Consolidated statement of financial position as at 31 December 2019

Assets

KEUR	**Note**	**31 Dec. 2019**	**31 Dec. 2018** *Restated*	**1 Jan. 2018** *Restated*
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**

Consolidated statement of financial position at 31 December 2019 (continued)

Equity and liabilities				
KEUR	**Note**	**31 Dec. 2019**	**31 Dec. 2018** *Restated*	**1 Jan. 2018** *Restated*
Subscribed capital	7	3,421	3,421	3,122
Capital reserve	7	587,135	587,135	373,731
Other equity reserve	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 obligation (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**
Amortization and depreciation	6.1 6.2	20,621	14,952
Financial result	5.6	5,710	3,109
Income taxes	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
Ohter 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/(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							
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 for the year	**-**	**-**	**-**	**(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**

Consolidated statement of changes in equity (continued)

KEUR	Subscribed capital	Capital reserve	Other reserves: Other equity reserves	Other reserves: Currency translation reserve	Retained earnings	Total	Total equity
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 for the year				**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 vehicle 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 vehicles 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 controlled by AUTO1 Group GmbH, registered in the commercial register of the Berlin-Charlottenburg District Court under HR number 143662 B and had their registered office at Bergmannstrasse 72, 10961 Berlin, Germany. Since the operation in its entirety was contributed to the new parent AUTO1 SE, the transfer is recorded according to IFRS principles as a capital reorganisation rather than a business combination, with the book value method being applied to the operation 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.

The following judgements for the application of accounting policies have the most significant effects on the amounts stated in the consolidated financial statements.

- 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 carryforwards 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 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 the separate 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 marginal and consist of 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 costs, 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 vehicles 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 vehicles. Inventories are stated at the lower of cost or net realisable value. The cost for the vehicle inventory is determined by specific identification. Net realisable value is the estimated selling price less costs to complete, dispose and transport vehicles. Selling prices are derived from historical data and trends, such as sales price and inventory turnaround time of similar vehicles, as well as independent market sources. Each reporting period the Group recognises all necessary adjustments to present the vehicle inventory at the lower of cost or net realisable value in cost of sales. If there are significant changes to the estimated vehicle selling prices or the demand for used vehicles 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 bank balances and cash holdings. 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 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 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.

Vehicle sales to dealers
The Group sells used vehicles 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 vehicles are not subject to the right of return.

Vehicles 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 vehicle, due to short delivery times, the revenue for the delivery performance obligation is recognised when the dealer receives the vehicle 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 vehicles to dealers except that sellers are commercial vehicle companies (B2B) and not individual sellers (C2B). Under this business model AUTO1 is exposed to inventory risk only if the sale fails despite 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 vehicles, 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 vehicle to end customers.

Vehicle sales to individual customers
The Group also sells vehicles to individual customers. The revenue is recognised at a point in time when the vehicle is transferred to the customer. Vehicles 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 carryforwards. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for temporary differences and tax loss carryforwards to the extent to which it is probable that sufficient future taxable income will be available against which deductible temporary differences and/or loss carryforwards 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 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**
Trade payables	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 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*
Dealer platform	3,394,550	2,820,360
Retail business	81,412	31,997
Total revenue	**3,475,962**	**2,852,357**

Revenues from the dealer platform mainly comprise core business sales revenues, but also include fees from remarketing, logistics and all other fees in connection with providing the vehicles to dealers.

Revenues from the retail business consist of vehicle 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 purchased vehicles	(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 vehicle 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 Finance income and 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 income/costs	**(5,710)**	**(3,109)**

The interest expenses mainly consist of accrued interest from the credit facility and lease liabilities. The finance income relates to accrued interest from the lending to AUTO1 FT GmbH and to interest for late VAT refunds.

5.7 Income taxes

Income tax expense charged to the statement of profit or loss

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 carryforwards	(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 vehicles presented as right-of-use assets. Further information regarding leases is presented in Note 6.3.

6.3 Leases

The Group leases property and vehicles. However, vehicle 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 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 carryforwards / 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. 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:

	31 Dec. 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 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 carryforwards that never expire (unlimited tax and interest loss carryforwards):

KEUR	31 Dec. 2019	31 Dec. 2018 *Restated*
Tax loss carryforwards	380,940	308,251
Interest carryforward	12,186	7,662

As at 31 December 2019, no deferred tax liability related to investments in subsidiaries has been recognized, 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 vehicle 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 payment

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 records 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 liability at each reporting date is determined using an option pricing approach by running a Monte Carlo Simulation that takes into account the strike 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 liabilities:

	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 liability 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.

