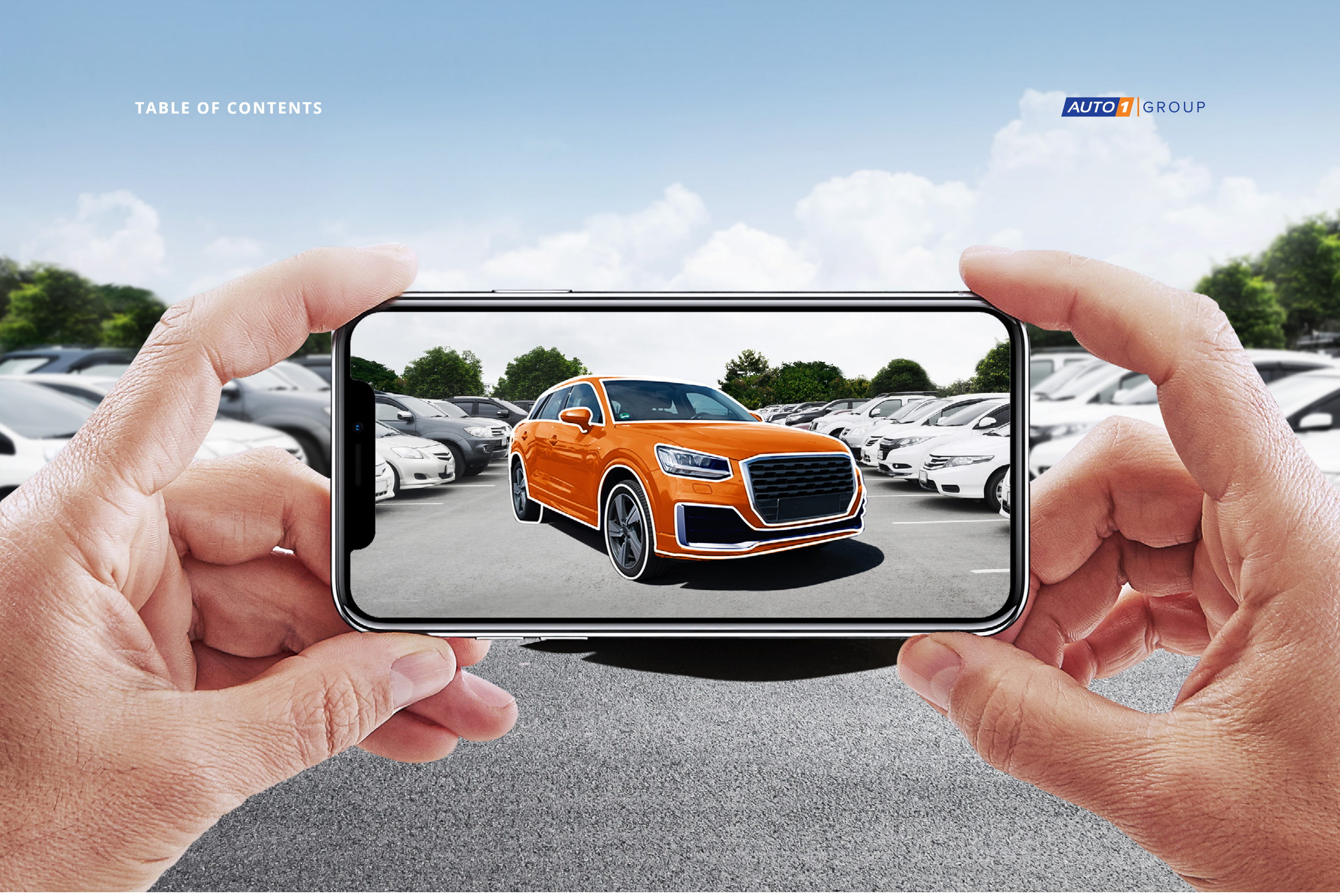
AUTO1 Group SE

Annual Financial Statement and Combined Management Report

DECEMBER 31, 2020



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Group Profile

a. Business Model

We operate Europe's leading platform for buying and selling used cars. Our range of products and services is fully online and is based on a vertically integrated platform. With more than 457,000 used cars sold in 2020 alone, we are a well-known European partner for buying and selling used cars.

Revenues for used cars, including business-to-business (B2B) revenue, amounted to approx. EUR 600 billion in Europe in 2019. We estimate that the 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 in Europe is low. We are convinced this constitutes a very strong market opportunity for us.

Our leading market position is due to our broad purchasing channels, which allowed us to purchase an average of approx. 1,600 used cars per day in 2019. Via our consumer brands such as "wirkaufendeinauto.de", we offer consumers in ten European countries an online platform to sell their used cars to AUTO1. In addition, commercial dealers can market their surplus vehicles using our remarketing solutions.

We sell the cars that we buy through two additional sales channels: Our B2B brand "AUTO1" is Europe's largest wholesale platform for the sale of used cars. We sell these cars to more than 60,000 commercial dealers in Europe via online auctions. Under our trademark "Autohero", we have created a way for consumers to sell used cars online. We offer consumers in nine European countries used cars at fixed prices.

Our business activities are based on a vertically integrated, proprietary technology platform that has been specifically developed for the purchase, sale, portfolio management and delivery of used cars in Europe.

b. Objectives and Strategies

We believe that the following competitive strengths are the key drivers of our success and distinguish us from our competitors:

- Our position on the market: high volume in procurement and size of the product portfolio;
- Our brands and the customer experience offered;
- Our in-house technology platform based on a large dataset for used car trading in Europe;
- Operational excellence thanks to our Europe-wide, scalable fulfilment infrastructure; and
- An entrepreneurial leadership team led by the founders.

To continue our success, we have identified the following key factors of our strategy:

- We seize the market opportunities on the highly fragmented used car market, which is shifting from offline to online;
- We hope to become Europe's leading retailer for used cars under our "Autohero" brand;
- We use our long-term relationships with professional dealers to expand our remarketing solutions; and
- We are continuing to scale our business to stimulate growth and profitability.

c. Group Structure

The parent company AUTO1 Group SE became the parent of the AUTO1 Group on 22 November 2018 when the shareholders of the former AUTO1 Group GmbH (now AUTO1 Group AG) contributed their interests in AUTO1 Group GmbH to AUTO1 Group SE.

The AUTO1 Group comprises 61 companies as at the balance sheet date. Please refer to Note 14 "Disclosure on investments" in the consolidated financial statements for more information. The AUTO1 Group has either direct or indirect control of all its subsidiaries.

AUTO1 European Cars B.V., which is based in the Netherlands and set up as a special purpose vehicle, has been responsible for buying and selling vehicles for the entire AUTO1 Group (except for Italy) since 2017. AUTO1 Remarketing GmbH is an intermediary for the purchase of remarketing vehicles in Germany. The purchase and sale of vehicles in Italy is currently conducted by the special purpose vehicle AUTO1 Italia Commercio S.r.l. with registered office in Italy. Vehicles for the Autohero segment are purchased by the special purpose entities and sold to end customers via the national Autohero companies.

On 4 February 2021, AUTO1 Group SE celebrated its debut on the Frankfurt Stock Exchange. From this date onwards, the shares of the AUTO1 Group SE have been traded on the regulated market (Prime Standard) of the Frankfurt Stock Exchange.

d. Segments

The Group is structured in two segments: Merchant and Retail. The segments offer products for various customer groups and are managed separately as they require different technology (use of different sales platforms) and marketing strategies. Both segments purchase vehicles from both of the Group's purchasing channels. The purchasing channels encompass the purchase of vehicles from private individuals (C2B channel) and from commercial dealers in the context of remarketing (Remarketing channel).

Merchant

In the Merchant segment, used cars are sold to commercial car dealers via our own brand AUTO1.com. Merchant revenue also includes auction fees, fees for logistics services, and all other fees in connection with the provision of vehicles to the dealers.

