the partner is an individual, the trade tax the partnership pays on his share of the partnership's income is generally credited as a lump sum, in full or in part, against his personal income tax liability, depending on the tax rate imposed by the local municipality and certain individual tax-relevant circumstances of the respective taxpayer.

Special rules apply to capital gains realized by companies operating in the financial and insurance sectors, as well as pension funds (see "*20.5 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds*").

If a Domestic Paying Agent is involved, the proceeds from the sale or disposal of shares of the Company held as business assets are generally subject to the same withholding tax rate as those of shareholders whose shares are held as private assets (see "*20.4.1.1 Shares Held as Private Assets*"). The Domestic Paying Agent may, however, refrain from withholding the withholding tax if (i) the shareholder is a corporation, association or estate with its tax residence in Germany, or (ii) the shares form part of the shareholder's domestic business assets, and the shareholder informs the Domestic Paying Agent of this on the officially prescribed form and meets certain additional prerequisites. If the Domestic Paying Agent nevertheless withholds taxes, the withholding tax withheld and remitted (including the solidarity surcharge and church tax, if applicable) will be credited against the relevant shareholder's income tax or corporate income tax liability (including the solidarity surcharge and church tax, if applicable) and any excess amount will be refunded.

20.4.2 Taxation of Capital Gains of Shareholders without a Tax Residence in Germany

Capital gains realized by a shareholder without a tax residence in Germany are only subject to German income tax if the selling shareholder holds a Qualified Participation or if the shares form part of the business assets of a permanent establishment in Germany or of business assets for which a permanent representative is appointed.

The German Federal Fiscal Court (*Bundesfinanzhof*) has stated that if the shareholder is a corporation that is neither tax resident in Germany nor maintains a permanent establishment or has appointed a permanent representative in Germany, the capital gains on the disposal of a Qualified Participation are not subject to German taxation. The German tax authorities have adopted this view.

If the shareholder is an individual and holds a Qualified Participation as a private asset, only 60% of the gains on the disposal of the shares are subject to progressive income tax, plus solidarity surcharge thereon. Where a Domestic Paying Agent is involved, withholding tax on capital gains is generally levied at a rate of 25%, plus 5.5% solidarity surcharge thereon. If, however, (i) the shares are not held through a permanent establishment or fixed place of business or as business assets for which a permanent representative is appointed in Germany and (ii) a Domestic Paying Agent is involved, then the German tax authorities have taken the view that the Domestic Paying Agent is, in general, not required to withhold tax on capital investment income, plus solidarity surcharge thereon. In case of a Qualified Participation, the capital gains must be declared in a tax return and are taxed by way of a tax assessment, subject to an exemption under a double taxation treaty or under domestic law.

For gains or losses on the disposal of shares that can be allocated to a domestic permanent establishment or fixed place of business, or which are part of business assets for which a permanent representative in Germany has been appointed, the aforementioned principles for shareholders with a tax residence in Germany whose shares are business assets apply accordingly (see "*20.4.1.2 Shares Held as Business Assets*"). The Domestic Paying Agent may refrain from deducting withholding tax, if the shareholder declares to the Domestic Paying Agent on the official form that the shares form part of domestic business assets and certain other requirements are met.

Most double taxation treaties provide for an exemption from German taxes, assigning the right of taxation to the shareholder's country of tax residence in the former case.

20.5 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds

As an exception to the aforementioned rules, dividends paid to, and capital gains realized by, certain companies in the financial and insurance sector are generally fully taxable. This applies to dividends received on, as well as gains from the disposal of, shares that are allocated to the trading portfolio of credit institutions and financial services institutions (*Handelsbestand*) within the meaning of Section 340e para. 3 HGB, as well as to shares that, upon acquisition of such shares, are allocated to the current assets (*Umlaufvermögen*) of a financial enterprise (*Finanzunternehmen*) within the meaning of the German Banking Act (*Kreditwesengesetz*), 50% or more of which are directly or indirectly held by a credit institution or financial services institution. The same applies to shares of the Company held as investments by life insurance providers, health insurance providers and pension funds as well as for shares held by a financial institution, financial service institution and financial institution which is tax resident in another member state of the European Union or in a member state of the EEA, and which has a permanent establishment in Germany. An exemption to the foregoing (*i.e.*, and thus a 95% effective tax exemption) does, however, apply to dividends obtained by the aforementioned companies to which the Parent-Subsidiary Directive applies. Further relief from German taxation might be obtained pursuant to an applicable double taxation treaty, subject to further prerequisites.

20.6 Amendments to the Solidarity Surcharge

Pursuant to a new law, the solidarity surcharge (*Solidaritätszuschlag*) is set to be abolished for 90% of all German taxpayers and reduced for an additional 6.5% of all German taxpayers, depending on certain income thresholds. The new rules apply from the beginning of the assessment period for the fiscal year ending December 31, 2021. Pursuant to the new law, the solidarity surcharge will remain in place for purposes of withholding tax, the Flat Tax regime and corporate income tax. Shareholders are advised to monitor additional future developments.

20.7 Inheritance and Gift Tax

The transfer of shares to another person by inheritance or gift is generally only subject to German inheritance or gift tax if:

1. the decedent, donor, heir, beneficiary or other transferee maintained his domicile or habitual abode in Germany, or had its place of management or registered offices in Germany at the time of the transfer, or is a German citizen who has spent no more than five consecutive years (this term is extended to ten years for German expatriates with residence in the United States) prior to the transfer outside Germany without maintaining a residence in Germany (special rules apply to certain former German citizens who neither maintain their domicile nor have their habitual abode in Germany); or

2. the shares were held by the decedent or donor as part of business assets for which a permanent establishment was maintained in Germany or for which a permanent representative in Germany had been appointed; or

3. the decedent or donor, either individually or collectively with related parties, held, directly or indirectly, at least 10% of the Company's registered share capital at the time of the inheritance or gift.

The few German double taxation treaties relating to inheritance tax and gift tax currently in force usually provide that the German inheritance tax or gift tax can only be levied in the cases of No. 1 above, and also with certain restrictions in case of No. 2 above. Special provisions apply to certain German nationals living outside Germany and former German nationals.

The fair value of the shares represents the tax assessment base, which generally corresponds to the stock exchange price of the Company's shares. Depending on the degree of relationship between decedent or donor and recipient, different tax-free allowances and tax rates apply.

20.8 Other Taxes

No German transfer tax, value-added tax, stamp duty or similar taxes are assessed on the purchase, sale or other transfer of shares of the Company. Provided that certain requirements are met, an entrepreneur may, however, opt for the payment of value-added tax on transactions that are otherwise tax-exempt. Net wealth tax is currently not imposed in Germany.

On February 14, 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a directive for a common financial transaction tax in certain participating member states of the European Union, including Germany. Such directive could under, depending on the actual circumstances, apply to certain transactions in the Company's shares, including with respect to secondary market transactions. The issuance and subscription of shares should, however, be exempt. The Commission's Proposal remains subject to negotiations between the participating member states of the European Union and it is currently unclear in what form and when the Commission's Proposal will be implemented, if at all. Recently, the German Federal Minister of Finance submitted a proposal to introduce a financial transaction tax, which has also not been adopted or implemented in Germany yet. Prospective shareholders are advised to monitor future developments closely and should consult their own tax advisors in relation to the consequences of a financial transaction tax.

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Consolidated statement of financial position as at 30 September 2020

Assets

KEUR	Note	30 Sep. 2020	31 Dec. 2019
Intangible assets		67	43
Property, plant and equipment		53,301	55,069
Investments accounted for using the equity method		5	5
Other financial assets (non-current)		4,422	118,718
Other assets (non-current)		2,122	2,155
Deferred tax assets		596	590
Non-current assets		**60,513**	**176,580**
Inventories	9.	132,896	248,115
Trade and other receivables		51,638	46,818
Income tax receivables		519	1,084
Other financial assets (current)		915	816
Other assets (current)		73,476	74,348
Cash and cash equivalents		252,318	57,599
Current assets		**511,762**	**428,780**
Total assets		**572,275**	**605,360**

Equity and liabilities

KEUR	Note	30 Sep. 2020	31 Dec. 2019
Subscribed capital	10.	3,454	3,421
Capital reserve		587,135	587,135
Other equity reserve		97,059	107,436
Retained earnings		(627,972)	(544,696)
Total equity		**59,676**	**153,296**
Borrowings (non-current)	12.	305,715	151,022
Other financial liabilities (non-current)		34,136	36,323
Share-based payment obligation (non-current)	11.	—	108,500
Provisions (non-current)		95	95
Other liabilities (non-current)		1,812	2,083
Income tax liabilities		16	17
Non-current liabilities		**341,774**	**298,040**
Borrowings (current)	12.	9	20,374
Trade payables		80,248	52,059
Other financial liabilities (current)		15,730	17,537
Provisions (current)		8,022	3,032
Other liabilities (current)		65,582	60,133
Income tax liabilities		1,234	889
Current liabilities		**170,825**	**154,024**
Total liabilities		**512,599**	**452,064**
Total equity and liabilities		**572,275**	**605,360**

Consolidated statement of profit and loss and other comprehensive income for the period 1 January to 30 September 2020

KEUR	Note	1 Jan. 2020– 30 Sep. 2020	1 Jan. 2019– 30 Sep. 2019
Revenue	**7.**	**2,050,518**	**2,530,958**
Cost of materials		(1,847,390)	(2,283,272)
Gross profit		**203,128**	**247,686**
Other operating income		9,899	6,092
Personnel expenses		(99,441)	(166,221)
Other operating expenses		(114,091)	(159,177)
Earnings before interest, tax, depreciation and amortization (EBITDA)		**(505)**	**(71,620)**
Depreciation and amortization		(24,249)	(13,647)
Earnings before interest and tax (EBIT)		**(24,754)**	**(85,267)**
Interest income and other finance income		24	4
Interest expense and other finance costs		(44,897)	(4,442)
Other financial result		(13,089)	—
Earnings before tax		**(82,716)**	**(89,705)**
Income tax expense	8.	(560)	(964)
Loss for the period		**(83,276)**	**(90,669)**
Thereof attributable to the owners of the Parent Company		(83,276)	(90,669)
Other comprehensive income/loss			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences		210	(193)
Other comprehensive income/loss, net of tax		**210**	**(193)**
Total comprehensive income/loss		**(83,066)**	**(90,862)**
Thereof attributable to the owners of the Parent Company		(83,066)	(90,862)
Diluted and basic earnings per ordinary share in EUR	15.	(37.48)	(29.87)

Consolidated statement of cash flows for the period 1 January to 30 September 2020

KEUR	Note	1 Jan. 2020–30 Sep. 2020	1 Jan. 2019–30 Sep. 2019
Net loss for the period		**(83,276)**	**(90,669)**
Adjustments for		**77,384**	**44,882**
Amortization and depreciation		24,249	13,647
Financial result		57,962	4,438
Income taxes		560	964
Change in provisions and employee benefit obligations		4,990	(874)
Change in receivables from share-based payments		(10,587)	26,900
Other non-cash effects		210	(193)
Changes in operating assets and liabilities		**142,203**	**(29,869)**
Change in operating assets		220,432	(85,934)
Change in operating liabilities		(78,229)	56,065
Cash flows used in operating activities		**(3,048)**	**(4,372)**
Interest received		—	4
Interest paid		(2,488)	(3,412)
Taxes paid		(560)	(964)
Net cash from (used in) operating activities		**133,263**	**(80,028)**
Payments for investment in intangibles assets, property, plant and equipment and financial assets		(1,731)	(2,175)
Proceeds from sale of property, plant and equipment and financial assts		342	258
Net cash used in investing activities		**(1,389)**	**(1,916)**
Proceeds from capital increase		33	—
Receipt of convertible bond		255,000	—
Transactions costs on the issue of convertible bonds		(3,007)	—
Receipt of corporate loans		15,000	80,000
Repayments of corporate loans		(186,000)	(45,000)
Payments for lease transactions		(18,181)	(15,122)
Net cash from financing activities		**62,845**	**19,878**
Net change in cash and cash equivalents		**194,719**	**(62,066)**
Cash and cash equivalents at the beginning of the period		**57,599**	**116,513**
Cash and cash equivalents at the end of the period		**252,318**	**54,447**

Consolidated statement of changes in equity as at 30 September 2020

KEUR	Subscribed capital	Capital reserve	Other reserves: Other equity reserves	Other reserves: Currency translation reserves	Retained earnings	Total	Total equity
Note							
Balance as at 1 Jan 2020	**3,421**	**587,135**	**108,500**	**(1,064)**	**(544,696)**	**153,296**	**153,296**
Loss for the period					(83,276)	**(83,276)**	**(83,276)**
Other comprehensive income				210		**210**	**210**
Total comprehensive income for the period	**—**	**—**	**—**	**210**	**(83,276)**	**(83,066)**	**(83,066)**
Issue of shares	33					**33**	**33**
Share-based payment			(10,587)			**(10,587)**	**(10,587)**
Balance as at 30 Sep. 2020	**3,454**	**587,135**	**97,913**	**(854)**	**(627,972)**	**59,676**	**59,676**

KEUR	Subscribed capital	Capital reserve	Other reserves: Other equity reserves	Other reserves: Currency translation reserves	Retained earnings	Total	Total equity
Balance as at 1 Jan. 2019	**3,421**	**587,135**	**71,555**	**(263)**	**(423,431)**	**238,417**	**238,417**
Loss for the period					(90,669)	**(90,669)**	**(90,669)**
Other comprehensive income				(193)		**(193)**	**(193)**
Total comprehensive income for the period	**—**	**—**	**—**	**(193)**	**(90,669)**	**(90,862)**	**(90,862)**
Share-based payment			26,900			**26,900**	**26,900**
Balance as at 30 Sep. 2019	**3,421**	**587,135**	**98,455**	**(456)**	**(514,100)**	**174,455**	**174,455**

Notes to the condensed consolidated interim financial statements

1. Reporting entity

The AUTO1 Group (hereinafter also referred to as 'AUTO1' or the 'Group'), comprises the parent company AUTO1 Group SE, Munich, Germany (hereinafter also referred to as 'AUTO1 SE' or the 'Company'), and its directly and indirectly controlled subsidiaries. The Company is registered in the commercial register of the Munich District Court under HR number 241031B. The Company's address is Bergmannstrasse 72, 10961 Berlin, Germany.

2. Basis of accounting

The Board of Management of AUTO1 has prepared these interim financial statements for the nine months ended September 30, 2020 and 2019 in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. The interim financial statements should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2019. They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

These interim financial statements were authorised for issue by the Company's Board of Management on December 4, 2020.

3. Use of judgements and estimates

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements. The issuance of the new convertible loan in 2020 required judgements and estimates regarding the determination of the embedded derivatives and the valuation.

4. Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2019. A number of new standards are effective from 1 January 2020 but they do not have a material effect on the Group's financial statements.

The Group makes use of the exemption, published by the IASB as an Amendment to IFRS 16 (COVID-19-Related Rent Concessions), from assessing whether a COVID-19-related rent concession is a lease modification. The rent concession recognized in profit and loss for the nine-month period ending 30 September 2020 amounted to KEUR 877 and mainly relates to leases of offices.

5. Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

6. Operating segments

a. Description of segments

The Group has the following two strategic divisions: 'Merchant' and 'Retail', which are its reportable segments. These divisions offer products to a different customer base and are managed separately because they require different technology (use of different sales platforms) and sales marketing strategies. No operating segments were aggregated.

Internal management reports are prepared for these segments monthly for management purposes and reviewed by the Group's Board.

‘Merchant’

Merchant business primarily concerns the sale of used cars to car dealerships via AUTO1.com. Fees from logistic services and all other fees in connection with providing the vehicles to dealers are included.

The revenue from the ‘Merchant’ business is distinguished by the sourcing of the cars. All cars, which are purchased via the Group’s branch network, are classified as ‘C2B’ cars. In comparison to the sourcing via the branch network, all cars purchased from professional dealers are categorized as ‘Remarketing’ cars. There are no business activities from which independent sales revenues in operating segments result, therefore C2B and Remarketing are only different supply channels. Sales are made to the same customer base via the same sales channel.

‘Retail’

Retail business primarily concerns the sale of used cars to private customers via Autohero.com.

b. Segment information

All revenues are generated by external customers. The segments’ measure of profit or loss is gross profit, defined as revenue less cost of materials.

Information about reportable segments

	Merchant		Retail		AUTO1 Group	
KEUR	**1 Jan. 2020– 30 Sep 2020**	**1 Jan. 2019– 30 Sep 2019**	**1 Jan. 2020– 30 Sep 2020**	**1 Jan. 2019– 30 Sep 2019**	**1 Jan. 2020– 30 Sep 2020**	**1 Jan. 2019– 30 Sep 2019**
Revenue	**1,970,566**	**2,481,224**	**79,952**	**49,734**	**2,050,518**	**2,530,958**
thereof:						
C2B	1,739,067	2,280,000				
Remarketing	231,499	201,224				
Cost of materials	**(1,769,118)**	**(2,234,319)**	**(78,272)**	**(48,953)**	**(1,847,390)**	**(2,283,272)**
Gross Profit	**201,448**	**246,905**	**1,680**	**782**	**203,128**	**247,687**

KEUR	**30 Sep. 2020**	**30 Sep. 2019**	**30 Sep. 2020**	**30 Sep. 2019**	**30 Sep. 2020**	**30 Sep. 2019**
Inventories	**84,317**	**181,994**	**48,579**	**42,653**	**132,896**	**224,646**

Reconciliation of reportable segment profit or loss

There are transactions between the reportable segments, which relate to transfers of used cars and shared distribution services. The amounts reported to the CODM relate to the amounts after consolidation. The measures reported for the segments represent measures in accordance with IFRS. The difference between the reportable segments’ measure of profit and loss (gross profit) to the loss before tax in the consolidated statement of profit and loss and other comprehensive income therefore relates to all material line items below gross profit.

7. Revenue

The information about revenue provided in the segment information in section 6 meets the requirements of paragraph 114 of IFRS 15 and those revenue disclosures are based on the recognition and measurement requirements in IFRS 15. Therefore, no further disaggregated revenue disclosures are provided.

Due to the COVID-19 crisis, the revenue decrease by 19% in comparison to the previous year for the nine-month period.

8. Income tax expense

Income tax expense is recognized at an amount determined by multiplying the profit (loss) before tax for the interim reporting period by management’s best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognized in full in the interim period. As such, the effective tax rate in the interim financial statements may differ from management’s estimate of the effective tax rate for the annual financial statements. The Group’s consolidated effective tax rate for the nine months ended 30 September 2020 was 26,25%.

9. Inventories

Inventories were successively reduced in Q2 2020 to limit corona risks.

10. Subscribed capital

Auto1 Group SE was founded on 14th May 2018.

	Common Shares	Series A Shares	Series A1 Shares	Series B Shares	Series C Shares	Series D Shares	Series E Shares	Series 1 Shares	Series 1a Shares
As at 14 May 2018	—	—	—	—	—	—	—	—	—
Issued for cash	120,000	—	—	—	—	—	—	—	—
Issued for cash with premium in kind . .	1,153,857	65,331	309,825	342,618	440,793	358,467	605,526	24,348	—
As at 31 Dec 2018 . .	**1,273,857**	**65,331**	**309,825**	**342,618**	**440,793**	**358,467**	**605,526**	**24,348**	—
As at 31 Dec 2019 . .	**1,273,857**	**65,331**	**309,825**	**342,618**	**440,793**	**358,467**	**605,526**	**24,348**	—
Issued for cash	—	—	—	—	—	—	—	—	33,004
As at 30 Sep 2020 . .	**1,273,857**	**65,331**	**309,825**	**342,618**	**440,793**	**358,467**	**605,526**	**24,348**	**33,004**

Common shares and Series A through Series E Shares are non-par value shares and are fully paid since 2018. All common shares and Series A through Series E Shares rank equally with regard to the Company's residual assets within their respective share class. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. In general, disposal of shares requires the Company's approval.

Series 1 shares are non-par value shares and are fully paid since 2018. The Series 1 shares are part of an equity settled share-based payment arrangement and subject to a certain vesting period. The vesting period was completed during 2020. All Series 1 shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to one vote per share at general meetings of the Company irrespective of their vesting. Series 1 shares participate in dividends, also from liquidity events, only after dividends distributed to other share classes cumulatively amount to EUR 358.41 per share. Disposal of vested shares is possible but requires, in general, the Company's approval. In the event of an IPO the shares are subject to a conversion into common shares of the company.

Series 1a shares are non-par value shares and are fully paid. The Series 1a shares are part of an equity settled share-based payment arrangement and subject to a certain vesting period. All Series 1a shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to one vote per share at general meetings of the Company irrespective of their vesting. Series 1a shares participate in dividends, also from liquidity events, only after dividends distributed to other share classes cumulatively amount to EUR 587.00 per share. Disposal of vested shares is possible but requires, in general, the Company's approval. In the event of an IPO the shares are subject to a conversion into common shares of the company.

Dividend entitlement of share classes in Liquidity Event

If proceeds obtained by the Company in a Liquidity Event are distributed to the shareholders by way of dividend or in case of a liquidation of the Company, the holders of the Series A through E shares as well as the common shares receive a dividend and liquidation preference in comparison to the Series 1 and 1a shares respectively. Additionally, each share class has an individual liquidation preference. Liquidity Events are thereby a sale of 50% or more of the interest in Auto1 Group AG to a single party, the transfer of (substantially) all assets of the group and the liquidation of the Company or Auto1 Group AG. The distribution of proceeds from these cases for each shareholder would be determined according to a multi-stage distribution mechanism. In each stage the respective amount to be distributed to a certain share class and its allocation among the holders of the respective shares of that class is determined by the payments made by the holders of the respective share class in the past into the share capital and the capital reserves or the purchase price paid by the holders of the respective share class ("Total Investment"). If the (remaining) proceeds to be distributed in

the respective stages are not sufficient to cover the entire total investment, the remaining proceeds are distributed pro rata between the holders of the eligible share classes. The Stages are as follows:

Stage	Eligible Share Class
1	Series E, Series D, Series C
2	Series B, Series A1, Series A, Common Shares
3	Series A1
4	Series A
5	Common Shares
6	Series D, Series C, Series B, Series A1, Series A, Common Shares, Series 1, Series 1a

The distribution of the proceeds to shareholders are subject to a share class individual cap. Alternatively, if the holders of Series E Shares would individually receive, in a pro rata distribution of the Proceeds among all shareholders, at least an amount equalling their respective individual Total Investment plus any declared and unpaid dividends, then the preferential rights from the multi-stage distribution mechanism set out before do not apply, and the Proceeds from the Liquidity Event shall be distributed pro-rata among all Shareholders.

In the event of any type of distribution made with respect to shares in the Company not being a distribution of Proceeds from a Liquidity Event, such distribution shall reduce the amount of Proceeds distributed in Stages 1 to 5 in a subsequent Liquidity Event accordingly.

11. Share-based payments

The share-based payment obligation as of 30th September 2020 amounting to KEUR 131,527 was derecognized, whereas the new value based on the grant dates for the respective share-based payment arrangements was recognized in equity (KEUR 97,913). The difference was recorded in profit and loss under personnel expenses.

a. Virtual share incentive program

Through the issuance of Side Letters in 2019 the definition of a Liquidity Event was extended to cover an IPO of the shares in AUTO1 SE at an internationally recognized stock exchange. In case of an IPO AUTO1 SE is entitled to settle any payment claims – in whole or in part – in shares in AUTO1 SE. In case AUTO1 SE chooses the settlement in shares the beneficiary shall receive a number of shares in AUTO1 SE representative of the respective portion of the net cash entitlement applying the value of a Common Share of AUTO1 SE set as an offer price for the IPO. The vesting of granted virtual shares remains unchanged after the IPO pursuant to the defined vesting schedule.

In September 2020 the establishment of all the preparatory measures necessary to lead to a successful initial public offering (IPO) of the shares in AUTO1 SE triggered a scenario change from sale exit to IPO. The IPO has become the more likely scenario than the other event. This impacts the accounting assessment of the share-based payment arrangements. As a result, the scenario change in 2020 with the background of the modification in 2019 lead to a reclassification of the cash-settled plan to an equity-settled plan in September 2020, so a charge for an equity-settled award is recognized. Consequently, there was a reversal of the cash-settled charge, because this settlement option is now deemed not probable. Also, from 30th September 2020 onwards the program shall be classified as equity-settled. In this respect AUTO1 recognises a positive effect on personnel expenses in the amount of KEUR 16,261 in Q3 2020. For the period until 30 September 2020 the positive effect relating to share-based payments was KEUR 10,587.

The expense for the remainder of the vesting period is therefore to be based on the award's fair value, measured at the original grant date. The original grant date for the equity settled award in the case of the VSIP Program relates to the effective modification date of the respective Side Letter (from 2019), as the settlement choice was legally introduced thereby.

The reimbursement right against the shareholders does not apply in the case of an IPO provided that the Company receives own proceeds as a result of the IPO, i.e. through the issuance of new shares. In consequence of the modification, the financial asset resulting from the shareholder reimbursement was fully derecognized in

the same way it was recognized, directly in equity. Other equity reserves with regard to share-based payments developed as follows:

	KEUR
Share-based payment as of 1 January 2020	**108,500**
+ Revaluation of shareholder receivables	23,027
— Derecognition of shareholder receivables	(131,527)
+ Recognition of equity-settled share-based payment	97,913
Share-based payment as of 30 September 2020	**97,913**

b. Restricted stock units and other shares—member of the management board

As a result of the scenario change, also the restricted stock units granted to members of the management board are reclassified as equity-settled share-based payments as of 30th September 2020 using the same methodology as described above. Here, the respective grant date fair values in 2017 are used to calculate the impact of the equity settled alternative.

In February 2020 a member of the management board was granted a further participation as an additional incentive in connection with future functions as a member of the management board within the Group. The incentive was implemented through the issuance of 33,004 new registered non-par value shares having a nominal amount of EUR 1.00 each. In case of a dividend or exit payment the Series 1a Shares will be subject to a dividend/exit proceeds only in case the agreed negative liquidity preference is exceeded. Unvested shares must be returned to the company. The Shares have a vesting period of 48 months starting from 22 February 2020. The incentives provided relate to a settlement in equity instruments. Consequently, the incentives are classified as equity-settled share-based payment transactions. The recognition of expense is based on the respective vesting periods and recognized in equity. See 14.c for details.

12. Borrowings

AUTO1 Group SE issued a subordinated convertible loan for KEUR 255,000 on 13 February 2020. The loan is convertible into ordinary shares of AUTO1 Group SE at the discretion of the lender, upon the occurrence of certain events, or repayable on date 13 February 2025. The convertible loan contains several embedded derivatives in form of a conversion right, a cash settlement option as well as further prepayment options. The several embedded derivatives are presented as a single instrument due to their interdependence and are separated from the host contract. The final exercise price of the conversion right depends on the outcome of certain events and is connected to the IPO placement price. Therefore, the conversion price is variable at the balance sheet date.

The fair value of the embedded derivative is deducted from the issuance proceeds of the loan and treated as a financial liability at initial recognition. The difference between the fair value of the entire instrument and the fair value of the embedded derivative is the fair value of the host contract of the loan (without conversion right). Transaction costs are deducted from the fair value of the host contract. Transactions costs amount to KEUR 3,007. The host contract of the loan is subsequently measured at amortized cost until extinguished on conversion or maturity of the loan. The embedded derivative is recognized as a derivative financial liability and subsequently measured at fair value through profit or loss.

The convertible loan in total is therefore presented in the balance sheet as follows:

KEUR	30 Sep. 2020
Face value of loan issues	255,000
Initial value of loan	217,865
Initial value of derivative	34,127
Amortization effects by applying the effective interest method	29,362
Valuation effect derivative	13,089
Carrying amount derivative financial liability	**47,215**
Carrying amount financial liability	**247,228**

The secured facility loan due in 2022 recognized as of 31 December 2019 was fully repaid until 30 September 2020. The credit line for the secured facility loan can be drawn up to an amount of KEUR 235,000.

13. Financial instruments and fair value measurements

a. Fair value measurements

The Group assesses the inputs used to measure fair value using the three-tier hierarchy. The hierarchy indicates the extent to which inputs used in measuring fair value are observable in the market. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible.

Level 1 Inputs include unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices from identical or similar assets or liabilities in inactive markets and observable inputs for the asset or liability.

Level 3 Inputs that are significant to the measurement that are not observable in the market and include management's judgements about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

In connection with management judgement about the fair value measurement, the Group consults with an independent external valuation expert, who uses appropriate valuation techniques, and determines the fair value of assets and liabilities.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. No transfers between levels of the fair value hierarchy have occurred.

The following paragraph shows the valuation technique used in measuring Level 3 fair values at 30 September 2020 (31 December 2019: n/a) for financial instruments measured at fair value in the statement of financial position (derivative financial liability for conversion right, see Note 12) as well as the significant unobservable inputs used:

- Valuation technique: The valuation of the embedded derivative is performed by using an option price model. More specifically the valuation was performed using binomial trees for Auto1's share price and refinancing rate to come up to a fair value of the conversion right.
- Significant unobservable inputs: The option price model uses different inputs. The most significant unobservable input is the refinancing rate of Auto 1. Further inputs for the valuation model are the company value and the volatility of equity. Both inputs have a lower impact on the fair value of the entire embedded derivative.

The following table shows a reconciliation for Level 3 fair values for the nine months period ended 30 September 2020 (2019: n/a).

KEUR	Embedded Derivative
Opening balance Jan 1, 2020	—
Acquisitions	34,127
Losses recognized in finance costs	13,089
Closing balance Sep 30, 2020	**47,216**

Based on a refinancing rate of 14.8 %, reasonably possible changes to the refinancing rate as of 30 September 2020, holding other inputs constant, would have the following effects on the fair value of the embedded derivative:

KEUR	Potentially positive earnings effect	Potentially negative earnings effect
Relative change in the input factor	—1%	+1%
Refinancing rate	4,693	—4,458

b. Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. The carrying amounts of cash and cash equivalents, trade and

other receivable as well as trade payables is approximately their fair value due to their short-term maturities. For all other financial assets and liabilities, no changes have occurred that would have had a material effect on the fair value of these instruments since their initial recognition. An exception in this regard is the convertible bond. There are only financial assets measured at amortized cost.

30 Sep. 2020

KEUR	Measurement category	Carrying amount	Fair value	Fair value hierarchy
Financial assets				
Other non-current financial assets	*Measured at amortized cost*	4,422	4,422	
Trade and other receivables	*Measured at amortized cost*	51,638		
Other current financial assets	*Measured at amortized cost*	915		
Cash and cash equivalents	*Measured at amortized cost*	252,318		
Financial liabilities				
Non-current financial liabilities		339,850		
of which financial liabilities to banks and investors (Convertible loan)	*Measured at amortized cost*	*258,499*	*262,991*	*3*
of which lease liabilities	*No measurement category according to IFRS 9*	*34,114*	*n/a*	*n/a*
of which derivative financial liability	*Measured at fair value*	*47,216*	*47,216*	*3*
of which other financial liabilities	*Measured at amortized cost*	*21*	*21*	
Trade and other payables	*Measured at amortized cost*	80,248		
Other current financial liabilities		15,739		
of which financial liabilities to banks and investors	*Measured at amortized cost*	*9*		
of which lease liabilities	*No measurement category according to IFRS 9*	*15,730*	*n/a*	*n/a*

31 Dec. 2019

KEUR	Measurement category	Carrying amount	Fair value	Fair value hierarchy
Financial assets				
Other non-current financial assets		118,718		
of which due from shareholders	*No measurement category according to IFRS 9*	*108,500*	*n/a*	*n/a*
of which other non-current financial assets	*Measured at amortized cost*	*10,218*	*10,218*	
Trade and other receivables	*Measured at amortized cost*	46,818		
Other current financial assets	*Measured at amortized cost*	816		
Cash and cash equivalents	*Measured at amortized cost*	57,599		
Financial liabilities				
Non-current financial liabilities		187,345		
of which financial liabilities to banks	*Measured at amortized cost*	*151,022*	*151,022*	
of which lease liabilities	*No measurement category according to IFRS 9*	*36,323*	*n/a*	*n/a*
Trade and other payables	*Measured at amortized cost*	52,059		
Other current financial liabilities		37,911		
of which financial liabilities to banks	*Measured at amortized cost*	*20,374*		
of which lease liabilities	*No measurement category according to IFRS 9*	*14,938*	*n/a*	*n/a*
of which other current financial liabilities	*Measured at amortized cost*	*2,599*		

The other non-current financial assets due from shareholders reflect cash reimbursements and are therefore financial assets. They are not in the scope of IFRS 9 and therefore are not accounted for as a financial instrument. Instead the receivables are accounted for with the same value as the share-based payment obligation. During 2020 a scenario change with the background of the modification in 2019 lead to a reclassification of the cash-settled plan. See 11a. for details.

14. Related parties

a. Shareholder reimbursement for share-based payments

The receivable from its shareholders in respect of the virtual share incentive programmes was derecognized as of September 30, 2020 (December 31, 2019: KEUR 108,500), see 11.a for details.

b. Receivables from investments in associates

The Group has receivables from investments in associates as of 31st December 2019. These receivables relate to a non-current loan provided by the Group for trade-in vehicles and the provision of vehicle-related services as part of sales under the Merchant segment. An impairment of KEUR 5,682 was recognized in the current reporting period in relation to these receivables.

Due to a capital increase by the associate in March 2020 the Group has no significant influence anymore. Therefore, the numbers below only represent the time until the loss of significant influence. The following table shows income from transactions with the associated company as related party:

KEUR	1 Jan. 2020–30 Sep 2020	1 Jan. 2019–30 Sep 2019
Sale of goods and services to related parties	1,511	910
Purchase of goods and services from related parties	(1,511)	(910)
Total	**—**	**—**

c. Relationships with members of the management board and the supervisory board

Until September 30, 2020 and 2019, the members of the Management Board and the Supervisory Board received the following compensation.