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 regard 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 vehicles	**1,906**	(285)	-	675	**2,296**
Other provisions	**55**	-	-	40	**95**
Total	**2,802**	**(1,126)**	**-**	**1,451**	**3,127**

Provisions for vehicles were mainly formed in connection with warranties, which require group companies to remedy any quality issues of sold vehicles.

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 vehicles 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 translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Other equity reserves

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		118,718		
of which due from shareholders	*Measured at fair value (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 *Restated*	Fair value	Fair value hierarchy
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 income 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 income	**(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 income	**(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 vehicles and the provision of vehicle-related services as part of sales to dealers.

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. Please refer in addition to 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

AUTO1 Group SE, Berlin

Group management report for financial year 2019

I. Group's business model

The AUTO1 Group is one of Europe's leading online automotive marketplaces with its own certified and diversified inventory of used vehicles. The vehicles, mainly purchased from private sellers but also partially from commercial sellers, are sold on to commercial used-car dealers and private customers.

The internet platform "wirkaufendeinauto.de" is used in Germany for the vehicle purchase process for private sellers. The platform "AUTO1.com" is then used to sell these vehicles to commercial dealers and also to purchase vehicles from commercial sellers (remarketing). The foreign business units have their own country-specific online purchasing platforms in the form of technical spin-offs. However, administration of the individual platforms is completely centralised.

The AUTO1 Group offers its dealers and private customers a daily updated range so that each partner can find the right vehicle for their individual needs (at purchasing terms always in line with the market according to the AUTO1 Group's standards).

In the case of commercial used-car dealers, cars are sold in different offer windows in online auctions. There are no minimum purchase volumes/quotas or commission fees for dealers. In addition to the purchase price of the vehicle, handling costs in the form of various fees and services charges are incurred. In the course of buying a vehicle, the purchasing dealer has the opportunity of obtaining other automotive services from the AUTO1 Group (e.g. logistics services). AUTO1 had business ties to approx. 65,000 business partners/dealers in 2019.

An online car dealership was established under the AUTOHERO brand in 2017, which was rolled out in Spain, the Netherlands and Belgium in 2018 and in France, Italy, Sweden and Austria in 2019. Increased sales and marketing activities are planned for 2020 and the years thereafter to expand AUTOHERO into the leading online used car portal in Europe. AUTOHERO offers a high-quality selection of technically and visually inspected vehicles with warranties at fair prices according to our high standards. The vehicles are delivered with a registration under the purchaser's name and are obtained from the fleet of AUTO1 European Cars B.V., Amsterdam.

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. In terms of VAT, it operates in various countries. The scope of its activities is, however, limited solely to the acquisition and sale of vehicles. The automotive services described above are performed as independent services by other companies in the AUTO1 Group and are charged separately to the dealer.

AUTO1 Group SE was established in 2018 as the holding company of the AUTO1 Group and has been the parent company of the AUTO1 Group since the end of November 2018. The shares in AUTO1 Group GmbH (former ultimate parent company) were contributed to AUTO1 Group SE as part of a cash contribution with a contribution in kind.

According to IFRS, the transaction was treated as a capital reorganisation and not as a business combination. The consolidated financial statements of AUTO1 Group SE for financial year 2018 therefore constituted a continuation of the consolidated financial statements of AUTO1 Group GmbH (predecessor method).

II. Objectives and strategies

The continuous improvement in coordination between the selling and purchasing processes facilitates efficient management of all operating processes and a largely automated selling process.

The AUTO1 Group assumes the role as a manufacturer-independent multi-brand wholesaler for the wholesale used car market and is able to clearly distinguish itself from its competitors in Germany and Europe. The Group's development as an intermediary, operating 'buy-on-demand' and managing need-based purchasing, similar to an online broker, was pursued further in 2019.

Financial year 2020 will be dominated by the expansion of the AUTOHERO brand into the leading online used-car dealership in Europe.

In the 2019 financial year, the AUTO1 Group had a total of 32 companies (including the parent company) in Germany and 28 companies in the rest of Europe.

III. Economic report

A. General economic conditions

The growth momentum of the global economy weakened in financial year 2019. Following growth of 3.6% in calendar year 2018, growth in 2019 declined to 3%. This cooling was not anticipated at the beginning of 2019. A key reason for the decline in growth in 2019 was the trade dispute between the US and China.