Revenue from Merchant business is differentiated based on how the vehicles are procured. All cars purchased through the Group's network of private individuals are classified as "C2B". Meanwhile, cars that are purchased from commercial dealers and not via the branch network are categorized as "remarketing". As there are no operations that result in standalone revenue in the two categories, C2B and Remarketing merely represent different procurement channels. Sales are made to the same customer base through an identical distribution channel.

Retail

The Retail segment is focused on the sale of used cars to private customers under the Autohero.com brand. This also includes revenue from brokerage of financing and other products such as services for used vehicle purchasing.

e. Management System

The most important financial indicators used for managing business activities are revenue, gross profit (i.e. revenue less cost of materials) and adjusted EBITDA (AEBITDA), with revenue and gross profit being used at the segment level and adjusted EBITDA at the group level. These performance indicators reflect the Group's clear growth target, and together with the non-financial performance indicators, are used to measure success and performance.

Besides financial performance indicators, the AUTO1 Group also uses the following non-financial performance indicators to manage the business at the segment level:

- Number of cars sold
- GPU (Gross Profit Unit)

The following non-operating effects are not reflected in adjusted EBITDA: effects from share-based payment, effects from the change in the measurement basis for VAT, effects from the adjustment of liabilities, and effects from other non-operating expenses. Other non-operating expenses include expenses for strategic projects, consulting costs for capital restructuring, expenses for defined legal disputes, and other non-operating expenses.

f. Research and Development

We see AUTO1 first and foremost as a technology company with the goal of continuously improving our tech platform to make it as pleasant for dealers and private individuals to use as possible. To overcome the associated challenges such as the design of the websites and apps as well as the automation of process workflows, forecasting supply and demand, and customer service challenges, AUTO1 primarily invests in qualified staff. More than 300 tech employees from 50 countries (of whom approx. 70% are software engineers) at four tech locations work especially on innovating across platforms as well as ensuring smooth processes.

We believe that the investments in this area give us a critical competitive edge. When using our products, dealers, customers, and external partners are connected via a central IT network. Thanks to the use of a microservices architecture, cloud technologies, and the integration of data collection and analytics (by our Data Science Team) throughout our entire value chain, we are in a position to manage all of AUTO1's corporate functions via our tech platform, including:

- Digital inspection of cars
- Pricing algorithm
- Order processing
- Real-time auction platform, stock management and operating performance
- Invoice and payment processing
- Logistics and fleet management
- Marketing and CRM

In 2020 technology expenses amounted to KEUR 18,251 (2019: KEUR 20,373), which includes salaries for several hundred IT developers and software engineers. The investments in our technology platform are not capitalized.

Economic Report

General economic conditions

There was a global economic downturn in financial year 2020. Following growth of 2.8% in calendar year 2019, the global economy contracted by 3.5% in 2020. This economic slump is the deepest recession in decades and is largely attributable to the global crisis and economic shutdown triggered by the Covid-19 pandemic.

While the German economy contracted less than the EU average, Italy, Spain, and Portugal suffered the most significant decline in economic output in Europe.

In 2020 the European economy contracted by 7.2%. Growth is expected to recover to 4.2% in 2021. The strength of the recovery will however depend significantly on the course of the Covid-19 pandemic, the impact of virus mutations, people's behavior, and the degree to which economic support from governments continues. While the lifting of restrictions led to a significant economic upswing in Europe in summer 2020, it also triggered a renewed rise in infections and ultimately to a virulent second wave. This, combined with further developing virus mutations, burden on the economic recovery[1].

The forecasts are subject to a relatively high level of uncertainty. Weaker consumer demand, the collapse of tourism, and the unpredictable further development of the pandemic in individual countries make it difficult to predict how the global and European economy will develop.

a. Industry Environment

2020 was a challenging year for the European car market. However, the used car market was not as strongly affected as the automotive market as a whole. For many people, the car is still the number 1 mode of transportation, as it guarantees a high degree of flexibility and particularly in the Covid-19 pandemic offers a contactless and safe way of travelling.

Following the worst recession since the Second World War, the European new car market contracted by 20.6%. The EU experienced in particular was hit hard with a decline in new registrations from approx. 13 million vehicles in 2019 to approx. 9.9 million vehicles in 2020, which is equivalent to a decrease of 23.7%. Of the "Big Four" markets[2], Spain and Italy suffered the most significant declines, with car registrations falling by 32.3% and 27.9%, respectively. The reduction in France (25.5%) with a total of only 1.7 million car registrations in 2020 was also noteworthy. Germany – the biggest market in terms of volume – achieved 2.9 million units. However, this represents a decline of 19.1% compared to the prior year. Other non-EU markets relevant for us, such as the EFTA members or Ukraine performed comparatively better on the new car market[3].

The European used car market was relatively stable. Of the five biggest markets relevant for us, Poland and France recorded a decline in used car sales of 11.8% and 4.9% respectively, while Germany experienced growth of 3.6%, Italy of 4.5%, and Spain of 25.7%. However, all markets are subject to significant market fluctuations with very low sales figures from the end of March to May, followed by very strong sales in the periods of June and July. The second wave of Covid-19 was followed by another significant decline in used car transactions in Europe in November 2020, which was partially offset by a sharp rise in used car sales in December 2020[4].

In order to stimulate the economies suffering under the effects of the Covid-19 pandemic, many European governments have introduced incentive programmes for car purchasing, which is likely to also have an impact on the used car market (e.g. in France, Spain, and Italy). While Germany has not introduced a new programme to stimulate vehicle sales as a response to the Covid-19 pandemic, the government has stepped up an existing programme that offers consumers subsidies for the purchase of new electric or hybrid cars as well as tax benefits for companies with the same effect. This programme increases demand for certain types of new cars, resulting in other types of cars becoming available on the used car market. If European or German economic stimulus programmes, particularly ones which support the automotive market, are resolved or continued, this is likely to support demand for used cars in the short to medium term.

We believe that the used car market is one of the last major markets to make the permanent shift from offline to online. The ongoing penetration of internet and smartphone usage, as well as the increased desire for individual transport options brought about by Covid-19, are driving the shift towards buying and selling used cars online. Thanks to our range of products and services, we are well equipped to meet this demand.

[1] See IMF, World Economic Outlook January 2021
[2] Germany, France, Italy, Spain
[3] See ACEA (European Automobile Manufacturers Association) Economic and Market Annual Report EU Automotive Industry full year 2020
[4] See Indicata Market Watch, Covid-19, Edition 12, January 2021

b. Business Performance

In financial year 2020 the AUTO1 Group generated revenue of KEUR 2,829,653 (2019: KEUR 3,475,962) with the sale of 457,431 used cars (2019: 615,633). The decline in revenue is largely attributable to the Merchant segment. The decrease in revenue in the C2B division of the Merchant segment is largely due to the negative impact of the Covid-19 pandemic on supply and demand for used cars, especially in the second quarter, whereas our remarketing activities reported positive revenue performance. Revenue in this division also rose due to the expansion of the remarketing procurement channel. Our Retail segment recorded a significant volume-driven rise in revenue compared to the prior year.

Over the course of the year, we transitioned our purchasing from private customers to our "Sell-from-Home" model, which significantly improved the ratio of vehicles we inspect at our purchasing centers to vehicles we buy. Sell-from-Home has had three key effects on our business:

- In 2020 we were able to maintain relatively high purchasing levels despite social distancing regulations, as we did not have to inspect as many vehicles on site and were thus successful in avoiding decline in revenue in the C2B division;
- We were able to increase our gross profit margin through better pricing;
- The cost structure in vehicle purchasing was improved in a lasting way through Sell-from-Home.

The cost of materials equalled KEUR 2,543,744 in 2020 (2019: KEUR 3,133,428) and therefore the cost of materials ratio to revenue was 89.9% in the financial year (2019: 90.1%). Gross profit thus equalled KEUR 285,910, which is equivalent to 10.1% of revenue (2019: KEUR 342,534 and 9.9%). The rise in the gross profit margin was among other facts due to the improved overall margin in financial year 2020, attributed to better pricing in procurement and sales and increased sales of logistics services. As a result of the aforementioned effects, the gross profit margin per car increased by EUR 68.6 to EUR 625.