KEUR	1 Jan. 2020–30 Sep 2020	1 Jan. 2019–30 Sep 2019
Short-term employee benefits	966	1,016
Post-employment benefits	—	—
Long-term benefits	—	—
Termination benefits	—	—
Share-based payments	162	3,914
Total	**1,128**	**4,930**

The low value in share-based payment expenses compared to the prior year is due to the accounting modification of the arrangements.

As of September 30, 2020, AUTO1 Group had not made any pension commitments to members of the Management Board or the Supervisory Board.

15. Earnings per share

Basic earnings per share were calculated based on the net loss attributable to ordinary shareholders and the weighted average number of ordinary shares.

	2020	2019
Earnings per share (basic and diluted)	**(37.48)**	**(29.87)**

For the comparative period Series 1 shares were determined to be the sole class of ordinary shares as they were subordinate to all other existing classes of equity instruments through their negative preference in dividend entitlement. The issuance of the new share class "Series 1a" resulted in a change in classification of ordinary shares in 2020. Therefore, Series 1a shares are determined to be the sole class of ordinary shares as they are subordinate to all other classes of equity instruments through their negative preference in dividend entitlement which leads to a dividend entitlement even after Series 1 shares.

The class of common shares of the Company as well as shares of the Series A through E (for 2020 also the Series 1 shares) are therefore determined to be participating equity instruments that do not form a class of ordinary shares according to IAS 33.

	1 Jan. 2020— 30 Sep. 2020	1 Jan. 2019— 30 Sep. 2019
Consolidated loss for the period in KEUR	(83,276)	(90,669)
Net loss attributable to common shares and Series A through E shares	(82,584)	(90,104)
Net loss attributable to Series 1 shares	(592)	—
Net loss attributable to ordinary shares (for basic and diluted earnings per share)	**(100)**	**(565)**

Weighted average number of Series 1 shares (ordinary shares in 2019) (basic and diluted):

Thousands of shares	2019
Vested Series 1 shares at 1 Jan	17
Effect of Series 1 shares vested in February 2019	1
Effect of Series 1 shares vested in May 2019	0
Effect of Series 1 shares vested in August 2019	0
Weighted average number of Series 1 shares at 30 Sep.	**19**

The following equity instruments were not taken into account in determining the diluted earnings per share for 2019 because their effect would have been anti-dilutive:

Thousands of shares	2019
Unvested Series 1 shares	3
Total number of potential ordinary shares	**3**

Weighted average number of Series 1a shares (ordinary shares in 2020) (basic and diluted):

Thousands of shares	2020
Vested Series 1a shares at 1 Jan	—
Effect of Series 1a shares vested in May 2020	2,7
Effect of Series 1a shares vested in August 2020	0
Weighted average number of Series 1a shares at 30 Sep.	**2,7**

The following equity instruments were not taken into account in determining the diluted earnings per share for 2020 because their effect would have been anti-dilutive.

Thousands of shares	2020
Unvested Series 1a shares	29
Total number of potential ordinary shares	**29**

Potential ordinary shares do not result from the convertible loan and from the share-based payment program as these instruments are only convertible into, resp. would be settled in, common shares.

16. Subsequent events

Hakan Koc becomes a member of the supervisory board from 1st December 2020 (replacing Jonathan Browning), whereas Christian Bertermann and Markus Boser now represent the management board by two.

Appendix I—Quarterly results

KEUR	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Revenue	**808,388**	**797,373**	**925,198**	**945,004**	**877,389**	**403,757**	**769,372**
Cost of materials	(723,696)	(722,319)	(837,257)	(850,157)	(788,330)	(376,350)	(682,710)
Gross profit	**84,692**	**75,054**	**87,941**	**94,847**	**89,059**	**27,407**	**86,662**
Other operating income	1,439	2,172	2,481	5,483	6,644	1,536	1,719
Personnel expenses	(45,699)	(62,319)	(58,202)	(62,625)	(52,382)	(26,029)	(21,030)
Other operating expenses	(49,027)	(55,307)	(54,844)	(58,895)	(57,403)	(20,450)	(36,238)
Earnings before interest, tax, depreciation and amortization (EBITDA)	**(8,595)**	**(40,399)**	**(22,624)**	**(21,189)**	**(14,082)**	**(17,537)**	**31,113**
Depreciation and amortization	(4,248)	(4,651)	(4,748)	(6,974)	(7,227)	(10,922)	(6,099)
Earnings before interest and tax (EBIT)	**(12,843)**	**(45,050)**	**(27,372)**	**(28,163)**	**(21,309)**	**(28,459)**	**25,014**
Interest income and other finance income	3	7	—	646	—	24	—
Interest expense and other finance costs	(2,171)	(989)	(1,287)	(1,918)	(3,307)	(9,326)	(32,263)
Other financial result	—	—	—	—	(537)	(203)	(12,349)
Earnings before tax	**(15,012)**	**(46,033)**	**(28,659)**	**(29,436)**	**(25,154)**	**(37,964)**	**(19,598)**
Income tax expense	(456)	(125)	(384)	(1,161)	(332)	54	(282)
Loss for the period	**(15,467)**	**(46,157)**	**(29,043)**	**(30,596)**	**(25,486)**	**(37,910)**	(19,880)
Thereof attributable to the owners of the Parent Company	(15,467)	(46,157)	(29,043)	(30,596)	(25,486)	(37,910)	(19,880)
Other comprehensive income							
Items that are or may be reclassified subsequently to profit or loss							
Foreign currency translation differences	(456)	151	112	(608)	(30)	35	206
Other comprehensive income, net of tax	**(456)**	**151**	**112**	**(608)**	**(30)**	**35**	**206**
Total comprehensive income	**(15,923)**	**(46,006)**	**(28,931)**	**(31,204)**	**(25,516)**	**(37,875)**	**(19,674)**
Thereof attributable to the owners of the Parent Company	(15,923)	(46,006)	(28,931)	(31,204)	(25,516)	(37,875)	(19,674)

Appendix II—Quarterly revenue by segments

KEUR	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Merchant							
Revenue	**797,752**	**782,824**	**900,648**	**913,326**	**843,793**	**388,561**	**738,212**
C2B	737,647	718,164	824,190	825,789	766,806	342,561	629,700
Remarketing	60,105	64,660	76,458	87,537	76,987	46,000	108,512
Retail							
Revenue	**10,636**	**14,549**	**24,550**	**31,678**	**33,596**	**15,196**	**31,160**

Consolidated Financial Statements of AUTO1 Group SE as of and for the Fiscal Year ended December 31, 2019 (IFRS)

Consolidated statement of financial position as at 31 December 2019

KEUR	Note	31 Dec. 2019	31 Dec. 2018 Restated	1 Jan. 2018 Restated
Assets				
Intangible assets	6.1	43	36	55
Property, plant and equipment	6.2	55,069	46,671	39,299
Investments accounted for using the equity method		5	5	—
Other financial assets (non-current)	6.7	118,718	79,999	63,242
Other assets (non-current)	6.8	2,155	1,037	1,007
Deferred tax assets		590	—	—
Non-current assets		**176,580**	**127,748**	**103,603**
Inventories	6.5	248,115	208,304	241,678
Trade and other receivables	6.6	46,818	37,784	27,624
Income tax receivables		1,084	3,493	454
Other financial assets (current)	6.7	816	2,482	1,019
Other assets (current)	6.8	74,348	41,342	9,434
Cash and cash equivalents	6.9	57,599	116,513	52,487
Current assets		**428,780**	**409,918**	**332,696**
Total assets		**605,360**	**537,666**	**436,299**
Equity and liabilities				
Subscribed capital	7	3,421	3,421	3,122
Capital reserve	7	587,135	587,135	373,731
Other reserves	7	107,436	71,292	60,165
Retained earnings		(544,696)	(423,431)	(297,466)
Total equity		**153,296**	**238,417**	**139,552**
Borrowings (non-current)	6.12	151,022	50,022	70,022
Other financial liabilities (non-current)	6.14	36,323	30,378	26,760
Share-based payment obligations (non-current)	6.10	108,500	71,555	60,714
Provisions (non-current)	6.11	95	380	1,620
Other liabilities (non-current)	6.15	2,083	1,000	1,531
Income tax liabilities		17	—	—
Non-current liabilities		**298,040**	**153,335**	**160,647**
Borrowings (current)	6.12	20,374	20,197	58,278
Trade payables	6.13	52,059	77,276	36,043
Other financial liabilities (current)	6.14	17,537	13,415	11,833
Provisions (current)	6.11	3,032	2,422	2,394
Other liabilities (current)	6.15	60,133	30,798	26,346
Income tax liabilities		889	1,806	1,206
Current liabilities		**154,024**	**145,914**	**136,100**
Total liabilities		**452,064**	**299,249**	**296,747**
Total equity and liabilities		**605,360**	**537,666**	**436,299**

Consolidated statement of profit or loss and other comprehensive income for the period 1 January to 31 December 2019

KEUR	Note	1 Jan. 2019– 31 Dec. 2019	1 Jan. 2018– 31 Dec. 2018 Restated
Revenue	5.1	**3,475,962**	**2,852,357**
Cost of sales	5.2	(3,133,428)	(2,609,926)
Gross profit		**342,534**	**242,431**
Other operating income	5.3	11,575	6,325
Personnel expenses	5.4	(228,846)	(162,123)
Other operating expenses	5.5	(218,072)	(193,635)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**(92,809)**	**(107,001)**
Depreciation and amortisation	6.1 6.2	(20,621)	(14,952)
Earnings before interest and tax (EBIT)		**(113,430)**	**(121,953)**
Interest income and other finance income	5.6	650	263
Interest expense and other finance costs	5.6	(6,360)	(3,372)
Earnings before tax		**(119,140)**	**(125,062)**
Income tax expense	5.7	(2,125)	(588)
Loss for the year		**(121,265)**	**(125,650)**
Thereof attributable to the owners of the Parent Company		(121,265)	(125,650)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(801)	286
Other comprehensive income, net of tax		**(801)**	**286**
Total comprehensive income		**(122,066)**	**(125,364)**
Thereof attributable to the owners of the Parent Company		(122,066)	(125,364)

Consolidated statement of cash flows for the year ended 31 December 2019

KEUR	Note	1 Jan. 2019– 31 Dec. 2019	1 Jan. 2018– 31 Dec. 2018 Restated
Net loss for the year		**(121,265)**	**(125,650)**
Adjustments for		**64,700**	**28,553**
	6.1		
Depreciation and amortisation	6.2	20,621	14,952
Financial result	5.6	5,710	3,109
Income tax expense	5.7	2,125	588
Change in provisions and employee benefit obligations		325	(1,212)
Change in receivables from share-based payments	6.10	36,945	10,841
Gain / losses from the disposal of property, plant and equipment		(225)	—
Other non-cash effects		(801)	275
Changes in operating assets and liabilities		**(75,469)**	**30,680**
Change in operating assets		(81,675)	(14,117)
Change in operating liabilities		6,206	44,797
Other cash flows used in operating activities		**(6,336)**	**(3,190)**
Interest received		153	263
Interest paid		(4,921)	(3,453)
Taxes paid		(1,568)	—
Net cash flow from operating activities		**(138,370)**	**(69,607)**
Payments for investment in property, plant and equipment and financial assets		(3,561)	(8,724)
Proceeds from sale of property, plant and equipment and financial assets		308	854
Net cash from / (used in) investing activities		**(3,254)**	**(7,870)**
Proceeds from capital increase		—	213,703
Payments to shareholders		—	(315)
Proceeds from/(payments for the repayment of) liabilities to banks and shareholder loan		101,000	(58,000)
Payments for lease transactions	6.3	(18,291)	(13,885)
Net cash from / (used in) financing activities		**82,709**	**141,503**
Net change in cash and cash equivalents		**(58,914)**	**64,026**
Cash and cash equivalents at the beginning of the period		**116,513**	**52,487**
Cash and cash equivalents at the end of the period	6.9	**57,599**	**116,513**

Consolidated statement of changes in equity as at 31 December 2019

KEUR	Subscribed capital	Capital reserve	Other reserves: Other equity reserves	Other reserves: Currency translation reserve	Retained earnings	Total	Total equity
Note	7	7	7	7	7		
Balance as at 1 Jan. 2019	**3,421**	**587,135**	**71,555**	**(263)**	**(423,431)**	**238,417**	**238,417**
Loss for the year					(121,265)	**(121,265)**	**(121,265)**
Other comprehensive income				(801)		**(801)**	**(801)**
Total comprehensive income	**—**	**—**	**—**	**(801)**	**(121,265)**	**(122,066)**	**(122,066)**
Share-based payment			36,945			**36,945**	**36,945**
Balance as at 31 Dec. 2019	**3,421**	**587,135**	**108,500**	**(1,064)**	**(544,696)**	**153,296**	**153,296**
Balance as at 1 Jan. 2018, as previously reported	**3,122**	**373,731**	**60,714**	**(549)**	**(273,953)**	**163,065**	**163,065**
Changes due to error correction					(23,513)	**(23,513)**	**(23,513)**
Restated balance as at 1 Jan. 2018	**3,122**	**373,731**	**60,714**	**(549)**	**(297,466)**	**139,552**	**139,552**
Loss for the year					(125,650)	**(125,650)**	**(125,650)**
Other comprehensive income				286		**286**	**286**
Total comprehensive income				**286**	**(125,650)**	**(125,364)**	**(125,364)**
Issue of shares	299	213,404				**213,703**	**213,703**
Transactions with shareholders					(315)	**(315)**	**(315)**
Share-based payment			10,841			**10,841**	**10,841**
Balance as at 31 Dec. 2018 *Restated*	**3,421**	**587,135**	**71,555**	**(263)**	**(423,431)**	**238,417**	**238,417**

Notes to the consolidated financial statements as at 31 December 2019

1 Reporting entity

The AUTO1 Group (hereinafter also referred to as 'AUTO1' or the 'Group'), comprises the parent company AUTO1 Group SE, Munich, Germany (hereinafter also referred to as 'AUTO1 SE' or the 'Company'), and its direct and indirect subsidiaries. The Company is registered in the commercial register of the Munich District Court under HR number 241031B. The Company's address is Bergmannstrasse 72, 10961 Berlin, Germany.

The AUTO1 Group is Europe's leading online marketplace for used car sales to dealers as well as individual customers and has business operations in 30 countries. AUTO1 works with more than 65,000 active partner dealers. In 2019 more than 619,000 cars in more than 20 European countries were sold via AUTO1.

AUTO1 Group SE became the parent of AUTO1 Group on 22 November 2018 when the shareholders of AUTO1 Group GmbH contributed their interests in AUTO1 Group GmbH to AUTO1 Group SE.

Before the contribution of shares, all AUTO1 group entities were ultimately controlled by AUTO1 Group GmbH, registered in the commercial register of the Berlin-Charlottenburg District Court under HR number 143662 B and registered office at Bergmannstrasse 72, 10961 Berlin, Germany. Since the business in its entirety was contributed to the new parent AUTO1 SE, the transfer is accounted for as a capital reorganisation rather than a business combination in accordance with IFRS principles, whereby the book value accounting were applied to the business transferred. Therefore, the consolidated financial statements of AUTO1 SE for financial year 2019 are de facto a continuation of the consolidated financial statements of AUTO1 Group GmbH (predecessor).

2 Basis of preparation

2.1 Statement of compliance

The Board of Management of AUTO1 has prepared the consolidated financial statements of the AUTO1 Group as at and for the financial year ending 31 December 2019 in accordance with the International Financial Reporting Standards ('IFRS') and the interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by and to be applied in the European Union.

The consolidated financial statements of AUTO1 SE for the financial year as at 31 December 2019 also comprise additional information based on requirements of the German commercial law, pursuant to Section 315e HGB ('Handelsgesetzbuch': German Commercial Code).

The consolidated financial statements are presented in euro, which is the Company's functional currency. Amounts are stated in thousands of euro (KEUR) except where otherwise indicated. Rounding differences may arise when individual amounts or percentages are added together.

These consolidated financial statements comprise the consolidated statement of profit or loss and other comprehensive income—consisting of the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the financial year 2019, as well as comparative figures for the financial year ending on 31 December 2018.

The consolidated financial statements were approved on 27 March 2020 by the Board of Management of AUTO1 Group SE.

2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, with the exception of liabilities for cash-settled share-based payment arrangements and the financial asset representing a reimbursement right of shareholders with respect to this liability.

2.3 Use of estimates and judgements

The preparation of the consolidated financial statements in accordance with IFRS requires the Board of Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates in individual cases.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Critical judgements for the application of accounting policies have the most significant effects on the amounts stated in the consolidated financial statements are as follows:

- The determination of the term of leases (Note 4.6).
- The determination of the point of revenue recognition as well as the principal vs. agent assessment for the remarketing business (Note 4.14).
- Recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax loss carry forwards can be used (Note 4.15).

The assumptions and estimation uncertainties that result in a significant risk of a material adjustment within the next financial year are as follows:

- The determination of the fair value of the liabilities for cash-settled share-based payment arrangements (Note 6.10).
- The determination of the net realisable value of inventories (Note 4.7).

3 Application of new and revised financial reporting pronouncements

For financial years beginning after 1 January 2019, the application of some new financial reporting pronouncements is mandatory. Generally, AUTO1 applies new and revised IFRS requirements only from the date at which application is mandatory. However, IFRS 16 was already applied in the opening consolidated statement of financial position as at 1 January 2016. No changed requirements for the consolidated financial statements arose compared to prior years. All other IFRS requirements applicable as at 1 January 2019 are commented upon below:

Amendments to IFRS 9—Prepayment Features with Negative Compensation

These amendments refer to limited modification of the assessment criteria relevant for classifying financial assets. If certain conditions are met, entities will be able to measure prepayable financial assets with negative compensation (prepayment features with negative compensation) at amortised cost or at fair value through OCI instead of at fair value through profit or loss.

There are no material effects on the consolidated financial statements of AUTO1 SE.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the application of the recognition and measurement requirements of IAS 12 when there is uncertainty over income tax treatment. For recognition and measurement, estimates and assumptions are necessary, for instance whether an estimate is made separately or together with other uncertainties, whether a most likely amount or expected value for the uncertainty is used and whether changes have occurred relative to the prior period. The risk of detection is irrelevant for the accounting of uncertain items in the statement of financial position. Accounting is based on the assumption that the tax authorities investigate the matter at hand and that all relevant information is available to them. Disclosures in the notes must be made in each case for the estimates, assumptions and judgements specified. In addition, disclosures on the potential effects of uncertainty as tax-related contingency must be made in accordance with IAS 12.88.

There are no material effects on the consolidated financial statements of AUTO1 SE.

Amendments to IAS 28—Long-term Interests in Associates and Joint Ventures

The amendments include a clarification that IFRS 9 is applicable to long-term interests in associates and joint ventures that are not accounted for using the equity method.

The amendments have no material impact on the consolidated financial statements of AUTO1 SE.

Amendments to IAS 19—Plan Amendment, Curtailment or Settlement

According to IAS 19, in the event of plan amendment, curtailment or settlement, post-employment benefits are to be measured using updated assumptions. The amendment requires an entity to use the updated assumptions to determine service cost and net interest for the remainder of the reporting period after such an event.

There are no material effects on the consolidated financial statements of AUTO1 SE.

Improvements to IFRS 2015—2017

Four IFRSs were amended by the Annual Improvements to IFRSs (2015-2017).

The amendments to IFRS 3 clarify that when an entity obtains control of a business that was previously held as a joint operation, it must apply the requirements for a business combination achieved in stages. The interest previously held by the acquirer must be remeasured.

The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that was previously held as a joint operation, the entity does not remeasure its previously held interests.

The amendments to IAS 12 clarify that all income tax consequences of dividends paid are accounted for in the same manner as the income on which the dividends are based.

Finally, the amendments to IAS 23 set out that if an entity borrows general funds for the purpose of obtaining a qualifying asset, the costs of borrowing made specifically for the purpose of obtaining a qualifying asset are not to be considered in the determination of the capitalisation rate until substantially all the activities necessary to prepare that asset for its intended use or sale are complete.

The amendments have no material impact on the consolidated financial statements of AUTO1 SE.

The AUTO1 Group has no plans for early adoption of the following new or amended standards and interpretations that will become effective in future reporting periods. Unless otherwise indicated, their effects on the consolidated financial statements of AUTO1 are currently being examined.

a) EU endorsement has been given

Amendments to IAS 1 and IAS 8—Definition of material

The amendments provide a uniform and precise definition of materiality of financial statement information in IFRS including guidance. They harmonise the definitions from the Conceptual Framework, IAS 1, IAS 8, and IFRS Practice Statement 2 Making Materiality Judgements. The amendments are effective from 1 January 2020. Earlier application is permissible.

The Group currently assumes that there will be no material effects on the consolidated financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards

The revised Conceptual Framework consists of a new introductory 'Status and purpose of the conceptual framework' chapter as well as eight complete chapters.

It now includes chapters on the 'Reporting entity' and 'Presentation and disclosure'; the 'Recognition' chapter was expanded to include 'Derecognition'. There were also content changes: for example, the distinction between revenue and gains under income has been abandoned. In line with the amended Conceptual Framework, references to the conceptual framework were updated in various standards.

The Group currently assumes that there will be no material effects on the consolidated financial statements.

b) EU endorsement still pending

Amendments to IFRS 3—Definition of a Business

With this amendment, the IASB clarifies that a business consists of a set of activities and assets that must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Furthermore, the definition of outputs now focuses on goods and services provided to customers; reference is no longer made to lowering costs. The new requirements also include an optional concentration test to make identifying a business easier. Subject to endorsement by the EU, these amendments are applicable for business combinations, which have an acquisition date on or after 1 January 2020. Earlier application is permissible.

The Group currently assumes that there will be no material effects on the consolidated financial statements.

IFRS 17—Insurance Contracts

IFRS 17 supersedes IFRS 4 and thus for the first time establishes uniform principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts

with discretionary participation features. According to the IFRS 17 measurement model, groups of insurance contracts are measured on the basis of the expected value of discounted cash flows with an explicit risk adjustment for non-financial risk and a contractual service margin that results in the recognition of profit as service performance.

Instead of premium income, the changes from the liability for insurance coverage for which the insurer receives a fee and the portion of the premiums that cover the acquisition costs are recognised in each period as "insurance revenue". Cash flows from savings components are not recognised in the statement of profit or loss as revenue or income/expense. Financial insurance income and expense result from discounting effects and financial risks. They can be recognised either in the statement of profit or loss or in other comprehensive income for each portfolio.

Changes in assumptions not relating to interest rates or financial risk are not recognised directly in profit or loss but posted against the contractual service margin and thus allocated over the term of the services still to be performed. Changes in estimates are recognised directly only for onerous groups of insurance contracts.

IFRS 17 provides for an approximation method for short-duration contracts, whereby the liability for insurance coverage is, as before, recognised by way of unearned premiums. Under IFRS 17, liabilities from claims incurred but not yet settled must be discounted at current interest rates.

Subject to endorsement by the EU, entities are required to apply IFRS 17 to reporting periods beginning on or after 1 January 2021. Earlier application is permissible. If retroactive application is not possible, the contractual service margin can be determined at the date of transition using a modified retroactive method or by comparing the expected value of the discounted cash flows and risk adjustment with the fair value at the date of transition.

The Group currently assumes that there will be no material effects on the consolidated financial statements.

Amendments to IFRS 10 and IAS 28—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

These amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

According to IFRS 10, if a parent loses control of a subsidiary, the parent recognises the gain or loss from the sale of the subsidiary in full in profit or loss. By contrast, the currently applicable IAS 28.28 requires that profits and losses resulting from sales transactions between an investor and an equity-accounted investee—be it an associate or joint venture—are recognised in the investor's financial statements only to the extent of the investors' interest in the associate or joint venture.

In future, the gain or loss resulting from a transaction is to be recognised in full only when the sold or contributed assets constitute a business as defined by IFRS 3. This applies regardless of whether the transaction has the structure of a share deal or an asset deal. Gains or losses resulting from the sale of assets that do not constitute a business, on the other hand, are only proportionately recognised.

The date of first-time adoption of the amendments has been deferred indefinitely by the IASB.

Amendment to IFRS 9, IAS 39 and IFRS 7—Interest Rate Benchmark Reform

The amendments are based on the existing uncertainties related to the IBOR reform (interbank offered rate reform). According to the existing rules on hedge accounting, the pending amendments of reference interest rates would result in many cases in a discontinuation of hedging relationships. For a transition period continuation of the balance sheet presentation of existing hedge accounting relationships is possible. In this regard, the amendments provide for specific binding exceptions for existing hedge-accounting requirements, e.g. for the assessment of the highly probable criterion for expected transactions under cash flow hedges.

Subject to endorsement by the EU, the amendments are to be applied to reporting periods beginning on or after 1 January 2020. Early adoption of amendments is permitted, provided these have been endorsed in the European Union.

The Group currently assumes that there will be no material effects on the consolidated financial statements.

4 Summary of significant accounting policies

The accounting policies set out below have been applied consistently by the group entities for all periods presented in these consolidated financial statements, except where explained in the corresponding policy.

4.1 Presentation

Presentation in the consolidated statement of financial position differentiates between current and non-current assets and liabilities. Assets and liabilities are classified as current if they are expected to be realised or settled within one year or within a longer and normal course of business. Deferred tax assets and liabilities and similar obligations are generally presented as non-current items.

4.2 Basis of consolidation

The Group currently includes 56 subsidiaries in the consolidated group. Subsidiaries are entities controlled by the Group. The consolidated financial statements include the financial statements of the subsidiaries from the date that control commences until the date that control ceases. Control only exists if the parent has the power over the subsidiary, is exposed to opportunity or risk in respect of variable returns, and can influence the amount of variable returns, based on voting or other rights.

The financial statements of consolidated subsidiaries included in the consolidated financial statements are prepared as at the reporting date of the consolidated financial statements according to uniform recognition and measurement principles. All intercompany assets and liabilities, income and expenses as well as cash flows from transactions between consolidated entities are eliminated in the course of the consolidation process. Changes in equity interests in the Group's subsidiaries that reduce or increase the parent's percentage ownership without loss of control are accounted for as an equity transaction between owners.

4.3 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euro, which is AUTO1 SE's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currency are generally recognised in profit or loss at year-end exchange rates.

Group companies

The assets, liabilities, financial position and financial performance of foreign operations (none of which has the currency of a hyperinflationary economy) that have a different functional currency to the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate on the respective reporting date;
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting currency translation differences are recognised in the other comprehensive income.

For consolidation, exchange rate differences arising from the translation of net investments in foreign currency are recognised in other comprehensive income.

The euro is the functional currency of the entities in the consolidated group, which have their primary economic environment within the European currency area and entities whose operations are integral to these entities.

The most significant translation effects result from foreign operations with the following functional currencies:

	Closing rate as at		Average rate for the financial year	
Foreign currency per EUR	**31 Dec. 2019**	**31 Dec. 2018**	**2019**	**2018**
SEK	10.45	10.25	10.58	10.26
USD	1.12	1.15	1.12	1.18

4.4 Intangible assets

Currently the intangible assets of the Group are immaterial and represent acquired licences. These are initially measured at cost and subsequently amortised on a straight-line basis over the useful life of three years.

4.5 Property, plant & equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment consists of expenses directly attributable to the acquisition that are incurred to bring the asset into an operational state. Subsequent acquisition costs, including costs of repair and maintenance, are only recognised as part of the asset's acquisition costs, or if relevant, as a separate asset when it appears likely that the Group will retain future economic benefits and the cost of the asset can be reliably determined. All other expenditures (e.g. for ongoing repair and maintenance costs) are expensed as incurred.

Depreciation of property, plant and equipment is calculated on a straight-line basis over the following useful lives:

Property, plant & equipment	Average useful life
Buildings	5–15 years
Other operating and office equipment	3–13 years

In addition to depreciation, an impairment test is performed and an impairment is recognised, as required, if there are any relevant events or changes in circumstances that indicate a possible impairment of property, plant and equipment.

Property, plant and equipment are either derecognised at the time of disposal or when it is determined that there are no longer economic benefits attributable to such items. Gains or losses from disposals or decommissioning are recorded in the statement of profit or loss in the period in which they arise.

The residual carrying amounts and estimated useful lives and the depreciation methods are reviewed annually and adjusted where necessary.

4.6 Leases

A contract is or contains a lease if it conveys a right to control the use of an identified asset for a period of time in exchange for consideration. In the Group such contracts mainly relate to leases of property and cars where a group entity acts as lessee. These contracts are recognised as right-of-use assets and lease liabilities.

The lease liability is initially measured at the present value of the unpaid lease payments at the inception date, discounted using the Group's incremental borrowing rate. For subsequent measurement, the amount of the lease liability is increased by the interest expense for the lease liability and decreased by the lease payments made. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or interest rate, a change in the estimate of the amount expected to be payable under any residual value guarantee, or changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. Lease payments with respect to repayment of the principal and payments of interest are classified as financing activities in the cash flow statement.

The right-of-use asset is initially measured at cost which comprises the lease liability amount, payments made before or at the commencement of the lease, replacement costs and initial direct costs and subsequently at amortised cost, that is less accumulated depreciation and other impairment losses and adjusted for certain remeasurements of the lease liability.

If a leased property is subleased, the sublease contracts are classified as operating or finance leases by assessing the transfer of risks and rewards with reference to the right-of-use asset arising from the head lease.

The Group has applied judgement to determine the lease term of some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options affects the lease term and thus the amount of lease liabilities and right-of-use assets recognised.

AUTO1 has measured the lease liabilities and the right-of-use assets as described above for the first time for opening IFRS statement of financial position as at 1 January 2016.

4.7 Inventories

The Group's inventories consist of used cars. Inventories are stated at the lower of cost or net realisable value. The cost for the car inventory is determined by specific identification. Net realisable value is the estimated selling price less costs to complete, dispose and transport cars. Selling prices are derived from historical data and trends, such as sales price and inventory turnaround time of similar cars, as well as independent market sources. Each reporting period the Group recognises all necessary adjustments to present the car inventory at the lower of cost or net realisable value in cost of sales. If there are significant changes to the estimated car selling prices or the demand for used cars declines, significant adjustments to recognise the inventories at net realisable value may be necessary.

4.8 Financial instruments

Financial assets

Initial measurement of financial assets

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of financial asset not measured at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition of the financial asset. The transaction costs of a financial asset measured at fair value through profit or loss are recognised in profit or loss. A trade receivable that does not have a significant financing component is initially measured at fair value including the transaction costs (transaction price).

Classification of financial assets

On initial recognition, a financial asset is classified and measured as follows:

- at amortised cost
- FVOCI debt instruments (investments in debt instruments measured at fair value through other comprehensive income)
- FVOCI equity instruments (equity instruments measured at fair value through other comprehensive income)
- FVTPL (at fair value through profit or loss)

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets. In this case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the financial asset is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity instrument that is not held for trading, the Group can irrevocably elect to present subsequent value changes in the investment's fair value in other comprehensive income. This decision is made on a case-by-case basis for each investment.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. No financial assets were classified at FVTPL at AUTO1 in the financial year. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Within the AUTO1 Group, financial assets comprise cash and cash equivalents, trade receivables and security deposits.

Financial assets—Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information to be considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice; this includes whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the profit/loss of the portfolio is assessed and reported to group management
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed
- how the managers are remunerated—for instance, whether the remuneration is based on the fair value of the managed assets or on the collected contractual cash flows—and
- the frequency, volume and timing of sales of financial assets in prior periods and expectations about future sales activity.

Transfers of financial assets to third parties by transfers that do not result in derecognition are not considered sales if the Group continues to recognise the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic credit risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This requires assessing whether the financial asset contains a contractual agreement that could change the timing or the amount of contractual cash flows such that these no longer meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that would adjust the interest rate, including variable interest rates
- early redemption and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise all cash-related assets that have a remaining term of less than three months at the date of acquisition or investment. This mainly includes cash at banks and cash on hand. Cash and cash equivalents are measured at amortised cost.

Impairment of financial assets

The Group recognises allowances for expected credit losses (ECL) for:

- financial assets at amortised cost
- and other assets

Based on materiality, the Group does not measure allowances for 12-month expected credit losses as this solely related to the bank balances item. AUTO1 only maintains business relations with principal banks with a high credit rating.

To assess whether the credit risk of a financial asset since initial recognition has significantly increased and for the assessment of expected credit losses the Group considers reasonable and supportable information which is relevant and available without undue cost or effort. This covers both quantitative and qualitative information and analysis, which is based on past experience of the Group and in-depth assessments, inclusive of forward-looking information.

Trade receivables

Trade receivables for which recoverability is classified as low or which are impaired (e.g. in the event of insolvency of dealer) are deemed not recoverable. Such trade receivables are recognised as impaired and written down. Write-down constitutes a derecognition event whereby the gross carrying amount of such trade receivables is reduced by the amount previously recognised on the allowance account. Receivables that are written down can continue to be recovered in line with the dunning procedure of the Group.

Other financial assets

The ECLs for all other financial assets are recognised in two stages:

- for financial assets for which there has not been a significant increase in credit risk since initial recognition, the Group recognises credit losses which represent the lifetime shortfalls that would result if a default occurs in the 12 months after the reporting date or a shorter period if the expected life of a financial instrument is less than 12 months.
- for those financial assets for which there has been a significant increase in credit risk since initial recognition, a loss allowance reflects credit losses expected over the remaining life of the financial asset.

However, in the Group all other financial assets are of high credit quality and the application of the above principal does not lead to recognition of any material impairment losses.

Derecognition

The Group derecognises the financial assets when the contractual rights to the cash flows from the assets expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expired.

Financial liabilities

Initial measurement of financial liabilities

Financial liabilities are initially recognised at fair value, in case of financial liabilities measured at amortised cost, less transaction costs.

Classification of financial liabilities

Financial liabilities are classified as those measured at fair value through profit or loss or those measured at amortised cost. Financial liabilities are measured at amortised cost unless they are required to be measured at fair value through profit or loss. If financial liabilities measured at amortised cost contain embedded derivatives that are not closely related to the host instrument, such embedded derivatives are separated and accounted for at fair value through profit or loss. All financial liabilities of the Group are measured at amortised cost.