While growth in Germany was significantly below the EU average, Poland, Hungary and Romania remained among the countries with the highest growth rates in Europe.

Gross domestic product (GDP) in Germany, increased year on year by 0.6% in 2019. Germany's export-dependent economy suffered from the slowdown in global trade. Industrial production was on the decline, whereas domestic demand remained stable, with private consumption in particular supporting domestic economic development.

It is currently not possible to estimate the impact on the global and European economy of the coronavirus currently spreading in more and more countries, but it could be considerable.

B. Industry environment

2019 was a difficult year for the automotive industry, as cars are increasingly seen as polluters thanks to demonstrations such as Fridays for Future. However, the car is still the number 1 mode of transportation for many people due to the high degree of flexibility it provides.

The volume of the used car market in Europe is higher than the volume of the new car market. In Germany, for example, the ratio of title transfers for used cars to new car registrations was 2.0 in the 2019 financial year. The German used car market experienced severe fluctuations in 2019, which is unusual as the used car market is generally less dependent on external factors, such as economic regulations or political conditions, than the new car market. These fluctuations are largely due to the fact that fewer new cars could be delivered in 2019 as a result of the transition to the WLTP emissions standard (Worldwide Harmonised Light Vehicles Test Procedure) and nearly new used cars were purchased instead.

Taking into account the number of title transfers, the used car market in Germany remained at a high level in 2019. The number of title transfers amounted to approx. 7.2 million (2018: 7.2 million) units, but the growth rates seen in the years 2010 to 2017 were no longer reported. A reason for this is that many new cars were delivered very late in 2018 and 2019 as testing according to the WLTP led to considerable delays and, thus, there were fewer used cars available on the market. Average prices for used cars increased by just under 5.9% to a new record figure of EUR 12,470 (2018: EUR 11,780). Viewed over 10 years, the average price of used cars rose by 42% from EUR 8,790 to EUR 12,470. As in prior years, prices vary considerably according to brand or buyer. First-time buyers paid considerably less than buyers who had already purchased a used car in the past. In terms of used-car purchases, the lowest prices on average equalled EUR 8,530 (2018: EUR 7,730) on the private market and EUR 9,780 (PY: EUR 7,890) at dealerships in 2019, while brand dealers reported the highest prices at EUR 16,470 (2018: EUR 15,610).[1]

C. Business performance

In the presentation of the business performance, a distinction is made between financial and non-financial performance indicators.

1. Financial performance indicators

In order to illustrate business performance, the financial key performance indicators, revenue and gross profit (here revenue minus cost of sales), are explained. These KPIs clearly reflect the Group's continued growth objectives. For the purposes of internal controlling regarding development of cost-efficiency potentials, the net income/loss for the year will be used as a performance indicator.

The AUTO1 Group generated revenue of EUR 3,476 million in financial year 2019 (2018 adjusted: EUR 2,852 million). Besides pure vehicle purchases and sales, revenue/cost of sales also reflect purchase-related services (such as transport income or costs). Revenue growth was mainly due to the increase in volume in the core business in the area of vehicle sales. Thus, target revenue was largely achieved.

The cost of sales equalled EUR 3,133 million in 2019 (2018: EUR 2,610 million) and therefore the cost of sales ratio was 90.2% in the financial year under review (2018: 91.5%). Gross profit thus equalled EUR 342.6 million, which is equivalent to 9.9% of revenue (2018 adjusted: EUR 242.4 million and 8.5%). The rise in the gross profit margin was firstly due to the fact that the margins improved overall in financial year 2019 due to better pricing in procurement and sales and secondly due to the sales in the core business at the end of financial year 2018. In this regard, vehicles that had been held in stock for a very long time were sold at higher discounts, which had a negative impact on the margin in 2018.

The Group generated a net loss (consolidated loss) of KEUR 121,265 (2018 adjusted: KEUR 125,650) in the 2019 financial year. The decline in the net loss was largely due to the rise in gross profit. This was partially offset by the rise in expenses from share-based payment (KEUR 36,946; PY: KEUR 10,841).

As in the past, we will focus on our growth target over the next few years, despite the current coronavirus crisis. This is to be seen in particular in the expansion of the purchasing network, i.e. of locations and other procurement channels through which potential suppliers can have their vehicles valued and sold.

[1] See DAT Report 2019.

2. Non-financial performance indicators

Besides financial performance indicators, the AUTO1 Group also uses non-financial performance indicators to manage the business. The non-financial indicators are the number of employees and the number of vehicles purchased and sold.