The AUTO1 Group was able to improve adjusted EBITDA by KEUR 45,216 from KEUR -60,382 to KEUR -15,166, particularly due to cost reductions in marketing expenses, logistic expenses and personnel expenses, as many departments were working on reduced hours (Kurzarbeit) in financial year 2020.

As in the past, we will focus on our growth target over the next few years, despite the current Covid-19 crisis. This is already evident today in the massive expansion of the Autohero business.

c. Group's Position

1. Financial Performance

Group earnings in financial year 2020 compared to the prior year 2019 were as follows:

	1. JAN. 2020 - 31. DEC. 2020	1. JAN. 2019 - 31. DEC. 2019
Revenue (in KEUR)	2,829,653	3,475,962
Revenue growth in %	*(18.6)*	*21.9*
Gross profit (in KEUR)	285,910	342,534
Gross margin in %[1]	*10.1*	*9.9*
Adjusted EBITDA (in KEUR)[2]	(15,166)	(60,382)
Adjusted EBITDA margin in %	*(0.5)*	*(1.7)*
EBITDA (in KEUR)	(34,849)	(92,809)
EBITDA margin in %[3]	*(1.2)*	*(2.7)*
Sold cars (in thousands)	457	616
Average headcount[4]	4,111	4,418

[1] Defined as gross profit divided by revenue.
[2] See the following table for the reconciliation to adjusted EBITDA.
[3] Defined as EBITDA divided by revenue.
[4] Full-time equivalents.

The following table presents the reconciliation from EBITDA to adjusted EBITDA:

In KEUR	1. JAN. 2020 - 31. DEC. 2020	1. JAN. 2019 - 31. DEC. 2019
EBITDA	(34,849)	(92,809)
Share-based payment	(5,437)	36,945
Change in the measurement basis for VAT	-	6,641
Adjustment of liabilities	12,351	(12,351)
Other non-operating expenses	12,769	1,192
Adjusted EBITDA	(15,166)	(60,382)

Revenue Performance

Revenue decreased by 18.6% (KEUR 646,309) to KEUR 2,829,653. The Merchant business was negatively affected by the spread of the Covid-19 pandemic in our European markets, which resulted in a year-on-year decline in revenue of 20.5%. By contrast, the Retail business recorded sustained significant revenue growth (total revenue growth of 62.9% over the prior year), as there was strong consumer demand in our European markets. Many commercial dealers had temporarily suspended their operations, which had a particular impact on the number of vehicles sold. This figure fell by 158,202 (-25.7%) overall to 457,431. The Group generated revenue totalling KEUR 2,697,050 (2019: KEUR 3,394,550) in the Merchant segment and KEUR 132,603 (2019: KEUR 81,412) in the Retail segment.

Gross Profit Development

The cost of materials declined by 18.8% or KEUR 589,684 to KEUR 2,543,744, of which KEUR 2,414,036 was attributable to the Merchant business and KEUR 129,708 to the Retail business. The cost of materials includes the cost for the sold vehicles, external transport costs (costs for transport to the customer) as the cost of purchased services and other services in connection with the operational processing of vehicle purchases and sales. The decline in the cost of materials and the corresponding reduction in revenue is due to the large-scale temporary suspension of business activities due to the Covid-19. This not only led to a decline in the costs for the cars sold, but also impacted on the other cost of materials such as transport costs.

Consequently, gross profit decreased by KEUR 56,624 in financial year 2020. Gross profit of KEUR 283,015 was generated in the Merchant business and KEUR 2,895 in the Retail business. Because of our efforts to further optimize the pricing structure and anticipate the decline in demand due to the Covid-19 pandemic, we were able to slightly improve our gross profit margin by approx. 20 basis points year-on-year. This had an impact on both segments' GPU too.

Business Development by Segment

Merchant	1. JAN. 2020 - 31. DEC. 2020	1. JAN. 2019 - 31. DEC. 2019
Revenue (in KEUR)	**2,697,050**	**3,394,550**
*thereof C2B**	*2,348,588*	*3.105.789*
*thereof Remarketing**	*348,463*	*288,761*
Revenue growth in %	*(20.5)*	*20.4*
Gross profit (in KEUR)	**283,015**	**341,080**
Gross margin in %	*10.5*	*10.0*
Sold cars (K)	**447**	**610**
thereof C2B	*397*	*571*
thereof Remarketing	*50*	*39*
GPU (in EUR)	**633**	**559**

* Analysis of revenue by procurement channel

Retail	1. JAN. 2020 - 31. DEC. 2020	1. JAN. 2019 - 31. DEC. 2019
Revenue (in KEUR)	**132,603**	**81,412**
Revenue growth in %	*62.9*	*154.4*
Gross profit (in KEUR)	**2,895**	**1,454**
Gross margin in %	*2.2*	*1.8*
Sold cars (K)	**10**	**6**
GPU (in EUR)	**285**	**254**

Development of EBITDA and Adjusted EBITDA

Personnel expenses decreased by 34.6% (from KEUR 228,846 to KEUR 149,736) due to the introduction of our Sell-from-Home solution, where used cars are valued online and fewer valuations have to be carried out at the branches, the temporary use of reduced working hours (Kurzarbeit) in Germany as well as similar measures to cut personnel costs in other European countries and reduced share-based payment. On average, the Group employed 4,111 staff in the reporting year (2019: 4,418). The significant decline in share-based payment over the prior year is due to a reclassification from cash-settled to equity-settled, meaning that share-based payment is now measured on the basis of the fair value of the company at the grant date. The reclassification was based on the decision to carry out an IPO.

Average headcount at the AUTO1 Group decreased from 4,418 in 2019 to 4,111 in the 2020 financial year. As a result of the Covid-19 pandemic, the workforce was reduced in certain departments, new hires were dialled back compared to prior years and any positions that became free were not replaced.

Other operating expenses decreased by 16.4% or KEUR 35,824 in total over the prior year to KEUR 182,248. This resulted mainly from a KEUR 44,570 decline in marketing expenses to KEUR 78,103. In light of the reduced demand triggered by the Covid-19 pandemic, we decided to temporarily suspend marketing expenses in the financial year. In addition, internal logistics expenses fell by KEUR 11,735 to KEUR 33,270 due to fewer car transports.

Development of the Consolidated Loss

The Group generated a net loss (consolidated loss) of KEUR 143,642 (2019: KEUR 121,265) in the 2020 financial year. This increase was mainly due to the interest and measurement effects from the recognition of a convertible loan of KEUR 71,859 as at 31 December 2020. The convertible loan contains several embedded derivatives in the form of a conversion right, a cash settlement option and other acceleration options, which led to higher expenses. This was partially offset by the decline in expenses from share-based payment (KEUR -5,437; PY: KEUR 36,946) resulting from reclassification from cash-settled to equity-settled.

2. Financial position and liquidity

In KEUR

	1. JAN. 2020 - 31. DEC. 2020	1. JAN. 2019 - 31. DEC. 2019
Consolidated loss	(143,642)	(121,265)
Cash flows from operating activities	45,495	(138,370)
Cash flows from investing activities	(3,569)	(3,254)
Cash flows from financing activities	57,726	82,709
Cash and cash equivalents at the beginning of the period	57,599	116,513
Cash and cash equivalents at the end of the period	157,251	57,599

The AUTO1 Group reported KEUR 45,495 (2019: KEUR -138,370) in cash flows from operating activities in 2020. The most significant influencing factors for the negative cash flows in the prior year were the consolidated loss for 2019 and the increase in inventory. Inventory was reduced in the current financial year. Similarly, the decline in trade receivables and increase in trade payables due to reporting date effects made a significant contribution to positive cash flows. The consolidated loss for 2020 also includes non-cash interest and measurement effects due to the recognition of the convertible loan of KEUR 71,859 as at 31 December 2020.

In light of the investments made in property, plant and equipment, mainly in additional equipment for the drop-off and pick-up sites, cash flows from investing activities in 2020 total KEUR -3,569 (2019: KEUR -3,254). These investments contrast with proceeds totalling KEUR 602 from the sale of property, plant and equipment.