Interest expenses arising on financial liabilities measured at amortised cost are recognised in profit or loss according to the effective interest method.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are not yet paid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value less transaction costs and are subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the term of the borrowings using the effective interest method. Fees and directly attributable expenses paid on the establishment of loan facilities are deferred to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is recognised over the duration of the loan facility.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or interest expenses and other finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

If the Group has the right to settle borrowings in a fixed number of own shares, such financial instruments are classified as equity.

4.9 Provisions

Provisions are recognised for present or legal obligations arising from past events that will probably give rise to an outflow of resources provided that a reliable estimate can be made of the amount of the obligations.

Where the cash outflow to settle an obligation is expected to occur after one year, the provision is recognised at the present value of the expected cash outflow. Claims for reimbursements from third parties are separately represented in the statement of financial position if their realisation is virtually certain.

4.10 Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related services, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations under other liabilities in the statement of financial position.

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to present value.

4.11 Share-based payment

Share-based payments of the Group are primarily cash-settled share-based payment transactions. The settlement is contingent upon an exit event and vesting of the awards is subject to service vesting conditions. The fair value of the amount payable to employees is recognised as an expense with a corresponding increase in provisions over the period that the employees unconditionally become entitled to payment. The provision is remeasured at each reporting date and at settlement date. Any changes in the fair value of the provision are recognised as personnel expense in profit or loss.

The shareholders of the Company agreed by way of resolution to fully release the Company from the costs of the share-based payments arising in case of a liquidity event. The Group concluded that such an agreement meets the definition of a financial asset and thus recognises a receivable. The receivable is measured applying the same principles as the corresponding provision. The changes are reported in equity in other equity reserves on the basis that this is a transaction with shareholders in their capacity as shareholders.

4.12 Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the Group. Moreover, contingent liabilities can be present obligations that arise from past events but which are not recognised on the statement of financial position as it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. According to IAS 37, such contingent liabilities are not recorded in the statement of financial position but are disclosed in the Notes.

4.13 Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, under this item. Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners.

4.14 Revenue recognition

Revenue is recognised when a customer obtains control of promised goods or services and is recognised in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services.

Car sales to dealers

The Group sells used cars which it acquires from individual sellers to dealers using online auctions. The corresponding revenue is recognised after a successful auction when the dealer meets all the contractual obligations (such as transfer of the payment or entering into a financing agreement). Sold cars are not subject to the right of return.

Cars are sold at a fixed contract price which comprises the price achieved at the auction and any other related fees. The Group may however offer discounts for future purchases in case of customer complaints. These discounts are recognised as a reduction of the current revenue and the corresponding contract liability when offered.

If the dealer contracts an AUTO1 entity to deliver the car, due to short delivery times, the revenue for the delivery performance obligation is recognised when the dealer receives the car at the specified location.

Sales taxes and other taxes from customers collected on behalf of governmental authorities at the time of sale are not included in revenue and other operating income or cost of sales.

Remarketing

The distribution channel Remarketing is the same as sale of cars to dealers except that sellers are commercial car companies (B2B) and not individual sellers (C2B). Under this business model AUTO1 is exposed to inventory risk only if the sale fails despite of a successful auction, for example if the dealer fails to make payment when due (before the auction the inventory risk is retained by the seller and after the auction the inventory risks passes to the dealer). Therefore, a judgement is required to determine whether AUTO1 acts as principal or agent. It was determined that AUTO1 acts as a principal because it sets the pricing of the cars, establishes the terms of the auction, validates the auction results, is subject to inventory risk in case of failed sales, and as a result AUTO1 is primarily responsible for fulfilling the performance obligation of providing the car to end customers.

Car sales to individual customers

The Group also sells cars to individual customers. The revenue is recognised at a point in time when the car is transferred to the customer. Cars sold to individual customers are subject to a 14-days right of return.

4.15 Income taxes

Taxes on income for the period are the sum of current and deferred income taxes.

Current income taxes

The current income tax expenses are calculated by applying the tax regulations enacted as at the reporting date in the countries in which the AUTO1 Group operates. In assessing income tax positions, estimates are required. The assessment by the respective tax authorities may deviate. This uncertainty is reflected by recognising uncertain tax positions only if AUTO1 Group assesses the probability of occurrence as being greater than 50%.

Current tax liabilities or tax assets for the current period or earlier periods are measured at the amount in which a payment to the tax authorities or refund from the tax authorities is expected.

Deferred income taxes

Deferred taxes are recognised in accordance with IAS 12 on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base. Furthermore, deferred tax assets are recognised for tax loss carry forwards. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for temporary differences and tax loss carry forwards to the extent to which it is probable that sufficient future taxable income will be available against which deductible temporary differences and/or loss carry forwards can be utilised.

Deferred taxes are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

The change in deferred taxes is recognised in the statement of profit or loss provided it relates to items that were recognised in the statement of profit or loss. If the items in the consolidated financial statements directly relate to equity or other comprehensive income (OCI), the corresponding deferred taxes are also recognised in these items.

Deferred tax liabilities arising for all taxable temporary differences related to investments in subsidiaries, branches, associates or joint arrangements are recognised but only to the extent that the entity is able to control the timing of the reversal of taxable temporary differences and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and deferred tax assets and liabilities relate to the same taxable entity and are assessed by the same taxation authority.

4.16 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value reflects its non-performance risk.

The Group assesses the inputs used to measure fair value using the three-tier hierarchy. The hierarchy indicates the extent to which inputs used in measuring fair value are observable in the market.

Level 1 Inputs include unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices from identical or similar assets or liabilities in inactive markets and observable inputs for the asset or liability.

Level 3 Inputs that are significant to the measurement that are not observable in the market and include management's judgements about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk).

All fair value measurements applied in these financial statements are Level 2 and Level 3.

4.17 Error correction

In financial year 2019 the Group identified that VAT receivables had been overstated in prior years. The error was corrected by restating accordingly the items concerned in the statement of financial position and statement of profit or loss and other comprehensive income for the prior year. Adjustments affecting the financial year 2017 and earlier years were appropriately recorded in the accumulated deficit as at 1 January 2018.

The following table summarises the effects on the consolidated statement of financial position.

Consolidated statement of financial position

	Effects of error correction		
1 Jan. 2018	**As reported earlier**	**Adjustments**	**Restated**
Other assets (current)	32,947	(23,513)	9,434
Other	426,865	—	426,865
Total assets	**459,812**	**(23,513)**	**436,299**
Other	296,747	—	296,747
Total liabilities	**296,747**	—	**296,747**
Accumulated deficit	(273,953)	(23,513)	(297,466)
Other	437,018	—	437,018
Total equity	**163,065**	**(23,513)**	**139,552**

	Effects of error correction		
31 Dec. 2018	**As reported earlier**	**Adjustments**	**Restated**
Trade receivables	41,321	(3,537)	37,784
Other assets (current)	68,163	(26,821)	41,342
Other	458,540	—	458,540
Total assets	**568,024**	**(30,358)**	**537,666**
	75,565	1,711	77,276
Other	221,973	0	221,973
Total liabilities	**297,538**	**1,711**	**299,249**
Accumulated deficit	(391,362)	32,069	(423,431)
Other	661,848	—	661,848
Total equity	**270,486**	**(32,069)**	**238,417**

Consolidated statement of profit or loss and other comprehensive income

	Effects of error correction		
31 Dec. 2018	**As reported earlier**	**Adjustments**	**Restated**
Revenue	2,855,894	(3,537)	2,852,357
Other operating expenses	(188,615)	(5,020)	(193,635)
Other	(2,784,373)	—	(2,784,373)
Loss for the year	**(117,094)**	**(8,556)**	**(125,650)**
Total comprehensive income	**(116,808)**	**(8,556)**	**(125,364)**

5 Notes to the consolidated statement of profit or loss and other comprehensive income

5.1 Revenue

KEUR	1 Jan. 2019– 31 Dec. 2019	1 Jan. 2018– 31 Dec. 2018 *Restated*
Merchant platform	3,394,550	2,820,360
Retail business	81,412	31,997
Total revenue	**3,475,962**	**2,852,357**

Revenue from the merchant platform mainly comprise core business sales, but also include fees from remarketing, logistics and all other fees in connection with providing the cars to merchants.

Revenue from the retail business consist of car sales to individual customers.

The increase in revenue over the prior year is due to the international expansion of the Group.

5.2 Cost of sales

KEUR	1 Jan. 2019– 31 Dec. 2019	1 Jan. 2018– 31 Dec. 2018
Cost of sold cars	(3,038,197)	(2,545,350)
Other cost of sales	(95,231)	(64,576)
Total	**(3,133,428)**	**(2,609,926)**

Cost of sales increased proportionally with the revenue of the Group.

5.3 Other operating income

Other operating income mainly consists of income from compensation and other claims for the settlement of car trade and a management fee from an associate.

5.4 Personnel expenses

KEUR	1 Jan. 2019– 31 Dec. 2019	1 Jan. 2018– 31 Dec. 2018
Wages and salaries	(151,642)	(119,750)
Social security contributions	(35,443)	(28,270)
Share-based payment	(36,946)	(10,841)
Other	(4,815)	(3,262)
Total	**(228,846)**	**(162,123)**

The increase in personnel expenses is primarily attributable to the higher average number of employees year by year and the increase in share-based payment in line with the increase in corporate value.

The following table shows the average number of employees in each financial year:

	2019	2018
Employees	4,375	3,505
Executive staff	43	41
Total	**4,418**	**3,546**

5.5 Other operating expenses

KEUR	1 Jan. 2019–31 Dec. 2019	1 Jan. 2018–31 Dec. 2018 *Restated*
Marketing costs	(122,673)	(96,927)
Internal logistics costs	(45,005)	(33,864)
Legal and consulting	(6,521)	(8,684)
Impairment on receivables	(495)	(165)
Other expenses	(43,378)	(53,995)
Total	**(218,072)**	**(193,635)**

The increase of other operating expenses mainly results from higher marketing expenses and internal logistics costs. This is in contrast to the other operating expenses, where it was possible to reduce costs compared to the prior year.

5.6 Interest income and other finance income and interest expense and other finance costs

KEUR	1 Jan. 2019–31 Dec. 2019	1 Jan. 2018–31 Dec. 2018
Interest income and other finance income		
Interest income	417	242
Other finance income	233	21
Total	**650**	**263**
Interest expense and other finance costs		
Interest expenses	(6,360)	(3,333)
Other interest and similar expenses	—	(39)
Total	**(6,360)**	**(3,372)**
Financial result	**(5,710)**	**(3,109)**

The interest expenses mainly consist of accrued interest from the credit facility and lease liabilities. The interest income relates to accrued interest from the lending to AUTO1 FT GmbH and to interest for late VAT refunds.

5.7 Income tax expense

Income tax expense charged to the statement of profit or loss and other comprehensive income

KEUR	1 Jan. 2019–31 Dec. 2019	1 Jan. 2018–31 Dec. 2018
Deferred tax expense	(81)	—
Current tax expense (current year)	(2,044)	(958)
Current tax expense (changes in estimates related to prior years)	—	370
Total	**(2,125)**	**(588)**

No current taxes have been recognised in OCI or have been credited directly to equity.

The effective income tax expense is reconciled as follows:

KEUR	1 Jan. 2019–31 Dec. 2019	1 Jan. 2018–31 Dec. 2018 Restated
Earnings before tax	(119,140)	(121,953)
Expected income tax rate (rate of the Parent)	30.175%	30.175%
Income tax at the expected income tax rate	35,951	36,799
Increase/(decrease) in income tax expense due to:		
Effect of deviations between the company's domestic and foreign tax rates	(10)	3,053
Effect of non-deductible expenses for tax purposes / tax-exempt income	(3,827)	13,275
Effect of non-recognition of deferred tax assets on tax loss carry forwards	(21,934)	(51,017)
Effect of non-recognition of deferred tax assets on temporary differences	(12,007)	(3,134)
Taxes for previous years	—	370
Other differences	(297)	66
Total tax income (+) / expenses (–)	**(2,125)**	**(588)**
Effective tax rate	–1.784%	–0.482%

The tax rate applied to determine the expected tax income corresponds to the tax rate of the AUTO1 Group SE, Berlin, Germany, and comprises the tax rate for corporation tax inclusive of solidarity surcharge of 15.825% and the trade tax rate of 14.350%.

6 Notes to the consolidated statement of financial position

6.1 Intangible assets

KEUR	Acquired intangible assets	Total
Gross carrying amount as at 1 Jan. 2019	**114**	**114**
Additions	17	17
Reclassifications	(8)	(8)
Disposals	2	2
Gross carrying amount as at 31 Dec. 2019	**121**	**121**
Accumulated amortisation as at 1 Jan. 2019	**78**	**78**
Additions	10	10
Reclassifications	(8)	(8)
Disposals	2	2
Accumulated amortisation as at 31 Dec. 2019	**78**	**78**
Net carrying amounts as at 31 Dec. 2019	**43**	**43**

KEUR	Acquired intangible assets	Total
Gross carrying amount as at 1 Jan. 2018	**109**	**109**
Additions	5	5
Gross carrying amount as at 31 Dec. 2018	**114**	**114**
Accumulated amortisation as at 1 Jan. 2018	**54**	**54**
Additions	24	24
Accumulated amortisation as at 31 Dec. 2018	**78**	**78**
Net carrying amounts as at 31 Dec. 2018	**36**	**36**

The intangible assets of the Group consist mainly of acquired licences.

6.2 Property, plant & equipment

KEUR	Land and buildings	Other equipment	Right-of-use assets	Total
Gross carrying amount as at 1 Jan. 2019	**555**	**6,950**	**79,326**	**86,831**
Additions	185	3,359	25,769	**29,313**
Reclassifications	(78)	78	—	—
Disposals	—	683	14,115	**14,798**
Currency translation differences	15	(25)	(30)	(39)
Gross carrying amount as at 31 Dec. 2019	**677**	**9,679**	**90,950**	**101,306**
Accumulated depreciation as at 1 Jan. 2019	**181**	**2,964**	**37,015**	**40,160**
Additions	49	2,113	18,449	**20,611**
Reclassifications	(12)	12	—	—
Disposals	—	212	14,278	**14,490**
Currency translation differences	(42)	—	(1)	**(43)**
Accumulated depreciation as at 31 Dec. 2019	**176**	**4,877**	**41,185**	**46,238**
Net carrying amounts as at 31 Dec. 2019	**502**	**4,802**	**49,765**	**55,069**

KEUR	Land and buildings	Other equipment	Right-of-use assets	Total
Gross carrying amount as at 1 Jan. 2018	**392**	**4,350**	**59,826**	**64,568**
Additions	425	3,268	19,500	**23,194**
Disposals	(262)	(668)	—	**(931)**
Gross carrying amount as at 31 Dec. 2018	**555**	**6,950**	**79,326**	**86,831**
Accumulated depreciation as at 1 Jan. 2018	**117**	**2,262**	**22,890**	**25,269**
Additions	64	779	14,085	**14,928**
Disposals	—	(77)	—	**(77)**
Currency translation differences	—	—	40	**40**
Accumulated depreciation as at 31 Dec. 2018	**181**	**2,964**	**37,015**	**40,160**
Net carrying amounts as at 31 Dec. 2018	**374**	**3,986**	**42,311**	**46,671**

The largest group of property, plant and equipment of AUTO1 are leased property and cars presented as right-of-use assets. Further information regarding leases is presented in Note 6.3.

6.3 Leases

The Group leases property and cars. However, car leasing is not material. The leases are recognised as right-of-use assets which are presented under property, plant and equipment (see Note 6.2) and the corresponding lease liabilities (see Note 6.14).

Amounts recorded in profit or loss and other comprehensive income with respect to the leases were as follows:

KEUR	1 Jan. 2019–31 Dec. 2019	1 Jan. 2018–31 Dec. 2018
Depreciation of right-of-use assets:	18,449	14,085
Interest expense on lease liabilities	1,690	1,210
Total	**20,139**	**15,295**

The depreciation of right-of-use assets is determined by the lease term.

The maturity analysis of undiscounted contractual cash flows of the lease liabilities is presented below:

KEUR	31 Dec. 2019	31 Dec. 2018
Maturity analysis—		
Contractual undiscounted cash flows		
< 1 year	16,196	14,561
1–5 years	32,599	26,433
> 5 years	6,228	7,058
Total undiscounted lease liabilities as at 31 Dec.	**55,023**	**48,052**
Lease liabilities in the statement of financial position as at 31 Dec.	**51,260**	**43,683**

The cash payments for the leases during the reporting and comparative periods are disclosed in the statement of cash flows under financing activities.

AUTO1 measured the lease liabilities on initial recognition at the present value of the remaining lease payments at the inception of the lease, discounted using the lessee's incremental borrowing rate of 3%.

6.4 Deferred taxes

Deferred tax assets on tax loss carry forwards / tax credits and deductible temporary differences are recognised only to the extent that the realisation of the tax benefit through future taxable profits is probable.

The changes in deferred tax assets and liabilities result from the effects presented below. The changes in deferred taxes resulting from the reversal of temporary differences have been recognised in consolidated statement of profit or loss and other comprehensive income. No changes of deferred taxes have been recognised in OCI or have been credited directly to equity.

Deferred tax assets and liabilities are as follows:

KEUR	31 Dec. 2019	31 Dec. 2018
Deferred tax assets	25,667	16,896
Deferred tax liabilities	(25,077)	(16,896)
Net deferred taxes recognised	**590**	**—**

Deferred taxes per classification of assets and liabilities related to temporary differences as at 31 December 2019 are as follows:

	31 Dec. 2019	
KEUR	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	—	(15,028)
Inventories	—	(10,049)
Financial liabilities (non-current)	15,028	—
Other liabilities (non-current)	10,049	—
Other provisions (current)	589	—
Other liabilities (current)	1	—
Total temporary differences	**25,667**	**(25,077)**
Total	**25,667**	**(25,077)**
Offsetting	**(25,077)**	**25,077**
Total after offsetting	**590**	—

Deferred taxes according to assets and liabilities related to temporary differences as at 31 December 2018 are as follows:

KEUR	31 Dec. 2018 Deferred tax assets	31 Dec. 2018 Deferred tax liabilities
Property, plant and equipment	—	(12,767)
Inventories	—	(4,129)
Financial liabilities (non-current)	12,767	—
Other liabilities (non-current)	4,129	—
Total temporary differences	**16,896**	**(16,896)**
Total	**16,896**	**(16,896)**
Offsetting	**(16,896)**	**16,896**
Total after offsetting	**—**	**—**

Deferred tax assets have not been recognised in respect to the following temporary differences (gross amount), because it is not probable that future taxable profit will be available for use by the Group.

KEUR	31 Dec. 2019	31 Dec. 2018 Restated
Financial liabilities	1,487	1,374
Other liabilities	112,294	72,616
Total	**113,781**	**73,990**

Furthermore, deferred tax assets have not been recognised in respect of the following tax loss carry forwards that never expire (unlimited tax and interest loss carry forwards):

KEUR	31 Dec. 2019	31 Dec. 2018 Restated
Tax loss carry forwards	380,940	308,251
Interest carry forward	12,186	7,662

As at 31 December 2019, no deferred tax liability related to investments in subsidiaries has been recognised, since the Group controls the timing of the reversal of the related taxable temporary differences. A reversal of the taxable temporary differences is not planned by management in the foreseeable future. As at 31 December 2019, taxable temporary differences relating to investments in subsidiaries amounted to KEUR 0 (2018: KEUR 0).

6.5 Inventories

The car inventory is pledged as collateral for liabilities to financial institutions (see Note 6.12).

6.6 Trade and other receivables

KEUR	31 Dec. 2019	31 Dec. 2018 Restated
Trade receivables	**43,458**	**33,814**
Other receivables	**3,360**	**3,970**
Total	**46,818**	**37,784**

The carrying amounts of trade receivables are considered to be the same as their fair values due to their short-term nature Information about the Group's exposure to credit risk and the impairment measurement is presented in Note 9. The allowance account did not contain material amounts at either of the reporting dates.

Trade receivables are pledged as collateral for liabilities to financial institutions (see Note 6.12).

6.7 Other financial assets

KEUR	31 Dec. 2019	31 Dec. 2018
Other non-current financial assets		
Claims against shareholders in respect of share-based payments	108,500	71,554
Loan to AUTO1 FT GmbH	5,628	5,025
Deposits	4,590	3,420
Total	**118,718**	**79,999**
Other current financial assets		
Deposits	816	1,108
Other	—	1,374
Total	816	**2,482**

AUTO1 has an agreement with its shareholders to reimburse AUTO1 for its obligations under the share-based payments. AUTO1 recognises an asset with respect to this reimbursement right measured in the same amount as the corresponding liability for share-based payments (see Note 6.10). The remeasurements are recognised under the share-based payment reserve.

Deposits are mainly security deposits for lease agreements.

6.8 Other assets

Other assets contain mainly VAT receivables and prepaid expenses for rents, insurances and occasionally other items. VAT receivables rose due to increased business activities.

6.9 Cash and cash equivalents

Cash balances are pledged as collateral for liabilities to financial institutions (see Note 6.12).

6.10 Share-based payments

The Company operates a Virtual Share Incentive programme, whereby current and future members of the Board of Management as well as employees, freelancers or consultants of the Company who participate in the programme receive virtual shares. The virtual shares vest in four yearly tranches. The virtual shares are settled in cash upon occurrence of one of the following liquidity events: (i) any sale of at least 50% of all shares in the Company, (ii) an asset deal involving the transfer of individual assets of the Company, (iii) the liquidation of the Company or (iv) in the event of an initial public offering (IPO) of the Company. The cash amount is equal to the difference of the valuation of the common shares of the Company above the defined exercise price in case of at such a liquidity event.

The Group accounts for the virtual share programme as a cash-settled share-based payment and recognises a corresponding provision as follows.

KEUR	31 Dec. 2019	31 Dec. 2018
Total carrying amount of provisions	108,500	71,555
Total intrinsic value of vested benefits	100,962	70,321

The fair value of the provision at each reporting date is determined using an option pricing approach by running a Monte Carlo Simulation that takes into account the exercise price, the term of the virtual shares, the impact of liquidity preferences, the share price at each reporting date, the risk-free interest rate for the term of the virtual shares and the expected volatility. The expected price volatility is based on the historic volatility of a defined peer group of companies.

The following parameters were used to determine the carrying amount of the provision:

	31 Dec. 2019	31 Dec. 2018
Risk-free rate	0%	0%
Expected term in years	1.50	1.50
Unlevered volatility	17%	18%
Exercise price	33.87	38.67
Expected dividend	0%	0%
Share price	1,011	789
Fair value of virtual share	708	475.90

The share-based payment provision is remeasured through profit or loss at each reporting date in the amount in which the beneficiaries have rendered services up to the reporting date. Total expenses arising from share-based payment transactions are recognised in the statement of profit or loss and other comprehensive income.

The movements in the outstanding virtual shares are presented below:

	31 Dec. 2019	31 Dec. 2018
Outstanding on 1 January	149,848	129,405
Forfeited during the period	1,723	393
Granted during the period	5,058	20,837
Outstanding on 31 December	153,183	149,848

Selected executives were granted restricted stock units in 2017, which are also classified as cash-settled virtual shares as described above. Vesting of these restricted stock units is solely contingent upon (i) achievement of an IPO or (ii) the sale of more than 50% of the Company's outstanding shares that generates certain multiples of proceeds and internal rates of return based on a prior financing round. These market performance conditions are incorporated into the fair value calculation at each reporting date. The provision for the restricted stock units amounted to KEUR 1,341 as at 31 December 2019 (31 December 2018: KEUR 51).

By shareholder resolution of AUTO1 Group GmbH dated 28 October 2016, the shareholders agreed that the Company is fully released from the costs that the Company incurs under the virtual share incentive programmes in the event of virtual shares being exercised at the time of a liquidity event pro rata in proportion to their participation in the Company's share capital. AUTO1 recognises a financial asset with regards to this reimbursement right (see Note 6.7).

6.11 Provisions

KEUR	1 Jan. 2019	Utilisation	Reversal	Additions	31 Dec. 2018
Provisions for litigation	**841**	(841)	—	736	**736**
Warranties for cars	**1,906**	(285)	—	675	**2,296**
Other provisions	**55**	—	—	40	**95**
Total	**2,802**	**(1,126)**	—	**1,451**	**3,127**

Provisions for cars were mainly formed in connection with warranties, which require group companies to remedy any quality issues of sold cars.

6.12 Borrowings

KEUR	31 Dec. 2019	31 Dec. 2018
Borrowings (non-current)		
Liabilities to financial institutions	151,000	50,000
Accrued interest	22	22
Total	**151,022**	**50,022**
Borrowings (current)		
Liabilities to financial institutions	20,000	20,000
Accrued interest	374	197
Total	**20,374**	**20,197**

As in prior years, liabilities to financial institutions relate to a facility agreement with six banks with a term of three years and a credit line totalling KEUR 235,000. Collateral for these credit lines is provided using the working capital of AUTO1 European Cars B.V. and AUTO 1 Italia Commercio S.R.L and includes the pledging of current accounts, assignment of inventories as security and blanket assignment of receivables. Of these loans, EUR 20 million is shown as current since this amount was repaid in 2020.

6.13 Trade and other payables

Trade and other payables are unsecured.

The carrying amounts are considered to be the same as their fair values, due to their short-term nature. Payment is usually made within 30 days but depends on the individual terms of payment.

6.14 Other financial liabilities

KEUR	31 Dec. 2019	31 Dec. 2018
Other non-current financial liabilities		
Lease liabilities	36,323	30,378
Total	**36,323**	**30,378**
Other current financial liabilities		
Lease liabilities	14,938	13,305
Other	2,599	110
Total	**17,537**	**13,415**

Further information regarding leases is presented in Note 6.3.

6.15 Other liabilities

KEUR	31 Dec. 2019	31 Dec. 2018
Other non-current liabilities		
Personnel-related liabilities	2,083	1,000
Total	**2,083**	**1,000**
Other current liabilities		
Personnel-related liabilities	19,331	12,273
Contract liabilities	39,965	14,870
Other	838	3,655
Total	**60,134**	**30,798**

Other liabilities mainly result from contract liabilities and personnel-related liabilities.

Contract liabilities are prepayments from car dealers for sales of cars and related services, which were not yet recognised as revenue in the reporting period. In addition, a contract liability is recognised when a payment for a customer is due. The revenue in respect of outstanding contract liabilities is recognised shortly after the reporting date.

Personnel-related liabilities primarily include vacation payments, payroll tax liabilities and social insurance contributions.

7 Notes to the consolidated statement of changes in equity

Equity and capital reserve

Number of shares	31 Dec. 2019	31 Dec. 2018
In issue on 1 January	3,420,765	3,121,535
Issued during the year	—	299,230
In issue on 31 December	3,420,765	3,420,765
Authorised capital—par value in EUR	3,518,787	3,518,787

The issued shares are ordinary shares that entitle their holders to the Company's residual assets and to one vote per share at shareholders' meetings.

The shares were issued in exchange for cash.

Nature and purpose of reserves

Currency translation reserve

The currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Other equity reserve

These reserves currently relate to the changes in the receivable from the shareholders of the Company (presented as asset) in respect of the reimbursement right for the share-based payments (see Note 6.10).

8 Cash flows from financing activities

Cash flows from financing activities reconcile to the statement of financial position as follows:

KEUR	31 Dec. 2019	Cash outflow	Cash inflow	Accrued interest expense (non-cash)	Interest expense paid (cash outflow)	Additions/ disposals (non-cash)	FX changes	1 Jan. 2019
Liabilities to financial institutions	**171,396**	**(45,000)**	**146,000**	**4,670**	**(4,921)**	**427**	**—**	**70,220**
Lease liabilities	**51,260**	**(18,291)**	**—**	**1,690**	**—**	**24,187**	**(9)**	**43,683**
Total	**222,656**	**(63,291)**	**146,000**	**6,360**	**(4,921)**	**24,614**	**(9)**	**113,903**

KEUR	31 Dec. 2018	Cash outflow	Cash inflow	Accrued interest expense (non-cash)	Interest expense paid (cash outflow)	Additions/ disposals (non-cash)	FX changes	1 Jan. 2018
Liabilities to financial institutions	70,220	(58,000)	—	3,372	(3,453)	—	—	128,300
Lease liabilities	43,683	(13,885)	—		—	19,500	(46)	38,114
Total	**113,903**	**(71,885)**	**—**	**3,372**	**(3,453)**	**19,500**	**(46)**	**166,415**

9 Financial instruments

Financial instruments of the Group comprise the following financial assets and financial liabilities.

31 Dec. 2019

KEUR	Measurement category	Carrying amount	Fair value	Fair value hierarchy
Financial assets				
Other non-current financial assets	*Measured at fair value*	118,718		
of which due from shareholders	*(Other equity reserves)*	108,500		*3*
of which other non-current financial assets	*Measured at amortised cost*	10,218		*2*
Trade and other receivables	*Measured at amortised cost*	46,818	n/a	n/a
Other current financial assets	*Measured at amortised cost*	816	n/a	n/a
Cash and cash equivalents	*Measured at amortised cost*	57,599	n/a	n/a
Financial liabilities				
Non-current financial liabilities		187,345		
of which financial liabilities to banks	*Measured at amortised cost*	151,022		*2*
of which lease liabilities	*See Note 6.3*	36,323	*n/a*	*n/a*
Trade and other payables	*Measured at amortised cost*	52,059	n/a	n/a
Other current financial liabilities		37,911		
of which financial liabilities to banks	*Measured at amortised cost*	20,374		*2*
of which lease liabilities	*See Note 6.3*	14,938	*n/a*	*n/a*
of which other financial liabilities	*Measured at amortised cost*	2,599		*2*

31 Dec. 2018

KEUR	Measurement category	Carrying amount	Fair value	Fair value hierarchy
		Restated		
Financial assets				
Other non-current financial assets		79,999		
of which due from shareholders	*Measured at fair value through profit or loss*	*71,554*	*71,554*	*3*
of which other non-current financial assets	*Measured at amortised cost*	*8,445*	*8,445*	*2*
Trade and other receivables	*Measured at amortised cost*	37,784	n/a	n/a
Other current financial assets	*Measured at amortised cost*	2,482		
Cash and cash equivalents	*Measured at amortised cost*	116,513	n/a	n/a
Financial liabilities				
Non-current financial liabilities		80,400		
of which financial liabilities to banks . .	*Measured at amortised cost*	50,022	*50,022*	*2*
of which lease liabilities	*See Note 6.3*	30,378	*n/a*	*n/a*
Trade and other payables .	Measured at amortised cost	77,276	n/a	n/a
Other current financial liabilities		33,612		
of which financial liabilities to banks . .	*Measured at amortised cost*	*20,197*	*20,197*	*2*
of which lease liabilities	*See Note 6.3*	13,305	*n/a*	*n/a*
of which other current financial liabilities . .	*Measured at amortised cost*	110	*110*	*2*

The carrying amounts of cash and cash equivalents, trade and other receivable as well as trade payables is approximately their fair value due to their short-term maturities. For all other financial assets and liabilities, no changes have occurred that would have had a material effect on the fair value of these instruments since their initial recognition. No financial assets, which are measured at fair value in other comprehensive income or at amortised cost, are measured through profit or loss.

The net result from financial instruments comprises the following:

31 Dec. 2019

KEUR	Interest	Impairment	Gain (+) / loss (–) from valuation	Total
Financial assets at amortised cost	650	(495)	—	155
Financial assets at fair value	—	n/a	36,945	36,945*
Financial liabilities at amortised cost	(4,670)	—	—	(4,670)
Net result	**(4,020)**	**(495)**	**36,945**	**32,430**

* Relates to the receivable due from shareholders in relation to the share-based payment liability and recognised under 'Other reserves' (see Note 6.7 and Note 6.10 for further detail).

31 Dec. 2018

KEUR	Interest	Impairment	Gain (+) / loss (–) from valuation	Total
Financial assets at amortised cost	263	(165)	—	98
Financial assets at fair value	—	n/a	10,840	10,840*
Financial liabilities at amortised cost	(2,162)	—	—	(2,162)
Net result	**(1,899)**	**(165)**	**10,840**	**8,776**

* Relates to the receivable due from shareholders in relation to the share-based payment liability and recognised under 'Other reserves' (see Note 6.7 and Note 6.10 for further detail).

Financial risk management

The main financial risks faced by the Group are credit risk, market risk, currency risk, and liquidity risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum exposure to credit risk.

The exposure to credit risk with commercial counterparties of the Group is mitigated to the extent that cash is received upfront as a prepayment. Some insignificant impairments arise incidentally. Such impairment losses are measured using the following provision matrix: current: 0.40%; 1 to 180 days overdue: 20%; 181–360 days: 30%; more than 361 days 60%. The impairment loss amounted to KEUR 495 in the reporting period (2018: KEUR 165). If the prospect of recovery is classified as very low, such receivables are written off. The write-off represents a derecognition event. As the impairment losses are immaterial, AUTO1 Group SE does not disclose this amount in a separate line in the consolidated statement of profit or loss and other comprehensive income.

Due to a low volume of/no trade receivables falling under such category in the reporting period, no material impairment losses are recognised.

The Group had cash and cash equivalents of KEUR 57,599 as at 31 December 2019 (2018: KEUR 116,513). The cash and cash equivalents are deposited at banks or financial institutions that have high credit ratings from international rating agencies.

The estimated impairment of cash and cash equivalents has been calculated based on expected losses within twelve months and reflects the short maturities. The Group assumes that cash and cash equivalents present a low default risk on the basis of the external ratings of banks and financial institutions.

The Group uses a similar approach to the one used for debt instruments when determining the expected losses for cash and cash equivalents.

As at 31 December 2019, the impairment loss amounts to KEUR 0 (2018: KEUR 0).

The carrying amount of the financial assets represents the Group's maximum exposure to credit risk. Such trade receivables amounted to KEUR 72,294 (2018: KEUR 16,553).

Market risk

Market risks arise from foreign exchange risk on intercompany financing denominated in euro provided by the parent to the subsidiaries where the functional currency of the subsidiary is differs from euro. However, the exposure to the fluctuations in the exchange rate at the current and comparative reporting dates is immaterial.