Average headcount at the AUTO1 Group increased from 3,546 in 2018 to 4,418 in the 2019 financial year. Major determinants here were the Group's revenue growth and the further penetration and stabilisation of foreign markets in particular in Southeastern Europe, the Baltics and Denmark. As a professional service provider, the Group regularly hosts internal training sessions in the various departments to ensure the timeliness of company and industry-related expertise and promote staff's skills and education. This strategy meant the targeted objectives for staff expansion were mainly achieved.

The number of cars bought and sold by the AUTO1 Group in the year under review and the prior year is presented here in a table.

	2019	2018
Purchased cars	618,437	535,153
Sold cars	619,844	540,480

D. Group's position

1. Financial performance

The AUTO1 Group reported a consolidated loss of KEUR 121,265 in 2019 (2018 adjusted: KEUR 125,650). The AUTO1 Group thus finished the 2019 financial year with a consolidated net loss.

Revenue increased by 21.9% (i.e. by KEUR 623,605) to KEUR 3,475,962. This increase was driven by growth in the established core markets as well as renewed strong growth in the Southeastern European markets and in Sweden. The number of vehicles sold rose by 79,364 (14.7%) to 619,844 in total. The Group generated revenue of KEUR 3,394,550 (2018 adjusted: KEUR 2,820,360) via the trading platform and KEUR 81,412 (2018: KEUR 31,997) from the retail business.

The cost of sales rose by 20.1% or KEUR 523,502 to KEUR 3,133,428. As in the prior year, external transport costs (costs for transport to customers) are shown as expenses for purchased services. The same applies to registrations/deregistrations and other services in connection with operational handling of vehicle purchases and sales. More precise measurement of the inventories led to a decrease in write-downs by KEUR 5,512 to KEUR 8,202, which is also reflected in the cost of sales.

Consequently, gross profit increased significantly by KEUR 100,103 in 2019.

Due to the employment of new staff at the headquarters in Berlin and in the individual countries as well as the rise in share-based payments of KEUR 36,945, personnel expenses rose by 41.2% (from KEUR 162,123 to KEUR 228,846). An average of 4,418 (2018: 3,546) people were employed by the Group during the year under review. The significant rise in share-based payment over the prior year is due to the fact that a higher enterprise value was used as the basis for the calculation than in the prior year.

Other operating expenses increased by 12.6% or KEUR 24,437 in total over the prior year to KEUR 218,072. This increase is mainly due to the rise in marketing and internal logistics expenses by

KEUR 36,887 to KEUR 167,678. This is in contrast to the other operating expenses, where it was possible to reduce costs compared to the prior year.

2. Financial position and liquidity

The AUTO1 Group reported KEUR -138,369 (2018: KEUR -69,607) in cash flows from operating activities in 2019. The most significant influencing factor is the consolidated net loss of KEUR -121,265 and the increase in inventories by KEUR 39,811.

In light of the investments made in property, plant and equipment, cash flows from investing activities total KEUR -3,254 (2018: KEUR -7,870) in 2019. These investments contrast with income totalling KEUR 308 from the sale of property, plant and equipment.

The positive cash flows from financing activities amounted to KEUR 82,709 (2018: KEUR 141,503) in the financial year under review. This was due to the year-on-year increase in the credit line of KEUR 101,000, while the repayment of lease liabilities totalling KEUR 18,291 had an opposing effect.

The Group was able to meet its payment obligations to third parties at all times, taking into account the payments into equity and the borrowed capital.

Cash and cash equivalents equalled KEUR 57,599 (2018: KEUR 116,513) at year-end, a decline of KEUR 58,914 over the prior year.

3. Assets and liabilities

Fixed assets rose by KEUR 8,398 to KEUR 55,069, particularly due to investments in the establishment of other locations as well as rent increases which were recognised as assets pursuant to IFRS 16.

Other non-current financial assets increased from KEUR 79,999 to KEUR 108,500 as at 31 December 2019, largely as a result of higher receivables from shareholders associated with share-based payments. The receivables correspond to the obligations from share-based payments.

Inventories increased by KEUR 39,811 to KEUR 248,115. For inventories of KEUR 33,301 there are contract liabilities of KEUR 37,094 due to IFRS 15, as the auctions for this fleet of vehicles have already been successfully carried out (and recognised accordingly as trade receivables), but revenue cannot yet be recognised for them pursuant to IFRS 15. The increase in inventories resulted firstly from the overall growth in business and secondly due to the increase in the credit line in the first half of financial year 2019, which allowed the AUTO1 Group to acquire more vehicles and keep them as inventories. Furthermore, it was possible to shorten the downtimes of the vehicles through quicker sales, which led to higher inventory turnover.