The positive cash flows from financing activities amounted to KEUR 57,726 (2019: KEUR 82,709) in the financial year under review. This was due to the convertible loan of KEUR 255,000 being taken out, which was offset by the repayment in full of the credit line of KEUR 186,000 and the repayment of lease liabilities totalling KEUR 23,308.

The Group was able to meet its payment obligations to third parties at all times.

Cash and cash equivalents equalled KEUR 157,251 (2019: KEUR 57,599) at year-end, an increase of KEUR 99,652 over the prior year.

3. Assets and Liabilities

Property, plant and equipment declined by KEUR 2,737 to KEUR 52,332, particularly due to the decline in other property, plant and equipment and the premature termination of leases which resulted in a disposal of right-of-use assets.

Other non-current financial assets decreased by KEUR 114,202 as at 31 December 2020, largely due to the derecognition of receivables from shareholders associated with share-based payments resulting from the reclassification from cash-settled to equity-settled, which had no impact on cash flows.

Inventories decreased by KEUR 38,680 to KEUR 209,435. The decrease in inventories is largely due to the impact of the Covid-19 crisis, as inventories were gradually reduced in the second quarter of the year to limit the Covid-19 risks.

Other assets mainly concern VAT receivables and declined slightly due, among other reasons, to the lower business volume around the closing date.

The equity ratio equalled 0.9% (2019: 25.3%) at the end of the reporting period. The decline over the prior year is mainly due to the consolidated loss for 2020.

A facility agreement with six banks for a credit line of KEUR 235,000 was reported under liabilities to banks in the prior year. KEUR 171,000 was drawn down at year-end 2019. The credit line was repaid in full in the current financial year. The Group issued a subordinated convertible loan for KEUR 255,000 on 13 February 2020. The loan is convertible into common shares of the Group at the discretion of the creditor if specific events occur or is repayable on 13 February 2025. The convertible loan contains several embedded derivatives in the form of a conversion right, a cash settlement option and other acceleration options. The convertible loan is reported under liabilities to banks in the amount of KEUR 323,470 as at 31 December 2020. After the balance sheet date, KEUR 110,000 of the convertible loan was repaid from the proceeds from the IPO on 4 February 2021. In total, this was associated with a cash outflow of KEUR 232,349. The remaining portion of the loan was converted into 8,059,961 shares by the creditors.

In the financial year, a new investment grade rated credit facility with a scope of KEUR 485,000 was also concluded, which is fully collateralized. The credit facility was not utilized until Q1 2021. For further details, please refer to our comments in the notes to the consolidated financial statements under liquidity risks.

Liabilities from share-based payment were fully derecognized in the financial year due to reclassification. After reclassification, they were recognized in equity under other reserves.

Current liabilities to affiliated companies mainly relate to trade payables, which rose significantly due to reporting date effects. The contract liabilities reported under other receivables declined as a result of the reduced business volume as at the balance sheet date.

4. Overall Assessment

The Management Board considers the Group's assets, liabilities, financial position and financial performance to be positive. Due to the pandemic, we were unable to continue on our planned growth trajectory at group level, but we still managed to expand the Autohero business considerably. The impact of the pandemic on our business is most clearly reflected in the reduced number of used cars we sold. Among other achievements, we managed to successfully place a convertible bond, introduce a product to sustainably improve our cost efficiency in the form of Sell-from-Home, and respond flexibly to the decline in supply and demand during the lockdown in Q2 through active stock management. The outbreak of the Covid-19 pandemic meant that the growth targets originally planned could not be met; however, we still managed to improve EBITDA and adjusted EBITDA over the prior year, which shows the robustness of our business model and leads us to look positively to the future.

Forecast, Opportunities and Risks

Risk Report

Individual risks, provided they could have an impact of the Group's assets, liabilities, financial position and financial performance or the performance indicators described above, are generally assessed for a period of twelve months from the reporting date. The significant risks in the individual risk areas are presented below. These risks apply to all our segments and are based on a gross risk analysis. Unless otherwise stated, the measures described are considered adequate to mitigate the risk described in each case.

As at October 2020, the Group began to implement a group-wide risk management system. This shall be ready to use in the course of 2021.

The risks presented below are set out in order of their impact on the Group.

a. Market Risks

The basis for assessing market risks in car trade continues to be the development of domestic demand in the respective countries. This is currently still directly linked to Europe's economic development. Car purchases are determined by the end customer's willingness to consume. The following section presents the political, economic and social trends relevant for the Group. Uncertainty regarding future consumption is also attributable to the fact that the future impact of the ongoing Covid-19 crisis is currently hard to predict (see our comments below on coronavirus (SARS-CoV-2)).

Non-Economic Changes in Demand for Used Cars

Demand for our used cars may be adversely affected by trends that lead to a general decline in demand for cars. A growing share of younger people no longer buy or lease their own car and instead opt for ride-hailing through services such as Uber and Lyft, car-sharing agencies, car hire and public transport. This trend could continue or even intensify, particularly as urbanization continues to advance and a growing share of the population moves to larger cities. This could result in a decline in overall demand for vehicles, including our used cars, and thus have a negative impact on our business outlook.

Initiatives by manufacturers and dealers can have a significant impact on demand in the used car market. Greater incentives for new car sales (e.g., rebates or attractive financing) or generally lower prices for new cars could be offered, making the purchase of a new car more attractive. This may lower the prices for used cars.

In addition, new regulations or measures implemented by governmental authorities may result in a sudden decline for certain types of used vehicles, including vehicles in our inventory. For example, many German cities have court ordered driving bans on vehicles with older diesel engines in certain districts to reduce fine particle pollution. As a result, demand for the affected vehicles in Germany fell significantly and prices for these cars, including those in our inventory, suddenly dropped. Such sudden developments may prevent us from successfully selling the affected vehicles, adversely affect our margins and lead to higher impairment losses on our inventory. In addition, 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 vehicles we buy and sell do not have such innovative features. There is no guarantee that we will be able to quickly procure more innovative vehicles as it may take several years before they are available on the used car market. As a result, we may not be able to adjust our offering accordingly. In addition, the procurement and sale of such vehicles could be more complex.

The risks described above could significantly impact the performance indicators. The probability of occurrence is classified as low for the forecast period. Overall, the Management Board therefore considers the risks to be medium.

Coronavirus (SARS-CoV-2)

The novel coronavirus (SARS-CoV-2) that emerged in late 2019 spread globally in financial year 2020, leading to a recession in the global economy due to the associated infection prevention measures.

The outbreak of the Covid-19 pandemic had a significant impact on the used car market in Europe in 2020, and the long-term impact of this pandemic is still unclear. Therefore, in the future there could also be a clearly negative impact on the performance indicators. In addition to the macroeconomic impact, fear of infection could halt the advance of shared mobility. In addition, we believe that the habits formed during the Covid-19 pandemic are likely to persist and permanently change consumer behavior as customers realize the benefits of buying and selling online. Hence, the acceleration of the shift to online offerings is expected to be sustained and pronounced. Given that the average age of online customers is rising and they are likely to view cars as an important commodity, this shift in consumer behavior is likely to be particularly beneficial to the online used car market, as it connects the natural target audience for used cars with the online customer experience.

The pandemic and the measures taken to combat it have had a significant impact on the European economy, with gross domestic product in the eurozone falling by 6.8% in 2020. As a result, the unemployment rate in the European Union is expected to rise further from 8.1% in 2020 to 9.2% in 2021[5]. We believe that consumers will increasingly turn to buying used cars as a lower-cost alternative to meet their mobility needs. The car as an individual means of transport will presumably remain in high demand.

The effect on the ongoing Covid-19 crisis on the development of performance indicators for financial year 2021 cannot be reliably determined from today's perspective, as the further course of the pandemic as well as the speed of the rate of vaccinations and its impact on consumer demand cannot be assessed at present. In addition, counter effects or even positive effects for AUTO1 could take effect, as outlined above. For this reason, the risk from the Covid-19 crisis is classified as a medium risk.