The Group is not exposed to interest rate risk to any significant extent because all financing is based on fixed interest rates.

The price risk from remeasurement of the receivable from shareholders is exactly the same as that of the corresponding share-based payment liability which is described in Note 6.9.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity management within the Group aims to ensure that—as far as possible—sufficient liquid funds are always available for the Company to be able to meet its payment obligations when they fall due, under both normal and strained conditions, without suffering unsustainable losses or damaging the Group's reputation.

The Group uses cost accounting to calculate its product and service costs. This makes it possible to monitor cash requirements and optimise the flows to employed capital.

The Group aims to keep cash and cash equivalents at a level that is above the expected cash outflows for financial liabilities. The Group also monitors the level of expected inflows from trade and other receivables together with expected outflows for trade and other payables. As at 31 December 2019, the expected cash flows from trade and other receivables due within two months amounted to KEUR 45,048 (2018: KEUR 34,400). This does not include potential effects from extreme circumstances (for instance natural catastrophes), which cannot be reasonably predicted.

In addition, the Group has a secured credit facility of EUR 235 million. Interest is charged at 3% plus euro LIBOR, with a floor of 0.00 basis points (2018: 3% plus euro LIBOR at 0.00 basis points) for the portion of the credit facility drawn. In addition, commitment interest of 0.50% is charged on the undrawn portion of the credit facility. The credit facility in use is secured using the current inventory.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date.

Maturity analysis of financial liabilities as at 31 December 2019:

31 Dec. 2019

KEUR	< 1 year	1–5 years	> 5 years	Total	Carrying amount
Financial liabilities to banks	20,374	151,022	—	171,396	171,396
Other financial liabilities	2,600	—	—	2,600	2,600
Trade and other payables	52,059	—	—	52,059	52,059
Liabilities arising from lease obligations	14,937	30,308	6,015	51,260	51,260
Total	**89,970**	**181,330**	**6,015**	**277,315**	**277,315**

31 Dec. 2018

Restated

KEUR	< 1 year	1–5 years	> 5 years	Total	Carrying amount
Financial liabilities to banks	20,197	50,022	—	70,219	70,219
Other financial liabilities	110	—	—	110	110
Trade and other payables	77,276	—	—	77,276	77,276
Liabilities arising from lease obligations	13,303	23,823	6,557	43,683	43,683
Total	**110,886**	**73,845**	**6,557**	**191,288**	**191,288**

Capital management

AUTO1 Group's objectives when managing its capital were to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

AUTO1 SE mainly controls AUTO1 Group's liquidity risks by retaining sufficient capital reserves and credit lines with banks as well as through the continuous monitoring of expected and actual cash flows and maintaining a balanced portfolio of financial assets and liabilities with regard to maturities.

The following table shows the Group's total equity and its equity ratio:

KEUR	31 Dec. 2019	31 Dec. 2018
		Restated
Total equity	153,296	238,417
Total equity and liabilities	605,360	537,666
Equity ratio	**25.3%**	**44.3%**

10 Related party disclosure

Key management personnel

For AUTO1 the members of the Board of Management and the Supervisory Board were considered as key management personnel.

The Board of Management consists of Hakan Koç (Founder / Co-Chief Executive Officer), Christian Bertermann (Founder / Co-Chief Executive Officer) and Markus Boser (Chief Financial Officer). Until 30 November 2018, Hakan Koç and Christian Bertermann were managing directors of AUTO1 Group GmbH. From 1 December 2018, they became board members of AUTO1 Group SE together with Markus Boser.

The members of the Supervisory Board are Gerhard Cromme (Chairman of the Supervisory Board), supervisory board member, Andrin Bachmann (Vice-Chairman of the Supervisory Board), venture capital investor, Jonathan Browning, manager, Gerd Häusler, supervisory board member, Akshay Naheta, manager (until 11 March 2020), Spencer Collins, Lawyer (from 11 March 2020).

The key management personnel received remuneration of KEUR 1,457 (2018: KEUR 831).

Furthermore, AUTO1 makes use of the exemption in Section 286 (4) HGB in conjunction with Section 314 (3) HGB.

Other transactions with related parties

In addition to the receivables from AUTO1 FT GmbH, Berlin (associate), the Group has a receivable from its shareholders in respect of the virtual share incentive programmes. This receivable amounted to KEUR 108,500 in 2019 (2018: KEUR 71,554) (see Note 6.10).

The following table shows the receivables from AUTO1 FT GmbH as related party:

KEUR	31 Dec. 2019	31 Dec. 2018
Receivables from related parties (non-current)	5,628	5,025
Receivables from related parties (current)	1,644	2,347
Total	**7,272**	**7,372**

The receivables from AUTO1 FT GmbH relate to a non-current loan from the Group for trade in cars and the provision of car-related services as part of sales to merchants.

The following table shows income from transactions with AUTO1 FT GmbH as related party:

KEUR	31 Dec. 2019	31 Dec. 2018
Sale of goods and services to related parties	3,041	6,215
Purchase of goods and services from related parties	(1,701)	—
Other income	417	186
Total	**1,757**	**6,401**

11 Auditor's fee and services

The following table shows the fees for services provided by KPMG AG Wirtschaftsprüfungsgesellschaft, Germany, the Group auditor for the consolidated financial statements as at and for the financial year ended 31 December 2019:

KEUR	1 Jan. 2019– 31 Dec. 2019	1 Jan. 2018– 31 Dec. 2018
Audit services	303	155
Tax services	272	547
Other services	—	—
Total	575	702

12 Disclosures on participations

On 31 December 2019 the AUTO1 Group SE comprised 60 entities that were included in the scope of consolidation.

Name	Registered office	Total of direct and indirect shareholdings as at 31 Dec. 2019 in %
A1 Engineering	Kiev, Ukraine	100.00
AUTO1 Albania SPHK	Tirana, Albania	100.00
AUTO1 European Auctions GmbH & Co. KG	Berlin, Germany	100.00
AUTO1 European Auctions Verwaltungs GmbH	Berlin, Germany	100.00
AUTO1 European Cars B.V.	Amsterdam, Netherlands	100.00
AUTO1 FT GmbH	Berlin, Germany	20.00
AUTO1 FT Investment GmbH & Co. KG	Berlin, Germany	100.00
AUTO1 FT Investment Verwaltungs GmbH	Berlin, Germany	100.00
AUTO1 FT MI GmbH & Co. KG	Berlin, Germany	80.00
AUTO1 FT PANAS GmbH & Co. KG	Berlin, Germany	80.00
AUTO1 FT Partners Verwaltungs GmbH	Berlin, Germany	100.00
AUTO1 Global Services GmbH & Co. KG	Berlin, Germany	100.00
AUTO1 Group GmbH	Berlin, Germany	100.00
AUTO1 IT Services GmbH & Co. KG	Berlin, Germany	100.00
AUTO1 IT Services Verwaltungs GmbH	Berlin, Germany	100.00
AUTO1 Italia Commercio S.R.L.	Milan, Italy	100.00
AUTO1 Marketing Services GmbH & Co. KG	Berlin, Germany	100.00
AUTO1 N.V.	Amsterdam, Netherlands	100.00
AUTO1 Operation Services GmbH & Co. KG	Berlin, Germany	100.00
AUTO1 Operation Services Verwaltungs GmbH	Berlin, Germany	100.00
AUTO1 Polska Sp. z o.o.	Warsaw, Poland	100.00
AUTO1 Remarketing GmbH	Berlin, Germany	100.00
AUTO1 RS D.O.O.	Belgrade, Serbia	100.00
AUTO1 Sales Services GmbH & Co. KG	Berlin, Germany	100.00
AUTO1 Sales Services Verwaltungs GmbH	Berlin, Germany	100.00
AUTO1 Tschechien s.r.o.	Prague, Czech Republic	100.00
AUTO1.com	Berlin, Germany	100.00
Autohero AB	Stockholm, Sweden	100.00
Autohero Belgium BVBA	Antwerp, Belgium	100.00
Autohero France SAS	Neuilly-sur-Seine, France	100.00
Autohero GmbH	Berlin, Germany	100.00
Autohero Italia S.R.L.	Milan, Italy	100.00
Autohero Inc.	Delaware, USA	100.00
Autohero NL B.V.	Amsterdam, Netherlands	100.00
Autohero Österreich GmbH	Vienna, Austria	100.00
Autohero Plus Spain S.L.	Madrid, Spain	100.00
Autohero Poland Sp. z o.o	Warsaw, Poland	100.00
Autohero Services GmbH & Co. KG.	Berlin, Germany	100.00
Autohero Services Verwaltungs GmbH	Berlin, Germany	100.00
Autowholesale Automotive Finland Oy	Tampere, Finland	100.00
GAB Service UG	Berlin, Germany	100.00
L&L Auto Info GmbH	Berlin, Germany	100.00
NOI COMPRIAMO AUTO.IT S.R.L.	Milan, Italy	100.00
VAMANCIA S.L.	Madrid, Spain	100.00
VKDA Sverige AB	Stockholm, Sweden	100.00
WijKopenAutos B.V.	Amsterdam, Netherlands	100.00
wirkaufendeinauto.de GmbH	Berlin, Germany	100.00
WKA BVBA	Antwerp, Belgium	100.00
WKDA Automobile GmbH & Co. KG	Berlin, Germany	100.00
WKDA Automotive SRL	Bucharest, Romania	100.00
WKDA Booking Services GmbH & Co. KG	Berlin, Germany	100.00
WKDA Booking Services Verwaltungs GmbH	Berlin, Germany	100.00
WKDA Deutschland GmbH	Berlin, Germany	100.00
WKDA France S.A.S	Issy-les-Moulinaux, France	93.22
WKDA FRSM UG	Berlin, Germany	66.10
WKDA Österreich GmbH	Vienna, Austria	100.00
WKDA Portugal, Unipessoal Lda.	Carnaxide, Portugal	100.00
WKDA Schweiz GmbH	Zurich, Switzerland	100.00
WKDA Services GmbH	Berlin, Germany	100.00

* The local management are the shareholders of the parent. Therefore, no non-controlling interests exist in the Group.

AUTO1 FT GmbH is an associated company of AUTO Group SE. As at 31 December 2019 AUTO1 FT GmbH had trade receivables of EUR 72.3 million (2018: EUR 16.6 million), cash and cash equivalents of EUR 12.8 million (2018: EUR 9.3 million), equity of EUR -18.0 million (2018: EUR -5.0 million), borrowings

of EUR 31.0 million (2018: EUR 25.9 million) and trade payables of EUR 1.7 million (2018: EUR 4.2 million).

13 Events after the reporting period

In March 2020 AUTO1 concluded a convertible bond with multiple investors for an amount currently of EUR 205 million, this is essentially to be used for the growth of the AUTOHERO business.

The new type of coronavirus (SARS-CoV-2) can have a significant effect on the future assets, liabilities, financial position and financial performance. We assume in particular that the revenue and gross profit will show a significant negative development in financial year 2020 due to the crisis triggered by the coronavirus. Due to the high level of uncertainty over future developments, in particular with regard to the expected timeframe, it is not yet possible to quantify this impact. Further information is included in Section IV. Forecast, opportunities and risks in the management report.

No other significant events occurred after the close of the financial year.

Berlin, 27 March 2020

AUTO1 Group SE

Hakan Koç	**Christian Bertermann**	**Markus Boser**
Co-CEO	Co-CEO	CFO

The following auditor's report, prepared in accordance with § 322 HGB ("Handelsgesetzbuch": "German Commercial Code"), refers to the complete consolidated financial statements, comprising consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements of AUTO1 Group SE, Berlin, for the financial year from January 1, 2019 to December 31, 2019. The group management report is not included in this prospectus. The above-mentioned auditor's report and consolidated financial statements are both translations of the respective German-language documents.

Independent Auditor's Report

To AUTO1 Group SE, Munich

Opinions

We have audited the consolidated financial statements of AUTO1 Group SE, Munich, and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of AUTO1 Group SE, Munich, for the financial year from 1 January to 31 December 2019.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB (Handelsgesetzbuch: German Commercial Code) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2019, and of its financial performance for the financial year from 1 January to 31 December 2019, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the German Generally Accepted Standards of Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, they also have the responsibility for disclosing, as applicable, matters related to

going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, 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 opinions. 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 controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report 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 these systems.

- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with (German) law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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.

Berlin, 2 April 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft
(Original German version signed by:)

(*signature*) Sternberg
Wirtschaftsprüfer
(German Public Auditor)

(*signature*) Proplesch
Wirtschaftsprüfer
(German Public Auditor)

Consolidated Financial Statements of AUTO1 Group SE
as of and for the Fiscal Year ended
December 31, 2018 (IFRS)

Consolidated Statement of Financial Position as at 31 December 2018

KEUR	Note	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Jan 1, 2016
Assets					
Intangible assets	6.1	36	55	73	63
Property, plant and equipment	6.2	46,671	39,299	40,764	36,974
Investments accounted for using the equity method		5	—	—	—
Other financial assets (non-current)	6.7	79,999	63,242	53,719	21,530
Other assets (non-current)		1,037	1,007	757	1
Non-current assets		**127,748**	**103,603**	**95,313**	**58,568**
Inventories	6.5	208,304	241,678	146,876	67,828
Trade and other receivables	6.6	41,321	27,624	36,909	28,003
Income tax receivables		3,493	454	807	146
Other financial assets (current)	6.7	2,482	1,019	418	812
Other assets (current)	6.8	68,163	32,947	19,040	9,468
Cash and cash equivalents	6.9	116,513	52,487	55,519	59,378
Current assets		**440,276**	**356,209**	**259,569**	**165,635**
Total assets		**568,024**	**459,812**	**354,882**	**224,203**
Equity and liabilities					
Subscribed capital	7	3,421	3,122	2,981	2,769
Capital reserve	7	587,135	373,731	273,717	161,440
Other reserves	7	71,292	60,165	50,065	20,300
Retained earnings		(391,362)	(273,953)	(208,287)	(113,039)
Total equity		**270,486**	**163,065**	**118,476**	**71,470**
Borrowings (non-current)	6.12	50,022	70,022	80,000	28,142
Other financial liabilities (non-current)	6.14	30,378	26,760	29,910	26,748
Share-based payment obligations (non-current)	6.10	71,555	60,714	50,582	20,449
Provisions (non-current)	6.11	380	1,620	95	76
Other liabilities (non-current)	6.15	1,000	1,531	1,140	270
Non-current liabilities		**153,335**	**160,647**	**161,727**	**75,685**
Borrowings (current)	6.12	20,197	58,278	60	37,053
Trade payables	6.13	75,565	36,043	25,252	9,961
Other financial liabilities (current)	6.14	13,415	11,833	9,870	8,772
Provisions (current)	6.11	2,422	2,394	861	103
Other liabilities (current)	6.15	30,798	26,346	38,168	21,159
Income tax liabilities		1,806	1,206	468	—
Current liabilities		**144,203**	**136,100**	**74,679**	**77,048**
Total liabilities		**297,538**	**296,747**	**236,406**	**152,733**
Total equity and liabilities		**568,024**	**459,812**	**354,882**	**224,203**

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018

KEUR	Note	Jan 1, 2018–Dec 31, 2018	Jan 1, 2017–Dec 31, 2017	Jan 1, 2016–Dec 31, 2016
Revenue	5.1	**2,855,894**	**2,177,352**	**1,466,610**
Cost of sales	5.2	(2,609,926)	(1,979,297)	(1,353,076)
Gross profit		**245,968**	**198,055**	**113,534**
Other operating income	5.3	6,325	1,884	3,857
Personnel expenses	5.4	(162,123)	(120,229)	(125,044)
Other operating expenses	5.5	(188,615)	(127,247)	(70,425)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	6.1	**(98,445)**	**(47,537)**	**(78,078)**
Depreciation and amortisation	6.2	(14,952)	(13,179)	(11,753)
Earnings before interest and tax (EBIT)		**(113,397)**	**(60,716)**	**(89,831)**
Interest income and other finance income	5.6	263	—	4
Interest expenses and other finance costs	5.6	(3,372)	(3,873)	(4,958)
Earnings before tax		**(116,506)**	**(64,589)**	**(94,785)**
Income tax expense	5.7	(588)	(1,077)	(463)
Loss for the year		**(117,094)**	**(65,666)**	**(95,248)**
Thereof attributable to the owners of the Parent Company		(117,094)	(65,666)	(95,248)
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences		286	(32)	(367)
Other comprehensive income, net of tax		**286**	**(32)**	**(367)**
Total comprehensive income		**(116,808)**	**(65,698)**	**(95,615)**
Thereof attributable to the owners of the Parent Company		(116,808)	(65,698)	(95,615)

Consolidated Statement of Cash Flows for the year ended 31 December 2018

KEUR	Note	Jan 1, 2018–Dec 31, 2018	Jan 1, 2017–Dec 31, 2017	Jan 1, 2016–Dec 31, 2016
Net loss for the year		**(117,094)**	**(65,666)**	**(95,248)**
Adjustments for		**28,553**	**31,296**	**47,709**
	6.1			
Depreciation and amortisation	6.2	14,952	13,179	11,753
Financial result	5.6	3,109	3,873	4,954
Income tax expense	5.7	588	1,077	463
Change in provisions and employee benefit obligations		(1,212)	3,058	777
Change in receivables from share-based payments	6.10	10,841	10,132	30,132
Other non-cash effects		275	(23)	(370)
Changes in operating assets and liabilities		**22,124**	**(100,040)**	**(67,635)**
Change in operating assets		(20,962)	(99,313)	(100,605)
Change in operating liabilities		43,086	(727)	32,970
Other cash flows used in operating activities		**(3,190)**	**(3,633)**	**(2,820)**
Interest received		263	—	4
Interest paid		(3,453)	(3,633)	(2,824)
Net cash flow from operating activities		**(69,607)**	**(138,043)**	**(117,994)**
Payments for investment in property, plant and equipment and financial assets		(8,724)	(1,643)	(1,089)
Proceeds from sale of property, plant and equipment and financial assets		854	147	92
Net cash from / (used in) investing activities		**(7,870)**	**(1,496)**	**(997)**
Proceeds from capital increase		213,703	100,155	75,431
Payments to shareholders		(315)	—	—
Proceeds from/(payments for the repayment of) liabilities to banks and shareholder loan		(58,000)	48,000	49,800
Payments for lease transactions	6.3	(13,885)	(11,648)	(10,099)
Net cash from / (used in) financing activities		**141,503**	**136,507**	**115,132**
Net change in cash and cash equivalents		**64,026**	**(3,032)**	**(3,859)**
Cash and cash equivalents at the beginning of the period		**52,487**	**55,519**	**59,378**
Cash and cash equivalents at the end of the period	6.9	**116,513**	**52,487**	**55,519**

Consolidated Statement of Changes in Equity for the year ended 31 December 2018

KEUR	Subscribed capital	Capital reserve	Other reserves: Other equity reserves	Other reserves: Currency translation reserve	Retained earnings	Total	Total Equity
Note	7	7	7	7	7		
Balance as of Jan 1, 2018	**3,122**	**373,731**	**60,714**	**(549)**	**(273,953)**	**163,065**	**163,065**
Loss for the year					(117,094)	**(117,094)**	**(117,094)**
Other comprehensive income				286		**286**	**286**
Total comprehensive income	**—**	**—**	**—**	**286**	**(117,094)**	**(116,808)**	**(116,808)**
Issue of shares	299	213,404				**213,703**	**213,703**
Transactions with shareholders					(315)	**(315)**	**(315)**
Share based payments			10,841			**10,841**	**10,841**
Balance as of Dec 31, 2018	**3,421**	**587,135**	**71,555**	**(263)**	**(391,362)**	**270,486**	**270,486**

Consolidated Statement of Changes in Equity

KEUR	Subscribed capital	Capital reserve	Other reserves: Other equity reserves	Other reserves: Currency translation reserve	Retained earnings	Total	Non-controlling interests	Total Equity
Note	7	7	7	7	7		12	
Balance as of Jan 1, 2017	**2,981**	**273,717**	**50,582**	**(517)**	**(208,287)**	**118,476**	—	**118,476**
Loss for the year					(65,666)	**(65,666)**		**(65,666)**
Other comprehensive income				(32)		**(32)**		**(32)**
Total comprehensive income	—	—	—	**(32)**	**(65,666)**	**(65,698)**	—	**(65,698)**
Issue of shares	141	100,014				**100,155**		**100,155**
Share based payments			10,132			**10,132**		**10,132**
Balance as of Dec 31, 2017	**3,122**	**373,731**	**60,714**	**(549)**	**(273,953)**	**163,065**	—	**163,065**
Note	7	7	7	7	7		12	
Balance as of Jan 1, 2016	**2,769**	**161,440**	**20,450**	**(150)**	**(113,039)**	**71,470**	—	**71,470**
Loss for the year					(95,248)	**(95,248)**		**(95,248)**
Other comprehensive income				(367)		**(367)**		**(367)**
Total comprehensive income	—	—	—	**(367)**	**(95,248)**	**(95,615)**	—	**(95,615)**
Issue of shares	212	112,277				**112,489**		**112,489**
Share based payments			30,132			**30,132**		**30,132**
Balance as of Dec 31, 2016	**2,981**	**273,717**	**50,582**	**(517)**	**(208,287)**	**118,476**	—	**118,476**

Notes to the Consolidated Financial Statements as at 31 December 2018

1 Reporting entity

The AUTO1 Group (hereinafter also referred to as the 'AUTO1' or the 'Group'), comprises the parent entity AUTO1 Group SE, Munich, Germany (hereinafter also referred to as the 'Company'), and its direct and indirect subsidiaries. The Company is registered in the commercial register of the Munich court under HR number 241031B. The Company's address is Bergmannstrasse 72, 10961 Berlin, Germany.

The AUTO1 Group is Europe's leading online marketplace for used car sales to dealers as well as individual customers with business operations in 30 countries. AUTO1 works with more than 55,000 active partner dealers. In 2018 AUTO1 traded more than 540 thousand cars.

AUTO1 Group SE became the parent entity of AUTO1 Group on 22 November 2018 when the shareholders of AUTO1 Group GmbH contributed their interests in AUTO1 Group GmbH into AUTO1 Group SE.

Before the contribution of shares, all AUTO1 Group entities were ultimately controlled by AUTO1 Group GmbH, registered in the commercial register of the Berlin-Charlottenburg District court under HR number 143662 B and registered office at Bergmannstrasse 72, 10961 Berlin, Germany. Since only a single business was placed under the new parent AUTO1 SE, the transfer is accounted for as a capital reorganisation rather than a business combination in accordance with IFRS principles whereby the book value accounting is applied to the business transferred. Therefore, the consolidated financial statements of AUTO1 SE for financial year 2018 are a continuation of the consolidated financial statements of AUTO1 Group GmbH (predecessor) and include also the comparative consolidated financial information of AUTO1 Group GmbH for 2017 and 2016.

2 Basis of preparation

2.1 Statement of compliance

AUTO1's Board of management has prepared the following consolidated financial statements for the AUTO1 Group as at and for the financial year ended 31 December 2018 in accordance with the International Financial Reporting Standards ('IFRS') and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by and required to be applied in the European Union ('EU'). These are the Group's first consolidated financial statements prepared in accordance with IFRSs and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. An explanation of how the transition to IFRSs has affected the reported financial position and financial performance is provided in Note 14.

The consolidated financial statements as at and for the financial year ended 31 December 2018 for the AUTO1 SE also comprise additional information based on requirements of the German commercial law, pursuant to Section 315e HGB ('*Handelsgesetzbuch*': German Commercial Code).

The consolidated financial statements are presented in euro, which is the Company's functional currency. Amounts are stated in thousands of euro (KEUR) except where otherwise indicated. Rounding differences may arise when individual amounts or percentages are added together.

These consolidated financial statements comprise consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the financial year 2018, as well as comparative figure for the years ending on 31 December 2017 and 31 December 2016.

The consolidated financial statements were authorized on 20 November 2019 and 27 March 2020 by the Board of Management of AUTO1 Group SE.

2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for liabilities for cash-settled shared-based payment arrangements and the financial asset representing a reimbursement right towards shareholders with respect to this liability.

2.3 Use of estimates and judgements

The preparation of the consolidated financial statements in accordance with IFRSs requires the Board of management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates in individual cases.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Critical judgements for the application of accounting policies that have the most significant effects on the amounts stated in the consolidated financial statements are as follows:

- The determination of the lease term (Note 4.6)
- The determination of the point of revenue recognition as well as the principal vs. agent assessment for the remarketing business (Note 4.14)

Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are as follow:

- The determination of the fair value of the liabilities for cash-settled shared-based payment arrangements (Note 6.10)
- The determination of net realisable value of inventories (Note 4.7)

3 Standards issued but not yet effective

A few new standards are effective for annual periods beginning after 1 January 2019. The Group has not early adopted the new or amended standards in preparing these consolidated financial statements except for IFRS 16 Leases. The following amendments and revisions will become effective and will be applied in the future periods:

Standards/amendments/IFRICs	To be applied from	Effects
Amendments to IFRS 9: Prepayment Features with Negative Compensation	January 1, 2019	No significant effect expected
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	January 1, 2019	No significant effect expected
IFRIC 23: Uncertainty over Income Tax Treatments (1.1.2019)	January 1, 2019	No significant effect expected
Annual improvements to IFRS cycle 2015–2017: Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	January 1, 2019	No significant effect expected
Amendment to IAS 19: Plan Amendment, Curtailment or Settlement	January 1, 2019	No significant effect expected
Amendments to references to the Conceptual Framework in IFRS Standards	January 1, 2020	No significant effect expected
Amendment to IFRS 3 Definition of Business	January 1, 2020	No significant effect expected
Amendments to IAS 1 and IAS 8: Definition of Material	January 1, 2020 (IASB)	No significant effect expected
IFRS 17: Insurance Contracts	January 1, 2021 (IASB)	No significant effect expected

4 Summary of significant accounting policies

The accounting policies set out below have been applied consistently by Group entities to all periods presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at 1 January 2016 for the purpose of transition to IFRS, except as explained under the corresponding policy.

4.1 Presentation

Presentation in the consolidated statement of financial position differentiates between current and non-current assets and liabilities. Assets and liabilities are classified as current if they are expected to be realized or settled within one year or within a longer and normal operating cycle. Deferred tax assets and liabilities and similar obligations are generally presented as non-current items.

4.2 Basis of consolidation

Currently, the Group comprises 42 consolidated subsidiaries. Subsidiaries are entities controlled by the Group. The consolidated financial statements include the financial statements of the subsidiaries from the date that control commences until the date that control ceases. Control only exists if the parent has the power over the

subsidiary, is exposed to opportunity or risk in respect of variable returns, and can influence the amount of variable returns, based on voting or other rights.

The financial statements of consolidated subsidiaries which are included in the consolidated financial statements are generally prepared as at the reporting date of the consolidated financial statements and are prepared using uniform recognition and measurement principles. All intercompany assets and liabilities, equity, income and expenses as well as cash flows from transactions between consolidated entities are eliminated in the course of the consolidation process. Changes in equity interests in Group subsidiaries that reduce or increase the parent's percentage ownership without loss of control are accounted for as an equity transaction between owners.

4.3 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euro, which is AUTO1 SE's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are generally recognised in profit or loss at year end exchange rates .

Group companies

The assets, liabilities, financial position and financial performance of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate on the respective reporting date;
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions) and
- all resulting currency translation differences are recognised in the other comprehensive income.

For consolidation, exchange differences arising from the translation of net investment in foreign currency are recognised in the other comprehensive income.

The euro is the functional currency of the entities in the consolidated group which have their primary economic environment within the European currency area and legal entities whose operations are integral to these entities.

The most significant translation effects result from foreign operations with the following functional currencies:

	Closing rate as at			Average rate for the financial year		
Foreign currency per EUR	**Dec 31, 2018**	**Dec 31, 2017**	**Dec 31, 2016**	**2018**	**2017**	**2016**
SEK	10.25	9.84	9.55	10.26	9.64	9.47
USD	1.15	1.20	1.05	1.18	1.13	1.11

4.4 Intangible assets

Currently the intangible assets of the Group are immaterial and represent acquired licences. these are initially measured at cost and subsequently amortised on a straight-line basis over the useful life of three years.

4.5 Property, plant & equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment consists of expenses directly attributable to the acquisition that are incurred to bring the asset into an operational state. Subsequent acquisition cost, including costs of repair and maintenance, are only recognised as part of the asset's acquisition costs, or if relevant, as a separate asset when

it appears likely that the Group will retain future economic benefits and the cost of the asset can be reliably determined. All other expenditures (e.g. for ongoing repair and maintenance costs) are expensed as incurred.

Depreciation of property, plant and equipment is calculated on a straight-line basis over the following useful lives:

Property, plant & equipment	Average useful lives
Buildings	5–15 years
Other operating and office equipment	3–13 years

In addition to depreciation, an impairment test is be performed and an impairment is recognised, as required, if there are any relevant events or changes in circumstances that indicate a possible impairment of property, plant and equipment.

Property, plant and equipment are either derecognised at the time of disposal or when it is determined that there are no longer economic benefits attributable to such items. Gains or losses from disposals or decommissioning are recorded in the statement of profit or loss in the period in which they arise.

The residual carrying amounts and estimated useful lives and the depreciation methods are reviewed annually and adjusted where necessary.

4.6 Leases

A contract is or contains a lease if it conveys a right to control the use of an identified asset for a period of time in exchange for consideration. In the Group such contracts mainly relate to leases of property and cars where a group entity acts as a lessee. These contracts are recognised as right-of-use assets and lease liabilities.

The lease liability is initially measured at the present value of the unpaid lease payments at the inception date, discounted using the Group's incremental borrowing rate. For subsequent measurement, the amount of the lease liability is increased by the interest expense on the lease liability and decreased by lease payments made. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. Lease payments with respect to repayment of the principal and payments of interest are classified as financing activities in the cash flow statement.

The right-of-use asset is initially measured at cost which comprises the lease liability amount, payments made before or at the commencement of the lease, replacement costs and initial direct costs and subsequently at amortised cost, that is less accumulated depreciation and other impairment losses and adjusted for certain remeasurements of the lease liability.

If a leased property is sub-leased, the sub-lease contracts are classified as operating or finance leases by assessing the transfer of risks and rewards with reference to the right-of-use asset arising from the head lease.

The Group has applied judgement to determine the lease term of some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options effects the lease term and thus the amount of lease liabilities and right of use assets recognised.

AUTO1 has measured the lease liabilities and the right-of-use assets as described above for the first time for opening IFRS statement of financial position as at 1 January 2016.

4.7 Inventories

The Group's inventories consist of used cars. Inventories are stated at the lower of cost or net realisable value. The cost for the car inventory is determined by specific identification. Net realisable value is the estimated selling price less costs to complete, dispose and transport. Selling prices are derived from historical data and trends, such as sales price and inventory turnaround time of similar cars, as well as independent market resources. Each reporting period the Group recognises all necessary adjustments to present car inventory at the lower of cost or net realisable value in cost of sales. If there are significant changes to estimated car selling prices or the demand for used cars, there could be significant adjustments to recognise the inventories at net realisable value may be necessary.

4.8 Financial instruments

Financial assets

Initial measurement of financial assets

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of financial asset not measured at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition of the financial asset. The transaction costs of a financial asset measured at fair value through profit or loss are recognised in profit or loss. A trade receivable that does not have a significant financing component is initially measured at fair value including transaction costs (transaction price).

Classification of financial assets

The Group classifies financial assets at initial recognition as financial assets measured at amortised cost or financial assets measured at fair value through profit or loss.

Financial assets measured at amortised cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortised cost:

- the financial asset is held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

'Principal' is the fair value of the financial asset on initial recognition and 'interest' is consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

After initial recognition, the carrying amount of the financial asset measured at amortised cost is determined using the effective interest method, net of impairment loss.

Within AUTO1 Group, financial assets comprise cash and cash equivalents, trade receivables and security deposits.

Cash and cash equivalents

Cash and cash equivalents comprise all cash-related assets that have a remaining term of less than three months at the date of acquisition or investment. This mainly includes cash at banks and cash on hand. Cash and cash equivalents are measured at amortised cost.

Fair value through profit or loss financial assets (FVTPL)

When a financial asset does not meet the conditions for the amortised cost measurement, the financial asset is classified as 'at fair value through profit or loss' and measured at fair value with changes in fair value recognised in profit or loss as 'finance gain' or 'finance loss'. The financial assets in AUTO1 Group falling into this category comprise a receivable from shareholders with respect to the reimbursement right for the share-based payments. However, since shareholders are acting in their capacity as shareholders in this transaction the fair value changes of this receivable are reported in other reserves in equity.

Impairment of financial assets

In the Group the impairment requirements apply to financial assets measured at amortised cost. Such financial assets carry a loss allowance estimated based on expected credit losses (ECLs). ECLs are a probability-weighted estimate of the present value of cash shortfall over the expected life of the financial instrument. The Group recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised.

Trade receivables

Trade receivables, for which recoverability is classified as low or which are impaired (e.g. in the event of insolvency of dealer), are deemed not recoverable. Such trade receivables are recognised as impaired and written off. The write-off constitutes a derecognition event whereby the gross carrying amount of such trade receivables is reduced against the amount previously recognised on the allowance account. Receivables that are written down can continue to be recovered in line with the dunning procedures of the Group.

Other financial assets

The ECLs for all other financial assets are recognised in two stages:

- for financial assets for which there has not been a significant increase in credit risk since initial recognition, the Group recognises credit losses which represent the lifetime shortfalls that would result if a default occurs in the 12 months after the reporting date or a shorter period if the expected life of a financial instrument is less than 12 months.
- for those financial assets for which there has been a significant increase in credit risk since initial recognition, a loss allowance reflects credit losses expected over the remaining life of the financial asset.

However, in the Group all other financial assets are of high credit quality and the application of the above principal does not lead to recognition of any material impairment losses.

Derecognition

The Group derecognises the financial assets when the contractual rights to the cash flows from the assets expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expired.

Financial liabilities

Initial measurement of financial liabilities

Financial liabilities are initially recognised at fair value, in case of financial liabilities measured at amortised cost, less transaction costs.