Other assets primarily relate to VAT receivables.

The equity ratio equalled 25.3% (2018 adjusted: 44.3%) at the end of the reporting period.

Under liabilities to banks, a facility agreement with six banks for a credit line of EUR 235 million was reported. By agreement dated 3 April 2019, the term was extended by 3 years. The credit facility is subject to a Libor-based interest rate. KEUR 171,000 was drawn down at year-end. The credit facility is fully secured and serves to ensure the Company's liquidity.

Short-term liabilities consist of trade payables primarily attributable to vehicle purchases and contract liabilities recognised in accordance with IFRS 15.

Other liabilities mainly relate to taxes and to liabilities for social security.

4. Overall assessment

AUTO1 Group's economic situation is largely driven by the Group's strong growth in both Germany and other countries in Europe. The Company was largely able to meet its expectations in terms of revenue and gross profit so that overall development during the 2019 financial year can be described as positive.

Forecast, opportunities and risks

A. Risk report and risk management system

1. Materials risks that in total could significantly impact the assets, liabilities, financial position and financial performance and performance indicators described

Market risks

The basis for assessing risks in car trade continues to be the development of domestic demand in the respective countries. In the Group, this is currently still directly linked to Europe's economic development. Car purchases are determined by the end customer's willingness to consume. Uncertainty regarding future consumption is particularly attributable to the fact that the future impact of the coronavirus crisis is currently not foreseeable (see our comments below on coronavirus (SARS-CoV-2)).

Industry-specific risks

A key risk factor in car trade involves the sustainable management of used car inventories in terms of composition (make/price) and age.

In this regard, for example, we leverage the benefits of a centrally managed purchasing platform that enables the dealer (customer) to access all vehicles in stock in real time, making Europe-wide purchasing possible. This allows us to present each dealer with a broad range of used cars, without national or international barriers. An established logistics concept rolled out across Europe and tailored for service structure and quality further complements the function as a European online hub.

At an operational level, the inventory risk is mitigated by daily monitoring and recurring and persistent inventory streamlining measures ("slow-movers"); the limit for the categorisation as "old stock" is considerably more aggressive than the industry standard. Considered in terms of accounting aspects, AUTO1 recognises appropriate impairment losses on inventories. The inventory risk is an inherent risk of our business model and the used car market and it cannot ever be fully eliminated. The default risk of receivables from customers, which can negatively impact net income, is countered by way of a strict dealer selection process and by appropriate unambiguous precautions in the general terms and conditions for remarketing, e.g. no cars being delivered to dealers who have not paid in advance.

Overall, the AUTO1 Group manages the risks in such a manner that any negative developments affecting gross profit are estimated as being low or sufficiently calculable.

Coronavirus (SARS-CoV-2)

The novel coronavirus (SARS-CoV-2) that emerged at the end of 2019 is spreading in many countries. According to the German federal government and the Robert Koch Institute, the virus is expected to spread around the world. An increasing number of cases are being reported in Germany. This development has an economic impact on companies, e.g. due to the restrictions on production and trade or due to travel restrictions. The crisis triggered by the coronavirus may have a significant negative impact on the development of our key performance indicators in 2020.

2. Risks of minor significance

Logistics risks

The logistics processes depend heavily on coordinating IT systems, the logistics team and communication with the logistics partners. Strong growth in business volume therefore requires the constant expansion and continuous optimisation of these processes. Inefficient processes, inaccurate 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. Due to the AUTO1 Group's market volume, the probability of occurrence is rated 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 centres. Platform operation is continuously monitored in order to quickly take appropriate action if there are any disturbances. Furthermore, extensive, multi-level backup of the systems as well as personalised, role-based access help protect against unauthorised access and attacks. Especially the user administration process, in terms of documenting new hires and exits, is being continuously improved.

The Group's significant growth requires the constant expansion of its IT systems in order to cope with rising complexity and size. To this end, additional cloud services from established providers are being used in order to be able to use the necessary scalability at all times.

The requirements of the General Data Protection Regulation (GDPR) also necessitate appropriate adjustments to the IT systems, which were updated in 2019. Non-compliance with the GDPR can lead to high penalties.

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 and impact of IT risks is rated as low, taking into account the measures described above.