Competition

The used car market is particularly competitive and is characterized by changes in market share, increased price competition, and the development and introduction of new services and technologies by new and returning competitors. Our key competitors include independent used car dealers, brand dealers, other online used car dealers, small ads websites and apps, and rental car companies that sell used vehicles from their fleets directly to consumers and professional dealers. If we fail to provide an attractive, reliable offering at competitive prices, potential buyers or sellers of used vehicles may choose to trade their vehicles through one of our competitors.

Because professional dealers, who currently represent our primary customer group, are also competitors who maintain their own supply of used cars, these dealers may decide to stop buying from us if they believe that we threaten their competitive position.

Similarly, classified small ads platform providers could prevent us from advertising on their websites and apps to prevent us from expanding our market position in the used car market.

In addition, new competitors, including major automobile manufacturers, may enter the online used car market or intensify their online efforts. Our current and potential competitors may have greater financial, technical, marketing and other resources. They may also draw upon a better network in the automotive industry due to a longer operating history and greater name recognition. If such competitors merge or enter into partnerships, this may further improve their competitive position. As a result, our competitors may be able to respond more quickly to the needs of potential used car buyers or sellers and carry out more extensive marketing campaigns.

If we are unable to compete successfully, the number of used cars offered as well as the demand for vehicles in our inventory could decline.

The risk of market displacement by competitors is assessed as low because the probability of occurrence is assumed to be low and the impact on the performance indicators moderate. For the timely identification of the strategic risks addressed, measures are initiated individually as required, taking into account the facts and circumstances identified.

b. Operational Risks

Management of the Used Car Inventory

The management of the inventory of used cars is a key risk factor for AUTO1 and is evident in several places.

The strong growth of the last few years, with more than 400 branches in various European countries, the corresponding transport and logistics network and the rollout of additional services has made the business more complex within a very short period of time. This complexity places a correspondingly higher burden on employees and systems, meaning that a reduction in efficiency in the event of further business expansion cannot be completely ruled out. The continuous adjustment of the personnel and system requirements is necessary in order to counteract this.

There are two key factors related to inventory that are subject to ongoing risks: procurement and sales.

We depend on consumers and dealers who offer us suitable cars in order to be able to make a large and attractive offering to our customers. In contrast to manufacturers, we cannot produce our range ourselves. However, we have the flexibility to counteract this by setting prices and expanding the characteristics. Used cars are procured via valuation using our pricing algorithm; a correct calculation for each individual valuation cannot be guaranteed at all times with high volumes of transactions. Since we purchase and value

[5] Vgl. DIW Wochenbericht 11 2021

used cars, there is always the possibility that traces of use, such as paint damage, are not detected and the purchase price is accordingly too high.

While used cars are in our inventory, they may be damaged, destroyed or stolen. Since we also rely on external partners for storage, the possibility of control is limited.

Our inventory is procured based on our expectation for future demand. Falling demand would lead to increased inventory, a slower rate of turnover and corresponding pressure on prices and margins. Since used cars, especially the newer models, depreciate quite quickly, longer periods in inventory could also lead to higher depreciation.

AUTO1 operates a proprietary risk system, which we believe represents a competitive advantage with respect to inventory management. Before we purchase a used car offered to us, our algorithms analyse the expected GPU, anticipated sales speed, existing stock in inventory and market trends. If these algorithms consider the relevant used car particularly difficult to sell, we typically do not purchase them straight away.

The AUTO1 Group manages the risks relating to the management of its inventory of used cars in such a manner that negative developments on the performance indicators are estimated as being low or sufficiently calculable. The probability of occurrence and the impact on the performance indicators are also assessed as low.

Logistics Risks

The logistics processes depend heavily on coordinating IT systems, the logistics team and communication with the logistics partners. Due to the strong growth of the business volume in recent years, the constant expansion and continuous optimization of these processes is required. Inefficient processes, erroneous planning or failing IT systems harbour the risk of increased logistics and personnel costs and delayed deliveries, which can impact gross profit and net earnings.

The risk is considered to be low due to the market volume and the diversification among the service providers of the AUTO1 Group. The probability of occurrence and the impact on the performance indicators are also assessed as low.

IT Risks

As an online service provider with e-commerce components, AUTO1 depends heavily on the capability and stability of various online platforms as well as interfaces to tools of third-party providers. Both purchasing as well as selling are based largely on the online platform. Technical malfunctions or failures would directly affect the entire value chain.

To ensure the security and stability of the systems, AUTO1 is connected to geographically separated and redundant server centers. Platform operation is monitored in order to take appropriate action if there are any disturbances. AUTO1 has set up multi-level system security and personalized, role-based access to protect against unauthorized access and attacks. A process of user administration regarding documenting new hires and exits is defined.

The Group's significant growth requires the constant expansion of its IT systems in order to cope with rising complexity and size. Additional cloud services from an established provider are being used to achieve the necessary scalability.

The critical impact of IT risks means IT development and maintenance are subject to constant quality controls. There is a process in urgent cases where important IT modifications can be implemented on short notice.

The probability of occurrence of IT risks is generally assessed as low and the significance of IT risks for the performance indicators is assessed as moderate. Overall, the Management Board assumes that the risk is low as the measures are deemed suitable for mitigating the risks.

c. Financial Risks

Among the financial risks, the liquidity risk is the most relevant for AUTO1 due to the lack of significant foreign currency transactions and default risks.

The Group has detailed liquidity planning that is regularly subject to target/actual comparisons. In addition to the convertible loan and its own income, the Parent Company is also financed from the possibility of drawing on the Group's loan facility. The Company has received liquid funds of more than EUR 971 million as a result of the successful IPO on 4 February 2021. Among other things, the financial resources will be used for the planned expansion of Autohero's business and the Group's ongoing business activities.

The non-recourse loan concluded in December 2020 is subject to variable interest rates, meaning there is an interest rate risk. Increased interest expenses would negatively affect forecasted net earnings, but would be likely to take place in a stronger economic environment. The probability of occurrence and significance of the risk for the performance indicators are considered to be low. Consequently, there is only a low risk.

The financing of the subsidiaries is heavily influenced by their integration into the Parent Company's group of companies.

The Group management's detailed analysis and approval of the budgets prepared by subsidiaries each month ensure that operations can be financed and planned investments made. The Group has capital measures and borrowings affording it access to a total of KEUR 157,251 in funds as at the balance sheet date. In addition, there is headroom due to the conclusion of a new rated ABS loan facility (non-recourse financing) equalling KEUR 485,000.

d. Financial Instrument Risks

In the financial year, the issue of a convertible loan resulted in a derivative financial liability that is measured at fair value. The risk arising from the derivative mainly relates to the derivation of the fair value, i.e. primarily to possible changes in unobservable inputs such as the Group's refinancing rate or the enterprise value, which may result in significantly lower profit for the period. The convertible loan was repaid or partially converted into equity in February 2021.

e. Overall Risk Assessment

The aforementioned risks can affect the economic development of the AUTO1 Group. The number of measures established in the AUTO1 Group to monitor business risks means it is possible to take counteraction and thus avoid or mitigate potential risks. With regard to the continued impact of the Covid-19 pandemic, please refer to our comments above. Our estimate of the overall risk situation is based on a consolidated look at all material individual risks. There are no risks which would endanger the Group's ability to continue as a going concern.

Opportunities

The following opportunities described could have a positive impact on the development of performance indicators.

a. The Used Car Market is Moving Online

The used car market is one of the largest sales markets in the world. In 2019, the market volume in Europe is estimated at around EUR 600 billion with an average annual growth expectation of 5%[6]. In addition, the volume in terms of financing for used cars in the nine target markets of our "Autohero" offering amounts to around EUR 95 billion[7] in 2018.

Used cars are still sold almost exclusively offline today. We estimate that the current online penetration in the European market for used car sales is very low. Given the fact that many consumers already use online resources when looking for suitable used vehicles these days, we firmly believe that the market is ready to go online.