Classification of financial liabilities

Financial liabilities are classified as those measured at fair value through profit or loss or those measured at amortised cost. Financial liabilities are measured at amortised cost unless they are required to be measured at fair value through profit or loss. If financial liabilities measured at amortised cost contain embedded derivatives that are not closely related to the host instrument, such embedded derivatives are separated and accounted for at fair value through profit or loss. All financial liabilities of the Group are measured at amortised cost.

Interest expenses arising on financial liabilities measured at amortised cost are recognised in profit or loss according to the effective interest method.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value less transaction costs and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the term of the borrowings using the effective interest method. Fees and directly attributable expenses paid on the establishment of loan facilities are deferred to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is recognised over the duration of the loan facility.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or interest expense and other finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

If the Group has the right to settle borrowings in a fixed number of own shares, such financial instruments are classified as equity.

4.9 Provisions

Provisions are recognised for present or legal obligations arising from past events that will probably give rise to an outflow of resources provided that a reliable estimate can be made of the amount of the obligations.

Where the cash outflow to settle an obligation is expected to occur after one year, the provision is recognised at the present value of the expected cash outflow. Claims for reimbursements from third parties are separately reflected in the statement of financial position if their realisation is virtually certain.

4.10 Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations under other in the statement of financial position.

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

4.11 Share-based payment

Share-based payments of the Group are primarily cash-settled share-based payment transactions. The settlement is contingent upon an exit event and vesting of the awards is subject to service vesting conditions. The fair value of the amount payable to employees is recognised as an expense with a corresponding increase in provisions, over the period that the employees unconditionally become entitled to payment. The provision is remeasured at each reporting date and at settlement date. Any changes in the fair value of the provision are recognised as personnel expense in profit or loss.

The shareholders of the Company agreed by way of resolution to fully release the Company from the costs of the share-based payments arising in case of an exit event. The Group concluded that such an agreement meets the definition of a financial asset and recognised a receivable. The receivable is measured applying the same principles as the corresponding liability. The changes are reported in equity in other reserves on the basis that this is transaction with shareholders in their capacity as shareholders.

4.12 Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the Group. Moreover, contingent liabilities can be present obligations that arise from past events but which are not recognised on the statement of financial position as it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Such contingent liabilities are according to IAS 37 not recorded in the statement of financial position but are disclosed in the Notes.

4.13 Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, under this item. Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners.

4.14 Revenue recognition

Revenue is recognised when a customer obtains control of promised goods or services and is recognised in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services.

Car sales to dealers

The Group sells used cars which it acquires from individual sellers to dealers using online auctions. The corresponding revenue is recognised after a successful auction when the dealer meets all the contractual obligations (such as transfer of the payment or entering into a financing agreement). Sold cars are not subject to the right of return.

Cars are sold at a fixed contract price which comprises the price achieved at the auction and any other related fees. The Group may however offer discounts for future purchases in case of customers' complaints. These discounts are recognised as a reduction of the current revenue and the corresponding contract liability when offered.

If the dealer contracts an Auto1 entity to deliver the car, due to short delivery times, the revenue for the delivery performance obligation is recognised when the dealer receives the car at the specified location.

Sales taxes and other taxes from customers collected on behalf of governmental authorities at the time of sale are not included in revenue and other operating income or cost of sales.

Remarketing

The distribution channel Remarketing is the same as sale of cars to dealers except that sellers are commercial cars companies (B2B) and not individual sellers (C2B). Under this business model AUTO1 is exposed to inventory risk only if the sale fails despite of a successful auction, for example if the dealer fails to make payment when due (before the auction the inventory risk is retained by the seller and after the auction the inventory risks passes to the dealer). Therefore, a judgement is required to determine whether AUTO1 acts as a principal or an agent. It was determined that AUTO1 acts as a principal because it sets up the pricing of the cars, establishes the terms of the auction, validates the auction results, is subject to inventory risk in case of failed sales, and as a result is primarily responsible for fulfilling the performance obligation of providing the car to the end customers.

Car sales to individual customers

The Group also sells cars to individual customers. The revenue is recognised at a point in time when the car is transferred to the customer. The cars sold to individual customers are subject to a 14-days right of return.

4.15 Income taxes

Taxes on income for the period are the sum of current and deferred income taxes.

Current income taxes

The current income tax expenses are calculated by applying the tax regulations enacted as at the reporting date in the countries in which the AUTO1 Group operates. In assessing income tax positions, estimates are required. The assessment by the respective tax authorities may deviate. This uncertainty is reflected by recognising uncertain tax positions only if AUTO1 Group assesses the probability of occurrence greater than 50%.

Deferred income taxes

Deferred taxes are recognised in accordance with IAS 12 on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base. Furthermore, deferred tax assets are recognised for tax loss carry forwards. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for temporary differences and tax loss carry forwards to the extent to which it is probable that sufficient future taxable income will be available against which deductible temporary differences and/or loss carry forwards can be utilised.

Deferred taxes are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

The change in deferred taxes is recognised in the statement of profit or loss provided it relates to items that were recognised in the statement of profit or loss. If the items in the consolidated financial statements directly relate to equity or other comprehensive income (OCI), the corresponding deferred taxes are also recognised in these items.

Deferred tax assets and liabilities arising through temporary differences related to investments in subsidiaries, branches, associates or joint arrangements are taken into account unless the date for reversal of temporary differences cannot be determined at Group level or/and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and deferred tax assets and liabilities relate to the same taxable entity and are assessed by the same taxation authority.

4.16 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The Group assesses the inputs used to measure fair value using the three-tier hierarchy. The hierarchy indicates the extent to which inputs used in measuring fair value are observable in the market.

Level 1 Inputs include unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices from identical or similar assets or liabilities in inactive markets and observable inputs for the asset or liability.

Level 3 Inputs that are significant to the measurement that are not observable in the market and include management's judgments about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk).

All fair value measurements applied in these financial statements are Level 2 and Level 3.

5 Notes to the Consolidated Statement of Profit or Loss and other comprehensive income

5.1 Revenue

KEUR	Jan 1, 2018– Dec 31, 2018	Jan 1, 2017– Dec 31, 2017	Jan 1, 2016– Dec 31, 2016
Merchant platform	2,823,897	2,173,781	1,466,610
Retail business	31,997	3,571	—
Total revenue	**2,855,894**	**2,177,352**	**1,466,610**

Revenue from Merchant Platform mainly comprise of core business sales, but also include fees from remarketing, logistics and all other fees in connection with providing the cars to merchants.

Revenue from retail business consists of car sales to individual customers.

The significant growth in revenues year by year is due to the international expansion of the Group.

5.2 Cost of sales

KEUR	Jan 1, 2018–Dec 31, 2018	Jan 1, 2017–Dec 31, 2017	Jan 1, 2016–Dec 31, 2016
Cost of sold cars	(2,545,350)	(1,928,375)	(1,298,525)
Other cost of sales	(64,576)	(50,922)	(54,551)
Total	**(2,609,926)**	**(1,979,297)**	**(1,353,076)**

Cost of sales increased proportionally with the revenue of the Group.

5.3 Other operating income

Other operating income mainly consists of income from the de-recognition of liabilities and reversal of provisions.

5.4 Personnel expenses

KEUR	Jan 1, 2018–Dec 31, 2018	Jan 1, 2017–Dec 31, 2017	Jan 1, 2016–Dec 31, 2016
Wages and salaries	(119,750)	(87,092)	(75,540)
Social security contributions	(28,270)	(20,865)	(17,702)
Share-based payment	(10,841)	(10,131)	(30,133)
Other	(3,262)	(2,321)	(1,669)
Total	**(162,123)**	**(120,229)**	**(125,044)**

The increase in personnel expenses is primarily attributable to the higher average number of employees year by year.

The following table shows the average number of employees in each financial year:

	FY 2018	FY 2017	FY 2016
Employees	3,505	2,735	2,320
Executive staff	41	42	40
Total	**3,546**	**2,777**	**2,360**

5.5 Other operating expenses

KEUR	Jan 1, 2018–Dec 31, 2018	Jan 1, 2017–Dec 31, 2017	Jan 1, 2016–Dec 31, 2016
Marketing and internal logistic costs	(130,791)	(89,426)	(41,399)
Legal and consulting	(8,684)	(6,020)	(6,532)
Impairment on receivables	(165)	(849)	(124)
Other expenses	(48,975)	(30,952)	(22,370)
Total	**(188,615)**	**(127,247)**	**(70,425)**

The increase of other operating expenses mainly results from higher marketing expenses, internal logistic costs and IT costs which are necessary to accelerate the growth of the Group.

5.6 Interest income and other finance income and Interest expense and other finance costs

KEUR	Jan 1, 2018– Dec 31, 2018	Jan 1, 2017– Dec 31, 2017	Jan 1, 2016– Dec 31, 2016
Interest income and other finance income			
Interest income	242	—	—
Other finance income	21	—	4
Total	**263**	**—**	**4**
Interest expense and other finance costs			
Interest expenses	(3,333)	(3,846)	(4,930)
Other interest and similar expenses	(39)	(28)	(28)
Total	**(3,372)**	**(3,873)**	**(4,958)**
Financial result	**(3,109)**	**(3,873)**	**(4,954)**

The interest expenses mainly consist of accrued interest from the credit facility and lease liabilities. Other interest expenses relate to bank charges. The interest income relates to accrued interest from the lending to AUTO1 FT GmbH and to bank deposits.

5.7 Income tax expense

Income tax expense charged to the statement of profit or loss and other comprehensive income

KEUR	Jan 1, 2018– Dec 31, 2018	Jan 1, 2017– Dec 31, 2017	Jan 1, 2016– Dec 31, 2016
Current tax expense (current year)	(958)	(1,082)	(480)
Current tax expense (changes in estimates related to prior years)	370	5	17
Total	**(588)**	**(1,077)**	**(463)**

No current taxes have been recognised in OCI or have been credited directly to equity.

The effective income tax expense is reconciled as follows:

KEUR	Jan 1, 2018– Dec 31, 2018	Jan 1, 2017– Dec 31, 2017	Jan 1, 2016– Dec 31, 2016
Earnings before tax	(116,506)	(64,589)	(94,785)
Expected income tax rate (rate of the Parent)	30.175%	30.175%	30.175%
Income tax at the expected income tax rate	35,156	19,490	28,601
Increase / (decrease) in income tax expense due to:			
Effect of deviations between the company's domestic and foreign tax rates	3,053	(482)	16
Effect of non-deductible expenses for tax purposes / tax income	4,974	(1,853)	(9,201)
Effect of non-recognition of deferred tax assets tax loss carry forwards	(44,288)	(18,839)	(19,298)
Effect of non-recognition of deferred tax assets on temporary differences	137	29	(561)
Taxes for previous years	370	5	17
Other differences	10	555	(38)
Total income tax income (+) / expenses (–)	**(588)**	**(1,077)**	**(463)**

The tax rate applied to determine the expected tax income corresponds to the tax rate of the AUTO1 Group SE, Berlin, Germany, and comprises the tax rate for corporation tax inclusive of solidarity surcharge of 15.825% and the trade tax rate of 14.350%.

6 Notes to the Consolidated Statement of Financial Position

6.1 Intangible Assets

KEUR	Acquired intangible assets	Total
Gross carrying amount as at Jan 1, 2018	**109**	**109**
Additions	5	5
Gross carrying amount as at Dec 31, 2018	**114**	**114**
Accumulated amortisation as at Jan 1, 2018	**54**	**54**
Additions	24	24
Accumulated amortisation as at Dec 31, 2018	**78**	**78**
Net carrying amounts as at Dec 31, 2018	**36**	**36**

KEUR	Acquired intangible assets	Total
Gross carrying amount as at Jan 1, 2017	**93**	**93**
Additions	16	16
Gross carrying amount as at Dec 31, 2017	**109**	**109**
Accumulated amortisation as at Jan 1, 2017	**20**	**20**
Additions	34	34
Accumulated amortisation as at Dec 31, 2017	**54**	**54**
Net carrying amounts as at Dec 31, 2017	**55**	**55**

KEUR	Acquired intangible assets	Total
Gross carrying amount as at Jan 1, 2016	**68**	**68**
Additions	25	25
Gross carrying amount as at Dec 31, 2016	**93**	**93**
Accumulated amortisation as at Jan 1, 2016	**4**	**4**
Additions	16	16
Accumulated amortisation as at Dec 31, 2016	**20**	**20**
Net carrying amounts as at Dec 31, 2016	**73**	**73**

The intangible assets of the Group consist mainly of acquired licences.

6.2 Property, plant and equipment

KEUR	Land and buildings	Other equipment	Right-of-use assets	Total
Gross carrying amount as at Jan 1, 2018	**392**	**4,350**	**59,826**	**64,568**
Additions	425	3,268	19,500	**23,194**
Disposals	(262)	(668)	—	**(931)**
Gross carrying amount as at Dec 31, 2018	**555**	**6,950**	**79,326**	**86,831**
Accumulated depreciation as at Jan 1, 2018	**117**	**2,262**	**22,890**	**25,269**
Additions	64	779	14,085	**14,928**
Disposals	—	(77)	—	**(77)**
Currency translation differences	—	—	40	**40**
Accumulated depreciation as at Dec 31, 2018	**181**	**2,964**	**37,015**	**40,160**
Net carrying amounts as at Dec 31, 2018	**374**	**3,986**	**42,311**	**46,671**

KEUR	Land and buildings	Other equipment	Right-of-use assets	Total
Gross carrying amount as at Jan 1, 2017	**346**	**2,972**	**49,643**	**52,961**
Additions	51	1,576	10,183	**11,810**
Disposals	(5)	(198)	—	**(203)**
Gross carrying amount as at Dec 31, 2017	392	4,350	**59,826**	**64,568**
Accumulated depreciation as at Jan 1, 2017	**70**	**1,393**	**10,734**	**12,197**
Additions	48	924	12,173	**13,145**
Disposals	(1)	(55)		**(56)**
Currency translation differences	—	—	(17)	**(17)**
Accumulated depreciation as at Dec 31, 2017	**117**	**2,262**	**22,890**	**25,269**
Net carrying amounts as at Dec 31, 2017	**275**	**2,088**	**36,936**	**39,299**

KEUR	Land and buildings	Other equipment	Right-of-use assets	Total
Gross carrying amount as at Jan 1, 2016	**236**	**2,124**	**35,069**	**37,429**
Additions	120	944	14,574	**15,638**
Disposals	(10)	(96)		**(106)**
Gross carrying amount as at Dec 31, 2016	346	2,972	**49,643**	**52,961**
Accumulated depreciation as at Jan 1, 2016	**61**	**394**	**—**	**455**
Additions	14	1,008	10,715	**11,737**
Disposals	(5)	(9)		**(14)**
Currency translation differences	—	—	19	**19**
Accumulated depreciation as at Dec 31, 2016	**70**	**1,393**	**10,734**	**12,197**
Net carrying amounts as at Dec 31, 2016	**276**	**1,579**	**38,909**	**40,764**

The largest group of property, plant and equipment of AUTO1 are leased property and cars represented by right-of -use assets. Further information regarding leases is presented in Note 6.3.

6.3 Leases

The Group leases property and cars. However, the class leasing is not material. The leases are recognised as right-of-use assets which are presented as part of property, plant and equipment (see Note 6.2) and the corresponding lease liabilities (see Note 6.14).

Amounts recorded in profit or loss and other comprehensive income with respect to the leases were as follows:

KEUR	Jan 1, 2018– Dec 31, 2018	Jan 1, 2017– Dec 31, 2017	Jan 1, 2016– Dec 31, 2016
Depreciation of right-of-use assets	14,085	12,173	10,715
Interest expense on lease liabilities	1,210	1,222	1,165
Total	**15,295**	**13,395**	**11,880**

The depreciation of right-of-use assets is determined by the lease term.

The maturity analysis of undiscounted contractual cash flows of the lease liabilities is presented below:

KEUR	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016
Maturity analysis—			
Contractual undiscounted cash flows			
< 1 year	14,561	12,478	10,837
1–5 years	26,433	25,202	27,488
> 5 years	7,058	4,073	5,382
Total undiscounted lease liabilities as at 31 Dec	**48,052**	**41,753**	**43,707**
Lease liabilities included in the statement of financial position as at 31 Dec	**43,683**	**38,114**	**39,552**

The cash payments for the leases during the reporting and comparative periods are disclosed in the cash flow statement within the financing activities.

AUTO1 measured the lease liabilities at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate of 3%.

6.4 Deferred taxes

Deferred tax assets on tax loss carry forwards / tax credits and deductible temporary differences are recognised only to the extent that the realisation of the tax benefit through future taxable profits is probable.

The changes in deferred tax assets and liabilities result from the effects presented below. The changes in deferred taxes resulting from the reversal of temporary differences have been recognised in profit and loss and other comprehensive income. No changes of deferred taxes have been recognised in OCI or have been credited directly to equity.

Deferred tax assets and liabilities are as follows:

KEUR	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Jan 1, 2016
Deferred tax assets	16,896	15,698	18,468	14,102
Deferred tax liabilities	(16,896)	(15,698)	(18,468)	(14,102)
Net deferred taxes recognised	—	—	—	—

Deferred taxes per classes of assets and liabilities related to temporary differences as at 31 December 2018 are as follows:

	Dec 31, 2018	
KEUR	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	—	(12,767)
Inventories	—	(4,129)
Financial liabilities (non-current)	12,767	—
Other liabilities (non-current)	4,129	—
Total temporary differences	**16,896**	**(16,896)**
Total	**16,896**	**(16,896)**
Offsetting	**(16,896)**	**16,896**
Total after offsetting	—	—

Deferred taxes per classes of assets and liabilities related to temporary differences as at 31 December 2017 are as follows:

	Dec 31, 2017	
KEUR	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	—	(11,146)
Inventories	—	(4,552)
Financial liabilities (non-current)	11,146	—
Other liabilities (non-current)	4,552	—
Total temporary differences	**15,698**	**(15,698)**
Total	**15,698**	**(15,698)**
Offsetting	**(15,698)**	**15,698**
Total after offsetting	—	—

Deferred taxes per classes of assets and liabilities related to temporary differences as at 31 December 2016 are as follows:

KEUR	Dec 31, 2016 Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	—	(11,740)
Inventories	—	(6,728)
Financial liabilities (non-current)	11,740	—
Other liabilities(non-current)	6,728	—
Total temporary differences	**18,468**	**(18,468)**
Total	**18,468**	**(18,468)**
Offsetting	**(18,468)**	**18,468**
Total after offsetting	—	—

Deferred taxes per classes of assets and liabilities related to temporary differences as at 1 January 2016 are as follows:

KEUR	Jan 1, 2016 Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	—	(10,582)
Inventories	—	(3,520)
Financial liabilities (non-current)	10,582	—
Other liabilities (non-current)	3,520	—
Total temporary differences	**14,102**	**(14,102)**
Total	**14,102**	**(14,102)**
Offsetting	**(14,102)**	**14,102**
Total after offsetting	**—**	**—**

Deferred tax assets have not been recognised in respect to the following temporary differences (gross amount), because it is not probable that future taxable profit will be available for use by the Group.

KEUR	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Jan 1, 2016
Financial liabilities	1,374	1,177	645	—
Other liabilities	1,061	1,712	2,340	1,127
Total	**2,435**	**2,889**	**2,985**	**1,127**

Furthermore, deferred tax assets have not been recognised in respect to the following tax loss carry forwards that never expire (unlimited tax loss carry forwards):

KEUR	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Jan 1, 2016
Tax loss carry forwards	292,308	203,270	144,904	91,569

As at 31 December 2018, a deferred tax liability related to investments in subsidiaries has not been recognised, since the Group controls the dividend policy of its subsidiaries, i.e. the Group controls the timing of the reversal of the related taxable temporary differences which amount to KEUR 0 as at 31 December 2018 (2017 and 2016: KEUR 0). Management is satisfied that they will not reverse in the foreseeable future.

6.5 Inventories

Car inventory is primarily pledged as collateral for the liabilities to financial institutions (see Note 6.12).

6.6 Trade and other receivables

KEUR	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Jan 1, 2016
Trade receivables	37,351	23,205	24,649	26,527
Other	3,970	4,419	12,260	1,476
Total	**41,321**	**27,624**	**36,909**	**28,003**

The carrying amounts of trade receivables are considered to be the same as their fair values due to their short-term nature. Information about the Group's exposure to credit risk and impairment measurement is presented in Note 9. The allowance account did not contain material amounts at either of the reporting dates.

Trade receivables are primarily pledged as collateral for the liabilities to financial institutions (see Note 6.12).

6.7 Other financial assets

KEUR	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Jan 1, 2016
Other non-current financial assets				
Claims against shareholders in respect of share-based payments	71,554	60,714	50,582	20,449
Loan to AUTO1 FT GmbH	5,025	—	—	—
Deposits	3,420	2,528	3,137	1,081
Total	**79,999**	**63,242**	**53,719**	**21,530**
Other current financial assets				
Deposits	1,108	909	140	812
Other	1,374	110	278	—
Total	**2,482**	**1,019**	**418**	**812**

AUTO1 has an agreement with its shareholders to reimburse AUTO1 for its obligations under the share-based payments. AUTO1 recognises an asset with respect to this reimbursement right measured in the same amount as the corresponding liability for share-based payments (see Note 6.10). The remeasurements are recognised under the share-based payment reserve.

Deposits are mainly security deposits for lease agreements.

6.8 Other assets

Other assets contain mainly VAT receivables and prepaid expenses for rents, insurances and occasionally other items. VAT receivables rose due to increased business activities.

6.9 Cash and cash equivalents

Cash balances are pledged as collateral for liabilities to financial institutions (see Note 6.12).

6.10 Share-based payments

The Company operates a Virtual Share Incentive Program, whereby current and future members of the Board of management or employees, freelancers or consultants of the Company who participate in the Program receive virtual shares. The virtual shares vest in four yearly tranches. Partially event-related accelerated vesting applies. The virtual shares are settled in cash upon occurrence of a liquidity event: (i) any sale of at least 50% of all shares in the Company, (ii) an asset deal or (iii) the liquidation of the Company. The cash amount is equal an increase in the valuation of the common shares of the Company above certain strike price at such a liquidity event.

The Group accounts for the virtual share program as a cash-settled share-based payment and recognises a corresponding provision as follows.

KEUR	31 Dec 2018	31 Dec 2017	31 Dec 2016	1 Jan 2016
Total carrying amount of provisions	71,555	60,714	50,582	20,449
Total intrinsic value of vested benefits	70,321	59,348	51,456	22,645

The fair value of the provision at each reporting date is determined using an option pricing approach by running a Monte Carlo Simulation that takes into account the exercise price, the term of the virtual shares, the

impact of liquidity preferences, the share price at each reporting date, the risk free interest rate for the term of the virtual shares and the expected volatility. The expected price volatility is based on the historic volatility of a defined peer group of companies.

Selected executives were granted restricted stock units in 2017, which are also classified as cash-settled virtual shares as described above. Vesting of these restricted stock units is solely contingent upon (i) achievement of an IPO or (ii) the sale of more than 50% of the company's outstanding shares that generates certain multiples of proceeds and internal rates of return based on a prior financing round. These market performance conditions are incorporated into the fair value calculation at each reporting date. The provision for the restricted stock units is KEUR 51 as at 31 December 2018 (31 December 2017: KEUR 426).

The following parameters were used in determining the carrying amount of the provisions:

	31 Dec 2018	31 Dec 2017	31 Dec 2016	1 Jan 2016
Risk-free rate	0%	0%	0%	0%
Expected term in years	1.50	2.50	3.50	4.50
Unlevered volatility	33%	18%	24%	18%
Exercise price	37.88	40.65	31.79	27.30
Expected dividend	0%	0%	0%	0%
Share price	789	789	789	473
Fair value of virtual share	643	666	607	275

The share-based payment provision is remeasured through profit and loss at each reporting date to the extent to which the beneficiaries have rendered services up to the reporting date. Total expenses arising from share-based payment transactions are recognised in the statement of profit or loss and other comprehensive income.

The movements in the outstanding virtual shares are presented below:

	31 Dec 2018	31 Dec 2017	31 Dec 2016
Outstanding on 1 January	91,134	83,368	74,243
Forfeited during the period	647	2,719	—
Granted during the period	20,735	10,485	9,125
Outstanding on 31 December	111,222	91,134	83,368

By shareholder resolution of AUTO1 Group GmbH dated 28 October 2016, the shareholders agreed that the Company is fully released from the costs that the Company incurs under the virtual share incentive programs in the event of virtual shares being exercised at the time of a liquidity event pro rata in proportion to their participation in the Company's share capital. AUTO1 recognises a financial asset (see Note 6.7) with regards to this reimbursement right.

6.11 Provisions

KEUR	1 Jan 2018	Utilisation	Reversal	Additions	31 Dec 2018
Provisions for litigation	**1,130**	554	—	265	**841**
Warranties for cars	**1,813**	1,813	—	1,906	**1,906**
Other provisions	**1,071**	1,016	—	—	**55**
Total	**4,014**	**3,383**	—	**2,171**	**2,802**

Provisions for cars were mainly formed in connection with warranties, which require the group companies to remedy any quality issues of the sold cars.

6.12 Borrowings

KEUR	31 Dec 2018	31 Dec 2017	31 Dec 2016	1 Jan 2016
Borrowings (non-current)				
Liabilities to financial institutions	50,000	70,000	80,000	28,142
Accrued interest	22	22	—	—
Total	**50,022**	**70,022**	**80,000**	**28,142**
Borrowings (current)				
Liabilities to financial institutions	20,000	58,000	—	—
Liabilities to shareholders	—	—	—	37,039
Accrued interest	197	278	60	14
Total	**20,197**	**58,278**	**60**	**37,053**

Liabilities to financial institutions relate to a facility agreement (as was the case in prior years) with six banks with a term of one to five years for credit lines worth a total of KEUR 160,000. Collateral for these credit lines are provided using the working capital of AUTO1 European Cars B.V. and AUTO 1 Italia Commercio S.R.L and includes the pledging of current accounts, assignment of inventories as security and blanket assignment of receivables. EUR 20 million of those borrowings are shown as current since this amount was repaid in 2019.

The facility agreement has a term of more than one and less than five years and has been increased beginning of April 2019 from EUR 160 million to EUR 235 million.

In addition, during 2016 the Company converted an outstanding convertible loan plus accrued interest into equity shares in the amount of KEUR 35,000 (principal) and KEUR 2,058 (accrued interest).

6.13 Trade and other payables

Trade and other payables are unsecured.

The carrying amounts are considered to be the same as their fair values, due to their short-term nature and payment is usually made within 30 days but depends on individual terms of payment.

6.14 Other financial liabilities

KEUR	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Jan 1, 2016
Other non-current financial liabilities				
Lease liabilities	30,378	26,760	29,910	26,748
Total	**30,378**	**26,760**	**29,910**	**26,748**
Other current financial liabilities				
Lease liabilities	13,305	11,354	9,643	8,321
Other	110	479	227	451
Total	**13,415**	**11,833**	**9,870**	**8,772**

Further information about leases is presented in Note 6.3.

6.15 Other liabilities

KEUR	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Jan 1, 2016
Other non-current liabilities				
Personnel-related liabilities	1,000	1,078	376	137
Other	—	453	764	133
Total	**1,000**	**1,531**	**1,140**	**270**
Other current liabilities				
Personnel-related liabilities	12,273	7,624	6,328	6,124
Contract liabilities	14,870	16,800	24,699	12,815
Other	3,655	1,922	7,141	2,220
Total	**30,798**	**26,346**	**38,168**	**21,159**

Other liabilities mainly result from contract liabilities, personnel-related liabilities and VAT liabilities.

Contract liabilities are prepayments from car dealers for sales of cars and related services, which were not yet recognised as revenue in the reporting period. Also, a contract liability is recognised when a payment for a customer is due. The revenue with respect to outstanding contract liabilities is recognised shortly after the reporting date.

Personnel-related liabilities primarily include vacation payments and severance payment obligations.

7 Notes to the Consolidated Statement of Changes in Equity

Equity and capital reserve

Number of shares	31 Dec 2018	31 Dec 2017	31 Dec 2016
In issue on 1 January	3,121,535	2,980,995	2,768,841
Issued during the year	299,230	140,540	212,154
In issue on 31 December	3,420,765	3,121,535	2,980,995
Authorized capital—par value in EUR	3,518,787	3,219,557	3,079,017

The issued shares are ordinary shares that entitle their holders to the Company's residual assets and to one vote per share at shareholders' meetings.

The shares were issued for cash except for the shares issued during 2016 which were partially issued for cash (KEUR 75,431) and partially through conversion of a shareholder's loan in the amount of KEUR 35,000 plus accrued interest of KEUR 2,058.

During the capital reorganization undertaken in 2018, whereby AUTO1 SE became the new parent of the Group (see Note 1), all shares in AUTO1 Group GmbH were transformed into the same number of shares in AUTO1 SE.

Nature and purpose of reserves

Currency translation reserve

The currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Other equity reserve

These reserves currently related by the changes in the receivables from the shareholders of the Company with respect to the reimbursement right for the share-based payments (see Note 6.10).

8 Cash Flows from financing activities

The cash flows from financing activities reconcile to the financial position as follows:

KEUR	31 Dec 2018	Cash outflow	Cash inflow	Accrued interest expense (non-cash)	Interest expense paid (cash outflow)	Additions/ disposals (non-cash)	FX changes	1 Jan 2018
Liabilities to financial institutions	70,220	(58,000)	—	3,372	(3,453)	—	—	128,300
Lease liabilities	43,683	(13,885)	—		—	19,500	(46)	38,114
Total	**113,903**	**(71,885)**	**—**	**3,372**	**(3,453)**	**19,500**	**(46)**	**166,415**

KEUR	31 Dec 2017	Cash outflow	Cash inflow	Accrued interest expense (non-cash)	Interest expense paid (cash outflow)	Additions/ disposals (non-cash)	FX changes	1 Jan 2017
Liabilities to financial institutions	128,300	—	48,000	3,873	(3,633)	—	—	80,060
Liabilities to shareholders	—	—	—	—	—	—	—	—
Lease liabilities	38,114	(11,648)	—	—	—	10,183	26	39,553
Total	**166,415**	**(11,648)**	**48,000**	**3,873**	**(3,633)**	**10,183**	**26**	**119,614**

KEUR	31 Dec 2016	Cash outflow	Cash inflow	Accrued interest expense (non-cash)	Interest expense paid (cash outflow)	Additions/ disposals (non-cash)	FX changes	1 Jan 2016
Liabilities to financial institutions	80,060	—	49,800	4,929	(2,824)	—	—	28,156
Liabilities to shareholders	—	—	—	19	—	(37,058)	—	37,039
Lease liabilities	39,553	(10,099)		9		14,574		35,069
Total	**119,614**	**(10,099)**	**49,800**	**4,957**	**(2,824)**	**(22,484)**	**—**	**100,264**

9 Financial instruments

Financial instruments of the Group comprise the following financial assets and financial liabilities.

31 Dec 2018

KEUR	Measurement category	Carrying amount	Fair value	Fair value hierarchy
Financial assets				
Other non-current financial assets		79,999		
of which due from shareholders	*Measured at fair value*	*71,554*	*71,554*	*3*
of which other non-current financial assets	*Measured at amortised cost*	*8,445*	*8,445*	*2*
Trade and other receivables	*Measured at amortised cost*	41,321	n/a	n/a
Other current financial assets	*Measured at amortised cost*	2,482	n/a	n/a
Cash and cash equivalents	*Measured at amortised cost*	116,513	n/a	n/a
Financial liabilities				
Non-current financial liabilities		80,400		
of which financial liabilities to banks	*Measured at amortised cost*	*50,022*	*50,022*	*2*
of which lease liabilities	*See Note 6.3*	*30,378*	*n/a*	*n/a*
Trade and other payables	*Measured at amortised cost*	75,565	n/a	n/a
Other current financial liabilities		33,612		
of which financial liabilities to banks	*Measured at amortised cost*	*20,197*	*20,197*	*2*
of which lease liabilities	*See Note 6.3*	*13,305*	*n/a*	*n/a*
of which other financial liabilities	*Measured at amortised cost*	*110*	*110*	*2*

31 Dec 2017

KEUR	Measurement category	Carrying amount	Fair value	Fair value hierarchy
Financial assets				
Other non-current financial assets		63,242		
of which due from shareholders	*Measured at fair value*	*60,714*	*60,714*	*3*
of which other non-current financial assets	*Measured at amortised cost*	*2,528*	*2,528*	*2*
Trade and other receivables	*Measured at amortised cost*	27,624	n/a	n/a
Other current financial assets	*Measured at amortised cost*	1,019		
of which other current financial assets	Measured at amortised cost	*1,019*	*1,019*	*2*
Cash and cash equivalents	*Measured at amortised cost*	52,487	n/a	n/a
Financial liabilities				
Non-current financial liabilities		96.782		
of which financial liabilities to banks	*Measured at amortised cost*	*70,022*	*70,022*	*2*
of which lease liabilities	*See Note 6.3*	*26,760*	*n/a*	*n/a*
Trade and other payables	Measured at amortised cost	36,043	n/a	n/a
Other current financial liabilities		70,111		
of which financial liabilities to banks	*Measured at amortised cost*	*58,278*	*58,278*	*2*
of which lease liabilities	*See Note 6.3*	*11,354*	*n/a*	*n/a*
of which other current financial liabilities	*Measured at amortised cost*	*479*	*479*	*2*

31 Dec 2016

KEUR	Measurement category	Carrying amount	Fair value	Fair value hierarchy
Financial assets				
Other non-current financial assets		53,719		
of which due from shareholders	*Measured at fair value*	*50,582*	*50,582*	*3*
of which other non-current financial assets	*Measured at amortised cost*	*3,137*	*3,137*	*2*
Trade and other receivables	*Measured at amortised cost*	36,909	n/a	n/a
Other current financial assets	*Measured at amortised cost*	418	418	2
Cash and cash equivalents	*Measured at amortised cost*	55,519	n/a	n/a
Financial liabilities				
Non-current financial liabilities		109,910		
of which financial liabilities to banks	*Measured at amortised cost*	*80,000*	*80,000*	*2*
of which lease liabilities	*See Note 6.3*	*29,910*	*n/a*	*n/a*
Trade and other payables	Measured at amortised cost	25,252	n/a	n/a
Other current financial liabilities		9,930		
of which financial liabilities to banks	*Measured at amortised cost*	*60*	*60*	*2*
of which lease liabilities	*See Note 6.3*	*9,643*	*n/a*	*n/a*
of which other financial liabilities	*Measured at amortised cost*	*227*	*227*	*2*

The carrying amounts of cash and cash equivalents, trade and other receivable as well as trade payables is approximately their fair value due to their short-term maturities. For all other financial assets and liabilities, no changes have occurred that would have had a material effect on the fair value of these instruments since their initial recognition.