Financial risks

The Group has detailed liquidity planning that is regularly subject to target/actual comparisons. Besides own earnings, the Parent Company is financed by way of further utilisation of loans, which are rated as sufficient based on current liquidity planning.

Loans are 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 therefore the significance is considered low.

The financing of the subsidiaries is heavily influenced by their integration into the Parent Company's group of companies. 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 57,599 in funds. In addition, there is leeway on the credit facility of KEUR 64,000 described above, which was not fully drawn down as of the reporting date. The successful issue of a convertible bond currently totalling EUR 205 million in March 2020 provides the financial scope to further expand on the AUTO1 Group's growth trajectory.

3. Financial instrument risks

No derivative financial instruments were used in 2019. All other financial instruments are assumed to be of high credit quality and material impairment losses are not expected.

4. 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 in good time and thus avoid or mitigate potential risks. With regard to the impact of the novel coronavirus, 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.

B. Opportunities

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

Overall trend of business

The European economy reported steady growth in the past few years. Growth in Europe contributes significantly to the increase in global economic performance. AUTO1 largely uses the growing market of Eastern Europe for sales activities. The extent to which the US government's planned protective trade tariffs will have a negative impact on AUTO1's European business cannot be adequately quantified. The probability of occurrence is considered medium and the risk low.

Used car market

Steady figures are expected for the transfer of car titles, and thus also for the turnover of used cars, in 2020. Furthermore, already developed business models were further expanded to make it even easier for car dealers to acquire and sell vehicles across Europe at market prices directly from AUTO1. With the intensified expansion of the AUTOHERO division, private customers have the opportunity to buy a wide, high-quality selection of used cars with a guarantee easily online. The probability of occurrence and its significance is considered medium.

Scalability

AUTO1 was active in over 20 countries with its staff in 2019. An extension of the business to other countries and products is generally possible relatively quickly, as shown by the high growth figures for the expansion of the AUTOHERO business, for example. The established technology platform is very stable, secure and scalable. AUTO1 regularly uses its in-house developed software to optimise 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 centres, expanding the dealer network and rolling out new products, such as dealer financing, insurance and retail business will not require high IT infrastructure expenses due to central technical support. This means the company can generally generate more sales without incurring corresponding expenses to the same extent. This scalability will enable us to continue to tap existing and new markets in the future. The probability of occurrence and its significance is considered high.

Personnel

AUTO1's successful growth is based on the skills and motivation of our employees. Growth of our core business, the development of new business segments such as AUTOHERO and rapid international expansion mean AUTO1 is regularly required to reinforce its successful team. Recruiting is therefore becoming an increasingly key component of HR's work. Recruiting highly qualified employees in particular helps to raise efficiency and push innovation and creativity, thereby improving revenue and profitability. The significance is considered medium.

C. Forecast

In the reporting year, the growth trajectory of the Group and cost optimisation were the top priorities. We were able and will continue to raise headcount and the number of locations in a purposeful way in line with the AUTO1 Group's needs.

In financial year 2020, our focus was on cost optimisation for all business operations conducted via the platform wirkaufendeinauto.de to ensure that the core brand continues to generate profitable results. In addition, a key focus in financial year 2020 is establishing the AUTOHERO brand across Europe and achieving a disproportionate rise in revenue compared to prior years, as well as continuing the strong growth in remarketing seen in 2019. Medium-term planning envisages AUTOHERO becoming Europe's largest online dealer. To this end, large initial investments shall be made particularly in 2020 which are to be financed by taking out a convertible bond in March 2020 in a current amount of EUR 205 million.

The Management Board originally anticipated significant revenue growth in 2020 due to a rise in vehicle purchasing and selling and the expansion of the AUTOHERO business, a significant rise in gross profit and a markedly improved, though still negative, consolidated net loss, which is largely due to the Europe-wide roll-out of AUTOHERO. We plan to increase the number of employees and branches significantly.

In light of the continued uncertainty over the duration and intensity of the coronavirus crisis as well as the associated enormous economic restrictions in practically every country in Europe, which does not allow us to make a reliable estimate of all the effects on AUTO1's expected business development, we anticipate a significant negative impact on the development of the KPIs, such as revenue and gross profit, in 2020. Similarly, we also expect this to have an impact on the non-financial performance indicators. Due to the high level of uncertainty over future developments, in particular with regard to the timeframe, it is however not yet possible to quantify this impact.

Berlin, 27 March 2020

AUTO1 Group SE

Hakan Koç	Christian Bertermann	Markus Boser
Co-CEO	Co-CEO	CFO