Both consumers and professional dealers face unique challenges when buying and selling used cars. For consumers, there is limited choice in local offerings, no convenience due to a lack of fulfillment services, and little transparency in pricing. Professional dealers try to take advantage of this, damaging the trust in or the image of used car dealers. At the same time, professional dealers themselves are unable to achieve economies of scale and are also limited to local markets, leading to a high degree of fragmentation in the used car market.[8] In 2019, the ten largest dealers accounted for only 4% of the market volume in the German used car market. Given the challenges faced by both consumers and professional dealers, we believe that the European used car market needs a comprehensive online platform that enables seamless cross-border transactions.

We believe we have the solutions to all challenges as we are building and aligning our platform based on the needs of consumers and merchants. This creates opportunities for significant improvement of the performance indicators.

b. Customer Experience

Our focus is to offer our customers a customer experience that they already know from other markets that have already transitioned online. This includes making buying and selling used cars as convenient as possible. Our websites and apps offer a range of functions for this purpose. We already offer services ranging from used cars to accompanying services such as logistics, (de)-registration and financing brokerage.

With Sell-from-Home and the Autohero delivery trucks, we introduced additional components in 2020 to further increase customer satisfaction. Based on this as well as our position as the market leader in buying and selling used cars in Europe, we see considerable opportunities for sustainable customer loyalty. We believe we can improve and even reset the image of the used car dealer through our transparent and non-discriminatory online platform.

c. Integrated Technology Platform

We consider ourselves a technology company, which is why the establishment and further development of a comprehensive technology platform has been a key issue to all our considerations from the very beginning. All stakeholders — whether consumers, retailers or partners — are connected to the same platform.

AUTO1 regularly uses its in-house developed software to optimize purchasing and selling and for the introduction of new products. The platform can be scaled upwards, if necessary, and is becoming ever more intelligent through the use of comparative data.

Setting up new purchasing centers, expanding the dealer network and rolling out new products, such as consumer financing, insurance and retail business, will involve manageable IT infrastructure expenses due to centralized technical support. This means the Company can generally generate more sales without incurring corresponding expenses to the same extent and therefore enable significant improvements in earnings performance indicators. This scalability will enable us to continue to tap existing and new markets in the future.

d. Pan-European Logistics Network

AUTO1 was active in over 30 countries with its staff in 2020. Almost every second transaction takes place across borders. This is only possible thanks to a close-knit logistics network that ensures fast and reliable transport.

AUTO1 operates over 400 branches in Europe and also works with logistics partners who provide transportation as well as storage of our inventory in up to 150 compounds. We believe that because of this we are the largest customer in European automotive logistics, excluding car manufacturers.

The existing network holds significant opportunities in the coming shift from offline to online. By de-localizing supply and demand towards a European platform, the need for a correspondingly large logistics network is a market entry barrier for potential competitors and strengthens AUTO1's position. It also forms the foundation for the expansion of the Autohero business.

[6] See OC & C, European Used Car & B2B Sourcing Market
[7] See Finaccord
[8] See OC & C, European Used Car & B2B Sourcing Market

Outlook

Macroeconomy

In its economic outlook of January 2021, the International Monetary Fund (IMF) assumes that the global economy will grow by 5.5% again in 2021 following the historic slump in 2020. The level of economic activity prior to the Covid-19 crisis is not expected to be reached until the turn of 2021/2022. Inflation rate of the eurozone for 2021 is forecasted to 0.9%, meaning that no significant price increases can be expected. Looking at the eurozone as a whole, researchers assume an increase in price-adjusted GDP of 4.2%[9].

Industry

The used car market was subject to high fluctuations in 2020, but nevertheless remained virtually unchanged at a high level. Due to the ongoing economic uncertainty related to the Covid-19 crisis, we assume that the majority of consumers are hesitant to commit to large-scale investments, which means that demand for used cars could continue to rise compared to demand for new cars.

AUTO1 Group's Expectations

For financial year 2021, the AUTO1 Group's Management Board expects the total number of vehicles sold to increase compared to 2020. We expect a total of 592,000 to 638,000 vehicles of which 560,000 to 600,000 should be achieved through the Merchant segment and 32,000 to 38,000 through the Retail segment.

We therefore expect overall revenue for both segments to be between EUR 3.8 billion and EUR 4.2 billion. We expect a significant increase in revenues compared to 2019 whereas revenues for the Retail segment should increase higher than for the Merchant segment.

Gross profit is expected to rise overall. The Group's gross profit for 2021 could amount to between EUR 360 million to EUR 410 million. Gross profit for the segments is expected to increase significantly as a result of volume growth. The GPU of the two segments should improve slightly.

The Group's adjusted EBITDA margin for 2021 will decrease significantly, in particular due to expenses in relation to the expansion of Autohero's business. The Group's adjusted EBITDA margin should accordingly be between -2.0% and -2.5%.

Particularly in light of the continued uncertainty over the duration and intensity of the Covid-19 crisis as well as the associated enormous economic restrictions in practically every country in Europe, which only allows us to reliably estimate all effects on the expected business development of AUTO1 to a limited extent, the development of the performance indicators for financial year 2021 may deviate from the planned development. The forecast is based on the composition of the Group in the forecast period as known at the time of planning. Furthermore, the forecast assumes the effects from the Covid-19 crisis will normalize in the second quarter and that catch-up effects will occur in the second half of 2021.

With the exception of the ongoing Covid-19 crisis, the Management Board is currently not aware of any special circumstances following the forecast period of one year, which can impact the Group's financial position.

[9] IWF, World Economic Outlook January 2021

Supplementary Business Situation Reporting on the Annual Financial Statements of AUTO1 Group SE, Munich for Financial Year 2020

The management report has been combined with the Group management report. The following statements are based on the statutory annual financial statements of AUTO1 Group SE (the "Company"), which have been prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The annual financial statements and management report are published in the German Federal Gazette.

I. Company Profile

AUTO1 Group SE is the Parent Company of the AUTO1 Group and operates from its corporate headquarters in Berlin, Germany. The Company's business activities mainly comprise management services for the Group provided by the Company's Management Board, which also represents the Company and determines the Group's strategy.

As the Company's annual statutory financial statements have been prepared in accordance with the German Commercial Code (HGB) and the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), there are differences in the recognition and measurement principles. These differences relate primarily to obligations for share-based payments, financial instruments and deferred taxes. In addition, there could be differences in the presentation of income and expenses in the consolidated statement of profit or loss and other comprehensive income.

In the first quarter of 2020, the Company entered into a convertible loan subordinated to certain liabilities of KEUR 255,000. The loan is repayable early upon the occurrence of certain events prior to the final maturity date (13 February 2025). For further details, please refer to our comments in the notes the financial statements of under section C.1.

The key performance indicator of AUTO1 Group SE is net income.

II. Company's Assets, Liabilities, Financial Position and Financial Performance

1. Financial Performance

The Company's financial performance is presented below in the consolidated statement of profit or loss and other comprehensive income:

In KEUR	**2020**	**2019**
Revenue	**1,049**	**908**
Other operating income	*155*	*27*
Personnel expenses	**-990**	**-960**
Other operating expenses	*-4,417*	*-946*
Interest and similar expenses	**-24,094**	**-4**
Income taxes	*-12*	*0*
Net loss for the year	**-28,309**	**-975**

Revenue in the current financial year increased by KEUR 141 to KEUR 1,049 (2019: KEUR 908) and related primarily to management services for AUTO1 Group AG.

Other operating expenses rose by KEUR -3,471 to KEUR -4,417 (2019: KEUR -946). The increase is mainly attributable to legal and consulting services in connection with the IPO in February 2021.

Interest and similar expenses increased by KEUR -24,090 to KEUR -24,094 (2019: KEUR -4) and mainly relate to interest and similar expenses of KEUR 21,748 incurred in the current financial year for the convertible loan and transaction costs of KEUR 2,068 incurred in connection with the issue of the convertible loan.

The net loss for the year increased to KEUR -28,309 (2019: KEUR -975) due to interests of the convertible loan and related transaction costs as well as consulting fees in connection with the IPO.