The net result from financial instruments comprises the following:

31 Dec 2018

KEUR	Interest	Impairment	Gain (+) /loss (–) from valuation	Total
Financial assets at amortised cost	263	(165)	—	98
Financial assets at fair value	—	n/a	10,840	10,840*
Financial liabilities at amortised cost	(2,162)	—	—	(2,162)
Net result	**(1,899)**	**(165)**	**10,840**	**8,776**

* Relates to the receivable due from shareholders in relation to the share-based payment liability and recognised under 'Other reserves' (see Note 6.7 and Note 6.10 for further detail).

31 Dec 2017

KEUR	Interest	Impairment	Gain (+) /loss (–) from valuation	Total
Financial assets at amortised cost	—	(849)	—	(849)
Financial assets at fair value	—	n/a	10,132	10,132*
Financial liabilities at amortised cost	(2,651)	—	—	(2,651)
Net result	**(2,651)**	**(849)**	**10,132**	**6,632**

* Relates to the receivable due from shareholders in relation to the share-based payment liability and recognised under 'Other reserves' (see Note 6.7 and Note 6.10 for further detail).

31 Dec 2016

KEUR	Interest	Impairment	Gain (+) /loss (–) from valuation	Total
Financial assets at amortised cost	4	(124)	—	(120)
Financial assets at fair value	—	n/a	30,133	30,133*
Financial liabilities at amortised cost	(3,793)	—	—	(3,793)
Net result	**(3,789)**	**(124)**	**30,133**	**26,220**

* Relates to the receivable due from shareholders in relation to the share-based payment liability and recognised through 'Other reserves' (see Note 6.7 and Note 6.10 for further detail).

Financial risk management

The main financial risks faced by the Group are credit risk, market risk, currency risk, and liquidity risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The exposure to credit risk with commercial counterparties of the Group is mitigated to the extent that cash is received upfront as a prepayment. Some insignificant impairments arise incidentally. Such impairment losses are measured using the following provision matrix: current: 0%; 30 to 180 days overdue: 20%; 181–360 days: 30%; more than 361 days 60%. The impairment loss amounted to KEUR 165 during the reporting period (2017: KEUR 849; 2016: KEUR 124). If the possibility of recovery becomes remote, such receivables are written off. The write off represents a derecognition event. As the impairment losses are not material AUTO1 Group SE does not disclose this amount in a separate line in the consolidated statement of profit or loss and other comprehensive income.

If merchants pay in instalments, AUTO1 Group estimates the expected credit losses on the corresponding trade receivables using a credit loss rate approach. The credit loss rate is estimated based on historical loss trends and forecasted forward loss curves reflecting the cash flows expected from liquidating the repossessed cars. The impairment losses (gains) recognised in profit or loss represent the periodic adjustment to the allowance account. Due to a low volume of the trade receivables falling under such category in the reporting period and zero in the comparative periods the expected credit losses were immaterial.

The credit risk on liquid funds and other financial assets is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. Therefore, expected credit losses on these financial assets of the group are immaterial both during the reporting and comparative periods.

The carrying amount of the financial assets represents the Group's maximum exposure to credit risk. Such trade receivables amounted KEUR 16,553 (2017: EUR 0; 2016: EUR 0; 1 January 2016: EUR 0).

Market risk

Market risks arise from foreign exchange risk on intercompany financing denominated in euro provided by the parent to the subsidiaries whereby the functional currency of the subsidiary is different from euro. However, the exposure to the fluctuations in the exchange rate at the current and comparative reporting dates is immaterial.

The Group is not exposed to the interest rate risk to any significant extent because all its financings are based on fixed interest rates.

The price risk from remeasurement of the receivable from shareholders is exactly the same as that of the corresponding share-based payment liability which is described in Note 6.9.

Liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date.

Maturity analysis of financial liabilities as at 31 December 2018:

31 Dec 2018

KEUR	< 1 year	1–5 years	Total	Carrying amount
Financial liabilities to banks	20,197	50,022	70,219	70,219
Other financial liabilities	110	—	110	110
Trade payables and other payables	75,565	—	75,565	75,565
Total	**95,872**	**50,022**	**145,894**	**145,894**

Maturity analysis of financial liabilities as at 31 December 2017:

31 Dec 2017

KEUR	< 1 year	1–5 years	Total	Carrying amount
Financial liabilities to banks	58,278	70,022	128,300	128,300
Other financial liabilities	479	—	479	479
Trade payables and other payables	36,043	—	36,043	36,043
Total	**94,800**	**70,022**	**164,822**	**164,822**

Maturity analysis of financial liabilities as at 31 December 2016:

31 Dec 2016

KEUR	< 1 year	1–5 years	Total	Carrying amount
Financial liabilities to banks	60	80,000	80,060	80,060
Other financial liabilities	227	—	227	227
Trade payables and other payables	25,252	—	25,252	25,252
Total	**25,539**	**80,000**	**105,539**	**105,539**

Capital management

AUTO1 Group's objectives when managing its capital were to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

AUTO1 SE mainly controls AUTO1 Group's liquidity risks by retention of sufficient capital reserves and credit lines with banks as well as through continuous monitoring of expected and actual cash flows and maintaining a balanced portfolio of financial assets and liabilities in regard to maturities.

The following table shows the Group's total equity and its equity ratio:

KEUR	31 Dec 2018	31 Dec 2017	31 Dec 2016	1 Jan 2016
Total equity	270,486	163,065	118,476	71,470
Total equity and liabilities	568,024	459,812	354,882	224,203
Equity ratio	**47.6%**	**35.5%**	**33.4%**	**31.9%**

A new shareholder participated in AUTO1 Group in 2018 by way of a capital increase. The capital increase became effective on January 12, 2018. This included a contribution to the capital reserve (KEUR 213,404), which was considerably higher than the contributions in 2017 and an increase of the subscribed capital (KEUR 299). In 2017 three capital increases took place which led to an increase in subscribed capital of KEUR 141 and KEUR 100,014 in capital reserve.

10 Related party disclosure

Key management personnel

For AUTO1 the members of the Board of management and the supervisory board were considered as key management personnel.

The Board of management consists of Hakan Koç (Founder / Co-Chief Executive Officer), Christian Bertermann (Founder / Co-Chief Executive Officer) and Markus Boser (Chief Financial Officer). Until 30 November 2018, Hakan Koç and Christian Bertermann were managing directors of AUTO1 Group GmbH. From 1 December 2018, they became board members of AUTO1 Group SE with Markus Boser.

The members of the Supervisory Board are Gerhard Cromme (chairman of the supervisory board), supervisory board member, Jonathan Browning, manager, Gerd Häusler, supervisory board member, Andrin Bachmann (vice-chairman of the supervisory board), venture capital investor, and Akshay Naheta, manager.

The key management personnel received short-term employee benefits in 2018 of KEUR 831, 2017 of KEUR 504 and 2016 of KEUR 337.

Furthermore, AUTO1 makes use of the exemption in § 286 (4) HGB in connection with § 314 (3) HGB.

Other transactions with related parties

In addition to the receivables against AUTO1 FT GmbH, the Group has a claim against its shareholders in respect of the virtual share incentive programs in 2018 of KEUR 71,554, 2017 of KEUR 60,714, 2016 of KEUR 50,582 (see Note 6.10).

The following table shows the receivables against AUTO1 FT GmbH as related parties:

KEUR	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Jan 1, 2016
Receivables from related parties (non-current)	5,025	—	—	—
Receivables from related parties (current)	2,347	—	—	—
Total	**7,372**	**—**	**—**	**—**

The receivables against AUTO1 FT GmbH relate to a long-term lending from the Group and the exchange of cars and car related services within the scope of sales to merchants.

The following table shows income from transactions with AUTO1 FT GmbH as related party:

KEUR	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016
Sale of goods and services to related parties	6,215	—	—
Other income	186	—	—
Total	**6,401**	**—**	**—**

11 Auditors' fees and services

Following table shows the fees for services provided by KPMG AG Wirtschaftsprüfungsgesellschaft, Germany, the Group auditor for the consolidated financial statements as at and for the financial year ended 31 December 2018:

KEUR	Jan 1, 2018–Dec 31, 2018	Jan 1, 2017–Dec 31, 2017	Jan 1, 2016–Dec 31, 2016
Audit services	155	155	120
Tax services	547	273	26
Other services	—	—	8
Total	**702**	**428**	**154**

12 Disclosures on participations

On 31 December 2018 the AUTO1 Group SE was comprised of 42 entities that were included in the scope of consolidation.

Name	Registered office	Total of direct and indirect shares as at 31 Dec 2018 in %
AUTO1 Albania SPHK	Tirana, Albania	100.00
AUTO1 European Auctions GmbH & Co. KG	Berlin, Germany	100.00
AUTO1 European Auctions Verwaltungs GmbH	Berlin, Germany	100.00
AUTO1 European Cars B.V.	Amsterdam, Netherlands	100.00
AUTO1 FT GmbH	Berlin, Germany	20.00
AUTO1 Global Services GmbH & Co. KG	Berlin, Germany	100.00
AUTO1 Group GmbH	Berlin, Germany	100.00
AUTO1 IT Services GmbH & Co. KG	Berlin, Germany	100.00
AUTO1 IT Services Verwaltungs GmbH	Berlin, Germany	100.00
AUTO1 Italia Commercio S.R.L.	Milan, Italy	100.00
AUTO1 Marketing Services GmbH & Co. KG	Berlin, Germany	100.00
AUTO1 N.V.	Amsterdam, Netherlands	100.00
AUTO1 Operation Services GmbH & Co. KG	Berlin, Germany	100.00
AUTO1 Operation Services Verwaltungs GmbH	Berlin, Germany	100.00
AUTO1 Polska Sp. z o.o.	Warsaw, Poland	100.00
AUTO1 Sales Services GmbH & Co. KG	Berlin, Germany	100.00
AUTO1 Sales Services Verwaltungs GmbH	Berlin, Germany	100.00
AUTO1 Tschechien s.r.o.	Prague, Czech Republic	100.00
AUTO1.com	Berlin, Germany	100.00
Autohero GmbH	Berlin, Germany	100.00
Autohero Inc.	Delaware, USA	100.00
Autohero Plus Spain S.L.	Madrid, Spain	100.00
Autohero Poland Sp. z o.o.	Warsaw, Poland	100.00
Autowholesale Automotive Finland Oy	Tempere, Finland	100.00
GAB Service UG	Berlin, Germany	100.00
L&L Auto Info GmbH	Berlin, Germany	100.00
NOI COMPRIAMO AUTO.IT S.R.L.	Milan, Italy	100.00
VAMANCIA S.L.	Madrid, Spain	100.00
VKDA Sverige AB	Stockholm, Sweden	100.00
WijKopenAutos B.V.	Amsterdam, Netherlands	100.00
wirkaufendeinauto.de GmbH	Berlin, Germany	100.00
WKA BVBA	Antwerp, Belgium	100.00
WKDA Automobile GmbH & Co. KG	Berlin, Germany	100.00
WKDA Automotive SRL	Bucharest, Romania	100.00
WKDA Booking Services GmbH & Co. KG	Berlin, Germany	100.00
WKDA Booking Services Verwaltungs GmbH	Berlin, Germany	100.00
WKDA Deutschland GmbH	Berlin, Germany	100.00
WKDA France S.A.S	Issy-les-Moulinaux, France	92.87
WKDA FRSM UG	Berlin, Germany	66.10
WKDA Österreich GmbH	Vienna, Austria	100.00
WKDA Portugal, Unipessoal Lda.	Carnaxide, Portugal	100.00
WKDA Schweiz GmbH	Zurich, Switzerland	100.00
WKDA Services GmbH	Berlin, Germany	100.00

*The local management are the shareholders of the parent. Therefore, no non-controlling interests exist in the Group.

AUTO1 Group sold 80% of its shares in AUTO1 FT GmbH at cost during 2018. Therefore, the company is now an associated company. As at 31 December 2018 the AUTO1 FT GmbH had trade receivables of EUR 16.6 million, cash and cash equivalents EUR 9.3 million, an equity of EUR -5.0 million, EUR 25.9 million borrowings and EUR 4.2 million trade payables.

13 Events after the reporting period

The facility agreement was extended and modified at the end of March 2019. It has a term of more than one and less than five years; the credit facilities increase from EUR 160 million to EUR 235 million. Collateral for theses credit lines continues to be provided using the working capital of AUTO1 European Cars B.V. and AUTO1 Italia Commercio S.R.L. and relates to the pledging of current accounts assignment of inventories as security and blanket assignment of receivables.

The new type of coronavirus (SARS-CoV-2) can have a significant effect on the future assets, liabilities, financial position and financial performance for the financial year 2020. Further information is included in Section IV.A.4 Risk report—changes of risks after the balance sheet date in the management report.

No other significant events occurred after the close of the financial year.

14 Explanation of transition to IFRS

For the transition to IFRS, the following IFRS Standards have the main impact:

IFRS 2: For HGB no share-based payments needed to be accounted as the shareholder have agreed to pay back the obligation for the share-based payments. For IFRS an obligation for the share- based payments and a receivable to the shareholders for paying back the obligation must be accounted. The accounting of the obligation lead to employee expenses. The receivable to shareholders must be booked to other reserve and has no P&L effect.

IFRS 15: The differences regarding IFRS 15 are mainly due to a change of the revenue recognition date. For HGB we recognised the revenue at the point when the merchant won the auction. For IFRS it is at the date when the merchant has made his payment.

IFRS 16: For IFRS 16 we have the difference between HGB and IFRS, because for IFRS we must capitalized the leasing contract for rent and cars as property, plant and equipment and in the same amount a lease liability. According to HGB, the rent and cars leasing were expensed at the time they occur.

The following tables show the transition from Local GAAP ('HGB') to IFRS as at 31 December 2018:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

KEUR	Local GAAP Jan 1, 2018– Dec 31, 2018	IFRS 2	IFRS 15	IFRS 16	IAS 37	IAS 16	Reclasses	Others	IFRS Jan 1, 2018– Dec 31, 2018
Revenue	**2,850,075**		**2,050**				**3,769**		**2,855,894**
Cost of sales	(2,608,526)		(1,400)						(2,609,926)
Gross profit	**241,549**	**—**	**650**	**—**	**—**	**—**	**3,769**	**—**	**245,968**
Other operating income	12,397			47	(2,350)		(3,769)		6,325
Personnel expenses	(151,282)	(10,841)							(162,123)
Other operating expenses	(202,565)			15,053		(1,103)			(188,615)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**(99,901)**	**(10,841)**	**650**	**15,100**	**(2,350)**	**(1,103)**	**—**	**—**	**(98,445)**
Depreciation and amortisation	(2,284)			(14,086)		1,418			(14,952)
Earnings before interest and tax (EBIT)	**(102,185)**	**(10,841)**	**650**	**1,014**	**(2,350)**	**315**	**—**	**—**	**(113,397)**
Interest income and other finance income	263								263
Interest expenses and other finance costs	(2,162)			(1,210)					(3,372)
Earnings before tax	**(104,084)**	**(10,841)**	**650**	**(196)**	**(2,350)**	**315**	**—**	**—**	**(116,506)**
Income tax expense	(588)	—	—	—					(588)
Loss for the year	**(104,672)**	**(10,841)**	**650**	**(196)**	**(2,350)**	**315**	**—**	**—**	**(117,094)**
Thereof attributable to the owners of the Parent Company	(104,672)	(10,841)	650	(196)	(2,350)	315	—	—	(117,094)
Other comprehensive income									
Foreign currency translation differences								286	286
Other comprehensive income, net of tax	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**286**	**286**
Total comprehensive income	**(104,672)**	**(10,841)**	**650**	**(196)**	**(2,350)**	**315**	**—**	**286**	**(116,808)**
Thereof attributable to the owners of the Parent Company	(104,672)	(10,841)	650	(196)	(2,350)	315	—	286	(116,808)

Consolidated Statement of Financial Position

KEUR	Local GAAP Dec 31, 2018	IFRS 2	IFRS 15	IFRS 16	IAS 37	IFRS Dec 31, 2018
Assets						
Intangible assets	36					36
Property, plant and equipment	4,361			42,310		46,671
Investments accounted for using the equity method	5					5
Other financial assets (non-current)	8,444	71,555				79,999
Other assets (non-current)	1,037					1,037
Deferred tax assets	—	—	—	—		—
Non-current assets	**13,883**	**71,555**	**—**	**42,310**	**—**	**127,748**
Inventories	194,729		13,575			208,304
Trade and other receivables	41,321					41,321
Income tax receivables	3,493					3,493
Other financial assets (current)	2,482					2,482
Other assets (current)	68,054		109			68,163
Cash and cash equivalents	116,513					116,513
Current assets	**426,592**	**—**	**13,684**	**—**	**—**	**440,276**
Total assets	**440,475**	**71,555**	**13,684**	**42,310**	**—**	**568,024**
Equity and liabilities						
Subscribed capital	3,421					3,421
Capital reserve	587,135					587,135
Other reserves	(263)	71,555				71,292
Retained earnings	(318,022)	(71,555)	(1,062)	(1,373)	650	(391,362)
Total equity	**272,271**	**—**	**(1,062)**	**(1,373)**	**650**	**270,486**
Borrowings (non-current)	50,022					50,022
Other financial liabilities (non-current)	—			30,378		30,378
Share-based payment obligations (non-current)	—	71,555				71,555
Provisions (non-current)	980				(600)	380
Other liabilities (non-current)	1,000					1,000
Non-current liabilities	**52,002**	**71,555**	**—**	**30,378**	**(600)**	**153,335**
Borrowings (current)	20,197					20,197
Trade payables	75,565					75,565
Other financial liabilities (current)	110			13,305		13,415
Provisions (current)	2,472				(50)	2,422
Other liabilities (current)	16,052		14,746			30,798
Income tax liabilities	1,806					1,806
Current liabilities	**116,202**	**—**	**14,746**	**13,305**	**(50)**	**144,203**
Total liabilities	**168,204**	**71,555**	**14,746**	**43,683**	**(650)**	**297,538**
Total equity and liabilities	**440,475**	**71,555**	**13,684**	**42,310**	**—**	**568,024**

Consolidated Statement of Cash Flows

KEUR	Local GAAP Jan 1, 2018–Dec 31, 2018	IFRS 2	IFRS 15	IFRS 16	IAS 37	IAS 16	Rounding	IFRS Jan 1, 2018–Dec 31, 2018
Net loss for the year	**(104,672)**	**(10,841)**	**650**	**(196)**	**(2,350)**	**315**		**(117,094)**
Adjustments for	**1,491**	**10,841**	**—**	**15,296**	**2,350**	**(1,418)**	**(7)**	**28,553**
Amortisation and depreciation	2,282			14,086		(1,418)	2	14,952
Financial result	1,899			1,210				3,109
Income tax expense	588	—	—	—				588
Change in provisions and employee benefit obligations	(3,562)				2,350			(1,212)
Change in receivables from share based payments	—	10,841						10,841
Other non-cash effects	284						(9)	275
Change in operating assets and liabilities	**22,772**	**—**	**(650)**	**—**	**—**	**—**	**2**	**22,124**
Change in operating assets	(22,362)	—	1,400	—	—	—	—	(20,962)
Change in operating liabilities	45,134	—	(2,050)	—	—	—	2	43,086
Other cash flows used in operating activities	**(1,980)**	**—**	**—**	**(1,210)**	**—**	**—**	**—**	**(3,190)**
Interest received	263							263
Interest paid	(2,243)			(1,210)				(3,453)
Net cash flow from operating activities	**(82,389)**	**—**	**—**	**13,890**	**—**	**(1,103)**	**(5)**	**(69,607)**
Payments for investments	(10,142)	—	—	—	—	1,418	—	(8,724)
Proceeds from sale of investments	854	—	—	—	—	—	—	854
Net cash from / (used in) investing activities	**(9,288)**	**—**	**—**	**—**	**—**	**1,418**	**—**	**(7,870)**
Proceeds from capital increase	213,703							213,703
Payments to shareholders						(315)		(315)
Proceeds from/(payments for the repayment of) liabilities to banks and shareholder loan	(58,000)	—	—	—	—	—	—	(58,000)
Payments for lease transactions	—	—	—	(13,885)	—	—	—	(13,885)
Net cash from / (used in) financing activities	**155,703**	**—**	**—**	**(13,885)**	**—**	**(315)**	**—**	**141,503**
Net increase in cash and cash equivalents	**64,026**	**—**	**—**	**5**	**—**	**—**	**(5)**	**64,026**
Cash and cash equivalents at the beginning of the period	**52,487**							**52,487**
Cash and cash equivalents at the end of the period	**116,513**	**—**	**—**	**5**	**—**	**—**	**(5)**	**116,513**

The following tables show the transition from Local GAAP ('HGB') to IFRS as at 31 December 2017:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

KEUR	Local GAAP Jan 1, 2017– Dec 31, 2017	IFRS 2	IFRS 15	IFRS 16	Others	IFRS Jan 1, 2017– Dec 31, 2017
Revenue	**2,169,512**		**7,840**			**2,177,352**
Cost of sales	(1,972,085)		(7,212)			(1,979,297)
Gross profit	**197,427**	**—**	**628**	**—**	**—**	**198,055**
Other operating income	1,867			17		1,884
Personnel expenses	(110,097)	(10,132)				(120,229)
Other operating expenses	(141,093)			12,846		(127,247)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**(51,896)**	**(10,132)**	**628**	**12,863**	**—**	**(47,537)**
Depreciation and amortisation	(1,007)			(12,172)		(13,179)
Earnings before interest and tax (EBIT)	**(52,903)**	**(10,132)**	**628**	**691**	**—**	**(60,716)**
Interest income and other finance income	—					—
Interest expense and other finance cost	(2,651)			(1,222)		(3,873)
Earnings before tax	**(55,554)**	**(10,132)**	**628**	**(531)**	**—**	**(64,589)**
Income taxe expense	(1,077)	—		—		(1,077)
Loss for the year	**(56,631)**	**(10,132)**	**628**	**(531)**	**—**	**(65,666)**
Thereof attributable to the owners of the Parent Company	(56,631)	(10,132)	628	(531)	—	(65,666)
Other comprehensive income						
Foreign currency translation differences	—				(32)	(32)
Other comprehensive income, net of tax	**—**	**—**	**—**	**—**	**(32)**	**(32)**
Total comprehensive income	**(56,631)**	**(10,132)**	**628**	**(531)**	**(32)**	**(65,698)**
Thereof attributable to the owners of the Parent Company	(56,631)	(10,132)	628	(531)	(32)	(65,698)

Consolidated Statement of Financial Position

KEUR	Local GAAP Dec 31, 2017	IFRS 2	IFRS 15	IFRS 16	IAS 37	IFRS Dec 31, 2017
Assets						
Intangible assets	55					55
Property, plant and equipment	2,362			36,937		39,299
Other financial assets (non-current)	2,528	60,714				63,242
Other assets (non-current)	1,007					1,007
Deferred tax assets	—	—	—	—		—
Non-current assets	**5,952**	**60,714**	**0**	**36,937**	—	**103,603**
Inventories	226,733		14,945			241,678
Trade and other receivables	27,624					27,624
Income tax receivables	454					454
Other financial assets (current)	1,019					1,019
Other assets (current)	32,808		139			32,947
Cash and cash equivalents	52,487					52,487
Current assets	**341,125**	**—**	**15,084**	**—**	**—**	**356,209**
Total assets	**347,077**	**60,714**	**15,084**	**36,937**	**—**	**459,812**
Equity and liabilities						
Subscribed capital	3,122					3,122
Capital reserve	373,731					373,731
Other reserves	(549)	60,714				60,165
Retained earnings	(213,350)	(60,714)	(1,712)	(1,177)	3,000	(273,953)
Total equity	**162,954**	**0**	**(1,712)**	**(1,177)**	**3,000**	**163,065**
Borrowings (non-current)	70,022					70,022
Other financial liabilities (non-current)	—			26,760		26,760
Share-based payment obligations (non-current)	—	60,714				60,714
Provisions (non-current)	4,620				(3,000)	1,620
Other liabilities (non-current)	1,531					1,531
Non-current liabilities	**76,173**	**60,714**	**—**	**26,760**	**(3,000)**	**160,647**
Borrowings (current)	58,278					58,278
Trade payables	36,043					36,043
Other financial liabilities (current)	479			11,354		11,833
Provisions (current)	2,394					2,394
Other liabilities (current)	9,550		16,796			26,346
Income tax liabilities	1,206					1,206
Current liabilities	**107,950**	**—**	**16,796**	**11,354**	**—**	**136,100**
Total liabilities	**184,123**	**60,714**	**16,796**	**38,114**	**(3,000)**	**296,747**
Total equity and liabilities	**347,077**	**60,714**	**15,084**	**36,937**	**—**	**459,812**

Consolidated Statement of Cash Flows

KEUR	Local GAAP Jan 1, 2017–Dec 31, 2017	IFRS 2	IFRS 15	IFRS 16	IAS 37	Rounding	IFRS Jan 1, 2017–Dec 31, 2017
Net loss for the year	**(56,631)**	**(10,132)**	**628**	**(531)**	**1,000**		**(65,666)**
Adjustments for	**8,761**	**10,132**	**—**	**13,394**	**(1,000)**	**8**	**31,295**
Amortisation and depreciation	1,007			12,172			13,179
Financial result	2,651			1,222			3,873
Income tax expense	1,077	—	—	—			1,077
Change in provisions and employee benefit obligations	4,058				(1,000)		3,058
Change in receivables from share-based payments	—	10,132					10,132
Other non-cash effects	(32)					8	(24)
Changes in operating assets and liabilities	**(99,410)**	**—**	**(628)**	**—**	**—**	**(1)**	**(100,039)**
Change in operating assets	(106,524)	—	7,212	—	—	(1)	(99,313)
Change in operating liabilities	7,114	—	(7,840)	—	—	—	(726)
Other cash flows used in operating activities	**(2,411)**	**—**	**—**	**(1,223)**	**—**	**1**	**(3,633)**
Interest paid	(2,411)			(1,223)		1	(3,633)
Net cash flow from operating activities	**(149,691)**	**—**	**—**	**11,640**	**—**	**8**	**(138,043)**
Payments for investments in property, plant and equipment and financial assets	(1,643)	—	—	—	—	—	(1,643)
Proceeds from the sale of property, plant and equipment and financial assets	147	—	—	—	—	—	147
Net cash from / (used in) investing activities	**(1,496)**	**—**	**—**	**—**	**—**	**—**	**(1,496)**
Proceeds from capital increase	100,155						100,155
Proceeds from/(payments for repayment of) liabilities to banks and shareholder loans	48,000	—	—	—	—	—	48,000
Payments for lease transactions	—	—	—	(11,648)	—	—	(11,648)
Net cash from / (used in) financing activities	**148,155**	**—**	**—**	**(11,648)**	**—**	**—**	**136,507**
Net increase in cash and cash equivalents	**(3,032)**	**—**	**—**	**(8)**	**—**	**8**	**(3,032)**
Cash and cash equivalents at the beginning of the period	**55,519**						**55,519**
Cash and cash equivalents at the end of the period	**52,487**	**—**	**—**	**(8)**	**—**	**8**	**52,487**

The following tables show the transition from Local GAAP ('HGB') to IFRS as at 31 December 2016:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

KEUR	Local GAAP Jan 1, 2016–Dec 31, 2016	IFRS 2	IFRS 15	IFRS 16	IAS 37	Others	IFRS Jan 1, 2016–Dec 31, 2016
Revenue	**1,478,454**		**(11,844)**				**1,466,610**
Cost of sales	(1,363,707)		10,631				(1,353,076)
Gross profit	**114,747**	**—**	**(1,213)**	**—**	**—**	**—**	**113,534**
Other operating income	3,841			16			3,857
Personnel expenses	(94,911)	(30,133)					(125,044)
Other operating expenses	(83,644)			11,219	2,000		(70,425)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**(59,967)**	**(30,133)**	**(1,213)**	**11,235**	**2,000**	**—**	**(78,078)**
Depreciation and amortisation	(1,037)			(10,716)			(11,753)
Earnings before interest and tax (EBIT)	**(61,004)**	**(30,133)**	**(1,213)**	**519**	**2,000**	**—**	**(89,831)**
Interest income and other finance income	4						4
Interest expense and other finance costs	(3,793)			(1,165)			(4,958)
Earnings before tax	**(64,793)**	**(30,133)**	**(1,213)**	**(646)**	**2,000**	**—**	**(94,785)**
Income tax expense	(463)	—	—	—			(463)
Loss for the year	**(65,256)**	**(30,133)**	**(1,213)**	**(646)**	**2,000**	**—**	**(95,248)**
Thereof attributable to the owners of the Parent Company	(65,256)	(30,133)	(1,213)	(646)	2,000	—	(95,248)
Other comprehensive income							
Foreign currency translation differences						(367)	(367)
Other comprehensive income, net of tax	**—**	**—**	**—**	**—**	**—**	**(367)**	**(367)**
Total comprehensive income	**(65,256)**	**(30,133)**	**(1,213)**	**(646)**	**2,000**	**(367)**	**(95,615)**
Thereof attributable to the owners of the Parent Company	(65,256)	(30,133)	(1,213)	(646)	2,000	(367)	(95,615)

Consolidated Statement of Financial Position

KEUR	Local GAAP Dec 31, 2016	IFRS 2	IFRS 15	IFRS 16	IAS 37	IFRS Dec 31, 2016
Assets						
Intangible assets	73					73
Property, plant and equipment	1,856			38,908		40,764
Other financial assets (non-current)	3,137	50,582				53,719
Other assets (non-current)	757					757
Deferred tax assets	—	—	—	—		—
Non-current assets	**5,823**	**50,582**	**—**	**38,908**	**—**	**95,313**
Inventories	124,758		22,118			146,876
Trade and other receivables	36,909					36,909
Income tax receivables	807					807
Other financial assets (current)	418					418
Other assets (current)	18,862		178			19,040
Cash and cash equivalents	55,519					55,519
Current assets	**237,273**	**—**	**22,296**	**—**	**—**	**259,569**
Total assets	**243,096**	**50,582**	**22,296**	**38,908**	**—**	**354,882**
Equity and liabilities						
Subscribed capital	2,981					2,981
Capital reserve	273,717					273,717
Other reserves	(516)	50,582				50,066
Retained earnings	(156,719)	(50,582)	(2,340)	(646)	2,000	(208,287)
Total equity	**119,463**	**—**	**(2,340)**	**(646)**	**2,000**	**118,477**
Borrowings (non-current)	80,000					80,000
Other financial liabilities (non-current)	—			29,910		29,910
Share-based payment obligations (non-current)	—	50,582				50,582
Provisions (non-current)	2,095				(2,000)	95
Other liabilities (non-current)	1,139					1,139
Non-current liabilities	**83,234**	**50,582**	**—**	**29,910**	**(2,000)**	**161,726**
Borrowings (current)	60					60
Trade payables	25,252					25,252
Other financial liabilities (current)	226			9,644		9,870
Provisions (current)	861					861
Other liabilities (current)	13,532		24,636			38,168
Income tax liabilities	468					468
Current liabilities	**40,399**	**—**	**24,636**	**9,644**	**—**	**74,679**
Total liabilities	**123,633**	**50,582**	**24,636**	**39,554**	**(2,000)**	**236,405**
Total equity and liabilities	**243,096**	**50,582**	**22,296**	**38,908**	**—**	**354,882**

Consolidated Statement of Cash Flows

KEUR	Local GAAP Jan 1, 2016–Dec 31, 2016	IFRS 2	IFRS 15	IFRS 16	IAS 37	Rounding	IFRS Jan 1, 2016–Dec 31, 2016
Net loss for the year	**(65,256)**	**(30,133)**	**(1,213)**	**(646)**	**2,000**	**—**	**(95,248)**
Adjustments for	**7,700**	**30,133**	**—**	**11,881**	**(2,000)**	**(4)**	**47,710**
Amortisation and depreciation	1,037			10,716			11,753
Financial result	3,789			1,165			4,954
Income tax expense	463	—	—	—			463
Change in provisions and employee benefit obligations	2,777				(2,000)		777
Change in receivables from share-based payments	—	30,133				(1)	30,132
Other non-cash effects	(366)					(3)	(369)
Changes in operating assets and liabilities	**(68,856)**	**—**	**1,213**	**—**	**—**	**7**	**(67,636)**
Change in operating assets	(89,975)	—	(10,631)	—	—	1	(100,605)
Change in operating liabilities	21,119	—	11,844	—	—	6	32,969
Other cash flows used in operating activities	**(1,681)**	**—**	**—**	**(1,139)**	**—**	**—**	**(2,820)**
Interest received	4						4
Interest paid	(1,685)			(1,139)			(2,824)
Net cash flow from operating activities	**(128,093)**	**—**	**—**	**10,096**	**—**	**3**	**(117,994)**
Payments for investments in property, plant and equipment and financial assets	(1,089)	—	—	—	—	—	(1,089)
Proceeds from the sale of property, plant and equipment and financial assets	92	—	—	—	—		92
Net cash from / (used in) investing activities	**(997)**	**—**	**—**	**—**	**—**	**—**	**(997)**
Proceeds from capital increase	75,431						75,431
Proceeds from/(payments for the repayment of) liabilities to banks and shareholder loan	49,800	—	—	—	—		49,800
Payments for lease transactions	—	—	—	(10,099)	—		(10,099)
Net cash from / (used in) financing activities	**125,231**	**—**	**—**	**(10,099)**	**—**	**—**	**115,132**
Net increase in cash and cash equivalents	**(3,859)**	**—**	**—**	**(3)**	**—**	**3**	**(3,859)**
Cash and cash equivalents at the beginning of the period	**59,378**						**59,378**
Cash and cash equivalents at the end of the period	**55,519**	**—**	**—**	**(3)**	**—**	**3**	**55,519**

The transition from Local GAAP ('HGB') to IFRS as at 1 January 2016:

Consolidated Statement of Financial Position

KEUR	Local GAAP Jan 1, 2016	IFRS 2	IFRS 15	IFRS 16	IFRS Jan 1, 2016
Assets					
Intangible assets	63	—	—	—	63
Property, plant and equipment	1,905	—	—	35,069	36,974
Other financial assets (non-current)	1,081	20,449	—	—	21,530
Other assets (non-current)	1	—	—	—	1
Deferred tax assets	—	—	—	—	—
Non-current assets	**3,050**	**20,449**	**—**	**35,069**	**58,568**
Inventories	56,163	—	11,665	—	67,828
Trade and other receivables	28,003	—	—	—	28,003
Income tax receivables	146	—	—	—	146
Other financial assets (current)	812	—	—	—	812
Other assets (current)	9,468	—	—	—	9,468
Cash and cash equivalents	59,378	—	—	—	59,378
Current assets	**153,970**	**—**	**11,665**	**—**	**165,635**
Total assets	**157,020**	**20,449**	**11,665**	**35,069**	**224,203**
Equity and liabilities					
Subscribed capital	2,769	—	—	—	2,769
Capital reserve	161,440	—	—	—	161,440
Other reserves	(149)	20,449	—	—	20,300
Retained earnings	(91,464)	(20,449)	(1,126)	—	(113,039)
Total equity	**72,596**	**—**	**(1,126)**	**—**	**71,470**
Borrowings (non-current)	28,142	—	—	—	28,142
Other financial liabilities (non-current)	—	—	—	26,748	26,748
Share-based payment obligations (non-current)	—	20,449	—	—	20,449
Provisions (non-current)	76	—	—	—	76
Other liabilities (non-current)	270	—	—	—	270
Non-current liabilities	**28,488**	**20,449**	**—**	**26,748**	**75,685**
Borrowings (current)	37,053	—	—	—	37,053
Trade payables	9,961	—	—	—	9,961
Other financial liabilities (current)	451	—	—	8,321	8,772
Provisions (current)	103	—	—	—	103
Other liabilities (current)	8,368	—	12,791	—	21,159
Current liabilities	**55,936**	**—**	**12,791**	**8,321**	**77,048**
Total liabilities	**84,424**	**20,449**	**12,791**	**35,069**	**152,733**
Total equity and liabilities	**157,020**	**20,449**	**11,665**	**35,069**	**224,203**

Berlin, 27 March 2020

AUTO1 Group SE

Hakan Koç	Christian Bertermann	Markus Boser
Co-CEO	Co-CEO	CFO

The following auditor's report, prepared in accordance with § 322 HGB ("Handelsgesetzbuch": "German Commercial Code"), refers to the complete consolidated financial statements, comprising consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements of AUTO1 Group SE, Berlin, for the financial year from January 1, 2018 to December 31, 2018. The group management report is not included in this prospectus. The above-mentioned auditor‘s report and consolidated financial statements are both translations of the respective German-language documents.