2. Assets and Liabilities of the Company

The following table contains the condensed statements of financial position of the Company:

In KEUR

Assets	2020	2019
Financial assets	934,508	700,000
Receivables from affiliated companies	0	4,770
Other assets, prepayments and accrued income	35,506	1,331
Cash at banks	45,204	12
Total assets	**1,015,218**	**706,113**
Equity & liabilities	**2020**	**2019**
Provisions	1,608	651
Convertible loans	271,156	0
Trade payables	1,006	161
Liabilities to affiliated companies	31,924	2,809
Other liabilities	31,789	46
Total liabilities	**337,483**	**3,667**
Net assets	**677,735**	**702,446**
Equity	**2020**	**2019**
Share capital	3,462	3,421
Capital reserves	703,557	700,000
Accumulated deficit	-29,284	-975
Total equity	**677,735**	**702,446**

The Company's net assets primarily comprise assets as well as cash and cash equivalents. The assets mainly comprise shares in affiliated companies amounting to KEUR 934,508 (2019: KEUR 700,000). The year-on-year increase is attributable to payments into the free capital reserve in accordance with Section 272 (2) No. 4 HGB of AUTO1 Group AG.

Other assets, prepayments and accrued income (KEUR 35,506, 2019: KEUR 1,331) mainly relate to a discount on the convertible loan in the amount of KEUR 28,534 and receivables from the tax office for VAT for the years 2018 to 2020 in the amount of KEUR 6,544.

Other provisions increased by KEUR 957 to KEUR 1,608 (2019: KEUR 651) and mainly relate to outstanding invoices of KEUR 1,208 and Supervisory Board compensation of KEUR 400.

The item Convertible Loans (KEUR 271,156, 2019: KEUR 0) includes the convertible loan taken out in February 2020, which is recognized as a liability at the settlement amount in accordance with Section 253 (1) sentence 2 HGB. For further details, please refer to our comments in the notes under section C.1.

Liabilities to affiliated companies mainly result from central cash management and from the transfer of VAT from the VAT reporting entity for which the Company is responsible.

3. Financial Position of the Company

At the end of the year, AUTO1 Group SE had cash and cash equivalents of KEUR 45,204 (2019: KEUR 12). The Company was thus able to meet its payment obligations to third parties during the financial year.

III. Opportunities and Risks

The Company's business operations are subject in all material respects to the same opportunities and risks as the Group. As AUTO1 Group SE is directly and indirectly the majority shareholder of all Group companies, it participates in the risks that arise in connection with the business activities of these companies. Management's overall risk assessment is therefore consistent with that of the Group.

IV. Outlook

Due to the nature of the Company's business, its future development is closely linked to the development of the Group. For this reason, we refer to the Group's forecast report, which also presents management's expectations with regard to the Parent Company. We expect the Company's net loss for financial year 2021 to be significantly higher compared to financial year 2020, in particular due to the costs from the IPO.

Berlin, 13. April 2021
AUTO1 Group SE

Christian Bertermann
CEO & FOUNDER

Markus Boser
CFO

02

Balance Sheet

as at

31 DECEMBER 2020

In EUR

Assets	31. DEC. 2020		31. DEC. 2019	
A. Fixed assets				
Financial assets				
Shares in affiliated companies		**934,508,594.00**		**700,000,000.00**
B. Current assets				
I. Receivables and other assets				
1. Receivables from affiliated companies	14.43		4,770,277.04	
2. Other assets	6,558,643.09	6,558,657.52	1,330,984.72	6,101,261.76
II. Bank balances		45,204,003.01		11,742.37
		51,762,660.53		**6,113,004.13**
C. Prepaid expenses		**28,946,905.27**		**0.00**
		1,015,218,159.80		**706,113,004.13**

as at

31 DECEMBER 2020

In EUR

Equity and Liabilities	31. DEC. 2020	31. DEC. 2019
A. Equity		
I. Subscribed capital	3,462,363.00	3,420,765.00
II. Capital reserve	703,556,595.18	700,000,000.00
III. Accumulated deficit	-29,284,224.89	-974,709.47
	677,734,733.29	**702,446,055.53**
B. Provisions		
1. Tax provisions	0.00	105.00
2. Other provisions	1,608,190.97	650,600.00
	1,608,190.97	**650,705.00**
C. Liabilities		
1. Convertible loans	271,155,555.56	0.00
2. Liabilities to banks	0.00	53.11
3. Trade payables	1,005,834.86	160,929.65
4. Liabilities to affiliated companies	31,924,395.48	2,809,197.30
5. Other liabilities	31,789,449.64	46,063.54
– thereof for taxes: EUR 1,218,999.05 (PY: EUR 35,006.78) –		
	335,875,235.54	**3,016,243.60**
	1,015,218,159.80	**706,113,004.13**

03

Income Statement

for the period

1 JANUARY - 31 DECEMBER 2020

In EUR

	2020		2019	
1. Revenue		1,049,281.00		907,607.00
2. Other operating income		154,728.58		27,613.58
3. Personnel expenses				
a. Wages and salaries	-930,559.04		-945,567.63	
b. Social security	-59,897.38	-990,456.42	-14,863.35	-960,430.98
4. Other operating expenses		-4,416,478.10		-946,275.46
5. Interest and similar expenses		-24,094,456.98		-3,466.64
6. Income taxes		-12,133.50		0.00
7. Earnings after taxes		**-28,309,515.42**		**-974,952.50**
8. Net loss for the year		**-28,309,515.42**		**-974,952.50**
9. Accumulated deficit (PY: retained earnings) brought forward		-974,709.47		243.03
10. Accumulated deficit		**-29,284,224.89**		**-974,709.47**

04

Notes to the Annual Financial Statements

for the financial year

1 JANUARY - 31 DECEMBER 2020

a. General information

The annual financial statements of AUTO1 Group SE, Munich were prepared in Euro on the basis of the accounting regulations for annual financial statements 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 meets the criteria of 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. After fulfilling the requirements of Section 264d HGB the company has become a big corporation in 2021 according to Section 267 (3) sentence 2 HGB.

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 (Munich District Court) under HRB no. 241031. The AUTO1 Group SE is the ultimate parent of AUTO1 Group and prepares its consolidated financial statements. These statements are published in the Federal Gazette.

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 seq. 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 recognized at the lower of nominal value and fair value.

Cash and cash equivalents are recognized at nominal value.

Prepaid expenses are recognized for payments made before the reporting date that represent expenses for a certain period after that date. Prepaid expenses also include the difference between the settlement amount and the issue amount of the convertible loan issued.

The subscribed capital is reported at nominal value.

The capital reserves include premiums as defined by Section 272 (2) no. 1 HGB in the amount of EUR 700,000,000.00 as well as premiums as defined by Section 272 (2) No. 2 HGB in the amount of EUR 3,556,595.18.

Tax provisions and other provisions take into account all expected losses and uncertain liabilities. They are recognised at the settlement amount (i.e. including future cost and price increases) deemed necessary based on prudent commercial judgement.

Liabilities are recognized at their settlement amounts. In cases where the settlement amount of a liability is higher than the issue amount, the difference is capitalised in prepaid expenses and amortised on a straight-line basis over the term of the liability.

c. Explanatory notes to the balance sheet

1. The movements in fixed assets are presented in the statement of movements in fixed assets (appendix to the notes).

2. Receivables from affiliated companies (as in the prior year) are due solely to other receivables and have an expected remaining term of more than one year (PY: up to one year). As in the prior year, other assets have a remaining term of up to one year.

3. The Company's equity and its individual components developed as follows in the past financial year:

In KEUR

	Share Capital	Capital Reserves	Revenue Reserve	Net Loss	Equity
As at 1. Jan. 2020	3,421	700,000		-975	702,446
Net loss for the period				-28,309	-28,309
Capital increase	41				41
Allocation to the capital reserve (Conversion option)		3,556			3,556
As at 31. Dec. 2020	3,462	703,556		-29,284	677,734

4. The Company's share capital of EUR 3,462,363.00 is divided into 3,462,363 no-par shares with a notional value of EUR 1.00 per share.

5. Capital reserves as of 31 December 2020 amounted to EUR 703,556,595.18.

   In the first quarter of 2020, AUTO1 Group SE as borrower entered into a convertible loan agreement for a total of KEUR 255,000 that is subordinated to certain liabilities. The loan is repayable early upon the occurrence of certain events prior to the final maturity date (13 February 2025). In the event of an IPO, the loan is convertible into ordinary shares of AUTO1 Group SE at the request of the lenders or AUTO1 Group SE. If lenders wish to sell shares from the conversion at the IPO, AUTO1 Group SE may insofar decide to continue the loan beyond the IPO instead of a conversion. The convertible loan contains several embedded derivatives in the form of a conversion option and early repayment options. The financial indicators of the conversion option depend on the conversion date and outcome of certain events and are linked to the IPO placement price. The possibility for early repayment on the part of AUTO1 Group SE or for the lenders to terminate the loan prematurely exists in particular in the event of a change of control (excl. IPO) subject to the payment of a contractually fixed compensation for early repayment.

   The conversion option included in the convertible loan with a fair value of KEUR 3,556 at the time of issue was recognized in the capital reserve upon issue in accordance with Section 272 (2) no. 2 HGB.

   In accordance with Section 253 (1) sentence 2 HGB, the convertible loan itself was recognized as a liability at the settlement amount under the balance sheet item convertible loan.

   From AUTO1's perspective at the time of issue, the embedded right to terminate the loan agreement in the event of a change of control has a negative value of KEUR 30,570 and is thus recognised as a liability under other liabilities. On 30 September 2020, the right to terminate in the event of a change of control had only a marginal value, as the probability of a change of control has decreased noticeably. Accordingly, it was not necessary to recognise an additional provision for onerous contracts.

   The difference between the original total amount of the loan of KEUR 255,000 and the total of the conversion option, the termination right to be recognized as a liability, and the loan liability to be recognized at the settlement amount is a debt discount of KEUR 34,127, which is recognized as prepaid expenses and reversed on a straight-line basis over the term of the convertible loan. As at 31 December 2020, a reversal of the debt discount in the amount of KEUR 5,593 (interest and similar expenses) was recognized through profit or loss.

   The conversion option and termination right were measured using an option pricing model. In particular, the measurement was performed using binomial trees for AUTO1's share price and the refinancing rate to determine a fair value of the conversion option and the right of termination. The option pricing model uses several inputs. These include AUTO1's refinancing rate, the probability of an IPO or change of control, the enterprise value and the volatility of equity.

The transaction costs associated with the issue of the convertible loan in the amount of KEUR 3,007 were recognised in profit or loss as incurred. Of this amount, KEUR 2,068 is recognised as interest and similar expenses and KEUR 939 as other operating expenses.

6. The other provisions relate exclusively to outstanding invoices and supervisory board compensation.

7. As in the prior year, the liabilities to affiliated companies relate exclusively to other liabilities.

8. As in the prior year, all liabilities have a remaining term of up to one year.

d. Other Disclosures

1. The average number of employees in the financial year was 0.

2. AUTO1 Group SE has committed itself to an affiliated company to be liable for all obligations of the affiliated company existing on 31 December 2020 in the following financial year. AUTO1 Group SE assesses the risk of possible claims as not likely due to the financial resources of the affiliated company.

3. The AUTO1 Group has launched several incentive programs for employees. In referring to the BFH judgement of March 15, 2017 I R 11/15, these have not been recognized in prior years' annual financial statements. This states that it is not permitted to recognize provisions for incentive programs (in the form of cash compensation) before the exercise event occurs.

   The IPO was included as an exit event in side letter agreements. Accordingly, there is also the option to pay the incentive programs in shares. Preparations for an IPO were started in September 2020. As part of the IPO, AUTO1 Group SE intends to pay the obligations arising from the incentive programs in new shares. There is no balance sheet recognition of the incentive programs before exercise using the discretion given by potential interpretation for financial reporting under HGB.

   The programs were established to continue to provide incentives for the Company's key employees to participate. Through these programs, relevant employees participate in the event of a defined exit event where certain conditions arise. At the balance sheet date, the fair value of the resulting obligations from the incentive programs measured in accordance with IFRS 2 (presented in equity under IFRSs, classification as equity-settled program) amounts to KEUR 103,063. In the event of an IPO exit event, these will most likely be settled in shares in AUTO1 Group SE. Employee incentive plans are measured in accordance with IFRS 2 at the fair value of the vested entitlements, based on a company valuation as at the reporting date and the applicable issue prices.

Berlin, 13. April 2021
AUTO1 Group SE

Christian Bertermann
CEO & FOUNDER

Markus Boser
CFO

05

Movements in Fixed Assets

during the
2020 FINANCIAL YEAR

In EUR

Cost	1. JAN. 2020	Additions	31. DEC. 2020
Financial assets			
Shares in affiliated companies	700,000,000.00	234,508,594.00	934,508,594.00

In EUR

Accumulated Amortization	1. JAN. 2020	Depreciation during the financial year	31. DEC. 2020
Financial assets			
Shares in affiliated companies	0.00	0.00	0.00

In EUR

Book Values	31. DEC. 2020	31. DEC. 2019
Financial assets		
Shares in affiliated companies	934,508,594.00	700,000,000.00

Responsibility Statement

We hereby confirm that, to the best of our knowledge and in accordance with the applicable principles, the single financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the combined management report includes a fair review of the company's business development including its performance and financial position, and also describes significant opportunities and risks relating to the group's anticipated development.

Berlin, 13. April 2021
AUTO1 Group SE

Christian Bertermann
CEO & FOUNDER

Markus Boser
CFO

Reproduction of Independent Auditor's Report

to

AUTO1 GROUP SE, MUNICH

Report on the Audit of the Consolidated Financial Statements and of the combined management report

Opinions

We have audited the annual financial statements of AUTO1 Group SE, Munich, which comprise the balance sheet as at 31 December 2020 and the income statement for the financial year from 1 January to 31 December 2020 and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of AUTO1 Group SE and the Group (combined management report) for the financial year from 1 January to 31 December 2020.

In our opinion, on the basis of the knowledge obtained in the 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 at 31 December 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, in accordance with German legally required accounting principles, and
- the accompanying combined management report as a whole provides an appropriate view of the Company's position. In all material respects, this combined management report is consistent with the annual 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 [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 and of the combined management report.

Basis for the Opinions

We conducted our audit of the annual financial statements and of the combined management report in accordance with Section 317 HGB and 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 and of the Combined Management Report" 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the combined management report.

Responsibilities of Management and the Supervisory Board for the Annual Financial Statements and the Combined Management Report

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.

Furthermore, management is responsible for the preparation of the combined management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual 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 combined 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 combined management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Combined Management Report

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, and whether the combined management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual 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 annual financial statements and on the combined 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 annual financial statements and this combined 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 annual financial statements and of the combined 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 annual financial statements and of arrangements and measures (systems) relevant to the audit of the combined 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 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 and in the combined 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 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.
- Evaluate the consistency of the combined management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by management in the combined 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.

Other Legal and Regulatory Requirements

Report on Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of the Annual Financial Statements and the Combined Management Report Prepared for Publication Purposes

We have performed assurance work in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the annual financial statements and the combined management report (hereinafter the "ESEF documents") contained in the file that can be downloaded by the issuer from the electronic client portal with access protection „AUTO1 Group SE_Einzelabschluss 2020.xhtml" (SHA256-Hashwert: 9c2c27916d27e7cb1a-0b891e2b1de0663cafa0a6def063a3d8532afc0c68d37a) prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format („ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the annual financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the annual financial statements and the combined management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying annual financial statements and the accompanying combined management report for the financial year from 1 January to 31 December 2020 contained in the „Report on the Audit of the Annual Financial Statements and of the Combined Management Report" above.

We conducted our assurance work of the reproduction of the annual financial statements and the combined management report contained in the above-mentioned electronic file in accordance with Section 317 (3b) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's management is responsible for the preparation of the ESEF documents including the electronic reproduction of the annual financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB.

In addition, the Company's management is responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Company's management is also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited annual financial statements and audited combined management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assessment of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited annual financial statements and the audited combined management report.

Berlin,13 April 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Sternberg	**Proplesch**
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

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