Independent Auditor's Report

To AUTO1 Group SE, Munich

Opinions

We have audited the consolidated financial statements of AUTO1 Group SE, Munich, and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2018, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of AUTO1 Group SE, Munich, for the financial year from 1 January to 31 December 2018.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB (Handelsgesetzbuch: German Commercial Code) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2018, and of its financial performance for the financial year from 1 January to 31 December 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the German Generally Accepted Standards of Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, they also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, 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 opinions. 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 controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report 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 these systems.

- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets,

liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with (German) law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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.

Berlin, 30 March 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft
(Original German version signed by:)

(*signature*) Sternberg
Wirtschaftsprüfer
(German Public Auditor)

(*signature*) Proplesch
Wirtschaftsprüfer
(German Public Auditor)

Consolidated financial statements
as of and for the fiscal year ended December 31, 2017
(prepared in accordance with HGB)

of

AUTO1 Group GmbH (now AUTO1 Group AG)

AUTO1 Group GmbH, Berlin

Consolidated balance sheet as of December 31, 2017

Assets

	Dec. 31, 2017		Dec. 31, 2016	
	EUR	EUR	EUR	EUR
A. Fixed assets				
I. Intangible assets				
Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets acquired for a consideration		76,188.30		94,086.33
II. Property, plant and equipment				
1. Buildings on third-party land . .	279,516.95		280,772.08	
2. Other equipment, operating and office equipment	2,061,050.78	2,340,567.73	1,553,648.06	1,834,420.14
		2,416,756.03		**1,928,506.47**
B. Current assets				
I. Inventories				
Merchandise		225,986,769.82		124,758,056.80
II. Receivables and other assets				
1. Trade receivables	28,339,735.88		36,897,627.74	
2. Other assets	37,263,673.60	65,603,409.48	16,922,280.62	53,819,908.36
III. Cash and cash equivalents . . .		49,267,897.54		52,440,383.26
		340,858,076.84		**231,018,348.42**
C. Prepaid expenses		**576,005.93**		**698,195.17**
		343,850,838.80		**233,645,050.06**

Equity and liabilities

	Dec. 31, 2017		Dec. 31, 2016	
	EUR	EUR	EUR	EUR
A. Equity				
I. Issued capital				
1. Subscribed capital	3,219,557.00		3,079,017.00	
2. Nominal amounts of treasury shares	-98,022.00	3,121,535.00	-98,022.00	2,980,995.00
II. Capital reserve		370,511,569.85		270,637,948.46
III. Difference in equity due to currency translation		-548,996.13		-516,507.76
IV. Accumulated losses carried forward		-156,719,527.38		-91,463,522.55
V. Consolidated net loss for the year		-56,630,866.28		-65,256,004.83
		159,733,715.06		**116,382,908.32**
B. Provisions				
Other provisions		**16,087,528.86**		**7,289,837.39**
C. Liabilities				
1. Liabilities to banks		128,299,487.56		80,060,000.00
2. Trade payables		32,508,064.57		24,589,149.16
3. Other liabilities		7,222,042.75		5,323,155.19
—thereof for taxes: EUR 3,573,529.30 (PY: EUR 2,106,489.79)—				
—thereof for social security: EUR 1,848,959.63 (PY: EUR 1,780,157.30)—				
		168,029,594.88		**109,972,304.35**
		343,850,838.80		**233,645,050.06**

AUTO1 Group GmbH, Berlin

Consolidated income statement for the period from January 1 to December 31, 2017

		2017		2016	
		EUR	EUR	EUR	EUR
1.	Revenue		2,168,279,435.34		1,477,945,225.58
2.	Other operating income		3,099,096.64		3,840,649.30
3.	Cost of materials		–1,972,084,883.70		–1,363,707,461.95
	a) Cost of purchased goods	–1,921,202,517.26		–1,308,978,428.31	
	b) Cost of purchased services	–50,882,366.44		–54,729,033.64	
4.	Personnel expenses		–110,097,248.29		–94,910,848.41
	a) Wages and salaries	–87,091,735.55		–75,539,543.68	
	b) Social security	–23,005,512.74		–19,371,304.74	
5.	Amortization of intangible assets and depreciation of property, plant and equipment		–1,007,446.40		–1,036,890.48
6.	Other operating expenses		–140,376,320.80		–82,658,321.56
7.	Other interest and similar income		115.71		4,244.56
8.	Interest and similar expenses		–2,650,369.61		–3,792,668.47
9.	**Earnings after taxes**		**–54,837,621.11**		**–64,316,071.42**
10.	Other taxes		–1,793,245.17		–939,933.41
11.	**Consolidated net loss for the year**		**–56,630,866.28**		**–65,256,004.83**

AUTO1 Group GmbH, Berlin

Consolidated statement of cash flows for the financial year from January 1 to December 31, 2017

		2017	2016
		KEUR	KEUR
-	Profit/loss for the year	**-56,631**	**-65,256**
+	Amortization, depreciation and write-downs of fixed assets	1,007	1,037
+	Increase in provisions	8,798	3,708
+/-	Other non-cash expenses (PY: income)	9,662	-471
-	Increase in inventories, receivables and other assets not attributable to investing or financing activities	-122,447	-89,897
+	Increase in payables and other liabilities not attributable to investing or financing activities	9,818	20,669
+	Interest expenses	2,650	3,793
-	Interest income	0	-5
Cash flows from operating activities		**-147,143**	**-126,422**
-	Payments for investments in property, plant and equipment	-1,626	-800
-	Payments for investments in intangible assets	-17	-196
+	Interest received	0	4
Cash flows from investing activities		**-1,643**	**-992**
+	Proceeds from capital contributions (capital increases) from the parent company's shareholders	100,014	75,217
+	Proceeds from loans and borrowings	48,000	49,800
-	Interest paid	-2,400	-1,676
Cash flows from financing activities		**145,614**	**123,341**
Changes in cash and cash equivalents		**-3,172**	**-4,073**
+	Cash and cash equivalents at the beginning of the period	52,440	56,513
Cash and cash equivalents at the end of the period		**49,268**	**52,440**

AUTO1 Group GmbH, Berlin

Consolidated statement of changes in equity for the financial year from January 1 to December 31, 2017

	Subscribed capital EUR	Treasury shares EUR	Issued capital EUR	Capital reserve EUR	Foreign currency translation differences EUR	Accumulated losses brought forward EUR	Consolidated net loss for the year EUR	Group equity EUR
Balance at Jan. 1, 2016	**2,866,863.00**	**–98,022.00**	**2,768,841.00**	**158,575,369.09**	**–45,684.16**	**–15,256,170.92**	**–76,207,351.63**	**69,835,003.38**
Transferred consolidated net loss for the year						–76,207,351.63	76,207,351.63	0.00
Issue of shares	212,154.00		212,154.00					212,154.00
Transferred to reserves				112,062,579.37				112,062,579.37
Currency translation					–470,823.60			–470,823.60
Consolidated net loss for the year							–65,256,004.83	–65,256,004.83
Balance at Dec. 31, 2016	**3,079,017.00**	**–98,022.00**	**2,980,995.00**	**270,637,948.46**	**–516,507.76**	**–91,463,522.55**	**–65,256,004.83**	**116,382,908.32**
Balance at Jan 1, 2017	**3,079,017.00**	**–98,022.00**	**2,980,995.00**	**270,637,948.46**	**–516,507.76**	**–91,463,522.55**	**–65,256,004.83**	**116,382,908.32**
Transferred consolidated net loss for the year						–65,256,004.83	65,256,004.83	0.00
Issue of shares	140,540.00		140,540.00					140,540.00
Transferred to reserves				99,873,621.39				99,873,621.39
Currency translation					–32,488.37			–32,488.37
Consolidated net loss for the year							–56,630,866.28	–56,630,866.28
Balance at Dec. 31, 2017	**3,219,557.00**	**–98,022.00**	**3,121,535.00**	**370,511,569.85**	**–548,996.13**	**–156,719,527.38**	**–56,630,866.28**	**159,733,715.06**

AUTO1 Group GmbH, Berlin

Notes to the consolidated financial statements for the 2017 financial year

A. General information and scope of consolidation

AUTO1 Group GmbH, Berlin, is registered in the Commercial Register of the Berlin-Charlottenburg District Court under HRB number 143662 B.

The financial statements have been prepared in accordance with the provisions of the German Commercial Code (HGB) and the supplementary provisions of the German Limited Liability Companies Act (GmbHG).

AUTO1 Group GmbH is a large corporation as defined by Section 267 (3) HGB. The following material changes occurred in the scope of consolidation compared to the 2016 financial year:

- Two companies were newly founded by group companies and included in the consolidated financial statements for the first time.

First-time consolidation of these companies did not have any material effect on the net assets, financial position and results of operations. These newly founded companies did not tap any significant new markets in the year under review.

The following companies are fully consolidated in the consolidated financial statements:

	Equity interest (%)
WKDA GmbH, Berlin	100.00
WKDA Services GmbH, Berlin	100.00
AUTO1.com, Berlin	100.00
NOI COMPRIAMO AUTO.IT S.R.L., Milan (Italy)	100.00
WKDA France S.A.S, Issy-les-Moulienaux (France)	92.53*
WijKopenAutos B.V., Amsterdam (The Netherlands)	100.00
WKDA Schweiz GmbH, Zurich (Switzerland)	100.00
VAMANCIA S.L., Madrid (Spain)	100.00
VKDA Sverige AB, Stockholm (Sweden)	100.00
WKDA Automotive SRL, Bucharest (Romania)	100.00
Autohero Inc., Delaware (USA)	100.00
AUTO1 Polska Sp. z o.o., Warsaw (Poland)	100.00
Autohero Poland Sp. o.o., Warsaw (Poland)	100.00
AUTO1 Tschechien s.r.o., Prague (Czech Republic)	100.00
WKDA Deutschland GmbH, Berlin	100.00
WKDA Automobile GmbH & Co. KG, Berlin	100.00
WKDA FRSM UG, Berlin	62.65*
WKDA Österreich GmbH, Vienna (Austria)	100.00
WKA BVBA, Antwerp (Belgium)	100.00
Autowholesale Automotive Finland Oy, Tempere (Finland)	100.00
Autohero GmbH, Berlin	100.00
AUTO1 European Auctions GmbH & Co. KG, Berlin	100.00
AUTO1 Global Services GmbH & Co. KG, Berlin	100.00
AUTO1 Sales Services GmbH & Co. KG, Berlin	100.00
WKDA Booking Services GmbH & Co. KG, Berlin	100.00
AUTO1 Marketing Services GmbH & Co. KG, Berlin	100.00
AUTO1 Operation Services GmbH & Co. KG, Berlin	100.00
AUTO1 IT Services GmbH & Co. KG, Berlin	100.00
AUTO1 N.V., Amsterdam (The Netherlands)	100.00
AUTO1 European Cars B.V., Amsterdam (The Netherlands)	100.00
AUTO1 European Auctions Verwaltungs GmbH, Berlin	100.00
AUTO1 Sales Services Verwaltungs GmbH, Berlin	100.00
WKDA Booking Services Verwaltungs GmbH, Berlin	100.00
AUTO1 Operation Services Verwaltungs GmbH, Berlin	100.00
AUTO1 IT Services Verwaltungs GmbH, Berlin	100.00
AUTO1 Italia Commercio S.R.L., Milan (Italy)	100.00
L&L Auto Info GmbH, Berlin	100.00
GAB Service UG, Berlin	100.00
Autohero Plus Spain S.L., Madrid (Spain)—newly established in 2017	100.00
WKDA Portugal, Unipessoal Lda., Carnaxide (Portugal)—newly established in 2017	100.00

Furthermore, AUTO1 Group GmbH holds 100% of the shares in AUTO1 Fintech GmbH, Berlin, which was newly founded in the year under review. It was decided to refrain from fully consolidating this company, as its operating activities had not been started yet and are only of minor importance in relation to the financial statements presenting a true and fair view of the net assets, financial position and results of operations.

* It was refrained from recognizing a balancing item for minority interests as the shares of other shareholders are also to be allocated to AUTO 1 Group GmbH due to existing agreements. The balancing item equaled KEUR 91.

The date of first time consolidation for WKDA Services GmbH and WKDA GmbH was set at January 1, 2014, for simplification purposes. The other companies acquired or founded after January 1, 2014, were included in the consolidated financial statements for the first time at the point at which they became subsidiaries.

The balance sheet date of December 31 is the joint balance sheet date of all consolidated companies.

B. Accounting, valuation and consolidation methods

1. Consolidation methods

Capital is consolidated according to the revaluation method (Section 301 (1) HGB). The carrying amount of the shares held by AUTO1 Group GmbH in the consolidated subsidiary is eliminated against the proportionate amount that these shares represent in the equity of the subsidiary. In this regard, equity is recognized at the amount of the fair value of assets, liabilities and deferred items to be included in the consolidated financial statements at the time of first-time consolidation. In accordance with Section 301 (1) sentence 3 HGB, provisions were recognized pursuant to Section 253 (1) sentence 2 and 3, (2) HGB and deferred taxes pursuant to Section 274 (2) HGB.

Any remaining difference is presented as "goodwill" on the asset side or as "difference on capital consolidation" on the liabilities side.

In the course of **debt consolidation**, all receivables and payables between fully consolidated companies were offset.

There are no intercompany transactions requiring the **elimination of intercompany profits or losses** pursuant to Section 304 (1) HGB.

Intercompany income and expenses were eliminated within the scope of **income and expense consolidation**.

Deferred tax assets and liabilities due to consolidation are offset against each other pursuant to Section 306 HGB and the net tax effects are shown under deferred taxes in accordance with Section 274 HGB.

2. Accounting policies

With the exception of property, plant and equipment, assets and liabilities are recognized pursuant to Sections 300 and 308 HGB in the consolidated financial statements according to the legislation governing the Parent Company, AUTO1 Group GmbH, and valued using standard valuation methods.

The assets and liabilities of a balance sheet denominated in foreign currency are, except for equity—which is translated into euro at the historical rate—translated at the average spot rate as of the balance sheet date. Income statement items were translated into euro at the average exchange rate. Any resulting translation difference is recognized in consolidated equity after the reserves in the "foreign currency translation differences" item. If the subsidiary withdraws in whole or in part, the item is reversed through profit and loss in the corresponding amount.

Apart from this, receivables and liabilities denominated in a foreign currency are translated at the bid or asking price. To the extent that their remaining term is less than one year as of the balance sheet date, these are then translated and recognized using the average spot exchange rate pursuant to Section 256a HGB. If the remaining term is more than one year, then the receivables are translated and recognized using the rate prevailing at the time they were acquired or the lower average spot exchange rate, and for liabilities either the rate prevailing at the time they were incurred or the higher average spot exchange rate.

Property, plant and equipment and intangible assets acquired for a consideration are valued at cost less straight-line depreciation and amortization (to the extent that they are depreciable).

These items are written down over their estimated useful lives using the straight-line method. Amortization and depreciation is based on the following useful lives, which are largely in line with the depreciation/amortization rates recognized by the German tax authorities:

	Amortization/depreciation rate (%)
Intangible assets	33.3
Buildings on third-party land	5 to 50*
Operating and office equipment	10 to 33.3

*) For leasehold improvements in accordance with the term of the underlying lease agreement

Low-value assets costing up to EUR 1,000 are written off in the year of acquisition and in the following four years each at 20%. An exception here are IT hardware and telephones, which are written off at a rate of 33.3% p.a.

Due to the minor importance of property, plant and equipment of foreign associated companies in the consolidated financial statements, the assets of these companies are treated in accordance with the respective

local tax and commercial regulations. No adjustments are made in accordance with the regulations applicable at the Parent Company.

Inventories are recorded at lower of cost or fair value. Inventories are valued in strict compliance with the lower of cost or market principle.

Receivables and other assets are generally recognized at their nominal value. Identifiable risks of defaults are recognized by appropriate specific and general allowances.

Cash and cash equivalents are recognized at nominal value.

Prepaid expenses are recognized for expenses paid in advance, but which represent expenses incurred at a specific time after the balance sheet date.

Subscribed capital is recognized at nominal value and corresponds to the share capital of AUTO1 Group GmbH.

Capital reserves include premiums within the meaning of Section 272 (2) no. 1 HGB and additional payments by shareholders to strengthen the Company's equity within the meaning of Section 272 (2) no. 4 HGB.

Provisions are recognized for all contingent liabilities and anticipated losses on pending transactions. Other provisions consider all identifiable risks and contingent liabilities based on sound business judgment whose amount and/or actual occurrence are contingent. Based on sound business judgment, provisions are recognized at the necessary settlement amount taking future cost and price increases into account. Provisions with a remaining term in excess of one year are discounted using the average market interest rate in accordance with Section 253 (2) HGB (present value). Effects from change to the discount rate are recorded as interest income.

The Parent Company has set up several employee option programs. By shareholder resolution of AUTO1 Group GmbH dated October 28, 2016, the shareholders agreed that the Company is fully released from the costs accruing to the Company through the option programs in the event of exercising virtual options at the time of an exit event in accordance with Section 5 (2) of the Option Terms (e.g. in the event of sale of company shares or in the event of measures carried out under the Reorganization Act) by the signatory shareholders pro rata in proportion to their participation in the Company's share capital. The resolution replaces the shareholders' resolution dated August 19, 2015. The share option programs relating to the agreement continues to be in effect. Therefore, no provisions were set up in accordance with the principle of net presentation.

Liabilities are recognized at the settlement amount.

Deferred income is recognized for payments received in advance for services which have not yet been performed or goods which have not yet been delivered.

The temporary concept is used for calculating **deferred tax assets and liabilities**. If there are differences between the carrying amounts of assets, liabilities and deferred items in the tax and commercial balance sheet and the tax carrying amounts are expected to reverse in subsequent financial years, then any net tax expense resulting from this is recognized in the balance sheet as a deferred tax liability. An overall tax relief resulting from this can be recognized in the balance sheet as deferred tax assets. When calculating deferred tax assets, tax loss carryforwards are considered in the amount in which they are expected to be utilized within the next five years. If this leads to a surplus of deferred tax assets, then the option to recognize that surplus is not utilized in the respective individual group company.

Deferred tax assets mainly relate to income tax (in Germany: corporation and trade tax) loss carryforwards not yet used. Valuation of the long-term provisions produced minor deferred tax assets (discounting the archiving provision).

The company-specific income tax charge was used for this calculation. The tax rate is between approx. 16% and approx. 34%.

Deferred taxes are not recognized when making consolidation entries.

Starting from this financial year, **internal logistics costs** (KEUR 24,428; PY: KEUR 16,753) are presented under other operating expenses. The aim of this is to improve the true and fair view of the assets, liabilities, financial position and earnings. The corresponding expenses were disclosed in the prior year under cost of materials as purchased services. If prior year's figures had been adjusted, purchased services would have equaled KEUR 37,976 and other operating expenses KEUR 99,412 in the prior year.

C. Explanatory notes on the consolidated balance sheet

1. Movements in **fixed assets** are shown in the statement of movements in fixed assets (appendix to the notes).

2. **Inventories** relate to purchased vehicles.

3. **Trade receivables** mainly relate to sales of vehicles.

4. The Parent Company's **share capital** amounts to KEUR 3,219 and the capital issued equals KEUR 3,121. AUTO1 Group GmbH's share capital of KEUR 3,079 was increased by KEUR 140.5 in the financial year under review.

   As of the balance sheet date, 98,022 own shares were held with a nominal amount of EUR 1.00 and representing 3.04% of the share capital.

   The structure and movements in equity are shown in the statement of changes in equity.

   The structure of consolidated equity follows the structure of equity of the Parent Company AUTO1 Group GmbH. The capital reserve disclosed in the consolidated financial statements corresponds to the capital reverse of AUTO1 Group GmbH.

   The change in equity also relates to the KEUR 99,874 paid during the financial year under review by the shareholders of AUTO1 Group GmbH into the capital reserve pursuant to Section 272 (2) no. 1 HGB and the difference in equity due to currency translation.

5. **Other provisions** mainly include KEUR 4,306 (PY: KEUR 3,281) in personnel-related provisions (primarily for vacation and payments to public institutions, such as the workmen's compensation board, disabled persons surcharge) and KEUR 3,305 (PY: KEUR 2,370) in provisions for outstanding invoices. In addition, provisions were recognized for potential reverse transactions in the future for sales made on the balance sheet date in the amount of KEUR 1,667 (PY: KEUR 450). The remaining provisions mainly include loss allowances relating to the Group's growth in recent years.

6. **Liabilities to banks** relate to a facility agreement with an institutional investor (as was the case in the prior year) with a term of more than one and less than five years for credit lines worth a total of EUR 160 million. Drawdown, including the accrued interest payable, equaled EUR 128.3 million as of the balance sheet date (PY: EUR 80.1 million). Collateral for these credit lines are provided for the working capital of AUTO1 European Cars B.V. and AUTO1 Italia Commercio S.R.L. and include pledging current accounts, assignment of inventories as security and blanket assignment of receivables.

7. **Trade payables** mainly relate to vehicle purchases and—as in the prior year—have a remaining term of up to one year.

8. **Other liabilities** primarily relate to payroll tax, VAT for prior years as well as liabilities for social insurance contributions.

D. Explanatory notes on the consolidated income statement

1. The Group generates its **revenue** through vehicle sales including service fees (KEUR 2,116,836; PY: KEUR 1,447,530) and through logistics services (KEUR 51,443; PY: KEUR 30,415). Revenue includes approx. KEUR 1,667 (PY: KEUR 450) in revenue corrections through the recognition of appropriate, earnings-reducing provisions.

   The following overview provides a breakdown of total revenue in percent by the corresponding purchasing market—i.e. revenue is allocated to that country/region where the vehicle was acquired (percentages are based on the value of the revenue generated):

Purchasing markets	2017 (%)	2016 (%)
Germany	51	52
Rest of Europe	49	48
Total[1]	**100**	**100**

[1] The presentation of the purchasing and selling markets do not include the revenue for the US (EUR 13.6 million; PY: EUR 43.0 million).

The following overview provides a perspective from the view of the selling markets—i.e. depending on the purchasing country, revenue is allocated to that country where the purchasing dealer is based (percentages are based on the value of the revenue generated):

Selling markets	2017 (%)	2016 (%)
Germany	27	32
Rest of Europe	73	68
Total[1]	**100**	**100**

The Group's pan-European, matrix-based business (i.e. purchases in a number of countries with subsequent selling in a much greater number of (sales) countries) is managed using both allocation scenarios.

2. **Other operating income** includes income from foreign currency translation of KEUR 132 (PY: KEUR 670). This income is mainly from the central cash management of the Swedish subsidiary's incoming and outgoing payments. Furthermore, this item includes income from refunds received within the scope of export business, e.g. from Austrian car registration tax or vehicle registration tax in the Netherlands (KEUR 1,233; PY: KEUR 0).

3. The cost of materials in the prior year included expenses relating to other periods for transport services in the amount of roughly KEUR 3,050. Furthermore, KEUR 16,753 was disclosed in the prior year as in-house logistics costs, which starting in the financial year under review is reported under other operating expenses.

4. **Other operating expenses** mainly include marketing expenses of KEUR 64,998 (PY: KEUR 41,399), in-house logistics costs of KEUR 24,428 (PY: KEUR 16,753) and rental expenses of KEUR 14,841 (PY: KEUR 13,800). Other operating expenses also include expenses relating to other periods in the amount of KEUR 9,557 (PY: KEUR 3,250). These resulted in 2017 from the derecognition of intercompany differences carried forward. The differences are applicable to 2014 to 2016, i.e. before the establishment of AUTO1 European Cars B.V. The differences result from the asynchronous (temporally and substantively) presentation of bookkeeping procedures between the parent company and the foreign subsidiaries. The following chart shows the origin of the differences by financial year:

KEUR	2014	2015	2016	Total
	830	1,838	6,890	9,557

Marketing expenses in the prior year included expenses relating to other periods in the aforementioned amount of KEUR 3,250, which were attributable to performance periods in 2015. The expenses from foreign currency translation amount to KEUR 243 (PY: KEUT 677) and are mainly due to central cash management of the Swedish subsidiary's incoming and outgoing payments.

5. **Interest and other expenses** of KEUR 2,650 (PY: KEUR 3,793) are mainly due to interest from the facility agreement. In this regard, interest expenses include the accrued interest of KEUR 233 (PY: KEUR 60), which is not yet cash effective. Furthermore, KEUR 2,058 in non-cash interest expenses (payments in kind) were included in interest in the prior year.

6. **Other taxes** include tax expenses, mainly KEUR 1,064 (PY: KEUR 344) from Italy and KEUR 771 (PY: KEUR 628) from France, which are comparable by their very nature to taxes relating to business operations. In doing so, the tax expense is not recognized according to the local taxable profit, but rather reported on a total payroll basis.

E. Consolidated cash flow statement

The consolidated statement of cash flows shows how the Group's cash and cash equivalents have changed during the reporting year due to cash inflows and outflows. In this regard, cash flows are differentiated according to cash flows from operating, investing and financing activities.

The financial assets presented in the cash flows statement of KEUR 49,268 (PY: KEUR 52,440) include all cash and cash equivalents.

The net result for the year includes KEUR 9,557 in other operating expenses that are of an exceptional nature but not cash effective.

[1] The presentation of the purchasing and selling markets do not include the revenue for the US (EUR 13.6 million; PY: EUR 43.0 million).

F. Other financial obligations

The Group has other financial obligations from lease agreements for its worldwide branches and for its offices in Berlin. In addition, there are more than 60 vehicle leases.

KEUR	Less than 1 year	1 to 5 years	More than 5 years	Total
Rent	12,541	4,827	0	17,368
Leasing	224	192	0	416
Total	12,765	5,019	0	17,784

G. Other disclosures

1. The following table shows total average **headcount** in the financial year ended (prior year's figure shown in brackets):

	Total headcount	
Commercial employees	2,757	(2,320)
Executive staff	20[2]	(40)
Total	2,777	(2,360)

2. The **Managing Directors** are Mr. Hakan Koc, Lawyer, Berlin, and Mr. Christian Bertermann, Dipl.-Kaufmann (Business Graduate), Munich. It has been elected not to disclose remuneration with reference to the exemption provision in accordance with Section 286 (4) in conjunction with Section 314 (1) no. 6 HGB.

3. The **auditor's total fee** equaled KEUR 155 for auditing services, KEUR 0 for other advisory services and KEUR 273 for tax advisory services.

H. Subsequent events

A new shareholder is now participating in AUTO1 Group GmbH by way of a capital increase. The capital increase became effective on January 12, 2018. This included a contribution to the capital reserve of AUTO1 Group GmbH, which was considerably higher than the contributions in 2017. The new shareholder and injected liquidity means the AUTO1 Group is in a better position to further improve its financial performance indicators significantly and more quickly.

Further subsequent events significantly affecting the Group's net assets, financial position and results of operations did not occur after the balance sheet date.

Berlin, March 26, 2018

AUTO1 Group GmbH
Management

[2] Only the Managing Directors in country units were included as executive staff in the 2017 financial year.

AUTO1 Group GmbH, Berlin

Movements in fixed assets during the 2017 financial year

	Cost				Accumulated amortization, depreciation and write-downs				Book value	
	Jan. 1, 2017	Additions	Disposals	Dec. 31, 2017	Jan. 1, 2017	Amortization, depreciation and write-downs during the financial year	Disposals	Dec. 31, 2017	Dec. 31, 2017	Dec. 31, 2016
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets										
Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets acquired for a consideration	123,714.14	16,583.00	0.00	140,297.14	29,627.81	34,481.03	0.00	64,108.84	76,188.30	94,086.33
	123,714.14	16,583.00	0.00	140,297.14	29,627.81	34,481.03	0.00	64,108.84	76,188.30	94,086.33
II. Property, plant and equipment										
1. Buildings on third-party land	366,852.31	51,046.16	5,100.00	412,798.47	86,080.23	48,360.97	1,159.68	133,281.52	279,516.95	280,772.08
2. Other equipment, operating and office equipment	2,920,325.09	1,575,823.17	198,903.54	4,297,244.72	1,366,677.03	924,604.40	55,087.49	2,236,193.94	2,061,050.78	1,553,648.06
	3,287,177.40	1,626,869.33	204,003.54	4,710,043.19	1,452,757.26	972,965.37	56,247.17	2,369,475.46	2,340,567.73	1,834,420.14
	3,410,891.54	1,643,452.33	204,003.54	4,850,340.33	1,482,385.07	1,007,446.40	56,247.17	2,433,584.30	2,416,756.03	1,928,506.47

The following auditor's report, prepared in accordance with § 322 HGB ("Handelsgesetzbuch": "German Commercial Code"), refers to the complete consolidated financial statements, comprising consolidated balance sheet, consolidated income statement, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements of AUTO1 Group GmbH, Berlin, for the financial year from January 1, 2017 to December 31, 2017. The group management report is not included in this prospectus. The above-mentioned auditor's report and consolidated financial statements are both translations of the respective German-language documents.

Auditor's report

We have audited the consolidated financial statements prepared by AUTO1 Group GmbH, Berlin—comprising the consolidated balance sheet, consolidated income statement, consolidated statement of cash flows, consolidated statement of changes in equity and the notes to the consolidated financial statements—together with the Group management report for the financial year from January 1 to December 31, 2017. The preparation of the consolidated financial statements and the group management report in accordance with German commercial law is the responsibility of the Company's *management*. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with German principles of proper accounting and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements, complies with the German statutory requirements, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Berlin, March 29, 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft
(Original German version signed by:)

Sternberg Wirtschaftsprüfer (German Public Auditor)	Proplesch Wirtschaftsprüfer (German Public Auditor)

Unconsolidated financial statements of AUTO1 Group SE
as of and for the fiscal year ended December 31, 2019
(prepared in accordance with HGB)

AUTO1 Group SE, Munich

Balance sheet as of December 31, 2019

Assets

	Dec. 31, 2019		Dec. 31, 2018	
	EUR		EUR	
A. Fixed assets				
Financial assets				
Shares in affiliated companies		**700,000,000.00**		**700,000,000.00**
B. Current assets				
I. Receivables and other assets				
1. Receivables from affiliated companies	4,770,277.04		283,573.24	
2. Other assets	1,330,984.72	6,101,261.76	0.00	283,573.24
II. Bank balances		11,742.37		3,419,508.73
		6,113,004.13		**3,703,081.97**
		706,113,004.13		**703,703,081.97**

Equity and liabilities

	Dec. 31, 2019	Dec. 31, 2018
	EUR	EUR
A. Equity		
I. Subscribed capital	3,420,765.00	3,420,765.00
II. Capital reserves	700,000,000.00	700,000,000.00
III. Balance sheet loss (PY: Balance sheet profit)	-974,709.47	243.03
	702,446,055.53	**703,421,008.03**
B. Provisions		
1. Tax provisions	105.00	105.00
2. Other provisions	650,600.00	20,000.00
	650,705.00	**20,105.00**
C. Liabilities		
1. Liabilities to banks	53.11	0.00
2. Trade payables	160,929.65	251,695.59
3. Liabilities to affiliated companies	2,809,197.30	0.00
4. Other liabilities	46,063.54	10,273.35
—thereof taxes EUR 35,006.78 (PY: EUR 10,273.35)—		
	3,016,243.60	**261,968.94**
	706,113,004.13	**703,703,081.97**

AUTO1 Group SE, Munich

Income statement for the period from January 1 to December 31, 2019

		January 1 to December 31, 2019		May 14 to December 31, 2018	
					EUR
1.	Revenue		907,607.00		339,469.95
2.	Other operating income		27,613.58		0.00
3.	Personnel expenses				
	a) Wages and salaries	–945,567.63		0.00	
	b) Social security	–14,863.35	–960,430.98	0.00	0.00
4.	Other operating expenses		–946,275.46		–339,121.92
5.	Interest and similar expenses		–3,466.64		0.00
6.	Income taxes		0.00		–105.00
7.	**Earnings after taxes**		**–974,952.50**		**243.03**
8.	**Net loss for the year (prior year: net income)**		**–974,952.50**		**243.03**
9.	Profit carryforward from prior year		243.03		0.00
10.	**Balance sheet loss (prior year: Balance sheet profit)**		**–974,709.47**		**243.03**

AUTO1 Group SE, Munich

Notes to the annual financial statements for the fiscal year from January 1 to December 31, 2019

A. General information

The annual financial statements of AUTO1 Group SE, Munich were prepared on the basis of the accounting regulations of the HGB (Handelsgesetzbuch: German Commercial Code). In addition to these provisions, the regulations of the AktG (Aktiengesetz: German Stock Corporation Act) in conjunction with Article 61 of Council Regulation (EC) No. 2157/2001 were also complied with.

The Company is a small corporation as defined by Section 267 (1) HGB. The Company applied the disclosure relief based on size provided by Sections 274a and 288 HGB for small corporations to the notes to the financial statements.

The balance sheet is structured in accordance with Section 266 HGB; the income statement was prepared using the total cost (nature of expense) method of Section 275 (2) HGB.

AUTO1 Group SE has its registered office in Munich and is entered in the Munich Commercial register under HRB no. 241031.

Comparability with the prior year is limited as 2018 was a short fiscal year.

B. Accounting policies

The accounting policies applied are consistent with the provisions of the German Commercial Code (Sections 238 to 263 and Section 264 et seqq. HGB) and the relevant provisions of the German Stock Corporation Act.

Financial assets are measured at the lower of cost and fair value if permanently impaired.

Receivables and other assets are measured at the lower of nominal value and fair value.

Cash and cash equivalents are recognized at nominal value.

The **subscribed capital** is reported at nominal value.

The **capital reserves** include premiums as defined by Section 272 (2) no. 1 HGB.

Tax provisions and other provisions take into account all expected losses from executory contracts and uncertain liabilities. They are carried at the settlement amount determined in line with prudent business judgment (i.e. including future cost and price increases).

Liabilities are carried at their settlement amount.

C. Balance sheet disclosures

1. **Receivables from affiliated companies** are other receivables (prior year: trade receivables) and, like the **other assets** and as in the prior year, have a remaining term of up to one year.
2. The Company's **equity** and its individual components developed as follows in the past fiscal year:

KEUR	Share capital	Capital reserves	Revenue reserves	Net loss	Equity
As of January 1, 2019	3,421	700,000		0	703,421
Net loss for the year				-975	-975
Capital increase	0				0
Transfer to capital reserves		0			0
As of December 31, 2019	3,421	700,000		-975	702,446

3. The Company's **share capital** of EUR 3,420,765 is divided into 3,420,765 no-par shares with a notional value of EUR 1.00 per share.
4. The **capital reserves** in accordance with Section 272 (2) no. 1 HGB amount to EUR 700,000,000 as of December 31, 2019.
5. The **other provisions** relate exclusively to outstanding invoices.
6. The **liabilities to affiliated companies** relate to other liabilities.
7. As in the prior year, all **liabilities** have a remaining term of less than one year.

D. Other disclosures

The average number of **employees** in the fiscal year was 0.

The AUTO1 Group has set up several **employee option programs**. These are not shown in the annual financial statements by reference to the BFH judgment of March 15, 2017 I R 11/15. This states that it is not permitted to recognize provisions for employee option programs before the exercise event occurs. The fair value of the employee options calculated on the basis of IFRS 2 is KEUR 108,500 as of the balance sheet date.

Berlin, April 17, 2020

AUTO1 Group SE

Christian Bertermann	Hakan Koc	Markus Boser
Executive Board	Executive Board	Executive Board

AUTO1 Group SE, Munich

Movements in fixed assets for fiscal 2019

	Cost			Cumulative depreciation and amortization			Book values	
	Jan. 1, 2019	Additions	Dec. 31, 2019	Jan. 1, 2019	Charge for year	Dec. 31, 2019	Dec. 31, 2019	Dec. 31, 2018
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Financial assets								
Shares in affiliated companies	**700,000,000.00**	**0.00**	**700,000,000.00**	**0.00**	**0.00**	**0.00**	**700,000,000.00**	**700,000,000.00**
	700,000,000.00	**0.00**	**700,000,000.00**	**0.00**	**0.00**	**0.00**	**700,000,000.00**	**700,000,000.00**

The following auditor's report, prepared in accordance with § 322 HGB ("Handelsgesetzbuch": "German Commercial Code"), refers to the complete unconsolidated financial statements, comprising balance sheet, income statement and notes to the financial statements of AUTO1 Group SE, Berlin, for the financial year from January 1, 2019 to December 31, 2019. The above-mentioned auditor's report and financial statements are both translations of the respective German-language documents.

Independent Auditor's Report

To AUTO1 Group SE, Munich

Audit Opinion

We have audited the annual financial statements of AUTO1 Group SE, Munich—which comprise the balance sheet as of December 31, 2019 and the income statement for the fiscal year from January 1 to December 31, 2019 and notes to the financial statements, including the recognition and measurement policies presented therein.

In our opinion, based on the findings of our audit, the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to corporations and give a true and fair view of the assets, liabilities and financial position of the Company as of December 31, 2019 and of its financial performance for the fiscal year from January 1 to December 31, 2019 in accordance with the German Legally Required Accounting Principles.

Pursuant to Section 322 (3) sentence 1 HGB (Handelsgesetzbuch: German Commercial Code), we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements.

Basis for the Opinion

We conducted our audit of the annual financial statements in accordance with Section 317 HGB and the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the annual financial statements.

Responsibilities of Management and the Supervisory Board for the Annual Financial Statements

Management is responsible for the preparation of annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements.

Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, as well as to issue an auditor's report that includes our opinion on the annual financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with the German Generally Accepted Standards for Financial

Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 annual financial statements.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual 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 controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements 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 this system.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- 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 the auditor's report to the related disclosures in the annual 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 auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

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.

Berlin, April 27, 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft
(Original German version signed by:)

Sternberg
Wirtschaftsprüfer
(German Public Auditor)

Proplesch
Wirtschaftsprüfer
(German Public Auditor)

22. GLOSSARY

€ — The single European currency adopted by certain participating member states of the European Union, including Germany.

2013 Virtual Shares — Virtual shares granted under the VSIP 2013.

Adjusted EBITDA — EBITDA adjusted for non-operating effects, which comprise (i) share-based payments, (ii) change of basis of assessment for value added taxes, (iii) correction of payables and (iv) other non-operating expenses.

AktG — The German Stock Corporation Act (*Aktiengesetz*).

Alternative Performance Measures — Financial information and operating data presented by the Company that is not prepared in accordance with IFRS, or any other internationally accepted accounting principles, including Adjusted EBITDA, the Adjusted EBITDA margin, the number of cars sold, RPU and GPU.

Approval Regulation — Regulation (EU) 2018/858 of the European Parliament and of the Council of May 30, 2018 on the approval and market surveillance of vehicles and their trailers, and of systems components and separate technical units intended for such vehicles.

Articles of Association — The articles of association of the Company.

AUTO1 B.V. — AUTO1 European Cars B.V.

AUTO1 Group — The Company, together with its consolidated subsidiaries.

BaFin — The German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*).

Barclays — Barclays Bank Ireland PLC, One Molesworth Street, Dublin 2, D02 RF29, Ireland, LEI 2G5BKIC2CB69PRJH1W31.

BNP PARIBAS — BNP PARIBAS, 16 Boulevard des Italiens, 75009 Paris, France, LEI R0MUWSFPU8MPRO8K5P83.

CAGR — Compound annual growth rate.

Citigroup — Citigroup Global Markets Europe AG, Reuterweg 16, 60323 Frankfurt am Main, Germany, LEI 6TJCK1B7E7UTXP528Y04.

Clearstream — Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany.

Code — The German Corporate Governance Code, as amended on December 16, 2019.

Co-Lead Managers — Crédit Agricole Corporate and Investment Bank, COMMERZBANK, Mizuho Securities and Wells Fargo Securities.

COMMERZBANK — COMMERZBANK Aktiengesellschaft, Kaiserstraße 16 (Kaiserplatz), 60311 Frankfurt am Main, Germany, LEI 851WYGNLUQLFZBSYGB56.

Commission's Proposal — The proposal published by the European Commission on February 14, 2013.

Company	AUTO1 Group SE, with its registered offices at Bergmannstrasse 72, 10961 Berlin, Germany (telephone: +49 (0) 30 2016 3836 0), and registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich, Germany, under docket number HRB 241031.
Consumer Goods Directive	Directive (EC) 1999/44 of the European Parliament and of the Council of May 25, 1999 on certain aspects of the sale of consumer goods and associated guarantees, as amended.
Consumer Rights Directive	Directive (EU) 2011/83 of the European Parliament and of the Council of October 25, 2011 on consumer rights, as amended.
Convertible Loan	The convertible loan agreement for a term loan facility of €255 million entered into by the Company, as borrower, with Orion Investors S.à r.l., a Luxembourg investment vehicle acting for its ring-fenced compartment 13, BP-PE 18, LLC, SVF Asgaard (Cayman) Ltd and BM Digital GmbH, an entity owned and controlled by our Chief Executive Officer Christian Bertermann, as lenders.
Cornerstone Investment Agreements	The investment agreements entered into between the Company and the Cornerstone Investors, pursuant to which each Cornerstone Investor has committed to purchase shares of the Company with an aggregate value of €150 million in the Offering.
Cornerstone Investors	Lone Pine and Sequoia.
COVID-19-Act	German Act on Reducing the Effects of the COVID-19 Pandemic in Civil, Insolvency and Criminal Procedure Law (*Gesetz zur Abmilderung der Folgen der COVID-19-Pandemie im Zivil-, Insolvenz- und Strafverfahrensrecht*) dated March 27, 2020.
Crédit Agricole Corporate and Investment Bank	Crédit Agricole Corporate and Investment Bank, 12 Place des Etats-Unis, CS 70052, 92547 Montrouge Cedex, France, LEI 1VUV7VQFKUOQSJ21A208.
Data Protection Act	The German Federal Data Protection Act (*Bundesdatenschutzgesetz*).
Data Protection Regulation	Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data.
Deutsche Bank	Deutsche Bank Aktiengesellschaft, Mainzer Landstraße 11-17, 60329 Frankfurt am Main, Germany, LEI 7LTWFZYICNSX8D621K86.
Domestic Paying Agent	A domestic bank or financial service institute, a domestic securities trading company or a domestic securities trading bank (including the domestic branches of foreign banks and financial service institutes).
EBITDA	Earnings before interest, taxes, depreciation and amortization.
EEA	European Economic Area.
Euro	The single European currency adopted by certain participating member states of the European Union, including Germany.

Existing Shares .... 15,625,000 existing bearer shares with no par value (*Stückaktien*) from the holdings of the Selling Shareholders.

FinTech.. AUTO1 FT GmbH.

FMTA .... Federal Motor Transport Authority (*Kraftfahrt Bundesamt*).

Germany.. The Federal Republic of Germany.

Goldman Sachs .... Goldman Sachs Bank Europe SE, Marienturm, Taunusanlage 9-10, 60329 Frankfurt am Main, Germany, LEI 8IBZUGJ7JPLH368JE346.

GPU .... Gross profit per unit, which is defined as gross profit divided by the number of cars sold.

Greenshoe Option..................................... The option to acquire up to 7,031,250 shares of the Company at the Offer Price, less agreed commissions, which certain Selling Shareholders have granted Goldman Sachs, acting for the account of the Underwriters.

HGB... The German Commercial Code (*Handelsgesetzbuch*).

HSBC... HSBC Trinkaus & Burkhardt AG, Königsallee 21/23, 40212 Düsseldorf, Germany, LEI JUNT405OW8OY5GN4DX16.

IFRS... International Financial Reporting Standards, as adopted by the European Union.

IPO Capital Increase................................ A capital increase against cash contributions of up to 31,250,000 newly issued bearer shares with no par value (*Stückaktien*) expected to be resolved by a shareholders' meeting of the Company on or about February 2, 2021.

Joint Bookrunners.................................... The Joint Global Coordinators, together with Barclays, HSBC, Numis Securities and RBC Capital Markets.

Joint Global Coordinators........................ BNP PARIBAS, Citigroup, Deutsche Bank and Goldman Sachs.

Junior Notes.. Up to €50 million of junior notes issued under our asset-backed securitization program.

KPMG .... KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin office, Klingelhöferstraße 18, 10785 Berlin, Germany.

LEI... Legal entity identifier.

Lending Shareholders .... DN Capital – Global Venture Capital III LP and Piton Capital Investments Coöperatief B.A.

Lone Pine... Lone Spruce, L.P., Lone Cypress, Ltd., Lone Cascade, L.P., Lone Sierra, L.P., Lone Monterey Master Fund, Ltd.

LTIP 2020.. A long-term incentive plan for Christian Bertermann.

Major Shareholders................................. Shareholders of the Company, who, as of the date of this Prospectus, directly hold an interest in the Company's share capital and voting rights that would qualify as a notifiable interest within the meaning of Sections 33 *et seq*. WpHG.

Management Board .... The management board (*Vorstand*) of the Company.

MAR	Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse, as amended.
Mezzanine Notes	Up to €35 million of mezzanine notes issued under our asset-backed securitization program.
MiFID II	Directive 2014/65/EU of the European Parliament and of the Council of May 15, 2014 on markets in financial instruments, as amended.
Mizuho Securities	Mizuho Securities Europe GmbH, Taunustor 1, 60310 Frankfurt am Main, Germany, LEI 213800G8QEXN34A2YG53.
MMA	The Madrid Agreement Concerning the International Registration of Marks of April 14, 1891, as last amended on September 28, 1979.
New Shares	Up to 31,250,000 newly issued bearer shares with no par value (*Stückaktien*) from a capital increase against cash contributions expected to be resolved by a shareholders' meeting of the Company on or about February 2, 2021.
Notes	The Senior Notes, the Mezzanine Notes and the Junior Notes.
Notes Issuer	Auto1 Funding B.V.
Numis Securities	Numis Securities Limited, 10 Paternoster Square, London EC4M 7 LT, United Kingdom, LEI 213800P3F4RT97WDSX47.
OC&C	OC&C Strategy and Analytics GmbH, Germany.
OC&C Report	The independent market study from OC&C on European used car market titled "*The European Used Car Market – Evolving Trends*" and commissioned by AUTO1 Group in October 2020.
Offer Period	The period during which investors may submit purchase orders for the Offer Shares is expected to commence on January 26, 2021, and to expire on February 2, 2021, provided that the Offer Period will not commence prior to publication of this Prospectus and may be shortened or extended.
Offer Price	The offer price for the Offering.
Offer Shares	The New Shares, the Existing Shares and the Over-Allotment Shares.
Offering	The offering of up to 53,906,250 bearer shares of the Company with no par value (*Stückaktien*), each such share representing a notional value of €1.00.
Order	The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended.
Over-Allotment	The allocation of up to 7,031,250 Over-Allotment Shares as part of the allocation of the Offer Shares.
Over-Allotment Shares	Up to 7,031,250 existing bearer shares with no par value (*Stückaktien*) from the holdings of the Lending Shareholders in connection with a possible over-allotment.

PMMA	The Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks of June 27, 1989, as last amended on October 3, 2007.
Post-IPO Convertible Loan	The amended Convertible Loan with respect to the outstanding portion of the loans thereunder.
Post-IPO Equity	The adjusted net book value expressed as a per share figure, assuming 204,368,150 shares, 201,689,579 shares or 199,433,939 shares of the Company outstanding upon completion of the Offering at the low end, mid-point and high end, respectively, of the Price Range.
Price Range	The price range for the Offering within which purchase orders may be placed of €32.00 to €38.00 per Offer Share.
Product Safety Directive	Directive 2001/95/EC of the European Parliament and the Council of December 3, 2001 on general product safety, as amended.
Prospectus	This prospectus.
Prospectus Regulation	Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC, as amended.
QIBs	Qualified institutional buyers as defined in Rule 144A.
Qualified Participation	At least 1% of the share capital of the Company.
RBC Capital Markets	RBC Capital Markets (Europe) GmbH, Taunusanlage 17, 60325 Frankfurt am Main, Germany, LEI 549300SXSTGQY3EA1B18.
Registration Documents Directive	Council Directive (EC) 1999/37 on the registration documents for vehicles, as amended.
Regulation S	Regulation S under the Securities Act.
RPU	Average revenue per unit, which is defined as revenue divided by the number of cars sold.
Rule 144A	Rule 144A under the Securities Act.
SE Regulation	Council Regulation (EC) No. 2157/2001 of October 8, 2001 on the statue for a European company (SE).
SEAG	The German Act on the SE Implementation (*SE-Ausführungsgesetz*).
Securities Act	The United States Securities Act of 1933, as amended.
Selling Shareholders	BM Digital GmbH, brightgiant UG (haftungsbeschränkt), DN Capital – Global Venture Capital III LP, HKVV GmbH, Markus Boser, OUR356 S.à r.l., OUR993 S.à r.l., OUR993 XIII S.à r.l., Piton Capital Investments Coöperatief B.A., Princeville Global Auto Investments Limited and Tanjung Buai Ventures Sdn. Bhd.

Senior Notes .... Up to €400 million of senior notes issued under our asset-backed securitization program.

Sequoia .... SCGE Fund, L.P.

Short Selling Regulation .... Regulation (EU) No. 236/2012 of the European Parliament and of the Council of March 14, 2012 on short selling and certain aspects of credit default swaps, as amended.

Stabilization Period .... The period starting from the date the Company's shares commence trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and ending no later than 30 calendar days thereafter.

Supervisory Board.................................... The supervisory board (*Aufsichtsrat*) of the Company.

Tele Media Act.. The German Tele Media Act (*Telemediengesetz*).

UmwG.. The German Transformation Act (*Umwandlungsgesetz*).

Underwriters... The Joint Bookrunners and the Co-Lead Managers.

Underwriting Agreement.......................... The underwriting agreement entered into between the Company, the Selling Shareholders, the Lending Shareholders and the Underwriters on January 25, 2021.

United States .... The United States of America.

VSIP 2013.. The virtual share incentive program implemented on November 18, 2013, pursuant to which we have granted 2013 Virtual Shares to certain key employees, freelancers, consultants and other supporters of the Company.

Wells Fargo Securities.............................. Wells Fargo Securities, LLC, 500 West 33rd Street, New York, NY 10001, United States of America, LEI VYVVCKR63DVZZN70PB21.

WpHG .... The German Securities Trading Act (*Wertpapierhandelsgesetz*).

WpÜG.. The German Securities and Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*).

23. RECENT DEVELOPMENTS AND TREND INFORMATION

23.1 Recent Developments

On December 5, 2020, we entered into various agreements for an asset-backed securitization program, under which we can draw down up to €485 million in Non-Recourse Financing. The Company expects to generate approximately €35.0 million from the initial issuance of Notes.

On December 15, 2020 the Company's shareholders' meeting resolved to increase the Company's share capital against contributions in kind (*Sachkapitalerhöhung*) from €3,453,769.00 by €8,594.00 to €3,462,363.00 by issuing 8,594 new registered shares with no par value (*Stückaktien*). The contribution in kind comprised 365 shares in WKDA FRSM UG (haftungsbeschränkt) with its registered seat in Berlin, Germany, and registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Charlottenburg, Germany, under HRB 169944, an indirect subsidiary of the Company, previously granted to Mr. Alexandru Marin, an employee of AUTO1 Group, under a management incentive program. The capital increase was registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich, Germany, on December 18, 2020.

On January 6, 2021, the Company's shareholders' meeting resolved to increase the Company's share capital through a capital increase from own reserves from €3,462,363.00 by €169,655,787.00 to €173,118,150.00 without issuing new shares. The capital increase was registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich, Germany, on January 11, 2021.

On January 14, 2021, the Company's shareholders' meeting resolved, among other things, on a share split and a change of the form of the Company's shares from registered shares to bearer shares. The share split and the change in the form of the Company's shares were registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich, Germany, on January 18, 2021.

Except as described above, there have been no significant changes to our financial position between September 30, 2020 and the date of this Prospectus.

23.2 Trend Information

23.2.1 Profit Estimate

Based on the financial information included in the unaudited condensed consolidated interim financial statements of the Company as of and for the nine-month period ended September 30, 2020, the data recorded in the accounting systems of the Company and the management's current knowledge about the business development of the fiscal year ended December 31, 2020 as well as the assumptions of the Company's management with respect to past events and actions, the Company estimates that in the fiscal year ended December 31, 2020:

- our revenue amounted to €2.8 billion; and
- our Adjusted EBITDA amounted to between negative €14.8 million and negative €15.8 million.

For further information on our profit estimate with respect to our Adjusted EBITDA in the fiscal year ended December 31, 2020, see "*10. Profit Estimate*".

23.2.2 Capital Measures

As part of the IPO Capital Increase, which is expected to be resolved by a shareholders' meeting of the Company on or about February 2, 2021, up to 31,250,000 New Shares will be issued from a capital increase against cash contributions. Upon registration of the IPO Capital Increase, the Company's share capital will be increased from €173,118,150.00 by up to €31,250,000.00 to up to €204,368,150.00. The consummation of the IPO Capital Increase is expected to be registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich, Germany, on or about February 3, 2021.

The shareholders' meeting of the Company expected to be held on February 2, 2021 is expected to resolve on a capital increase against contributions in kind in the form of a portion of the outstanding amounts under the Convertible Loan (see "*12.13.2 Our Convertible Loan*"). The consummation of the capital increase is expected to be registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich, Germany, within ten business days following completion of the Offering.

23.2.3 Supervisory Board

Anthony Doeh is expected to resign from his office as a member of the Supervisory Board on February 2, 2021. The Company's shareholders' meeting expected to be held on or around February 2, 2021 is expected to elect Ms. Sylvie Mutschler-von Specht to the Supervisory Board with effect from that date.

23.2.4 Guidance

Assuming that the current lockdown situation continues until the end of the three-month period ending March 31, 2021, that no stricter lockdown measures are enacted and the overall economy recovers in the fiscal year ending December 31, 2021, we expect that our two segments and our overall business will develop as follows:

23.2.4.1 Merchant Segment

We estimate that in the three-month period ended December 31, 2020, we sold approximately 113,000 used cars in our merchant segment.

In the fiscal year ending December 31, 2021, we expect the revenue of our merchant segment to increase by more than 25% compared to the annualized number for the three-month period ended September 30, 2020, which implies substantial growth compared to the fiscal year ended December 31, 2020, primarily driven by sourcing through remarketing solutions, given that an increasing amount of sourcing from consumers supports our "Autohero" offering. In the medium-term, we expect revenue growth in our merchant segment to amount to a percentage in the mid- to low-teens *per annum*. In the long-term, we expect used cars sourced through our remarketing solutions to account for 40% to 50% of the revenue of our merchant segment.

These trends are underpinned by the following assumptions on the number of cars sold and the development of RPU in our merchant segment:

- In the fiscal year ending December 31, 2021, we expect the number of used cars sold to increase by more than 25% compared to the annualized number for the three-month period ended September 30, 2020 as a result of strong growth of cars sourced through our remarketing solutions, and fewer low-value used cars sourced from consumers due to the increased use of our sell-from-home-solution. In the medium-term, we expect the number of cars sold in our merchant segment to grow at a percentage in the low-teens *per annum* and remain at that level for a number of years.

- In the fiscal year ending December 31, 2021, we expect to sell approximately 25% more cars sourced from consumers compared to the annualized number for the three-month period ended September 30, 2020 (*i.e.*, slightly lower than in the fiscal year ended December 31, 2019), as a result of fewer low-value used cars available due to of the increased use of our sell-from-home solution. In the medium-term, we expect that the number of cars sourced from consumers that we sell under our "AUTO1" offering will grow at a slower rate and that such growth will stabilize at approximately 4% to 5% *per annum*.

- In the fiscal year ending December 31, 2021, RPU for cars sourced from consumers and sold under our "AUTO1" offering is expected to be more than 10% higher than RPU in the fiscal year ended December 31, 2019 due to the shift away from low-value used cars enabled by our sell-from-home solution. In the medium-term, we expect RPU to grow at approximately 5% *per annum*, primarily driven by the growing adoption of our sell-from-home solution. In the long-term, we expect RPU for cars sourced from consumers to grow in line with inflation.

- In the fiscal year ending December 31, 2021, we expect the number of cars sold which were sourced through our remarketing solutions to more than double compared to the fiscal year ended December 31, 2019. In the medium-term, we expect the number of cars sold which were sourced through our remarketing solutions to double again compared to the fiscal year ending December 31, 2021, with strong continued growth expected thereafter due to further roll-out of our remarketing solutions. In the long-term, we expect such growth to continue, but gradually decrease to a double-digit percentage and converge to the growth rate of used cars sourced from consumers.

- In the fiscal year ending December 31, 2021 and in the medium-term, RPU for used cars sourced through our remarketing solutions is expected to be slightly down compared to the fiscal year ended December 31, 2019, as a result of the mix of countries from which such cars are sourced. In the long-term, we expect growth of such RPU to be slightly positive in line with the increase of the prices of new cars.

In the fiscal year ending December 31, 2021, GPU for our merchant segment is expected to amount to approximately €650. In the medium-term, GPU for our merchant segment is expected to decline by a low single-digit percentage rate, given the growing share of used cars sourced through our remarketing solutions, which have a lower GPU than cars sourced from consumers. In the long-term, we expect the GPU margin (*i.e.*, the GPU of the segment divided by revenue) in the merchant segment to return to the GPU margin achieved in the three-month period ended September 30, 2020, assuming the growth of our remarketing solutions moderates and we continue to improve our pricing and add additional products (*e.g.*, logistics).

23.2.4.2 <u>Retail Segment</u>

We estimate that in the three-month period ended December 31, 2020, we sold approximately 4,200 used cars in our retail segment.

In the fiscal year ending December 31, 2021, we expect the number of cars sold through our "Autohero" offering to increase substantially and more than triple compared to the annualized number achieved in the three-month period ended September 30, 2020. In the medium-term, we expect the number of cars sold under our "Autohero" offering to more than quadruple compared to the fiscal year ending December 31, 2021, with strong continued growth thereafter.

In the fiscal year ending December 31, 2021, we expect RPU for our "Autohero" offering to be broadly in line with the level observed in the three-month period ended September 30, 2020 as we continue to source a broader set of cars. In the medium-term, RPU in our "Autohero" offering is expected to be broadly flat. In the long-term, we expect such RPU to increase, driven by an expansion into higher value segments as a result of increasing online penetration.

In the fiscal year ending December 31, 2021, we expect GPU in our "Autohero" offering to be broadly in line with GPU in the fiscal year ended December 31, 2019. In the medium-term, such GPU is expected to grow strongly, and we target a GPU of more than €1,000 per car sold due to improved trading data and cross-border sourcing. In the long-term, we expect GPU for our "Autohero" offering to reach the levels of best-in-class online car dealers, supported by further contributions from financing and other products.

23.2.4.3 <u>Group Level</u>

We estimate that in the fiscal year ended December 31, 2020, we sold approximately 457,000 used cars. We expect that our gross profit during this period amounted to between €282 million and €287 million.

In the long-term, we expect revenue for our "Autohero" offering to be equal to, if not higher than, revenue for our merchant segment.

In the long-term, we expect a gross profit margin in the low- to mid-teens.

Other operating income is not expected to be material going forward.

In the fiscal year ending December 31, 2021, we expect the ratio of our personnel expenses (excluding share-based compensation expenses) and other operating expenses (*e.g.*, communications, information technology equipment, travel expenses and utility costs) to revenue to decrease slightly compared to the fiscal year ended December 31, 2019, given that we expect savings for our sourcing to compensate for the growth in sales and customer support functions of our "Autohero" offering as well as investments in technology. Going forward, the ratio of such expenses to revenue is expected to trend towards mid-single digits and further to low-single digits, reflecting economies of scale, automation of inspection, an increased efficiency of our remarketing solutions and other processes, and an ongoing improvement of the utilization of our drop-off and pick-up locations.

We expect marketing costs to develop as follows:

- In the fiscal year ending December 31, 2021, we expect marketing costs for our sourcing from consumers to decrease in absolute terms compared to the fiscal year ended December 31, 2019, as we continue to benefit from our previous investment in our sourcing brands and an improved net promoter score. In the medium-term, marketing costs for our sourcing from consumers are expected to remain flat in absolute terms, as we start to benefit from trade-in vehicles obtained through our "Autohero" offering, which do not require additional customer acquisition costs, as well as improved conversion rates as we acquire inventory that is easier to sell. In the long-term, we expect the ratio of marketing costs for our sourcing from consumers to our revenue from sales of cars sourced from consumers to decline to low-single digits.

- In the medium-term, we expect marketing costs for our "Autohero" offering to increase significantly and reach levels comparable with marketing costs for sourcing from consumers in absolute terms, as we plan to invest approximately €200 million in marketing campaigns for our "Autohero" brand. In the long-term, we expect the ratio of marketing costs for our "Autohero" offering to revenue for this offering to decrease to low-single digits as we benefit from our previous investments in brand awareness.

- Based on the aforementioned assumptions, we expect the ratio of our total marketing costs to revenue to remain broadly stable in the medium-term. In the long-term, we expect this ratio to decline to low-single digits.

In the medium-term, the ratio of our internal logistics costs to revenue is expected to remain broadly on the level recorded in the fiscal year ended December 31, 2019. In the long-term, we expect our internal logistics costs per car to remain stable, but decrease as a share of revenue, given that we expect the frequency of car movements to decline with longer consumer lead times.

Our long-term guidance assumes that we will reach 2.0 million to 2.5 million cars sold *per annum* in the long-term, of which approximately 30% are used cars sold under our "Autohero" offering, approximately 30% are used cars sourced through remarketing and sold under our "AUTO1" offering and approximately 40% are used cars sourced from consumers and sold under our "AUTO1" offering. Over time, we strive to capture a 10% market share in the European used car market.

In the three-month period ended September 30, 2020, we already achieved profitability on an Adjusted EBITDA level for the entire AUTO1 Group by generating an Adjusted EBITDA of €16.0 million. While we intend to invest significantly in our "Autohero" offering and will therefore likely not be profitable in the near term, we plan to again achieve profitability based on our Adjusted EBITDA within the next three years. In the long-term, we see potential for a mid- to high-single digit target Adjusted EBITDA margin, assuming we meet our targets in terms of used cars sold.

In the fiscal year ending December 31, 2021, we expect average inventory days to be below 30 days and increase to approximately 40 days in the medium-term as cars for our "Autohero" offering stay in inventory for a longer period than cars for our "AUTO1" offering. Overall, we expect our merchant segment to become more efficient as low-intensity remarketing solutions account for a higher share of used cars sourced for this segment. In the long-term, we expect inventory days to stabilize at approximately 45 days, with upside potential as our retail refurbishment times improve.

Approximately 85% of our inventory in the medium-term and just under 95% in the long-term is expected to be financed by on our Non-Recourse Financing. Consequently, changes in inventory are expected to have a limited impact on our cash flows. Other working capital items are expected to develop in line with historical trends observed prior to the fiscal year ended December 31, 2020, and their aggregate impact on our cash flows is not expected to be material.

With regards to capital expenditures, we expect to invest approximately €110.0 million in the fiscal years ending December 31, 2021 through 2023 in our "Autohero" offering. Thereof, we plan to invest approximately €30 million in building a fleet of approximately 250 branded transporters to expand our delivery capabilities and we expect to invest a large portion of the remaining funds in expanding out refurbishment capacities. Our investments will be back-end loaded towards the fiscal years ending December 31, 2022 and 2023. In the long-term, we expect capital expenditures for our "Autohero" offering to stabilize significantly below these levels in absolute terms. Other capital expenditures in the fiscal year ending December 31, 2021 are expected to be at a similar level compared to the fiscal year ended December 31, 2019, and going forward to grow in line with revenue.

We expect depreciation of fixed assets, excluding amortization of leases pursuant to IFRS 16, to increase to a low- to mid-teen Euro-million amount in the medium-term and to be broadly in line with capital expenditures in the long-term, as we continue to invest in the refurbishment and delivery capabilities of our "Autohero" offering.

The effective blended cash interest rate on the external part of our Non-Recourse Financing is expected to amount to less than 2.0% *per annum*.

We have accumulated tax loss carryforwards of more than €380 million. We expect to continue to accumulate tax losses for periods during which we are not profitable. We expect to be able to utilize such tax loss carryforwards once our business becomes profitable and generates taxable income. In the long-term, we expect to pay corporate tax at a rate of approximately 30.0%.

In the medium-term, we expect to continue to pay approximately €20.0 million in lease *payments per annum*, as we increase the utilization of our pick-up and drop-off locations. In the long-term, we expect these costs to increase by 5% to 10% in line with overall personnel costs. These costs are not included in our EBITDA in accordance with IFRS 16.

Going forward, we expect share-based compensation expenses to be a mid- to high-teen Euro million amount *per annum*. These expenses will comprise claims from the vesting of previously granted share-based compensation over time and claims from new share-based compensation.

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